

**AUTHORISATION TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. CONCERNING THE PROPOSAL TO AUTHORISE THE BOARD OF DIRECTORS TO ISSUE MARKETABLE FIXED-INCOME SECURITIES OR DEBT INSTRUMENTS OF A SIMILAR NATURE, INCLUDING PREFERENCE SHARES, AND SWAPPABLE OR SHARE-CONVERTIBLE FIXED-INCOME SECURITIES WITH, IN THE LATTER CASE, THE POWER TO WITHDRAW PREFERENTIAL SUBSCRIPTION RIGHTS**

**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 the provisions of articles 511 of the revised Spanish Corporate Enterprises Act and 319 of Spanish Companies Register Regulations, with application by analogy with article 297.1.b) of the Spanish Corporate Enterprises Act, to justify the proposal submitted for approval at the Company's general shareholders' meeting called for 27 and 28 April 2015 at 12:30 h on first and second call respectively, as item ten on the agenda.

**2.- JUSTIFICATION OF THE PROPOSAL**

2.1. Aim and purpose

The board of directors considers it is appropriate to renew authorisation for the issuance of marketable fixed-income securities and similar instruments, already conferred by a resolution of the general shareholders' meeting of 21 March 2013.

This authorisation has proved extremely useful in recent years, and it is therefore considered appropriate to issue new authorisation, for a new maximum amount and a new period of five years, to enable the board of directors to continue to avail itself of the delegation of authority laid down in current regulations concerning issuance of debt.

The purpose of the delegation of authority is to give the Company's management body room for manoeuvre and the response capacity required by the current economic climate in which, as demonstrated in the issuance of debt in February 2013, 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 shareholders' meeting. Thus the Company's board of directors shall have a suitable legal mechanism to enable it, if necessary, to secure financial resources on the market in the best possible financial conditions.

To this end, in due compliance with regulations established in connection with issuance of bonds and delegation of authority to the board of directors to issue the marketable securities stipulated in the proposal, the general shareholders' meeting is presented with the proposal of resolutions as item ten on the agenda.

The proposal entails authorisation to issue debentures, bonds and other similar fixed-income securities, regular or swappable against outstanding shares of the Company or convertible into newly issued Company shares, as well as warrants (options to subscribe or to acquire new or old Company shares). This authorisation may also be used to issue promissory notes and preference shares.

2.2 Limits

Article 510 of the Spanish Corporate Enterprises Act stipulates that the maximum legal threshold for issuance of debentures shall not apply to listed “sociedades anónimas”. However, the resolution proposed establishes the maximum amount for which issuance is authorised as 400 million euros or

the equivalent in other currencies, exceeding the current amount authorised in a resolution by the general shareholders' meeting of 21 March 2013, which set the maximum amount as 350 million euros.

For the purpose of calculating the aforementioned limit, in the case of the promissory notes, the outstanding balance of those issued under the authorisation shall be used; in the case of warrants, the sum of the premiums and exercise prices of the warrants for the issues agreed upon under this authorisation shall be used.

The board of directors considers that this maximum limit is sufficiently broad to secure the necessary additional funds from the market in order to implement the Company and Group borrowing policy.

### 2.3 Issuance of convertible instruments

The proposal also intends to authorise the board of directors, should it decide to issue debentures or bonds, to enable it to establish these as convertible or swappable and, if they are convertible, to resolve the capital increase required for conversion, provided this amount by delegation does not exceed one half of share capital, pursuant to the provisions of Article 297.1.b) of the Spanish Corporate Enterprises Act.

The proposal also contains the criteria to determine the procedures and formats to convert or swap the debentures or bonds for shares, if the board resolves to make use of the authorisation provided by the general meeting to issue convertible or swappable debentures or bonds, although it delegates authorisation to the board of directors to specify the conversion or swapping procedures and formats for each issue, within the limits and pursuant to the criteria established by the general meeting.

In any event, if the board decides to issue convertible or swappable debentures or bonds pursuant to authorisation by the general shareholders' meeting, when it approves the issue it shall also draw up a report setting out the specific conversion or swapping procedures and formats for the issue, which shall also be addressed in a report by an auditor other than the Company auditor, designated by the Business Register, as referred to in Articles 414 and 511 of the Spanish Corporate Enterprises Act.

### 2.4 Withdrawal of preferential subscription rights

Moreover, pursuant to the provisions of Article 511 of the Spanish Corporate Enterprises Act, authorisation for the issuance of fixed-income securities includes, if the issue concerns convertible debentures or bonds, authorisation for the board of directors to withdraw the preferential subscription rights of shareholders when this is necessary to secure financial resources on markets or is otherwise in the corporate interest.

The board of directors considers that this gives it more flexibility and speed, as required on current financial markets, in order to take advantage of occasions on which the markets are more favourable, lowering the relative costs of borrowing and the costs associated with the operation.

If the board of directors decides to withdraw preferential subscription rights in relation to any specific issue of convertible debentures or bonds that it decides to carry out pursuant to the authorisation requested from the general shareholders' meeting, when it carries through the issue it shall also draw up a report setting out the specific corporate interests of the measure, which shall also be addressed in the correlative report by the auditor referred to in Articles 414 and 511 of the Spanish Corporate Enterprises Act. Both reports shall be made available to the shareholders and submitted at the first general meeting held after the adoption of the issue resolution.

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.

#### 2.5 Admittance for trading

It is proposed to adopt the resolutions necessary in accordance with current regulations to enable any securities issued by virtue of this delegation of authority to be admitted for trading on any secondary market, organised or unorganised, official or unofficial, Spanish or foreign.

#### 2.6 Issuance by a Group company

Moreover, it may be convenient for financial resources to be secured by a Group company, which shall have full support and a full guarantee by the Company. To this end the board of directors also seeks express authorisation from the general shareholders' meeting to guarantee on behalf of the Company all manner of obligations that may arise for Group companies from the issues carried out by them, for the purposes of securing funds for the Group of which Ence is the parent, for a period equal to the delegation of authorisation for issuance of the securities addressed in this report.

#### 2.7 Delegation of authorisation to the executive committee

Finally, the proposal contemplates the express possibility that all and any authorisations attributed to the board of directors may in turn be delegated by this body to the executive committee.

#### 2.8. Other

Finally, it is proposed that this resolution render null and void the unused portion of the authorisation to issue regular debentures or bonds and other similar fixed-income securities granted for said purpose to the board of directors by the general shareholders' meeting held on 21 March 2013 as item six on the agenda.

### 3.- PROPOSED RESOLUTION SUBMITTED TO THE GENERAL MEETING

***“TEN. AUTHORISATION TO THE BOARD OF DIRECTORS, WITH EXPRESS POWERS OF SUBSTITUTION, OVER A PERIOD OF FIVE YEARS, TO ISSUE MARKETABLE FIXED-INCOME SECURITIES OR DEBT SECURITIES OF A SIMILAR NATURE, INCLUDING PREFERENCE SHARES, AND SWAPPABLE OR SHARE-CONVERTIBLE FIXED-INCOME SECURITIES WITH, IN THE LATTER CASE, THE POWER TO WITHDRAW PREFERENTIAL SUBSCRIPTION RIGHTS. AUTHORISATION FOR THE COMPANY TO STAND GUARANTEE FOR ANY NEW ISSUANCES OF SECURITIES BY ITS SUBSIDIARIES. REVOCATION, TO THE EXTENT OF THE UNUSED AMOUNT, OF AUTHORISATION GRANTED TO THIS END BY THE 2013 GENERAL SHAREHOLDERS' MEETING.*”**

*The board of directors is hereby authorised, pursuant to the general framework governing bond issues, to issue marketable fixed-income securities or debt securities of a similar nature, including preference shares, and swappable or share-convertible fixed-income securities with, in the latter case, the power to withdraw preferential subscription rights. This includes authorisation for the Company to furnish guarantees on issues of the aforementioned securities by Group companies under the following conditions:*

*1. Securities issued. The marketable securities covered by this authorisation may be debentures, bonds and other similar fixed-income securities, both regular and swappable for outstanding shares of the Company or convertible into newly issued shares of the Company and also warrants (options to*

subscribe or to acquire new or old shares of the Company). This authorisation may also be used to issue promissory notes and preference shares.

2. Term of delegation of authority. Securities may be issued in one or several stages, at any time, within the maximum period of five years from the date on which this resolution is adopted.

3. Maximum amount. The maximum total amount of the issue or issues of securities agreed upon pursuant to this authorisation shall be 400 million euros or the equivalent in other currencies.

For the purpose of calculating the aforementioned limit, in the case of the promissory notes, the outstanding balance of those issued under the authorisation shall be used; in the case of warrants, the sum of the premiums and exercise prices of the warrants for the issues agreed upon under this authorisation shall be used.

4. Scope of delegation of authority. For information purposes, although the following is not exhaustive, the board of directors shall be responsible for determining the amount of each issue (at all times within the applicable quantitative limits), the location of the issue (whether in Spain or abroad), and the currency and, in the event that the issue is in a foreign currency, its equivalent in euros; the format, whether bonds or debentures, including subordinated, warrants (which may in turn be settled by physical delivery of shares or, where appropriate, by differences), or any other legally recognised security, the date or dates of the issue, the number of securities and their nominal value, which, in the case of convertible/swappable debentures or bonds, shall not be lower than the nominal value of the shares. In the case of warrants and similar securities, it shall be responsible for determining the price of the issue and/or premium, the strike price (which may be fixed or variable) and the procedure, timeline and other conditions applicable to subscription rights related to the underlying shares, or, where appropriate, the withdrawal of these rights. It shall also determine the interest rate (whether fixed or variable), dates and procedures for coupon payment; perpetual or redeemable nature, and, in the case of the latter, the redemption period and date of maturity; the guarantees, the type of repayment, batches and premiums; the form of representation (whether by certificates or book-entry ledger); and, if applicable, preferential subscription rights and subscription regime; and laws applicable to the issue. In addition, it may request, where necessary, admittance for trading in official or unofficial secondary markets, organised or unorganised, Spanish or foreign, for securities issued with the legal requirements stipulated in each case, and, in general, any other conditions of an issue (including subsequent amendments). Where appropriate, it may appoint a Trustee and approve the basic rules governing legal relations between the Company and the syndicate of holders or the securities issued.

Likewise, the board of directors is empowered, when appropriate and when, if applicable, it has obtained the proper approvals and agreements of the general meetings of the syndicates of asset holders, to amend the conditions for redemption of the fixed-income securities issued and their respective terms and interest rates, which, where appropriate, arise from each of the issues carried out under this authorisation.

5. Methods and procedures for conversion or swap. With regard to issue of debentures or bonds convertible into new shares of the Company or swappable for outstanding shares of the Company, and for the purposes of determining the methods and rules of the conversion and/or swap, the following criteria are hereby established:

- (i) The securities shall be convertible into Company shares or may be swapped for outstanding shares pursuant to a determined or determinable, fixed or variable, conversion and/or swap ratio. The board of directors is empowered to determine whether the securities are convertible or

*swappable, and whether they are voluntarily or mandatorily convertible or swappable. If they are voluntarily convertible or swappable, the Board may determine whether this is at the choice of the holder or the issuer, and the regularity and timeframe, which shall be established in the issue agreement and may not exceed fifteen years as of the date of issue.*

- (ii) If the issue is convertible and swappable, the Board may also resolve that the issuer reserves the right to choose at any time between a conversion to new shares or a swap for outstanding shares, specifying the nature of the shares to be delivered when the conversion or swap takes place. It may also elect to deliver a combination of newly issued shares and pre-existing shares, or even to settle the differences in cash. In any event the issuer must respect the principle of equal treatment among all fixed-income security holders who convert and/or swap their securities on a given date.*
- (iii) For the purposes of the conversion or swap, fixed-income securities shall be valued at their nominal value and shares at the fixed rate determined by the board in the agreement in which it uses this authorisation, or at a rate to be determined on the date or dates indicated in said agreement, and depending on the stock market price of the Company's shares on the date or dates or in the period or periods used as a reference in said agreement, with or without a discount, and in any event at least the greater of the following: (i) the average trading price of the shares on the Continuous Market of Spanish stock exchanges, based on the closing price, for a period to be determined by the board of directors, not more than three months or less than fifteen days prior to the date on which the board of directors adopts the agreement for issuance of the fixed-income securities, and (ii) the trading price of the shares on the Continuous Market based on the closing price on the day preceding the adoption of the aforementioned issuance agreement.*
- (iv) At the time of the conversion or swap, any fractions of shares payable to the holders of fixed-income securities shall by default be rounded down to the nearest whole number, and each holder shall receive any resulting difference in cash.*
- (v) As set forth in Article 415 of the Spanish Corporate Enterprises Act, the share price for purposes of the bond/share conversion ratio may not, in any event, be less than the nominal value.*

*When resolving to carry out an issue of convertible bonds pursuant to the authorisation conferred by the General Meeting, the board of directors shall issue a report explaining and specifying, in the light of the criteria detailed above, the methods and rules of the conversion specifically applicable to said issue. This report shall be submitted along with the audit report set forth in Articles 414 and 511 of the Spanish Corporate Enterprises Act.*

*6. Rights of holders of convertible securities. Provided it is possible to convert or swap the convertible securities for shares, the holders of the securities shall enjoy all the rights recognised in current regulations.*

*7. Capital increase and withdrawal of preferential subscription rights on convertible securities. The delegation of authorisation to the board of directors also includes the following powers, although this list is for information purposes and is not exhaustive:*

- (i) Authorisation for the board of directors to totally or partially withdraw shareholders' preferential subscription rights when so required by the raising of funds on domestic or international markets in order to employ demand-prospection techniques or when otherwise justified by corporate interests. The maximum limit of this authorisation shall be equal to 20% of the Company's share capital. In this case the board shall issue, at the time of adoption of the issue agreement, a report*

*explaining the specific corporate interests that justify this measure, which shall be addressed by the mandatory audit report in accordance with Articles 414 and 511 of the Spanish Corporate Enterprises Act. Both reports shall be made available to the shareholders and submitted at the first General Meeting held after the adoption of the share arguments.*

- (ii) The power to increase capital by the amount necessary to meet requests for conversion relative to newly issued shares. This power may be exercised only if the sum of the capital increase carried out by the board for the issue of convertible bonds or debentures, warrants and other similar securities plus any other capital increases agreed pursuant to the authorisations granted by the General Meeting does not exceed the limit of one half of the share capital set forth in Article 297.1.b) of the Spanish Corporate Enterprises Act. This authorisation to increase share capital includes authorisation to issue and put into circulation, in one or more stages, the number of shares necessary to carry out the conversion, and also authorisation to amend the article of the bylaws concerning total share capital, and, if applicable, to cancel the portion of said increase that was not required to carry out the conversion.*
- (iii) In accordance with the criteria set forth in 5 above, the power to develop and establish the rules for the conversion or swap and, in general, the power to determine how many points and conditions are necessary or appropriate for the issue.*
- (iv) The delegation of authorisation to the board of directors encompasses the broadest powers which may be necessary in law for the interpretation, application, execution and development of the agreements on the issuance of securities convertible or swappable for shares of the Company, on one or more occasions, and the accompanying capital increase. Similarly, the board is granted powers to correct or supplement those agreements in any matters necessary, and to comply with any legal requirements expedient to complete them, including the authority to correct omissions or defects within said agreements, indicated by any authorities, public servants or entities either Spanish or foreign. The Board is also authorised to enact any agreements and draw up any public or private documents deemed necessary or pertinent to adapt the foregoing resolutions on the issuance of convertible or swappable securities and the corresponding capital increase to the verbal or written assessment of the Companies Registrar, and, in general, of any other relevant authorities, public servants or institutions either Spanish or foreign.*

*The board of directors shall inform any General Meetings held by the Company concerning the use made to date of the authorisations delegated in this agreement.*

*8. Admittance for trading. By virtue of the delegation of authority, the board of directors is empowered, where applicable, to admit for trading on official or unofficial secondary markets, organised or unorganised and Spanish or foreign, any debentures, bonds, warrants, preference shares, promissory notes and any other securities issued by the Company by virtue of the authority delegated, and in such cases shall carry out procedures and take action with the pertinent bodies in Spanish and foreign securities markets as required to enable them to be admitted for trading.*

*9. Guarantee of issuances by Group companies: The board of directors is also authorised to guarantee, on behalf of the Company, and within the limits set forth above, the issuance of the securities indicated in 1 above by companies within its Group.*

*10. Delegation of powers to the Executive Committee. The board of directors is authorised to delegate to the Executive Committee the delegated powers referred to in this resolution.*

*This resolution renders null and void the unused portion of the authorisation to issue regular debentures or bonds and other similar fixed-income securities granted for said purpose to the board of directors by the general shareholders' meeting held on 21 March 2013 as item six on the agenda."*

Madrid, 25 March 2015