



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

(Together with the consolidated financial statements and management report of Ence Energía y Celulosa, S.A. and subsidiaries for the year ended 31 December 2025)

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



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

Independent Auditor's Report on the Consolidated Financial Statements

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

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Ence Energía y Celulosa, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Recoverability of intangible assets and property, plant and equipment

See notes 3.1, 3.2, 3.3, 3.5, 4, 15, 16 and 19 to the consolidated financial statements

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>The Group has recognised intangible assets and property, plant and equipment totalling Euros 1,080 million at 31 December 2025, allocated to the corresponding cash-generating units (CGUs).</p> <p>Under IFRS-EU, the recoverable amount of assets must be estimated when indications of impairment have been identified. Moreover, goodwill is not amortised, but is instead tested for impairment at least on an annual basis.</p> <p>In 2025, the Group conducted analysis and concluded that there are no indications of impairment in its pulp and energy CGUs or indications that previously recognised impairment should be reversed, and therefore no impairment tests have been performed on these assets except for the biomethane CGU, which has Euros 4.8 million of goodwill allocated.</p> <p>To estimate the recoverable amount of the biomethane CGU, the Group uses discounted cash flow valuation techniques and market comparables that require management and the Directors to exercise judgement and make assumptions and estimates.</p> <p>Due to the high level of judgement and subjectivity in determining whether there are indications of impairment or reversals, the uncertainty associated with these evaluations and estimates and the significance of the carrying amount of the assets mentioned, this has been considered a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Understanding the Group's processes for assessing and identifying indications of impairment, as well as evaluating the design and implementation of the key controls of that process. • Obtaining the supporting documentation for the impairment analysis carried out by the Company, as well as assessing the reasonableness of the conclusions reached by management. • Evaluating the reasonableness of the methodology and assumptions used by the Group when estimating the recoverable amount of the biomethane CGU, with the involvement of our valuation specialists. Moreover, we assessed the sensitivity of the recoverable amount to changes in the key assumptions, in order to determine their potential impact on the valuation. • Assessing whether the disclosures in the consolidated financial statements meet the requirements of the financial reporting framework applicable to the Group. |

Measurement of biological assets

See notes 3.4, 3.5, 4 and 18 to the consolidated financial statements

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <p>At 31 December 2025, the Group has recognised biological assets of Euros 65 million under biological assets in the consolidated statement of financial position. These consist of forest species, mainly eucalyptus, which is used as raw material for pulp production and for its sale to third parties.</p> <p>As mentioned in note 3.4 to the consolidated financial statements, the Group measures its biological assets at purchase price or cost of production, less depletion of forest areas and impairment losses.</p> <p>The Group has developed a pricing model for its forestry assets based on discounted expected future cash flows. The key assumptions are detailed in note 3.4 to the notes to the consolidated financial statements and the consistent application of this model over time enables value ranges and trends to be identified, which are considered when assessing the existence of potential impairment of biological assets.</p> <p>Due to the high degree of judgement associated with these estimates, this has been considered a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We have assessed the design and implementation of the key controls related to the process of estimating the value of biological assets. • In connection with the pricing model, we have considered the reasonableness of the methodology used by management and assessed whether future cash flow projections are consistent with the cutting periods of the biological assets based on their age and expected growth. • We have assessed the key assumptions related to the projected cash flows, in particular the timber price and the discount rate. • We have checked that the model used is consistent with the model used in prior years. • We also assessed whether the disclosures in the consolidated financial statements meet the requirements of the financial reporting framework applicable to the Group. |

Other Information: Consolidated Management Report

Other information solely comprises the 2025 consolidated management report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the legislation regulating the audit of accounts, as follows:

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

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

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2025, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Plan and execute the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units of the Group as the basis to form an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Ence Energía y Celulosa, S.A. and subsidiaries for 2025 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated financial statements for the aforementioned year and the XBRL files tagged by the Company, which will form part of the annual financial report.

The Directors of Ence Energía y Celulosa, S.A. are responsible for the presentation of the 2025 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the consolidated management report.

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

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

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 24 February 2026.



Contract Period

We were appointed as the Group's auditor by the shareholders at the ordinary general meeting on 3 April 2025 for a period of three years, for the years ended 31 December 2025, 2026 and 2027.

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

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

(Signed on original in Spanish)

This report
corresponds to
stamp number
01/26/00343 issued
by the Spanish
Institute of
Registered Auditors
(ICJCE)

Eduardo González Fernández
On the Spanish Official Register of Auditors ("ROAC") with No. 20435
24 de febrero de 2026



ENCE Energía y Celulosa, S.A. and subsidiaries

Consolidated financial statements and
management report for 2025, along with the
independent auditor's report

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

**Consolidated
statements for 2025**

financial

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2025

| € 000 | Note | 31 Dec. 2025 | 31 Dec. 2024 (*) |
|---|-----------|------------------|------------------|
| NON-CURRENT ASSETS: | | | |
| Intangible assets | 15 | 66,225 | 64,852 |
| Property, plant and equipment | 16 | 1,014,036 | 974,620 |
| Biological assets | 18 | 65,375 | 66,322 |
| Investments accounted for using the equity method | 24 | 96 | 77 |
| Non-current financial assets | | | |
| Hedging derivatives | 24 & 30 | 228 | - |
| Other financial assets | 24 & 27.2 | 24,404 | 50,409 |
| Deferred tax assets | 32 | 79,175 | 61,987 |
| | | 1,249,539 | 1,218,267 |
| CURRENT ASSETS: | | | |
| Inventories | 20 | 92,146 | 94,606 |
| Trade and other receivables | 24 & 25 | 31,368 | 50,884 |
| Other taxes receivable | 32 | 13,934 | 18,555 |
| Income tax receivable | 32 | 3,502 | 6,569 |
| Current financial assets | | | |
| Loans to group companies and related parties | 24 & 34 | 12 | 12 |
| Hedging derivatives | 24 & 30 | 1,567 | - |
| Other financial assets | 24 & 27.2 | 15,932 | 26,526 |
| Cash and cash equivalents | 24 & 27.1 | 227,451 | 263,942 |
| Other current assets | 29 | 1,419 | 3,086 |
| | | 387,331 | 464,180 |
| TOTAL ASSETS | | 1,636,870 | 1,682,447 |
| EQUITY: | | | |
| Share capital | 21.1 | 221,645 | 221,645 |
| Share premium | 21.2 | 170,776 | 170,776 |
| Reserves | 21.3 | 110,019 | 112,895 |
| Interim dividend | 22.2 | - | (33,972) |
| Translation differences | | 7 | 20 |
| Own shares - parent company shares | 21.5 | (12,933) | (12,205) |
| Valuation adjustments | 21.6 | 39,803 | 32,421 |
| Other equity instruments | 21.7 | 2,385 | 2,438 |
| Profit/(loss) for the year attributable to equity holders of the parent | | (54,457) | 31,551 |
| Equity attributable to equity holders of the parent | | 477,245 | 525,569 |
| Non-controlling interests | 21.8 | 89,420 | 97,051 |
| TOTAL EQUITY | | 566,665 | 622,620 |
| NON-CURRENT LIABILITIES: | | | |
| Borrowings | 24 & 28 | 480,568 | 446,441 |
| Derivative financial instruments | 24 & 30 | 1,224 | 4,029 |
| Grants | 23 | 19,192 | 10,535 |
| Non-current provisions | 31 | 37,335 | 29,505 |
| Non-current accruals and deferred income | | 2,753 | 3,087 |
| Other non-current liabilities | 24 & 29 | 65,085 | 92,061 |
| Non-current borrowings from group companies and related parties | 24 & 34 | 29,015 | 29,015 |
| | | 635,172 | 614,673 |
| CURRENT LIABILITIES: | | | |
| Borrowings | 24 & 28 | 138,903 | 162,208 |
| Derivative financial instruments | 24 & 30 | 1,804 | 7,974 |
| Current borrowings from group companies and related parties | 24 & 34 | 2,507 | 876 |
| Trade and other payables | 24 & 26 | 222,921 | 217,854 |
| Income tax payable | 32 | 53 | 26 |
| Other taxes payable | 32 | 12,334 | 14,565 |
| Other current liabilities | 24 & 29 | 4,461 | 8,166 |
| Current provisions | 31 | 52,050 | 33,485 |
| | | 435,033 | 445,154 |
| TOTAL EQUITY AND LIABILITIES | | 1,636,870 | 1,682,447 |

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of financial position at 31 December 2025.

(*) 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
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2025

| € 000 | Note | 2025 | 2024 (*) |
|---|---------|------------------------|------------------------|
| Continuing operations: | | | |
| Revenue | 9 | 747,252 | 870,438 |
| Gains/(losses) on hedging transactions | 30 | 11,328 | (3,407) |
| Changes in inventories of finished goods and work in progress | 20 | (10,226) | 17,078 |
| Self-constructed assets | 16 & 18 | 11,874 | 14,779 |
| Other operating income | 9.1 | 66,890 | 8,829 |
| Grants taken to profit and loss | 23 | 8,684 | 7,988 |
| Operating income | | <u>835,802</u> | <u>915,705</u> |
| Cost of sales | 10 | (404,063) | (425,203) |
| Employee benefits expense | 11 | (136,596) | (113,098) |
| Depreciation and amortisation charges | 15 & 16 | (82,777) | (90,798) |
| Depletion of forest reserve | 18 | (7,340) | (9,725) |
| Impairment of and gains/(losses) on disposal of fixed assets | 19 | 776 | (7) |
| Impairment of financial assets | 25 | (920) | (963) |
| Other operating expenses | 12 | (241,808) | (212,590) |
| Operating expenses | | <u>(872,728)</u> | <u>(852,384)</u> |
| OPERATING PROFIT/(LOSS) | | <u>(36,926)</u> | <u>63,321</u> |
| Finance income | | | |
| From marketable securities and other financial instruments | | | |
| Group companies and associates | 13 | - | 63 |
| Third parties | 13 | 12,521 | 10,770 |
| Other finance income | 13 | 22 | 17 |
| Finance costs | | | |
| Borrowings from group companies and associates | 13 | (1,630) | (1,024) |
| Third-party borrowings | 13 | (43,562) | (41,276) |
| Unwinding of discount | 13 | (726) | (969) |
| Change in fair value of financial instruments | 4 & 27 | (6,700) | 355 |
| Exchange differences | | (3,707) | 1,243 |
| Impairment of and gains/(losses) on disposal of financial instruments | | (1,214) | (163) |
| NET FINANCE COST | | <u>(44,996)</u> | <u>(30,984)</u> |
| Share of profit/(loss) of entities accounted for using the equity method | | 4 | 13 |
| PROFIT/(LOSS) BEFORE TAX | | <u>(81,918)</u> | <u>32,350</u> |
| Income tax | 32 | 19,416 | (12,230) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | | <u>(62,502)</u> | <u>20,120</u> |
| CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (**) | | <u>(62,502)</u> | <u>20,120</u> |
| Profit/(loss) for the year attributable to non-controlling interests | 21.8 | (8,045) | (11,431) |
| PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (**) | | <u>(54,457)</u> | <u>31,551</u> |
| Earnings/(loss) per share attributable to owners of the parent | | | €/share |
| Basic | 14 | (0.22) | 0.13 |
| Diluted | 14 | (0.22) | 0.13 |

The accompanying notes 1 to 36 and Appendices are an integral part of the 2025 consolidated statement of profit or loss.

(*) The consolidated statement of profit or loss for the year ended 31 December 2024 is presented exclusively for comparative purposes.

(**) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

| € 000 | Note | 2025 | 2024 (*) |
|--|------|-----------------|-----------------|
| CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (***) | | (62,502) | 20,120 |
| Profit/(loss) recognised directly in consolidated equity | | | |
| - Cash flow hedges (**) | | 1,246 | (12,103) |
| - Translation differences (**) | | (13) | 7 |
| - Tax effect | | (312) | 3,026 |
| TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY | 21 | 921 | (9,070) |
| Expense/(income) reclassified to profit or loss | | | |
| - Cash flow hedges (**) | | 9,736 | (2,010) |
| - Tax effect | | (2,433) | 502 |
| TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS | 21 | 7,303 | (1,508) |
| TOTAL COMPREHENSIVE INCOME | | (54,278) | 9,542 |
| Attributable to: | | | |
| Equity holders of the parent | | (47,088) | 23,228 |
| Non-controlling interests | | (7,190) | (13,686) |

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2025.

(*) The consolidated statement of comprehensive income for the year ended 31 December 2024 is presented exclusively for comparative purposes.

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

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

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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 Dec. 2023 | 221,645 | (12,980) | 170,776 | 137,249 | - | (24,720) | 13 | 40,751 | 1,328 | 534,062 | 115,527 | 649,589 |
| Total recognised income/(expense) | - | - | - | - | - | 31,551 | 7 | (8,330) | - | 23,228 | (13,686) | 9,542 |
| Appropriation of prior-year profit/(loss) | - | - | - | (24,720) | - | 24,720 | - | - | - | - | - | - |
| Dividends distributed | - | - | - | - | (33,972) | - | - | - | - | (33,972) | (225) | (34,197) |
| Own share transactions | - | 775 | - | 169 | - | - | - | - | - | 944 | - | 944 |
| Non-controlling interests, transfers and other movements | - | - | - | 197 | - | - | - | - | 1,110 | 1,307 | (4,565) | (3,258) |
| Balance at 31 Dec. 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) | - | - | - | - | - | (54,457) | (13) | 7,382 | - | (47,088) | (7,190) | (54,278) |
| Appropriation of prior-year profit/(loss) | - | - | - | (2,421) | 33,972 | (31,551) | - | - | - | - | - | - |
| Own share transactions | - | (728) | - | (455) | - | - | - | - | - | (1,183) | - | (1,183) |
| Non-controlling interests, transfers and other movements | - | - | - | - | - | - | - | - | (53) | (53) | (441) | (494) |
| Balance at 31 Dec. 2025 | 221,645 | (12,933) | 170,776 | 110,019 | - | (54,457) | 7 | 39,803 | 2,385 | 477,245 | 89,420 | 566,665 |

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2025.

(*) The consolidated statement of changes in equity for the year ended 31 December 2024 is presented exclusively for comparative purposes.

(**) Includes: the legal reserve; cancelled capital reserve; capitalisation reserve; voluntary reserves; retained earnings (prior-year losses); and reserves in consolidated companies (note 21.3).

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

| € 000 | Note | 2025 | 2024 (*) |
|---|----------|-----------------|------------------|
| OPERATING ACTIVITIES: | | | |
| Profit/(loss) before tax from continuing operations | | (81,918) | 32,350 |
| Adjustments for: | | | |
| Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve) | 15, 16 & | 90,117 | 100,523 |
| Changes in provisions and other deferred expense (net) | | 44,515 | 13,518 |
| Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial assets | 19 | 911 | 178 |
| Adjustments for tariff shortfall/surplus and sector regulations | 9 & 29 | (9,131) | (1,680) |
| Finance income and costs (net) | 13 | 35,142 | 31,728 |
| Change in fair value of financial instruments | 27.2 | 6,700 | (355) |
| Grants taken to profit and loss | 23 | (939) | (1,073) |
| | | 167,315 | 142,839 |
| Working capital changes | | | |
| Inventories | 20 | (10,378) | (29,391) |
| Trade and other receivables | 25 | 27,121 | (32,790) |
| Trade payables, other payables and other liabilities | 26 | (20,296) | (3,865) |
| | | (3,553) | (66,046) |
| Other cash used in operating activities | | | |
| Interest paid (net) | | (35,178) | (33,449) |
| Dividends received | | - | 17 |
| Income tax received/(paid) | 32 | 3,611 | 3,124 |
| Long-term remuneration and other plans | 11.2 | - | (236) |
| | | (31,567) | (30,544) |
| Net cash flows from operating activities | | 50,277 | 78,599 |
| INVESTING ACTIVITIES: | | | |
| Payments for investments: | | | |
| Property, plant and equipment and biological assets | 16 & 18 | (92,583) | (70,887) |
| Intangible assets | 15 | (5,841) | (5,971) |
| Business combination | 6 | (3) | (17,442) |
| Financial assets | | (270) | (12,750) |
| | | (98,697) | (107,050) |
| Proceeds from disposals: | | | |
| Property, plant and equipment | | 156 | - |
| Financial assets | | 11,649 | 2,205 |
| | | 11,805 | 2,205 |
| Net cash flows used in investing activities | | (86,892) | (104,845) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from/(payments for) equity instruments: | | | |
| Transactions with non-controlling interests | | - | (245) |
| Buyback of own equity instruments | 21.5 | (23,525) | (27,736) |
| Disposal of own equity instruments | 21.5 | 22,342 | 28,676 |
| | | (1,183) | 695 |
| Proceeds from/(repayments of) financial liabilities: | | | |
| Borrowings from related parties | 34.2 | - | 24,147 |
| Notes (net of arrangement fees) | 28 | 3,500 | (57,400) |
| Increase/(decrease) in bank borrowings, net of issuance costs | 28 | 9,633 | 35,636 |
| Increase/(decrease) in other borrowings | 28 | (9,044) | (2,176) |
| Payments for right-of-use assets | 17 | (11,588) | (9,050) |
| Grants received, net | 23 | 9,247 | 4,401 |
| | | 1,748 | (4,442) |
| Dividends paid | | | |
| Dividends paid to ENCE shareholders | 22 | - | (33,972) |
| Dividends paid to non-controlling interests | 21.8 | (441) | (5,125) |
| | | (441) | (39,097) |
| Net cash flows from/(used in) financing activities | | 124 | (42,844) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (36,491) | (69,090) |
| Cash and cash equivalents - opening balance | 27.1 | 263,942 | 333,032 |
| Cash and cash equivalents - closing balance | 27.1 | 227,451 | 263,942 |

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of cash flows for the year ended 31 December 2025. (*) The consolidated statement of cash flows for the year ended 31 December 2024 is presented exclusively for comparative purposes.

**Notes to the 2025
consolidated financial
statements**

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ENCE Energía y Celulosa, S.A. and subsidiaries

Notes to the 2025 consolidated financial statements

1. Group activities

Ence Energía y Celulosa, S.A. (hereinafter, the “Company” or the “Parent”) was incorporated in 1968. Its registered office is located at calle Estébanez Calderón, 3-5 in Madrid (Spain). The Parent moved its registered office from Calle Beatriz de Bobadilla, 14 in Madrid (Spain) in 2024. Ence Energía y Celulosa, S.A. formerly went by the name of Empresa Nacional de Celulosas, S.A. until 1999 and Grupo Empresarial ENCE, S.A. until 2012.

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

- a) The manufacture of cellulose pulp and derivatives thereof, the obtainment of the products and other elements necessary to this end and the use of the sub-products of both;
- b) The production by any means, sale and use of electric energy and other sources of energy and of the materials and primary energies needed for its generation, as permitted under prevailing legislation; and the marketing, sale-purchase and supply thereof under any of the formulae permitted under law;
- c) The cultivation, exploitation and use of forests and forest land, afforestation work and the provision of expert forestry-related services and works. The preparation and transformation of forestry products. The use and exploitation for commercial and business purposes of all manner of forestry products (including biomass and forest energy products), their derivatives and their sub-products. Forestry studies and projects;
- d) The planning, development, construction, operation and maintenance of the facilities referred to in sections a), b) and c) above.

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

The Pulp business:

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

To carry out this activity, the Group has two biomills in Spain (located in Asturias and Pontevedra) with combined nominal capacity of approximately 1.2 million tonnes per annum.

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

The Group also manages 65,665 hectares of forest in Spain, 45,921 hectares of which it owns. Of that total, 50,991 hectares are productive forests and the remaining 14,674 hectares are earmarked for forestry conservation and biodiversity.

“Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails”⁷

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 stands at 266 MW, broken down as follows:

| Location | Capacity MW | Regulatory useful life |
|-------------|----------------|---------------------------|
| Huelva | 50 | 2037 |
| Huelva (*) | 41 | 2025 |
| Huelva | 46 | 2045 |
| Merida | 20 | 2039 |
| Jaen | 16 | 2027 |
| Ciudad Real | 16 | 2027 |
| Cordoba | 14 | 2031 |
| Cordoba | 13 | 2030 |
| Ciudad Real | 50 | 2045 |

(*) The 41-MW plant located in Huelva ceased to operate in 2025 having reached the end of its useful regulatory life.

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 25 developments at the engineering and permitting phase and one commercially operational plant, acquired in December 2024 (note 6), with annual biomethane production capacity of 50 GWh; that plant is located in the town of La Galera (Tarragona).

Energy services

The Group provides end-to-end solutions for the generation of renewable thermal energy from biomass for industrial customers in Spain. These solutions allow customers to decarbonise industrial processes that are hard to electrify, like the generation of industrial heat, using a renewable alternative.

The Group's goal is to achieve 2 TWh of renewable energy production in 2030. At the end of the reporting period, the Group had one facility in operation, one in the process of being started up, another three under construction with commissioning slated for the second quarter of 2026 and two 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.

In parallel, leveraging its leadership position in the agricultural and forestry biomass value chain in Spain, MAGNON also sells biomass to customers who need to source this renewable fuel locally in order to decarbonise their operations.

In addition, agricultural, forestry and breeding biomass is the only source of biogenic CO₂, a raw material needed to produce green fuels. The ENCE Group generates close to 4 million tonnes of biogenic CO₂ annually and it is studying the viability of using it to produce green fuels in the future.

Other:

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

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

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

2. Basis of preparation and consolidation

2.1 Basis of preparation

Ence Energía y Celulosa, S.A.'s 2025 consolidated annual financial statements were prepared from its accounting records and annual financial statements and those of its Group companies. They were prepared in accordance with the prevailing financial reporting framework, specifically the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as provided for in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and other financial reporting framework provisions to present fairly the Group's financial position at 31 December 2025 and its financial performance and cash flows for the year then ended. They were also prepared considering the electronic format reporting requirements set out in Commission Delegated Regulation (EU) 2018/815.

The Group's consolidated financial statements for 2025, which have been authorised for issue by the Parent's directors, will be submitted for shareholder approval at the Annual General Meeting, at which they are expected to be ratified without modification. The Group's consolidated financial statements for 2024 were approved at the Annual General Meeting held by the Parent on 3 April 2025.

In 2025, the reported an operating loss of €36,926 thousand (2024: operating profit of €63,321 thousand) and a loss for the year of €54,457 thousand (2024: profit for the year of €31,551 thousand). It generated net cash flows from operating activities of €50,277 thousand (2024: €78,599 thousand), which were nevertheless not sufficient to cover the Group's current financial liabilities, so that at year-end 2025, the Group had negative working capital of €47,702 thousand.. The directors have prepared these consolidated financial statements on a going concern basis in light of the fact that the Group generated €50.3 million of positive cash flow from operating activities in 2025. Moreover, they expect the Group to continue to generate positive funds from operations in 2026 in an amount exceeding its negative working capital. The going concern assessment additionally considered the fact that the Group had €150 million of committed credit facilities, in place until 2030 and 2031, which were fully undrawn at 31 December (note 28.1). In addition, in January 2026, the Group arranged a notes programme under which it can issue up to €200 million, having already issued €85 million as of the date of authorising these consolidated financial statements for issue (note 36).

"Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails"9

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

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

2.2 Basis of consolidation

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

Subsidiaries

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

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

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

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

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

Joint operations

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

Investments consolidated using the equity method

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

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

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

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

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

Financial statement translation

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

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

Uniformity and other adjustments

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

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

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

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

Note 6 itemises the changes in the universe of fully-consolidated and equity-accounted entities in 2025 and 2024. Where material, the notes to the accompanying consolidated financial statements show the relevant effects of additions to and exits from the consolidation scope under the table heading, "Changes in consolidation scope".

2.3 Comparison of information and transaction seasonality

The information provided in these notes in respect of 2024 is presented for comparison purposes only. Note that the comparative information in respect of 2024 coincides with the consolidated financial statements for the year ended 31 December 2024.

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

Given the nature of the Group companies' business operations, its transactions are not seasonal in nature. Note, however, that the production of pulp and the generation of energy from renewable sources require annual stoppages of between 10 and 15 days for maintenance purposes.

2.4 Key IFRS-related decisions

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

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

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

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

There were no significant changes in accounting policies in 2025 or 2024, except as indicated in note 2.6 below, and it was not necessary to correct for any errors.

2.6 New and amended standards taking effect during the reporting period

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

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

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

2.7 Standards and interpretations issued but not yet effective

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

| Standard | Contents |
|--|---|
| <p>Amendments and/or interpretations applicable from 1 January 2026:</p> <p>Amendments to IFRS 7 and IFRS 9 - Classification and measurement of financial liabilities.</p> <p>Amendments to IFRS 9 and IFRS 7 - Accounting for contracts referencing nature-dependent electricity</p> <p>New standards applicable from 1 January 2027:</p> <p>IAS 18 - Presentation and disclosure in financial statements.</p> <p>IFRS 19 - Subsidiaries without public accountability.</p> | <p>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.</p> <p>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.</p> <p>The purpose of this new standard is to establish the requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It will replace the current IAS 1.</p> <p>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.</p> |

In addition to the above-listed amendments, the IASB has issued amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture. Those amendments do not have a mandatory first-time application date, pending completion of the IASB's comprehensive Equity Method of Accounting Project and any resulting decisions.

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

3. Summary of material accounting policies

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

3.1 Business combinations

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

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

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

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

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

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

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

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

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

3.2 Other intangible assets

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

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

R&D expenditure:

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

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

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

Software:

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

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

Electricity generation rights:

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

3.3 Property, plant and equipment

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

- The interest accrued during the construction period, to the extent longer than one year, on borrowings attributable to the asset being built (capitalised borrowing costs). The interest rate used for this purpose is either that corresponding to the specific borrowings financing the asset or, if there is no such funding, the Group's average borrowing cost (note 28).
- Own work performed by the Group on property, plant and equipment is recognised at cumulative cost, which is the sum of external costs plus internal costs, mainly labour costs, warehouse materials and other operating costs.
- In the event the Group is obliged to dismantle its facilities and restore the sites on which they are located, the present value of the amount of such costs are added to the carrying amount of those assets with a balancing entry under "Provisions" in the consolidated statement of financial position. Any subsequent changes in estimated dismantling costs are accounted for by increasing or decreasing the corresponding assets' carrying amounts in the year in which the estimates change.

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

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

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

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

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

Depreciation and impairment charges

In 2025 and 2024, the Group depreciated its property, plant and equipment using the straight-line method, distributing the cost of the assets over their estimated useful lives, broken down as follows:

| | 2025 | |
|---------------------------|-------------------|--------------------------------|
| | Depreciation rate | Estimated years of useful life |
| Buildings | 2%-3% | 33-50 |
| Plant | | |
| Biomass generation plants | 4% | 25 |
| Other plant | 5%-8.3% | 8-20 |
| Machinery & equipment | 5%-12.5% | 8-20 |
| Tools and furniture | 8.3%-12.5% | 8-12 |
| Computer equipment | 20% | 5 |
| Vehicles | 10% | 10 |
| Other items of PP&E | 10% | 10 |

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

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

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

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

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

3.4 Biological assets

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

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

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

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

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

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

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

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

The carrying amounts of the biological assets recognised in ENCE's 2025 consolidated financial statements are not significantly different from the fair values that would result from valuing the assets using that discounted cash flow methodology, specifically that outlined in note 3.5, assuming timber prices in line with current sales prices in the case of the timber earmarked for sale to third parties and the prices at which the pulp biomills procure timber in the case of forest cover earmarked for pulp-making.

3.5 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

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

3.6 Leases

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

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

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

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

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

Right-of-use assets, meanwhile, are initially recognised at the amount of the lease liability at its initial recognition plus lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the lessee and, if applicable, as estimation of the costs to be incurred to dismantle the asset (initial cost). They are subsequently measured at initial cost less accumulated depreciation and any impairment losses, in keeping with IAS 16 - Property, plant and equipment (notes 3.3 and 3.5).

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

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

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

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

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

3.7 Financial assets and liabilities

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

Financial assets

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

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

- i. Financial assets at amortised cost: assets that are held in order to collect their contractual cash flows and whose contractual cash flows represent solely payments of principal and interest are classified into this category.

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

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

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

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

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

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

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

No financial assets were reclassified between the above financial asset categories in either 2025 or 2024.

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

Impairment losses

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

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

Under the simplified approach, the Group recognises lifetime expected credit losses. This approach factors in the type of customer, any credit insurance coverage in place and historical experience with credit risk in the last five years. The model considers that payment is past due when it is in arrears by more than 180 days. Those criteria are applied in the absence of other objective evidence of non-performance such as bankruptcy proceedings, etc. The Group did not recognise significant amounts of expected credit loss in its consolidated statement of profit or loss in either 2025 or 2024.

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

Derecognition of financial assets

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

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

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

Financial liabilities

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

ENCE classifies its financial liabilities into the following categories subsequent to initial recognition: 1) at amortised cost; or 2) at fair value through profit or loss. The latter category essentially includes any contingent consideration originating from business combinations.

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

Notes, bonds and bank borrowings

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

Refinancing transactions are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, insofar as the contractual terms of the instruments are substantially different, a circumstance that arises if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any arrangement fees associated with the liabilities derecognised still pending reclassification to profit and loss are taken to profit and loss upon derecognition. If the terms of the instruments are not substantially different such that the refinanced transaction does not qualify for derecognition, the new cash flows are discounted at their original effective interest rate and any difference with respect to the previous carrying amount is recognised in profit or loss. Finance costs and arrangement fees are recognised on an accrual basis in the consolidated statement of profit or loss using the effective interest rate method.

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

Trade and other payables

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

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

Equity instruments

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

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

Own shares acquired by ENCE are recognised at their acquisition cost and are presented as a deduction from equity. The gains and losses resulting from the purchase, sale, issuance or cancellation of own equity instruments are recognised directly in equity.

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

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

3.8 Derivative financial instruments and hedging transactions

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

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

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

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

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

At the inception of the hedge, ENCE formally designates and documents the hedging relationship, as well as its risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how hedge effectiveness will be tested. ENCE tests whether its hedges are effective at their inception and on an ongoing basis. Specifically, it verifies whether it is expected, prospectively, that the changes in the fair value or in the cash flows from the hedged item (attributable to the hedged risk) will be reasonably offset by the changes in the fair value/cash flows of the hedging instrument. The fair value of derivatives includes adjustments for credit risk so that changes in their fair value attributable to changes in creditworthiness are included in the effectiveness assessment.

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

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

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

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

Fair value of derivative financial instruments

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

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

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

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

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

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

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

3.9 Distinction between current and non-current

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

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

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

3.10 Inventories

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

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

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

Greenhouse gas emission allowances for own use

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

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

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

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

Renewable Energy Guarantees of Origin

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

3.11 Grants

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

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

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

Energy savings certificates

ENCE’s Pulp business has generated significant energy savings as a result of a series of energy efficiency initiatives. It has sold the related claims to a third party in Spain to obtain Energy Savings Certificates (CAEs for their acronym in Spanish), as provided for in Royal Decree 36/2023 (24 January), establishing the Energy Savings Certificate system, and the implementing Ministerial Order TED/815/2023 (18 July 2023).

Applying the accounting standard for the recognition and measurement of government grants, the Group recognises those sales as a grant related to assets under “Grants” within non-current liabilities on the consolidated statement of financial position at the amount received, equivalent to the amount invested in the productive assets, and an amount of income within “Other operating income” in the consolidated statement of profit or loss equivalent to the surplus between the proceeds collected and the cost of the investments made.

3.12 Facilities assigned to third parties

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

The Group recognised €2,734 thousand of accrued income in this connection at 31 December 2025 (year-end 2024: €2,930 thousand).

3.13 Provisions and contingencies

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

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

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

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

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

Termination benefits

In keeping with prevailing labour regulations, ENCE is required to pay benefits to employees whose contracts are terminated under certain circumstances.

Termination benefits related with restructuring processes are recognised when there is a detailed formal plan for such process identifying at a minimum the business (or parts of the business) concerned, the main locations affected, the function and approximate number of employees who will be compensated for termination of their services, the termination benefits to be paid, and the timing for implementing the plan, and a valid expectation has been raised among those affected that the restructuring will be carried out either because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it.

In 2025, the Group embarked on a workforce restructuring process in order to realign its organisational structure with its business performance and boost operating efficiency. The total estimated cost recognised at year-end 2025 was €23,998 thousand (notes 11 and 31).

Provisions for court proceedings and/or claims in process

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

3.14 Post-employment and other benefits

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

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

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

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

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

Long-term incentive plan

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

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

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

3.15 Revenue and expense recognition

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

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

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

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

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

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

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

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

Revenue from electricity sales:

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

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

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

The Group recognises each shortfall or surplus arising under Royal Decree 413/2014 in its consolidated statement of financial position with a balancing entry under revenue.

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

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

At the end of each regulatory stub period, the amounts recognised within assets and liabilities are recognised at their net amount in the consolidated statement of financial position, within assets or liabilities, as applicable. At 31 December 2025, the Group recognised a net liability in its consolidated statement of financial position in this connection, divided between non-current and current amounts, specifically €61,443 thousand under “Other non-current liabilities” and €4,461 thousand euros under “Other current liabilities”.

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 updating the remuneration for operation amounts applicable from 1 January 2024. That piece of legislation excludes the facilities included under the Order, which include the biomass power generation plants operated by ENCE, from application of the Tariff Adjustment regulated in article 22 of Royal Decree 413/2014 with effect from 1 January 2024. However, the Tariff Adjustments corresponding to the year up to and including 2023 continue to be recognised in accordance with the outgoing regulatory regime.

3.16 Income tax

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

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

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

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

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

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

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

3.17 Non-current assets held for sale and discontinued operations

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

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

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

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

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

3.18 Earnings per share

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

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

3.19 Related-party transactions

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

3.20 Foreign currency transactions and balances

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

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

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

3.21 Statement of cash flows

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

1. Cash flows: inflows and outflows of cash and cash equivalents, the latter understood as short-term (< 3 months), highly liquid investments which are subject to an insignificant risk of changes in value.
2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group.

3.22 Activities with an environmental impact

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

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

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

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

4. Key accounting estimates and judgements

The preparation of these consolidated financial statements in accordance with generally accepted accounting principles requires the use of assumptions and estimates that affect the measurement of recognised assets and liabilities, the presentation of contingent assets and liabilities and the amounts of income and expense recognised during the reporting period. Actual results may differ significantly from these estimates.

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

Control over MAGNON

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

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

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

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

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

Contingent consideration

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

At 31 December 2025, the Group had contingent consideration balances receivable associated with the sale in 2020 of 49% of Magnon Green Energy, S.L. and Ence Energía Solar, S.L. in the amount of €13,463 thousand and €1,453 thousand, respectively, and balances payable in the amount of €3,642 thousand in connection with the acquisition of 98% of Biometagás la Galera, S.L. (notes 6, 27 and 29).

The Group has estimated that fair value of each contingent consideration balance by modelling the cash flows contemplated in the various scenarios, which it weighted by the estimated probability of occurrence of each scenario. The key assumptions used to estimate those cash flows include the probability of attaining each of the milestones on which the contingent consideration is conditional and the estimated timeframes for doing so. Changes in those assumptions could have an impact on the amount of contingent consideration recognised in the financial statements. In that respect, the recoverability of the consideration associated with the sale of a 49% equity interest in Magnon Green Energy, S.L. is subject to the organisation of regulatory auctions in the medium term, with the Group being adjudicated two developments and the outcome of the adjudicated terms for both developments reaching a certain return threshold. The Group has reassessed the likelihood of fulfilment of those targets, determining it was unlikely to meet one of them, specifically that related to the facility construction deadlines. As a result of this reassessment, the amount of the contingent consideration asset was decreased by 6,700 thousand euros, with a balancing entry under “Change in fair value of financial instruments” in the consolidated statement of profit or loss for 2025.

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

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

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

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

Right-of-use assets

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

Recoverable amount of non-financial instruments

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

Revenue from energy sales Regulated activity settlement

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

Provisions for liabilities and charges

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

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

ENCE has embarked on a workforce restructuring process in order to realign its organisational structure with its business performance and boost operating efficiency. The total estimated cost recognised for that process at year-end 2025 was €23,998 thousand (notes 3.13, 11 and 31).

Fair value estimation

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

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

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

Calculation of income tax and recognition of deferred tax assets

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

ENCE only recognises deferred tax assets insofar as it is deemed probable that the entities (individually or on a consolidated basis) that have generated them will generate sufficient taxable profit in the future to enable their utilisation (notes 3.16 and 32).

Climate change

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

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

Those assumptions and estimates are made considering historical experience, the advice of expert consultants, forecasts, existing circumstances and expectations as of year-end with respect to future events and developments. It is possible, however, that events or circumstances arising after issuance of this financial report could oblige the Group to revise its assumptions and estimates (in either direction), the impact of which would be recognised prospectively.

5. Financial risk management

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

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

5.1 Market risk

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

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

Pulp prices

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

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

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

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

| € 000 | Change in pulp prices | Impact on operating profit (-)/+ | Impact on equity (-)/+ |
|-------|-----------------------|----------------------------------|------------------------|
| 2025 | 5% increase | 24,315 | 24,315 |
| | 5% decrease | (24,315) | (24,315) |
| 2024 | 5% increase | 31,311 | 31,311 |
| | 5% decrease | (31,311) | (31,311) |

Renewable energy prices and regulations

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

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

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

Supply of timber

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

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

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

| € 000 | Change in timber prices | Impact on operating profit (-)/+ | Impact on equity (-)/+ |
|-------|-------------------------|----------------------------------|------------------------|
| 2025 | 5% increase | (11,982) | (11,982) |
| | 5% decrease | 11,982 | 11,982 |
| 2024 | 5% increase | (12,729) | (12,729) |
| | 5% decrease | 12,729 | 12,729 |

"Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails" **39**

Exchange rates

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

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

The Group had the following assets and liabilities denominated in foreign currency, mainly US dollars, at year-end 2025 and 2024:

| € 000 | 2025 | 2024 |
|---------------------|---------------|---------------|
| Cash | 15,458 | 17,174 |
| Accounts receivable | 23,999 | 20,794 |
| Accounts payable | (9,611) | (558) |
| | 29,846 | 37,410 |

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

| € 000 | Change in USD/EUR exchange rate | Impact on operating profit (-)/+ | Impact on equity (-)/+ |
|-------|---------------------------------|----------------------------------|------------------------|
| 2025 | 5% appreciation | 22,181 | 22,181 |
| | 5% depreciation | (21,257) | (21,257) |
| 2024 | 5% appreciation | 18,494 | 18,494 |
| | 5% depreciation | (21,347) | (21,347) |

Interest rate risk

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

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

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

The Group's financial structure (excluding lease liabilities and financing provided by public bodies) at year-end 2025 and 2024, factoring in the hedges arranged, is as follows:

| € 000 | Pulp | | Renewables | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Fixed-rate | 167,715 | 175,534 | 129,029 | 126,286 |
| Floating-rate | 194,657 | 176,209 | 40,816 | 41,266 |
| Fees and interest | 242 | 1,533 | (4,769) | (5,133) |
| Total (note 28.1) | 362,614 | 353,276 | 165,076 | 162,419 |

The floating rates are exposed to oscillations in Euribor.

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

| € 000 | Change in interest rates | Impact on profit before tax (-)/+ | Impact on equity (-)/+ |
|-------|--------------------------|-----------------------------------|------------------------|
| 2025 | 50bp increase | (1,203) | 983 |
| | 50bp decrease | 1,203 | (1,202) |
| 2024 | 50bp increase | (1,172) | 1,537 |
| | 50bp decrease | 1,172 | (1,958) |

5.2 Credit risk

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

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

Trade and other receivables

Trade receivables are presented on the consolidated statement of financial position net of impairment. Accumulated receivables impairment amounted to €5,909 thousand at year-end 2025 (year-end 2024: €4,991 thousand). The table below provides a breakdown of the age of ENCE's trade debt and the impairment provisions recognised (including expected credit losses):

| € 000 | 31 Dec. 2025 | | 31 Dec. 2024 | |
|---------------------------|---------------|--------------|---------------|--------------|
| | Receivable | Impairment | Receivable | Impairment |
| Not past due | 27,375 | 90 | 41,605 | - |
| Past due by 0 - 30 days | 3,278 | - | 7,983 | 611 |
| Past due by 30 - 180 days | 1,078 | 272 | 1,960 | 53 |
| Past due by > 180 days | 5,547 | 5,548 | 4,326 | 4,326 |
| | 37,278 | 5,910 | 55,874 | 4,990 |

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

Pulp sales

This business recognised €19,100 thousand under "Trade and other receivables" at 31 December 2025, and associated accumulated impairment allowances of €5,562 thousand.

Credit risk is spread across 100-200 customers and other counterparties. ENCE's biggest single customer accounted for 10% of pulp sales in 2025 (12% in 2024)..

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

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

| | 2025 | 2024 |
|-------------|------|------|
| Risk level: | | |
| Low | 43% | 52% |
| Medium | 43% | 30% |
| Medium-high | 11% | 15% |
| High | 3% | 3% |

Energy sales

This business recognised €20,633 thousand under "Trade and other receivables" at 31 December 2025, and associated accumulated impairment allowances of €347 thousand.

Under the regulatory framework in effect, in 2025 and 2024, the power generated was sold on the spot market, MIBEL for its acronym in Spanish, collecting the related revenue from the market operator, OMIE, which has a payment guarantee scheme, and from the energy sector regulator, the CNMC, which falls under the Spanish Ministry of Industry. Most of the accounts receivable in this business line are due from these organisations. As those balances are ultimately backed by the Spanish state, the expected loss is considered to be insignificant.

Cash

All of the counterparties with which the Group holds the balances recognised under "Cash and cash equivalents" on the consolidated statement of financial position carried investment grade ratings at year-end 2025 (2024: 99%).

5.3 Liquidity and capital risk

Adverse conditions in the debt and capital markets could make it hard or impossible for the Group to raise the funding needed in the course of its business operations or to execute its business plan.

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

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

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

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

In keeping with this prudent financial policy, at year-end 2025, ENCE held sufficient cash and cash equivalents and undrawn credit lines to cover a significant percentage of its short-term obligations (notes 27 and 28).

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

Net debt and EBITDA are alternative performance measures that are not disclosed in the financial statements. They are quantified in Appendix I of the 2025 Management Report- Fourth-quarter 2025 earnings report, where a reconciliation with the financial statement amounts is also provided. The two businesses' net debt/EBITDA ratios at 31 December 2025 and 2024 are shown in the table below:

| € million | Pulp | | Renewables | |
|-----------------|-------|-------|------------|------|
| | 2025 | 2024 | 2025 | 2024 |
| Net debt | 268.7 | 255.9 | 111.9 | 78.8 |
| EBITDA (*) | 55.9 | 138.2 | 27.4 | 26.3 |
| Net debt/EBITDA | 4.8 | 1.9 | 4.1 | 3.0 |

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Fourth-quarter 2025 earnings report" appended to the Group's 2025 Management Report.

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

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

2025

Changes in the scope of consolidation

Eight 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. In addition, in December 2025, Ence Energía y Celulosa, S.A. incorporated Cellnovex, S.L., a wholly-owned subsidiary, which is currently not active.

Other

- Biofertilizantes CH4, S.L.U. sold Ence Energía y Celulosa S.A. all of its shares in Ence Molded Fiber, S.L.U. (formerly, Biogás Almacelles, S.L.U.) at their par value.
- Infraestructuras Biometagás S.L.U. (transferor) was merged into Biometagás La Galera, S.L. (transferee) on 27 November 2025, the latter having already owned all of the shares of the former.

2024

Changes in the scope of consolidation

On 18 December 2024, Biofertilizantes y Biometano Camarles, S.L.U., a 100%-owned investee of Biofertilizantes CH4, S.L.U. (formerly, Ence Biogás, S.L.U.), the holding company for ENCE's Biogas business, acquired 98% of the share capital and control of Biometagás La Galera, S.L., a company that owns a biomethane generation facility in the municipality of La Galera (Tarragona). That facility is designed to produce up to 50 GWh of biomethane a year.

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

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

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

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

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

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

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

The accounting for this business combination did not change during the measurement period and no material adjustments were made in 2025.

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

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

In 2024, the Group additionally incorporated 10 companies, all of which wholly-owned by Biofertilizantes CH4, S.L.U. (formerly, Ence Biogás, S.L.U.), in order to develop and build biomethane plants. It also acquired 100% of the share capital of Biofertilizantes y Biometano Sertogal Xunqueira, S.L.U. for €10 thousand.

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Other

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

7. Climate change and the Paris Agreement

Since the Group bases its business model on natural capital, ENCE is keenly aware of its exposure to climate change risks. ENCE is convinced that the decarbonisation challenge and transition to a low carbon economy bring **opportunities** and is incorporating them into its growth strategy.

To that end, ENCE analyses the risks and opportunities derived from climate change that could affect it and its value chain annually.

Governance of climate risk and opportunities analysis

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

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

Climate risks

ENCE has identified a total universe of 17 climate risks, including nine physical risks (acute/chronic) and eight transition risks (current regulations / market / new regulations). **Assuming implementation of the mitigation measures, none of those 17 risks surpassed the critical risk threshold.** To analyse the business and financial impacts of each risk, ENCE has identified a range of scenarios and time horizons. For more details about each risk and the scenarios and time horizons modelled, the reader is referred to the Climate Change section of the Group's Sustainability Statement.

Below is a summary of that process. The risks are grouped into three categories:

1. **Critical risks:** the net risk exposure is assessed at >€6 million. **Assuming implementation of the mitigation measures, none of the risks analysed qualified as a critical risk.**

2. **Non-critical risks:** the net risk exposure is assessed at <€6 million. This category includes two types of risks:
- a. Risks whose **gross exposure** is insignificant such that mitigation planning is not considered necessary. This category includes the risks related to: reduced availability of timber and harvest variability in the northern forests (R1); increased olive pomace prices as an indirect consequence of higher emissions allowance prices (R11.2); higher raw material costs related with the price of CO₂ (R12); and European regulatory requirements (RED III) placing restrictions on the use of biomass at the biomills (R16.1). In all instances, following analysis, the gross exposure was assessed to be insignificant.
 - b. Risks whose **net exposure is below the critical threshold** after implementation of the mitigation measures. The main risks in this category include:
 - The impact on ENCE's forestry assets of reduced *E. Globulus* growth in the south (R2) as a result of changes in precipitation and temperature patterns. The R&D programmes researching genetic markers better adapted for climate change carried out by ENCE reduce this risk to below the critical threshold.
 - Reduced availability of water due to more frequent droughts (R8). The implementation of water consumption and recirculation/reuse measures implemented and planned reduce this exposure to below the critical threshold. Note that this risk materialised in 2022 at the Pontevedra biomill, which was forced to stop production during the summer months. However, thanks to a pioneering project for recirculating the wastewater from the biomill itself and regenerating the wastewater from the nearby municipal treatment facility by means of reverse osmosis treatment, ENCE has reduced its reliance on the Lérez River during episodes of drought, so ensuring its ability to continue to operate.
 - Higher salinity in Navia (R5) as a result of changes in the river flow and higher sea levels. Water consumption rationalisation measures, increased internal storage capacity and enhanced offtake systems, reduce the this exposure to below the critical threshold.
 - Risk that the biomills' structural integrity could be compromised by flooding (R7). The implementation of physical protection measures (protective walls and floodgates) reduce this exposure to below the critical threshold.
 - Increased incidence of wildfires in ENCE's forest assets (R9). Adequate forest management, include more frequent clearing and fire risk patrols, reduce this exposure to below the critical threshold.
 - Higher prices for emissions allowances (R11.1) with an impact on the facilities subject to the emissions trading system (Navia, Pontevedra and Lucena). This risk was assessed as critical in 2024 due to the forecasts at the time for growth in allowance prices and the assumptions regarding lower free allowance allocations. Moreover, the stock of available allowances was very low in 2024, implying the need to purchase a higher volume of allowances. This situation changed in 2025. In addition, Spain's Climate Change Office, the OECC, increased the volume of allowances allocated to Pontevedra for free relative to the preliminary allocation. This new situation, coupled with the initiatives contemplated in the Group's Decarbonisation Plan, reduce this exposure to below the critical threshold.

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This category also includes the risk of competition for water in water-stressed areas (R10); the risk of potentially higher borrowing costs (R13); the risk of higher biomass prices as a result of increased competition around its procurement (R14); the risk of higher logistics costs as a result of the inclusion of the shipping sector in the emissions trading system (R15); the risk of potential regulatory changes (such as more stringent sustainability criteria around biomass under RED III) for the energy plants (R16.2); and the risk of higher water prices due to new policies or regulatory changes (R17). In all instances, having analysed the potential impacts and considered the mitigation measures underway or planned, these risks fall below the critical threshold.

3. **Risks ruled out:** risks analysed over several years and on a recurring basis which have been assessed as not having impacts on operating variables related to climate change. This category includes the risks of reduced availability of biomass due to changes in precipitation patterns (R3); impaired equipment performance due to higher temperatures (R4); and reduced staff productivity due to heatwaves (R6).

Climate opportunities

For ENCE, adaptation for climate change and the transition to a low-carbon economy presents more opportunities than risks. ENCE is articulating its growth strategy around the following key opportunities:

1. **Growth in renewable energies:** the push at the EU level for the rollout of clean energies, which is translating into ever more ambitious renewable generation targets, represents an opportunity for ENCE, prompting it to include growth in renewable power generation in its growth strategy.
2. **Decarbonisation in sectors not conducive to electrification:** the decarbonisation of activities or sectors that currently use fossil fuels such as natural gas and are not easy to electrify is an opportunity that ENCE wants to capitalise on through its biomethane and biofertiliser business line, which offers an end-to-end solution for the recovery of agricultural and breeding waste. Firstly, transformation of this waste into renewable gas (biomethane) for injection into the gas grid helps decarbonise these sectors. Secondly, the digestate generated in the process can be treated for subsequent sale as a biofertiliser, generating value added in rural communities, fostering more sustainable farming practices and reducing dependency on fertilisers made using fossil fuels.
3. **Demand for renewable thermal energy:** again in the context of the decarbonisation of industrial sectors not suited to electrification, ENCE is positioning itself as a key player in the production of renewable thermal energy, as its experience managing biomass facilities puts it in a privileged position to become a benchmark player in this segment. Through Magnon Energy Services, ENCE offers end-to-end industry decarbonisation solutions, developing biomass facilities to replace fossil fuel furnaces so that customers can reduce their emissions and the costs associated with emissions allowances.
4. **Carbon offsetting:** in line with the roadmap established by the European institutions, a growing number of organisations are committing to net zero pathways that are only achievable by offsetting the emissions they are not able to eliminate. Against that backdrop, as the leading private forest manager in Spain, ENCE has a magnificent opportunity to develop carbon sinks and sell the resulting carbon credits.
5. **Biogenic CO₂:** Against the backdrop of the decarbonisation thrust, biogenic carbon dioxide has emerged as a high-interest raw material for use, in combination with green hydrogen, to produce biofuels and other products that can replace fossil materials. ENCE is in a privileged position to take advantage of this opportunity as both its biomills and its independent energy plants produce significant volumes of biogenic CO₂ every year. ENCE is already working with a number of potential partners on the development of projects for different uses of the carbon dioxide released from biomass.

6. Low carbon pulp products: within the Pulp business, ENCE has also identified interesting business opportunities related with the decarbonisation of the paper market. Specifically, ENCE is developing low- and even carbon-neutral pulp products that can help its customers reduce the carbon footprints of their end products. ENCE's reduced carbon unbleached pulp, Naturcell, and its carbon-neutral version, Naturcell Zero, are clear examples of how the Group is taking advantage of this opportunity.
7. Production of pulp-based sustainable packaging solutions: other areas of the pulp business have been identified as presenting opportunities for replacing plastic packaging materials. One of the lines of research being pursued by ENCE is the production of moulded-pulp products for the manufacture of containers and trays designed as substitutes for plastic products made using fossil fuels.
8. *E. Globulus* - better suited for the emerging climate conditions: the climate change models used by ENCE suggest that the changes anticipated in temperature patterns in northern Spain mean that areas where this species cannot currently be grown will become viable locations because temperatures will no longer be too low for their cultivation. This implies an opportunity for ENCE as it will increase the productivity of eucalyptus plantations in these areas and, therefore, increase the availability of timber from this species for its biomills.
9. Sale of biomass: Through its trading business, ENCE offers its customers biomass to cover growing demand for supplies for renewable heat, biofuel and other uses. Since ENCE is one of the largest agricultural and forestry biomass managers in Spain, its biomass procurement know-how and reach give it a competitive advantage when it comes to addressing this need.
10. Production of secondary raw materials: the subproducts obtained in the course of manufacturing pulp, such as methanol and sulphuric acid, can be used to make secondary raw materials apt for reuse in the Group's plants or potentially sold to third parties.

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

8. Operating segments

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

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

ENCE Pulp

This business line encompasses the following reportable segments:

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

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

ENCE Renewables

This business line encompasses the following reportable segments:

- The generation of renewable energy from biomass (Biomass): includes the plants that generate and sell electricity from renewable sources, specifically agricultural and forestry biomass; they are developed and operated independently.
- 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, Appendix II attached to these consolidated financial statements provides the consolidated statement of financial position at 31 December 2025 and 2024 and the consolidated statement of profit or loss and consolidated statement of cash flows for the years then ended broken down between the Pulp and Renewables businesses.

8.1 Operating segment reporting

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

| 31 December 2025 | € 000 | | | | | | Total |
|--|-----------------|-----------------------|----------------------------|---------------------|----------------------------|----------------|-----------------|
| | PULP Business | | | Renewables Business | Adjustments & Eliminations | Total | |
| | Pulp | Forest Assets & Other | Adjustments & Eliminations | | | | |
| Revenue: | | | | | | | |
| Third parties | 523,051 | 18,069 | 105 | 541,225 | 206,028 | - | 747,253 |
| Inter-segment revenue | 544 | 276,038 | (274,202) | 2,380 | (22) | (2,359) | (1) |
| Total revenue | 523,595 | 294,107 | (274,097) | 543,605 | 206,006 | (2,359) | 747,252 |
| Earnings: | | | | | | | |
| EBITDA (*) | 46,875 | 9,159 | 3 | 56,037 | 27,432 | (1) | 83,469 |
| Impairment and gains/(losses) on disposal of fixed assets | 61 | (123) | 5 | (57) | 833 | - | 776 |
| Operating profit/(loss) | (28,467) | (1,593) | 1 | (30,059) | (8,724) | 1,857 | (36,926) |
| Finance income | 11,966 | 1,294 | (1,633) | 11,627 | 3,419 | (2,503) | 12,543 |
| Finance costs | (29,051) | (980) | 1,619 | (28,412) | (20,009) | 2,503 | (45,918) |
| Change in fair value of financial instruments | (6,702) | - | - | (6,702) | 2 | - | (6,700) |
| Exchange differences | (4,059) | 114 | - | (3,945) | 238 | - | (3,707) |
| Impairment of financial instruments | (2,445) | (33) | 2,476 | (2) | (1,212) | - | (1,214) |
| Share of profit/(loss) of investees accounting for using equity method | - | 4 | - | 4 | - | - | 4 |
| Income tax | 15,532 | 313 | 3 | 15,848 | 3,712 | (144) | 19,416 |
| Profit/(loss) for the year | (43,226) | (881) | 2,467 | (41,640) | (22,574) | 1,713 | (62,502) |
| Profit/(loss) attributable to non-controlling interests | - | - | - | - | (8,045) | - | (8,045) |
| Profit/(loss) attributable to equity holders of the parent | (43,226) | (881) | 2,467 | (41,640) | (14,529) | 1,713 | (54,457) |
| Capital expenditure (**) | 82,117 | 8,377 | 1,318 | 91,807 | 27,474 | - | 119,281 |
| Accumulated depreciation and depletion of forest reserves (**) | (1,029,549) | (82,602) | - | (1,112,151) | (410,204) | (9,997) | (1,532,352) |
| Impairment (**) | (3,983) | (4,360) | - | (8,343) | (26,440) | (84) | (34,867) |

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Fourth-quarter 2025 earnings report" appended to the Group's 2025 Management Report.

(**) Acquisitions during the year, accumulated depreciation and depletion of forest reserves and impairment of the assets included under "Property, plant and equipment", "Intangible assets" and "Biological assets". Does not include the balances corresponding to "Right-of-use assets" (note 17) or "Goodwill" (note 15).

| 31 Dec. 2025 | € 000 | | | | | | Total |
|------------------------------|------------------|-----------------------|----------------------------|---------------------|----------------------------|------------------|------------------|
| | PULP Business | | | Renewables Business | Adjustments & Eliminations | Total | |
| | Pulp | Forest Assets & Other | Adjustments & Eliminations | | | | |
| Assets | | | | | | | |
| Non-current | 838,111 | 213,690 | (133,860) | 917,941 | 441,900 | (189,477) | 1,170,364 |
| Current | 271,984 | 59,305 | (31,103) | 300,186 | 90,547 | (3,402) | 387,331 |
| Total assets (a) | 1,110,095 | 272,995 | (164,963) | 1,218,127 | 532,447 | (192,879) | 1,557,695 |
| Liabilities | | | | | | | |
| Non-current | 390,238 | 25,083 | (27,608) | 387,713 | 306,849 | (59,390) | 635,172 |
| Current | 296,901 | 89,699 | (29,027) | 357,573 | 80,862 | (3,402) | 435,033 |
| Total liabilities (a) | 687,139 | 114,782 | (56,635) | 745,286 | 387,711 | (62,792) | 1,070,205 |

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

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

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Fourth-quarter 2024 earnings report" appended to the Group's 2024 Management Report.

(**) Acquisitions during the year, accumulated depreciation and depletion of forest reserves and impairment of the assets included under "Property, plant and equipment", "Intangible assets" and "Biological assets". Does not include the balances corresponding to "Right-of-use assets" (note 17) or "Goodwill" (note 15).

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

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

8.2 Disclosures by productive plant

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

| 2025 | € 000 | | | | |
|---|--------------------|-----------------|-----------|-----------------|---------------------|
| | Pontevedra biomill | Navia biomill | Corporate | Other (a) | Total PULP Business |
| Business metrics: | | | | | |
| Pulp output (ADt) | 392,435 | 556,148 | - | - | 948,583 |
| Pulp sales volume (ADt) | 400,488 | 566,070 | - | - | 966,558 |
| Energy sales volume (MWh) | 801 | 226,986 | - | - | 227,787 |
| Continuing operations: | | | | | |
| Revenue | 208,706 | 328,302 | - | 15,299 | 552,307 |
| Cost of sales and other costs | (149,815) | (213,748) | - | 13,889 | (349,674) |
| GROSS PROFIT | 58,891 | 114,554 | - | 29,188 | 202,633 |
| Employee benefits expense | (33,531) | (42,925) | (32,199) | (2,305) | (110,960) |
| Other operating income and expenses | 2,516 | (27,673) | (11,882) | (22,595) | (59,634) |
| Overhead passed on | (17,090) | (24,228) | 44,081 | (2,763) | - |
| EBITDA (*) | 21,561 | 32,951 | - | 1,525 | 56,037 |
| Asset depreciation/amortisation and impairment | (17,900) | (36,711) | - | (5,324) | (59,935) |
| Other non-recurring operating expenses | (12,939) | (13,223) | - | - | (26,162) |
| OPERATING PROFIT/(LOSS) | (9,278) | (16,983) | - | (3,799) | (30,060) |
| Net finance income/(cost) | (8,536) | (12,501) | - | (6,397) | (27,434) |
| Share of profit/(loss) of equity-accounted investees | - | - | - | 4 | 4 |
| PROFIT/(LOSS) BEFORE TAX | (17,814) | (29,483) | - | (10,192) | (57,489) |
| Income tax | 4,454 | 7,377 | - | 4,017 | 15,848 |
| PROFIT/(LOSS) FOR THE YEAR | (13,360) | (22,106) | - | (6,175) | (41,641) |
| Profit/(loss) attributable to non-controlling interests | - | - | - | - | - |
| Profit/(loss) attributable to equity holders of the parent | (13,360) | (22,106) | - | (6,175) | (41,641) |

(a) Includes the forestry activity and dormant companies

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Fourth-quarter 2025 earnings report" appended to the Group's 2025 Management Report.

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

(a) Includes the forestry activity and dormant companies

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Fourth-quarter 2024 earnings report" appended to the Group's 2024 Management Report.

9. Revenue

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

| € 000 | 2025 | | | 2024 | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Pulp | Renewables | Consol. Group | Pulp | Renewables | Consol. Group |
| Business metrics | | | | | | |
| Pulp sales volume (tonnes) | 966,558 | - | 966,558 | 967,628 | - | 967,628 |
| Energy sales volume (MWh) | 227,787 | 1,241,050 | 1,468,837 | 247,060 | 1,167,089 | 1,414,149 |
| Revenue | | | | | | |
| Pulp | 486,297 | - | 486,297 | 626,224 | - | 626,224 |
| Electric energy | 36,678 | 195,960 | 232,638 | 37,852 | 189,200 | 227,052 |
| Timber and forestry services | 18,253 | 5,279 | 23,532 | 15,283 | 3,012 | 18,295 |
| Industrial heat | - | 2,317 | 2,317 | - | 2,350 | 2,350 |
| Biomethane | - | 2,468 | 2,468 | - | - | - |
| Sale of PV developments (note 20) | - | - | - | - | 2,250 | 2,250 |
| Other non-recurring income (**) | - | - | - | (1,269) | (4,464) | (5,733) |
| Inter-segment sales | 2,379 | (20) | - | 3,801 | (116) | - |
| | 543,607 | 206,004 | 747,252 | 681,891 | 192,232 | 870,438 |

(*) The difference between the figures presented under “Consolidated Group” for 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 2025 and 2024 in the amounts of €2,359 thousand and €3,685 thousand, respectively.

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

Ministerial Order TED/526/2024, of 31 May 2024, was published on 4 June 2024, establishing new methodology for updating the remuneration for operation (Ro) applicable to standard power generation facilities whose operating costs depend essentially on the price of their fuel. In addition, in the first half of 2024, a transitional adjustment was introduced with a market price component and a fuel price component.

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

Elsewhere, ENCE wrote contracts for the sale of 140,160 MWh of electricity under a physical bilateral contract for delivery in 2025. The price negotiated ranged between €52 and €74/MWh. The Group had no contracts of this nature outstanding at the end of 2025.

In 2025, the Group companies made sales in currencies other than the euro, mainly US dollars, totalling €149 million (2024: €192 million).

“Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails” **55**

9.1 Other operating income

This heading of the consolidated statement of profit or loss mainly includes income from grants related to income, lease income and claims settled by insurance companies, broken down as follows.

| € 000 | 2025 | | | 2024 | | |
|--------------------------------|---------------|--------------|---------------|--------------|--------------|---------------|
| | Pulp | Renewables | Consol. Group | Pulp | Renewables | Consol. Group |
| Grants related to income (**) | 51,571 | - | 51,571 | 184 | 31 | 215 |
| Insurance claims settlements | 9,659 | - | 9,659 | - | - | - |
| Lease income | 2,064 | 84 | 2,148 | 1,912 | 84 | 1,996 |
| Non-recurring operating income | - | - | - | 5,823 | - | 5,823 |
| Other | 1,440 | 3,442 | 3,512 | 1,025 | 1,048 | 795 |
| | 64,734 | 3,526 | 66,890 | 8,944 | 1,163 | 8,829 |

(*) The difference between the figures presented under “Consolidated Group” for 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 2025 and 2024 in the amounts of €1,370 thousand and €1,278 thousand, respectively.

(**) The most significant amount recognised under this heading is €41,710 thousand euros from the sale of energy savings certificates. This heading recognises the difference between the proceeds received and the cost of the investments made. In 2025, the Group closed two certificate sales transactions encompassing 191 million certificates and 61 million certificates for a combined sale price of €42,431 thousand euros. The cost of obtaining those certificates, of €2,172 thousand euros, is recognised under “Other operating expenses” in the consolidated statement of profit or loss.

9.2 Geographic revenue split

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

| Percentage of pulp sales | 2025 | 2024 |
|--------------------------|--------------|--------------|
| Germany | 22.1 | 23.6 |
| Poland | 16.7 | 14.4 |
| Spain | 11.6 | 13.3 |
| Italy | 5.8 | 6.2 |
| Greece | 4.7 | 5.4 |
| France | 4.7 | 4.5 |
| Turkey | 4.5 | 3.4 |
| United Kingdom | 3.0 | 5.7 |
| Other | 26.9 | 23.5 |
| | 100.0 | 100.0 |

(*) Breakdown considering place of delivery

10. Cost of sales

Cost of sales in 2025 and 2024 breaks down as follows:

| € 000 | 2025 | | | 2024 | | |
|---|----------------|---------------|--------------------|----------------|---------------|--------------------|
| | Pulp | Renewables | Consolidated Group | Pulp | Renewables | Consolidated Group |
| Purchases | 285,135 | 62,589 | 345,365 | 303,474 | 52,659 | 352,448 |
| Change in raw materials and other inventories | (5,311) | (4,875) | (10,186) | (7,885) | (456) | (8,341) |
| Other external expenses | 59,722 | 9,162 | 68,884 | 64,941 | 16,155 | 81,096 |
| | 339,546 | 66,876 | 404,063 | 360,530 | 68,358 | 425,203 |

(*) The difference between the figures presented under “Consolidated Group” for 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 2025 and 2024 in the amounts of €2,359 thousand and €3,685 thousand, respectively.

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

11. Employee benefits expense

The breakdown of employee benefits expense by business in 2025 and 2024 is provided below:

| € 000 | 2025 | | | 2024 | | |
|---|----------------|---------------|--------------------|---------------|---------------|--------------------|
| | Pulp | Renewables | Consolidated Group | Pulp | Renewables | Consolidated Group |
| Wages and salaries | 62,880 | 18,659 | 81,539 | 64,468 | 17,160 | 81,628 |
| Social security | 18,102 | 5,230 | 23,332 | 17,090 | 4,378 | 21,468 |
| Contributions to pension plans | 2,537 | 604 | 3,141 | 2,362 | 453 | 2,815 |
| Other benefit expense | 1,820 | 261 | 2,081 | 1,791 | 232 | 2,023 |
| | 85,339 | 24,754 | 110,093 | 85,711 | 22,223 | 107,934 |
| Long-term incentive plans | (71) | 447 | 376 | 2,536 | 485 | 3,021 |
| Termination benefits | 1,694 | 435 | 2,129 | 1,372 | 771 | 2,143 |
| Other non-recurring staff costs (note 31) | 23,998 | - | 23,998 | - | - | - |
| | 110,960 | 25,636 | 136,596 | 89,619 | 23,479 | 113,098 |

11.1 Headcount

The average Group headcount by job category and gender in 2025 and 2024:

| Job category | Average headcount during the period | | | | | |
|-----------------------|-------------------------------------|------------|--------------|------------|------------|--------------|
| | 2025 | | | 2024 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | 57 | 21 | 78 | 57 | 20 | 77 |
| Managers | 70 | 34 | 104 | 71 | 31 | 102 |
| Team leaders | 68 | 6 | 74 | 67 | 4 | 71 |
| Skilled professionals | 231 | 147 | 378 | 221 | 150 | 371 |
| Administrative staff | 16 | 33 | 49 | 16 | 35 | 51 |
| Workers | 334 | 53 | 387 | 298 | 50 | 348 |
| Support and upgrade | 48 | 49 | 97 | 45 | 45 | 90 |
| Maintenance staff | 137 | 1 | 138 | 134 | 1 | 135 |
| | 961 | 344 | 1,305 | 909 | 336 | 1,245 |

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

| Job category | Year-end headcount | | | | | |
|-----------------------|--------------------|------------|--------------|------------|------------|--------------|
| | 2025 | | | 2024 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | 56 | 21 | 77 | 57 | 19 | 76 |
| Managers | 73 | 35 | 108 | 75 | 34 | 109 |
| Team leaders | 73 | 6 | 79 | 56 | 2 | 58 |
| Skilled professionals | 230 | 145 | 376 | 217 | 152 | 369 |
| Administrative staff | 16 | 35 | 51 | 16 | 35 | 51 |
| Workers | 371 | 47 | 418 | 303 | 60 | 363 |
| Support and upgrade | 51 | 44 | 95 | 47 | 35 | 82 |
| Maintenance staff | 138 | 1 | 139 | 136 | 1 | 137 |
| | 1008 | 334 | 1,342 | 907 | 338 | 1,245 |

At year-end 2025, 14 employees had a disability of a severity of 33% or higher (year-end 2024: 11).

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

11.2 Long-term incentive plans

The next table itemises the number of beneficiaries at 31 December 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 (*) | 83 | 2,864 | 15,327 | 18,191 |
| Moulded Pulp | 2 | 348 | - | 348 |
| Renewables Business: | | | | |
| 2021-2025 LTIP | 25 | 2,816 | - | 2,816 |
| Biogas | 4 | 1,054 | - | 1,054 |
| Industrial Heat | 2 | 557 | - | 557 |
| | 116 | 7,639 | 15,327 | 22,966 |

(*) Reflects the commitments outstanding at 31 December 2025 associated with Cycles I, II and III of the plan

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

| € 000 | 31/12/2025 | | | 31 December 2024 | | |
|----------------------|-------------------------------------|--|--------------------------------------|-------------------------------------|--|--------------------------------------|
| | Employee benefits expense (note 11) | Current and non-current provisions (note 31) | Other equity instruments (note 21.7) | Employee benefits expense (note 11) | Current and non-current provisions (note 31) | Other equity instruments (note 21.7) |
| Pulp Business: | | | | | | |
| 2023-2027 LTIP | (142) | (71) | (71) | 2,437 | 392 | 2,045 |
| Moulded Pulp | 71 | 71 | - | 99 | 99 | - |
| Renewables Business: | | | | | | |
| Magnon 2021-2025 | 121 | 121 | - | 301 | 301 | - |
| Biomethane | 281 | 281 | - | 139 | 139 | - |
| Industrial Heat | 45 | 45 | - | 45 | 45 | - |
| | 376 | 447 | (71) | 3,021 | 975 | 2,045 |

2023-2027 long-term incentive plan

At the Annual General Meeting held on 5 May 2023, the Parent's directors approved the "2023-2027 long-term incentive plan" for executives, including the Company's Chairman & CEO, and other Group employees (the "LTIP").

The LTIP will run for five years, from 1 January 2023 to 31 December 2027 divided into three overlapping, independent three-year cycles to be settled within the 90 days following the last year of each cycle. Cycle I of the LTIP represents 60% of the total incentive and cycles II and III each represent 20% of the total incentive.

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

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

The number of shares to be delivered will be determined using a benchmark share price calculated as the average share price during the 20 days before and after 31 December in the first year of each cycle. The benchmark prices for the three cycles are €3.24 per share, €2.86 per share and €3.1 per share, respectively.

At 31 December 2025, the three cycles covered 81, 83 and 83 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 €18.2 million (€2.8 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.

In keeping with the terms of the long-term incentive plan of ENCE Energía y Celulosa, S.A. for 2019-2023, Cycle II of the plan was settled in July 2024, implying the payment, after tax, of €236 thousand and 95 thousand ENCE shares.

On 24 March 2022, the Board of Directors of Magnon Green Energy, S.L. approved a long-term incentive for certain of its key employees. This incentive will entitle its beneficiaries to receive an extraordinary bonus payable in cash tied to the return obtained by this subsidiary's shareholders between 18 December 2020 and 18 December 2028. To accrue this bonus, the shareholders must have accrued a minimum internal rate of return (IRR) of 10% and the beneficiaries must remain in the employment of or party to an equivalent arrangement with MAGNON until the payment date, subject to the exceptions customary in incentive schemes such as these. At 31 December 2025, this extraordinary bonus scheme covered a total of four professionals and the maximum expected cost, assuming delivery levels of 100%, amounted to €3,749 thousand.

12. Other operating expenses

The breakdown of this consolidated statement of profit or loss heading in 2025 and 2024 for the businesses carried on by ENCE was as follows:

| € 000 | 2025 | | | 2024 | | |
|---|----------------|----------------|--------------------|----------------|---------------|--------------------|
| | Pulp | Renewables | Consolidated Group | Pulp | Renewables | Consolidated Group |
| External services | 124,270 | 77,550 | 200,450 | 118,862 | 61,900 | 179,479 |
| Use of emission allowances (note 31) | 9,113 | 3,534 | 12,647 | 9,158 | 2,636 | 11,794 |
| Levies | 5,055 | 14,711 | 19,767 | 4,808 | 12,601 | 17,409 |
| Change in trade and other provisions | 1,392 | 496 | 1,888 | 637 | 2,552 | 3,189 |
| Other non-recurring operating expenses (**) | 2,164 | 4,892 | 7,056 | 719 | - | 719 |
| | 141,994 | 101,183 | 241,808 | 134,184 | 79,689 | 212,590 |

(*) The difference between the figures presented under "Consolidated Group" for 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 2025 and 2024 in the amounts of €1,369 thousand and €1,283 thousand, respectively.

(**) Mainly reflects inventory impairment losses recognised to restate them to their net realisation value in the amount of €2,164 thousand in the Pulp Business and impairment losses against one photovoltaic development in the Renewables Business in the amount of €4,892 thousand (note 20).

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

12.1 External services

The breakdown of "External services" in 2025 and 2024 is as follows:

| € 000 | 2025 | | | 2024 | | |
|---|----------------|---------------|--------------------|----------------|---------------|--------------------|
| | Pulp | Renewables | Consolidated Group | Pulp | Renewables | Consolidated Group |
| Transport, freight and business expenses | 42,991 | 16,440 | 59,431 | 45,822 | 5,590 | 51,412 |
| Utilities (**) | 17,043 | 5,039 | 21,892 | 15,786 | 3,858 | 19,454 |
| Repairs and upkeep | 15,071 | 21,342 | 36,413 | 15,001 | 19,534 | 34,535 |
| Independent professional services | 9,978 | 4,280 | 14,258 | 5,378 | 1,748 | 7,126 |
| Insurance premiums | 4,867 | 3,126 | 7,993 | 4,540 | 3,278 | 7,818 |
| Banking and similar services | 1,515 | 1,010 | 2,489 | 1,748 | 1,179 | 2,922 |
| Rent and fees (note 17) | 824 | 515 | 1,339 | 542 | 292 | 834 |
| Advertising, publicity and public relations | 3,807 | 154 | 3,961 | 3,741 | 179 | 3,919 |
| Research and development costs | 245 | - | 245 | 100 | - | 100 |
| Other services | 27,929 | 25,644 | 52,429 | 26,204 | 26,242 | 51,359 |
| | 124,270 | 77,550 | 200,450 | 118,862 | 61,900 | 179,479 |

(*) The difference between the figures presented under "Consolidated Group" for 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 2025 and 2024 in the amounts of €1,369 thousand and €1,283 thousand, respectively.

(**) Mainly includes the purchase of electricity for €19,731 thousand (€15,788 thousand in the Pulp Business and €3,853 in the Renewables Business) (2024: €17,587 thousand; €14,313 thousand in Pulp and €3,274 thousand in Renewables).

ENCE has arranged director and officer liability insurance which covers all its directors and executives against damages caused by acts or omissions in the course of discharging their duties. The cost of that insurance was €74 thousand in 2025 (2024: €82 thousand).

12.2 Audit fees

The financial statements of the companies comprising the ENCE Group were audited by KPMG Auditores, S.L. in 2025 and 2024 (Appendix I).

The fees paid to the auditor and entities related to the latter for account auditing and other services in 2025 and 2024 are shown in the next table:

| € 000 | 2025 | 2024 |
|------------------------|------|------|
| Audit services | 236 | 220 |
| Audit-related services | 42 | 47 |
| Other services | 118 | 75 |

The audit-related services provided by the auditor in 2025 include a review of financial ratios for the purpose of compliance with financial agreement covenants, assurance services related with the internal control over financial reporting system and the review of certain financial metrics to certify several facilities' status as intense users of electricity and their compliance with supplier payment terms. "Other services" in the table above mainly includes Sustainability Statement assurance services.

13. Finance income and costs

The breakdown of these headings in 2025 and 2024 was as follows:

| € 000 | 2025 | | | 2024 | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Pulp | Renewables | Total | Pulp | Renewables | Total |
| Finance costs: | | | | | | |
| Notes | - | - | - | - | (3,399) | (3,399) |
| Loans, credit facilities & other | (17,799) | (9,414) | (27,213) | (22,741) | (6,926) | (29,667) |
| Unwinding of discount - Tariff | | | | | | |
| Adjustment (note 29) | (1,699) | (3,939) | (5,638) | (2,053) | (4,001) | (6,054) |
| Unwinding of discount - Provisions | (829) | - | (829) | (969) | - | (969) |
| Fees and other charges | (3,989) | (2,682) | (6,671) | (985) | (3,544) | (4,529) |
| Inter-business finance income/costs | 2,504 | (2,504) | - | 1,660 | (1,660) | - |
| Right-of-use assets (note 17) | (2,633) | (198) | (2,831) | (2,289) | (141) | (2,433) |
| | (24,445) | (18,737) | (43,182) | (27,377) | (19,671) | (47,051) |
| Finance income: | | | | | | |
| Contingent consideration (note 27) | 1,567 | 112 | 1,679 | 1,441 | 115 | 1,556 |
| Other finance income | 7,189 | 2,531 | 9,720 | 6,507 | 1,153 | 7,660 |
| | 8,756 | 2,643 | 11,399 | 7,948 | 1,268 | 9,216 |
| Hedging derivatives: | | | | | | |
| Settlement of IR swap (note 30) | (1,096) | (496) | (1,592) | 840 | 4,576 | 5,416 |
| | (1,096) | (496) | (1,592) | 840 | 4,576 | 5,416 |
| | (16,785) | (16,590) | (33,375) | (18,592) | (13,827) | (32,419) |

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

14. Earnings per share

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

| Earnings/(loss) per share | Unit | 2025 | 2024 |
|--|--------------------|---------------|-------------|
| Consolidated profit/(loss) for the period attributable to equity holders of the parent | € 000 | (54,457) | 31,551 |
| Weighted average ordinary shares outstanding (*) | Millions of shares | 242.2 | 242.7 |
| Weighted average diluted shares | Millions of shares | 247.4 | 246.5 |
| Basic earnings/(loss) per share | € | (0.22) | 0.13 |
| Diluted earnings/(loss) per share | € | (0.22) | 0.13 |

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

The diluted earnings per share figures for 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 31 December 2025) as their inclusion would have had an anti-dilutive effect.

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

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15. Goodwill and other intangible assets

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

| 2025 | € 000 | | | | Balance at 31/12/2025 |
|---|------------------------|-------------------------|--------------------------------|------------|--------------------------|
| | Balance at 1/1/2025 | Additions/ (charges) | Derecognitions or decreases | Transfers | |
| Goodwill | 7,550 | 7 | - | - | 7,557 |
| Computer software | 38,819 | 9 | - | 3,706 | 42,534 |
| Development costs | 15,078 | - | - | 106 | 15,184 |
| Advances | 8,891 | 5,698 | (15) | (3,422) | 11,152 |
| Electric power and biomethane generation rights | 39,968 | - | - | - | 39,968 |
| Watering rights | 4,911 | 134 | - | 28 | 5,073 |
| Other intangible assets | 6,357 | - | - | - | 6,357 |
| Total cost | 121,574 | 5,848 | (15) | 418 | 127,825 |
| Computer software | (32,245) | (2,339) | - | - | (34,584) |
| Development costs | (14,159) | (537) | - | - | (14,696) |
| Electric power and biomethane generation rights | (4,013) | (1,601) | - | - | (5,614) |
| Watering rights | (718) | (252) | - | - | (970) |
| Other intangible assets | (2,098) | (152) | - | - | (2,250) |
| Total depreciation | (53,233) | (4,881) | - | - | (58,114) |
| Impairment (note 19) | (3,489) | 3 | - | - | (3,486) |
| Total | 64,852 | | | | 66,225 |

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

The Group did not capitalise any own work within intangible assets in 2025 or 2024.

At 31 December 2025, there were fully-amortised intangible assets still in use with an original cost of €44,129 thousand (year-end 2024: €41,860 thousand).

15.1 Goodwill

The breakdown of the Group's goodwill at 31 December 2025 and 2024 by the cash-generating units to which it has been assigned is provided in the table below:

| 31/12/2025 | | € 000 | | |
|------------------------------------|------------|--------------|----------------------|-----------------|
| CGU allocated to | Technology | Goodwill | Impairment (note 15) | Carrying amount |
| Renewables Business: | | | | |
| 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 |

| 31 Dec. 2024 | | € 000 | | |
|------------------------------------|------------|--------------|----------------------|-----------------|
| CGU allocated to | Technology | Goodwill | Impairment (note 15) | Carrying amount |
| Renewables Business: | | | | |
| Jaen 16 MW - Ciudad Real 16 MW (*) | Biomass | 2,737 | (2,737) | - |
| Biomethane La Galera (**) | Biomethane | 4,813 | - | 4,813 |
| | | 7,550 | (2,737) | 4,813 |

(*) 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. It was fully written down for impairment at 31 December 2025 and 2024 (note 19).

(**) 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 (note 6). The Group has tested its goodwill for impairment by discounting the expected future cash flows at this facility, currently in operation, to which it added the value of the biomethane projects under development, which it valued using comparable market multiples. The carrying amount of the this CGU's assets is €30.8 million. The CGU's recoverable amount is higher than its carrying amount. The main assumptions used included an after-tax WACC of 6%, the prices set in the signed BPAs and estimated operating costs.

16. Property, plant and equipment

The reconciliation of the carrying amounts of the various components of property, plant and equipment and accumulated depreciation in 2025 and 2024 is as follows:

| 2025 | € 000 | | | | | |
|----------------------------------|---------------------|----------------------|-----------------------------|--------------|-----------------------------------|-----------------------|
| | Balance at 1/1/2025 | Additions/ (charges) | Derecognitions or decreases | Transfers | Translation differences and other | Balance at 31/12/2025 |
| Forest land | 87,872 | 252 | - | - | - | 88,124 |
| Other land | 17,510 | 525 | - | 801 | (16) | 18,820 |
| Buildings | 172,101 | - | - | 3,571 | - | 175,672 |
| Plant and machinery | 1,889,046 | 8,954 | (5,916) | 36,358 | (2) | 1,928,440 |
| Other PP&E | 62,089 | - | - | 2,994 | (1) | 65,082 |
| Prepayments and PP&E in progress | 59,097 | 97,019 | - | (45,470) | - | 110,646 |
| Right-of-use assets (note 17) | 71,916 | 15,584 | (6,829) | 1,328 | - | 81,999 |
| Total cost | 2,359,631 | 122,334 | (12,745) | (418) | (19) | 2,468,783 |
| Buildings | (84,406) | (3,908) | - | - | - | (88,314) |
| Plant and machinery | (1,218,489) | (64,254) | 5,030 | - | 1 | (1,277,712) |
| Other PP&E | (38,561) | (3,480) | - | - | - | (42,040) |
| Right-of-use assets (note 17) | (15,756) | (6,904) | 2,873 | - | - | (19,787) |
| Total depreciation | (1,357,212) | (78,546) | 7,903 | - | 1 | (1,427,854) |
| Impairment (note 19) | (27,799) | - | 906 | - | - | (26,893) |
| Carrying amount | 974,620 | | | | | 1,014,036 |

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

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

16.1 Additions

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

| | € 000 | |
|-------------------------------|----------------|---------------|
| | 2025 | 2024 |
| Pulp Business: | | |
| Pontevedra & Corporate | 15,250 | 17,138 |
| Navia | 60,073 | 21,533 |
| Other | 4,058 | 2,170 |
| Renewables Business: | | |
| 46-MW Huelva | 1,550 | 2,175 |
| 50-MW Huelva | 3,036 | 2,969 |
| 50-MW Puertollano | 821 | 1,839 |
| Industrial Heat | 9,465 | - |
| Other | 12,497 | 9,239 |
| Subtotal | 106,750 | 57,063 |
| Right-of-use assets (note 17) | 15,584 | 12,347 |
| | 122,334 | 69,410 |

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 2025 to adapt the productive process to accommodate the production of fluff pulp in the amount of €14.5 million and investments in several decarbonisation projects totalling €16.6 million.

Elsewhere, in 2025, the Group capitalised €6,143 thousand of own work (2024: €5,864 thousand); that balance is recognised under "Self-constructed assets" in the consolidated statement of profit or loss.

16.2 Capital commitments

The Group was contractually committed to capital expenditure totalling approximately €70.6 million at 31 December 2025.

16.3 Fully-depreciated assets

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

| € 000 | 2025 | 2024 |
|-----------------------|----------------|----------------|
| Buildings | 43,144 | 35,071 |
| Plant | 196,594 | 114,268 |
| Machinery & equipment | 412,640 | 334,725 |
| Tools | 827 | 722 |
| Furniture | 2,304 | 2,240 |
| Other | 12,221 | 11,138 |
| | 667,730 | 498,164 |

16.4 Asset revaluations

The Group restated all its forest land to fair value as of 1 January 2004, the date of transition to IFRS-EU. That value was determined by independent expert appraisers. As permitted under IFRS, the revalued amounts were considered the land's deemed cost. The gain on the revaluation amounted to €54,102 thousand at year-end 2025 and 2024 and is included in "Valuation adjustments" in equity (note 21.6).

16.5 Insurance cover

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

17. Leases

17.1 Right-of-use assets

The reconciliation of the carrying amounts of the various components of "Right-of-use assets" and the corresponding accumulated depreciation charges at the beginning and end of 2025 and 2024:

| | | € 000 | | | | | |
|-------------------------|------|------------------------|-------------------------|----------------|--------------|--------------------------|--|
| 2025 | Note | Balance at 1/1/2025 | Additions/ (charges) | Derecognitions | Transfers | Balance at 31/12/2025 | |
| Cost: | | | | | | | |
| Pontevedra biomill land | 16 | 19,898 | - | - | - | 19,898 | |
| Forest leases | 16 | 11,374 | 2,358 | (543) | - | 13,189 | |
| Other (*) | 16 | 40,644 | 13,226 | (6,286) | 1,328 | 48,912 | |
| Cost | | 71,916 | 15,584 | (6,829) | 1,328 | 81,999 | |
| Depreciation: | | | | | | | |
| Pontevedra biomill land | 16 | 1,159 | 384 | - | - | 1,543 | |
| Forest leases | 16 | 2,775 | 650 | (79) | - | 3,346 | |
| Other (*) | 16 | 11,822 | 5,870 | (2,794) | - | 14,899 | |
| Depreciation | | 15,756 | 6,904 | (2,873) | - | 19,787 | |
| Carrying amount | | 56,160 | | | | 62,212 | |

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

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

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

17.2 Lease liabilities

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2025 and 2024:

| | | € 000 | | | | | | | |
|-------------------------------|------|---------------------|---------------|------------------|----------------|-----------|--------------|-----------------------|--|
| 2025 | Note | Balance at 1/1/2025 | Additions | Instalments paid | Derecognitions | Transfers | Interest | Balance at 31/12/2025 | |
| Current lease liabilities | 28.2 | 7,021 | - | (11,588) | (324) | 10,140 | 3,357 | 8,606 | |
| Non-current lease liabilities | 28.2 | 51,526 | 17,213 | - | (744) | (10,140) | - | 57,855 | |
| | | 58,547 | 17,213 | (11,588) | (1,068) | - | 3,357 | 66,461 | |

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

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

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

17.3 Amounts recognised in the consolidated statement of profit or loss

The table below depicts the impact on "Depreciation and amortisation" and "Finance costs" in the consolidated statement of profit or loss for 2025 and 2024 of the leases accounted under IFRS 16 and the lease payments made during those years:

| | | € 000 | | |
|-------------------------|---------|--------------|---------------|----------------|
| 2025 | Note | Depreciation | Finance costs | Lease payments |
| Pontevedra biomill land | 13 & 16 | 384 | 1,532 | 1,570 |
| Other land | 13 & 16 | 650 | 526 | 959 |
| Other assets | 13 & 16 | 5,870 | 1,299 | 9,060 |
| | | 6,904 | 3,357 | 11,589 |
| Costs capitalised | 18 | (650) | (526) | - |
| | | 6,254 | 2,831 | 11,589 |

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| 2024 | Note | € 000 | | |
|-------------------------|-----------|--------------|---------------|----------------|
| | | Depreciation | Finance costs | Lease payments |
| Pontevedra biomill land | 13 & 16 | 384 | 1,535 | 1,577 |
| Other land | 13 & 16 | 619 | 391 | 1,053 |
| Other assets | 13 & 16 | 3,914 | 898 | 6,420 |
| | | 4,917 | 2,824 | 9,050 |
| Costs capitalised | 18 | (638) | (391) | - |
| | | 4,279 | 2,433 | 9,050 |

The expenses recognised in connection with short-term leases and variable lease payments not included in the measurement of lease liabilities amounted to €1,339 thousand in 2025 (2024: €834 thousand) (note 12).

Considering the leases in place at 31 December 2025, depreciation charges and interest expense related to the Group's right-of-use assets will average €7 million and €2.7 million, respectively, in the next five years (at year-end 2024: €5.9 million and €2.6 million, respectively).

18. Biological assets

"Biological assets" exclusively comprises the Group's forest cover; the forest land owned by the Group is presented under "Property, plant and equipment - Forest land". The reconciliation for 2025 and 2024:

| 2025 | € 000 | | | |
|-----------------------------|---------------------|----------------------|-----------------------------|-----------------------|
| | Balance at 1/1/2025 | Additions/ (charges) | Derecognitions or decreases | Balance at 31/12/2025 |
| Pulp Business: | | | | |
| Forest cover | 133,350 | 6,643 | (4,887) | 135,106 |
| Depletion of forest reserve | (62,791) | (7,216) | 4,590 | (65,417) |
| Impairment (note 19) | (4,487) | - | - | (4,487) |
| | 66,072 | (573) | (297) | 65,202 |
| Renewables Business: | | | | |
| Forest cover | 2,098 | 47 | (1,216) | 929 |
| Depletion of forest reserve | (1,752) | (124) | 1,121 | (755) |
| Impairment (note 19) | (96) | - | 95 | (1) |
| | 250 | (77) | - | 173 |
| | 66,322 | | | 65,375 |

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

In 2025, ENCE planted 934 hectares of land (2024: 1,615 hectares) and carried out forest preservation and protection work on 7,797 hectares (2024: 18,901 hectares), work which entailed investment totalling €6,690 thousand (2024: €9,992 thousand). A portion of the above investments - €5,731 thousand in 2025 and €8,915 thousand in 2024 - has been recognised within “Own work capitalised” in the consolidated statement of profit or loss.

In 2025, the Group capitalised €1,176 thousand corresponding to payments for the right to use land earmarked for the development of biological assets and associated borrowing costs (2024: €1,029 thousand) (note 17).

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

18.1 Breakdown of forest cover

The Group also manages 70,100 hectares of forest in Spain and Portugal with a total owned forest planted area of 47,662 hectares. An analysis of the Group’s forest cover at year-end 2025 and 2024 is provided below:

| Age (years) | Spain & Portugal | | | |
|---------------------------------|------------------|-------------------------|---------------|-------------------------|
| | 31 Dec. 2025 | | 31 Dec. 2024 | |
| | Hectares (*) | Carrying amount (€ 000) | Hectares (*) | Carrying amount (€ 000) |
| > 17 | 1,583 | 3,165 | 1,391 | 2,626 |
| 14 - 16 | 4,133 | 8,783 | 4,677 | 9,962 |
| 11 - 13 | 5,533 | 9,547 | 6,285 | 12,430 |
| 8 - 10 | 5,867 | 7,838 | 5,645 | 7,239 |
| 4 - 7 | 13,245 | 16,201 | 12,212 | 14,589 |
| 0 - 3 | 17,301 | 24,329 | 19,144 | 24,059 |
| Impairment of biological assets | - | (4,488) | - | (4,583) |
| | 47,662 | 65,375 | 49,354 | 66,322 |

(*) Owned forest area planted

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

19. Impairment of non-financial assets

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

| | Note | € 000 | | | | |
|-------------------------------|------|---------------|--------------|----------------|------------------|---------------|
| | | 01/01/2025 | Additions | Amounts used | Amounts reversed | 31/12/2025 |
| Goodwill | 15 | 2,737 | - | - | - | 2,737 |
| Other intangible assets | 15 | 752 | - | - | (3) | 749 |
| Property, plant and equipment | 16 | 27,799 | - | - | (906) | 26,893 |
| Biological assets | 18 | 4,583 | - | (95) | - | 4,488 |
| Inventories | | | | | | |
| Spare parts | 20 | 14,264 | 1,560 | (962) | (71) | 14,791 |
| Net realisable amount & other | 20 | 2,279 | 7,476 | - | (21) | 9,734 |
| | | 52,414 | 9,036 | (1,057) | (1,001) | 59,392 |

| | Note | € 000 | | | | |
|-------------------------------|------|---------------|--------------|----------------|------------------|---------------|
| | | 01/01/2024 | Additions | Amounts used | Amounts reversed | 31/12/2024 |
| Goodwill | 15 | 2,737 | - | - | - | 2,737 |
| Other intangible assets | 15 | 3,612 | - | (2,853) | (7) | 752 |
| Property, plant and equipment | 16 | 32,417 | 228 | (1,152) | (3,695) | 27,798 |
| Biological assets | 18 | 3,604 | 979 | - | - | 4,583 |
| Inventories | | | | | | |
| Spare parts | 20 | 13,189 | 1,126 | (51) | - | 14,264 |
| Net realisable amount & other | 20 | 165 | 2,279 | (165) | - | 2,279 |
| | | 55,724 | 4,612 | (4,221) | (3,702) | 52,413 |

The breakdown of “Impairment of and gains/(losses) on disposal of fixed assets” in the 2025 and 2024 consolidated statements of profit or loss is shown below:

| € 000 | Note | 2025 | | | 2024 | | |
|-------------------------------|------|-----------------------|--------------------------------------|--------------|-----------------------|--------------------------------------|----------|
| | | Impairment losses (*) | Gains/(losses) on derecognition/sale | Total | Impairment losses (*) | Gains/(losses) on derecognition/sale | Total |
| Other intangible assets | 15 | (3) | - | (3) | (7) | - | (7) |
| Property, plant and equipment | 16 | (906) | 133 | (773) | (3,467) | 2,502 | (965) |
| Biological assets | 18 | - | - | - | 979 | - | 979 |
| | | (909) | 133 | (776) | (2,495) | 2,502 | 7 |

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

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

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

At 31 December 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 key aspects assessed to check for indications of impairment, there were therefore no changes in the impairment losses associated with those facilities.

At the end of 2024, the Group tested its renewable energy generation facilities fuelled by biomass and gas under ENCE Renewables for impairment as a result, primarily, of the trend in renewable energy futures prices and changes materialising in the regulatory environment. As a result of those tests, the Group reversed impairment losses recognised in 2022 totalling €3,412 thousand (net) in relation to the HU 41-MW, JA 16-MW, CR 16-MW and CO 27-MW plants.

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.

Biological assets

At 31 December 2025, impairment losses on the Group's biological assets stood at €4,488 thousand (year-end 2024: €4,583 thousand). Those losses were calculated on the basis of the analysis and methodology outlined in note 3.4.

Inventories

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

ENCE also writes its finished product inventories down for impairment to align their carrying amount with their net realisable value when pulp sales prices, net of discounts and sales and logistics costs, fall below production cost. In 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 €2,164 thousand.

20. Inventories

The breakdown of the Group's inventories at 31 December 2025 and 2024 is as follows:

| € 000 | 31 Dec. 2025 | 31 Dec. 2024 |
|-------------------------------------|---------------|---------------|
| Timber and biomass | 24,443 | 20,296 |
| Other raw materials | 4,309 | 4,462 |
| High-turnover spare parts (*) | 16,032 | 15,809 |
| Greenhouse gas emission allowances | 11,956 | 8,429 |
| GHG offset credits (note 23) | 1,601 | 1,228 |
| Finished goods and work in progress | 28,321 | 38,547 |
| Prepayments to suppliers | 3,095 | 1,002 |
| Projects under development | 12,123 | 7,112 |
| Impairment (note 19) | (9,734) | (2,279) |
| | 92,146 | 94,606 |

(*) Presented net of impairment allowances of €14,791 thousand and €14,264 thousand at 31 December 2025 and 31 December 2024, respectively.

The balance recognised under "Projects under development" relates to (i) the investments carried out at a biomass furnace under construction for the generation of industrial heat in the amount of €3,471 thousand, which, once built, will be sold to third parties; and (ii) two photovoltaic developments with combined capacity of 223 MW located in Seville and Granada, in the amount of 8,652 thousand (note 1). The Group has written the photovoltaic developments down for impairment as it estimates that their recoverable amount is below their carrying amount. Their recoverable amount was determined at their fair value less costs to sell, estimated using market prices. In 2025, the Group recognised additional impairment losses against its photovoltaic developments in the amount of €7,171 thousand (2024: €2,279 thousand).

In 2024, Magnon Green Energy S.L. closed the sale of a photovoltaic development under construction in the town of Huelva, with capacity of 10 MW, for €2.2 million.

There are no restrictions on title to inventories.

At 31 December 2025, the Group had contractual agreements with suppliers for the acquisition of 0.9 million tonnes of biomass over the next two years for its energy generation plants.

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

20.1 Emission allowances

The reconciliation of the opening and year-end Group-owned greenhouse gas (GHG) emission allowance balances for 2025 and 2024 is provided in the next table:

| | 2025 | | 2024 | |
|------------------------|----------------------|---------------|----------------------|--------------|
| | Number of allowances | € 000 | Number of allowances | € 000 |
| Opening balance | 119,261 | 8,429 | 171,762 | 10,909 |
| Allocations (note 23) | 106,010 | 7,722 | 93,968 | 6,876 |
| Delivered (*) | (168,853) | (11,986) | (182,469) | (11,750) |
| Purchased | 107,902 | 7,791 | 36,000 | 2,394 |
| Closing balance | 164,320 | 11,956 | 119,261 | 8,429 |

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

The Spanish government approved a new plan for the free allocation of GHG emission allowances for 2021 to 2025 on 13 July 2021. Under that plan, the Group received allowances equivalent to 106,010 tonnes of carbon emissions, valued at €7,722 thousand, in 2025 (93,968 tonnes valued at €6,876 thousand in 2024).

“Current provisions” on the liability side of the consolidated statement of financial position includes €13,146 thousand at 31 December 2025 (€12,485 thousand at year-end 2024) corresponding to the liability derived from the consumption of 176,697 allowances in 2025 (176,926 allowances in 2024) (note 31).

At 31 December 2025, the Group was contractually committed to the purchase of 10,062 emissions allowances at an average price of €83.16 per tonne (24,000 allowances at an average price of €68.76 per tonne at year-end 2024). Those contracts are expected to be executed in 2026.

21. Equity

21.1 Share capital

The share capital of ENCE Energía y Celulosa, S.A. at 31 December 2025 and 2024 was represented by 246,272,500 fully subscribed and paid bearer shares, each with a par value of €0.90.

Since ENCE’s shares are represented by the book entry method, it is not possible to ascertain its precise shareholder structure. The table below presents significant direct and indirect holdings in the share capital and financial instruments issued by ENCE at year-end 2025 and 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 | % | |
|---|---------------|---------------|
| | 31/12/2025 | 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 | 10.00 |
| Víctor Urrutia Vallejo / Asúa Inversiones, S.L. | 10.00 | 6.38 |
| Jose Ignacio Comenge / MENDIBEA 2002 S.L. | 6.38 | 4.89 |
| Own shares | 1.63 | 1.46 |
| Directors with ownership interest of < 3% | 0.63 | 0.63 |
| Free float | 41.91 | 47.20 |
| Total | 100.00 | 100.00 |

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

21.2 Share premium

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

21.3 Reserves

Below is the reconciliation of the opening and closing reserve balances for 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) |
| Own share transactions | - | - | - | 169 | - | - | - | 169 |
| Non-controlling interests and other movements | - | - | - | 197 | - | - | - | 197 |
| Balance at 31 Dec. 2024 | 45,049 | 10,566 | 773 | 19,484 | (34,455) | 71,584 | (106) | 112,895 |
| Appropriation of prior-year profit/(loss) | - | - | - | - | 12,769 | (15,190) | - | (2,421) |
| Own share transactions | - | - | - | (455) | - | - | - | (455) |
| Other changes | - | - | 725 | (725) | - | - | - | - |
| Balance at 31 Dec. 2025 | 45,049 | 10,566 | 1,498 | 18,304 | (21,686) | 56,394 | (106) | 110,019 |

Legal reserve

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

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

21.4 Restricted reserves

The balance of reserves in consolidated companies that is restricted stood at €21,086 thousand at year-end 2025 (year-end 2024: €21,077 thousand) and corresponds mainly to the legal reserves endowed by the various Group companies.

21.5 Own shares

The reconciliation of "Own shares" at the beginning and end of 2025 and 2024 is as follows:

| | 2025 | | 2024 | |
|----------------------------|------------------|---------------|------------------|---------------|
| | No. of shares | € 000 | No. of shares | € 000 |
| Opening balance | 3,605,432 | 12,205 | 3,871,111 | 12,980 |
| Purchases | 7,985,908 | 23,525 | 8,960,221 | 27,661 |
| 2019-2025 LTIP (note 11.2) | - | - | (71,679) | (245) |
| Sales | (7,564,908) | (22,797) | (9,154,221) | (28,191) |
| Closing balance | 4,026,432 | 12,933 | 3,605,432 | 12,205 |

The own shares held by the Parent at 31 December 2025 represent 1.63% of its share capital (1.46% at 31 December 2024) and were carried at €3,624 thousand (€3,245 thousand at 31 December 2024). Those shares were acquired at an average price of €3.21 per share. The own shares held as treasury stock are intended for trading in the market and for delivery under the long-term incentive plans arranged by ENCE (note 11.2).

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

21.6 Valuation adjustments

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

| € 000 | 31 Dec. 2025 | | | 31 Dec. 2024 | | |
|--------------------------------|---------------|---------------|----------------------|---------------|---------------|----------------------|
| | Fair value | Tax effect | Adjustment in equity | Fair value | Tax effect | Adjustment in equity |
| Revaluation of land (note 16) | 54,102 | 13,510 | 40,592 | 54,102 | 13,510 | 40,592 |
| Hedging transactions (note 30) | | | | | | |
| IR swap | (2,488) | (622) | (1,866) | (4,180) | (1,045) | (3,135) |
| Energy purchases | 858 | 215 | 643 | (634) | (159) | (475) |
| Exchange rates | 579 | 145 | 434 | (6,081) | (1,520) | (4,561) |
| | 53,051 | 13,248 | 39,803 | 43,207 | 10,786 | 32,421 |

21.7 Other equity instruments

The reconciliation of the carrying amount of "Other equity instruments" on the consolidated statement of financial position at the beginning and end of 2025 and 2024 is as follows:

| € 000 | Balance at 1/1/2025 | Settlement | Additions | Tax effect | Balance at 31/12/2025 |
|--------------------------------------|---------------------|------------|-------------|------------|-----------------------|
| Long-term incentive plan (note 11.2) | 2,438 | - | (71) | 18 | 2,385 |
| | 2,438 | - | (71) | 18 | 2,385 |

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| € 000 | Balance at 1/1/2024 | Settlement | Additions | Tax effect | Balance at 31/12/2024 |
|--------------------------------------|------------------------|--------------|--------------|--------------|--------------------------|
| Long-term incentive plan (note 11.2) | 1,328 | (424) | 2,045 | (511) | 2,438 |
| | 1,328 | (424) | 2,045 | (511) | 2,438 |

21.8 Non-controlling interests

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2025 and 2024 is as follows:

| | | € 000 | | | | |
|------------------------------------|--|------------------------|--|----------------------|--------------------|--------------------------|
| 2025 | | Balance at 1/1/2025 | Profit/(loss) attributable to NCIs | Dividend payments | Other movements | Balance at 31/12/2025 |
| Company | | | | | | |
| Energía de la Loma, S.A. | | 4,740 | 769 | - | - | 5,509 |
| Energías de la Mancha Eneman, S.A. | | (496) | 982 | - | - | 486 |
| Bioenergía Santamaría, S.A. | | 3,665 | 1,654 | - | - | 5,319 |
| MAGNON | | 88,869 | (10,998) | (441) | 855 | 78,285 |
| BioCH4 Developments, S.L. | | (63) | (448) | - | - | (511) |
| Biometagás La Galera, S.L. | | 336 | (4) | - | - | 332 |
| Total | | 97,051 | (8,045) | (441) | 855 | 89,420 |

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

The summarised financial information for the subgroup with material non-controlling interests, before intercompany eliminations, is as follows:

The Group's only subgroup with material non-controlling interests is the MAGNON Group, which at 31 December 2025 had total assets of €510 million, non-current liabilities of €255 million and current liabilities of €79 million (2024: total assets of €568 million, non-current liabilities of €280 million and current liabilities of €96 million).

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

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

22.1 Shareholder remuneration

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

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

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

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

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

22.2 Dividends paid

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

22.3 Proposed appropriation of the Parent's earnings

In 2025, Ence Energía y Celulosa, S.A. recognised a separate loss of €30,388,101.22. The Parent's directors propose appropriating that loss to "Retained earnings/(prior-year losses)", a motion that will be submitted for approval at the Annual General Meeting.

23. Grants

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2025 and 2024 is as follows:

| € 000 | Subsidised loans (note 28.2) and other | Grants relating to assets | Emission allowances (note 20.1) | GHG offset credits (note 20) | Total |
|--------------------------------|--|---------------------------|---------------------------------|------------------------------|---------------|
| Balance at 31/12/2023 | 7 | 6,011 | - | | 6,018 |
| Additions for new grants | - | 4,362 | - | 1,228 | 5,590 |
| Emission allowances granted | - | - | 6,876 | - | 6,876 |
| Reclassified to profit or loss | - | (1,073) | (6,876) | - | (7,949) |
| Balance at 31/12/2024 | 7 | 9,300 | - | 1,228 | 10,535 |
| Additions for new grants | - | 9,224 | - | 395 | 9,619 |
| Emission allowances granted | - | - | 7,722 | - | 7,722 |
| Reclassified to profit or loss | - | (939) | (7,722) | (23) | (8,684) |
| Balance at 31/12/2025 | 7 | 17,585 | - | 1,600 | 19,192 |

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

Also, the Group had been granted aid totalling €13,167 thousand at year-end 2025, earmarked mainly to support investment projects with a strong focus on energy savings; that aid is conditional upon execution and substantiation of those projects.

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

24. Financial instruments by category

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

| Year-end 2025 | | | | | |
|--|---------|----------------|---|-----------------------------------|---------------------------|
| € 000 | Note | Amortised cost | Derivatives designated as hedging instruments | Fair value through profit or loss | Total at 31 December 2025 |
| Investments accounted for using the equity method | | - | - | 96 | 96 |
| Derivative financial instruments | 30 | - | 1,795 | - | 1,795 |
| Trade and other receivables | 25 | 30,579 | - | - | 30,579 |
| Trade receivables and other financial assets - Group companies and related parties | 25 & 34 | 801 | - | - | 801 |
| Other financial assets | 27.2 | 25,421 | - | 14,915 | 40,336 |
| Cash and cash equivalents | 27.1 | 227,451 | - | - | 227,451 |
| Total financial assets | | 292,202 | 1,795 | 7,061 | 301,058 |
| Derivative financial instruments | 30 | - | 3,028 | - | 3,028 |
| Trade and other payables | 26 | 220,110 | - | - | 220,110 |
| Other non-current and current liabilities | 29 | 65,904 | - | 3,642 | 69,546 |
| Trade payables and other financial liabilities - Group companies and related parties | 26 & 34 | 34,333 | - | - | 34,333 |
| Notes and other marketable securities | 28.1 | 76,526 | - | - | 76,526 |
| Bank borrowings | 28.1 | 451,165 | - | - | 451,165 |
| Other financial liabilities | 28.2 | 91,780 | - | - | 91,780 |
| Total financial liabilities | | 943,460 | 3,028 | - | 946,488 |
| Year-end 2024 | | | | | |
| € 000 | Note | Amortised cost | Derivatives designated as hedging instruments | Fair value through profit or loss | Total at 31 December 2024 |
| Investments accounted for using the equity method | | - | - | 77 | 77 |
| Derivative financial instruments | 30 | - | - | - | - |
| Trade and other receivables | 25 | 49,756 | - | - | 49,756 |
| Trade receivables and other financial assets - Group companies and related parties | 25 & 34 | 1,140 | - | - | 1,140 |
| Other financial assets | 27.2 | 56,999 | - | 19,936 | 76,935 |
| Cash and cash equivalents | 27.1 | 263,942 | - | - | 263,942 |
| Total financial assets | | 371,837 | - | 20,013 | 391,850 |
| Derivative financial instruments | 30 | - | 12,003 | - | 12,003 |
| Trade and other payables | 26 | 216,033 | - | - | 216,033 |
| Other non-current and current liabilities | 29 | 96,585 | - | 3,642 | 100,227 |
| Trade payables and other financial liabilities - Group companies and related parties | 26 & 34 | 31,712 | - | - | 31,712 |
| Notes and other marketable securities | 28.1 | 73,561 | - | - | 73,561 |
| Bank borrowings | 28.1 | 442,133 | - | - | 442,133 |
| Other financial liabilities | 28.2 | 92,955 | - | - | 92,955 |
| Total financial liabilities | | 956,621 | 12,003 | - | 968,624 |

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

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

25. Trade and other receivables

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

| € 000 | 31 Dec. 2025 | 31 Dec. 2024 |
|--|-----------------|-----------------|
| Trade receivables: | | |
| Pulp | 8,725 | 16,370 |
| Energía | 17,371 | 27,946 |
| Other | 2,679 | 4,715 |
| Trade receivables, group companies and related parties (note 34) | 789 | 1,128 |
| Other receivables | 7,714 | 5,715 |
| Impairment | (5,910) | (4,990) |
| | 31,368 | 50,884 |

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

The line item "Provision for impairment" in the table above includes additions in 2025 of €920 thousand with a charge against "Impairment of financial assets" in the consolidated statement of profit or loss.

25.1 Discounting facilities

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

| € m | 31 Dec. 2025 | | 31 Dec. 2024 | |
|------------|----------------|----------------|----------------|---------------|
| | Undrawn limit | Drawn down | Undrawn limit | Drawn down |
| Neg. Pulp | 119,000 | 85,781 | 119,000 | 85,977 |
| Renewables | 43,400 | 22,947 | 43,400 | - |
| | 162,400 | 108,728 | 162,400 | 85,977 |

The Group pays interest equivalent to 3-month EURIBOR plus a spread of around 1% on the receivables sold under those agreements. The trade receivables not discounted under those facilities at 31 December 2025 are expected to be collected from the corresponding debtors, rather than via sale.

26. Trade and other payables

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

| € 000 | 31 Dec. 2025 | 31 Dec. 2024 |
|--|-----------------|-----------------|
| Trade and other payables | 165,996 | 180,865 |
| Trade payables, group companies and related parties (note 34) | 2,811 | 1,821 |
| Payable to fixed-asset suppliers | 45,873 | 23,263 |
| Employee benefits payable | 8,241 | 11,905 |
| | 222,921 | 217,854 |

26.1 Reverse factoring

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

| € m | 31 Dec. 2025 | | 31 Dec. 2024 | |
|------------|------------------|---------------|------------------|---------------|
| | Undrawn limit | Drawn down | Undrawn limit | Drawn down |
| Pulp | 110,000 | 64,470 | 134,500 | 59,745 |
| Renewables | 39,500 | 14,142 | 49,000 | 23,441 |
| | 149,500 | 78,612 | 183,500 | 83,186 |

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

26.2 Disclosures regarding the average supplier payment term

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

The average payment term:

| | Days | |
|---------------------------------------|---------|---------|
| | 2025 | 2024 |
| Average supplier payment term (days) | 57 | 57 |
| Paid transactions ratio (days) | 58 | 59 |
| Outstanding transactions ratio (days) | 43 | 46 |
| | € 000 | |
| Total payments made | 778,526 | 750,443 |
| Total payments outstanding | 94,248 | 114,366 |

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

| € 000 | 2025 | | 2024 | |
|----------------------|---------|-----|---------|-----|
| | Amount | % | Amount | % |
| Payments made | 512,449 | 66% | 478,233 | 64% |
| No. of invoices paid | 45,208 | 72% | 41,531 | 66% |

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

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

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

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

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

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

27. Financial assets

27.1 Cash and cash equivalents

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

27.2 Other financial assets

The breakdown of this consolidated statement of financial position heading at year-end 2025 and 2024:

| € 000 | 31 Dec. 2025 | | 31 Dec. 2024 | |
|---|---------------|---------------|---------------|---------------|
| | Current | Non-current | Current | Non-current |
| Tariff Adjustment (note 29) | - | - | - | 22,837 |
| ENCE's share liquidity agreement (note 21.5) | 657 | - | 1,786 | - |
| Contingent consideration (note 4) | 13,462 | 1,453 | 12,971 | 6,965 |
| Receivable under equipment sub-leases | - | 8,689 | - | 6,606 |
| Debt service reserve account | - | 11,451 | - | 10,000 |
| Security deposits and other accounts receivable | 1,813 | 2,811 | 11,769 | 4,001 |
| | 15,932 | 24,404 | 26,526 | 50,409 |

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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 €10 million. 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 6), 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. In 2025, ENCE decreased the carrying amount of this asset by €6,700 thousand based on its assessment that delivery of one of the targets associated with the plant construction deadlines is no longer probable. The balancing entry was recognised under “Change in fair value of financial instruments” in the consolidated statement of profit or loss for 2025. At 31 December 2025, ENCE recognised a balance receivable of €13,462 thousand (year-end 2024: 18,595 thousand euros), which is the present value, discounted using the business's cost of capital of 8.4%, of the amount of the contingent consideration it expects to collect between 2021 and 2028.

In addition, “Contingent consideration” includes a receivable in the amount of €1,453 thousand at 31 December 2025 (€1,341 thousand at year-end 2024) corresponding to the present value of the contingent price agreed on the sale in 2020 of the Group's investment in Ence Energía Termollano, S.A., a company that owned a solar thermal electric generation plant.

The movement in the fair value of the contingent consideration, the main financial instrument classified within level 3 of the fair value measurement hierarchy, implied the recognition of finance income, associated with the unwinding of the balance receivable, in the amount of €1,679 thousand in 2025 (2024: €1,556 thousand) (note 13).

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

28. Borrowings

The breakdown of borrowings at year-end 2025 and 2024 is as follows:

| € 000 | Non-current liabilities | | Current liabilities | |
|---------------------------------------|-------------------------|----------------|---------------------|----------------|
| | 31 Dec. 2025 | 31 Dec. 2024 | 31 Dec. 2025 | 31 Dec. 2024 |
| Notes and other marketable securities | 31,343 | 15,574 | 45,183 | 57,987 |
| Bank borrowings | 373,953 | 353,390 | 77,212 | 88,743 |
| Other financial liabilities | 75,272 | 77,477 | 16,508 | 15,478 |
| Total | 480,568 | 446,441 | 138,903 | 162,208 |

28.1 Bank borrowings and capital markets issues

The breakdown of bank borrowings at 31 December 2025 and 2024 corresponding to loans and discounting facilities, classified by their respective maturities, is as follows:

| Year-end 2025 | Limit | Drawn down | Maturity | | | | |
|---|----------------|----------------|----------------|----------------|---------------|---------------|----------------|
| | | | Current | Non-current | | | |
| € 000 | | | 2026 | 2027 | 2028 | 2029 | Beyond |
| Borrowings - Pulp Business | | | | | | | |
| Notes issued | 76,526 | 76,526 | 45,183 | 31,343 | - | - | - |
| Revolving credit facility | 130,000 | - | - | - | - | - | - |
| Bank loans | 285,846 | 285,846 | 64,769 | 58,244 | 81,137 | 31,414 | 50,282 |
| Arrangement fees | - | (1,261) | (327) | (327) | (258) | (220) | (129) |
| Interest and coupons payable and other | - | 1,503 | 1,503 | - | - | - | - |
| | 492,372 | 362,614 | 111,128 | 89,260 | 80,879 | 31,194 | 50,153 |
| Borrowings - Renewables Business | | | | | | | |
| Revolving credit facility | 20,000 | - | - | - | - | - | - |
| Bank loans | 155,586 | 155,586 | 11,968 | 11,288 | 10,608 | 9,928 | 111,794 |
| Project finance - Biomethane plant | 14,259 | 14,259 | 41 | 477 | 1,007 | 1,015 | 11,719 |
| Arrangement fees | - | (4,791) | (766) | (837) | (837) | (837) | (1,514) |
| Interest and coupons payable and other | - | 22 | 22 | - | - | - | - |
| | 189,845 | 165,076 | 11,265 | 10,928 | 10,778 | 10,106 | 121,999 |
| | 682,217 | 527,690 | 122,393 | 100,188 | 91,657 | 41,300 | 172,152 |

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

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

The amount of interest payments payable in the future in relation to the Group's "Bank borrowings and capital markets issues" and "Other financial liabilities - Financing granted by public organisms", assuming existing indebtedness and prevailing interest rates, without considering the interest rate hedges arranged, ranges between €10 million and €15 million in the Pulp business and between €8 million and €9 million in the Renewables business.

ENCE's average borrowing cost was 4.32% in 2025 (2024: 4.7%). The average borrowing cost in the Pulp business was 3.87% (2024: 4.50%), compared to 5.38% at in the Renewables business (2024: 5.25%).

At 31 December 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. That programme is rolled over annually, having been last renewed on 13 October 2025, on the same terms and conditions. The average cost of that commercial paper was 3.33% in 2025 (2024: 4.53%).

Revolving credit facility

ENCE has a €130 million revolving credit facility with a syndicate of Spanish and international banks which is due in 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 Ethifinance environmental sustainability rating obtained by ENCE, which has assessed that debt as "green" financing. The revolving credit facility was fully undrawn at 31 December 2025.

Loans

At year-end 2025, ENCE had arranged several loans in a combined amount of €285 million; those loans fall due between 2026 and 2033. A portion of those loans, with a face value of €41.8 million, accrues interest at fixed rates ranging between 1.95% and 4.6%. The remainder accrue interest at floating rates, mainly at Euribor plus a spread ranging from 1.10% to 2.05%. The interest rate on 90% of the loans arranged could vary annually by 25 basis points as a function of the Ethifinance 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 52% of the balance drawn down, locking in a fixed rate of 3.24% (note 30).

Borrowings - Renewables business

Recourse borrowings

On 11 July 2024, Magnon Green Energy, S.L. (“MAGNON”) entered into a loan agreement with a syndicate of 14 entities with an initial limit of €170 million, additionally obtaining a revolving credit facility (RCF) of €20 million: The breakdown at 31 December 2025:

| | € 000 | | Maturity | Interest rate |
|-----------|----------------|----------------|---------------|-----------------|
| | Undrawn | Drawn | | |
| Tranche 1 | 53,586 | 53,586 | 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) |
| | 175,586 | 155,586 | | |

- (i) (i) 6-month Euribor plus a spread. In the tranches provided by the banks, the rate varies as a function of the leverage ratio across the entities comprising the scope of the financing agreement.
- (ii) Due in a single bullet payment on the date indicated.

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

The financing similarly includes certain obligations, which are customary in these types of facilities, mainly related to the disclosure of specific business and financial information and compliance with certain solvency and profitability ratios. The covenants include compliance with ratios tied with borrowings, equity and cash flow generation (in order to be able to pay dividends). MAGNON was compliant with those covenants at 31 December 2025.

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 70% of the financing drawn down and lock in an average rate of 2.8%. The interest rate swaps arranged to hedge the refinanced borrowings were cancelled in 2024 (note 30).

The proceeds were used to cancel the financing drawn down by this business that was arranged in 2017 as well as to finance MAGNON’s operations and general needs. The terms and conditions permitted the distribution of €25 million to offset the bridge loan extended by MAGNON’s shareholders in order to tide this subsidiary over until implementation of the energy sector regulatory changes applicable to MAGNON’s plants. This financing meets the requirements for recognition as new financing rather than the modification of previously existing financing.

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 31 December 2025, that loan was drawn down by €14,259 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. ENCE was compliant with those covenants at 31 December 2025. 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 project finance facility qualifies as a green loan under the Green Loan Principles.

Financing cancelled

In 2025, the Group prepaid two loans, which were drawn down by €35,500 thousand at the date of their cancellation. The loans prepaid were due on 12 December 2025 (€25,500 thousand) and 28 March 2028 (€10,000 thousand) and carried interest at Euribor plus spreads ranging between 1.7% and 2%.

28.2 Other financial liabilities

The breakdown of this consolidated statement of financial position heading at year-end 2025 and 2024:

| Year-end 2025 € 000 | Drawn down | Maturity | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|--------------|---------------|
| | | Current | | Non-current | | | |
| | | 2026 | 2027 | 2028 | 2029 | 2030 | Beyond |
| Other financial liabilities - Pulp Business | | | | | | | |
| Financing granted by public bodies | 25,319 | 7,902 | 5,836 | 5,852 | 3,776 | 768 | 1,185 |
| Liabilities for right-of-use assets (note 17) | 61,315 | 6,893 | 6,366 | 5,211 | 4,578 | 3,437 | 34,830 |
| | 86,634 | 14,795 | 12,202 | 11,063 | 8,354 | 4,205 | 36,015 |
| Other financial liabilities - Renewables Business | | | | | | | |
| Liabilities for right-of-use assets (note 17) | 5,145 | 1,713 | 1,491 | 1,120 | 647 | 174 | - |
| | 5,145 | 1,713 | 1,491 | 1,120 | 647 | 174 | - |
| | 91,779 | 16,508 | 13,693 | 12,183 | 9,001 | 4,379 | 36,015 |

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

The line item “Financing granted by public bodies” corresponds mainly to loans obtained, usually at advantageous rates, to finance projects undertaken by ENCE to expand and upgrade the productive capacity of its pulp biomills, as well as its RDI activities. The loans are repayable over a 10-year term and bear interest at fixed rates ranging between 0% and 3.76%. There is a three-year grace period.

28.3 Statement of cash flows

Below is a reconciliation between the changes in the Group's borrowings (bank borrowings, capital markets issues and other financial liabilities) and the cash flows from financing activities presented under "Proceeds from and repayment of financial liabilities" in the 2025 and 2024 statement of cash flows:

| 2025 | Cash flows | | | | Changes in financial liabilities with no impact on statement of cash flows | | | | Balance at 31/12/2025 |
|--|-----------------------|------------------------------------|------------------------------|----------------|--|--------------------------|--|---------------------------------|-----------------------|
| | Balance at 01/01/2025 | Issues and drawdowns (net of fees) | Repayments/ instalments paid | Interest paid | Interest accrued | Arrangement fees accrued | Changes related to right-of-use assets | Unwinding of discount and other | |
| Borrowings - Pulp Business | | | | | | | | | |
| Notes and bonds | 73,561 | 87,400 | (83,900) | - | (535) | - | - | - | 76,526 |
| Bank loans | 277,566 | 106,329 | (97,337) | (1,155) | - | 511 | (1,329) | - | 284,585 |
| Other financial liabilities | 34,407 | 812 | (9,856) | - | (75) | - | - | 31 | 25,319 |
| Interest and coupons payable and other | 2,149 | - | - | - | (646) | - | - | - | 1,503 |
| Liabilities related with right-of-use assets | 52,806 | - | (8,860) | - | 3,158 | - | 14,211 | - | 61,315 |
| | 440,489 | 194,541 | (199,953) | (1,155) | 1,902 | 511 | 14,211 | (1,298) | 449,248 |
| Derivatives associated with financing | (3,027) | - | - | (884) | 1,096 | - | - | 777 | (2,038) |
| | 437,462 | 194,541 | (199,953) | (2,039) | 2,998 | 511 | 14,211 | (521) | 447,210 |
| Borrowings - Renewables Business | | | | | | | | | |
| Notes and bonds | - | - | - | - | - | - | - | - | - |
| Syndicated loans - Corporate | 162,324 | - | (11,968) | - | - | 809 | - | - | 151,165 |
| Project finance - Biomethane plant | - | 14,295 | (35) | (403) | 32 | - | - | - | 13,889 |
| Interest and coupons payable and other | 95 | 123 | (215) | - | 19 | - | - | - | 22 |
| Liabilities related with right-of-use assets | 5,744 | - | (2,729) | - | 199 | - | 1,931 | - | 5,145 |
| | 168,163 | 14,418 | (14,947) | (403) | 250 | 809 | 1,931 | - | 170,221 |
| Derivatives associated with financing | (2,261) | - | - | (496) | 496 | - | - | 1,628 | (633) |
| | 165,902 | 14,418 | (14,947) | (899) | 746 | 809 | 1,931 | 1,628 | 169,588 |
| | 603,364 | 208,959 | (214,900) | (2,938) | 3,744 | 1,320 | 16,142 | 1,107 | 616,799 |

Cash flows

Changes in financial liabilities with no impact on statement of cash flows

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| 2024 | Balance at 01/01/2024 | Issues and drawdowns (net of fees) | Repayments/ instalments paid | Interest paid | Interest accrued | Arrangement fees accrued | Changes related to right-of-use assets | Unwinding of discount and other | Balance at 31/12/2024 |
|--|-----------------------|------------------------------------|------------------------------|-----------------|------------------|--------------------------|--|---------------------------------|-----------------------|
| Borrowings - Pulp Business | | | | | | | | | |
| Notes and bonds | 53,047 | 215,400 | (193,800) | (4,476) | 3,390 | - | - | - | 73,561 |
| Bank loans | 359,598 | - | (82,317) | - | - | 285 | - | - | 277,566 |
| Other financial liabilities | 42,886 | 6,369 | (8,545) | - | (75) | - | (6,259) | 31 | 34,407 |
| Interest and coupons payable and other | 2,303 | - | - | (16,941) | 16,787 | - | - | - | 2,149 |
| Liabilities related with right-of-use assets | 42,003 | - | (7,191) | - | 2,294 | - | 15,700 | - | 52,806 |
| | 499,837 | 221,769 | (291,853) | (21,417) | 22,396 | 285 | 9,441 | 31 | 440,489 |
| Derivatives associated with financing | (4,035) | - | - | (372) | - | - | - | 1,380 | (3,027) |
| | 495,802 | 221,769 | (291,853) | (21,789) | 22,396 | 285 | 9,441 | 1,411 | 437,462 |
| Borrowings - Renewables Business | | | | | | | | | |
| Notes and bonds | 78,697 | - | (79,000) | - | - | 303 | - | - | - |
| Bank loans | 43,771 | 166,464 | (48,510) | - | - | 599 | - | - | 162,324 |
| Interest and coupons payable and other | 48 | - | - | (5,932) | 5,979 | - | - | - | 95 |
| Liabilities related with right-of-use assets | 2,832 | - | (1,879) | - | 141 | - | 4,650 | - | 5,744 |
| | 125,348 | 166,464 | (129,389) | (5,932) | 6,120 | 902 | 4,650 | - | 168,163 |
| Derivatives associated with financing | 3,029 | - | - | (3,866) | - | - | - | (1,424) | (2,261) |
| | 128,377 | 166,464 | (129,389) | (9,798) | 6,120 | 902 | 4,650 | (1,424) | 165,902 |
| | 624,179 | 388,263 | (421,242) | (31,587) | 28,516 | 1,187 | 14,091 | (13) | 603,364 |

29. Other non-current liabilities:

The breakdown of this consolidated statement of financial position heading at year-end 2025 and 2024:

| € 000 | 31 Dec. 2025 | | 31 Dec. 2024 | |
|---|--------------|---------------|--------------|---------------|
| | Current | Non-current | Current | Non-current |
| Assets: | | | | |
| Tariff Adjustment - reg. stub period: 2023-2025 (note 24) | - | - | - | 22,837 |
| Other | 1,419 | - | 3,086 | - |
| | 1,419 | - | 3,086 | 22,837 |
| Liabilities: | | | | |
| Tariff Adjustment - prior reg. stub periods (note 24) | 4,461 | 61,443 | 8,166 | 87,448 |
| Accruals and other | - | - | - | 971 |
| Contingent consideration (notes 4 & 6) | - | 3,642 | - | 3,642 |
| | 4,461 | 65,085 | 8,166 | 92,061 |

The "Tariff Adjustment" accounts include the balances held vis-a-vis the sector regulator, the CNMC, under the scope of Spanish Royal Decree 413/2014, regulating the production of electric power using renewable sources, co-generation and waste, in respect of the Tariff Adjustment concept (notes 3.15, 9 and Appendix III).

At the end of the 2023-2025 regulatory stub period, the amounts recognised within assets and liabilities were recognised at their net amount under liabilities in the consolidated statement of financial position. At 31 December 2025, the Group recognised a net liability in its consolidated statement of financial position in this connection, divided between non-current and current amounts, specifically €61,443 thousand under "Other non-current liabilities" and €4,461 thousand euros under "Other current liabilities".

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

Elsewhere, the balances recognised in the consolidated statement of financial position in this respect at 31 December 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:

| 2025 | Maturity | | | | | | | Total non-current |
|----------------------|---------------|-----------------|--------------|--------------|--------------|--------------|---------------|-------------------|
| | Total | Current 2026 | 2027 | 2028 | 2029 | 2030 | Beyond | |
| Balances payable: | | | | | | | | |
| Pulp Business: | 22,600 | 1,922 | 2,064 | 2,217 | 2,381 | 2,557 | 11,459 | 20,678 |
| Renewables Business: | 43,304 | 2,539 | 2,727 | 2,846 | 3,057 | 3,283 | 28,853 | 40,766 |
| | 65,904 | 4,461 | 4,791 | 5,063 | 5,438 | 5,840 | 40,312 | 61,444 |
| Net position | 65,904 | 4,461 | 4,791 | 5,063 | 5,438 | 5,840 | 40,312 | 61,444 |

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

30. Derivative financial instruments

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

The breakdown of this consolidated statement of financial position heading at 31 December 2025 and 2024 (showing the fair value of the derivatives at year-end), is provided in the next table:

| € 000 | Non-current assets | | Current assets | | Non-current liabilities | | Current liabilities | |
|---------------------------|--------------------|--------------|----------------|--------------|-------------------------|--------------|---------------------|--------------|
| | 31 Dec. 2025 | 31 Dec. 2024 | 31 Dec. 2025 | 31 Dec. 2024 | 31 Dec. 2025 | 31 Dec. 2024 | 31 Dec. 2025 | 31 Dec. 2024 |
| Cash flow hedges: | | | | | | | | |
| IR swap | 228 | - | - | - | 1,224 | 4,029 | 1,674 | 1,260 |
| Currency hedges | - | - | 579 | - | - | - | - | 6,081 |
| Energy sales price hedges | - | - | 988 | - | - | - | 130 | 633 |
| Total | 228 | - | 1,567 | - | 1,224 | 4,029 | 1,804 | 7,974 |

The changes in the fair value of the derivative financial instruments that were reclassified to profit or loss in 2025 and 2024 are shown below:

| € 000 - Gain/(loss) | 2025 | 2024 |
|-----------------------------|--------------|--------------|
| Impact on operating profit: | | |
| Currency hedges | (8,420) | (560) |
| Pulp price hedges | - | (9) |
| Energy sales price hedges | (2,908) | (2,838) |
| Subtotal | (11,328) | (3,407) |
| Impact on net finance cost: | | |
| IR swap (note 13) | 1,592 | 5,416 |
| Total | 9,736 | 2,009 |

All of the derivatives arranged by ENCE at 31 December 2025 and 2024 qualify for hedge accounting.

30.1 Currency hedges

ENCE hedges its exposure to fluctuations in the dollar-euro exchange rate, which have a significant impact on pulp sales prices, using tunnel options (Asian options) and forward contracts. The breakdown at 31 December 2025:

| Tunnel options Underlying | Expiry | Strike price Call | Strike price Put | Notional amount (USD m) |
|---------------------------|--------|-------------------|------------------|-------------------------|
| EUR/USD | 1Q26 | 1.126 | 1.174 | 14.6 |
| EUR/USD | 2Q26 | 1.160 | 1.205 | 16.9 |
| EUR/USD | 3Q26 | 1.159 | 1.208 | 11.8 |
| EUR/USD | 4Q26 | 1.160 | 1.201 | 8.9 |
| | | | | 52.2 |

| Forward Underlying | Expiry | Strike price price | Notional amount (USD m) |
|--------------------|--------|--------------------|-------------------------|
| EUR/USD | 1Q26 | 1.152 | 6.10 |
| EUR/USD | 2Q26 | 1.162 | 5.90 |
| EUR/USD | 3Q26 | 1.183 | 9.90 |
| EUR/USD | 4Q26 | 1.179 | 1.50 |
| | | | 23.4 |

The contracts outstanding at 31 December 2025 cover approximately 15% and 14% of forecast pulp sales in the first and second halves of 2026, respectively. Those outstanding at 31 December 2024 covered approximately 50% and 40% of forecast pulp sales in the first and second halves of 2025, respectively.

There was no hedge ineffectiveness in respect of the Group's foreign currency derivatives in 2025 or 2024.

The sensitivity of operating profit and equity to dollar appreciation or depreciation against the euro as a result of the impact on the derivative financial instruments arranged by ENCE at 31 December 2025 is shown below:

| € 000 | Change in USD/EUR exchange rate | Operating profit (-)/+ | Impact on equity (-)/+ |
|-------|---------------------------------|------------------------|------------------------|
| 2025 | 5% depreciation | 3,058 | 2,293 |
| | 5% appreciation | (2,134) | (1,601) |
| 2024 | 5% depreciation | 9,965 | 7,473 |
| | 5% appreciation | (12,817) | (9,613) |

30.2 Energy sale hedges:

The Group attempts to replicate the regulatory pool price indexation formula established in prevailing energy regulations, to which end, in 2025, it arranged commodity swaps due 2026 over the price at which it sells the power it generates to the national electricity system (OMEL). In an attempt to mitigate its exposure to market risk and lock in a benchmark price aligned with the amounts set down in applicable regulations, the price locked in through those hedges is built daily using the formula for calculating the remuneration for operation metric in accordance with Ministerial Order TED/526/2024.

The breakdown of the main energy commodity hedges outstanding at 31 December 2025:

| Maturity | Amount (MWh) |
|----------|--------------|
| 1Q26 | 172,373 |
| 2Q26 | 225,890 |
| 3Q26 | 201,890 |
| 4Q26 | 199,370 |

There was no hedge ineffectiveness in respect of the energy sales price derivatives in 2025 or 2024.

The sensitivity of earnings to energy price changes as a result of the impact on the derivative financial instruments arranged by ENCE at 31 December 2025 is shown below:

| € 000 | Change in energy sales prices | Operating profit (-)/+ | Impact on equity (-)/+ |
|-------|-------------------------------|------------------------|------------------------|
| 2025 | 5% increase | (854) | (640) |
| | 5% decrease | 751 | 563 |

30.3 Interest rate swaps:

The interest rate derivatives arranged by the Group and outstanding at year-end 2025 and 2024 are shown below:

| € 000 | Fair value | Notional principal amounts at year-end: | | | | | |
|------------|------------|---|--------|--------|--------|--------|---------|
| | | 2025 | 2026 | 2027 | 2028 | 2029 | Beyond |
| 2025 | | | | | | | |
| Pulp | (2,038) | - | 88,476 | 46,813 | 38,934 | - | - |
| Renewables | (633) | - | 24,097 | 36,897 | 29,010 | 22,377 | 52,166 |
| 2024 | | | | | | | |
| Pulp | (3,028) | 136,539 | 91,809 | 46,813 | - | - | - |
| Renewables | (2,261) | 92,097 | 83,720 | 75,581 | 67,917 | - | 164,956 |

There was no hedge ineffectiveness in respect of the Group's interest rate derivatives in 2025 or 2024.

The sensitivity of operating profit and equity to interest rate movements as a result of the impact on the derivative financial instruments arranged by the Group at 31 December 2025 is shown below:

| € 000 | Change in interest rates | Impact on finance cost (-)/+ | Impact on equity (-)/+ |
|-------|--------------------------|------------------------------|------------------------|
| 2025 | 50bp increase | 618 | 2,803 |
| | 50bp decrease | (618) | (3,023) |
| 2024 | 50bp increase | 606 | (1,481) |
| | 50bp decrease | (606) | (6,768) |

31. Provisions, guarantees and contingent liabilities

31.1 Provisions

The reconciliation of the opening and closing balances of current and non-current provisions in 2025 and 2024 is as follows:

| 2025 | Balance at 1/1/2025 | Additions/(charges) | Derecognitions or decreases | Transfers | Balance at 31/12/2025 |
|---|---------------------|---------------------|-----------------------------|----------------|-----------------------|
| Non-current: | | | | | |
| Long-term incentive plan (note 11.2) | 1,320 | 589 | (12) | (1,034) | 863 |
| Dismantling provision | 26,256 | 829 | - | - | 27,085 |
| Provision for workforce restructuring (note 11) | - | 7,999 | - | - | 7,999 |
| Other | 1,929 | 199 | (265) | (475) | 1,388 |
| | 29,505 | 9,616 | (277) | (1,509) | 37,335 |
| Current | | | | | |
| Short-term incentive plan (note 11.2) | - | (130) | - | 1,034 | 904 |
| Emission allowances (notes 12 & 20.1) | 12,485 | 13,146 | (12,485) | - | 13,146 |
| Pontevedra Community Plan & other | 21,000 | 583 | (57) | 475 | 22,001 |
| Provision for workforce restructuring (note 11) | - | 15,999 | - | - | 15,999 |
| | 33,485 | 29,598 | (12,542) | 1,509 | 52,050 |

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

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

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

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Provision for dismantling:

The present value of the obligations assumed in connection with the dismantling of the pulp manufacturing plant located in Pontevedra, assuming that this work will begin in 2073, is estimated at €27,085 thousand (year-end 2024: €26,256 thousand).

That obligation was estimated assuming a dismantling cost of €43 million, annual growth in costs of around 2%-3% and a discount rate of 3%-4%.

Provision for workforce restructuring (Competitiveness Plan)

In 2025, the Group embarked on a workforce restructuring process in order to realign its organisational structure with its business performance and boost operating efficiency. This process affects the biomills in Pontevedra and Navia and the head offices in Madrid. The total estimated cost recognised at year-end 2025 was €23,998 thousand. That plan has been formally notified to the workers' representatives and will entail the departure of up to 101 employees and the relocation of another 40 employees to other business units within the Group between 1 January 2026 and 31 December 2027. The provision estimated includes termination benefits and early retirement plans as well as the costs associated with the restructuring process.

31.2 Guarantees extended to third parties

At 31 December 2025, several financial institutions had extended the various Group companies guarantees for an aggregate amount of approximately €88,015 thousand (€88,229 thousand at 31 December 2024), as broken down in the table below.

| | Thousands € 000 |
|---|--------------------|
| Government permitting of renewable energy power generation plants | 19,523 |
| Grid access - Pre-allocations | 18,953 |
| Receivable discounting lines | 10,000 |
| Payments to suppliers | 9,083 |
| Subsidised loans (note 28) | 8,663 |
| Execution of forest projects | 7,327 |
| Electricity market | 5,900 |
| Pontevedra concession | 3,050 |
| Environmental | 1,668 |
| Other | 3,848 |
| | 88,015 |

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

31.3 Contingent assets and liabilities

At year-end 2025, the Group was party to legal claims and controversies arising in the ordinary course of its business. The most significant claims are summarised below:

Energy crops:

In 2013 and 2014, a package of implementing regulations 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. On 9 February 2025, Section Three of the Supreme Court's Chamber for Contentious Administrative Proceedings issued its ruling with respect to the Ordinary Proceedings 1030/2022, dismissing the appeal filed on behalf of Ence Energía Huelva, S.L.U. Of the remaining three appeals, a date is in the process of being set for voting and ruling on one appeal and the other two are scheduled for voting and ruling in April 2026.

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: three statements of claim have been submitted.

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 APDR 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 and 17 June 2025, when the Supreme Court upheld the appeals lodged by the Company against the National Appellate Court rulings of 15 July 2021 in response to cases brought by Greenpeace Spain, the town council of Pontevedra the APDR.

The 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, Green Peace and the APDR applied to have the Supreme Court rulings annulled. The Supreme Court denied their applications, so confirming the validity of its original rulings.

The state attorney, Greenpeace and the town council of Pontevedra have 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 counsel believe there are solid legal arguments in favour of the concession extension allowed by the Supreme Court in its sentences in 2023.

32. Tax matters

The balances receivable from and payable to the tax authorities at year-end 2025 and 2024 are shown below:

| € 000 | 31 Dec. 2025 | | 31 Dec. 2024 | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| Non-current: | | | | |
| Deferred tax assets | 112,201 | - | 93,840 | - |
| Deferred tax liabilities | (33,026) | - | (31,853) | - |
| Total | 79,175 | - | 61,987 | - |
| Current: | | | | |
| VAT | 8,823 | 3,851 | 18,134 | 5,506 |
| Current tax on profits for the year | 3,502 | 53 | 6,569 | 26 |
| Electricity generation levy | - | - | - | 4,224 |
| Sundry other taxes | 5,111 | 8,483 | 421 | 4,835 |
| Total | 17,436 | 12,387 | 25,124 | 14,591 |

32.1 Regimes applied and tax group

Group companies resident in Spain for tax purposes:

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

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

The rest of the Group companies file individual tax returns.

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

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

Spanish Law 7/2024 (20 December 2024), transposes the Pillar Two rules into Spanish law. That model is designed to ensure that large multinational enterprises pay an effective minimum tax rate of 15% in each of the jurisdictions where they operate. It also reintroduces, with effect from 1 January 2024, several of the measures contemplated in Royal Decree-Law 3/2016 that were 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).

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

The reconciliation of accounting profit/(loss) to taxable income/(tax loss) in 2025 and 2024 is provided below:

| | € 000 | |
|--|-----------------|---------------|
| | 2025 | 2024 |
| Accounting profit: Profit/(loss) before tax (*) | (81,918) | 32,350 |
| Permanent differences: | | |
| Arising in profit or loss | 1,511 | (3,792) |
| Arising in equity | (16) | (20) |
| Temporary differences: | | |
| Arising during the year | 43,679 | 10,238 |
| Arising in prior years | (15,673) | (20,833) |
| Consolidation adjustments | (4,053) | 1,041 |
| 50% cap on the utilisation of tax losses | 25,069 | 15,715 |
| Utilisation of tax losses | (1,555) | (12,829) |
| (Tax loss)/tax profit | (32,956) | 21,870 |

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

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

The temporary differences originating in the current year related mainly to the provision recognised for restructuring work (note 31.1) and the impairment losses recognised on photovoltaic developments no longer considered viable. The temporary differences arising in prior years originate mainly from the reversal or utilisation as intended of provisions and impairment losses recognised in prior years.

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

The reconciliation of accounting profit/(loss) to taxable income/(tax loss) in 2025 and 2024 is provided below:

| | € 000 | |
|--|-----------------|---------------|
| | 2025 | 2024 |
| Accounting profit: Profit/(loss) before tax (*) | (81,918) | 32,350 |
| Permanent differences: | | |
| Arising in profit or loss | 1,511 | (3,792) |
| Utilisation of tax losses and tax credits generated in prior years not recognised as deferred tax assets | 28,283 | 30,640 |
| Elimination of the accounting profit of entities not resident in Spain | (288) | 328 |
| Consolidation adjustments and eliminations | (18,689) | 1,486 |
| Taxable income/(tax loss) | (71,093) | 61,012 |
| Tax payable/(receivable) before adjustments | (17,773) | 15,253 |
| Deductions and adjustments in respect of prior year | (1,433) | (2,920) |
| Tax corresponding to entities not resident in Spain | (210) | (103) |
| Tax expense /(income) | (19,416) | 12,230 |

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

The breakdown of tax expense/(income) in 2025 and 2024:

| | € 000 | |
|------------------------------|-----------------|---------------|
| | 2025 | 2024 |
| Current tax and other | 540 | 6,827 |
| Deferred tax | (19,956) | 5,403 |
| Tax expense /(income) | (19,416) | 12,230 |

32.4 Recognised deferred tax assets and liabilities

The reconciliation of this consolidated statement of financial position heading at the beginning and end of 2025 and 2024:

Deferred tax assets

| 2025 | € 000 | | | | |
|--|---------------------|---------------|----------------|---------------------|-----------------------|
| | Balance at 1/1/2025 | Increases | Decreases | Transfers and other | Balance at 31/12/2025 |
| Deferred tax assets recognised in profit or loss: | | | | | |
| Non-current asset impairment | 2,276 | - | (69) | (1,000) | 1,207 |
| Provisions | 1,196 | 795 | (1,299) | 965 | 1,657 |
| Commitments to employees | 2,365 | 6,225 | (27) | 38 | 8,601 |
| Impairment of current assets | 3,641 | 921 | (57) | 966 | 5,471 |
| Limit on deductibility of interest expense and other | 18 | - | (18) | - | - |
| Leases (IFRS 16) | 8,513 | 819 | - | - | 9,332 |
| Non-resident companies and consolidation adjustments | 2,992 | - | (1,113) | 1 | 1,880 |
| Unused tax losses | 58,138 | 10,253 | (1,070) | 2,962 | 70,283 |
| Unused tax credits | 11,704 | 1,213 | (97) | 258 | 13,078 |
| | 90,843 | 20,226 | (3,750) | 4,190 | 111,509 |
| Deferred tax assets recognised in equity: | | | | | |
| Hedging derivatives (note 30) | 2,997 | 23 | (2,328) | - | 692 |
| | 2,997 | 23 | (2,328) | - | 692 |
| Total | 93,840 | | | | 112,201 |

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

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

ENCE only recognises deferred tax assets insofar as it is deemed probable that the entities (individually or on a consolidated basis) that have generated them will generate sufficient taxable profit in the future to enable their utilisation. To that end, it reviews its recognised deferred tax assets at each year-end to check that they continue to qualify for capitalisation and are considered recoverable within a timeframe of approximately 10 years. That analysis is based on: (i) assumptions to test for the existence of sufficient taxable income to enable the utilisation of the tax losses in question; and (ii) the prescription periods and limits stipulated in prevailing tax legislation for the utilisation of unused tax credits.

The cash flows so estimated indicate that the deferred tax assets recognised by the Group are recoverable within a period of around 10 years. The balance of unused tax credits and unused tax losses certified in Spain but not recognised in the statement of financial position at 31 December 2025 amounts to €71.1 million (year-end 2024: €42.6 million) implying tax relief of €17.8 million (year-end 2024: €10.65 million). Nor had the Group recognised assets for tax losses in Portugal of €1.1 million at year-end 2025 (tax relief of €0.3 million).

At 31 December 2025, there were unused tax losses of €31 million (tax relief: €7.43 million) and unused tax credits of €29.7 million (tax relief: €5.3 million) originating from before inclusion in the Group.

Deferred tax liabilities

| 2025 | € 000 | | | | |
|--|---------------------|--------------|----------------|---------------------|-----------------------|
| | Balance at 1/1/2025 | Increases | Decreases | Transfers and other | Balance at 31/12/2025 |
| Recognised in profit or loss: | | | | | |
| Accelerated depreciation (RDL 4/2004) | 258 | - | (121) | - | 137 |
| Finance costs | 2 | 250 | - | 174 | 426 |
| Future dividends | - | - | - | - | - |
| Leases (IFRS 16) | 8,216 | 570 | - | - | 8,786 |
| Consolidation and other adjustments | 2,297 | 5 | (7) | (120) | 2,175 |
| | 10,773 | 825 | (128) | 54 | 11,524 |
| Recognised in equity: | | | | | |
| Revaluation of forest land (note 16.3) | 13,510 | - | - | - | 13,510 |
| Future dividends | 1,987 | 439 | - | - | 2,426 |
| Consolidation and other adjustments | 5,583 | 2,225 | (2,242) | - | 5,566 |
| | 21,080 | 2,664 | (2,242) | - | 21,502 |
| Total | 31,853 | | | | 33,026 |

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

32.5 Years open to inspection and tax inspections

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

The general tax inspection covering 2018, 2019 and 2020 concluded on 13 September 2023 and all of the assessments handed down were signed uncontested. The authorities confirmed the unused tax losses and tax credits certified by the Group companies, as well as the credit pending certification in the tax returns for the years inspected in the amount of €3.2 million.

Elsewhere, taking advantage of this inspection, 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. 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. On 9 December 2025, the National Economic-Administrative Court upheld the claim seeking the recovery of tax credits of approximately €20 million, along with the corresponding late payment interest, all of which has yet to be executed.

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.

32.6 Other information

Minimum taxation (Pillar Two)

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

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

With effect from 1 January 2025, INFRAESTRUCTURA BIOMETAGÁS, S.L.U. was merged into BIOMETAGÁS LA GALERA, S.L. The merger carrying amounts were the same as the tax amounts as those companies were acquired by the Group on 31 December 2024.

ENCE has duly notified the tax authorities of the following transactions undertaken in prior years: 1) the non-monetary contribution to Magnon Green Energy, S.L.U. in 2020 of certain industrial assets (including the "El Sancho" dam) located in Huelva, carried at €13,562 thousand, with a market value, which was the value at which they were contributed, of €26,923 thousand; 2) the non-monetary contribution to Magnon Green Energy, S.L.U. in 2018 of land carried at €779 thousand with a market value, which was the value at which that land was contributed, of €2,460 thousand; and 3) the non-monetary contribution to Ence Renovables S.L. in 2023 of shares of Magnon Green Energy, S.L.U. representing 51% of its share capital with a carrying amount of €112,528 thousand, a contribution value of €113,960 thousand and a market value of €124,925 thousand. On 1 January 2024, Magnon Green Energy, S.L. partially demerged a business activity to Magnon Biomasa, S.L.U. The carrying amount of the net assets demerged was €0.1 thousand, compared to an estimated fair value of €7,417 thousand.

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

33. Director and key management personnel pay and other benefits

33.1 Compensation paid to the members of the Board of Directors

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

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

Remuneration for membership of the Board of Directors

The remuneration accrued by the members of the Board of Directors in 2025 and 2024 in their capacity as directors:

| Director | Type | € 000 | | | |
|------------------------------------|----------------|--------------------|-------------------------|--------------|--------------|
| | | 2025 | | | 2024 |
| | | Fixed remuneration | Attendance fees & other | Total | |
| Fernando Abril-Martorell Hernández | Other external | 45 | 61 | 106 | 99 |
| Ángel Agudo Valenciano | Proprietary | 45 | 39 | 84 | 80 |
| Carmen Alicia Aquerreta Ferraz | Independent | 45 | 56 | 101 | 94 |
| Gorka Arregui Abendivar | Proprietary | 45 | 57 | 102 | 104 |
| Javier Arregui Abendivar | Proprietary | 45 | 50 | 95 | 104 |
| Oscar Arregui Abendivar | Proprietary | 45 | 46 | 91 | 85 |
| José Ignacio Comenge Sánchez-Real | Proprietary | 45 | 41 | 86 | 90 |
| Ignacio de Colmenares Brunet | Executive | 135 | 0 | 135 | 135 |
| Rosa María García Piñeiro | Independent | 45 | 73 | 118 | 108 |
| Rosalía Gil-Albarellos Marcos (i) | Independent | 11 | 22 | 33 | 97 |
| María Samoilova (i) | Independent | 33 | 28 | 61 | - |
| Irene Hernández Álvarez | Independent | 45 | 87 | 132 | 126 |
| María Paz Robina Rosat | Independent | 45 | 68 | 113 | 105 |
| José Guillermo Zubía Guinea | Other external | 45 | 67 | 112 | 110 |
| | | 674 | 695 | 1,369 | 1,337 |

- (i) Ms. María Samoilova joined the Board of Directors on 3 April 2025, filling the vacancy left by Ms. Rosalía Gil Albarellos Marcos.

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

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

The members of the Parent's Board of Directors did not receive any remuneration whatsoever for sitting on the boards of other Group subsidiaries or associates in either 2025 or 2024.

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

Remuneration for the performance of executive duties

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

The remuneration accrued by Ignacio de Colmenares Brunet for the performance of his executive duties in 2025, including his fixed and variable remuneration, totalled €1,261 thousand (2024: €1,605 thousand). The Chairman & CEO is also the beneficiary of a mixed savings, life and accident insurance policy (note 3.14), which is also part of his remuneration package.

In addition to the above-mentioned remuneration, ENCE's Chairman & CEO has a retirement insurance policy (the benefit payable under the plan is one year's remuneration, to be received upon termination of his contract. That commitment having been fully funded in 2023, no amounts were paid into that policy in 2024 or 2025.

Forming part of his accrued remuneration, in 2024, the Chairman & CEO was also a beneficiary under Cycle II of ENCE Energía y Celulosa, S.A.'s 2019-2023 long-term incentive plan (note 11.2), which was settled in July 2024. Under that plan he received €53 thousand and 21 thousand ENCE shares.

Lastly, the Chairman & CEO is a beneficiary under Cycles I, II and III of ENCE Energía y Celulosa, S.A.'s 2023-2027 long-term incentive plan (note 11.2). 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 either 2025 or 2024.

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 2025, while Rosalía Gil-Albarellos Marcos stepped down.

The members of the Board of Directors did not receive any termination benefits in either 2025 or 2024. The termination benefits to which the directors are contractually entitled are disclosed in section C.1.39 of the Annual Corporate Governance Reports for the corresponding years, which are available at www.ence.es.

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

33.2 Key management personnel remuneration

Key management personnel (KMP) comprise the executives who report directly to the Chairman & CEO or the Board of Directors or any of its committees and any other executives the Board of Directors deems as such. The members of this team at 31 December 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 | Head of Internal Audit |

Below is a breakdown of the remuneration and other benefits provided to the Group's key management personnel, excluding that corresponding to the Chairman & CEO, in 2025 and 2024:

| € 000 | 2025 | 2024 |
|-----------------------------------|--------------|--------------|
| Fixed remuneration | 2,142 | 2,075 |
| Variable remuneration | 1,567 | 1,155 |
| Savings schemes (note 3.14) | 110 | 93 |
| In-kind & other remuneration | 159 | 167 |
| 2019-2023 LTIP, Cycle I (note 11) | - | 159 |
| | 3,978 | 3,649 |

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

Forming part of their accrued remuneration, in 2024, the key management personnel were also beneficiaries under Cycle II of ENCE Energía y Celulosa, S.A.'s 2019-2023 long-term incentive plan (note 11.2). Under that plan they received €75 thousand and 30 thousand ENCE shares.

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 11.2). Assuming 100% delivery of the targets associated with Cycles I, II and III of that plan, they would receive 947 thousand ENCE shares and €77 thousand in cash in 2026 corresponding to Cycle I, 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 11.2). 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 in 2029.

34. Transactions with Group companies and related parties

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

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

| 31 Dec. 2025 | € 000 | | |
|--|---------------|-------------------------------|----------------------------|
| | Current loans | Current receivables (note 25) | Current payables (note 26) |
| Oleoenergía de Puertollano, S.L. | 12 | - | - |
| Capacitación de Servicios Forestales, S.L. | - | 747 | 1,536 |
| | 12 | 747 | 1,536 |

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

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The transactions performed with investees accounted for using the equity method of consolidation in 2025 and 2024 were as follows:

| 2025 | € 000 | |
|--|-------------------|--------------------|
| | Services rendered | Operating expenses |
| Capacitación de Servicios Forestales, S.L. | 1,170 | 4,548 |
| | 1,170 | 4,548 |

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

34.2 Balances and transactions with non-controlling interests

The balances outstanding with non-controlling interests at 31 December 2025 and 2024 are as follows:

| 31 Dec. 2025 | € 000 | | | | | |
|------------------------------------|--|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------------|
| | Non-current financial assets (note 27.2) | Current financial assets (note 27.2) | Current receivables (note 25) | Non-current borrowings | Current borrowings | Current payables (note 26) |
| Woodpecker Acquisitions S.á r.l. | - | 13,462 | - | 29,015 | 2,507 | - |
| San Miguel Arcángel, S.A. | - | - | - | - | - | - |
| Aceites y Energía Santamaría, S.A. | - | - | 42 | - | - | 1,275 |
| | - | 13,462 | 42 | 29,015 | 2,507 | 1,275 |

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

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 5.5% and falls due in 2032.

The transactions carried out with non-controlling shareholders in 2025 and 2024:

| 2025 | € 000 | | | |
|------------------------------------|------------|--------------|--------------------|---------------|
| | Sales | Purchases | Operating expenses | Finance costs |
| Woodpecker Acquisitions S.á r.l. | - | - | - | 1,630 |
| San Miguel Arcángel, S.A. | - | 4,767 | - | - |
| Aceites y Energía Santamaría, S.A. | 456 | 1,632 | 439 | - |
| | 456 | 6,399 | 439 | 1,630 |

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

34.3 Transactions with directors

ENCE had no balances outstanding with its directors at either year-end 2025 or 2024. Moreover, ENCE did not perform any transactions with directors in either year.

35. Environment

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

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

- ✓ The production of pulp from timber sourced locally from forests managed sustainably has positive impacts on the environment by bringing to market products that are natural, renewable, recyclable and good substitutes for materials made from fossil fuels, such as plastics. Moreover, ENCE's forestry activity not only helps capture carbon from the atmosphere, it also protects biodiversity and provides other ecosystem services.
- ✓ In designing new products, ENCE strives to reduce their environmental footprint and help reduce the environmental impacts derived from its customers' manufacturing process. Good examples of that approach are the development of Naturcell, a pulp product which does not require bleaching, thanks to which it consumes smaller amounts of materials, water and energy per unit of output than standard pulp, and the production of fluff pulp in Spain, which helps reduce the carbon footprint associated with logistical aspects of most of the fluff pulp currently consumed in Spain.

- ✓ Besides the work done on these special products, in 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 and fair transition as, instead of using wood, the plant will use recovered paper and board to produce pulp, preventing this waste from being sent to landfill. The regional government of Galicia awarded the integrated environmental permit for the bioplant in 2025.
- ✓ Also in the Renewables business, the process of applying for environmental permits for the development of methanol production facilities in Spain using the biogenic CO₂ produced at biomass facilities. This fuel will help sectors less suited to electrification to decarbonise, such as the shipping, aviation and chemicals sectors, for example.
- ✓ Framed by its diversification strategy, ENCE looks for business opportunities aligned with its circular bioeconomy model, to which end it continued to develop its biofertiliser and biomethane business line in 2025. This 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 and produce renewable gas for injection into the Spanish gas system, helping to shrink the carbon footprint of the national energy mix. Ence has been operating its first biomethane facility, which it acquired, in La Galera (Tarragona) since December 2024. At year-end, ENCE also had a portfolio of 25 additional developments at the environmental permitting stage plus another 24 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 in 2025 is shown below:

| | € 000 |
|------------|---------------|
| Pulp | 17,912 |
| Renewables | 2,252 |
| | 20,164 |

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

Compliance and best available techniques

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

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

Environmental management model and system

ENCE's environmental management principles are set down in its Environment Policy, which aims to bring its performance beyond compliance with prevailing legislation, prioritising prevention, taking a precautionary stance and upholding continuous improvement principles. ENCE implemented its total quality management (TQM) programme over 15 years ago as its standard for cultural and management transformation, addressing matters related to sustainability, quality, health and safety, environmental protection and pollution prevention as one. In fact, in 2025, the Navia biomill was honoured with the international Quality Innovation Award for its application of continuous improvement tools to enhance its environmental performance and earn the social licence to operate, having already picked up this award in the national category in 2024.

Under the scope of that model, each year, ENCE sets a series of key improvement targets focused on a range of environmental thrusts:

- Reducing odour pollution
- Reducing noise
- Reducing air quality impact
- Reducing wastewater impact
- Lifting energy efficiency
- Reducing water consumption
- Reducing the consumption of raw materials
- Reducing waste generation and increasing recovery ratios
- Improving the management governance

Under the scope of this TQM model, the Group has developed the operating standards (procedures, etc.) needed to control and manage potential environmental impacts.

Environmental certificates

ENCE's integrated management system, which encompasses environmental management, is certified under the following international standards:

| Centre | ISO 45001 Health and safety | ISO 14001 Environmental management | ISO 9001 Quality | ISO 50001 Energy efficiency | EMAS | Zero Waste ⁽¹⁾ | Nordic Swan | EU Ecolabel | ISO 22001 Food safety | Sure System ⁽²⁾ | ISCC System ⁽³⁾ |
|-----------------------|-----------------------------|------------------------------------|------------------|-----------------------------|------|---------------------------|-------------|-------------|-----------------------|----------------------------|----------------------------|
| Pontevedra biomill | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Navia biomill | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Huelva energy complex | ✓ | ✓ | ✓ | | | ✓ | N/A | N/A | | ✓ | |
| Merida plant | ✓ | ✓ | | | | ✓ | N/A | N/A | | ✓ | |
| Lucena plant | ✓ | ✓ | | | | ✓ | N/A | N/A | | ✓ | |
| Enemansa plant | ✓ | ✓ | | | | ✓ | N/A | N/A | | ✓ | |
| La Loma plant | ✓ | ✓ | | | | ✓ | N/A | N/A | | ✓ | |
| Biollano plant | ✓ | ✓ | | | | ✓ | N/A | N/A | | ✓ | |
| La Galera plant | | | | | | | N/A | N/A | | | ✓ |

(1) Aenor's Zero Waste certification validates that at least 90% of generated waste is recycled or recovered.

(2) SURE biomass sustainability certification attests to compliance with Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources.

(3) ISCC biomethane sustainability certification attests to compliance with Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources.

This system is certified by authorised organisations which carry out surveillance audits annually.

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, in generating renewable energy (electricity and thermal energy), 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 biofertiliser and biomethane business is another example of the circular economy thrust, articulated around the reuse of agricultural and breeding waste. Firstly, transformation of this waste into renewable gas (biomethane) for injection into the grid helps with decarbonisation. Secondly, the biofertiliser generated constitutes a solution for soil with high nitrate levels, contaminated as a result of intensive use of chemical fertilisers, generating value added in rural communities, fostering more sustainable farming practices and reducing dependency on fertilisers made using fossil fuels.

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In parallel, ENCE remains committed to diversification and the development of new circular business models. One good example is the project in As Pontes, focused on the production of recycled bleached pulp from recovered paper and board, so eliminating reliance on timber as an input. Another example is the development of facilities for the production of renewable fuels from biogenic CO₂ derived from the generation of power fuelled by biomass. This biogenic CO₂, far from going to waste, is captured and turned into a raw material for the production of biofuels, so helping to close productive cycles and reduce dependency on fossil fuels.

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.

As for its circular economy performance, the biomills and electricity generation plants that use biomass boast Zero Waste AENOR certification, attesting to the fact that at least 90% of the waste they generate is recycled or recovered. Moreover, MAGNON holds AENOR's Circular Economy Strategy certification which attests to the circularity of the business model based on the recovery of agricultural and forestry waste for the generation of energy (electricity and heat).

For more information, refer to the Circular Economy section of the Group's Sustainability Statement.

Climate change and carbon footprint mitigation

ENCE's business model helps combat climate change directly as the power it generates from renewable sources (electricity, biomethane and renewable thermal 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 the United Nations guidelines and European Union and Spanish energy policy.

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

In parallel to the contribution it makes through its business model, ENCE is working to reduce the greenhouse gas emissions generated by its operations. To do that, it has articulated a Decarbonisation Plan with ambitious emissions reduction targets. Those emissions reduction targets 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 2025, ENCE rolled out phase one of the project for replacing fossil fuels with biomass (sawdust), unlocking a further reduction in direct emissions at the Navia biomill. 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.

Elsewhere, in 2025, ENCE once again certified its 2024 organisation carbon footprint and product carbon footprint under ISO 14064 and ISO 14067, respectively. Also in 2025, ENCE registered its 2024 carbon footprint in the voluntary register kept by Spain's Ministry of Ecological Transition and Demographic Challenges, earning the so-called "I calculate, so I reduce" seal for the fourth year in a row.

For more information, refer to the Climate Change section of the Group's Sustainability Statement.

Biodiversity

ENCE approved its Biodiversity Policy and first Biodiversity Plan in 2024 with the aim of preserving and nurturing biodiversity in the forest tracts managed by it. 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. It also contemplates awareness and communication initiatives.

Thanks to its Biodiversity Plan, in 2025, ENCE worked on the restoration of around 350 hectares of degraded land and on the creation of ecotones, improving the level of connectivity between protected areas. It has also launched initiatives for combatting invasive species and on the development of specific programmes for the protection of birds of prey, pollinators and bats, framed by the 2025-2028 Biodiversity Strategy. It installed photo-trap cameras, placed nesting boxes for insectivorous birds, birds of prey and wild bee colonies and installed nests for fishing eagles on fibre glass structures.

For more information, refer to the Biodiversity section of the Group's Sustainability Statement.

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 2025, the Group obtained PEFC certification for the trading business and began to work with certain customers in the capacity of trader or merchant, allowing it to buy and sell certain non-hazardous waste and give it a new use.

To ensure the timber and forestry biomass it procures comes from responsible sources that comply with applicable regulations, ENCE has defined a series of principles to align its operations with national legislation (Royal Decree 1088/2015 on the legal origin of timber) and prevailing European regulations (European due diligence regulation with respect to the legal origin of timber (EUTR)). ENCE likewise continued to work last year on adapting its systems and procedures to comply with the new Regulation (EU) 2023/1115, the European Regulation on deforestation-free products (EUDR), and in 2026 will continue to fine-tune them for the revised version of the EUDR, which introduces modifications and simplifications with respect to the original text.

ENCE's efforts in this area translated into a share of certified timber of over 75% in 2025. As for the forests under its management, around 90% of the certifiable land area managed by ENCE is certified under one or other scheme.

In addition to fostering certified sustainable forestry management, ENCE undertakes research and development work in the following areas: best forestry care practices; 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 2025, ENCE maintained its position as a benchmark buyer of agricultural and forestry biomass for energy uses (electricity and renewable thermal energy). 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 2025, ENCE renewed SURE certification at all of its energy and pulp plants, as well as its certificate for the renewable thermal energy 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 (Regulation (EU) 2018/2001). The latter stipulates the criteria to be met by all biomass used in the bioenergy sector with the aim of ensuring its sustainability, an appropriately balanced mix, the reduction of greenhouse gas emissions and energy efficiency.

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

In 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 adapted its management system for the new SURE requirements, which have been updated to align them with the 2023 Renewable Energy Directive (RED III).

Sustainable management of biomethane

As is the case with biomass, biomethane production at the La Galera plant boasts International Sustainability and Carbon Certification (ISCC), a voluntary sustainability scheme which facilitates compliance with the sustainability requirements stipulated in Directive (EU) 2018/2001. In 2025, 99% of the biomethane generated complied with those sustainability requirements.

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, rationalised unit consumption, lower emissions and less odour.

ENCE's Master Sustainability Plan for 2024-2028 prioritises management and improvement of its 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, in 2025, the Navia biomill recorded its best ever consumption metric (26.9m³/ADt), marking a cumulative reduction in unit consumption of 21% in the last five years (vs. 2021) and reaching monthly levels of around 24m³/ADt by the end of the year.

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.

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 better process management and control, the Navia biomill did not record a single minute of odour in 2025, a real milestone.

As for waste management, recovery levels reached 98.5% in 2025.

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 has embedded environmental sustainability into the heart of its industrial activities, articulating all of its operations around continuous improvement in environmental performance and protection. This commitment translates into specific actions which reinforce respect-based community relations, earning it the social licence to operate and contributing to sustainable development.

One of the top priorities is to minimise environmental inconveniences, particularly those related with unwanted smells. The 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: odour emissions have been trending lower 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. Application of TQM methodology and product adjustments are helping to increase efficiency and maximise the reuse of water.

As part of this effort, and specifically to make the Pontevedra biomill more resilient against episodes of low flow in the Lézé River during periods of drought, a tertiary treatment system has been installed, which is enabling the recirculation of some industrial wastewater for use in the manufacturing process. This biomill is also emphasising the reinforcement of its water offtake infrastructure to make the system more robust and avoid possible inefficiencies. All these measures are designed to ensure business continuity at the biomill during episodes of drought, so mitigating this risk.

The Pontevedra biomill's integrated environmental permit was updated in 2025 to include this updated wastewater treatment system, among other things.

As for its wastewater, in 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 55%, coming in at 3.06 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 is 85% 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.

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, already in 2024, the new requirements applicable from 2025, and maintain them ever since.

Renewables business

Noteworthy initiatives in 2025 included updated stakeholder matrices and a number of social studies underway designed to bring ENCE closer to its stakeholders and factor in the social factor from the onset of its projects.

The Group also continued to work on the initiatives launched in 2024 as a result of the water map and decarbonisation plan.

In terms of waste management, further progress was made on several recovery projects that will give a second use to non-hazardous waste generated at the plants. Within this same line of initiative, 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 from last year:

- ✓ Since the third quarter of 2025, the ash generated by one of the plants in Huelva, classified as a subproduct, is being used in an underground mine instead of the commonly used paste fill.
- ✓ The ashes generated at HU-46 in Huelva have been catalogued as a subproduct.
- ✓ Work also continued with a number of associations from other sectors (manufacturers of aggregates, asphalts and cement and mining companies) to analyse the scope for incorporating ENCE's materials into different productive processes, so sparking cross-sector industrial symbiosis.
- ✓ Within its continuous improvement thrust, ENCE continues to champion high-potential RDI projects such as its pilot plant for the creation of technical flooring designed to remedy the area surrounding mining operations thanks to artificial flooring created mainly from waste products at ENCE's facilities and the creation of an ecological mortar making use of the ash generated by the biomass furnaces.
- ✓ 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, including the production of artificial and/or technical flooring, mortar, construction material reinforcements and resin additives, among others.

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 emissions and air quality readings remained below the thresholds stipulated in its environmental permit in 2025.

Merida 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 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 throughout 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 2025 and this centre continued to comply with the parameters stipulated in its environmental permit.

Biollano operations centre (Puertollano)

Work continued to focus on reducing emissions at Biollano in 2025.

36. Events after the reporting date

Issuance of notes

On 12 January 2026, ENCE registered a sustainable notes programme with Spain's alternative fixed-income market, MARF, under which it can issue up to €200 million.

At the date of authorising these consolidated financial statements for issue, the Group had issued €85 million of notes under that programme. The notes issued carry interest at a fixed annual rate of 4.10% and mature in a single bullet at maturity, with the entire principal due on 29 January 2030.

Appendix I - Consolidation scope

The table below provides a list of Ence Energía y Celulosa, S.A.'s direct and indirect investees, indicating its ownership interests in each at year-end 2025 and 2024:

| Company | Registered | Business | Interest held directly or indirectly | | Consolidation method (b) |
|--|-----------------------------------|--------------------------------------|--------------------------------------|------|--------------------------|
| | | | 2025 | 2024 | |
| Pulp Business: | | | | | |
| Celulosas de Asturias, S.A.U. (a) | Armental s/n Navia (Asturias) (a) | Pulp production and power generation | 100 | 100 | Full |
| Silvasur Agroforestal, S.A.U. (a) | Estébenez Calderón, 3-5 (Madrid) | Forest land management | 100 | 100 | Full |
| Ibersilva, S.A.U. | Ctra A-5000 Km. 7.5 (Huelva) | Forestry services | 100 | 100 | Full |
| Ence Terra, S.A.U. (a) | Lourizan, s/n (Pontevedra) | Forest land management | 100 | 100 | Full |
| Ence Investigación y Desarrollo, S.A.U. | Lourizán s/n (Pontevedra) | Research and development | 100 | 100 | Full |
| Liptoflor, S.A. (a) | Lisbon (Portugal) | Purchase-sale of timber | 100 | 100 | Full |
| Las Pléyades Uruguay, S.A. – Branch in Argentina | Montevideo (Uruguay) | Dormant | 100 | 100 | Full |
| Las Pléyades Uruguay, S.A. | Montevideo (Uruguay) | Dormant | 100 | 100 | Full |
| Capacitación de Servicios Forestales, S.L. | Curtis (La Coruña) | Forestry work | 25 | 25 | EM |
| Biofibras de Galicia, S.L. | Estébenez Calderón, 3-5 (Madrid) | Pulp production | 100 | 100 | Full |
| Ibersilva Servicios Sucursal em Portugal | Lisbon (Portugal) | Forestry services | 100 | 100 | Full |
| Sostenibilidad y Economía Circular, S.L.U. (c) | Estébenez Calderón, 3-5 (Madrid) | Waste management | 100 | 51 | Full |
| Ence Molded Fiber, S.L.U. (c) (*) | Estébenez Calderón, 3-5 (Madrid) | Manufacture of pulp items | 100 | 100 | Full |
| Cellnovex, S.L. (d) | Estébenez Calderón, 3-5 (Madrid) | Dormant | 100 | - | Full |

| Company | Registered | Business | Interest held directly or indirectly | | Consolidation method (b) |
|--|------------------------------------|---|--------------------------------------|-------|--------------------------|
| | | | 2025 | 2024 | |
| Renewables Business: | | | | | |
| Ence Renovables, S.L.U. (c) | Beatriz de Bobadilla, 14 (Madrid) | Holding company | 100 | 100 | Full |
| Magnon Green Energy, S.L. (a) | Estébanez Calderón, 3-5 (Madrid) | Holding company and biomass management | 51 | 51 | Full |
| Celulosa Energía, S.A.U. (a) | Armental s/n Navia (Asturias) | Electricity management | 51 | 51 | Full |
| Ence Energía Huelva, S.L.U. (a) | Estébanez Calderón, 3-5 (Madrid) | Electricity management | 51 | 51 | Full |
| Ence Energía Extremadura, S.L.U. (a) | Estébanez Calderón, 3-5 (Madrid) | Electricity management | 51 | 51 | Full |
| Ence Energía Huelva Dos, S.L.U. (a) | Estébanez Calderón, 3-5 (Madrid) | Electricity management | 51 | 51 | Full |
| Energía de la Loma, S.A. (a) | Villanueva del Arzobispo (Jaen) | Electricity management | 32.67 | 32.67 | Full |
| Energías de la Mancha Eneman, S.A. (a) | Villarta de San Juan (Ciudad Real) | Electricity management | 34.89 | 34.89 | Full |
| Ence Energía Puertollano, S.L.U. (a) | Estébanez Calderón, 3-5 (Madrid) | Electricity management | 51 | 51 | Full |
| Bioenergía Santamaría, S.A. (a) | Lucena (Cordoba) | Electricity management | 35.7 | 35.7 | Full |
| Ence CO2, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | Dormant | 100 | 100 | Full |
| Biofertilizantes CH4, S.L.U. (*) | Estébanez Calderón, 3-5 (Madrid) | Biogas and fertiliser management | 100 | 100 | Full |
| BioCH4 Developments, S.L. (c) (e) | Estébanez Calderón, 3-5 (Madrid) | Development of biogas plants | 60 | 60 | Full |
| Biogás San Esteban de Litera, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes y Biometano Laguna de Negrillos, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes Xunqueira de Ambia, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes ALMACELLES, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes CARMONA, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes y Biometano LUCILLOS, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes BARBASTRO, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes SANTOVENIA DEL ESLA, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes ZUERA, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes VILLAGRASSA, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes PELEAS DE ABAJO, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes BELLVIS, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | 100 | Full |
| Biofertilizantes La Galera, S.L.U. (a) (e) | Estébanez Calderón, 3-5 (Madrid) | Production and sale of biogas and biomethane | 100 | 100 | Full |
| Biofertilizantes RIBERA DEL FRESNO, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes PEDRAJAS DE SAN ESTEBAN, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes NAVALMANZANO, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes COGECES DEL MONTE, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes BELCHITE, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes CABALLAR, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes ECIJA, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biofertilizantes LA PUEBLA DE CAZALLA, S.L.U. (d) | Estébanez Calderón, 3-5 (Madrid) | (***) | 100 | - | Full |
| Biometagás La Galera, S.L. (d) (e) | Estébanez Calderón, 3-5 (Madrid) | Generation and sale of energy considered ecological | 98 | 98 | Full |
| Infraestructuras Biometagás, S.L.U. (d) (e) | Estébanez Calderón, 3-5 (Madrid) | Sale of piped gas | - | 98 | Full |
| Magnon Servicios Energéticos, S.L. (a) | Estébanez Calderón, 3-5 (Madrid) | Operation of biomass furnaces | 75.5 | 75.5 | Full |
| Magnon Biomasa, S.L.U. (a) | Estébanez Calderón, 3-5 (Madrid) | Sale of biomass | 51 | 51 | Full |
| Ence Energía Este, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Energía Extremadura 2, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Energía Celta, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Energía Castilla y León, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Energía Castilla y León Dos, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Energía Pami, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Biomasa Córdoba, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ancen Solar III, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Granada 133 Solar, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |

| Company | Registered | Business | Interest held directly or indirectly | | Consolidation method (b) |
|------------------------------------|--------------------------------------|--|--------------------------------------|-------|--------------------------|
| | | | 2025 | 2024 | |
| Sevilla 90 Solar, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ancen Solar IV, S.L.U. (e) | Estébanez Calderón, 3-5 (Madrid) | (**) | 19.21 | 19.21 | Full |
| Ancen Solar V, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Ence Energía Puertollano 2, S.L.U. | Estébanez Calderón, 3-5 (Madrid) | (**) | 51 | 51 | Full |
| Oleoenergía de Puertollano, S.L. | Arruzafa, 21 (Cordoba) | Generation and sale of electric energy | 15.3 | 15.3 | EM |
| Promotores Atarfe 220 KV, AIE | Paseo de la Castellana, 163 (Madrid) | Development and construction of renewable energy generation plants | 36.15 | 36.15 | PC |
| Magnon - Juan María Estevez UTE | Orense, 58 (Madrid) | Management of forest waste | 65 | 65 | PC |

(a) Audited annual financial statements

(b) Consolidation method: Full = full consolidation method; EM. = equity method; PC (proportionate consolidation)

(c) 2025, Ence Molded Fiber, S.L.U. (formerly, Biogás Almacelles, S.L.U.) was transferred from Ence Renovables to Ence (note 6).

(d) Changes in consolidation group in 2025 (note 6).

(e) Changes in consolidation group in 2024 (note 6).

(f) Name changes in 2025:

-Ence Molded Fiber, S.L.U., formerly, Biogás Almacelles, S.L.U.

-Biofertilizantes CH4, S.L.U., formerly, Ence Biogás

-Biogás San Esteban de Litera, S.L.U., formerly, Biogás San Esteban, S.L.U.

-Biofertilizantes Xunqueira de Ambia, S.L.U., formerly, Biofertilizantes y Biometano Sertogal Xunqueiras, S.L.U.

-Biofertilizantes ALMACELLES, S.L.U., formerly, Biofertilizantes y Biometano ALMACELLES, S.L.U.

-Biofertilizantes CARMONA, S.L.U., formerly, Biofertilizantes y Biometano CARMONA, S.L.U.

-Biofertilizantes BARBASTRO, S.L.U., formerly, Biofertilizantes y Biometano BARBASTRO, S.L.U.

-Biofertilizantes SANTOVENIA DEL ESLA, S.L.U., formerly, Biofertilizantes y Biometano SANTOVENIA DEL ESLA, S.L.U.

-Biofertilizantes ZUERA, S.L.U., formerly, Biofertilizantes y Biometano ZUERA, S.L.U.

-Biofertilizantes VILLAGRASSA, S.L.U., formerly, Biofertilizantes y Biometano XUNQUEIRAS, S.L.U.

-Biofertilizantes PELEAS DE ABAJO, S.L.U., formerly, Biofertilizantes y Biometano PELEAS DE ABAJO, S.L.U.

-Biofertilizantes BELLVIS, S.L.U., formerly, Biofertilizantes y Biometano CASTELLAR, S.L.U.

-Biofertilizantes La Galera, S.L.U., formerly, Biofertilizantes y Biometano CAMARLES, S.L.U.

(**) Companies that are currently in the midst of permitting new renewable energy generation plants.

(***) Companies that are currently in the midst of permitting new biogas and biomethane management and production plants.

Appendix II – Financial statements: Pulp & Renewable Energy

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

| € 000 | 31 Dec. 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 | 20,865 | 51,523 | (10,983) | 61,405 | 19,167 | 52,431 | (11,559) | 60,039 |
| Property, plant and equipment | 648,179 | 370,998 | (5,141) | 1,014,036 | 608,602 | 372,438 | (6,420) | 974,620 |
| Biological assets | 65,201 | 174 | - | 65,375 | 66,071 | 251 | - | 66,322 |
| Investments accounted for using the equity method | 66 | 30 | - | 96 | 53 | 24 | - | 77 |
| Non-current financial assets: | | | | | | | | |
| Securities portfolio | 113,966 | (3) | (113,963) | - | 113,9 | - | (113,963) | - |
| Loans to group companies and associates | 59,390 | - | (59,390) | - | 65,71 | - | (65,719) | - |
| Hedging derivatives | - | 228 | - | 228 | - | - | - | - |
| Other financial assets | 10,274 | 14,130 | - | 24,404 | 19,507 | 30,902 | - | 50,409 |
| Deferred tax assets | 49,199 | 27,219 | 2,757 | 79,175 | 35,209 | 23,877 | 2,901 | 61,987 |
| | 967,140 | 469,119 | (186,720) | 1,249,539 | 928,291 | 484,736 | (194,760) | 1,218,267 |
| CURRENT ASSETS: | | | | | | | | |
| Inventories | 75,877 | 16,269 | - | 92,146 | 82,074 | 12,532 | - | 94,606 |
| Trade and other receivables | 13,548 | 20,285 | (2,465) | 31,368 | 25,194 | 31,730 | (6,040) | 50,884 |
| Other taxes receivable | 9,474 | 4,460 | - | 13,934 | 14,280 | 4,275 | - | 18,555 |
| Income tax receivable | 2,924 | 578 | - | 3,502 | 5,285 | 1,284 | - | 6,569 |
| Current financial assets: | | | | | | | | |
| Loans to group companies and associates | - | 949 | (937) | 12 | 168 | 674 | (830) | 12 |
| Hedging derivatives | 579 | 988 | - | 1,567 | - | - | - | - |
| Other financial assets | 15,822 | 110 | - | 15,932 | 26,313 | 213 | - | 26,526 |
| Cash and cash equivalents | 180,574 | 46,877 | - | 227,451 | 184,582 | 79,360 | - | 263,942 |
| Other current assets | 1,388 | 31 | - | 1,419 | 2,769 | 317 | - | 3,086 |
| | 300,186 | 90,547 | (3,402) | 387,331 | 340,665 | 130,385 | (6,870) | 464,180 |
| TOTAL ASSETS | 1,267,326 | 559,666 | (190,122) | 1,636,870 | 1,268,9 | 615,121 | (201,630) | 1,682,447 |

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

| € 000 | 2025 | | | | 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 | 142,143 | (17,044) | (15,080) | 110,019 | 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 | (12,933) | - | - | (12,933) | (12,205) | - | - | (12,205) |
| Valuation adjustments | 39,658 | 145 | - | 39,803 | 33,761 | (1,340) | - | 32,421 |
| Other equity instruments | 2,385 | - | - | 2,385 | 2,438 | - | - | 2,438 |
| Consolidated profit/(loss) for the year | (41,641) | (14,529) | 1,713 | (54,457) | 43,831 | (13,761) | 1,481 | 31,551 |
| Equity attributable to equity holders of the parent | 522,040 | 82,535 | (127,330) | 477,245 | 559,036 | 95,580 | (129,047) | 525,569 |
| Non-controlling interests | - | 89,420 | - | 89,420 | - | 97,051 | - | 97,051 |
| TOTAL EQUITY | 522,040 | 171,955 | (127,330) | 566,665 | 559,036 | 192,631 | (129,047) | 622,620 |
| NON-CURRENT LIABILITIES: | | | | | | | | |
| Borrowings | 323,329 | 157,239 | - | 480,568 | 291,303 | 155,138 | - | 446,441 |
| Derivative financial instruments | 978 | 246 | - | 1,224 | 2,234 | 1,795 | - | 4,029 |
| Grants | 6,080 | 13,112 | - | 19,192 | 5,831 | 4,704 | - | 10,535 |
| Non-current provisions | 36,637 | 698 | - | 37,335 | 28,907 | 598 | - | 29,505 |
| Non-current accruals and deferred income | 11 | 2,742 | - | 2,753 | 11 | 3,076 | - | 3,087 |
| Other non-current liabilities | 20,678 | 44,407 | - | 65,085 | 27,950 | 64,111 | - | 92,061 |
| Borrowings from group companies and associates | - | 88,405 | (59,390) | 29,015 | - | 94,734 | (65,719) | 29,015 |
| | 387,713 | 306,849 | (59,390) | 635,172 | 356,236 | 324,156 | (65,719) | 614,673 |
| CURRENT LIABILITIES: | | | | | | | | |
| Borrowings | 125,925 | 12,978 | - | 138,903 | 149,183 | 13,025 | - | 162,208 |
| Derivative financial instruments | 1,059 | 745 | - | 1,804 | 6,874 | 1,100 | - | 7,974 |
| Current borrowings from related parties | 745 | 2,699 | (937) | 2,507 | 662 | 1,044 | (830) | 876 |
| Trade and other payables | 175,150 | 50,236 | (2,465) | 222,921 | 158,148 | 65,740 | (6,034) | 217,854 |
| Income tax payable | 48 | 5 | - | 53 | 20 | 6 | - | 26 |
| Other taxes payable | 4,713 | 7,621 | - | 12,334 | 6,038 | 8,527 | - | 14,565 |
| Other current liabilities | 1,922 | 2,539 | - | 4,461 | 2,226 | 5,940 | - | 8,166 |
| Current provisions | 48,011 | 4,039 | - | 52,050 | 30,533 | 2,952 | - | 33,485 |
| | 357,573 | 80,862 | (3,402) | 435,033 | 353,684 | 98,334 | (6,864) | 445,154 |
| TOTAL EQUITY AND LIABILITIES | 1,267,326 | 599,666 | (190,122) | 1,636,870 | 1,268,95 | 615,121 | (201,630) | 1,682,447 |

“Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails” **130**

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS BY BUSINESS FOR 2025 AND 2024

| € 000 | 2025 | | | | 2024 | | | |
|--|-----------------|-----------------|----------------------------|--------------------|-----------------|-----------------|----------------------------|--------------------|
| | Pulp | Renewables | Adjustments & Eliminations | CONSOLIDATED TOTAL | Pulp | Renewables | Adjustments & Eliminations | CONSOLIDATED TOTAL |
| Continuing operations: | | | | | | | | |
| Revenue | 543,607 | 206,004 | (2,359) | 747,252 | 681,891 | 192,232 | (3,685) | 870,438 |
| Gains/(losses) on hedging transactions | 8,702 | 2,626 | - | 11,328 | (569) | (2,838) | - | (3,407) |
| Changes in inventories of finished goods and work in progress | (10,127) | (99) | - | (10,226) | 18,359 | (1,281) | - | 17,078 |
| Self-constructed assets | 8,705 | 3,169 | - | 11,874 | 11,822 | 2,957 | - | 14,779 |
| Other operating income | 64,734 | 3,526 | (1,370) | 66,890 | 8,944 | 1,163 | (1,278) | 8,829 |
| Grants taken to profit and loss | 7,524 | 1,160 | - | 8,684 | 6,814 | 1,174 | - | 7,988 |
| Operating income subtotal | 623,145 | 216,386 | (3,729) | 835,802 | 727,261 | 193,407 | (4,963) | 915,705 |
| Cost of sales | (339,546) | (66,876) | 2,359 | (404,063) | (360,530) | (68,358) | 3,685 | (425,203) |
| Employee benefits expense | (110,960) | (25,636) | - | (136,596) | (89,619) | (23,479) | - | (113,098) |
| Depreciation and amortisation charges | (52,661) | (31,974) | 1,858 | (82,777) | (57,920) | (34,498) | 1,620 | (90,798) |
| Depletion of forest reserve | (7,216) | (124) | - | (7,340) | (9,725) | - | - | (9,725) |
| Impairment of and gains/(losses) on disposal of fixed assets | (58) | 834 | - | 776 | (1,714) | 1,707 | - | (7) |
| Impairment of financial assets | (768) | (152) | - | (920) | (934) | (29) | - | (963) |
| Other operating expenses | (141,994) | (101,183) | 1,369 | (241,808) | (134,184) | (79,689) | 1,283 | (212,590) |
| Operating expenses subtotal | (653,203) | (225,111) | 5,586 | (872,728) | (654,626) | (204,346) | 6,588 | (852,384) |
| OPERATING PROFIT/(LOSS) | (30,058) | (8,725) | 1,857 | (36,926) | 72,635 | (10,939) | 1,625 | 63,321 |
| Finance income | 11,627 | 3,419 | (2,503) | 12,543 | 9,949 | 2,498 | (1,597) | 10,850 |
| Finance costs | (28,412) | (20,009) | 2,503 | (45,918) | (28,541) | (16,325) | 1,597 | (43,269) |
| Change in fair value of financial instruments | (6,702) | 2 | - | (6,700) | 87 | 268 | - | 355 |
| Exchange differences | (3,945) | 238 | - | (3,707) | 1,244 | (1) | - | 1,243 |
| Impairment of and gains/(losses) on disposal of financial instruments | (3) | (1,211) | - | (1,214) | (163) | - | - | (163) |
| NET FINANCE INCOME/(COST) | (27,435) | (17,561) | - | (44,996) | (17,424) | (13,560) | - | (30,984) |
| Share of profit/(loss) of entities accounted for using the equity method | 4 | - | - | 4 | 13 | - | - | 13 |
| PROFIT/(LOSS) BEFORE TAX | (57,489) | (26,286) | 1,857 | (81,918) | 55,224 | (24,499) | 1,625 | 32,350 |
| Income tax | 15,848 | 3,712 | (144) | 19,416 | (11,393) | (693) | (144) | (12,230) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | (41,641) | (22,574) | 1,713 | (62,502) | 43,831 | (25,192) | 1,481 | 20,120 |
| Profit/(loss) for the year attributable to non-controlling interests | - | 8,045 | - | 8,045 | - | (11,431) | - | (11,431) |
| PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE | (41,641) | (14,529) | 1,713 | (54,457) | 43,831 | (13,761) | 1,481 | 31,551 |

(*) 100% from continuing operations

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ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR 2025 AND 2024

| € 000 | 2025 | | | CONSOLIDATED TOTAL |
|--|-----------------|-----------------|-------------------------------|-----------------------|
| | Pulp | Renewables | Adjustments & Eliminations | |
| OPERATING ACTIVITIES: | | | | |
| Profit/(loss) before tax from continuing operations | (57,489) | (26,286) | 1,857 | (81,918) |
| Adjustments for: | | | | |
| Depreciation, amortisation and depletion (PP&E, | 59,869 | 32,105 | (1,857) | 90,117 |
| Changes in provisions and other deferred expense (net) | 35,652 | 8,863 | - | 44,515 |
| Impairment of and gains/(losses) on disposals of | 574 | 337 | - | 911 |
| Adjustments for tariff shortfall/surplus and sector | (2,217) | (6,914) | - | (9,131) |
| Finance income and costs (net) | 18,786 | 16,380 | (24) | 35,142 |
| Change in fair value of financial instruments | 6,700 | 0 | - | 6,700 |
| Grants taken to profit and loss | (852) | (87) | - | (939) |
| | 118,512 | 50,684 | (1,881) | 167,315 |
| Working capital changes: | | | | |
| Inventories | 658 | (11,036) | - | (10,378) |
| Trade and other receivables | 15,691 | 16,604 | (5,174) | 27,121 |
| Trade payables, other payables and other liabilities | (5,543) | (19,933) | 5,180 | (20,296) |
| | 10,806 | (14,365) | 6 | (3,553) |
| Other cash flows (used in)/from operating activities: | | | | |
| Interest paid (net) | (19,552) | (15,653) | 27 | (35,178) |
| Income tax received/(paid) | 3,030 | 587 | (6) | 3,611 |
| Long-term remuneration and other plans | - | - | - | - |
| | (16,522) | (15,066) | 21 | (31,567) |
| Net cash flows from/(used in) operating activities | 55,307 | (5,033) | 3 | 50,277 |
| INVESTING ACTIVITIES: | | | | |
| Payments for investments: | | | | |
| Group companies and associates | 6,495 | (273) | (6,222) | - |
| Property, plant and equipment and biological assets | (67,466) | (25,116) | (1) | (92,583) |
| Intangible assets | (4,480) | (1,361) | - | (5,841) |
| Business combination | - | (3) | - | (3) |
| Financial assets | 1,454 | (1,806) | 82 | (270) |
| | (63,997) | (28,559) | (6,141) | (98,697) |
| Proceeds from disposals: | | | | |
| Property, plant and equipment | 156 | - | - | 156 |
| Financial assets | 11,440 | 293 | (84) | 11,649 |
| | 11,596 | 293 | (84) | 11,805 |
| Net cash flows used in investing activities | (52,401) | (28,266) | (6,225) | (86,892) |
| FINANCING ACTIVITIES: | | | | |
| Proceeds from/(payments for) equity instruments: | | | | |
| Transactions with non-controlling interests | - | - | - | - |
| Buyback of own equity instruments | (23,525) | - | - | (23,525) |
| Disposal of own equity instruments | 22,342 | - | - | 22,342 |
| | (1,183) | - | - | (1,183) |
| Proceeds from/(repayments of) financial liabilities: | | | | |
| Borrowings from related parties | 84 | (6,306) | 6,222 | - |
| Notes (net of arrangement fees) | 3,500 | - | - | 3,500 |
| Increase/(decrease) in bank borrowings, net of issuance | 7,837 | 1,796 | - | 9,633 |
| Increase/(decrease) in other borrowings | (9,044) | - | - | (9,044) |
| Payments for right-of-use assets | (8,860) | (2,728) | - | (11,588) |
| Grants received, net | 752 | 8,495 | - | 9,247 |
| | (5,731) | 1,257 | 6,222 | 1,748 |
| Dividends and payments on other equity instruments | | | | |
| Dividends paid to ENCE shareholders | - | - | - | - |
| Dividends paid to non-controlling interests | - | (441) | - | (441) |
| | - | (441) | - | (441) |
| Net cash flows from/(used in) financing activities | (6,914) | 816 | 6,222 | 124 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (4,008) | (32,483) | - | (36,491) |
| Cash and cash equivalents - opening balance | 184,582 | 79,360 | - | 263,942 |
| Cash and cash equivalents - closing balance | 180,574 | 46,877 | - | 227,451 |

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR 2025 AND 2024

| € 000 | 2024 | | | CONSOLIDATED TOTAL |
|--|------------------|-----------------|-------------------------------|-----------------------|
| | Pulp | Renewables | Adjustments & Eliminations | |
| OPERATING ACTIVITIES: | | | | |
| Profit/(loss) before tax from continuing operations | 55,224 | (24,499) | 1,625 | 32,350 |
| Adjustments for: | | | | |
| Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve) | 67,648 | 34,498 | (1,623) | 100,523 |
| Changes in provisions and other deferred expense (net) | 8,610 | 4,908 | - | 13,518 |
| Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial | 1,885 | (1,707) | - | 178 |
| Adjustments for tariff shortfall/surplus and sector regulations | (815) | (865) | - | (1,680) |
| Finance income and costs (net) | 17,811 | 13,562 | - | 31,373 |
| Grants taken to profit and loss | (932) | (141) | - | (1,073) |
| | 94,207 | 50,255 | (1,623) | 142,839 |
| Working capital changes: | | | | |
| Inventories | (29,511) | 120 | - | (29,391) |
| Trade and other receivables | (8,323) | (28,534) | 4,067 | (32,790) |
| Financial and other current assets | - | - | - | - |
| Trade payables, other payables and other liabilities | 1,102 | (900) | (4,067) | (3,865) |
| | (36,732) | (29,314) | - | (66,046) |
| Other cash flows used in operating activities: | | | | |
| Interest paid (net) | (19,257) | (14,192) | - | (33,449) |
| Dividends received | 17 | - | - | 17 |
| Income tax received/(paid) | (6,487) | 9,611 | - | 3,124 |
| Long-term remuneration and other plans | (236) | - | - | (236) |
| | (25,963) | (4,581) | - | (30,544) |
| Net cash flows from/(used in) operating activities | 86,736 | (8,139) | 2 | 78,599 |
| INVESTING ACTIVITIES: | | | | |
| Payments for investments: | | | | |
| Group companies and associates | (43,385) | (606) | 43,991 | - |
| Property, plant and equipment and biological assets | (52,014) | (18,873) | - | (70,887) |
| Intangible assets | (4,556) | (1,415) | - | (5,971) |
| Business combination | - | (17,442) | - | (17,442) |
| Financial assets | (11,920) | (830) | - | (12,750) |
| | (111,875) | (39,166) | 43,991 | (107,050) |
| Proceeds from disposals: | | | | |
| Financial assets | 1,186 | 1,019 | - | 2,205 |
| | 1,186 | 1,019 | - | 2,205 |
| Net cash flows from/(used in) investing activities | (110,689) | (38,147) | 43,991 | (104,845) |
| FINANCING ACTIVITIES: | | | | |
| Proceeds from/(payments for) equity instruments: | | | | |
| Transactions with non-controlling interests | (245) | - | - | (245) |
| Buyback of own equity instruments | (27,736) | - | - | (27,736) |
| Disposal of own equity instruments | 28,676 | - | - | 28,676 |
| | 695 | - | - | 695 |
| Proceeds from/(repayments of) financial liabilities: | | | | |
| Borrowings from related parties | 609 | 67,531 | (43,993) | 24,147 |
| Notes (net of arrangement fees) | 21,600 | (79,000) | - | (57,400) |
| Increase/(decrease) in bank borrowings, net of issuance costs | (82,316) | 117,952 | - | 35,636 |
| Increase/(decrease) in other borrowings | (2,176) | - | - | (2,176) |
| Payments for right-of-use assets | (7,171) | (1,879) | - | (9,050) |
| Grants received, net | 39 | 4,362 | - | 4,401 |
| | (69,415) | 108,966 | (43,993) | (4,442) |
| Dividends and payments on other equity instruments | | | | |
| Dividends paid to ENCE shareholders | (33,972) | - | - | (33,972) |
| Dividends paid to non-controlling interests | - | (5,125) | - | (5,125) |
| | (33,972) | (5,125) | - | (39,097) |
| Net cash flows from/(used in) financing activities | (102,692) | 103,841 | (43,993) | (42,844) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (126,645) | 57,555 | - | (69,090) |
| Cash and cash equivalents - opening balance | 311,227 | 21,805 | - | 333,032 |
| Cash and cash equivalents - closing balance | 184,582 | 79,360 | - | 263,942 |

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Appendix III - Energy sector regulatory framework

This section sets out the most noteworthy aspects of prevailing energy sector regulations in Europe and Spain as they apply to the business activities of the ENCE Group.

European Union

The European Union's energy policy is based on four fundamental principles: **decarbonisation, competitiveness, security of supply and sustainability**. Its objectives include ensuring the functioning of the energy market and a secure energy supply within the EU, as well as promoting energy efficiency and savings, the development of renewable energies and the interconnection of energy networks.

The EU's regulatory framework for energy is based on **article 194 of the Treaty of the Functioning of the European Union (TFEU)**, complemented by key provisions addressing the security of supply (article 122), energy networks (articles 170-172), the internal energy market and external energy policy.

Since the **Energy Union was created in 2015**, the five main aims of the EU's energy policy are to:

- **Diversify Europe's sources of energy, ensuring energy security** through solidarity and cooperation between EU countries.
- **Ensure the functioning of a fully integrated internal energy market**, eliminating technical and regulatory barriers.
- Improve **energy efficiency**, reduce dependence on energy imports and drive growth.
- **Decarbonise the economy** in line with the Paris Agreement.
- **Promote research and innovation** in low-carbon and clean energy technologies.

The current European regulatory framework for energy is based on the **Energy Union strategy** and the '**Fit for 55**' package, subsequently modified by the **REPowerEU** plan in order to rapidly phase out dependency on Russian fossil fuels. The main EU energy targets for 2030 include:

- An **increase in the share of renewable energies in final energy consumption to 42.5%**, with the aim of achieving 45%.
- An **11.7% reduction in energy consumption**, compared to 2020 projections.
- The **interconnection of at least 15% of the EU's electricity systems**.

The regulatory framework addresses key aspects such as renewable energy (**Directive 2018/2001**), energy efficiency (**Directive 2023/1791**), energy market governance (**Regulation 2018/1999**), strategic infrastructures (**Regulation 2022/869**) and specific measures for gas, hydrogen, electricity and biofuels.

An efficient energy market is essential for **guaranteeing competitive prices**, stimulating investment in clean energies and reinforcing security of supply. Development of the regulatory framework has made it possible to advance from the sector's initial deregulation towards a far more resilient model focused on risk mitigation and decarbonisation.

Energy efficiency and renewable energy

Energy efficiency is one of the EU's top priorities, the target being to **reduce consumption by 11.7% by 2030**. The current framework prioritises the integration of energy efficiency solutions into planning and investment decisions.

The cornerstone of EU renewable energy policy is the new Renewable Energy Directive, which establishes a **42.5% target for the share of renewable energies** in 2030. National support and EU financing schemes have been implemented to facilitate the energy transition.

Towards a more sustainable energy model

EU energy policy is advancing towards a more secure, sustainable and competitive model, adapting for geopolitical and climate challenges. The current regulatory framework reinforces **energy resilience**, stimulates investment in renewable energy and promotes the region's energy independence, with the ultimate goal of achieving **climate neutrality in 2050**.

Main European Union publications and communications in 2025

One of the most important new initiatives to originate under the new European Commission formed in Brussels in December 2024 is the Clean Industrial Deal, which was launched in February 2025, together with the Affordable Energy Action Plan. Another early development was approval of Commission Implementing Regulation (EU) 2025/1176 specifying the pre-qualification and award criteria for auctions for the deployment of energy from renewable sources.

Clean Industry Deal:

The Deal outlines specific measures for converting decarbonisation into a motor for European industry competitiveness and growth. The Deal focuses on six business drivers: affordable energy, lead markets for clean products, financing the transition, circularity and strategic materials, innovation and skills and regulatory simplification.

Affordable Energy Action Plan:

As for the actions for making energy more affordable, the Commission plans to propose measures around: accelerating the deployment of clean energy through PPAs; promoting industrial electrification and developing grid infrastructure to support the connection of clean generation, energy-intensive industries, and data centres; completing the Energy Union with physical interconnections; enhancing energy efficiency and reducing reliance on imported fossil fuels.

A proposal is also under debate to review the state aid framework to facilitate all these actions.

Commission Implementing Regulation (EU) 2025/1176 specifying the pre-qualification and award criteria for auctions for the deployment of energy from renewable sources:

Implementing article 26 Regulation (EU) 2024/1735, this Regulation specifies the requirement that at least 30% of the volume auctioned annually by each member state, or at least 6 GW, be adjudicated using mechanisms that feature criteria not related with price. The Regulation contemplates mandatory pre-qualification criteria and possible adjudication criteria.

The mandatory pre-qualification criteria include responsible business conduct, cybersecurity and data security and the ability to complete the development in full and on time.

The adjudication criteria may also be related with the bidder's contribution to resilience (different requirements for different technologies) and to sustainability (carbon footprint, circular economy or impact on biodiversity, innovation or integration in the electricity system).

Innovation and financing for clean energy

The EU continues to reinforce financial instruments such as the **Innovation Fund**, adding new tenders to support low-carbon technologies (including the production of hydrogen and efficient industrial processes) and channel investment into strategic sectors. Climate Action.

Modernisation of energy infrastructure

The Commission has proposed initiatives for **modernising and expanding the EU's energy grids** so as to facilitate the integration of renewables, improve supply security and reduce energy costs in the long term.

Spain

Structural reform of the electricity system (2013–2014)

Royal Decree-Law 9/2013, profoundly reforming the electricity regulatory framework in order to ensure its financial sustainability, was published on 12 July 2013. It repealed the previous renewable remuneration system (Royal Decrees 661/2007 and 1578/2008) introducing a **new model predicated on a reasonable return**, applicable with retroactive effect from 14 July 2013.

The new regime provided that, in addition to the remuneration earned from the sale of electricity in the pool at market prices, eligible facilities would be entitled to specific remuneration for two concepts:

- **Remuneration for investment**, calculated to cover the costs of investing in a so-called standard facility not recoverable from the sale of power.
- **Remuneration for operation**, designed to cover the costs of operating an efficient and well-managed undertaking, calculated at the difference between eligible operating expenses and revenue from participation in the market.

The calculation of that specific remuneration factors in, over the course of the regulated useful life of a standard facility, the standard operating costs and the standard upfront investment amount (net asset value or NAV). The parameters are intended to ensure that eligible facilities can compete with the rest of the generation technologies in the market on an even footing, earning a reasonable return.

The reasonable return (on a pre-tax basis) is defined on the basis of the average yield on 10-year Spanish government bonds on the secondary market plus an appropriate spread. Additional provision one of Royal Decree-Law 9/2013 set that spread at 300 basis points for the facilities applying the subsidised financial regime, with scope for review every six years.

Later, **Royal Decree 413/2014** was published on 10 June 2014, regulating the generation of electricity by means of renewable energy sources, co-generation and waste. That legislation established the methodology underpinning the specific remuneration regime applicable to facilities that do not cover their costs by enough of a margin to enable them to compete with other generation technologies on an even footing. Implementing this framework, a **Ministerial Order (IET 1045/2014)** was published on 20 June 2014 setting the definitive remuneration parameters applicable to all existing and prospective renewable energy facilities.

The new remuneration system established regulatory periods of six years, comprising two three-year stub periods with periodical resets for market prices, operating parameters and adjustments for tariff shortfalls/surpluses.

The remuneration system is predicated on earning a reasonable return on investment. That return is defined on the basis of the average yield on 10-year Spanish government bonds in the secondary market during the 24 months prior to the month of May before the start of each regulatory period plus a spread. For the first regulatory period, which ended on 31 December 2019, that spread was set at 300 basis points (i.e., a pre-tax ROI of 7.398%).

In relation to the remuneration for operation parameter (Ro), as prescribed in **Royal Decree 413/2014**, determination of the specific remuneration to be received by each class of facility in each year of the regulatory period or stub period requires estimating future electricity market prices (hereinafter, the "pool price"). Those estimates are reviewed three years into the regulatory period, i.e., at the end of the regulatory stub period, in order to quantify the Ro for each year in the stub period had the actual pool prices been used.

Article 22 of **Royal Decree 413/2014** established an adjustment mechanism for application at the end of each regulatory stub period. That mechanism defines certain ceilings and floors with respect to the pool price estimate in order to generate, annually, a balance receivable or payable by the system, dubbed the "Adjustment for tariff shortfall/surplus" (hereinafter, the "Tariff Adjustment") That balance gets settled over the various facilities' remaining useful lives.

The amount of the Tariff Adjustment calculated in accordance with the provisions of article 22 of **Royal Decree 413/2014** is settled by modifying, upwards or downwards, the amount of remuneration for investment (Ri) over the remainder of the facility's regulatory useful life.

Once a facility has reached the end of its regulatory useful life, the facility ceases to receive both the remuneration for investment and operation supplements.

Energy transition and new regulatory instruments (2018–2020)

Royal Decree-Law 15/2018 (5 October 2018), on urgent measures related to the energy transition and consumer protection, included two measures with an impact on ENCE:

1. Exoneration from the electricity generation levy for a period of six months (October 2018 - March 2019).
2. Amendments to Spanish Law 38/1992 on excise duty exempting energy products earmarked for use in the generation of electricity from the excise duty on hydrocarbons.

Subsequently, a number of ministerial orders set the remuneration for operation amounts for successive periods:

Lastly, **Royal Decree-Law 17/2019** (22 November 2019) introduced urgent measures for adapting the electricity system remuneration parameters and tackling the process of closing fossil fuel power generation plants. Specifically, it set the reasonable return applicable to the remuneration for operation amounts for the 2020-2025 regulatory period at 7.09%. However, exceptionally, it contemplated the possibility of leaving the then-prevailing return of 7.398% throughout the period from 2020 to 2031 for the facilities that were awarded remuneration premiums upon effectiveness of Royal Decree-Law 9/2013, so long as certain requirements are met. All ENCE facilities entitled to remuneration for investment are availing themselves of the return of 7.398%.

Also, Ministerial **Order TED/171/2020** updated the remuneration parameters for estimating the regulated remuneration for renewable energy and co-generation technology for the 2020-2022 regulatory stub period and established the **Tariff Adjustment** for 2017-2019. One of the key changes introduced was to increase the number of equivalent hours of operation of biomass facilities from 6,500 to 7,500 hours.

On the legislative front, **Real Decree-Law 23/2020** acknowledged the importance of electrification and the need to ensure the sector's financial equilibrium, establishing a broad package of measures geared towards the energy transition.

Royal Decree 960/2020 was approved in November 2020, regulating the legal and financial regime applicable to electricity-producing facilities based on the notion of long-term recognition of a price for the energy produced.

Ministerial **Order TED/1161/2020** (4 December 2020) was published in December 2020, regulating the first auction mechanism for awarding the REER and establishing an indicative schedule of auctions for 2020-2025, setting a minimum target of 3,000 MW for that year.

Royal Decree 1106/2020 (15 December 2020) regulates the statute for electricity-intensive consumers, defining the requirements and procedure for obtaining the electricity-intensive consumer certificate. That certificate has been obtained by the Group's two biomills, so providing access to the compensation mechanism contemplated in Title III of that Royal Decree.

Impact of the energy crisis and extraordinary parameter review (2021–2023)

The run-up in energy prices derived from the post-pandemic crisis and war in Ukraine prompted an **extraordinary regulatory intervention**:

- Tax suspensions and reductions (levy on the value of electricity output, excise duty, VAT).
- Measures in support of intensive consumers of electricity.
- Introduction of the so-called **Iberian gas adjustment mechanism** (Royal Decree-Law 10/2022).

Elsewhere, **Royal Decree-Law 6/2022** (29 March 2022) enacting urgent measures under the scope of a national plan addressing the economic and social consequences of the war in Ukraine marked an inflexion point by ordering the **early review of remuneration parameters**, modifying:

- Market price estimation based on futures prices (OMIP).
- The regulated pool prices for 2020–2022.
- The updates for fuel and CO₂ prices.

It also amended **article 22 of Royal Decree 413/2014**, introducing a **basket of prices** (intraday market + futures) to stimulate forward contracting.

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These revisions materialised in a series of Ministerial Orders (TED/1232/2022 and TED/1295/2022, among others).

2023–2025 regulatory stub period and transition to a new framework

Ministerial Order TED/741/2023 implementing Royal Decree-law 5/2023 (28 June 2023) took effect on 8 July 2023. The most noteworthy measures introduced:

- Regulatory pool prices were set at €109.31/MWh for 2023, €108.86/MWh for 2024 and €89.37/MWh for 2025.
- An annual increase in biomass prices and operating costs of 1%.
- Itemisation of the net asset value (NAV) at 1 January 2023 and future remuneration for investment for each facility.
- Introduction of the remuneration for operation amounts for the first half of 2023, which are zero in the case of all of the Group's facilities, except for the gas co-generation plant in Cordoba, which receives remuneration for operation of €286/MWh.

New methodology for calculating remuneration for operation (2024)

Ministerial Order TED/526/2024 (31 May 2024), establishing new methodology for updating the remuneration for operation applicable to standard power generation facilities whose operating costs depend essentially on the price of their fuel, updating the remuneration for operation amounts applicable from 1 January 2024 and establishing certain aspects related to the remuneration for operation updating methodology itself.

The main features of the new methodology:

- The remuneration for operation parameter will be updated quarterly.
- Biomass facilities are excluded from the three-year Tariff Adjustment. Instead, those adjustments will be made every three months.
- The variables to be considered when updating remuneration for operation are:
 - Estimated electricity pool prices.
 - Estimated price of carbon allowances for co-generation.
 - Estimated fuel prices.
- The pool price estimated for the quarter will consider weighted annual and quarterly futures prices.

Methodology for updating the remuneration for the operation of biomass facilities:

- The estimated fuel price for biomass facilities will consider the trend in the industrial price index, transportation prices and the minimum wage.
- The methodology for updating the remuneration for operation for biomass facilities will consider the 7% levy, fuel costs, operation and maintenance costs and revenue from market sales.
- The adjustment for the impact on the remuneration for investment parameter for biomass facilities will consider the following:
 - The published estimated cash flow values for each regulatory stub period.
 - The quarterly cash flow values associated with each facility will be published quarterly, along with the updated remuneration for operation amounts.

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- The adjustment for the impact on the remuneration for investment parameter will apply from the second half of 2024. Annex II of the Order provides the cash flows for the second half of 2024 and the first and second halves of 2025.

The Order also introduced a mechanism for transitional ex-post adjustment for deviations in electricity pool prices and fuel prices from the estimates for biomass facilities in the first half of 2024.

Important regulations were passed in 2024 around:

- Emission allowances (Royal Decree 203/2024)
- Energy efficiency (Ministerial Order TED/268/2024).
- Electricity grids and renewable gases (2021–2026 grid plans and biomethane).

2025 regulatory framework

The regulations taking effect from 2025 are underpinned by an updated regulatory framework which introduces considerable changes to the energy system from the financial, technical and operational points of view:

Secretary of State for Industry Resolution of 27 January 2025 revised the ratio between consumption and gross added value for qualifying as an “electricity intensive consumer” for the purposes of article 3 of Royal Decree 1106/2020 (15 December 2020) regulating the electricity-intensive consumers statute, stipulating:

- A new threshold for the ratio between annual electricity consumption and gross value added for qualifying as an electricity-intensive consumer.
- That new threshold was set at €0.67 kWh, applicable for all of 2025.

Ministerial **Order TED/197/2025** (26 February 2025) established energy savings obligations, compliance by means of energy savings certificates and a minimum contribution to the National Energy Efficiency Fund in 2025.

CNMC Resolution of 28 February 2025 approved the rules of operation of the daily and intraday electricity markets so as to adapt them for 15-minute trading and new forms of intraday auctions (IDAs).

Secretary of State for Energy Resolution of 8 April 2025 updated the remuneration for operation values for the second quarter of 2025 for standard power generation facilities whose operating costs depend essentially on the price of their fuel.

- It set the **remuneration for operation (Ro)** values for biomass, cogeneration and waste facilities.
- It established an estimated **electricity market price** of €52.538/MWh.
- It set the **price of CO₂** at €74.81/tCO₂.

Royal Decree-law 7/2025 (24 June 2025) approved urgent measures for reinforcing the electricity system, specifically:

- Declaring the public utility of storage facilities.
- Simplifying the permitting of hybrid developments and exonerating some storage facilities from environmental assessment.
- Regulating the flexible access permits for storage capacity.

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- Redefining the evacuation priority in the event of technical restrictions.
- Reducing the threshold for the minimum number of hours in operation for Royal Decree 413/2014 facilities by **25%** for 2025.
- Introducing measures to boost flexibility, storage and the role of the independent aggregator.

Secretary of State for Energy Resolution of 3 July 2025 updated the remuneration for operation values for the third quarter of 2025 for standard power generation facilities whose operating costs depend essentially on the price of their fuel.

- It set the estimated price of biomass for the third quarter of 2025 at €60.75/t for group b.6 facilities and €50.64/t for group b.8 facilities.
- Appendix II provides the Ro values for the different facilities included within these groups.

Secretary of State for Energy Resolution of 2 October 2025 updated the remuneration for operation values for the fourth quarter of 2025 for standard power generation facilities whose operating costs depend essentially on the price of their fuel.

- It set the estimated price of biomass for the fourth quarter of 2025 at €62.32/t for group b.6 facilities and €51.95/t for group b.8 facilities.
- Appendix II provides the Ro values for the different facilities included within these groups.

Royal Decree 917/2025 (15 October 2025) modified Royal Decree 413/2014 (6 June 2014) regulating the generation of electricity by means of renewable energy sources, cogeneration and waste.

- It updated the equivalent hours calculation:
- Permitting facilities eligible for the renewable energy remuneration regime to incorporate electricity storage capacity without having to give up their entitlement to that regime.

Royal Decree 997/2025 (5 November 2025), approved urgent measures for reinforcing the electricity system.

- This decree simplifies the hybrid storage regime.
- It updates the definition of installed capacity.
- It modifies the rules on financial guarantees in the event of development changes.
- It introduces measures to facilitate the **repowering** of existing facilities.
- It reinforces oversight of the electricity system by the CNMC and Red Eléctrica.

Ministerial Order TED/1251/2025 of 27 October 2025 amended certain aspects the generation of electricity from renewable sources of energy.

- It eliminates the obligation to use the income from guarantees of origin for specific uses.
- It allows the export of guarantees of origin by facilities entitled to the renewable energy remuneration scheme.
- It introduces a new concept for adjusting the Ro based on deviations in quarterly cash flows.

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 2025:

| Facility | Standard facility code | Regulatory life | 2025 | | | 2024 | | | | |
|-----------------------------|------------------------|-----------------|------------|------------|------------|-----------------|-----------------|-----------------|------------|------------|
| | | | Ro (€/MWh) | Ri (€ 000) | NAV (€000) | Ro (€/MWh) 1H24 | Ro (€/MWh) 3Q24 | Ro (€/MWh) 4Q24 | Ri (€ 000) | NAV (€000) |
| Renewables business: | | | | | | | | | | |
| 50-MW Huelva | IT-00841 | 2037 | 51.64 | 7,739 | 73,799 | - | 41.66 | 36.62 | 7,739 | 73,799 |
| 41-MW Huelva | IT-00829 / IT-00832 | 2025 | 62.40 | 565 | 3,771 | 3.53 | 48.34 | 43.43 | 497 | 3,771 |
| 20-MW Merida | IT-00843 | 2039 | 53.80 | 3,683 | 37,504 | - | 39.92 | 34.87 | 3,683 | 37,504 |
| 16-MW Jaen | IT-00831 / IT-00855 | 2027 | 38.50 | 918 | 4,382 | - | 26.03 | 20.91 | 918 | 4,382 |
| 16-MW Ciudad Real | IT-00831 / IT-00855 | 2027 | 38.00 | 918 | 4,382 | - | 26.03 | 20.91 | - | 4,382 |
| 14-MW Cordoba - Biomass | IT-00859 | 2031 | 46.70 | 1,251 | 8,921 | - | 30.91 | 25.83 | 1,251 | 8,921 |
| 13-MW Cordoba - Gas | IT-00430 | 2030 | 115.31 | - | - | 132.06 | 0.09 | 0.10 | - | - |
| 50-MW Puertollano - Biomass | IT-04005 | 2044 | 52.60 | - | - | - | 38.07 | 33.02 | - | - |
| 46-MW Huelva | IT-04005 | 2044 | 53.00 | - | - | - | 38.07 | 33.02 | - | - |
| Pulp Business: | | | | | | | | | | |
| 37-MW Navia | IT-00838 | 2034 | 55.22 | 3,931 | 33,711 | - | 43.88 | 38.56 | 3,955 | 33,711 |
| 40-MW Navia | IT-01035 | 2034 | - | - | - | - | - | - | - | - |
| 35-MW Pontevedra | IT-00836-7 / IT-01035 | 2033 | 11.52 | 757 | 6,182 | - | 9.23 | 8.12 | 757 | 6,182 |

The Group's facilities operate freely in the market, selling their electricity to the pool through Magnon Green Energy, S.L., a Group company, which acts exclusively as representative.



**ENCE Energía y Celulosa, S.A. and
subsidiaries**

2025 Consolidated Management
Report



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ENCE Energía y Celulosa, S.A. and subsidiaries

2025 Consolidated management report

1. Introduction

This Management Report has been drawn up in keeping with the terms of article 49 of Spain's Code of Commerce, as worded by Spanish Law 16/2007 (of 4 July 2007), revising and adapting the accounting aspects of company law for international harmonisation purposes, article 262 of the Spanish Corporate Enterprises Act and the recommendations issued by the Spanish securities market regulator, the CNMV, in its "Guide for the preparation of management reports for listed companies".

The Management Report also includes the following reports:

- The Non-Financial Information Statement (hereinafter, the "Sustainability Statement"). The information included in this report has been assured by an independent assurance firm.

The Sustainability Statement forms part of the Management Report and is subject to the same approval, filing and publication criteria as the latter. It is submitted separately to the CNMV and can be retrieved from that entity's website (www.cnmv.es), within the "Other relevant information" filings, and from ENCE's website (www.ence.es).

- The report about the Group's activities in 2025, which includes a detailed assessment of ENCE's business performance during the year, provides additional details about the markets it operates in and the key trends in the main profit and loss, cash flow and capital structure indicators. That report also includes information about ENCE's share price performance.
- The Annual Corporate Governance Report and the Annual Report on Director Remuneration. Both reports are part of this Management Report, as stipulated in article 538 of the Corporate Enterprises Act, and submitted separately to the CNMV; they are available on that entity's website (www.cnmv.es) and on ENCE's website (www.ence.es).

With the aim of avoiding overlap in the information provided in this Management Report, below is a list of the main sections included in the CNMV's "Guide for the preparation of management reports for listed companies" which are addressed in the Appendices:

1. The Sustainability Statement provides detailed information about environmental aspects (concentrated in the "Environment" section) and about the Group's people (concentrated in the "Own Workforce" section), along with the main non-financial key performance indicators.
2. The report providing details about the Group's activities in 2025 provides detailed information about the Group's performance, the key business trends and performance, ENCE's liquidity and financial resources, its share price performance and the alternative performance measures used by ENCE to report on its financial performance.
3. The annual consolidated financial statements to which this Management Report is attached include disclosures about significant developments occurring since the end of the reporting period (note 36 of the consolidated financial statements), own share transactions (note 21) and the average supplier payment term (note 26).

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

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

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

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

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

3. Key risks and sources of uncertainty

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

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

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

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

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

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

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

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

1. The executives and managers in charge of the various areas and departments are risk owners: their job is to continuously manage the various risks, implementing action plans and establishing controls in response to the risks identified within their areas of responsibility.

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

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

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

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

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

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

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

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

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

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

1. ENCE takes a zero-tolerance stance towards any situation which could compromise the health or safety of its own employees and partners and workers that are not employees.
2. It similarly takes a zero-tolerance stance towards any situation in which the performance of any of activity could cause any damage whatsoever to its surroundings, the environment, the continuity of the business or the Group's reputation vis-a-vis third parties.
3. Its approach is to minimise its exposure to situations related with compliance with the laws and regulations applicable to the Company.
4. ENCE has a team of external advisors and expert in-house staff who lay down the guidelines for ensuring compliance with tax requirements so that it assumes no risk whatsoever in this arena.
5. ENCE's appetite for risks related to product research, development and innovation can be described as moderate, the aim being to provide solutions that fully satisfy its customers' needs so that the Company remains a benchmark in the pulp market.
6. In addition, aware of prevailing economic complexity, ENCE is committed to the pursuit of financial discipline such that it can control the organisation's overall debt and maintain enough liquidity to ensure its ability to service its payment obligations and fund its priority investments. Against this backdrop, its risk appetite for speculative financial trades is low.
7. Nevertheless, a significant percentage of ENCE's transactions expose it to the exchange rate between the dollar (\$) and the euro (€). ENCE, knowledgeable of the prevailing economic situation and trends in the rate of exchange between these two currencies, has defined a low risk appetite strategy in this arena, managing its currency exposure rigorously in keeping with the guidelines set by the Executive Committee of the Board of Directors and the Finance Department, as warranted.

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

Objective: Financial Discipline

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

a) PULP PRICE VOLATILITY

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

b) EXCHANGE RATE VOLATILITY

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

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

At 31 December 2025, the Group had arranged a number of forward currency agreements to hedge approximately 15% of forecast pulp sales in 2026.

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.

At 31 December 2025, contracts had been arranged covering approximately 60% of the energy generation forecast for the Renewables business 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 2026, 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 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 2026 was designed to reinforce the presence and positioning of the Company's products in the European market and materialised in initiatives aimed at: (i) increasing the customer base in order to reduce concentration risk; (ii) differentiating ENCE's products by means of plans to enhance the properties and qualities of its pulp; and (iii) improving customer service.

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

Objective: Streamlining of Post-Production Logistics

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

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

Objective: Minimising the Impact of our Operations on the Environment

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

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

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

Objective: Business Continuity

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

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

The 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 and 17 July 2025, when the Supreme Court upheld the appeals lodged by the Company against the National Appellate Court rulings of 15 July 2021 in response to cases brought by Greenpeace Spain, the town council of Pontevedra the APDR.

The 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, Greenpeace Spain and the APDR applied to have the Supreme Court rulings annulled. The Supreme Court has since denied their applications, so confirming the validity of its original rulings.

The state attorney, Greenpeace and the town council of Pontevedra have 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 counsel believe there are solid legal arguments in favour of the concession extension allowed by the Supreme Court in its sentences in 2023.

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 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 2025 in accordance with the European Sustainability Reporting Standards (ESRSs), additionally meeting its disclosure requirements under Law 11/2018 on non-financial reporting applicable in Spain.

Objective: Tax Risk Control

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

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

4. Events after the reporting date

No events have occurred between the reporting date and the date of authorising these consolidated financial statements for 2025 for issue that have not been disclosed therein.

5. Corporate governance

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

6. Purchase and sale of own shares

The disclosures regarding the acquisition and sale of own shares in 2025 are provided in note 21 to the accompanying consolidated financial statements for 2025.



APPENDIX I – FOURTH-QUARTER 2025 EARNINGS REPORT

APPENDIX II – SUSTAINABILITY STATEMENT

The Sustainability Statement forms part of the Management Report and is subject to the same approval, filing and publication criteria as the latter. It is submitted separately to the CNMV and can be retrieved from that entity's website (www.cnmv.es), within the "Other relevant information" filings, and from ENCE's website (www.ence.es).



APPENDIX III – ANNUAL CORPORATE GOVERNANCE REPORT AND ANNUAL REPORT ON DIRECTOR REMUNERATION

As stipulated in article 538 of the Corporate Enterprises Act, the Annual Corporate Governance Report and the Annual Report on Director Remuneration are both part of the Management Report. Both reports are submitted separately to the CNMV and are available on that entity's website (www.cnmv.es) and on ENCE's website (www.ence.es).