Earnings Report
1st Quarter 2016

20 April 2016

CONTENTS

1. EXECUTIVE SUMMARY 1Q16

Market figures	1Q16	4Q15	Δ%	1Q15	Δ%
BHKP (USD/t) average price	764.3	802.8	*(4.8%)*	749.5	*2.0%*
Average exchange rate (USD/€)	1.10	1.10	*0.2%*	1.13	*(2.4%)*
BHKP (€/t) average price	693.7	729.8	*(5.0%)*	663.6	*4.5%*

Operating Magnitudes	1Q16	4Q15	Δ%	1Q15	Δ%
Pulp sales (t)	217,504	232,891	*(6.6%)*	220,397	*(1.3%)*
Cash cost (€/t)	379.6	354.8	*7.0%*	362.7	*4.6%*
Energy sales from Pulp business (MWh)	154,338	190,426	*(19.0%)*	170,404	*(9.4%)*
Energy sales from Energy business (MWh)	139,573	156,518	*(10.8%)*	167,895	*(16.9%)*

Key magnitudes in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Revenues from Pulp business	129.6	153.9	*(15.8%)*	130.8	*(1.0%)*
Revenues from Energy business	22.5	24.9	*(9.7%)*	24.6	*(8.4%)*
Consolidation adjustments	(1.9)	(1.6)		0.9	
Total net revenue	**150.2**	**177.2**	*(15.2%)*	**156.3**	*(3.9%)*
Pulp business Adjusted EBITDA	**29.2**	**60.8**	*(51.9%)*	**29.3**	*(0.3%)*
Energy business Adjusted EBITDA	**7.7**	**(2.3)**	*n.s.*	**9.8**	*(20.7%)*
Consolidation adjustments	(0.0)	(0.0)		0.0	
Adjusted EBITDA	**37.0**	**58.5**	*(36.8%)*	**39.1**	*(5.4%)*
Adjusted EBITDA margin	*25%*	***33%***	*(8.4) p.p.*	*25%*	*(0.4) p.p.*
EBIT	**17.9**	**49.5**	*(63.9%)*	**18.2**	*(1.8%)*
Net profit	**13.9**	**14.8**	*(5.5%)*	**9.7**	*43.9%*
Pulp business recurrent free cash flow	9.7	46.1	*(79.0%)*	(5.4)	*n.s.*
Energy business recurrent free cash flow	1.8	(7.6)	*n.s.*	12.4	*(85.5%)*
Consolidation adjustments	0.1	(0.0)		(0.0)	
Recurrent free cash flow	**11.6**	**38.6**	*(70.0%)*	**7.1**	*63.5%*
Pulp business net financial debt	194.4	181.3	*7.2%*	177.2	*9.7%*
Energy business net financial debt	47.4	59.9	*(20.8%)*	90.6	*(47.6%)*
Net financial debt	**241.9**	**241.2**	*0.3%*	**267.7**	*(9.7%)*

- ✓ **Growth in global demand for chemical market pulp accelerated in the first two months of the year, rising 4.8% year-on-year, led by demand for eucalyptus pulp (+8.5%), which continues to win market share from other less-efficient short fibres.**
- ✓ **European short-fibre pulp prices continued the gradual correction initiated during the last quarter of 2015, following the trend in long-fibre prices. This correction is expected to draw to an end during the second quarter. Current price levels are limiting the supply of pulp from less-efficient mills, particularly in Asia.**

- ✓ The price gap between long and short fibre pulp, currently close to its 10-year average, having widened from the low of almost $10/tonne of January 2016 to close to $90/tonne at present, should support growth in demand for short fibre pulp in the months to come, as buyers switch from long fibre products.
- ✓ 1Q16 was marked by a high number of non-recurring operating incidents, all of which since resolved, as well as the programmed stoppage of the Pontevedra complex, the main consequence of which was a 7% increase in the cash cost to €379.6/tonne from €354.8 in 4Q15. The biggest non-recurring incident was the breakdown of the co-generation turbine rotor at the Pontevedra facility which kept it offline for nearly a month.

  Stripping out the impact of non-recurring items, the cash cost would have been €359.8/tonne.
- ✓ In light of the low pool prices and in a bid to make the best use of the 6,500 operating hours permitted for regulatory remuneration purposes, the Company decided to pare back generation hours in the energy business from 1,499 hours in 1Q15 or 1,397 hours in 4Q15 to 1,246 hours in 1Q16. This generation volume will be recouped over the rest of the year.
- ✓ Consolidated net profit rose 43.9% year-on-year in 1Q16, thanks to the impact of exchange rate hedges and lower borrowing costs in the wake of last year's financial restructuring effort.
- ✓ Net debt declined by 9.7% compared to 31 March 2015 and was flat relative to the year-end 2015 balance, at €241.9Mn. Group liquidity ended the quarter at €262.4Mn, made up of €172.4Mn of cash and a €90Mn undrawn revolving credit facility.
- ✓ Deposit agreements were executed during the quarter for the sale of an additional 1,305 hectares of irrigated land in southern Spain, currently classified as assets held for sale, for a total sum of €29.9Mn, €3.4Mn of which has been collected upfront. These sales, which are expected to close during the third quarter of this year, once the required permitting has been finalised, will generate a gain of approximately €12Mn. This development marks a major milestone in the Company's asset disposal plan in terms of both speed of execution and proceeds.
- ✓ On 14 April, the Company paid its shareholders €25Mn in the form of a final dividend from 2015 profits of €0.10 per share (before withholding tax); coupled with the interim dividend of €0.044 per share paid out in October, this represents a dividend yield of 4.7% in respect of the average 2015 share price.

2. PULP BUSINESS

Ence has two eucalyptus pulp mills in Spain: a 520,000-tonne-capacity facility in the town of Navia, Asturias, and a 440,000-tonne-capacity complex in Pontevedra, Galicia. Both use eucalyptus timber acquired locally in abundant markets.

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 electricity at the plants involved in the productive process, as well as the supply of timber from the plantations managed by the company.

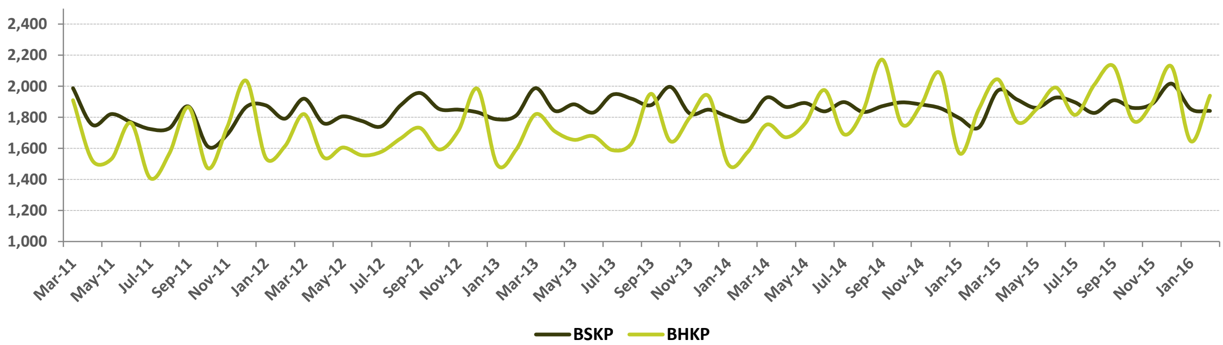
2.1. Pulp market trends

Growth in global demand for pulp accelerated in the first two months of the year, rising 4.8% year-on-year, up from growth of 4.0% in 1Q15, overall growth of 3.3% in 2015 and a compound annual growth rate during the last five years of 2.7% (PPPC).

By geography, demand was strong across the board, led by Eastern Europe and China, where demand jumped 9.8% and 6.7%, respectively, followed by North America and Western Europe, regions which registered growth of 4.2% and 3.5%, respectively. Growth was lowest in Latin America, at 1.1%.

Demand growth was led by demand for eucalyptus pulp (BEKP), which was 8.5% higher year-on-year; this grade continues to win market share from other less-efficient short fibres for which demand contracted by 8.7% year-on-year. Demand for long fibre pulp, meanwhile, registered growth of 4.7% year-on-year, compared to a contraction of 1.5% in January and February of 2015 and average growth of 1.1% in 2015 as a whole, shaped mainly by the narrowing of the price gap with respect to short fibre to close to $10 per tonne in January.

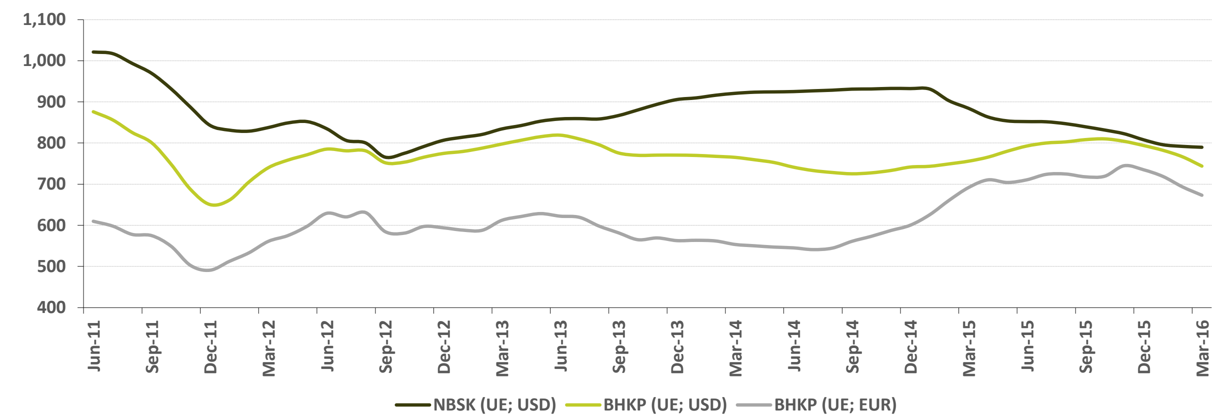
Pulp demand the last 5 years (Mt)



Source: PPPC (W20)

During the first quarter of 2016, short fibre pulp prices (BHKP) in Europe continued the gradual correction initiated in the last quarter of 2015, tracking the trend in long fibre prices (BSKP), which appear to have stabilised towards the end of 1Q16 at close to the $790/tonne mark. Several of the main long fibre pulp producers have announced price increases of $20/tonne for the second quarter in China and Europe.

Short fibre pulp prices stood at $737 per tonne at the end of the quarter and the price gap with long fibre prices has returned to close to the 10-year average of $90; this development should support demand for short fibre pulp in the months to come as buyers switch back to short fibre grades.



Source: FOEX

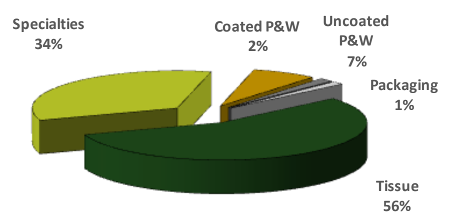
Short fibre pulp prices are at 7-year lows in China in the wake of the correction sustained during the last six months. China ranks among the least efficient pulp producers as much of its output is based on small-scale and obsolete mills, the consumption of non-timber fibres and imports. A portion of the Asian giant's existing productive capacity presents costs in excess of current prices, foreshadowing the substitution of local production with imports, which should translate into stronger demand from Asia in the coming months.

2.2. Pulp sales

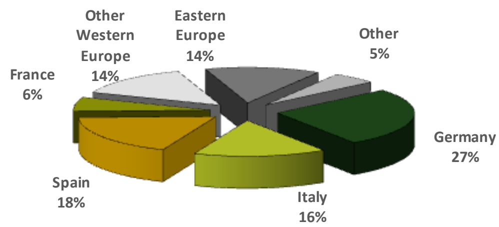
	1Q16	4Q15	Δ%	1Q15	Δ%
Pulp sales (t)	**217,504**	**232,891**	*(6.6%)*	**220,397**	*(1.3%)*
Average selling price (€/t)	512.0	563.0	*(9.0%)*	505.2	*1.4%*
Pulp sales revenues (€Mn)	**111.4**	**131.1**	*(15.1%)*	**111.3**	*0.0%*

Revenue from pulp sales was flat year-on-year in 1Q16 at €111.4Mn, as higher sales prices offset the slight drop in sales volumes caused by a series of non-recurring operating incidents.

Pulp sales breakdown by segment



Pulp sales by geography



The tissue paper segment remains the biggest market for the pulp sold by Ence, representing 56% of total sales volumes, followed by the specialty paper segment, two of the fastest-growing segments in recent years and segments which continue to gain weight in the company's sales mix relative to slower-growing segments such as printing and writing papers.

2.3. Pulp production and *cash cost*

	1Q16	4Q15	Δ%	1Q15	Δ%
Navia pulp production	129,096	124,058	*4.1%*	125,961	*2.5%*
Pontevedra pulp production	90,659	116,633	*(22.3%)*	88,477	*2.5%*
Pulp production (t)	**219,755**	**240,692**	*(8.7%)*	**214,438**	*2.5%*

Pulp production rose by 2.5% year-on-year in 1Q16 in both Navia and Pontevedra, driven by the productivity gains eked out in recent quarters. The slowdown quarter-on-quarter is attributable to the 12-day programmed stoppage in Pontevedra in March.

The Navia facility was also stopped for two days to implement improvements to the bleaching phase, work entailing overall investment of €6.6Mn. This upgrade is part of the package of initiatives contemplated under the cost-cutting and efficiency programme on which the Company is currently focused. Adjusting for the loss of output generated by the stoppage, production at Navia would have increased by 4.9% year-on-year and that of the Group as a whole, by 3.9%.

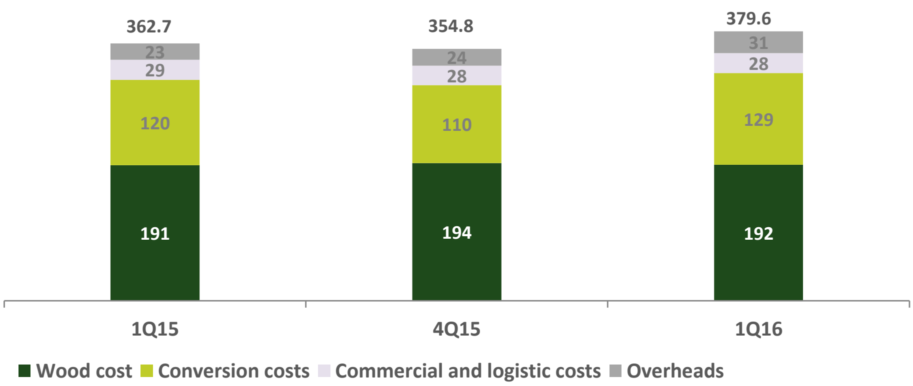
Figures in €/t	1Q16	4Q15	Δ%	1Q15	Δ%
Wood cost	191.6	193.9	*(1.2%)*	191.1	*0.3%*
Conversion costs	129.2	109.8	*17.7%*	120.0	*7.7%*
Commercial and logistic costs	28.1	27.5	*2.2%*	28.5	*(1.3%)*
Overheads	30.6	23.6	*29.9%*	23.1	*32.5%*
Total cash cost	**379.6**	**354.8**	*7.0%*	**362.7**	*4.6%*

The first-quarter cash cost per tonne increased by 7% from €354.8 in 4Q15, due largely to growth of 17.7% in conversion costs derived from one-off operating incidents occurring during the quarter, most importantly the breakdown of the turbine rotor at the Pontevedra co-generation plant, which kept the latter offline for nearly a month. This incident was resolved during the March maintenance stoppage, so that transformation costs will trend lower from the second quarter on. Note that the first quarter also reflects the impact of the maintenance stoppage in Pontevedra, while 4Q15 was not affected by stoppages.

In addition, the overhead allocation increased in part due to reduced economies of scale caused by lower sales volumes.

Stripping out the impact of non-recurring items, the cash cost would have been €359.8/tonne.

Cash cost evolution (€/t)



Timber costs narrowed by 1.9% and 0.6% quarter-on-quarter and year-on-year, respectively. However, lower costs were partially offset by a slight increase in consumption per tonne as a result of the use of less-productive eucalyptus species. The move to tie timber prices to pulp sales prices in 2015 should help contain timber prices in the coming quarters.

	1Q16	4Q15	Δ%	1Q15	Δ%
Wood cost €/m3	65.4	66.7	*(1.9%)*	65.8	*(0.6%)*
Timber consumption (m3)	696,442	708,669	*(1.7%)*	635,420	*9.6%*
Suppliers	78%	75%	*4.2%*	71%	*10.3%*
Standing timber acquired directly from land owners	21%	24%	*(14.1%)*	27%	*(23.3%)*
Owned timber	1%	1%	*43.9%*	2%	*(47.2%)*

2.4. Energy sales linked to the pulp process

As an integral part of its pulp production process, Ence uses the lignin and forest waste derived from its manufacturing to generate the energy needed for the process. To this end, it operates a 34.6-MW co-generation plant, integrated within the Pontevedra mill, and a 40.3-MW co-generation plant and a 36.7-MW biomass generation plant, both of which are integrated within the pulp production process at the Navia facility. The electricity produced at these power plants is sold to the grid and subsequently repurchased. The net cost is included in the above-mentioned transformation costs within the cash cast metric.

	1Q16	4Q15	Δ%	1Q15	Δ%
Navia energy sales	124,657	131,121	*(4.9%)*	126,417	*(1.4%)*
Pontevedra energy sales	29,680	59,306	*(50.0%)*	43,987	*(32.5%)*
Energy sales linked to the pulp process (MWh)	**154,338**	**190,426**	*(19.0%)*	**170,404**	*(9.4%)*
Average selling price - Pool + Ro (€/MWh)	67.5	87.5	*(22.8%)*	82.8	*(18.4%)*
Investment remuneration (€Mn)	2.6	2.6	*0.0%*	2.8	*(6.3%)*
Revenues from energy sales linked to pulp (€Mn)	13.0	19.3	*(32.4%)*	16.9	*(22.9%)*

Revenue from energy sales associated with the pulp production process contracted by 22.9% year-on-year in 1Q16 due to a 9.4% drop in sales volumes, driven by the turbine breakdown in Pontevedra, mentioned earlier, coupled with an 18.4% decline in average sales prices as a result of lower pool prices during the quarter.

2.5. Forestry sales and others

In addition to the sale of pulp and electricity, the pulp business encompasses other activities, such as the sale of timber to third parties.

	1Q16	4Q15	Δ%	1Q15	Δ%
Forestry and other revenues (€Mn)	5.2	3.5	*48.5%*	2.6	*99.5%*

Revenue from forestry activities doubled year-on-year in 1Q16 due mainly to higher sales of timber to third parties.

2.6. P&L

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Total net revenue	**129.6**	**153.9**	*(15.8%)*	**130.8**	*(1.0%)*
Adjusted EBITDA	**29.2**	**60.8**	*(51.9%)*	**29.3**	*(0.3%)*
Adjusted EBITDA margin	23%	40%	*(17.0) p.p.*	22%	*0.0 p.p.*
EBITDA	**25.6**	**60.1**	*(57.3%)*	**24.7**	*3.9%*
EBITDA margin	20%	39%	*(19.3) p.p.*	19%	*0.0 p.p.*
Amortization	(10.6)	(14.0)	*(23.8%)*	(11.9)	*(10.5%)*
Forest depletion	(1.1)	(0.7)	*44.5%*	(2.9)	*(62.1%)*
Impairment of and gains/(losses) on fixed-asset disposals	0.1	(0.8)	*n.s.*	1.1	*(93.0%)*
EBIT	**14.0**	**44.6**	*(68.6%)*	**11.0**	*27.0%*
EBIT margin	11%	29%	*(18.2) p.p.*	8%	*0.3 p.p.*
Net finance costs	(3.7)	(23.4)	*(84.2%)*	(4.7)	*(21.3%)*
Other financial results	5.9	(2.1)	*n.s.*	2.4	*143.5%*
Profit before tax	**16.2**	**19.1**	*(15.3%)*	**8.8**	*85.1%*
Income tax	(4.2)	(1.2)	*244.1%*	(2.2)	*92.7%*
Net profit	**12.0**	**17.9**	*(33.1%)*	**6.6**	*82.6%*

First-quarter revenue was €129.6Mn, down just 1% year-on-year, due to lower revenue from electricity sales associated with the pulp-making processes as a result of the above-mentioned turbine incident in Pontevedra, coupled with lower sales prices.

Quarter-on-quarter, adjusting revenue for the impact of the annual maintenance stoppage at the Pontevedra complex, revenue would have been €8.6Mn higher, closing the gap with 4Q15 by almost half, the rest of the shortfall being attributable to lower prices.

Adjusted 4Q15 EBITDA was flat year-on-year at €29.2Mn, in line with the same period in 2015 despite the increased cash cost, mainly due to the proper overheads recognition to each business. While in 1Q15 total overheads were incurred in the pulp business, in 1Q16 each business holds theirs.

Non-recurring expenses amounted to €3.6Mn in 1Q16 and were mainly related to the aforementioned incidents; this figure is €1Mn lower than the 1Q15 equivalent, so that reported EBITDA rose by 3.9% year-on-year.

Accrued net interest expense fell by 21.3% year-on-year, evidencing the savings achieved in the wake of the corporate bond restructuring effort concluded in 2015. The restructuring exercise not only reduced the associated borrowing cost but also extended the bond's maturity until 2022.

'Other finance results' meanwhile reflects a net gain of €5.9Mn deriving from the fair value restatement (mark-to-market) of the exchange rate hedging programme implemented by the Company.

In all, net profit in the pulp business was 82.6% higher than in 1Q15, at €12Mn

2.7. Cash flow

Net cash flows from operating activities rose by 90.3% year-on-year, thanks to a lower working capital requirement and lower borrowing costs in the wake of the rescheduled debt servicing schedule as a result of the refinancing work concluded in 2015.

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Adjusted EBITDA	**29.2**	**60.8**	*(51.9%)*	**29.3**	*(0.3%)*
Non cash expenses / (incomes)	0.5	(1.0)	*n.s.*	3.6	*(85.2%)*
Other incomes / (payments)	(2.3)	(3.2)	*(27.7%)*	0.4	*n.s.*
Change in working capital	(11.3)	4.8	*n.s.*	(19.4)	*(41.7%)*
Income tax received/(paid)	0.1	(7.1)	*n.s.*	3.5	*(96.8%)*
Interest paid	0.0	(20.9)	*n.s.*	(8.8)	*n.s.*
Net cash flow from operating activities	**16.3**	**33.4**	*(51.2%)*	**8.6**	*90.3%*

The working capital requirement was €11.3Mn in 1Q16, compared to €19.4Mn in 1Q15. The €8.1Mn difference is mainly the result of a lower trade payables balance; in 1Q15, this heading had been affected by payments related to the closure of the Huelva mill at the end of 2014.

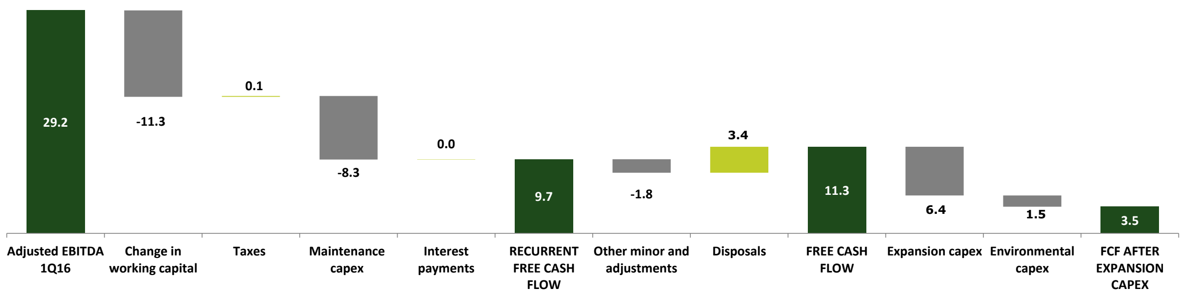
Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Inventories	(1.5)	(2.8)	*(47.6%)*	5.2	*n.s.*
Trade and other receivables	(4.2)	0.9	*n.s.*	(7.8)	*(45.9%)*
Trade and other payables	(5.6)	6.7	*n.s.*	(16.9)	*(66.6%)*
Change in working capital	**(11.3)**	**4.8**	*n.s.*	**(19.4)**	*(41.7%)*

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Maintenance capex	(8.4)	(8.3)	*0.6%*	(4.6)	*82.7%*
Environmental capex	(1.5)	(0.4)	*257.2%*	(0.3)	*336.9%*
Efficiency and expansion capex	(6.4)	(8.7)	*(26.4%)*	(2.3)	*179.5%*
Investments	**(16.2)**	**(17.4)**	*(6.9%)*	**(7.2)**	*125.0%*
Disposals	3.4	24.4	*(86.1%)*	-	*n.s.*
Net cash flow from investing activities	**(12.8)**	**7.0**	*n.s.*	**(7.2)**	*77.8%*

Maintenance capex was in line with that of the previous quarter, at €8.4Mn, while environmental capex amounted to €1.5Mn and was earmarked mainly to environmental upgrade work at the Pontevedra complex.

Investments in efficiency and expansion work totalled €6.4Mn in 1Q16, mostly related with the 20,000-tonne capacity expansion carried out at Navia in 2H15 and the bleaching phase improvements, similarly at Navia, as mentioned elsewhere.

Deposit agreements were executed during the quarter for the sale of an additional 1,305 hectares of irrigated land in southern Spain, currently classified as assets held for sale, for a total sum of €29.9Mn, €3.4Mn of which has been collected upfront. These sales, which are expected to close during the third quarter of this year, once the required permitting has been finalised, will generate a gain of approximately €12Mn. This development marks a major milestone in the company's asset disposal plan in terms of both speed of execution and proceeds.



(Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

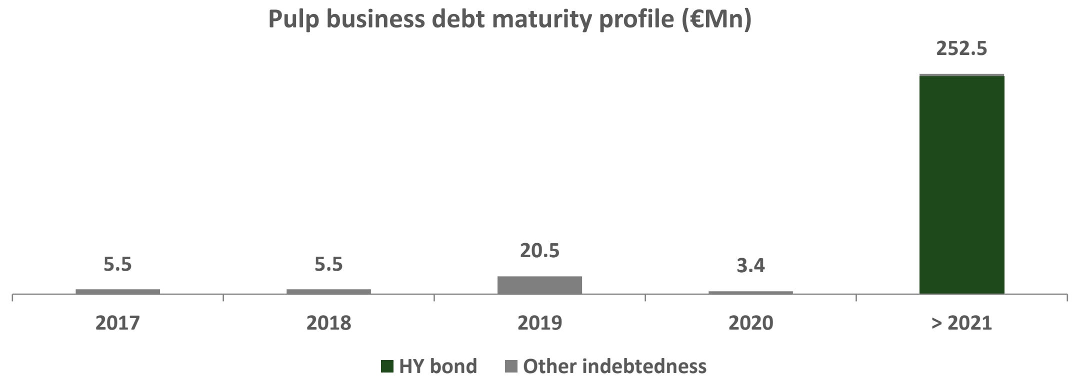
Recurrent free cash flow in the pulp business accordingly amounted to €9.7Mn in 1Q16 and free cash flow after capex (efficiency, expansion and environmental) amounted to €3.5Mn.

2.8. Net debt change

Net debt in the pulp division increased by €13.1Mn from the year-end 2015 balance to €194.4Mn, shaped mainly by inter-segment transactions between the pulp and energy businesses related to the fact of joint representation in the electricity market. Ence Energía y Celulosa acts as the Group's sole agent in the electricity market, to which end it manages payment collections for the energy sold by both the pulp and energy business segments.

Figures in €Mn	**1Q16**	*4Q15*	*Δ%*	*1Q15*	*Δ%*
Long term financial debt	280.0	279.8	*0.1%*	250.7	*11.7%*
Short-term financial debt	7.6	4.1	*85.1%*	5.2	*46.7%*
Gross financial debt	**287.7**	**283.9**	*1.3%*	**255.9**	*12.4%*
Cash and cash equivalents	84.0	93.9	*(10.6%)*	70.0	*19.9%*
Short-term financial investments	9.3	8.7	*6.6%*	8.7	*6.7%*
Pulp business net financial debt	**194.4**	**181.3**	*7.2%*	**177.2**	*9.7%*

The gross debt of €287.7Mn at the quarter-end close corresponds mainly to the €250Mn corporate bonds due 2022 and two separate €15Mn bilateral loans due mostly in 2019 taken on to finance the capacity expansion work undertaken in Navia in 2015.



Cash and cash equivalents stood at €93.3Mn at 31 March 2015; coupled with an undrawn €90Mn credit facility, the pulp business had liquidity of €183.3Mn at the March 2016 close.

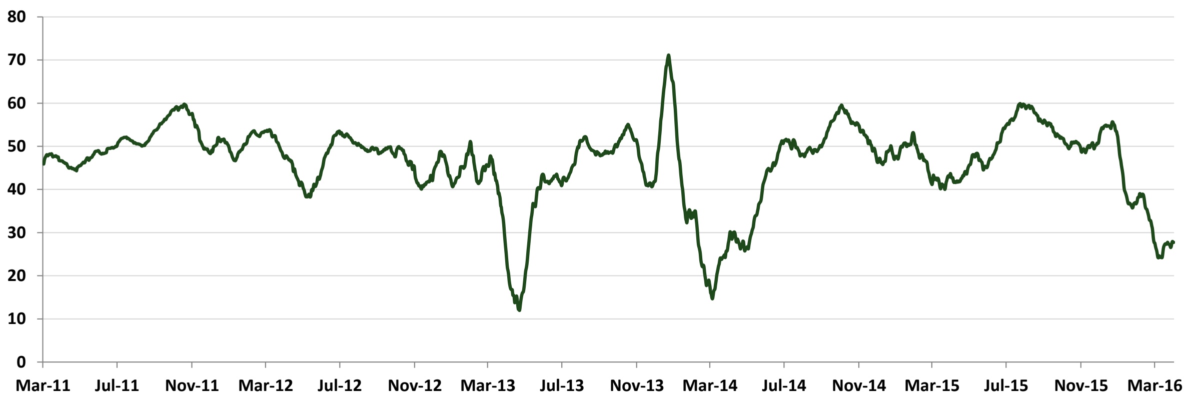
3. ENERGY BUSINESS

Ence's energy business encompasses the generation of power from renewable sources - forestry and agricultural biomass - at plants that have no relation to the pulp production process. Ence currently has two of such power plants in Huelva, one with capacity of 50 MW and the other with capacity of 41 MW, as well as a 20-MW power plant in Merida. Construction of Huelva 50MW and Merida 20MW was funded with project finance facilities; Huelva 41 MW is debt-free.

3.1. Energy market evolution

	1Q16	4Q15	Δ%	1Q15	Δ%
Average pool price (€/MWh)	31	51	*(39.2%)*	46	*(32.6%)*

Pool price in the last 5 years (€/MWh) – 30 days average



Average pool prices in mainland Spain were 32.6% lower year-on-year in 1Q16. This in turn primarily reflects a 14.9% increase in generation from wind farms and hydro stations to the detriment of coal and gas-fired stations, whose output fell by 24.7% year-on-year. Moreover, coal and gas prices corrected by 20.8% and 29.4% year-on-year, respectively.

3.2. Energy sales

	1Q16	4Q15	Δ%	1Q15	Δ%
Huelva 50 MW	75,082	82,754	*(9.3%)*	94,369	*(20.4%)*
Huelva 41 MW	41,203	46,126	*(10.7%)*	34,140	*20.7%*
Mérida 20 MW	23,289	27,638	*(15.7%)*	39,386	*(40.9%)*
Energy sales (MWh)	**139,573**	**156,518**	*(10.8%)*	**167,895**	*(16.9%)*
Average selling price - Pool + Ro (€/MWh)	93.8	105.4	*(11.0%)*	98.2	*(4.4%)*
Investment remuneration (€Mn)	7.8	7.8	*0.0%*	7.8	-
Revenues (€Mn)	**22.5**	**24.9**	*(9.5%)*	**24.6**	*(8.4%)*

In light of the low pool prices and the annual limit of 6,500 operating hours for regulatory remuneration purposes, Ence decided to pare back generation at its biomass power plants from an average of 1,499 hours per plant in 1Q15, or 1,397 hours in 4Q15, to 1,246 hours in 1Q16. The drop in first-quarter generation will be offset by higher generation in the coming quarters until the company meets the permitted annual cap.

On the other hand, production at the Huelva 41-MW plant increased by 20.7% year-on-year; output at this facility had been curtailed by technical restrictions in 1Q15 which were resolved during the 2Q15 maintenance stoppage.

Revenue in the energy business totalled €22.5Mn, down 8.4% year-on-year, driven mainly by the drop in operating hours.

Ence had hedged 80% of 1Q16 output at a price of €46.6/MWh, a strategy which generated a gain of €1.8Mn.

For the rest of the year, the company has hedged 56% of estimated second-quarter production at an average price of €41.1/MWh, 57% of estimated third-quarter production at an average price of €45.8/ MWh and 20% of estimated fourth-quarter production at an average price of €42.0/MWh.

3.3. P&L

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Total net revenue	**22.5**	**24.9**	*(9.7%)*	**24.6**	*(8.4%)*
Adjusted EBITDA	**7.7**	**(2.3)**	*n.s.*	**9.8**	*(20.7%)*
Adjusted EBITDA margin	34%	*(9%)*	*43.7 p.p.*	40%	*(5.4) p.p.*
EBITDA	**7.7**	**1.9**	*301.3%*	**9.8**	*(20.9%)*
EBITDA margin	34%	8%	*26.6 p.p.*	40%	*(5.4) p.p.*
Amortization	(2.9)	(2.1)	*38.7%*	(2.1)	*38.9%*
Forest depletion	(0.8)	(1.0)	*(17.9%)*	(12.3)	*(93.3%)*
Impairment of and gains/(losses) on fixed-asset disposals	(0.2)	1.9	*n.s.*	11.7	*n.s.*
EBIT	**3.9**	**0.8**	*395.3%*	**7.1**	*(45.2%)*
EBIT margin	17%	3%	*14.0 p.p.*	29%	*(11.5) p.p.*
Net finance costs	(1.3)	(0.9)	*40.9%*	(2.8)	*(55.1%)*
Profit before tax	**2.6**	**(0.1)**	*n.s.*	**4.2**	*(38.7%)*
Income tax	(0.7)	0.8	*n.s.*	(1.2)	*(45.2%)*
Net profit	**2.0**	**0.7**	*183.2%*	**3.1**	*(36.1%)*

Adjusted first-quarter EBITDA was €7.7Mn, down 20.9% year-on-year, due mainly to lower output; note that this will be largely mitigated by higher power generation in the coming quarters.

Below the EBITDA line, it is worth highlighting the 55% reduction in net borrowing costs due mainly to the recognition of lower interest expense related to balances payable to the pulp business as a result of the refinancing of the project finance facilities concluded in 2015.

As a result, net profit amounted to €2Mn in 1Q16, compared to €3.1Mn in 1Q15.

3.4. Cash flow

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Adjusted EBITDA	**7.7**	**(2.3)**	*n.s.*	**9.8**	*(20.7%)*
Non cash expenses / (incomes)	0.6	(0.0)	*n.s.*	0.0	*n.s.*
Other incomes / (payments)	(0.8)	(0.7)	*22.6%*	(0.0)	*n.s.*
Change in working capital	(4.6)	(0.7)	*n.s.*	(3.0)	*55.4%*
Income tax received/(paid)	(0.0)	(1.5)	*(100.0%)*	8.1	*n.s.*
Interest paid	(0.7)	(2.0)	*(62.7%)*	(0.9)	*(21.5%)*
Net cash flow from operating activities	**2.2**	**(7.1)**	*n.s.*	**14.0**	*(84.3%)*

Net cash flows from operating activities declined by 84.3% year-on-year in 1Q16 to €2.2Mn, due mainly to the collection of €8.1Mn of tax in 1Q15 in the wake of the regulatory reforms passed in Spain.

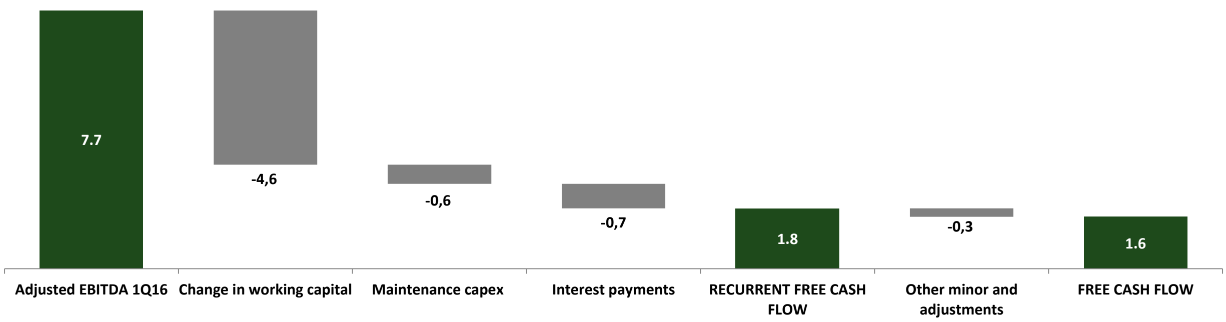
Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Inventories	0.2	(0.6)	*n.s.*	(0.1)	*n.s.*
Trade and other receivables	(3.5)	3.4	*n.s.*	(6.5)	*(46.3%)*
Trade and other payables	(1.4)	(3.4)	*(59.9%)*	3.6	*n.s.*
Change in working capital	**(4.6)**	**(0.7)**	*n.s.*	**(3.0)**	*55.4%*

The working capital requirement increased by €4.6Mn in 1Q16 due mainly to an increase in accounts receivable from the electricity market, due mainly to the still-unresolved regulatory status of the 41-MW biomass power plant in Huelva.

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Maintenance capex	(0.6)	(1.1)	*(50.9%)*	(1.5)	*(64.5%)*
Efficiency and expansion capex	-	-	*n.s.*	-	*n.s.*
Financial investments	(0.0)	-	*n.s.*	-	*n.s.*
Investments	**(0.6)**	**(1.1)**	*(48.7%)*	**(1.5)**	*(62.9%)*
Disposals	-	-	*n.s.*	-	*n.s.*
Net cash flow from investing activities	**(0.6)**	**(1.1)**	*(48.7%)*	**(1.5)**	*(62.9%)*

Cash flows used in investing activities were limited to maintenance capex of €0.6Mn.

As a result, recurring free cash flow amounted to €1.8Mn in 1Q16.



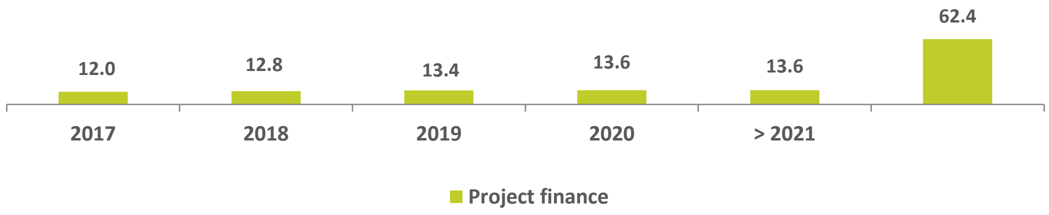
3.5. Net debt change

Net debt in the energy business decreased by €12.5Mn from the year-end 2015 balance to €47.4Mn, shaped mainly by movements between the pulp and energy businesses related primarily to the fact of joint representation in the electricity market.

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Long term financial debt	113.7	113.5	*0.1%*	97.8	*16.2%*
Short-term financial debt	12.9	12.0	*6.8%*	10.6	*21.4%*
Gross financial debt	**126.5**	**125.6**	*0.8%*	**108.4**	*16.7%*
Cash and cash equivalents	79.1	65.7	*20.4%*	17.8	*344.4%*
Short-term financial investments	0.0	0.0	-	-	*n.s.*
Energy business net financial debt	**47.4**	**59.9**	*(20.8%)*	**90.6**	*(47.6%)*

The gross debt of €126.5Mn at the March 2016 close corresponds to the €90.8Mn project finance facility financing the 50-MW plant in Huelva and the €35.7Mn project finance facility funding the 20-MW plant in Merida.

Energy debt maturity profile (€Mn)



Cash at the close stood at €79.1Mn.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. P&L

	1Q16				1Q15			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total net revenue	**129.6**	**22.5**	**(1.9)**	**150.2**	**130.8**	**24.6**	**0.9**	**156.3**
Other income	10.9	2.4	(7.3)	5.9	1.8	1.3	0.0	3.0
Change in inventories of finished products	0.4	-	-	0.4	(2.4)	-	-	(2.4)
Cost of sales	(63.8)	(6.2)	1.9	(68.0)	(58.6)	(7.4)	(0.9)	(66.9)
Personnel expenses	(16.4)	-	-	(16.4)	(13.0)	-	0.0	(13.0)
Other operating expenses	(31.4)	(10.9)	7.3	(35.0)	(29.2)	(8.7)	(0.0)	(37.9)
Adjusted EBITDA	**29.2**	**7.7**	**0.0**	**37.0**	**29.3**	**9.8**	**0.0**	**39.1**
Adjusted EBITDA margin	*23%*	*34%*		*25%*	*0.2*	*0.4*	*(0.4)*	*25%*
Variations in trading provisions	0.0	(0)	0.0	0.0	(0.4)	0.0	-	(0.4)
Other non recurrent personnel expenses	(1.0)	-	-	(1.0)	(3.9)	-	-	(3.9)
Income / (expenses)	(2.6)	-	0.0	(2.6)	(0.3)	(0.0)	(0.0)	(0.4)
EBITDA	**25.6**	**7.7**	**0.0**	**33.4**	**24.7**	**9.8**	**0.0**	**34.4**
EBITDA margin	*20%*	*34%*		*22%*	*19%*	*40%*		*22%*
Amortization	(10.6)	(2.9)	0.0	(13.5)	(11.9)	(2.1)	-	(14.0)
Forest depletion	(1.1)	(0.8)	-	(1.9)	(2.9)	(12.3)	0.6	(14.6)
Impairment of and gains/(losses) on fixed-asset disposals(a)	0.1	(0.2)	-	(0.1)	1.1	11.7	(0.4)	12.3
EBIT	**14.0**	**3.9**	**0.0**	**17.9**	**11.0**	**7.1**	**0.1**	**18.2**
EBIT margin	*11%*	*17%*		*12%*	*8%*	*29%*		*12%*
Net finance costs	(3.7)	(1.3)	0.0	(5.0)	(4.7)	(2.8)	(0.0)	(7.5)
Other financial results	5.9	-	-	5.9	2.4	-	(0.0)	2.4
Profit before tax	**16.2**	**2.6**	**0.0**	**18.8**	**8.8**	**4.2**	**0.1**	**13.1**
Income tax	(4.2)	(0.7)	0.0	(4.9)	(2.2)	(1.2)	(0.0)	(3.4)
Net profit	**12.0**	**2.0**	**0.0**	**13.9**	**6.6**	**3.1**	**0.1**	**9.7**

4.2. Balance Sheet

	1Q16				1Q15			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Intangible assets	14.7	0.0	0.0	14.7	12.9	1.6	1.1	15.6
Property, plant and equipment	461.5	182.2	-	643.7	445.1	189.7	(0.0)	634.8
Biological assets	82.5	4.3	-	86.8	84.4	4.0	(0.0)	88.4
Intercompany long term participation	170.5	-	(170.5)	-	37.8	-	(37.8)	-
Intercompany long term loan	64.1	0.0	(64.1)	-	172.1	71.4	(243.5)	-
Non-current financial assets	2.7	0.4	(0.0)	3.0	2.7	0.3	-	3.0
Assets for deferred tax	60.1	10.2	-	70.3	66.3	14.7	(0.0)	80.9
Total fixed assets	**856.1**	**197.1**	**(234.6)**	**818.5**	**821.3**	**281.6**	**(280.2)**	**822.7**
Non-current assets held for sale	48.9	1.4	-	50.3	75.7	3.8	(0.7)	78.8
Inventories	36.0	5.5	(0.0)	41.5	28.2	6.0	(0.0)	34.2
Trade other accounts receivable	108.5	46.7	(21.3)	134.0	120.2	53.1	(47.7)	125.6
Income tax	0.8	-	-	0.8	0.3	-	(0.3)	-
Other current assets	5.2	(0.2)	(0.0)	5.1	2.6	(0.4)	0.3	2.6
Hedging derivatives	5.7	0.2	0.0	5.9	0.1	0.2	-	0.3
Short-term financial assets	9.3	0.0	(0.0)	9.3	8.7	0.0	(0.0)	8.7
Cash and cash equivalents	84.0	79.1	-	163.1	70.1	17.8	-	87.9
Total current assets	**298.4**	**132.8**	**(21.3)**	**409.9**	**305.9**	**80.5**	**(48.4)**	**338.0**
TOTAL ASSETS	**1,154.4**	**329.9**	**(255.9)**	**1,228.4**	**1,127.2**	**362.1**	**(328.6)**	**1,160.7**
Equity	**618.0**	**108.7**	**(170.5)**	**556.2**	**590.2**	**2.3**	**(37.2)**	**555.3**
Non-current borrowings	280.0	113.7	-	393.7	322.0	269.9	(243.5)	348.4
Long term intercompany debt	0.0	64.0	(64.0)	-				
Non-current derivatives	-	9.1	-	9.1	-	9.1	-	9.1
Liabilities for deferred tax	20.7	0.3	-	21.0	21.7	0.3	(0.2)	21.8
Non-current provisions	9.2	0.4	(0.0)	9.6	12.1	2.5	(0.0)	14.6
Other non-current liabilities	10.7	0.0	-	10.7	11.1	0.0	(0.0)	11.1
Total non-current liabilities	**320.6**	**187.5**	**(64.0)**	**444.1**	**366.9**	**281.8**	**(243.7)**	**405.0**
Liabilities linked to non-current assets held for sale	-	-	-	-	0	-	-	-
Current borrowings	7.6	13	-	20.5	5.3	10.6	(0.1)	15.8
Current derivatives	0.0	3	-	3.0	0.0	3.2	-	3.2
Trade payables and other	196.4	17	(21.4)	192.5	149.8	54.7	(63.5)	141.1
Income tax	3.2	0	-	3.7	1.7	0.9	15.9	18.4
Current provisions	8.5	0	0	8.5	13.3	8.6	-	21.9
Total current liabilities	**215.8**	**33.8**	**(21.4)**	**228.2**	**170.1**	**78.0**	**(47.7)**	**200.4**
TOTAL EQUITY AND LIABILITIES	**1,154.4**	**329.9**	**(255.9)**	**1,228.4**	**1,127.2**	**362.1**	**(328.6)**	**1,160.7**

4.3. Cash flow

Figures in €Mn	1Q16				1Q15			
	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**16.2**	**2.6**	**-**	**18.8**	**8.8**	**4.2**	**0.1**	**13.1**
Depreciation	12.5	2.9	-	15.4	14.7	14.4	(0.6)	28.6
Changes in provisions and other deferred expense	1.7	0.6	-	2.3	8.8	0.0	(0.0)	8.8
Impairment of gains/(losses) on disposals intangible asset	(0.1)	0.1	-	0.1	(1.2)	(11.7)	0.4	(12.4)
Net finance costs	(2.5)	1.3	-	(1.2)	2.5	2.8	-	5.3
Government grants taken to income	(0.4)	-	-	(0.4)	(0.4)	-	-	(0.4)
Adjustments to profit	**11.2**	**4.9**	**-**	**16.1**	**24.5**	**5.6**	**(0.1)**	**29.9**
Inventories	(1.5)	0.2	-	(1.3)	5.2	(0.1)	0.0	5.2
Trade and other receivables	(4.2)	(3.5)	-	(7.7)	(7.8)	(6.5)	-	(14.3)
Current financial and other assets	(0.6)	-	-	(0.6)	(0.2)	-	-	(0.2)
Trade and other payables	(5.6)	(1.4)	-	(7.0)	(16.9)	3.6	-	(13.3)
Changes in working capital	**(11.9)**	**(4.6)**	**-**	**(16.5)**	**(19.6)**	**(3.0)**	**-**	**(22.6)**
			-				-	
Interest paid	(0.6)	(0.9)	0.8	(0.8)	(7.8)	(2.0)	-	(9.7)
Interest received	0.7	0.3	(0.8)	0.2	(1.0)	1.0	-	0.0
Income tax received/(paid)	0.1	-	(0.0)	0.1	3.5	8.1	-	11.6
Other cash flows from operating activities	**0.2**	**(0.7)**	**-**	**(0.5)**	**(5.2)**	**7.2**	**0.0**	**1.9**
Net cash flow from operating activities	**15.7**	**2.2**	**-**	**17.9**	**8.4**	**14.0**	**-**	**22.4**
Property, plant and equipment	(13.5)	(0.5)	0.0	(14.1)	(5.6)	(1.5)	-	(7.2)
Intangible assets	(2.7)	-	-	(2.7)	(1.5)	-	-	(1.5)
Other financial assets	0.0	(0.0)	-	(0.0)	(0.0)	-	-	(0.0)
Other cash flows from operating activities	**3.4**	**-**	**-**	**3.4**	**-**	**-**	**-**	**-**
Investments	**(12.8)**	**(0.6)**	**0.0**	**(13.4)**	**(7.2)**	**(1.5)**	**-**	**(8.8)**
Buyback/(disposal) of own equity instruments	(0.7)	-	-	(0.7)	4.0	-	-	4.0
Proceeds from and repayments of financial liabilities	(0.3)	(0.0)	(0.0)	(0.3)	(3.2)	-	-	(3.2)
Dividends payments	-	-	-	-	-	-	-	-
Translation differences	-	-	0.0	0.0	0.1	-	(0.1)	0.0
Group and Associated companies	(11.8)	11.8	(0.0)	-	(5.0)	5.0	(0.0)	(0.0)
Net cash flow from financing activities	**(12.9)**	**11.8**	**0.0**	**(1.0)**	**(4.1)**	**5.0**	**(0.1)**	**0.8**
Net increase/(decrease) in cash and cash equivalents	**(9.9)**	**13.4**	**-**	**3.5**	**(3.0)**	**17.5**	**(0.0)**	**14.4**

5. 1Q16 MILESTONES

Ence's statement on the Non-Legislative Proposal regarding the extension of Ence's concession in Pontevedra

The Non-Legislative Proposal in the Spanish legal system is a political declaration, without legal or binding effect on the Government.

The current parliamentary situation in Spain is causing excessive politicization of Ence's concession for its pulp mill in Pontevedra, which some political groups have turned into a political weapon against the interim Government, without any legal or environmental reason.

The Pontevedra concession renewal process has rigorously followed all procedures established by the Law. As an ordinary administration act, the concession may be renewed by an interim Government.

Ence is fully confident that the political clashes around its factory in Pontevedra will have no effect on the concession, which has been granted according to law, and believes that when the Parliament elects a new Government of Spain this debate will be rationalized.

Renewal of the Pontevedra pulp mill concession until 2073

Ence's concession to occupy the land on which its manufacturing complex in Pontevedra is located was extended by virtue of a ruling issued by the Director General of Coastal and Marine Sustainability, at the behest of the Ministry for Agriculture, Food and the Environment, notified to the Company on 25 January 2016. The extension has been granted for a period of 60 years starting from the extension application date, 8 November 2013. The additional term granted beyond the initially-contemplated maximum term of 50 years, i.e., 10 years, is tied to execution of a series of investments appraised at €61Mn. These investments are already contemplated in the business plan announced by the Company on 19 November 2015.

€0.10 final dividend per share

The Company paid out a final dividend from 2015 profits of €0.10 per share (before withholding tax) on 14 April 2016. This dividend, coupled with the interim dividend of €0.044 per share paid out in October 2015, implies total cash remuneration of €0.144 per share and represents a dividend yield of 4.7% in respect of the average 2015 share price.

Adjudication of 40-MW of capacity in Spain

Ence was awarded the concession to operate 40 MW of capacity pursuant to the auction held on 14 January 2016 to adjudicate up to 200 MW of capacity entitled to the remuneration regime specifically applicable to new biomass facilities, as defined in section two, 1.a) of Spanish Royal Decree 947/2015, of 16 October 2015, and in article 2.1.a) of Ministerial Order IET/2212/2015, of 23 October 2015.

APPENDIX 1: WORKING CAPITAL AND INVESTMENTS IN BALANCE

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Inventories	41.5	40.2	*3.3%*	34.2	*21.4%*
Trade and other receivables	134.0	131.0	*2.3%*	125.6	*6.7%*
Other current assets	5.1	0.5	*n.s.*	2.3	*124.7%*
Trade and other payables	(192.5)	(165.8)	*16.1%*	(156.9)	*22.7%*
Income tax	(2.9)	0.9	*n.s.*	(2.2)	*28.3%*
Current provisions	(8.5)	(9.6)	*(11.4%)*	(21.9)	*(61.2%)*
Working Capital	**(23.3)**	**(2.8)**	***n.s.***	**(19.0)**	***22.3%***

The working capital requirement declined by €23.3Mn in 1Q16 due mainly to the recognition of the final dividend from 2015 profits, payable in April, of €25Mn, within 'Trade and other payables'.

Figures in €Mn	1Q16	4Q15	Δ%	1Q15	Δ%
Maintenance capex	9.2	4.0	*130.8%*	3.1	*198.7%*
Environmental capex	2.1	1.0	*112.5%*	0.5	*276.5%*
Efficiency and expansion capex	7.2	9.6	*(24.9%)*	4.2	*69.9%*
Pulp business capex	**18.5**	**14.5**	*26.9%*	**7.9**	*134.7%*
Maintenance and environmental capex	0.1	1.6	*(94.7%)*	0.1	*(15.0%)*
Efficiency and expansion capex	-	-	*n.s.*	-	*n.s.*
Energy business capex	**0.1**	**1.6**	*(94.7%)*	**0.1**	*(29.8%)*
Total capex	**18.5**	**16.1**	***14.8%***	**8.0**	***132.2%***

The Group recognised €18.5Mn of capital expenditure in 1Q16. Maintenance capex amounted to €9.2Mn, while environmental capex totalled €2.1Mn and was earmarked primarily to environmental upgrade work at the Pontevedra complex.

Investments in efficiency and expansion work totalled €7.2Mn in 1Q16, mostly related with the second phase of the capacity expansion as well as bleaching phase upgrades, similarly at Navia.

APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE ENCE GROUP'S FACILITIES

Facility	Type of facility	MW	Remuneration to investment 2015 (Ri; €/MW)	Type of fuel	Remuneration to operation 2015 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Black liquor	30.170	-
	Biomass generation	36.7	230,244	Forestry waste	54.695	6,500
Pontevedra	Biomass co-generation	34.6	55,356	Black liquor	30.181	-
				Forestry waste	53.706	6,500
Huelva	Biomass generation (b)	41.1	289,848	Forestry waste	60.026	6,500
Huelva 50MW	Biomass generation	50.0	266,452	Forestry waste	53.018	6,500
Mérida 20MW	Biomass generation	20.0	293,579	Forestry waste	51.369	6,500

(a) The turbine operates according to a combination of steam from a recovery boiler and a biomass boiler

The remuneration deriving from the new remuneration regime is calculated as follows:

- **Ri (remuneration on investment):** annual remuneration per gross installed MW, generating an annual payment which is the product of this parameter and gross installed capacity (MW)

  Investment income = MW * Ri

- **Ro (remuneration for operations):** remuneration per MWh sold incremental to the pool price fetched, generating income calculated by adding this supplement to the pool price and multiplying the result by sales volumes in MWh

  Income from operations = (Ro + pool) * MWh

  Sales volumes in MWh may not exceed the product of a facility's gross installed capacity (MW) and the annual cap on hourly impact (there is no cap in the case of co-generation facilities).

  MWh < MW * 6,500 (for power generated from biomass)

  Output above this cap is sold at pool prices, with no entitlement to additional premiums.

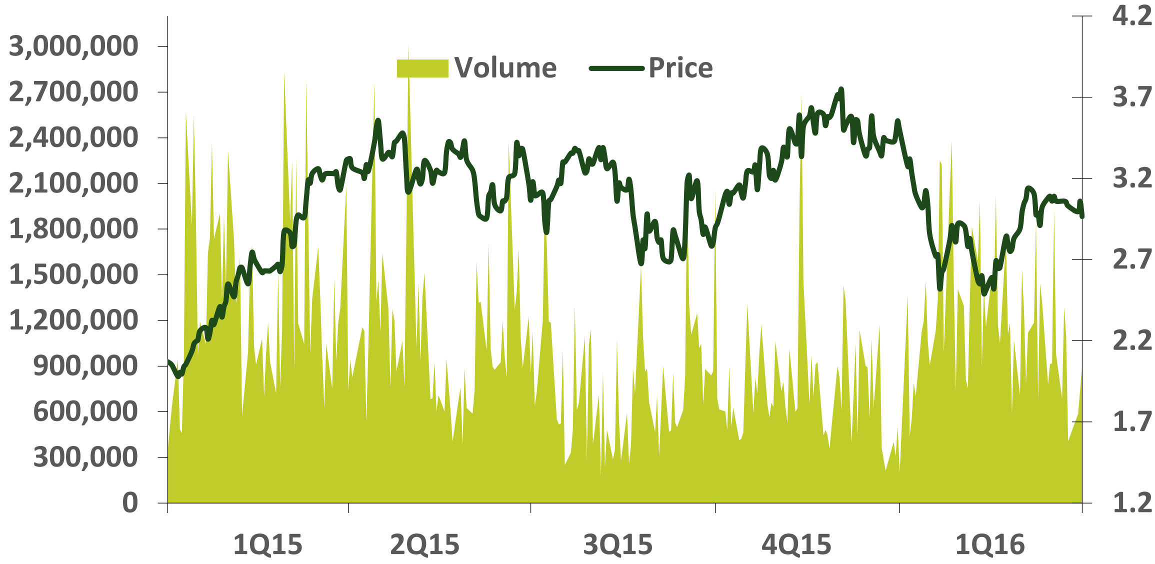
Under the new regulatory framework, the company's revenue from electricity sales in any given period will depend on the trend in pool prices. Deviations in average pool prices with respect to the estimate reflected in the ministerial order (€49.16/MWh on average in 2014-2016; €52/MWh thereafter), within certain fluctuation ranges, will be offset in the next regulatory stub period (which lasts three years) by means of adjustments to the standard facility remuneration parameters.

Following publication of Spanish Royal Decree 413/2014, the biomass power generation plants located in the industrial complexes in Pontevedra, Navia and Huelva were incorrectly classified as black liquor facilities in the new official remuneration regime registry. Ence took the administrative steps that the Ministry of Industry, Energy and Tourism made available to the generators with a view to seeking redress for errors of this kind. In 2015 it was resolved favorably dossiers for Pontevedra and Navia mills, pending corresponding to Huelva complex.

APPENDIX 3: ENCE ON THE STOCK MARKET

Ence's share price corrected by 13.4% during the first quarter, ending March at €2.965, down from €3.495 at year-end 2015.

During the same period, the Ibex corrected by 8.7% while the Company's sector peers saw their share prices correct by 25.1% on average(*).



Source: Thomson Reuters

	1Q15	2Q15	3Q15	4Q15	1Q16
Average daily volume (shares)	1,382,498	1,094,473	805,633	780,649	1,185,754
Ence performance	60%	(7%)	(6%)	21%	(13%)
Ibex 35 performance	12%	(7%)	(11%)	(0%)	(9%)
Eurostoxx performance	18%	(8%)	(9%)	5%	(8%)

Note: Ence’s share price performance has been adjusted for the €0.10 per share dividend paid on 8 May 2015 and the €0.044 per share dividend paid on 7 October 2015.

(*) Altri, Portucel, Fibria & Suzano.

Ence’s shares are part of the IBEX Small Cap, the IBEX Top Dividendo and FTSE4Good Ibex indices.

In addition to its market presence in its capacity as a listed company, in October 2015, Ence issued €250Mn issue of 5.375% bonds due 2022, using the proceeds to buy back the bonds issued in 2013.

Note that Ence may buy back its bonds on the secondary market from time to time. Any such buyback activity would be carried out on the basis of analysis of all relevant factors, including the bonds' quoted price and the Group's liquidity position, and in compliance with all applicable legal requirements.

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