First Quarter 2017 Earnings Report

26 April 2017

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	1Q17	1Q16	Δ%	4Q16	Δ%
BHKP (USD/t) average price	678.8	764.3	*(11.2%)*	655.1	*3.6%*
Average exchange rate (USD/€)	1.073	1.10	*(2.4%)*	1.08	*(1.0%)*
BHKP (€/t) average price	632.5	695.1	*(9.0%)*	604.5	*4.6%*
Average pool price (€/MWh)	55.4	30.7	*80.5%*	56.6	*(2.1%)*

Operating Magnitudes	1Q17	1Q16	Δ%	4Q16	Δ%
Pulp production (t)	**226,603**	**219,755**	***3.1%***	**251,605**	***(9.9%)***
Pulp sales (t)	**246,139**	**217,504**	***13.2%***	**259,529**	***(5.2%)***
Average sale pulp price (€/t)	466	512	*(9.1%)*	439	*6.0%*
Cash cost (€/t)	343.6	375.4	*(8.5%)*	340.9	*0.8%*
Wood cost €/m3	64.0	65.4	*(2.1%)*	63.6	*0.6%*
Energy sales from Energy business (MWh)	**211,045**	**139,590**	***51.2%***	**194,864**	***8.3%***
Average selling price - Pool + Ro (€/MWh)	114.8	93.8	*22.4%*	105.5	*8.8%*
Investment remuneration (€Mn)	9.1	7.8	*17.6%*	11.2	*(18.7%)*

P&L €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Revenues from Pulp business	141.4	129.6	*9.2%*	144.4	*(2.1%)*
Revenues from Energy business	33.6	22.5	*49.3%*	31.8	*5.8%*
Consolidation adjustments	(0.9)	(1.9)		(0.4)	
Total net revenue	**174.2**	**150.2**	*16.0%*	**175.8**	*(0.9%)*
Pulp business Adjusted EBITDA	30.1	25.6	*17.4%*	29.4	*2.4%*
Margin %	21%	20%	*1.5 p.p.*	20%	*0.9 p.p.*
Energy business Adjusted EBITDA	10.7	7.7	*38.6%*	12.8	*(16.1%)*
Margin %	32%	34%	*(2.5) p.p.*	40%	*(8.3) p.p.*
EBITDA	**40.8**	**33.4**	*22.3%*	**42.2**	*(3.2%)*
Adjusted EBITDA margin	*23%*	*22%*	*1.2 p.p.*	*24%*	*(0.6) p.p.*
Amortization and forestry depletion	(17.6)	(15.4)	*14.2%*	(17.7)	*(0.6%)*
Impairment of and gains/(losses) on fixed-asset disposals	1.9	(0.1)	*n.s.*	4.4	*(57.0%)*
EBIT	**25.1**	**17.9**	*40.4%*	**28.9**	*(13.1%)*
Net finance costs	(5.0)	(5.0)	*0.2%*	(5.3)	*(5.6%)*
Hedging derivatives and other financial results	(1.2)	(2.1)	*(44.9%)*	(0.3)	*276.5%*
Profit before tax	**19.0**	**10.8**	*75.3%*	**23.3**	*(18.5%)*
Income tax	(4.8)	(2.9)	*66.1%*	(5.8)	*(18.1%)*
Non-controlling interests	(0.4)	-	*n.s.*	-	*n.s*
Atributable Net Income	**13.7**	**7.9**	*72.9%*	**17.5**	*(21.3%)*

Note: First-time application of IFRS 9 in 2017 requires retrospective application for 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.

Cash flow €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Pulp business recurrent free cash flow	11.6	9.1	*26.8%*	24.0	*(51.7%)*
Energy business recurrent free cash flow	7.1	1.9	*277.3%*	19.2	*(62.7%)*
Consolidation adjustments	(0.0)	(0.0)	*n.s.*	2.8	*n.s.*
Recurrent free cash flow	**18.7**	**11.0**	*69.9%*	**45.9**	*(59.2%)*
Other charges / (payments)	4.4	(2.0)	*n.s.*	(10.5)	*n.s*
Expansion capex	(7.3)	(6.4)	*14.5%*	(28.7)	*(74.5%)*
Environmental capex	(1.4)	(1.5)	*(3.7%)*	(1.7)	*(17.8%)*
Disposals	0.0	3.4	*(100.0%)*	13.7	*(100.0%)*
Free Cash Flow	**14.4**	**4.5**	*216.8%*	**18.7**	*(23.2%)*
Dividends	-	-	*n.s.*	(7.8)	*n.s*

Net debt €Mn	Mar-17	Dec-16	Δ%
Pulp business net financial debt	194.1	195.1	*(0.5%)*
Energy business net financial debt	13.8	23.2	*(40.4%)*
Net financial debt	**208.0**	**218.3**	*(4.7%)*

- **Ence's first-quarter results once again endorse the solidity of its business model and the successful execution of its 2016 - 2020 Business Plan.**

- **Group EBITDA and net profit rose 22.3% and 72.9% year-on-year, respectively, despite the 9% drop in average pulp prices.**

- **EBITDA in the Pulp business was 17.4% higher thanks to an 8.5% improvement in the cash cost (equivalent to €32/t), coupled with growth of 13.2% in sales volume (in tonnes).**

- **In the Energy business, EBITDA jumped 38.6% thanks to organic growth in output (+19.3%) and the contribution by the two biomass plants acquired last December.**

- **Compelling cash flow generation drove a 5% reduction in net debt in the first quarter, leaving leverage at a low 1.6x.**

- **Growth in demand for eucalyptus pulp remained strong, at 8.5% year-on-year, spurred on by China and other emerging economies, where demand rose by 28.5% and 22.8%, respectively, in turn boosted by rapid urban development and increasing standards of living in these countries.**

- **On the other hand, the growth in supply via new short-fibre capacity is proving lower than initially anticipated by sector analysts as a result of the delay in the start-up of APP's new mill in Indonesia and the intense pace of mergers and capacity conversions in Asia.**

- **As a result, short-fibre (BHKP) prices rose by $70/t in Europe in 1Q17 to end March at $722/t. The leading producers have announced additional price increases to $780/t in April and to $820/t from May.**

- **Ence continues to execute its 2016 - 2020 Business Plan. During the annual maintenance stoppage at the Pontevedra mill during the first quarter, the company eked out energy efficiency gains and prepared for the addition of 30,000 tonnes of capacity during next year's scheduled maintenance stoppage.**

- **The new 40-MW biomass power plant project in Huelva is progressing well and on track for commissioning during the second half of 2019. The company expects to adjudicate the construction tender in July, with work due to begin in October.**

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.

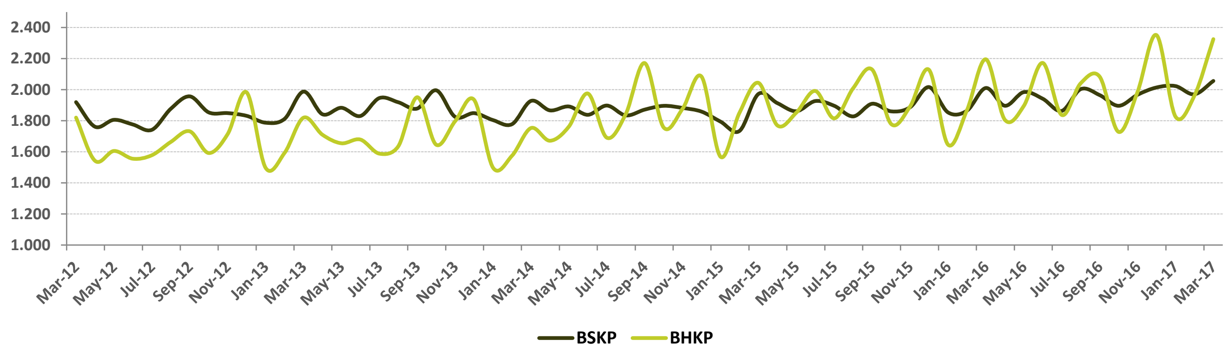
2.1. Pulp market trends

Global demand for pulp remained strong during the first quarter of the year, with global pulp shipments up 6.0% year-on-year, compared to overall growth of 3.9% in 2016 and compound annual growth during the last five years of 2.5%.

Growth continues to be led by demand for eucalyptus pulp, which was 8.5% higher year-on-year; this grade continues to win market share from other less-efficient short fibres for which demand grows by just 1.5% in 1Q17.

China remains the main driver of growth in global demand for eucalyptus pulp, having registered year-on-year demand growth of 28.5% in 1Q17, followed by other emerging markets, where demand rose by 22.8%. This sharp growth in demand for eucalyptus 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.

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

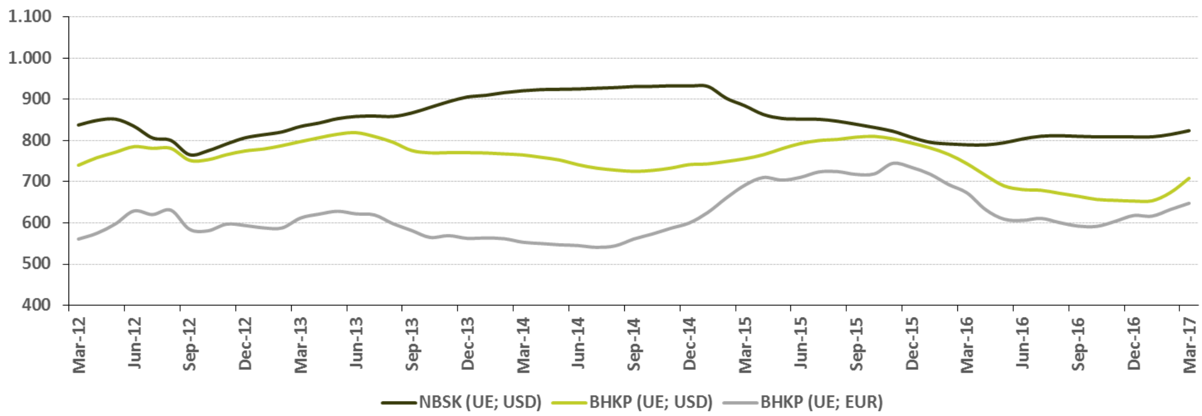


Source: PPPC (W-20)

On the other hand, the growth in supply via new short-fibre capacity is proving lower than initially anticipated by sector analysts as a result of the delay in the start-up of APP's new mill in Indonesia and the intense pace of mergers and capacity conversions in Asia.

As a result, short-fibre (BHKP) prices firmed by $70/t in Europe in 1Q17 to end March at $722/t. The leading producers have announced additional price increases to $780/t in April and to $820/t from May.

Pulp prices in Europe during the last five years



Source: FOEX

The incipient recovery in short-fibre prices during the quarter had the effect of partially closing the gap between short- and long-fibre grades (BHKP vs. BSKP), which had started 2016 at an all-time low of $10/tonne but was still at $104/tonne at the March close.

In early 2017, Ence secured forward pulp sales agreements covering 975,100 tonnes, which is equivalent to up to 100% of its targeted output for the year. It has also announced to its customers that it will increase the price of its pulp to $810/tonne with effect from May.

2.2. Revenue from pulp sales

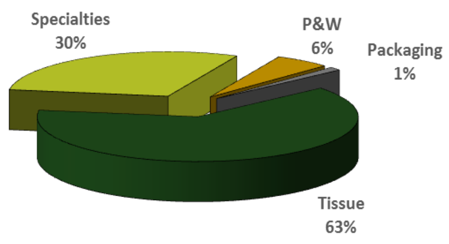
	1Q17	1Q16	Δ%	4Q16	Δ%
Pulp sales (t)	**246,139**	**217,504**	*13.2%*	**259,529**	*(5.2%)*
Average selling price (€/t)	465.7	512.0	*(9.1%)*	439.3	*6.0%*
Pulp sales revenues (€Mn)	**114.6**	**111.4**	*2.9%*	**114.0**	*0.5%*

Pulp sales volumes rose by 13.2% year-on-year in 1Q17, shaped by growth of 3.1% in output, coupled with sales of 19,536 tonnes from inventories.

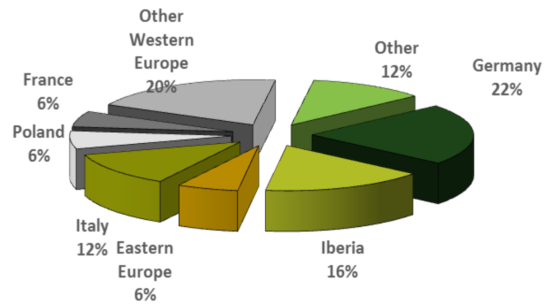
The growth in sales volumes more than offset the 9.1% drop in average sales prices with respect to 1Q16, as a result of which revenue from pulp sales increased by 2.9% to €114.6m.

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 1Q17, followed by the specialty paper segment, at 30%. 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 88% of revenue from pulp sales in 1Q17. Germany and Spain/Portugal accounted for 22% and 16% of total revenue, respectively, followed by Italy, Poland and France, at 12%, 6% and 6%, respectively. Western Europe accounted for 20% of the total, with the rest of Eastern Europe representing 6%.

2.3. Pulp production and the cash cost

	1Q17	1Q16	Δ%	4Q16	Δ%
Navia pulp production	131,990	129,096	*2.2%*	141,262	*(6.6%)*
Pontevedra pulp production	94,613	90,659	*4.4%*	110,343	*(14.3%)*
Pulp production (t)	**226,603**	**219,755**	*3.1%*	**251,605**	*(9.9%)*

Pulp production increased by 3.1% year-on-year in 1Q17. Production at the Pontevedra mill increased by 4.4%, compared to growth of 2.2% at the Navia mill.

As is customary, the Pontevedra mill was stopped for nine days in March for its annual maintenance drill (three days fewer than in 1Q16). During the stoppage, the company eked out energy efficiency gains and prepared for the addition of 30,000 tonnes of capacity during next year's scheduled maintenance stoppage. In addition, it reinforced the complex's environmental performance and continued to make progress on its Zero Odour programme by means of intervention at the facility's digesters and furnaces that will boost the quality of gas condensation and controls.

The first-quarter cash cost was €343.6/t, down a significant €31.8/t from 1Q16.

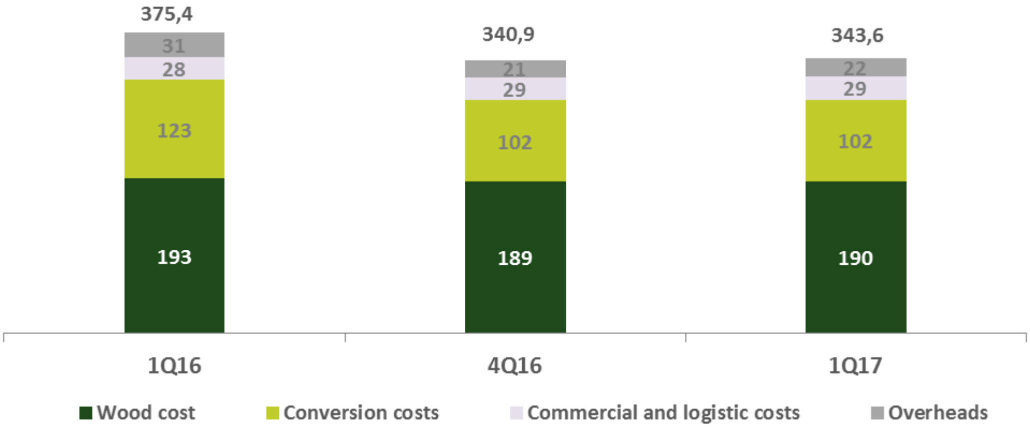
The considerable improvement in the cash cost compared to 1Q16 was the result of lower conversion costs deriving from the successive efficiency investments and capacity expansion work carried out at the Navia mill, coupled with savings in terms of overhead and timber costs.

Figures in €/t	1Q17	1Q16	Δ%	4Q16	Δ%
Wood cost	190.2	193.5	*(1.7%)*	189.3	*0.5%*
Conversion costs	101.8	123.2	*(17.4%)*	101.7	*0.1%*
Commercial and logistic costs	29.4	28.1	*4.5%*	29.3	*0.4%*
Overheads	22.2	30.6	*(27.5%)*	20.7	*7.5%*
Total cash cost	**343.6**	**375.4**	*(8.5%)*	**340.9**	*0.8%*

Note: These quarterly cash cost figures have been adjusted in 2016 to include the lower conversion costs by the energy component due to the adjustment derived from the deviation between the pool price limit set by the Regulator and the real pool price in 2016, according to Accounting Standards.

Quarter-over-quarter, the cash cost rose slightly (by €2.70/t) as a result of the costs associated with the maintenance stoppage in Pontevedra and lower economies of scale on the back of lower production and sales, coupled with higher timber costs in the first quarter.

Trend in cash cost per tonne (€/t)



The cost of timber supplies declined by 2.1% year-on-year due to the decision to tie timber prices to pulp prices, which implied three price cuts of €1/t apiece in 2016 (March, May and October) and a €1/t increase in December.

	1Q17	1Q16	Δ%	4Q16	Δ%
Wood cost €/m3	64.0	65.4	*(2.1%)*	63.6	*0.6%*
Timber consumption (m3)	712,854	696,442	*2.4%*	696,040	*2.4%*
Suppliers	72%	80%		68%	
Standing timber acquired directly from land own	28%	20%		31%	
Owned timber	0%	0%		1%	

The reduction in unit supply costs 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 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.

	1Q17	1Q16	Δ%	4Q16	Δ%
Navia energy sales	135,482	124,657	*8.7%*	143,028	*(5.3%)*
Pontevedra energy sales	45,680	29,680	*53.9%*	55,223	*(17.3%)*
Energy sales linked to the pulp process (MWh)	**181,162**	**154,338**	*17.4%*	**198,251**	*(8.6%)*
Average selling price - Pool + Ro (€/MWh)	98.4	67.5	*45.7%*	94.0	*4.7%*
Investment remuneration (€Mn)	2.3	2.6	*(10.3%)*	6.5	*(64.4%)*
Revenues from energy sales linked to pulp (€Mn)	**20.1**	**13.0**	*54.8%*	**25.1**	*(19.9%)*

The generation of energy in connection with pulp production increased by 17.4% year-on-year, 1Q16 output having been affected by the incident affecting the turbine rotor in Pontevedra.

Average sales prices meanwhile jumped 45.7%, due mainly to growth in pool prices during the quarter to €55.4/MWh, compared to €30.7/MWh in 1Q16. On top of this, the plants' remuneration for operations (Ro) parameter increased by €5.2/MWh on average following the recent update of the parameters applicable for 2017-2019.

Erring on the side of caution, Ence adjusts its average pool prices monthly as a function of the limits set by the regulator; this prudent accounting treatment led to the recognition of a provision of €0.3m in 1Q17 which has been recognised as lower average remuneration for investment. In 2016, however, the company made a single adjustment in this respect, in the fourth quarter. Had the adjustment been made monthly, average first-quarter remuneration accrued for investment would have been €1m higher.

As a result, revenue from energy sales in the Pulp business increased by 54.8% year-on-year to €20.1m.

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.

	1Q17	1Q16	Δ%	4Q16	Δ%
Forestry and other revenues (€Mn)	**6.7**	**5.2**	*28.8%*	**5.3**	*26.7%*

Revenue from forestry activities increased by 28.8% due mainly to higher sales of timber to third parties.

2.6. Income statement

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Total net revenue	**141.4**	**129.6**	*9.2%*	**144.4**	*(2.1%)*
EBITDA	**30.1**	**25.6**	*17.4%*	**29.4**	*2.4%*
EBITDA margin	*21%*	*20%*	*0.1 p.p.*	*20%*	*0.9 p.p.*
Amortization	(12.8)	(10.6)	*20.3%*	(12.5)	*2.7%*
Forest depletion	(1.2)	(1.1)	*8.1%*	(2.1)	*(44.1%)*
Impairment of and gains/(losses) on fixed-asset dis	1.9	0.1	*n.s.*	1.2	*60.1%*
EBIT	**18.0**	**14.0**	*28.8%*	**16.1**	*12.4%*
EBIT margin	*13%*	*11%*	*0.2 p.p.*	*11%*	*1.6 p.p.*
Net finance costs	(3.5)	(3.7)	*(4.7%)*	(3.7)	*(5.8%)*
Other financial results	(1.1)	(2.1)	*(45.2%)*	(0.3)	*267.3%*
Profit before tax	**13.4**	**8.2**	*62.7%*	**12.0**	*11.4%*
Income tax	(3.4)	(2.2)	*51.5%*	(3.0)	*12.3%*
Net Income	**10.0**	**6.0**	*66.8%*	**9.0**	*11.1%*

EBITDA in the Pulp business amounted to €30.1m in 1Q17, up 17.4% from 1Q16, thanks to the 8.5% drop in cash costs and growth of 13.2% in sales volumes, more than offsetting the 9.1% decline in average sales prices.

Depreciation charges were 20.3% higher year-on-year at €12.8m, due mainly to the reclassification of the assets belonging to the Huelva industrial complex from assets held for sale to property, plant and equipment in 3Q16.

This higher depreciation charge was largely offset by the reversal of the impairment provision recognised against these assets in the amount of €1.9m and gains on asset disposals.

Net finance costs narrowed a slight €3.5m in 1Q17, whereas 'other finance income/costs' reflects the effect of exchange differences.

First-time application of IFRS 9 in 2017 requires retrospective application for 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 66.8% to €10m in 1Q17, compared to €6m in 1Q16.

2.7. Cash flow statement

Net cash flows from operating activities amounted to €19.4m in 1Q17, up 23.4% from 1Q16, in line with the growth in EBITDA.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
EBITDA	**30.1**	**25.6**	*17.4%*	**29.4**	*2.4%*
Non cash expenses / (incomes)	2.6	0.5	*391.2%*	1.6	*61.8%*
Other charges / (payments)	0.5	1.5	*(69.6%)*	(2.9)	*n.s.*
Change in working capital	(14.3)	(11.9)	*19.9%*	14.7	*n.s.*
Income tax received/(paid)	-	0.1	*(100.0%)*	(6.6)	*(100.0%)*
Interest paid	0.5	(0.2)	*n.s.*	(6.7)	*n.s.*
Net cash flow from operating activities	**19.4**	**15.7**	*23.4%*	**29.5**	*(34.3%)*

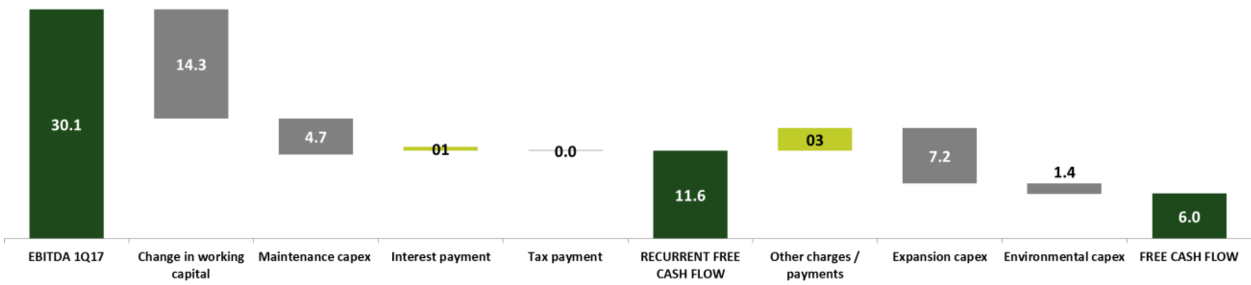
Working capital increased by €14.3m in 1Q17 reflecting growth in trade receivables, due mainly to the recovery in the net sales prices compared to the previous quarter, partially offset by the reduction in inventories.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Inventories	4.6	(1.5)	*n.s.*	6.3	*(27.0%)*
Trade and other receivables	(12.9)	(4.2)	*205.4%*	7.9	*n.s.*
Current financial and other assets	(0.6)	(0.6)	*n.s.*	1.1	*n.s.*
Trade and other payables	(5.4)	(5.6)	*(3.5%)*	(0.6)	*n.s.*
Change in working capital	**(14.3)**	**(11.9)**	*19.9%*	**14.7**	*n.s.*

Net cash flows used in investing activities totalled €13.4m, €4.7m of which corresponding to maintenance capex, €1.4m to environmental investments at the Pontevedra complex and the remaining €7.2m to payments for investments made in 2016 in connection with the expansion work undertaken at the Navia mill.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Maintenance capex	(4.7)	(8.4)	*(43.4%)*	(6.8)	*(30.6%)*
Environmental capex	(1.4)	(1.5)	*(3.7%)*	(1.7)	*(17.8%)*
Efficiency and expansion capex	(7.2)	(6.4)	*13.7%*	(6.1)	*17.9%*
Financial investments	(0.0)	0.0	*n.s.*	(4.3)	*(99.1%)*
Investments	**(13.4)**	**(16.2)**	*(17.0%)*	**(19.0)**	*(29.3%)*
Disposals	0.0	3.4	*(100.0%)*	16.5	*(100.0%)*
Net cash flow from investing activities	**(13.4)**	**(12.8)**	*5.0%*	**(2.5)**	*438.5%*

As a result, recurring free cash flow in the Pulp business increased by 26.8% year-on-year to €11.6m, while free cash flow after investments in efficiency, capacity expansion and environmental upgrades totalled €6m, more than twice the level reported in 1Q16.



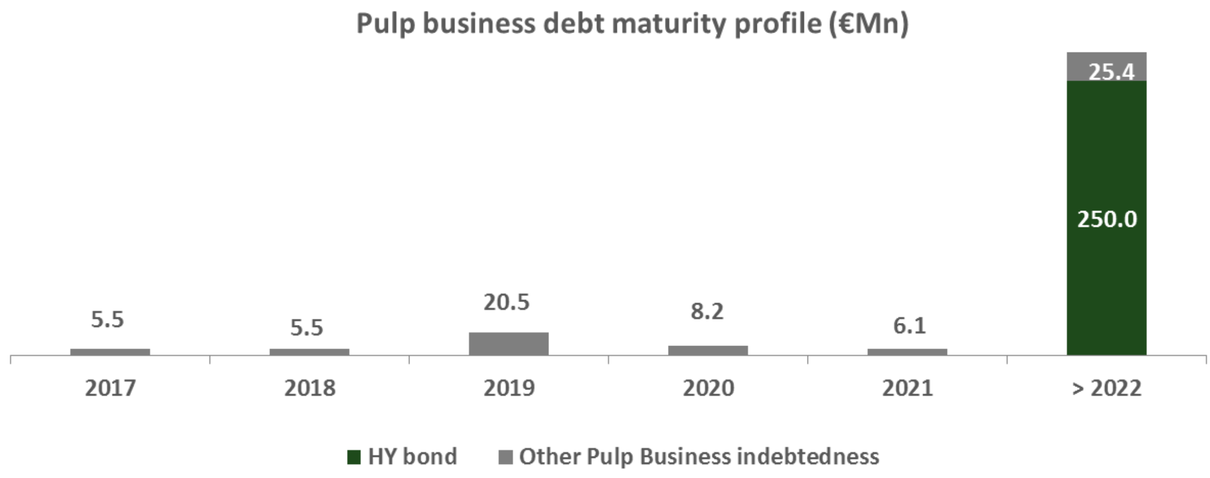
2.8. Change in net debt

Net debt in the Pulp business declined slightly from year-end 2016 to €194.1m. In addition to the free cash flow of €6m, the net debt balance was shaped by the effect of accrued and unpaid interest.

Figures in €Mn	**Mar-17**	Dec-16	*Δ%*
Long term financial debt	309.0	308.7	*0.1%*
Short-term financial debt	11.9	8.0	*48.1%*
Gross financial debt	**320.9**	**316.8**	*1.3%*
Cash and cash equivalents	116.5	112.1	*3.9%*
Short-term financial investments	10.2	9.6	*6.9%*
Pulp business net financial debt	**194.1**	**195.1**	*(0.5%)*

The gross debt of €320.9 million at the end of the quarter corresponds mainly to the €250 million corporate bonds due 2022, two separate €15-million bilateral loans due in 2019 and 2020 taken on to finance the capacity expansion work undertaken in Navia, and a series of loans totalling nearly €40 million 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.

At 31 March 2017, the Company had cash and cash equivalents of €126.7 million in addition to an undrawn €90-million credit facility.



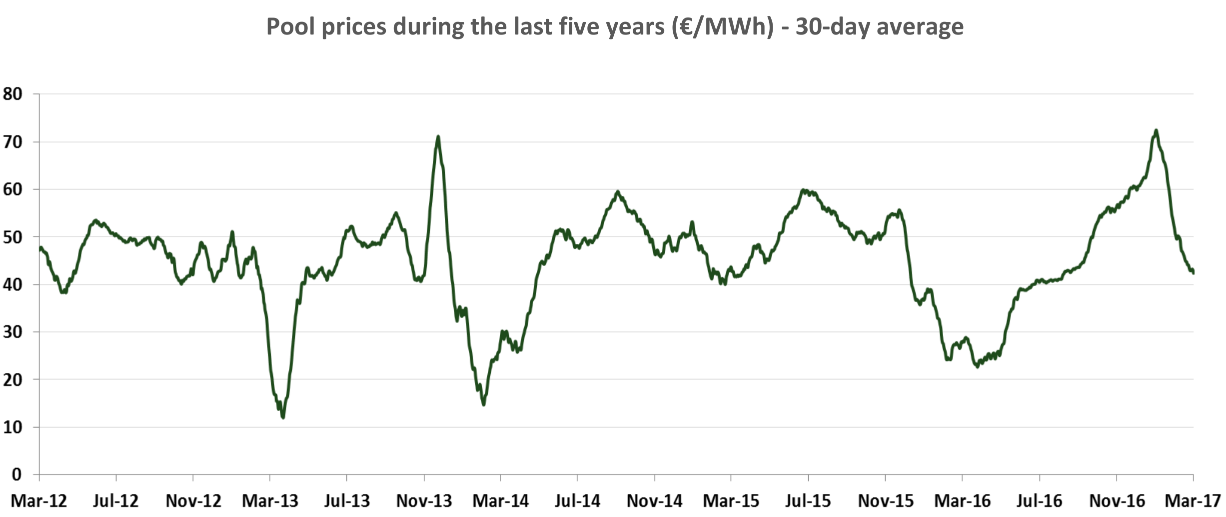
3. ENERGY BUSINESS

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 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. In addition, at the end of December, Ence acquired two new plants, each with capacity of 16 MW, one located in Ciudad Real and the other in Jaen.

3.1. Electricity market trends

	1Q17	1Q16	Δ%	4Q16	Δ%
Average pool price (€/MWh)	55.4	30.7	*80.5%*	56.6	*(2.1%)*



Average pool prices in mainland Spain were 80.5% higher year-on-year in 1Q17, driven mainly by a drop of 43.6% in hydro output and of 15.5% in wind power generation compared to 1Q16, with the coal- and gas-fired plants taking the baton. This situation was exacerbated by a 7.2% spike in demand for electricity in January due to a cold spell.

3.2. Revenue from energy sales

	1Q17	1Q16	Δ%	4Q16	Δ%
Huelva 50 MW	85,919	75,082	*14.4%*	100,850	*(14.8%)*
Huelva 41 MW	47,291	41,203	*14.8%*	50,684	*(6.7%)*
Mérida 20 MW	33,276	23,306	*42.8%*	43,330	*(23.2%)*
Ciudad Real 16 MW	23,355	-		-	
Jaén 16 MW	21,205	-		-	
Energy sales (MWh)	**211,045**	**139,590**	*51.2%*	**194,864**	*8.3%*
Average selling price - Pool + Ro (€/MWh)	114.8	93.8	*22.4%*	105.5	*8.8%*
Investment remuneration (€Mn)	9.1	7.8	*17.6%*	11.2	*(18.7%)*
Revenues (€Mn)	**33.6**	**22.5**	*49.3%*	**31.8**	*5.8%*

It is worth highlighting the strong operating performances at the 50-MW Huelva, 41-MW Huelva and 20-MW Merida plants in 1Q17, where energy sales volumes were 19.3% higher year-on-year on aggregate, averaging 1,512 equivalent hours.

The drop in output compared to 4Q16 is primarily attributable to the annual maintenance stoppages initiated at the 20-MW Merida and 50-MW Huelva plants in March.

The growth in energy sales at these plants was boosted by the contribution by the two separate 16-MW biomass plants acquired last December, driving total energy sales 51.2% higher to 211,045 MWh in 1Q17.

The 22.4% increase in average sales prices compared to 1Q16 is attributable to several factors: Average prices in the mainland electricity market jumped 80.5% to €55.4/MWh; note, however, that this increase was mitigated by the hedges arranged in 2016 over 65% of production for the quarter at an average price of €46.6/MWh. Remuneration for operations (Ro) for the 50-MW Huelva, 41-MW Huelva and 20-MW Merida plants increased by €5.6/MWh on average in the wake of the regulator's recent update of the remuneration parameters applicable in 2017-2019; note that the remuneration for operations parameter accruing to the recently-acquired 16-MW Ciudad Real and 16-MW Jaen plants is on average €15.8/MWh lower than that of the other three plants.

Average remuneration for investment also increased by 17.6% year-on-year thanks to the first-time consolidation of the 16-MW Ciudad Real and 16-MW Jaen plants. Elsewhere, Ence adjusts average pool prices monthly as a function of the limits set by the regulator; this prudent accounting treatment led to the recognition of a provision of €0.3m in 1Q17 which has been recognised as lower average remuneration for investment. In 2016, however, the company made a single adjustment in this respect, in the fourth quarter. Had the adjustment been made monthly, average first-quarter remuneration accrued for investment would have been €1m higher.

In total, the Energy business reported topline growth of 49.3% in the first quarter, posting revenue of €33.6m.

3.3. Income statement

Datos en Mn€	1T17	1T16	Δ%	4T16	Δ%
Importe neto de la cifra de negocios	**33,6**	**22,5**	*49,3%*	**31,8**	*5,8%*
EBITDA	**10,7**	**7,7**	*38,6%*	**12,8**	*(16,1%)*
Margen EBITDA	*32%*	*34%*	*(2,5) p.p.*	*40%*	*(8,3) p.p.*
Amortización	(3,5)	(2,9)	*22,3%*	(3,1)	*12,7%*
Agotamiento forestal	(0,1)	(0,8)	*(84,3%)*	(0,1)	*124,1%*
Deterioro y rtdo.por enajenaciones de inmov.	0,0	(0,2)	*n.s.*	3,2	*(100,0%)*
EBIT	**7,0**	**3,9**	*82,4%*	**12,8**	*(45,0%)*
Margen EBIT	*21%*	*17%*	*3,8 p.p.*	*40%*	*(19,3) p.p.*
Gasto financiero neto	(1,4)	(1,3)	*14,4%*	(1,5)	*(5,4%)*
Otros resultados financieros	(0,0)	-	*n.s.*	0,0	*n.s.*
Resultado antes de impuestos	**5,6**	**2,6**	*115,2%*	**11,3**	*(50,4%)*
Impuestos sobre beneficios	(1,4)	(0,7)	*116,4%*	(2,8)	*(50,2%)*
Beneficio Neto	**4,2**	**2,0**	*114,8%*	**8,5**	*(50,4%)*
Resultado Socios Externos	(0,4)	-	*n.s.*	-	
Beneficio Neto Atribuible	**3,7**	**2,0**	*91,7%*	**8,5**	*(55,7%)*

EBITDA in the Energy business was 38.6% higher year-on-year at €10.7m, fuelled by the above-mentioned growth of 51.2% in energy sales.

The EBITDA margin declined by 2.5 percentage points from 1Q16 due to the effect of the first-time consolidation of the lower-margin 16-MW Ciudad Real and 16-MW Jaen plants. This impact was partially mitigated by the reduction in average biomass supply costs thanks to growing diversification into multiple sources of agricultural waste which accounted for 51% of first-quarter biomass supplies.

Below the EBITDA line, it is worth highlighting the 22.3% increase in depreciation charges, due mainly to the consolidation of the newly-acquired power plants, and the first-time recognition of the profit attributable to the non-controlling interests in those same plants, which amounted to €0.4m in 1Q17.

In all, the net profit attributable to the Energy business amounted to €3.7m in the first quarter, year-on-year growth of 91.7%.

3.4. Cash flow statement

Net cash flows from operating activities totalled €9.7m, compared to €2.2m in 1Q16, thanks to EBITDA growth and slower growth in the working capital requirement year-on-year.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
EBITDA	**10.7**	**7.7**	*38.6%*	**12.8**	*(16.1%)*
Non cash expenses / (incomes)	1.6	0.6	*182.8%*	(0.0)	*n.s.*
Other charges / (payments)	(0.3)	(0.8)	*(62.4%)*	(0.5)	*(36.8%)*
Change in working capital	(1.6)	(4.6)	*(65.3%)*	14.4	*n.s.*
Income tax received/(paid)	-	(0.0)	*(100.0%)*	(0.9)	*(100.0%)*
Interest paid	(0.7)	(0.7)	*(5.8%)*	(3.6)	*(81.4%)*
Net cash flow from operating activities	**9.7**	**2.2**	*350.3%*	**22.1**	*(56.1%)*

The movement in working capital entailed a cash outflow of €1.6m in 1Q17 compared to an outflow of €4.6m in 1Q16, due to growth of €2.4m in trade payables.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Inventories	(0.5)	0.2	*n.s.*	1.5	*n.s.*
Trade and other receivables	(3.5)	(3.5)	*1.4%*	12.0	*n.s.*
Trade and other payables	2.4	(1.4)	*n.s.*	0.9	*151.1%*
Change in working capital	**(1.6)**	**(4.6)**	*(65.3%)*	**14.4**	*n.s.*

Net cash flows used in investing activities amounted to €1.3m and related mainly to plant maintenance.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Maintenance capex	(1.3)	(0.6)	*132.7%*	(3.4)	*(62.5%)*
Efficiency and expansion capex	(0.0)	-	*n.s.*	(22.5)	*(99.8%)*
Financial investments	0.0	(0.0)	*n.s.*	(4.4)	*n.s.*
Investments	**(1.3)**	**(0.6)**	*123.3%*	**(30.3)**	*(95.8%)*
Disposals	-	-	*n.s.*	-	*n.s.*
Net cash flow from investing activities	**(1.3)**	**(0.6)**	*123.3%*	**(30.3)**	*(95.8%)*

As a result, recurring free cash flow in the Energy business totalled €7.1m in 1Q17, up from €1.9m in 1Q16; free cash flow amounted to €8.4m.

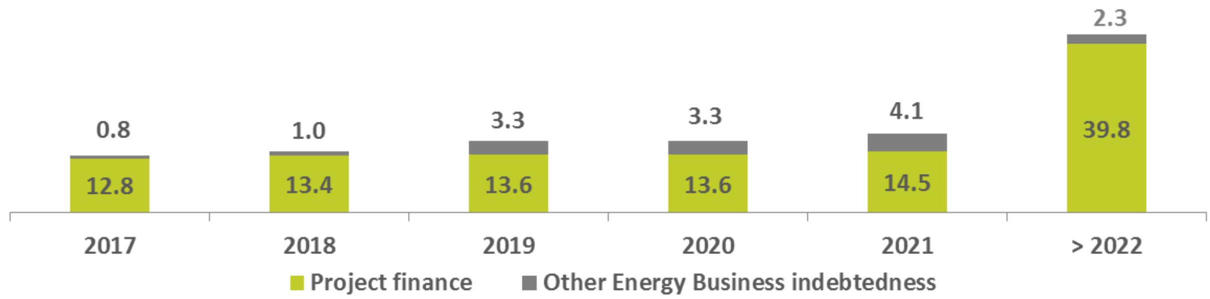
3.5. Change in net debt

Net debt in the Energy business declined by €9.4m from year-end 2016 to €13.8m, driven mainly by the generation of free cash flow of €8.4m during the quarter.

Figures in €Mn	Mar-17	Dec-16	Δ%
Long term financial debt	106.9	107.2	*(0.3%)*
Short-term financial debt	14.4	13.8	*4.9%*
Gross financial debt	**121.4**	**121.0**	*0.3%*
Cash and cash equivalents	107.5	97.8	*10.0%*
Short-term financial investments	0.0	0.0	*20.0%*
Energy business net financial debt	**13.8**	**23.2**	*(40.4%)*

The €121.4m of gross debt at the March close corresponds mainly to the outstanding balance on the project finance facility arranged to fund construction of the Huelva 50-MW and Merida 20-MW plants (€106m) and two €7.5m loans taken out to finance the acquisition last December of 68.4% and 64.1% of the 16-MW Ciudad Real and the 16-MW Jaen plants for €22.5m in total.

Energy debt maturity profile (€Mn)



Cash stood at €107.5m at the March close.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Income statement

	1Q17				1Q16			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total net revenue	**141.4**	**33.6**	**(0.9)**	**174.2**	**129.6**	**22.5**	**(1.9)**	**150.2**
Other income	4.5	(0.2)	(2.3)	1.9	10.9	2.4	(7.3)	5.9
Change in inventories of finished products	(6.1)	-	-	(6.1)	0.4	-	-	0.4
Cost of sales	(60.0)	(10.5)	0.9	(69.6)	(63.8)	(6.2)	1.9	(68.0)
Personnel expenses	(13.7)	(1.5)	-	(15.2)	(16.4)	-	-	(16.4)
Other operating expenses	(35.3)	(10.6)	2.3	(43.6)	(31.4)	(10.9)	7.3	(35.0)
Adjusted EBITDA	**30.8**	**10.9**	**0.0**	**41.7**	**29.2**	**7.7**	**(0.0)**	**37.0**
Adjusted EBITDA margin	*22%*	*32%*		*24%*	***23%***	***34%***		***25%***
Variations in trading provisions	0.2	(0.1)	0.0	0.1	0.0	(0.0)	-	0.0
Other non recurrent personnel expenses	(0.6)	(0.0)	-	(0.6)	(1.0)	-	-	(1.0)
Income / (expenses)	(0.3)	(0.0)	(0.0)	(0.3)	(2.6)	(0.0)	0.0	(2.6)
EBITDA	**30.1**	**10.7**	**0.0**	**40.8**	**25.6**	**7.7**	**(0.0)**	**33.4**
EBITDA margin	*21%*	*32%*		*23%*	*20%*	*34%*		*22%*
Amortization	(12.8)	(3.5)	-	(16.3)	(10.6)	(2.9)	0.0	(13.5)
Forest depletion	(1.2)	(0.1)	-	(1.3)	(1.1)	(0.8)	-	(1.9)
Impairment of and gains/(losses) on fixed-asset disposals(a)	1.9	0.0	0.0	1.9	0.1	(0.2)	-	(0.1)
EBIT	**18.0**	**7.0**	**(0.0)**	**25.1**	**14.0**	**3.9**	**0.0**	**17.9**
EBIT margin	*13%*	21%		14%	*11%*	17%		*12%*
Net finance costs	(3.5)	(1.4)	(0.0)	(5.0)	(3.7)	(1.3)	0.0	(5.0)
Other financial results	(1.1)	(0.0)	(0.0)	(1.2)	(2.1)	-	0.0	(2.1)
Profit before tax	**13.4**	**5.6**	**(0.0)**	**19.0**	**8.2**	**2.6**	**0.0**	**10.8**
Income tax	(3.4)	(1.4)	0.0	(4.8)	(2.2)	(0.7)	(0.0)	(2.9)
Net Income	**10.0**	**4.2**	**(0.0)**	**14.2**	**6.0**	**2.0**	**0.0**	**7.9**
Non-controlling interests	-	(0.4)	0.0	(0.4)	-	-	-	-
Atributable Net Income	**10.0**	**3.7**	**(0.0)**	**13.7**	**6.0**	**2.0**	**0.0**	**7.9**

4.2. Balance sheet

	Mar-17				Dec-16			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Intangible assets	14.7	2.8	-	17.5	15.2	2.7	-	17.9
Property, plant and equipment	445.6	232.5	0.0	678.1	451.4	234.9	0.0	686.3
Biological assets	78.8	4.4	(0.0)	83.3	79.0	4.4	0.0	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	5.7	6.0	(0.0)	11.6	5.6	6.0	(0.0)	11.6
Assets for deferred tax	54.9	10.9	-	65.9	57.8	11.3	(0.0)	69.1
Total fixed assets	**873.5**	**256.7**	**(273.8)**	**856.4**	**879.4**	**259.3**	**(270.4)**	**868.3**
Non-current assets held for sale	6.5	0.3	(0.0)	6.8	6.5	0.4	-	6.9
Inventories	31.2	8.7	0.0	39.8	35.4	8.2	0.0	43.6
Trade other accounts receivable	100.8	26.2	(23.6)	103.4	93.7	27.8	(32.5)	89.0
Income tax	0.9	-	-	0.9	0.9	0.5	-	1.5
Other current assets	6.0	(0.3)	-	5.6	3.5	0.1	(0.0)	3.6
Hedging derivatives	0.0	-	-	-	0.0	-	-	-
Short-term financial assets	10.2	0.0	0.0	10.2	9.6	0.0	(0.0)	9.6
Cash and cash equivalents	116.5	107.5	-	224.0	112.1	97.8	-	209.9
Total current assets	**272.1**	**142.3**	**(23.6)**	**390.8**	**261.7**	**134.8**	**(32.5)**	**364.0**
TOTAL ASSETS	**1,145.6**	**399.0**	**(297.4)**	**1,247.2**	**1,141.1**	**394.2**	**(302.9)**	**1,232.3**
Equity	**613.8**	**155.5**	**(198.6)**	**570.7**	**609.2**	**151.0**	**(198.6)**	**561.6**
Non-current borrowings	309.0	106.9	-	416.0	308.7	107.2	0.0	416.0
Long term intercompany debt	-	75.2	(75.2)	-	0.0	71.8	(71.8)	-
Non-current derivatives	2.0	7.5	-	9.5	4.0	7.8	-	11.7
Liabilities for deferred tax	17.4	2.9	0.0	20.3	17.9	3.2	-	21.1
Non-current provisions	6.8	0.4	-	7.2	5.8	0.3	(0.0)	6.2
Other non-current liabilities	8.5	1.2	-	9.7	8.5	1.2	0.0	9.7
Total non-current liabilities	**343.7**	**194.1**	**(75.2)**	**462.7**	**345.0**	**191.5**	**(71.8)**	**464.7**
Liabilities linked to non-current assets held for sale	-	-	-	-	-	-	-	-
Current borrowings	11.9	14.4	-	26.3	8.0	13.8	0.0	21.8
Current derivatives	7.7	2.9	-	10.5	11.7	3.1	(0.0)	14.7
Trade payables and other	159.1	30.5	(23.6)	166.0	159.9	34.8	(32.5)	162.2
Income tax	2.3	1.5	-	3.8	0.1	(0.0)	0.0	0.1
Current provisions	7.2	0.0	-	7.3	7.2	0.0	-	7.3
Total current liabilities	**188.2**	**49.4**	**(23.6)**	**213.9**	**186.9**	**51.7**	**(32.5)**	**206.1**
TOTAL EQUITY AND LIABILITIES	**1,145.6**	**399.0**	**(297.4)**	**1,247.2**	**1,141.1**	**394.2**	**(302.9)**	**1,232.3**

ENERGÍA & CELULOSA

4.3. Cash flow statement

Figures in €Mn	1Q17 Pulp	1Q17 Energy	1Q17 Adjustments	1Q17 Consolidated	1Q16 Pulp	1Q16 Energy	1Q16 Adjustments	1Q16 Consolidated
Consolidated profit/(loss) for the period before tax	**13,4**	**5,6**	**-**	**19,0**	**16,2**	**2,6**	**-**	**18,8**
Depreciation	14,2	3,4	-	17,6	12,5	2,9	-	15,4
Changes in provisions and other deferred expense	2,9	1,6	-	4,5	1,7	0,6	-	2,3
Impairment of gains/(losses) on disposals intangible asset	(1,8)	0,0	0,0	(1,8)	(0,1)	0,1	-	0,1
Net finance costs	4,7	1,4	-	6,2	(2,5)	1,3	-	(1,2)
Government grants taken to income	(0,3)	(0,0)	-	(0,3)	(0,4)	-	-	(0,4)
Adjustments to profit	**19,8**	**6,4**	**-**	**26,2**	**11,2**	**4,9**	**-**	**16,1**
Inventories	4,6	(0,5)	(0,0)	4,2	(1,5)	0,2	-	(1,3)
Trade and other receivables	(12,9)	(3,5)	-	(16,4)	(4,2)	(3,5)	-	(7,7)
Current financial and other assets	(0,6)	-	-	(0,6)	(0,6)	-	-	(0,6)
Trade and other payables	(5,4)	2,4	-	(3,1)	(5,6)	(1,4)	-	(7,0)
Changes in working capital	**(14,3)**	**(1,6)**	**(0,0)**	**(15,9)**	**(11,9)**	**(4,6)**	**-**	**(16,5)**
Interest paid	(1,0)	(0,8)	1,4	(0,4)	(0,6)	(0,9)	0,8	(0,8)
Interest received	1,5	0,1	(1,4)	0,3	0,7	0,3	(0,8)	0,2
Income tax received/(paid)	-	-	-	-	0,1	-	-	0,1
Other cash flows from operating activities	**0,5**	**(0,7)**	**-**	**(0,2)**	**0,2**	**(0,7)**	**-**	**(0,5)**
Net cash flow from operating activities	**19,4**	**9,7**	**-**	**29,1**	**15,7**	**2,2**	**(0,0)**	**17,9**
Property, plant and equipment	(13,1)	(1,3)	0,0	(14,4)	(13,5)	(0,5)	0,0	(14,1)
Intangible assets	(0,3)	(0,1)	-	(0,4)	(2,7)	(0,0)	0,0	(2,7)
Other financial assets	(0,0)	0,0	-	0,0	0,0	(0,0)	-	(0,0)
Disposals	**0,0**	**-**	**-**	**0,0**	**3,4**	**-**	**-**	**3,4**
Net cash flow from investing activities	**(13,4)**	**(1,3)**	**-**	**(14,7)**	**(12,8)**	**(0,6)**	**0,0**	**(13,4)**
Free cash flow	**6,0**	**8,4**	**-**	**14,4**	**2,9**	**1,6**	**0,0**	**4,5**
Buyback/(disposal) of own equity instruments	0,1	-	-	0,1	(0,7)	-	-	(0,7)
Proceeds from and repayments of financial liabilities	0,1	(0,4)	-	(0,3)	(0,3)	-	(0,0)	(0,3)
Dividends payments	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	-	-
Group and Associated companies	(1,8)	1,8	-	-	-	-	-	-
Net cash flow from financing activities	**(1,6)**	**1,4**	**-**	**(0,2)**	**(1,0)**	**-**	**(0,0)**	**(1,0)**
Net increase/(decrease) in cash and cash equivalents	**4,4**	**9,8**	**-**	**14,2**	**1,9**	**1,6**	**(0,0)**	**3,5**

5. KEY DEVELOPMENTS

Payment of the final dividend and approval of the cancellation of own shares

The company paid out a final dividend against 2016 profits of €0.047 per share (before withholding tax) on 18 April 2017.

This dividend, coupled with the interim dividend of €0.032 per share paid out on 1 December, implies a total dividend from 2016 profits of €0.079 per share (before withholdings).

In 2016, the company also executed a share buyback programme, repurchasing 4 million own shares equivalent to 1.6% of share capital, with the aim of remunerating its shareholders by reducing capital by the same amount, a motion ratified at the company's recent Annual General Meeting on 30 March 2017.

Forward sale agreements covering 100% of pulp production in 2017

In early 2017, Ence secured forward sale agreements covering 975,100 tonnes of pulp production.

As a result, the company has locked in the sale of up to 100% of its annual production target (a higher percentage than it locked in in 2015).

S&P affirms Ence's credit rating

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

APPENDIX 1: BALANCE SHEET WORKING CAPITAL AND CAPEX

Figures in €Mn	Mar-17	Dec-16	Δ%
Inventories	39.8	43.6	*(8.6%)*
Trade and other receivables	103.4	89.0	*16.1%*
Other current assets	5.6	3.6	*58.2%*
Trade and other payables	(166.0)	(162.2)	*2.3%*
Income tax	(2.9)	1.3	*n.s.*
Current provisions	(7.3)	(7.3)	*0.0%*
Working Capital	**(27.2)**	**(31.9)**	***(14.7%)***

The reported negative working capital balance decreased by €4.6m between year-end 2016 and 31 March 2017 due mainly to the €16.4m increase in trade receivables and other current assets, which was partially eroded by the €4.2m increase in tax payables, the €3.8m decrease in inventories and the €3.8m increase in trade payables.

At the March close, trade and other payables included the final dividend payable against 2016 profits in the amount of €11.6m which was paid out on 18 April.

Figures in €Mn	1Q17	1Q16	Δ%	4Q16	Δ%
Maintenance capex	2.6	9.2	*(72.3%)*	1.9	*32.5%*
Environmental capex	0.5	2.1	*(73.4%)*	2.2	*(75.1%)*
Efficiency and expansion capex	2.9	7.2	*(59.9%)*	1.9	*49.3%*
Pulp business capex	**6.0**	**18.5**	*(67.6%)*	**6.1**	*(1.1%)*
Maintenance and environmental capex	0.6	0.1	*n.s.*	3.7	*(84.0%)*
Efficiency and expansion capex	0.4	-	*n.s.*	22.5	*(98.1%)*
Energy business capex	**1.0**	**0.1**	*n.s.*	**26.2**	*(96.1%)*
Total capex	**7.0**	**18.6**	***(62.2%)***	**32.3**	***(78.3%)***

Capitalised capex amounted to €7m in 1Q17, €6m of which corresponded to the Pulp business and €1m to the Energy business.

In the Pulp business, investments in efficiency and expansion work totalled €2.9m, largely related to energy efficiency upgrade work in Pontevedra. Maintenance capex amounted to €2.6m, while environmental capex totalled €0.5m and was earmarked primarily to environmental upgrade work at the Pontevedra complex.

In the Energy business, growth capex amounted to €0.4m, related to the development of the new 40-MW plant in Huelva. Maintenance capex in this business totalled €0.6m.

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

Facility	Type of facility	MW	Remuneration to investment 1Q17 (Ri; €/MW)	Type of fuel	Remuneration to operation 1Q17 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Black liquor	35.124	-
	Biomass generation	36.2	52,805.3	Forestry waste	59.940	6,500
Pontevedra	Biomass co-generation (a)	34.6	-	Black liquor	35.168	-
			11,845.1	Forestry waste	61.775	6,500
Huelva 41MW	Biomass generation	41.0	59,367.8	Forestry waste	66.084	6,500
Huelva 50MW	Biomass generation	50.0	64,292.4	Forestry waste	58.776	6,500
Mérida 20MW	Biomass generation	20.0	71,148.6	Forestry waste	57.233	6,500
C. Real 16MW	Biomass generation	16.0	64,385.5	Olive waste	44.921	6,500
			-	Forestry waste	-	6,500
Jaen 16MW	Biomass generation	16.0	64,388.2	Olive waste	44.921	6,500
			-	Forestry waste	-	6,500

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

Power plants that are 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 on investment (Ri)** 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

- 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

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 by adjusting the Ri 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

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.

APPENDIX 3: ENVIRONMENTAL PLEDGE

Each of Ence's four Operations Centres, located in Huelva, Navia, Pontevedra and Merida, 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. 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 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, the Company'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. To this end it has implemented a total quality management (TQM) programme focused on maximising 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

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:

- 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.

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 94% and 80%, respectively, as of the March 2017 close.

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.

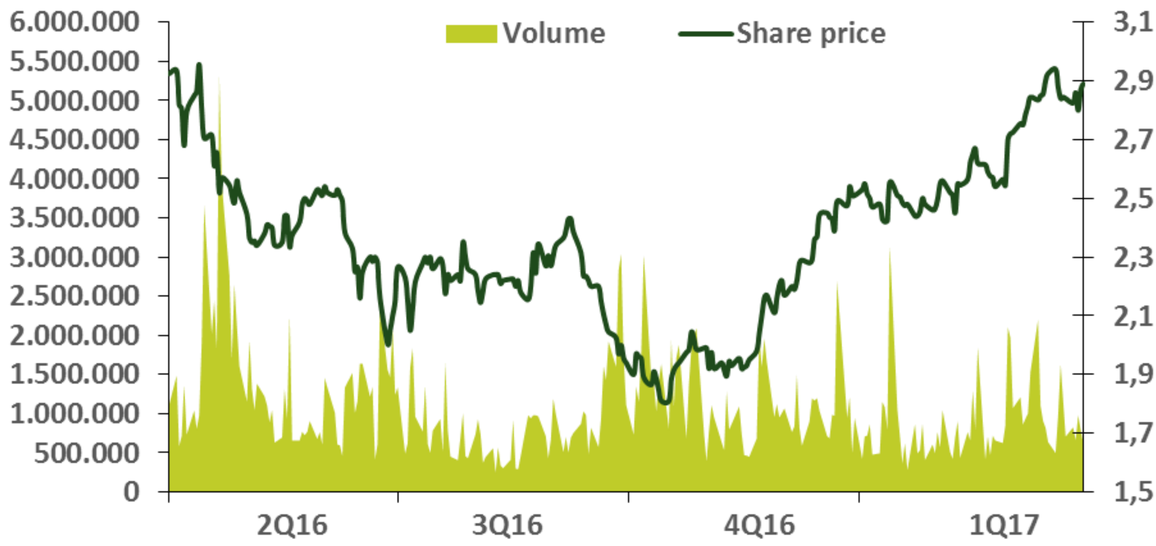
APPENDIX 4: SHARE PRICE PERFORMANCE

Ence's share capital consists of 250,272,500 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, Ibex Top Dividendo and FTSE4Good stock indices.

Ence's share price ended the quarter at €2.89, implying a cumulative gain of 16.1% in 1Q17.

During the same period, the company's sector peers saw their share prices increase by 1.9% on average (*).



Source: Bloomberg

	2Q16	3Q16	4Q16	1Q17
Share price at the end of the period	2.15	1.94	2.51	2.89
Market capitalization at the end of the period	538.1	485.5	628.2	723.3
Ence quarterly evolution	(27.5%)	(9.8%)	29.4%	15.1%
Daily average volume (shares)	1,387,907	887,938	1,159,686	883,525
Peers quarterly evolution *	(20.5%)	2.1%	31.5%	1.9%

(*) Altri, Navigator, Fibria and Suzano.

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