ENERGÍA & CELULOSA

Earnings Report
Third quarter 2023

31October 2023

Global ESG score: 90/100

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
BHKP (USD/t) average price	837.2	1,366.3	*(38.7%)*	1,101.6	*(24.0%)*	1,092.5	1,253.8	*(12.9%)*
Average exchange rate (USD/€)	1.09	1.01	*7.7%*	1.09	*0.3%*	1.08	1.06	*1.7%*
BHKP (€/t) average price	767.0	1,347.7	*(43.1%)*	1,012.1	*(24.2%)*	1,009.6	1,178.9	*(14.4%)*

Source: Bloomberg & OMIE

Operating Metrics	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Pulp production (t)	**230,782**	**171,533**	***34.5%***	**225,324**	***2.4%***	**708,785**	**637,421**	***11.2%***
Navia pulp production	162,494	149,757	*8.5%*	137,085	*18.5%*	453,445	419,258	*8.2%*
Pontevedra pulp production	68,288	21,776	*213.6%*	88,240	*(22.6%)*	255,340	218,163	*17.0%*
Pulp sales (t)	**243,926**	**189,214**	***28.9%***	**244,875**	***(0.4%)***	**705,420**	**676,273**	***4.3%***
Average sales pulp price (€/t)	477.0	832.6	*(42.7%)*	577.7	*(17.4%)*	599.6	732.7	*(18.2%)*
Cash cost (€/t)	483.6	568.4	*(14.9%)*	534.5	*(9.5%)*	552.2	518.4	*6.5%*
Operating margin per ton (€/t)	(6.6)	264.2	*n.s.*	43.2	*n.s.*	47.4	214.3	*(77.9%)*
Renewable Energy sales volume (MWh)	**250,807**	**366,723**	***(31.6%)***	**250,145**	***0.3%***	**806,560**	**1,189,847**	***(32.2%)***
Average sales price (€/MWh)	117.3	137.2	*(14.5%)*	148.1	*(20.8%)*	139.8	138.7	*0.7%*
Remuneration for investment (€ m)	6.2	10.2	*(39.4%)*	6.2	-	18.6	30.7	*(39.4%)*

P&L € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Revenue from Pulp business	127.2	173.8	*(26.8%)*	155.6	*(18.3%)*	462.3	553.8	*(16.5%)*
Revenue from Renewable Energy business	43.9	60.6	*(27.6%)*	43.7	*0.5%*	169.6	235.8	*(28.1%)*
Consolidation adjustments	(0.2)	(1.0)		(0.6)		(2.2)	(2.5)	
Total revenue	**170.8**	**233.4**	*(26.8%)*	**198.6**	*(14.0%)*	**629.6**	**787.1**	*(20.0%)*
Pulp business EBITDA	(6.1)	41.4	*n.s.*	8.2	*n.s.*	27.7	111.2	*(75.1%)*
Renewable Energy business EBITDA	4.4	17.7	*(75.3%)*	4.2	*4.6%*	36.0	96.3	*(62.6%)*
EBITDA	**(1.8)**	**59.1**	*n.s.*	**12.4**	*n.s.*	**63.7**	**207.5**	*(69.3%)*
Depreciation, amortisation and forestry depletion	(26.7)	(27.7)	*(3.6%)*	(24.0)	*11.3%*	(74.7)	(71.6)	*4.3%*
Impairment of and gains/(losses) on fixed-assets	(0.2)	(1.7)	*(86.3%)*	(0.0)	*n.s.*	(0.5)	(39.0)	*(98.8%)*
Other non-ordinary results of operations	0.6	0.1	*n.s.*	(6.6)	*n.s.*	(6.0)	-	*n.s.*
EBIT	**(28.2)**	**29.8**	*n.s.*	**(18.3)**	*54.3%*	**(17.6)**	**96.9**	*n.s.*
Net finance cost	(7.9)	(5.6)	*39.6%*	(7.6)	*3.2%*	(20.8)	(19.3)	*7.8%*
Other finance income/(cost) results	0.4	1.4	*(74.5%)*	(0.0)	*n.s.*	(0.1)	3.8	*n.s.*
Profit before tax	**(35.7)**	**25.6**	*n.s.*	**(25.9)**	*37.7%*	**(38.5)**	**81.3**	*n.s.*
Income tax	8.5	(3.8)	*n.s.*	6.6	*28.4%*	12.5	(12.5)	*n.s.*
Consolidated Net income	**(27.1)**	**21.9**	*n.s.*	**(19.3)**	*41.0%*	**(25.9)**	**68.8**	*n.s.*
Non-controlling interests	3.1	0.4	*n.s.*	2.5	*24.5%*	(2.3)	(1.8)	*26.0%*
Attributable Net Income	**(24.0)**	**22.3**	*n.s.*	**(16.8)**	*43.4%*	**(28.2)**	**67.0**	*n.s.*
Earnings per share (Basic EPS)	(0.10)	0.09	*n.s.*	(0.07)	*43.4%*	(0.12)	0.28	*n.s.*

Cash flow € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
EBITDA	**(1.8)**	**59.1**	*n.s.*	**12.4**	*n.s.*	**63.7**	**207.5**	*(69.3%)*
Change in working capital	(20.3)	59.2	*n.s.*	30.9	*n.s.*	(126.1)	62.6	*n.s.*
Maintenance capex	(8.9)	(3.9)	*129.6%*	(3.2)	*182.5%*	(14.2)	(14.9)	*(5.1%)*
Net interest Payment	(6.4)	(4.5)	*41.3%*	(6.3)	*1.7%*	(17.3)	(17.6)	*(1.9%)*
Income tax received/(paid)	0.0	(0.0)	*n.s.*	(14.1)	*n.s.*	(14.1)	(4.3)	*224.2%*
Normalised free cash flow	**(37.4)**	**109.9**	***n.s.***	**19.7**	***n.s.***	**(107.9)**	**233.2**	***n.s.***
Energy regulation adjustment (regullatory collar)	(2.2)	6.9	*n.s.*	(4.8)	*(53.8%)*	(12.8)	33.4	*n.s.*
Other cash adjustments	3.6	4.4	*n.s.*	(0.1)	*n.s.*	11.3	2.4	*n.s.*
Efficiency and expansion capex	(5.2)	(3.1)	*65.6%*	(10.6)	*(51.3%)*	(18.6)	(17.6)	*5.8%*
Sustainability capex and other	(10.2)	(1.7)	*n.s.*	(3.5)	*191.7%*	(21.5)	(6.4)	*237.1%*
Disposals	-	0.1	*(100.0%)*	(0.1)	*(100.0%)*	(0.1)	0.5	*n.s.*
Free cash flow	**(51.3)**	**116.4**	*n.s.*	**0.6**	*n.s.*	**(149.6)**	**245.4**	*n.s.*
Dividends from the parent	-	(31.4)	*(100.0%)*	(77.7)	-	(140.6)	(44.7)	*214.4%*

Net debt € m	Sep-23	Dec-22	Δ%
Net financial debt Pulp business	190.4	(36.1)	*n.s.*
Net financial debt Renewable Energy business	93.1	6.1	*n.s.*
Net financial debt	**283.6**	**(30.0)**	*n.s.*
	9M23	9M22	Δ%
ROCE LTM - Pulp business	-2.4%	12.7%	*n.s.*
ROCE LTM - Energy business	4.2%	5.9%	*(28.5%)*
ROCE LTM *	**0.0%**	**10.6%**	*n.s.*

- ✓ **Pulp prices started to recover in Europe in October, with an initial increase of $50 to $850 per tonne (gross). The main producers have announced additional increases to $980 per tonne from November, which will put prices in line with mid-cycle levels.**
- ✓ **Earnings-wise, it is worth highlighting the quarter-on-quarter reduction of over €51/tonne and year-on-year reduction of over €152 in the cash cost in 3Q23 to €484/tonne, mitigating the impact of the decrease in the average sales price between those periods. The downtrend in the cash cost is expected to continue over the coming quarters.**
- ✓ **Ence's differentiated products, which are better suited for replacing softwood pulp and deliver higher margins, accounted for 25% of revenue from pulp sales in 3Q23.**
- ✓ **Elsewhere, the sale of a photovoltaic power plant under construction in Huelva during the third quarter offset the impact of lower energy sales price in the Renewables business. The sale of the facility implied €4m of EBITDA, adding to the €23m generated by the sale of a first photovoltaic facility under construction in Jaén during the first quarter. The sales of another two facilities under development in Seville and Granada are expected to close in 2024.**
- ✓ **The regulatory energy price applicable to the Group's power generation plants for the regulatory sub period elapsing between 1 January 2023 and 31 December 2025 was updated in June 2023. The regulatory price applicable in 2023 was set at €109.3/MWh, compared to the previously published price of €207.9/MWh. The accounting effect (with no impact on cash) of the updated regulatory energy price will be offset via the collection of higher remuneration for investment in the amount of €14m per annum from this year on.**
- ✓ **In all, Group EBITDA was negative by €2m in 3Q23. EBITDA in 9M23 amounted to €64m. The free cash flow generated in the first nine months of the year (before changes in working capital and capital expenditure on growth and sustainability improvements) amounted to €17m.**
- ✓ **The €126m increase in working capital in the first nine months reflects the repayment of the €85m of surplus remuneration collected as a result of the regulatory adjustments made in renewables in 2022, as well as normalisation of activity at the biomill in Pontevedra following suspension of activity there during the second half of 2022.**
- ✓ **The Company paid out dividends of €0.29 per share in both March and May 2023 for a total payment from 2022 earnings of €140m, implying a shareholder return of 16%.**
- ✓ **In 9M23, Ence redeemed the remaining €63m of convertible bonds issued in March 2018 and arranged a number of bilateral loans with several financial institutions, raising €268m, to leave the Group's cash balance at €298m as at 30 June 2023.**
- ✓ **The Group's net debt stood at €284m at the September close, implying leverage of 1.5 times mid-cycle EBITDA (2015-2022).**
- ✓ **The Company's financial strength gives it flexibility to take advantage of growth and diversification opportunities in its two core businesses.**
    - o **In the Pulp business, Ence continues to bolster the sale of its differentiated products and has started work on its project for diversifying into the production of pulp for absorbent personal care products (fluff pulp).**
    - o **Elsewhere, the project Ence is analysing for As Pontes, Coruña - an innovative project for the production of mixed bleached fibre from recovered board and paper and virgin pulp produced by Ence (without increasing its wood consumption) - was declared 'strategic' by the regional government of Galicia in June.**
    - o **In the Renewables business, Ence Biogas aims to develop 20 biomethane plants in the next five years. This subsidiary already has a pipeline of 6 projects in Spain at the engineering and permitting phase, which are expected to be commissioned in 2026.**
    - o **Likewise in the Renewables business, the Group also has a 140-MW portfolio of rights for participating in upcoming biomass capacity auctions and is exploring opportunities for generating renewable industrial heat.**
- ✓ **Ence has been the leading sustainability player in the global pulp market for three years in a row, according to its most recent Sustainalytics score, having defended its overall ESG performance score of 90/100 in 2023.**
- ✓ **In addition, Ecovadis this year awarded Ence its platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. Lastly, Ence has been included in the IBEX ESG index.**

2. PULP BUSINESS

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

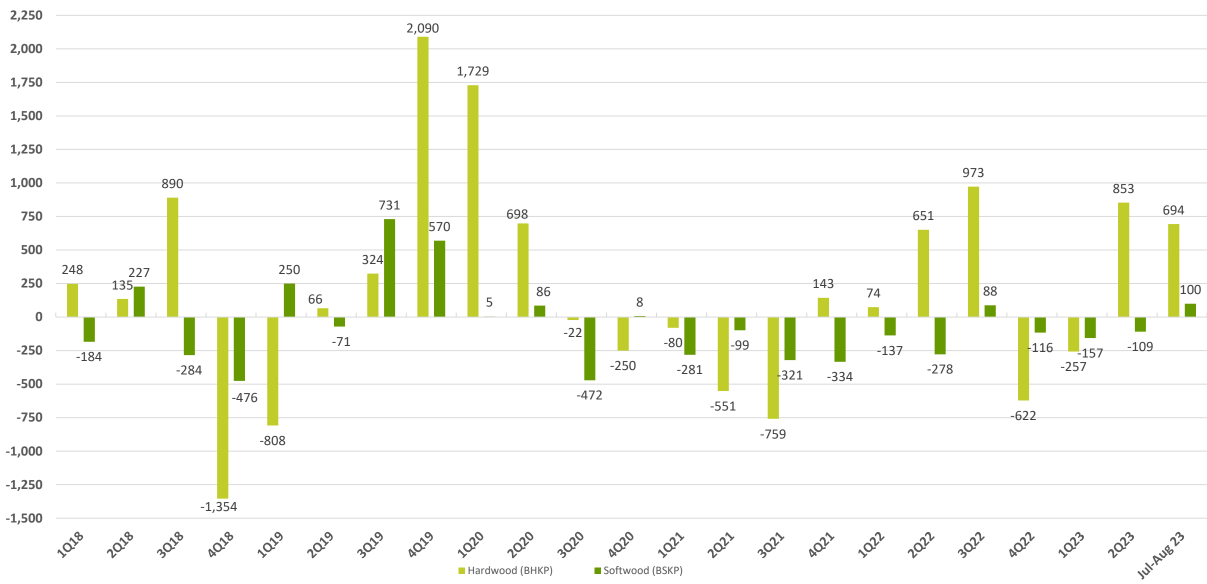
On 7 February 2023, Spain's Supreme Court upheld the legality of the extension of the Pontevedra biomill concession until 2073.

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

2.1. Pulp market trends

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

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

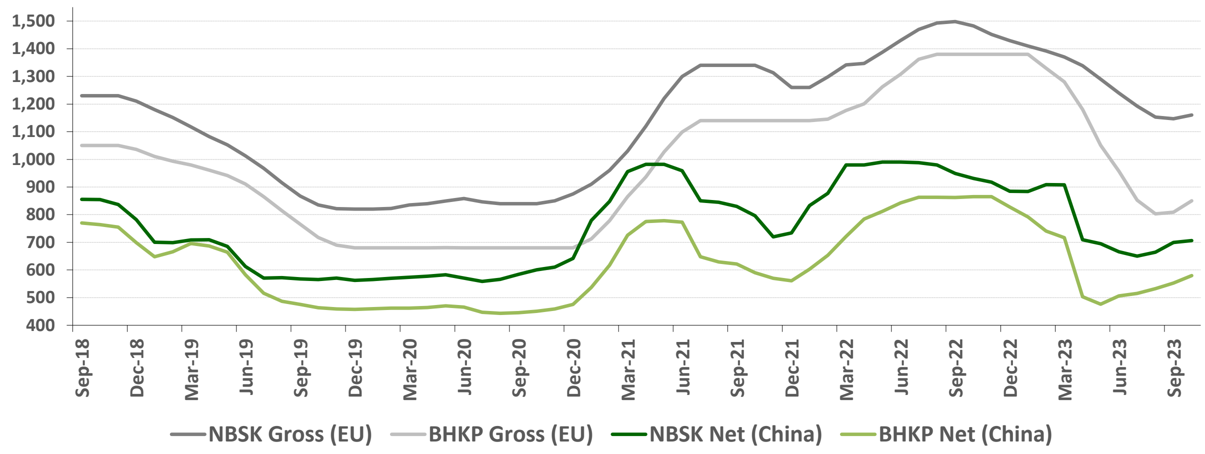


Source: PPPC–G100

Global demand for pulp increased by 1.6% in the first eight months of 2023, thanks to a sharp recovery in the third quarter. Demand for pulp in China has increased by 22.9% year-on-year following the removal of the remaining pandemic-related restrictions and restocking by the country's paper industry. On the other hand, demand for pulp in the West is down by 15.2%, due principally to destocking by the paper industry.

The sharp growth in demand in the third quarter drove a 14-day decrease in pulp producers' inventories to 42 days as of the end of August.

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



Source: FOEX

Against this backdrop, pulp prices bottomed out at $800 per tonne (gross) in August and have since started to recover, standing at $850 per tonne by the end of October. The leading global producers have announced additional price increases to $980/tonne (gross) from November.

Market figures	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
BHKP (USD/t) average price	837.2	1,366.3	*(38.7%)*	1,101.6	*(24.0%)*	1,092.5	1,253.8	*(12.9%)*
Average exchange rate (USD/€)	1.09	1.01	*7.7%*	1.09	*0.3%*	1.08	1.06	*1.7%*
BHKP (€/t) average price	767.0	1,347.7	*(43.1%)*	1,012.1	*(24.2%)*	1,009.6	1,178.9	*(14.4%)*

Source: Bloomberg

The benchmark price for hardwood pulp (BHKP) in Europe averaged $837/tonne (gross) in 3Q23, down 24% from 2Q23 and 38.7% below the 3Q22 average.

2.2. Revenue from pulp sales

The Group sold 243,926 tonnes of pulp in 3Q23, virtually flat by comparison with 2Q23 and up 28.9% from 3Q22, when sales were affected by the temporary suspension of operations at the Pontevedra biomill as a result of the reduced flow from the river that supplies that facility. In 9M23, pulp sales volumes totalled 705,420 tonnes, marking growth of 4.3% from 9M22.

Elsewhere, the third-quarter average sales price decreased by 17.4% quarter-on-quarter and by 42.7% year-on-year to €477 per tonne (net), due mainly to the drop in benchmark prices in Europe, as well as the movement in the euro exchange rate against the dollar. In 9M23, the average sales price was 18.2% lower year-on-year.

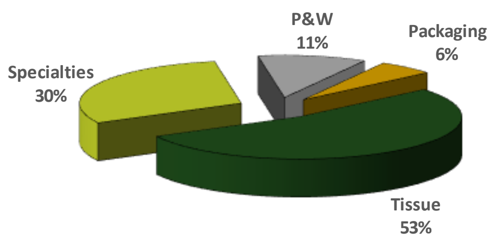
	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Pulp sales (t)	**243,926**	**189,214**	*28.9%*	**244,875**	*(0.4%)*	**705,420**	**676,273**	*4.3%*
Average sales price (€/t)	477.0	832.6	*(42.7%)*	577.7	*(17.4%)*	599.6	732.7	*(18.2%)*
Pulp sales revenue (€ m)	**116.4**	**157.5**	*(26.1%)*	**141.5**	*(17.7%)*	**423.0**	**495.5**	*(14.6%)*

The combination of the two factors left revenue from pulp sales at €116.4m in 3Q23, down 17.7% compared to 2Q23 and 26.1% versus 3Q22. In 9M23, revenue from pulp sales decreased by 14.6% year-on-year.

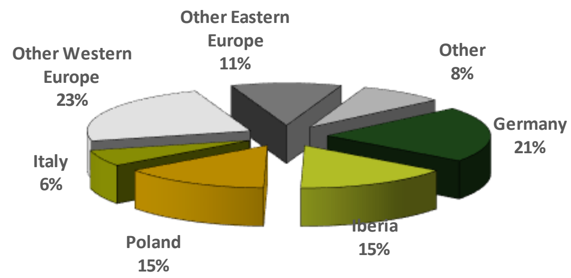
Ence's differentiated products, including Naturcell and Powercell, which are more sustainable and better suited for replacing softwood pulp, accounted for 25% of revenue from pulp sales in 3Q23. The sales of those products represented 18% of revenue from pulp sales in 9M23 despite the temporary reduction in the spread between hardwood and softwood prices in the first quarter of the year.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 53% of revenue from pulp sales in 9M23, followed by the specialty paper segment, at 30%. The printing and writing paper segment accounted for 11% and packaging, the remaining 6%.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



By geography, most of the pulp produced by Ence is sold in Europe, specifically 92% of revenue from pulp sales in 9M23. Germany and Iberia accounted for 21% and 15% of total revenue, respectively, followed by Poland (15%), and Italy (6%). The other western European countries accounted for 23% of the total, with the rest of Eastern Europe representing 11%.

2.3. Pulp production and cash cost

The Group produced 230,782 tonnes of pulp in 3Q23, growth of 34.5% by comparison with 3Q22, when production was affected by the temporary suspension of operations at the Pontevedra biomill as a result of the reduced flow from the river that supplies that facility. In 9M23, pulp production totalled 708,785 tonnes, marking growth of 11.2% from 9M22.

	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Navia pulp production	162,494	149,757	*8.5%*	137,085	*18.5%*	453,445	419,258	*8.2%*
Pontevedra pulp production	68,288	21,776	*213.6%*	88,240	*(22.6%)*	255,340	218,163	*17.0%*
Pulp production (t)	**230,782**	**171,533**	*34.5%*	**225,324**	*2.4%*	**708,785**	**637,421**	*11.2%*

The cash cost came down again in 3Q23, to €483,6/tonne, which is €51/tonne below the 2Q23 cash cost and €85/tonne less than the 3Q22 equivalent. In addition to the reduction in the cost of raw materials and transportation, the Group is no longer incurring the additional costs associated with the temporary suspension of activity in Pontevedra in 3Q22 or the additional costs derived from the breakdown of the co-generation turbine and water treatment facility in Pontevedra in 1Q23.

Figures in €/t	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Total cash cost	483.6	568.4	*(14.9%)*	534.5	*(9.5%)*	552.2	518.4	*6.5%*
Operating margin	**(6.6)**	**264.2**	*n.s.*	**43.2**	*n.s.*	**47.4**	**214.3**	*(77.9%)*

Despite the lower cash cost, the drop in the average sales price drove a reduction in unit operating profit to -€6.6/tonne in 3Q23 and €47.4/tonne in 9M23, compared to €264.2/tonne and €214.3/tonne in 3Q22 and 9M22, respectively.

2.4. Other income

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

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

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Revenues from energy sales linked to pulp (€ m)	8.9	14.8	*(39.6%)*	8.8	*1.8%*	25.1	50.6	*(50.4%)*
Forestry and other revenue (€ m)	1.9	1.5	*28.5%*	5.3	*(64.7%)*	14.2	7.7	*85.1%*
Other income	**10.8**	**16.2**	*(33.4%)*	**14.1**	*(23.4%)*	**39.3**	**58.3**	*(32.6%)*

The reduction in revenue from the sale of energy was mainly shaped by the reduced average sales price following the update of the regulatory energy price applicable in 2023. The accounting effect (with no impact on cash) of that update on revenue will be offset via the collection of higher remuneration for investment in the amount of €4.7m per annum from this year on.

2.5. Statement of profit or loss

EBITDA in the Pulp business was negative by €6.1m in 3Q23 due to the temporary narrowing on the Group's unit operating profit shaped by pulp prices, which bottomed in 3Q23, despite the improvement eked out in the cash cost. 9M23 EBITDA amounted to €27.7m, down 75.1% from 9M22.

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Pulp sales revenue	116.4	157.5	*(26.1%)*	141.5	*(17.7%)*	423.0	495.5	*(14.6%)*
Other income	10.8	16.2	*(33.4%)*	14.1	*(23.4%)*	39.3	58.3	*(32.6%)*
Total net revenue	**127.2**	**173.8**	*(26.8%)*	**155.6**	*(18.3%)*	**462.3**	**553.8**	*(16.5%)*
EBITDA	**(6.1)**	**41.4**	*n.s.*	**8.2**	*n.s.*	**27.7**	**111.2**	*(75.1%)*
Depreciation and amortisation	(14.4)	(11.1)	*30.0%*	(13.0)	*10.9%*	(40.7)	(31.5)	*28.9%*
Depletion of forestry reserves	(1.9)	(1.2)	*59.5%*	(2.7)	*(30.7%)*	(6.9)	(5.2)	*34.3%*
Impairment of and gains/(losses) on fixed-asset dis|	(0.2)	(1.7)	*(85.6%)*	(0.3)	*(16.1%)*	(0.7)	(2.7)	*(72.7%)*
Other non-recurring gains/(losses)	0.9	0.1	*n.s.*	(6.6)	*n.s.*	(5.6)	-	*n.s.*
EBIT	**(21.8)**	**27.5**	*n.s.*	**(14.4)**	*51.0%*	**(26.3)**	**71.8**	*n.s.*
Net finance cost	(4.7)	(1.9)	*152.0%*	(4.3)	*10.1%*	(11.3)	(6.4)	*76.3%*
Other financial results	0.4	1.5	*(75.7%)*	(0.0)	*n.s.*	(0.1)	3.5	*n.s.*
Profit before tax	**(26.1)**	**27.1**	*n.s.*	**(18.7)**	*39.5%*	**(37.6)**	**68.9**	*n.s.*
Income tax	4.5	(3.5)	*n.s.*	4.9	*(8.1%)*	7.4	(4.9)	*n.s.*
Net Income	**(21.6)**	**23.6**	*n.s.*	**(13.8)**	*56.5%*	**(30.2)**	**64.0**	*n.s.*

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. These hedges implied a cash inflow of €0.2m in 3Q23 and a cash outflow of €0.5m in 9M23, compared to outflows of €5.2m and €16.5m in the same periods of 2022, respectively.

For the fourth quarter of 2023, Ence has arranged hedges over a notional amount of $30m with a weighted average ceiling of €/$1.09 and a weighted average floor of €/$1.06.

FX Hedges	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Nominal hedged (USD Mn)	25.0	26.0	**30.0**	30.0	21.0	21.0
Average cap (USD / EUR)	1.14	1.10	**1.08**	1.09	1.12	1.12
Average floor (USD / EUR)	1.11	1.04	**1.03**	1.06	1.07	1.07

Below the EBITDA line, depreciation and amortisation charges increased to €14.4m in 3Q23 and €40.7m in 9M23, due to the resumption of depreciation of the Pontevedra biomill following the Supreme Court ruling upholding its continuity until 2073.

Forest depletion charges also increased to €1.9m in 3Q23 and €6.9m in 9M23 due to higher wood consumption.

"Other non-recurring operating items" included €5.6m of inventory impairment allowances recognised to align their carrying amount with net pulp prices as of the September close.

Elsewhere, the business's net finance cost increased to €4.7m in 3Q23 and €11.3m in 9M23, due mainly to a higher gross debt balance and the increase in interest rates. "Other finance income/(cost)" mainly presents the effect of movements in exchange rates on working capital during the period: a net loss of €0.1m in 9M23 compared to a net gain of €3.5m in 9M22.

Lastly, the business reported tax income of €4.5m in 3Q23 and of €7.4m in 9M23, compared to tax expense of €3.5m in 3Q22 and of €4.9m in 9M22.

As a result, the Pulp business reported a net loss of €21.6m in 3Q23 and of €30.2m in 9M23, compared to net profit of €23.6m and €64m in the same periods of 2022, respectively.

2.6. Cash flow analysis

The Pulp business used €42.4m of cash in operating activities in 3Q23 and €34.8m in 9M23, due largely to a higher working capital requirement. Stripping out that effect, the business would have generated €20.3m of cash from operating activities.

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
EBITDA	**(6.1)**	**41.4**	*n.s.*	**8.2**	*n.s.*	**27.7**	**111.2**	*(75.1%)*
Energy regulation adjustment (regullatory collar)	(0.6)	3.7	*n.s.*	(0.7)	*(19.0%)*	(3.1)	18.1	*n.s.*
Other cash adjustments	3.2	4.5	*(28.3%)*	(1.0)	*n.s.*	8.8	1.7	*n.s.*
Change in working capital	(34.2)	26.5	*n.s.*	48.9	*n.s.*	(55.1)	(4.7)	*n.s.*
Income tax received / (paid)	0.0	-	*n.s.*	(3.9)	*n.s.*	(3.9)	(1.9)	*108.3%*
Net interest received / (paid)	(4.7)	(2.1)	*124.1%*	(1.7)	*182.8%*	(9.2)	(5.4)	*68.8%*
Net cash flow from operating activities	**(42.4)**	**74.0**	*n.s.*	**49.7**	*n.s.*	**(34.8)**	**118.9**	*n.s.*

Working capital movements implied a cash outflow of €34.2m in 3Q23 and of €55.1m in 9M23, due for the most part to the reduction in accounts payable, which includes the reimbursement of the surplus remuneration for operations collected in the wake of the regulatory adjustments applicable to renewables in 2022.

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Inventories	9.3	(16.4)	*n.s.*	(1.9)	*n.s.*	(0.3)	(7.8)	*(96.3%)*
Trade and other receivables	(8.9)	22.5	*n.s.*	43.5	*n.s.*	(10.1)	(6.3)	*59.9%*
Financial and other current assets	(1.1)	0.5	*n.s.*	1.1	*n.s.*	(0.3)	1.2	*n.s.*
Trade and other payables	(33.5)	19.8	*n.s.*	6.2	*n.s.*	(44.4)	8.2	*n.s.*
Change in working capital	**(34.2)**	**26.5**	*n.s.*	**48.9**	*n.s.*	**(55.1)**	**(4.7)**	*n.s.*

At 30 September 2023, the Pulp business had drawn down €58.1m under its non-recourse receivable discounting facilities, compared to €45.2m at year-end 2022.

Ence has also arranged several reverse factoring facilities, which were drawn down by €68m at the September close, compared to €76.5m at year-end. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

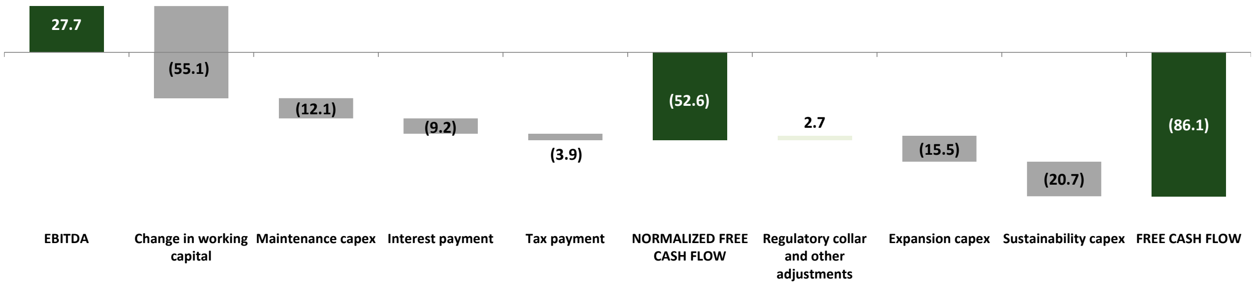
Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Maintenance capex	(7.9)	(3.4)	*134.3%*	(2.7)	*190.7%*	(12.1)	(13.3)	*(9.0%)*
Sustainability capex and other	(9.7)	(1.2)	*n.s.*	(3.4)	*184.6%*	(20.7)	(5.3)	*n.s.*
Efficiency and expansion capex	(3.7)	(2.4)	*50.7%*	(9.6)	*(61.8%)*	(15.5)	(13.9)	*11.8%*
Financial investments	(2.4)	(0.0)	*n.s.*	(0.6)	*n.s.*	(2.5)	(0.0)	*n.s.*
Investments	**(23.7)**	**(7.0)**	*236.0%*	**(16.3)**	*44.9%*	**(50.8)**	**(32.5)**	*56.4%*
Disposals	-	0.1	*(100.0%)*	(0.5)	*(100.0%)*	(0.5)	0.1	*n.s.*
Net cash flow used in investing activities	**(23.7)**	**(6.9)**	*240.9%*	**(16.8)**	*40.8%*	**(51.3)**	**(32.4)**	*58.4%*

Capital expenditure totalled €23.7m in 3Q23 and €50.8m in 9M23. Maintenance capex amounted to €7.9m in 3Q23 and €12.1m in 9M23.

Investments in sustainability improvements came to €9.7m in 3Q23 and €20.7m in 9M23. The latter were largely related with the new water recovery system in Pontevedra for use during periods of drought, as well as a range of initiatives targeted at reinforcing safety and reducing odour, noise and water consumption at the biomills, all of which will make Ence more competitive in the long run.

Investments in efficiency and growth amounted to €3.7m in 3Q23 and €15.5m in 9M23 and were mainly related with increasing wood cutting capacity in Galicia, development of the project in As Pontes and a number of efficiency upgrades made at both biomills.

As a result, normalised free cash flow in the Pulp business was negative by €52.6m in 9M23, affected by the movements in working capital. Free cash flow after growth and sustainability capex was negative by €86.1m.



2.7. Change in net debt

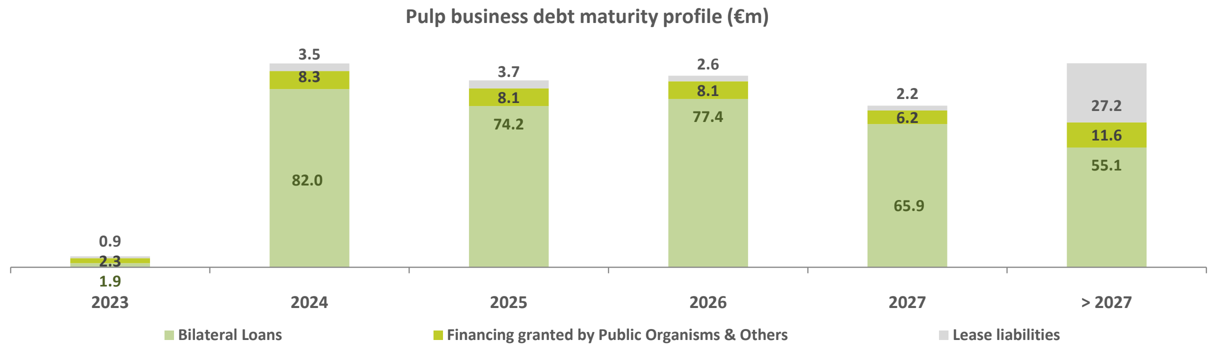
The Pulp business ended September with net debt of €190.4m, compared to net cash of €36.1m at year-end 2022. In addition to the negative free cash flow, Ence paid out €140.6m in dividends during the reporting period.

Figures in € m	Sep-23	Dec-22	Δ%
Non-current financial debt	309.9	128.6	*141.0%*
Current financial debt	91.3	80.3	*13.6%*
Gross financial debt	**401.2**	**208.9**	*92.0%*
Non-current lease contracts	36.7	34.6	*6.0%*
Current lease contracts	3.5	3.0	*17.0%*
Financial liabilities related to lease contracts	**40.2**	**37.6**	*6.9%*
Cash and cash equivalents	246.4	278.4	*(11.5%)*
Short-term financial investments	4.5	4.2	*6.8%*
Net financial debt Pulp business	**190.4**	**(36.1)**	*n.s.*

In 9M23, Ence redeemed the remaining €63.3m of the €160m of convertible bonds issued in March 2018 and arranged a number of bilateral loans with several financial institutions, raising €268m of new financing due in 2030 at the latest.

Due to the cyclical nature of the Pulp business, it is financed with covenant-free debt and ample liquidity. At the reporting date, the Pulp business had cash and cash equivalents of €250.9m.

The gross debt of €401.3m at the September close corresponds to the outstanding balance of €356.5m of bilateral loans and a series of loans totalling €44.7m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work; the maturities on these loans range to 2030. Finance lease liabilities stood at €40.5m at the September close. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



2.8. Growth and diversification opportunities

Ence's strategy in the Pulp business encompasses growth and diversification into new types of pulp and specialty products, leveraging its competitive advantages in the European market.

In recent years, Ence has developed a range of differentiated products under the Ence Advanced trademark, including its Naturcell and Powercell pulp. These are more sustainable products with improved technical attributes, designed to replace softwood pulp products. These better-priced products accounted for 25% of revenue from pulp sales in 3Q23 and 18% of the 9M23 figure. Ence's goal is for these products to account for 40% of pulp sales by 2027.

In parallel, Ence has started work on the project for diversifying into the production of pulp for absorbent personal care products (fluff pulp), which is expected to entail an investment of €30m and deliver a targeted ROCE of 12%. The Group's facilities will be ready to replace up to 100,000 tonnes of standard pulp with this higher-margin product from 2026.

In addition, in 2022, Ence and the regional government of Galicia announced a new project that is currently under analysis in the local town of As Pontes for the production of recycled and bleached pulp made from recovered board and paper.

This project embodies the fair transition and circular bioeconomy thrusts by transforming land that is part of a fossil fuel power plant into an innovative facility that will recover and reuse natural resources, without increasing wood consumption.

Phase one of the project, which could be commissioned in 2027, consists of a production line with annual capacity of 100,000 tonnes, entailing an estimated investment of €125m and a projected ROCE of over 12%.

3. RENEWABLES BUSINESS

Ence's Renewables business comprises the generation of renewable energy from biomass at independent plants that have no relation with the pulp production process, the development of photovoltaic power generation facilities and new businesses related with the generation of biomethane and of renewable industrial heating.

Through its subsidiary, Magnon Green Energy, Ence has eight power plants fuelled by forestry and agricultural biomass with aggregate installed capacity of 266 MW: three plants in Huelva (with capacity of 50 MW, 46 MW and 41 MW); two in Ciudad Real (50 MW and 16 MW); one in Merida (20 MW); one in Jaen (16 MW); and a complex in Cordoba (27 MW).

Magnon is also developing a pipeline of 373 MW of photovoltaic facilities in Jaen, Huelva, Seville and Granada. In December 2021, it agreed to sell those assets as they obtain the required permits for up to €62m. The sale of a first 100-MW capacity development in Jaen closed in March 2023, generating revenue of €29.6m and EBITDA of €22.7m. In July 2023, Magnon completed the sale of a second 40-MW capacity development in Huelva, generating revenue of €7.7m and EBITDA of €4m. The sale of the remaining assets is expected to close in 2024.

3.1. Electricity market trends

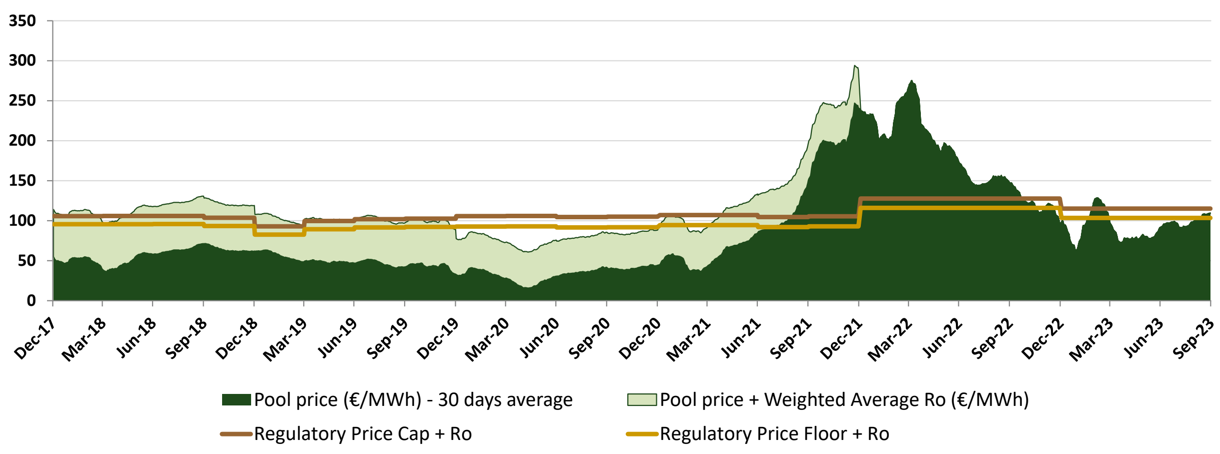
The average price on the day-ahead market (pool price) declined by 34% year-on-year to €96.6/MWh in 3Q23 and by 50.8% year-on-year to €91.5/MWh in 9M23.

Market figures	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Average pool price (€/MWh)	96.6	146.2	*(34.0%)*	80.3	*20.2%*	91.5	185.8	*(50.8%)*

Source: OMIE

The price that Ence recognises in its financial statements is a regulated price made up of the regulatory price plus the supplementary remuneration for operations (Ro) earned by each plant, where applicable.

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



The remuneration for investment (Ri) for Magnon's biomass power plants was set at 7.4% for 2020-2031 under Spanish Royal Decree-Law 17/2019. That remuneration will imply an estimated €24.8m of revenue in 2023.

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

3.2. Revenue from energy sales

Energy sales volumes amounted to 250,807 MWh in 3Q23 and 806,559 MWh in 9M23, year-on-year decreases of 31.6% and 32.2%, respectively, shaped mainly by the drop in pool prices. Also, the 50-MW Huelva plant was stopped for its four-year overhaul during the reporting period.

Operating figures	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Huelva 41 MW - Biomass	35,546	39,160	*(9.2%)*	34,319	*3.6%*	104,577	136,110	*(23.2%)*
Jaén 16 MW - Biomass	19,260	19,103	*0.8%*	18,972	*1.5%*	55,068	66,556	*(17.3%)*
Ciudad Real 16 MW - Biomass	-	18,772	*(100.0%)*	-	*n.s.*	-	67,495	*(100.0%)*
Córdoba 27 MW - Biomass	15,384	24,359	*(36.8%)*	35,885	*(57.1%)*	80,391	109,923	*(26.9%)*
Huelva 50 MW - Biomass	48,506	91,026	*(46.7%)*	-	*n.s.*	127,812	274,880	*(53.5%)*
Mérida 20 MW - Biomass	32,057	36,597	*(12.4%)*	29,345	*9.2%*	93,254	108,416	*(14.0%)*
Huelva 46 MW - Biomass	40,418	67,315	*(40.0%)*	64,751	*(37.6%)*	167,599	209,896	*(20.2%)*
Ciudad Real 50 MW - Biomass	59,636	70,392	*(15.3%)*	66,873	*(10.8%)*	177,858	216,571	*(17.9%)*
Energy sales (MWh)	**250,807**	**366,723**	*(31.6%)*	**250,145**	*0.3%*	**806,560**	**1,189,847**	*(32.2%)*
Average sales price - (€/MWh)	117.3	137.2	*(14.5%)*	148.1	*(20.8%)*	139.8	138.7	*0.7%*
Remuneration for investment (€m)	6.2	10.2	*(39.4%)*	6.2	-	18.6	30.7	*(39.4%)*
Revenue from energy sales (€ m)	**35.6**	**60.6**	*(41.2%)*	**43.3**	*(17.7%)*	**131.3**	**195.8**	*(32.9%)*

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

The sales price averaged €117.4/MWh in 3Q23, down 20.7% from 2Q23 (due to a smaller contribution by the gas co-generation plant in Cordoba) and down 14.5% year-on-year.

The regulatory energy price applicable to the Group's power generation plants for the regulatory stub period elapsing between 1 January 2023 and 31 December 2025 was updated in June 2023. The regulatory price applicable in 2023 was set at €109.3/MWh, compared to the previously published price of €207.9/MWh.

The accounting effect (with no impact on cash) in 2023 of the updated regulatory energy price will be offset via the collection of higher remuneration for investment in the amount of €9.4m per annum from this year on.

Year-on-year, remuneration for investment decreased by 39.4%, due to the effect of the adjustments for deviations between the pool price and the regulatory price in 2022.

In all, revenue from energy sales amounted to €35.6m in 3Q23 and €131.3m in 9M23, down 41.2% and 32.9% year-on-year, respectively.

3.3. Statement of profit or loss

The reduced regulatory energy price applicable in 2023, coupled with lower generation volumes as a result of the drop in pool prices, drove EBITDA in the Renewables business down to €4.4m in 3Q23 and €36m in 9M23, year-on-year decreases of 75.3% and 62.6%, respectively.

Those amounts include contributions of €22.7m from the sale of an initial 100-MW photovoltaic development in Jaen in 1Q23 and of €4m from the sale of a second 40-MW development in Huelva in 3Q23.

Recall that 9M22 EBITDA included the reversal of the regulatory collar provided for at the time by €39.6m, offset by an impairment charge below the EBITDA line of €35.5m.

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Revenue from energy sales	35.6	60.6	*(41.2%)*	43.3	*(17.7%)*	131.3	195.8	*(32.9%)*
Other revenues	8.3	0.1	*n.s.*	0.4	*n.s.*	38.2	40.1	*(4.6%)*
Total revenue	**43.9**	**60.6**	*(27.6%)*	**43.7**	*0.5%*	**169.6**	**235.8**	*(28.1%)*
EBITDA from energy sales	4.3	17.7	*(75.9%)*	5.4	*(20.7%)*	37.1	96.3	*(61.5%)*
EBITDA from new businesses	0.1	-		(1.2)		(1.1)	-	
EBITDA	**4.4**	**17.7**	*(75.3%)*	**4.2**	*4.6%*	**36.0**	**96.3**	*(62.6%)*
Depreciation and amortisation	(10.8)	(15.5)	*(30.2%)*	(8.7)	*24.6%*	(28.4)	(35.5)	*(20.1%)*
Impairment of and gains/(losses) on fixed-asset disp.	0.0	-	*n.s.*	0.3	*(95.0%)*	0.3	(37.0)	*n.s.*
EBIT	**(6.8)**	**2.2**	*n.s.*	**(4.3)**	*60.4%*	**7.5**	**23.8**	*(68.5%)*
Net finance cost	(3.1)	(3.8)	*(16.9%)*	(3.3)	*(5.9%)*	(9.6)	(12.9)	*(26.2%)*
Other finance income/(cost)	0.0	(0.0)	*n.s.*	(0.0)	*n.s.*	0.0	0.3	*(95.5%)*
Profit before tax	**(9.9)**	**(1.6)**	*n.s.*	**(7.6)**	*31.2%*	**(2.0)**	**11.1**	*n.s.*
Income tax	4.0	(0.2)	*n.s.*	1.8	*125.4%*	5.2	(7.5)	*n.s.*
Net Income	**(5.9)**	**(1.7)**	*237.8%*	**(5.8)**	*2.0%*	**3.2**	**3.6**	*(11.6%)*
Non-controlling interests	(1.1)	(0.9)	*23.6%*	-		(2.3)	0.1	*n.s.*
Attributable Net Income	**(7.0)**	**(2.6)**	*165.9%*	**(5.8)**	*20.9%*	**0.9**	**3.7**	*(75.5%)*

Below the EBITDA line, depreciation charges decreased to €10.8m in 3Q23 and €28.4m in 9M23 following the asset restatements recognised in 2022.

Note that Ence recognised an impairment loss of €35.5m in 9M22 against the plants (the 41-MW Huelva, 16-MW Jaen, 16-MW Ciudad Real and 14-MW Cordoba plants) for which it was estimated that the remuneration for investment parameter in 2023 would be zero or scantly material as a result of high pool prices that year.

Finance costs fell to €3.1m in 3Q23 and €9.6m in 9M23, due mainly to the lower gross debt balance.

Lastly, tax income amounted to €4.0m in 3Q23 and €5.2m in 9M23.

As a result, the net result attributable to the Renewables business amounted to a loss of €7m in 3Q23 and a profit of €0.9m in 9M23.

3.4. Cash flow analysis

The Renewables business generated €15.3m of cash from operating activities in 3Q23 and used €61m in 9M23, due mainly to the reimbursement of the surplus remuneration for operations (Ro) collected as a result of the regulatory adjustments applicable to renewables in 2022.

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
EBITDA	**4.4**	**17.7**	*(75.3%)*	**4.2**	*4.6%*	**36.0**	**96.3**	*(62.6%)*
Energy regulation adjustment (regulatory collar)	(1.6)	3.1	*n.s.*	(4.1)	*(60.0%)*	(9.7)	15.2	*n.s.*
Other cash adjustments	0.1	0.3	*(73.5%)*	0.9	*(91.3%)*	1.8	0.8	*130.2%*
Change in working capital	14.1	32.7	*(56.7%)*	(18.0)	*n.s.*	(70.8)	67.3	*n.s.*
Income tax received / (paid)	0.0	-	*n.s.*	(10.2)	*n.s.*	(10.1)	(2.5)	*n.s.*
Net interest received / (paid)	(1.7)	(2.4)	*(30.4%)*	(4.6)	*(63.5%)*	(8.1)	(12.2)	*(33.4%)*
Net cash flow from operating activities	**15.3**	**51.4**	*(70.3%)*	**(31.8)**	*n.s.*	**(61.0)**	**165.0**	*n.s.*

Movements in working capital implied a cash inflow of €14.1m in 3Q23, shaped mainly by the reduction in trade receivables and inventories. In contrast, working capital movements implied a cash outflow of €70.8m in 9M23, due mainly the reduction in trade payables, which includes the reimbursement of the surplus remuneration for operations (Ro) collected in the wake of the regulatory adjustments applicable to renewables in 2022.

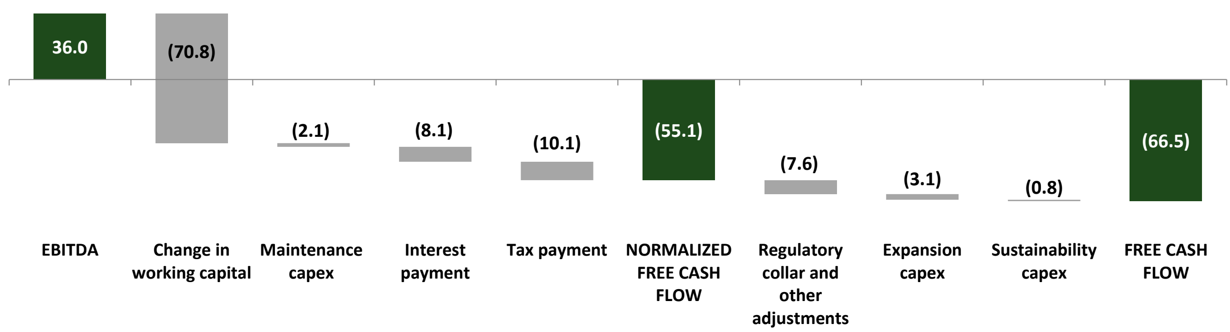
Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Inventories	8.1	(0.2)	*n.s.*	(5.5)	*n.s.*	2.1	(1.4)	*n.s.*
Trade and other receivables	7.9	(4.2)	*n.s.*	13.8	*(42.6%)*	21.7	6.0	*n.s.*
Current financial and other assets	-	(2.0)	*(100.0%)*	-	*n.s.*	-	(2.0)	*(100.0%)*
Trade and other payables	(1.9)	39.1	*n.s.*	(26.3)	*(92.8%)*	(94.5)	64.7	*n.s.*
Change in working capital	**14.1**	**32.7**	*(56.7%)*	**(18.0)**	*n.s.*	**(70.8)**	**67.3**	*n.s.*

The Renewables business has not made any drawdown under its receivable discounting lines. Magnon has arranged several non-recourse reverse factoring facilities, which were drawn down by €13.5m at the September close, compared to €23m at year-end 2022. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	3Q23	3Q22	Δ%	2Q23	Δ%	9M23	9M22	Δ%
Maintenance capex	(1.0)	(0.5)	*99.8%*	(0.5)	*133.0%*	(2.1)	(1.6)	*26.4%*
Sustainability capex and other	(0.5)	(0.4)	*17.0%*	(0.1)	*n.s.*	(0.8)	(1.1)	*(28.5%)*
Efficiency and expansion capex	(1.5)	(0.7)	*117.8%*	(1.0)	*47.2%*	(3.1)	(3.7)	*(16.4%)*
Financial investments	-	-	*n.s.*	0.4	*(100.0%)*	0.4	-	*n.s.*
Investments	**(3.0)**	**(1.6)**	*86.1%*	**(1.2)**	*163.3%*	**(5.6)**	**(6.4)**	*(13.8%)*
Disposals	-	-	*n.s.*	-	*n.s.*	-	0.4	*(100.0%)*
Net cash flow from investing activities	**(3.0)**	**(1.6)**	*86.1%*	**(1.2)**	*163.3%*	**(5.6)**	**(6.1)**	*(8.4%)*

Capital expenditure totalled €3m in 3Q23 and €5.6m in 9M23. Maintenance capex amounted to €1m in 3Q23 and €2.1m in 9M23, while sustainability capex amounted to €0.5m in 3Q23 and €0.8m in 9M23.

Lastly, investments in efficiency and growth totalled €1.5m in 3Q23 and €3.1m in 9M23, related mainly with the execution of new growth and diversification projects, as well as small investments to render a number of plants more efficient.



As a result, normalised free cash flow in the Renewables business was negative by €55.1m in 3Q23, and free cash flow, after the adjustment for the tariff shortfall and efficiency, growth and sustainability capex, was negative by €66.5m.

3.5. Change in net debt

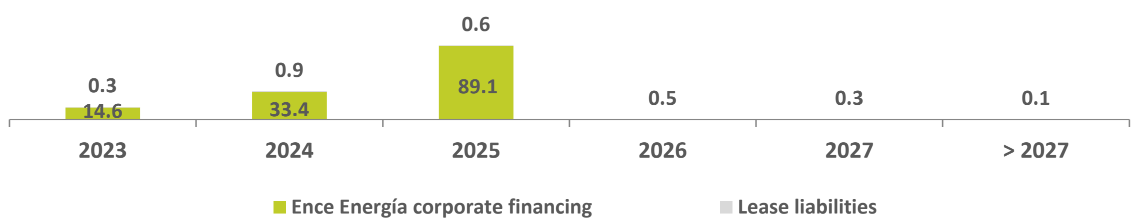
Net debt in the Renewables business increased by €87m from year-end 2022 to €93.1m.

In addition to the negative free cash flow, Magnon partially repaid loans from associates by €14.7m in 3Q23 to leave the balance drawn at €3.1m (undrawn balance: €12.2m), following the repayments made in 2022 and 2023.

Figures in € m	Sep-23	Dec-22	Δ%
Non-current financial debt	110.0	121.9	*(9.8%)*
Current financial debt	27.1	27.1	*(0.1%)*
Gross financial debt	**137.0**	**149.0**	*(8.0%)*
Non-current lease contracts	1.8	1.0	*69.2%*
Current lease contracts	1.0	0.7	*51.9%*
Financial liabilities related to lease contracts	**2.8**	**1.7**	*62.5%*
Cash reserve for debt service	10.0	10.0	-
Cash and cash equivalents	36.6	134.5	*(72.8%)*
Net financial debt Renewable Energy business	**93.1**	**6.1**	*n.s.*

Gross debt, due by 2025, stood at €137m at the September close, while lease liabilities amounted to €2.8m. The Renewables business had €46.6m of cash at 30 September 2023.

Renewables debt maturity profile (€m)



3.6. Growth and diversification opportunities

In 2022, Ence created a new subsidiary, Ence Biogas, to develop and operate biomethane and fertiliser plants, underpinned by a model based on sustainable and circular management of organic waste (agricultural, breeding and industrial waste).

Ence Biogas plans to develop 20 plants in the next five years with the capacity to supply more than 1 TWh of biomethane a year. This subsidiary already has a pipeline of 6 projects in Spain at the engineering and permitting phase, which are expected to be commissioned in 2026.

The Group also has a 140-MW portfolio of rights with which it can participate in upcoming biomass capacity auctions and is working with prospective industrial customers in Spain on opportunities for switching from fossil fuels to renewable sources for industrial heat generation purposes.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Summarised statement of profit or loss

	9M23				9M22			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	**462.3**	**169.6**	**(2.2)**	**629.6**	**553.8**	**235.8**	**(2.5)**	**787.1**
Other income	21.9	4.1	(0.9)	25.1	15.9	6.0	(0.8)	21.1
Foreign exchange hedging operations results	(0.5)	-	-	(0.5)	(16.5)	-	-	(16.5)
Cost of sales and change in inventories of finished produ	(264.9)	(68.2)	2.2	(330.9)	(249.2)	(76.2)	2.5	(322.8)
Personnel expenses	(65.0)	(15.4)	0.0	(80.4)	(54.9)	(12.9)	0.0	(67.9)
Other operating expenses	(126.2)	(54.0)	0.9	(179.3)	(137.8)	(56.4)	0.8	(193.4)
EBITDA	**27.7**	**36.0**	**-**	**63.7**	**111.2**	**96.3**	**-**	**207.5**
Depreciation and amortisation	(40.7)	(28.4)	1.2	(67.8)	(31.5)	(35.5)	0.6	(66.4)
Depletion of forestry reserves	(6.9)	-	-	(6.9)	(5.2)	(0.0)	-	(5.2)
Impairment of and gains/(losses) on fixed-asset disposal	(0.7)	0.3	-	(0.5)	(2.7)	(37.0)	-	(39.0)
Other non-ordinary operating gains/(losses)	(5.6)	(0.4)	0.0	(6.0)	-	-	-	-
EBIT	**(26.3)**	**7.5**	**1.2**	**(17.6)**	**71.8**	**23.8**	**1.3**	**96.9**
Net finance cost	(11.3)	(9.6)	-	(20.8)	(6.4)	(12.9)	-	(19.3)
Other finance income/(costs)	(0.1)	0.0	-	(0.1)	3.5	0.3	-	3.8
Profit before tax	**(37.6)**	**(2.0)**	**1.2**	**(38.5)**	**68.9**	**11.1**	**1.3**	**81.3**
Income tax	7.4	5.2	(0.1)	12.5	(4.9)	(7.5)	-	(12.5)
Net Income	**(30.2)**	**3.2**	**-**	**(25.9)**	**64.0**	**3.6**	**1.2**	**68.8**
Non-controlling interests	-	(2.3)	-	(2.3)	-	0.1	(1.9)	(1.8)
Atributable Net Income	**(30.2)**	**0.9**	**1.1**	**(28.2)**	**64.0**	**3.7**	**(0.7)**	**67.0**
Earnings per Share (EPS)	(0.12)	0.00	0.00	(0.12)	0.26	0.02	(0.00)	0.28

4.2. Summarised statement of financial position

	Sep-23				Dec-22			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	16.8	34.0	(12.3)	38.6	15.6	35.0	(12.7)	37.9
Property, plant and equipment	609.4	370.8	(7.7)	972.5	603.4	389.0	(8.5)	983.9
Biological assets	70.3	0.2	-	70.5	60.4	0.2	-	60.5
Non-current investments in Group companies	114.0	0.0	(114.0)	0.1	112.6	0.0	(112.5)	0.0
Non-current borrowings to Group companies	22.0	-	(22.0)	-	18.6	-	(18.6)	-
Non-current financial assets	24.0	10.6	-	34.6	20.8	5.4	-	26.1
Deferred tax assets	38.3	26.1	3.1	67.5	30.5	19.4	3.1	53.0
Cash reserve for debt service	-	10.0	-	10.0	-	10.0	-	10.0
Total non-current assets	**894.9**	**451.7**	**(152.9)**	**1,193.7**	**861.8**	**459.0**	**(149.2)**	**1,171.5**
Inventories	74.4	13.9	-	88.3	80.5	21.9	-	102.3
Trade and other accounts receivable	67.8	28.7	(7.0)	89.4	59.4	40.5	(29.2)	70.6
Income tax	6.5	1.4	-	7.9	6.8	1.3	-	8.0
Other current assets	3.7	1.0	-	4.6	7.5	0.4	-	7.9
Hedging derivatives	0.3	4.4	-	4.7	0.0	2.6	-	2.6
Current financial investments in Group companies	0.2	(0.2)	(0.0)	0.0	0.4	0.0	(0.4)	0.0
Current financial investments	4.5	0.0	-	4.6	4.2	0.0	-	4.3
Cash and cash equivalents	246.4	36.6	-	283.0	278.4	134.5	-	412.9
Total current assets	**403.7**	**85.8**	**(7.0)**	**482.5**	**437.1**	**201.2**	**(29.6)**	**608.7**
TOTAL ASSETS	**1,298.6**	**537.5**	**(160.0)**	**1,676.2**	**1,298.9**	**660.2**	**(178.8)**	**1,780.2**
Equity	**552.0**	**228.1**	**(130.9)**	**649.2**	**719.8**	**228.9**	**(130.6)**	**818.1**
Non-current borrowings	346.5	111.7	-	458.3	163.2	122.9	-	286.1
Non-current loans with Group companies and associates	-	25.2	(22.0)	3.1	-	36.4	(18.6)	17.8
Non-current derivatives	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	28.8	0.1	-	28.9	27.9	0.1	-	28.0
Other non-current liabilities	38.4	70.9	0.0	109.3	38.2	75.8	-	114.0
Total non-current liabilities	**413.7**	**207.9**	**(22.0)**	**599.6**	**229.2**	**235.3**	**(18.6)**	**445.9**
Current borrowings	94.8	28.1	-	122.9	83.3	27.8	-	111.1
Current derivatives	0.9	-	-	0.9	0.4	-	-	0.4
Trade and other account payable	198.5	69.7	(7.1)	261.2	226.4	164.4	(29.2)	361.6
Short-term debts with group companies	0.0	0.1	(0.0)	0.2	0.0	0.7	(0.4)	0.4
Income tax	0.0	0.9	-	0.9	0.0	-	-	0.0
Current provisions	38.7	2.7	-	41.4	39.8	3.0	-	42.8
Total current liabilities	**332.9**	**101.5**	**(7.1)**	**427.4**	**349.9**	**196.0**	**(29.6)**	**516.2**
TOTAL EQUITY AND LIABILITIES	**1,298.6**	**537.5**	**(160.0)**	**1,676.2**	**1,298.9**	**660.2**	**(178.8)**	**1,780.3**

4.3. Statement of cash flows

Figures in € m	9M23 Pulp	9M23 Renewables	9M23 Adjustments	9M23 Consolidated	9M22 Pulp	9M22 Renewables	9M22 Adjustments	9M22 Consolidated
Consolidated profit/(loss) for the period before tax	**(37.6)**	**(2.0)**	**1.2**	**(38.5)**	**68.9**	**11.1**	**1.3**	**81.3**
Depreciation and amortisation	47.6	28.4	(1.2)	74.7	36.7	35.5	(0.6)	71.6
Changes in provisions and other deferred expense	15.6	2.2	-	17.8	1.5	0.9	-	2.4
Impairment of gains/(losses) on disposals intangible asset	0.8	(0.3)	-	0.5	2.7	37.0	(0.7)	39.0
Net finance result	10.8	9.6	-	20.3	3.9	12.6	-	16.6
Energy regulation adjustment (regulatory collar)	(3.1)	(9.7)	-	(12.8)	18.1	15.2	-	33.4
Government grants taken to income	(0.6)	(0.1)	-	(0.7)	(0.4)	(0.1)	-	(0.5)
Adjustments to profit	**71.0**	**30.1**	**(1.2)**	**99.9**	**62.6**	**101.2**	**(1.3)**	**162.4**
Inventories	(0.3)	2.1	-	1.8	(7.8)	(1.4)	-	(9.2)
Trade and other receivables	(10.1)	21.7	(22.5)	(10.9)	(6.3)	6.0	5.2	4.9
Current financial and other assets	(0.3)	(0.0)	-	(0.3)	1.2	(2.0)	-	(0.8)
Trade and other payables	(44.4)	(94.5)	22.2	(116.7)	8.2	64.7	(5.2)	67.6
Changes in working capital	**(55.1)**	**(70.8)**	(0.3)	**(126.1)**	**(4.7)**	**67.3**	**-**	**62.6**
Interest paid	(9.2)	(8.1)	-	(17.3)	(5.4)	(12.2)	-	(17.6)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	(3.9)	(10.1)	-	(14.1)	(1.9)	(2.5)	-	(4.3)
Other collections/(payments)	-	-	-	-	(0.4)	-	-	(0.4)
Other cash flows from operating activities	**(13.1)**	**(18.3)**	**-**	**(31.4)**	**(7.8)**	**(14.6)**	**-**	**(22.4)**
Net cash flow from operating activities	**(34.8)**	**(61.0)**	**(0.3)**	**(96.0)**	**118.9**	**165.0**	**-**	**283.9**
Property, plant and equipment	(44.7)	(5.5)	-	(50.3)	(30.3)	(6.3)	-	(36.6)
Intangible assets	(3.6)	(0.4)	-	(4.0)	(2.1)	(0.2)	-	(2.3)
Other financial assets	(2.5)	0.4	2.9	0.8	(0.0)	-	-	(0.0)
Disposals	(0.5)	-	0.4	(0.1)	0.1	0.4	-	0.5
Net cash flow used in investing activities	**(51.3)**	**(5.6)**	**3.3**	**(53.6)**	**(32.4)**	**(6.1)**	**-**	**(38.5)**
Free cash flow	**(86.1)**	**(66.5)**	**3.0**	**(149.6)**	**86.5**	**158.9**	**-**	**245.4**
Buyback/(disposal) of own equity instruments	7.0	-	-	7.0	1.1	-	-	1.1
Proceeds from and repayments of financial liabilities	187.7	(27.3)	(3.0)	157.3	(49.5)	(68.0)	-	(117.5)
Dividends payments	(140.6)	(4.1)	-	(144.7)	(44.7)	(1.0)	-	(45.7)
Net cash flow from/ (used in) financing activities	**54.1**	**(31.4)**	**(3.0)**	**19.7**	**(93.1)**	**(69.0)**	**-**	**(162.2)**
Net increase/(decrease) in cash and cash equivalents	**(32.0)**	**(97.9)**	**-**	**(129.9)**	**(6.6)**	**89.9**	**-**	**83.3**

5. KEY DEVELOPMENTS

Spain's Supreme Court upholds the validity of the extension of the Pontevedra biomill's concession to 2073

On 7 February 2023, the Supreme Court announced a favourable ruling on the appeals presented by Ence and other entities against the National Appellate Court rulings of July 2021 annulling the Resolution issued by the Directorate General of Coastal and Marine Sustainability on 20 January 2016, extending Ence's concession at the Pontevedra biomill until 2073.

The Supreme Court has concluded that concessions awarded prior to the 1988 Coastal Act can be extended so long as they are accompanied by favourable environmental reports, as is the case in this instance.

Any subsequent amendment of coastal regulations would not apply to the extended concession in Pontevedra.

The reversal of the asset impairment charges and provisions recognised in the 2021 financial statements in the wake of those Appellate Court rulings implied a gain of €169m in 2022.

On 4 July 2023, the Supreme Court dismissed the annulment proceedings brought by the town council of Pontevedra and state attorney against the sentence upholding the validity of the extension of our concession in Pontevedra.

On 15 September 2023, the town council of Pontevedra appeal before the Constitutional Court of Spain; however, the Company believes there are no legal grounds for a successful appeal.

Dividend payments

The Company paid out dividends of €0.29 (before withholdings) from 2022 earnings on each of 16 March and 18 May 2023, for a total outlay of €140.6m.

Update of the regulatory energy prices applicable in 2023 – 2025

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

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

The new regulations also annul the draft Royal Decree and proposed Order published in April 2023 proposing new methodology for calculating and settling deviations between the regulated energy price and electricity market prices.

At any rate, the Group's renewable energy power plants continue to be regulated by Royal Decree 413/2014 which ensures the generation of a reasonable return, which was set at 7.4% for 2020-2031 under Royal Decree-Law 17/2019.

The accounting effect (with no impact on cash) of the updated regulatory energy price applicable in 2023 will be offset via the collection of higher remuneration for investment in the amount of €14m per annum from this year on.

Sale of photovoltaic developments under construction

On 28 March 2023, Magnon Green Energy closed the sale of one of its photovoltaic solar facilities under construction in Jaen, with capacity of 100 MW, triggering the recognition of revenue of €29.5m and EBITDA of €22.7m.

On 27 July 2023, Magnon completed the sale of a second 40-MW capacity development in Huelva, generating revenue of €7.7m and EBITDA of €4m.

These transactions are part of the agreement entered into with Naturgy Renovables SLU in December 2021 for the sale of the photovoltaic pipeline in Jaen, Huelva, Seville and Granada for up to €62m. The sale of the remaining photovoltaic assets is expected to close in 2024.

Ence Biogas hires Sener to carry out the engineering work for six biomethane plants

On 28 March 2023, Ence Biogas mandated Sener to perform the conceptual engineering work for six biomethane plants in Spain, which are expected to be commissioned in 2026.

Ence Biogas is planning to develop 20 biomethane plants in Spain during the next five years.

Repayment at maturity of the remainder of the convertible bonds issued in 2018 and new bilateral loans

On 6 March 2023, Ence redeemed the remaining €63.3m of the €160m of convertible bonds issued in 2018 and in the first half of 2023 arranged a number of bilateral loans with several financial institutions, raising €268m of new financing due in 2030 at the latest.

Sustainability linked commercial paper program

On 9 October 2023, Ence filed a sustainability linked commercial paper program in the Spanish Alternative Fixed Income Market (MARF) with a maximum limit of €200m and a maturity limit of up to 24 months, with the aim of diversifying its financing sources.

2023 Annual General Meeting

Ence held its Annual General Meeting on 5 May 2023. The agenda motions ratified were:

1) Examination and ratification of the annual financial statements and management reports of ENCE ENERGÍA Y CELULOSA, S.A. and of its consolidated group for the year ended 31 December 2022.
2) Examination and ratification of the group's non-financial statement (2022 Sustainability Report) for the year ended 31 December 2022.
3) Examination and ratification of the motion for the appropriation of the profit of ENCE ENERGÍA Y CELULOSA, S.A. for the year ended 31 December 2022.
4) Examination of and grant of discharge for the performance of the Board of Directors of ENCE ENERGÍA Y CELULOSA, S.A. during the year ended 31 December 2022.
5) The offset of retained losses with a charge against voluntary reserves.
6) The re-election of Ignacio de Colmenares Brunet as executive director.
7) Examination and ratification of the director remuneration policy for 2024, 2025 and 2026.
8) Examination and ratification of the new long-term incentive plan for 2023-2027.
9) Delegation of powers in the Board of Directors to interpret, supplement, rectify, execute and formalise the resolutions ratified at the Annual General Meeting.
10) Advisory vote on the annual report on director remuneration for 2022.

APPENDIX 1: MASTER SUSTAINABILITY PLAN

Sustainability is intrinsic to Ence's business activities as a leading player in the sustainable use of natural resources for the production of differentiated pulp and renewable energy. It is fully embedded within the Company's purpose and constitutes a strategic priority, as is evident in Ence's 2019-2023 Business Plan.

To articulate its sustainability strategy, Ence has defined a Sustainability Master Plan with the same time horizon as its Business Plan. The Plan constitutes the roadmap for advancing towards excellence in sustainability and fostering the creation of shared value with its stakeholders. Ence has started work on updating that plan, which terminates this year, in order to build a new sustainability roadmap for the coming years. That work includes a double-materiality assessment in order to identify the material matters on which to focus and help pin down the next universe of targets.

The current master plan (2019-2023) is articulated around seven priority lines of initiative. An account is provided on the progress made on each in the following sections.

Ence's noteworthy performance along environmental, social and governance (ESG) dimensions is echoed in its assessments by prestigious ESG agencies and indices. In 2023, Sustainalytics gave Ence an overall ESG score of 90 points out of 100, ranking it as a global leader in the pulp and paper sector for the third year running. The Company has been part of the prestigious FTSE4Good Index Series since 2021. In addition, in June 2023, Ecovadis awarded Ence its platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. Ence has also been included in the IBEX ESG, a sustainability index recently launched by BME. To be eligible for this index, in addition to being traded as part of the main IBEX 35 or IBEX Medium Cap indices, candidates must have an ESG rating of C+ or higher (out of 12 possible ratings which run from A+ to D-). Moreover, they must uphold the principles enshrined in the United Nations Global Compact and revenue from certain critical activities may not exceed specific thresholds.

1. People and values

The Company's human capital management priorities are focused on the provision of quality work; improvement of the workplace climate; stimulation, management and development of talent; promotion of training and learning; fostering of diversity; and creation of a sustainability culture, among others.

In terms of the generation of **quality work**, note that as of September 2023, 92.8% of Ence employees had indefinite employment contracts and 97.8% were working full time. Moreover, the headcount increased by 10% in the first nine months of 2023.

The **workplace climate improvement plan** is a top cross-cutting priority. Thanks to the efforts the Company has been making since embarking on this project, in 2022 the Company secured Great Place to Work certification for the third year in a row.

On the **talent development** front, Ence is striving to ensure that it attracts, develops and retains the professionals it needs to ensure that the organisation has the human capital required to successfully execute its 2019-2023 Business Plan. To that end, Ence is focusing on the reinforcement of internal promotions as the basis for the professional development of its employees, specifically raising the profile of all internal vacancies. In 9M23, it promoted 37 professionals, 14 of whom are women.

As for **training and development**, the overriding goal of Ence's professional training strategy is to encourage personal and professional development at all levels with a view to improving employees' sense of belonging and commitment to the organisation's strategic goals. The aim is to give employees the skills they need to do their jobs, while fostering a culture of development, value creation and continuous improvement and preparing them to assume new responsibilities in the future.

Training is an important aspect of the Strategic Human Resources Plan, which contemplates the following corporate training initiatives in addition to each Operations Centre's specific training plans:

- ✓ Environmental Awareness
- ✓ Compliance
- ✓ Leadership Skills

- ✓ Health and Safety
- ✓ Sustainability
- ✓ Operations and Maintenance Services
- ✓ Digital Transformation

In the first nine months of 2023, the Company imparted 16,538 hours of training, adapting the formats to make them compatible with remote working arrangements. The training effort focused on health and safety, O&M services, compliance, leadership skills, and digital transformation.

In terms of its effort to bring about effective **equality and diversity**, Ence remains strategically committed to its female hiring thrust, lifting female representation by over 15.4% so far in 2023 to account for 27.3% of the workforce as of the September close. Moreover, so far in 2023, 47% of new positions have been covered by women.

Under its equality programme, Ence offers measures that go beyond its obligations under prevailing labour legislation. In line with those commitments, its remuneration policy is likewise designed to guarantee non-discrimination in pay, compensating employees competitively. Remuneration is articulated around market criteria and a variable component based on objective job performance evaluation informed by equality and efficiency criteria.

Ence works to build **management-employee relations** based on dialogue and joint responsibility, the idea being to foster a climate that is propitious to achieving efficiency and productivity gains. To that end it engages in open and continuous dialogue with its employees' various representatives at all of its places of work. It is currently in the process of renegotiating the collective bargaining agreement in place at the Pontevedra biomill. It is also in the course of negotiating the Company's Equality Plan.

2. Climate action

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

In the mitigation area, Ence has approved specific GHG reduction targets, which call for the reduction of specific scope 1 and 2 emissions in the Pulp segment by 25% by 2025 compared to the base year, defined as 2018. To deliver that target, Ence has devised decarbonisation plans based on continuous improvement and the substitution of fossil fuels at the biomills. The Company began to implement the measures established in those plans in 2021, beginning with the replacement of fossil fuel (coke) with biomass at the Pontevedra biomill and consolidation of operation of the photovoltaic facilities put in place to enable self-generation at the Merida and Huelva plants. As a result, the Group managed to lower its total GHG emissions by 11% year-on-year in 2022. In 2023, Ence continues to work on the roadmap devised for decarbonising its biomills, making progress on the engineering details for the project for replacing fossil fuels with renewable sources in Navia, which will cut annual GHG emissions by around 50,000 tonnes.

Ence updates its inventory of greenhouse gas emissions annually, most recently including, for the first time, an analysis of the net carbon balance of the forests owned by the Company. That analysis, performed in keeping with the IPCC guidelines, showed that in 2022 the forests managed by Ence sequestered around 90,000 tonnes of carbon, net of that withdrawn in the form of wood and biomass.

In the adaptation area, Ence is following the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) around the governance and management of climate-related risks and opportunities. More specifically, Ence is focusing its efforts on the development of *ad-hoc* climate models which provide a tool for analysing the potential impacts of climate change on the Company's facilities and wood and biomass supply areas. To develop those models, Ence is using two IPCC climate scenarios: a more pessimistic scenario (RCP 8.5) and a scenario more closely aligned with current emissions (RCP 4.5). It is analysing the changes in the climate over three time horizons: the near future (until 2040), medium term (until 2070) and a more distant future (2100). For Ence, the impact of the physical risks derived from climate change is more relevant than the impact of the regulatory risks, to which end it has selected scenarios in which the physical impacts are more pronounced, rather than a scenario that contemplates global warming of less than 1.5ºC, for its analysis.

This year, Ence has also analysed the financial impacts of the main climate risks that could affect the Company and revised the mitigation measures in place for each risk factor so as to avoid material impacts.

3. Safe and eco-friendly operations

Ence is working to achieve zero workplace accidents. In parallel, it is striving to run exemplary business operations in environmental terms by upholding the most ambitious benchmark international standards to ensure it earns the social licence to operate in its business communities.

Magnon has performed very well year-to-date from the **health and safety** standpoint, as it did not record any lost-time injuries at any of its power plants, so marking a year of zero lost-time injuries. The pulp biomills, meanwhile, continue to report accident metrics that are 4.5 times below the sector average. There is room for improvement in the forestry area, however, as its accident metrics deteriorated somewhat during the first nine months of the year.

As for Ence's **environmental performance**, the pulp biomills made further progress in 9M23, cutting monthly odour emissions by 54% year-on-year in Navia and by 65% in Pontevedra, with both biomills continuing to mark new records in that respect. Also noteworthy is the fact that both biomills managed to reduce their unit water consumption ratios year-on-year, by 4.7% in Navia and 1.1% in Pontevedra, similarly recording new lows.

In the Renewables business, in 2023, the Group continued to execute and monitor its plans for delivering its unit water consumption, noise and air quality targets across its plants.

As for its circular economy transition, Ence continues to present high waste recovery and recycling readings (above 90% of all waste at year-end 2022), enabling it to expand the scope of its AENOR Zero Waste management certification (a seal only given to facilities that send less than 10% of their waste to landfill). As of 2023, all of the Group's facilities boast that certification.

At Magnon, it is worth highlighting the improved management of fine materials returned to the soil, at the sites from which the biomass was originally sourced whenever possible. That initiative returns a natural material of value in combatting desertification and soil degradation. In 9M23, all of the fine materials produced at the plants in Puertollano and Merida were processed so as to enable their return to the original farming land. In parallel, Ence is working on several research projects for the recovery of slag and ash waste in order to give them a second life, including use as organic compost or to produce artificial aggregates, to cite a couple of examples.

In terms of environmental performance, the pulp biomills successfully completed their ISO 14001, ISO 45001, ISO 50001 and Zero Waste certification renewal audits. They also verified their compliance with European Community eco-management and audit scheme (EMAS) and renewed SURE certification for their sustainable management of biomass. Ence is optimising its systems with a view to obtaining ISO 22000 food safety management certification during the last quarter of the year.

The Renewables business obtained approval for a pilot production test to research the reuse of wood crate waste at the Merida and Puertollano plants. Testing is underway at both plants. The Huelva plant is conducting the research, development and experimentation work for the project for drying wet, fatty olive pomace without generating emissions, which is expected to take one year to complete.

Lastly, Magnon has ISO 14001, ISO 45001 and Zero Waste certification at all its plants, as well as SURE certification, with the Huelva plants additionally boasting ISO 9001 and EMAS certification.

4. Rural and forest development

Ence works to ensure the **sustainability and traceability of the raw materials** it sources (wood and biomass) and **create value for land owners, suppliers and other stakeholders** in the agricultural and forestry sectors, generating positive knock-on effects based on sustainable business models.

Indeed, Ence has cemented itself as a benchmark in **sustainable forest management** in Spain, applying internationally-recognised criteria and standards of excellence, such as the FSC® (Forest Stewardship Council®, with license numbers FSC®-C099970 and FSC®-C081854) and PEFC (Program for the Endorsement of Forest Certification, with licence numbers PEFC/14-22-00010 and PEFC/14-33-00001) schemes, to the forest assets it manages and encouraging their adoption by its supply chain. As of September 2023, over 80% of its forest assets were certified under one or other of those standards and almost 73% of the wood that entered its biomills during the period from its proprietary forests, suppliers and forest owners came with one or both certifications.

Ence's sustainable forest management effort extends to the promotion of **biodiversity conservation** in its forests. In 2022, Ence conducted studies to analyse biodiversity encompassing 85% of its forest assets, notably including the first documented study of the fauna potentially present in its woodlands. Further progress is being made in 2023 in the form of new fauna and flora biodiversity studies at more than 50 forest tracts owned by Ence.

In order to **create value** for land owners and suppliers, Ence lends particular support to smaller sized companies. In 9M23, the Company purchased over €36 million worth of wood from more than 1,250 forest owners.

Ence also strives to **contribute to development** in the areas in which it operates. To that end, it encourages the purchase of local raw materials; indeed, most of the wood and biomass bought comes from Galicia, Asturias, Cantabria, the Basque region, Andalusia, Extremadura, Castile La Mancha and Portugal. Local wood and biomass purchasing not only helps generate value in the vicinity of its business operations, it also reduces transport requirements, so lowering the Company's (scope-3) carbon footprint.

In addition to generating value for its biomass suppliers, Ence is working to drive the **sustainability of the biomass** used in its plants to generate energy by means of complementary tools: the 10-Point Declaration on the Sustainability of Biomass (a voluntary self-regulation scheme) and plant certification under the SUstainable REsources Verification Scheme (SURE) to comply with the European Renewable Energy Directive (RED II).

Over 92% of the agricultural biomass used in 9M23 was compliant with the 10-Point Plan criteria, so far ahead of the target of 80% for this year. In industrial biomass, compliance stands at 90%, which is likewise ahead of target. The Company is currently working on a new version of its 10-Point Declaration in order to align it with the requirements arising under EU rules on biomass sustainability.

As for implementation of the SURE scheme to comply with RED II, the energy plants and biomills have completed the audits for renewing their certifications in 2023. In addition to renewing its own facilities' certifications, Ence is working to get its entire supply chain certified. So far this year, more than 150 of its suppliers have been SURE certified. Turning to the use of certified biomass, in 9M23, nearly 95% of the energy plants' incoming biomass was certified, compared to 98% at the biomills.

Elsewhere, Ence continues to apply its supply chain supervision procedures, an effort that extends to the **certification** of wood and agricultural biomass producers, with certification levels of over 99% as of September 2023.

5. Sustainable products

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

Within that effort, it is worth flagging the Company's unbleached pulp, Naturcell, which is not only more environmentally-friendly to make, but also the GHG emissions derived from its life cycle are offset by credits purchased on the voluntary market. All sales of Naturcell made in Pontevedra in 2022 involved the carbon-neutral product, Naturcell Zero, topping the related sustainability target set by the Company for last year. The Company had already met the target set for 2023 by the September close.

On the carbon footprint front, in 3Q23, the Company completed the work needed to enable its pulp customers obtain information about the GHG emissions derived from the products they purchase, from raw material supply through manufacture, transportation and final delivery. Customers can get this information directly from Ence's website.

This year **Ecovadis** awarded Ence its platinum medal, this entity's highest accolade. The Ecovadis platform assesses organisations' non-financial performance at the global level. It has grown to become the world's largest and most trusted provider of business sustainability ratings, analysing more than 100,000 business worldwide around a wide range of non-financial criteria.

In its assessment, Ecovadis highlighted Ence's performance in terms of environmental sustainability, labour practices & human rights, sustainable procurement and ethics, the areas where Ecovadis' analysts awarded Ence their highest scores.

The score obtained by Ence puts it at the global forefront in sustainability matters. Specifically, Ence ranked in the 99th percentile, ahead of all of its peers, evidencing the work being done by the Company to lead the way and become the best possible partner for its customers. Similarly in order to transparently evidence its products' sustainability attributes, Ence has worked together with Environdec to draft the Product Category Rule (PCR) needed to complete the standardised life cycle assessment (LVA) and Environmental Product Declaration (EPD) for pulp, so that the results are comparable with those of similar products. The EDPs for the pulp made in Pontevedra, Encell, TCF and Naturcell, were published on Environdec's website in 2021, making them the first pulp products in the market to obtain an Environmental Product Declaration. The new PCR(1) and the revised and updated EDPs(2) have been available for consultation since March and August 2022, respectively. The EDP for the unbleached pulp made in Navia, Encell ECF(3) was completed, audited and published in 3Q23.

Growth in the sale of **sustainable products** is one of Ence's key priorities, to which end it has set new and very ambitious sales targets for Naturcell, Powercell and Naturcell Zero for 2023. Sales of those products accounted for almost a quarter of total pulp sales in 3Q23 (18% in 9M23).

In parallel, in 2023, Ence continues to work to have pulp manufacturing at both of its biomills certified for food safety purposes under ISO 22000.

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

6. Community commitment

As part of its community engagement effort, Ence has continued to invest in its business communities, framed by the agreements in place with local councils in the towns where it has its main facilities. Ence supports projects of a social, environmental and sporting nature, including work to prevent social exclusion, and fosters entrepreneurship. In 3Q23, Ence pursued alliances with towns in Huelva for the provision of specialist technical training in the forestry sector. At the Navia biomill, Ence partnered with the town hall of Coaña for the installation of a new playground and the restoration and upgrade of municipal buildings for use as social centres in rural towns. The Pontevedra biomill, meanwhile, called a new tender for the Ence Pontevedra Community Plan, endowed with €3 million at each call. More than 300 projects have benefitted from this latest round of assistance.

In addition to the above community investments, in 9M23 Ence continued to roll out specific community relations plans with the aim of educating local residents and other stakeholders about the Company's activities. Under the umbrella of those plans, it hosted more than 1,000 visits to the facilities in Navia, Pontevedra, Huelva and Pontevedra in the first nine months of 2023. In parallel with those facility tours, the Company, with the help of its employees, carried out a number of training and education projects. It participated in the sixteenth edition of the International Bioenergy Congress, the "Energy in Galicia: Challenges and Opportunities of the Energy Transition" Workshop organised by the Energy Club and the event organised by AENOR at which the Company was distinguished for "20 years caring for the environment by Ence in Pontevedra".

Elsewhere, in the first nine months of the year, the Company organised close to 20 meetings with representatives of different stakeholders in order to keep communication flowing with all of them.

In addition to the activities designed to improve community relations, it is worth highlighting the knock-on effects and impact on socioeconomic development Ence's activities have in Asturias, Galicia, Andalusia and its other business communities. The Group’s activities generate an estimated 19,000 jobs between direct, indirect and induced jobs. Ence’s positive impact is particularly important in the agricultural (owners, harvesting firms and carriers) and forestry sectors (forest owners, forest service providers, wood harvesting firms and carriers, etc.), both of which with deep roots in the rural economy. As a result, Ence not only generates wealth for those stakeholders but also constitutes an important economic engine in those regions, contributing to the effort to stem depopulation and deindustrialisation in rural Spain.

7. Corporate governance

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

In sum, the objectives being pursued on the corporate governance front are aimed at upholding the interests of its shareholders and other stakeholders in the long term.

In 3Q23, Ence approved a specific sustainability due diligence policy, setting out the commitments and principles enshrined by the Company so as to ensure there are no human rights violations or negative impacts on the environment along its value chain. It also worked during the quarter on the implementation of the new policy in the form of a due diligence procedure for application by Ence in its business dealings with suppliers, partners, customers and other third parties.

Production cost reduction

Safe & efficient operations

Protecting Health and Safety
- ✓ **0 sick leave accidents** in the energy plants and biomass supply chain in 2023

Water footprint reduction
- ✓ **Water use reduction in both biomills** (-4,7% in Navia vs. 2022 and -1,1% in Pontevedra vs. 2022)

Advancing towards a circular economy
- ✓ **High levels of waste recovery,** in line with 2022 results (>98%)
- ✓ **100% plants ZERO WASTE certified**

Odour reduction (vs 2022)
- ✓ **-54%** odour minutes in Navia and **-65%** in Pontevedra

Leadership and differentiation

Climate action

Committed to mitigate climate change
- ✓ Ongoing climate risk analysis following **TCFD Recommendations**

Sustainable products

Differentiated products with higher added value
- ✓ **18% of total sales** (9M23). Products with higher and growing margins
- ✓ **1st Pulp EPD* published**: Encell TCF, Encell ECFand Naturcell
- ✓ **1st Carbon neutral product** (Naturcell Zero)

License to operate

People & Values

Talent as a competitive advantage
- ✓ **Great Place to Work** certification for the third year in a row
- ✓ We offer quality jobs: **93% of contracts were permanent**
- ✓ **+15% female employees** vs 2022

Commitment to communities

Adding value to society:
- ✓ **Launch of the Ence Pontevedra 2023 Social Plan,** endowed with 3 million euros
- ✓ **>300 social, environmental and cultural projects** sponsored within the Plan

Risk minimisation

Sustainable agroforestry

Certified supply chain
- ✓ **86%** of managed land certified
- ✓ **>72%** of supplied wood certified
- ✓ **>99%** wood & biomass suppliers homologated
- ✓ **100% plants SURE System certified** (Sustainable biomass)

Corporate governance
- ✓ **Approval of Ence’s Sustainability Due Diligence Policy,** which contains the guiding principles to prevent Human Rights violations and negative environmental impacts along Ence’s value chain.

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

Facility	Type of facility	MW	2023 Remuneration for investment in P&L (Ri; €/MW) *	Type of fuel	Remuneration for operation 2S23 (Ro; €/MWh)	Sale hours limit under regulated price	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	-	Lignin	-	6,500	2032
	Biomass generation		46,362	Agroforestry biomass	-	7,500	
Navia	Biomass co-generation	40.3	-	Lignin	-	6,500	2034
	Biomass generation	36.2	210,395	Agroforestry biomass	-	7,500	
Huelva 41MW	Biomass generation	41.0	39,759	Agroforestry biomass	-	7,500	2025
Jaen 16MW	Biomass generation	16.0	123,610	Olive Pulp	-	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	66,232	Olive Pulp	-	7,500	2027
Cordoba 27MW	Biomass generation	14.3	184,086	Olive Pulp	-	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	84.4	6,537	2030
Huelva 50MW	Biomass generation	50.0	242,587	Agroforestry biomass	-	7,500	2037
Mérida 20MW	Biomass generation	20.0	267,374	Agroforestry biomass	-	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	-	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	-	7,500	2044

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

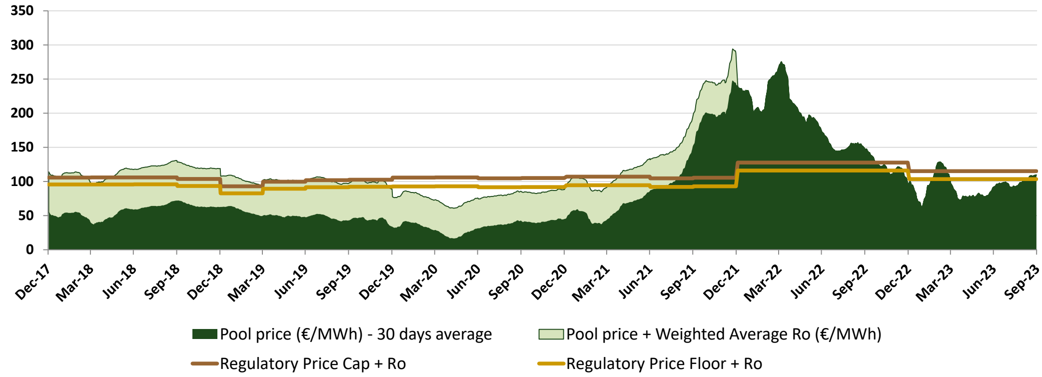
1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a minimum return on the estimated cost of building a 'standard' plant. That return was set at 7.4% for 2020–2031 via Royal Decree-Law 17/2019 (22 November 2019).

2. The **regulated sales price (€/MWh)** enables plant owners to cover all the estimated costs of operating a 'standard' plant, including fuel costs. That price is made up of the regulatory price plus the supplementary remuneration for operations (Ro) earned by each plant, where applicable.

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

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

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



3. Both the remuneration for investment and the regulated sale price are subject to a **levy on the value of electric energy produced of 7%**. That tax has been suspended temporarily since July 2021 and the Ministry has accordingly reduced the Company's plants' remuneration for operations.

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

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

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

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

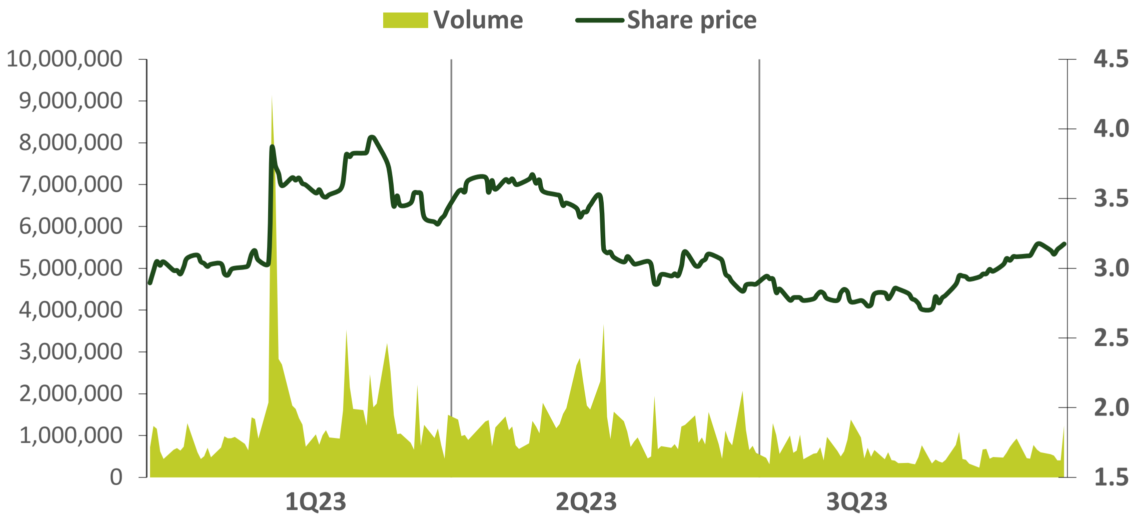
APPENDIX 3: SHARE PRICE PERFORMANCE

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

Ence's share price ended September at €3.17, a gain of 13% from year-end 2022, or 33.6% adjusting for the two interim dividends of €0.29 per share paid out on each of 16 March and 18 May 2023.

Over the same timeframe, the Company's peers' share prices corrected by 6.4% on average.

On 7 February 2023, Spain's Supreme Court upheld the validity of the extension of the Pontevedra biomill concession until 2073. That day the Company's share price jumped 27%.



SHARES	4Q22	1Q23	2Q23	3Q23
Share price at the end of the period	2.81	3.43	2.89	3.17
Market capitalization at the end of the period	692.0	844.7	710.7	781.7
Ence quarterly evolution	(8.5%)	22.1%	(15.9%)	10.0%
Daily average volume (shares)	745,786	1,455,322	1,222,432	605,663
Peers quarterly evolution *	(4.0%)	(10.5%)	(4.4%)	7.0%

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

Source: Bloomberg

APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

EBITDA

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

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

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

				9M2023				9M2022			
	Unit			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING PROFIT/(LOSS)	€ m	Mn €	PyG	(26.3)	7.5	1.2	(17.6)	71.8	23.8	1.3	96.9
Depreciation and amortisation charges	€ m	Mn €	PyG	40.7	28.4	(1.2)	67.8	31.5	35.5	(0.6)	66.4
Depletion of forest reserve	€ m	Mn €	PyG	6.9	-	-	6.9	5.2	0.0	-	5.2
Impairment of and gains/(losses) on disposal of fixed assets	€ m	Mn €	PyG	0.7	(0.3)	-	0.5	2.7	37.0	-	39.0
Other non-operating items	€ m	Mn €	APM	5.6	0.4	-	6.0	-	-	-	-
EBITDA	**€ m**	Mn €		**27.7**	**36.0**	**-**	**63.7**	**111.2**	**96.3**	**-**	**207.5**

Other non-recurring items, presented in sections 1, 2.5 and 4.1 of this report, refers to *ad-hoc* income and expenses unrelated to the Company's ordinary business activities that render two reporting periods less comparable. The balance of €5.6m recognised in 9M23 relates to inventory impairment allowances recognised to align their carrying amount with net pulp prices as at the September close.

CASH COST

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

The cash cost includes all of the costs directly related with the production and sale of pulp that impact cash flows. Therefore, it does not include asset depreciation and amortisation charges, impairment losses on non-current assets or gains or losses on their disposal, other non-operating items, finance income or costs or income tax.

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

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

	Unit	Source Financial Statement	9M2023 Negocio Celulosa Pulp	9M2022 Negocio Celulosa Pulp
Revenue from pulp sales	€ m	P&L	423.0	495.5
EBITDA	€ m	APM	(27.7)	(111.2)
Total costs (Revenue - EBITDA)	€ m		395.3	384.3
Gains/(losses) on hedging transactions	€ m	APM	(0.5)	(16.5)
Adjustments for tariff shortfall/surplus (electricity market)	€ m		3.1	(18.1)
Depletion of forest reserve	€ m	P&L	6.9	5.2
Change in inventories	€ m	P&L	(3.8)	(15.0)
Other income and expenses	€ m		(9.9)	(5.8)
ADJUSTED CASH COST	€ m		391.1	334.0
Pulp production costs	€ m		331.2	272.1
No. of tonnes produced	Unit		708,785	637,421
	€/tonne		**467.3**	**426.9**
PRODUCTION-RELATED COSTS PER TONNE				
Overhead, sales and logistics costs			59.9	61.9
No. of tonnes sold	Unit		705,420	676,273
	€/tonne		**84.9**	**91.5**
OVERHEAD, SALES AND LOGISTICS COSTS PER TONNE				
CASH COST	**€/tonne**		**552.2**	**518.4**

"Other income and expenses" includes the gain/(loss) on the sale of wood to third parties (-€0.9m in 9M23 and -€0.9m in 9M22), nursery costs (-€0.6m in 9M23 and -€0.8m in 9M22), long-term remuneration and termination benefits (-€1.9m in 9M23 and -€1.4m in 9M22), receivables impairment allowances (-€1.1m in 9M23) and bank charges (-€1m in 9M23 and -€0.9m in 9M22). The remaining items implied net costs of €4.4m in 9M23 and of €1.8m in 9M22.

OPERATING PROFIT PER TONNE OF PULP

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

It provides a comparable measure of the business's profitability and is measured as the difference between the average sales price per tonne, calculated by dividing revenue from the sale of pulp by the number of tonnes sold, and the cash cost.

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

	Unit	Source Financial Statement	9M2023 Pulp	9M2022 Pulp
Revenue from pulp sales	€ m	P&L	423.0	495.5
No. of tonnes sold	Unit		705,420	676,273
Average sales price per tonne (Revenue / # tonnes)	€/tonne		599.6	732.7
Cash cost (€)	€/tonne	APM	552.2	518.4
TOTAL OPERATING PROFIT PER TONNE OF PULP	**€/tonne**		**47.4**	**214.3**

NET FINANCE COST AND OTHER FINANCIAL ITEMS

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

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

Below is a reconciliation between the above amounts and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figures. The criteria used were the same in both periods:

	Unit	Source Financial Statement	9M2023 Pulp	9M2023 Renewable Energy	9M2023 Adjustments & Eliminations	9M2023 CONSOLIDATED TOTAL	9M2022 Pulp	9M2022 Renewable Energy	9M2022 Adjustments & Eliminations	9M2022 CONSOLIDATED TOTAL
Finance income	€ m	P&L	3.8	0.8	(0.5)	4.1	1.9	0.1	(0.9)	1.2
Finance costs	€ m	P&L	(15.1)	(10.4)	0.5	(24.9)	(8.3)	(13.1)	0.9	(20.5)
NET FINANCE COST	**€ m**		**(11.3)**	**(9.6)**	**-**	**(20.8)**	**(6.4)**	**(12.9)**	**(0.0)**	**(19.3)**
Change in fair value of financial instruments	€ m	P&L	-	-	-	-	-	0.3	-	0.3
Exchange differences	€ m	P&L	(0.1)	0.0	-	(0.1)	3.5	(0.0)	-	3.5
OTHER FINANCIAL ITEMS	**€ m**		**(0.1)**	**0.0**	**-**	**(0.1)**	**3.5**	**0.3**	**-**	**3.8**
NET FINANCE INCOME/(COST)	€ m	P&L	(11.4)	(9.5)	-	(20.9)	(2.9)	(12.7)	-	(15.6)

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

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

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

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

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

	Unit	Source Financial Statement	9M2023 Pulp	9M2023 Renewable Energy	9M2023 Adjustments & Eliminations	9M2023 CONSOLIDATED TOTAL	9M2022 Pulp	9M2022 Renewable Energy	9M2022 Adjustments & Eliminations	9M2022 CONSOLIDATED TOTAL
Maintenance capex	€ m		(12.1)	(2.1)	-	(14.2)	(13.3)	(1.6)	-	(14.9)
Efficiency and growth capex	€ m		(20.7)	(0.8)	-	(21.5)	(5.3)	(1.1)	-	(6.4)
Sustainability capex	€ m		(15.5)	(3.1)	-	(18.6)	(13.9)	(3.7)	-	(17.6)
Financial investments	€ m		(2.5)	0.4	2.9	0.8	(0.0)	-	-	(0.0)
TOTAL CAPITAL EXPENDITURE	**€ m**		**(50.8)**	**(5.6)**	**2.9**	**(53.5)**	**(32.5)**	**(6.4)**	**-**	**(38.9)**

OPERATING CASH FLOW

The operating cash flow analysed in sections 1, 2.6 and 3.4 of this report coincides with the net cash from operating activities presented in the statement of cash flows included in section 4.3. However, operating cash flow is arrived at by starting from EBITDA, whereas net cash from operating activities is arrived at by starting from profit before tax. As a result, the adjustments to profit do not coincide in the two calculations. This APM is provided to reconcile EBITDA and operating cash flow.

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

			9M2023				9M2022			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBITDA	€ m	APM	27.7	36.0	-	63.7	111.2	96.3	-	207.5
Other non-recurring items	€ m	APM	(5.6)	-	(0.4)	(6.0)	-	-	-	-
Adjustments to reconcile profit before tax to net cash flows:					-				-	
Changes in provisions and other deferred expense (net)	€ m	CF	15.6	2.2	-	17.8	1.5	0.9	-	2.4
Adjustments for tariff shortfall/surplus (electricity market)	€ m	CF	(3.1)	(9.7)	-	(12.8)	18.1	15.2	-	33.4
Grants taken to profit and loss	€ m	CF	(0.6)	(0.1)	-	(0.7)	(0.4)	(0.1)	-	(0.5)
Exchange differences with an impact on cash	€ m		(0.5)	(0.4)	0.6	(0.5)	1.0	(0.0)	-	1.0
Change in working capital	€ m		(55.1)	(70.8)	(0.3)	(126.1)	(4.7)	67.3	-	62.6
Interest paid, net (including right-of-use assets)	€ m	CF	(9.2)	(8.1)	-	(17.3)	(5.4)	(12.2)	-	(17.6)
Dividends received	€ m	CF	-	-	-	-	-	-	-	-
Income tax paid	€ m	CF	(3.9)	(10.1)	-	(14.1)	(1.9)	(2.5)	-	(4.3)
Other collections/(payments)	€ m	CF	-	-	-	-	(0.4)	-	-	(0.4)
OPERATING CASH FLOW			**(34.8)**	**(61.0)**	**-**	**(96.0)**	**118.9**	**165.0**	**-**	**283.9**

FREE CASH FLOW

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

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

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

			9M2023				9M2022			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	(34.8)	(61.0)	-	(96.0)	118.9	165.0	-	283.9
Net cash flows from/(used in) investing activities	€ m	CF	(51.3)	(5.6)	-	(53.6)	(32.4)	(6.1)	-	(38.5)
FREE CASH FLOW	**€ m**		**(86.1)**	**(66.5)**	**-**	**(149.6)**	**86.5**	**158.9**	**-**	**245.4**

NORMALISED FREE CASH FLOW

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

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

Below is a reconciliation between the above amounts and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M21 figures. The criteria used were the same in both periods:

			9M2023				9M2022			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBITDA	€ m	APM	27.7	36.0	-	63.7	111.2	96.3	-	207.5
Changes in working capital:					-				-	
Inventories	€ m	CF	(0.3)	2.1	-	1.8	(7.8)	(1.4)	-	(9.2)
Trade and other receivables	€ m	CF	(10.1)	21.7	(22.5)	(10.9)	(6.3)	6.0	5.2	4.9
Short-term investments	€ m	CF	(0.3)	(0.0)	-	(0.3)	1.2	(2.0)	-	(0.8)
Trade payables, other payables and other liabilities	€ m	CF	(44.4)	(94.5)	22.2	(116.7)	8.2	64.7	-	67.6
Maintenance capex	€ m	APM	(12.1)	(2.1)	-	(14.2)	(13.3)	(1.6)	-	(14.9)
Interest paid, net (including right-of-use assets)	€ m	CF	(9.2)	(8.1)	-	(17.3)	(5.4)	(12.2)	-	(17.6)
Income tax paid	€ m	CF	(3.9)	(10.1)	-	(14.1)	(1.9)	(2.5)	-	(4.3)
NORMALISED FREE CASH FLOW	**€ m**		**(52.6)**	**(55.1)**	**-**	**(107.9)**	**85.8**	**147.3**	**-**	**233.2**

NET DEBT/(CASH)

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

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

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

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

			Sep. 2023				Dec. 2022			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Non-current borrowings:										
Bonds and other maketable securities	€ m	BS	-	78.6		78.6	-	78.4		78.4
Bank borrowings	€ m	BS	264.8	30.6		295.5	96.9	43.7		140.6
Other financial liabilities	€ m	BS	81.7	2.5		84.1	66.3	0.8		67.0
Current borrowings:	€ m									
Bonds and other maketable securities	€ m	BS	-	1.5		1.5	64.1	0.0		64.1
Bank borrowings	€ m	BS	91.6	26.3		117.9	13.0	27.2		40.1
Other financial liabilities	€ m	BS	3.2	0.3		3.5	6.3	0.6		6.9
Cash and cash equivalents	€ m	BS	246.4	36.6		283.0	278.4	134.5		412.9
Current financial assets - Other financial investments	€ m		4.5	0.0		4.6	4.2	0.0		4.3
Cash reserve for debt service	€ m		-	10.0		10.0	-	10.0		10.0
NET DEBT/(CASH)	€ m		**190.4**	**93.1**		**283.6**	**(36.1)**	**6.1**		**(30.0)**

ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. It is provided in section 1 of this report.

It is calculated by dividing EBIT for the last 12 months by average capital employed during the period, capital employed being the sum of equity and net debt. For the Pulp business, equity is calculated as the difference between consolidated equity and the equity recognised by the Renewables business.

ROCE is widely used in the capital markets to measure and compare the earnings performance of different companies.

Below is a reconciliation between these headings and the amounts presented in the financial statements for the first nine months of 2023 and the comparison with the 9M22 figure. The criteria used were the same in both reporting periods:

			9M2023				9M2022			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBIT, last 12 months	€ m	P&L	(13.7)	12.0	1.6	(0.2)	74.3	17.5	1.9	93.8
Average capital employed, last 12 months					-					
Average equity	€ m	BS	522.1	236.4	40.0	798.5	607.8	230.4	-	838.2
Average net debt	€ m	BS	55.2	48.8	-	103.8	(22.6)	68.2	-	45.6
ROCE	**%**		**-2.4%**	**4.2%**	**n.s.**	**0.0%**	**12.7%**	**5.9%**	**n.s.**	**10.6%**

For ROCE calculation purposes, adjustments have been made for the impairment losses and provisions recognised in 2021 in the wake of the National Appellate Court sentences which annulled the extension of the Pontevedra biomill concession and their subsequent reversal following the Supreme Court ruling upholding the validity of the original extension to 2073.

In 4Q22, the Company reversed impairment losses and provisions with a net effect on EBIT and equity of €164m and €169m.

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

Any statements made in this report other than those based on historical information, including, merely for illustrative purposes, those referring to Ence's financial situation, business strategy, planned capital expenditure, management plans and objectives related to future operations, as well as statements including words such as “anticipate”, “believe”, “estimate”, “consider”, “expect” and other similar expressions, constitute forward-looking statements that reflect the current outlook of Ence or its management team with respect to future events and involve known and unknown risks and uncertainties. As a result, the actual situation and results of Ence and its sector could differ substantially from those depicted expressly or implicitly in these forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding Ence's current and future business strategy and the environment it expects to encounter in the future. A series of material factors could cause Ence's situation and results to differ materially from those reflected in these forward-looking statements, including fluctuations in pulp and/or wood prices, business seasonality, exchange rate fluctuations, financial risks, strikes or other action taken by Ence's employees, the competitive landscape, environmental risks and any of the other factors detailed in this document. The forward-looking statements are made only as of the date of this presentation. Ence disclaims any obligation or undertaking to update or revise these statements, whether as a result of any change in Ence's expectations or the conditions or circumstances underlying these statements, or any other information or data contained in this presentation.

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Earnings Report
3Q23

Global ESG
score: 90/100