ENCE
ENERGÍA & CELULOSA

Quarterly Report
3rd Quarter 2014

30 September 2014

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1. EXECUTIVE SUMMARY 9M14

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Pulp sales	123.4	132.2	(7%)	153.3	(20%)	387.0	462.8	(16%)
Electricity sales [(a)]	57.7	36.9	57%	55.1	5%	128.5	180.5	(29%)
2013 sales retroactive adjustment	-	(6.1)	(100%)	-	n.s.	(6.1)	-	n.s.
Forestry sales and others	6.3	5.0	26%	1.6	283%	16.3	5.9	176%
Total sales	**187.4**	**168.0**	12%	**210.1**	(11%)	**525.7**	**649.2**	(19%)
Adjusted EBITDA	**15.7**	**12.1**	30%	**38.0**	(59%)	**40.3**	**136.2**	(70%)
EBITDA	**17.5**	**(2.9)**	n.s.	**36.8**	(53%)	**23.1**	**128.6**	(82%)
EBIT	**0.7**	**(44.5)**	n.s.	**13.3**	(95%)	**(57.9)**	**67.4**	n.s.
Net result before Huelva restructuring	**(0.0)**	**(33.8)**	(100%)	**4.7**	n.s.	**(48.6)**	**35.0**	n.s.
Net impact of Huelva restructuring	(91.1)	-	n.s.	-	n.s.	(91.1)	-	n.s.
Net result of the period	**(91.1)**	**(33.8)**	170%	**4.7**	n.s.	**(139.7)**	**35.0**	n.s.
Net financial debt [(b)]	**146.5**	**125.2**	17%	**99.2**	48%	**146.5**	**99.2**	48%
Pulp sales (tons)	**287,073**	**304,145**	(6%)	**320,425**	(10%)	**888,841**	**948,473**	(6%)
Electricity sales (MWh)	**488,413**	**332,277**	47%	**487,659**	0%	**1,184,737**	**1,419,710**	(17%)
Net pulp sale price (€/ton)	**428**	**434**	(1%)	**477**	(10%)	**435**	**486**	(10%)
Average electricity sale price (€/MWh) [(c)]	**118**	**113**	5%	**113**	4%	**109**	**126**	(13%)
Cash cost (€/t) [(d)]	**400**	**413**	(3%)	**391**	2%	**409**	**368**	11%

(a) includes €5M capitalized in 1Q13 for the sale of electricity produced at the new 50MW plant in Huelva before its reception in February 2013 and €6M capitalized in 2Q14 and 3Q14 for the sale of electricity produced at the new 20MW plant in Merida before its reception in September 2014
(b) additionally, €111 M of non-recourse debt linked to the "project finance" of the 50MW Huelva and 20MW Mérida biomass plants as of 30/09/14 was outstanding
(c) includes the operation of the new 50MW plant in Huelva and 20MW plant in Merida before their receptions
(d) excludes the impact on Huelva 50MW and Merida 20MW plants as they are not linked to pulp production activity

- ✓ **On 20 October, the Company successfully reached an agreement with the Huelva and Madrid staff to discontinue the pulp and cogeneration business of the Huelva plant and to reorganise the corporation in order to bring it into line with a new production scheme. The Company completed the legal and operational actions necessary in order to start up the 41MW biomass plant that formed part of the facility until now. It is estimated that this plant, in operation since 1 November, will generate €15-20 M in EBITDA each year.**
- ✓ **The agreement will allow the losses generated by Huelva to be eliminated after the energy regulation changes (negative EBITDA of -€15 M in 9M14), placing the Company's annual proforma EBITDA at around €120 M [(a)]. The net tax effect on the Group's financial statements of the provision for the discontinuation of the business activities in Huelva is around -€91 M.**
- ✓ The Company continues to be committed to executing the plan that will allow it to offset the impact of the energy regulation changes and to recover EBITDA levels above €150 M in the middle of the cycle. **The 2014-2016 restructuring plan expects an increase in EBITDA of €67 M with an investment of around €130 M, which will allow the Company to generate an EBITDA of more than €150 M at current pulp price levels.** The plan is based on making investments to improve the efficiency of the Navia and Pontevedra plants, the approach of reducing expenses and restructuring pulp operations.
- ✓ **Significant progress was made during the period in executing the investments to improve the efficiency of the Navia and Pontevedra plants for €16 M** with the installation of new equipment that improves the technological standards of the plants. **These investments are expected to generate annual savings of €10.2 M once the learning curve is completed, equivalent to €12/t of lower cash cost of both plants, on average.** New multi-year labour agreements were signed at both plants in June, linking the increases in remuneration to the level of EBITDA obtained, substituting the reference to the CPI of the previous agreement.

(a) Based on the costs of the Navia and Pontevedra plants for September, the net price of the pulp during this month and an estimated contribution of €44 M for the independent biomass plants.

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- ✓ **The cash cost of the Navia and Pontevedra plants continued to show a downward trend in 3Q14 to €356/t, a reduction of €35/t since the end of 2013, thanks to the reduction in wood and chemical costs, as well as overhead costs.**
- ✓ **On 6 June 2014, Royal Decree 413/2014 was approved, establishing the regulatory framework for sources of renewable energy, cogeneration and waste, and on 16 June 2014, Ministerial Order IET/1045/2014 was approved, establishing the remuneration parameters for such energy, both of which were retroactively effective from 14 July 2013.** The approval of this new framework eliminates the regulatory uncertainties existing regarding the Ence Group's electricity generation facilities since the approval of the Royal Decree-Law 9/2013, of 12 July, on urgent measures to guarantee the stability of the Spanish Electricity System, which repeals the previous regulatory framework. **The figures for 9M14 include an additional impact of -€6.1 M (before taxes on electricity sales) due to lower revenue from electricity sales in 2013 and the impairment of energy crops amounting to €33 M, as a result of the final elimination of specific premiums for energy crops.**
- ✓ **As a result of the regulatory changes, electricity sales dropped -29% in 9M14, which is equal to -€52 M,** as a result of the drop in average income per MWh sold of -13% and a 17% reduction in volume compared to the previous year.
- ✓ **Pulp sales fell by -16% in 9M14 vs. 9M13** due to a -10% reduction in the average selling price following a -6% drop in prices in $/t and a 3% depreciation of the dollar. Similarly, there was a -7% and -6% decrease in production and volumes sold, respectively. The Huelva plant had the worst performance (-16% and -18% in production and sales), whereas the Pontevedra and Navia plants had a -3% drop in production as a result of the two-day strike in June in Pontevedra and as a result of the difficulties in executing the start-up curve of the Navia plant following its maintenance shutdown in June.
- ✓ **Adjusted EBITDA dropped by -70% in 9M14 to +€40 M** tied to the lower production and sales of pulp and electricity, mainly due to the impact of the regulatory changes on income per MWh, whereas **the result for the period stood at a net loss of -€140 M in 9M14** vs. net profit of +€35 M obtained in 9M13. **These losses include the impact of the regulation in 9M14 of -€79 M at the operating level**: -€41 M for reduced premiums from electricity sales (recurring), -€6 M for retroactive adjustments to electricity sales in 2013 and -€33 M for provisions mainly for the decline in energy crops due to the regulatory change (non-recurring). **There was also a net impact of -€91 M as a result of the provisions for discontinuing the pulp production and cogeneration activities at the Huelva plant, with an expected impact on cash of -€42 M.** Despite the losses and a change of +€5 M in working capital (consisting of a -€3 M reduction in the factoring amount drawn down), **cash flow generated by operations stood at +€22 M. Net profit would have reached -€17 M if adjusted for non-recurring effects.**
- ✓ **Corporate net financial debt stood at €147 M at the end of September.** The leverage ratio excluding non-recourse debt stood at 3.0x (calculated on EBITDA adjusted over the last 12 months).

2. PULP BUSINESS

	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Huelva	66,586	80,510	(17%)	95,321	(30%)	230,673	275,840	(16%)
Pontevedra	105,073	98,244	7%	106,196	(1%)	303,360	314,089	(3%)
Navia	125,279	105,392	19%	127,895	(2%)	347,992	360,070	(3%)
Pulp production (tons)	**296,939**	**284,146**	5%	**329,411**	(10%)	**882,024**	**950,000**	(7%)
Huelva	61,581	81,893	(25%)	90,280	(32%)	226,412	277,236	(18%)
Pontevedra	101,833	108,536	(6%)	105,002	(3%)	307,506	313,770	(2%)
Navia	123,660	113,716	9%	125,143	(1%)	354,923	357,466	(1%)
Pulp sales (tons)	**287,073**	**304,145**	(6%)	**320,425**	(10%)	**888,841**	**948,473**	(6%)
BHKP ($/t)	**727**	**751**	(3%)	**794**	(8%)	**749**	**799**	(6%)
Average exchange rate ($/€)	**1.33**	**1.37**	(3%)	**1.33**	(0%)	**1.36**	**1.32**	3%
Net sale price (€/t)	**428**	**434**	(1%)	**477**	(10%)	**435**	**486**	(10%)
Pulp sales (€M)	**123.4**	**132.2**	(7%)	**153.3**	(20%)	**387.0**	**462.8**	(16%)

Pulp production dropped -7% in 9M14 year on year, due to the poor performance of the plants, leaving their utilization ratios at 90% (adjusted by maintenance shutdowns). The maintenance shutdown at the Pontevedra plant lasted from the end of March until the beginning of April and that of the Navia plant was done at the end of June. The Huelva plant reported the worst performance, where the shutdowns in cogeneration with natural gas, given the low prices of the pool, limited steam generation used in the pulp process. The Navia plant experienced operating problems in 1Q14 in the dryer line and in the start-up of the plant following the maintenance shutdown. Furthermore, a two-day strike in June affected the Pontevedra and Huelva plants. A total non-recurring loss of 7,600 tonnes was incurred in June as a result of the strike and the greater time it took to start up the plant.

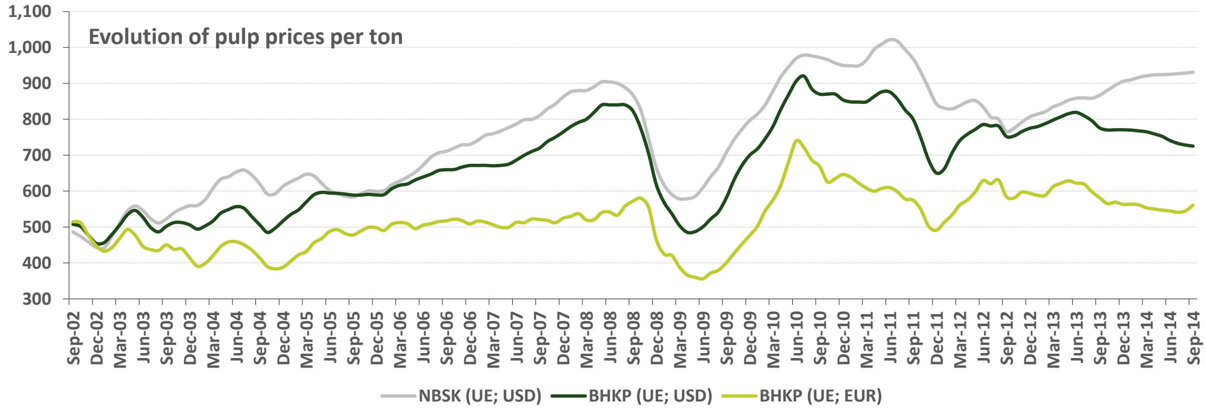
The average net sales price was €435/t in this period, down -10% on 9M13. Not only was there a -6% drop in terms of $/t, but the dollar also depreciated by 3% with respect to the same period in the previous year.

The production volumes for 4Q14 will be affected by Ence's decision to discontinue pulp production in Huelva in view of the sharp losses generated by the plant following the approval of the new regulatory framework regarding renewable energies and cogeneration, which will have a positive impact on the Group's EBITDA. In October there will be a non-recurring impact on EBITDA as a result of the four-day strike that took place at the Navia and Pontevedra plants under the framework of the restructuring process and discontinuation of activity in Huelva. The estimated loss of production for these four days in the northern plants is around 10,500 tonnes.

OVERVIEW ON THE PULP MARKET

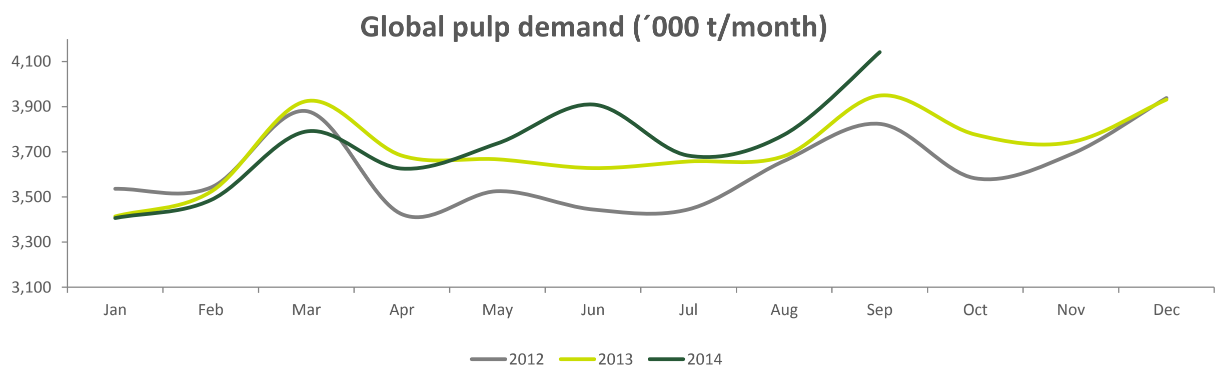
Short-fibre pulp prices have stabilised to average levels of $727/t in 3Q14, after the downward trend in 1H14 as a result of the expectations of an improved supply created by the start-up of operations at Maranhao, Brazil (the 1.5 million tons Suzano plant began operating in December 2013), and at Montes del Plata, Uruguay (a joint venture of 1.3 million tons between Stora Enso and Arauco, which started operations at the beginning of June).

Long-fibre pulp prices have, however, maintained an upward trend over this whole period, raising the spread in long-fibre and short-fibre pulp prices above $210/t. This spread is at all-time record highs, showing a clear competitive advantage of short-fibre pulp that will support the transfer of demand towards short-fibre pulp over the coming quarters.



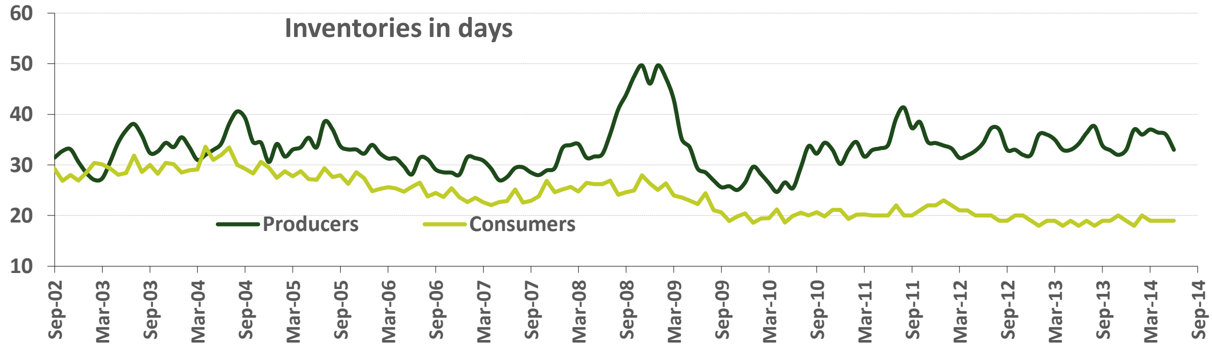
Source: FOEX

In 9M14 the growth in demand was adversely affected by the new capacity expectations, although the impact of the new supply was limited mainly by the learning curve of the plants and the validation process by potential consumers of the quality of the pulp prior to its marketing. At a global level, demand rose by a cumulative amount of +1.4% until September. By area, demand in the United States and Europe fell by -0.6% and -0.9%, respectively, while demand in China rose by +4.2%, down on the trend of recent years (PPPC). As a result of the inventory reduction process that took place in 1H14 and the expected increase in prices, there are signs of improved performance in demand in 2H14.



Source: PPPC (W20)

Producer inventories at a global level remain at average cycle levels of 33 days, while consumer inventories have maintained historical minimum levels of 19 days at the end of September (PPPC). The situation is equally positive in Europe, where consumer inventories in September are holding at historical minimum level of 18 days (Utipulp), while port inventories reached nearly one million tons, down -11% on September 2013 (Europulp).



Source: PPPC (W20 statistics)

In this environment, general announcements were made regarding increases in the price of short-fibre pulp to 750 $/t as of 1 October, which has been progressively implemented since the beginning of 4Q14.

3. ENERGY ACTIVITY

The performance of the energy business in 9M14 vs. 9M13 was influenced by Royal Decree-Law 9/2013 (of 12 July), which repealed the existing regulatory framework for the special regime (electricity generation facilities from sources of renewable energy, cogeneration and waste), defining a new tariff framework that establishes a pre-tax return for all renewable investments equivalent to the return on 10-year bonds plus 300 basis points, calculated on investment standards and operational costs by type of technology used and by the start-up year. The definition of the new tariff framework was delegated in the enactment of a new Royal Decree and required Ministerial Orders that are to quantify the new tariffs applicable to the aforementioned facilities. After its approval on 16 June 2014, sales were retroactively adjusted as of 14 July 2013, which represented an impact of -€6 M in 1H14 as a result of lower energy sales in 2013.

In addition, pool prices for 9M14 stood at low levels of €40/MWh, below the €48.21/MWh estimated by the regulator based on its proposal when calculating the remuneration of the operation required to cover the operating costs of the renewable energy, cogeneration and waste facilities.

These low pool prices led to a lower selling price per MWh and limited the volume generated by those cogeneration facilities that do not cover their variable operating costs in low pool price environments, particularly at the Huelva natural gas cogeneration plant.

As an effect of these regulatory changes, the Company's energy-related income in 9M14 fell by -29%. The average income per MWh sold in 9M14 was down -13% on 9M13, due to the impact of the reduction in premiums, the low pool prices in 1H14 (sales in 1H13 were at a fixed tariff and not at a pool plus premium) and the impact thereof on the Company's electricity generation activity.

All these changes led to a rise in the Company's cash cost, since the sale of electricity at cogeneration facilities linked to the pulp industrial process was considered a reduction of the production cost thereof.

ENERGY PRODUCTION AT PULP MILLS

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Huelva	170,538	88,538	93%	207,597	(18%)	380,890	609,722	(38%)
Pontevedra	53,705	52,504	2%	47,506	13%	155,907	159,967	(3%)
Navia	138,166	119,301	16%	144,255	(4%)	389,096	385,951	1%
Electricity production (MWh)	**362,409**	**260,343**	39%	**399,358**	(9%)	**925,894**	**1,155,641**	(20%)
Biomass generation	104,262	62,945	66%	126,375	(17%)	244,919	358,912	(32%)
Biomass co-generation	157,939	155,092	2%	168,386	(6%)	473,792	492,589	(4%)
Gas natural co-generation	89,378	33,017	171%	92,433	(3%)	175,711	281,183	(38%)
Electricity sales (MWh) [(a)]	**351,578**	**251,055**	40%	**387,195**	(9%)	**894,421**	**1,132,685**	(21%)
Electricity consumption (MWh)	**176,077**	**170,587**	3%	**185,741**	(5%)	**522,778**	**549,375**	(5%)
Average pool price (€/MWh)	**52**	**40**	31%	**50**	5%	**40**	**41**	(4%)
Average sale price (€/MWh)	**93**	**76**	23%	**98**	(5%)	**80**	**118**	(32%)
Remuneration to investment (€M)	**5.8**	**5.4**	7%	**4.2**	38%	**16.5**	**4.2**	291%
Average income (€/MWh)	**110**	**98**	12%	**109**	1%	**99**	**121**	(19%)
Electricity sales (€M) [(b)]	**38.6**	**23.8**	62%	**41.9**	(8%)	**87.7**	**139.6**	(37%)

(a) adjusted by unbalances
(b) excludes sales from Huelva 50MWand Merida 20MW and includes adjustments for settlements of the National Energy Commission due to sales previous to the covered period

Energy sales tied to installed capacity at the pulp plants amounted to €88 M in 9M14, down -37% on 9M13. Market prices for electricity were down -4% on those reported in 9M13 due to high rainfall in the period. This drop caused the Company to limit production in its natural gas and forestry biomass turbines in 1H14. The reduction of premiums makes electricity production unprofitable when pool prices are low for those facilities with higher variable operating costs, mainly due to the cost of the fuel used, in particular gas. Since the Ministerial Order includes a restriction on the number of hours per year a power plant is entitled to receive a premium in biomass installations, the lower production in 1H14 has allowed the facility to operate at full capacity in the 3Q14, with a higher pool price (future prices are around €48/MWh for the rest of the year). There has also been a -4% drop in MWh in lignin cogeneration facilities as a result of lower pulp production in this quarter.

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In addition to a drop in volume, average income per MWh sold dropped -19% year on year, as a result of new premiums and lower pool prices. The average cost of electricity consumption at plants in the year also benefited from this drop in the pool.

ENERGY PRODUCTION AT INDEPENDENT ENERGY PLANTS

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Huelva 50MW	99,050	67,256	47%	100,465	(1%)	238,566	287,025	(17%)
Merida 20MW	37,784	13,966	171%	-	n.s.	51,750	-	n.s.
Electricity sales (MWh)	**136,835**	**81,222**	68%	**100,465**	36%	**290,316**	**287,025**	1%
Average selling price (€/MWh)	**104**	**101**	3%	**103**	2%	**96**	**133**	(28%)
Remuneration to investment (€M)	**4.9**	**4.8**	2%	**2.9**	70%	**12.9**	**2.9**	352%
Average income (€/MWh)	**140**	**160**	(13%)	**131**	7%	**140**	**143**	(2%)
Sales [a]	19.1	13.0	47%	13.2	45%	40.8	40.9	(0%)
EBITDA	5.3	3.2	62%	3.2	63%	11.2	13.4	(16%)
Forest depletion (energy crops)	-	(0.0)	(100%)	(1.1)	(100%)	(2.0)	(3.8)	(46%)
EBITDA excluding forest depletion [b]	5.3	3.2	63%	2.2	143%	9.2	9.6	(5%)
Industrial depreciation [c]	(1.6)	(0.0)	n.s.	(2.7)	(42%)	(4.4)	(7.1)	(38%)
EBIT	3.7	3.2	15%	(0.5)	n.s.	4.8	2.6	90%
Net profit	1.1	1.1	2%	(1.6)	n.s.	(0.4)	(1.7)	(77%)

(a) includes €5M capitalized in 1Q13 for the sale of electricity produced at the new 50MW plant in Huelva before its reception in February 2013 and €6M capitalized in 2Q14 and 3Q14 for the sale of electricity produced at the new 20MW plant in Merida before its reception in September 2014
(b) EBITDA ex-forestry depletion is in line with the criteria that was used to communicate EBITDA guidance for the plants
(c) includes an update in June of the amortization schedule in Huelva 50MW after the new tariff framework approval

Electricity sales in 9M14 stood at 290 GWh, +1% higher than in 9M13, as a result of Merida's contribution of 20 MW which offset the low operations of the Huelva plant during atypically low pool prices in 1H14. Moreover, the Company took the opportunity to perform a maintenance shutdown at the Huelva plant in April, coinciding with the low pool prices. The plant has been operating at full capacity since May, which is enabling it to recover the hours lost with greater operating levels.

On 31 March, Merida biomass power plant received its Definitive Certificate of Commissioning from the Extremadura Government's Department of Agriculture, Rural Development, Environment and Energy, allowing it to begin supplying energy to the Spanish Electricity System. Electricity sales at this plant in the period stood at 52 GWh, the sales of which were capitalised until August. In September the plant was operating at maximum capacity levels, recovering from the low operations of 2Q14 coinciding with the testing period.

EBITDA including forestry depletion stood at +€9 M in 9M14, down -4% on 9M13 levels due to the drop in MWh sold at the 50 MW plant in Huelva and the drop in prices arising from lower pool prices. Ence has hedged 85 MW at €51/MWh and 60 MW at €50/MWh for the months of November and December, respectively.

The retroactive nature of the new regulation also had an adverse effect on 1H14 results due to the Huelva plant operating with a supply mix of nearly 55% of energy crops, with a higher cost and receiving the same remuneration as forestry waste. This effect was no longer an issue in 3Q14 after a provision was recognised in June for the higher cost of the energy crop inventory, including the value thereof in that of the forestry waste.

4. FORESTRY ACTIVITY

	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Supply to the industrial process (m^3)	**882,225**	**842,535**	5%	**973,901**	(9%)	**2,633,174**	**2,824,832**	(7%)
Cost €/m^3	**72**	**73**	(1%)	**71**	2%	**72**	**70**	3%
Wood purchases per source								
Own wood	4%	7%		6%		5%	6%	
Direct acquisitions from land owners	34%	33%		29%		32%	25%	
Suppliers	50%	51%		58%		51%	57%	
Imported timber	12%	9%		6%		12%	12%	
Own hectares	49,058	49,079	(0%)	51,680	(5%)	49,058	51,680	(5%)
Third party hectares (consortia) [a]	34,261	34,425	(0%)	36,601	(6%)	34,261	36,601	(6%)
Hectares managed by ownership (Ha)	**83,319**	**83,504**	(0%)	**88,281**	(6%)	**83,319**	**88,281**	(6%)
Hectares for pulp	65,698	65,703	(0%)	70,749	(7%)	65,698	70,749	(7%)
Hectares for energy crops	17,622	17,800	(1%)	17,532	1%	17,622	17,532	1%
Hectares managed by use (Ha)	**83,319**	**83,504**	(0%)	**88,281**	(6%)	**83,319**	**88,281**	(6%)

(a) includes 2,598 Ha sold in Portugal in December 2013 that Ence does not have standing timber or biological asset but managed

Wood consumption dropped -7% in 9M14 due to a reduction in pulp production. There was a +3% increase in average wood cost as a result of the increased purchase of certified wood and the increase in average distance of wood transport. With regard to the origin of the supply, there was an increase in the weight of the standing purchases, as a result of the Company's effort to increase its presence among forest owners.

In April, Ence announced a reduction in wood prices to suppliers of €3.5/m^3. The progressive implementation of this policy allowed the cost of the wood supplied to the north of the peninsula to be reduced. Although the cost of the wood from suppliers dropped -6% in 3Q14 as a result of the price drop implemented, the appreciation of the US dollar in the quarter caused an increase of around 8% in the price of imported wood necessary to supply the Huelva plant, thereby significantly offsetting the previous effects.

5. COMMENT ON 9M14 RESULTS

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Pulp sales	123.4	132.2	(7%)	153.3	(20%)	387.0	462.8	(16%)
Electricity sales [(a)]	57.7	36.9	57%	55.1	5%	128.5	180.5	(29%)
2013 sales retroactive adjustment	-	(6.1)		-		(6.1)	-	
Forestry sales and others	6.3	5.0	26%	1.6	283%	16.3	5.9	176%
Total net sales	**187.4**	**168.0**	12%	**210.1**	(11%)	**525.7**	**649.2**	(19%)
Cost of goods sold [(b)]	(103.5)	(100.4)	3%	(103.1)	0%	(303.7)	(316.7)	(4%)
Personnel expenses	(17.7)	(16.9)	5%	(18.7)	(5%)	(50.9)	(60.3)	(16%)
Other operating expenses	(48.8)	(53.5)	(9%)	(51.5)	(5%)	(148.0)	(143.6)	3%
EBITDA	**17.5**	**(2.9)**	n.s.	**36.8**	(53%)	**23.1**	**128.6**	(82%)
Forest depletion	(1.6)	(3.0)	(48%)	(3.0)	(47%)	(9.4)	(11.3)	(17%)
Rest of depreciations	(15.0)	(12.8)	17%	(17.4)	(14%)	(44.1)	(47.3)	(7%)
Provisions	(0.2)	(25.9)	(99%)	(3.2)	(93%)	(27.5)	(2.7)	n.s.
EBIT	**0.7**	**(44.5)**	n.s.	**13.3**	(95%)	**(57.9)**	**67.4**	n.s.
Financial result	(5.3)	(6.4)	(18%)	(6.8)	(21%)	(19.0)	(17.8)	7%
Profit before taxes	**(4.7)**	**(51.0)**	(91%)	**6.5**	n.s.	**(77.0)**	**49.6**	n.s.
Taxes	4.6	17.2	(73%)	(1.8)	n.s.	28.4	(14.5)	n.s.
Net result before Huelva restructuring	**(0.0)**	**(33.8)**	(100%)	**4.7**	n.s.	**(48.6)**	**35.0**	n.s.
Net impact of Huelva restructuring	(91.1)	-	n.s.	-	n.s.	(91.1)	-	n.s.
Net result of the period	**(91.1)**	**(33.8)**	170%	**4.7**	n.s.	**(139.7)**	**35.0**	n.s.
Adjusted EBITDA	**15.7**	**12.1**	30%	**38.0**	(59%)	**40.3**	**136.2**	(70%)
Cash cost (€/t) [(c)]	**400**	**413**	(3%)	**391**	2%	**409**	**368**	11%

(a) includes €5M capitalized in 1Q13 for the sale of electricity produced at the new 50MW plant in Huelva before its reception in February 2013 and €6M capitalized in 2Q14 and 3Q14 for the sale of electricity produced at the new 20MW plant in Merida before its reception in September 2014

(b) supplies +/- change in stocks

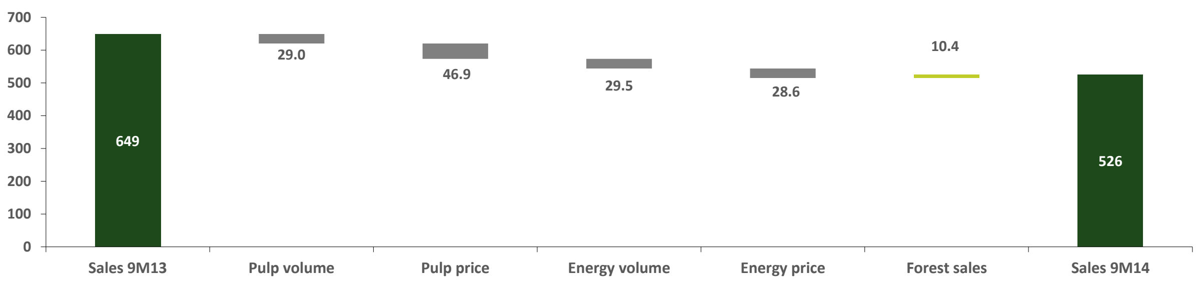
(c) excludes impact on Huelva 50MW and Merida 20MW plants as they are not linked to pulp production activity

Sales in 9M14 amounted to €526 M, down -19% on 9M13. Pulp sales for this period were €387 M, down -16% on those of the same period last year, due to a -6% drop in sales volumes and a -10% drop in average selling price in euros.

Energy sales reached €129 M in 9M14, down -29% on 9M13 figures due to decreased production (down -17% on 9M13) and a -13% reduction in average income from electricity sales. The drop in production is the result of the way in which facilities have been managed since mid-February, which entails limiting the production at low pool times at those facilities with high variable operating costs, especially the gas cogeneration facility.

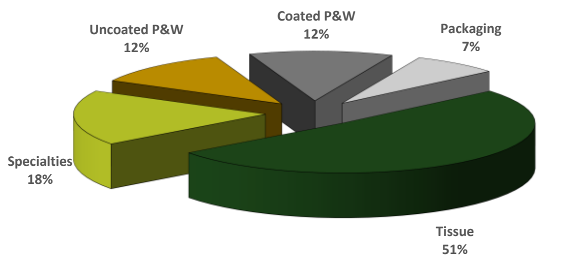
Forestry sales stood at €16 M, up +€10M on 9M13 as a result of the increased sale of wood to third parties with respect to the same period in 2013.

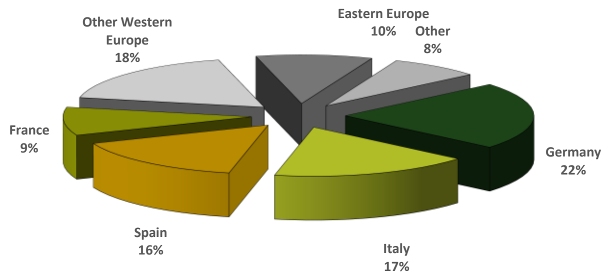
Evolution of sales (€M)



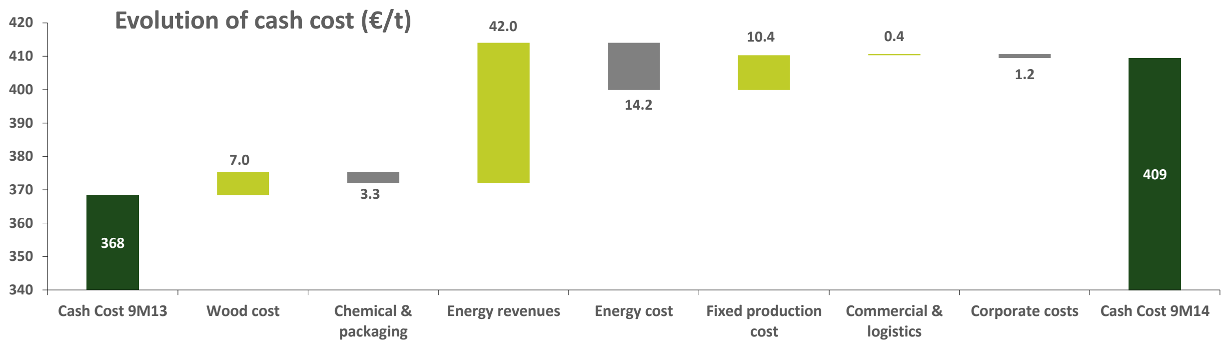
The distribution of sales by segment remained in line with previous quarters, with tissue being the main paper production segment. In geographical terms, sales in Spain increased to 16% (from 15% in 9M13) with total European sales representing 92% of the Group's total sales (the same percentage in 9M13), obtaining a market share of 14% in the period.

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

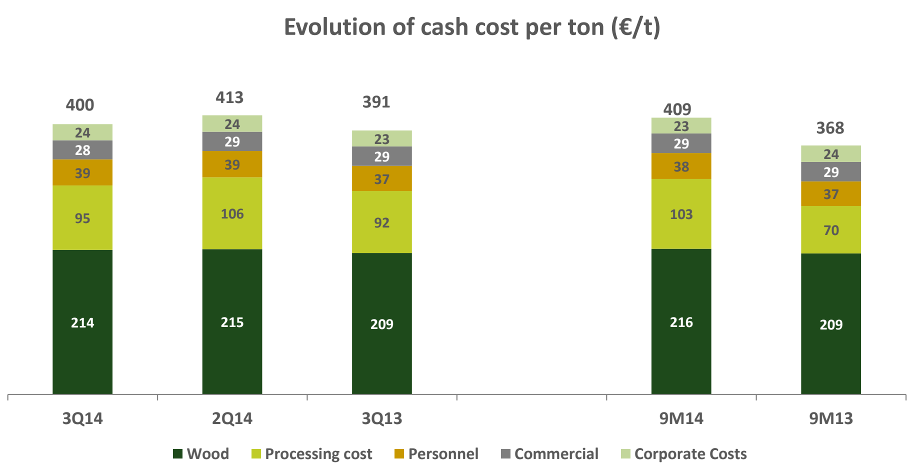




The cash cost grew +11% in 9M14, compared with 9M13, to €409/t, mainly due to energy regulation changes, the extraordinary drop in pool prices, the higher cost of wood per ton produced, the impact of the strikes in June and the start-up problems in Navia.



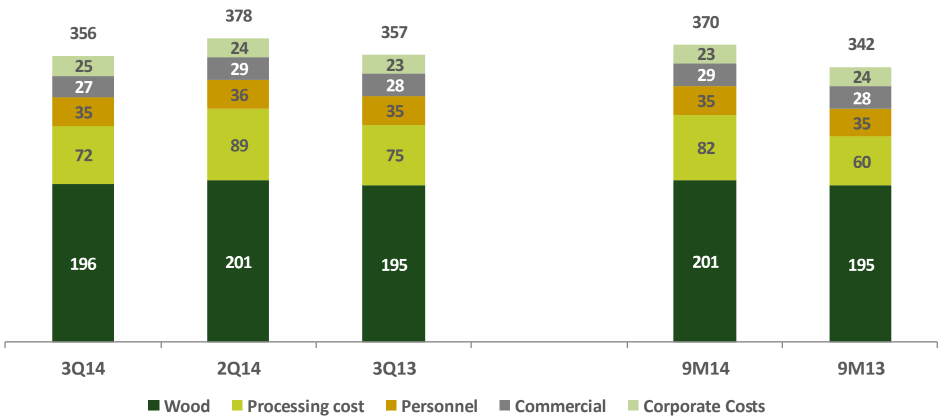
The impact of the Royal Decree-Law 9/2013 (of 12 July) caused a +€39/t increase in the cash cost: +€32/t due to the loss of bonuses and reduction in premiums and +€7/t as a result of reduced production due to low pool prices. The costs would have stood at around €370/t after having adjusted for this impact.



Note: the 3Q13 and 9M13 figures have been adjusted following the approval of the new regulatory framework

The average cash cost of the Navia and Pontevedra mills was €370/t in 9M14 compared with €342/t in 9M13, although it came down to €356/t in 3Q14. The expected impact of the investments that are being made in 2014 (2 year payback) is €12/t in annual terms. At the Huelva plant, the cash cost obtained in 9M14 was €522/t compared with €424/t in 9M13.

Evolution of average cash cost per ton (€/t) Navia and Pontevedra



Adjusted EBITDA in 9M14 was down -70% on 9M13, standing at €40 M. Including the impact of hedging, compensation and provisions, EBITDA for 9M14 amounted to €23 M, down -82% on 9M13. The drop is mainly the result of a decrease in pulp prices, the reduction in production premiums and low pool prices. The adjustments in 9M14 include €6 M in reduced income from electricity sales in 2013 and €9 M in provisions for cancelling contracts for hectares of energy crops.

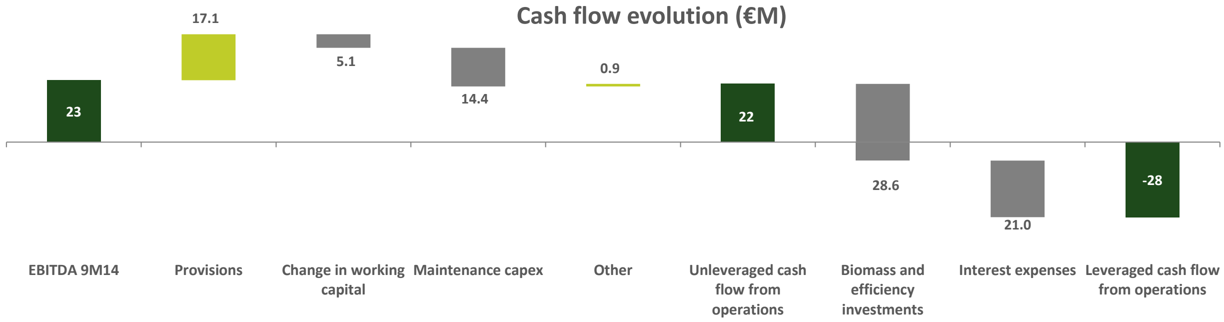
figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
EBITDA	**17.5**	**(2.9)**	n.s.	**36.8**	(53%)	**23.1**	**128.6**	(82%)
Hedging instruments: pulp and exchange rate	(0.1)	0.4	n.s.	(2.4)	(98%)	0.4	(8.7)	n.s.
Severance payments	0.0	(0.1)	n.s.	0.0	43%	(0.2)	5.9	n.s.
Provisions and others	(1.0)	0.1	n.s.	2.3	n.s.	2.2	2.9	(23%)
Other non-recurrent	(0.7)	14.6	n.s.	1.3	n.s.	14.9	7.5	98%
Adjusted EBITDA	**15.7**	**12.1**	30%	**38.0**	(59%)	**40.3**	**136.2**	(70%)

Net of depreciation and amortisation, provisions, financial profit or loss, and taxes, the Company reported a net loss of -€140 M in 9M14 (-€91 M due to the restructuring of the Huelva plant) compared with a net profit of +€35 M in 9M13.

6. LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Cash flow generated by operations in 9M14, including investments in maintenance, was €22 M.



Note: the variation in working capital includes €6 million increase in "Creditors and other debts" linked to the estimated retroactive adjustment in sales.

Net cash flows from operating activities stood at +€15 M in 9M14 compared to +€137 M in 9M13, due to lower pulp prices, reduced electricity sales and an increase in working capital levels. The latter was due to a drop in factoring of €8 M as a measure to reduce financial costs. The impact in 9M14 of -€6 M in reduced sales due to the retroactive application of the new tariffs is offset by the application of a coverage ratio by the CNMC in 9M14.

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Consolidated profit for the year before tax	**(4.7)**	**(51.0)**	**(91%)**	**6.5**	**n.s.**	**(77.0)**	**49.6**	**n.s.**
Depreciation and amortisation charge	16.6	15.8	5%	20.4	(19%)	53.4	58.5	(9%)
Finance income/costs	7.1	6.8	5%	6.6	7%	20.8	18.4	13%
Increase / decrease other deferred income/costs	1.7	31.6	(95%)	8.4	(80%)	42.9	14.6	193%
Adjustments of profit for the year-	**25.4**	**54.2**	**(53%)**	**35.4**	**(28%)**	**117.1**	**91.6**	**28%**
Trade and other receivables	(1.7)	15.9	n.s.	(3.8)	(56%)	8.9	21.2	(58%)
Current financial and other assets	0.4	1.3	(72%)	(0.2)	n.s.	3.0	(3.1)	n.s.
Current liabilities	(9.1)	(10.5)	(14%)	(9.1)	(0%)	(23.5)	(14.6)	62%
Inventories	10.4	3.6	188%	(2.6)	n.s.	6.6	10.6	(38%)
Changes in working capital-	**0.1**	**10.2**	**(99%)**	**(15.7)**	**n.s.**	**(5.1)**	**14.2**	**n.s.**
Interest paid / received	(8.6)	(3.0)	182%	(9.6)	(11%)	(20.1)	(12.7)	59%
Income tax recovered (paid)	-	-	n.s.	(0.2)	(100%)	-	(6.0)	(100%)
Other cash flows from operating activities-	**(8.6)**	**(3.0)**	**182%**	**(9.9)**	**(13%)**	**(20.1)**	**(18.6)**	**8%**
NET CASH FLOWS FROM OPERTATING ACTIVITIES	**12.2**	**10.4**	**17%**	**16.4**	**(26%)**	**15.0**	**136.7**	**(89%)**

Cash flows from investing activities amounted to -€43 M in 9M14 vs. -€28 M for 9M13 after having collected from the sale of assets in Uruguay in March 2013. Investments were down -47% on 9M13 as a result of the drop in investments in biomass projects.

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Property, plant and equipment	(16.0)	(12.4)	28%	(29.3)	(46%)	(40.3)	(82.0)	(51%)
Intangible assets	(0.6)	(0.8)	(28%)	1.5	n.s.	(2.7)	(0.7)	270%
Other financial assets	(0.2)	0.1	n.s.	(0.1)	311%	0.0	1.2	(99%)
Investments	**(16.8)**	**(13.1)**	**28%**	**(27.9)**	**(40%)**	**(43.0)**	**(81.5)**	**(47%)**
Disposals	**-**	**0.1**	**(100%)**	**1.1**	**(100%)**	**0.1**	**53.6**	**(100%)**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(16.8)**	**(13.1)**	**28%**	**(26.8)**	**(38%)**	**(42.9)**	**(28.0)**	**53%**

Cash flows from financing activities led to a cash inflow of +€26 M compared to a cash outflow of -€50 M in 9M13, following the maturity of the investment made in 2Q13 in 1-year deposits amounting to €45 M with proceeds from the Uruguay sale. In 1Q13, a €250 M bond placement in January was used to repay the existing debt, with the Company's gross corporate financial debt remaining at a similar level to that recorded in the previous period.

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Proceeds and payments relating to equity instruments	**(2.4)**	**(1.6)**	**50%**	**(5.0)**	**(53%)**	**(4.4)**	**15.6**	**n.s.**
Debt instruments and held-for-trading liabilities (net)	0.0	0.0	(90%)	(1.8)	n.s.	0.0	239.5	(100%)
Increase/(decrease) in bank borrowings (net)	0.3	2.8	(88%)	(0.4)	n.s.	4.6	(231.4)	n.s.
Other financial liabilities	0.0	(0.0)	n.s.	0.3	(99%)	(0.5)	(12.0)	(96%)
Proceeds and payments relating to financial liability	**0.3**	**2.8**	**(88%)**	**(1.9)**	**n.s.**	**4.1**	**(3.9)**	**n.s.**
Translation differences	**0.1**	**0.0**	**n.s.**	**(0.0)**	**n.s.**	**0.1**	**(0.0)**	**n.s.**
Fixed-term deposit	-	-	n.s.	-	n.s.	45.0	(45.0)	n.s.
Other proceeds and payments from financing activities	**-**	**-**	**n.s.**	**-**	**n.s.**	**45.0**	**(45.0)**	**n.s.**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(21.3)**	**1.3**	**n.s.**	**(7.0)**	**206%**	**25.5**	**(49.5)**	**n.s.**

As a final result, the Company's cash levels decreased by -€3 M in 9M14 to €101 M, and increased to €109 M, if financial investments are taken into account.

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(25.9)**	**(1.4)**	**n.s.**	**(17.4)**	**49%**	**(2.5)**	**59.3**	**n.s.**

WORKING CAPITAL

Working capital stood at +€14 M in 9M14, down -€29 M on that of 9M13, mainly due to a reduction in inventory and trade and other receivables, tied to the drop in activity.

figures in €M	3Q14 (c)	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Inventories	53.4	70.1	(24%)	76.8	(30%)	53.4	76.8	(30%)
Trade and other receivables	103.8	86.8	20%	117.5	(12%)	103.8	117.5	(12%)
Other current financial assets (a)	7.9	8.3	(4%)	11.0	(28%)	7.9	11.0	(28%)
Other accounts receivables from public authorities	13.4	26.8	(50%)	24.0	(44%)	13.4	24.0	(44%)
Other current assets	2.6	3.5	(25%)	6.3	(59%)	2.6	6.3	(59%)
Trade and other payables (b)	(165.6)	(180.7)	(8%)	(170.9)	(3%)	(165.6)	(170.9)	(3%)
Corporate income tax payables	(0.1)	(0.1)	-	(10.9)	(100%)	(0.1)	(10.9)	(100%)
Other accounts payable to public authorities	(10.9)	(8.5)	27%	(10.7)	2%	(10.9)	(10.7)	2%
Other current liabilities	(2.7)	(1.3)	101%	(0.4)	n.s.	(2.7)	(0.4)	n.s.
Working capital	**13.7**	**16.4**	(17%)	**42.6**	(68%)	**13.7**	**42.6**	(68%)
Change in WC as per cash flow statement	**0.1**	**10.2**	(99%)	**(15.7)**	n.s.	**(5.1)**	**14.2**	n.s.

(a) figures in 3T13 and 9M13 are adjusted by €45 M of fixed-term deposit
(b) the provision for lower energy sales based on the proposed OM, has been reclassified within trade creditors
(c) 3Q14 figures includes Huelva restructuring impact

INVESTMENTS

Investments in the pulp business (industrial and forestry) in 9M14 stood at €34 M, down -€1 M on those of 9M13, mainly due to investments related with efficiency improvements in the plants. Investments related to biomass generation expansion were limited to €12 M, with the majority linked to the construction of the Merida plant. This figure is -€33 M less than in 9M13 since the plant has now been operational since April.

Environmental improvement efforts in the past 18 months have helped reduce the impact of odour emissions by 87% and 43% in the Huelva and Pontevedra plants, respectively, while the Navia plant reached 95% of the zero emissions target since the start of investments in 2011.

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figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Maintenance	2.4	3.4	(30%)	0.5	400%	9.3	11.5	(19%)
Improvements in efficiency/production	6.5	7.5	(13%)	2.8	137%	19.1	6.3	203%
Environmental	0.4	0.7	(47%)	1.2	(69%)	1.4	8.0	(82%)
Industrial investment in pulp	**9.4**	**11.7**	(20%)	**4.5**	108%	**29.8**	**25.7**	16%
Plantation and maintenance activity	0.7	0.4	76%	2.0	(63%)	2.7	7.4	(64%)
Financial expenses	0.3	0.3	-	0.4	(7%)	1.0	1.1	(7%)
Forest investment in pulp	**1.1**	**0.8**	42%	**2.4**	(54%)	**3.7**	**8.5**	(57%)
Industrial investment in biomass	**(0.1)**	**5.8**	n.s.	**15.5**	n.s.	**8.3**	**39.9**	(79%)
Forest investment in biomass	**0.5**	**2.5**	(79%)	**2.6**	(80%)	**3.6**	**4.5**	(20%)
Total investment	**10.8**	**20.7**	(48%)	**24.9**	(57%)	**45.3**	**78.6**	(42%)

7. FINANCIAL RESULT AND DEBT

FINANCIAL RESULT

Financial expenses (excluding capitalisation and including payments linked to interest rate hedges) were close to €18 M and were in line with those of 9M13. In terms of the profit/loss from hedges, cancellation of the IRS linked to the previous syndicated loan has removed the payments linked to this instrument, as well as the allocation of the profit/loss from changes in its value. Following the bond issue, the impacts of interest rate hedges for the year are limited to the settlement of the IRSs for Project Finance, without impacts arising from the changes in their value since they are considered to be hedging instruments.

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Interest on bond	(4.5)	(4.5)	-	(4.5)	-	(13.6)	(12.1)	13%
Interest on loans	(1.4)	(1.5)	(5%)	(1.5)	(6%)	(4.4)	(5.1)	(13%)
Interests on factoring and confirming	(0.3)	(0.4)	(34%)	(0.8)	(64%)	(1.0)	(1.8)	(47%)
Capitalization of financial expenses	0.8	1.1	(21%)	1.0	(16%)	2.9	3.5	(17%)
Financial expenses	**(5.4)**	**(5.4)**	0%	**(5.8)**	(8%)	**(16.1)**	**(15.5)**	4%
IRS settlement interest	(0.8)	(0.7)	4%	(0.7)	7%	(2.2)	(2.1)	8%
IRS adjustment in fair value	-	-	n.s.	-	n.s.	-	(1.0)	(100%)
Financial expenses for equity swap	(0.2)	(0.5)	(58%)	0.6	n.s.	(1.5)	2.1	n.s.
Result of hedging (IRS and equity swap)	**(1.0)**	**(1.2)**	(21%)	**(0.1)**	n.s.	**(3.7)**	**(1.0)**	288%
Net exchange differences	**1.4**	**0.5**	158%	**(0.7)**	n.s.	**1.8**	**1.1**	66%
Other financial expenses	**(0.7)**	**(0.6)**	2%	**(0.7)**	(4%)	**(1.9)**	**(3.9)**	(51%)
Financial income	**0.3**	**0.2**	20%	**0.5**	(46%)	**0.9**	**1.4**	(37%)
Financial result	**(5.3)**	**(6.4)**	(18%)	**(6.8)**	(21%)	**(19.0)**	**(17.8)**	7%
Interests on non recourse debt	(1.6)	(1.5)	9%	(1.5)	8%	(4.6)	(4.0)	13%
Financial result excluding project finance	**(3.7)**	**(4.9)**	(26%)	**(5.3)**	(30%)	**(14.5)**	**(13.8)**	5%

FINANCIAL DEBT

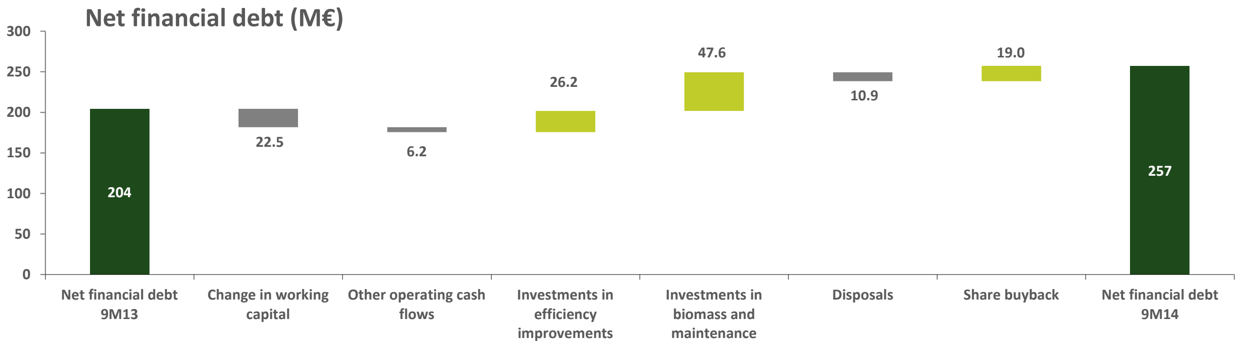
In terms of debt, the net financial debt with recourse for 9M14 stood at €147 M, up +48% on the amount recorded in 9M13. Total net financial debt stood at €258 M, up +26% on that reported in 9M13.

figures in €M	3Q14	2Q14	Δ%	3Q13	Δ%	9M14	9M13	Δ%
Bond	250.0	250.0	-	250.0	-	250.0	250.0	-
Bond - unamortized transaction costs	(8.3)	(8.6)	(4%)	(9.7)	(14%)	(8.3)	(9.7)	(14%)
Loans	0.4	0.5	(20%)	0.8	(50%)	0.4	0.8	(50%)
Other financial liabilities	10.2	10.2	0%	11.0	(7%)	10.2	11.0	(7%)
Other financial liabilities - grant	(1.1)	(1.2)	(7%)	(1.4)	(21%)	(1.1)	(1.4)	(21%)
Long-term debt	**251.2**	**250.8**	0%	**250.7**	0%	**251.2**	**250.7**	0%
Bond - accrued interest	2.5	7.1	(64%)	2.6	(1%)	2.5	2.6	(1%)
Loans	0.4	0.4	-	0.4	-	0.4	0.4	-
Loans - accrued interest	0.1	0.0	23%	0.1	(0%)	0.1	0.1	(0%)
Other financial liabilities	1.1	1.9	(45%)	0.9	22%	1.1	0.9	22%
Other financial liabilities - accrued interest	0.1	0.0	43%	0.1	(0%)	0.1	0.1	(0%)
Short-term debt	**4.1**	**9.5**	(57%)	**4.0**	4%	**4.1**	**4.0**	4%
Total gross financial debt	**255.3**	**260.3**	(2%)	**254.7**	0%	**255.3**	**254.7**	0%
Cash	100.9	126.8	(20%)	99.5	1%	100.9	99.5	1%
Short-term financial investments	7.9	8.3	(4%)	56.0	(86%)	7.9	56.0	(86%)
Total net financial debt with recourse	**146.5**	**125.2**	17%	**99.2**	48%	**146.5**	**99.2**	48%
Non recourse debt Long-term	105.0	103.7	1%	103.7	1%	105.0	103.7	1%
Non recourse debt LT - unamortized transaction costs	(2.8)	(3.0)	(4%)	(3.4)	(15%)	(2.8)	(3.4)	(15%)
Non recourse debt Short-term	7.0	7.0	-	3.4	106%	7.0	3.4	106%
Non recourse debt ST - unamortized transaction costs	(0.5)	(0.5)	-	(0.5)	0%	(0.5)	(0.5)	0%
Non recourse debt ST - accrued interest	2.3	0.4	495%	1.9	23%	2.3	1.9	23%
Total net financial debt	**257.5**	**232.9**	11%	**204.3**	26%	**257.5**	**204.3**	26%

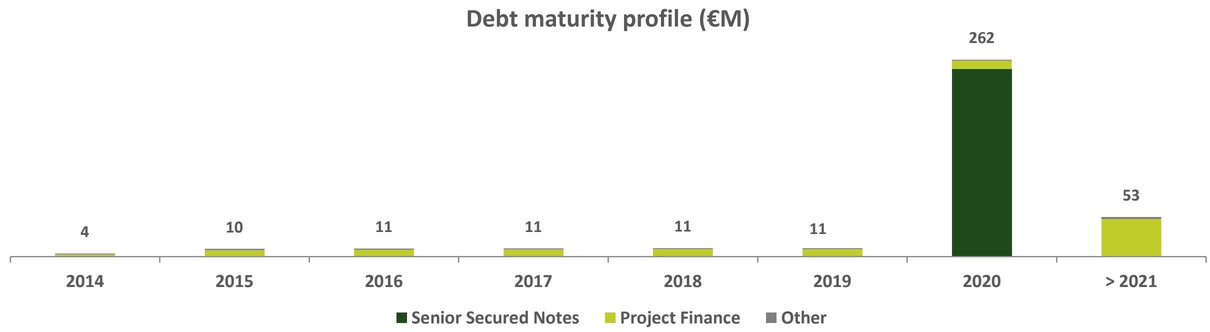
This increase has taken place due to investments in the Merida plant, the investments for efficiency improvements in the northern plants and shareholders' remuneration, which has been partially offset by the sale of assets in Portugal in December 2013, which generated an income of +€11 M.

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

The Company also has factoring lines with a limit of €58 M, of which €29 M had been utilised at the end of September (€32 M at the end of 9M13). In terms of liquidity, in addition to the Company's cash position, it has a credit facility with a limit of €90 M, which had not been drawn down at the end of this period.

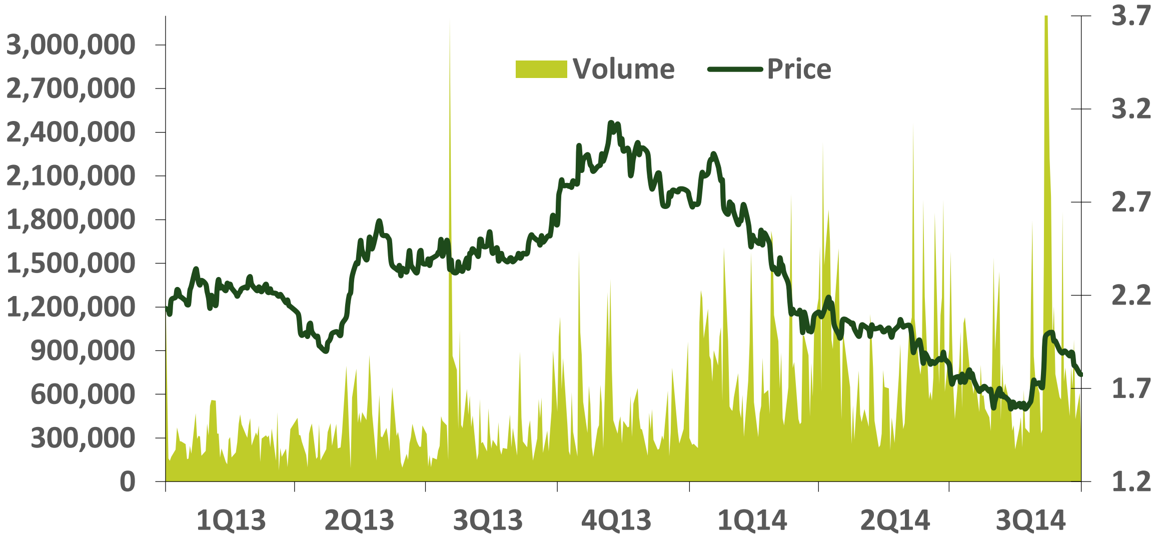


There are no significant debt maturities until February 2020, which is the maturity date of the €250 M bond issued in February 2013.



8. ENCE ON THE STOCK MARKET

Share performance was negative in 9M14, with a -35% drop, down -44% and -39% on Spanish and European market performances, respectively.



Source: Thomson Reuters

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
Average daily volume (shares)	283,963	347,171	446,481	508,964	808,674	878,515	829,628
Ence performance	0%	11%	9%	6%	(23%)	(13%)	(3%)
Ibex 35 performance	(3%)	(2%)	18%	8%	4%	6%	(1%)
Eurostoxx performance	(0%)	(1%)	11%	7%	2%	1%	(0%)

Note: Ence's share price has been adjusted for the dividend of €0.07/share paid on 3 April 2013 and for the dividend of €0.08/share paid on 11 July 2014; no adjustment was made for the dividend in kind paid on 11 April 2013, which entailed an additional 4% in profitability, or for the dividend in kind paid on 21 July 2014, which entailed an additional 3% in profitability.

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

In addition to its shares being traded on the stock markets, in January 2013 the Company issued bonds in a total amount of €250 M with a 7.25% return and a 7-year term. Ence may occasionally repurchase these bonds on the secondary market. Any such purchase will take place in compliance with all applicable legal regulations and after consideration of the relevant factors, including the quoted price for the bonds and our liquidity position.

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9. HIGHLIGHTS ON 2014

20MW plant in Mérida receives its Definitive Certificate of Commissioning

On 31 March, the Mérida biomass power plant received its Definitive Certificate of Commissioning from the Extremadura Government's Department of Agriculture, Rural Development, Environment and Energy, allowing it to begin supplying energy to the Spanish Electricity System. The plant has a production capacity of 160 million kWh/year, sufficient energy to supply nearly 70,000 people. The commissioning of this plant increased the installed capacity of biomass energy production by +9%, from 230 MW to 250 MW.

Approval of the new regulatory framework for sources of renewable energy, cogeneration and waste

On 6 June 2014, Royal Decree 413/2014 was approved, establishing the regulatory framework for sources of renewable energy, cogeneration and waste, and on 16 June 2014, Ministerial Order IET/1045/2014 was approved, establishing the remuneration parameters for such energy, both of which were retroactively effective from 14 July 2013. The approval of this new framework eliminates the regulatory uncertainties existing regarding the Ence Group's electricity generation facilities since the approval of the Royal Decree-Law 9/2013, of 12 July, on urgent measures to guarantee the stability of the Spanish Electricity System, which repeals the previous regulatory framework.

Cash dividend of €0.08/share and dividend in kind of 1 treasury share for every 32 held

At the General Meeting held on 30 June 2014, the shareholders approved a cash dividend of €0.03/share with charge to 2013 profit, a cash dividend of €0.05/share with charge to unrestricted reserves and a dividend in kind consisting of 1 treasury share for every 32 shares held by the shareholders, with charge to the share premium. The return on those dividends was above 7% at the time of approval.

Announcement of the discontinuation of the pulp production at the Huelva plant

The transformation of the Huelva complex into an advanced renewable energy park was announced on 4 September 2014 with the discontinuation of the pulp production activity after significant losses were accumulated for three consecutive quarters as a result of the reduction in cogeneration premiums, its cost inefficiency and lack of local wood. The plant's production had been discontinued since 11 October.

Approval of the new General Cost Regulations

Royal Decree 876/2014, of 10 October, approving the General Cost Regulations, entered into force on 12 October 2014. This Royal Decree implements the Cost Law approved on 29 May 2013, which established the legal framework that allows public maritime land concessions to be renewed. Facilities with non-restoration activities may be given an extension of around 60 years starting from the time at which the extension is requested. In the case of Ence, the proceedings for the extension were suspended, pending the decision of the Ministry of Environment regarding the proceedings in connection with the expiration of the concession requested by the "Salvemos Pontevedra" association.

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10. FINANCIAL STATEMENTS

These financial statements are based on the following criteria:

- The 2013 audited accounts are those published on 27 March 2014.
- They were recalculated in 3Q13 and 4Q13 to adapt to the estimated impact of the regulatory energy changes assumed in the audited 2013 financial statements and 1Q14 was recalculated to reflect the final impact of the new energy regulation, approved on 16 June 2014.

Profit and Loss Account

figures in €M	1Q13	2Q13	Proforma 3Q13	Proforma 4Q13	2013	Proforma 1Q14	2Q14	3Q14 before closing Huelva	Adjustment	Proforma 3Q14
Total Net Turnover	**217.4**	**221.7**	**210.1**	**203.9**	**853.1**	**170.3**	**168.0**	**187.4**	**-**	**187.4**
Supplies	(106.4)	(103.5)	(108.3)	(109.7)	(427.8)	(101.1)	(92.9)	(108.0)	-	(108.0)
Change in stocks of finished products	0.5	(4.2)	5.2	0.7	2.1	1.3	(7.5)	4.5	-	4.5
Gross Margin	**111.5**	**114.0**	**107.0**	**94.9**	**427.4**	**70.5**	**67.6**	**83.9**	**-**	**83.9**
Works performed by the group on fixed assets	1.3	4.4	4.5	4.6	14.8	2.7	1.2	(0.4)	-	(0.4)
Other income	3.2	2.0	2.1	8.0	15.3	2.4	3.8	3.7	-	3.7
Result from hedging operations	3.4	2.9	2.4	3.4	12.1	-	(0.4)	0.1	-	0.1
Personnel	(18.6)	(23.1)	(18.7)	(19.1)	(79.4)	(16.3)	(16.9)	(17.7)	(19.2)	(36.9)
Other operating expenses	(57.3)	(52.0)	(60.5)	(72.7)	(242.5)	(50.8)	(58.2)	(52.1)	(23.1)	(75.2)
EBITDA	**43.5**	**48.3**	**36.8**	**19.0**	**147.7**	**8.5**	**(2.9)**	**17.5**	**(42.3)**	**(24.8)**
EBITDA margin	**20.0%**	**21.8%**	**17.5%**	**9.3%**	**17.3%**	**5.0%**	**(1.7%)**	**9.3%**	**-**	**(13.3%)**
Depreciation of fixed assets	(19.5)	(18.7)	(20.4)	(19.8)	(78.3)	(21.0)	(15.8)	(16.6)	-	(16.6)
Impairment and result from sales of fixed assets	(0.1)	0.5	(3.2)	(34.8)	(37.5)	(1.5)	(25.9)	(0.2)	(87.6)	(87.8)
EBIT	**23.9**	**30.1**	**13.3**	**(35.6)**	**31.8**	**(14.1)**	**(44.5)**	**0.7**	**(129.9)**	**(129.3)**
EBIT margin	**11.0%**	**13.6%**	**6.3%**	**(17.4%)**	**3.7%**	**(8.3%)**	**(26.5%)**	**0.4%**	**-**	**(69.0%)**
Financial income	0.2	0.7	0.5	0.6	2.0	0.4	0.2	0.3	-	0.3
Financial expenses	(5.5)	(6.5)	(7.3)	(9.0)	(28.3)	(7.7)	(6.7)	(5.6)	-	(5.6)
Profit before tax	**18.7**	**24.3**	**6.5**	**(44.0)**	**5.6**	**(21.3)**	**(51.0)**	**(4.7)**	**(129.9)**	**(134.6)**
Corporate tax	(5.6)	(7.1)	(1.8)	13.3	(1.3)	6.6	17.2	4.6	38.8	43.4
Net profit	**13.1**	**17.2**	**4.7**	**(30.7)**	**4.3**	**(14.8)**	**(33.8)**	**(0.0)**	**(91.1)**	**(91.1)**

(a) €2.6M accounted at 30/9/13 as non-current assets result classified as kept for sale has been reclasifed as impairment and result from sales of fixed assets after selling Portugal assets

Balance Sheet

figures in €M	1Q13	2Q13	Proforma 3Q13	Proforma 4Q13	2013	Proforma 1Q14	2Q14	3Q14 before closing Huelva	Adjustment	Proforma 3Q14
Tangible fixed assets	956.6	960.1	955.0	932.4	932.4	923.0	901.1	890.0	(86.9)	803.1
Intangible fixed assets	21.4	20.3	20.1	19.1	19.1	20.9	12.8	13.3	(0.7)	12.5
Long- term financial assets	4.5	2.9	3.0	2.9	2.9	2.8	2.7	2.9	-	2.9
Other non-current assets	31.7	28.5	30.5	35.6	35.6	42.5	57.0	62.1	38.8	100.9
Total fixed assets	**1,014.2**	**1,011.8**	**1,008.6**	**989.9**	**989.9**	**989.2**	**973.5**	**968.2**	**(48.8)**	**919.4**
Inventories	86.4	76.8	76.8	71.0	71.0	74.4	70.1	59.4	(6.0)	53.4
Trade debtors and other accounts receivable	149.3	140.2	141.5	133.0	133.0	137.6	113.6	117.3	0.0	117.3
Cash and other short-term financial assets	141.1	172.7	155.5	159.3	159.3	137.7	135.1	108.8	(0.0)	108.8
Financial investments for short-term hedging	4.0	3.8	3.2	0.0	0.0	0.0	0.0	0.0	-	0.0
Other current assets	1.6	8.2	6.3	9.2	9.2	12.0	15.0	14.2	(0.0)	14.2
Non-Current Assets Classified as kept for Sale	0.7	0.7	11.2	0.0	0.0	0.0	0.0	0.0	-	0.0
Total current assets	**383.1**	**402.3**	**394.5**	**372.4**	**372.4**	**361.7**	**333.9**	**299.7**	**(6.0)**	**293.7**
Total assets	**1,397.3**	**1,414.2**	**1,403.1**	**1,362.3**	**1,362.3**	**1,350.9**	**1,307.4**	**1,268.0**	**(54.9)**	**1,213.1**
Equity	**715.0**	**758.8**	**757.4**	**710.3**	**710.3**	**694.0**	**638.2**	**636.1**	**(91.1)**	**545.0**
Long- term financial debt	353.3	351.0	351.1	347.5	347.5	349.4	351.6	353.4	-	353.4
Long-term provisions	13.6	12.8	16.0	18.5	18.5	19.5	5.2	6.6	(0.0)	6.6
Financial instruments for long-term hedging	13.9	9.1	9.0	7.4	7.4	6.2	7.1	8.4	-	8.4
Other non-current liabilities	50.9	46.3	45.1	42.8	42.8	42.9	41.9	40.4	1.5	41.9
Total non-current liabilities	**431.7**	**419.2**	**421.2**	**416.2**	**416.2**	**418.0**	**405.7**	**408.8**	**1.5**	**410.3**
Short-term financial debt	7.3	12.8	8.7	14.9	14.9	12.3	16.4	12.9	-	12.9
Trade creditors (a)	192.0	179.1	170.9	187.7	187.7	194.5	180.7	165.6	-	165.6
Short-term provisions	8.1	8.6	8.3	7.1	7.1	6.7	14.5	16.6	15.6	32.2
Financial Instruments for short-term hedging	4.7	4.3	4.2	4.5	4.5	6.6	7.5	7.4	-	7.4
Other current liabilities (b)	38.4	31.3	32.3	21.5	21.5	18.8	44.4	20.6	19.2	39.8
Non-Current liabilities classified as kept for Sale	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**250.6**	**236.1**	**224.4**	**235.7**	**235.7**	**238.9**	**263.5**	**223.1**	**34.8**	**257.9**
Total liabilities	**1,397.3**	**1,414.2**	**1,403.1**	**1,362.3**	**1,362.3**	**1,350.9**	**1,307.4**	**1,268.0**	**(54.9)**	**1,213.1**

(a) "Short term provisions" of €13.2 M in 2013 and €8.9 M in 1Q14 related to the retroactive adjustment in sales based on the approval of the new regulatory framework, have been reclasified to "Trade creditors"
(b) the 2Q14 figure includes €19.6M of dividend payment

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Cash Flow Statement

figures in €M	1Q13	2Q13	Proforma 3Q13	Proforma 4Q13	2013	Proforma 1Q14	2Q14	3Q14 before closing Huelva	Adjustment	3Q14
Consolidated profit for the year before tax	**18.7**	**24.3**	**6.5**	**(44.0)**	**5.6**	**(21.3)**	**(51.0)**	**(4.7)**	**(129.9)**	**(134.6)**
Depreciation and amortisation charge	14.2	15.0	17.0	15.5	61.7	16.1	12.7	14.9	-	14.9
Exhaustion of forestry reserve	5.2	3.1	3.0	3.9	15.2	4.8	3.0	1.6	-	1.6
Amortisation of intangible assets	0.2	0.5	0.4	0.4	1.4	0.1	0.1	0.1	-	0.1
Gains/Losses on disposal of non-current assets	0.1	0.2	2.4	33.3	35.9	1.5	25.7	(0.5)	87.6	87.1
Finance costs	0.1	12.5	7.2	8.9	28.7	7.3	7.0	7.4	-	7.4
Finance income	5.8	(6.7)	(0.5)	(0.6)	(2.0)	(0.4)	(0.2)	(0.3)	-	(0.3)
Grants and subsidies transferred to profit and loss	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)	(0.3)	(0.4)	(0.3)	-	(0.3)
Changes in provisions and other deferred expenses (net)	4.6	2.0	6.4	8.9	22.0	8.5	6.3	2.4	42.3	44.7
Adjustments of profit for the year	**29.8**	**26.4**	**35.4**	**70.0**	**161.6**	**37.6**	**54.2**	**25.4**	**129.9**	**155.3**
Trade and other receivables	18.0	7.1	(3.8)	8.5	29.8	(5.3)	15.9	(1.7)	-	(1.7)
Current financial and other assets	(3.8)	0.9	(0.2)	0.1	(2.9)	1.3	1.3	0.4	-	0.4
Current liabilities	(2.7)	(2.8)	(9.1)	19.2	4.7	(3.9)	(10.5)	(9.1)	-	(9.1)
Inventories	7.3	5.9	(2.6)	(0.2)	10.4	(7.5)	3.6	10.4	-	10.4
Changes in working capital	**18.8**	**11.2**	**(15.7)**	**27.6**	**41.9**	**(15.4)**	**10.2**	**0.1**	**-**	**0.1**
Interest paid	(1.6)	(2.4)	(10.1)	(4.0)	(18.0)	(8.9)	(3.3)	(8.9)	-	(8.9)
Interest received	0.2	0.7	0.5	0.6	2.0	0.4	0.2	0.3	-	0.3
Income tax recovered (paid)	-	(5.7)	(0.2)	(11.1)	(17.1)	-	-	-	-	-
Other cash flows from operating activities	**(1.4)**	**(7.4)**	**(9.9)**	**(14.5)**	**(33.1)**	**(8.5)**	**(3.0)**	**(8.6)**	**-**	**(8.6)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**65.9**	**54.5**	**16.4**	**39.1**	**175.9**	**(7.6)**	**10.4**	**12.2**	**-**	**12.2**
Property, plant and equipment	(26.6)	(26.1)	(29.3)	(30.9)	(112.8)	(11.8)	(12.4)	(16.0)	-	(16.0)
Intangible assets	-	(2.2)	1.5	(0.2)	(0.9)	(1.4)	(0.8)	(0.6)	-	(0.6)
Other financial assets	(0.3)	1.6	(0.1)	0.2	1.3	0.1	0.1	(0.2)	-	(0.2)
Investments	**(27.0)**	**(26.7)**	**(27.9)**	**(30.8)**	**(112.4)**	**(13.1)**	**(13.1)**	**(16.8)**	**-**	**(16.8)**
Property, plant and equipment	52.5	0.0	1.1	10.8	64.4	-	0.1	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-
Disposals	**52.5**	**0.0**	**1.1**	**10.8**	**64.4**	**-**	**0.1**	**-**	**-**	**-**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**25.5**	**(26.7)**	**(26.8)**	**(20.0)**	**(48.0)**	**(13.1)**	**(13.1)**	**(16.8)**	**-**	**(16.8)**
Purchase of treasury shares	(3.7)	(3.4)	(4.7)	(14.6)	(26.5)	(0.5)	(1.6)	(2.4)	-	(2.4)
Disposal of treasury shares	0.2	27.6	(0.3)	-	27.5	0.1	0.0	-	-	-
Proceeds and payments relating to equity instruments	**(3.6)**	**24.2**	**(5.0)**	**(14.6)**	**1.0**	**(0.4)**	**(1.6)**	**(2.4)**	**-**	**(2.4)**
Debt instruments and other held-for-trading liabilities (net)	243.8	(2.5)	(1.8)	-	239.5	(0.0)	0.0	0.0	-	0.0
Increase / (decrease) in bank borrowings (net)	(230.5)	(0.5)	(0.4)	(0.7)	(232.1)	1.5	2.8	0.3	-	0.3
Grants and subsidies received	-	(0.4)	0.3	0.2	0.1	0.8	0.0	(2.2)	-	(2.2)
Other financial liabilities	(12.0)	0.0	-	-	(12.0)	(1.3)	(0.0)	2.2	-	2.2
Proceeds and payments relating to financial liability instruments	**1.3**	**(3.3)**	**(1.9)**	**(0.5)**	**(4.5)**	**0.9**	**2.8**	**0.3**	**-**	**0.3**
Dividends	-	(16.2)	-	(0.0)	(16.2)	-	-	(19.4)	-	(19.4)
Dividends and returns on other equity instruments paid	**(0.0)**	**(16.2)**	**-**	**(0.0)**	**(16.2)**	**-**	**-**	**(19.4)**	**-**	**(19.4)**
Translation differences	**0.0**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**0.0**	**0.1**	**-**	**0.1**
Fixed-term deposit	-	(45.0)	-	-	(45.0)	45.0	-	-	-	-
Other proceeds and payments from financing activities	**-**	**(45.0)**	**-**	**-**	**(45.0)**	**45.0**	**-**	**-**	**-**	**-**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(2.2)**	**(40.3)**	**(7.0)**	**(15.2)**	**(64.7)**	**45.5**	**1.3**	**(21.3)**	**-**	**(21.3)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**89.2**	**(12.5)**	**(17.4)**	**3.9**	**63.2**	**24.8**	**(1.4)**	**(25.9)**	**(0.0)**	**(25.9)**

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11. ANNEX

REMUNERATION PARAMETERS OF THE FACILITIES OF THE ENCE GROUP

Facility	Type of facility	MW	Remuneration to investment 2014 (Ri; €/MW)	Type of fuel	Remuneration to operation 2014 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Black liquor	30.123	-
	Biomass generation	36.7	230,244	Forestry waste	54.361	6,500
Pontevedra	Biomass co-generation	34.6	49,945	Black liquor	30.123	-
				Forestry waste	54.126	6,500
Huelva	Biomass co-generation	27.5	-	Black liquor	30.123	-
	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 income arising from the new remuneration scheme is calculated as follows:

- **Ri (Investment remuneration)** represents annual remuneration per gross installed MW, generating annual income equal to the result of multiplying this remuneration by the facility's gross capacity (MW).

  Income from investments = MW * Ri

- **Ro (Operating remuneration)** represents remuneration per MWh sold in addition to the price of the electricity market (“pool”), generating income equal to the result of adding this remuneration to the market price and multiplying it by the volume of MWh sold.

  Operating income = (Ro + pool) * MWh

  For a given year, the volume of MWh cannot exceed the result of multiplying the facility's gross capacity (MW) by the established limit of hours. There is no limit in the case of cogeneration facilities.

  MWh < MW * 6,500 (for generating electricity with biomass)

  Production above the aforementioned limit would be sold at market prices, without the right to receive an additional premium.

Based on the approved regulatory framework, the company revenues from sales of electricity in a given period will depend on the evolution of market prices ("pool"). Deviations from the average price of the "pool" compared to the estimate contained in the ministerial order (€49.16 / MWh for the period 2014-2016, €52 / MWh in the following years) within a certain range of fluctuation will be reversed in the following regulatory half periods (three-year) through adjustments in the compensation parameters. In 2013, electricity sales totalled 1,895,540 MWh and purchases of electricity (consumption) totalled 738,389 MWh.

DISCLAIMER

The information contained in this presentation has been prepared by Ence Enegía y Celulosa, S.A. (hereinafter, "Ence").

This presentation includes data relating to future forecasts. Any data included in this presentation which differ from other data based on historical information, including, in a merely expository manner, those which refer to the financial situation of Ence, its business strategy, estimated investments, management plans, and objectives related to future operations, as well as those which include the words "anticipate", "believe", "estimate", "consider", "expect" and other similar expressions, are data related to future situations and therefore have various inherent risks, both known and unknown, and possess an element of uncertainty, which can lead to the situation and results both of Ence and its sector differing significantly from those expressly or implicitly noted in said data relating to future forecasts.

The aforementioned data relating to future forecasts are based on numerous assumptions regarding the current and future business strategy of Ence and the environment in which it expects to be situated in the future. There is a series of important factors which could cause the situation and results of Ence to differ significantly from what is expounded in the data relating to future forecasts, including fluctuation in the price of wood pulp or wood, seasonal variations in business, regulatory changes to the electricity sector, fluctuation in exchange rates, financial risks, strikes or other kinds of action carried out by the employees of Ence, competition and environmental risks, as well as any other factors described in the document. The data relating to future forecasts solely refer to the date of this presentation without Ence being under any obligation to update or revise any of said data, any of the expectations of Ence, any modification to the conditions or circumstances on which the related data are based, or any other information or data included in this presentation.

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