



# 3Q24 Results

30 October 2024



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## Today's presenters



**Ignacio de Colmenares**

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*Chairman & CEO  
Ence Energía y Celulosa*



**Alfredo Avello**

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*Chief Financial Officer  
Ence Energía y Celulosa*

# Results Summary

## 3Q24 Financial Results

- €51m FCF generation in 3Q24
- €52m consolidated EBITDA in 3Q24, raising accumulated EBITDA to €152m in 9M24
- Renewables business EBITDA x2 in 3Q24, up to €9m driven by higher energy generation and lower operating costs, as well as the higher regulated price
- €42m EBITDA in the pulp business driven by the YoY improvement in pulp prices
- €18m working capital inflow in 3Q24, including a €43m reduction in the use of factoring lines following the collection of the Ro accrued in 1H24
- Low leverage position with €278m Net Debt at the end of 3Q24 and a cash balance of €332m

## 3Q24 Operating Highlights

- Pulp price adjustment in 3Q24, from its peak in July, driven by pulp destocking in China and the start of new capacity additions
- 42% YoY improvement in the pulp average net sales price vs. 3Q23, up to 678 EUR/t
- Ence Advanced pulp sales accounted for 19% of total pulp sales in 3Q24 and 22% in 9M24
- 36% pulp production increase in Pontevedra vs. 3Q23 despite the summer season, boosted by its new water recovery solution
- 5 €/t cash cost increase vs. 3Q23, up to 489 €/t driven by higher wood costs
- Lower energy cogeneration in Navia had a one-off extra cost of €2m in 3Q24
- 23% higher energy generation and 13% lower operating costs in Renewables

## 4Q24 Outlook

- Hardwood pulp price has already stabilized in China, following a 24% correction in 3Q24
- We expect hardwood pulp price to recover, supported by a USD 384 gross price gap vs. softwood pulp
- Several softwood and hardwood pulp producers have already announced market related production curtailments
- Ence pulp sales volume in 4Q24 is expected to be similar than in 3Q24, with an increase in our pulp inventories
- Cash cost in 4Q24 is expected to be higher than in 3Q24, due to temporary factors
- Second interim dividend of €8m to be paid on 7 November

## Growth, Efficiency and Diversification Projects

- Ence Advanced pulp sales to reach 50% of the total by 2028
- Fluff diversification project on track. Commissioning expected in 4Q25
- Finalizing the engineering for the production of renewable packaging solutions
- Finalizing the engineering to decarbonize the Navia biomill
- Finalizing the engineering to boost the efficiency and flexibility of the Pontevedra biomill
- The permitting of the As Pontes project is progressing.
- 14 biomethane plants now in their engineering and permitting phase
- 4 renewable thermal energy plants now in their engineering and permitting phase



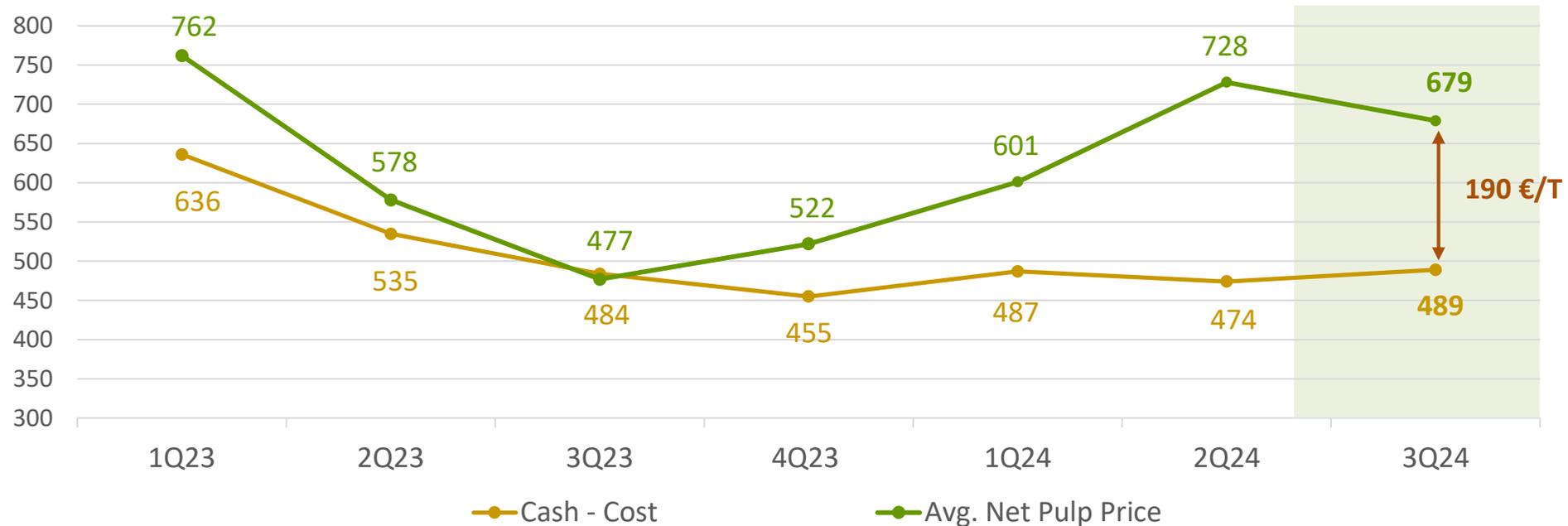
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## 3Q24 Operating Highlights

# Pulp price adjustment in 3Q24

Driven by pulp destocking in China and the start of new capacity additions

Avg. NET Pulp Price & Cash-Cost  
(€/t)



- 20% pulp price adjustment in Europe during 3Q24, down to a gross price of 1,160 USD/t (equivalent to a net price of around 650 USD/t) in October
- 49 €/t reduction in the average sales price in 3Q24, down to 679 €/t also affected by lower prices in the spot market
- 15 €/t QoQ increase in cash cost mainly due to the wood cost increase

# 36% pulp production increase in Pontevedra vs. 3Q23

Lower energy co-generation in Navia

## Water recovery solution in Pontevedra



- 36% pulp production increase in Pontevedra vs. 3Q23, up to 93 Kt, despite its maintenance shutdown in 3Q24
- The new water effluent recovery solution resulted in a **50% reduction in the mill water consumption during August and September**, allowing it to operate normally while complying with the ecological river water level

## Lower energy co-generation in Navia



- Incident in Navia's energy co-generation turbine in September
- **One-off extra cost of €2m in 3Q24** due to temporary higher energy purchases (not included in cash cost).
- **This incident is expected to be resolved during 1Q25. A one-off extra cost of approximately €6m is expected in 4Q24**

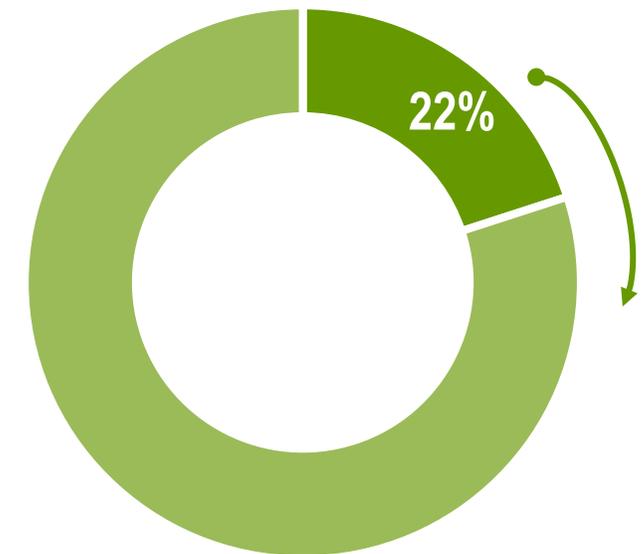
# Ence Advanced pulp accounted for 22% of our pulp sales in 9M24

Adapted pulp with over 30 €/t higher operating margin than our standard pulp



- ✓ **High strength pulp aiming to substitute softwood pulp**
- ✓ **Minimizes the energy consumption during the refining process**
- ✓ First unbleached hardwood pulp in the market
- ✓ Certified CO<sup>2</sup> footprint during the product life cycle
- ✓ Increases tissue softness
- ✓ Low wet-expansion cellulose suitable for decor paper applications
- ✓ Narrow range of porosity
- ✓ Plastic alternative in packaging for food & beverage industry
- ✓ Low porosity material

% of total pulp sales in 9M24



+ Others such as  photocell ,  high white ,  softcell and  porocell

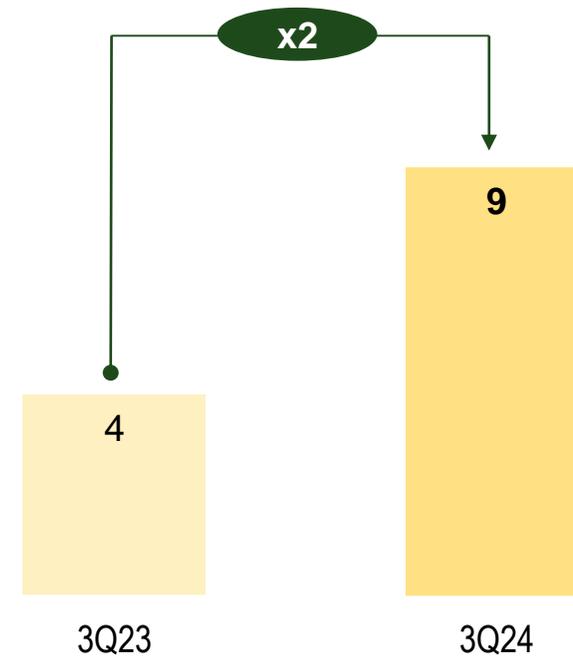
We aim at reaching c.50% of our pulp production by 2028 (>500,000 t) with over 30 €/t higher operating margin than our standard pulp

# Renewables business EBITDA x 2 in 3Q24, up to €9m

Driven by a higher energy output and lower operating costs, as well as the higher regulated price



Renewable business EBITDA  
(€m)





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## 4Q24 Outlook

# Pulp price already stabilizing in China

Record price gap with other pulp grades should lend support to BHKP prices

NET Pulp Prices in China  
(USD/t)



- Increased pulp buying activity in China in September, after several months of weaker volumes
- Record price gap with other pulp grades (NBSK, DP) should lend support to BHKP prices
- Net BHKP price already at marginal production cost levels of integrated producers in China
- Several NBSK and BHKP pulp producers have already announced market related production curtailments and swings to other pulp grades for a total amount exceeding 1 million tons during the next few months

# Second interim dividend of €8m to be paid in November

First interim dividend of €26m was paid in August

## Dividend policy

Amount based on **cash**

available for distribution

Ensuring a **leverage** below:

**2.5 x**

Net Debt / average cycle EBITDA for the **Pulp** business

**5.0 x**

Net Debt / average cycle EBITDA for the **Renewable** business

Considering capex plans and commitments

## Second interim dividend against 2024 results:

- Total gross amount €8m
- Equivalent to a gross **€ 0,033 /share**
- **Payment date: 7 November 2024**
- Ex- Dividend Date: 5 November 2024

**4.6%<sup>1</sup> dividend yield in 2024**  
including both payments

1) Calculated over ENC closing Price as of 30/09/24



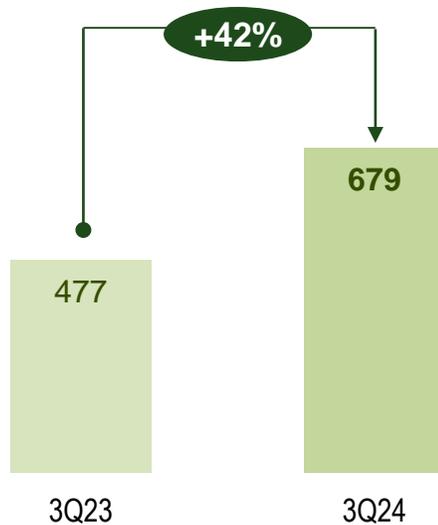
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## 3Q24 Financial Results

# €42m Pulp business EBITDA in 3Q24

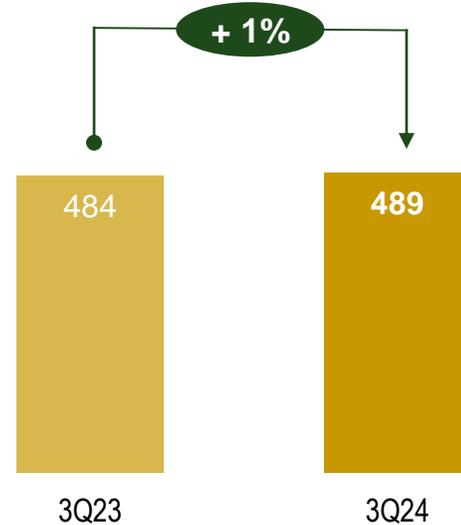
## €132m accumulated EBITDA in the first nine months

Avg. NET Sales price  
(€/t)



202 €/t avg. net pulp price improvement vs. 3Q23

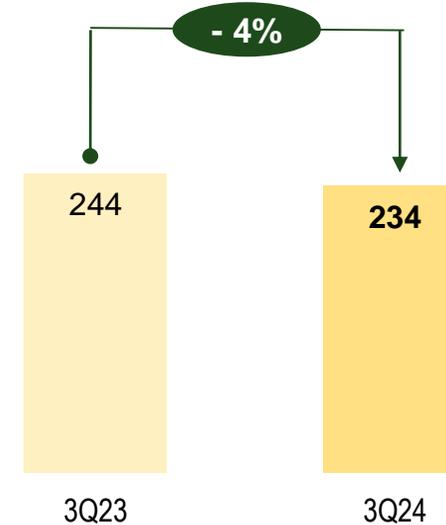
Cash Cost  
(€/t)



5 €/t cash cost increase vs. 3Q23

- Mainly due to higher wood costs

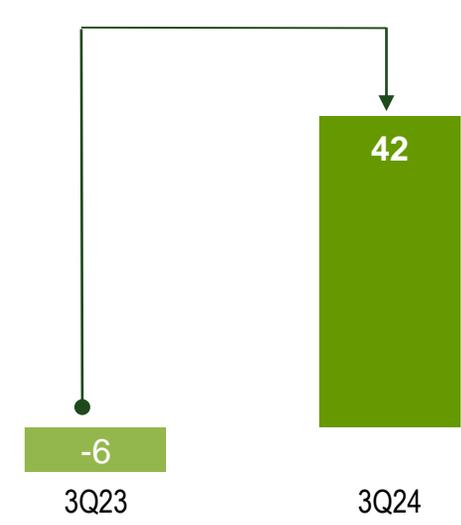
Pulp sales volume  
(,000 t)



-10 Kt lower sales vs. 3Q23

- 14 Kt inventory increase in 3Q24
- Higher volumes in the spot market

Pulp EBITDA  
(€m)



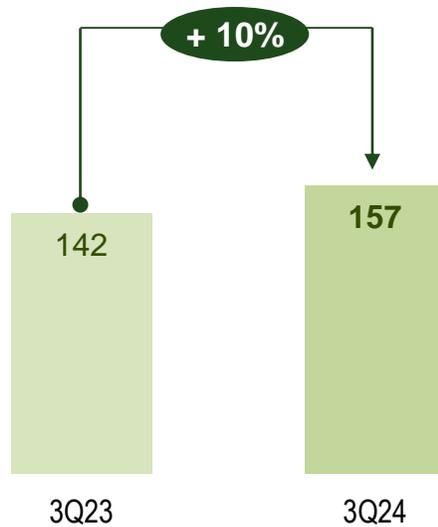
€42m EBITDA in 3Q24

- Includes a non ordinary one-off cost of €2m due to lower energy cogeneration at Navia

# €9m Renewable business EBITDA in 3Q24

€20m accumulated EBITDA in the first nine months

Average revenue per MWh  
(€/MWh)



**15 €/MWh higher revenues vs. 3Q23**

- New methodology to update quarterly the Ro cashed by biomass plants as from 2024

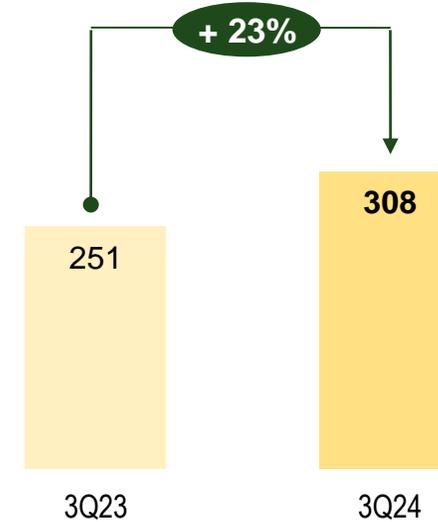
Net operating costs per MWh  
(€/MWh)



**18 €/MWh lower operating cost vs. 3Q23**

- Lower biomass cost
- Higher fixed cost dilution on back of higher energy output

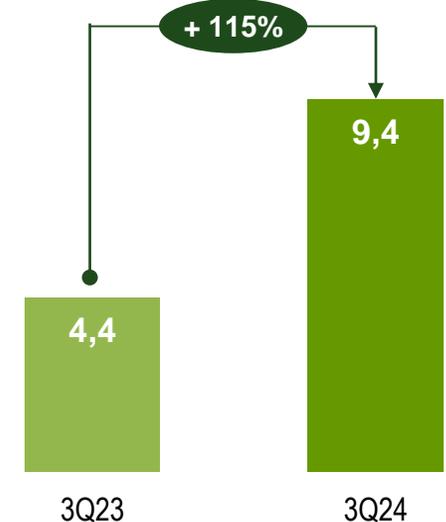
Energy volume sold  
(GWh)



**57 GWh output improvement**

- Favoured by the new regulatory framework approved in 2024

Renewables EBITDA  
(€m)



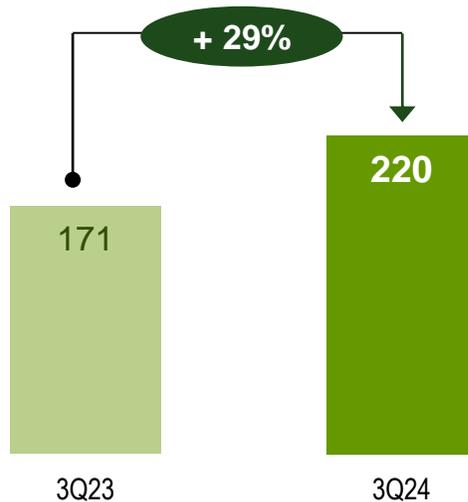
**115% EBITDA growth vs. 3Q23**

- Higher energy volumes
- Lower operating costs
- Higher regulated price

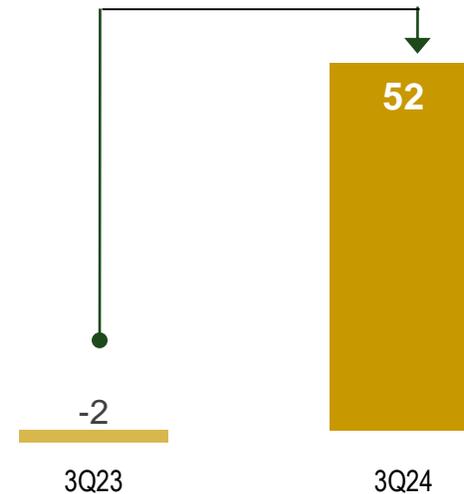
# €52m consolidated EBITDA in 3Q24

€152m accumulated in the first nine months

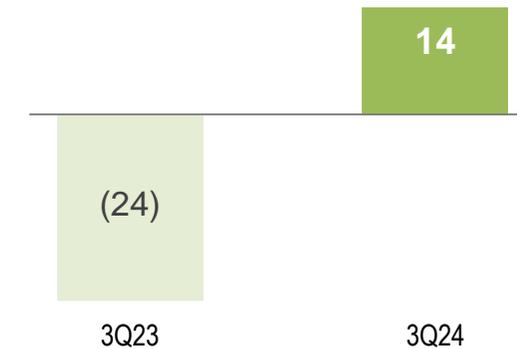
Group Revenues (€ m)



Group EBITDA (€ m)



Attributable Net Income (€ m)



## €49m consolidated revenue growth vs. 3Q23

- +€44m in the Pulp business boosted by 42% higher pulp price
- +€5m in the Renewable business boosted by 23% higher energy output at higher regulated prices

## €53m consolidated EBITDA growth vs. 3Q23

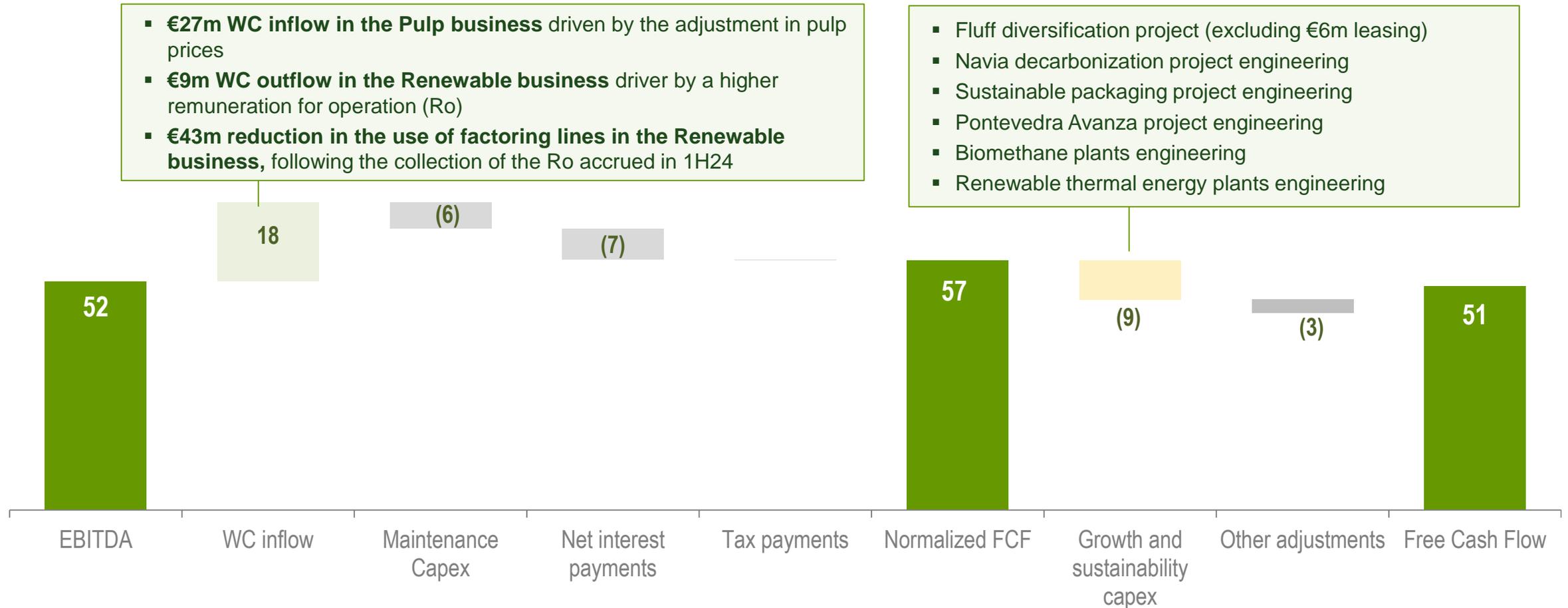
- + €48m in the Pulp business Boosted by the improvement in pulp prices
- + €5m in the Renewable business

## + €38m Attributable Net Income improvement vs. 3Q23

# €51m FCF in 3Q24

Including a €43m reduction in the use of factoring lines in the Renewable business

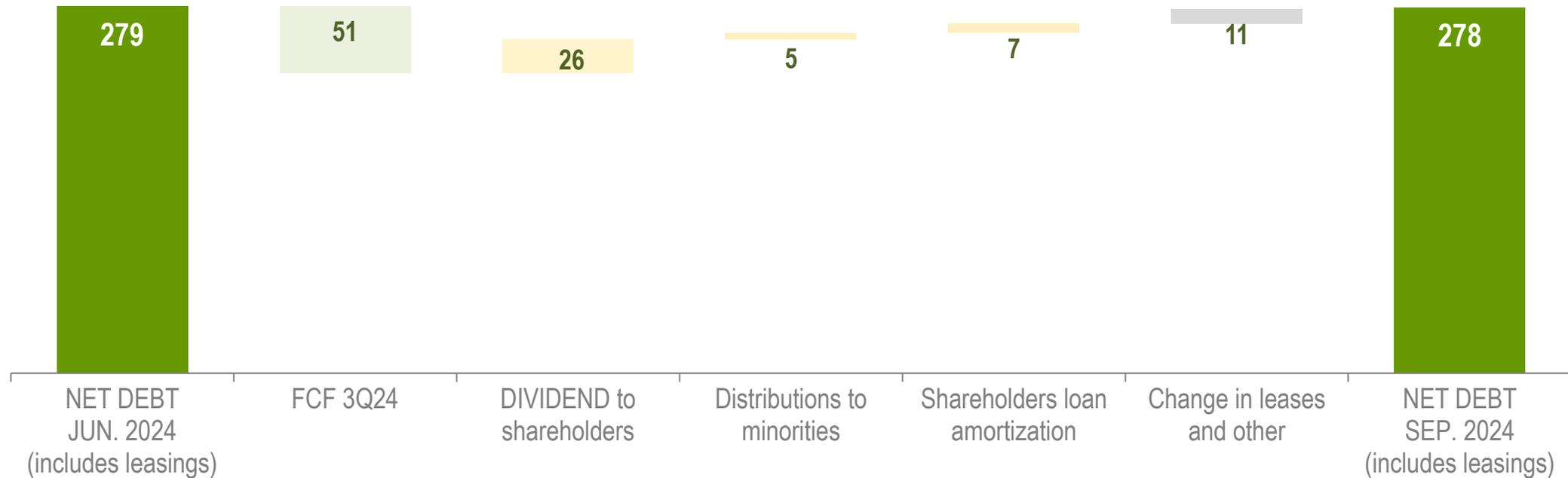
Cash Flow Statement 3Q24  
(€m)



# Net debt down to €278m, following a €26m dividend to shareholders

In addition to a €43m reduction in the use of factoring lines in the Renewable business

Net Debt Change in 3Q24  
(€m)



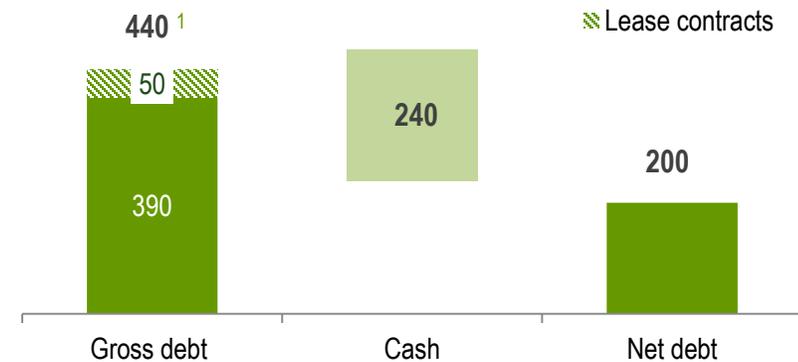
**Low leverage position vs. our Group average cycle EBITDA of €175m<sup>1</sup>**

1) Average consolidated EBITDA 2015 – 2023, excluding the impact in 2021 of one-off pulp and energy price hedges arranged in 2020, during the pandemic

# Successful Magnon corporate refinancing in July

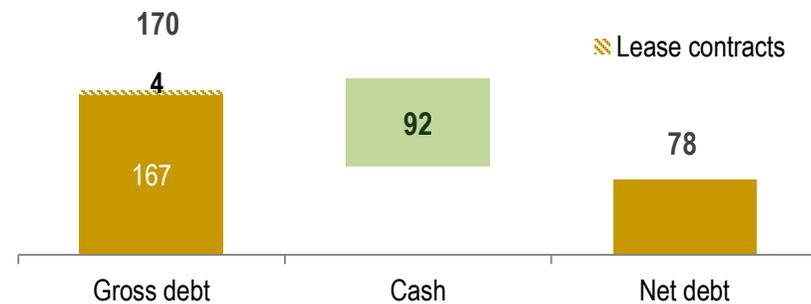
Strong liquidity, long term maturities, and no covenants in Pulp

Pulp business net debt as of 30 Sep. 2024 (€ m)

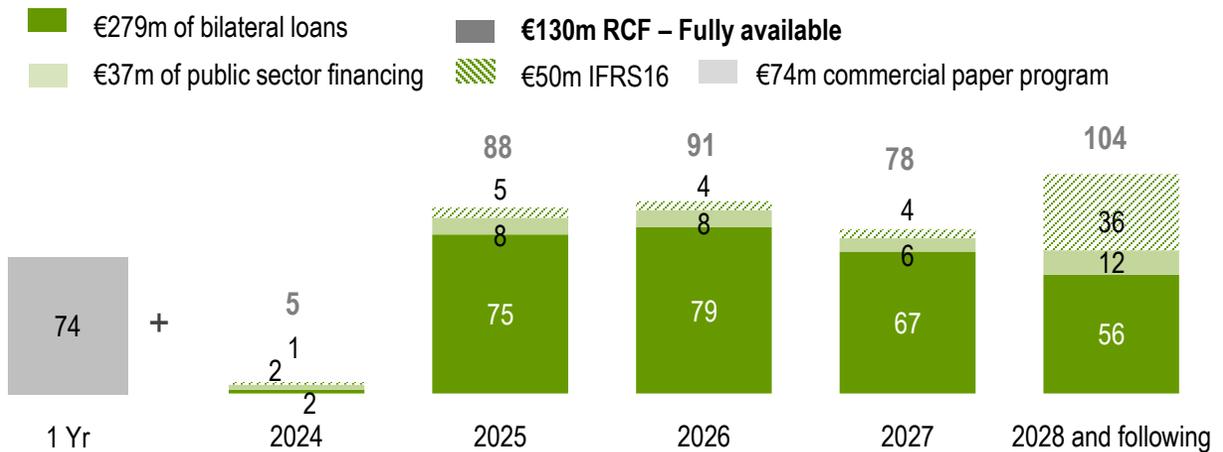


1) Pulp business financial debt is covenant free

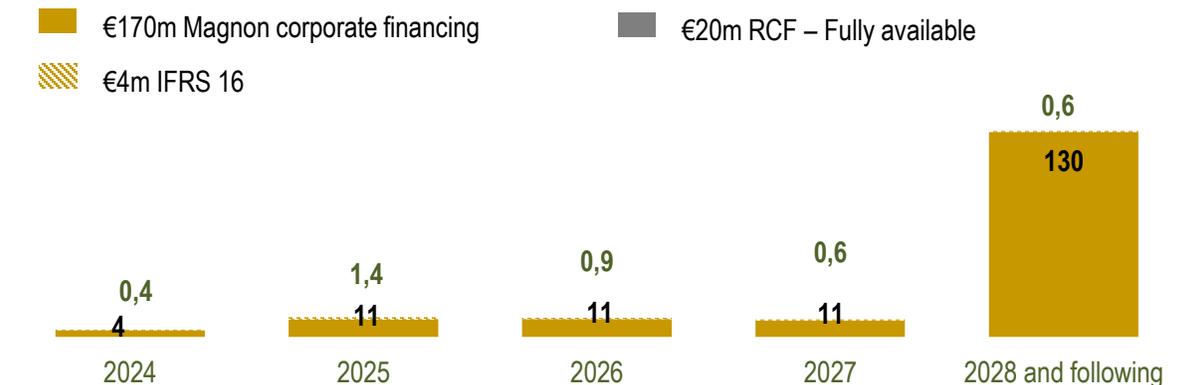
Renewables business net debt as of 30 Sep. 2024 (€ m)



Pulp business debt maturity schedule (€ m)



Magnon debt maturity schedule (€ m)



# ENCE: industry leader in sustainability

## Highlights Q3 2024



### Safe and Eco-efficient operations

For operational cost reduction

#### Protecting Health and Safety of employees and contractors

- ✓ 49% reduction of accidents with leave vs. 2023
- ✓ 59% reduction in Severity rate vs. 2023

#### Water use reduction

- ✓ - 11.2% Pontevedra (vs 2023), increasing resilience to climate risks related to droughts

#### Odour reduction (vs. 2023)

- ✓ - 20% Navia and -35% Pontevedra

#### Advancing towards a circular economy

- ✓ 100% sites ZERO WASTE certified

#### Committed to mitigate climate change

- ✓ New decarbonization plan with GHG emission reduction targets for 2030



### Bioproducts & ecosystem services

Potential for topline improvement

#### Differentiated pulp products with higher added value

- ✓ 22% of total pulp sales in 9M24. Products with higher and growing margins
- ✓ 1<sup>st</sup> Carbon neutral product (Naturcell Zero)

#### Forestry bioproducts and ecosystem services

- ✓ Improved plant material, better adapted to climate change: 1 new Eucalyptus clone in commercial phase + 1 clon in pre-commercial phase
- ✓ >2.000 ha Forest sinks registered in voluntary carbon markets



### Responsible supply chain

To become preferred supplier

#### Certified supply chain

- ✓ 87% of managed land certified
- ✓ >78% of wood certified
- ✓ 100% sites SURE System certified (Sustainable biomass)

#### Supply chain supervision

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



### Positive social impact

To grant business sustainability

#### Talent as a competitive advantage

- ✓ 27,1% female employees
- ✓ 29,3% females in managerial positions
- ✓ Great Place to Work certification (4<sup>th</sup> year in a row)

#### Creating positive social impact in local communities

- ✓ New edition of Ence's Pontevedra Social Plan (3M€), with more than 500 applications

#### Promoting professional development in rural communities

- ✓ New edition of the Forestry machinery training program
- ✓ 800+ technical advice sessions with Forest owners



4.

## Growth, efficiency and diversification projects

# Diversification projects in the Pulp business

Without increasing the consumption of wood

Status: **On track**

Status: **On track**  
ROCE<sup>1</sup> target: **>15%**

Status: **Engineering and permitting**  
ROCE<sup>1</sup> target: **>15%**

## ENCE ADVANCED PULP

To develop and sell our Ence Advanced products, with enhanced technical properties and over **30 €/t higher operating margin** than our standard pulp

% / total pulp sales	<b>22% in 9M24</b>
Substitution target	50% by 2028
Estimated capex	0



## FLUFF

To diversify Navia's production into Fluff pulp for the absorbent hygienic products industry in Europe, substituting imported Fluff based on softwood. Over **60 €/t<sup>2</sup> higher operating margin** expected vs. standard pulp

Substitution target	125 Kt
Estimated capex	€30m in 2024-25
<b>Exp. commissioning</b>	<b>4Q 2025</b>



## RENEWABLE PACKAGING SOLUTIONS

To develop and produce a portfolio of renewable packaging solutions, capable of replacing single-use plastic packaging in the food sector

Production target:	1 Kt / 40 m units
Estimated capex:	€12m in 2025
Investment decision:	4Q24



<sup>2</sup> Based on Fluff pulp prices in Europe during 9M24

<sup>1</sup> ROCE = EBIT / Equity + Net Debt (including leases)

# Efficiency and growth projects in the Pulp business

Without increasing the consumption of wood

Status: **Engineering and permitting**  
ROCE<sup>1</sup> target: **>15%**

## NAVIA DECARBONIZATION

60% reduction of Navia's scope 1 emissions by reconditioning the wood yard and replacing natural gas with biomass in its lime kiln

Navia cash cost reduction target: 13 €/t (8 €/t in the Group)

Net estimated capex: €35m in 2025-27

Investment decision: 1Q25



Status: **Engineering and permitting**  
ROCE<sup>1</sup> target: **>12%**

## PONTEVEDRA AVANZA

Integral project to boost the efficiency and flexibility of Pontevedra biomill

Pontevedra cash cost reduction target: 50 €/t (20 €/t in the Group)

Estimated capex: €120m in 2025-30

Investment decision: 2025



Status: **Engineering and permitting**  
ROCE<sup>1</sup> target: **>12%**

## AS PONTES

To produce bleached recycled pulp in As Pontes (Galicia) using recycled fibers, without increasing the consumption of wood

Production target: + 100 Kt

Estimated capex: > €125m

Investment decision: 2025



<sup>1</sup> ROCE = EBIT / Equity + Net Debt (including leases)

# Growth and diversification projects in Renewables

14 biomethane plants on their engineering and permitting phase with a required ROCE<sup>1</sup> >12%

## BIOMETHANE BUSINESS

Biomethane generation from the recycling of local agricultural and livestock biomass, including the associated sustainability certificate and a high-quality organic fertilizer as a byproduct

Production Target: 1,000 GWh by 2030

Estimated Capex: €0.4m / GWh

ROCE Target: > 12%



Working on 37 biomethane projects in Spain

28 plants with secured location and feasibility study completed

14 plants in the permitting phase

6 plants expected RTB in 2025

Working on 37 biomethane projects in Spain for our own development and rotation at RTB (ready to build status)

<sup>1</sup> ROCE = EBIT / Equity + Net Debt (including leases)

# Growth and diversification projects in Renewables

4 renewable thermal plants on their engineering and permitting phase with a required ROCE<sup>1</sup> >11%

## RENEWABLE THERMAL ENERGY

Development and operation of comprehensive thermal energy solutions based on biomass for industrial applications

Production Target: 2,000 GWh by 2030

Estimated Capex: €0.1m – €0.2m / GWh

ROCE Target: > 11%



1 renewable thermal energy contract in operation and 14 projects under negotiation

7 projects under advanced negotiations

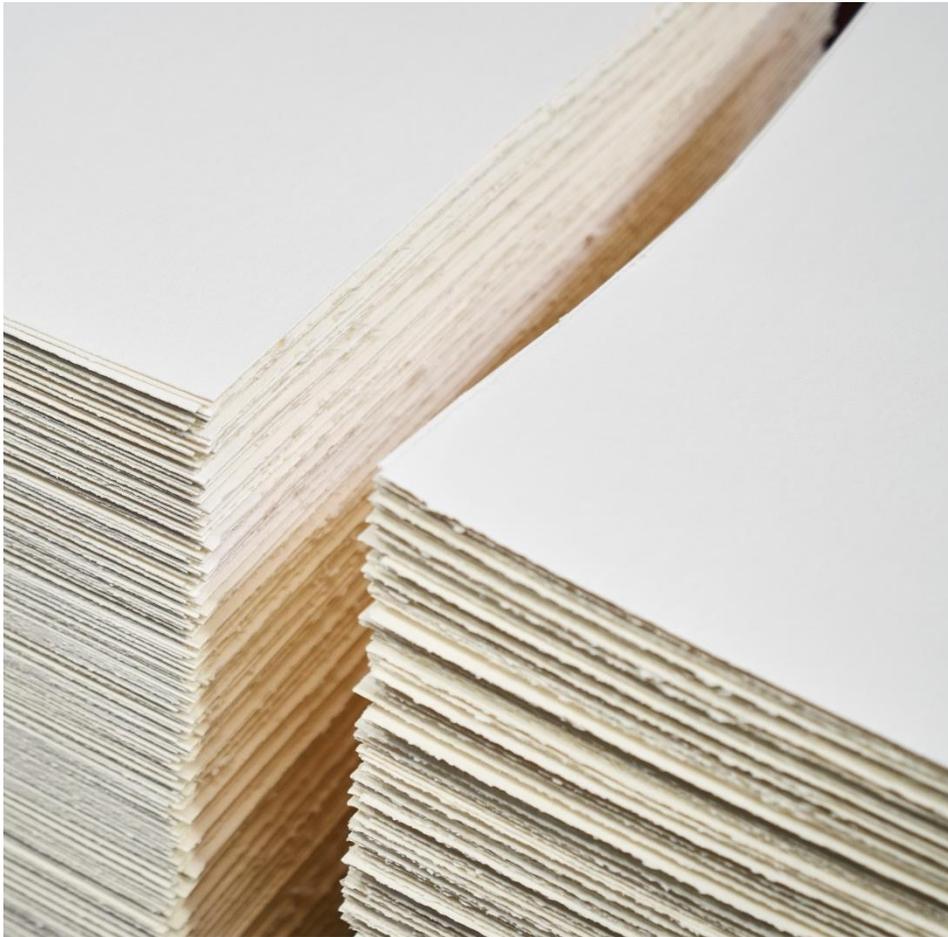
4 plants under exclusivity in their engineering and permitting phase

4 plants expected RTB in 2025

Working on 14 renewable thermal energy projects in Spain for our own development

<sup>1</sup> ROCE = EBIT / Equity + Net Debt (including leases)

# Closing Remarks



- Strong operating margin and free cash flow generation in 3Q24 despite softening pulp prices
- Pulp prices have already stabilized in China. We expect the price of hardwood pulp to recover from here, supported by its current price advantage vs. other pulp grades and by the announced production curtailments
- We have a low leverage position and strong liquidity. We are well positioned to reach our growth and diversification goals, whilst maintaining a prudent leverage and an attractive shareholder remuneration
- A second interim dividend of €8m will be paid on 7 November, which together with the first interim dividend of €26m paid in August, implies a 5% annual dividend yield
- We expect the first growth and diversification projects in both businesses to materialize in the coming quarters
- The accomplishment of our goals should allow us to improve significantly our recurrent EBITDA in the pulp business and more than double the recurrent EBITDA in the Renewable business over the next 5 years



Appendix

# Group Financial Review

## P&L

Figures in € m	9M24				9M23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
<b>Total revenue</b>	<b>530,6</b>	<b>140,3</b>	<b>(2,8)</b>	<b>668,1</b>	<b>462,3</b>	<b>169,6</b>	<b>(2,2)</b>	<b>629,6</b>
Other income	16,1	3,3	(0,9)	18,5	21,9	4,1	(0,9)	25,1
Foreign exchange hedging operations results	0,5	-	-	0,5	(0,5)	-	-	(0,5)
Cost of sales and change in inventories of finished products	(258,3)	(50,5)	2,8	(306,1)	(264,9)	(68,2)	2,2	(330,9)
Personnel expenses	(68,6)	(17,7)	-	(86,3)	(65,0)	(15,4)	-	(80,4)
Other operating expenses	(88,5)	(54,7)	0,9	(142,2)	(126,2)	(54,0)	0,9	(179,3)
<b>EBITDA</b>	<b>131,8</b>	<b>20,6</b>	<b>-</b>	<b>152,5</b>	<b>27,7</b>	<b>36,0</b>	<b>-</b>	<b>63,7</b>
Depreciation and amortisation	(43,3)	(25,4)	1,2	(67,6)	(40,7)	(28,4)	1,2	(67,8)
Depletion of forestry reserves	(7,6)	-	-	(7,6)	(6,9)	-	-	(6,9)
Impairment of and gains/(losses) on fixed-asset disposals	(0,9)	1,1	-	0,2	(0,7)	0,3	-	(0,5)
Other non-ordinary operating gains/(losses)	(2,0)	(4,5)	-	(6,5)	(5,6)	(0,4)	0,0	(6,0)
<b>EBIT</b>	<b>78,0</b>	<b>(8,1)</b>	<b>1,2</b>	<b>71,1</b>	<b>(26,3)</b>	<b>7,5</b>	<b>1,2</b>	<b>(17,6)</b>
Net finance cost	(14,1)	(9,7)	-	(23,8)	(11,3)	(9,6)	(0,0)	(20,8)
Other finance income/(costs)	(1,0)	0,3	-	(0,7)	(0,1)	0,0	-	(0,1)
<b>Profit before tax</b>	<b>63,0</b>	<b>(17,5)</b>	<b>1,2</b>	<b>46,7</b>	<b>(37,6)</b>	<b>(2,0)</b>	<b>1,2</b>	<b>(38,5)</b>
Income tax	(13,8)	0,5	(0,1)	(13,5)	7,4	5,2	(0,1)	12,5
<b>Net Income</b>	<b>49,1</b>	<b>(17,1)</b>	<b>1,1</b>	<b>33,2</b>	<b>(30,2)</b>	<b>3,2</b>	<b>1,1</b>	<b>(25,9)</b>
Non-controlling interests	-	7,6	-	7,6	-	(2,3)	-	(2,3)
<b>Atributable Net Income</b>	<b>49,1</b>	<b>(9,5)</b>	<b>1,1</b>	<b>40,8</b>	<b>(30,2)</b>	<b>0,9</b>	<b>1,1</b>	<b>(28,2)</b>
Earnings per Share (EPS)	0,20	(0,04)	-	0,17	(0,12)	(0,05)	-	(0,12)

# Group Financial Review

## Cash Flow Statement

Figures in € m	9M24				9M23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
<b>Consolidated profit/(loss) for the period before tax</b>	<b>63,0</b>	<b>(17,5)</b>	<b>1,2</b>	<b>46,7</b>	<b>(37,6)</b>	<b>(2,0)</b>	<b>1,2</b>	<b>(38,5)</b>
Depreciation and amortisation	50,9	25,4	(1,2)	75,1	47,6	28,4	(1,2)	74,7
Changes in provisions and other deferred expense	7,7	1,3	-	9,0	15,6	2,2	-	17,8
Impairment of gains/(losses) on disposals intangible assets	0,9	(1,1)	-	(0,2)	0,8	(0,3)	-	0,5
Net finance result	14,7	9,4	-	24,0	10,8	9,6	-	20,3
Energy regulation adjustments	(0,3)	0,5	-	0,2	(3,1)	(9,7)	-	(12,8)
Government grants taken to income	(0,7)	(0,1)	-	(0,8)	(0,6)	(0,1)	-	(0,7)
<b>Adjustments to profit</b>	<b>73,1</b>	<b>35,4</b>	<b>(1,2)</b>	<b>107,2</b>	<b>71,0</b>	<b>30,1</b>	<b>(1,2)</b>	<b>99,9</b>
Inventories	(13,4)	0,0	(0,0)	(13,4)	(0,3)	2,1	-	1,8
Trade and other receivables	(27,2)	(21,1)	4,1	(44,1)	(10,1)	21,7	(22,5)	(10,9)
Current financial and other assets	(0,7)	(0,2)	-	(0,8)	(0,3)	(0,0)	-	(0,3)
Trade and other payables	0,4	3,1	(4,1)	(0,7)	(44,4)	(94,5)	22,2	(116,7)
<b>Changes in working capital</b>	<b>(41,0)</b>	<b>(18,1)</b>	<b>-</b>	<b>(59,1)</b>	<b>(55,1)</b>	<b>(70,8)</b>	<b>(0,3)</b>	<b>(126,1)</b>
Interest paid	(15,4)	(8,5)	-	(23,9)	(9,2)	(8,1)	-	(17,3)
Income tax received/(paid)	(1,7)	(0,3)	-	(2,0)	(3,9)	(10,1)	-	(14,1)
Other collections/(payments)	(0,2)	-	-	(0,2)	-	-	-	-
<b>Other cash flows from operating activities</b>	<b>(17,3)</b>	<b>(8,8)</b>	<b>-</b>	<b>(26,1)</b>	<b>(13,1)</b>	<b>(18,3)</b>	<b>-</b>	<b>(31,4)</b>
<b>Net cash flow from operating activities</b>	<b>77,8</b>	<b>(9,1)</b>	<b>-</b>	<b>68,7</b>	<b>(34,8)</b>	<b>(61,0)</b>	<b>-</b>	<b>(96,0)</b>
Property, plant and equipment	(35,8)	(10,7)	-	(46,4)	(44,7)	(5,5)	-	(50,3)
Intangible assets	(3,3)	(1,4)	-	(4,7)	(3,6)	(0,4)	-	(4,0)
Other financial assets	(22,8)	(0,8)	23,5	(0,1)	(2,5)	0,4	2,9	0,8
Disposals	6,3	0,5	-	6,8	(0,5)	-	0,4	(0,1)
<b>Net cash flow used in investing activities</b>	<b>(55,6)</b>	<b>(12,3)</b>	<b>23,5</b>	<b>(44,5)</b>	<b>(51,3)</b>	<b>(5,6)</b>	<b>3,3</b>	<b>(53,6)</b>
<b>Free cash flow</b>	<b>22,2</b>	<b>(21,4)</b>	<b>23,5</b>	<b>24,3</b>	<b>(86,1)</b>	<b>(66,5)</b>	<b>3,0</b>	<b>(149,6)</b>

# Group Financial Review

## Balance Sheet

Figures in € m	Sep-24				Dec-23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	18,6	33,7	(11,7)	40,7	17,7	33,7	(12,1)	39,3
Property, plant and equipment	606,2	365,5	(6,7)	965,1	617,5	379,0	(7,5)	989,0
Biological assets	65,8	0,2	-	66,0	66,9	0,2	-	67,1
Non-current investments in Group companies	114,0	0,0	(114,0)	0,1	114,0	0,0	(114,0)	0,0
Non-current borrowings to Group companies	45,2	0,4	(45,2)	0,4	22,3	-	(22,3)	-
Deferred tax assets	28,4	28,3	2,9	59,6	38,0	27,0	3,0	68,0
Non-current financial assets	28,4	20,0	-	48,4	27,7	24,9	-	52,6
Cash reserve for debt service	-	10,0	-	10,0	-	10,0	-	10,0
<b>Total non-current assets</b>	<b>906,7</b>	<b>458,2</b>	<b>(174,6)</b>	<b>1.190,3</b>	<b>904,0</b>	<b>474,8</b>	<b>(152,8)</b>	<b>1.226,0</b>
Inventories	65,0	15,2	(0,0)	80,1	54,8	17,3	-	72,1
Trade and other accounts receivable	59,5	28,2	(6,1)	81,6	39,5	7,5	(2,0)	45,1
Income tax	4,9	9,9	-	14,8	4,8	10,1	-	15,0
Other current assets	12,1	1,3	-	13,4	3,8	0,2	-	4,0
Hedging derivatives	1,9	0,3	-	2,2	1,1	1,7	-	2,8
Current financial investments in Group companies	0,0	0,9	(0,9)	0,0	0,2	0,1	(0,3)	0,0
Current financial investments	3,2	0,2	-	3,3	2,5	0,0	-	2,5
Cash and cash equivalents	236,5	82,3	-	318,8	311,2	21,8	-	333,0
<b>Total current assets</b>	<b>383,1</b>	<b>138,3</b>	<b>(7,0)</b>	<b>514,4</b>	<b>418,0</b>	<b>58,7</b>	<b>(2,3)</b>	<b>474,5</b>
<b>TOTAL ASSETS</b>	<b>1.289,8</b>	<b>596,5</b>	<b>(181,6)</b>	<b>1.704,7</b>	<b>1.322,0</b>	<b>533,5</b>	<b>(155,1)</b>	<b>1.700,5</b>
<b>Equity</b>	<b>579,2</b>	<b>200,9</b>	<b>(129,4)</b>	<b>650,7</b>	<b>552,5</b>	<b>227,7</b>	<b>(130,5)</b>	<b>649,6</b>
Non-current borrowings	308,8	158,7	-	467,5	349,6	90,6	-	440,2
Non-current loans with Group companies and associates	-	74,2	(45,2)	29,0	-	27,1	(22,3)	4,9
Non-current derivatives	2,8	2,5	-	5,3	3,4	-	-	3,4
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	29,0	0,4	-	29,4	28,1	0,1	-	28,3
Other non-current liabilities	34,8	65,3	-	100,0	35,9	69,6	-	105,5
<b>Total non-current liabilities</b>	<b>375,4</b>	<b>301,0</b>	<b>(45,2)</b>	<b>631,2</b>	<b>417,0</b>	<b>187,5</b>	<b>(22,3)</b>	<b>582,3</b>
Current borrowings	131,3	11,7	-	143,0	150,3	34,7	-	185,0
Current derivatives	0,5	-	-	0,5	0,6	-	-	0,6
Trade and other account payable	164,2	79,7	(6,1)	237,7	162,8	79,7	(2,0)	240,6
Short-term debts with group companies	0,8	0,9	(0,9)	0,9	0,1	0,5	(0,3)	0,2
Income tax	4,5	0,0	-	4,5	0,0	0,0	-	0,0
Current provisions	34,0	2,2	-	36,2	38,8	3,4	-	42,2
<b>Total current liabilities</b>	<b>335,2</b>	<b>94,5</b>	<b>(7,0)</b>	<b>422,8</b>	<b>352,5</b>	<b>118,3</b>	<b>(2,3)</b>	<b>468,6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.289,8</b>	<b>596,5</b>	<b>(181,6)</b>	<b>1.704,7</b>	<b>1.322,0</b>	<b>533,5</b>	<b>(155,1)</b>	<b>1.700,5</b>

# Alternative Performance Measures (APMs)

Pg.1

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, its quarterly earnings 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 presentation are defined, reconciled and explained in the corresponding quarterly earnings report publicly available through the investor section of our web page [www.ence.es](http://www.ence.es).

## EBITDA

EBITDA 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 Company'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.

## OTHER NON-OPERATING ITEMS

Other non-operating items refers to ad-hoc income and expenses unrelated to the Company's ordinary business activities that render two reporting periods less comparable.

## CASH COST

The production 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. 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 tariff shortfall/surplus (the regulatory collar) on energy sales, 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.

## OPERATING PROFIT PER TONNE OF PULP

The operating profit 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 and gains or losses on their disposal and other non-operating items, adjusted for the settlement of hedges, the effect of the regulatory collar on energy sales and forest depletion charges.

# Alternative Performance Measures (APMs)

Pg.2

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.

## NET FINANCE COST AND OTHER FINANCIAL ITEMS

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.

## 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 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 Company'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, occupational health and safety and environmental performance and to prevent contamination. Financial investments correspond to payments for investments in financial assets.

The disclosure of capex cash flows broken down by area of investment facilitates oversight of execution of the published Business Plan.

## OPERATING CASH FLOW

The operating cash flow coincides with the net cash from operating activities presented in the statement of cash flows. 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.

## 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. 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.

### NORMALISED FREE CASH FLOW

Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capex, net interest payments and income tax payments. It provides a proxy for the cash generated by the Company'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.

### NET DEBT / (CASH)

The borrowings recognised on the balance sheet, 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).

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.

### ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. 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 Renewable Energy business.

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



# Delivering value Delivering commitments