Fourth-quarter 2017
Earnings report

20 February 2018

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1. EXECUTIVE SUMMARY

Market figures	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
BHKP (USD/t) average price	938.5	655.3	*43.2%*	872.4	*7.6%*	817.7	695.9	*17.5%*
Average exchange rate (USD/€)	1.18	1.09	*8.4%*	1.17	*0.6%*	1.13	1.11	*2.0%*
BHKP (€/t) average price	797.5	603.7	*32.1%*	745.8	*6.9%*	723.6	628.3	*15.2%*
Average pool price (€/MWh)	57.5	56.6	*1.7%*	48.5	*18.6%*	52.1	39.7	*31.2%*

Source: Bloomberg

Operating Magnitudes	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Pulp production (t)	**257,929**	**251,605**	***2.5%***	**246,898**	***4.5%***	**957,951**	**931,443**	***2.8%***
Pulp sales (t)	**255,401**	**259,529**	***(1.6%)***	**239,034**	***6.8%***	**975,302**	**923,408**	***5.6%***
Average sale pulp price (€/t)	581.5	439.3	*32.4%*	543.2	*7.1%*	528.2	464.4	*13.7%*
Cash cost (€/t)	357.6	340.9	*4.9%*	350.0	*2.2%*	349.6	356.7	*(2.0%)*
Wood cost €/m3	65.5	63.6	*2.9%*	64.2	*2.0%*	64.5	64.4	*0.0%*
Energy sales from Energy business (MWh)	**258,257**	**194,864**	***32.5%***	**260,106**	***(0.7%)***	**884,149**	**628,386**	***40.7%***
Average selling price - Pool + Ro (€/MWh)	108.1	125.6	*(13.9%)*	98.9	*9.2%*	106.3	106.1	*0.2%*
Investment remuneration (€Mn)	10.2	7.3	*39.7%*	10.0	*2.7%*	39.0	29.3	*33.3%*

P&L €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Revenues from Pulp business	175.5	144.4	*21.5%*	150.9	*16.3%*	611.6	514.3	*18.9%*
Revenues from Energy business	38.3	31.8	*20.5%*	36.5	*5.0%*	133.0	96.0	*38.6%*
Consolidation adjustments	(0.9)	(0.4)		(1.8)		(4.4)	(4.8)	
Total net revenue	**212.9**	**175.8**	*21.1%*	**185.6**	*14.7%*	**740.3**	**605.4**	*22.3%*
Pulp business EBITDA	55.9	29.4	*90.2%*	45.4	*23.1%*	170.6	95.4	*78.8%*
Margin %	**32%**	**20%**	*11.5 p.p.*	**30%**	*1.8 p.p.*	**28%**	**19%**	*9.3 p.p.*
Energy business EBITDA	12.4	12.8	*(2.6%)*	14.4	*(13.4%)*	45.4	30.2	*50.7%*
Margin %	**32%**	**40%**	*(7.7) p.p.*	**39%**	*(6.9) p.p.*	**34%**	**31%**	*2.7 p.p.*
EBITDA	**68.4**	**42.2**	*62.1%*	**59.8**	*14.4%*	**216.0**	**125.6**	*72.0%*
Adjusted EBITDA margin	*32%*	*24%*	*8.1 p.p.*	*32%*	*(0.1) p.p.*	*29%*	*21%*	*8.4 p.p.*
Amortization and forestry depletion	(21.5)	(17.7)	*21.5%*	(18.6)	*16.0%*	(75.4)	(76.9)	*(1.9%)*
Impairment of and gains/(losses) on fixed-asset disposals	3.5	4.4	*(21.6%)*	1.5	*133.4%*	9.1	24.0	*(62.3%)*
EBIT	**50.3**	**28.9**	*74.2%*	**42.7**	*17.8%*	**149.6**	**72.7**	*105.8%*
Net finance costs	(6.4)	(5.3)	*21.9%*	(5.3)	*21.7%*	(21.8)	(20.1)	*8.3%*
Other financial results	(4.5)	(0.3)	*n.s.*	(0.1)	*n.s.*	(8.0)	(1.9)	*332.5%*
Profit before tax	**39.4**	**23.3**	*69.2%*	**37.3**	*5.7%*	**119.9**	**50.8**	*136.0%*
Income tax	(6.5)	(5.8)	*11.8%*	(8.8)	*(25.7%)*	(26.2)	(12.3)	*112.9%*
Non-controlling interests	(0.6)	-	*n.s.*	(0.5)	*n.s*	(1.9)	-	*n.s.*
Atributable Net Income	**32.3**	**17.5**	*85.0%*	**28.0**	*15.2%*	**91.8**	**38.5**	*138.6%*
Earnings per share (EPS)	0.13	0.07	*88.0%*	0.11	*15.2%*	0.37	0.15	*142.4%*

Cash flow €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
	68.4	**42.2**	*62.1%*	**59.8**	*14.4%*	**216.0**	**125.6**	*72.0%*
Change in working capital	22.1	29.1	*(24.2%)*	(12.7)	*n.s.*	(6.7)	25.6	*n.s.*
Maintenance capex	(6.0)	(7.5)	*(20.5%)*	(3.7)	*59.3%*	(19.3)	(24.2)	*(20.1%)*
Interest Payment	(12.6)	(10.4)	*21.4%*	(0.1)	*n.s.*	(23.0)	(21.9)	*4.8%*
Income tax received/(paid)	(16.6)	(7.6)	*119.8%*	0.3	*n.s.*	(19.6)	(8.3)	*136.2%*
Normalized free cash flow	**55.3**	**45.9**	*20.5%*	**43.5**	*27.0%*	**147.4**	**96.7**	*52.4%*
Other charges / (payments)	6.6	(10.5)	*n.s.*	5.7	*n.s*	16.8	(5.7)	*n.s.*
Expansion capex	(14.1)	(28.7)	*(50.8%)*	(32.0)	*(56.0%)*	(55.8)	(58.3)	*(4.3%)*
Environmental capex	(1.6)	(1.7)	*(9.0%)*	(1.2)	*25.6%*	(5.8)	(7.5)	*(22.4%)*
Disposals	0.2	13.8	*(98.4%)*	0.5	*(55.7%)*	3.4	38.7	*(91.2%)*
Free Cash Flow	**46.5**	**18.8**	*147.8%*	**16.5**	*181.6%*	**106.0**	**63.9**	*65.8%*
Dividends	(16.1)	(7.8)	*105.6%*	(11.6)	*n.s*	(39.8)	(32.7)	*21.5%*

Net debt €Mn	Dec-17	Dec-16	Δ%	Sep-17	Δ%
Pulp business net financial debt	120.1	195.1	*(38.4%)*	148.8	*(19.3%)*
Energy business net financial debt	33.0	23.2	*42.4%*	34.7	*(4.7%)*
Net financial debt	**153.1**	**218.3**	*(29.8%)*	**183.5**	*(16.5%)*

- ✓ **Group´s Earnings per Share and EBITDA registered growth of 88% and 62% respectively in the fourth quarter, compared to the same period in the previous year.**
- ✓ **In the full year, these same figures achieved a 142% and 72% increase respectively from 2016. This once again evidence the ongoing successful execution of Ence's 2016-2020 Business Plan.**
- ✓ **EBITDA in the Pulp business rose by 90% in the fourth quarter, in relation to the same period in the previous year, and by 79% in the full year, driven by growth of 14% in average pulp sales prices, a 6% increase in sales volumes and a 2% reduction in the cash cost, which is equivalent to €7/t.**
- ✓ **The reduction in the cash cost came about despite a €12/t increase during the year in timber prices which are now tied to pulp prices. This mechanism allow us to keep our cost structure flexible in any price scenario.**
- ✓ **EBITDA in the Energy business decreased by 3% in the fourth quarter from 4Q16 due to the provision from the regulatory collar, although in the full year rose by 51%. Of this percentage growth, 33pp corresponds to the contribution by the three biomass plants acquired during the year, with aggregate capacity of 59 MW, with the remaining 18pp deriving from savings obtained by means of diversification into agricultural biomass. Annualising the contribution from these three plants puts the Energy business's EBITDA at over €50m.**
- ✓ **Strong cash generation during the period enabled Ence to earmark €62m to funding its Business Plan, €40m to shareholder remuneration and €65m to debt reduction.**
- ✓ **Group leverage stood at just 0.7x EBITDA at year-end, paving the way for acceleration of the outstanding Business Plan investments over the next two years.**
- ✓ **The next steps in the Pulp business will be marked by the addition of 30,000 tonnes of new capacity at the Pontevedra facility in March 2018, followed by another 40,000 tonnes in 2019, and expansion of the Navia facility by 80,000 tonnes in April 2019.**
- ✓ **In the Energy business, work has begun on construction of the new 40-MW biomass power plant in Huelva, due to be commissioned at the end of 2019. The new power plant is expected to generate €11m of EBITDA in its first year in operation.**
- ✓ **Ence continues to analyse investment alternatives in Spain and Europe to acquire biomass plants with a view to lifting EBITDA in the Energy business to €78m in 2020.**
- ✓ **The outlook for pulp prices remains very positive. Ence has already announced a fresh increase in the price of its pulp to $1,020/t for February. Continued sharp growth in global demand for pulp, coupled with the lack of major capacity addition plans, foreshadows a period of high pulp prices for at least the next three years.**
- ✓ **Moreover, Ence has an ongoing hedging policy, designed to mitigate exchange rate volatility. It has currently locked in a cap of $1.16 for half of its estimated pulp sales in 2018.**

2. PULP BUSINESS

Ence has two eucalyptus pulp mills in Spain: a 605,000-tonne-capacity facility in the town of Navia, Asturias, and a 465,000-tonne-capacity complex in Pontevedra, Galicia. Both use eucalyptus timber acquired locally in abundant markets.

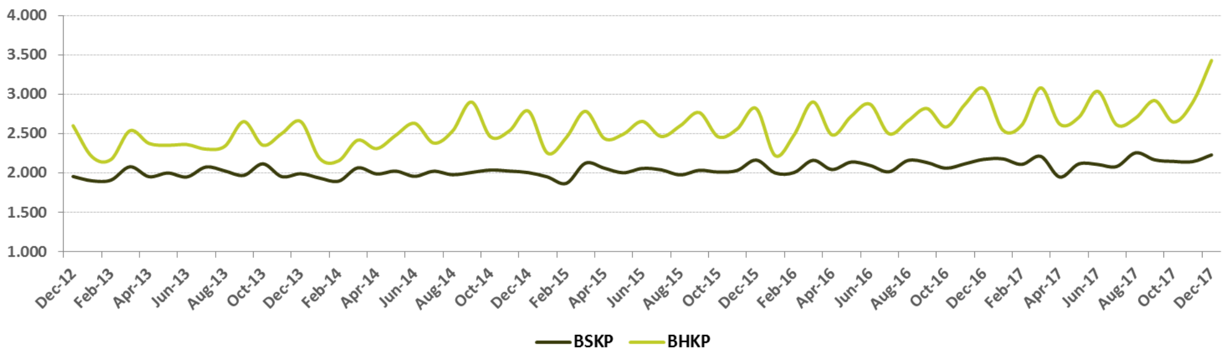
Ence's Pulp business encompasses all the activities related to the production of pulp for sale to third parties. It therefore includes not only the production and sale of pulp but also the generation and co-generation of energy at the plants involved in the productive process, as well as the supply of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

2.1. Pulp market trends

Growth in global demand for short-fibre pulp continued throughout 2017, with global shipments rising 5% year-on-year (equivalent to 1.6 million tonnes).

China remains the main driver of growth in global demand for short-fibre pulp, having registered demand growth of 13% in 2017, followed by other emerging markets, where demand firmed by 3%. This sharp growth in demand for short-fibre pulp is being shaped by growing consumption of tissue paper on the back of rapid urban development and growing standards of living in these countries, as well as the rollout of more stringent environmental protection standards in China.

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



Source: PPPC (G-100)

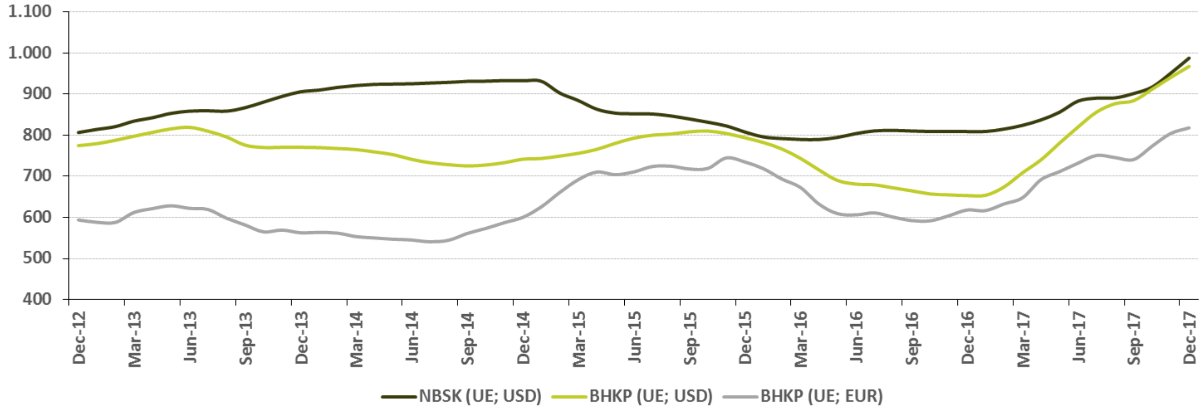
On the other hand, as we had already indicated, the growth in supply via new short-fibre capacity has proven substantially lower than initially anticipated by sector analysts as a result of a more gradual than expected start-up of APP's new mill in Indonesia and the intense pace of capacity conversions in Asia.

This has been compounded by operating problems at some mills during the year, notably at the CMPC mill in Brazil. These problems are commonplace in an industry in which the overall capacity utilisation rate stands at over 90%.

As a result, the price of short-fibre pulp (BHKP) in Europe continued to climb all year long, reaching $979/t by the end of December. This trend is expected to continue throughout 2018. By January short-fibre prices had reached $1,000/t and Ence has already announced a fresh increase in the price of its pulp to $1,020/t for February.

Continued sharp growth in global demand, coupled with the lack of major short-fibre capacity addition plans, foreshadows a period of structurally strong pulp prices for at least the next three years.

Pulp prices in Europe during the last five years



Source: FOEX

2.2. Revenue from pulp sales

	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Pulp sales (t)	**255,401**	**259,529**	*(1.6%)*	**239,034**	*6.8%*	**975,302**	**923,408**	*5.6%*
Average selling price (€/t)	581.5	439.3	*32.4%*	543.2	*7.1%*	528.2	464.4	*13.7%*
Pulp sales revenues (€Mn)	**148.5**	**114.0**	*30.3%*	**129.8**	*14.4%*	**515.2**	**428.8**	*20.1%*

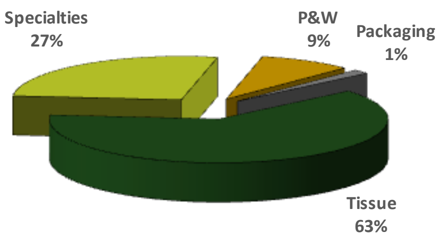
Pulp sales volumes rose by 5.6% in 2017, shaped by growth of 2.8% in output and the reduction of 17,351 tonnes of inventories. In the fourth quarter, pulp sales volumes decreased by 1.6% from 4Q16 due to a smaller reduction of pulp inventories.

The volume of pulp inventories declined by 35% in 2017 to end the year at a low of 33,000 tonnes.

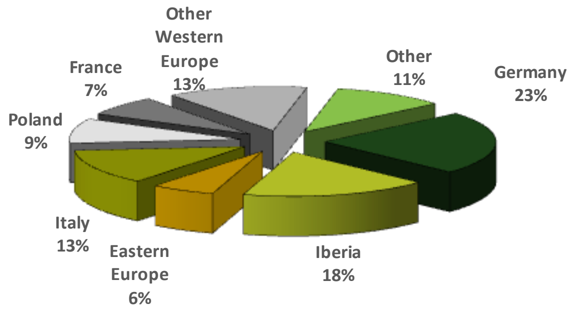
The growth in sales volumes, coupled with a 13.7% recovery in average sales prices, drove revenue from pulp sales 20.1% higher to €515.2m in the full year. The average selling price was 32.4% higher year-on-year in the fourth quarter, boosting pulp sales revenues by 30.3%.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 63% of revenue from pulp sales in 2017, followed by the specialty paper segment, at 27%. 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 89% of revenue from pulp sales in 2017. Germany and Spain/Portugal accounted for 23% and 18% of total revenue, respectively, followed by Italy, Poland and France, at 13%, 9% and 7%, respectively. Western Europe accounted for 13% of the total, with the rest of Eastern Europe representing 6%.

2.3. Pulp production and the cash cost

	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Navia pulp production	142,780	141,262	*1.1%*	133,501	*7.0%*	523,297	509,186	*2.8%*
Pontevedra pulp production	115,149	110,343	*4.4%*	113,396	*1.5%*	434,654	422,257	*2.9%*
Pulp production (t)	**257,929**	**251,605**	*2.5%*	**246,898**	*4.5%*	**957,951**	**931,443**	*2.8%*

Pulp production increased by 2.8% year-on-year in 2017. Production at the Navia mill increased by 2.8%, compared to growth of 2.9% at the Pontevedra mill. In the fourth quarter pulp production increased by 2.5% compared to the same period in the previous year.

As is customary, the Pontevedra mill was stopped for maintenance for 9 days in March and the Navia mill was halted for 12 days in June, which was 3 days longer than usual due to the clean-up of the pipeline into the Navia estuary.

During the maintenance stoppage in Pontevedra, the company eked out energy efficiency gains and prepared for the addition of 30,000 tonnes of capacity during the stoppage scheduled for March 2018. In addition, it reinforced the complex's environmental excellence and continued to make progress on its Zero Odour programme by introducing several improvements to the facility's digesters and furnaces that will boost the quality of gas condensation and controls.

During the maintenance stoppage at Navia, this facility's environmental excellence was similarly reinforced, emphasising the reduction of odours but also making the cooking process more efficient. It also conducted an ad-hoc clean-up of the pipeline discharging into the Navia estuary.

Figures in €/t	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Wood cost	196.5	189.3	*3.8%*	192.1	*2.3%*	192.7	190.7	*1.0%*
Conversion costs	105.6	101.7	*3.9%*	104.0	*1.5%*	102.9	111.7	*(7.9%)*
Commercial and logistic costs	30.7	29.3	*4.8%*	28.6	*7.3%*	29.4	29.0	*1.3%*
Overheads	24.8	20.7	*20.2%*	25.3	*(2.0%)*	24.6	25.3	*(2.7%)*
Total cash cost	**357.6**	**340.9**	*4.9%*	**350.0**	*2.2%*	**349.6**	**356.7**	*(2.0%)*

The cash cost amounted to €349.6/t in 2017, down €7.1/t year-on-year despite the increase of €12/t in timber prices throughout the year, which are indexed to the trend in pulp prices.

The reduction was brought about thanks to investments in efficiency improvements and capacity additions in prior quarters, coupled with savings in overhead and other timber costs.

The €12/t increase in timber prices in 2017 as a result of benchmarking to pulp prices was largely offset by savings achieved in certification costs, shortening of the supply distance, price differentiation with respect to other less productive eucalyptus species such as the *nitens* and new initiatives such as the promotion of forest owner associations (*cotos redondos*).

The trend in the cash cost is similar quarter-on-quarter: the increase of €4.40/t in timber prices is the result of two increases during the last quarter as a result of pulp price benchmarking. In addition, conversion costs increased quarter-on-quarter due largely to the increase in the prices of the chemical products used, such as caustic soda.

	4Q17	4Q16	*Δ%*	3Q17	*Δ%*	2017	2016	*Δ%*
Wood cost €/m3	65.5	63.6	*2.9%*	64.2	*2.0%*	64.5	64.4	*0.0%*
Timber consumption (m3)	718,967	696,040	*3.3%*	699,716	*2.8%*	2,857,483	2,824,973	*1.2%*
Big suppliers	26%	24%		26%		25%	29%	
Small suppliers	48%	44%		*47%*		48%	43%	
Standing timber acquired directly from land owners	26%	31%		*27%*		27%	26%	
Owned timber	*0%*	1%		*0%*		0%	1%	

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 biomass derived from its manufacturing to generate the energy needed for the process. To this end, it operates a 34.6-MW CHP plant, integrated within the Pontevedra mill, and a 40.3-MW CHP 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 conversion costs within the cash cost metric.

	4Q17	4Q16	*Δ%*	3Q17	*Δ%*	2017	2016	*Δ%*
Navia energy sales	142,906	143,028	*(0.1%)*	139,616	*2.4%*	527,884	484,967	*8.8%*
Pontevedra energy sales	58,110	55,223	*5.2%*	58,539	*(0.7%)*	217,441	194,732	*11.7%*
Energy sales linked to the pulp process (MWh)	**201,016**	**198,251**	*1.4%*	**198,155**	*1.4%*	**745,325**	**679,699**	*9.7%*
Average selling price - Pool + Ro (€/MWh)	93.1	113.8	*(18.2%)*	84.7	*9.8%*	89.4	82.8	*7.9%*
Investment remuneration (€Mn)	2.6	2.6	*(1.0%)*	2.6	-	10.2	10.4	*(1.0%)*
Revenues from energy sales linked to pulp (€Mn)	**21.3**	**25.1**	*(15.4%)*	**19.4**	*9.9%*	**76.8**	**66.6**	*15.4%*

The generation of energy in connection with pulp production increased by 9.7% in 2017, year-on-year, 2016 output having been affected by the incident affecting the turbine rotor in Pontevedra during the first quarter. In the fourth quarter, the generation of energy in connection with pulp production increased by 1.4% compared to the same period of 2016.

The average sale price in the full year meanwhile jumped 7.9%, due mainly to growth in pool prices to €52.1/MWh, compared to €39.7/MWh in 2016. On top of this, the plants' remuneration for operations (Ro) parameter increased following the recent update of the parameters applicable for 2017-2019.

In the fourth quarter, the average selling price decreased by 18.2% compared to 4Q16 due to the provision from the regulatory collar. Erring on the side of caution, Ence adjusts average pool prices monthly as a function of the limits set by the regulator (regulatory collar); this prudent accounting treatment led to the recognition of a provision of €3m in 2017 which has been recognised as a reduction in the average sales price. In 2016, however, the company made a positive adjustment of €3.9m in this respect, in the fourth quarter.

In total, revenue from energy sales in the Pulp business, factoring in remuneration for investment - unchanged - increased by 15.4% to €76.8m in 2017. However in the fourth quarter, revenues from energy sales went down by 15.4% in relation to the same period of 2016.

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.

	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Forestry and other revenues (€Mn)	**5.7**	**5.3**	*8.0%*	**1.7**	*229.2%*	**19.6**	**18.8**	*4.4%*

Revenue from forestry increased by 4.4% year-on-year in 2017 due to higher sales of timber to third parties. For the same reason, revenues from forestry activities were 8% higher year-on-year in 4Q17.

2.6. Income statement

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Total net revenue	**175.5**	**144.4**	*21.5%*	**150.9**	*16.3%*	**611.6**	**514.3**	*18.9%*
EBITDA	**55.9**	**29.4**	*90.2%*	**45.4**	*23.1%*	**170.6**	**95.4**	*78.8%*
EBITDA margin	*32%*	*20%*	*0.6 p.p.*	*30%*	*1.8 p.p.*	*28%*	*19%*	*9.3 p.p.*
Amortization	(15.8)	(12.5)	*26.7%*	(13.6)	*16.4%*	(54.4)	(56.7)	*(4.2%)*
Forest depletion	(1.4)	(2.1)	*(31.0%)*	(0.1)	*n.s.*	(4.0)	(6.0)	*(32.5%)*
Impairment of and gains/(losses) on fixed-asset disposal	3.5	1.2	*191.9%*	1.5	*124.2%*	9.2	20.2	*(54.5%)*
EBIT	**42.2**	**16.1**	*162.7%*	**33.3**	*26.6%*	**121.4**	**52.9**	*129.4%*
EBIT margin	*24%*	*11%*	*1.2 p.p.*	*22%*	*2.0 p.p.*	*20%*	*10%*	*9.6 p.p.*
Net finance costs	(3.3)	(3.7)	*(10.7%)*	(3.8)	*(12.8%)*	(14.2)	(14.4)	*(1.4%)*
Other financial results	(0.8)	(0.3)	*159.9%*	(0.1)	*n.s.*	3.7	(1.9)	*n.s.*
Profit before tax	**38.0**	**12.0**	*216.8%*	**29.4**	*29.3%*	**110.9**	**36.6**	*202.6%*
Income tax	(8.5)	(3.0)	*183.9%*	(6.8)	*25.2%*	(24.3)	(8.7)	*180.9%*
Net Income	**29.5**	**9.0**	*227.8%*	**22.6**	*30.6%*	**86.6**	**28.0**	*209.3%*

EBITDA in the Pulp business amounted to €170.6m in 2017, up 78.8% from 2016, thanks to the 13.7% recovery in average sales prices, growth of 5.6% in pulp sales volumes and a 2% reduction in the cash cost.

In the fourth quarter EBITDA rose by 90.2% year-on-year boosted by the increase in average sales prices, up 32.4% from 4Q16, despite the increase of 4.9% in the cash cost due to the growth in timber prices and the decrease of 1.6% in pulp sales throughout the quarter.

Depreciation charges were 4.2% lower at €54.4m at year-end 2017, shaped by the recognition in 2016 of outstanding depreciation charges in respect of the industrial complex in Huelva which was reclassified from assets held for sale to property, plant and equipment.

Since then, depreciation of these assets has been largely offset by the reversal of the impairment provision recognised against these assets within depreciation charges and gains on asset disposals. In 2016, the above heading also included €16.3m of gains on estate sales.

Net finance costs were virtually flat year-on-year at €14.2m, while 'other finance income/costs' reflects the collection of an €8m dividend from the Energy business in 2Q17, offset by net exchange losses.

First-time application of IFRS 9 in 2017 recommends retrospective application to 2016 of the new accounting treatment applicable to the time value of hedging derivatives. As a result, time value changes originally recognised in other finance income/costs in 2016 are now presented in equity.

In all, the Pulp business reported bottom-line growth of 209.3% to €86.6m in 2017, compared to €28m in 2016. In the fourth quarter, net income increased by 227.8% compared to the same quarter of 2016.

2.7. Cash flow statement

Net cash flow from operating activities amounted to €153.4m in 2017, up 103.3% from 2016, as a result of the EBITDA growth of 78.8%. In the fourth quarter, net cash flow from operating activities jumped 93.6%, compared to 4Q16, also fuelled by the EBITDA growth.

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
EBITDA	**55.9**	**29.4**	*90.2%*	**45.4**	*23.1%*	**170.6**	**95.4**	*78.8%*
Non cash expenses / (incomes)	4.2	1.6	*159.4%*	3.3	*25.5%*	9.6	2.5	*290.4%*
Other charges / (payments)	0.7	(3.1)	*n.s.*	0.0	*n.s.*	0.3	(1.1)	*n.s.*
Change in working capital	17.6	14.7	*19.6%*	(5.5)	*n.s.*	0.3	(0.8)	*n.s.*
Income tax received/(paid)	(12.4)	(6.6)	*88.3%*	-	*n.s.*	(14.5)	(7.2)	*99.8%*
Interest paid	(7.6)	(5.9)	*27.9%*	0.6	*n.s.*	(13.0)	(13.3)	*(2.0%)*
Net cash flow from operating activities	**58.4**	**30.2**	*93.6%*	**43.9**	*33.1%*	**153.4**	**75.4**	*103.3%*

Working capital was virtually flat in 2017 (€0.3m) as the increase in trade payables and decrease in inventories offset the growth in trade receivables, driven mainly by the recovery in net sales prices. In the fourth quarter, working capital decreased by 19.6%, compared to 4Q16, due to the increase in trade payables.

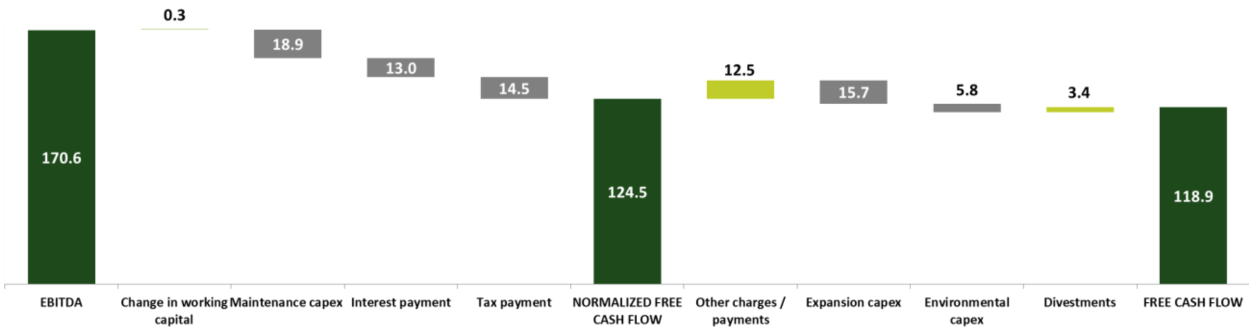
Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Inventories	1.0	6.3	*(85.0%)*	(0.9)	*n.s.*	5.6	(1.4)	*n.s.*
Trade and other receivables	2.9	7.9	*(63.2%)*	(2.4)	*n.s.*	(17.9)	16.5	*n.s.*
Current financial and other assets	2.4	1.1	*126.6%*	0.9	*158.1%*	3.3	(0.9)	*n.s.*
Trade and other payables	11.3	(0.6)	*n.s.*	(3.1)	*n.s.*	9.4	(15.0)	*n.s.*
Change in working capital	**17.6**	**14.7**	*19.6%*	**(5.5)**	*n.s.*	**0.3**	**(0.8)**	*n.s.*

Net cash flows used in investing activities totalled €34.5m in the full year, including the collection of €3.4m corresponding to the sale of the last 165 hectares of forest plantations agreed in December 2016 and of certain industrial assets related with the Huelva complex. In 2016, the Group collected €41.4m from asset disposals, mainly from the sale of 1,736 hectares of forest crops. For the same reason, in 4Q16 the Group collected €16.5m.

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Maintenance capex	(8.1)	(6.8)	*19.2%*	(2.6)	*211.7%*	(18.9)	(21.1)	*(10.5%)*
Environmental capex	(1.6)	(1.7)	*(9.0%)*	(1.2)	*25.6%*	(5.8)	(7.5)	*(22.4%)*
Efficiency and expansion capex	(4.7)	(6.1)	*(23.5%)*	(2.0)	*132.0%*	(15.7)	(35.8)	*(56.2%)*
Financial investments	0.9	(4.3)	*n.s.*	0.9	*2.0%*	2.5	(3.3)	*n.s.*
Investments	**(13.5)**	**(19.0)**	*(28.9%)*	**(5.0)**	*169.5%*	**(37.9)**	**(67.7)**	*(44.1%)*
Disposals	0.2	16.5	*(98.6%)*	0.5	*(55.7%)*	3.4	41.4	*(91.8%)*
Net cash flow from investing activities	**(13.3)**	**(2.5)**	*439.0%*	**(4.5)**	*195.1%*	**(34.5)**	**(26.3)**	*31.2%*

Maintenance capex totalled €18.9m in 2017. Environmental capital expenditure - €5.8m - was earmarked to multiple initiatives designed to reinforce the factories' environmental excellence, emphasising the reduction of odours and noise, and to the start of the landscaping project in Pontevedra. Investments in efficiency and growth - €15.7m - corresponded primarily to payments for investments made in 2016 in connection with the capacity added in Navia.

Financial investments include the positive adjustment of the regulatory collar totalling €3m in the full year and the negative adjustment of €3.9m for the same reason in the fourth quarter of 2016.



As a result, normalised free cash flow in the Pulp business amounted to €124.5m in 2017, while free cash flow net of efficiency, growth and environmental capex totalled €118.9m.

2.8. Change in net debt

Net debt in the Pulp business declined by €75m from year-end 2016 to €120.1m.

The Pulp business paid out €31.7m of dividends, net of dividends received, in 2017. This figure includes payment of the final dividend against 2016 profits in 2Q17 in the amount of €11.6m, collection of an €8m dividend from the Energy business, also in 2Q17, and payment of two interim dividends against 2017 profits in the third and fourth quarters in an aggregate amount of €28.1m.

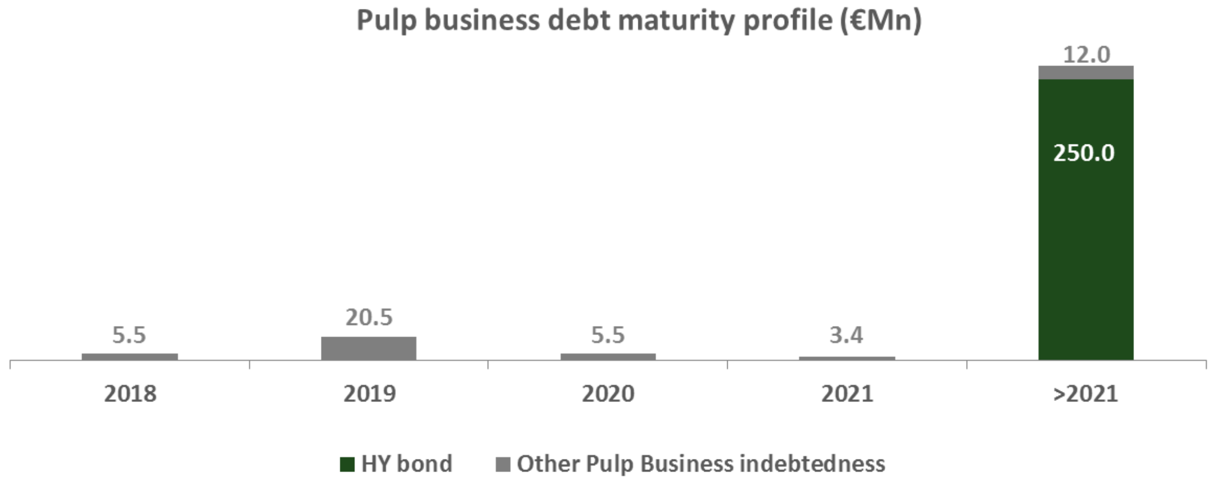
The movement in borrowings from the Energy business implied a cash outflow of €7.5m, mainly related to the passing on of overhead that is still pending collection.

Lastly, the reduction in short-term investments and non-cash finance costs had the effect of pushing net debt €4.7m higher.

Figures in €Mn	Dec-17	Dec-16	Δ%	Sep-17	Δ%
Long term financial debt	285.6	308.7	*(7.5%)*	287.7	*(0.7%)*
Short-term financial debt	8.2	8.0	*1.8%*	31.5	*(74.1%)*
Gross financial debt	**293.8**	**316.8**	*(7.3%)*	**319.2**	*(8.0%)*
Cash and cash equivalents	167.3	112.1	*49.2%*	161.6	*3.5%*
Short-term financial investments	6.4	9.6	*(33.5%)*	8.8	*(27.8%)*
Pulp business net financial debt	**120.1**	**195.1**	*(38.4%)*	**148.8**	*(19.3%)*

The gross debt of €293.8m at year-end corresponds mainly to the €250m of corporate bonds due 2022, the outstanding balance of €26m on two bilateral loans due in 2019 and 2020 taken on to finance the capacity expansion work undertaken in Navia, and a series of loans totalling €21m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work; these loans fall due between 2021 and 2026. Debt arrangement fees are deducted from gross borrowings on the balance sheet.

At year-end 2017, the company had cash and cash equivalents of €173.7m in addition to an undrawn €90m credit facility.



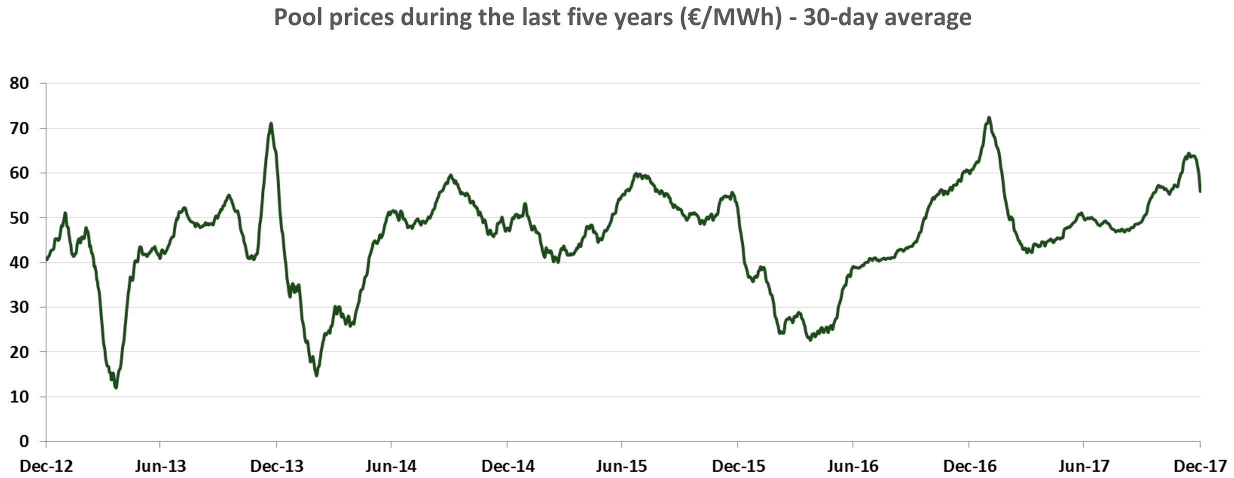
3. ENERGY BUSINESS

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 has six plants with aggregate installed capacity of 170 MW: two plants in Huelva (with capacity of 50 MW and 41 MW); one in Merida (20 MW); one in Ciudad Real (16 MW); one in Jaen, the last two acquired in December 2016; and one in Cordoba (27 MW), acquired in August 2017.

3.1. Electricity market trends

	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Average pool price (€/MWh)	57.5	56.6	*1.7%*	48.5	*18.6%*	52.1	39.7	*31.2%*



Average mainland pool prices increased by 31.2% from 2016 due mainly to the 47.5% drop in hydro output with the slack being picked up by the coal- and gas-fired fossil fuel plants. This situation was exacerbated by a 7.2% spike in demand for electricity in January due to a cold spell. In the fourth quarter, the average pool price was 1.7% higher than the same period of the previous year.

3.2. Revenue from energy sales

	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Huelva 50 MW	91,532	100,850	*(9.2%)*	97,793	*(6.4%)*	326,355	337,194	*(3.2%)*
Huelva 41 MW	42,724	50,684	*(15.7%)*	43,895	*(2.7%)*	173,841	154,314	*12.7%*
Mérida 20 MW	34,723	43,330	*(19.9%)*	41,982	*(17.3%)*	134,488	136,878	*(1.7%)*
Ciudad Real 16 MW	23,071	-		24,995	*(7.7%)*	90,743	-	
Jaén 16 MW	16,974	-		19,012	*(10.7%)*	77,059	-	
Córdoba 27 MW	49,234	-		32,429	*51.8%*	81,663	-	
Energy sales (MWh)	**258,257**	**194,864**	*32.5%*	**260,106**	*(0.7%)*	**884,149**	**628,386**	*40.7%*
Average selling price - Pool + Ro (€/MWh)	108.1	125.6	*(13.9%)*	98.9	*9.2%*	106.3	106.1	*0.2%*
Investment remuneration (€Mn)	10.2	7.3	*39.7%*	10.0	*2.7%*	39.0	29.3	*33.3%*
Revenues (€Mn)	**38.3**	**31.8**	*20.5%*	**36.5**	*5.0%*	**133.0**	**96.0**	*38.6%*

Energy sales volumes increased by 40.7% in 2017 to 884,149 MWh, boosted by the addition of the two 16-MW biomass plants acquired in December 2016 in Ciudad Real and Jaen and the 27-MW facility acquired in Cordoba last August.

During the second quarter, as is customary, the 50-MW Huelva, 41-MW Huelva, 20-MW Merida and 16-MW Ciudad Real plants were stopped for revision and maintenance; the 27-MW Cordoba and 16-MW Jaen facilities were stopped in 3Q17 and 4Q17 respectively.

It is worth highlighting the 12.7% increase in production at the 41-MW Huelva plant, having been stopped for longer than usual in 2Q16 for a turbine overhaul. This effect was offset by a lower utilisation rate in the fourth quarter.

Energy sales volumes in the fourth quarter increased by 32.5%, compared to 4Q16, fuelled by the inclusion of new biomass facilities, wich offset the lower generation at constant perimeter.

The high electricity prices observed in 4Q16 enabled the 50-MW Huelva and 20-MW Merida plants to operate above their annual ceiling of 6,500 equivalent hours.

Average sales prices were broadly flat year-on-year in 2017. The growth in average mainland pool prices was offset by the impact of the first-time consolidation of the three plants acquired during the past year, which have below-average remuneration for operations (Ro) parameters, and by the accounting treatment for the regulatory collar.

In the fourth quarter, the average selling price decreased 8.5% compared to the same period in the previous year, due to the provision from the regulatory collar. Erring on the side of caution, Ence adjusts average pool prices monthly as a function of the limits set by the regulator (regulatory collar); this prudent accounting treatment led to the recognition of a provision of €4.2m in 2017 which has been recognised as a reduction in the average sales price. In 2016, however, the company made positive adjustment of €3.9m in this respect, in the fourth quarter.

Lastly, remuneration for investment increased by 33.3% to €39m in 2017, similarly due to the first-time consolidation of the three recently-acquired plants. For this same reason, remuneration for investment increased by 39.7% compared to 4Q16.

In total, the Energy business reported topline growth of 38.6% in 2017, posting revenue of €133m. Revenues in the fourth quarter rose by 20.5% in relation to the same period in the previous year.

3.3. Income statement

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Total net revenue	**38.3**	**31.8**	*20.5%*	**36.5**	*5.0%*	**133.0**	**96.0**	*38.6%*
EBITDA	**12.4**	**12.8**	*(2.6%)*	**14.4**	*(13.4%)*	**45.4**	**30.2**	*50.7%*
EBITDA margin	*32%*	*40%*	*(7.7) p.p.*	*39%*	*(6.9) p.p.*	*34%*	*31%*	*2.7 p.p.*
Amortization	(4.3)	(3.1)	*38.2%*	(4.1)	*4.6%*	(16.0)	(13.0)	*23.4%*
Forest depletion	-	(0.1)	*(100.0%)*	(0.8)	*(100.0%)*	(1.0)	(1.2)	*(15.7%)*
Impairment of and gains/(losses) on fixed-asset disposals	-	3.2	*(100.0%)*	(0.1)	*(100.0%)*	(0.1)	3.8	*n.s.*
EBIT	**8.1**	**12.8**	*(36.7%)*	**9.4**	*(13.5%)*	**28.3**	**19.8**	*42.7%*
EBIT margin	*21%*	*40%*	*(19.1) p.p.*	*26%*	*(4.5) p.p.*	*21%*	*21%*	*0.6 p.p.*
Net finance costs	(3.1)	(1.5)	*102.0%*	(1.4)	*113.4%*	(7.6)	(5.7)	*32.9%*
Other financial results	(3.6)	0.0	*n.s.*	(0.0)	*n.s.*	(3.7)	0.0	*n.s.*
Profit before tax	**1.4**	**11.3**	*(87.8%)*	**7.9**	*(82.5%)*	**17.0**	**14.1**	*20.2%*
Income tax	2.0	(2.8)	*n.s.*	(2.0)	*n.s.*	(1.9)	(3.7)	*(47.9%)*
Net Income	**3.4**	**8.5**	*(60.0%)*	**5.9**	*(42.9%)*	**15.1**	**10.5**	*44.0%*
Non-controlling interests	(0.6)	-	*n.s.*	(0.5)		(1.9)	-	*n.s.*
Atributable Net Income	**2.8**	**8.5**	*(66.9%)*	**5.4**	*(48.5%)*	**13.2**	**10.5**	*26.0%*

EBITDA in the Energy business increased by 50.7% to €45.4m in 2017, driven mainly by the above-mentioned growth of 38.6% in revenue as well as biomass cost savings attained thanks to the strategy of diversifying into agricultural biomass initiated in 2015; this source currently accounts for 57% of all biomass.

The growth was accentuated by the adverse accounting effect in 2016 (€2.9m, recognised in 2Q16) of the classification of the Huelva 41-MW plant as a hybrid plant (85%-biomass; 15%-lignin).

In the fourth quarter, EBITDA decreased by 2.6% compared to the fourth quarter in the previous year, which incorporated a single positive annual adjustment of €3.9m for the regulatory collar in the fourth quarter.

Below the EBITDA line, it is worth highlighting the 23.4% increase in depreciation charges, due mainly to the first-time consolidation of the three plants acquired throughout last quarters.

The increase in finance costs reflects €1.5m of expenses associated with the debt refinancing undertaken in this business in the fourth quarter. 'Other finance income/costs' also includes a charge of €3.6m in connection with the cancellation of the interest rate hedges arranged over the restructured debt. Note that neither item implied an outflow of cash.

As a result, net profit attributable of owners of the parent amounted to €13.2m in the Energy business (net profit attributable to non-controlling shareholders, related to the three plants acquired, amounted to €1.9m), marking growth of 26% over 2016 net profit. However, in the fourth quarter, attributable net income decreased by 66.9%, compared to 4Q16, mainly due to the refinancing expenses.

3.4. Cash flow statement

Net cash flow from operating activities totalled €22.9m, compared to €47.4m in 2016, due mainly to growth in the working capital requirement, which more than offset the growth in EBITDA. This same happens in the fourth quarter, in which the net cash flow from operating activities decreased by 70.2% compared to the same period in the previous year.

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
EBITDA	**12.4**	**12.8**	*(2.6%)*	**14.4**	*(13.4%)*	**45.4**	**30.2**	*50.7%*
Non cash expenses / (incomes)	(0.9)	(0.0)	*n.s.*	0.2	*n.s.*	0.6	(0.1)	*n.s.*
Other charges / (payments)	(0.2)	(0.5)	*(64.8%)*	(0.3)	*(44.7%)*	(0.9)	0.7	*n.s.*
Change in working capital	4.4	14.4	*(69.1%)*	(7.2)	*n.s.*	(7.1)	26.3	*n.s.*
Income tax received/(paid)	(4.2)	(0.9)	*341.6%*	0.3	*n.s.*	(5.2)	(1.1)	*383.5%*
Interest paid	(5.0)	(3.5)	*41.5%*	(0.7)	*n.s.*	(9.9)	(8.6)	*15.3%*
Net cash flow from operating activities	**6.6**	**22.1**	*(70.2%)*	**6.7**	*(1.2%)*	**22.9**	**47.4**	*(51.7%)*

In 2017, the movement in working capital implied a cash outflow of €7.1m, mainly as a result of the €7.8m increase in trade receivables as a result of the sharp growth in the volume of energy sold. In addition, the biomass inventories balance increased by €1.5m.

In 2016, the movement in working capital had implied a cash inflow of €26.3m, due to the collection of balances due from the electricity system from July 2013 to December 2015 totalling €28.8m. In the fourth quarter, collection for this same concept totalled €10.1m

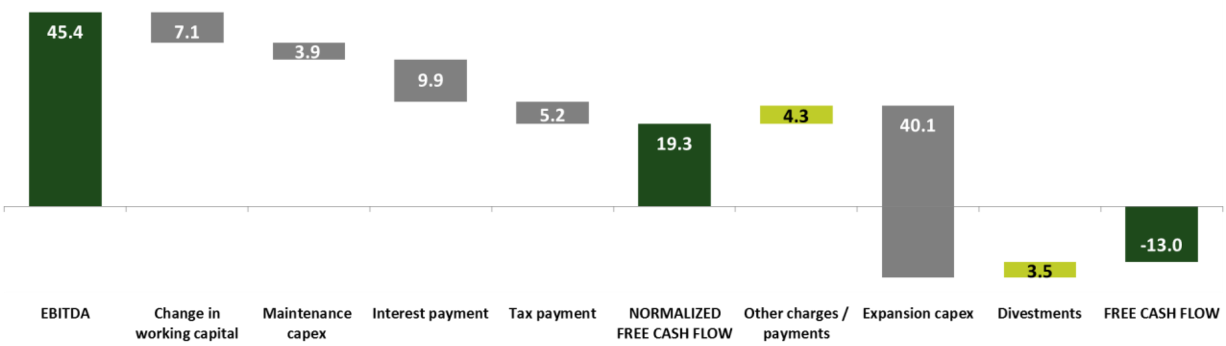
Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Inventories	1.3	1.5	*(10.0%)*	(0.3)	*n.s.*	(1.5)	2.2	*n.s.*
Trade and other receivables	1.3	12.0	*(89.4%)*	(7.0)	*n.s.*	(7.8)	20.6	*n.s.*
Trade and other payables	1.8	0.9	*95.1%*	0.2	*n.s.*	2.3	3.6	*(36.7%)*
Change in working capital	**4.4**	**14.4**	*(69.1%)*	**(7.2)**	*n.s.*	**(7.1)**	**26.3**	*n.s.*

Net cash flows used in investing activities totalled €35.9m and included the €28.5m payment for the 27-MW plant acquired in Cordoba in August. The remaining investments in efficiency and expansion work corresponded to the first payments for the construction of a new 40-MW plant in Huelva, which is expected to be commissioned by the end of 2019.

Expansion CAPEX in the fourth quarter of 2016 included payments of €22.5m for the acquisition of Ciudad Real 16 MW and Jaén 16 MW biomass plants.

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Maintenance capex	(1.1)	(3.4)	*(67.5%)*	(1.1)	*(2.2%)*	(3.9)	(5.8)	*(32.0%)*
Efficiency and expansion capex	(9.6)	(22.5)	*(57.2%)*	(30.0)	*(67.9%)*	(40.1)	(22.5)	*78.2%*
Financial investments	2.0	(4.4)	*n.s.*	1.6	*24.7%*	4.7	(4.3)	*n.s.*
Investments	**(8.8)**	**(30.3)**	*(71.1%)*	**(29.5)**	*(70.3%)*	**(39.4)**	**(32.6)**	*20.8%*
Disposals	3.5	-	*n.s.*	-	*n.s.*	3.5	-	*n.s.*
Net cash flow from investing activities	**(5.2)**	**(30.3)**	*(82.7%)*	**(29.5)**	*(82.2%)*	**(35.9)**	**(32.6)**	*10.0%*

The net cash inflow of €4.7m from financing activities mainly reflects the €4.2m accounting provision recognised during the reporting period to adjust average pool prices for the limits set by the regulator (regulatory collar). In the fouth quarter of 2016, a negative adjustment of €3.9m was included for this concept.



In total, the Energy business generated €19.3m of normalised free cash flow in 2017. Free cash flow after efficiency & growth capex, however, was negative: -€13m.

3.5. Change in net debt

Net debt in the Energy business increased by €9.8m from year-end 2016 to €33m.

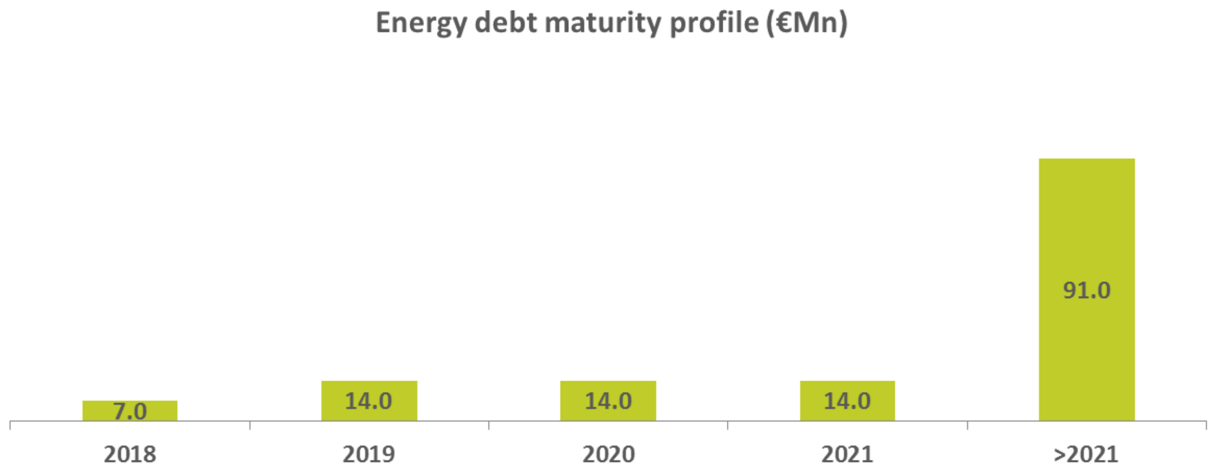
In addition to the negative free cash flow of €13m, the Energy business paid an €8m dividend to the Pulp business in the second quarter, offset by a net cash inflow of €7.5m on account of cash movements between the two businesses, mostly related to the reinvoicing of overhead; lastly, the business consolidated cash of €5.6m belonging to the 27-MW Cordoba facility acquired in 3Q17. Lastly, non-cash finance costs drove net debt €1.8m higher.

Figures in €Mn	Dec-17	Dec-16	Δ%	Sep-17	Δ%
Long term financial debt	129.2	107.2	*20.5%*	99.9	*29.4%*
Short-term financial debt	7.0	13.8	*(48.9%)*	14.8	*(52.3%)*
Gross financial debt	**136.3**	**121.0**	*12.6%*	**114.7**	*18.8%*
Cash and cash equivalents	103.2	97.8	*5.6%*	80.0	*29.0%*
Short-term financial investments	0.0	0.0	*20.0%*	0.0	-
Energy business net financial debt	**33.0**	**23.2**	*42.4%*	**34.7**	*(4.7%)*

On November 24 Ence subscribed a new financing for the Energy business with the purpose of restructure the different lines and types of financing in a single one and incorporate the necessary resources for the construction of the new 40 MW biomass generation plant already underway and which will be operational at the end of 2019.

The amount of the new financing amounts to €220m with a final term of 8 years and incorporates an institutional tranche of €50m. Of this amount, €60m correspond to the financing of the construction of the new 40 MW plant in Huelva which was still undrawn as of December 31. Another €20 m correspond to a revolving credit facility fully available at December 31st. The opening commissions of said financing are deducted from the sum of gross financial debt in the balance sheet.

It is the first loan in the world to which Standard & Poor's grants its green rating, which recognizes the high standards achieved by Ence in recent years in terms of sustainability and transparency.



At year-end 2017, the company had cash and cash equivalents of €103.2m, in addition to an undrawn €20m credit facility.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Income Statement

Figures in €Mn	2017 Pulp	2017 Energy	2017 Adjustments	2017 Consolidated	2016 Pulp	2016 Energy	2016 Adjustments	2016 Consolidated
Total net revenue	**611.6**	**133.0**	**(4.4)**	**740.3**	**514.3**	**96.0**	**(4.8)**	**605.4**
Other income	16.4	0.2	(5.0)	11.6	25.3	3.4	(13.5)	15.2
Change in inventories of finished products	(5.2)	-	-	(5.2)	1.1	-	-	1.1
Cost of sales	(248.1)	(41.8)	4.4	(285.5)	(243.8)	(29.3)	4.8	(268.3)
Personnel expenses	(67.3)	(7.1)	-	(74.4)	(64.3)	(4.1)	-	(68.4)
Other operating expenses	(136.8)	(39.0)	5.0	(170.8)	(137.2)	(35.8)	13.5	(159.5)
EBITDA	**170.6**	**45.4**	**-**	**216.0**	**95.4**	**30.2**	**-**	**125.6**
EBITDA margin	*28%*	*34%*		*29%*	*19%*	*31%*		*21%*
Amortization	(54.4)	(16.0)	-	(70.4)	(56.7)	(13.0)	-	(69.7)
Forest depletion	(4.0)	(1.0)	-	(5.0)	(6.0)	(1.2)	-	(7.2)
Impairment of and gains/(losses) on fixed-asset disposals(a)	9.2	(0.1)	-	9.1	20.2	3.8	-	24.0
EBIT	**121.4**	**28.3**	**-**	**149.6**	**52.9**	**19.8**	**-**	**72.7**
EBIT margin	*20%*	21%		20%	*10%*	*21%*		*12%*
Net finance costs	(14.2)	(7.6)	-	(21.8)	(10.7)	(4.2)	-	(14.8)
Other financial results	3.7	(3.7)	(8.0)	(8.0)	(5.6)	(1.5)	-	(7.1)
Profit before tax	**110.9**	**17.0**	**(8.0)**	**119.9**	**36.6**	**14.1**	**-**	**50.8**
Income tax	(24.3)	(1.9)	-	(26.2)	(8.7)	(3.7)	-	(12.3)
Net Income	**86.6**	**15.1**	**(8.0)**	**93.7**	**28.0**	**10.5**	**-**	**38.5**
Non-controlling interests	-	(1.9)	-	(1.9)	-	-	-	-
Atributable Net Income	**86.6**	**13.2**	**(8.0)**	**91.8**	**28.0**	**10.5**	**-**	**38.5**
Earnings per Share (EPS)	0.35	0.05	(0.03)	0.37	0.11	0.04	-	0.15

4.2. Balance sheet

Figures in €Mn	2017 Pulp	2017 Energy	2017 Adjustments	2017 Consolidated	2016 Pulp	2016 Energy	2016 Adjustments	2016 Consolidated
Intangible assets	13.2	2.8	-	16.0	15.2	2.7	-	17.9
Property, plant and equipment	438.4	254.3	-	692.7	451.4	234.9	-	686.3
Biological assets	81.5	0.2	-	81.7	79.0	4.4	-	83.4
Intercompany long term participation	198.6	-	(198.6)	-	198.6	-	(198.6)	-
Intercompany long term loan	75.2	0.0	(75.2)	-	71.8	-	(71.8)	-
Non-current financial assets	4.6	2.1	-	6.6	5.6	6.0	-	11.6
Assets for deferred tax	47.3	12.5	-	59.8	57.8	11.3	-	69.1
Total fixed assets	**858.7**	**271.9**	**(273.8)**	**856.7**	**879.4**	**259.3**	**(270.4)**	**868.3**
Non-current assets held for sale	0.0	-	-	-	6.5	0.4	-	6.9
Inventories	28.6	10.5	-	39.1	35.4	8.2	-	43.6
Trade other accounts receivable	111.9	35.4	(33.6)	113.7	93.7	27.8	(32.5)	89.0
Income tax	0.4	0.7	-	1.0	0.9	0.5	-	1.5
Other current assets	1.6	0.5	-	2.1	3.5	0.1	-	3.6
Hedging derivatives	13.5	-	-	13.5	0.0	-	-	-
Short-term financial assets	6.4	0.0	-	6.4	9.6	0.0	-	9.6
Cash and cash equivalents	167.3	103.2	-	270.5	112.1	97.8	-	209.9
Total current assets	**329.6**	**150.4**	**(33.6)**	**446.4**	**261.7**	**134.8**	**(32.5)**	**364.0**
TOTAL ASSETS	**1,188.3**	**422.2**	**(307.4)**	**1,303.1**	**1,141.1**	**394.2**	**(302.9)**	**1,232.3**
Equity	**678.5**	**162.3**	**(198.6)**	**642.2**	**609.2**	**151.0**	**(198.6)**	**561.6**
Non-current borrowings	285.6	129.2	-	414.8	308.7	107.2	-	416.0
Long term intercompany debt	-	75.2	(75.2)	-	0.0	71.8	(71.8)	-
Non-current derivatives	-	3.6	-	3.6	4.0	7.8	-	11.7
Liabilities for deferred tax	21.1	2.8	-	23.8	17.9	3.2	-	21.1
Non-current provisions	3.7	0.4	-	4.2	5.8	0.3	-	6.2
Other non-current liabilities	7.3	1.9	-	9.2	8.5	1.2	-	9.7
Total non-current liabilities	**317.7**	**213.1**	**(75.2)**	**455.7**	**345.0**	**191.5**	**(71.8)**	**464.7**
Liabilities linked to non-current assets held for sale	-	-	-	-	-	-	-	-
Current borrowings	8.2	7.0	-	15.2	8.0	13.8	-	21.8
Current derivatives	0.0	2.2	-	2.2	11.7	3.1	-	14.7
Trade payables and other	177.2	36.7	(33.6)	180.3	159.9	34.8	(32.4)	162.3
Income tax	0.0	0.4	-	0.4	0.1	(0.0)	-	0.1
Current provisions	6.7	0.4	-	7.1	7.2	0.0	(2.6)	4.6
Total current liabilities	**192.1**	**46.7**	**(33.6)**	**205.2**	**186.9**	**51.7**	**(32.5)**	**206.1**
TOTAL EQUITY AND LIABILITIES	**1,188.3**	**422.2**	**(307.4)**	**1,303.1**	**1,141.1**	**394.2**	**(302.9)**	**1,232.3**

4.3. Cash flow statement

	2017				2016			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**110.9**	**17.0**	**(8.0)**	**119.9**	**36.6**	**14.1**	**-**	**50.8**
Depreciation	59.6	15.9	-	75.4	64.8	12.1	-	76.9
Changes in provisions and other deferred expense	10.8	0.8	-	11.6	3.0	2.7	-	5.7
Impairment of gains/(losses) on disposals intangible asset	(9.1)	0.4	-	(8.7)	(20.2)	(3.8)	-	(24.0)
Net finance costs	17.6	11.3	-	28.8	16.2	5.7	-	21.9
Government grants taken to income	(1.2)	(0.2)	-	(1.4)	(1.6)	(0.1)	-	(1.7)
Adjustments to profit	**77.7**	**28.1**	**-**	**105.8**	**62.2**	**16.5**	**-**	**78.8**
Inventories	5.6	(1.5)	-	4.1	(1.4)	2.2	-	0.8
Trade and other receivables	(17.9)	(7.8)	-	(25.8)	16.5	20.6	-	37.1
Current financial and other assets	3.3	-	-	3.3	(0.9)	-	-	(0.9)
Trade and other payables	9.4	2.3	-	11.7	(15.0)	3.6	-	(11.4)
Changes in working capital	**0.3**	**(7.1)**	**-**	**(6.7)**	**(0.8)**	**26.3**	**-**	**25.6**
Interest paid	(16.5)	(10.5)	3.0	(24.0)	(14.7)	(8.9)	1.4	(22.2)
Interest received	3.4	0.5	(3.0)	1.0	1.4	0.3	(1.4)	0.3
Income tax received/(paid)	(14.5)	(5.2)	-	(19.6)	(7.2)	(1.1)	-	(8.3)
					(2.1)			(2.1)
Other cash flows from operating activities	**(27.5)**	**(15.1)**	**-**	**(42.6)**	**(22.6)**	**(9.7)**	**-**	**(32.3)**
Net cash flow from operating activities	**161.4**	**22.9**	**(8.0)**	**176.3**	**75.4**	**47.4**	**-**	**122.8**
Property, plant and equipment	(39.1)	(15.2)	3.5	(50.8)	(58.0)	(5.8)	2.7	(61.0)
Intangible assets	(1.3)	(0.4)	-	(1.6)	(6.4)	(0.0)	-	(6.5)
	-	(28.5)	-	(28.5)	-	(22.5)	-	(22.5)
Other financial assets	2.5	4.7	-	7.2	(3.3)	(4.3)	-	(7.6)
Disposals	**3.4**	**3.5**	**(3.5)**	**3.4**	**41.4**	**-**	**(2.7)**	**38.7**
Net cash flow from investing activities	**(34.5)**	**(35.9)**	**-**	**(70.3)**	**(26.3)**	**(32.6)**	**-**	**(58.9)**
Free cash flow	**126.9**	**(13.0)**	**(8.0)**	**106.0**	**49.2**	**14.7**	**-**	**63.9**
Buyback/(disposal) of own equity instruments	(0.2)	-	-	(0.2)	(9.0)	-	-	(9.0)
Proceeds from and repayments of financial liabilities	(31.7)	20.9	-	(10.8)	10.8	15.7	-	26.4
Dividends payments	(39.8)	(8.0)	8.0	(39.8)	(32.7)	-	-	(32.7)
Translation differences	-	-	-	-	-	-	-	-
Group and Associated companies	-	-	-	-	-	-	-	-
Net cash flow from financing activities	**(71.7)**	**12.9**	**8.0**	**(50.9)**	**(31.0)**	**15.7**	**-**	**(15.3)**
Net increase/(decrease) in cash and cash equivalents	**55.2**	**(0.1)**	**-**	**55.1**	**18.2**	**30.4**	**-**	**48.6**

5. KEY DEVELOPMENTS

Changes in the composition of the Board of Directors

On 20 December 2017, the Board of Directors approved the appointment of TURINA 2000 S.L. as the proprietary director designed by RETOS OPERATIVOS XXI, S.L. to fill the vacancy left by the voluntary departure of Pascual Fernández, the proprietary director designated by ALCOR HOLDING, S.A. TURINA 2000 S.L. was also named Secretary of the Appointments and Remuneration Committee and member of the Forestry and Regulatory Policy Advisory Committee. Javier Arregui Abendivar has been designated as the natural person representing TURINA 2000, S.L.

Acquisition of the Lucena biomass plant

On 2 August 2017, Ence closed the acquisition from EDF Energies Nouvelles of 70% of the share capital of Bioenergía Santamaría, S.A., along with the loan financing that company in the amount of €26.3m.

Bioenergía Santamaría owns the 27.1-MW biomass-fuelled renewable energy plant in Lucena (Cordoba).

The acquisition price was €28.5m, which includes the €5.6m of cash on the acquiree's balance sheet on the acquisition date.

Approval of the company's dividend policy

The Board of Directors approved the dividend policy applicable from 2017 on 26 July 2017. The new policy consists of paying out a dividend per share roughly equivalent to 50% of earnings per share every year in three annual instalments: two interim dividends, one approved at the end of the first half and the other in November of each year, and a final dividend, to be put before the company's shareholders for approval at the Annual General Meeting.

Dividend payments

Ence made its first and second interim dividend payments against 2017 profits on 6 September and 14 December 2017 in the amounts of €0.061 and €0.06 per share, respectively (amounts stated before withholdings).

The final dividend from 2016 profits (€0.0473 per share before withholdings) was paid out on 18 April 2017.

Cancellation of 4 million own shares

The deeds to the capital decrease ratified at the Annual General Meeting of 30 March 2017 were filed with the Madrid Companies Register on 11 May.

The company's share capital was reduced by cancelling 4 million own shares held as treasury stock in the wake of the share buyback programme carried out in 2016.

As a result, the company's share capital is now made up of 246,272,500 shares with a unit par value of €0.90, represented by book entries and all belonging to a single class.

Moody's and S&P affirm Ence's credit ratings

On 11 October 2017, Moody's affirmed Ence's Ba3 rating with a stable outlook.

Standard and Poors had affirmed Ence's BB- rating, assigning it a a stable outlook, on 6 April 2017.

APPENDIX 1: REPORTED WORKING CAPITAL AND CAPEX

Figures in €Mn	Dec-17	Dec-16	Δ%	Sep-17	Δ%
Inventories	39.1	43.6	*(10.3%)*	41.7	*(6.2%)*
Trade and other receivables	113.7	89.0	*27.7%*	115.2	*(1.3%)*
Other current assets	2.1	3.6	*(42.2%)*	5.4	*(61.7%)*
Trade and other payables	(180.3)	(162.3)	*11.1%*	(165.2)	*9.1%*
Income tax	0.6	1.3	*(56.4%)*	(12.7)	*n.s.*
Current provisions	(7.1)	(4.6)	*53.2%*	(7.8)	*(8.8%)*
Working Capital	**(31.9)**	**(29.4)**	***8.5%***	**(23.4)**	***36.2%***

The reported negative working capital balance narrowed by €2.5m in 2017 due mainly to the €24.7m increase in trade receivables, which was largely offset by the €18m increase in trade payables and the €4.5m decrease in inventories. The other line items (other assets, tax and provisions) increased the working capital requirement by €4.7 million.

Figures in €Mn	4Q17	4Q16	Δ%	3Q17	Δ%	2017	2016	Δ%
Maintenance capex	2.4	1.9	*24.8%*	3.6	*(32.3%)*	13.2	18.4	*(28.6%)*
Environmental capex	2.1	2.2	*(2.5%)*	1.2	*83.1%*	5.2	8.4	*(38.2%)*
Efficiency and expansion capex	4.2	1.9	*117.9%*	2.6	*63.9%*	12.0	35.0	*(65.7%)*
Pulp business capex	**8.8**	**6.1**	*44.7%*	**7.3**	*20.1%*	**30.4**	**61.9**	*(50.9%)*
Maintenance and environmental capex	0.7	3.7	*(82.5%)*	0.9	*(27.1%)*	3.3	6.4	*(48.9%)*
Efficiency and expansion capex	10.5	22.5	*(53.5%)*	31.0	*(66.2%)*	42.1	22.5	*87.1%*
Energy business capex	**11.1**	**26.2**	*(57.6%)*	**31.9**	*(65.1%)*	**45.4**	**28.9**	*56.8%*
Total capex	**19.9**	**32.3**	***(38.4%)***	**39.2**	***(49.2%)***	**75.8**	**90.8**	***(16.6%)***

Capitalised capex amounted to €75.8m in 2017, €30.4m of which corresponded to the Pulp business and €45.4m to the Energy business.

In the Pulp business, investments in efficiency and growth totalled €12m, largely related with energy efficiency upgrade work and the preparatory work for the addition of 30,000 tonnes of capacity at the Pontevedra complex planned for 1Q18. Maintenance capex amounted to €13.2m, while environmental capex totalled €5.2m and was largely related to the Zero Odours projects at both the Pontevedra and Navia complexes.

In the Energy business, growth capex amounted to €42.1m, including the €28.5m corresponding to the acquisition of the 27-MW Cordoba facility. The rest corresponds primarily to construction of the new 40-MW plant in Huelva. Maintenance capex in this business totalled €5.2m.

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

Facility	Type of facility	MW	Remuneration to investment 2017 (Ri; €/MW)	Type of fuel	Remuneration to operation 2017 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Lignin	35.000	-
	Biomass generation	36.2	230,190	Agroforestry biomass	60.024	6,500
Pontevedra	Biomass co-generation (a)	34.6	-	Lignin	35.168	-
			55,308	Agroforestry biomass	60.866	6,500
Huelva 41MW	Biomass generation	41.0	246,267	Agroforestry biomass	66.293	6,500
Huelva 50MW	Biomass generation	50.0	266,452	Agroforestry biomass	58.308	6,500
Mérida 20MW	Biomass generation	20.0	293,579	Agroforestry biomass	55.531	6,500
C. Real 16MW	Biomass generation	16.0	262,317	Olive pulp	45.412	6,500
Jaen 16MW	Biomass generation	16.0	262,317	Olive pulp	45.084	6,500
Cordoba 27MW	Biomass generation	14.3	95,659	Olive pulp	46.640	6,500
	Gas co-generation	12.8	-	Natural Gas	64.018	6,500

(a) The turbine operates according to a combination of steam from a recovery boiler and a biomass boiler

Power plants fuelled by renewable sources of energy, combined heat and power (CHP) systems or waste are regulated by Spanish Royal Decree 413/2014. These plants are remunerated by means of two specific concepts designed to enable them to compete on an even footing with the other generation technologies and ensure a reasonable return on investment:

- The **remuneration for operations (Ro)** enables plant owners to cover all the costs of operating a 'standard' plant that exceed the pool price, including fuel costs. It takes the form of 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 output, which is 6,500 hours in the case of power generated using biomass (there is no cap in the case of CHP facilities). Output above this cap is sold at pool prices, with no entitlement to additional premiums.

  The pool prices estimated by the regulator for the purpose of determining the 'Ro' component are reviewed every three years. Deviations in actual average pool prices with respect to the estimate reflected in the corresponding ministerial order are compensated for as a function of the following annual limits:

Eur / MWh	2017	2018	2019
LS2	49.81	48.30	48.68
LS1	46.33	44.92	45.28
Estimated pool price	42.84	41.54	41.87
LI1	39.35	38.16	38.46
LI2	35.87	34.78	35.06

- The **remuneration for investment (Ri)** parameter guarantees an annual return of 7.4% on the estimated cost of building a 'standard' plant. It takes the form of 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

APPENDIX 3: ENVIRONMENTAL PLEDGE

Each of Ence's Operations Centres located in Navia (Asturias), Pontevedra, Huelva, Mérida, La Loma (Ciudad Real), Enemansa (Jaen) and Lucena (Córdoba), hold 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. The goal is to prevent, or at least minimise, 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 permits set 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 set an example with its environmental management and record. To this end it has implemented a total quality management (TQM) programme which addresses matters related to quality, health and safety, environmental protection and pollution prevention as one. Against this backdrop, it 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

The integrated management system in place at the Huelva, Navia and Pontevedra Operations Centres is certified by an accredited organisation which carries out the pertinent annual audits. The system complies with the following international standards: The UNE-EN-ISO 9001 quality management standard, the UNE-EN-ISO 14001 environmental management standard and the OHSAS 18001 workplace health and safety standard.

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.

Ence has also positioned itself as the benchmark Spanish player in forest sustainability matters thanks to its strategic focus on three key lines of initiative: environmental responsibility, management efficiency and social commitment. Ence uses internationally-recognised standards of excellence, such as the FSC (Forest Stewardship Council) and PEFC (Program for the Endorsement of Forest Certification) schemes, in managing its own forest tracts and fosters their adoption in the case of third-party forests. In addition, Ence aims to deliver continuous improvement in terms of its consumption of natural resources and works to promote its management criteria by collaborating actively on planning matters, pest control, plant issues and forest certification, among other aspects.

The fruits of this policy are evident in the gradual increase in the percentages of incoming timber that is certified, which have risen from 42% and 6% at Navia and Pontevedra, respectively, in 2011 to levels of 84% and 77%, at year-end 2017.

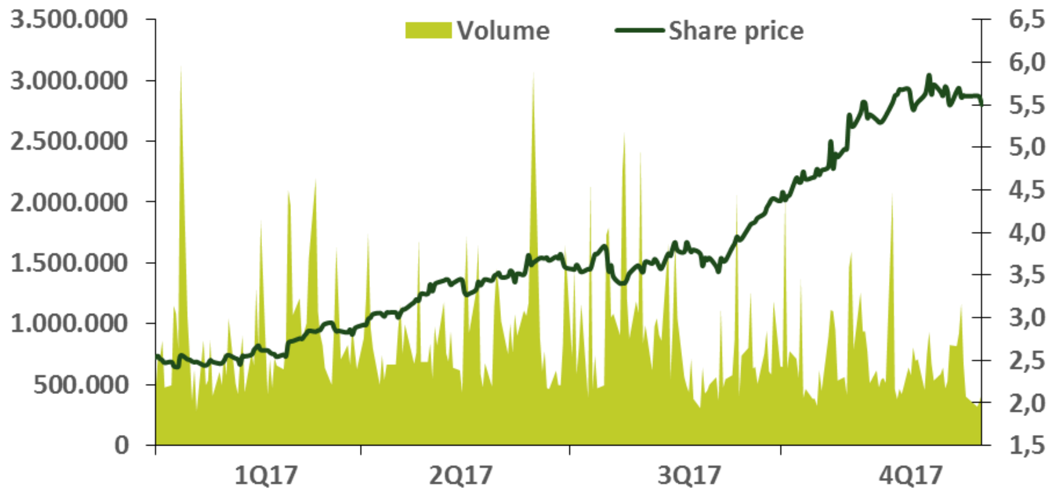
As for the sustainability of biomass as a fuel, Ence has once again emerged as a pioneer, developing a 10-point declaration guaranteeing its commitment to using biomass sustainably and caring for the environment in making use of this renewable source of energy. In formulating this declaration, Ence drew from the biomass sustainability criteria established by some of Europe's leading environmentalist organisations.

Thanks to the company's environmental efforts, the pulp produced in Pontevedra and Navia carries the 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 capital consists of 246,272,500 shares with a unit par value of €0.90. They are represented by book entries and all carry identical voting and dividend rights. The company's shares have been traded on the Spanish stock exchanges and on the continuous market since it was privatised in 2001 and are part of the Ibex Small Cap and FTSE4Good stock indices.

Ence's share price ended the year at €5.50, implying a cumulative gain of 119.1% in 2017. During the same period, the company's sector peers saw their share prices increase by 26.7% on average (*).



Source: Bloomberg

	1Q17	2Q17	3Q17	4Q17
Share price at the end of the period	2.89	3.59	4.40	5.50
Market capitalization at the end of the period	711.7	884.1	1083.6	1354.5
Ence quarterly evolution	15.1%	24.2%	22.6%	25.0%
Daily average volume (shares)	883,525	938,535	927,095	723,124
Peers quarterly evolution *	1.9%	5.3%	18.7%	6.8%

(*) Altri, Navigator, Fibria and Suzano.

On 30 October 2015 Ence issued €250m of 5.37% bonds due 1 November 2022 and first callable 1 November 2018. The coupon is payable twice-yearly. The bonds are traded on the EuroMTF exchange in Luxembourg.

	1Q17	2Q17	3Q17	4Q17
Share price at the end of the period	107.14	107.15	107.62	106.41
Yield to worst at the end of the period*	2.42%	1.90%	0.76%	0.83%

(*) The yield calculated by Bloomberg assumes that the bonds will be refinanced in November 2018.

The current issuer and issue credit ratings assigned to Ence and the 2015 bond issue are shown below:

	CORPORATE			ISSUANCE
	RATING	OUTLOOK	DATE	BOND 2015
Moody's	**Ba3**	**Stable**	**11/10/2017**	**Ba3**
S&P	**BB-**	**Stable**	**06/04/2017**	**BB-**

APPENDIX 5: ALTERNATIVE PERFORMANCE MEASURES (APMs)

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, this report provides certain other complementary metrics that are not defined or specified in IFRS and are used by management to track the company's performance. The alternative performance measures (APMs) used in this report are defined, reconciled and explained below:

CASH COST

The production cost per tonne of pulp produced, or cash cost, is the key measure used by management to measure its efficiency as a pulp maker. Cash costs are analysed in section 2.3 of this report.

Cash cost includes of the expenses incurred to produce pulp: timber, conversion costs, corporate overhead, sales and marketing expenses and logistics costs. It excludes fixed-asset depreciation and forest depletion charges, impairment charges and gains/losses on non-current assets, finance costs/income, income tax and certain operating expenses which management deems to be non-recurring, such as ad-hoc consultancy projects, Ence's long-term remuneration plan and the termination benefits agreed with staff.

As a result, the difference between the average sales price and the cash cost applied to the total sales volume in tonnes yields a figure that is a very close proxy for the EBITDA generated by the Pulp business.

EBITDA

EBITDA is a measure used in the income statements presented in this report, in sections 1, 2.6, 3.3 and 4.1, and is a measure of operating profit before depreciation, amortisation and forest depletion charges, non-current asset impairment charges and gains or losses on non-current assets.

EBITDA provides an initial approximation of the cash generated by the company's operating activities, before interest and tax payments, and is a measure that is widely used in the capital markets to compare the earnings performances of different companies.

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow metrics for each of its two business units in sections 1, 2.7 and 3.4 of this report. Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

Normalised free cash flow provides a proxy for the cash generated by the company's operating activities before collection of proceeds from asset sales; this cash represents the amount available for investments other than maintenance capex, for shareholder remuneration and for debt repayment.

MAINTENANCE, EFFICIENCY & GROWTH AND ENVIRONMENTAL CAPEX

Ence provides the breakdown of its capital expenditure related cash outflows for each of its business units in sections 1, 2.7 and 3.4, distinguishing between maintenance, efficiency & growth and environmental capex.

Maintenance capex are recurring investments designed to maintain the capacity and productivity of the company's assets. Efficiency & growth capex, meanwhile, are investments designed to increase these assets' capacity and productivity. Lastly, environmental capex covers investments made to enhance quality standards, occupational health and safety and environmental performance and to prevent contamination.

Ence's 2016-2020 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency & growth and environmental capex in order to attain the strategic targets set. The disclosure of capex cash flows broken down by area of investment facilitates oversight of execution of the published 2016-2020 Business Plan.

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from investing activities in sections 2.7, 3.4 and 4.3 of this report.

Free cash flow provides information about the cash generated by the Group's operating activities that is left over after its investing activities for the remuneration of shareholders and repayment of debt.

NET DEBT

The borrowings recognised on the balance sheet, as detailed in section 4.2 of this report, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not however include the measurement of financial derivatives.

Net debt is calculated as the difference between current and non-current borrowings on the liability side of the balance sheet and the sum of cash and cash equivalents and short-term financial investments on the asset side, as outlined in sections 2.8 and 3.5 of this report.

Net debt provides a proxy for the company's indebtedness and is a metric that is widely used in the capital markets to compare the financial position of different companies.

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The information contained in this report was prepared by Ence and includes forward-looking statements.

Any statements made in this report 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, 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.

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