



# Quarterly Report Third Quarter 2015

30 September 2015

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## 1. EXECUTIVE SUMMARY, 9M15 IN REVIEW

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Revenue from pulp business <sup>(a)</sup>	145.6	137.9	6%	168.3	(14%)	415.8	484.9	(14%)
Revenue from energy business <sup>(b)</sup>	28.0	19.0	47%	19.1	46%	71.0	40.8	74%
<b>Total revenue</b>	<b>173.5</b>	<b>156.9</b>	<b>11%</b>	<b>187.4</b>	<b>(7%)</b>	<b>486.7</b>	<b>525.7</b>	<b>(7%)</b>
Adjusted EBITDA	55.6	46.3	20%	15.7	253%	141.0	40.3	250%
EBITDA	52.5	42.8	22%	(24.8)	n.s.	129.7	(19.2)	n.s.
EBIT	35.8	27.4	30%	(129.3)	n.s.	81.4	(187.8)	n.s.
Net profit/(loss) for the period	13.0	12.4	4%	(91.1)	n.s.	35.1	(139.7)	n.s.
Net debt (recourse) <sup>(c)</sup>	154.8	160.8	(4%)	147.9	5%	154.8	147.9	5%
Pulp sales (tonnes)	220,623	211,370	4%	287,073	(23%)	652,389	888,841	(27%)
Energy sales (MWh) <sup>(b)</sup>	183,108	107,875	70%	136,835	34%	458,879	290,316	58%
Net pulp sale price (€/ton)	563	553	2%	428	31%	539	435	24%
Average energy sale price (€/MWh) <sup>(b)</sup>	153	176	(13%)	140	9%	155	140	10%
Cash cost (€/t) <sup>(d)</sup>	363	368	(1%)	400	(9%)	365	409	(11%)

(a) Includes 2M€ of forestry sales done by the energy subsidiaries in 9M15

(b) Includes operations at Huelva 50MW, Merida 20MW before the acceptance deeds were signed and Huelva 41MW since November 2014

(c) There is also €102 M of project finance loans funding Huelva 50MW and Merida 20MW outstanding at 30/09/2015

(d) This metric is not impacted by Huelva 50MW, Merida 20MW and Huelva 41MW as they are not related to the pulp business; 2Q15 cash cost figure has been adjusted retroactively by +€1/t due to the loss of complement in the energy sales

- ✓ **The 9M15 results lend visibility to the successful execution of the company's plan for boosting its competitiveness, against the backdrop of a favourable market environment, as evidenced by the adjusted EBITDA figure of €141m, which is more than three times the 9M14 figure. Adjusted 3Q15 EBITDA amounted to €56m, the highest level in the last five years.**
- ✓ **Moreover, operating cash flow reached €85m, despite a €39m increase in working capital requirements, shaped mainly by growth in accounts receivable on account of the rise in pulp prices. The cash generated has enabled the company to reduce its net debt by €23m between year-end, during which time it also funded €41m of capex and paid out €25m in dividends.**
- ✓ **Pulp prices have staged a sharp recovery, underpinned by strong demand, which has paved the way for successive price increases to \$810/t by the reporting date. These price increases drove year-on-year growth in net sales prices in euros of 24%, specifically from €435/t in 9M14 to €539/t in 9M15, buoyed by the trend in demand and dollar appreciation. The company has arranged monthly dollar hedges for the period elapsing between October 2015 and September 2016 using tunnel structures with a floor of \$/€1.07 and a ceiling of \$/€1.15 over a notional amount of \$226m, around 50% of pulp sales assuming mid-cycle prices.**
- ✓ **Revenue from pulp sales totalled €416m in 9M15, down 14% year-on-year due to a 27% drop in sales volumes in the wake of the closure of the Huelva mill last October, as well as a longer maintenance stoppage at Navia (21 days vs. 12 in 2014) to execute investments in efficiency and phase one of a plan for expanding capacity by 40,000 tonnes. Adjusting for these non-recurring factors, output would have been 3% higher year-on-year.**
- ✓ **Meanwhile, the effort to reduce production costs continued: the plants' cash cost was cut by €44/t, or 11%, vs. 9M14, following closure of the Huelva production centre and also thanks to a reduction in overhead and transformation costs following the gradual rollout of the plans for boosting the company's competitiveness.**

- ✓ Revenue from energy sales jumped 74% year-on-year. This growth is attributable to the contribution of the Mérida 20-MW and Huelva 41-MW power plants from September and October 2014, respectively, driving volume growth of 58%. Prices also climbed 10% higher, from €140/MWh in 9M14 to €155/MWh in 9M15, underpinned by higher pool prices for electricity. The biomass plant supply scheme has been restructured to a regime furnished exclusively from biomass purchased under agreements with third parties. This strategic change is enabling the group to sell up to €39m worth of land formerly earmarked for the development of energy crops; these assets are currently classified as available-for-sale assets. To date, Ence has sold 562 hectares of this land for €14.1m and has entered into sale agreements over another 620 hectares for €14.3m, €1.7m of which has been collected upfront.
- ✓ Adjusted EBITDA was €141m, three times the 9M14 figure, while reported EBITDA was €130m (vs. a loss of €19m in 9M14); the difference between the two figures is related mainly to the engagement of consultants with a view to supporting and accelerating delivery of the planned operational improvements, as well as the impact of the share price recovery on the executive bonus schemes. As a result, profit for the nine-month period amounted to €35m, compared to a bottom-line loss of €140m in 9M14.
- ✓ Net recourse debt was reduced by €23m in 9M15 to €155m, having paid a dividend of €25m in April and repaid €5m related to the Huelva closure (provisioned in 2014), to put the ratio of net recourse debt to EBITDA at 1.2x.
- ✓ Against this backdrop, the Board of Directors approved a dividend from 2015 profits of €0.044/share (before withholdings), which was paid out on 7 October.
- ✓ In October, Ence successfully refinanced the bonds issued in February 2013 with a new €250m issue of 5.375% bonds due November 2022. In parallel, it refinanced the revolving credit facility associated with the new bonds due October 2020, bringing its cost down by 175 basis points.

## 2. PULP BUSINESS

Ence's pulp business encompasses the activities related to the production of pulp for sale to third parties. It therefore includes not only the production of pulp but also the generation of electricity at the plants involved in the productive process, as well as the supply of timber to the factories (whether from owned or third-party forest plantations).

### 2.1. PULP PRODUCTION AND SALE

	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Huelva	-	-	n.s.	66,586	(100%)	-	230,673	(100%)
Pontevedra	118,003	105,940	11%	105,073	12%	312,420	303,360	3%
Navia	119,819	99,274	21%	125,279	(4%)	345,054	347,992	(1%)
<b>Pulp production (tonnes)</b>	<b>237,822</b>	<b>205,215</b>	<b>16%</b>	<b>296,939</b>	<b>(20%)</b>	<b>657,474</b>	<b>882,024</b>	<b>(25%)</b>
Huelva	-	-	n.s.	61,581	(100%)	-	226,412	(100%)
Pontevedra	114,979	103,072	12%	101,833	13%	312,660	307,506	2%
Navia	105,643	108,297	(2%)	123,660	(15%)	339,730	354,923	(4%)
<b>Pulp sales (tonnes)</b>	<b>220,623</b>	<b>211,370</b>	<b>4%</b>	<b>287,073</b>	<b>(23%)</b>	<b>652,389</b>	<b>888,841</b>	<b>(27%)</b>
<b>BHKP (\$/t)</b>	<b>804</b>	<b>780</b>	<b>3%</b>	<b>727</b>	<b>11%</b>	<b>778</b>	<b>749</b>	<b>4%</b>
<b>Average exchange rate (\$/€)</b>	<b>1.11</b>	<b>1.11</b>	<b>0%</b>	<b>1.33</b>	<b>(16%)</b>	<b>1.12</b>	<b>1.36</b>	<b>(18%)</b>
<b>Net sale price (€/t)</b>	<b>563</b>	<b>553</b>	<b>2%</b>	<b>428</b>	<b>31%</b>	<b>539</b>	<b>435</b>	<b>24%</b>
<b>Revenue from pulp sales (€M)</b>	<b>123.5</b>	<b>117.1</b>	<b>6%</b>	<b>123.4</b>	<b>0%</b>	<b>352.0</b>	<b>387.0</b>	<b>(9%)</b>

Pulp production fell by 25% year-on-year in 9M15, due mainly to the discontinuation of pulp production in Huelva on 11 October 2014, a decision taken in light of the heavy losses sustained by this facility in the wake of passage of the new renewable and co-generation regulatory regime. Stripping out the impact of the Huelva closure, output inched 1% higher.

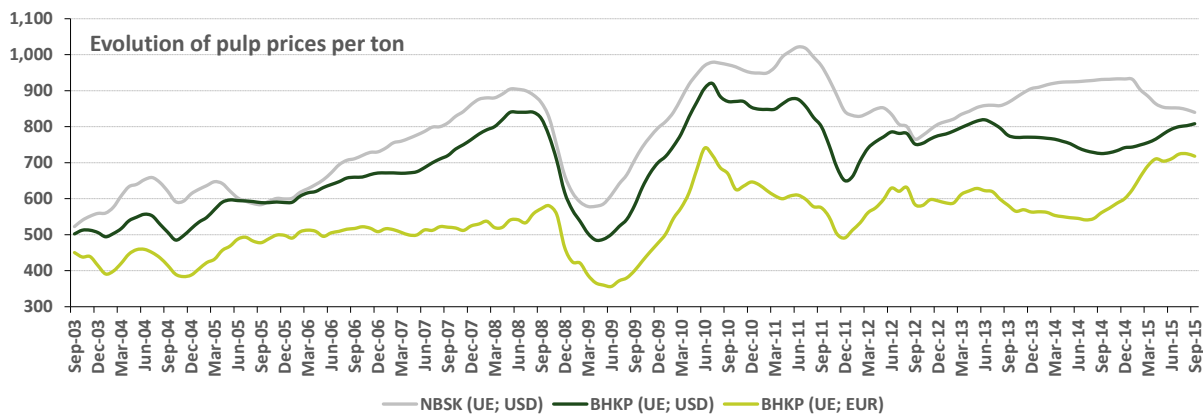
Production in Pontevedra was also affected by the programmed 10-day maintenance stoppage last March, whereas the Navia facility was stopped for 21 days in June in order to carry out efficiency upgrades and execute phase one of a plan to boost capacity by 40,000 tonnes. Adjusting for the longer stoppage at Navia (12 days in 2014), pulp production at these two plants would have increased by 3% in 9M15.

The average net sales price was €539/t in 9M15, up 24% year-on-year, driven by sharp dollar appreciation (18% vs. 9M14). Prices continued to climb higher, reaching \$810/t by the end of September. The 9M15 results do not evidence the full impact of the price recovery due to customary contractual terms: pulp prices are set at the prior-month average, generating a lag of close to one month between price/currency improvements and their impact in terms of merchandise invoicing.

The company has arranged monthly dollar hedges for the period elapsing between October 2015 and September 2016 using tunnel structures with a floor of \$/€1.07 and a ceiling of \$/€1.15 over a notional amount of \$226m.

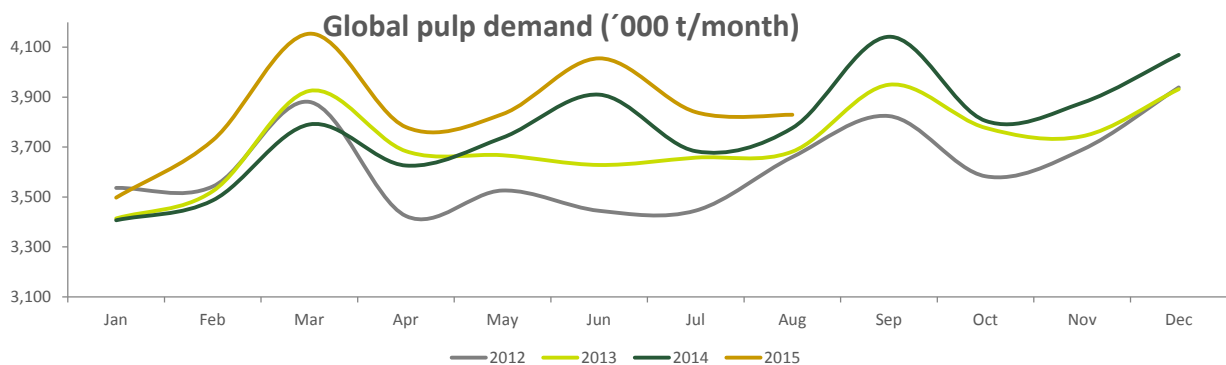
### OUTLOOK FOR THE PULP MARKET

Pulp prices extended the upward climb initiated in September 2014 and were hiked successively to end the reporting period at \$810/t. These increases have coincided with dollar appreciation against the euro, putting prices at 5-year highs in euro terms. Long fibre price stability in recent months has had the effect of narrowing the gap with short fibre prices to within \$50/t, in line with the historical differential between the two benchmarks.



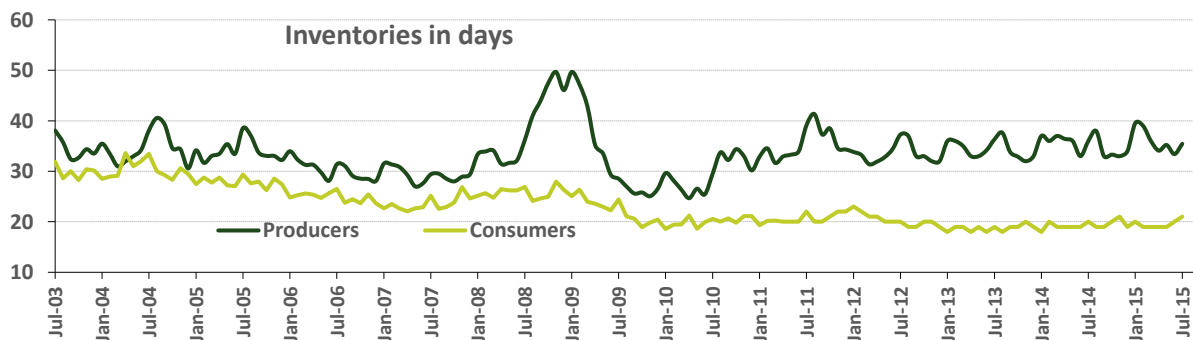
Source: FOEX

Demand remains strong, up 3.7% worldwide to August. In the wake of the commissioning of two plants in 2014, the low level of additional capacity expected to come on stream in 2015, low consumer inventories and the outlook for economic recovery have underpinned solid growth in demand, paving the way for price increases. By region, demand rose by 1.4% and 0.3% in the US and Europe, respectively, and increased by 12.3% in China, which is above the trendline of recent years (PPPC).



Source: PPPC (W-20)

Producer inventories worldwide remain at mid-cycle levels of around 35 days (as of August), while consumer inventory levels were still at record lows of 20 days at the end of July (PPPC). The situation in Europe is just as encouraging: consumer inventories remained at low levels of 21 days as of July (Utipulp).



Source: PPPC (W-20 statistics)

The main source of new supply commissioned in 2015 has been the Guaiba II expansion, which came on stream in May, adding 1.3 million tonnes of new capacity. The impact on pulp supply in 2015 is proving gradual given the

learning curve effect at the facility and the offsetting impact of the 410,000 tonnes of capacity taken offline in the wake of the Huelva closure. Against this backdrop, an increase in short fibre prices to \$830/t has been announced.

## 2.2. GENERATION AND SALE OF ELECTRICITY IN CONNECTION WITH PULP PRODUCTION

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Huelva	-	-	n.s.	170,538	(100%)	-	380,890	(100%)
Pontevedra	60,513	55,440	9%	53,705	13%	161,531	155,907	4%
Navia	140,537	112,733	25%	138,166	2%	387,417	389,096	(0%)
<b>Electricity production (MWh)</b>	<b>201,050</b>	<b>168,173</b>	<b>20%</b>	<b>362,409</b>	<b>(45%)</b>	<b>548,948</b>	<b>925,894</b>	<b>(41%)</b>
Biomass generation	57,815	43,909	32%	104,262	(45%)	152,070	244,919	(38%)
Biomass co-generation	131,997	114,903	15%	157,939	(16%)	366,968	473,792	(23%)
Natural gas co-generation	-	-	n.s.	89,378	(100%)	-	175,711	(100%)
<b>Electricity sales (MWh)<sup>(a)</sup></b>	<b>189,813</b>	<b>158,812</b>	<b>20%</b>	<b>351,578</b>	<b>(46%)</b>	<b>519,038</b>	<b>894,421</b>	<b>(42%)</b>
<b>Electricity consumption (MWh)</b>	<b>125,961</b>	<b>108,126</b>	<b>16%</b>	<b>176,077</b>	<b>(28%)</b>	<b>359,333</b>	<b>522,778</b>	<b>(31%)</b>
<b>Average sale price (€/MWh)</b>	<b>91</b>	<b>84</b>	<b>8%</b>	<b>93</b>	<b>(2%)</b>	<b>87</b>	<b>80</b>	<b>9%</b>
<b>Investment remuneration (€M)</b>	<b>2.6</b>	<b>2.6</b>	<b>(0%)</b>	<b>5.8</b>	<b>(56%)</b>	<b>7.9</b>	<b>16.5</b>	<b>(52%)</b>
<b>Average income (€/MWh)</b>	<b>105</b>	<b>100</b>	<b>4%</b>	<b>110</b>	<b>(5%)</b>	<b>102</b>	<b>98</b>	<b>4%</b>
<b>Revenue from electricity sales (€M)<sup>(b)</sup></b>	<b>19.9</b>	<b>15.9</b>	<b>25%</b>	<b>38.6</b>	<b>(49%)</b>	<b>53.0</b>	<b>87.7</b>	<b>(40%)</b>

(a) Adjusted for system imbalances

(b) Excludes the sales volumes of Huelva 50MW and Merida 20MW and Huelva 41MW, the latter since November 2014 and includes adjustments in 1H14 for settlements made by the regulator (the CNE) in respect of sales made in prior periods

Revenue from energy sales associated with installed capacity at the pulp mills amounted to €53m in 9M15, down 40% from 9M14, due to a 42% drop in sales volumes (in MWh) at the co-generation facilities fuelled by lignin as a result mainly of lower pulp production following the closure of the Huelva mill, as well as the cap on output (at 6,500 hours/MW/year) imposed under the new regulatory regime on the 37-MW Navia power plant. The drop in volumes was offset by a year-on-year increase in average revenue per MWh sold of 4%, due to a 26% jump in electricity pool prices compared to 9M14.

## 2.3. FORESTRY

	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
<b>Timber consumption (m3)</b>	<b>695,068</b>	<b>614,389</b>	<b>13%</b>	<b>882,225</b>	<b>(21%)</b>	<b>1,963,680</b>	<b>2,633,174</b>	<b>(25%)</b>
<b>Cost €/m<sup>3</sup></b>	<b>67</b>	<b>65</b>	<b>3%</b>	<b>72</b>	<b>(6%)</b>	<b>66</b>	<b>69</b>	<b>(4%)</b>
<b>Wood purchases per source</b>								
Owned timber	2%	5%		4%		3%	5%	
Standing timber acquired directly from land owners	28%	22%		34%		26%	32%	
Suppliers	70%	73%		50%		71%	51%	
Imported timber	-	-		12%		-	12%	
Own hectares	49,147	49,147	-	49,058	0%	49,147	49,058	0%
Third party hectares (consortia) <sup>(a)</sup>	27,677	33,713	(18%)	34,261	(19%)	27,677	34,261	(19%)
<b>Hectares managed by ownership regime</b>	<b>76,824</b>	<b>82,860</b>	<b>(7%)</b>	<b>83,319</b>	<b>(8%)</b>	<b>76,824</b>	<b>83,319</b>	<b>(8%)</b>
<b>Revenue from forestry sales and other<sup>(b)</sup></b>	<b>2.1</b>	<b>4.9</b>	<b>(56%)</b>	<b>6.3</b>	<b>(66%)</b>	<b>10.8</b>	<b>16.3</b>	<b>(34%)</b>

(a) Includes 2,598 hectares sold in Portugal in December 2013; Ence does not own the standing timber or biological assets on this land but does manage them

(b) Includes €2 M of forestry sales done by the energy subsidiaries in 9M15

Timber costs, meanwhile, decreased by 4% thanks to the price cut of €3.5/m<sup>3</sup> announced to suppliers in April 2014, which has enabled a gradual reduction in the cost of timber sourced from suppliers in northern Spain from September. Costs were also influenced by the virtual elimination of timber imports since the Huelva pulp mill's closure, as this facility had been the group's biggest importer of timber. Timber consumption declined by 25% in 9M15 as a result of lower pulp output in the wake of closure of the Huelva mill.

### 3. ENERGY BUSINESS

Ence's energy business encompasses the generation of power at plants that have no relation to the pulp production process. It currently comprises two facilities (the 50-MW Huelva and the 20-MW Mérida plants), whose construction was funded using project finance and are owned by Ence Energía SL, and a third facility (the Huelva 41-MW plant), which used to be part of the Huelva industrial pulp complex and is owned by CENER SA.

#### 3.1. POWER GENERATION AT THE INDEPENDENT PLANTS

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Huelva 50MW	99,233	48,625	104%	99,050	0%	242,228	238,566	2%
Mérida 20MW	38,371	24,381	57%	37,784	2%	102,139	51,750	97%
Huelva 41MW	45,503	34,869	30%	-	n.s.	114,512	-	n.s.
<b>Energy sales (MWh)</b>	<b>183,108</b>	<b>107,875</b>	<b>70%</b>	<b>136,835</b>	<b>34%</b>	<b>458,879</b>	<b>290,316</b>	<b>58%</b>
<b>Average pool price (€/MWh)</b>	<b>56</b>	<b>48</b>	<b>15%</b>	<b>52</b>	<b>6%</b>	<b>50</b>	<b>40</b>	<b>26%</b>
<b>Average sale price (€/MWh)</b>	<b>110</b>	<b>109</b>	<b>1%</b>	<b>104</b>	<b>6%</b>	<b>104</b>	<b>108</b>	<b>(3%)</b>
<b>Investment remuneration (€M)</b>	<b>7.8</b>	<b>7.3</b>	<b>7%</b>	<b>4.9</b>	<b>60%</b>	<b>23.3</b>	<b>9.5</b>	<b>144%</b>
<b>Average revenue (€/MWh)</b>	<b>153</b>	<b>176</b>	<b>(13%)</b>	<b>140</b>	<b>9%</b>	<b>155</b>	<b>140</b>	<b>10%</b>
Sales <sup>(a)</sup>	28.0	19.0	47%	19.1	46%	71.0	40.8	74%
EBITDA	10.0	6.6	51%	5.3	90%	25.0	11.2	123%
Forest depletion (energy crops)	(1.5)	(0.1)	n.s.	-	n.s.	(2.0)	(2.0)	(3%)
EBITDA excluding forest depletion charge <sup>(b)</sup>	8.5	6.5	31%	5.3	62%	23.1	9.2	151%
Industrial depreciation	(2.9)	(2.9)	0%	(1.6)	89%	(8.8)	(4.4)	102%
EBIT	5.6	3.4	62%	3.7	50%	14.3	4.8	196%

(a) Includes €6M capitalised in 9M14 regarding the sale of electricity produced at Merida 20MW before its acceptance deeds were signed in September 2014

(b) EBITDA ex-forestry depletion charges is consistent with the criteria used to prepare and disclose the plants' EBITDA guidance

Electricity sales volumes were 58% higher year-on-year in 9M15 at 459 GWh, thanks to the growing contribution by the 20-MW Merida plant and the re-opening of the 41-MW Huelva plant in November 2014. Although the Merida plant began to contribute energy to the Spanish electricity system on 31 March 2014, its sales were capitalised until August, inclusive. The 41-MW Huelva plant was originally part of the Huelva industrial complex. In the wake of discontinuation of the activities related to pulp production and co-generation, this facility is now operating as a standalone unit.

EBITDA amounted to €25m in 9M15 (more than twice the 9M14 level) thanks to growth in sales volumes (in MWh) and a 10% increase in average revenue per MWh sold, underpinned by higher pool prices which drove year-on-year growth in revenue from energy sales of 74%.

The power plants' volumes increased by 70% quarter-on-quarter in 3Q15, shaped by the maintenance stoppages carried out in April and May, which lasted 41 days. The reason for the timing of the stoppages is the cap on output imposed under current regulations of 6,500 hours/MW/year, which makes it more efficient from an operational standpoint to scale back operations during the months in which pool prices tend to be lower in order to be able to operate at full tilt during the second half of the year, when pool prices are expected to be higher. In addition, the company took advantage of the stoppage at the 41-MW Huelva plant to fine-tune the equipment to enable higher capacity utilisation ratios (output of 46 GWh in 3Q15 vs. 35 GWh in 2Q15), driving growth in sales volumes and EBITDA.

#### 3.2. ELECTRICITY MARKET TRENDS

Pool prices averaged €50/MWh in 9M15, above the 9M14 average of €40/MWh and in line with the €49.52 €/MWh estimated by the regulator as the basis for its operation supplement remuneration proposal, which is intended to cover the operating costs of power-producing facilities fuelled by renewable sources, co-generation and waste. The company has hedged 75% of its plants' 4Q15 output at a price of €49/MWh and 27% of 1H16 output at €46/MWh.



## 4. 9M15 EARNINGS ANALYSIS

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Pulp sales <sup>(a)</sup>	145.6	137.9	6%	168.3	(14%)	415.8	484.9	(14%)
Energy sales <sup>(b)</sup>	28.0	19.0	47%	19.1	46%	71.0	40.8	74%
<b>Total revenue</b>	<b>173.5</b>	<b>156.9</b>	<b>11%</b>	<b>187.4</b>	<b>(7%)</b>	<b>486.7</b>	<b>525.7</b>	<b>(7%)</b>
Cost of goods sold <sup>(c)</sup>	(65.5)	(65.1)	1%	(103.5)	(37%)	(200.0)	(303.7)	(34%)
Employee benefits expense	(16.0)	(13.2)	21%	(36.9)	(57%)	(46.0)	(70.1)	(34%)
Other operating expenses	(39.6)	(35.8)	11%	(71.9)	(45%)	(111.0)	(171.1)	(35%)
<b>EBITDA</b>	<b>52.5</b>	<b>42.8</b>	<b>22%</b>	<b>(24.8)</b>	<b>n.s.</b>	<b>129.7</b>	<b>(19.2)</b>	<b>n.s.</b>
Forest depletion	(1.9)	(2.2)	(13%)	(1.6)	22%	(6.5)	(9.4)	(30%)
Other D&A	(15.7)	(13.3)	18%	(15.0)	5%	(42.9)	(44.1)	(3%)
Provisions and others	1.0	0.1	n.s.	(87.8)	n.s.	1.2	(115.1)	n.s.
<b>EBIT</b>	<b>35.8</b>	<b>27.4</b>	<b>30%</b>	<b>(129.3)</b>	<b>n.s.</b>	<b>81.4</b>	<b>(187.8)</b>	<b>n.s.</b>
Net finance cost	(20.8)	(9.6)	116%	(5.3)	291%	(35.5)	(19.0)	86%
Net gains/(loss) on non-current assets held for sale	2.3	-	n.s.	-	n.s.	2.3	-	n.s.
<b>Profit before tax</b>	<b>17.3</b>	<b>17.8</b>	<b>(3%)</b>	<b>(134.6)</b>	<b>n.s.</b>	<b>48.2</b>	<b>(206.9)</b>	<b>n.s.</b>
Income tax	(4.3)	(5.4)	(20%)	43.4	n.s.	(13.1)	67.1	n.s.
<b>Net profit/(loss) for the period</b>	<b>13.0</b>	<b>12.4</b>	<b>4%</b>	<b>(91.1)</b>	<b>n.s.</b>	<b>35.1</b>	<b>(139.7)</b>	<b>n.s.</b>
<b>Adjusted EBITDA</b>	<b>55.6</b>	<b>46.3</b>	<b>20%</b>	<b>15.7</b>	<b>253%</b>	<b>141.0</b>	<b>40.3</b>	<b>250%</b>
<b>Cash cost (€/t)<sup>(d)</sup></b>	<b>363</b>	<b>368</b>	<b>(1%)</b>	<b>400</b>	<b>(9%)</b>	<b>365</b>	<b>409</b>	<b>(11%)</b>

(a) Includes €2 M of forestry sales done by the energy subsidiaries in 9M15

(b) Includes operations at Huelva 50MW, Merida 20MW before the acceptance deeds were signed and Huelva 41MW since November 2014

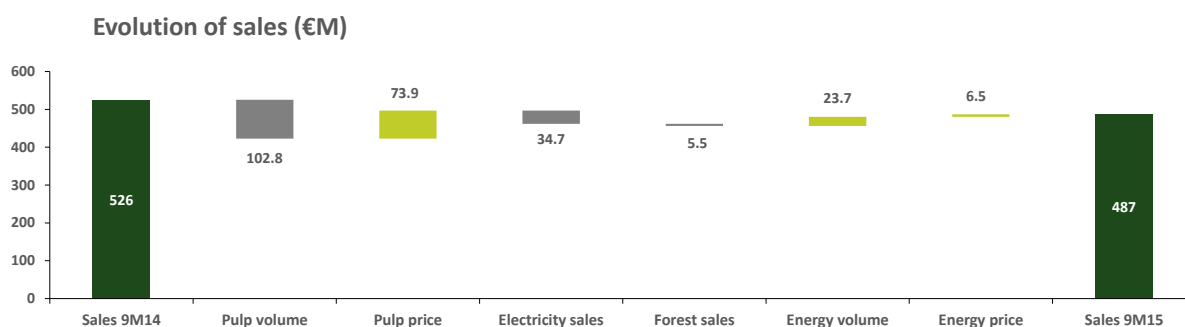
(c) supplies +/- change in inventories

(d) This metric is not impacted by Huelva 50MW, Merida 20MW and Huelva 41MW as they are not related to the pulp business; 2Q15 cash cost figure has been adjusted retroactively by +€1/t due to the complement losses in the energy sales

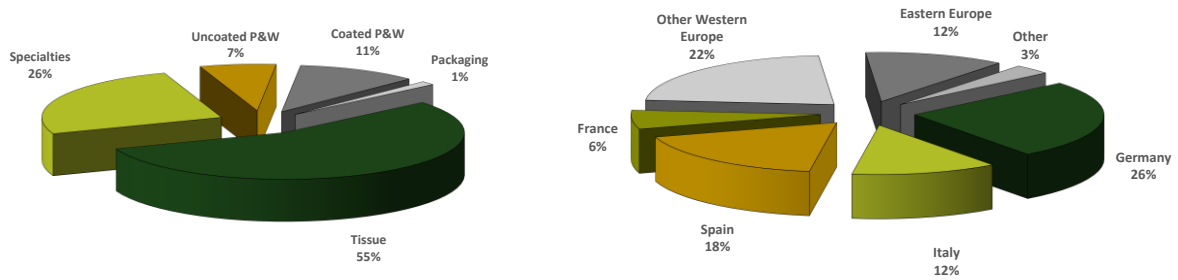
Revenue decreased by 7% year-on-year to €487m.

9M15 revenue from pulp sales totalled €416m, down 14% year-on-year due to a 27% drop in sales volumes derived from the closure of the Huelva mill; production at the Navia and Pontevedra mills rose 1% (up 3% adjusting for the longer stoppage at Navia this year). The net sales price in euro terms rose by 24% thanks to strong pulp prices and favourable currency trends.

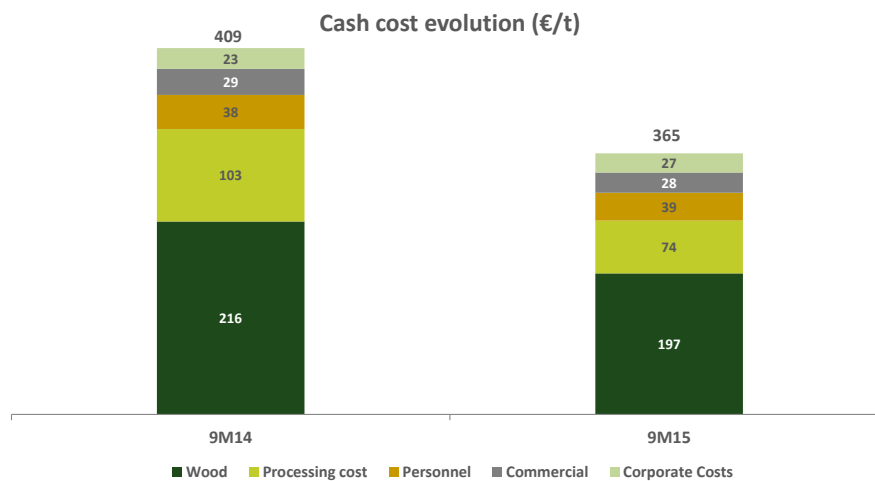
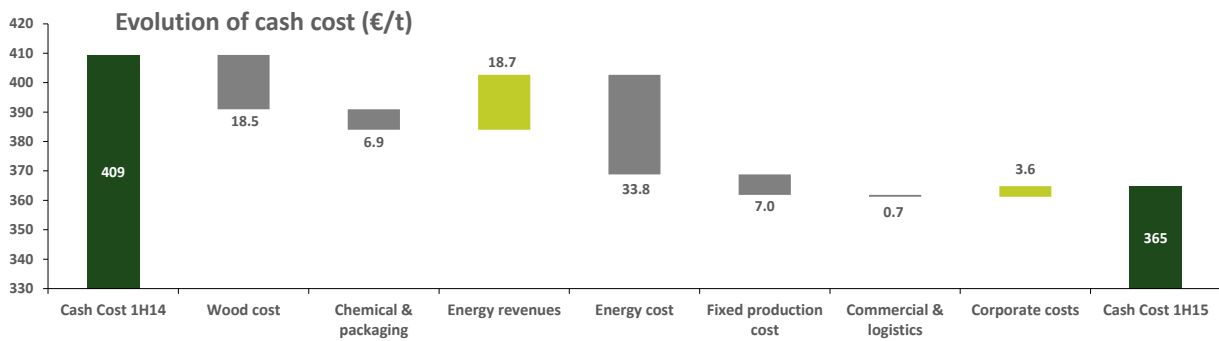
Revenue in the energy business, meanwhile, rose by 74% year-on-year to €71m in 9M15 due to a relatively higher contribution by the independent power plants and growth of 9% in average revenue from electricity sales, driven by higher pool prices; note that the 9M14 figures already reflected the impact of the tariff cuts under electricity sector reform.



The breakdown by segment did not change substantially, with tissue paper remaining the main use for the group's pulp. Geographically, Spain accounted for a slightly higher 18% of the total (vs. 16% in 9M14), while total European sales accounted for 97% of the group total (92% in 9M14), implying a market share of close to 12%.



Cash costs were cut by 11% year-on-year in 9M15 to €365/t, due mainly to the discontinuation of pulp production in Huelva and implementation of efficiency measures. The improvement was concentrated in timber and energy costs but was also shaped by the dilution of fixed manufacturing overhead and lower chemicals consumption.



Adjusted 9M15 EBITDA was €141m vs. €40m in 9M14. Factoring in the impact of hedges, termination benefits and provisions, 9M15 EBITDA (reported EBITDA) amounted to €130m compared to a loss of €19m in 9M14; the main adjustments relate to the cost of the expert consultant hired to support and accelerate delivery of the efficiencies deriving from the investments made and the provision for the executive bonus plan recognised in the wake of the sharp gain in the company's share price during the reporting period. The improvement in profitability is mainly attributable to higher pulp prices, higher pool prices and a €44/t reduction in production costs.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
<b>EBITDA</b>	<b>52.5</b>	<b>42.8</b>	<b>22%</b>	<b>(24.8)</b>	<b>n.s.</b>	<b>129.7</b>	<b>(19.2)</b>	<b>n.s.</b>
Hedging instruments: pulp prices and exchange rates	(0.2)	0.8	n.s.	(0.1)	246%	0.3	0.4	(2%)
Non recurrent personal expenses	0.2	(0.3)	n.s.	19.2	(99%)	3.8	18.9	(80%)
Provisions and others	(0.0)	0.8	n.s.	5.0	n.s.	1.3	8.2	(85%)
Other non-recurring items	3.1	2.2	41%	16.4	(81%)	5.9	32.0	(82%)
<b>Adjusted EBITDA</b>	<b>55.6</b>	<b>46.3</b>	<b>20%</b>	<b>15.7</b>	<b>253%</b>	<b>141.0</b>	<b>40.3</b>	<b>250%</b>

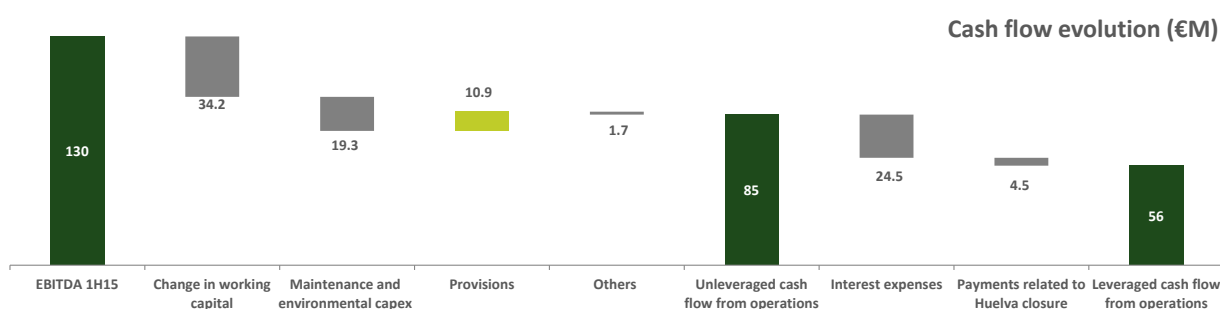
Net of depreciation and amortisation charges, net finance costs and tax, the company posted a profit of €35m in 9M15 compared to a loss of €140m in 9M14.

At the reporting date, the cash outflows related to the Huelva closure pending and fully provisioned amounted to €17m.

## 5. LIQUIDITY AND FINANCING

### 5.1. CASH FLOWS

Operating cash flow, net of maintenance capex, totalled €85m in 9M15.



Net cash flows from operating activities totalled €85m in 9M15, compared to €15m in 9M14, thanks to higher pulp prices, higher revenue from electricity sales and the collection in 1Q15 of €12m of refundable corporate tax paid on account in 2014 (refundable as a result of the losses generated by the Huelva closure and partially offset against tax expense this year). The year-on-year comparison reveals an increase in trade receivables related to the increase in pulp prices.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
<b>Consolidated profit/(loss) for the period before tax</b>	<b>17.3</b>	<b>17.8</b>	<b>(3%)</b>	<b>(134.6)</b>	<b>n.s.</b>	<b>48.2</b>	<b>(206.9)</b>	<b>n.s.</b>
Depreciation and amortisation charge	17.6	15.5	14%	16.6	6%	49.5	53.4	(7%)
Finance income/costs	20.9	9.4	124%	7.1	195%	35.6	20.8	72%
Increase / decrease other deferred income/costs	(0.1)	(2.4)	(94%)	131.6	n.s.	5.7	172.8	(97%)
<b>Adjustments of profit for the year-</b>	<b>38.4</b>	<b>22.4</b>	<b>71%</b>	<b>155.3</b>	<b>(75%)</b>	<b>90.8</b>	<b>247.0</b>	<b>(63%)</b>
Trade and other receivables	(16.1)	4.1	n.s.	(1.7)	n.s.	(26.3)	8.9	n.s.
Current financial and other assets	0.8	0.1	411%	0.4	110%	0.7	3.0	(76%)
Trade and other payables	(12.9)	13.7	n.s.	(9.1)	42%	(12.5)	(23.6)	(47%)
Inventories	(2.3)	(3.5)	(34%)	10.4	n.s.	(0.6)	6.6	n.s.
<b>Changes in working capital-</b>	<b>(30.5)</b>	<b>14.4</b>	<b>n.s.</b>	<b>0.1</b>	<b>n.s.</b>	<b>(38.7)</b>	<b>(5.1)</b>	<b>n.s.</b>
Interest paid / received	(9.1)	(5.6)	63%	(8.6)	5%	(24.3)	(20.1)	21%
Income tax recovered (paid)	(0.0)	(2.3)	(99%)	-	n.s.	9.3	-	n.s.
<b>Other cash flows from operating activities-</b>	<b>(9.1)</b>	<b>(7.9)</b>	<b>15%</b>	<b>(8.6)</b>	<b>6%</b>	<b>(15.0)</b>	<b>(20.1)</b>	<b>(25%)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>16.1</b>	<b>46.8</b>	<b>(66%)</b>	<b>12.2</b>	<b>32%</b>	<b>85.3</b>	<b>15.0</b>	<b>470%</b>

Cash used in investing activities amounted to €32m in 9M15 vs. €43m in 9M14, down 26% year-on-year due to proceeds from disposals this year. This year the group has closed the sale of forest land for €8m and collected €1m upfront on additional sales agreed totalling €9m.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Property, plant and equipment	(23.7)	(7.3)	226%	(16.0)	49%	(38.2)	(40.3)	(5%)
Intangible assets	(0.7)	(0.2)	174%	(0.6)	20%	(2.5)	(2.7)	(10%)
Other financial assets	(0.2)	0.1	n.s.	(0.2)	(8%)	(0.1)	0.0	n.s.
<b>Investments</b>	<b>(24.6)</b>	<b>(7.4)</b>	<b>233%</b>	<b>(16.8)</b>	<b>47%</b>	<b>(40.8)</b>	<b>(43.0)</b>	<b>(5%)</b>
<b>Disposals</b>	<b>5.2</b>	<b>3.6</b>	<b>44%</b>	<b>-</b>	<b>n.s.</b>	<b>8.9</b>	<b>0.1</b>	<b>n.s.</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(19.4)</b>	<b>(3.8)</b>	<b>415%</b>	<b>(16.8)</b>	<b>16%</b>	<b>(31.9)</b>	<b>(42.9)</b>	<b>(26%)</b>

Cash outflows from financing activities amounted to €4m in 9M15, compared to an inflow of €26m in 9M14 (which was due to the maturity of a €45m investment in 12-month deposits made in 2Q13 using the proceeds from the Uruguay disposal).

Gross borrowings increased by €25m from year-end, mainly due to the arrangement of two €15m bank loans to take advantage of prevailing low interest rates and the buyback of 10% of the €250 bond issue placed in 2013. In

In addition, the renegotiation of the biomass project finance facilities enabled the company to draw down an additional €30m under the related credit lines. Other cash outflows included a €25m dividend payment and a €3.3m payment upon maturity of the existing equity swap, which was offset by proceeds from the sale of own shares totalling €4m.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
<b>Proceeds from and payments for equity instrument</b>	-	0.0	(100%)	(2.4)	(100%)	4.0	(4.4)	n.s.
Bonds and other marketable securities (net)	-	(25.0)	(100%)	0.0	(100%)	(25.0)	0.0	n.s.
Increase/(decrease) in bank borrowings (net)	42.0	10.5	300%	0.3	n.s.	52.6	4.6	n.s.
Other financial liabilities	0.9	(0.0)	n.s.	0.0	n.s.	(2.4)	(0.5)	387%
<b>Proceeds from and repayments of financial liabilities</b>	<b>42.9</b>	<b>(14.5)</b>	<b>n.s.</b>	<b>0.3</b>	<b>n.s.</b>	<b>25.1</b>	<b>4.1</b>	<b>n.s.</b>
<b>Dividends and payments on other equity instruments</b>	<b>(0.0)</b>	<b>(24.9)</b>	<b>(100%)</b>	<b>(19.4)</b>	<b>(100%)</b>	<b>(24.9)</b>	<b>(19.4)</b>	<b>28%</b>
<b>Translation differences</b>	<b>(0.0)</b>	<b>0.0</b>	<b>n.s.</b>	<b>0.1</b>	<b>n.s.</b>	<b>0.0</b>	<b>0.1</b>	<b>(93%)</b>
Fixed-term deposit	-	-	n.s.	-	n.s.	-	45.0	(100%)
<b>Other cash received from (used in) financing activities</b>	<b>-</b>	<b>-</b>	<b>n.s.</b>	<b>-</b>	<b>n.s.</b>	<b>-</b>	<b>45.0</b>	<b>(100%)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>42.9</b>	<b>(39.4)</b>	<b>n.s.</b>	<b>(21.3)</b>	<b>n.s.</b>	<b>4.3</b>	<b>25.5</b>	<b>(83%)</b>

In all, the company's cash balance rose by €58m to €130m at the 9M15 close; this figure rises to €138m factoring in short-term financial investments.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
<b>INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3.7</b>	<b>39.6</b>	<b>(91%)</b>	<b>(25.9)</b>	<b>n.s.</b>	<b>57.6</b>	<b>(2.5)</b>	<b>n.s.</b>

## 5.2. WORKING CAPITAL

The working capital requirement amounted to €13m in 9M15, compared to a €14m surplus in 9M14, shaped by significant changes in inventories and taxes payable related to the drop in volumes in the wake of closure of the Huelva mill, as well as the refund of corporate income tax paid on account in connection with the losses generated by the closure.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Inventories	35.9	34.1	5%	53.4	(33%)	35.9	53.4	(33%)
Trade and other receivables	121.7	104.2	17%	103.8	17%	121.7	103.8	17%
Income tax receivable	0.1	0.3	(56%)	11.6	(99%)	0.1	11.6	(99%)
Other current financial assets	7.8	8.5	(9%)	7.9	(2%)	7.8	7.9	(2%)
Other accounts receivables from public authorities	15.0	16.7	(10%)	13.4	12%	15.0	13.4	12%
Other current assets	1.7	3.0	(44%)	2.6	(35%)	1.7	2.6	(35%)
Trade and other payables <sup>(a)</sup>	(150.6)	(167.8)	(10%)	(165.6)	(9%)	(150.6)	(165.6)	(9%)
Income tax payable	(10.5)	(6.7)	56%	(0.1)	n.s.	(10.5)	(0.1)	n.s.
Other accounts payable to public authorities	(7.7)	(7.0)	10%	(10.9)	(29%)	(7.7)	(10.9)	(29%)
Other current liabilities	(0.0)	(0.0)	-	(2.7)	(100%)	(0.0)	(2.7)	(100%)
<b>Working capital</b>	<b>13.4</b>	<b>(14.7)</b>	<b>n.s.</b>	<b>13.7</b>	<b>(2%)</b>	<b>13.4</b>	<b>13.7</b>	<b>(2%)</b>
<b>Change in WC as per cash flow statement</b>	<b>(30.5)</b>	<b>14.4</b>	<b>n.s.</b>	<b>10.2</b>	<b>n.s.</b>	<b>(8.2)</b>	<b>(5.1)</b>	<b>59%</b>

(a) the provision for the revenue restatement in the wake of the new regulations is included within trade accounts payable

## 5.3. CAPITAL EXPENDITURE

Capital expenditure in the pulp business (industrial and forestry) amounted to €49m in 9M15, up €17m from 9M14, and was earmarked mainly to investments designed to make the plants more cost-efficient. This figure includes €23m corresponding to part of the effort to enhance efficiency and expand capacity at the Navia complex, work that was carried out in June. As of the reporting date, €76m of assets at the Huelva plant and nearby eucalyptus plantations have been reclassified as "Non-current assets held for sale".

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Maintenance	4.6	4.8	(5%)	2.4	90%	10.4	5.9	78%
Improvements in efficiency/production	14.3	4.8	196%	6.5	119%	23.4	14.1	66%
Environmental	0.9	2.7	(67%)	0.4	136%	4.2	1.1	277%
<b>Industrial capex, pulp</b>	<b>19.8</b>	<b>12.4</b>	<b>60%</b>	<b>9.4</b>	<b>112%</b>	<b>38.0</b>	<b>21.0</b>	<b>81%</b>
Plantation and maintenance activity	0.5	1.1	(53%)	0.7	(32%)	2.3	1.2	94%
Financial expenses	-	-	n.s.	0.3	(100%)	-	1.0	(100%)
<b>Forestry capex, pulp</b>	<b>0.5</b>	<b>1.1</b>	<b>(53%)</b>	<b>1.1</b>	<b>(53%)</b>	<b>2.3</b>	<b>2.2</b>	<b>4%</b>
<b>Industrial capex, biomass</b>	<b>1.9</b>	<b>3.1</b>	<b>(40%)</b>	<b>(0.1)</b>	<b>n.s.</b>	<b>5.1</b>	<b>5.7</b>	<b>(10%)</b>
<b>Forestry capex, biomass</b>	<b>0.9</b>	<b>1.4</b>	<b>(37%)</b>	<b>0.5</b>	<b>75%</b>	<b>3.6</b>	<b>3.0</b>	<b>20%</b>
<b>Total capital expenditure</b>	<b>23.1</b>	<b>18.0</b>	<b>28%</b>	<b>10.8</b>	<b>113%</b>	<b>49.0</b>	<b>31.9</b>	<b>54%</b>

## 6. NET FINANCE COST AND NET DEBT

### 6.1. NET FINANCE COST

Finance costs (excluding capitalised borrowing costs but including payments related to interest rate hedges) amounted to nearly €21m, somewhat below the 9M14 figure due to a reduced interest burden in the wake of the repurchase of 10% of the 2013 bond issue. The equity swap, which was cancelled on 15 March, had a positive impact thanks to the share price recovery.

The net finance cost attributable to the energy projects increased by €15m in 9M15 as the refinancing of the associated project finance facilities triggered the arrangement of related interest rate hedges (€12m) and the recognition of the arrangement fees (€3m). In all, net finance cost (at the corporate level) increased by 11% year-on-year to €16m.

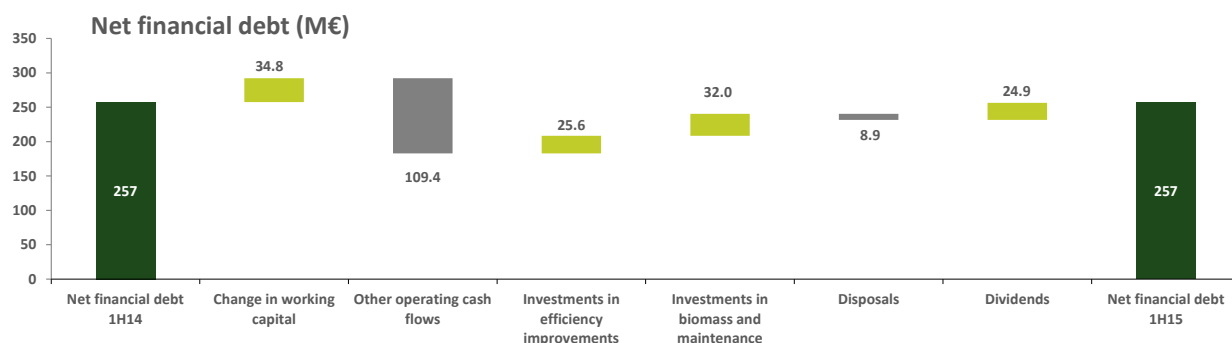
figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Interest on bond	(4.1)	(5.1)	(21%)	(4.5)	(10%)	(13.8)	(13.6)	1%
Interest on loans	(1.6)	(1.6)	(2%)	(1.4)	13%	(4.7)	(4.4)	7%
Interest on factoring and reverse factoring lines	(0.2)	(0.3)	(28%)	(0.3)	(20%)	(0.8)	(1.0)	(15%)
Capitalization of borrowing costs	0.0	0.0	-	0.8	(97%)	0.1	2.9	(97%)
<b>Finance costs</b>	<b>(5.9)</b>	<b>(7.1)</b>	<b>(17%)</b>	<b>(5.4)</b>	<b>9%</b>	<b>(19.2)</b>	<b>(16.1)</b>	<b>19%</b>
Settlement of interest under IRS	0.1	(0.8)	n.s.	(0.8)	n.s.	(1.5)	(2.2)	(31%)
Change in fair value of IRS	(12.2)	-	n.s.	-	n.s.	(12.2)	-	n.s.
Financial expenses for equity swap	-	0.0	(100%)	(0.2)	(100%)	1.0	(1.5)	n.s.
<b>Net gain/(loss) on hedges (IRS and equity swap)</b>	<b>(12.1)</b>	<b>(0.8)</b>	<b>n.s.</b>	<b>(1.0)</b>	<b>n.s.</b>	<b>(12.7)</b>	<b>(3.7)</b>	<b>240%</b>
<b>Debt redemption expense</b>	<b>-</b>	<b>(1.4)</b>	<b>(100%)</b>	<b>-</b>	<b>n.s.</b>	<b>-</b>	<b>-</b>	<b>n.s.</b>
<b>Net exchange differences</b>	<b>0.1</b>	<b>(0.8)</b>	<b>n.s.</b>	<b>1.4</b>	<b>(95%)</b>	<b>0.8</b>	<b>1.8</b>	<b>(57%)</b>
<b>Other financial expenses</b>	<b>(2.9)</b>	<b>(0.5)</b>	<b>n.s.</b>	<b>(0.7)</b>	<b>349%</b>	<b>(4.6)</b>	<b>(1.9)</b>	<b>139%</b>
<b>Financial income</b>	<b>0.1</b>	<b>0.1</b>	<b>(6%)</b>	<b>0.3</b>	<b>(72%)</b>	<b>0.2</b>	<b>0.9</b>	<b>(77%)</b>
<b>Net finance cost</b>	<b>(20.8)</b>	<b>(10.4)</b>	<b>101%</b>	<b>(5.3)</b>	<b>291%</b>	<b>(35.5)</b>	<b>(19.0)</b>	<b>86%</b>
Interests on non recourse debt	(15.6)	(1.9)	n.s.	(1.6)	n.s.	(19.4)	(4.6)	323%
<b>Net finance cost excluding project finance facilities</b>	<b>(5.2)</b>	<b>(8.5)</b>	<b>(39%)</b>	<b>(3.7)</b>	<b>41%</b>	<b>(16.1)</b>	<b>(14.5)</b>	<b>11%</b>

### 6.2. NET DEBT

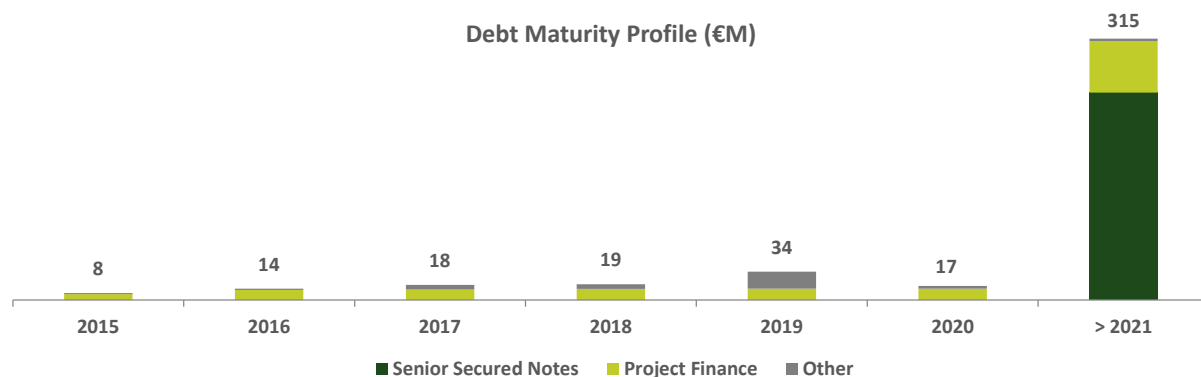
At the 9M15 close, net recourse debt (i.e., excluding gross borrowings under the project finance facilities associated with the energy projects) amounted to €155m, up 5% from the 9M14 close, due to the cost of closing the Huelva mill and the investments made in efficiency at the Navia complex. Compared to year-end, borrowings declined by 13% thanks to cash flow generation year-to-date, which more than offset the €25m dividend payment. Total net debt, including non-recourse debt, stood at €257m, in line with the year-end 2014 level.

figures in €M	3Q15	2Q15	Δ%	3Q14	Δ%	9M15	9M14	Δ%
Bond	225.0	225.0	-	250.0	(10%)	225.0	250.0	(10%)
Bonds - arrangement fees	(6.2)	(6.5)	(5%)	(8.3)	(25%)	(6.2)	(8.3)	(25%)
Bank borrowings	30.0	15.1	99%	0.4	n.s.	30.0	0.4	n.s.
Other financial liabilities	8.1	8.9	(9%)	10.2	(21%)	8.1	10.2	(21%)
Other financial liabilities - grant	(0.8)	(0.9)	(7%)	(1.1)	(25%)	(0.8)	(1.1)	(25%)
<b>Non-current borrowings</b>	<b>256.1</b>	<b>241.5</b>	<b>6%</b>	<b>251.2</b>	<b>2%</b>	<b>256.1</b>	<b>251.2</b>	<b>2%</b>
Bonds - accrued interest	2.4	6.4	(63%)	2.5	(6%)	2.4	2.5	(6%)
Bank borrowings	0.4	0.4	-	0.4	-	0.4	0.4	-
Bank borrowings - accrued interest	0.3	0.1	121%	0.1	402%	0.3	0.1	402%
Other financial liabilities	2.0	1.9	4%	1.1	87%	2.0	1.1	87%
Other financial liabilities - accrued interest	0.1	0.0	34%	0.1	(3%)	0.1	0.1	(3%)
<b>Current borrowings</b>	<b>5.1</b>	<b>8.9</b>	<b>(43%)</b>	<b>4.1</b>	<b>24%</b>	<b>5.1</b>	<b>4.1</b>	<b>24%</b>
<b>Total gross borrowings</b>	<b>261.2</b>	<b>250.5</b>	<b>4%</b>	<b>255.3</b>	<b>2%</b>	<b>261.2</b>	<b>255.3</b>	<b>2%</b>
Cash hold by pulp business	98.5	81.1	22%	99.5	(1%)	98.5	99.5	(1%)
Short-term financial investments	7.8	8.5	(9%)	7.9	(2%)	7.8	7.9	(2%)
<b>Total net debt (recourse)</b>	<b>154.8</b>	<b>160.8</b>	<b>(4%)</b>	<b>147.9</b>	<b>5%</b>	<b>154.8</b>	<b>147.9</b>	<b>5%</b>
Non-current, non-recourse debt	121.8	95.7	27%	105.0	16%	121.8	105.0	16%
Non-current, non-recourse debt - arrangement fees	(2.4)	(2.5)	(5%)	(2.8)	(17%)	(2.4)	(2.8)	(17%)
Current non-recourse debt	13.2	9.0	47%	7.0	89%	13.2	7.0	89%
Current non-recourse debt - arrangement fees	-	(0.5)	(100%)	(0.5)	(100%)	-	(0.5)	(100%)
Current non-recourse debt - accrued interest	0.6	0.6	(8%)	2.3	(74%)	0.6	2.3	(74%)
Cash hold by energy business	31.5	10.4	202%	1.4	n.s.	31.5	1.4	n.s.
<b>Total net debt</b>	<b>256.5</b>	<b>252.8</b>	<b>1%</b>	<b>257.5</b>	<b>(0%)</b>	<b>256.5</b>	<b>257.5</b>	<b>(0%)</b>

In addition, the company has discounting facilities with a limit of €70m, which were drawn down by €36m at the reporting date (by €36m at year-end 2014). In terms of liquidity other than the company's cash on hand, it also had an undrawn €90m credit line at the reporting date.

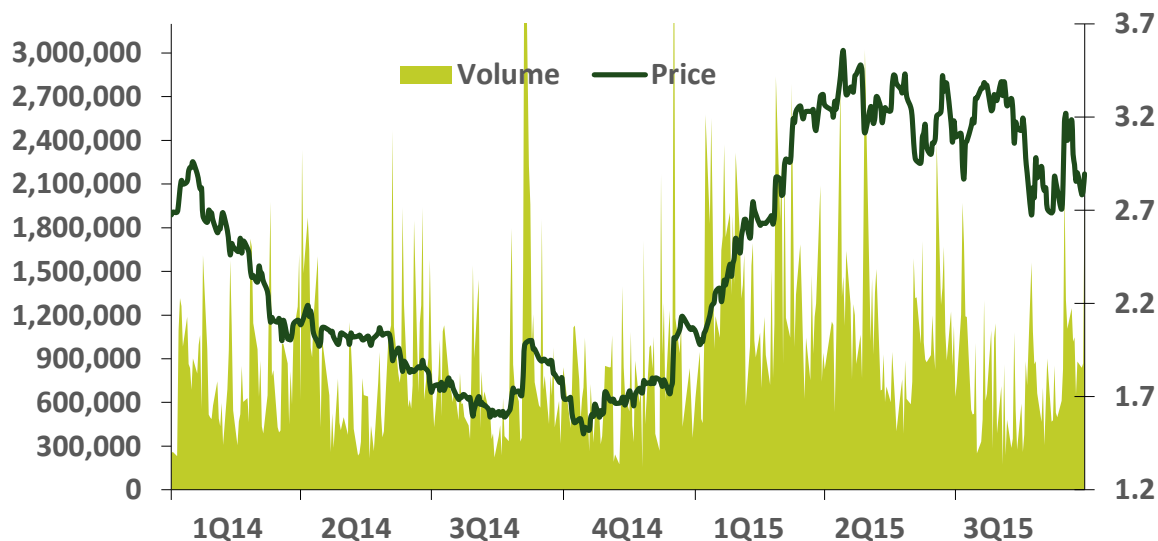


The group does not face significant refinancing requirements until 2022, which is when the €250m of bonds issued in February 2013 and refinanced in October 2015.



## 7. SHARE PRICE PERFORMANCE

The share price gained a noteworthy 40% in 9M15, outperforming the Spanish and European stock markets by 47% and 41%, respectively.



Source: Thomson Reuters

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15
Average daily volume (shares)	808,674	878,515	829,628	790,434	1,382,498	1,094,473	805,633
Ence performance	(23%)	(13%)	(3%)	17%	60%	(7%)	(6%)
Ibex 35 performance	4%	6%	(1%)	(5%)	12%	(7%)	(11%)
Eurostoxx performance	2%	1%	(0%)	(2%)	18%	(8%)	(9%)

Note: Ence's share price performance has been adjusted for the €0.08 per share dividend paid on 11 July 2014 and the €0.10 per share dividend paid on 8 May 2015; it has not been adjusted for the in-kind dividend paid on 21 July 2014, which had the effect of increasing the total shareholder return by 3%.

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

In addition to having its shares publicly traded, in January 2013, the Company issued €250m of 7.25% bonds due 2020. In October 2015, it refinanced these bonds with a new €250m issue of 3.735% bonds due 2022 using the proceeds generated to the optional redemption of the bond issued in 2013.

From time to time ENCE may buy back its bonds on the secondary market. 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.



## 8. 2015 MILESTONES

### **€0.10 dividend per share**

Ence's shareholders approved a cash dividend of €0.10 per share at the Annual General Meeting held on 28 April 2015 (charged against the share premium account); the dividend was paid on 8 May 2015. The yield implied by this dividend was 3% at the time of the shareholder resolution.

### **Cancellation of 10% of the €250m 7.25% bonds**

On 28 April 2015, Ence announced its decision to exercise its right to buy back 10% of the €250m bond issue carried out in February 2013. The bonds were bought back at a premium of 3% to face value and the bondholders were paid on 4 June 2015. The rationale for the decision was to reduce the Company's borrowing costs against the backdrop of growth in the wake of the momentum created by the cost-cutting and competitiveness enhancement programmes implemented by it, higher pulp prices and favourable exchange rates.

### **Refinanciación de los Project Finance**

The company closed the refinancing of the project finance facilities funding the 50-MW Huelva and 20-MW Merida plants on 31 July. As a result, the total amount drawn down has increased by €30m and the borrowing cost (including interest rate hedges) has decreased by 100bps; in addition, recourse to the pulp business has been eliminated.

### **€0.044/share interim dividend**

On 30 September 2015, the Board of Directors approved an interim dividend from 2015 profits of €0.044/share (before withholdings), which was paid out on 7 October. The yield implied by this dividend was 1.5% at the time of the shareholder resolution.

### **Refinancing of the €250m of 7.25% bonds issued in February 2013**

In October, Ence successfully refinanced the bonds issued in February 2013 with a new €250m issue of 5.375% bonds due November 2022. In parallel, it refinanced the revolving credit facility associated with the new bonds due October 2020, bringing down its cost by 175 basis points.

## 9. FINANCIAL STATEMENTS

### Income Statement

figures in €M	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15
<b>Revenue</b>	<b>170.3</b>	<b>168.0</b>	<b>187.4</b>	<b>161.8</b>	<b>687.5</b>	<b>156.3</b>	<b>156.9</b>	<b>173.5</b>
Cost of sales	(101.1)	(92.9)	(108.0)	(77.4)	(379.4)	(66.9)	(62.8)	(71.8)
Changes in inventories of finished goods	1.3	(7.5)	4.5	(8.5)	(10.1)	(2.4)	(2.3)	6.3
<b>Gross profit</b>	<b>70.5</b>	<b>67.6</b>	<b>83.9</b>	<b>75.9</b>	<b>298.0</b>	<b>86.9</b>	<b>91.8</b>	<b>108.0</b>
Own work capitalised	2.7	1.2	(0.4)	2.6	6.2	2.0	2.8	1.6
Other income	2.4	3.8	3.7	2.2	12.1	2.5	1.5	2.3
Net gain/(loss) on hedging transactions	-	(0.4)	0.1	0.4	0.0	0.2	(0.8)	0.2
Employee benefits expense	(16.3)	(16.9)	(36.9)	(16.9)	(87.0)	(16.8)	(13.2)	(16.0)
Other operating expenses	(50.8)	(58.2)	(75.2)	(43.3)	(227.6)	(40.4)	(39.3)	(43.6)
<b>EBITDA</b>	<b>8.5</b>	<b>(2.9)</b>	<b>(24.8)</b>	<b>20.9</b>	<b>1.7</b>	<b>34.4</b>	<b>42.8</b>	<b>52.5</b>
<b>EBITDA margin</b>	<b>5.0%</b>	<b>(1.7%)</b>	<b>(13.3%)</b>	<b>12.9%</b>	<b>0.2%</b>	<b>22.0%</b>	<b>27.3%</b>	<b>30.2%</b>
Depreciation and amortisation	(16.3)	(12.8)	(15.0)	(15.4)	(59.5)	(14.0)	(13.3)	(15.7)
Forestry Depletion	(4.8)	(3.0)	(1.6)	(0.3)	(9.7)	(2.4)	(2.2)	(1.9)
Impairment of and gains/(losses) on fixed-asset disposals	(1.5)	(25.9)	(87.8)	14.0	(101.2)	0.1	0.1	1.0
<b>EBIT</b>	<b>(14.1)</b>	<b>(44.5)</b>	<b>(129.3)</b>	<b>19.2</b>	<b>(168.6)</b>	<b>18.2</b>	<b>27.4</b>	<b>35.8</b>
<b>EBIT margin</b>	<b>(8.3%)</b>	<b>(26.5%)</b>	<b>(69.0%)</b>	<b>11.9%</b>	<b>(24.5%)</b>	<b>11.6%</b>	<b>17.5%</b>	<b>20.6%</b>
Finance income	0.4	0.2	0.3	0.2	1.1	0.0	0.1	0.1
Finance costs	(7.7)	(6.7)	(5.6)	(7.8)	(27.7)	(5.1)	(9.7)	(20.9)
Non-Current Assets result classified as kept for Sale	-	-	-	-	-	-	-	2.3
<b>Profit before tax</b>	<b>(21.3)</b>	<b>(51.0)</b>	<b>(134.6)</b>	<b>11.6</b>	<b>(195.3)</b>	<b>13.1</b>	<b>17.8</b>	<b>17.3</b>
Income tax	6.6	17.2	43.4	(2.3)	64.8	(3.4)	(5.4)	(4.3)
Restatement of deferred tax assets	-	-	-	(10.4)	(10.4)	-	-	-
<b>Net profit/(loss)</b>	<b>(14.8)</b>	<b>(33.8)</b>	<b>(91.1)</b>	<b>(1.2)</b>	<b>(140.9)</b>	<b>9.7</b>	<b>12.4</b>	<b>13.0</b>

### Balance Sheet

figures in €M	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15
Property, plant and equipment	923.0	901.1	803.1	734.2	734.2	723.2	725.4	731.6
Intangible assets	20.9	12.8	12.5	13.7	13.7	15.6	10.3	10.5
Non-current financial assets	2.8	2.7	2.9	3.0	3.0	3.0	2.8	3.1
Other non-current assets	42.5	57.0	100.9	81.6	81.6	80.9	79.2	74.9
<b>Total fixed assets</b>	<b>989.2</b>	<b>973.5</b>	<b>919.4</b>	<b>832.5</b>	<b>832.5</b>	<b>822.7</b>	<b>817.7</b>	<b>820.0</b>
Inventories	74.4	70.1	53.4	37.9	37.9	34.2	34.1	35.9
Trade other accounts receivable	137.6	113.6	117.3	110.2	110.2	125.6	120.9	136.7
Cash and other short-term financial assets	137.7	135.1	108.8	81.9	81.9	96.5	100.1	137.9
Current derivatives	-	-	-	1.0	1.0	0.3	-	0.7
Other current assets	12.0	15.0	14.2	13.3	13.3	2.6	3.3	1.8
Non-current assets held for sale	-	-	-	77.4	77.4	78.8	75.9	71.6
<b>Total current assets</b>	<b>361.7</b>	<b>333.9</b>	<b>293.7</b>	<b>321.7</b>	<b>321.7</b>	<b>338.0</b>	<b>334.2</b>	<b>384.6</b>
<b>Total assets</b>	<b>1,350.9</b>	<b>1,307.4</b>	<b>1,213.1</b>	<b>1,154.2</b>	<b>1,154.2</b>	<b>1,160.7</b>	<b>1,151.9</b>	<b>1,204.6</b>
<b>Equity</b>	<b>694.0</b>	<b>638.2</b>	<b>545.0</b>	<b>542.9</b>	<b>542.9</b>	<b>555.3</b>	<b>544.3</b>	<b>553.7</b>
Non-current borrowings	349.4	351.6	353.4	348.6	348.6	348.4	334.8	375.5
Non-current provisions	19.5	5.2	6.6	11.1	11.1	14.6	8.8	9.0
Non-current derivatives	6.2	7.1	8.4	8.1	8.1	9.1	6.8	8.5
Other non-current liabilities	42.9	41.9	41.9	33.0	33.0	32.9	32.0	32.4
<b>Total non-current liabilities</b>	<b>418.0</b>	<b>405.7</b>	<b>410.3</b>	<b>400.8</b>	<b>400.8</b>	<b>405.0</b>	<b>382.4</b>	<b>425.3</b>
Current borrowings	12.3	16.4	12.9	17.7	17.7	15.8	18.1	18.9
Trade payables (a)	194.5	180.7	165.6	144.6	144.6	141.1	167.8	150.6
Current provisions	6.7	14.5	32.2	23.8	23.8	21.9	14.0	16.2
Current derivatives	6.6	7.5	7.4	7.4	7.4	3.2	3.7	2.7
Other current liabilities (b)	18.8	44.4	39.8	16.9	16.9	18.4	21.8	37.2
<b>Total current liabilities</b>	<b>238.9</b>	<b>263.5</b>	<b>257.9</b>	<b>210.4</b>	<b>210.4</b>	<b>200.4</b>	<b>225.3</b>	<b>225.6</b>
<b>Total equity and liabilities</b>	<b>1,350.9</b>	<b>1,307.4</b>	<b>1,213.1</b>	<b>1,154.2</b>	<b>1,154.2</b>	<b>1,160.7</b>	<b>1,151.9</b>	<b>1,204.6</b>

(a) Amount of €8.9M were reclassified from current provisions to trade payables in 1Q14 in connection with the retroactive restatement of revenue in the wake of passage of the new regulatory framework

(b) The 2Q14 figure includes €19.6M of dividends payable

## Cash Flow Statement

figures in €M	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15
<b>Consolidated profit/(loss) for the period before tax</b>	<b>(21.3)</b>	<b>(51.0)</b>	<b>(134.6)</b>	<b>11.6</b>	<b>(195.3)</b>	<b>13.1</b>	<b>17.8</b>	<b>17.3</b>
Depreciation	16.1	12.7	14.9	15.2	58.9	13.7	12.9	15.1
Depletion of forest reserve	4.8	3.0	1.6	0.3	9.7	2.4	2.2	1.9
Amortisation	0.1	0.1	0.1	0.2	0.6	0.2	0.4	0.6
Impairment of and gains/(losses) on disposals intangible assets and PP&E	1.5	25.7	87.1	(13.1)	101.2	(0.2)	(0.2)	(2.3)
Finance costs	7.3	7.0	7.4	7.8	29.5	5.4	9.5	21.0
Finance income	(0.4)	(0.2)	(0.3)	(0.2)	(1.1)	(0.0)	(0.1)	(0.1)
Government grants taken to income	(0.3)	(0.4)	(0.3)	(0.3)	(1.3)	(0.4)	(0.6)	(0.4)
Changes in provisions and other deferred expense (net)	8.5	6.3	44.7	(26.7)	32.8	8.8	(1.6)	2.5
<b>Adjustments to profit</b>	<b>37.6</b>	<b>54.2</b>	<b>155.3</b>	<b>(16.8)</b>	<b>230.3</b>	<b>29.9</b>	<b>22.4</b>	<b>38.4</b>
Trade and other receivables	(5.3)	15.9	(1.7)	5.0	13.9	(14.3)	4.1	(16.1)
Current financial and other assets	1.3	1.3	0.4	(0.6)	2.4	(0.2)	0.1	0.8
Trade and other payables	(3.9)	(10.5)	(9.1)	(18.4)	(41.9)	(13.3)	13.7	(12.9)
Inventories	(7.5)	3.6	10.4	17.9	24.5	5.2	(3.5)	(2.3)
<b>Changes in working capital</b>	<b>(15.4)</b>	<b>10.2</b>	<b>0.1</b>	<b>3.9</b>	<b>(1.2)</b>	<b>(22.6)</b>	<b>14.4</b>	<b>(30.5)</b>
Interest paid	(8.9)	(3.3)	(8.9)	(4.2)	(25.2)	(9.7)	(5.6)	(9.1)
Interest received	0.4	0.2	0.3	0.2	1.1	0.0	0.1	0.1
Inclme tax received/(paid)	-	-	-	(0.2)	(0.2)	11.6	(2.3)	(0.0)
<b>Other cash flows from operating activities</b>	<b>(8.5)</b>	<b>(3.0)</b>	<b>(8.6)</b>	<b>(4.2)</b>	<b>(24.3)</b>	<b>1.9</b>	<b>(7.9)</b>	<b>(9.1)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(7.6)</b>	<b>10.4</b>	<b>12.2</b>	<b>(5.5)</b>	<b>9.5</b>	<b>22.4</b>	<b>46.8</b>	<b>16.1</b>
Property, plant and equipment	(11.8)	(12.4)	(16.0)	(15.5)	(55.7)	(7.2)	(7.3)	(23.7)
Intangible assets	(1.4)	(0.8)	(0.6)	(1.4)	(4.1)	(1.5)	(0.2)	(0.7)
Other financial assets	0.1	0.1	(0.2)	(0.0)	(0.0)	(0.0)	0.1	(0.2)
<b>Investments</b>	<b>(13.1)</b>	<b>(13.1)</b>	<b>(16.8)</b>	<b>(16.9)</b>	<b>(59.8)</b>	<b>(8.8)</b>	<b>(7.4)</b>	<b>(24.6)</b>
Property, plant and equipment	-	0.1	-	-	0.1	-	3.6	4.2
Other financial assets	-	-	-	-	-	-	-	-
<b>Disposals</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>3.6</b>	<b>5.2</b>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(13.1)</b>	<b>(13.1)</b>	<b>(16.8)</b>	<b>(16.9)</b>	<b>(59.8)</b>	<b>(8.8)</b>	<b>(3.8)</b>	<b>(19.4)</b>
Buyback of own equity instruments	(0.5)	(1.6)	(2.4)	(1.6)	(6.1)	(0.3)	0.0	-
Disposal of own equity instruments	0.1	0.0	-	-	0.2	4.3	-	-
<b>Proceeds from and payments for equity instruments</b>	<b>(0.4)</b>	<b>(1.6)</b>	<b>(2.4)</b>	<b>(1.6)</b>	<b>(5.9)</b>	<b>4.0</b>	<b>0.0</b>	<b>-</b>
Issuance of bonds and other marketable securities (net)	(0.0)	0.0	0.0	(0.0)	-	(0.0)	(25.0)	-
Increase / (decrease) in bank borrowings (net)	1.5	2.8	0.3	(3.5)	1.1	0.1	10.5	42.0
Grants received	0.8	0.0	(2.2)	2.2	0.9	-	-	2.0
Other financial liabilities	(1.3)	(0.0)	2.2	(2.2)	(1.3)	(3.3)	(0.0)	(1.1)
<b>Proceeds from and repayments of financial liabilities</b>	<b>0.9</b>	<b>2.8</b>	<b>0.3</b>	<b>(3.4)</b>	<b>0.6</b>	<b>(3.2)</b>	<b>(14.5)</b>	<b>42.9</b>
Dividends	-	-	(19.4)	-	(19.4)	-	(24.9)	(0.0)
<b>Dividends payments</b>	<b>-</b>	<b>-</b>	<b>(19.4)</b>	<b>-</b>	<b>(19.4)</b>	<b>-</b>	<b>(24.9)</b>	<b>(0.0)</b>
<b>Translation differences</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>
Fixed-term deposit	45.0	-	-	-	45.0	-	-	-
<b>Other cash received from (used in) financing activities</b>	<b>45.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>45.5</b>	<b>1.3</b>	<b>(21.3)</b>	<b>(5.1)</b>	<b>20.4</b>	<b>0.8</b>	<b>(39.4)</b>	<b>42.9</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>24.8</b>	<b>(1.4)</b>	<b>(25.9)</b>	<b>(27.5)</b>	<b>(30.0)</b>	<b>14.4</b>	<b>3.7</b>	<b>38.6</b>

## 10. APPENDICES

### 10.1. Income Statement by segment – September 2015

figures in €M	PULP	ENERGY	ADJUSTMENTS	CONSOLIDATED
<b>Revenue</b>	<b>415.9</b>	<b>72.1</b>	<b>(1.2)</b>	<b>486.7</b>
Cost of sales	(184.5)	(18.2)	1.2	(201.5)
Changes in inventories of finished goods	1.5	-	(0.0)	1.5
<b>Gross profit</b>	<b>232.9</b>	<b>53.9</b>	<b>(0.0)</b>	<b>286.8</b>
Own work capitalised	2.8	3.6	0.0	6.4
Other income (a)	11.8	0.0	(5.5)	6.3
Net gain/(loss) on hedging transactions	(0.3)	(0.0)	0.0	(0.3)
Employee benefits expense	(46.0)	-	-	(46.0)
Other operating expenses (a)	(103.3)	(24.3)	4.3	(123.3)
<b>EBITDA</b>	<b>97.9</b>	<b>33.1</b>	<b>(1.3)</b>	<b>129.7</b>
<b>EBITDA margin</b>	<b>23.5%</b>	<b>46.0%</b>		<b>79.6%</b>
Depreciation and amortisation	(36.7)	(6.2)	-	(42.9)
Forestry Depletion	(4.8)	(1.9)	0.2	(6.5)
Impairment of and gains/(losses) on fixed-asset disposals	1.0	(0.0)	0.2	1.2
<b>EBIT</b>	<b>57.3</b>	<b>25.0</b>	<b>(0.9)</b>	<b>81.4</b>
<b>EBIT margin</b>	<b>13.8%</b>	<b>34.8%</b>		<b>49.8%</b>
Finance income (b)	3.7	3.5	(7.0)	0.2
Finance costs (b)	(20.6)	(23.4)	8.3	(35.7)
Non-Current Assets result classified as kept for Sale	2.3	-	-	2.3
<b>Profit before tax</b>	<b>42.7</b>	<b>5.1</b>	<b>0.4</b>	<b>48.2</b>
Income tax	(11.7)	(1.4)	0.0	(13.1)
Restatement of deferred tax assets	-	-	-	-
<b>Net profit/(loss)</b>	<b>31.0</b>	<b>3.7</b>	<b>0.4</b>	<b>35.1</b>

(a) includes the sale of biomass and services provided by the parent to the energy business

(b) includes interests related to intragroup loans

Note: EBITDA in the pulp business includes €8m of expenses associated with operation of the furnace and auxiliary equipment which also service the 41-MW Huelva generator. The idea is to transfer these assets to the energy business in the months to come, which will increase EBITDA in the pulp business by this amount and reduce EBITDA in the energy business accordingly.

## 10.2. Remuneration parameters applicable to the ENCE Group's facilities

Facility	Type of facility	MW	Remuneration to investment 2015		Remuneration to operation 2015		Maximum of sale hours per MW under tariff
			(Ri; €/MW)	Type of fuel	(Ro; €/MW)		
Navia	Biomass co-generation	40.3	-	Black liquor	29.616	-	
	Biomass generation	36.7	230,244	Forestry waste	54.361	6,500	
Pontevedra	Biomass co-generation	34.6	49,945	Black liquor	29.616	-	
				Forestry waste	54.126	6,500	
Huelva	Biomass co-generation	27.5	-	Black liquor	29.616	-	
	Natural gas co-generation	49.9	-	Natural gas	43.634	-	
	Biomass generation (b)	41.1	305,543	Forestry waste	59.793	6,500	
Huelva 50MW	Biomass generation	50.0	266,452	Forestry waste	52.721	6,500	
Mérida 20MW	Biomass generation	20.0	293,579	Forestry waste	51.106	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

$$\text{Income from operations} = (\text{Ro} + \text{pool}) * \text{MWh}$$

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).

$$\text{MWh} < \text{MW} * 6,500 \quad (\text{for power generated from biomass})$$

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 is taking 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. The case addressing the first misclassification has already been ruled in the company's favour and the other two were still being processed as of the reporting date.

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