

ENCE ENERGÍA Y CELULOSA, S.A. (the “**Company**”), pursuant to article 228 of the Securities Market Act, proceeds under this letter to communicate the following:

RELEVANT EVENT

As a continuation of the relevant events announced by the Company on March 30, 2017, under registration number 250159, and on April 26, 2017, under registration number 251193, the Company announces that the public deed of reduction of social capital approved by the Ordinary General Shareholders' Meeting held on March 30, 2017 as item Six of the Agenda and implemented by the Board of Directors of the Company on April 26, 2017, has been registered in the Mercantile Register of Madrid.

By virtue of such implementation, the share capital of the Company was reduced by €3,600,000 through the amortization of 4,000,000 treasury shares of 0.9 euro nominal value per share, through the provision of an unrestricted reserve in amortized capital with the same amount, which will only be available under the same requirements applicable for share capital reduction, pursuant to article 335 c) of the Corporate Enterprises Act..

Consequently, the share capital of the Company was established in €221,645,250 fully subscribed and paid up, which comprises 246,272,500 shares, each pertaining to a single class with a nominal value of €0.90 and represented by book entries

In addition, the Company has ordered the exclusion of trading of the redeemed shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Stock Market Interconnection System (Continuous Market) and the cancellation of the accounting records of the redeemed shares of the “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR).

In Madrid, on 18 May 2017.