ENCE ENERGÍA & CELULOSA

Quarterly Report
1st Quarter 2014

31 March 2014

CONTENTS

1. IMPACT OF ROYAL DECREE LAW 9/2013 OF 12 JULY

NEW REGULATORY FRAMEWORK

Royal Decree Law 9/2013, was passed on 12 July, regarding urgent measures to ensure Spanish Electricity System stability, which repealed RD 661/2007 and introduced a new economic regime for renewable energies to ensure generators a return equivalent to the yield on 10-year bonds plus 300 basis points, calculated before taxes and referring to the costs and investment costs for a standard facility for its entire useful regulatory life. In addition, payment of efficiency and reactive energy bonuses has been eliminated in anticipation of the approval of said new financial regime starting on 14 July 2013.

On 3 February 2014, the Spanish Ministry of Industry, Energy and Tourism submitted to the National Market and Competition Commission (*Comisión Nacional del Mercado y de la Competencia* - CNMC) a proposed "Order to approve remuneration parameters for standard facilities for specific electrical energy production facilities using renewable energy sources, cogeneration and waste". The proposal, which advocates a new premiums scheme, would change the regulatory environment applicable to the company's energy production activities once it is approved. It would do so in three principal aspects with retroactive effect from 14 July 2013: removal of the specific energy crop tariffs, which would ultimately have the same remuneration as forestry and agricultural waste; it would set a maximum number of hours that power generation installations have premium rights, equivalent to 80-90% of nominal annual power plant availability, and exclude lignin in the process of pulp production for the biomass category eligible for a premium.

The Ministerial Order is currently being processed, meaning that it does not yet have any regulatory value and is currently subject to contributions from various consulting bodies and the affected companies and industries. As such, it may undergo changes that could substantially change its impact on the Company compared to its current drafting. In view of the reasonable expectation of the outcome being favourable to the company's interests, Ence could have refrained from acting at all until the definitive regulation is approved. However, the company Directors have been prudent in provisioning a loss of revenue of €7.6 million and €2.9 million for 1Q14 and 4Q13 respectively (pre-tax), to reduce energy output income. These provisions are made in respond to the 48% impact estimate in the event of the draft renewable energy Royal Decree and the Ministerial Order on remuneration parameters being approved as they current stand. If they are approved in their current draft, an additional drop would apply in net electrical energy revenue net of electricity production tax, of -€7.1 million in 1Q14 and -€8.4 million in 4Q13 (-€6.6 million in 3Q13).

SUMMARY OF TARIFF FRAMEWORK PROPOSAL

Two types of income are established in the proposed premium structure. On the one hand, the operation fee per MWh which added to the hourly price of the pool determines variable selling price per MWh. On the other hand, an annual fixed remuneration for investment. This begins to receive remuneration from a threshold of 1.000 hours and is seen entirely with production above 3,000 hours per year per installed MW of gross capacity. To facilitate comparison with the previous regulatory framework, energy business tables made in this report include the concepts of average selling price for the period, equal to the sum of the remuneration to operation and the pool price, the remuneration to investment and average income equivalent to adding the remuneration to investment in MWh terms to the average selling price.

2. EXECUTIVE SUMMARY 1Q14

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Pulp sales	131.4	148.6	(12%)	150.6	(13%)	131.4	150.6	(13%)
Electricity sales [(a)]	35.2	53.2	(34%)	64.7	(46%)	35.2	64.7	(46%)
Forestry sales and others	5.0	2.1	139%	2.1	133%	5.0	2.1	133%
Total sales	**171.5**	**203.9**	(16%)	**217.4**	(21%)	**171.5**	**217.4**	(21%)
Adjusted EBITDA	**13.7**	**21.8**	(37%)	**44.2**	(69%)	**13.7**	**44.2**	(69%)
EBITDA	**9.6**	**19.0**	(49%)	**43.5**	(78%)	**9.6**	**43.5**	(78%)
EBIT	**(12.9)**	**(35.6)**	(64%)	**23.9**	n.s.	**(12.9)**	**23.9**	n.s.
Net result of the period	**(14.0)**	**(30.7)**	(55%)	**13.1**	n.s.	**(14.0)**	**13.1**	n.s.
Net financial debt [(b)]	**118.0**	**100.2**	18%	**114.8**	3%	**118.0**	**114.8**	3%
Pulp sales (tons)	**297,622**	**321,622**	(7%)	**312,480**	(5%)	**297,622**	**312,480**	(5%)
Electricity sales (MWh)	**364,047**	**475,830**	(23%)	**478,132**	(24%)	**364,047**	**478,132**	(24%)
Net pulp sale price (€/ton)	**443**	**460**	(4%)	**479**	(8%)	**443**	**479**	(8%)
Average electricity sale price (€/MWh) [(c)]	**98**	**112**	(12%)	**131**	(25%)	**98**	**131**	(25%)
Cash cost (€/t) [(d)]	**409**	**412**	(1%)	**359**	14%	**409**	**359**	14%

(a) includes €5M capitalized in 2013 for the sale of electricity produced at the new 50MW plant in Huelva before its reception in February 2013
(b) additionally, existed €106 M of non-recourse debt linked to the "project finance" of the 50MW Huelva and 20MW Mérida biomass plants as of 31/03/14
(c) includes the operational of the new 50MW plant in Huelva before its reception in February 2013
(d) excludes impact on Huelva 50MW plant as it is not linked to pulp production activity

- ✓ **Pool prices were exceptionally low in the first quarter, at €26/MWh against a 5 year average of €42/MWh, which stands poorly to that of other European countries such as France (€46/MWh) or Italy (€53/MWh)** These low pool prices are equating to losses in facilities with higher operating costs (natural gas and forestry waste), leading the company to limit production during lower price hours. Based on the proposed new regulatory framework, this loss of earnings is offset by a higher pool price for the rest of the year, or in the next regulatory period (2017-2019) by an upward adjustment to facilities' remuneration parameters.
- ✓ **Electricity sales drop -46% in 1Q14, equivalent to €30 M,** due to a -24% fall in volume and an estimated drop in average income per MWh sold of -25%, based on the premium proposal for cogeneration and renewable facilities in 1Q14 accounts and exceptionally low pool prices.
- ✓ **Pulp sales drop -13% in 1Q14 vs 1Q13** due to a reduction in production and volumes sold. Euro sales prices have dropped -8% due to a -3% price drop in $/t and depreciation on the dollar of 4%.
- ✓ **Adjusted EBITDA dropped -69% in 1Q14, to +€14 million** linked to lower output and sales of pulp and electricity, due to the impact of complements losses and the proposed new premiums on renewable energies. Due to the transitional nature of these new premiums and their changeability due to external contributions, an estimated impact of -€7.6 million has been included in 1Q14 sales turnover. Excluding the impact of RDL 9/2013 in sales, adjusted EBITDA would have been +€27 million.
- ✓ **The mentioned regulatory changes are the main factor contributing to the increase in cash cost, which stands at €409/t in 1Q14**. **Excluding this impact** for the year, equivalent to +€51/t, **cash cost for 1Q14 would have been €358/t.**
- ✓ **Results for the quarter sat at a net loss of -€14 million in 1Q14** vs. a net profit of +€13 million obtained in 1Q13.
- ✓ **Net corporate financial debt has increased +3% since 1Q13, to €118 million** absorbing the investments in Merida. The leverage ratio excluding non-recourse debt stood at 1.2x (on EBITDA for the last 12 months). The application by the CNMC of a coverage ratio in 1Q14 has led to a -€11 million reduction in electricity payments

received, although this will be corrected throughout the year. This cash inflow will be offset with a retroactive adjustment estimated at €15 million for premiums charged under the new regulation since mid-2013, and despite already being recorded in Ence's financial statements as a reduction in energy sales, it has not yet produced the necessary cash outflow.

- ✓ **Merida 20MW plant started operations on 31 March**, having received its Definitive Certificate of Commissioning by the Extremadura Government Department of Agriculture, Rural Development, Environment and Energy, allowing it to begin producing energy for the Spanish grid. This means that the project is 6 months ahead of its initial schedule. The plant has a forecast production capacity of 160,000 MWh/year, which is a +9% increase on the installed capacity for biomass energy production, going from 230MW to 250MW. It is expected that annual EBITDA for the plant will be around +€7 million (against the +€10 million initially estimated) once the learning curve has been overcome and according to the current tariff framework proposal.

Clarification regarding 1Q14 and 4Q13 results

Results and cash cost from 1Q14 and 4Q13 are based on tariffs defined in the proposed "Order to approve remuneration parameters for standard facilities for specific electrical energy production facilities using renewable energy sources, cogeneration and waste", sent by the Ministry of Industry, Energy, and Tourism to the CNMC on 3 February 2014, with retroactive validity from 14 July 2013 pursuant to RD-law 9/2013. As set out in section one above, the estimated impact has been set at -€7.6 million in 1Q14 and -€2.9 million in 4Q13. Given that such tariffs have not been approved by the date of publication of these 1Q14 financial results, energy revenue and cash cost accounted for in the period may change after the report's publication.

The table below shows the consolidated impact of main operations and on results from the application of the draft ministerial order:

figures in €M	3Q13	Adjustment	Adjusted 3Q13	4Q13	Adjustment	Adjusted 4Q13	2013	Adjustment	2013
Electricity sales	**59.3**	**(4.2)**	**55.1**	**50.4**	**2.8**	**53.2**	**230.2**	**3.5**	**233.7**
Energy sales at pulp mills	43.8	(1.8)	41.9	38.2	**3.7**	41.9	**175.9**	**5.7**	**181.5**
Energy sales at Huelva 50MW	15.5	(2.4)	13.2	12.2	**(0.9)**	11.3	**54.3**	**(2.1)**	**52.2**
Average electricity sale price (€/MWh)	**123**	**(9)**	**113**	**106**	**6**	**112**	**120**	**1.9**	**122**
Average electricity income at pulp mills	114	(6)	109	99	10	108	**114**	**3.7**	118
Average electricity income at Huelva 50MW	155	(23)	131	137	(11)	127	**144**	**(5.7)**	139
Cash cost (€/t)	**379**	**5**	**384**	**423**	**(11)**	**412**	**382**	**(4)**	**378**
Total sales	**214.3**	**(4.2)**	**210.1**	**201.1**	**2.8**	**203.9**	**849.6**	**3.5**	**853.1**
Adjusted EBITDA	**41.9**	**(3.9)**	**38.0**	**19.2**	**2.6**	**21.8**	**154.7**	**3.3**	**158.0**
EBITDA	**40.7**	**(3.9)**	**36.8**	**13.3**	**5.7**	**19.0**	**141.3**	**6.4**	**147.7**
EBIT	**19.8**	**(6.5)**	**13.3**	**(37.7)**	**2.1**	**(35.6)**	**29.0**	**2.8**	**31.8**
Net profit	**7.4**	**(2.7)**	**4.7**	**(30.9)**	**0.2**	**(30.7)**	**3.7**	**0.7**	**4.3**

Note: 3Q13 adjustments have been made on the figures published in the corresponding 3Q13 report, whilst adjustments for 4Q13 and 2013 have been made on figures published in the 4Q13 results.

3. PULP BUSINESS

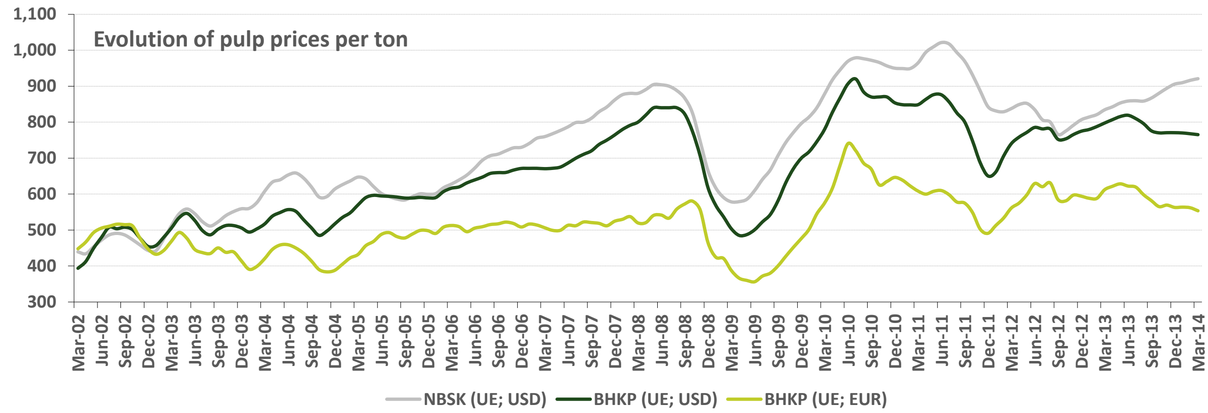
	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Huelva	83,576	93,098	(10%)	97,084	(14%)	83,576	97,084	(14%)
Pontevedra	100,042	104,240	(4%)	96,352	4%	100,042	96,352	4%
Navia	117,321	124,051	(5%)	125,486	(7%)	117,321	125,486	(7%)
Pulp production (tons)	**300,940**	**321,389**	(6%)	**318,921**	(6%)	**300,940**	**318,921**	(6%)
Huelva	82,938	98,623	(16%)	103,650	(20%)	82,938	103,650	(20%)
Pontevedra	97,137	103,481	(6%)	92,867	5%	97,137	92,867	5%
Navia	117,547	119,517	(2%)	115,963	1%	117,547	115,963	1%
Pulp sales (tons)	**297,622**	**321,622**	(7%)	**312,480**	(5%)	**297,622**	**312,480**	(5%)
BHKP ($/t)	**768**	**770**	(0%)	**789**	(3%)	**768**	**789**	(3%)
Average exchange rate ($/€)	**1.37**	**1.36**	1%	**1.32**	4%	**1.37**	**1.32**	4%
Net sale price (€/t)	**443**	**460**	(4%)	**479**	(8%)	**443**	**479**	(8%)
Pulp sales (€M)	**131.4**	**148.6**	(12%)	**150.6**	(13%)	**131.4**	**150.6**	(13%)

Pulp production dropped -6% in 1Q14 year on year, due to poor performance of the Huelva and Navia plants, leaving their usage ratio at 91% (93% when adjusting for maintenance stoppages). The maintenance stop for Pontevedra mill was performed at the end of March. Sales have dropped -5% compared to the same period last year, amidst lessened growth in pulp demand in view of the forecasts of increased pulp supply, due to a number of new plants coming on line.

In relation to average revenue per ton, the average net sales price was €443/t this quarter, -8% down on 1Q13. Dollar depreciation of 4% in the past year is added to these low price levels.

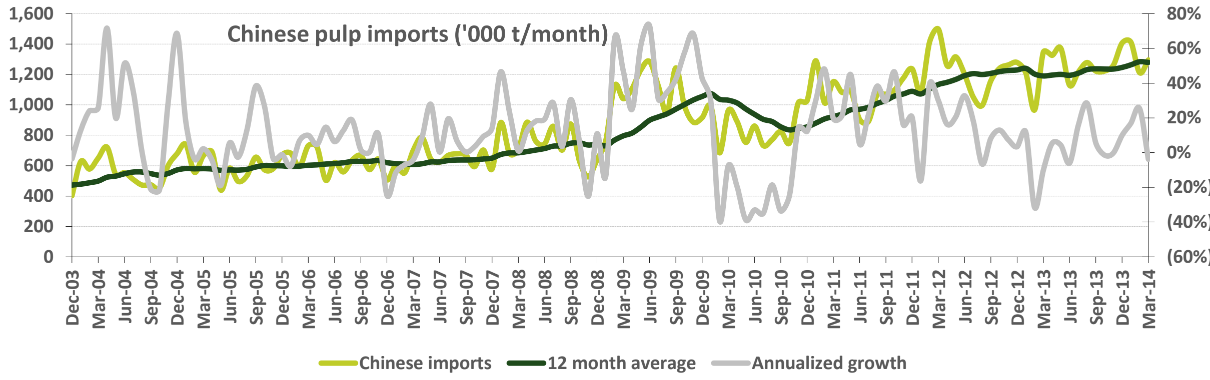
OVERVIEW ON THE PULP MARKET

Pulp prices have remained stable at an average level of $768/t for the quarter, despite uncertainty created by the beginning of operations at Maranhao, Brazil (the 1.3 million ton plant at Suzano began operating in December 2013) and another in Montes del Plata, Uruguay (a joint venture of 1.5 million tons between Stora Enso and Arauco). Part of this good performance is due to the delay in Montes del Plata (initially being pushed back from 1Q14 to 2Q14) and the required learning curve phase of both new plants.



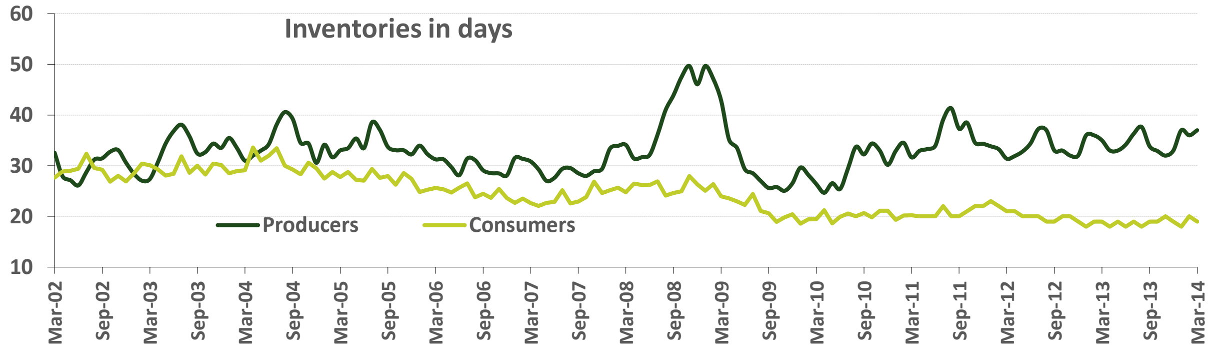
Source: FOEX

Demand has shown a slight slump at global level, with an accumulated drop of -0.8% until March. The expectation of a drop in prices due to a rise in supply was limiting pulp demand in the first few months of this year. Geographically speaking, demand in the US was at -2.1%, and -3.9% in Europe (PPPC). Demand in China, nonetheless, rose +2.4% at the end of March (PPPC). It is estimated that the growth trend in Chinese demand will continue to be a factor supporting price levels, despite the arrival of new pulp capacity in the market, based upon the growth of the country's economy, low levels of per capita consumption, and the entry of new capacities in tissue paper and writing paper.



Source: Hawkins Wright

At global level, producer inventories remain at average levels for a 36-day cycle, while consumer inventories have maintained historical minimum levels of 19 days at the end of March (PPPC). The situation is equally positive in Europe, where consumer inventories are holding at levels close to historical minimums of 19 days (Utipulp), while port inventories reached nearly one million tons, in line with numbers recorded in previous years (Europulp).



Source: PPPC (W20 statistics)

Continual rises in long fibre prices since last year have increased the price differential with short fibre to $160/t, in line with record highs. The fibre price differential and delays in commissioning new capacity have bolstered the announcement of a rise in the BKP price of +$15/t as from 1 April. The commonplace seasonal drop in demand of the third quarter due to longer maintenance stoppages in paper plants will be partially compensated this year by the reduction in orders in the first six months, an additional factor that should stabilise prices this year.

4. ENERGY ACTIVITY

Development in the energy business in 1Q14 has been principally influenced by three regulatory changes passed since the end of 2012. The impact of Law 15/2012 (dated 27 December) centered mainly on costs, with the imposition of a 7% tax on generation and the "green cent" for auxiliary fuels (gas and fuel oil). On the other hand, RD 2/2013 (of 1 February) affected revenues by changing the CPI used to update rates (causing rates to remain the same in 2013) and by eliminating the option for sales at market prices with higher premiums, leaving only the fixed rate as the basis for calculating charges. Finally, RD-law 9/2013 (dated 12 July) repealed the existing regulatory framework for the special regime (installation of electricity production from renewable energy, cogeneration, and waste sources), defining a new tariff framework that establishes a pre-tax return for all renewable investments equivalent to the return on bonds at 10 years plus 300 basis points for all renewable investments, calculated on investment standards and operational costs according to technology. The definition of the new tariff framework was delegated in the development of a new RD-Law and required Ministerial Orders that are to quantify the new tariffs applicable to the mentioned facilities. Once approved, tariff amounts received since 14 July 2013 will be adjusted. Energy sale prices indicated in these results show an estimated drop in income of -€7.6 million in 1Q14 and -€2.9 million in 4Q13 (-€7.1 million in the second half of 2013), based on the draft Ministerial Orders published on 3 February which are yet to be approved and are subject to contributions. Final approval of the orders along with the RD-Law dealing with the new regulatory framework is expected in the coming weeks.

Moreover, pool prices have reached exceptionally low levels of €26/MWh compared to a five year average of €42/MWh and shaping up poorly to other European countries such as France (€46/MWh) or Italy (€53/MWh). Likewise, pool prices have been below the €49/MWh estimated by the regulator in its proposal when calculating the transactions charges necessary to cover operating costs of the renewable, cogeneration and waste facilities. These low pool prices have lowered sale price per MWh (-€23 below the used estimate by Regulator in its proposal for new tariff framework; with an impact on EBITDA of -€3.1 million without including the impact of lower production) and have limited the volume created by natural gas and forestry waste, which at said sale prices would not cover operating costs.

All these changes have led to a rise in the company's cash cost, due to electricity prices in production facilities being linked to the pulp industrial process, as a lesser cost of production.

As an effect of these regulatory changes, the company's energy related income in 1Q14 dropped -46%. Average income per MWh sold in 1Q14 shows a -25% drop compared to 1Q13, due to the impact of regulatory proposals in the company's electrical energy production and low pool prices for the quarter.

ENERGY PRODUCTION AT PULP MILLS

	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Huelva	121,814	204,508	(40%)	213,040	(43%)	121,814	213,040	(43%)
Pontevedra	49,698	54,355	(9%)	52,816	(6%)	49,698	52,816	(6%)
Navia	131,629	139,091	(5%)	128,646	2%	131,629	128,646	2%
Electricity production (MWh)	**303,142**	**397,954**	(24%)	**394,502**	(23%)	**303,142**	**394,502**	(23%)
Biomass generation	77,711	119,937	(35%)	122,459	(37%)	77,711	122,459	(37%)
Biomass co-generation	160,761	170,403	(6%)	166,542	(3%)	160,761	166,542	(3%)
Gas natural co-generation	53,316	96,429	(45%)	97,325	(45%)	53,316	97,325	(45%)
Electricity sales (MWh) [(a)]	**291,788**	**386,768**	(25%)	**386,326**	(24%)	**291,788**	**386,326**	(24%)
Electricity consumption (MWh)	**176,114**	**189,014**	(7%)	**185,586**	(5%)	**176,114**	**185,586**	(5%)
Average pool price (€/MWh)	**26**	**52**	(49%)	**40**	(35%)	**26**	**40**	(35%)
Average sale price (€/MWh)	**75**	**95**	(22%)	**128**	(42%)	**75**	**128**	(42%)
Remuneration to investment (€M)	**5.3**	**5.0**	6%	-	n.s.	**5.3**	-	n.s.
Average income (€/MWh)	**93**	**108**	(14%)	**128**	(27%)	**93**	**128**	(27%)
Electricity sales (€M) [(b)]	**26.5**	**41.9**	(37%)	**51.3**	(48%)	**26.5**	**51.3**	(48%)

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

Revenues from energy sale generated by the pulp plants were in the amount of +€27 million in 1Q14, down -48% compared to the same period in 2013. Market prices for electricity have, extraordinarily, been -35% down on those recorded for 1Q13 due to high rainfall in the period. This drop caused the company to limit production in its natural gas and forestry biomass turbines when pool prices were low. The proposed lowering of premiums makes electricity production when pool prices are low unprofitable for facilities with higher operating costs, principally due to the cost of fuel. Since the proposed Ministerial Order includes an annual limit on hours that carry a right to premiums, lesser production in the quarter will allow facilities to operate at full capacity in the coming quarters, in a potentially higher pool environment (pool derivatives stands at €48/MWh for the rest of the year). There has also been a -3% drop in lignin cogeneration facilities as a result of less pulp production in this quarter.

In addition to a fall in volume, average income per MWh sold dropped -27% year on year, as a result of the proposed orders and low pool prices. Average cost of electrical consumption in plants also benefited from said drop in the pool.

ENERGY PRODUCTION AT INDEPENDENT ENERGY PLANTS

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Electricity sales (MWh)	**72,259**	**89,062**	(19%)	**91,806**	(21%)	**72,259**	**91,806**	(21%)
Average selling price (€/MWh)	**75**	**89**	(16%)	**146**	(49%)	**75**	**146**	(49%)
Remuneration to investment (€M)	**3.3**	**3.4**	(3%)	**-**	n.s.	**3.3**	**-**	n.s.
Average income (€/MWh)	**120**	**127**	(5%)	**146**	(18%)	**120**	**146**	(18%)
Sales [a]	8.7	11.3	(23%)	13.4	(35%)	8.7	13.4	(35%)
EBITDA	2.7	3.4	(20%)	4.3	(37%)	2.7	4.3	(37%)
Forest depletion (energy crops)	(2.0)	(1.0)	98%	(1.4)	41%	(2.0)	(1.4)	41%
EBITDA excluding forest depletion [b]	0.7	2.4	(70%)	2.9	(75%)	0.7	2.9	(75%)
Industrial depreciation	(2.8)	(2.7)	4%	(1.7)	65%	(2.8)	(1.7)	65%
EBIT	(2.1)	(0.3)	n.s.	1.2	n.s.	(2.1)	1.2	n.s.
Net profit	(2.6)	(1.8)	47%	0.3	n.s.	(2.6)	0.3	n.s.

(a) includes €5M of capitalized sales in 2013, previous the reception of the plant in February 2013
(b) EBITDA ex-forestry depletion is in line with the criteria that was used to communicate EBITDA guidance for the plants

Electricity sales in 1Q14 were 72 GWh, -21% lower than 1Q13 due to the company limiting operations during a typically low pool prices. Given the limiting of annual hours with rights to premiums set out in the proposed Ministerial Order, the drop in production can be compensated in the coming months with higher usage of the facilities when pool prices pick up. It is being analyzed changes in annual maintenance shutdown of the plant, originally scheduled in November, to delay until 2015 in order to coincide with months where pool prices are seasonally lower.

EBITDA after forestry depletion was +€1 million in 1Q14, -77% lower than 1Q13 levels. In addition to the drop in volumes, prices also dropped due to a lower pool price, as well as the impact of Ministerial Order draft for the setting of a new premiums structure. The risk of a pool prices drop has been covered in May and June through hedging 31,000 MWh per month at €40/MWh and in July 31,000 MWh at €50/MWh, in line with the estimated production. Once the new 20MW biomass plant in Merida is stabilized, similar hedges will be analyzed.

The retroactive nature of the proposed regulations has also had a negative impact on 1Q14 results due to the plant operating with a mix of supply including nearly 60% energy crops, which is more expensive, and receiving as remuneration the forest waste tariff, which is -17% below that of crops. Results for the second half of 2013 were also penalised due to limitations on MWh sales with premium rights during the year, which has not enabled it to benefit from the sound operation of the power plant and led to additional losses through selling 23 GWh since 14 July at pool price, below variable biomass supply costs as the plant operated over 6,500 hours with premium right granted. The following table shows adjusted results from 3Q13 and 4Q13, which are based on the commented premium proposal.

figures in €M	3Q13	Adjustment	Adjusted 3Q13	4Q13	Adjustment	Adjusted 4Q13	2013	Adjustment	2013
Sales (a)	15.5	(2.4)	13.2	12.2	**(0.9)**	11.3	54.3	**(2.1)**	**52.2**
EBITDA	5.6	(2.4)	3.2	4.3	**(0.9)**	3.4	18.9	**(2.1)**	**16.8**
Forest depletion (energy crops)	(1.1)	-	(1.1)	(1.0)	**-**	(1.0)	(4.8)	**-**	**(4.8)**
EBITDA excluding forest depletion (b)	4.5	(2.4)	2.2	3.3	**(0.9)**	2.4	14.1	**(2.1)**	**12.0**
Industrial depreciation	(2.7)	-	(2.7)	(2.7)	**-**	(2.7)	(9.8)	**-**	**(9.8)**
EBIT	1.8	(2.4)	(0.5)	0.6	**(0.9)**	(0.3)	4.4	**(2.1)**	**2.3**
Net profit	0.1	(1.7)	(1.6)	(0.5)	**(1.3)**	(1.8)	(1.4)	**(2.1)**	**(3.5)**

5. FORESTRY ACTIVITY

	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Supply to the industrial process (m^3)	**908,414**	**969,955**	(6%)	**953,054**	(5%)	**908,414**	**953,054**	(5%)
Cost €/m^3	**72**	**73**	(1%)	**70**	4%	**72**	**70**	4%
Wood purchases per source								
Own wood	6%	6%		7%		6%	7%	
Direct acquisitions from land owners	28%	32%		22%		28%	22%	
Suppliers	53%	54%		56%		53%	56%	
Imported timber	14%	8%		15%		14%	15%	
Own hectares	49,022	49,062	(0%)	51,918	(6%)	49,022	51,918	(6%)
Third party hectares (consortia) [(a)]	38,450	39,204	(2%)	37,055	4%	38,450	37,055	4%
Hectares managed by ownership (Ha)	**87,473**	**88,266**	(1%)	**88,973**	(2%)	**87,473**	**88,973**	(2%)
Hectares for pulp	70,276	70,746	(1%)	71,085	(1%)	70,276	71,085	(1%)
Hectares for energy crops	17,197	17,520	(2%)	17,888	(4%)	17,197	17,888	(4%)
Hectares managed by use (Ha)	**87,473**	**88,266**	(1%)	**88,973**	(2%)	**87,473**	**88,973**	(2%)

(a) includes 2,608 Ha sold in Portugal in December 2013 that Ence does not have standing timber or biological asset but managed

Wood consumption dropped -5% in 1Q14 due to a reduction in pulp production. A +4% increase in average wood cost has also occurred because of the increased purchase of certified wood and the increase in average distance in transporting. In terms of supply sources, imports rose in 1Q14 to 14%, due to reduced availability of domestic wood due to high rainfall this quarter, in line with figures for 1Q13.

Ence sold 2,608 hectares that it owned in Portugal in 4Q13, closing long term repurchasing contracts for the wood and management of plantations. Excluding these sales, no significant changes have occurred in terms of forestry assets, with the company's efforts being centered on review of supply costs in relation to its own production as well as to outside suppliers, rather than gaining new hectares. The objective has been to maintain profitability for the projects after the most recent regulatory changes versus acquisition of new land.

6. COMMENT ON 1Q14 RESULTS

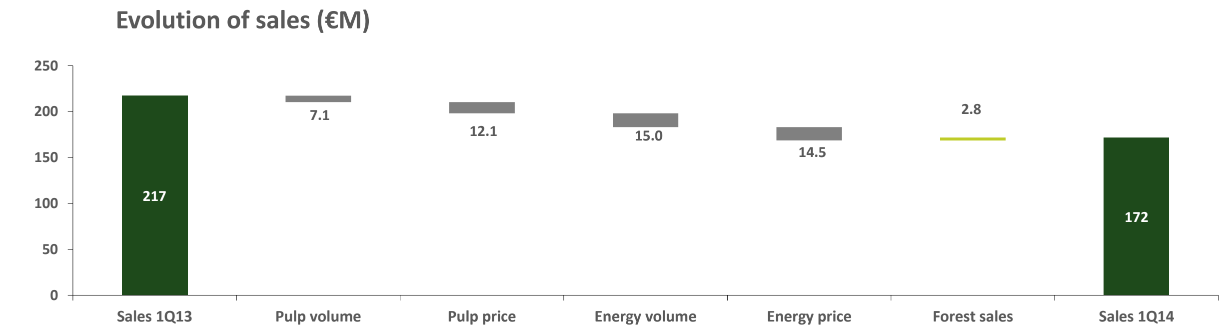
figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Pulp sales	131.4	148.6	(12%)	150.6	(13%)	131.4	150.6	(13%)
Electricity sales [(a)]	35.2	53.2	(34%)	64.7	(46%)	35.2	64.7	(46%)
Forestry sales and others	5.0	2.1	139%	2.1	133%	5.0	2.1	133%
Total net sales	**171.5**	**203.9**	(16%)	**217.4**	(21%)	**171.5**	**217.4**	(21%)
Cost of goods sold [(b)]	(99.8)	(109.0)	(8%)	(105.9)	(6%)	(99.8)	(105.9)	(6%)
Personnel expenses	(16.3)	(19.1)	(15%)	(18.6)	(12%)	(16.3)	(18.6)	(12%)
Other operating expenses	(45.8)	(56.8)	(19%)	(49.4)	(7%)	(45.8)	(49.4)	(7%)
EBITDA	**9.6**	**19.0**	(49%)	**43.5**	(78%)	**9.6**	**43.5**	(78%)
Forest depletion	(4.8)	(3.9)	21%	(5.2)	(8%)	(4.8)	(5.2)	(8%)
Rest of depreciations	(16.3)	(15.9)	3%	(14.4)	13%	(16.3)	(14.4)	13%
Provisions	(1.5)	(34.8)	(96%)	(0.1)	n.s.	(1.5)	(0.1)	n.s.
EBIT	**(12.9)**	**(35.6)**	(64%)	**23.9**	n.s.	**(12.9)**	**23.9**	n.s.
Financial result	(7.3)	(8.4)	(14%)	(5.3)	39%	(7.3)	(5.3)	39%
Profit before taxes	**(20.2)**	**(44.0)**	(54%)	**18.7**	n.s.	**(20.2)**	**18.7**	n.s.
Taxes	6.2	13.3	(53%)	(5.6)	n.s.	6.2	(5.6)	n.s.
Net result in the period	**(14.0)**	**(30.7)**	(55%)	**13.1**	n.s.	**(14.0)**	**13.1**	n.s.
Adjusted EBITDA	**13.7**	**21.8**	(37%)	**44.2**	(69%)	**13.7**	**44.2**	(69%)
Cash cost (€/t)[(c)]	**409**	**412**	(1%)	**359**	14%	**409**	**359**	14%

(a) includes €5M of capitalized sales in 1Q13, previous the reception of the 50MW Huelva plant in February 2013
(b) supplies +/- change in stocks
(c) excludes impact on Huelva 50MW plant as it is not linked to pulp production activity

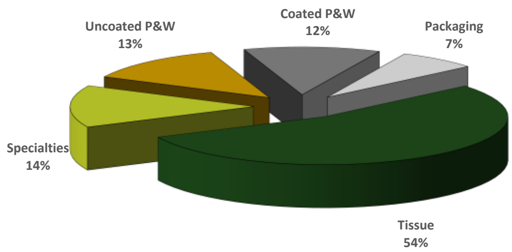
1Q14 sales revenues amounted to €172 million, -21% lower than 1Q13. Pulp sales for this period were €131 million, -13% below those of the same period last year, due to a -5% drop in sales volume and an -8% drop in net sales price in euros.

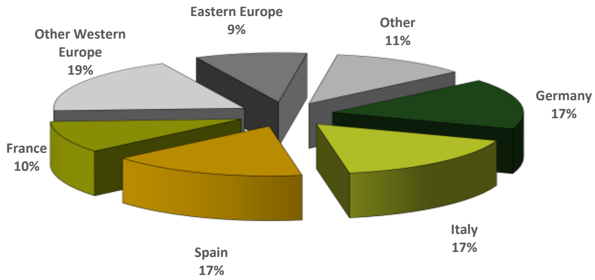
Energy sales reach €35 million in 1Q14, -46% down from 1Q13 figures, due to decreased production (-23% down vs. 1Q13) and a -25% reduction in average income for electricity sales. The drop in production is the result of the way that facilities have been managed since mid-February, specifically limiting production at low pool times, when operating costs of the facilities were not covered.

Forestry sales were around €5 million due to the fall of forestry consulting sales and services as well as reduced sales of wood to third parties. The increase compared to 1Q13 was due to an unforeseen increase in wood sales in the period, without this entailing a change in wood supply strategy, which focuses on guaranteeing supply from low cost, local sources.



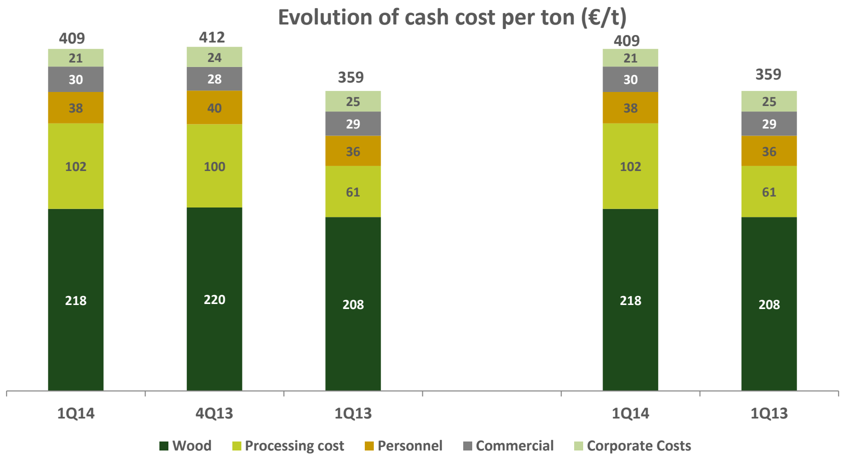
The distribution of sales by segment remained in line with previous quarters, with tissue being the principal paper production segment. In terms of geography, sales in Spain increased to 17% (from 16% in 1Q13) with total Europe sales representing 89% of total sales for the Group (92% in 1Q13), to reach a market share of 14% in 1Q14 (-1% down on 1Q13).



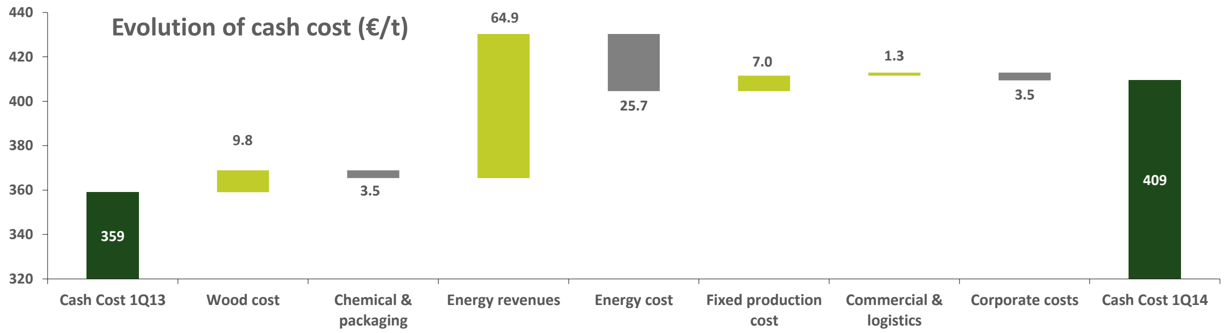


Cash cost grew +14% in 1Q14 compared to 1Q13, to €409/t, principally due to regulatory changes in energy, an extraordinary drop in pool prices and higher cost of wood per ton produced.

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



Impacts from RD-Law 9/2013 (of 12 July) have meant a +€51/t increase in cash-cost: +€19/t due to the loss of bonuses, +€18/t for the drop in pool price and +€14/t for the reduction of premiums and reduced production due to low pool prices. If adjusted for this impact, costs would be €358/t, in line with those for 1Q13.



Because of the regulatory impact and lower pulp prices, the 1Q14 adjusted EBITDA was -69% less than 1Q13, at €14 million. Net of the impact of hedging, severance payments and provisions, EBITDA for 1Q14 amounted to €10 million, a -78% decrease on 1Q13. Adjustments for 1Q14 include €2.6 million of provisions for impairment of inventories in the Huelva plant. The impact of Ministerial Order draft (removal of extras, draft tariff framework) amount to -€7.1 million, net of production taxes. Excluding the impact of the proposal, EBITDA and adjusted EBITDA for 1Q14 would have reached +€17 million and +€21 million respectively.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
EBITDA	**9.6**	**19.0**	(49%)	**43.5**	(78%)	**9.6**	**43.5**	(78%)
Hedging instruments: pulp and exchange rate	-	(3.4)	(100%)	(3.4)	(100%)	-	(3.4)	(100%)
Severance payments	(0.2)	(0.5)	(68%)	0.4	n.s.	(0.2)	0.4	n.s.
Provisions and others	3.2	2.9	11%	0.0	n.s.	3.2	0.0	n.s.
Other non-recurrent	1.0	3.8	(74%)	3.6	(72%)	1.0	3.6	(72%)
Adjusted EBITDA	**13.7**	**21.8**	(37%)	**44.2**	(69%)	**13.7**	**44.2**	(69%)

Excluding depreciation/amortisation, provisions, financial results and taxes, the company reported a net loss of -€14 million in 1Q14 compared with a net profit of +€13 million in 1Q13.

7. LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Cash flow generated by operations in 1Q14, including maintenance investments, was -€9 million. The increase in levels of working capital was the result of use of factoring facilities reducing by €12 million, as a measure to reduce cash outflow for financial expenses and the accumulation of wood inventories with a view to improve the company's bargaining position with forestry suppliers.

Cash flow evolution (€M)

NB: the variation in working capital includes €8 million increase in "Creditors and other debts" linked to the estimated retroactive adjustment in sales.

Net cash flows from operating activities were -€8 million in 1Q14 compared to +€66 million in 1Q13, due to a lower pulp price, reduction in energy production and the increase in working capital level. The latter was due to reduced use of factoring as a financial expense containment measure, and the accumulation of wood inventory with a view to improving the company's bargaining position with forestry suppliers. Accounting for the impact of -€7.6 million in reduced sales due to the retroactive application of the draft tariff proposal has not entailed any cash outflow for 1Q14. This effect has been offset by the application of a hedging ratio by the CNMC in 1Q14, which has entailed a reduction in its payments of -€11 million, to be corrected throughout the year.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Consolidated profit for the year before tax	**(20.2)**	**6.5**	**n.s.**	**18.7**	**n.s.**	**(20.2)**	**18.7**	**n.s.**
Depreciation and amortisation charge	21.0	20.4	3%	19.5	8%	21.0	19.5	8%
Finance income/costs	6.9	6.6	4%	5.9	17%	6.9	5.9	17%
Increase / decrease other deferred income/costs	9.6	8.4	14%	4.3	122%	9.6	4.3	122%
Adjustments of profit for the year-	**37.6**	**35.4**	**6%**	**29.8**	**26%**	**37.6**	**29.8**	**26%**
Trade and other receivables	(5.2)	(3.8)	35%	18.0	n.s.	(5.2)	18.0	n.s.
Current financial and other assets	1.3	(0.2)	n.s.	(3.8)	n.s.	1.3	(3.8)	n.s.
Current liabilities	(5.2)	(9.1)	(43%)	(2.7)	91%	(5.2)	(2.7)	91%
Inventories	(7.5)	(2.6)	191%	7.3	n.s.	(7.5)	7.3	n.s.
Changes in working capital-	**(16.6)**	**(15.7)**	**5%**	**18.8**	**n.s.**	**(16.6)**	**18.8**	**n.s.**
Interest paid / received	(8.5)	(9.6)	(12%)	(1.4)	n.s.	(8.5)	(1.4)	n.s.
Income tax recovered (paid)	-	(0.2)	(100%)	-	n.s.	-	-	n.s.
Other cash flows from operating activities-	**(8.5)**	**(9.9)**	**(14%)**	**(1.4)**	**n.s.**	**(8.5)**	**(1.4)**	**n.s.**
NET CASH FLOWS FROM OPERTATING ACTIVITIES	**(7.6)**	**16.4**	**n.s.**	**65.9**	**n.s.**	**(7.6)**	**65.9**	**n.s.**

The cash flows from investment activities were -€13 million for 1Q14 versus +€26 million for the previous period. This was due to the closing of the sale of the Uruguay assets in March 2013. Investments were -52% lower than the amount for 1Q13 due to the drop in investments in biomass projects.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Property, plant and equipment	(11.8)	(29.3)	(60%)	(26.6)	(56%)	(11.8)	(26.6)	(56%)
Intangible assets	(1.4)	1.5	n.s.	-	n.s.	(1.4)	-	n.s.
Other financial assets	0.1	(0.1)	n.s.	(0.3)	n.s.	0.1	(0.3)	n.s.
Investments	**(13.1)**	**(27.9)**	**(53%)**	**(27.0)**	**(52%)**	**(13.1)**	**(27.0)**	**(52%)**
Disposals	**-**	**1.1**	**(100%)**	**52.5**	**(100%)**	**-**	**52.5**	**(100%)**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(13.1)**	**(26.8)**	**(51%)**	**25.5**	**n.s.**	**(13.1)**	**25.5**	**n.s.**

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

In terms of cash flows from financing activities, cash outflows amounted to +€46 million compared to an outflow of -€2 million for 1Q13. In 1Q13, a €250 million bond placement in January was used to repay the existing debt, with the company's gross financial debt remaining at a similar levels to those recorded in the previous period.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Proceeds and payments relating to equity instruments	**(0.4)**	**(5.0)**	**(92%)**	**(3.6)**	**(88%)**	**(0.4)**	**(3.6)**	**(88%)**
Debt instruments and held-for-trading liabilities (net)	(0.0)	(1.8)	(98%)	243.8	n.s.	**(0.0)**	**243.8**	n.s.
Increase/(decrease) in bank borrowings (net)	1.5	(0.4)	n.s.	(230.5)	n.s.	**1.5**	**(230.5)**	n.s.
Other financial liabilities	(0.5)	0.3	n.s.	(12.0)	(96%)	**(0.5)**	**(12.0)**	(96%)
Proceeds and payments relating to financial liability	**0.9**	**(1.9)**	**n.s.**	**1.3**	**(29%)**	0.9	1.3	**(29%)**
Translation differences	**-**	**(0.0)**	**(100%)**	**0.0**	**(100%)**	**-**	**0.0**	**(100%)**
Fixed-term deposit	45.0	-	n.s.	-	n.s.	**45.0**	-	n.s.
Other proceeds and payments from financing activities	**45.0**	**-**	**n.s.**	**-**	**n.s.**	**45.0**	**-**	**n.s.**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**45.5**	**(7.0)**	**n.s.**	**(2.2)**	**n.s.**	**45.5**	**(2.2)**	**n.s.**

As a final result, a +€25 million increase in the company's cash levels occurred during 1Q14. Treasury is now recorded at the amount of €128 million, which increases to €138 million if financial investments are taken into account

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**24.8**	**(17.4)**	**n.s.**	**89.2**	**(72%)**	**24.8**	**89.2**	**(72%)**

WORKING CAPITAL

Working capital was +€29 million in 1Q14, -€10 million below that of 1Q13 and principally due to a reduction in inventories and commercial debtors and other accounts receivable.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Inventories	74.4	71.0	5%	86.4	(14%)	74.4	86.4	(14%)
Trade and other receivables	117.1	114.4	2%	128.8	(9%)	117.1	128.8	(9%)
Receivables from public authorities	8.2	8.2	(0%)	-	n.s.	8.2	-	n.s.
Other current financial assets (a)	9.6	10.9	(12%)	11.7	(19%)	9.6	11.7	(19%)
Other accounts receivables from public authorities	20.5	18.6	10%	20.5	(0%)	20.5	20.5	(0%)
Other current assets	3.8	1.0	302%	1.6	133%	3.8	1.6	133%
Trade and other payables	(193.3)	(188.1)	3%	(192.0)	1%	(193.3)	(192.0)	1%
Corporate income tax payables	0.0	(0.0)	n.s.	(5.6)	n.s.	0.0	(5.6)	n.s.
Other accounts payable to public authorities	(8.9)	(11.3)	(22%)	(11.6)	(24%)	(8.9)	(11.6)	(24%)
Other current liabilities	(2.5)	(0.7)	251%	(0.7)	252%	(2.5)	(0.7)	252%
Working capital	**28.9**	**23.8**	21%	**39.2**	(26%)	**28.9**	**39.2**	(26%)
Change in WC as per cash flow statement	**(16.6)**	**27.6**	n.s.	**18.8**	n.s.	**(16.6)**	**18.8**	n.s.

(a) figure in 4Q13 is adjusted by €45 M of fixed-term deposit

(a) the provision for lower energy sales based on the proposed OM, has been reclassified within trade creditors

INVESTMENTS

Investments in the pulp business (industrial and forestry) in 1Q14 amounted to €11 million, +€1 million above the figure for 1Q13. These investments were principally related to efficiency upgrades for the facilities. Investments related to expansion of biomass generation amounted to €3 million, with the majority linked to construction of the facility in Merida. This figure is €18 million less than in 1Q13 due to the plant being in the commsioning phase..

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Maintenance	3.4	9.3	(63%)	2.2	58%	3.4	2.2	58%
Improvements in efficiency/production	5.0	4.9	2%	1.4	253%	5.0	1.4	253%
Environmental	0.3	6.6	(95%)	3.0	(90%)	0.3	3.0	(90%)
Industrial investment in pulp	**8.7**	**20.8**	(58%)	**6.6**	32%	**8.7**	**6.6**	32%
Plantation and maintenance activity	1.5	1.7	(12%)	2.3	(37%)	1.5	2.3	(37%)
Financial expenses	0.3	0.4	(6%)	0.4	(6%)	0.3	0.4	(6%)
Forest investment in pulp	**1.8**	**2.0**	(11%)	**2.7**	(32%)	**1.8**	**2.7**	(32%)
Industrial investment in biomass	**2.6**	**8.8**	(70%)	**18.5**	(86%)	**2.6**	**18.5**	(86%)
Forest investment in biomass	-	**3.0**	(100%)	**1.9**	(100%)	-	**1.9**	(100%)
Total investment	**13.2**	**34.6**	(62%)	**29.7**	(56%)	**13.2**	**29.7**	(56%)

8. FINANCIAL RESULT AND DEBT

FINANCIAL RESULT

Financial expenses (excluding capitalisation and including payments linked to interest rate hedging) were close to €7 million, +€2 million higher than in 1Q13 due to this including lower interest payments of the €250 million bond issued at the end of January 2013. In terms of the profit/loss from hedges, cancellation of the IRS linked to the prior syndicated loan has removed the payments linked to this instrument, as well as allocation of the profit/loss from changes in its value. Following issue of the bond, the impacts of interest rate hedging for the year are limited to payment of the IRSs for Project Finance, with no impacts derived from changes in their value since they are considered hedging instruments.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Interest on bond	(4.5)	(4.5)	-	(3.0)	50%	(4.5)	(3.0)	50%
Interest on loans	(1.5)	(1.4)	3%	(2.0)	(24%)	(1.5)	(2.0)	(24%)
Interests on factoring and confirming	(0.3)	(1.0)	(71%)	(0.4)	(36%)	(0.3)	(0.4)	(36%)
Capitalization of financial expenses	1.0	1.0	(4%)	1.2	(18%)	1.0	1.2	(18%)
Financial expenses	**(5.3)**	**(5.9)**	(10%)	**(4.3)**	26%	**(5.3)**	**(4.3)**	26%
IRS settlement interest	(0.7)	(0.7)	3%	-	n.s.	(0.7)	-	n.s.
IRS adjustment in fair value	-	-	n.s.	(1.0)	(100%)	-	(1.0)	(100%)
Financial expenses for equity swap	(0.8)	0.5	n.s.	0.4	n.s.	(0.8)	0.4	n.s.
Result of hedging (IRS and equity swap)	**(1.6)**	**(0.2)**	n.s.	**(0.6)**	164%	**(1.6)**	**(0.6)**	164%
Net exchange differences	**(0.1)**	**(0.4)**	(67%)	**1.9**	n.s.	**(0.1)**	**1.9**	n.s.
Other financial expenses	**(0.6)**	**(0.5)**	12%	**(2.5)**	(76%)	**(0.6)**	**(2.5)**	(76%)
Financial income	**0.4**	**0.6**	(37%)	**0.2**	91%	**0.4**	**0.2**	91%
Financial result	**(7.3)**	**(6.5)**	11%	**(5.3)**	38%	**(7.3)**	**(5.3)**	38%
Interests on non recourse debt	(1.4)	(1.4)	2%	(0.6)	150%	(1.4)	(0.6)	150%
Financial result excluding project finance	**(5.8)**	**(5.1)**	14%	**(4.7)**	25%	**(5.8)**	**(4.7)**	25%

FINANCIAL DEBT

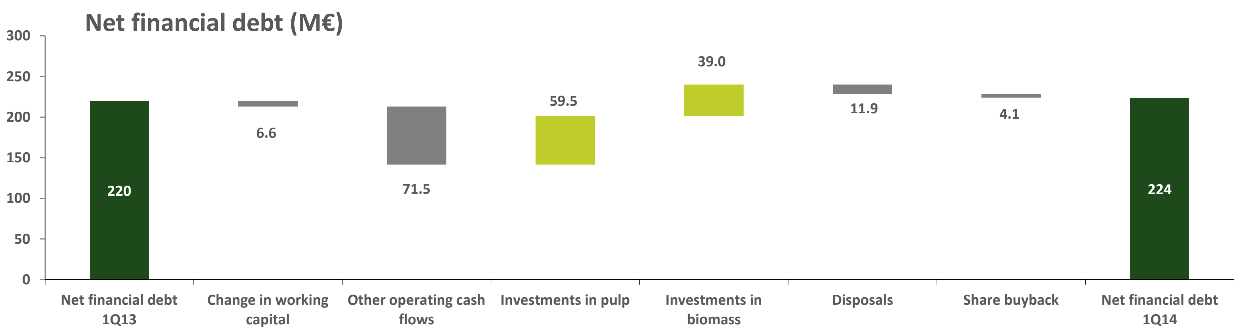
In terms of debt, the net financial debt with recourse for 1Q14 was in the amount of €118 million, a +3% increase on the amount recorded for 1Q13. The total net financial debt was €224 million, +2% above that recorded in 1Q13.

figures in €M	1Q14	4Q13	Δ%	1Q13	Δ%	1Q14	1Q13	Δ%
Bond	250.0	250.0	-	250.0	-	250.0	250.0	-
Bond - unamortized transaction costs	(9.0)	(9.3)	(3%)	(9.7)	(7%)	(9.0)	(9.7)	(7%)
Loans	0.6	0.7	(14%)	1.0	(40%)	0.6	1.0	(40%)
Other financial liabilities	10.4	9.9	5%	10.5	(2%)	10.4	10.5	(2%)
Other financial liabilities - grant	(1.3)	(1.4)	(6%)	(1.2)	5%	(1.3)	(1.2)	5%
Long-term debt	**250.7**	**249.9**	0%	**250.6**	0%	**250.7**	**250.6**	0%
Bond - accrued interest	2.6	7.1	(64%)	3.2	(20%)	2.6	3.2	(20%)
Loans	0.4	0.4	-	0.4	-	0.4	0.4	-
Loans - accrued interest	0.0	0.0	42%	0.1	(55%)	0.0	0.1	(55%)
Other financial liabilities	2.1	2.0	5%	1.6	30%	2.1	1.6	30%
Other financial liabilities - accrued interest	0.0	0.0	300%	-	n.s.	0.0	-	n.s.
Short-term debt	**5.1**	**9.5**	(47%)	**5.3**	(3%)	**5.1**	**5.3**	(3%)
Total gross financial debt	**255.8**	**259.5**	(1%)	**255.9**	(0%)	**255.8**	**255.9**	(0%)
Cash	128.2	103.4	24%	129.4	(1%)	128.2	129.4	(1%)
Short-term financial investments	9.6	55.9	(83%)	11.7	(19%)	9.6	11.7	(19%)
Total net financial debt with recourse	**118.0**	**100.2**	18%	**114.8**	3%	**118.0**	**114.8**	3%
Non recourse debt Long-term	101.8	100.8	1%	106.3	(4%)	101.8	106.3	(4%)
Non recourse debt LT - unamortized transaction costs	(3.1)	(3.2)	(4%)	(3.6)	(14%)	(3.1)	(3.6)	(14%)
Non recourse debt Short-term	5.7	5.7	-	1.5	288%	5.7	1.5	288%
Non recourse debt ST - unamortized transaction costs	(0.5)	(0.5)	-	(0.5)	3%	(0.5)	(0.5)	3%
Non recourse debt ST - accrued interest	2.0	0.1	n.s.	1.1	81%	2.0	1.1	81%
Total net financial debt	**223.9**	**203.1**	10%	**219.5**	2%	**223.9**	**219.5**	2%

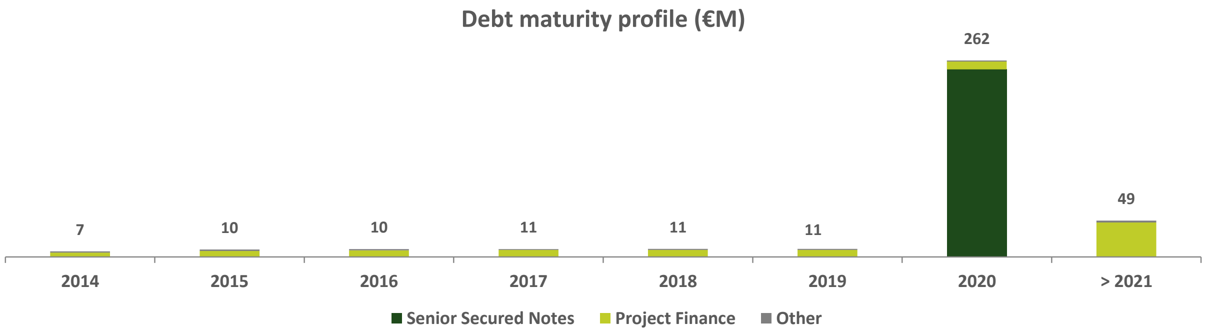
Note: regulatory changes over the past year have prompted the company does not achieve the expected plantation of energy crops as the "Project finance" Huelva 50MW; although it is currently in negotiations with banks it could mean a short-term reclassification of €23.4 M of such financing

This increase has taken place due to investments in the Mérida plant and shareholder remuneration, which has been partially compensated by the sale of assets in Portugal in December 2013, producing income of €11 million.

The company also has factoring lines with an €83 million limit, of which €22 million had been used at the end of March (€34 million at the end of 2013). In terms of liquidity, in addition to the company's cash position, it has a credit facility with a €90 million limit, which had not been drawn down at the end of this period.

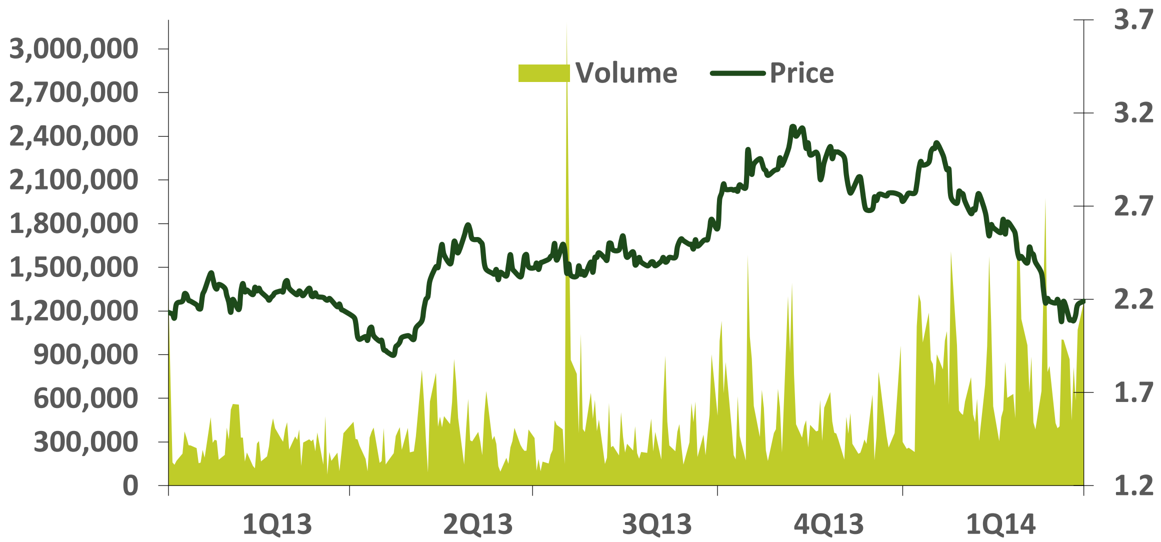


After the placement of a €250 million bond and repayment of the existing debt (except for €11 million, representing mainly reduced-interest loans from public entities), there are no significant debt payments falling due until 2020.



9. ENCE ON THE STOCK MARKET

Stock evolution has been negative in 1Q14, with a -20% drop, -24% and -22% down on Spanish and European market behaviour, respectively.



Source: Thomson Reuters

	1Q13	2Q13	3Q13	4Q13	1Q14
Average daily volume (shares)	283,963	347,171	446,481	508,964	808,674
Ence performance	0%	11%	9%	6%	(20%)
Ibex 35 performance	(3%)	(2%)	18%	8%	4%
Eurostoxx performance	(0%)	(1%)	11%	7%	2%

The evolution of Ence's share price has been adjusted for the dividend of €0.07/share paid on 3 April 2013; no adjustment was made for the dividend in kind paid on 11 April 2013, which entails an additional 4% 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 million with a 7.25% return and a 7 year term. Occasionally, Ence will be able to 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 bond and our liquidity position.

10. HIGHLIGHTS ON 1Q14

20MW plant in Merida receives its Definitive Certificate of Commissioning

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

.

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

10. FINANCIAL STATEMENTS

Profit and Loss Account

figures in €M	1Q13	2Q13	3Q13	Adjustment	Adjusted 3Q13	4Q13	Adjustment	Adjusted 4Q13	2013	Adjustment	Adjusted 2013	1Q14
Total Net Turnover	**217.4**	**221.7**	**214.3**	**(4.2)**	**210.1**	**201.1**	**2.8**	**203.9**	**849.6**	**3.5**	**853.1**	**171.5**
Supplies	(106.4)	(103.5)	(108.3)	-	(108.3)	(109.7)	-	(109.7)	(427.8)	-	(427.8)	(101.1)
Change in stocks of finished products	0.5	(4.2)	5.2	-	5.2	0.7	-	0.7	2.1	-	2.1	1.3
Gross Margin	**111.5**	**114.0**	**111.2**	**(4.2)**	**107.0**	**92.1**	**2.8**	**94.9**	**423.9**	**3.5**	**427.4**	**71.8**
Works performed by the group on fixed assets	1.3	4.4	4.5	-	4.5	4.6	-	4.6	14.8	-	14.8	2.7
Other income	3.2	2.0	2.1	-	2.1	1.2	**6.8**	8.0	8.5	**6.8**	15.3	2.4
Result from hedging operations	3.4	2.9	2.4	-	2.4	3.4	-	3.4	12.1	-	12.1	-
Personnel	(18.6)	(23.1)	(18.7)	-	(18.7)	(20.1)	**1.1**	(19.1)	(80.5)	**1.1**	(79.4)	(16.3)
Other operating expenses	(57.3)	(52.0)	(60.8)	**0.3**	(60.5)	(67.8)	**(4.9)**	(72.7)	(237.5)	**(5.0)**	(242.5)	(50.9)
EBITDA	**43.5**	**48.3**	**40.7**	**(3.9)**	**36.8**	**13.3**	**5.7**	**19.0**	**141.3**	**6.4**	**147.7**	**9.6**
EBITDA margin	**20.0%**	**21.8%**	**19.0%**		**17.5%**	**6.6%**		**9.3%**	**16.6%**		**17.3%**	**5.6%**
Depreciation of fixed assets	(19.5)	(18.7)	(20.4)	-	(20.4)	(19.8)	-	(19.8)	(78.3)	-	(78.3)	(21.0)
Impairment and result from sales of fixed assets	(0.1)	0.5	(3.2)	-	(3.2)	(31.3)	**(3.5)**	(34.8)	(34.0)	**(3.5)**	(37.5)	(1.5)
EBIT	**23.9**	**30.1**	**19.8**	**(6.5)**	**13.3**	**(37.7)**	**2.1**	**(35.6)**	**29.0**	**2.8**	**31.8**	**(12.9)**
EBIT margin	**11.0%**	**13.6%**	**8.0%**		**6.3%**	**(18.7%)**		**(17.4%)**	**3.4%**		**3.7%**	**(7.5%)**
Financial income	0.2	0.7	0.5	-	0.5	0.6	-	0.6	2.0	-	2.0	0.4
Financial expenses	(5.5)	(6.5)	(7.3)	-	(7.3)	(7.1)	**(1.9)**	(9.0)	(26.4)	**(1.9)**	(28.3)	(7.7)
Non-Current Assets result classified as kept for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	**18.7**	**24.3**	**10.4**	**(3.9)**	**6.5**	**(44.2)**	**0.3**	**(44.0)**	**4.6**	**0.9**	**5.6**	**(20.2)**
Corporate tax	(5.6)	(7.1)	(3.0)	**1.2**	(1.8)	13.4	**(0.1)**	13.3	(1.0)	**(0.3)**	(1.3)	6.2
Net profit	**13.1**	**17.2**	**7.4**	**(2.7)**	**4.7**	**(30.9)**	**0.2**	**(30.7)**	**3.7**	**0.7**	**4.3**	**(14.0)**

(a) €2.6M accounted 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	3Q13	Adjustment	Adjusted 3Q13	4Q13	Adjustment	Adjusted 4Q13	2013	Adjustment	Adjusted 2013	1Q14
Tangible fixed assets	956.6	960.1	955.0	-	955.0	934.5	**(2.1)**	932.4	934.5	**(2.1)**	932.4	923.0
Intangible fixed assets	21.4	20.3	20.1	-	20.1	20.5	**(1.4)**	19.1	20.5	**(1.4)**	19.1	20.9
Long- term financial assets	4.5	2.9	3.0	-	3.0	2.9	-	2.9	2.9	-	2.9	2.8
Other non-current assets	31.7	28.5	29.4	**1.2**	30.5	35.0	**0.6**	35.6	35.0	**0.6**	35.6	42.2
Total fixed assets	**1,014.2**	**1,011.8**	**1,007.4**	**1.2**	**1,008.6**	**992.8**	**(3.0)**	**989.9**	**992.8**	**(3.0)**	**989.9**	**988.8**
Inventories	86.4	76.8	76.8	-	76.8	71.6	**(0.7)**	71.0	71.6	**(0.7)**	71.0	74.4
Trade debtors and other accounts receivable	149.3	140.2	141.5	-	141.5	133.4	**(0.4)**	133.0	133.4	**(0.4)**	133.0	137.6
Cash and other short-term financial assets	141.1	172.7	155.5	-	155.5	159.3	-	159.3	159.3	-	159.3	137.7
Financial investments for short-term hedging	4.0	3.8	3.2	-	3.2	0.0	-	0.0	0.0	-	0.0	0.0
Other current assets	1.6	8.2	6.3	-	6.3	10.2	**(1.0)**	9.2	10.2	**(1.0)**	9.2	12.0
Non-Current Assets Classified as kept for Sale	0.7	0.7	11.2	-	11.2	0.0	-	0.0	0.0	-	0.0	0.0
Total current assets	**383.1**	**402.3**	**394.5**	-	**394.5**	**374.5**	**(2.1)**	**372.4**	**374.5**	**(2.1)**	**372.4**	**361.7**
Total assets	**1,397.3**	**1,414.2**	**1,401.9**	**1.2**	**1,403.1**	**1,367.3**	**(5.1)**	**1,362.3**	**1,367.3**	**(5.1)**	**1,362.3**	**1,350.5**
Equity	**715.0**	**758.8**	**760.1**	**(2.7)**	**757.4**	**709.6**	**0.7**	**710.3**	**709.6**	**0.7**	**710.3**	**694.8**
Long- term financial debt	353.3	351.0	351.1	-	351.1	347.5	-	347.5	347.5	-	347.5	349.4
Long-term provisions	13.6	12.8	16.0	-	16.0	20.4	**(1.9)**	18.5	20.4	**(1.9)**	18.5	19.5
Financial instruments for long-term hedging	13.9	9.1	9.0	-	9.0	7.4	-	7.4	7.4	-	7.4	6.2
Other non-current liabilities	50.9	46.3	45.1	-	45.1	43.2	**(0.4)**	42.8	43.2	**(0.4)**	42.8	42.9
Total non-current liabilities	**431.7**	**419.2**	**421.2**	-	**421.2**	**418.4**	**(2.2)**	**416.2**	**418.4**	**(2.2)**	**416.2**	**418.0**
Short-term financial debt	7.3	12.8	8.7	-	8.7	14.9	-	14.9	14.9	-	14.9	12.3
Trade creditors (a)	192.0	179.1	166.7	**4.2**	170.9	181.0	**7.1**	188.1	181.0	**7.1**	188.1	193.3
Short-term provisions	8.1	8.6	8.3	-	8.3	17.3	**(10.6)**	6.7	17.3	**(10.6)**	6.7	6.7
Financial Instruments for short-term hedging	4.7	4.3	4.2	-	4.2	4.5	-	4.5	4.5	-	4.5	6.6
Other current liabilities	38.4	31.3	32.6	**(0.3)**	32.3	21.5	-	21.5	21.5	-	21.5	18.9
Non-Current liabilities classified as kept for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**250.6**	**236.1**	**220.5**	**3.9**	**224.4**	**239.3**	**(3.5)**	**235.7**	**239.3**	**(3.5)**	**235.7**	**237.7**
Total liabilities	**1,397.3**	**1,414.2**	**1,401.9**	**1.2**	**1,403.1**	**1,367.3**	**(5.1)**	**1,362.3**	**1,367.3**	**(5.1)**	**1,362.3**	**1,350.5**

(a) "Short term provisions" of €7.1 M and €7.6 M in 2013 and 1Q14, respectively, related to the retroactive adjustment in sales based on the proposal of the new regulatory framework, have been reclasified to "Trade creditors"

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

Cash Flow Statement

figures in €M	1Q13	2Q13	3Q13	Adjustment	Adjusted 3Q13	4Q13	Adjustment	Adjusted 4Q13	2013	Adjustment	Adjusted 2013	1Q14
Consolidated profit for the year before tax	**18.7**	**24.3**	**10.4**	**(3.9)**	**6.5**	**(44.2)**	**0.3**	**(44.0)**	**4.6**	**0.9**	**5.6**	**(20.2)**
Depreciation and amortisation charge	14.2	15.0	17.0	-	17.0	15.5	-	15.5	61.7	-	61.7	16.1
Exhaustion of forestry reserve	5.2	3.1	3.0	-	3.0	3.9	**0.0**	3.9	15.2	**0.0**	15.2	4.8
Amortisation of intangible assets	0.2	0.5	0.4	-	0.4	0.4	-	0.4	1.4	-	1.4	0.1
Gains/Losses on disposal of non-current assets	0.1	0.2	2.4	-	2.4	29.7	**3.5**	33.3	32.3	**3.5**	35.9	1.5
Finance costs	0.1	12.5	7.2	-	7.2	7.0	**1.9**	8.9	26.8	**1.9**	28.7	7.3
Finance income	5.8	(6.7)	(0.5)	-	(0.5)	(0.6)	**(0.0)**	(0.6)	(2.0)	**(0.0)**	(2.0)	(0.4)
Grants and subsidies transferred to profit and loss	(0.3)	(0.3)	(0.3)	-	(0.3)	(0.3)	-	(0.3)	(1.3)	-	(1.3)	(0.3)
Changes in provisions and other deferred expenses (net)	4.6	2.0	6.4	-	6.4	12.1	**(3.2)**	8.9	25.1	**(3.2)**	22.0	8.5
Adjustments of profit for the year	**29.8**	**26.4**	**35.4**	**-**	**35.4**	**67.7**	**2.3**	**70.0**	**159.3**	**2.3**	**161.6**	**37.6**
Trade and other receivables	18.0	7.1	(3.5)	**(0.3)**	(3.8)	9.3	**(0.8)**	8.5	30.5	**(0.7)**	29.8	(5.2)
Current financial and other assets	(3.8)	0.9	(0.2)	-	(0.2)	0.1	-	0.1	(2.9)	-	(2.9)	1.3
Current liabilities	(2.7)	(2.8)	(13.3)	**4.2**	(9.1)	20.9	**(1.7)**	19.2	7.1	**(2.5)**	4.7	(5.2)
Inventories	7.3	5.9	(2.6)	-	(2.6)	(0.2)	-	(0.2)	10.4	-	10.4	(7.5)
Changes in working capital	**18.8**	**11.2**	**(19.6)**	**3.9**	**(15.7)**	**30.2**	**(2.5)**	**27.6**	**45.1**	**(3.2)**	**41.9**	**(16.6)**
Interest paid	(1.6)	(2.4)	(10.1)	-	(10.1)	(4.0)	-	(4.0)	(18.0)	-	(18.0)	(8.9)
Interest received	0.2	0.7	0.5	-	0.5	0.6	-	0.6	2.0	-	2.0	0.4
Income tax recovered (paid)	-	(5.7)	(0.2)	-	(0.2)	(11.1)	-	(11.1)	(17.1)	-	(17.1)	-
Other cash flows from operating activities	**(1.4)**	**(7.4)**	**(9.9)**	**-**	**(9.9)**	**(14.5)**	**-**	**(14.5)**	**(33.1)**	**-**	**(33.1)**	**(8.5)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**65.9**	**54.5**	**16.4**	**0.0**	**16.4**	**39.1**	**(0.0)**	**39.1**	**175.9**	**(0.0)**	**175.9**	**(7.6)**
Property, plant and equipment	(26.6)	(26.1)	(29.3)	-	(29.3)	(30.9)	-	(30.9)	(112.8)	-	(112.8)	(11.8)
Intangible assets	-	(2.2)	1.5	-	1.5	(0.2)	-	(0.2)	(0.9)	-	(0.9)	(1.4)
Other financial assets	(0.3)	1.6	(0.1)	-	(0.1)	0.2	-	0.2	1.3	-	1.3	0.1
Investments	**(27.0)**	**(26.7)**	**(27.9)**	**-**	**(27.9)**	**(30.8)**	**-**	**(30.8)**	**(112.4)**	**-**	**(112.4)**	**(13.1)**
Property, plant and equipment	52.5	0.0	1.1	-	1.1	10.8	-	10.8	64.4	-	64.4	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	**52.5**	**0.0**	**1.1**	**-**	**1.1**	**10.8**	**-**	**10.8**	**64.4**	**-**	**64.4**	**-**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**25.5**	**(26.7)**	**(26.8)**	**-**	**(26.8)**	**(20.0)**	**-**	**(20.0)**	**(48.0)**	**-**	**(48.0)**	**(13.1)**
Purchase of treasury shares	(3.7)	(3.4)	(4.7)	-	(4.7)	(14.6)	-	(14.6)	(26.5)	-	(26.5)	(0.5)
Disposal of treasury shares	0.2	27.6	(0.3)	-	(0.3)	-	-	-	27.5	-	27.5	0.1
Proceeds and payments relating to equity instruments	**(3.6)**	**24.2**	**(5.0)**	**-**	**(5.0)**	**(14.6)**	**-**	**(14.6)**	**1.0**	**-**	**1.0**	**(0.4)**
Debt instruments and other held-for-trading liabilities (net)	243.8	(2.5)	(1.8)	-	(1.8)	-	-	-	239.5	-	239.5	(0.0)
Increase / (decrease) in bank borrowings (net)	(230.5)	(0.5)	(0.4)	-	(0.4)	(0.7)	-	(0.7)	(232.1)	-	(232.1)	1.5
Grants and subsidies received	-	(0.4)	0.3	-	0.3	0.2	-	0.2	0.1	-	0.1	0.8
Other financial liabilities	(12.0)	0.0	-	-	-	-	-	-	(12.0)	-	(12.0)	(1.3)
Proceeds and payments relating to financial liability instruments	**1.3**	**(3.3)**	**(1.9)**	**-**	**(1.9)**	**(0.5)**	**-**	**(0.5)**	**(4.5)**	**-**	**(4.5)**	**0.9**
Dividends	-	(16.2)	-	-	-	(0.0)	-	(0.0)	(16.2)	-	(16.2)	-
Dividends and returns on other equity instruments paid	**(0.0)**	**(16.2)**	**-**	**-**	**-**	**(0.0)**	**-**	**(0.0)**	**(16.2)**	**-**	**(16.2)**	**-**
Translation differences	**0.0**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**-**
Fixed-term deposit	-	(45.0)	-	-	-	-	-	-	(45.0)	-	(45.0)	45.0
Other proceeds and payments from financing activities	**-**	**(45.0)**	**-**	**-**	**-**	**-**	**-**	**-**	**(45.0)**	**-**	**(45.0)**	**45.0**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(2.2)**	**(40.3)**	**(7.0)**	**-**	**(7.0)**	**(15.2)**	**-**	**(15.2)**	**(64.7)**	**-**	**(64.7)**	**45.5**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**89.2**	**(12.5)**	**(17.4)**	**-**	**(17.4)**	**3.9**	**-**	**3.9**	**63.2**	**-**	**63.2**	**24.8**

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.

The information contained in this document has not been verified by independent experts and, therefore, Ence neither implicitly nor explicitly gives any guarantee on the impartiality, precision, completeness or accuracy of the information, opinions and statements expressed herein.

This document does not constitute an offer or invitation to acquire or subscribe to shares, in accordance with the provisions of Law 24/1998, of 28 July, on the Securities Market and its regulations. Furthermore, this document does not constitute a purchase, sale or swap offer, nor a request for a purchase, sale or swap offer for securities, or a request for any vote or approval in any other jurisdiction.

Quarterly report
1st Quarter 2014

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