Quarterly Report
4th Quarter 2013

31 December 2013

CONTENTS

1. ENERGY REFORM: IMPACT SUMMARY

In 2013, a set of regulatory provisions was approved modifying the remuneration outline and applicable tax regime for renewable energy power generation, including biomass generation:

- Law 15/2012 of 27 December, on fiscal measures for energy sustainability for which, **as from 1 January 2013**, a new general tax was imposed on electricity output equivalent to 7% of revenue from power generation. Likewise, tax rates established for natural gas and fuel consumption are modified, removing exemptions for energy products used in electricity production and electricity cogeneration.
  Application of this regulation since 1 January 2013 has had a negative impact on Group energy revenues, net of electricity taxes, of -€20.6 M in the fiscal year.

- Royal Decree Law 2/2013 dated 1 February, regarding urgent measures in the electricity and financial sectors, which establishes the replacement of the CPI with the underlying CPI (for constant taxes not including non-processed food or energy products) as a tariff update formula.

- Royal Decree Law 9/2013, dated 12 July, regarding urgent measures to ensure Spanish Electricity System stability, which repealed RD 661/2007 and introduced a new economic regime for renewable energies to ensure generators a return equivalent the yield on 10-year bonds plus 300 basis points, calculated before taxes and referring to the operating costs and investments for a standard facility for its entire useful regulatory life. In addition, payment of the efficiency and reactive energy bonuses has been eliminated in anticipation of the approval of the mentioned new financial regime **starting on 14 July 2013**.
  Elimination of these complements means a reduction of electricity energy revenue net of electricity tax of -€11.4 M in the 14 July 2013 – 31 December 2013 period.

As of 3 February 2014, the Ministry of Industry, Energy, and Tourism had sent a proposal to the National Market and Competition Commission (CNMC) for an "Order approving remuneration parameters for standard facilities for specific electrical energy production facilities using renewable energy sources, cogeneration, and waste". This proposal, which takes into account a new premiums scheme, would modify the regulatory environment applicable to the company's power generation activities once it is approved. It would do so in three principal aspects with a retroactive effect as of 14 July 2013: (i) elimination of specific energy crop tariffs that would ultimately have the same remuneration as forestry and agricultural waste; (ii) set a maximum number of hours that renewable power generation installations have premium rights, which would be equivalent to 80-90% of nominal annual power plant utilization ratio and; (iii) exclude the lignin obtained in the process of pulp production from the biomass category eligible for a regulated premium price.

The company has estimated that application of this new tariff framework, upon being approved in its current form, would imply an additional -€20 M reduction in energy revenue net of electricity taxes in the 14 July 2013 –

31 December 2013 period. Of this reduction, -€12 M would not have a recurring impact in future company results as it derives from producing energy with energy crops ultimately of a lower margin and paying 100% tolls for pulp mills electricity consumption instead of operating under a "self-consumption" model. Ence has filed administrative proceedings for its approval as a producer in the "self-consumption" regime and estimates it will start operations under this model before June 2014.

Similarly, the company has estimated that the impact from this latest reform in the value of certain Group assets, especially energy crop standing timber, will mean accounting for a maximum impairment of €66 M.

Due that the Ministerial Order proposal has not been approved yet, it has not legal value and it is opened to the contribution of several advisory bodies and allegations from companies and sectors affected, as a consequence of which the estimated impacts registered in this report may be changed substantially, and also taking into account, as mentioned before, the reasonable expectation of a decision favorable to Ence's interests once allegations are presented, the company could have decided not to make any provision until the adoption of the final regulatory text happens. However, the Board of Directors, under prudence criteria, has decided to provision -€10 M as a reduction in revenues associated with energy generation and -€33 M of energy crops and other assets impairment. These provisions correspond to 50% of the estimated impact if finally the drafts of the renewable energy Royal Decree and compensation parameters Ministerial Order were approved in their current form.

	Thousands of Euros	
	Recorded Financial Impact	Draft Ministerial Order Financial Impact
Sales (Net of electricity tax)	9.9	19.7
Impairments-		
Energy crops (*)	30.2	60.6
Energy assets	2.9	5.7
	43.0	**86.0**

(*) Includes €3.6 M and €7.3 M, respectively, as the rescission costs and abandonment of crop plots.

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

2. EXECUTIVE SUMMARY 2013

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Pulp sales	148.6	153.3	(3%)	160.3	(7%)	611.4	597.0	2%
Electricity sales [a]	50.4	54.4	(7%)	60.1	(16%)	230.2	208.4	10%
Forestry sales and others	2.1	1.6	26%	3.7	(44%)	8.0	22.3	(64%)
Total sales	**201.1**	**209.3**	(4%)	**224.1**	(10%)	**849.6**	**827.6**	3%
Adjusted EBITDA	**19.2**	**37.3**	(48%)	**47.1**	(59%)	**154.7**	**175.3**	(12%)
EBITDA	**13.3**	**36.1**	(63%)	**36.7**	(64%)	**141.3**	**139.3**	1%
EBIT	**(37.7)**	**12.6**	n.s.	**22.8**	n.s.	**29.0**	**82.3**	(65%)
Net profit	**(30.9)**	**4.2**	n.s.	**14.2**	n.s.	**3.7**	**43.0**	(92%)
Net financial debt [b]	**100.2**	**99.2**	1%	**200.7**	(50%)	**100.2**	**200.7**	(50%)
Pulp sales (tons)	**321,622**	**320,425**	0%	**333,640**	(4%)	**1,270,095**	**1,248,805**	2%
Electricity sales (MWh)	**475,830**	**487,659**	(2%)	**456,354**	4%	**1,895,540**	**1,617,415**	17%
Net pulp sale price (€/ton)	**460**	**477**	(3%)	**481**	(4%)	**479**	**479**	0%
Average electricity sale price (€/MWh) [c]	**106**	**112**	(5%)	**132**	(20%)	**120.3**	**128.8**	(7%)
Cash cost (€/t) [d]	**423**	**389**	9%	**354**	20%	**382**	**344**	11%

(a) includes €11M and €5M capitalized in 2012 and 2013 respectively for the sale of electricity produced at the new 50MW plant in Huelva before its reception
(b) additionally, existed €103 M of non-recourse debt linked to the "project finance" of the 50MW Huelva and 20MW Mérida biomass plants as of 31/12/13
(c) includes the operational of the new 50MW plant in Huelva before its reception
(d) excludes impact on Huelva 50MW plant as it is not linked to pulp production activity

- ✓ **Pulp sales grew +2% in 2013,** thanks to growth in production and sold tons. Prices have remained stable, as exchange rate offset a +5% increase in prices to $792 /t.
- ✓ **Electricity sales increased +10% in 2013** thanks to +17% increased volume due to the contribution of the new Huelva biomass plant and in spite of the estimated -7% fall in prices based on the premium proposal on the draft regulation for cogeneration and renewable facilities, effective beginning in July 2013.
- ✓ **Adjusted EBITDA dropped -12% to +€155 M** in spite of the increase in pulp sales and production and the new Huelva 50 MW biomass plant since it started operations in February, due to the impact of the new energy taxes from the start of the year and the new premium prices proposed for renewable energies, applicable retroactively since 14 July. Given the transitory nature of the latter and subjected to new allegations, -€10 M have been incorporated into sales figure as an expected impact. Excluding the impact from accounted regulatory changes since the beginning of the year, adjusted EBITDA would have been +€197 M.
- ✓ **The mentioned accounted regulatory changes are the main factor behind the cash cost increase, which stands at €382 /t in 2013**. **Excluding this impact** in the year equivalent to +€27 /t, **2013 cash cost would have been approximately €355/t,** +3% above 2012 cash cost.
- ✓ **Fiscal year profit stood at +€4 M in 2013** compared with +€43 M in 2012**.** Excluding accounted regulatory changes, net profit would have been +€56 M. However, cash flow from operating activities has strongly continued in the period, to sum up €176 M.
- ✓ **Net financial debt was down by -50% since 2012 to an amount of €100 M**, as a result of increased operating revenues and the divestitures performed. The leverage ratio excluding non-recourse debt stood at 0.8x. The retroactive adjustment in premiums collected under the new regulation has not generated a cash outflow in the current period.
- ✓ **The 50 MW plant in Huelva, consolidated since February, generated around 376,000 MWh in 2013.** Thanks to executing a fast learning curve, utilization ratio during the year reached above 90%, with 2013 production +31% higher than expected. However, future revenues level will be limited by the drafted new regulatory

framework which equals energy crop remuneration to forestry waste (-17% lower) and limits sales with premium price to 6,500 hours per installed gross MW.

- ✓ **Ence completed the sale of 27,780 hectares in Uruguay and 2,608 hectares in the south of Portugal to forestry funds in the amount of €60 M and €11 M, respectively.** These transactions are in line with the company's strategy to reinforce its forestry supply model in order to extract value from its forestry assets.

Clarification regarding the 3Q13 and 4Q13results

Energy revenue and production cost figures ("cash cost") from 3Q13 and 4Q13 are calculated based on tariffs defined in draft proposal of "Order for approval of compensatory parameters for electric energy production facilities based on renewable energy, cogeneration, and waste sources", 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 in point 1 of the current report is mentioned, an impact of -€43 M has been accounted in 2013 accounts (-€10 M due to the retroactive impact from premiums prices changes and -€33 M due to asset impairments). Given that such tariffs have not been approved by the date of publication of these 3Q13 and 4Q13, consolidated results and production cost ("cash cost") accounted for in the period may change after the report's publication.

The following table shows the impact in the main operating lines and financial results, as a consequence of applying the Ministerial Order draft:

figures in €M	1Q13	2Q13	3Q13	Regulatory Impact	Adjusted 3Q13	4Q13	2013
Electricity sales	**64.7**	**60.7**	**59.3**	**(4.9)**	**54.4**	**50.4**	**230.2**
Energy sales at pulp mills	51.3	46.4	43.8	(3.8)	40.0	38.2	175.9
Energy sales at Huelva 50MW (a)	13.4	14.4	15.5	(1.2)	14.4	12.2	54.3
Average electricity sale price (€/MWh)	**131**	**133**	**123**	**(10.9)**	**112**	**106**	**120**
Average electricity sale price at pulp mills	128	128	114	(10.7)	104	99	114
Average electricity sale price Huelva 50MW	146	152	155	(11.6)	143	137	144
Cash cost (€/t)	**359**	**355**	**379**	**11**	**389**	**423**	**382**
Total sales	**217.4**	**221.7**	**214.3**	**(4.9)**	**209.3**	**201.1**	**849.6**
Adjusted EBITDA	**44.2**	**54.0**	**41.9**	**(4.6)**	**37.3**	**19.2**	**154.7**
EBITDA	**43.5**	**48.3**	**40.7**	**(4.6)**	**36.1**	**13.3**	**141.3**
EBIT	**23.9**	**30.1**	**17.2**	**(4.6)**	**12.6**	**(37.7)**	**29.0**
Net profit	**13.1**	**17.2**	**7.4**	**(3.2)**	**4.2**	**(30.9)**	**3.7**

3. PULP BUSINESS

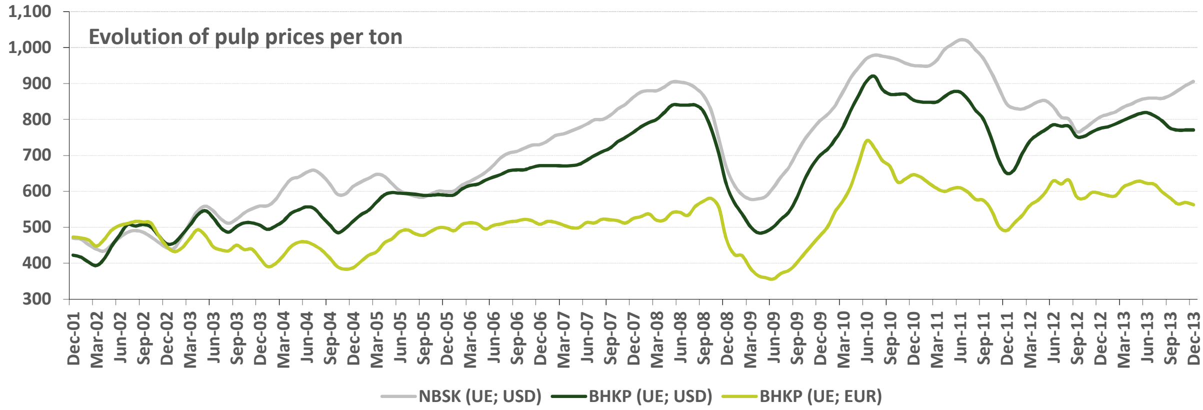
	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Huelva	93,098	95,321	(2%)	95,487	(3%)	368,938	357,008	3%
Pontevedra	104,240	106,196	(2%)	100,141	4%	418,329	406,722	3%
Navia	124,051	127,895	(3%)	125,911	(1%)	484,121	485,906	(0%)
Pulp production (tons)	**321,389**	**329,411**	(2%)	**321,539**	(0%)	**1,271,389**	**1,249,636**	2%
Huelva	98,623	90,280	9%	98,545	0%	375,859	353,733	6%
Pontevedra	103,481	105,002	(1%)	105,656	(2%)	417,252	406,475	3%
Navia	119,517	125,143	(4%)	129,439	(8%)	476,984	488,597	(2%)
Pulp sales (tons)	**321,622**	**320,425**	0%	**333,640**	(4%)	**1,270,095**	**1,248,805**	2%
BHKP ($/t)	**770**	**794**	(3%)	**765**	1%	**792**	**751**	5%
Average exchange rate ($/€)	**1.36**	**1.33**	2%	**1.30**	5%	**1.33**	**1.28**	4%
Net sale price (€/t)	**460**	**477**	(3%)	**481**	(4%)	**479**	**479**	0%
Pulp sales (€M)	**148.6**	**153.3**	(3%)	**160.3**	(7%)	**611.4**	**597.0**	2%

Pulp production increased by +2% in 2013 compared with 2012, which confirms growth in operational performance with a capacity utilization rate of around 95% (or 96% if adjusted for maintenance-related downtime). The Pontevedra, Huelva and Navia plants maintenance shutdowns were performed in March, May, and June, respectively. In 4Q13, there were unplanned repairs to the Pontevedra boiler and a higher numer of incidents in the Navia drying line, which explains the reduced production compared with 3Q13. Sales volume grew by +2% compared with 2012, in a situation in which pulp prices were +5% in $/t higher than those of the previous year.

Regarding average revenue per ton, average net sale price was around €479 /t during this period, in line with 2012, as the dollar depreciation was offset by the rise in pulp prices in that currency.

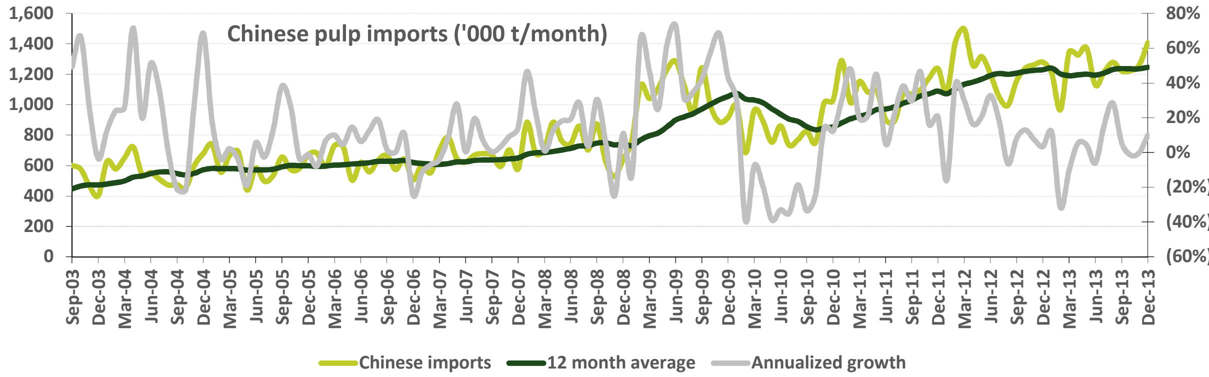
OVERVIEW ON THE PULP MARKET

Despite the uncertainty generated by the starting up of increased capacity in Brazil (the 1.5-million-ton Eldorado facility that began its operations in November of 2012), prices have remained at levels close to $800 /t in 2013. Part of this strong performance is due to limited growth in supply during the year, after closure of the Jari facility in Brazil in February (0.4 million tons) and the Tofte facility in Norway in August (0.45 million tons). Beginning in June, the seasonal drop in pulp demand caused by increased downtime for maintenance at European paper mills in 3Q13 exerted downward pressure on pulp prices, which fell from $820 /t in June to $770 /t as of December 31, since when prices have kept stable.



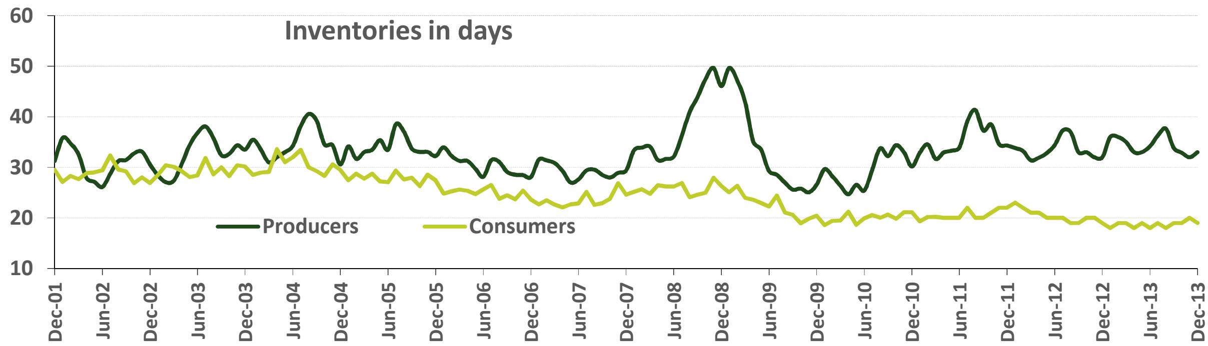
Source: FOEX

Demand has shown recovery at the global level, with an accumulated increase of +3.2% through to December. By region, demand from the U.S. increased by around +4.8% (PPPC), while European demand showed levels similar to those in 2012. However, demand from China showed a +9.3% increase at the end of December, with a rising growth trend in demand as months went by. It is estimated that the growth trend in Chinese demand will continue to be a factor supporting price levels, based upon the growth of the country's economy, low levels of per capita consumption, and the entry of new tissue paper and writing paper manufacturing capacity.



Source: Hawkins Wright

At the global level, producer inventories remain at average 32-day cycle levels, while consumer inventories have maintained historical minimum levels of 19 days at the end of December (PPPC). The situation is equally positive in Europe, where consumer inventories are holding at levels close to historical minimums of 20 days (Utipulp), while port inventories have dropped by -7% compared to the numbers recorded last year (Europulp).



Source: PPPC (W20 statistics)

These favourable market conditions justified the increase to $820 /t announced as from 1 January. This announcement took place simultaneously with the increase in prices that is also being implemented by long fibre producers, widening the price differential between short and long fibre above $140 /t. This increase between short and long fibre price should act as an additional support for short fibre prices in the next quarters. The announced of the postponement for the Montes del Plata project in Uruguay, and the startup operation of Maranhao facility (1.5 M t) last 30 December, will delay the increase in pulp supply until the second half of 2014, given the necessary execution of its learning curve. The context of growing demand (+3.2% in 2013 through to the end of December) along with the greater weakness expected from the dollar, a solid price environment can be expected in coming months, with a moderate correction in the second half of the year.

4. ENERGY ACTIVITY

Development of the electricity business in 2013 has been mainly influenced by the three regulatory modifications applied and operations of the 50 MW Huelva plant in February. The impact of Law 15/2012 (dated 27 December) is primarily focused on costs, with the imposition of a 7% tax on generation and the "green cent" for auxiliary fuels (gas and fuel oil). RD-law 2/2013 (dated 1 February) affected revenues by changing the CPI used to update rates (which caused rates to remain the same in 2013) and by eliminating the option for sales at market prices plus a premium, 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 return before taxes for all renewable investments equivalent to 10 year bond yield plus 300 bps for all renewable investments, calculated on standard investments and operational costs according to technology and operation year startup. The definition of the new tariff framework was delegated in the development of a new RD and required Ministerial Orders that would quantify the new tariffs applicable to the mentioned installations. Once approved, tariff amounts received since 14 July will be adjusted. Energy sales prices compiled in this results report reflect a -€10 M fall in revenue estimated based on the Ministerial Orders draft published on 3 February, not approved yet and subjected to allegations. Final approval of orders along with the RD dealing with the new regulatory framework for the regulatory environment is expected in the coming months.

All these changes have been impacted negatively on the cash cost of the company, as energy sales linked to industrial process of pulp business are considered lower cost of production.

However, in spite of the effects of these regulatory changes, the company's energy-based revenues in 2013 show a +10% increase thanks to the entry of the Huelva facility into operation in September last year and its contribution to the company's results since the beginning of February following its handover by the contractor. Average electricity sales prices in 4Q13 show a -20% down from 4Q12, reflecting the financial impact caused by the accounted regulatory proposals on the company’s power generation activities.

ENERGY PRODUCTION AT PULP MILLS

	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Huelva	204,508	207,597	(1%)	201,798	1%	814,230	814,995	(0%)
Pontevedra	54,355	47,506	14%	57,929	(6%)	214,322	229,353	(7%)
Navia	139,091	144,255	(4%)	129,539	7%	525,042	514,571	2%
Electricity production (MWh)	**397,954**	**399,358**	(0%)	**389,265**	2%	**1,553,595**	**1,558,919**	(0%)
Biomass generation	119,937	126,375	(5%)	116,677	3%	478,849	503,980	(5%)
Biomass co-generation	170,403	168,386	1%	170,742	(0%)	662,992	663,005	(0%)
Gas natural co-generation	96,429	92,433	4%	94,293	2%	377,612	375,788	0%
Electricity sales (MWh) [(a)]	**386,768**	**387,195**	(0%)	**381,712**	1%	**1,519,453**	**1,542,773**	(2%)
Electricity consumption (MWh)	**189,014**	**185,741**	2%	**191,909**	(2%)	**738,389**	**738,628**	(0%)
Average pool price (€/MWh)	**52**	**50**	5%	**43**	21%	**44**	**47**	(7%)
Average sale price (€/MWh)	**99**	**104**	(5%)	**129**	(24%)	**114**	**128**	(11%)
Electricity sales (€M) [(b)]	**38.2**	**40.0**	(5%)	**49.3**	(22%)	**175.9**	**197.6**	(11%)

(a) adjusted by unbalances

(b) excludes sales from the new 50MW plant in Huelva and includes adjustments for settlements to National Energy Commission after the covered period

Revenues from the sale of energy generated by the pulp plants were for €176 M in 2013, down -11% compared to 2012. The impact of lower volumes due to problems with the Pontevedra turbine in the last August, and expected to be repaired next November 2014, were decreased by the -11% year-on-year fall in average sales price as a result of Ministerial Orders accounted proposal (-24% in 4Q13 compared to 4Q12). Market prices for electricity have been about -7% below the prices recorded in 2012 due to the high rainfall levels during the first half of the year, with the effects of these easing up partially in 2H13. This fall has meant a lower average cost for electricity consumption in the power plants during the year.

ENERGY PRODUCTION AT INDEPENDENT ENERGY PLANTS

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Electricity sales (MWh)	**89,062**	**100,465**	(11%)	**74,641**	19%	**376,087**	**74,641**	404%
Average selling price (€/MWh)	**137**	**143**	(4%)	**145**	(5%)	**144**	**145**	(0%)
Sales [a]	12.2	14.4	(15%)	10.8	13%	54.3	10.8	403%
EBITDA	4.3	4.4	(1%)	-	n.s.	18.9	-	n.s.
Forest depletion (energy crops)	(1.0)	(1.1)	(4%)	-	n.s.	(4.8)	-	n.s.
EBITDA excluding forest depletion [b]	3.3	3.3	(1%)	-	n.s.	14.1	-	n.s.
Industrial depreciation	(2.7)	(2.7)	0%	-	n.s.	(9.8)	-	n.s.
EBIT	0.6	0.7	(5%)	-	n.s.	4.4	-	n.s.
Net profit	(0.5)	(0.7)	(31%)	-	n.s.	(1.4)	-	n.s.

(a) includes €11M and €5M of capitalized sales in 2012 and 2013 respectively, previous the reception of the plant

(b) EBITDA ex-forestry depletion is in line with the criteria that was used to communicate EBITDA guidance for the plants

The handover of the 50 MW Huelva biomass plant took place in February 2012. As in 4Q12, the operations for January were capitalised, including the €4.6 M in sales corresponding to this month, which were capitalised to offset a negative entry under the work on fixed assets heading. Therefore, EBITDA reflects the company's operating results for the months of February through December, both inclusive. Electricity sales in 2013 totalled 376 GWh, which represents a +31% increase for annual sales over the 287 GWh estimated for 2013, thanks to improved self-consumption (close to 10% versus the forecasted 13%) and higher facility usage rates (higher than 90%).

At the EBITDA post forestry depletion level, current margins set the annualised data around +€15 M, slightly below initial estimates as energy crop has been equated to forest waste in the Ministerial Order draft for new premiums scheme, with retroactive character since 14 July 2013. This had a negative impact in 2H13 results since the plant has been functioning with an energy supply mix close to 60% on energy crops, which has a higher cost and receive forest waste tariff as a remuneration, -17% lower. 2H13 plant results have also been penalised due to the limitations on the volume of MWh sold at premium prices during the year, which has not enabled the company to benefit from the good operating performance of the power plant and has generated additional loses as it has sold 23 GWh since 14 July at pool price below variable costs of biomass supply as it has been generating above the 6,500 hours limit set to receive premium price. The following table shows adjusted results in 3Q13, which are based on the mentioned premium price.

figures in €M	1Q13	2Q13	3Q13	Regulatory Impact	Adjusted 3Q13	4Q13	2013
Sales (a)	13.4	14.4	15.5	(1.2)	14.4	12.2	**54.3**
EBITDA	4.3	5.9	5.6	(1.2)	4.4	4.3	**18.9**
Forest depletion (energy crops)	(1.4)	(1.3)	(1.1)	-	(1.1)	(1.0)	**(4.8)**
EBITDA excluding forest depletion (b)	2.9	4.6	4.5	(1.2)	3.3	3.3	**14.1**
Industrial depreciation	(1.7)	(2.7)	(2.7)	-	(2.7)	(2.7)	**(9.8)**
EBIT	1.2	1.9	1.8	(1.2)	0.7	0.6	**4.4**
Net profit	0.3	(0.4)	0.1	(0.8)	(0.7)	(0.5)	**(1.4)**

5. FORESTRY ACTIVITY

	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Supply to the industrial process (m^3)	**969,955**	**973,901**	(0%)	**949,566**	2%	**3,794,787**	**3,643,083**	4%
Cost €/m^3	**73**	**71**	3%	**69**	5%	**71**	**70**	2%
Wood purchases per source								
Own wood	6%	6%		6%		6%	4%	
Direct acquisitions from land owners	32%	29%		25%		27%	28%	
Suppliers	54%	58%		59%		56%	57%	
Imported timber	8%	6%		11%		11%	11%	
Own hectares	49,062	51,680	(5%)	51,917	(5%)	49,062	51,917	(5%)
Third party hectares (consortia) [a]	39,204	36,601	7%	36,007	9%	39,204	36,007	9%
Hectares managed by ownership (Ha)	**88,266**	**88,281**	(0%)	**87,924**	0%	**88,266**	**87,924**	0%
Hectares for pulp	70,746	70,749	(0%)	69,810	1%	70,746	69,810	1%
Hectares for energy crops	17,520	17,532	(0%)	18,114	(3%)	17,520	18,114	(3%)
Hectares managed by use (Ha)	**88,266**	**88,281**	(0%)	**87,924**	0%	**88,266**	**87,924**	0%

(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 increased by +4% in 2013 due to increased pulp production and a slight increase in consumption per ton. A +2% increase in average wood cost has also occurred because of the increased purchase of certified wood and the increase in average distance in transporting it which is linked to greater factory production. In terms of supply sources, the fall in imports in 2H13 has offset the impact that high rainfall levels during 1H13 have had on availability of domestic wood, with the accumulated weight of the wood imported during the year being similar to that seen for 2012.

Ence sold 2,608 hectares that it owned in Portugal in 4Q13, closing repurchasing contracts in the long term for the wood and management of plantations. Excluding these sales, the size of forestry assets has not suffered a significant change, with the company's efforts focused on review of supply costs in relation to its own production as well as to outside suppliers at the expense of new acquired hectares, under the aim of maintaining projects profitability after the most recent regulatory changes versus the acquisition of new hectares.

6. COMMENT ON THE 2013 RESULTS

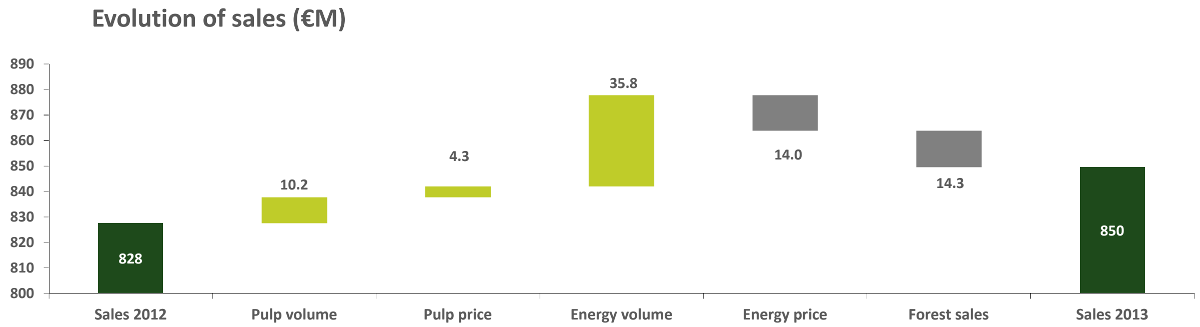
figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Pulp sales	148.6	153.3	(3%)	160.3	(7%)	611.4	597.0	2%
Electricity sales [a]	50.4	54.4	(7%)	60.1	(16%)	230.2	208.4	10%
Forestry sales and others	2.1	1.6	26%	3.7	(44%)	8.0	22.3	(64%)
Total net sales	**201.1**	**209.3**	(4%)	**224.1**	(10%)	**849.6**	**827.6**	3%
Cost of goods sold [b]	(109.0)	(103.1)	6%	(107.6)	1%	(425.7)	(407.2)	5%
Personnel expenses	(20.1)	(18.7)	8%	(22.6)	(11%)	(80.5)	(82.1)	(2%)
Other operating expenses	(58.6)	(51.4)	14%	(57.3)	2%	(202.1)	(199.0)	2%
EBITDA	**13.3**	**36.1**	(63%)	**36.7**	(64%)	**141.3**	**139.3**	1%
Forest depletion	(3.9)	(3.0)	31%	(4.7)	(17%)	(15.2)	(8.9)	71%
Rest of depreciations	(15.9)	(17.4)	(9%)	(13.0)	22%	(63.1)	(54.5)	16%
Provisions	(31.3)	(3.2)	n.s.	3.9	n.s.	(34.0)	6.3	n.s.
EBIT	**(37.7)**	**12.6**	n.s.	**22.8**	n.s.	**29.0**	**82.3**	(65%)
Financial result	(6.5)	(6.8)	(3%)	(2.3)	182%	(24.4)	(18.6)	31%
Non-current Assets result classified as kept for Sale [c]	-	-	n.s.	(0.7)	(100%)	-	(0.7)	(100%)
Profit before taxes	**(44.2)**	**5.8**	n.s.	**19.9**	n.s.	**4.6**	**63.0**	(93%)
Taxes	13.4	(1.6)	n.s.	(5.6)	n.s.	(1.0)	(19.9)	(95%)
Net profit	**(30.9)**	**4.2**	n.s.	**14.2**	n.s.	**3.7**	**43.0**	(92%)
Adjusted EBITDA	**19.2**	**37.3**	(48%)	**47.1**	(59%)	**154.7**	**175.3**	(12%)
Cash cost (€/t)[d]	**423**	**389**	9%	**354**	20%	**382**	**344**	11%

(a) includes €11M and €5M of capitalized sales in 2012 and 2013 respectively, previous the reception of the 50MW Huelva plant
(b) supplies +/- change in stocks
(c)as of 30/09/13, -€2,6 M related to the sale of assets in Portugal have been reclassified as "Provisions" after the sale completion
(d) excludes impact on Huelva 50MW plant as it is not linked to pulp production activity

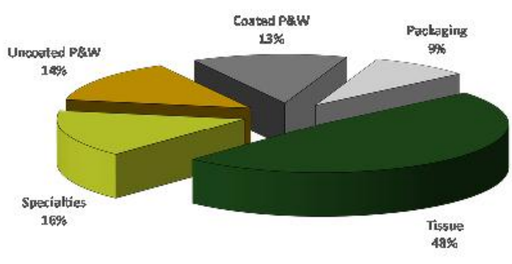
2013 sales revenues amounted to €850 M, +3% higher than in 2012. Pulp sales for this period were €611 M, +2% above 2012 figure thanks to a +2% increase in sales volumes. This growth is in line with the company's forecasted range of around +1% and +3%.

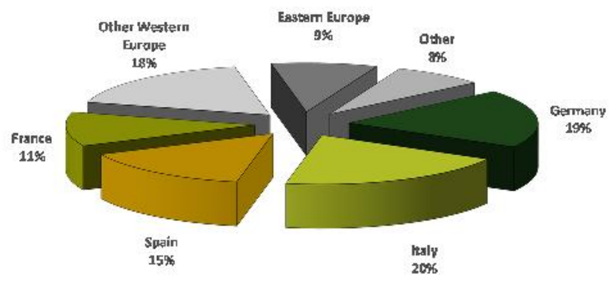
Energy sales reached €230 M in 2013, +10% above 2012, due to the strength in production (up +17% compared with 2012) resulting from the putting into operation of the 50 MW plant in Huelva. The production increase has partially been offset by the impact of power generation and cogeneration premium prices included in the draft, leading to a -7% average annual sales price reduction. Adjusted by capitalised sales in Huelva between September 2012 and January 2013, growth in volume would be around +21% higher, in line with the company's range of expectations, which was between +18% and +21%.

Forestry sales were around €8 M (a -64% reduction compared with 2012) due to the fall of forestry consulting sales and services as well as reduced sales of wood to third parties. This reduction is in line with reduced activity in international markets for wood and it is consistent with implementation of a strategic change in wood supply, focused on local sources supply, as a lower cost.

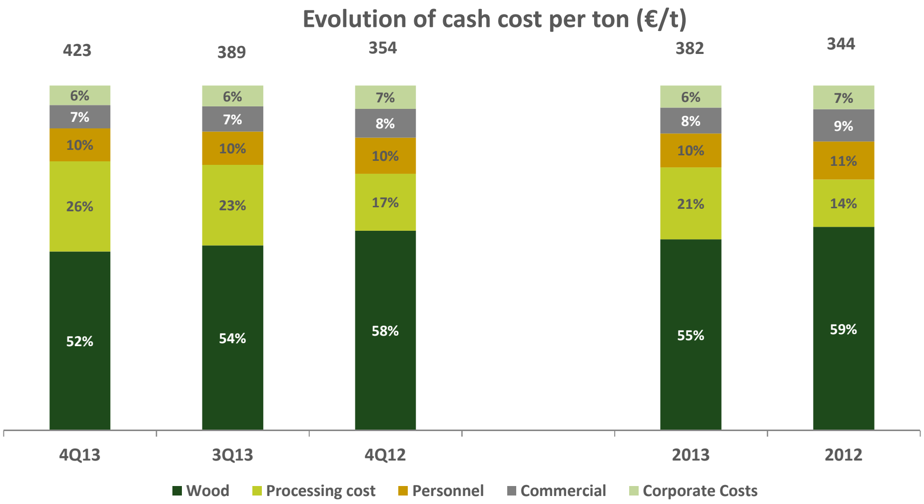


The distribution of sales by segment remained in line with previous quarters, with tissue being the principal paper production segment. In terms of geography, sales in Spain increased to 15% of the total from 13% in 2012 due to the strong export figures for our Spanish paper mill clients, with a reduction of exports outside Europe to 8% vs 12% in 2012. In 2013, sales in Europe have been increased by +7% up to represent 92% of the total sales of the Group, reaching an annual market share of 16% in the current period (+1% vs the previous twelve months).

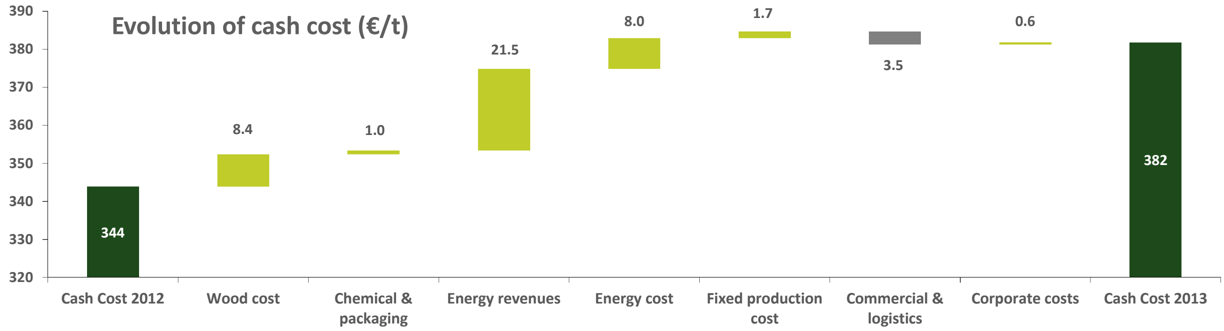




Cash-cost grew +11% in 2013 compared to 2012 up to €382 /t mainly due to the impact of electricity regulation while the 4Q13 figure showed a pick-up of +9% vs 3Q13, an increase motivated mainly by regulatory energy changes, increase in pool prices and higher wood cost per ton produced.



Impacts from regulatory reform in 2013 have meant a +€27 /t increase in cash-cost: +€9 /t increase due to the generation tax, +€3 /t increase due to the green cent and +€15 /t increase based on Ministerial Orders draft. Adjusted by this impact, cash cost would have been €355 /t, +3% higher than 2012.



Note. The increase in energy costs includes an impact of +€11 /t due to new taxes; the increase in energy revenues includes an impact of +€15/t from the RD 9-2013

As a consequence of the regulatory impact and despite of the good performance pulp business, 2013 adjusted EBITDA was -12% less than in 2012, at around +€155 M. Including hedging, severance payments and provisions, 2013 EBITDA amounted to €141 M, +1% vs 2012. Currency hedging had a positive impact in 2013 and a negative impact in 2012, favouring a comparison between periods. 2013 adjustments similarly include a €3 M provision due to the inventories impairment, €4 M due to the leasing agreements rescission and €5 M provision derived from the labour agreement for improving efficiency. The last one will be fully implemented in 2014 and will mean estimated annual savings of close to €6 M once implemented. In 2013, savings generated were €1.4 M, equivalent to €3.5 M annualised. Excluding the impact from different standards that energy reform has materialized in 2013 (energy tax generation, remove of complements and the draft of tariff scheme), EBITDA and adjusted EBITDA would have been +€187 M and +€196 M, respectively.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
EBITDA	**13.3**	**36.1**	(63%)	**36.7**	(64%)	**141.3**	**139.3**	1%
Hedging instruments: pulp and exchange rate	(3.4)	(2.4)	38%	5.6	n.s.	(12.1)	27.6	n.s.
Severance payments	(0.5)	0.0	n.s.	3.1	n.s.	5.4	4.7	14%
Provisions and others	2.2	2.3	(3%)	0.1	n.s.	5.1	(1.4)	n.s.
Other non-recurrent	7.5	1.3	477%	1.6	361%	15.0	5.1	192%
Adjusted EBITDA	**19.2**	**37.3**	(48%)	**47.1**	(59%)	**154.7**	**175.3**	(12%)

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

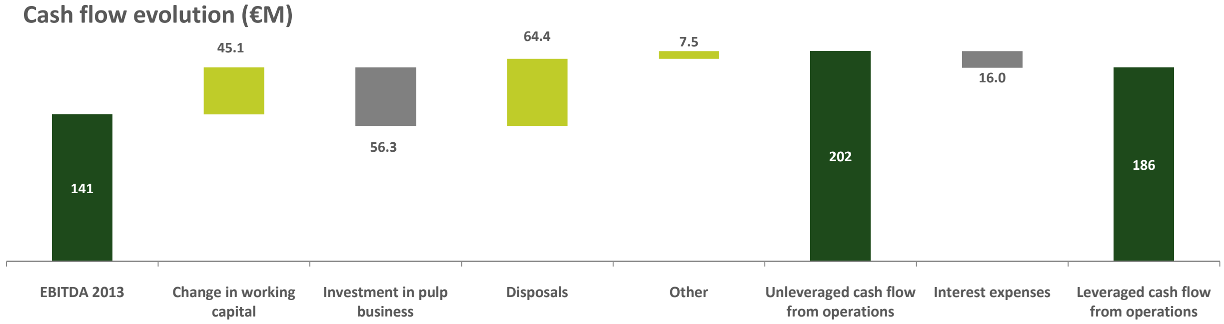
Excluding depreciation/amortisation, provisions, financial results and taxes, the company reported a net profit of +€4 M in 2013 compared with +€43 M in 2012. The assets impairment due to the Ministerial Order draft had a -€21 M impact in the net income, net of taxes.

7. LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Cash flow generated by operations in 2013, including investments in maintenance was €202 M, including the closure of asset sales in Uruguay (executed in 2012 and collected in March 2013) and Portugal. This strong generation of liquidity is now allowing the company to consider payment of dividends and to finance its investments in expansions planned during the year, while at the same time allowing reduction in the net levels of financial debt recorded at the end of last year.

Cash flow evolution (€M)



Note: the variation in working capital includes a €6 M reduction in "Inventories" linked to the Uruguay sale and €10 M increase in "Current financial and other assets" linked to the expected retroactive impact in 2H13 sales.

Net cash flows from operating activities were €176 M in 2013, +58% higher than the figure in 2012 thanks to higher pulp prices, increase in electricity generation after 50MW Huelva plant reception and the positive impact of the variation in working capital thanks to the reduction of inventories and reduction of accounts receivable. The impact of -€10 M as a lower sales figure due to the retroactive application of the tariffs proposal draft, has not generated a cash outflow in 2013.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Consolidated profit for the year before tax	**(44.2)**	**10.4**	**n.s.**	**19.9**	**n.s.**	**4.6**	**63.0**	**(93%)**
Depreciation and amortisation charge	19.8	20.4	(3%)	17.8	11%	78.3	63.4	24%
Finance income/costs	6.4	6.6	(4%)	2.0	215%	24.8	17.3	43%
Increase / decrease other deferred income/costs	41.5	8.4	394%	5.6	n.s.	56.2	(0.5)	n.s.
Adjustments of profit for the year-	**67.7**	**35.4**	**91%**	**25.3**	**167%**	**159.3**	**80.1**	**99%**
Trade and other receivables	9.3	(3.5)	n.s.	(28.3)	n.s.	30.5	(24.0)	n.s.
Current financial and other assets	0.1	(0.2)	n.s.	4.6	(97%)	(2.9)	18.2	n.s.
Current liabilities	20.9	(13.3)	n.s.	0.1	n.s.	7.1	(13.8)	n.s.
Inventories	(0.2)	(2.6)	(91%)	5.7	n.s.	10.4	18.3	(43%)
Changes in working capital-	**30.2**	**(19.6)**	**n.s.**	**(17.9)**	**n.s.**	**45.1**	**(1.3)**	**n.s.**
Interest paid / received	(3.4)	(9.6)	(65%)	(5.6)	(40%)	(16.0)	(20.8)	(23%)
Income tax recovered (paid)	(11.1)	(0.2)	n.s.	(8.4)	33%	(17.1)	(9.4)	82%
Other cash flows from operating activities-	**(14.5)**	**(9.9)**	**47%**	**(14.0)**	**4%**	**(33.1)**	**(30.2)**	**10%**
NET CASH FLOWS FROM OPERTATING ACTIVITIES	**39.1**	**16.4**	**139%**	**13.4**	**193%**	**175.9**	**111.6**	**58%**

Net cash flows from investment activities were -€48 M in 2013 vs -€120 M in 2012 as a consequence of the collect of the assets sale in Uruguay last March and assets sale in Portugal last December. Investments were -7% lower than the amount for 2012 due to the decrease on biomass project investments.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Property, plant and equipment	(30.9)	(29.3)	5%	(44.1)	(30%)	(112.8)	(104.4)	8%
Intangible assets	(0.2)	1.5	n.s.	(16.1)	(99%)	(0.9)	(16.1)	(94%)
Other financial assets	0.2	(0.1)	n.s.	0.2	5%	1.3	(0.2)	n.s.
Investments	**(30.8)**	**(27.9)**	**11%**	**(60.0)**	**(49%)**	**(112.4)**	**(120.6)**	**(7%)**
Disposals	**10.8**	**1.1**	**n.s.**	**(0.8)**	**n.s.**	**64.4**	**0.5**	**n.s.**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(20.0)**	**(26.8)**	**(25%)**	**(60.8)**	**(67%)**	**(48.0)**	**(120.1)**	**(60%)**

In terms of net cash flows from financial activities, an outlay of -€65 M took place during 2013 through placing part of the company's treasury in deposits with terms of more than three months in order to optimise financial income. A €250 M bond issuing in January was used to repay the existing debt, with the company's gross financial debt remaining at a similar level on 31st December.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Proceeds and payments relating to equity instruments	**(14.6)**	**(5.0)**	**191%**	**(29.1)**	**(50%)**	**1.0**	**(40.4)**	**n.s.**
Debt instruments and held-for-trading liabilities (net)	-	(1.8)	(100%)	-	n.s.	239.5	-	n.s.
Increase/(decrease) in bank borrowings (net)	(0.7)	(0.4)	72%	40.6	n.s.	(232.1)	37.4	n.s.
Other financial liabilities	0.2	0.3	(51%)	0.0	n.s.	(11.9)	(3.3)	262%
Proceeds and payments relating to financial liability	**(0.5)**	**(1.9)**	**(71%)**	**40.6**	**n.s.**	**(4.5)**	**34.2**	**n.s.**
Dividends and returns on other equity instruments paid	**(0.0)**	**-**	**n.s.**	**-**	**n.s.**	**(16.2)**	**(16.5)**	**(2%)**
Translation differences	**(0.0)**	**(0.0)**	**(52%)**	**(0.2)**	**(92%)**	**(0.0)**	**(0.2)**	**(80%)**
Fixed-term deposit	-	-	n.s.	-	n.s.	(45.0)	-	n.s.
Other proceeds and payments from financing activities	**-**	**-**	**n.s.**	**-**	**n.s.**	**(45.0)**	**-**	**n.s.**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(15.2)**	**(7.0)**	**118%**	**11.3**	**n.s.**	**(64.7)**	**(22.9)**	**182%**

As a final result, +€63 M increase was produced in 2013 in the company's cash levels, generating a total amount of €103 M cash and cash equivalents, which increases up to €159 M if the financial investments are taken into account.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**3.9**	**(17.4)**	**n.s.**	**(36.1)**	**n.s.**	**63.2**	**(31.4)**	**n.s.**

WORKING CAPITAL

Working capital for 2013 stood at +€33 M, -€36 M less than 2012 figure mainly due to the inventories and trade and other receivables reduction.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Inventories	71.6	76.8	(7%)	87.6	(18%)	71.6	87.6	(18%)
Trade and other receivables	114.4	117.5	(3%)	138.6	(17%)	114.4	138.6	(17%)
Receivables from public authorities	9.2	-	n.s.	-	n.s.	9.2	-	n.s.
Other current financial assets (a)	10.9	11.0	(1%)	7.6	44%	10.9	7.6	44%
Other accounts receivables from public authorities	19.0	24.0	(21%)	29.7	(36%)	19.0	29.7	(36%)
Other current assets	1.0	6.3	(85%)	0.9	6%	1.0	0.9	6%
Trade and other payables	(181.0)	(166.7)	9%	(184.7)	(2%)	(181.0)	(184.7)	(2%)
Corporate income tax payables	(0.0)	(10.9)	(100%)	(1.3)	(97%)	(0.0)	(1.3)	(97%)
Other accounts payable to public authorities	(11.3)	(10.6)	6%	(8.5)	34%	(11.3)	(8.5)	34%
Other current liabilities	(0.7)	(0.4)	59%	(0.5)	55%	(0.7)	(0.5)	55%
Working capital	**33.0**	**46.9**	(30%)	**69.4**	(52%)	**33.0**	**69.4**	(52%)
Change in WC as per cash flow statement	**30.2**	**(15.0)**	n.s.	**12.5**	140%	**45.1**	**(1.3)**	n.s.

(a) figures in 3Q13, 4Q13 and 2013 are adjusted by €45M of fixed-term deposit

INVESTMENTS

In 2013, investments in the pulp business (industrial and forestry) amounted to €57 M, +€20 M above the figure for 2012. These investments were principally related to environmental upgrades for the facilities. Investments related to biomass expansion amounted to €56 M, with the majority linked to the facility construction in Merida. After the reception of the 50MW Huelva plant in February, the payment schedule linked to this industrial project was completed.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Maintenance	9.3	0.5	n.s.	8.6	8%	20.7	15.1	37%
Improvements in efficiency/production	4.9	2.8	78%	4.4	13%	11.2	5.5	103%
Environmental	6.6	1.2	430%	3.1	112%	14.6	4.2	246%
Industrial investment in pulp	**20.8**	**4.5**	363%	**16.0**	30%	**46.5**	**24.8**	87%
Plantation and maintenance activity	1.7	2.0	(16%)	2.3	(28%)	9.1	10.1	(10%)
Financial expenses	0.4	0.4	(0%)	0.4	(4%)	1.4	1.5	(4%)
Forest investment in pulp	**2.0**	**2.4**	(14%)	**2.7**	(25%)	**10.5**	**11.6**	(9%)
Industrial investment in biomass	**8.8**	**15.5**	(43%)	**25.5**	(66%)	**48.7**	**58.9**	(17%)
Forest investment in biomass	**3.0**	**2.6**	16%	**7.0**	(57%)	**7.4**	**17.6**	(58%)
Total investment	**34.6**	**24.9**	39%	**51.2**	(33%)	**113.2**	**113.0**	0%

8. FINANCIAL RESULT AND DEBT

FINANCIAL RESULT

Financial expenses (excluding capitalisations and including payments linked to interest rate hedging) were close to €29 M, in line with 2012 figure. In terms of hedging results, cancellation of the IRS linked to the previous syndicated loan has meant the end of future payments linked to this instrument, as well as to postings to result from changes in its value. Following the bond issue in January, the impacts of interest rate hedging for the year are limited to payment of the IRSs for Project Finance, without impacts derived from changes in its value from consideration as a hedging instrument.

figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Interest on bond	(4.5)	(4.5)	-	-	n.s.	(16.6)	-	n.s.
Interest on loans	(1.4)	(1.5)	(5%)	(3.7)	(61%)	(6.5)	(15.5)	(58%)
Interests on factoring and confirming	(1.0)	(0.8)	24%	(0.5)	88%	(2.8)	(1.7)	63%
Capitalization of financial expenses	1.0	1.0	0%	2.5	(60%)	4.5	7.2	(37%)
Financial expenses	**(5.9)**	**(5.8)**	2%	**(1.7)**	242%	**(21.4)**	**(10.0)**	114%
IRS settlement interest	(0.7)	(0.7)	0%	(3.7)	(81%)	(2.8)	(12.4)	(78%)
IRS adjustment in fair value	-	-	n.s.	2.2	(100%)	(1.0)	6.6	n.s.
Financial expenses for equity swap	0.5	0.6	(21%)	1.6	(69%)	2.6	(0.3)	n.s.
Result of hedging (IRS and equity swap)	**(0.2)**	**(0.1)**	147%	**0.1**	n.s.	**(1.2)**	**(6.1)**	(81%)
Net exchange differences	**(0.4)**	**(0.7)**	(37%)	**(0.4)**	11%	**0.6**	**(1.8)**	n.s.
Other financial expenses	**(0.5)**	**(0.7)**	(20%)	**(0.4)**	28%	**(4.4)**	**(1.4)**	205%
Financial income	**0.6**	**0.5**	15%	**0.2**	243%	**2.0**	**0.7**	173%
Financial result	**(6.5)**	**(6.8)**	(4%)	**(2.3)**	182%	**(24.4)**	**(18.6)**	31%
Interests on non recourse debt	(1.4)	(1.5)	(7%)	(0.0)	n.s.	(5.5)	(0.0)	n.s.
Financial result excluding project finance	**(5.1)**	**(5.3)**	(2%)	**(2.3)**	123%	**(18.9)**	**(18.6)**	2%

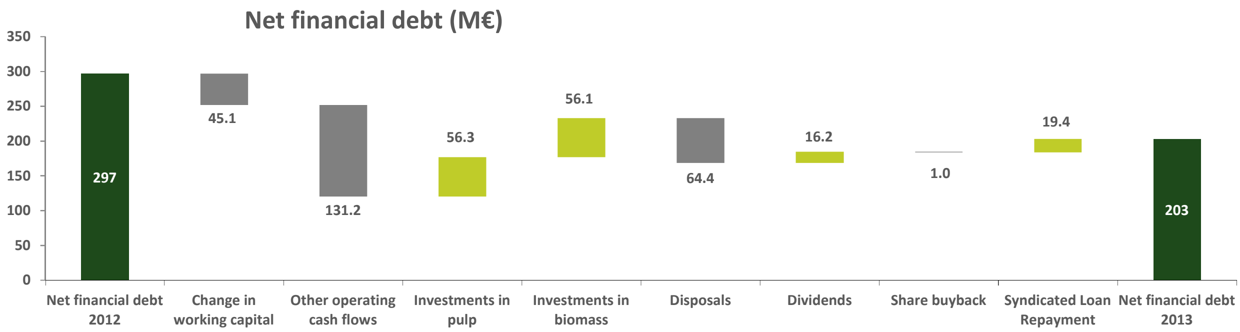
FINANCIAL DEBT

In terms of debt, the net financial debt with recourse at the end of 2013 was €100 M, a -50% decrease compared to the amount recorded in 2012. The total net financial debt was €203 M, -32% less than recorded in 2012 despite the investment on the 20MW facility in Merida and the completion of the 50 MW Huelva biomass plant.

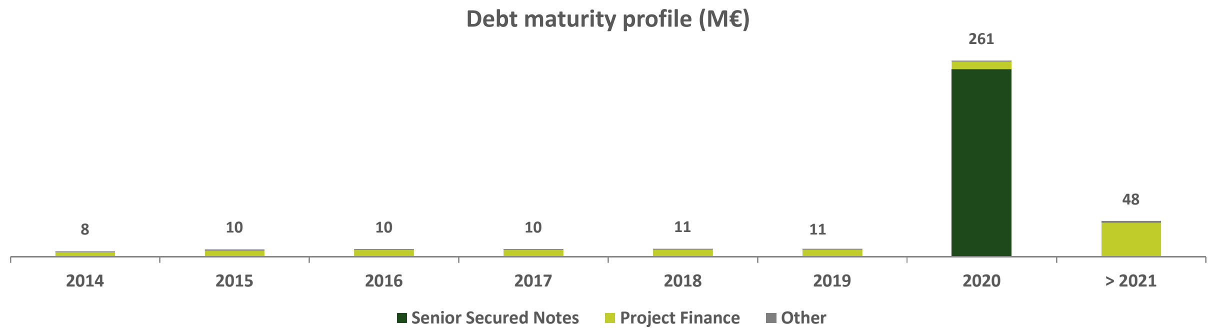
figures in €M	4Q13	3Q13	Δ%	4Q12	Δ%	2013	2012	Δ%
Bond	250.0	250.0	-	-	n.s.	250.0	-	n.s.
Bond - unamortized transaction costs	(9.3)	(9.7)	(4%)	-	n.s.	(9.3)	-	n.s.
Loans	0.7	0.8	(13%)	214.6	(100%)	0.7	214.6	(100%)
Loans - unamortized transaction costs	-	-	n.s.	-	n.s.	-	-	n.s.
Other financial liabilities	9.9	11.0	(10%)	10.6	(6%)	9.9	10.6	(6%)
Other financial liabilities - grant	(1.4)	(1.4)	(4%)	(1.3)	4%	(1.4)	(1.3)	4%
Long-term debt	**249.9**	**250.7**	(0%)	**223.9**	12%	**249.9**	**223.9**	12%
Bond - accrued interest	7.1	2.6	178%	-	n.s.	7.1	-	n.s.
Loans	0.4	0.4	-	24.6	(98%)	0.4	24.6	(98%)
Loans - unamortized transaction costs	-	-	n.s.	(2.0)	(100%)	-	(2.0)	(100%)
Loans - accrued interest	0.0	0.1	(56%)	0.4	(94%)	0.0	0.4	(94%)
Other financial liabilities	2.0	0.9	126%	1.6	26%	2.0	1.6	26%
Other financial liabilities - accrued interest	0.0	0.1	(90%)	-	n.s.	0.0	-	n.s.
Short-term debt	**9.5**	**4.0**	141%	**24.6**	(61%)	**9.5**	**24.6**	(61%)
Total gross financial debt	**259.5**	**254.7**	2%	**248.4**	4%	**259.5**	**248.4**	4%
Cash	103.4	99.5	4%	40.2	157%	103.4	40.2	157%
Short-term financial investments	55.9	56.0	(0%)	7.6	n.s.	55.9	7.6	n.s.
Total net financial debt with recourse	**100.2**	**99.2**	1%	**200.7**	(50%)	**100.2**	**200.7**	(50%)
Non recourse debt Long-term	100.8	103.7	(3%)	98.8	2%	100.8	98.8	2%
Non recourse debt LT - unamortized transaction costs	(3.2)	(3.4)	(4%)	(3.7)	(13%)	(3.2)	(3.7)	(13%)
Non recourse debt Short-term	5.7	3.4	69%	1.5	288%	5.7	1.5	288%
Non recourse debt ST - unamortized transaction costs	(0.5)	(0.5)	1%	(0.5)	3%	(0.5)	(0.5)	3%
Non recourse debt ST - accrued interest	0.1	1.9	(93%)	0.1	13%	0.1	0.1	13%
Total net financial debt	**203.1**	**204.3**	(1%)	**296.8**	(32%)	**203.1**	**296.8**	(32%)

This reduction has taken place thanks to the strong generation of cash flow from pulp business and divestitures, which were mainly compensated by investments in biomass projects and paid dividends to the shareholders. In March, asset sales deals in Uruguay were closed once approval from Uruguayan authorities was given, which has meant a +€59 M improvement in the group's cash flow, while in December the assets sale transaction in Portugal was completed, which meant an inflow of +€11 M.

The company also has factoring lines with a €83 M limit, of which €31 M had been utilised at the end of December. In terms of liquidity, in addition to the company's cash position, it has a revolving credit facility with a €90 M limit, which had not been drawn down at the end of this period.



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



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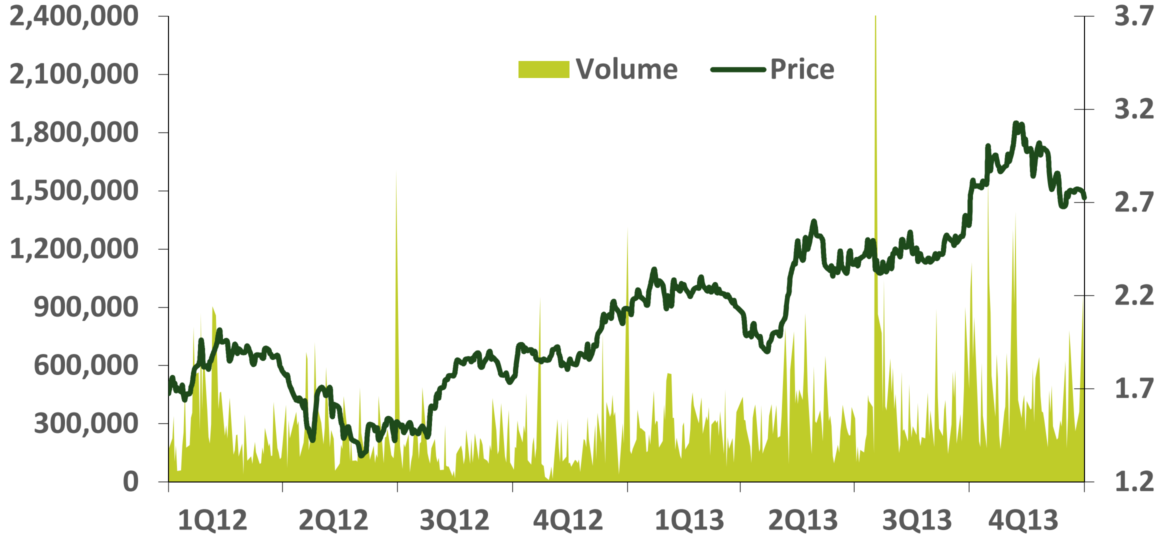
9. ENCE ON THE STOCK MARKET

Stock evolution has shown +28% increase in 2013, +7% and +10% above the Spanish and European market, respectively.



Source: Thomson Reuters

	1Q12	2Q11	3Q11	4Q12	1Q13	2Q13	3Q13	4Q13
Average daily volume (shares)	283,924	270,690	190,820	226,282	283,963	347,171	446,481	508,964
Ence performance	7%	(15%)	14%	23%	0%	11%	9%	6%
Ibex 35 performance	(7%)	(11%)	9%	6%	(3%)	(2%)	18%	8%
Eurostoxx performance	7%	(9%)	8%	7%	(0%)	(1%)	11%	7%

Note: the performance of Ence's share price has been adjusted by dividends of €0.07 per share paid on 8 May 2012 and the €0.07/share paid on 3 April 2013. No adjustment was made for the dividend in kind paid on 8 May 2012, 17 August 2012, and 11 April 2013, which entailed an additional 3.5%, 2.7%, and 4% profitability, respectively.

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

In addition to its shares being traded on the stock markets, in January 2013 the company issued bonds in a total amount of €250 M with a 7.25% return and a 7 year term. 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 2013

Issuing of senior debt amounting to €250M

On January 25, Ence successfully issued senior secured notes for €250 M aimed at qualified international investors, with 7.25% annual fixed interest, semi-annual coupon and maturing in 2020. Additionally, it contracted a senior loan facility with a limit of €90 M, maturing in 2018. This issue made it possible to repay the existing corporate bank financing, expand the debt maturity profile, optimise the structure of its funds and increase its financial flexibility, at the same time as diversifying and internationalising the company's funding sources.

Acceptance of the 50 MW Huelva biomass plant

On September 10, 2012, the connection of the 50 MW Huelva plant was completed, making it the largest biomass generating plant to provide power to the Spanish electricity grid, with a forecast annual production of the 337 million kWh. Later, Huelva biomass plant was carried out on February 7, 2013 by OHL, the project contractor. The start up of this plant represents an increase of nearly +30% in the company's installed power capacity for biomass energy production, to 230 MW.

Dividend of €0.07/share and one treasury share for every 25 held

On February 19, the board of directors approved the proposal to the general shareholders' meeting of a dividend payment of €0.07 per share against the 2012 operating results, as well as a stock dividend in treasury shares drawn down from the issue premium in the proportion of one treasury share for each 25 shares that the shareholder currently owns. The dividend was approved at the General Shareholders' Meeting held on 21 March 2013. At the date of approval, the two dividends amounted to a dividend yield of 7%.

Completion of the sale of assets in Uruguay

On December 15, 2012 Ence agreed to sell its assets in Uruguay to a North American institutional fund for $77 M, allowing it to improve its financial strength. The assets consisted of 27,780 hectares of forestry land with eucalyptus plantations in south-eastern Uruguay, along with wood-chip and saw mill facilities. The sale of these assets took place after the implementation of a disintermediation strategy in the company's wood purchasing, replacing imported wood with wood from Northern Spain. The operation was completed on March 7, 2013 once authorisation was received from the Uruguayan forestry authorities.

Approval of the new Coastal Law

On 9 May, the Spanish parliament approved the new Coastal Law, which allowed existing concessions on the coast to be extended and which affected the Ence plant in Pontevedra, among many others. The maximum extension period will be 75 years and based on usage, the State will be able to grant successive extensions until the maximum is reached A previous environmental report from the Autonomous Communities is required, although this will not be binding for the State. On November 8, based on the regulation to be drawn up under the new law, which must be approved by the Ministry of Agriculture, Food, and Environment, Ence applied to the authorities for extension of its contract for the maximum legal term.

Treasury share sale

On 13 June, 12,513,625 treasury shares were sold, representing 5% of share capital, for a total amount of €27,404,838.75, at a price of 2.19 € per share. The shares were acquired with a view to long-term permanence and stability in the Company's shareholder structure, purchased equally by Asúa Inversiones, S.L. and Fuente Salada, S.L.

Energy reform

On 12 July, Royal Decree-Law 9/2013 was approved, whereby urgent measures were adopted to guarantee the stability of the Spanish Electricity System, change the Electricity Industry Law and modify the remuneration system of the special system facilities. Among other measures, Royal Decree-Law 661/2007, which regulated the electricity production activity under the special system, and art. 4 of the Royal Decree-Law 6/2009, which created the pre-assignment register, were revoked. A new economic system was announced, which has yet to be implemented, whose objective is to guarantee that the renewable energy facilities obtain profitability of 7.5%, calculated before taxes, with reference to the costs and investment of a standard facility, during the whole of its regulatory useful life. With immediate impact, the efficiency and reactive Premium were eliminated until the approval of the new remuneration framework.

Labour agreement to improve efficiency

The Group has reached an agreement with unions at the three mills in order to reduce by 86 people the number of employees through early retirements and redundancies. The Program, whose cost has been fully provisioned in 2Q13, will reduce the company personnel expenses by close to €6 M, once fully implemented.

Sales of forestry assets in Portugal

On 17 December 2013, Ence completed sales of its forestry assets in Portugal consisting of 2,608 hectares with eucalyptus plantations to an international fund for €11 M. This disintermediation strategy in wood purchasing started last fiscal year with the sale of assets in Uruguay. For the group this has represented development of a forestry asset management model to enable enhancement of Ence's forestry assets, evolving from owner to forest manager and reinforcing its balance sheet and solvency at the same time.

11. FINANCIAL STATEMENTS

Profit and Loss Account

figures in €M	2012	1Q13	2Q13	3Q13	Regulatory Impact	Adjusted 3Q13	4Q13	2013
Total Net Turnover	**827.6**	**217.4**	**221.7**	**214.3**	**(4.9)**	**209.3**	**201.1**	**849.6**
Supplies	(408.0)	(106.4)	(103.5)	(108.3)	-	(108.3)	(109.7)	(427.8)
Change in stocks of finished products	0.8	0.5	(4.2)	5.2	-	5.2	0.7	2.1
Gross Margin	**420.4**	**111.5**	**114.0**	**111.2**	**(4.9)**	**106.2**	**92.1**	**423.9**
Works performed by the group on fixed assets	24.2	1.3	4.4	4.5	-	4.5	4.6	14.8
Other income	6.5	3.2	2.0	2.1	-	2.1	1.2	8.5
Result from hedging operations	(27.6)	3.4	2.9	2.4	-	2.4	3.4	12.1
Personnel	(82.1)	(18.6)	(23.1)	(18.7)	-	(18.7)	(20.1)	(80.5)
Other operating expenses	(202.1)	(57.3)	(52.0)	(60.8)	**0.3**	(60.4)	(67.8)	(237.5)
EBITDA	**139.3**	**43.5**	**48.3**	**40.7**	**(4.6)**	**36.1**	**13.3**	**141.3**
EBITDA margin	**16.8%**	**20.0%**	**21.8%**	**19.0%**		**17.3%**	**6.6%**	**16.6%**
Depreciation of fixed assets	(63.4)	(19.5)	(18.7)	(20.4)	-	(20.4)	(19.8)	(78.3)
Impairment and result from sales of fixed assets	6.3	(0.1)	0.5	(3.2)	-	(3.2)	(31.3)	(34.0)
EBIT	**82.3**	**23.9**	**30.1**	**17.2**	**(4.6)**	**12.6**	**(37.7)**	**29.0**
EBIT margin	**9.9%**	**11.0%**	**13.6%**	**8.0%**		**6.0%**	**(18.7%)**	**3.4%**
Financial income	0.7	0.2	0.7	0.5	-	0.5	0.6	2.0
Financial expenses	(19.4)	(5.5)	(6.5)	(7.3)	-	(7.3)	(7.1)	(26.4)
Non-Current Assets result classified as kept for Sale	(0.7)	-	-	-	-	-	-	-
Profit before tax	**63.0**	**18.7**	**24.3**	**10.4**	**(4.6)**	**5.8**	**(44.2)**	**4.6**
Corporate tax	(19.9)	(5.6)	(7.1)	(3.0)	**1.4**	(1.6)	13.4	(1.0)
Net profit	**43.0**	**13.1**	**17.2**	**7.4**	**(3.2)**	**4.2**	**(30.9)**	**3.7**

(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	2012	1Q13	2Q13	3Q13	Regulatory Impact	Adjusted 3Q13	4Q13	2013
Tangible fixed assets	947.2	956.6	960.1	955.0	-	955.0	934.5	934.5
Intangible fixed assets	21.6	21.4	20.3	20.1	-	20.1	20.5	20.5
Long- term financial assets	4.1	4.5	2.9	3.0	-	3.0	2.9	2.9
Other non-current assets	30.6	31.7	28.5	29.4	**1.4**	30.7	35.0	35.0
Total fixed assets	**1,003.5**	**1,014.2**	**1,011.8**	**1,007.4**	**1.4**	**1,008.8**	**992.8**	**992.8**
Inventories	87.6	86.4	76.8	76.8	-	76.8	71.6	71.6
Trade debtors and other accounts receivable	168.2	149.3	140.2	141.5	-	141.5	133.4	133.4
Cash and other short-term financial assets	47.8	141.1	172.7	155.5	-	155.5	159.3	159.3
Financial investments for short-term hedging	10.7	4.0	3.8	3.2	-	3.2	0.0	0.0
Other current assets	0.9	1.6	8.2	6.3	-	6.3	10.2	10.2
Non-Current Assets Classified as kept for Sale	59.3	0.7	0.7	11.2	-	11.2	0.0	0.0
Total current assets	**374.6**	**383.1**	**402.3**	**394.5**	**-**	**394.5**	**374.5**	**374.5**
Total assets	**1,378.0**	**1,397.3**	**1,414.2**	**1,401.9**	**1.4**	**1,403.3**	**1,367.3**	**1,367.3**
Equity	**724.7**	**715.0**	**758.8**	**760.1**	**(3.2)**	**756.9**	**709.6**	**709.6**
Long- term financial debt	318.9	353.3	351.0	351.1	-	351.1	347.5	347.5
Long-term provisions	13.3	13.6	12.8	16.0	-	16.0	20.4	20.4
Financial instruments for long-term hedging	16.6	13.9	9.1	9.0	-	9.0	7.4	7.4
Other non-current liabilities	51.8	50.9	46.3	45.1	-	45.1	43.2	43.2
Total non-current liabilities	**400.6**	**431.7**	**419.2**	**421.2**	**-**	**421.2**	**418.4**	**418.4**
Short-term financial debt	25.7	7.3	12.8	8.7	-	8.7	14.9	14.9
Trade creditors	184.7	192.0	179.1	166.7	-	166.7	181.0	181.0
Short-term provisions	8.5	8.1	8.6	8.3	**4.9**	13.2	17.3	17.3
Financial Instruments for short-term hedging	14.9	4.7	4.3	4.2	-	4.2	4.5	4.5
Other current liabilities	19.0	38.4	31.3	32.6	**(0.3)**	32.3	21.5	21.5
Non-Current liabilities classified as kept for Sale	-	-	-	-	-	-	-	-
Total current liabilities	**252.7**	**250.6**	**236.1**	**220.5**	**4.6**	**225.1**	**239.3**	**239.3**
Total liabilities	**1,378.0**	**1,397.3**	**1,414.2**	**1,401.9**	**1.4**	**1,403.3**	**1,367.3**	**1,367.3**

Cash Flow Statement

figures in €M	2012	1Q13	2Q13	3Q13	Regulatory Impact	Adjusted 3Q13	4Q13	2013
Consolidated profit for the year before tax	**63.0**	**18.7**	**24.3**	**10.4**	**(4.6)**	**5.8**	**(44.2)**	**4.6**
Depreciation and amortisation charge	53.3	14.2	15.0	17.0	-	17.0	15.5	61.7
Exhaustion of forestry reserve	9.1	5.2	3.1	3.0	-	3.0	3.9	15.2
Amortisation of intangible assets	1.0	0.2	0.5	0.4	-	0.4	0.4	1.4
Gains/Losses on disposal of non-current assets	(3.0)	0.1	0.2	2.4	-	2.4	29.7	32.3
Finance costs	18.0	0.1	12.5	7.2	-	7.2	7.0	26.8
Finance income	(0.7)	5.8	(6.7)	(0.5)	-	(0.5)	(0.6)	(2.0)
Grants and subsidies transferred to profit and loss	(1.2)	(0.3)	(0.3)	(0.3)	-	(0.3)	(0.3)	(1.3)
Changes in provisions and other deferred expenses (net)	3.7	4.6	2.0	6.4	-	6.4	12.1	25.1
Adjustments of profit for the year	**80.1**	**29.8**	**26.4**	**35.4**	**-**	**35.4**	**67.7**	**159.3**
Trade and other receivables	(24.0)	18.0	7.1	(3.5)	**(0.3)**	(3.9)	9.3	30.5
Current financial and other assets	18.2	(3.8)	0.9	(0.2)	-	(0.2)	0.1	(2.9)
Current liabilities	(13.8)	(2.7)	(2.8)	(13.3)	**4.9**	(8.3)	20.9	7.1
Inventories	18.3	7.3	5.9	(2.6)	-	(2.6)	(0.2)	10.4
Changes in working capital	**(1.3)**	**18.8**	**11.2**	**(19.6)**	**4.6**	**(15.0)**	**30.2**	**45.1**
Interest paid	(21.5)	(1.6)	(2.4)	(10.1)	-	(10.1)	(4.0)	(18.0)
Interest received	0.7	0.2	0.7	0.5	-	0.5	0.6	2.0
Income tax recovered (paid)	(9.4)	-	(5.7)	(0.2)	-	(0.2)	(11.1)	(17.1)
Other cash flows from operating activities	**(30.2)**	**(1.4)**	**(7.4)**	**(9.9)**	**-**	**(9.9)**	**(14.5)**	**(33.1)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**111.6**	**65.9**	**54.5**	**16.4**	**0.0**	**16.4**	**39.1**	**175.9**
Property, plant and equipment	(104.4)	(26.6)	(26.1)	(29.3)	-	(29.3)	(30.9)	(112.8)
Intangible assets	(16.1)	-	(2.2)	1.5	-	1.5	(0.2)	(0.9)
Other financial assets	(0.2)	(0.3)	1.6	(0.1)	-	(0.1)	0.2	1.3
Investments	**(120.6)**	**(27.0)**	**(26.7)**	**(27.9)**	**-**	**(27.9)**	**(30.8)**	**(112.4)**
Property, plant and equipment	0.4	52.5	0.0	1.1	-	1.1	10.8	64.4
Other financial assets	0.2	-	-	-	-	-	-	-
Disposals	**0.5**	**52.5**	**0.0**	**1.1**	**-**	**1.1**	**10.8**	**64.4**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(120.1)**	**25.5**	**(26.7)**	**(26.8)**	**-**	**(26.8)**	**(20.0)**	**(48.0)**
Purchase of treasury shares	(41.7)	(3.7)	(3.4)	(4.7)	-	(4.7)	(14.6)	(26.5)
Disposal of treasury shares	1.3	0.2	27.6	(0.3)	-	(0.3)	-	27.5
Proceeds and payments relating to equity instruments	**(40.4)**	**(3.6)**	**24.2**	**(5.0)**	**-**	**(5.0)**	**(14.6)**	**1.0**
Debt instruments and other held-for-trading liabilities (net)	-	243.8	(2.5)	(1.8)	-	(1.8)	-	239.5
Increase / (decrease) in bank borrowings (net)	37.4	(230.5)	(0.5)	(0.4)	-	(0.4)	(0.7)	(232.1)
Grants and subsidies received	-	-	(0.4)	0.3	-	0.3	0.2	0.1
Other financial liabilities	(3.3)	(12.0)	0.0	-	-	-	-	(12.0)
Proceeds and payments relating to financial liability instruments	**34.2**	**1.3**	**(3.3)**	**(1.9)**	**-**	**(1.9)**	**(0.5)**	**(4.5)**
Dividends	(16.5)	-	(16.2)	-	-	-	(0.0)	(16.2)
Dividends and returns on other equity instruments paid	**(16.5)**	**(0.0)**	**(16.2)**	**-**	**-**	**-**	**(0.0)**	**(16.2)**
Translation differences	**(0.2)**	**0.0**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**(0.0)**	**(0.0)**
Fixed-term deposit	-	-	(45.0)	-	-	-	-	(45.0)
Other proceeds and payments from financing activities	**-**	**-**	**(45.0)**	**-**	**-**	**-**	**-**	**(45.0)**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(22.9)**	**(2.2)**	**(40.3)**	**(7.0)**	**-**	**(7.0)**	**(15.2)**	**(64.7)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**(31.4)**	**89.2**	**(12.5)**	**(17.4)**	**-**	**(17.4)**	**3.9**	**63.2**

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Quarterly Report
4th Quarter 2013

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