REPORT AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. CONCERNING THE RESOLUTION OF AUTHORISED CAPITAL WITH A DELEGATION OF AUTHORITY TO WITHDRAW PREFERENTIAL SUBSCRIPTION RIGHTS TO BE SUBMITTED FOR APPROVAL AT THE GENERAL SHAREHOLDERS' MEETING (ITEM NINE ON THE AGENDA) CALLED FOR 27 AND 28 APRIL 2015, ON FIRST AND SECOND CALL RESPECTIVELY

1. PURPOSE OF THE REPORT

This report has been issued by the board of directors of ENCE ENERGÍA Y CELULOSA, S.A. (the "**Company**") pursuant to articles 286, 297.1.b) and 506 of the Spanish Corporate Enterprises Act to justify the proposal for issuing authorisation to the board of directors to resolve to increase share capital pursuant to article 297.1.b) of the Spanish Corporate Enterprises Act. This proposal shall be submitted for approval at the Company's General Shareholders' Meeting on 27 and 28 April 2015, on first and second call respectively, as item nine on the agenda.

2. JUSTIFICATION OF THE PROPOSAL

Article 297.1.b) of the Spanish Corporate Enterprises Act empowers the General Shareholders' Meeting, when the prior requisites for amendments to the bylaws have been met, to delegate authority to the board of directors to resolve to increase share capital on one or more occasions to a certain amount, in the manner and amount it decides, with no need for prior consultation at the General Shareholders' Meeting. The Act stipulates that the amount of such increases may not under any circumstances exceed one half of the Company's share capital at the time of authorisation, and that they must be carried out by cash contributions within a maximum timeframe of five years from the date of adoption of the resolution by the General Shareholders' Meeting.

The board of directors considers that the Company ought to continue to deploy this mechanism as it was previously authorised by the General Shareholders' Meeting on 22 June 2010 and had not been utilised, since it gives the Company's management body room to manoeuvre and the possibility of taking rapid action in an environment in which the success of a strategic initiative depends on the possibility of carrying out the initiative rapidly, without the delays and costs that are inevitably caused by calling and holding a General Meeting.

Article 506 of the Spanish Corporate Enterprises Act stipulates that, in the case of listed companies, when authority to increase share capital is delegated pursuant to article 297.1.b) of the Act, the board of directors may also be attributed the power to withdraw preferential subscription rights in the circumstances stipulated in this article. Article 17 of the bylaws expressly provides for this possibility for reasons relating to corporate interests, stating that "*notwithstanding other reasons, it is specifically understood that corporate interests are present when withdrawal of these rights is necessary to acquire assets that may be used to carry out the corporate purpose, to propitiate stakes in equity by an industrial or technological partner or, in general, to facilitate an operation that assists with development of the Company*".

The board of directors considers that the power to withdraw preferential subscription rights may be justified for several reasons:

(i) it usually lowers the relative costs of the operation (particularly the commissions of the banks involved).

(ii) this authorisation enables the directors to take faster action, allowing the Company to act when market conditions are more favourable.

(iii) it enables the Company to optimise the financial conditions of the operation and to gear the type of issue more precisely to the expectations of the qualified investors normally targeted by share capital increases, and reduces the exposure of the increase to fluctuating market conditions.

(iv) it palliates the distortion of trading in Company shares during the issue period, which is usually shorter.

In this regard, the board of directors may appraise at all times whether the measure of withdrawal of preferential subscription rights is proportionate to the benefits to be ultimately gained by the Company, and therefore that they are withdrawn in the corporate interests of the Company. Delegation of these powers, in any event, does not necessarily mean that each share capital increase in accordance with the authorised capital must be carried out with a withdrawal of preferential subscription rights, and share capital increases may also be carried out with acknowledgement of preferential subscription rights, if this is deemed appropriate.

It must be pointed out that the authorisation to withdraw preferential subscription rights may only be exercised in scenarios in which the corporate interest requires this, and provided the nominal value of the shares to be issued plus, where applicable, the amount of share premium, corresponds to fair value, understood as the market value, which shall in turn be understood in reference to the share price listing, unless justification can be provided otherwise.

The Spanish Corporate Enterprises Act also establishes further guarantees that must be met for each resolution to increase share capital with no preferential subscription rights that is carried through on the basis of the delegation of authority. Pursuant to articles 308 and 505 of the Act, a report must be drawn up by the directors and also by the auditors. The reports shall be furnished to the shareholders and submitted at the first general meeting held after the resolution to increase share capital.

Furthermore, pursuant to recommendation 5 of the new Good Governance Code for Listed Companies published in February 2015, boards making use of this authorisation may only withdraw preferential subscription rights for capital increases that are less than or equal to 20% of the present share capital.

Finally, pursuant to article 249.2 of the Spanish Corporate Enterprises Act, it is proposed to specifically empower the board of directors to enable it in turn to delegate authority for this proposal to the executive committee.

3. PROPOSED RESOLUTION

There follows the full text of the proposed resolution:

"***NINE.- AUTHORISATION TO THE BOARD OF DIRECTORS TO RESOLVE TO INCREASE SHARE CAPITAL PURSUANT TO ARTICLE 297.1.B) OF THE SPANISH CORPORATE ENTERPRISES ACT, ON ONE OR MORE OCCASIONS, BY A MAXIMUM AMOUNT EQUAL TO HALF OF THE CAPITAL AT THE TIME OF AUTHORISATION, AT ANY TIME WITHIN FIVE YEARS OF THE RESOLUTION BY THE GENERAL SHAREHOLDERS' MEETING. AUTHORISATION TO WITHDRAW PREFERENTIAL SUBSCRIPTION RIGHTS PURSUANT TO ARTICLE 506 OF THE SPANISH CORPORATE ENTERPRISES ACT.***

To authorise the board of directors, as broadly as legally necessary, to increase the share capital pursuant in accordance with article 297.1.b) of the Spanish Corporate Enterprises Act, on one or more occasions, by a maximum amount equal to half of the capital at the time of authorisation, at any time within five years of this resolution.

Capital increases carried out under this authorisation shall be carried out through issues of new shares, with or without a premium, and the equivalent value shall consist of cash contributions. The board of directors shall be responsible for deciding if the new shares in each increase to be issued are ordinary, redeemable or non-voting.

In addition, the board of directors may determine, for all matters not stipulated, the terms and conditions for capital increases and the characteristics of the shares, and freely offer new unsubscribed shares within the period or periods for the exercise of preferential subscription rights.

The board of directors may also establish that, in the event of an incomplete subscription, the capital shall be increased only by the amount of the subscriptions carried through, and it may revise the articles of the bylaws governing capital and the number of shares.

Moreover, in the event of capital increases carried out under this authorisation, the board of directors is authorised to fully or partially waive preferential subscription rights under the provisions of article 506 of the Spanish Corporate Enterprises Act and when so required in the corporate interest, provided the share capital is not increased by an amount above 20% of the existing share capital at the time of the authorisation.

The Company shall request admittance for trading on official or unofficial secondary markets, organised or unorganised, Spanish or foreign, of the shares issued under this authorisation, and the board of directors is also empowered to carry out the required procedures and take action with the proper bodies in Spanish and foreign securities markets as required to permit admittance for trading.

The board of directors is also authorised to delegate to the executive committee any powers conferred upon it which may be delegated pursuant to this agreement.

The corresponding report by the board of directors is attached to this proposal."