

Pursuant to the provisions of Article 17 of Regulation (EU) 596/2014 of 16 April 2014 on Market Abuse (Market Abuse Regulation) and Article 228 of the Securities Market Act, **Ence Energía y Celulosa, S.A.** (“**Ence**”) hereby notifies the following:

RELEVANT EVENT

Using the powers conferred by the General Shareholders' Meeting of Ence held on 30 March 2017, the Board of Directors of Ence has resolved to carry out an issue of bonds convertible into new or existing ordinary shares (the “**Shares**”) of Ence (the “**Bonds**”), excluding the preferred subscription rights of the shareholders (the “**Issue**”).

Ence's Board of Directors has established the main characteristics of the Issue. However, some of the terms and conditions of the Bonds will be determined once the bookbuilding process has been completed.

Ence has engaged the services of BNP Paribas, acting as Sole Global Coordinator and Sole Bookrunner, to carry out an accelerated bookbuilding process in order to obtain commitments from qualified investors for the subscription of the Bonds.

The accelerated bookbuilding process in relation to the Issue will begin immediately after the publication of this announcement.

Ence intends to use the net proceeds of the Bonds to fund the voluntary early redemption of its outstanding €250,000,000 5.375 per cent. Senior Notes due 1 November 2022, as well as for general corporate purposes, including extending the maturity profile and reducing the average cost of its debt, enhancing its liquidity and diversifying its sources of funding.

New Issue of Bonds

The main terms and conditions of the Issue are as follows:

- a. The aggregate principal amount of the Bonds will be ONE HUNDRED AND SIXTY MILLION EUROS (€160,000,000).

- b. The Bonds will mature on the fifth anniversary of the Issue Date, as this term is defined below ("**Final Maturity Date**"). On the Final Maturity Date, those Bonds which have not been previously converted or exchanged, redeemed or purchased and cancelled, will be redeemed at their principal amount.
- c. The Issue will be targeted at qualified investors.
- d. The Bonds will each have a principal amount of one hundred thousand euros (€100,000) and will be issued at 100% of their principal amount. The Bonds will constitute a single series and will initially be represented by a global bond in registered form, initially represented by a global certificate. A register of the names and addresses of the bondholders will be kept by a financial entity appointed for this purpose.
- e. The Bonds will accrue fixed interest, payable semi-annually in arrear. The annual interest rate, which will be set once the bookbuilding process has concluded, is expected to be between 0.625% and 1.375%.
- f. The Bonds will be convertible into newly-issued or existing Shares (as Ence may decide), when bondholders exercise their conversion rights, at a conversion price which will, initially, be the result of adding together:
 - a) the trading price of a Share, determined as the volume weighted average price of a Share on the Spanish Stock Exchanges during the period between opening and closing of trading today.
 - b) a conversion premium to be established as a result of the accelerated bookbuilding process. The conversion premium is expected to be between 35% and 40% above the volume weighted average price of a Share referred to in paragraph (a) above.

The bondholders will receive, as a result of exercising their conversion right, a number of Shares which will be determined by dividing the principal amount of the Bonds to be converted by the prevailing conversion price.

- g. In any event, Ence may redeem all (but not part) of the Bonds at their principal amount plus the interest accrued, if: (a) on or after the date that falls 3 years and 21 days from the Issue Date, the market value of the underlying shares per 100,000 euros in principal amount of the Bonds for a specified period of time exceeds 130,000 euros; or if (b) at any time, 15% or less of the principal amount of the Bonds issued remains outstanding.
- h. The Issue is guaranteed by Ence's global assets and is not guaranteed by any security interest over assets or rights of Ence or personal guarantee from third parties.
- i. The legal nature of the Issue, the capacity of Ence as well as its corresponding corporate resolutions and the status of the Bonds, will be governed and interpreted in accordance with Spanish law. Except as indicated above, the terms and conditions of the Bonds, including the non-contractual obligations, will be governed and interpreted in accordance with English law.
- j. Ence will assume a 90-day lock-up undertaking, as from the Issue Date, by virtue of which it will undertake to not carry out the issue, offer or sale of Shares and other securities convertible into and/or exchangeable for Shares, subject to certain exceptions.
- k. An application will be made for the Bonds to be admitted to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange or on any other multilateral trading facility or regulated market as defined for the purposes of the EU Directive 2014/65/EU on Markets in Financial Instruments, as amended ("**MiFID II**"), in the European Economic Area ("**EEA**") or other organised secondary market prior to the first coupon payment date,.

Once the final terms and conditions of the Issue have been finalized at the conclusion of the bookbuilding process, Ence is expected to sign a subscription agreement for the Bonds with BNP Paribas as Sole Global Coordinator and Sole Bookrunner for the Issue (the "**Subscription Agreement**"), which will be governed by English law.

The subscription and settlement of the Bonds is expected to take place on 5 March 2018 (the "**Issue Date**"), provided that the applicable conditions established in the Subscription Agreement are fulfilled.

Madrid, 22 February 2018

IMPORTANT INFORMATION

NO ACTION HAS BEEN TAKEN BY ENCE, THE SOLE BOOKRUNNER OR ANY OF THEIR RESPECTIVE AFFILIATES THAT WOULD PERMIT AN OFFERING OF THE BONDS OR POSSESSION OR DISTRIBUTION OF THIS COMMUNICATION OR ANY OFFERING OR PUBLICITY MATERIAL RELATING TO THE BONDS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. PERSONS INTO WHOSE POSSESSION THIS COMMUNICATION COMES ARE REQUIRED BY ENCE AND THE SOLE BOOKRUNNER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

THIS COMMUNICATION IS NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES. THIS COMMUNICATION IS NOT AN OFFER TO SELL SECURITIES OR THE SOLICITATION OF ANY OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY OFFER OF SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SALE WOULD BE UNLAWFUL.

THIS COMMUNICATION AND THE OFFERING WHEN MADE ARE ONLY ADDRESSED TO, AND DIRECTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "EEA") AT PERSONS WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE ("QUALIFIED INVESTORS"). FOR THESE PURPOSES, THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EC, AS AMENDED.

SOLELY FOR THE PURPOSES OF THE PRODUCT GOVERNANCE REQUIREMENTS CONTAINED WITHIN: (A) EU DIRECTIVE 2014/65/EU ON MARKETS IN FINANCIAL INSTRUMENTS, AS AMENDED ("MIFID II"); (B) ARTICLES 9 AND 10 OF COMMISSION DELEGATED DIRECTIVE (EU) 2017/593 SUPPLEMENTING MIFID II; AND (C) LOCAL IMPLEMENTING MEASURES (TOGETHER, THE "MIFID II PRODUCT GOVERNANCE REQUIREMENTS"), AND DISCLAIMING ALL AND ANY LIABILITY, WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE, WHICH ANY "MANUFACTURER" (FOR THE PURPOSES OF THE MIFID II PRODUCT GOVERNANCE REQUIREMENTS) MAY OTHERWISE HAVE WITH RESPECT THERETO, THE BONDS HAVE BEEN SUBJECT TO A PRODUCT APPROVAL PROCESS, WHICH HAS DETERMINED THAT: (I) THE TARGET

MARKET FOR THE BONDS IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN MIFID II; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE BONDS TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER'S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURER'S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

THE TARGET MARKET ASSESSMENT IS WITHOUT PREJUDICE TO THE REQUIREMENTS OF ANY CONTRACTUAL OR LEGAL SELLING RESTRICTIONS IN RELATION TO ANY OFFERING OF THE BONDS.

FOR THE AVOIDANCE OF DOUBT, THE TARGET MARKET ASSESSMENT DOES NOT CONSTITUTE: (A) AN ASSESSMENT OF SUITABILITY OR APPROPRIATENESS FOR THE PURPOSES OF MIFID II; OR (B) A RECOMMENDATION TO ANY INVESTOR OR GROUP OF INVESTORS TO INVEST IN, OR PURCHASE, OR TAKE ANY OTHER ACTION WHATSOEVER WITH RESPECT TO THE BONDS.

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014, AS AMENDED (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

IN ADDITION, IN THE UNITED KINGDOM THIS COMMUNICATION IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, QUALIFIED INVESTORS (I) WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "ORDER") AND QUALIFIED INVESTORS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, AND (II) TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS COMMUNICATION MUST NOT BE ACTED ON OR RELIED ON (I) IN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EEA OTHER THAN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT QUALIFIED INVESTORS.

ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO (A) RELEVANT PERSONS IN THE UNITED KINGDOM AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS IN THE UNITED KINGDOM AND (B) QUALIFIED INVESTORS IN MEMBER STATES OF THE EEA (OTHER THAN THE UNITED KINGDOM).

ANY DECISION TO PURCHASE ANY OF THE BONDS SHOULD ONLY BE MADE ON THE BASIS OF AN INDEPENDENT REVIEW BY A PROSPECTIVE INVESTOR OF ENCE'S PUBLICLY AVAILABLE INFORMATION. NEITHER THE SOLE BOOKRUNNER NOR ANY OF ITS AFFILIATES ACCEPT ANY LIABILITY ARISING FROM THE USE OF, OR MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF, THIS COMMUNICATION OR ENCE'S PUBLICLY AVAILABLE INFORMATION. THE INFORMATION CONTAINED IN THIS COMMUNICATION IS SUBJECT TO CHANGE IN ITS ENTIRETY WITHOUT NOTICE UP TO THE CLOSING DATE.

EACH PROSPECTIVE INVESTOR SHOULD PROCEED ON THE ASSUMPTION THAT IT MUST BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE BONDS OR THE ORDINARY SHARES TO BE ISSUED OR TRANSFERRED AND DELIVERED UPON CONVERSION OF THE BONDS AND NOTIONALLY UNDERLYING THE BONDS (TOGETHER WITH THE BONDS, THE "SECURITIES"). NEITHER ENCE NOR THE SOLE BOOKRUNNER MAKES ANY REPRESENTATION AS TO (I) THE SUITABILITY OF THE SECURITIES FOR ANY PARTICULAR INVESTOR, (II) THE APPROPRIATE ACCOUNTING TREATMENT AND POTENTIAL TAX CONSEQUENCES OF INVESTING IN THE SECURITIES OR (III) THE FUTURE PERFORMANCE OF THE SECURITIES EITHER IN ABSOLUTE TERMS OR RELATIVE TO COMPETING INVESTMENTS.

THE SOLE BOOKRUNNER IS ACTING ON BEHALF OF ENCE AND NO ONE ELSE IN CONNECTION WITH THE BONDS AND WILL NOT BE RESPONSIBLE TO ANY OTHER PERSON FOR PROVIDING THE PROTECTIONS AFFORDED TO CLIENTS OF THE SOLE BOOKRUNNER OR FOR PROVIDING ADVICE IN RELATION TO THE SECURITIES.

EACH OF ENCE, THE SOLE BOOKRUNNER AND THEIR RESPECTIVE AFFILIATES EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO UPDATE, REVIEW OR REVISE ANY STATEMENT CONTAINED IN THIS COMMUNICATION WHETHER AS A RESULT OF NEW INFORMATION, FUTURE DEVELOPMENTS OR OTHERWISE.