

Pursuant to the provisions of Article 228 of the Securities Market Act, Ence Energía y Celulosa, S.A. hereby notifies the following

SIGNIFICANT EVENT

(HECHO RELEVANTE)

Ence Energía S.L.U., (hereinafter “Ence”), Iberdrola Renovables de Castilla la Mancha, S.A.U. and Iberdrola Financiación, S.A.U. have entered into an agreement by which Ence is committed to purchase the 90% stake of Iberdrola Energía Solar de Puertollano, S.A , the owner company of a termal solar plant in Puertollano (Ciudad Real).

A press release with detailed information about the transaction is attached.

Madrid, October 18, 2018

Press release

ENCE acquires IBERDROLA's 90% stake in Puertollano solar thermal plant

October 18, 2018.- Ence Energía, S.L.U. has signed an agreement with Iberdrola Renovables de Castilla La Mancha, S.A.U. for the acquisition of its 90% stake in Puertollano solar thermal plant, for an amount that could reach up to 145.8 million euros. The agreement is subject to IDAE, owner of the remaining 10% of the plant, not exercising its right of first refusal.

The agreed price amounts to 139.5 million euros, excluding a cash balance of 41.5 million euros. Additionally, the agreement defines an earn-out up to 6.3 million euros. With this transaction, ENCE takes its first step towards diversification to other renewable technologies which allow the Company to obtain similar profitability to that of its biomass generation plants. This acquisition will provide ENCE with a stable annual EBITDA of 18 million euros before synergies.

The solar thermal plant in Puertollano is adjacent to the new 46 MW biomass plant that ENCE is building in the same location, in the former Elcogas site. This is an example of a successful transition from a fossil fuel generation model to renewable energy while keeping rural industrial employment, thanks to the use of surrounding agroforestry biomass as fuel.

It should be noted that there are significant potential synergies between the two renewable energy plants, given their proximity.

Moreover, ENCE is firmly committed to the hybridization of some solar thermal power plants with biomass plants to convert a non-manageable renewable asset -which only generates energy during the sun light hours - into manageable, thanks to the capacity of the biomass to produce programmable, firm and stable energy and at high demand slots.

With high CO2 prices, renewable energy generation with biomass not only competes with gas but also creates and settles rural employment and prevents both fires and the highly polluting uncontrolled burning of agricultural stubbles. It can partially replace thermal coal plants in the National Electricity System.