Earnings Report
2nd Quarter 2016

20 September 2016

CONTENTS

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

1. EXECUTIVE SUMMARY

Market figures	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
BHKP (USD/t) average price	695.7	764.3	*(9.0%)*	779.5	*(10.8%)*	730.0	764.5	*(4.5%)*
Average exchange rate (USD/€)	1.13	1.10	*2.5%*	1.10	*2.6%*	1.11	1.12	*(0.4%)*
BHKP (€/t) average price	616.1	693.7	*(11.2%)*	708.4	*(13.0%)*	655.6	683.8	*(4.1%)*

Operating Magnitudes	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Pulp sales (t)	231,140	217,504	*6.3%*	211,370	*9.4%*	448,643	431,767	*3.9%*
Cash cost (€/t)	366.8	379.6	*(3.4%)*	367.0	*(0.0%)*	373.1	364.8	*2.3%*
Energy sales from Energy business (MWh)	98,578	139,573	*(29.4%)*	107,875	*(8.6%)*	238,151	275,771	*(13.6%)*

Key magnitudes in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Revenues from Pulp business	123.8	129.6	*(4.4%)*	139.3	*(11.1%)*	253.4	270.1	*(6.2%)*
Revenues from Energy business	15.5	22.5	*(31.1%)*	19.4	*(20.0%)*	38.0	44.0	*(13.5%)*
Consolidation adjustments	(0.3)	(1.9)		(1.8)		(2.3)	(0.9)	
Total net revenue	**139.0**	**150.2**	*(7.4%)*	**156.9**	*(11.4%)*	**289.2**	**313.2**	*(7.7%)*
Pulp business Adjusted EBITDA	21.9	29.2	*(25.2%)*	38.3	*(42.8%)*	51.1	67.6	*(24.4%)*
Energy business Adjusted EBITDA	4.3	7.7	*(45.0%)*	**9.3**	*(54.4%)*	12.0	19.1	*(37.2%)*
Consolidation adjustments	0.0	(0.0)		(1.3)		(0.0)	(1.3)	
Adjusted EBITDA	**26.1**	**37.0**	*(29.3%)*	**46.3**	*(43.6%)*	**63.1**	**85.4**	*(26.1%)*
Adjusted EBITDA margin	*19%*	*25%*	*(5.8) p.p.*	*30%*	*(10.7) p.p.*	*22%*	*27%*	*(5.5) p.p.*
EBIT	**5.9**	**17.9**	*(67.2%)*	**27.4**	*(78.6%)*	**23.7**	**45.6**	*(48.0%)*
Net profit	**(2.6)**	**13.9**	*n.s.*	**12.4**	*n.s.*	**11.4**	**22.1**	*(48.7%)*
Pulp business recurrent free cash flow	20.2	9.7	*108.3%*	45.3	*(55.3%)*	29.9	46.9	*(36.2%)*
Energy business recurrent free cash flow	0.3	1.8	*(81.9%)*	5.8	*(94.4%)*	2.2	16.8	*(86.9%)*
Consolidation adjustments	0.0	0.1		(1.1)		(0.0)	(1.3)	
Recurrent free cash flow	**20.6**	**11.6**	*77.6%*	**50.0**	*(58.9%)*	**32.1**	**62.4**	*(48.5%)*

Net financial debt	Jun-16	Mar-16	Δ%	Dec-15	Δ%
Pulp business net financial debt	211.7	194.4	*8.9%*	181.3	*16.8%*
Energy business net financial debt	47.7	47.4	*0.6%*	59.9	*(20.3%)*
Net financial debt	**259.4**	**241.9**	*7.3%*	**241.2**	*7.6%*

- ✓ **Global demand for pulp remained strong throughout the first half, up 4.0% year-on-year, boosted by China, where demand jumped 16.3% year-on-year, making it once again the main demand growth engine.**
- ✓ **European short-fibre pulp prices continued the gradual correction initiated during the last quarter of 2015, having ended June at $682/tonne. The gap with long-fibre prices had reached $124/tonne at the June close, above the 10-year average of $90, foreshadowing stronger demand for short-fibre pulp in the coming months shaped by substitution dynamics.**
- ✓ **The 3.9% uptick in pulp sales volumes enabled the Company to largely offset the 8.3% drop in average sales prices; sales volume growth was driven by the capacity added at the Navia factory in 2015 (20,000 tonnes per annum) and a higher capacity utilisation rate at the Pontevedra complex.**
- ✓ **In addition, in June the Company successfully completed its investment programme for enhancing efficiency and increasing capacity in Navia, lifting the facility's annual production capacity by a further 20,000 tonnes to**

540,000 tonnes, in line with the Business Plan measures. As a result, the factory's production costs will come down in the coming quarters.

- ✓ **The cash cost declined by 3.4% quarter over quarter in 2Q16 to fall in line with the 2Q15 metric at €366.8/tonne. Stripping out the impact of the Navia stoppage, the second-quarter cash cost would have been €361.8/tonne.**
- ✓ **In light of low pool prices and in a bid to make the best use of the 6,500 operating hours permitted for regulatory remuneration purposes, the Company decided to pare back generation hours in the energy business from an average of 2,578 hours in 1H15 to to an average of 2,166 hours in 1H16. This generation volume will be recouped during the second half of the year.**
- ✓ **During the second quarter, the Ministry of Industry, Energy and Tourism ruled on the government proceedings initiated in 2014 to secure correct classification within the official remuneration regime registry of the 41-MW plant in Huelva, which is now registered as a hybrid plant (85% biomass; 15% black liquor), in keeping with its profile prior to closure of the pulp mill in 3Q14. As a result of this reclassification, the Company is due to collect balances due from the electricity system totalling €28.8m during 2H16.**
- ✓ **In addition, during the first half, the Company closed the sale of 63 hectares of estates and signed deposit agreements for the sale of an additional 1,484 hectares for a total of €34.9m, having collected €7.3m in sale proceeds and down payments during the reporting period. The sale of the remaining land is expected to close during the second half of the year, once the corresponding zoning and permitting is complete, implying the collection of a further €27.6m and the materialisation of a gain of approximately €14m.**
- ✓ **On 14 April, the Company paid its shareholders €24.9m in the form of a final dividend from 2015 profits of €0.10 per share (before withholding tax); coupled with the interim dividend of €0.044 per share paid out in October 2015, this represents a dividend yield of 4.7% in respect of the average 2015 share price.**
- ✓ **In addition, on 23 June, the Company's Board of Directors approved a share buyback programme with the aim of complementing shareholder remuneration by subsequently cancelling the shares, thereby lifting earnings per share. The Company will buy back up to €10m worth or 4 million shares (equivalent to 1.6% of share capital) under the programme.**

2. PULP BUSINESS

Ence has two eucalyptus pulp mills in Spain: a 540,000-tonne-capacity facility in the town of Navia, Asturias, and a 440,000-tonne-capacity complex in Pontevedra, Galicia. Both use eucalyptus timber acquired locally in abundant markets.

Ence's pulp business encompasses all the activities related to the production of pulp for sale to third parties. It therefore includes not only the production and sale of pulp but also the generation and co-generation of energy at the plants involved in the productive process, as well as the supply of timber from the plantations managed by the company.

2.1. Pulp market trends

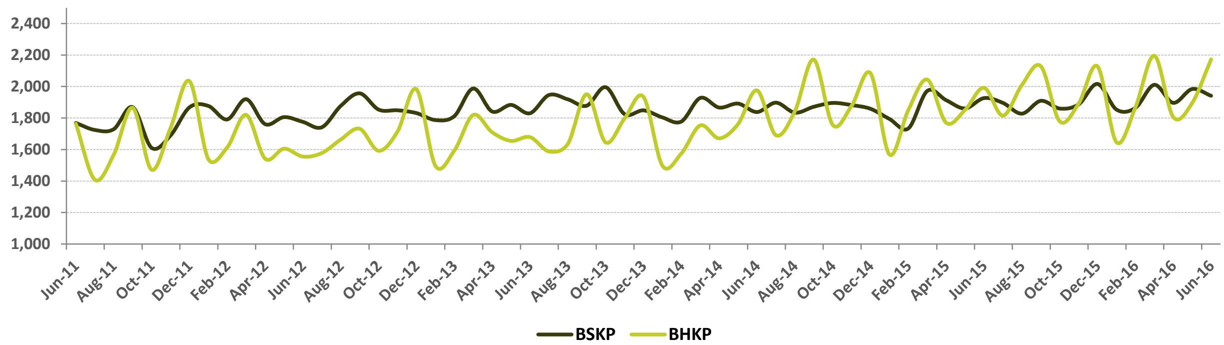
Global demand for pulp remained strong during the first half of the year, registering year-on-year growth of 4.0%, compared to growth of 3.2% in 2015 and compound annual growth during the last five years of 2.7% (PPPC W-20).

China remained the key growth engine, posting first-half year-on-year growth of 16.3%, compared to growth of 13.3% in 2015 and compound annual growth during the last five years of 10.5%.

Demand growth continues to be led by demand for eucalyptus pulp, which was 7.6% higher year-on-year in 1H16; this grade continues to win market share from other less-efficient short fibres for which demand contracted by 7.4% year-on-year.

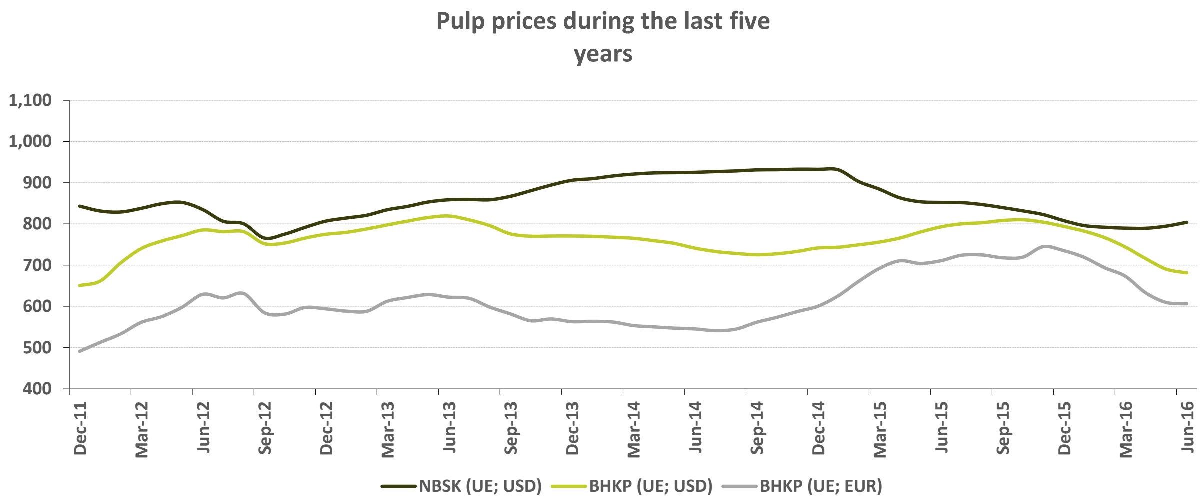
Demand for long-fibre pulp, meanwhile, registered year-on-year growth of 3.2% in the first half, compared to a contraction of 0.1% in 2015 and compound annual growth during the last five years of 1.9%, shaped mainly by the narrowing of the price gap with respect to short-fibre pulp to close to $10 per tonne in Europe in January.

Demand for pulp during the last five years (millions of tonnes)



Source: PPPC (W-20)

During the second quarter of 2016, European short-fibre (BHKP) prices continued the gradual correction initiated during the last quarter of 2015, having ended June at $682/tonne. Long-fibre pulp prices, meanwhile, regained over $15 per tonne during the same period, ending June at $806 per tonne.



Source: FOEX

As a result, the spread between short (BHKP) and long fibre (BSKP) prices, which had been at lows of close to $10 per tonne in January, had widened to $124 per tonne by the end of June, which is above the trailing 10-year average of $90; this should fuel stronger demand for short fibre pulp in the months to come driven by substitution dynamics.

China is the world's largest importer of market pulp as well as boasting local short-fibre (BHKP) production capacity of over two million tonnes, whose average production costs are very close to current price levels according to the sector consultant Hawkins Wright; this factor should lend additional support to short-fibre (BHKP) prices in the medium term.

2.2. Revenue from pulp sales

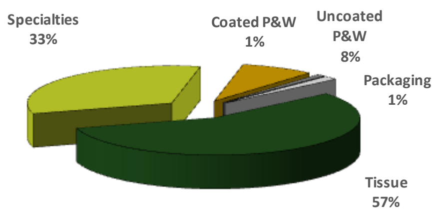
	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Pulp sales (t)	**231,140**	**217,504**	*6.3%*	**211,370**	*9.4%*	**448,643**	**431,767**	*3.9%*
Average selling price (€/t)	459.8	512.0	*(10.2%)*	553.9	*(17.0%)*	485.1	529.0	*(8.3%)*
Pulp sales revenues (€Mn)	**106.3**	**111.4**	*(4.6%)*	**117.1**	*(9.2%)*	**217.6**	**228.4**	*(4.7%)*

In the first half of 2016, the Company sold 3.9% more tonnes of pulp than in 1H15, in line with increased capacity in the wake of the addition of 20,000 tonnes of capacity at the Navia mill during the maintenance stoppage carried out in June 2015, coupled with higher capacity utilisation rates at the Pontevedra mill.

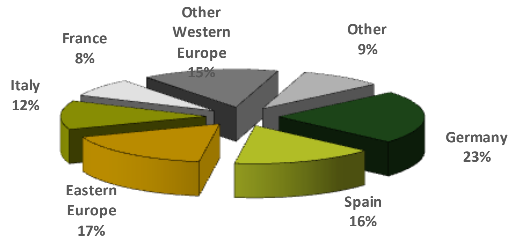
The growth in sales volumes largely offset the reduction in average sales prices during the first half (down 8.3% year-on-year), so that revenue from pulp sales declined by 4.7% to €217.6m.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 57% of the total sales volume, followed by the specialty paper segment, at 33%. The tissue paper segment has been one of the fastest-growing paper segments in recent years and is expected to continue to gain weight in the Company's sales mix relative to slower-growing segments such as printing and writing papers.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



Most of the pulp produced by Ence is sold in Europe, namely 91% of total sales volumes in 1H16. Germany and Spain accounted for 23% and 16% of total sales volumes, respectively, followed by Italy and France, at 12% and 8%, respectively. Eastern Europe as a bloc accounted for 17% of the total, with the other western European countries purchasing the remaining 15%.

2.3. Pulp production and cash cost

	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Navia pulp production	107,826	129,096	*(16.5%)*	99,274	*8.6%*	236,921	225,235	*5.2%*
Pontevedra pulp production	112,931	90,659	*24.6%*	105,940	*6.6%*	203,591	194,417	*4.7%*
Pulp production (t)	**220,757**	**219,755**	*0.5%*	**205,215**	*7.6%*	**440,512**	**419,652**	*5.0%*

Pulp production increased by 5.0% year-on-year in 1H16. Production at Navia increased by 5.2%, due mainly to the 20,000 tonnes of capacity added during the maintenance stoppage carried out in June 2015, whereas the 4.7% growth in output in Pontevedra was achieved thanks to higher capacity utilisation, in line with the initiatives contemplated under the Business Plan.

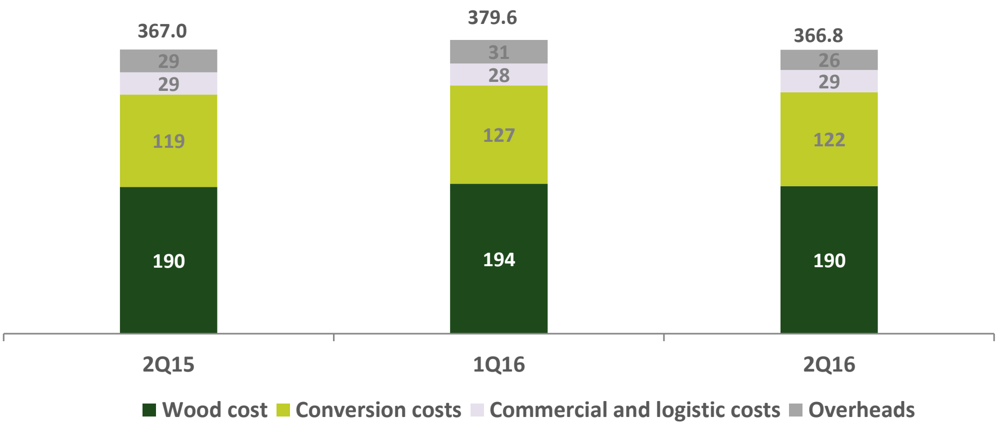
As is customary, the Pontevedra mill was stopped for maintenance for 12 days in March and the Navia mill was halted for 13 days in June; the latter maintenance stoppage was accompanied by a longer stoppage at the co-generation plants, maintenance work that is carried out every five years.

The stoppage at Navia was used to finalise the programmed efficiency measures and add another 20,000 tonnes of capacity (total capex in 1H16: €24.5m); these measures, contemplated in the Business Plan, will translate into a lower cash cost at this complex in the coming quarters. Following these investments, annual capacity at the Navia complex currently stands at 540,000 tonnes. In addition, during the first quarter, the Navia mill was stopped for two days to implement a specific improvement to the bleaching phase.

Figures in €/t	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Wood cost	190.4	193.5	*(1.6%)*	189.7	*0.4%*	191.7	191.0	*0.3%*
Conversion costs	121.6	127.3	*(4.5%)*	119.1	*2.1%*	124.8	119.0	*4.9%*
Commercial and logistic costs	28.6	28.1	*1.7%*	28.9	*(1.0%)*	28.4	28.7	*(1.1%)*
Overheads	26.1	30.6	*(14.8%)*	29.3	*(10.7%)*	28.3	26.1	*8.4%*
Total cash cost	**366.8**	**379.6**	*(3.4%)*	**367.0**	*(0.0%)*	**373.1**	**364.8**	*2.3%*

The cash cost amounted to €373.1/tonne in the first half, up 2.3% year-on-year, due mainly to the impact of the breakdown of the turbine rotor at the Pontevedra co-generation plant during the first quarter, which rendered it idle for over a month. That incident was resolved during the March maintenance stoppage, which contributed, coupled with the reduction in overhead, to a 3.4% decline in the cash cost in the second quarter to €366.8/tonne, in line with the 2Q15 metric.

Trend in cash cost per tonne (€/t)



Compared with the second quarter of 2015, greater economies of scale were undermined by growth in transformation costs deriving from lower stability at the Navia mill in the wake of the efficiency enhancement measures and capacity additions carried out during the last year.

	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Wood cost €/m3	63.9	65.4	*(2.3%)*	65.4	*(2.4%)*	64.6	65.6	*(1.5%)*
Timber consumption (m3)	746,644	696,442	*7.2%*	704,709	*6.0%*	1,443,086	1,340,129	*7.7%*
Suppliers	73%	78%	*(6.4%)*	74%	*(1.1%)*	75%	73%	*2.7%*
Standing timber acquired directly from land own	25%	21%	*19.6%*	21%	*17.0%*	23%	23%	*0.7%*
Owned timber	2%	1%	*89.5%*	5%	*(59.9%)*	1%	3%	*(64.0%)*

Timber costs were 2.3% lower quarter-over-quarter and 2.4% lower year-on-year, thanks to the decision to tie timber prices to pulp prices implemented in 2015. This was partially offset in cash cost terms by increased consumption per tonne due to the use of less productive eucalyptus varieties.

2.4. Revenue from the sale of energy in connection with pulp production

As an integral part of its pulp production process, Ence uses the lignin and forest waste derived from its manufacturing to generate the energy needed for the process. To this end, it operates a 34.6-MW co-generation plant, integrated within the Pontevedra mill, and a 40.3-MW co-generation plant and a 36.7-MW biomass generation plant, both of which are integrated within the pulp production process at the Navia facility.

The energy produced at these power plants is sold to the grid and subsequently repurchased. The net cost is included in the above-mentioned transformation costs within the cash cost metric.

	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Navia energy sales	97,570	124,657	*(21.7%)*	105,361	*(7.4%)*	222,227	231,777	*(4.1%)*
Pontevedra energy sales	56,500	29,680	*90.4%*	53,460	*5.7%*	86,181	97,448	*(11.6%)*
Energy sales linked to the pulp process (MWh	**154,070**	**154,338**	*(0.2%)*	158,821	*(3.0%)*	**308,408**	**329,225**	*(6.3%)*
Average selling price - Pool + Ro (€/MWh)	64.2	67.5	*(4.9%)*	84.4	*(23.9%)*	65.9	83.6	*(21.2%)*
Investment remuneration (€Mn)	2.6	2.6	*(0.0%)*	2.6	*(0.3%)*	5.2	5.4	*(3.4%)*
Revenues from energy sales linked to pulp (€M	**12.5**	**13.0**	*(4.1%)*	**16.0**	*(22.0%)*	**25.5**	**32.9**	*(22.4%)*

Revenue from the sale of energy in connection with pulp production fell by 22.4% year-on-year in 1H16, due mainly to a 21.2% drop in average sales prices during the period as a result of lower pool prices, coupled with a 6.3% decline in sales volumes shaped primarily by the above-mentioned turbine incident in Pontevedra in the first quarter.

2.5. Revenue from forestry and other activities

In addition to the sale of pulp and energy, the pulp business encompasses other activities, notable among which the sale of timber to third parties.

	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Forestry and other revenues (€Mn)	**5.1**	**5.2**	*(2.0%)*	**6.2**	*(18.2%)*	**10.3**	**8.8**	*16.5%*

Revenue from forestry increased by 16.5% year-on-year in 1H16 due mainly to higher sales of timber to third parties.

2.6. Income statement

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Total net revenue	**123.8**	**129.6**	*(4.4%)*	**139.3**	*(11.1%)*	**253.4**	**270.1**	*(6.2%)*
Adjusted EBITDA	**21.9**	**29.2**	*(25.2%)*	**38.3**	*(42.8%)*	**51.1**	**67.6**	*(24.4%)*
Adjusted EBITDA margin	*18%*	*23%*	*(4.9) p.p.*	*27%*	*(0.4) p.p.*	*20%*	*25%*	*(4.9) p.p.*
EBITDA	**19.1**	**25.6**	*(25.5%)*	**35.1**	*(45.5%)*	**44.8**	**59.7**	*(25.1%)*
EBITDA margin	*15%*	*20%*	*(4.4) p.p.*	*25%*	*(0.4) p.p.*	*18%*	*22%*	*(4.5) p.p.*
Amortization	(9.1)	(10.6)	*(14.3%)*	(11.2)	*(18.6%)*	(19.8)	(23.1)	*(14.5%)*
Forest depletion	(1.9)	(1.1)	*79.6%*	(1.1)	*84.3%*	(3.0)	(3.9)	*(22.6%)*
Impairment of and gains/(losses) on fixed-asset	0.4	0.1	*419.7%*	(1.0)	*n.s.*	0.5	0.1	*n.s.*
EBIT	**8.5**	**14.0**	*(39.7%)*	**21.8**	*(61.2%)*	**22.5**	**32.8**	*(31.5%)*
EBIT margin	*7%*	*11%*	*(4.0) p.p.*	*16%*	*(0.6) p.p.*	*9%*	*12%*	*(3.3) p.p.*
Net finance costs	(3.5)	(3.7)	*(4.7%)*	(7.1)	*(50.3%)*	(7.2)	(11.8)	*(38.7%)*
Other financial results	(4.2)	5.9	*n.s.*	(0.8)	*451.4%*	1.7	1.7	*1.4%*
Profit before tax	**0.7**	**16.2**	*(95.6%)*	**13.9**	*(94.9%)*	**16.9**	**22.7**	*(25.4%)*
Income tax	(0.2)	(4.2)	*(94.3%)*	(4.3)	*(94.4%)*	(4.5)	(6.5)	*(31.2%)*
Net profit	**0.5**	**12.0**	*(96.1%)*	**9.6**	*(95.1%)*	**12.5**	**16.2**	*(23.1%)*

First-half revenue amounted to €253.4m, down 6.2% year-on-year as a result of the 4.7% drop in revenue from pulp sales and 22.4% decline in revenue from energy sales at the plants associated with the pulp-making process (on both accounts the declines were largely price driven, as outlined in greater detail in sections 2.2 and 2.4 above).

Adjusted first-half EBITDA totalled €51.1m, down 24.4% year-on-year, due mainly to the 8.3% decline in average pulp sales prices during the period, as well as the 2.3% uptick in the cash cost, partially mitigated by growth of 3.9% in sales volumes and the reclassification of certain expenses to each business following their segregation at year-end 2015.

Non-recurring charges totalled €6.3m in 1H16, compared to €7.8m in 1H15. In this respect it is worth highlighting the charges related to the *ad hoc* operating incidents of the first quarter, outlined above, coupled with consultancy fees and expenses related with the long-term staff bonus scheme.

Depreciation and amortisation charges were 14.5% lower year-on-year in 1H16 at €19.8m, due mainly to the impact of the ruling extending the concession to occupy the land on which the Pontevedra complex is located for 60 years (notified to the Company in January 2016).

Accrued net interest expense fell by 38.7% year-on-year to €7.2m in 1H16, evidencing the savings achieved in the wake of the corporate bond restructuring effort concluded in 2015. The restructuring exercise not only reduced the associated borrowing cost but also extended the issue's maturity until 2022.

'Other finance income' meanwhile reflects a net gain of €1.7m deriving from exchange differences and the fair value restatement (mark-to-market) of the exchange rate hedging programme implemented by the Company.

In all, the pulp business reported a net profit of €12.5m in 1H16, marking a year-on-year decline of 23.1%.

2.7. Cash flows

Net cash flows from operating activities amounted to €32.2m in 1H16, down from €49.9m in 1H15, in line with the decline in EBITDA during the reporting period.

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Adjusted EBITDA	**21.9**	**29.2**	*(25.2%)*	**38.3**	*(42.8%)*	**51.1**	**67.6**	*(24.4%)*
Non cash expenses / (incomes)	(1.3)	0.5	*n.s.*	(2.2)	*(41.1%)*	(0.8)	1.4	*n.s.*
Other incomes / (payments)	(2.2)	(2.3)	*(6.6%)*	(4.2)	*(49.1%)*	(4.5)	(3.9)	*15.1%*
Change in working capital	5.1	(11.3)	*n.s.*	13.9	*(63.3%)*	(6.2)	(5.5)	*13.1%*
Income tax received/(paid)	(0.7)	0.1	*n.s.*	(2.3)	*(67.7%)*	(0.6)	1.2	*n.s.*
Interest paid	(6.9)	0.0	*n.s.*	(2.1)	*228.0%*	(6.9)	(10.9)	*(37.0%)*
Net cash flow from operating activities	**15.9**	**16.3**	*(2.4%)*	**41.4**	*(61.6%)*	**32.2**	**49.9**	*(35.6%)*

The €6.2m increase in the working capital requirement in the first half includes a €5.4m reduction in the accounts receivables factoring facilities drawn down to €39.3m.

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Inventories	(0.4)	(1.5)	*(70.8%)*	(3.1)	*(85.9%)*	(1.9)	2.2	*n.s.*
Trade and other receivables	4.0	(4.2)	*n.s.*	1.8	*118.2%*	(0.2)	(6.0)	*(96.4%)*
Trade and other payables	1.5	(5.6)	*n.s.*	(3.1)	*n.s.*	(4.1)	(1.7)	*139.8%*
Change in working capital	**5.1**	**(11.3)**	*n.s.*	**(4.3)**	*n.s.*	**(6.2)**	**(5.5)**	*13.1%*

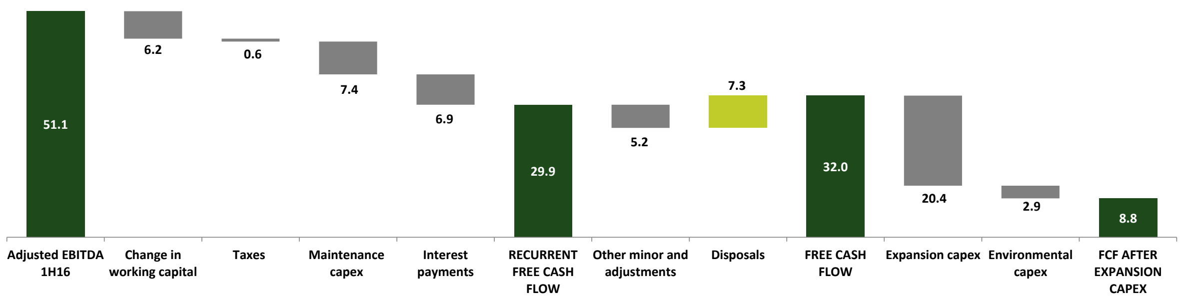
Net cash used in investing activities amounted to €23.4m, compared to €9.0m in 1H15, due mainly to a higher outlay for efficiency enhancements and expansion during the period, partially offset by the collection of proceeds of €7.3m from asset sales.

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Maintenance capex	(0.1)	(8.4)	*(99.1%)*	(2.5)	*(96.9%)*	(8.4)	(5.6)	*51.0%*
Environmental capex	(1.4)	(1.5)	*(3.6%)*	(0.2)	*n.s.*	(2.9)	(0.5)	*470.5%*
Efficiency and expansion capex	(14.0)	(6.4)	*119.6%*	(4.4)	*221.1%*	(20.4)	(6.7)	*205.9%*
Financial investments	1.0	0.0	*n.s.*	-	*n.s.*	1.0	0.1	*n.s.*
Investments	**(14.5)**	**(16.2)**	*(10.3%)*	**(7.0)**	*106.0%*	**(30.7)**	**(12.6)**	*142.9%*
Disposals	3.9	3.4	*14.9%*	3.6	*8.3%*	7.3	3.6	*102.6%*
Net cash flow from investing activities	**(10.6)**	**(12.8)**	*(17.0%)*	**(3.4)**	*207.9%*	**(23.4)**	**(9.0)**	*158.9%*

Investments in efficiency and expansion work totalled €20.4m in 1H16, mainly related to the 20,000-tonne capacity expansion carried out at Navia in 2H15 and the bleaching phase improvements, similarly at Navia, as mentioned elsewhere.

Maintenance capex amounted to €8.4m (vs. €5.6m in 1H15), while environmental capex totalled €2.9m, earmarked primarily to upgrade work at the Pontevedra complex.

Elsewhere, during the first half the Company closed the sale of 63 hectares of estates and signed deposit agreements for the sale of an additional 1,484 hectares for a total of €34.9m, having collected €7.3m in sale proceeds and down payments during the reporting period. These deposit agreements, which are expected to close during the second half of this year, once the required permitting has been finalised, will generate a gain of approximately €14m.



As a result, recurring free cash flow from the pulp business amounted to €29.9m in the first half, while free cash flow net of efficiency, growth and environmental capex totalled €8.8m.

2.8. Change in net debt

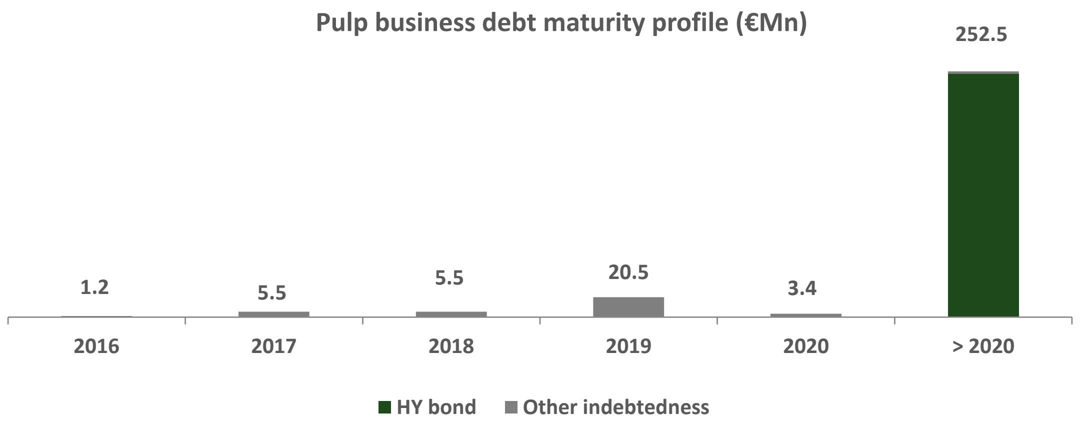
Net debt in this business unit increased by €30.4m from year-end 2015 to €211.7m following distribution of the final dividend from 2015 profits (€24.9m), as well as movements between the pulp and energy businesses related to the segregation exercise carried out in the last quarter of 2015 (€12.7m).

Looking to the second half of the year, net debt is expected to decline by €27.6m following collection of the proceeds from the land sales consummated during the first half.

Figures in €Mn	Jun-16	Mar-16	Δ%	Dec-15	Δ%
Long term financial debt	277.9	280.0	*(0.8%)*	279.8	*(0.7%)*
Short-term financial debt	5.8	7.6	*(23.4%)*	4.1	*41.6%*
Gross financial debt	**283.8**	**287.7**	*(1.4%)*	**283.9**	*(0.0%)*
Cash and cash equivalents	60.8	84.0	*(27.6%)*	93.9	*(35.3%)*
Short-term financial investments	11.3	9.3	*21.9%*	8.7	*29.9%*
Pulp business net financial debt	**211.7**	**194.4**	*8.9%*	**181.3**	*16.8%*

The gross debt of €283.8m at the June close corresponds mainly to the €250m corporate bonds due 2022 and two separate €15m bilateral loans due in 2019 and 2020 taken on to finance the capacity expansion work undertaken in Navia.

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



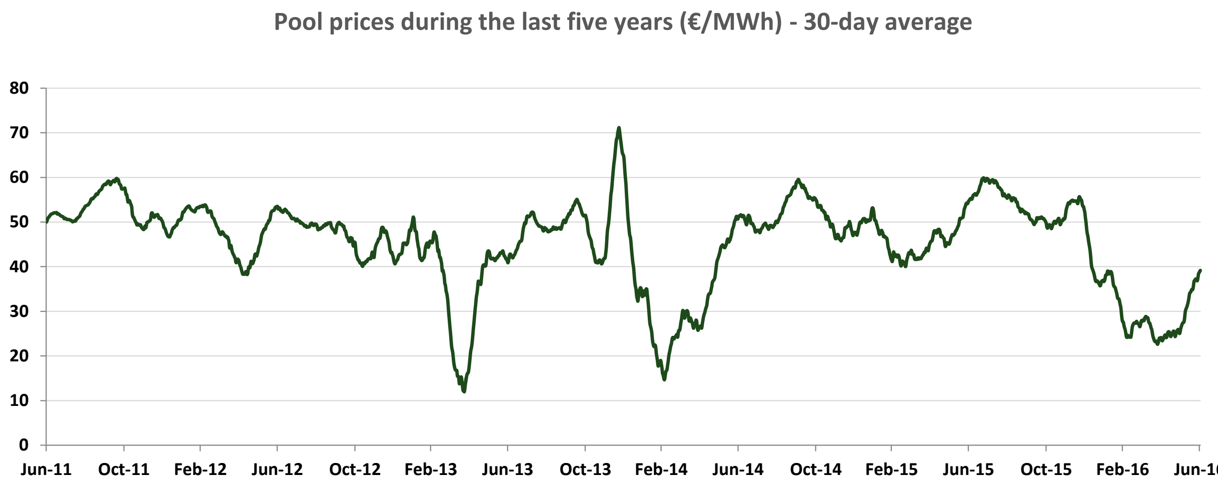
Cash and cash equivalents stood at €72.1m at 30 June 2016; coupled with an undrawn €90m credit facility, the pulp business had liquidity of €162.1m at the June close.

3. ENERGY BUSINESS

Ence's energy business encompasses the generation of power from renewable sources - forestry and agricultural biomass - at plants that have no relation to the pulp production process. Ence currently has two such power plants in Huelva, one with capacity of 50 MW and the other with capacity of 41 MW, as well as a 20-MW power plant in Merida.

3.1. Electricity market trends

	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Average pool price (€/MWh)	30	31	(4.4%)	48	(38.8%)	30	47	(35.5%)



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

Average pool prices in mainland Spain were 35.5% lower year-on-year in 1H16. This in turn primarily reflects a 41.6% increase in generation at hydro power plants to the detriment of coal and gas-fired stations, whose output fell by 26.2% year-on-year. Moreover, coal and gas prices corrected by 15.5% and 26.8% year-on-year, respectively.

3.2. Revenue from energy sales

	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Huelva 50 MW	62,134	75,082	*(17.2%)*	48,625	*27.8%*	137,216	142,994	*(4.0%)*
Huelva 41 MW	9,271	41,203	*(77.5%)*	34,869	*(73.4%)*	50,474	69,009	*(26.9%)*
Mérida 20 MW	27,173	23,289	*16.7%*	24,381	*11.5%*	50,462	63,767	*(20.9%)*
Energy sales (MWh)	**98,578**	**139,573**	*(29.4%)*	**107,875**	*(8.6%)*	**238,151**	**275,771**	*(13.6%)*
Average selling price - Pool + Ro (€/MWh)	86.0	93.8	*(8.4%)*	103.8	*(17.2%)*	90.6	100.4	*(9.8%)*
Investment remuneration (€Mn)	6.9	7.8	*(11.5%)*	7.8	*(11.5%)*	14.6	15.5	*(5.7%)*
Revenues (€Mn)	**15.5**	**22.5**	*(31.1%)*	**19.4**	*(20.0%)*	**38.0**	**44.0**	*(13.5%)*

In light of the low pool prices and the annual limit on operating hours of of 6,500 hours for regulatory remuneration purposes, Ence decided to pare back generation at its biomass power plants from an average of 2,578 hours per plant in 1H15 to 2,166 hours in 1H16. The drop in first-half generation will be offset by higher generation in the coming quarters until the Company meets the permitted annual cap.

During the second quarter, as is customary, all three plants were stopped for annual their revisions and maintenance work. In the case of the 41-MW Huelva plant, the turbine was overhauled, a revision undertaken every two years.

The attendant 13.6% drop in energy sales volumes in 1H16, coupled with the year-on-year 9.8% decline in average sales prices, driven by the 35.5% drop in the average pool price, was largely responsible for the 13.5% reduction in revenue in the energy segment in the first half to €38m.

In addition, during the second quarter, the Ministry of Industry, Energy and Tourism ruled on the government proceedings undertaken to secure correct classification within the official remuneration regime registry of the 41-MW plant in Huelva, which is now registered as a hybrid plant (85% biomass; 15% black liquor), in keeping with its profile prior to closure of the pulp mill in 3Q14.

This ministry ruling implies, firstly, the collection of outstanding balances due from the electricity system since 14 July 2013 in the amount of €18.7m in 3Q16 and another €10.1m in 4Q16; and, secondly, an annual adjustment of €1.8m to the remuneration for investment at the Huelva plant from €11.9m to €10.1m per annum The Company's first-half revenue already recognises a €0.9m restatement in this respect.

Elsewhere, Ence had hedged 81% of 1H16 output at a price of €43.9/MWh, a strategy which generated a gain of €2.4m.

For the rest of the year, the Company has hedged 62% of estimated third-quarter production at an average price of €45.8/MWh and 23% of estimated fourth-quarter production at an average price of €42.4/MWh.

3.3. Income statement

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Total net revenue	**15.5**	**22.5**	*(31.1%)*	**19.4**	*(20.0%)*	**38.0**	**44.0**	*(13.5%)*
Adjusted EBITDA	**4.3**	**7.7**	*(45.0%)*	**9.3**	*(54.4%)*	**12.0**	**19.1**	*(37.2%)*
Adjusted EBITDA margin	*27%*	*34%*	*(6.9) p.p.*	*48%*	*(20.8) p.p.*	*32%*	*43%*	*(11.9) p.p.*
EBITDA	**0.7**	**7.7**	*(90.7%)*	**9.0**	*(92.1%)*	**8.4**	**18.8**	*(55.1%)*
EBITDA margin	*5%*	*34%*	*(29.7) p.p.*	*47%*	*(42.0) p.p.*	*22%*	*43%*	*(20.6) p.p.*
Amortization	(3.2)	(2.9)	*12.1%*	(2.1)	*56.0%*	(6.1)	(4.1)	*47.5%*
Forest depletion	(0.0)	(0.8)	*(94.4%)*	11.5	*n.s.*	(0.9)	(0.8)	*16.2%*
Impairment of and gains/(losses) on fixed-asset disposals	(0.0)	(0.2)	*(87.4%)*	(11.7)	*(99.8%)*	(0.2)	(0.0)	*269.6%*
EBIT	**(2.6)**	**3.9**	*n.s.*	**6.8**	*n.s.*	**1.3**	**13.9**	*(90.7%)*
EBIT margin	*-17%*	*17%*	*(33.8) p.p.*	*35%*	*(51.7) p.p.*	*3%*	*32%*	*(28.1) p.p.*
Net finance costs	(1.5)	(1.3)	*16.1%*	(1.8)	*(17.2%)*	(2.7)	(4.6)	*(40.6%)*
Profit before tax	**(4.0)**	**2.6**	*n.s.*	**5.0**	*n.s.*	**(1.4)**	**9.3**	*n.s.*
Income tax	1.0	(0.7)	*n.s.*	(1.4)	*n.s.*	0.3	(2.6)	*n.s.*
Net profit	**(3.0)**	**2.0**	*n.s.*	**3.6**	*n.s.*	**(1.1)**	**6.7**	*n.s.*

Adjusted first-half EBITDA was €12.0m, down 37.2% year-on-year, due mainly to the decision to pare back output in light of prevailing low pool prices, a measure that will be largely mitigated by higher power generation in the second half of the year.

Non-recurring charges totalled €3.6m in the first half, of which €2.9m corresponds to the restatement of the revenue recognised between 14 July 2013 and 31 December 2015 in respect of the 41-MW biomass power plant in Huelva, as a result of the afore-mentioned ministry decision to classify this facility as a hybrid plant (85% biomass; 15% black liquor) in the official remuneration regime registry.

The Company recognised a depreciation and amortisation charge of €6.1m in 1H16, compared to €4.1m in 1H15, due to the transfer of assets and standardisation of the depreciation regime in the energy business following the segregation of the businesses in the fourth quarter of 2015.

Below the EBITDA line, it is worth highlighting the 40.6% reduction in this business unit's net finance expense thanks to the refinancing work undertaken in 2H15.

As a result, the energy unit posted a net loss of €1.1m in 1H16, compared to a profit of €6.7m in the first half of 2015.

3.4. Cash flows

Net cash flows from operating activities totalled €0.8m in 1H16, compared to €19.3m in 1H15; note that the latter figure included €8.1m of tax rebates collected in the wake of approval of regulatory changes in Spain. The rest of the shortfall with respect to 1H15 is attributable to the drop in adjusted EBITDA and is expected to be largely offset in the second half of the year.

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Adjusted EBITDA	**4.3**	**7.7**	*(45.0%)*	**9.3**	*(54.4%)*	**12.0**	**19.1**	*(37.2%)*
Non cash expenses / (incomes)	(1.0)	0.6	*n.s.*	(0.6)	*66.5%*	(0.5)	(0.6)	*(19.6%)*
Other incomes / (payments)	(1.0)	(0.8)	*28.2%*	(0.3)	*239.2%*	(1.8)	(0.3)	*477.3%*
Change in working capital	0.3	(4.6)	*n.s.*	0.3	*(6.9%)*	(4.3)	(2.6)	*63.4%*
Income tax received/(paid)	(0.1)	(0.0)	*n.s.*	-	*n.s.*	(0.1)	8.1	*n.s.*
Interest paid	(3.7)	(0.7)	*406.3%*	(3.5)	*7.9%*	(4.4)	(4.4)	*1.0%*
Net cash flow from operating activities	**(1.4)**	**2.2**	*n.s.*	**5.3**	*n.s.*	**0.8**	**19.3**	*(95.7%)*

The working capital requirement increased by €4.3m due mainly to the increase in accounts receivable from the electricity market until reclassification of the 41-MW plant in Huelva at the end of the second quarter. As a result

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

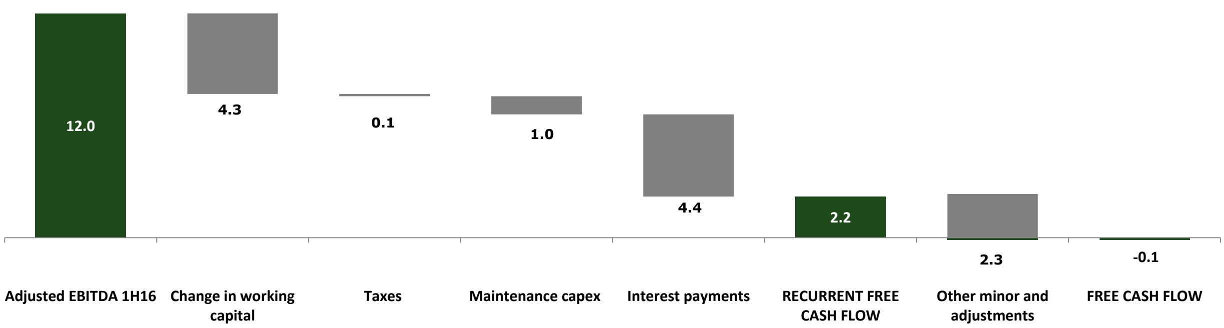
of this ruling, the Company is due to collect balances due from the electricity system in the amount of €18.7m in 3Q16 and another €10.1m in 4Q16.

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Inventories	(0.0)	0.2	*n.s.*	(0.4)	*(93.7%)*	0.2	(0.5)	*n.s.*
Trade and other receivables	(1.4)	(3.5)	*(60.5%)*	2.2	*n.s.*	(4.8)	(4.2)	*14.9%*
Trade and other payables	1.7	(1.4)	*n.s.*	(1.5)	*n.s.*	0.3	2.1	*(83.9%)*
Change in working capital	**0.3**	**(4.6)**	*n.s.*	**0.3**	*(6.9%)*	**(4.3)**	**(2.6)**	*63.4%*

Net cash flows used in investing activities amounted to €1.0m in 1H16 and corresponded mainly to maintenance capex (note that in 1H15, the €3.5m net cash outlay included €2.7m corresponding to costs incurred to abandon energy crops in 2015).

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Maintenance capex	(0.6)	(0.6)	-	(0.4)	*35.3%*	(1.1)	(3.5)	*(68.2%)*
Efficiency and expansion capex	-	-	*n.s.*	-	*n.s.*	-	-	*n.s.*
Financial investments	0.2	(0.0)	*n.s.*	-	*n.s.*	0.1	-	*n.s.*
Investments	**(0.4)**	**(0.6)**	*(31.1%)*	**(0.4)**	*(2.6%)*	**(1.0)**	**(3.5)**	*(72.3%)*
Disposals	-	-	*n.s.*	-	*n.s.*	-	-	*n.s.*
Net cash flow from investing activities	**(0.4)**	**(0.6)**	*(31.1%)*	**(0.4)**	*(2.6%)*	**(1.0)**	**(3.5)**	*(72.3%)*

As a result, recurring free cash flow amounted to €2.2m in 1H16.



3.5. Change in net debt

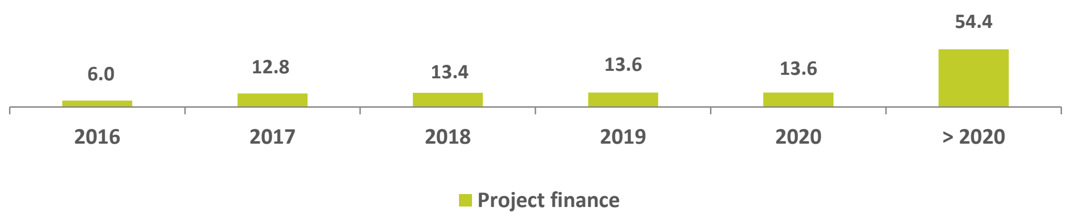
Net debt in the energy business decreased by €12.2m from the year-end 2015 balance to €47.7m, shaped mainly by movements between the pulp and energy businesses related to the segregation of these units in the last quarter of 2015.

Looking to the second half of the year, net debt is expected to decline by €28.8m as a result of the reclassification of the 41-MW Huelva power plant.

Figures in €Mn	Jun-16	Mar-16	Δ%	Dec-15	Δ%
Long term financial debt	99.4	113.7	*(12.6%)*	113.5	*(12.5%)*
Short-term financial debt	12.4	12.9	*(3.6%)*	12.0	*2.9%*
Gross financial debt	**111.8**	**126.5**	*(11.7%)*	**125.6**	*(11.0%)*
Cash and cash equivalents	64.0	79.1	*(19.0%)*	65.7	*(2.5%)*
Short-term financial investments	0.0	0.0	-	0.0	-
Energy business net financial debt	**47.7**	**47.4**	*0.6%*	**59.9**	*(20.3%)*

The gross debt of €111.8m at the June 2016 close corresponds to the outstanding balance of €80.6m on the project finance facility financing the 50-MW plant in Huelva and the €33.1m project finance facility funding the 20-MW plant in Merida, which should be deducted for arrangement fees pending recognition in profit or loss in the amount of €1.9m.

Energy debt maturity profile (€Mn)



Cash at the close stood at €64.0m.

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

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Income statement

	1H16				1H15			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total net revenue	**253.4**	**38.0**	**(2.3)**	**289.2**	**270.1**	**44.0**	**(0.9)**	**313.2**
Other income	17.3	3.1	(10.7)	9.7	7.8	2.7	(3.5)	7.1
Change in inventories of finished products	(3.5)	-	-	(3.5)	(4.7)	-	-	(4.7)
Cost of sales	(123.2)	(10.4)	2.3	(131.4)	(118.8)	(11.6)	0.7	(129.7)
Personnel expenses	(31.6)	(0.9)	(0.0)	(32.6)	(26.5)	-	-	(26.5)
Other operating expenses	(61.2)	(17.7)	10.7	(68.3)	(60.3)	(15.9)	2.3	(73.9)
Adjusted EBITDA	**51.1**	**12.0**	**0.0**	**63.1**	**67.6**	**19.1**	**(1.3)**	**85.4**
Adjusted EBITDA margin	*20%*	*32%*		*22%*	*25%*	*43%*		*27%*
Variations in trading provisions	0.1	-	0.0	0.1	(1.3)	0.0	(0.0)	(1.3)
Other non recurrent personnel expenses	(2.0)	(0.4)	-	(2.4)	(3.5)	-	-	(3.5)
Income / (expenses)	(4.4)	(3.1)	0.0	(7.5)	(3.0)	(0.3)	0.0	(3.3)
EBITDA	**44.8**	**8.4**	**0.0**	**53.2**	**59.7**	**18.8**	**(1.3)**	**77.3**
EBITDA margin	*18%*	*22%*		*18%*	*22%*	*43%*		*25%*
Amortization	(19.8)	(6.1)	(0.0)	(25.9)	(23.1)	(4.1)	(0.0)	(27.2)
Forest depletion	(3.0)	(0.9)	-	(3.9)	(3.9)	(0.8)	0.1	(4.6)
Impairment of and gains/(losses) on fixed-asset disposals(a)	0.5	(0.2)	-	0.3	0.1	(0.0)	0.2	0.2
EBIT	**22.5**	**1.3**	**(0.0)**	**23.7**	**32.8**	**13.9**	**(1.0)**	**45.6**
EBIT margin	*9%*	3%		8%	*12%*	32%		*15%*
Net finance costs	(7.0)	(2.7)	(0.2)	(9.9)	(9.5)	(4.6)	(2.3)	(16.4)
Other financial results	1.5	-	0.2	1.7	(0.7)	(0.0)	2.3	1.6
Profit before tax	**16.9**	**(1.4)**	**(0.0)**	**15.5**	**22.7**	**9.3**	**(1.0)**	**30.9**
Income tax	(4.5)	0.3	0.0	(4.1)	(6.5)	(2.6)	0.3	(8.8)
Net profit	**12.5**	**(1.1)**	**(0.0)**	**11.4**	**16.2**	**6.7**	**(0.7)**	**22.1**

4.2. Balance sheet

	Jun-16				Dec-15			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Intangible assets	14.5	0.0	(0.0)	14.6	12.6	0.0	(0.0)	12.6
Property, plant and equipment	442.4	208.7	0.0	651.1	457.7	184.2	(0.0)	641.9
Biological assets	81.4	4.3	0.0	85.7	83.7	4.2	-	87.9
Intercompany long term participation	198.6	-	(198.6)	-	170.5	-	(170.5)	-
Intercompany long term loan	66.0	0.0	(66.0)	-	63.3	27.4	(90.8)	-
Non-current financial assets	1.4	0.2	(0.0)	1.6	2.7	0.3	(0.0)	3.0
Assets for deferred tax	58.4	11.2	(0.1)	69.5	61.1	9.7	0.0	70.8
Total fixed assets	**862.7**	**224.5**	**(264.8)**	**822.4**	**851.6**	**226.0**	**(261.3)**	**816.3**
Non-current assets held for sale	48.0	1.4	(0.0)	49.4	48.1	2.2	(0.0)	50.3
Inventories	35.2	6.9	-	42.0	34.5	5.7	(0.0)	40.2
Trade other accounts receivable	102.6	44.4	(21.2)	125.8	115.6	49.8	(34.4)	131.0
Income tax	0.8	-	-	0.8	1.0	-	-	1.0
Other current assets	6.5	0.4	(0.0)	6.9	0.6	(0.1)	-	0.5
Hedging derivatives	0.4	0.1	-	0.5	0.1	0.1	(0.0)	0.2
Short-term financial assets	11.3	0.0	(0.0)	11.3	8.7	0.0	(0.0)	8.7
Cash and cash equivalents	60.8	64.0	-	124.8	93.9	65.7	-	159.6
Total current assets	**265.5**	**117.3**	**(21.2)**	**361.6**	**302.5**	**123.4**	**(34.4)**	**391.5**
TOTAL ASSETS	**1,128.3**	**341.8**	**(286.0)**	**1,184.0**	**1,154.1**	**349.4**	**(295.7)**	**1,207.8**
Equity	**617.6**	**132.0**	**(198.6)**	**551.0**	**630.3**	**108.5**	**(170.5)**	**568.2**
Non-current borrowings	277.9	99.4	-	377.3	279.8	113.5	-	393.3
Long term intercompany debt	0.0	66.0	(66.0)	-	27.4	63.2	(90.7)	-
Non-current derivatives	1.3	9.6	-	11.0	0.7	7.0	-	7.6
Liabilities for deferred tax	20.4	0.3	0.0	20.6	20.3	0.3	-	20.6
Non-current provisions	6.3	0.4	(0.0)	6.6	8.5	0.8	-	9.3
Other non-current liabilities	9.7	1.3	-	11.0	11.2	0.0	(0.0)	11.3
Total non-current liabilities	**315.5**	**177.0**	**(66.0)**	**426.5**	**347.9**	**184.8**	**(90.7)**	**442.0**
Liabilities linked to non-current assets held for sale	-	-	-	-	-	-	-	-
Current borrowings	5.8	12.4	0.0	18.2	4.1	12.1	(0.0)	16.2
Current derivatives	0.0	2.9	-	2.9	3.0	2.9	-	5.9
Trade payables and other	180.9	17.4	(21.1)	177.2	162.5	41.1	(34.4)	169.1
Income tax	1.2	-	(0.3)	0.9	0.1	-	-	0.1
Current provisions	7.3	0.0	(0.0)	7.3	6.3	0.1	(0.1)	6.3
Total current liabilities	**195.2**	**32.7**	**(21.4)**	**206.6**	**175.9**	**56.1**	**(34.5)**	**197.5**
TOTAL EQUITY AND LIABILITIES	**1,128.3**	**341.8**	**(286.0)**	**1,184.0**	**1,154.1**	**349.4**	**(295.7)**	**1,207.8**

4.3. Statement of cash flows

	1H16				1H15			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**16.9**	**(1.4)**	**(0.0)**	**15.5**	**22.7**	**9.3**	**(1.0)**	**30.9**
Depreciation	24.3	5.5	0.0	29.8	27.0	4.9	(0.1)	31.8
Changes in provisions and other deferred expense	0.4	2.8	0.0	3.2	6.2	(0.6)	1.6	7.2
Impairment of gains/(losses) on disposals intangible asset	(0.5)	0.2	(0.0)	(0.3)	0.1	0.0	(0.5)	(0.4)
Net finance costs	5.5	2.7	(0.0)	8.2	10.1	4.6	-	14.7
Government grants taken to income	(0.8)	(0.0)	-	(0.8)	(0.9)	-	-	(0.9)
Adjustments to profit	**29.0**	**11.1**	**(0.0)**	**40.1**	**42.4**	**8.9**	**1.0**	**52.4**
Inventories	(1.9)	0.2	0.0	(1.7)	2.2	(0.5)	(11.8)	(10.2)
Trade and other receivables	(0.2)	(4.8)	0.0	(5.0)	(6.0)	(4.2)	10.1	(0.0)
Current financial and other assets	(2.6)	-	-	(2.6)	(0.0)	-	0.4	0.4
Trade and other payables	(4.1)	0.3	(0.0)	(3.8)	(1.7)	2.1	1.3	1.7
Changes in working capital	**(8.8)**	**(4.3)**	**(0.0)**	**(13.1)**	**(5.5)**	**(2.6)**	**-**	**(8.2)**
Interest paid	(8.1)	(4.7)	1.4	(11.4)	(14.1)	(6.7)	5.4	(15.4)
Interest received	1.3	0.3	(1.4)	0.1	3.2	2.3	(5.4)	0.1
Income tax received/(paid)	(0.6)	(0.1)	0.0	(0.8)	1.2	8.1	-	9.3
Other cash flows from operating activities	**(7.5)**	**(4.5)**	**(0.0)**	**(12.0)**	**(9.7)**	**3.7**	**-**	**(5.9)**
Net cash flow from operating activities	**29.6**	**0.8**	**(0.0)**	**30.4**	**49.9**	**19.3**	**-**	**69.2**
Property, plant and equipment	(27.8)	(1.1)	(0.0)	(28.9)	(11.2)	(3.2)	-	(14.5)
Intangible assets	(3.9)	(0.0)	0.0	(3.9)	(1.5)	(0.3)	-	(1.8)
Other financial assets	1.0	0.1	-	1.1	0.1	-	-	0.1
Other cash flows from operating activities	**7.3**	**-**	**(0.0)**	**7.3**	**3.6**	**-**	**-**	**3.6**
Investments	**(23.4)**	**(1.0)**	**0.0**	**(24.4)**	**(9.0)**	**(3.5)**	**-**	**(12.5)**
Buyback/(disposal) of own equity instruments	(1.1)	-	0.0	(1.1)	(91.5)	95.5	-	4.0
Proceeds from and repayments of financial liabilities	(0.7)	(14.1)	0.0	(14.8)	(13.4)	(4.3)	-	(17.7)
Dividends payments	(24.9)	-	-	(24.9)	(24.9)	-	-	(24.9)
Translation differences	-	-	-	-	0.0	-	-	0.0
Group and Associated companies	(12.7)	12.7	-	-	96.9	(96.9)	-	-
Net cash flow from financing activities	**(39.3)**	**(1.4)**	**0.0**	**(40.8)**	**(32.9)**	**(5.7)**	**(0.0)**	**(38.6)**
Net increase/(decrease) in cash and cash equivalents	**(33.1)**	**(1.6)**	**0.0**	**(34.8)**	**8.0**	**10.1**	**-**	**18.1**

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

5. KEY DEVELOPMENTS 2Q16

Culmination of the project for the addition of 40,000 tonnes of annual capacity at the Navia mill

During the annual stoppage of the Navia mill in June, the Company completed the investments needed to expand the complex's annual production capacity by 40,000 tonnes, investing €16.9m, as contemplated in the 2016-2020 Business Plan.

Phase one of this expansion work had been completed in 2015, when capacity was increased by 20,000 tonnes per annum; in June 2016, phase two of this project was completed, bringing another 20,000 tonnes of capacity on line and lifting the facility's annual capacity to 540,000 tonnes. The major work affected the drying, evaporation, timber and recovery phases.

This investment in capacity was rounded out with capital expenditure of €7.6m earmarked mainly to making the bleaching process and biomass furnace more efficient with a view to improving the facility's environmental performance.

Approval of a share buyback programme equivalent to 1.6% of share capital

On 23 June, the Company's Board of Directors approved a share buyback programme with the aim of complementing shareholder remuneration by subsequently cancelling the shares, thereby increasing earnings per share.

The Company will buy back up to €10m worth or 4 million shares (equivalent to 1.6% of share capital) under the programme.

€0.10 final dividend per share

The Company paid out a final dividend from 2015 profits of €0.10 per share (before withholding tax) on 14 April 2016. This dividend, coupled with the interim dividend of €0.044 per share paid out in October 2015, implies total cash remuneration of €0.144 per share and represents a dividend yield of 4.7% in respect of the average 2015 share price.

APPENDIX 1: WORKING CAPITAL AND CAPEX IN THE BALANCE SHEET

Figures in €Mn	Jun-16	Mar-16	Δ%	Dec-15	Δ%
Inventories	42.0	41.5	*1.2%*	40.2	*4.5%*
Trade and other receivables	125.8	134.0	*(6.1%)*	131.0	*(4.0%)*
Other current assets	6.9	5.1	*35.3%*	0.5	*n.s.*
Trade and other payables	(174.3)	(192.5)	*(9.4%)*	(165.8)	*5.1%*
Income tax	(0.0)	(2.9)	*(99.0%)*	0.9	*n.s.*
Current provisions	(10.2)	(8.5)	*20.4%*	(9.6)	*6.6%*
Working Capital	**(9.9)**	**(23.3)**	***(57.6%)***	**(2.8)**	***254.2%***

The working capital requirement decreased by €9.9m in 1H16 due mainly to an €8.5m increase in trade and other accounts payable and a €5.2m reduction in trade and other accounts receivable.

Figures in €Mn	2Q16	1Q16	Δ%	2Q15	Δ%	1H16	1H15	Δ%
Maintenance capex	3.0	9.2	*(67.2%)*	7.4	*(59.4%)*	12.2	10.4	*17.1%*
Environmental capex	2.3	2.1	*10.8%*	2.7	*(16.1%)*	4.3	3.2	*34.8%*
Efficiency and expansion capex	14.9	7.2	*107.6%*	4.8	*211.4%*	22.1	9.0	*144.9%*
Pulp business capex	**20.2**	**18.5**	*9.7%*	**14.9**	*35.4%*	**38.7**	**22.7**	*70.5%*
Maintenance and environmental capex	1.6	0.1	*n.s.*	3.1	*(47.3%)*	1.7	3.2	*(46.3%)*
Efficiency and expansion capex	-	-	*n.s.*	-	*n.s.*	-	-	*n.s.*
Energy business capex	**1.6**	**0.1**	*n.s.*	**3.1**	*(47.3%)*	**1.7**	**3.2**	*(46.3%)*
Total capex	**21.9**	**18.5**	***18.0%***	**18.0**	***21.2%***	**40.4**	**25.9**	***56.1%***

Capitalised capex amounted to €40.4m in 1H16, €38.7m of which corresponded to the pulp business and €1.7m (maintenance capex) to the energy business.

In the pulp business, investments in efficiency and expansion work totalled €22.1m in 1H16, mostly related with phase two of the capacity expansion project at Navia and the bleaching phase improvements, similarly at Navia. Maintenance capex amounted to €12.2m, while environmental capex totalled €4.3m and was earmarked primarily to environmental upgrade work at the Pontevedra complex.

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

APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE GROUP'S FACILITIES

Facility	Type of facility	MW	Remuneration to investment 2015 (Ri; €/MW)	Type of fuel	Remuneration to operation 2015 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Black liquor	30.170	-
	Biomass generation	36.7	230,244	Forestry waste	54.695	6,500
Pontevedra	Biomass co-generation	34.6	-	Black liquor	30.181	-
			55,356	Forestry waste	53.706	6,500
Huelva	Biomass generation	41.0	246,267	Forestry waste	60.026	6,500
Huelva 50MW	Biomass generation	50.0	266,452	Forestry waste	53.018	6,500
Mérida 20MW	Biomass generation	20.0	293,579	Forestry waste	51.369	6,500

The remuneration deriving from the new remuneration regime is calculated as follows:

- **Ri (remuneration on investment):** annual remuneration per gross installed MW, generating an annual payment which is the product of this parameter and gross installed capacity (MW)

  Investment income = MW * Ri

- **Ro (remuneration for operations):** remuneration per MWh sold incremental to the pool price fetched, generating income calculated by adding this supplement to the pool price and multiplying the result by sales volumes in MWh

  Income from operations = (Ro + pool) * MWh

  Sales volumes in MWh may not exceed the product of a facility's gross installed capacity (MW) and the annual cap on hourly impact (there is no cap in the case of co-generation facilities).

  MWh < MW * 6,500 (for power generated from biomass)

  Output above this cap is sold at pool prices, with no entitlement to additional premiums.

Under the new regulatory framework, the Company's revenue from energy sales in any given period will depend on the trend in pool prices. Deviations in average pool prices with respect to the estimate reflected in the ministerial order (€49.16/MWh on average in 2014-2016; €52/MWh thereafter), within certain fluctuation ranges, will be offset in the next regulatory stub period (which lasts three years) by means of adjustments to the standard facility remuneration parameters.

Following publication of Spanish Royal Decree 413/2014, the biomass power generation plants located in the industrial complexes in Pontevedra, Navia and Huelva were incorrectly classified as black liquor facilities in the new official remuneration regime registry.

Ence took the administrative steps that the Ministry of Industry, Energy and Tourism made available to the generators with a view to seeking redress for errors of this kind. In 2015, the authorities ruled in favour of the claims made in respect of the Pontevedra and Navia facilities and in 2Q16, in favour of the Huelva plant's reclassification, such that this facility is now registered as a hybrid plant (85% biomass; 15% black liquor), in keeping with its profile prior to closure of the pulp mill in 3Q14.

APPENDIX 3: ENVIRONMENTAL COMMITMENT

Each of ENCE's four Operations Centres, located in Huelva, Navia, Pontevedra and Mérida, holds the corresponding integrated environmental permit for the pursuit of its industrial activity and the generation of electricity from biomass. These permits define the environmental criteria for operating an industrial facility in order to prevent, or at least minimize, and control the impact of the Group's business operations on air, water and soil contamination with a view to protecting the environment as a whole. Accordingly, the permit sets emission limits for each facility based on best available techniques as well as monitoring and control plans in respect of all significant environmental parameters.

However, Ence's environmental management strategy seeks to go beyond mere compliance with prevailing legislation: Ence wants to be a sector benchmark in terms of its environmental management and record. Accordingly, it has implemented a total quality management model (TQM) based on a continuous improvement approach with a focus on maximizing efficiency and competitiveness by addressing matters related to quality, health and safety, environmental protection and pollution prevention as one. Against this backdrop, the Group has established targets with a clear environmental focus aimed specifically at:

- Reducing odour pollution
- Improving the quality of wastewater
- Boosting energy efficiency
- Reducing the consumption of raw materials
- Cutting waste generation

This integrated management model at Huelva, Navia and Pontevedra Operations Centres is certified by an accredited organism that audits it annually and meets the following international standards:

- UNE-EN-ISO 9001 (quality management)
- UNE-EN-ISO 14001 (environmental management)
- OHSAS 18001 (workplace health and safety management)

These three facilities also participate in the Community eco-management and audit scheme (EMAS) governed by Regulation (EC) No. 1221/2009. Validation of the environmental statement enables continued participation by these facilities in this scheme, each of which was the first in their respective regions to assume this demanding voluntary commitment which only a limited number of companies uphold today.

Additionally, Ence has become the national benchmark in forest sustainability for its activity in three main areas of action: environmental responsibility, efficiency management and social commitment. In this line, Ence applies internationally recognized standards of excellence such us FSC (Forest Stewardship Council) and PEFC (Program for the Endorsement of Forest Certification schemes) in managing their own forests and actively promotes forest certification among its timber suppliers.

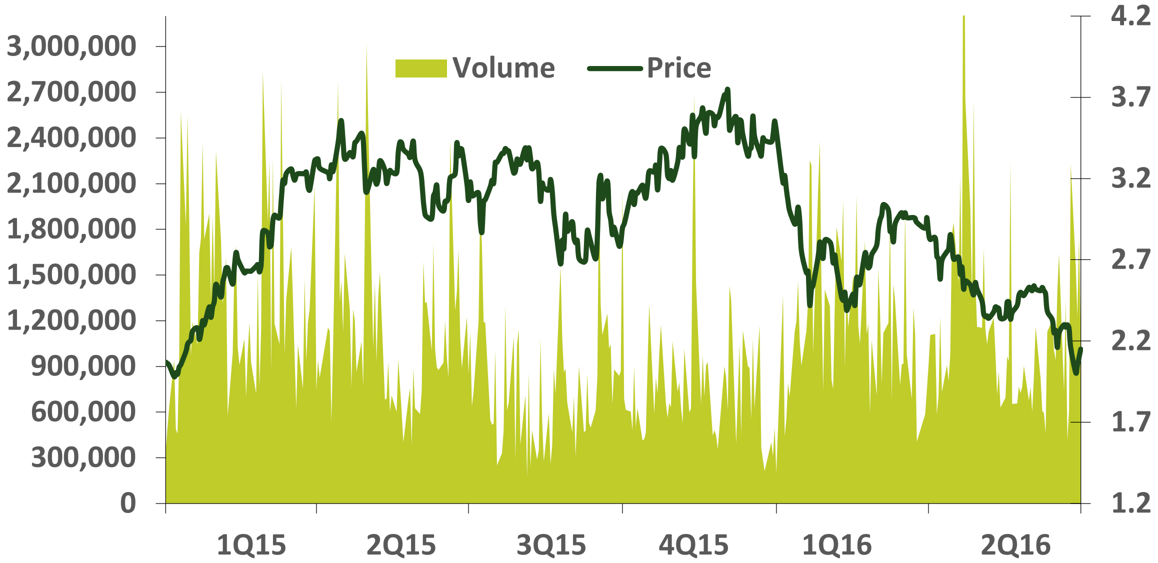
The fruits of this policy are evident in the gradual increase in the percentages of incoming timber that is certified, having risen from 42% and 6% at Navia and Pontevedra, respectively, to levels of 92% and 76%, respectively, as of May 2016.

The high environmental standards achieved allow for the pulp produced in Pontevedra and Navia to carry the distinguished Nordic Swan seal. This is the official Scandinavian ecolabel, which was created in 1989 by the Nordic Council of Ministers with the aim of making a positive contribution to sustainable consumption. The goal of this ecolabel is to help consumers take purchasing decisions that respect environmental sustainability.

APPENDIX 4: SHARE PRICE PERFORMANCE

Ence's share price decreased by 38.5% during the first half of the year, negatively impacted by pulp price reduction during the period, closing June at €2.15, down from €3.495 at year-end 2015.

During the same period, the Company's sector peers saw their share prices correct by 41.3% on average (*).



Source: Thomson Reuters

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Share price at the end of the period	3.32	3.07	2.90	3.50	2.87	2.15
Average share price in the period	2.66	3.26	3.06	3.38	2.80	2.47
Average daily volume (shares)	1,382,498	1,094,473	805,633	780,649	1,185,754	1,185,453
Ence performance	60%	(7%)	(6%)	21%	(16%)	(25%)
Ibex 35 performance	12%	(7%)	(11%)	(0%)	(9%)	(6%)
Eurostoxx performance	18%	(8%)	(9%)	5%	(8%)	(5%)

Note: Ence's share price performance has been adjusted for the €0.10 per share dividend paid on 8 May 2015, the €0.44 per share dividend paid on 7 October 2015 and the €0.10 per share dividend paid on 14 April 2016.

(*) Altri, Navigator, Fibria and Suzano.

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

DISCLAIMER

The information contained in this presentation was prepared by Ence Energía y Celulosa, S.A. (hereinafter, “Ence”).
This presentation contains 'forward-looking statements'. Any statements made in this presentation other than those based on historical information, including, merely for illustrative purposes, those referring to Ence's financial situation, business strategy, planned capital expenditure, management plans and objectives related to future operations, as well as statements including words such as “anticipate”, “believe”, “estimate”, “consider”, “expect” and other similar expressions, constitute forward-looking statements that reflect the current outlook of Ence or its management team with respect to future events and involve known and unknown risks and uncertainties. As a result, the actual situation and results of Ence and its sector could differ substantially from those depicted expressly or implicitly in these forward-looking statements.
These forward-looking statements are based on numerous assumptions regarding Ence's current and future business strategy and the environment it expects to encounter in the future. A series of material factors could cause Ence's situation and results to differ materially from those reflected in these forward-looking statements, including fluctuations in pulp and/or timber prices, business seasonality, electricity sector regulatory changes, exchange rate fluctuations, financial risks, strikes or other action taken by Ence's employees, the competitive landscape, environmental risks and any of the other factors detailed in this document. The forward-looking statements are made only as of the date of this presentation. Ence disclaims any obligation or undertaking to update or revise these statements, whether as a result of any change in Ence's expectations or the conditions or circumstances underlying these statements, or any other information or data contained in this presentation.
The information contained in this document has not been verified by independent experts. Accordingly, Ence does not make any representation or warranty, express or implied, as to the impartiality, reliability, completeness or accuracy of the information, opinions or conclusions in this presentation.
This document does not constitute an offer or a recommendation to buy or subscribe for shares, in keeping with the terms of Spain's Securities Market Act (Law 24/1988 of 28 July 1998) and enacting regulations. Nor does it constitute an offer to buy, sell or exchange or a solicitation of an offer to buy, sell or exchange any securities or the solicitation of any vote or approval in any jurisdiction.

2Q16 Earnings Report

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