Quarterly Report
4th Quarter 2014

31 December 2014

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1. EXECUTIVE SUMMARY 2014

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Revenue from pulp sales	115.0	123.4	(7%)	148.6	(23%)	502.0	611.4	(18%)
Revenue from electricity sales (a)	43.4	57.7	(25%)	53.2	(18%)	171.9	233.7	(26%)
Retroactive adjustment to 2013 revenue	-	-	n.s.	-	n.s.	(6.1)	-	n.s.
Revenue from forestry sales and other	3.4	6.3	(45%)	2.1	65%	19.8	8.0	147%
Total revenue	**161.8**	**187.4**	(14%)	**203.9**	(21%)	**687.5**	**853.1**	(19%)
Adjusted EBITDA	**20.2**	**15.7**	29%	**21.8**	(7%)	**60.5**	**158.0**	(62%)
EBITDA	**20.7**	**17.5**	19%	**19.0**	9%	**43.8**	**147.7**	(70%)
EBIT	**(1.4)**	**0.7**	n.s.	**(35.6)**	(96%)	**(59.3)**	**31.8**	n.s.
Net profit/(loss) before Huelva restructuring charges	**(10.3)**	**(0.0)**	n.s.	**(30.7)**	(67%)	**(58.9)**	**4.3**	n.s.
Net impact of Huelva restructuring	9.1	(91.1)	n.s.	-	n.s.	(82.0)	-	n.s.
Net profit/(loss) for the period	**(1.2)**	**(91.1)**	(99%)	**(30.7)**	(96%)	**(140.9)**	**4.3**	n.s.
Net debt (b)	**177.9**	**146.5**	21%	**100.2**	78%	**177.9**	**100.2**	78%
Pulp sales (tonnes)	**248,305**	**287,073**	(14%)	**321,622**	(23%)	**1,137,146**	**1,270,095**	(10%)
Electricity sales (MWh)	**361,334**	**488,413**	(26%)	**475,830**	(24%)	**1,546,071**	**1,895,540**	(18%)
Net pulp sale price (€/ton)	**461**	**428**	8%	**460**	0%	**440**	**479**	(8%)
Average electricity sale price (€/MWh) (c)	**120**	**118**	1%	**112**	7%	**111**	**122**	(9%)
Cash cost (€/t) (d)	**391**	**400**	(2%)	**423**	(8%)	**406**	**382**	6%

(a) Includes €5M capitalised in 1Q13 in respect of the sale of electricity produced at Huelva 50MW before execution of the acceptance deeds in February 2013 and €6M capitalised in 2Q14 and 3Q14 in respect of the sale of electricity produced at Merida 20MW before its acceptance deeds were signed in September 2014
(b) There is also €106M of non-recourse debt under the project finance loans funding Huelva 50MW and Merida 20MW outstanding at year-end
(c) Includes operations at Huelva 50MW and Merida 20MW made before the acceptance deeds were signed
(d) This metric is not impacted by Huelva 50MW and Merida 20MW as they are not related to the pulp production business

- ✓ **Company completed the business restructuring process in 4Q which has put it back on the profitability track since November. An agreement was successfully reached with employees in Huelva and Madrid on 20 October which encompasses the discontinuation of pulp production and co-generation activities at the Huelva complex and the restructuring of the organisation in order to align it with the new productive regime. The agreement has enabled elimination of losses that were being generated in Huelva ever since the energy sector reforms went through and driven a reduction in overhead to leave annualised pro forma EBITDA at close to €113m (a). The favourable trend in pulp prices coupled with dollar appreciation should translate into higher levels of recurring EBITDA relative to those observed prior to electricity sector reforms.**
- ✓ **Progress was also made on delivering competitiveness gains at the Navia and Pontevedra mills thanks to a €17m capex program designed to make these facilities more efficient,** specifically by installing new equipment to raise the plants' technology standards. **These investments are expected to generate annual savings in the order of €10m, which is equivalent to €11/t in terms of the average cash cost** (once the learning curve has been scaled). At both plants the company signed new multi-year collective bargaining agreements which tie wage increases to EBITDA performance instead of CPI.
- ✓ **In the biomass power generation business, the required steps were taken to enable the independent operation of the 41-MW plant formerly integrated into the Huelva pulp factory; this power plant has been operating as a standalone unit since early November. The biomass supply scheme is also being restructured from a regime based on a mix of energy crops and forest waste to one furnished exclusively from biomass purchased under agreements with third parties. This change will enable the group to accelerate the sale of forest assets in southern Spain now that the development of energy crop acreage has been suspended**.

(a) Based on the 4Q14 results adjusted for non-recurring items and annualising the impact of the 20-MW Merida power plant, cost-saving measures and efficiency measures implemented during the year

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

- **All of these measures fall under the umbrella of the 2014-2016 restructuring plan to which capex of close to €130m has been earmarked, which is expected to have an impact at the EBITDA level of €77m thanks to cost-cutting and efficiency measures and the elimination of loss-making activities. The effect of this plan will offset the impact of Royal Decree 413/2014 establishing the regulatory framework for power generated using renewable sources, co-generation and waste, and Ministerial Order IET/1045/2014, setting the remuneration parameters for these technologies, both with retroactive effect to 14 July 2013 and an estimated annual impact of €59m.**

- **As a consequence of the retroactive modifications, the 2014 figures were adversely affected by the losses generated at the Huelva plant in the wake of the regulatory changes and the costs associated with its closure at the end of October. In addition, given the retroactive nature of the regulatory amendments, 2014 revenue has been deduced by €6.1m (before the generation levy) in respect of electricity sales accrued in 2013; the 2014 figures also reflect a €37m impairment charge against energy crops as a result of the definitive elimination of the energy crop remuneration regime**.

- **Revenue from pulp sales declined by 18% in 2014 vs. 2013,** shaped by a 10% drop in volumes on the back of closure of the Huelva factory and production decreases of 3% and 2% at the Pontevedra and Navia mills, respectively, due to longer than usual maintenance stops to cater for investments in efficiency measures and the strikes staged in October during the Huelva closure negotiations. **Revenue from electricity sales at the pulp plants also fell by 40% in 2014,** driven by a 15% drop in average revenue per MWh sold and a 28% year-on-year contraction in volumes. **Revenue from electricity sales at the independent biomass plants rose by 20%, thanks to the start-up of the 20-MW Merida plant in April and the contribution by the newly-independent 41-MW Huelva plant from November.**

- Navia and Pontevedra mills' cash cost climbed 5% higher to €371/t in 2014 as a result of the regulatory changes, the strikes staged during the Huelva closure negotiations in October and lower fix costs dilution in the wake of this mill's closure. **Gradual implementation of the efficiency plans enabled a reduction in cash costs from €390/t in 4Q13 to €370/t in 4Q14, adjusting for the impact of the Huelva closure, with additional declines forecast as the investments made in 2014 ramp up and investments planned for 2015 materialise.**

- **Adjusted EBITDA declined by 62% to €61m** due to lower pulp and electricity production and sales and the discontinuation of pulp manufacturing in Huelva due to the impact of the regulatory changes on this facility's unit revenue. **The bottom line shows a loss of €141m in 2014** compared to a profit of €4m in 2013. **These losses reflect a €6m deduction from revenue** due to retroactive adjustments to revenue from electricity sales made in 2013 and €37m of provisions related mainly to the impairment of energy crops in the wake of the regulatory changes (non-recurring). The income statement also reflects **a net impact of €82m related to provisions recognised in connection with the discontinuation of pulp and co-generation activities in Huelva; these provisions imply a cash outflow of €44m, €23.1m of which has already taken place.** Despite the accounting loss, **net cash from operating activities before debt service totalled €39m.**

- **Net debt (recourse to the parent) ended the year at €178m.**

2. PULP BUSINESS

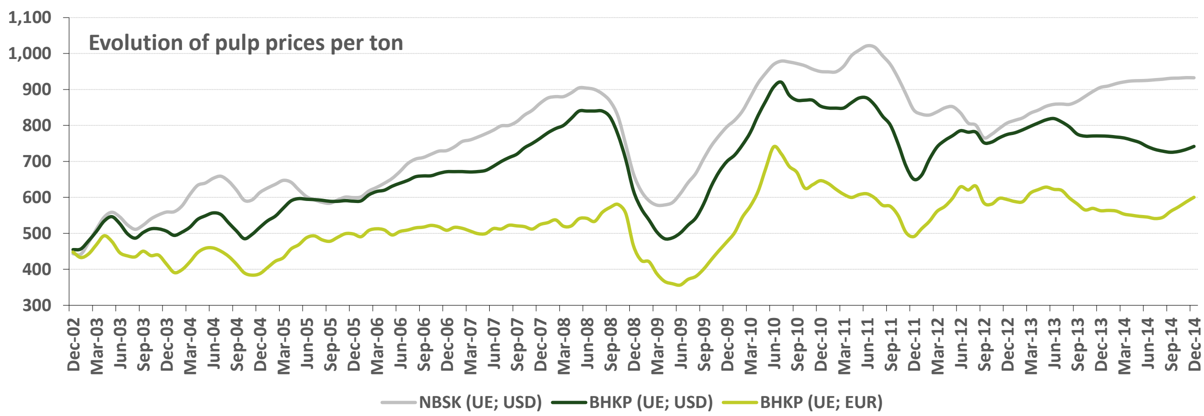
	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Huelva	4,544	66,586	(93%)	93,098	(95%)	235,216	368,938	(36%)
Pontevedra	102,528	105,073	(2%)	104,240	(2%)	405,887	418,329	(3%)
Navia	126,716	125,279	1%	124,051	2%	474,708	484,121	(2%)
Pulp production (tonnes)	**233,788**	**296,939**	(21%)	**321,389**	(27%)	**1,115,811**	**1,271,389**	(12%)
Huelva	18,542	61,581	(70%)	98,623	(81%)	244,954	375,859	(35%)
Pontevedra	105,243	101,833	3%	103,481	2%	412,748	417,252	(1%)
Navia	124,521	123,660	1%	119,517	4%	479,444	476,984	1%
Pulp sales (tonnes)	**248,305**	**287,073**	(14%)	**321,622**	(23%)	**1,137,146**	**1,270,095**	(10%)
BHKP ($/t)	**734**	**727**	1%	**770**	(5%)	**746**	**792**	(6%)
Average exchange rate ($/€)	**1.25**	**1.33**	(6%)	**1.36**	(8%)	**1.33**	**1.33**	0%
Net sale price (€/t)	**461**	**428**	8%	**460**	0%	**440**	**479**	(8%)
Revenue from pulp sales (€M)	**115.0**	**123.4**	(7%)	**148.6**	(23%)	**502.0**	**611.4**	(18%)

Pulp production declined by 12% in 2014, driven mainly by a drop in output in Huelva of 35%. In September, Ence decided to discontinue pulp production in Huelva (with effect from 11 October) in light of the heavy losses sustained by this facility since the passage of the new renewable and co-generation renewable regime. Production in Pontevedra and Navia was also affected by longer than usual maintenance stoppages (in April and June, respectively) associated with efficiency upgrade investments and four-day strikes at both of these plants in October in connection with the Huelva closure. The strikes at the two northern Spanish plants accounted for 13,500 tonnes of foregone output. Greater labour stability in the wake of the Huelva closure and the renegotiation of the collective bargaining agreements in northern Spain, coupled with the efficiency investments made, are expected to drive a recovery in production at these facilities in 2015.

The average sales price narrowed by 8% from 2013 to €440/t. Prices hit an annual low in July and have been recovering since then thanks to price hikes implemented and dollar appreciation. Continued dollar appreciation is expected to underpin fresh price increases in the months to come.

OUTLOOK FOR THE PULP MARKET

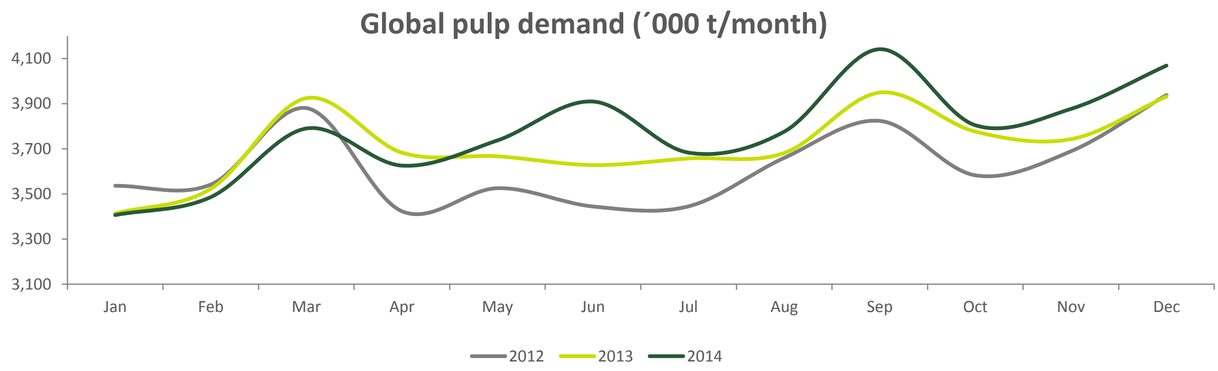
Pulp prices renewed their upward trend in 4Q14. The prospect of higher supply on the back of capacity increases in Latin America in 2014 had eroded demand during the first half of the year, triggering a gradual slide in prices which went on to stabilise at an average of $727/t in 3Q14. The recovery in demand from May and the reduction in inventories in September paved the way for implementation of a price increase in 4Q14 up to $743/t ended the year.



Source: FOEX

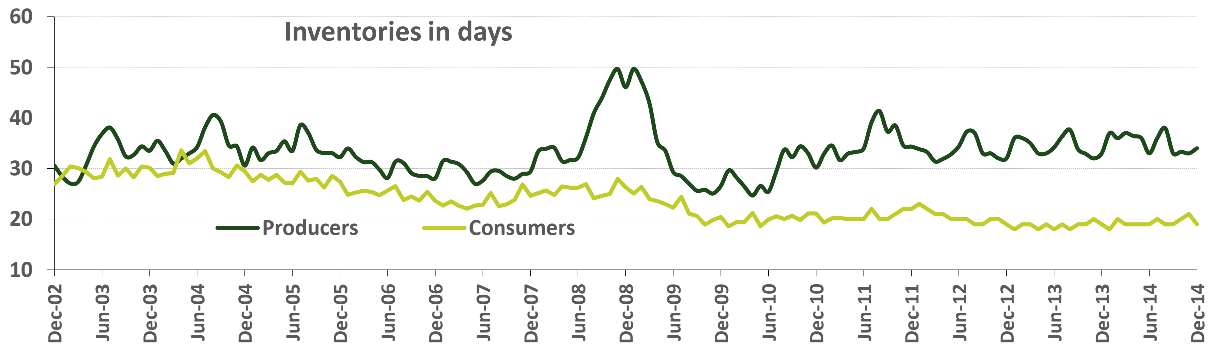
The increase in short-fibre pulp prices is also being underpinned by a differential with long-fibre prices which peaked at $210/t, giving short fibre a clear-cut competitive advantage over long fibre for paper manufacturing purposes. This situation began to revert in 4Q14 with the implementation of short-fibre pulp price increases and the announcement of long-fibre price cuts in 2015.

Demand firmed by 1.5% in 2014, despite a weak start to the year. The outlook for supply growth fuelled by the start-up of Maranhao in Brazil in December 2013 (1.5 million tonnes) and Montes del Plata in Uruguay in early June (1.3 million tonnes) undermined demand in the first half of the year. However, the impact of the new supply was limited due mainly to delays in commissioning Montes del Plata, the ramp-up process at the new plants and the pulp quality certification process by prospective customers prior to the placement of initial orders. By region, demand rose by 0.2% in the US, contracted by 0.5% in Europe and increased by 3.4% in China, albeit below the trendline of recent years (PPPC).



Source: PPPC (W20)

Producer inventories worldwide remain at mid-cycle levels of around 34 days, while consumer inventory levels were still at record lows of 19 days at the end of December (PPPC). The situation in Europe is just as encouraging: consumer inventories remained at record lows of 19 days at the end of December (Utipulp).



Source: PPPC (W20 statistics)

The main source of new supply anticipated in 2015 is the Guaiba expansion, which is expected to come on stream mid-year, adding 1.3 million tonnes of new capacity. The impact on pulp supply will be limited given the need to scale the learning curve and the offsetting impact of the Huelva closure. Against this backdrop, 2015 was rung in with widespread announcements of short-fibre price increases to $770/t with effect from 1 January.

3. ENERGY ACTIVITY

This business's performance was affected by the new legislation (Royal Decree-Law 9/2013 of 12 July 2013) repealing the existing renewable energy regime (power production using renewable energy sources, co-generation and waste), defining a new tariff regime based on a pre-tax return equivalent to the yield on 10Y government bonds plus a spread of 300bp for all renewable investments, calculated on the basis of standard investment and operating cost parameters classified by technology and year of commissioning. Definition of the new tariff framework was delegated in enacting legislation and ministerial orders quantifying the new applicable tariffs. Following their enactment on 16 June 2014, revenue was adjusted downward retroactively to 14 July 2013; this accounting treatment implied the recognition of a €6m charge against revenue in 2014 in respect of sales accrued in 2013.

In addition, low pool prices throughout 1H14 resulted in an average price for the year of €42/MWh, below the €48.21/MWh estimated by the regulator as the basis for its operation supplement remuneration proposal, which supplement is intended to cover the operating costs of power-producing facilities fuelled by renewable sources, co-generation and waste. These prices curtailed the volume generated by the natural gas co-generation station in Huelva, which could not cover its operating costs in an environment of such low pool prices. Pool prices were also responsible for lower output levels at the group's biomass plants which are now subject to a cap on operating hours entitled to premium remuneration; their output was curtailed in the first half with a view to having them running at full throttle during the second half.

As a result of these regulatory changes, revenue from energy sales fell by 26% in 2014. Average revenue per MWh sold fell by 9% year-on-year in 2014 due to the impact of lower premiums, low pool prices throughout 1H14 (1H13 sales were remunerated at the fixed feed-in-tariff and not under the 'premium + pool' regime) and their impact on the company's generation business.

All of these changes had the effect of increasing the company's cash cost from July 2013 as the electricity sales at the co-generation facilities integrated into the pulp manufacturing process are deemed a reduction in production costs.

POWER GENERATION AT THE PULP MILLS

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Huelva	42,278	170,538	(75%)	204,508	(79%)	423,168	814,230	(48%)
Pontevedra	54,607	53,705	2%	54,355	0%	210,514	214,322	(2%)
Navia	135,385	138,166	(2%)	139,091	(3%)	524,482	525,042	(0%)
Electricity production (MWh)	**232,270**	**362,409**	(36%)	**397,954**	(42%)	**1,158,164**	**1,553,595**	(25%)
Biomass generation	57,292	104,262	(45%)	119,937	(52%)	302,211	478,849	(37%)
Biomass co-generation	131,377	157,939	(17%)	170,403	(23%)	605,168	662,992	(9%)
Natural gas co-generation	9,456	89,378	(89%)	96,429	(90%)	185,167	377,612	(51%)
Electricity sales (MWh) [(a)]	**198,124**	**351,578**	(44%)	**386,768**	(49%)	**1,092,545**	**1,519,453**	(28%)
Electricity consumption (MWh)	**131,172**	**176,077**	(26%)	**189,014**	(31%)	**653,950**	**738,389**	(11%)
Average pool price (€/MWh)	**50**	**52**	(5%)	**52**	(4%)	**42**	**44**	(4%)
Average sale price (€/MWh)	**80**	**93**	(15%)	**95**	(16%)	**80**	**112**	(28%)
Investment remuneration (€M)	**5.6**	**5.8**	(5%)	**5.0**	12%	**22.1**	**9.2**	140%
Average income (€/MWh)	**108**	**110**	(2%)	**108**	(0%)	**100**	**118**	(15%)
Revenue from electricity sales (€M) [(b)]	**21.5**	**38.6**	(44%)	**41.9**	(49%)	**109.2**	**181.5**	(40%)

(a) Adjusted for system imbalances

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

Revenue from energy sales associated with installed capacity at the pulp plants amounted to €109m in 2014, down 40% from 2013. Electricity prices were 4% lower in 2014 than in 2013 due to the impact on prices of heavy rainfall in the first half. Lower prices prompted the company to limit generation at its natural gas and forest biomass turbines in 1H14. In the wake of the premium cuts, electricity produced using natural gas is no longer profitable in an environment of low pool prices on account of fuel costs. Output at the facilities fuelled by lignin also fell by 9% (in MWh) as a result of lower pulp production.

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The decline in volumes was exacerbated by a 15% year-on-year drop in revenue per MWh sold as a result of the new premiums and low pool prices. Elsewhere the plants' average electricity consumption costs benefitted from the drop in pool prices.

POWER GENERATION AT THE INDEPENDENT PLANTS

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Huelva 50MW	85,574	99,050	(14%)	89,062	(4%)	324,140	376,087	(14%)
Mérida 20MW	54,100	37,784	43%	-	n.s.	105,850	-	n.s.
Huelva 41MW	23,536	-	n.s.	-	n.s.	23,536	-	n.s.
Electricity sales (MWh)	**163,210**	**136,835**	19%	**89,062**	83%	**453,525**	**376,087**	21%
Average sale price (€/MWh)	**92**	**104**	(11%)	**89**	4%	**95**	**122**	(23%)
Investment remuneration (€M)	**6.8**	**4.9**	39%	**3.4**	101%	**19.7**	**6.2**	216%
Average revenue (€/MWh)	**134**	**140**	(4%)	**127**	6%	**138**	**139**	(1%)
Sales [(a)]	21.8	19.1	14%	11.3	94%	62.6	52.2	20%
EBITDA	7.1	5.3	35%	3.4	109%	18.3	16.8	9%
Forest depletion (energy crops)	(0.0)	-	n.s.	(1.0)	(98%)	(2.0)	(4.8)	(57%)
EBITDA excluding forest depletion charge [(b)]	7.1	5.3	35%	2.4	197%	16.3	12.0	35%
Industrial depreciation [(c)]	(1.6)	(1.6)	2%	(2.7)	(41%)	(5.9)	(9.8)	(39%)
EBIT	4.7	3.7	28%	(0.3)	n.s.	9.6	2.3	325%
Net profit [(d)]	1.6	1.1	41%	(1.8)	n.s.	1.2	(3.5)	n.s.

(a) Includes €5M capitalised in 1Q13 in respect of the sale of electricity produced at Huelva 50MW before execution of the acceptance deeds in February 2013 and €6M capitalised in 2Q14 and 3Q14 in respect of the sale of electricity produced at Merida 20MW before its acceptance deeds were signed in September 2014
(b) EBITDA ex-forestry depletion charges is consistent with the criteria used to prepare and disclose the plants' EBITDA guidance
(c) Includes the re-estimation of the depreciation schedule at Huelva 50MW in the wake of the new remuneration regime
(d) Interest expense is not allocated to Huelva 41MW

Electricity sales volumes were 21% higher in 2014 at 454 GWh, thanks to the first-time contribution of the 20-MW Merida plant - which more than offset the decline in output at the 50-MW Huelva plant - and the re-opening of the 41-MW Huelva plant as a standalone unit since November (in the wake of the discontinuation of pulp production at this facility). Given that the new regulations impose an annual cap on the number of equivalent hours entitled to premium remuneration, it was decided to stop the 50-MW Huelva for maintenance in April, taking advantage of the low pool prices. The reduction in output in 1H14 enabled the plants to operate at full capacity from May, when pool prices averaged €51/MWh.

The Merida biomass plant received its definitive commissioning certificate from the Extremadura regional government's Department of Agriculture, Rural Development, Environment and Energy on 31 March, allowing it to start to contribute electricity to the Spanish grid. Electricity sales at this facility totalled 106 GWh in 2014; sales were capitalised until August, inclusive. This plant has been operating at full capacity since September, making up for reduced capacity utilisation during the testing period.

EBITDA after forest reserve depletion charges amounted to €16m in 2014, up 35% from 2013 despite the drop in sales volumes at the 50-MW Huelva plant and lower prices as a result of depressed pool prices throughout 1H14. The company has hedged its plants' 1H15 output at a price of €46/MWh and locked in a price of €50/MWh for its 2H15 output.

The retroactive application of the regulatory changes had an additional impact on earnings in 1H14 when the Huelva plant was operating with a majority (55%) of energy crops in the supply mix; these higher-cost inputs were ultimately remunerated in the same category as forest waste. This impact was eliminated in 2H14 after the group recognised provisions against the cost of its inventoried energy crops to bring their value in line with that of its forest waste.

4. FORESTRY ACTIVITY

	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Timber consumption (m3)	**690,108**	**882,225**	(22%)	**969,955**	(29%)	**3,323,282**	**3,794,787**	(12%)
Cost €/m^3	**69**	**72**	(5%)	**73**	(6%)	**71**	**71**	1%
Wood purchases per source								
Owned timber	1%	4%		6%		4%	6%	
Standing timber acquired directly from land owners	36%	34%		32%		33%	27%	
Suppliers	62%	50%		54%		53%	56%	
Imported timber	1%	12%		8%		10%	11%	
Own hectares	49,071	49,058	0%	49,062	0%	49,071	49,062	0%
Third party hectares (consortia) [a]	34,092	34,261	(0%)	39,204	(13%)	34,092	39,204	(13%)
Hectares managed by ownership regime	**83,163**	**83,319**	(0%)	**88,266**	(6%)	**83,163**	**88,266**	(6%)
Hectares earmarked for pulp production	65,933	65,698	0%	70,746	(7%)	65,933	70,746	(7%)
Hectares earmarked for energy crops	17,229	17,622	(2%)	17,520	(2%)	17,229	17,520	(2%)
Hectares managed by use	**83,163**	**83,319**	(0%)	**88,266**	(6%)	**83,163**	**88,266**	(6%)

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

Timber consumption declined by 12% in 2014 on the back of lower pulp production. Timber costs were stable despite the increase in prices in 1H14 due to heavy rainfall, thanks to a price cut of €3.5/m3 announced to suppliers in April; gradual implementation of this policy drove a reduction in the cost of timber supplies in the north of the Peninsula. This improvement was offset by dollar appreciation during the second half of the year, making the timber imports needed to supply the Huelva plant almost 8% more expensive. The closure of this plant has eliminated the need to import timber, which will have the effect of reducing the group's average costs.

As for the supply mix, the weight of standing timber purchases increased as part of the company's effort to increase the weight of timber purchased directly from forest owners.

5. 2014 EARNINGS ANALYSIS

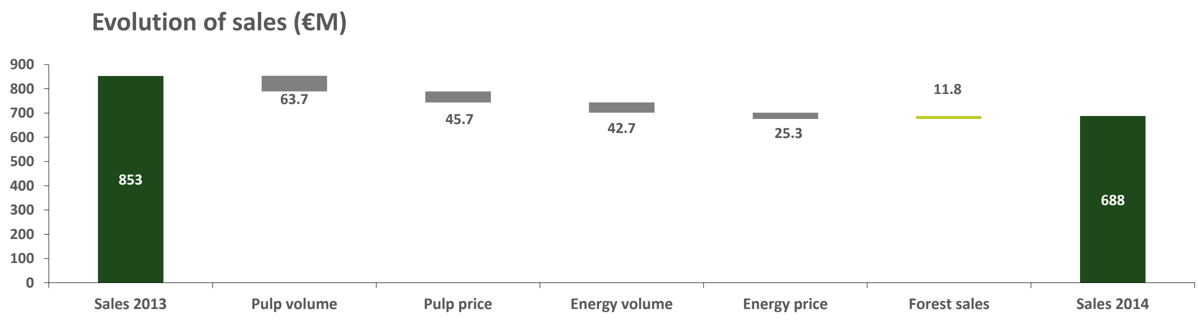
figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Pulp sales	115.0	123.4	(7%)	148.6	(23%)	502.0	611.4	(18%)
Electricity sales [(a)]	43.4	57.7	(25%)	53.2	(18%)	171.9	233.7	(26%)
Retroactive adjustment to 2013 revenue	-	-	n.s.	-	n.s.	(6.1)	-	n.s.
Revenue from forestry sales and other	3.4	6.3	(45%)	2.1	65%	19.8	8.0	147%
Total revenue	**161.8**	**187.4**	(14%)	**203.9**	(21%)	**687.5**	**853.1**	(19%)
Cost of goods sold [(b)]	(83.9)	(103.5)	(19%)	(109.0)	(23%)	(387.5)	(425.7)	(9%)
Employee benefits expense	(15.7)	(17.7)	(11%)	(19.1)	(18%)	(66.6)	(79.4)	(16%)
Other operating expenses	(41.6)	(48.8)	(15%)	(56.8)	(27%)	(189.6)	(200.3)	(5%)
EBITDA	**20.7**	**17.5**	19%	**19.0**	9%	**43.8**	**147.7**	(70%)
Forest depletion	(0.3)	(1.6)	(83%)	(3.9)	(93%)	(9.7)	(15.2)	(36%)
Other D&A	(14.2)	(15.0)	(5%)	(15.9)	(10%)	(58.3)	(63.1)	(8%)
Provisions	(7.6)	(0.2)	n.s.	(34.8)	(78%)	(35.1)	(37.5)	(6%)
EBIT	**(1.4)**	**0.7**	n.s.	**(35.6)**	(96%)	**(59.3)**	**31.8**	n.s.
Net finance cost	(7.6)	(5.3)	44%	(8.4)	(9%)	(26.7)	(26.3)	2%
Profit before tax	**(9.0)**	**(4.7)**	93%	**(44.0)**	(80%)	**(85.9)**	**5.6**	n.s.
Income tax	(1.3)	4.6	n.s.	13.3	n.s.	27.1	(1.3)	n.s.
Net profit/(loss) before Huelva restructuring charges	**(10.3)**	**(0.0)**	n.s.	**(30.7)**	(67%)	**(58.9)**	**4.3**	n.s.
Net impact of Huelva restructuring	9.1	(91.1)	n.s.	-	n.s.	(82.0)	-	n.s.
Net profit/(loss) for the period	**(1.2)**	**(91.1)**	(99%)	**(30.7)**	(96%)	**(140.9)**	**4.3**	n.s.
Adjusted EBITDA	**20.2**	**15.7**	29%	**21.8**	(7%)	**60.5**	**158.0**	(62%)
Cash cost (€/t) [(c)]	**391**	**400**	(2%)	**423**	(8%)	**406**	**382**	6%

(a) Includes €5M capitalised in 1Q13 in respect of the sale of electricity produced at Huelva 50MW before execution of the acceptance deeds in February 2013 and €6M capitalised in 2Q14 and 3Q14 in respect of the sale of electricity produced at Merida 20MW before its acceptance deeds were signed in September 2014
(b) supplies +/- change in inventories
(c) This metric is not impacted by Huelva 50MW and Merida 20MW as they are not related to the pulp production business

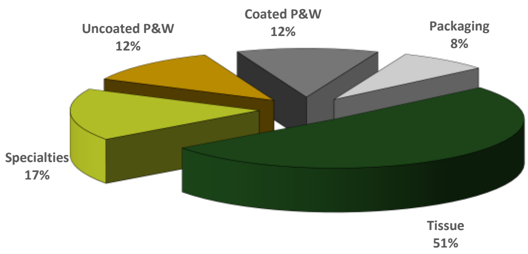
Revenue decreased by 19% year-on-year to €688m. Revenue from pulp sales totalled €502m, down 18% from 2013 due to a 10% drop in sales volumes and an 8% decline in net sales prices.

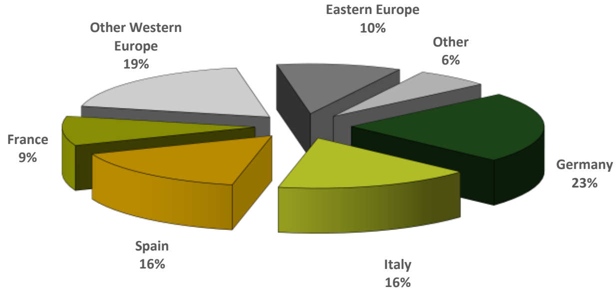
Revenue from energy sales, meanwhile, came to €172m in 2014, marking a year-on-year reduction of 26% due to the drop in volumes (18% YoY) and a 9% decline in unit prices. The drop in production was shaped not only by the discontinuation of operations in Huelva but also by the cap on biomass output entitled to premium remuneration under the new regulations.

Revenue from forestry was €20m, up €12m year-on-year, due to higher sales of wood to third parties compared to 2013.

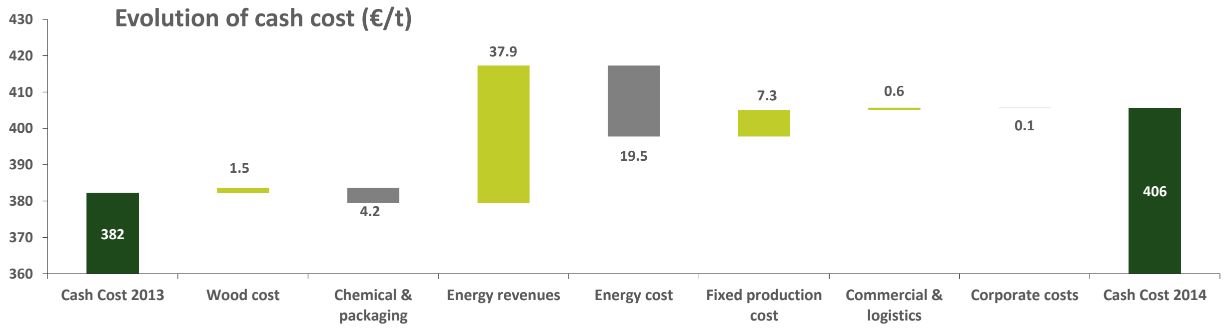


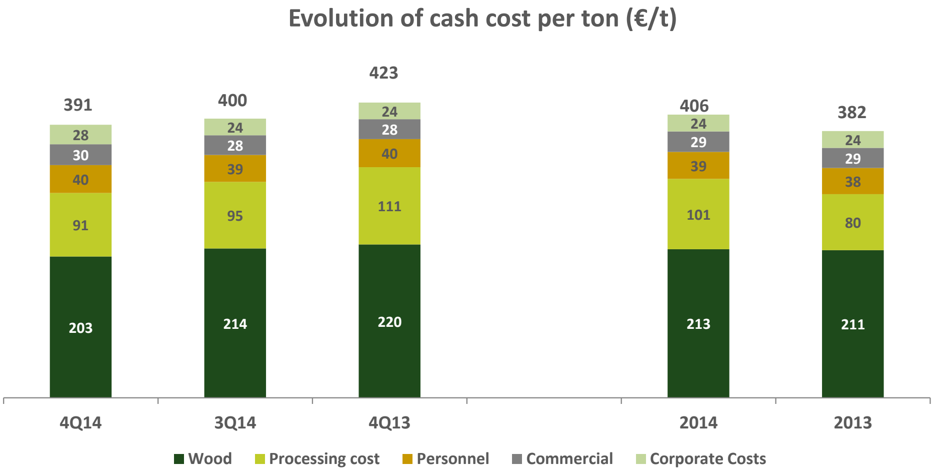
The breakdown by segment did not change substantially, with tissue paper remaining the main use for the group's pulp. Geographically, Spain accounted for a slightly higher 16% of the total (vs. 15% in 2013), while total European sales accounted for 94% of the Group total (92% in 2013), implying a market share last year of 14%.





Cash cost increased by 6% in 2014 to €406/t due mainly to the reduction in co-generation premiums in the wake of the energy sector regulatory reforms, the impact of lower pool prices on the gas co-generation business and lower absorption of fixed costs on account of the strikes.

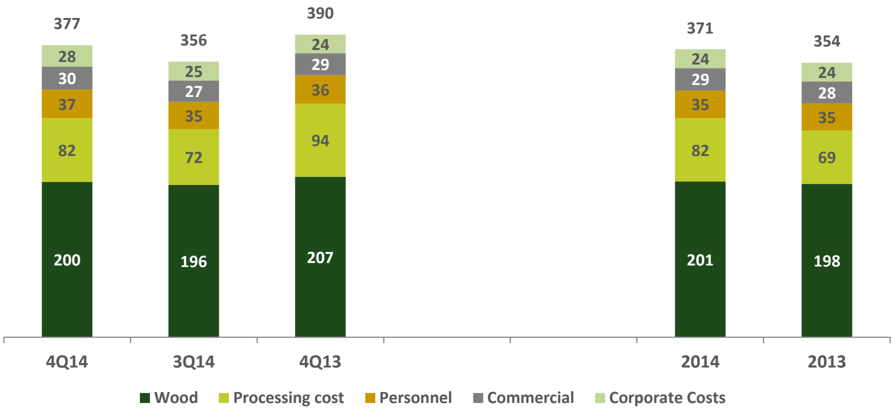




Note: the 4Q13 and 2013 figures have been restated for the new remuneration framework

Cash cost at the Navia and Pontevedra mills averaged €371/t in 2014 vs. €354/t in 2013. The efficiency investments made in 2014 (2 year payback) are expected to deliver an €11/t reduction in cash costs in annual terms. The 4Q14 cash cost ticked up to €377/t due to the strikes in October and higher fixed cost allocations in the wake of the Huelva closure. Stripping out this factor, Navia and Pontevedra mills' cash cost would have been €370/t. Moreover, the efficiency investments have had the effect of pushing up cash costs in the short term due to longer than usual maintenance stoppages and the need to scale the learning curve.

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



Adjusted 2014 EBITDA declined by 62% to €61m in 2014. Adding in the impact of hedges, termination benefits and provisions, 2014 EBITDA falls to €44m, down 70% year-on-year. The drop in profitability is mainly attributable to the decline in pulp prices, the cuts to generation premiums and low pool prices. The adjustments made in 2014 include a €6m deduction from revenue in respect of electricity sales accrued in 2013 and €9m of provisions for the estimated cost of cancelling leases over land for energy crop development

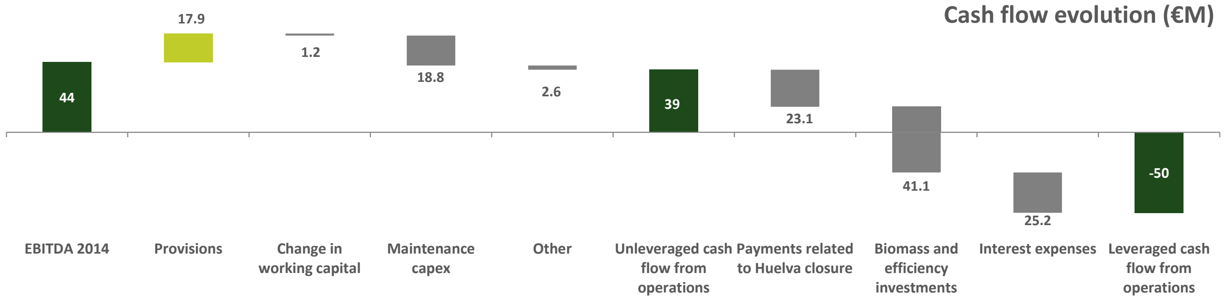
figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
EBITDA	**20.7**	**17.5**	19%	**19.0**	9%	**43.8**	**147.7**	(70%)
Hedging instruments: pulp prices and exchange rates	(0.4)	(0.1)	n.s.	(3.4)	(88%)	(0.0)	(12.1)	(100%)
Severance payments	(0.8)	0.0	n.s.	(0.5)	74%	(1.1)	5.4	n.s.
Provisions and others	(2.7)	(1.0)	162%	2.9	n.s.	(0.5)	5.8	n.s.
Other non-recurring items	3.5	(0.7)	n.s.	3.8	(8%)	18.4	11.3	63%
Adjusted EBITDA	**20.2**	**15.7**	29%	**21.8**	(7%)	**60.5**	**158.0**	(62%)

Deducting depreciation and amortisation charges, provisions, net finance expense and tax leaves a net loss of €141m in 2014 (€82m of charges related to the Huelva plant restructuring), compared to a profit of €4m in 2013. The company does not expect to have to recognise any further provisions in connection with the Huelva closure; the cash outflow pending materialisation (1Q15) in connection with these provisions amounts to €21.2m.

6. LIQUIDITY AND FINANCING

CASH FLOW

Operating cash flow, including coverage of maintenance capex, totalled €39m in 2014.



Note: the change in working capital in 2014 includes a €6m increase in "Trade and other payables" associated with the estimated impact of retroactive application of the new sector regulations on 2013 sales.

Net cash flows from operating activities totalled €10m in 2014, compared to €176m in 2013, impacted by lower pulp prices, lower electricity sales and the losses generated in Huelva until its closure as a result of the co-generation premium cuts. The comparison is also affected by the significant reduction in the working capital requirement in 2013 (cash inflow), compared to working capital stability in 2014. The 2014 figures are also adversely affected by a €6m correction to revenue in respect of 2013 sales in the wake of retroactive application of the new tariffs (increase in trade and other payables in 2014), the gradual repayment of premiums collected until June 2014 under the former remuneration regime and application of a coefficient by the energy regulator in 2014 under which it is settling remuneration in proportion to the difference between electricity system receipts and payments.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Consolidated profit/(loss) for the period before tax	**(9.0)**	**(4.7)**	**93%**	**(44.0)**	**(80%)**	**(85.9)**	**5.6**	**n.s.**
Depreciation and amortisation charge	14.5	16.6	(13%)	19.8	(27%)	67.9	78.3	(13%)
Finance income/costs	7.7	7.1	8%	8.3	(7%)	28.4	26.7	7%
Increase / decrease other deferred income/costs	(18.4)	1.7	n.s.	41.9	n.s.	24.6	56.6	(57%)
Adjustments of profit for the year-	**3.8**	**25.4**	**(85%)**	**70.0**	**(95%)**	**120.9**	**161.6**	**(25%)**
Trade and other receivables	5.0	(1.7)	n.s.	8.5	(42%)	13.9	29.8	(53%)
Current financial and other assets	(0.6)	0.4	n.s.	0.1	n.s.	2.4	(2.9)	n.s.
Trade and other payables	(18.4)	(9.1)	103%	19.2	n.s.	(41.9)	4.7	n.s.
Inventories	17.9	10.4	71%	(0.2)	n.s.	24.5	10.4	136%
Changes in working capital-	**3.9**	**0.1**	**n.s.**	**27.6**	**(86%)**	**(1.2)**	**41.9**	**n.s.**
Interest paid / received	(4.0)	(8.6)	(53%)	(3.4)	20%	(24.1)	(16.0)	51%
Income tax recovered (paid)	(0.2)	-	n.s.	(11.1)	(99%)	(0.2)	(17.1)	(99%)
Other cash flows from operating activities-	**(4.2)**	**(8.6)**	**(51%)**	**(14.5)**	**(71%)**	**(24.3)**	**(33.1)**	**(27%)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(5.5)**	**12.2**	**n.s.**	**39.1**	**n.s.**	**9.5**	**175.9**	**(95%)**

Net cash flows from investing activities amounted to -€60m in 2014, compared to -€48m in 2013 (having collected the proceeds from the sale of its assets in Uruguay in March of that year). Capital expenditure was 47% lower year-on-year in 2014 due to the reduced level of investment in biomass projects, more than offsetting the €17m invested in efficiency measures during the maintenance stoppages carried out at the Navia and Pontevedra mills.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Property, plant and equipment	(15.5)	(16.0)	(3%)	(30.9)	(50%)	(55.7)	(112.8)	(51%)
Intangible assets	(1.4)	(0.6)	151%	(0.2)	n.s.	(4.1)	(0.9)	361%
Other financial assets	(0.0)	(0.2)	(89%)	0.2	n.s.	(0.0)	1.3	n.s.
Investments	**(16.9)**	**(16.8)**	**1%**	**(30.8)**	**(45%)**	**(59.8)**	**(112.4)**	**(47%)**
Disposals	**-**	**-**	**n.s.**	**10.8**	**(100%)**	**0.1**	**64.4**	**(100%)**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(16.9)**	**(16.8)**	**1%**	**(20.0)**	**(16%)**	**(59.8)**	**(48.0)**	**25%**

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

Cash inflows from financing activities amounted to €20m in 2014, compared to an outflow of €65m in 2013, reflecting the maturity of a €45m investment in 12-month deposits in 2Q13 using the proceeds from the Uruguay disposal. The proceeds from the €250m of bonds placed on the market in January 2013 were used to repay existing debt so that gross corporate debt was largely flat year-on-year.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Proceeds from and payments for equity instruments	**(1.6)**	**(2.4)**	**(34%)**	**(14.6)**	**(89%)**	**(5.9)**	**1.0**	**n.s.**
Bonds and other marketable securities (net)	(0.0)	0.0	n.s.	-	n.s.	-	239.5	(100%)
Increase/(decrease) in bank borrowings (net)	(3.5)	0.3	n.s.	(0.7)	392%	1.1	(232.1)	n.s.
Other financial liabilities	0.0	0.0	n.s.	0.2	(88%)	(0.5)	(11.9)	(96%)
Proceeds from and repayments of financial liabilities	**(3.4)**	**0.3**	**n.s.**	**(0.5)**	**n.s.**	**0.6**	**(4.5)**	**n.s.**
Dividends and payments on other equity instruments	**-**	**(19.4)**	**(100%)**	**-**	**n.s.**	**(19.4)**	**(16.2)**	**20%**
Translation differences	**(0.1)**	**0.1**	**n.s.**	**-**	**n.s.**	**0.0**	**(0.0)**	**n.s.**
Fixed-term deposit	-	-	n.s.	-	n.s.	45.0	(45.0)	n.s.
Other cash received from (used in) financing activities	**-**	**-**	**n.s.**	**-**	**n.s.**	**45.0**	**(45.0)**	**n.s.**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(5.1)**	**(21.3)**	**(76%)**	**(15.2)**	**(66%)**	**20.4**	**(64.7)**	**n.s.**

In all, the group's cash balance decreased by €30m to €73m in 2014; this figure rises to €82m if factoring in short-term financial investments are taken into account.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(27.5)**	**(25.9)**	**6%**	**3.9**	**n.s.**	**(30.0)**	**63.2**	**n.s.**

WORKING CAPITAL

The working capital requirement was +€22m in 2014, down slightly from 2013; however, this trend masks significant changes in the inventory, trade receivable and trade payable balances occasioned by the impact of the Huelva closure on the company's operations.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Inventories	43.9	53.4	(18%)	71.0	(38%)	43.9	71.0	(38%)
Trade and other receivables	100.4	103.8	(3%)	114.4	(12%)	100.4	114.4	(12%)
Income tax receivable	11.9	11.6	3%	8.2	45%	11.9	8.2	45%
Other current financial assets (a)	8.5	7.9	8%	10.9	(22%)	8.5	10.9	(22%)
Other accounts receivables from public authorities	9.7	13.4	(27%)	18.6	(48%)	9.7	18.6	(48%)
Other current assets	1.3	2.6	(49%)	1.0	39%	1.3	1.0	39%
Trade and other payables (b)	(144.6)	(165.6)	(13%)	(187.7)	(23%)	(144.6)	(187.7)	(23%)
Income tax payable	(0.1)	(0.1)	81%	(0.0)	141%	(0.1)	(0.0)	141%
Other accounts payable to public authorities	(8.6)	(10.9)	(20%)	(11.3)	(24%)	(8.6)	(11.3)	(24%)
Other current liabilities	(0.5)	(2.7)	(81%)	(0.7)	(27%)	(0.5)	(0.7)	(27%)
Working capital	**22.0**	**13.7**	61%	**24.2**	(9%)	**22.0**	**24.2**	(9%)
Change in WC as per cash flow statement	**3.9**	**0.1**	n.s.	**27.6**	(86%)	**(1.2)**	**41.9**	n.s.

(a) The 2013 and 2014 figures have been adjusted for the €45M fixed-term deposit
(b) The provision for the revenue restatement in the wake of the new regulations is included within trade accounts payable

CAPITAL EXPENDITURE

Capital expenditure in the pulp business (industrial and forestry) amounted to €60m in 2014, down €53m from 2013, and was earmarked mainly to investments designed to make the plants more cost efficient. Growth capital expenditure in the biomass power generation business was just €12m, associated mainly with construction of the Merida plant, €37m less than in 2013 as this facility was commissioned in April.

The investments made to make the factories more environmentally friendly in the last two years have driven a reduction in odour emissions of 87% and 43% at the Huelva and Pontevedra mills, respectively, while the Navia mill has achieved 95% of its zero-emissions target since it embarked on its environmental investment programme in 2011.

At the end of the period, Huelva assets and eucalyptus plantations were reclassified as “Net gains/(loss) on non-current assets held for sale”, for a total amount of €77m.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Maintenance	2.4	2.4	0%	9.3	(74%)	11.7	20.7	(43%)
Improvements in efficiency/production	4.6	6.5	(30%)	4.9	(7%)	23.6	11.2	111%
Environmental	0.6	0.4	58%	6.6	(91%)	2.0	14.6	(86%)
Industrial capex, pulp	**7.6**	**9.4**	(19%)	**20.8**	(63%)	**37.4**	**46.5**	(20%)
Plantation and maintenance activity	1.0	0.7	36%	1.7	(39%)	3.7	9.1	(60%)
Financial expenses	0.3	0.3	-	0.4	(7%)	1.3	1.4	(7%)
Forestry capex, pulp	**1.4**	**1.1**	25%	**2.0**	(34%)	**5.0**	**10.5**	(52%)
Industrial capex, biomass	**3.8**	**(0.1)**	n.s.	**8.8**	(56%)	**12.1**	**48.7**	(75%)
Forestry capex, biomass	**1.9**	**0.5**	267%	**3.0**	(37%)	**5.4**	**7.4**	(27%)
Total capital expenditure	**14.7**	**10.8**	35%	**34.6**	(58%)	**60.0**	**113.2**	(47%)

7. NET FINANCE COST AND NET DEBT

NET FINANCE COST

Finance costs (excluding capitalised borrowing costs and payments related to interest-rate hedges) amounted to just less than €29m, in line with 2013 costs. The cancellation of the interest-rate swap associated with the refinanced syndicated loan eliminated payments related to this instrument and the related recognition under this heading of changes in its fair value. In the wake of the bond issue, the impact of the interest rate swaps was limited to settlement of the swaps tied to the project finance facilities in 2014; since these swaps qualify for hedge accounting, changes in their fair value do not impact profit or loss.

figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Interest on bond	(4.5)	(4.5)	-	(4.5)	-	(18.1)	(16.6)	9%
Interest on loans	(1.5)	(1.4)	6%	(1.4)	5%	(5.9)	(6.5)	(9%)
Interest on factoring and reverse factoring lines	(0.5)	(0.3)	88%	(1.0)	(46%)	(1.5)	(2.8)	(46%)
Capitalization of borrowing costs	0.3	0.8	(61%)	1.0	(67%)	3.2	4.5	(28%)
Finance costs	**(6.2)**	**(5.4)**	16%	**(5.9)**	5%	**(22.3)**	**(21.4)**	4%
Settlement of interest under IRS	(0.8)	(0.8)	9%	(0.7)	17%	(3.0)	(2.8)	10%
Change in fair value of IRS	-	-	n.s.	-	n.s.	-	(1.0)	(100%)
Financial expenses for equity swap	0.0	(0.2)	n.s.	0.5	(96%)	(1.5)	2.6	n.s.
Net gain/(loss) on hedges (IRS and equity swap)	**(0.8)**	**(1.0)**	(17%)	**(0.2)**	274%	**(4.6)**	**(1.2)**	286%
Net exchange differences	**(0.2)**	**1.4**	n.s.	**(0.4)**	(58%)	**1.6**	**0.6**	151%
Other financial expenses	**(0.6)**	**(0.7)**	(12%)	**(0.5)**	6%	**(2.5)**	**(4.4)**	(44%)
Financial income	**0.2**	**0.3**	(44%)	**0.6**	(74%)	**1.1**	**2.0**	(48%)
Net finance cost	**(7.6)**	**(5.3)**	44%	**(6.5)**	17%	**(26.7)**	**(24.4)**	10%
Interests on non recourse debt	(2.1)	(1.6)	27%	(1.4)	48%	(6.7)	(5.5)	22%
Net finance cost excluding project finance facilities	**(5.6)**	**(3.7)**	51%	**(5.1)**	8%	**(20.0)**	**(18.9)**	6%

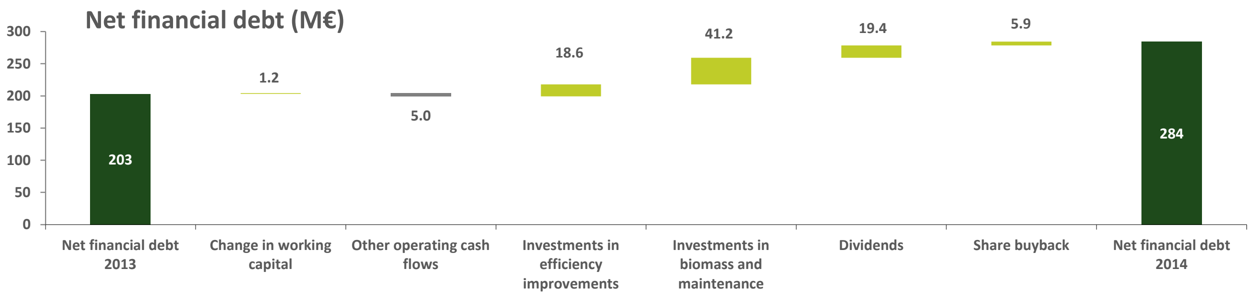
NET DEBT

Net debt at year-end 2014 (with recourse to the parent) stood at €178m, up 78% from year-end 2013. Total net debt, including non-recourse debt, totalled €284m, up 40% year-on-year.

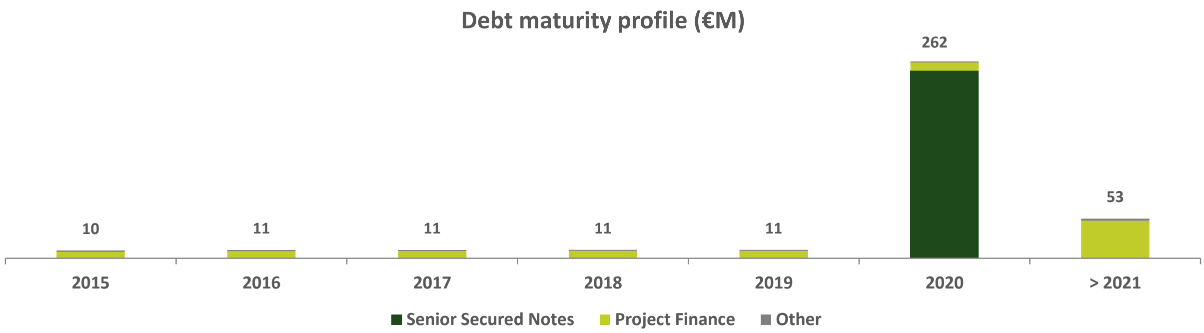
figures in €M	4Q14	3Q14	Δ%	4Q13	Δ%	2014	2013	Δ%
Bond	250.0	250.0	-	250.0	-	250.0	250.0	-
Bonds - arrangement fees	(7.9)	(8.3)	(4%)	(9.3)	(15%)	(7.9)	(9.3)	(15%)
Bank borrowings	0.3	0.4	(25%)	0.7	(57%)	0.3	0.7	(57%)
Other financial liabilities	9.6	10.2	(6%)	9.9	(3%)	9.6	9.9	(3%)
Other financial liabilities - grant	(1.0)	(1.1)	(7%)	(1.4)	(24%)	(1.0)	(1.4)	(24%)
Non-current borrowings	**250.9**	**251.2**	(0%)	**249.9**	0%	**250.9**	**249.9**	0%
Bonds - accrued interest	7.1	2.5	180%	7.1	(0%)	7.1	7.1	(0%)
Bank borrowings	0.4	0.4	-	0.4	-	0.4	0.4	-
Bank borrowings - accrued interest	0.1	0.1	12%	0.0	154%	0.1	0.0	154%
Other financial liabilities	1.3	1.1	25%	2.0	(32%)	1.3	2.0	(32%)
Other financial liabilities - accrued interest	0.0	0.1	(26%)	0.0	n.s.	0.0	0.0	n.s.
Current borrowings	**8.9**	**4.1**	117%	**9.5**	(6%)	**8.9**	**9.5**	(6%)
Total gross borrowings	**259.9**	**255.3**	2%	**259.5**	0%	**259.9**	**259.5**	0%
Cash	73.4	100.9	(27%)	103.4	(29%)	73.4	103.4	(29%)
Short-term financial investments	8.5	7.9	8%	55.9	(85%)	8.5	55.9	(85%)
Total net debt (recourse)	**177.9**	**146.5**	21%	**100.2**	78%	**177.9**	**100.2**	78%
Non-current, non-recourse debt	100.4	105.0	(4%)	100.8	(0%)	100.4	100.8	(0%)
Non-current, non-recourse debt - arrangement fees	(2.7)	(2.8)	(4%)	(3.2)	(15%)	(2.7)	(3.2)	(15%)
Current non-recourse debt	8.6	7.0	23%	5.7	50%	8.6	5.7	50%
Current non-recourse debt - arrangement fees	(0.5)	(0.5)	(1%)	(0.5)	(2%)	(0.5)	(0.5)	(2%)
Current non-recourse debt - accrued interest	0.7	2.3	(71%)	0.1	414%	0.7	0.1	414%
Total net debt	**284.4**	**257.5**	10%	**203.1**	40%	**284.4**	**203.1**	40%

This increase is attributable to the losses generated in Huelva and the financial resources consumed to restructure operations there, investment in the Merida plant, plant efficiency capital expenditure in northern Spain and shareholder remuneration.

In addition, the company has discounting facilities with a limit of €58m, which were drawn down by €38m at year-end (by €31m at year-end 2013). In terms of liquidity other than cash on hand, the company also had an undrawn €90m credit line at year-end.



The group does not face significant refinancing requirements until February 2020, which is when the €250m of bonds issued in February 2013 fall due.



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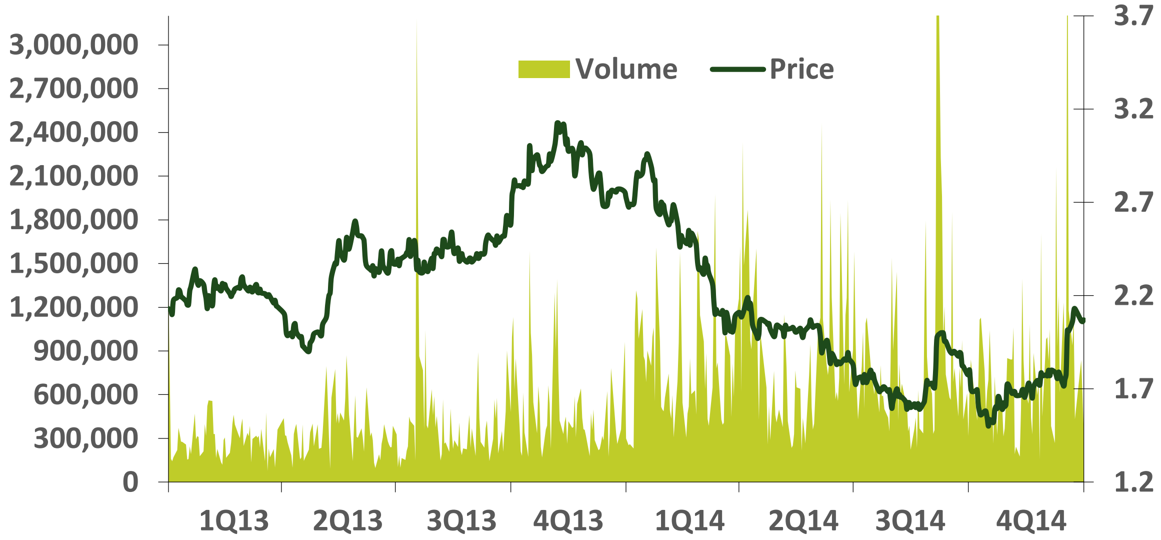
8. ENCE ON THE STOCK MARKET

The share price corrected by 24% in 2014, underperforming the Spanish and European stock markets by 28% and 25%, respectively.



Source: Thomson Reuters

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Average daily volume (shares)	283,963	347,171	446,481	508,964	808,674	878,515	829,628	790,434
Ence performance	0%	11%	9%	6%	(23%)	(13%)	(3%)	17%
Ibex 35 performance	(3%)	(2%)	18%	8%	4%	6%	(1%)	(5%)
Eurostoxx performance	(0%)	(1%)	11%	7%	2%	1%	(0%)	(2%)

Note: Ence's share price performance has been adjusted for the €0.07 per-share dividend paid on 3 April 2013 and the €0.08 per share dividend paid on 11 July 2014; it has not been adjusted for the in-kind dividend paid on 11 April 2013, which had the effect of increasing the total shareholder return by 4%, and the in-kind dividend paid on 21 July 2014, which had the effect of increasing the total shareholder return by 3%

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

In addition to having its shares publicly traded, in January 2013 the company issued €250m of 7.25% bonds due 2020. From time to time ENCE may buy back its bonds on the secondary market. Any such buyback activity would be carried out on the basis of analysis of all relevant factors, including the bonds' quoted price and the group's liquidity position, and in compliance with all applicable legal requirements.

9. HIGHLIGHTS ON 2014

Definitive commissioning certificate for the 20-MW Merida facility

The Merida biomass plant received its definitive commissioning certificate from the Extremadura regional government's Department of Agriculture, Rural Development, Environment and Energy on 31 March, allowing it to start to contribute electricity to the Spanish grid. This plant has annual capacity of 160 million kWh, which is enough to service the electricity needs of close to 70,000 people. The start-up of this power station increased the group's installed biomass capacity by 9%, from 230 MW to 250 MW.

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

Royal Decree 413/2014 was passed on 6 June 2014, establishing the regulatory framework for power generated using renewable energy sources, co-generation and waste, while Ministerial Order IET/1045/2014 was passed on 16 June 2014, establishing the remuneration parameters for these technologies, both with retroactive effect to 14 July 2013. The enactment of the new regulatory framework eliminated the regulatory uncertainty that had been hanging over the Ence Group's power generation facilities ever since the government passed legislation in July 2013 (Law 9/2013) adopting urgent measures aimed at guaranteeing the financial stability of the electricity system and repealing the prior regulatory framework.

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

On 30 June 2014, the company's shareholders, in general meeting, approved the payment of a cash dividend of €0.03/share charged against 2013 earnings, a cash dividend of €0.05/share charged against unrestricted reserves and an in-kind dividend consisting of the delivery of one treasury share for every 32 held by shareholders, with a charge against the share premium account. The dividend yield implied by these payments was over 7% at the time of the shareholder resolution.

Announced discontinuation of pulp production at the Huelva plant

On 4 September 2014, the company announced plans to transform the Huelva complex into a cutting-edge renewable energy facility, discontinuing production of pulp in the wake of heavy losses for three quarters in a row as a result of the reduction in co-generation premiums, cost inefficiencies and the lack of local timber supplies. Production ceased on 11 October and a closure agreement was reached with the plant's employees on 20 October.

Approval of the new General Coast Regulations

Spanish Royal Decree 876/2014 on 10 October, enacting the General Coast Regulations, took effect on 12 October 2014. This piece of legislation enacts the Coastal Act passed on 29 May 2013, establishing the legal framework governing the renewal of concessions located on public-domain coastal land. The maximum permitted extension of a concession for facilities accommodating activities other than hospitality businesses is 60 years from when the extension application is filed. Ence's extension case has been suspended until the Ministry for the Environment hears the concession expiry case brought by environmental association "Salvemos Pontevedra".

10. FINANCIAL STATEMENTS

The criteria used to prepare the financial statements presented below are as follows:

- The 2013 figures are taken from the audited financial statements published on 27 March 2014.
- The 3Q13 and 4Q13 numbers have been recalculated to reflect the estimated impact of the energy sector regulatory changes, using the same assumptions as were used to draw up the audited 2013 statements; the 1Q14 figures, meanwhile, were restated to reflect the impact of the new energy regulations, as approved on 16 June 2014.
- In 3Q14 and 4Q14, the charges recognised in connection with the closure of the Huelva plant have been reclassified from above the "Profit before tax" line to a single line item alongside the company's "Net profit/loss".

Income Statement

figures in €M	1Q13	2Q13	Proforma 3Q13	Proforma 4Q13	2013	Proforma 1Q14	2Q14	3Q14 adjusted by Huelva shutdown	4Q14 adjusted by Huelva shutdown	2014 adjusted by Huelva shutdown	Adjustment	2014
Revenue	**217.4**	**221.7**	**210.1**	**203.9**	**853.1**	**170.3**	**168.0**	**187.4**	**161.8**	**687.5**	**-**	**687.5**
Cost of sales	(106.4)	(103.5)	(108.3)	(109.7)	(427.8)	(101.1)	(92.9)	(108.0)	(75.4)	(377.4)	(2.0)	(379.4)
Changes in inventories of finished goods	0.5	(4.2)	5.2	0.7	2.1	1.3	(7.5)	4.5	(8.5)	(10.1)	-	(10.1)
Gross profit	**111.5**	**114.0**	**107.0**	**94.9**	**427.4**	**70.5**	**67.6**	**83.9**	**78.0**	**300.0**	**(2.0)**	**298.0**
Own work capitalised	1.3	4.4	4.5	4.6	14.8	2.7	1.2	(0.4)	2.6	6.2	-	6.2
Other income	3.2	2.0	2.1	8.0	15.3	2.4	3.8	3.7	2.2	12.1	-	12.1
Net gain/(loss) on hedging transactions	3.4	2.9	2.4	3.4	12.1	-	(0.4)	0.1	0.4	0.0	-	0.0
Employee benefits expense	(18.6)	(23.1)	(18.7)	(19.1)	(79.4)	(16.3)	(16.9)	(17.7)	(15.7)	(66.6)	(20.4)	(87.0)
Other operating expenses	(57.3)	(52.0)	(60.5)	(72.7)	(242.5)	(50.8)	(58.2)	(52.1)	(46.8)	(207.9)	(19.7)	(227.6)
EBITDA	**43.5**	**48.3**	**36.8**	**19.0**	**147.7**	**8.5**	**(2.9)**	**17.5**	**20.7**	**43.8**	**(42.1)**	**1.7**
EBITDA margin	**20.0%**	**21.8%**	**17.5%**	**9.3%**	**17.3%**	**5.0%**	**(1.7%)**	**9.3%**	**12.8%**	**6.4%**	**-**	**0.2%**
Depreciation and amortisation	(19.5)	(18.7)	(20.4)	(19.8)	(78.3)	(21.0)	(15.8)	(16.6)	(14.5)	(67.9)	(1.2)	(69.1)
Impairment of and gains/(losses) on fixed-asset disposals(a)	(0.1)	0.5	(3.2)	(34.8)	(37.5)	(1.5)	(25.9)	(0.2)	(7.6)	(35.1)	(66.1)	(101.2)
EBIT	**23.9**	**30.1**	**13.3**	**(35.6)**	**31.8**	**(14.1)**	**(44.5)**	**0.7**	**(1.4)**	**(59.3)**	**(109.4)**	**(168.6)**
EBIT margin	**11.0%**	**13.6%**	**6.3%**	**(17.4%)**	**3.7%**	**(8.3%)**	**(26.5%)**	**0.4%**	**(0.8%)**	**(8.6%)**	**-**	**(24.5%)**
Finance income	0.2	0.7	0.5	0.6	2.0	0.4	0.2	0.3	0.2	1.1	-	1.1
Finance costs	(5.5)	(6.5)	(7.3)	(9.0)	(28.3)	(7.7)	(6.7)	(5.6)	(7.8)	(27.7)	-	(27.7)
Profit before tax	**18.7**	**24.3**	**6.5**	**(44.0)**	**5.6**	**(21.3)**	**(51.0)**	**(4.7)**	**(9.0)**	**(85.9)**	**(109.4)**	**(195.3)**
Income tax	(5.6)	(7.1)	(1.8)	13.3	(1.3)	6.6	17.2	4.6	9.1	37.5	27.3	54.4
Restatement of deferred tax assets	-	-	-	-	-	-	-	-	(10.4)	(10.4)		
Net profit/(loss) before Huelva restructuring charges	**13.1**	**17.2**	**4.7**	**(30.7)**	**4.3**	**(14.8)**	**(33.8)**	**(0.0)**	**(10.3)**	**(58.9)**	**(82.0)**	**(140.9)**
Net impact of Huelva restructuring	-	-	-	-	-	-	-	(91.1)	9.1	(82.0)	82.0	-
Net profit/(loss)	**13.1**	**17.2**	**4.7**	**(30.7)**	**4.3**	**(14.8)**	**(33.8)**	**(91.1)**	**(1.2)**	**(140.9)**	**-**	**(140.9)**

(a) €2.6m accounted for as loss on non-current assets held for sale at 30/09/2013 was reclassified to 'Impairment of and gains/(losses) on fixed-asset disposals' after the sale of the Portuguese assets closed

Balance Sheet

figures in €M	1Q13	2Q13	Proforma 3Q13	Proforma 4Q13	2013	Proforma 1Q14	2Q14	3Q14 adjusted by Huelva shutdown	4Q14 adjusted by Huelva shutdown	2014 adjusted by Huelva shutdown	Adjustment	2014
Property, plant and equipment	956.6	960.1	955.0	932.4	932.4	923.0	901.1	890.0	834.6	834.6	(100.4)	734.2
Intangible assets	21.4	20.3	20.1	19.1	19.1	20.9	12.8	13.3	14.4	14.4	(0.7)	13.7
Non-current financial assets	4.5	2.9	3.0	2.9	2.9	2.8	2.7	2.9	3.0	3.0	-	3.0
Other non-current assets	31.7	28.5	30.5	35.6	35.6	42.5	57.0	62.1	54.2	54.2	27.3	81.6
Total fixed assets	**1,014.2**	**1,011.8**	**1,008.6**	**989.9**	**989.9**	**989.2**	**973.5**	**968.2**	**906.3**	**906.3**	**(73.8)**	**832.5**
Inventories	86.4	76.8	76.8	71.0	71.0	74.4	70.1	59.4	43.9	43.9	(6.0)	37.9
Trade other accounts receivable	149.3	140.2	141.5	133.0	133.0	137.6	113.6	117.3	110.2	110.2	-	110.2
Cash and other short-term financial assets	141.1	172.7	155.5	159.3	159.3	137.7	135.1	108.8	103.2	103.2	(21.3)	81.9
Current derivatives	4.0	3.8	3.2	0.0	0.0	0.0	0.0	0.0	1.0	1.0	-	1.0
Other current assets	1.6	8.2	6.3	9.2	9.2	12.0	15.0	14.2	13.3	13.3	-	13.3
Non-current assets held for sale	0.7	0.7	11.2	0.0	0.0	0.0	0.0	0.0	42.7	42.7	34.6	77.4
Total current assets	**383.1**	**402.3**	**394.5**	**372.4**	**372.4**	**361.7**	**333.9**	**299.7**	**314.4**	**314.4**	**7.3**	**321.7**
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**	**1,220.6**	**1,220.6**	**(66.5)**	**1,154.2**
Equity	**715.0**	**758.8**	**757.4**	**710.3**	**710.3**	**694.0**	**638.2**	**636.1**	**624.9**	**624.9**	**(82.0)**	**542.9**
Non-current borrowings	353.3	351.0	351.1	347.5	347.5	349.4	351.6	353.4	348.6	348.6	-	348.6
Non-current provisions	13.6	12.8	16.0	18.5	18.5	19.5	5.2	6.6	7.2	7.2	3.9	11.1
Non-current derivatives	13.9	9.1	9.0	7.4	7.4	6.2	7.1	8.4	8.1	8.1	-	8.1
Other non-current liabilities	50.9	46.3	45.1	42.8	42.8	42.9	41.9	40.4	33.0	33.0	-	33.0
Total non-current liabilities	**431.7**	**419.2**	**421.2**	**416.2**	**416.2**	**418.0**	**405.7**	**408.8**	**396.9**	**396.9**	**3.9**	**400.8**
Current borrowings	7.3	12.8	8.7	14.9	14.9	12.3	16.4	12.9	17.7	17.7	-	17.7
Trade payables (a)	192.0	179.1	170.9	187.7	187.7	194.5	180.7	165.6	144.6	144.6	-	144.6
Current provisions	8.1	8.6	8.3	7.1	7.1	6.7	14.5	16.6	14.0	14.0	9.8	23.8
Current derivatives	4.7	4.3	4.2	4.5	4.5	6.6	7.5	7.4	7.4	7.4	-	7.4
Other current liabilities (b)	38.4	31.3	32.3	21.5	21.5	18.8	44.4	20.6	15.1	15.1	1.8	16.9
Non-current liabilities associated with non-current assets held fo	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**250.6**	**236.1**	**224.4**	**235.7**	**235.7**	**238.9**	**263.5**	**223.1**	**198.8**	**198.8**	**11.6**	**210.4**
Total equity and 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**	**1,220.6**	**1,220.6**	**(66.5)**	**1,154.2**

(a) Amounts of €13.2M and €8.9M were reclassified from current provisions to trade payables in 2013 and 1Q14, respectively, in connection with the retroactive restatement of revenue in the wake of passage of the new regulatory framework

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

(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	Proforma 3Q13	Proforma 4Q13	2013	Proforma 1Q14	2Q14	3Q14 adjusted by Huelva shutdown	4Q14 adjusted by Huelva shutdown	2014 adjusted by Huelva shutdown	Adjustment	2014
Consolidated profit/(loss) for the period before tax	**18.7**	**24.3**	**6.5**	**(44.0)**	**5.6**	**(21.3)**	**(51.0)**	**(4.7)**	**(9.0)**	**(85.9)**	**(109.4)**	**(195.3)**
Depreciation	14.2	15.0	17.0	15.5	61.7	16.1	12.7	14.9	15.2	58.9	-	58.9
Depletion of forest reserve	5.2	3.1	3.0	3.9	15.2	4.8	3.0	1.6	0.3	9.7	-	9.7
Amortisation	0.2	0.5	0.4	0.4	1.4	0.1	0.1	0.1	(1.0)	(0.6)	1.2	0.6
Impairment of and gains/(losses) on disposals intangible assets	0.1	0.2	2.4	33.3	35.9	1.5	25.7	(0.5)	8.5	35.1	66.1	101.2
Finance costs	0.1	12.5	7.2	8.9	28.7	7.3	7.0	7.4	7.8	29.5	-	29.5
Finance income	5.8	(6.7)	(0.5)	(0.6)	(2.0)	(0.4)	(0.2)	(0.3)	(0.2)	(1.1)	-	(1.1)
Government grants taken to income	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)	(0.3)	(0.4)	(0.3)	(0.3)	(1.3)	-	(1.3)
Changes in provisions and other deferred expense (net)	4.6	2.0	6.4	8.9	22.0	8.5	6.3	2.4	(26.5)	(9.3)	42.1	32.8
Adjustments to profit	**29.8**	**26.4**	**35.4**	**70.0**	**161.6**	**37.6**	**54.2**	**25.4**	**3.8**	**120.9**	**109.4**	**230.3**
Trade and other receivables	18.0	7.1	(3.8)	8.5	29.8	(5.3)	15.9	(1.7)	5.0	13.9	-	13.9
Current financial and other assets	(3.8)	0.9	(0.2)	0.1	(2.9)	1.3	1.3	0.4	(0.6)	2.4	-	2.4
Trade and other payables	(2.7)	(2.8)	(9.1)	19.2	4.7	(3.9)	(10.5)	(9.1)	(18.4)	(41.9)	-	(41.9)
Inventories	7.3	5.9	(2.6)	(0.2)	10.4	(7.5)	3.6	10.4	17.9	24.5	-	24.5
Changes in working capital	**18.8**	**11.2**	**(15.7)**	**27.6**	**41.9**	**(15.4)**	**10.2**	**0.1**	**3.9**	**(1.2)**	**-**	**(1.2)**
Interest paid	(1.6)	(2.4)	(10.1)	(4.0)	(18.0)	(8.9)	(3.3)	(8.9)	(4.2)	(25.2)	-	(25.2)
Interest received	0.2	0.7	0.5	0.6	2.0	0.4	0.2	0.3	0.2	1.1	-	1.1
Income tax received/(paid)	-	(5.7)	(0.2)	(11.1)	(17.1)	-	-	-	(0.2)	(0.2)	-	(0.2)
Other cash flows from operating activities	**(1.4)**	**(7.4)**	**(9.9)**	**(14.5)**	**(33.1)**	**(8.5)**	**(3.0)**	**(8.6)**	**(4.2)**	**(24.3)**	**-**	**(24.3)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**65.9**	**54.5**	**16.4**	**39.1**	**175.9**	**(7.6)**	**10.4**	**12.2**	**(5.5)**	**9.5**	**-**	**9.5**
Property, plant and equipment	(26.6)	(26.1)	(29.3)	(30.9)	(112.8)	(11.8)	(12.4)	(16.0)	(15.5)	(55.7)	-	(55.7)
Intangible assets	-	(2.2)	1.5	(0.2)	(0.9)	(1.4)	(0.8)	(0.6)	(1.4)	(4.1)	-	(4.1)
Other financial assets	(0.3)	1.6	(0.1)	0.2	1.3	0.1	0.1	(0.2)	(0.0)	(0.0)	-	(0.0)
Investments	**(27.0)**	**(26.7)**	**(27.9)**	**(30.8)**	**(112.4)**	**(13.1)**	**(13.1)**	**(16.8)**	**(16.9)**	**(59.8)**	**-**	**(59.8)**
Property, plant and equipment	52.5	0.0	1.1	10.8	64.4	-	0.1	-	-	0.1	-	0.1
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	**52.5**	**0.0**	**1.1**	**10.8**	**64.4**	**-**	**0.1**	**-**	**-**	**0.1**	**-**	**0.1**
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**25.5**	**(26.7)**	**(26.8)**	**(20.0)**	**(48.0)**	**(13.1)**	**(13.1)**	**(16.8)**	**(16.9)**	**(59.8)**	**-**	**(59.8)**
Buyback of own equity instruments	(3.7)	(3.4)	(4.7)	(14.6)	(26.5)	(0.5)	(1.6)	(2.4)	(1.6)	(6.1)	-	(6.1)
Disposal of own equity instruments	0.2	27.6	(0.3)	-	27.5	0.1	0.0	-	-	0.2	-	0.2
Proceeds from and payments for equity instruments	**(3.6)**	**24.2**	**(5.0)**	**(14.6)**	**1.0**	**(0.4)**	**(1.6)**	**(2.4)**	**(1.6)**	**(5.9)**	**-**	**(5.9)**
Issuance of bonds and other marketable securities (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	(3.5)	1.1	-	1.1
Grants received	-	(0.4)	0.3	0.2	0.1	0.8	0.0	(2.2)	2.2	0.9	-	0.9
Other financial liabilities	(12.0)	0.0	-	-	(12.0)	(1.3)	(0.0)	2.2	(2.2)	(1.3)	-	(1.3)
Proceeds from and repayments of financial liabilities	**1.3**	**(3.3)**	**(1.9)**	**(0.5)**	**(4.5)**	**0.9**	**2.8**	**0.3**	**(3.4)**	**0.6**	**-**	**0.6**
Dividends	-	(16.2)	-	-	(16.2)	-	-	(19.4)	-	(19.4)	-	(19.4)
Financial instruments (equity swap)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends and payments on other equity instruments	**-**	**(16.2)**	**-**	**-**	**(16.2)**	**-**	**-**	**(19.4)**	**-**	**(19.4)**	**-**	**(19.4)**
Translation differences	**-**	**(0.0)**	**-**	**-**	**(0.0)**	**(0.0)**	**0.0**	**0.1**	**(0.1)**	**0.0**	**-**	**0.0**
Fixed-term deposit	-	(45.0)	-	-	(45.0)	45.0	-	-	-	45.0	-	45.0
Other cash received from (used in) financing activities	**-**	**(45.0)**	**-**	**-**	**(45.0)**	**45.0**	**-**	**-**	**-**	**45.0**	**-**	**45.0**
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(2.2)**	**(40.3)**	**(7.0)**	**(15.2)**	**(64.7)**	**45.5**	**1.3**	**(21.3)**	**(5.1)**	**20.4**	**-**	**20.4**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**89.2**	**(12.5)**	**(17.4)**	**3.9**	**63.2**	**24.8**	**(1.4)**	**(25.9)**	**(27.5)**	**(30.0)**	**-**	**(30.0)**

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11. APPENDICES

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.

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Quarterly report
4th Quarter 2014

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