First-quarter 2018
Earnings report

24 April 2018

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1. EXECUTIVE SUMMARY

Market figures	1Q18	1Q17	Δ%	4Q17	Δ%
BHKP (USD/t) average price	1,008.4	679.4	*48.4%*	938.5	*7.4%*
Average exchange rate (USD/€)	1.23	1.06	*15.4%*	1.18	*4.1%*
BHKP (€/t) average price	823.1	639.9	*28.6%*	797.5	*3.2%*
Average pool price (€/MWh)	48.3	55.4	*(12.8%)*	57.5	*(15.9%)*

Source: Bloomberg

Operating Magnitudes	1Q18	1Q17	Δ%	4Q17	Δ%
Pulp production (t)	**225,644**	**226,603**	***(0.4%)***	**257,929**	***(12.5%)***
Pulp sales (t)	**232,735**	**246,139**	***(5.4%)***	**255,401**	***(8.9%)***
Average sale pulp price (€/t)	601.4	465.7	*29.2%*	581.5	*3.4%*
Cash cost (€/t)	369.3	343.6	*7.5%*	357.6	*3.3%*
Wood cost €/m3	66.4	64.0	*3.7%*	65.5	*1.4%*
Energy sales from Energy business (MWh)	**227,610**	**211,045**	***7.8%***	**258,257**	***(11.9%)***
Average selling price - Pool + Ro (€/MWh)	102.9	113.3	*(9.1%)*	108.1	*(4.8%)*
Investment remuneration (€Mn)	10.2	9.4	*8.2%*	10.2	*(0.0%)*

P&L €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Revenues from Pulp business	163.1	141.4	*15.3%*	175.5	*(7.0%)*
Revenues from Energy business	34.0	33.6	*1.2%*	38.3	*(11.2%)*
Consolidation adjustments	(0.9)	(0.9)		(0.9)	
Total net revenue	**196.3**	**174.2**	*12.7%*	**212.9**	*(7.8%)*
Pulp business EBITDA	54.1	30.1	*79.6%*	55.9	*(3.3%)*
Margin %	33%	21%	*11.9 p.p.*	32%	*1.3 p.p.*
Energy business EBITDA	8.8	10.7	*(17.6%)*	12.4	*(29.1%)*
Margin %	26%	32%	*(5.9) p.p.*	32%	*(6.5) p.p.*
EBITDA	**62.9**	**40.8**	*54.1%*	**68.4**	*(8.0%)*
Margin %	*32%*	*23%*	*8.6 p.p.*	*32%*	*(0.1) p.p.*
Amortization and forestry depletion	(19.2)	(17.6)	*9.3%*	(21.5)	*(10.7%)*
Impairment of and gains/(losses) on fixed-asset disposals	2.3	1.9	*22.3%*	3.5	*(32.9%)*
EBIT	**46.0**	**25.1**	*83.2%*	**50.3**	*(8.6%)*
Net finance costs	(5.6)	(5.0)	*13.4%*	(6.4)	*(12.2%)*
Other financial results	(0.2)	(1.2)	*(82.6%)*	(4.5)	*(95.5%)*
Profit before tax	**40.1**	**19.0**	*111.5%*	**39.4**	*1.8%*
Income tax	(10.3)	(4.8)	*114.5%*	(6.5)	*57.2%*
Non-controlling interests	(0.3)	(0.4)	*(28.1%)*	(0.6)	*n.s*
Atributable Net Income	**29.5**	**13.7**	*115.0%*	**32.3**	*(8.5%)*
Earnings per share (EPS)	0.12	0.05	*118.5%*	0.13	*(8.5%)*

Cash flow €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
EBITDA	**62.9**	**40.8**	*54.1%*	**68.4**	*(8.0%)*
Change in working capital	(30.7)	(15.9)	*93.2%*	22.1	*n.s.*
Maintenance capex	(5.1)	(6.4)	*(20.1%)*	(5.7)	*(10.8%)*
Interest Payment	(0.1)	(0.2)	*(40.1%)*	(12.6)	*(99.1%)*
Income tax received/(paid)	0.3	0.0	*n.s.*	(16.6)	*n.s.*
Normalized free cash flow	**27.3**	**18.3**	*48.6%*	**55.5**	*(50.9%)*
Other charges / (payments)	7.3	4.4	*n.s.*	6.6	*n.s*
Expansion capex	(16.4)	(6.6)	*149.1%*	(14.3)	*14.7%*
Environmental capex	(0.1)	(1.8)	*(93.1%)*	(1.6)	*(92.1%)*
Disposals	1.1	0.0	*n.s.*	0.2	*376.1%*
Free Cash Flow	**19.0**	**14.4**	*32.7%*	**46.5**	*(59.0%)*
Dividends	-	-	*n.s.*	(16.1)	*n.s*

Net debt €Mn	Mar-18	Dec-17	Δ%
Pulp business net financial debt	98.3	120.1	*(18.1%)*
Energy business net financial debt	27.3	33.0	*(17.5%)*
Net financial debt	**125.6**	**153.1**	*(18.0%)*

- ✓ **The Group's Net Income and EBITDA registered year-on-year growth of 115% and 54% in 1Q18, respectively.**
- ✓ **EBITDA in the Pulp business increased by 80%, driven by growth of 29% in average pulp sales prices, which offset a 5% decrease in sales volumes and a 7% increase in the cash cost.**
- ✓ **The main reasons for the increase in the cash cost were the €12/tonne increase in timber costs in the last 12 months as a result of their indexation to pulp prices and an €8/tonne increase in conversion costs as a result of the spike in caustic soda prices.**
- ✓ **EBITDA in the Energy business declined by 18%, due largely to the year-on-year drop in sales prices but also to the optimization of the annual production limit of 6,500 hours. The company reiterates its guidance for EBITDA of €55m in the Energy business in 2018.**
- ✓ **Strong cash generation during the quarter enabled Ence to earmark €17m to funding its Business Plan and another €28m to debt reduction.**
- ✓ **Group leverage stood at just 0.5x LTM EBITDA at the March close, paving the way for acceleration of the outstanding Business Plan investments.**
- ✓ **In March, the company expanded capacity at the Pontevedra biofactory by 30,000 tonnes, as scheduled, which will translate into a gradual increase in output at this complex over the next six months.**
- ✓ **The annual maintenance stoppage at the Navia mill has been brought forward to May and the company has also moved up certain investments with the aim of facilitating the planned 80,000 tonne capacity expansion scheduled for April 2019.**
- ✓ **In the Energy business, construction of the new 40-MW plant in Huelva is progressing on schedule for targeted commissioning at the end of 2019. The new plant is expected to generate annualised EBITDA of €11m.**
- ✓ **Also in March, Ence issued €160m of convertible 5-year bonds which carry an annual coupon of 1.25% in order to partially refinance the early redemption of the €250m of 5.375% bonds issued in 2015. The idea is to redeem the bond offering during the second quarter. This transaction will translate into annual interest savings for Ence of €11.4m from 2019.**
- ✓ **The outlook for pulp prices remains very positive. The main global BHKP producers have announced additional price increases to $1,050/t in April.**
- ✓ **The strength of demand for pulp, coupled with the lack of major capacity addition plans, foreshadows a period of strong pulp prices for at least the next three years.**

2. PULP BUSINESS

Ence has two eucalyptus pulp biofactories in Spain: a 605,000-tonne-capacity facility in the town of Navia, Asturias, and a 495,000-tonne-capacity complex in Pontevedra, Galicia. Both use eucalyptus timber acquired in local markets.

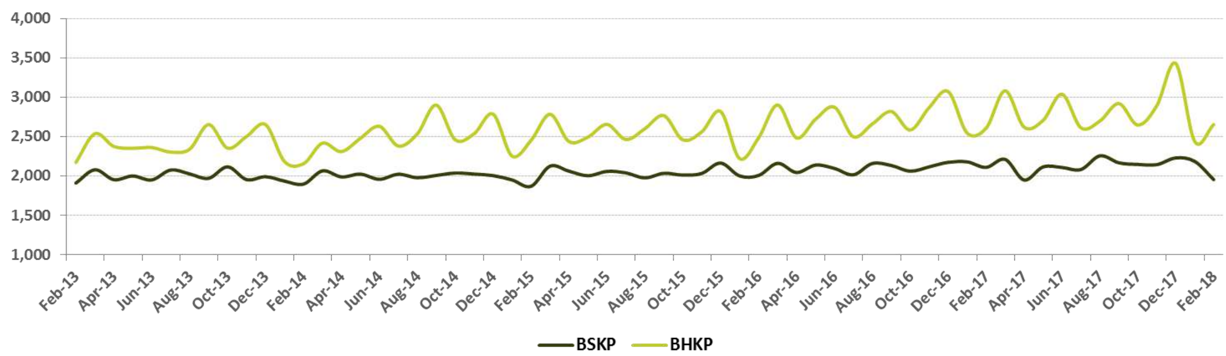
Ence's Pulp business encompasses all the activities related to the production of pulp for sale to third parties. It therefore includes not only the production and sale of pulp but also the generation and co-generation of energy at the plants involved in the productive process, as well as the supply of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

2.1. Pulp market trends

Global demand for short-fibre eucalyptus pulp remained strong in the first quarter of 2018, rising slightly compared to the same period of 2017, in which demand surged by 6.0%, fuelled by growth of 28.5% in China.

The momentum in demand for short-fibre pulp is being shaped primarily by ongoing growth in the consumption of tissue paper on the back of rapid urban development and growing standards of living in emerging economies. This trend is additionally being shored up by the rollout of more stringent environmental standards in China.

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



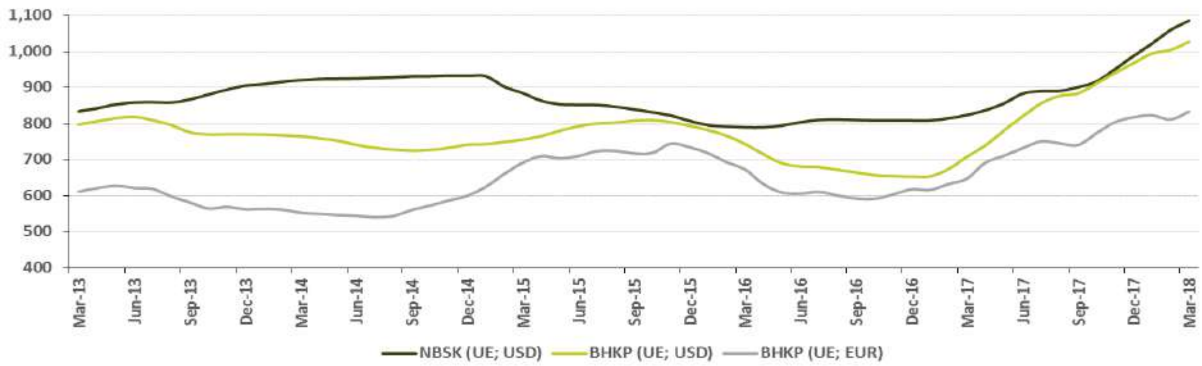
Source: PPPC (G-100)

Supply, meanwhile, was curtailed by a higher incidence of maintenance stoppages by Latin American producers and by operational and timber supply incidents affecting the main short-fibre producers in Indonesia.

Demand strength, coupled with limited growth in supply, meant that BHKP producers' inventory levels remained at minimum levels all quarter, while pulp prices continued to rise, ending the reporting period at $1,030/tonne.

The main global BHKP producers have announced additional price increases to $1,050 per tonne in April.

Pulp prices in Europe during the last five years



Source: FOEX

Longer-term, the lack of major plans to add short-fibre pulp capacity bodes for a price scenario underpinned by strong fundamentals for at least the next three years.

2.2. Revenue from pulp sales

	1Q18	1Q17	Δ%	4Q17	Δ%
Pulp sales (t)	**232,735**	**246,139**	*(5.4%)*	**255,401**	*(8.9%)*
Average selling price (€/t)	601.4	465.7	*29.2%*	581.5	*3.4%*
Pulp sales revenues (€Mn)	**140.0**	**114.6**	*22.1%*	**148.5**	*(5.8%)*

Ence's average pulp sales price increased by 29.2% year-on-year in 1Q18, driven by growth of 48.4% in the dollar-denominated benchmark price, coupled with an incipient reduction in trade discounts, partially offset by average euro appreciation against the dollar of 15.4%.

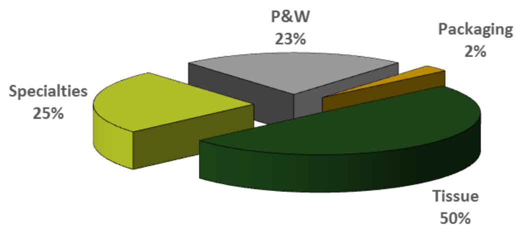
Elsewhere, pulp sales volumes declined by 5.4% compared to 1Q17 due mainly to lower sales from inventories. In the first quarter of 2017, the company sold 19,536 tonnes of pulp from inventories, compared to just 7,091 tonnes in 1Q18, with inventories at record lows of under 26,000 tonnes.

The combination of the two factors drove growth in revenue from pulp sales of 22.1% to €140m in 1Q18.

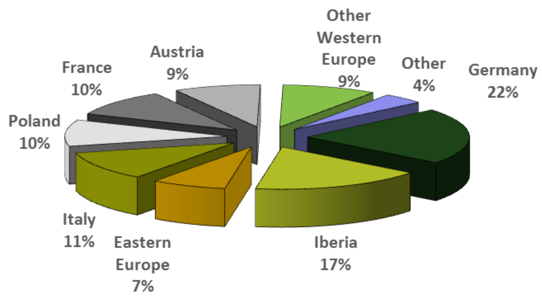
The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 50% of revenue from pulp sales during the reporting period, followed by the specialties paper segment, at 25%, and the printing and writing papers segment, at 23%. The remaining 2% corresponds to the packaging segment.

By early January, Ence had already closed forward pulp sales agreements covering 100% of targeted production for the year, also locking in narrower discounts to benchmark prices compared to 2017.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



Most of the pulp produced by Ence is sold in Europe, namely 96% of revenue from pulp sales. Germany and Iberia accounted for 22% and 17% of total revenue, respectively, followed by Italy (11%), France (10%), Poland (10%) and Austria (9%). Other Western Europe countries accounted for 9% of the total, with the rest of Eastern Europe representing 7%.

2.3. Pulp production and the cash cost

	1Q18	1Q17	Δ%	4Q17	Δ%
Navia pulp production	129,803	131,990	*(1.7%)*	142,780	*(9.1%)*
Pontevedra pulp production	95,841	94,613	*1.3%*	115,149	*(16.8%)*
Pulp production (t)	**225,644**	**226,603**	*(0.4%)*	**257,929**	*(12.5%)*

Pulp production narrowed a slight 0.4% compared to 1Q17 due to reduced stability at the Navia biofactory as a result of heavy rainfalls in the region, with incidents at the timber and pulp drying facilities.

In March, the Pontevedra biofactory was stopped for maintenance work for 12 days. The company took advantage of the stoppage to carry out the investments required to increase annual capacity at the complex by 30,000 tonnes; notably, it invested in the recovery boiler, the causticizing system and the evaporation facilities, which were expanded.

Figures in €/t	1Q18	1Q17	Δ%	4Q17	Δ%
Wood cost	199.1	190.2	*4.7%*	196.5	*1.3%*
Conversion costs	109.7	101.8	*7.9%*	105.6	*3.9%*
Commercial and logistic costs	31.5	29.4	*7.2%*	30.7	*2.6%*
Overheads	29.0	22.2	*30.4%*	24.8	*16.7%*
Total cash cost	**369.3**	**343.6**	*7.5%*	**357.6**	*3.3%*

The cash cost was €369.3/tonne in the first quarter, which was €25.7/tonne higher than in 1Q17, due to an €8.9/tonne increase in timber costs as a result of indexation to pulp prices and a €7.9/tonne increase in conversion costs as a result mainly of the higher cost of chemical products, particularly caustic soda. Lastly, fixed costs increased by €6.8/tonne and sales and logistics costs were €2.1/tonne higher, due in part to lower fixed cost dilution on the back of lower sales volume.

The trend in the cash cost quarter-on-quarter is similar: the increase of €4.1/tonne in conversion costs is attributable mainly to the higher cost of chemical products, while the increase of €2.6/tonne in timber prices reflects the December adjustment. Fixed costs increased by €4.2/tonne and sales and logistics costs by €0.8/tonne compared to 4Q17, due largely to lower fixed cost dilution over pulp sales volume.

	1Q18	1Q17	Δ%	4Q17	Δ%
Wood cost €/m3	66.4	64.0	*3.7%*	65.5	*1.4%*
Timber consumption (m3)	694,806	712,797	*(2.5%)*	718,967	*(3.4%)*
Big suppliers	25%	23%		26%	
Small suppliers	48%	49%		*48%*	
Standing timber acquired directly from land owners	19%	28%		*26%*	
Owned timber	*8%*	0%		*0%*	

As for timber costs, it is worth highlighting the fact that the €4/tonne increase in timber prices during the last 12 months, which is equivalent to €12/tonne in cash cost terms, was partially offset by savings achieved by shortening the supply distance, price differentiation with respect to other less productive eucalyptus species such as the nitens, reduced certification costs and other initiatives such as the promotion of forest owner associations (*cotos redondos*).

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 biofactory, 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 biofactory.

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.

	1Q18	1Q17	Δ%	4Q17	Δ%
Navia energy sales	129,839	135,482	*(4.2%)*	142,906	*(9.1%)*
Pontevedra energy sales	51,658	45,680	*13.1%*	58,110	*(11.1%)*
Energy sales linked to the pulp process (MWh)	**181,497**	**181,162**	*0.2%*	**201,016**	*(9.7%)*
Average selling price - Pool + Ro (€/MWh)	88.3	97.1	*(9.0%)*	93.1	*(5.1%)*
Investment remuneration (€Mn)	2.6	2.6	*(0.0%)*	2.6	*(0.0%)*
Revenues from energy sales linked to pulp (€Mn)	**18.6**	**20.1**	*(7.7%)*	**21.3**	*(12.6%)*

The generation of energy in connection with pulp production was flat year-on-year in 1Q18, as the drop in output in Navia was offset by higher production in Pontevedra.

Average sales prices meanwhile declined by 9%, due mainly to the drop in pool prices to €48.3/MWh, compared to €55.4/MWh in 1Q17.

In addition, 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 €0.8m in 1Q18 which has been recognised as a reduction in the average sales price. The related provision recognised in 1Q17 was €0.2m.

In total, revenue from energy sales in the Pulp Business, factoring in remuneration for investment - unchanged - decreased by 7.7% year-on-year to €18.6m in 1Q18.

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.

	1Q18	1Q17	Δ%	4Q17	Δ%
Forestry and other revenues (€Mn)	**4.5**	**6.7**	*(31.8%)*	**5.7**	*(20.0%)*

Revenue from forestry declined by 31.8% year-on-year in the first quarter as a result of a planned reduction in the volume of timber sold to third parties, a trend expected to reverse throughout the rest of the year.

2.6. Income statement

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Total net revenue	**163.1**	**141.4**	*15.3%*	**175.5**	*(7.0%)*
EBITDA	**54.1**	**30.1**	*79.6%*	**55.9**	*(3.3%)*
EBITDA margin	*33%*	*21%*	*11.9 p.p.*	*32%*	*1.3 p.p.*
Amortization	(13.1)	(12.8)	*2.6%*	(15.8)	*(16.8%)*
Forest depletion	(1.9)	(1.2)	*65.2%*	(1.4)	*33.6%*
Impairment of and gains/(losses) on fixed-asset disposal	2.4	1.9	*26.1%*	3.5	*(30.8%)*
EBIT	**41.4**	**18.0**	*129.5%*	**42.2**	*(1.8%)*
EBIT margin	*25%*	*13%*	*12.6 p.p.*	*24%*	*1.3 p.p.*
Net finance costs	(3.4)	(3.5)	*(4.2%)*	(3.3)	*1.1%*
Other financial results	(0.2)	(1.1)	*(82.7%)*	(0.8)	*(75.6%)*
Profit before tax	**37.8**	**13.4**	*182.9%*	**38.0**	*(0.5%)*
Income tax	(9.7)	(3.4)	*187.1%*	(8.5)	*13.6%*
Net Income	**28.2**	**10.0**	*181.5%*	**29.5**	*(4.6%)*

EBITDA in the Pulp business amounted to €54.1m in 1Q18, up 79.6% from 1Q17, thanks to the 29.2% increase in average sales prices, which offset a decline of 5.4% in sales volumes and a 7.5% increase in the cash cost.

In addition, 1Q18 EBITDA includes €3m of gains from exchange rate hedges and €2.8m of charges related with Ence's Environmental Pact in Pontevedra, signed in June 2016.

Below the EBITDA line, depreciation and amortisation charges were 2.6% higher at €13.1m, while forest depletion charges increased to €1.9m as a result of more intense use of timber sourced from proprietary plantations during the quarter.

Elsewhere, impairment charges and gains on disposals includes €0.7m of gains on asset sales. The remainder of this heading relates to the provision for the industrial assets within the Huelva complex to offset the depreciation charges.

Lastly, net finance expense in this business decreased by 4.2% year-on-year to €3.4m, while 'Other finance income/costs', presenting a net cost of €0.2m, narrowed on the back of lower exchange losses.

In all, the Pulp business reported bottom-line growth of 181.5% to €28.2m in 1Q18, compared to €10m in 1Q17.

2.7. Cash flow statement

Net cash flows from operating activities amounted to €29m in 1Q18, up 49.9% from 1Q17, despite a higher working capital requirement.

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
EBITDA	**54.1**	**30.1**	*79.6%*	**55.9**	*(3.3%)*
Non cash expenses / (incomes)	3.6	2.6	*38.4%*	4.2	*(13.7%)*
Other charges / (payments)	(0.8)	0.5	*n.s.*	0.7	*n.s.*
Change in working capital	(28.8)	(14.3)	*101.5%*	17.6	*n.s.*
Income tax received/(paid)	-	-	*n.s.*	(12.4)	*(100.0%)*
Interest received / (paid)	0.9	0.5	*97.9%*	(7.6)	*n.s.*
Net cash flow from operating activities	**29.0**	**19.4**	*49.9%*	**58.4**	*(50.3%)*

The working capital requirement increased by €28.8m in 1Q18, compared to an increase of €14.3m in 1Q17, due to a lower use of factoring lines (-€15.5m).

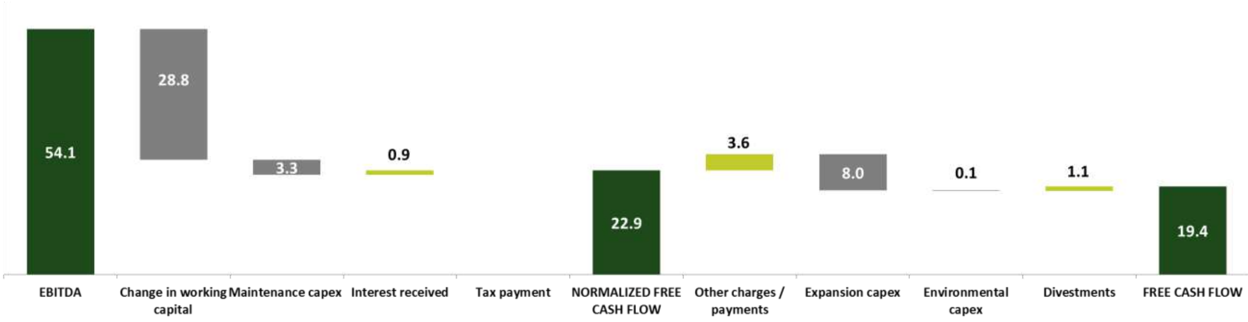
Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Inventories	2.3	4.6	*(50.7%)*	1.0	*139.7%*
Trade and other receivables	(27.1)	(12.9)	*110.5%*	2.9	*n.s.*
Current financial and other assets	0.8	(0.6)	*n.s.*	2.4	*(66.1%)*
Trade and other payables	(4.8)	(5.4)	*(12.0%)*	11.3	*n.s.*
Change in working capital	**(28.8)**	**(14.3)**	*101.5%*	**17.6**	*n.s.*

Net cash flows used in investing activities amounted to €9.6m, including the collection of €1.1m from asset sales.

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Maintenance capex	(3.3)	(5.1)	*(35.0%)*	(8.1)	*(59.1%)*
Environmental capex	(0.1)	(1.8)	*(93.1%)*	(1.6)	*(92.1%)*
Efficiency and expansion capex	(8.0)	(6.5)	*23.6%*	(4.7)	*70.8%*
Financial investments	0.8	(0.0)	*n.s.*	0.9	*(11.4%)*
Investments	**(10.7)**	**(13.4)**	*(20.5%)*	**(13.5)**	*(20.8%)*
Disposals	1.1	0.0	*n.s.*	0.2	*376.1%*
Net cash flow from investing activities	**(9.6)**	**(13.4)**	*(28.5%)*	**(13.3)**	*(27.6%)*

Maintenance and environmental capex totalled €3.3m and €0.1m in 1Q18, respectively. Investments in efficiency and growth amounted to €8m, mainly related to the addition of 30,000 tonnes of capacity at the Pontevedra biofactory and the first payments associated with the planned addition of 80,000 tonnes of capacity in Navia in April 2019.

Financial investments include the provision for the regulatory collar in the amount of €0.8m.



As a result, normalised free cash flow in the Pulp Business amounted to €22.9m in 1Q18, while free cash flow net of efficiency, growth and environmental capex totalled €19.4m.

2.8. Change in net debt

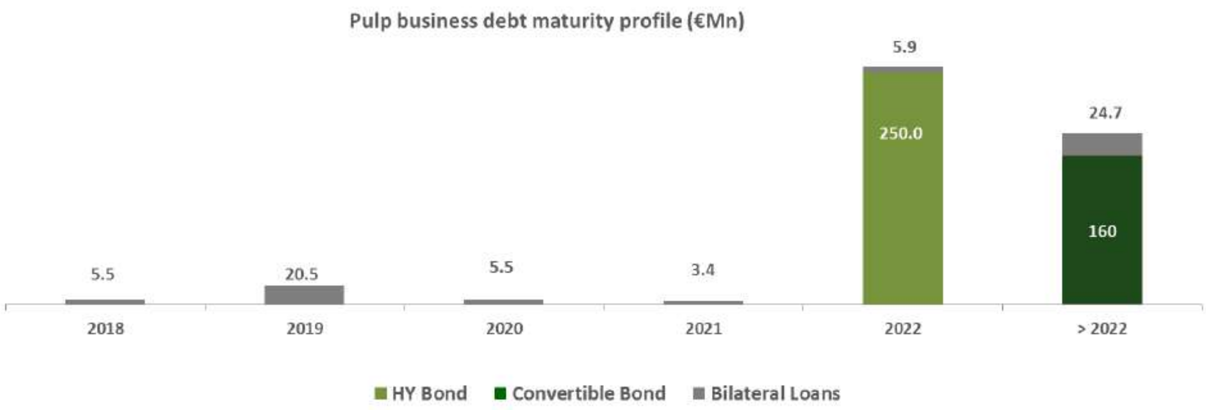
Net debt in the Pulp Business declined by €21.8m from year-end 2017 to €98.3m.

Figures in €Mn	Mar-18	Dec-17	Δ%
Long term financial debt	448.1	285.6	*56.9%*
Short-term financial debt	12.1	8.2	*48.3%*
Gross financial debt	**460.2**	**293.8**	*56.7%*
Cash and cash equivalents	356.4	167.3	*113.0%*
Short-term financial investments	5.5	6.4	*(13.0%)*
Pulp business net financial debt	**98.3**	**120.1**	*(18.1%)*

On 5 March 2018, Ence issued €160m of convertible 5-year bonds which carry an annual coupon of 1.25% with the aim of financing the early voluntary redemption of the €250m of 5.375% bonds issued on 30 October 2015. This transaction will translate into annual interest savings for Ence of €11.4m from 2019.

The new bonds are convertible into company shares at a price of €7.2635 per share. According to prevailing international accounting standards, the conversion option has been valued at €14.5m and has been recognised as an increase in equity on the balance sheet.

The gross debt of €460.2m at the March close corresponds mainly to the €250m of corporate bonds issued in October 2015 and pending early redemption, the €145.5m of convertible bonds (deducted by the above-mentioned equity component), the outstanding balance of €25.7m 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 €40.2m 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; the maturities on these loans range to 2028. Debt arrangement fees are deducted from gross borrowings on the balance sheet.



At the reporting date, the business had cash and cash equivalents of €361.9m 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 (16 MW); and one in Cordoba (27 MW), acquired in August 2017.

3.1. Electricity market trends

	1Q18	1Q17	*Δ%*	4Q17	*Δ%*
Average pool price (€/MWh)	48.3	55.4	*(12.8%)*	57.5	*(15.9%)*

Pool prices during the last five years (€/MWh) - 30-day average

Pool prices in mainland Spain declined by 12.8% year-on-year on average in the first quarter to €48.3/MWh (1Q17: €55.4/MWh), due to growth of 33.9% in hydro generation and growth of 22.2% in wind-powered output, to the detriment of the coal- and gas-fired thermal power stations.

3.2. Revenue from energy sales

	1Q18	1Q17	Δ%	4Q17	Δ%
Huelva 50 MW	67,276	85,919	*(21.7%)*	91,532	*(26.5%)*
Huelva 41 MW	36,025	47,291	*(23.8%)*	42,724	*(15.7%)*
Mérida 20 MW	27,392	33,276	*(17.7%)*	34,723	*(21.1%)*
Ciudad Real 16 MW	23,141	23,355	*(0.9%)*	23,071	*0.3%*
Jaén 16 MW	24,404	21,205	*15.1%*	16,974	*43.8%*
Córdoba 27 MW	49,372	-		49,234	*0.3%*
Energy sales (MWh)	**227,610**	**211,045**	*7.8%*	**258,257**	*(11.9%)*
Average selling price - Pool + Ro (€/MWh)	102.9	113.3	*(9.1%)*	108.1	*(4.8%)*
Investment remuneration (€Mn)	10.2	9.4	*8.2%*	10.2	*(0.0%)*
Revenues (€Mn)	**34.0**	**33.6**	*1.2%*	**38.3**	*(11.2%)*

Energy sales volumes increased by 7.8% in 1Q18 to 227,610 MWh, thanks to the first-time consolidation of the 27-MW biomass plant acquired in Cordoba in August 2017.

Production at the 41-MW Huelva plant was affected by incidents at the boiler economiser which were resolved during the annual maintenance stoppage conducted in April.

In addition, in response to the decline in pool prices and in light of the annual output cap of 6,500 operating hours stipulated in prevailing sector regulations, generation at the 50-MW Huelva and 20-MW Merida plants was pared back during the quarter to save up permitted hours of output for the coming quarters.

Average sales prices declined by 9.1%, due mainly to the drop in pool prices to €48.3/MWh, compared to €55.4/MWh in 1Q17.

In addition, 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 €1.1m in 1Q18 which has been recognised as a reduction in the average sales price. The related provision in 1Q17 was €0.3m.

Lastly, remuneration for investment increased by 8.2% in 1Q18 to €10.2m, as a result of the first-time consolidation of the 27-MW biomass plant acquired in Cordoba in August 2017.

In total, the Energy business reported topline growth of 1.2% in 1Q18 to €34m.

3.3. Income statement

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Total net revenue	**34.0**	**33.6**	*1.2%*	**38.3**	*(11.2%)*
EBITDA	**8.8**	**10.7**	*(17.6%)*	**12.4**	*(29.1%)*
EBITDA margin	*26%*	*32%*	*(5.9) p.p.*	*32%*	*(6.5) p.p.*
Amortization	(4.2)	(3.5)	*18.8%*	(4.3)	*(3.1%)*
Forest depletion	-	(0.1)	*(100.0%)*	-	*n.s.*
Impairment of and gains/(losses) on fixed-asset disposals	(0.1)	0.0	*n.s.*	-	*n.s.*
EBIT	**4.6**	**7.0**	*(35.4%)*	**8.1**	*(43.8%)*
EBIT margin	*13%*	*21%*	*(7.6) p.p.*	*21%*	*(7.8) p.p.*
Net finance costs	(2.3)	(1.4)	*56.5%*	(3.1)	*(26.7%)*
Other financial results	(0.0)	(0.0)	*(33.3%)*	(3.6)	*(99.9%)*
Profit before tax	**2.3**	**5.6**	*(59.1%)*	**1.4**	*66.1%*
Income tax	(0.6)	(1.4)	*(59.3%)*	2.0	*n.s.*
Net Income	**1.7**	**4.2**	*(59.0%)*	**3.4**	*(49.2%)*
Non-controlling interests	(0.3)	(0.4)	*(28.1%)*	(0.6)	
Atributable Net Income	**1.4**	**3.7**	*(62.7%)*	**2.8**	*(50.1%)*

EBITDA in the Energy business was 17.6% lower year-on-year at €8.8m due to the drop in average sales prices, coupled with lower output at the more efficient plants and exacerbated by non-recurring charges related with leachate treatment and inventory management at the 16-MW Jaen plant.

Below the EBITDA line, it is worth highlighting the 18.8% increase in depreciation charges, due mainly to the first-time consolidation of the 24-MW plant in Cordoba from August 2017.

The increase in finance costs meanwhile reflects higher borrowing costs accrued on the Energy business's borrowings from Group companies.

In all, the net profit attributable to the Energy business amounted to €1.4m in the first quarter, compared to €3.7m in 1Q17. This result should be reversed during the year alongside with the optimization of the annual production limit of 6,500 hours.

3.4. Cash flow statement

Net cash flows from operating activities amounted to €8.7m in 1Q18, compared to €9.7m in 1Q17.

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
EBITDA	**8.8**	**10.7**	*(17.6%)*	**12.4**	*(29.1%)*
Non cash expenses / (incomes)	2.8	1.6	*77.1%*	(0.9)	*n.s.*
Other charges / (payments)	(0.3)	(0.3)	*(12.7%)*	(0.2)	*48.3%*
Change in working capital	(1.9)	(1.6)	*18.7%*	4.4	*n.s.*
Income tax received / (paid)	0.3	-	*n.s.*	(4.2)	*n.s.*
Interest received / (paid)	(1.1)	(0.7)	*58.4%*	(5.0)	*(78.8%)*
Net cash flow from operating activities	**8.7**	**9.7**	*(10.7%)*	**6.6**	*31.5%*

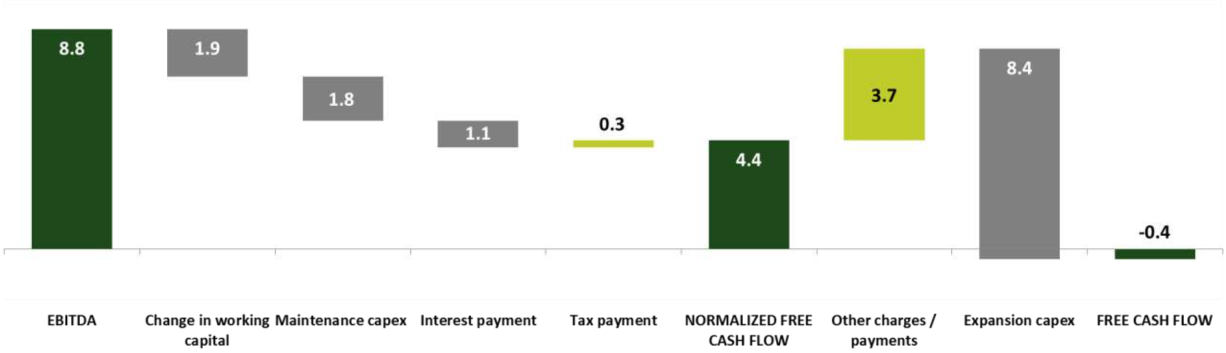
Working capital movements implied a cash outflow of €1.9m in 1Q18 (€1.6m in 1Q17), as the €1.7m inflow from the reduction in trade receivables and inventories was more than offset by a €3.5m decrease in trade payables.

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Inventories	0.5	(0.5)	*n.s.*	1.3	*(63.7%)*
Trade and other receivables	1.2	(3.5)	*n.s.*	1.3	*(9.2%)*
Trade and other payables	(3.5)	2.4	*n.s.*	1.8	*n.s.*
Change in working capital	**(1.9)**	**(1.6)**	*18.7%*	**4.4**	*n.s.*

Net cash flows used in investing activities totalled €9.1m, of which €1.8m corresponded to maintenance capex and €8.4m to payments related with construction of the new 40-MW plant in Huelva, scheduled for start-up towards the end of 2019.

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Maintenance capex	(1.8)	(1.3)	*39.5%*	(1.1)	*59.6%*
Efficiency and expansion capex	(8.4)	(0.1)	*n.s.*	(9.6)	*(12.7%)*
Financial investments	1.1	0.0	*n.s.*	2.0	*(42.9%)*
Investments	**(9.1)**	**(1.3)**	*n.s.*	**(8.8)**	*3.3%*
Disposals	-	-	*n.s.*	3.5	*(100.0%)*
Net cash flow from investing activities	**(9.1)**	**(1.3)**	*n.s.*	**(5.2)**	*72.6%*

The inflow from financial investments of €1.1m reflects the accounting provision recognised to adjust average pool prices for the limits set by the regulator (regulatory collar).



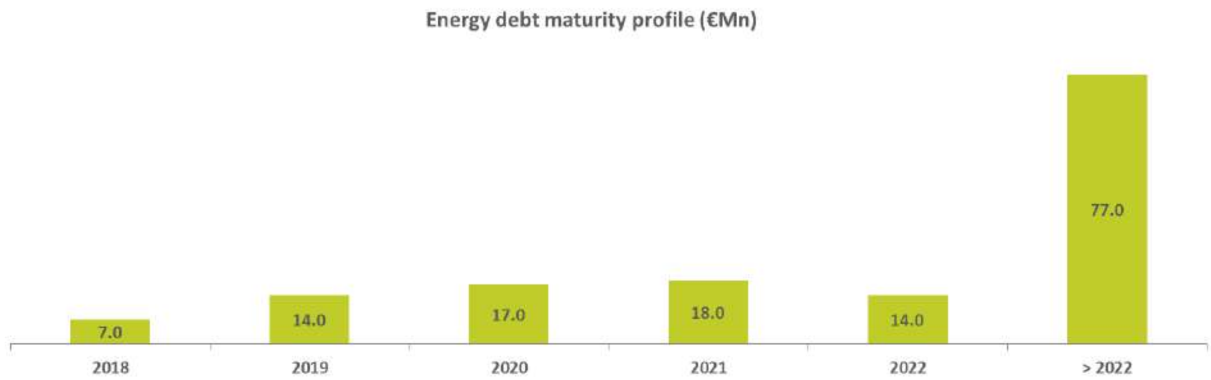
As a result, the normalised free cash flow generated by the Energy business amounted to €4.4m in 1Q18, while free cash flow net of efficiency and growth capex totalled -€0.4m.

3.5. Change in net debt

Net debt in the Energy Business decreased by €5.8m from year-end 2017 to €27.3m.

Figures in €Mn	Mar-18	Dec-17	Δ%
Long term financial debt	136.4	129.2	*5.5%*
Short-term financial debt	8.0	7.0	*13.5%*
Gross financial debt	**144.4**	**136.3**	*5.9%*
Cash and cash equivalents	117.1	103.2	*13.4%*
Short-term financial investments	0.0	0.0	-
Energy business net financial debt	**27.3**	**33.0**	*(17.5%)*

The €144.4m of gross borrowings at the reporting date correspond mainly to the balance drawn down under the €220m financing line arranged in November 2017 (the last instalment of which is due in 8 years), which includes a €20m credit line that had not been drawn down as of the March close. Debt arrangement fees are deducted from gross borrowings on the balance sheet.



Cash stood at €117.1m at the reporting date.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Income statement

	1Q18				1Q17			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total net revenue	**163.1**	**34.0**	**(0.9)**	**196.3**	**141.4**	**33.6**	**(0.9)**	**174.2**
Other income	5.7	0.2	(1.1)	4.8	4.5	(0.2)	(2.3)	1.9
Change in inventories of finished products	(2.1)	-		(2.1)	(6.1)	-		(6.1)
Cost of sales	(61.7)	(11.3)	0.9	(72.1)	(60.0)	(10.5)	0.9	(69.6)
Personnel expenses	(15.8)	(2.1)		(17.9)	(14.3)	(1.5)		(15.8)
Other operating expenses	(35.1)	(12.1)	1.1	(46.1)	(35.4)	(10.8)	2.3	(43.9)
EBITDA	**54.1**	**8.8**		**62.9**	**30.1**	**10.7**		**40.8**
EBITDA margin	*33%*	*26%*		*32%*	*21%*	*32%*		*23%*
Amortization	(13.1)	(4.2)		(17.3)	(12.8)	(3.5)		(16.3)
Forest depletion	(1.9)	-		(1.9)	(1.2)	(0.1)		(1.3)
Impairment of and gains/(losses) on fixed-asset disposals(a)	2.4	(0.1)		2.3	1.9	0.0		1.9
EBIT	**41.4**	**4.6**		**46.0**	**18.0**	**7.0**		**25.1**
EBIT margin	*25%*	13%		23%	*13%*	21%		*14%*
Net finance costs	(3.4)	(2.3)		(5.6)	(3.5)	(1.4)		(5.0)
Other financial results	(0.2)	(0.0)		(0.2)	(1.1)	(0.0)		(1.2)
Profit before tax	**37.8**	**2.3**		**40.1**	**13.4**	**5.6**		**19.0**
Income tax	(9.7)	(0.6)		(10.3)	(3.4)	(1.4)		(4.8)
Net Income	**28.2**	**1.7**		**29.9**	**10.0**	**4.2**		**14.2**
Non-controlling interests	-	(0.3)		(0.3)	-	(0.4)		(0.4)
Atributable Net Income	**28.2**	**1.4**		**29.5**	**10.0**	**3.7**		**13.7**
Earnings per Share (EPS)	0.11	0.01		0.12	0.04	0.01		0.05

4.2. Balance sheet

	Mar - 18				Dec - 17			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Intangible assets	12.6	2.8		15.4	13.2	2.8		16.0
Property, plant and equipment	445.0	268.0		713.1	438.4	254.3		692.7
Biological assets	79.9	0.2		80.1	81.5	0.2		81.7
Intercompany long term participation	198.6	-	(198.6)	-	198.6	-	(198.6)	-
Intercompany long term loan	75.2	0.0	(75.2)	-	75.2	0.0	(75.2)	-
Non-current financial assets	2.3	0.9		3.2	4.6	2.1		6.6
Assets for deferred tax	44.3	12.5		56.8	47.3	12.5		59.8
Total fixed assets	**857.9**	**284.5**	**(273.8)**	**868.6**	**858.7**	**271.9**	**(273.8)**	**856.7**
Inventories	27	10.3		37.1	28.6	10.5		39.1
Trade other accounts receivable	135.3	24.8	(24.1)	136.0	111.9	35.4	(33.6)	113.7
Income tax	0.4	0.4		0.7	0.4	0.7		1.0
Other current assets	3.5	0.4	(0.1)	3.8	1.6	0.5		2.1
Hedging derivatives	18.6	-		18.6	13.5	-		13.5
Short-term financial assets	5.5	0.0		5.5	6.4	0.0		6.4
Cash and cash equivalents	356.4	117.1		473.5	167.3	103.2		270.5
Total current assets	**546.4**	**153.0**	**(24.2)**	**675.2**	**329.6**	**150.4**	**(33.6)**	**446.4**
TOTAL ASSETS	**1,404.3**	**437.5**	**(298.0)**	**1,543.9**	**1,188.3**	**422.2**	**(307.4)**	**1,303.1**
Equity	**703.4**	**164.0**	**(198.6)**	**668.8**	**678.5**	**162.3**	**(198.6)**	**642.2**
Non-current borrowings	448.1	136.4		584.5	285.6	129.2	(0.0)	414.8
Long term intercompany debt	-	75.2	(75.2)	-	-	75.2	(75.2)	-
Non-current derivatives	-	3.8		3.8	-	3.6		3.6
Liabilities for deferred tax	25.3	2.8		28.1	21.1	2.8		23.8
Non-current provisions	3.8	0.4		4.3	3.7	0.4		4.2
Other non-current liabilities	7.5	2.0		9.5	7.3	1.9		9.2
Total non-current liabilities	**484.8**	**220.5**	**(75.2)**	**630.2**	**317.7**	**213.1**	**(75.2)**	**455.7**
Liabilities linked to non-current assets held for sale	-	-		-	-	-		-
Current borrowings	12.1	8.0		20.1	8.2	7.0		15.2
Current derivatives	0.0	2.2		2.2	0.0	2.2		2.2
Trade payables and other	188.2	41.1	(24.2)	205.1	177.2	36.7	(33.6)	180.3
Income tax	6.7	1.0		7.7	0.0	0.4		0.4
Current provisions	9.1	0.6		9.7	6.7	0.4		7.1
Total current liabilities	**216.0**	**53.0**	**(24.2)**	**244.8**	**192.1**	**46.7**	**(33.6)**	**205.2**
TOTAL EQUITY AND LIABILITIES	**1,404.3**	**437.5**	**(298.0)**	**1,543.9**	**1,188.3**	**422.2**	**(307.4)**	**1,303.1**

4.3. Cash flow statement

	1Q18				1Q17			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**37.8**	**2.3**		**40.1**	**13.4**	**5.6**		**19.0**
Depreciation	15.3	3.9		19.2	14.2	3.4		17.6
Changes in provisions and other deferred expense	3.9	2.8		6.7	2.9	1.6		4.5
Impairment of gains/(losses) on disposals intangible asset	(2.4)	0.1		(2.3)	(1.8)	0.0		(1.8)
Net finance costs	3.3	2.3		5.6	4.7	1.4		6.2
Government grants taken to income	(0.3)	(0.0)		(0.3)	(0.3)	(0.0)		(0.3)
Adjustments to profit	**19.9**	**9.1**		**28.9**	**19.8**	**6.4**		**26.2**
Inventories	2.3	0.5		2.8	4.6	(0.5)		4.2
Trade and other receivables	(27.1)	1.2		(26.0)	(12.9)	(3.5)		(16.4)
Current financial and other assets	0.8	-		0.8	(0.6)	-		(0.6)
Trade and other payables	(4.8)	(3.5)		(8.3)	(5.4)	2.4		(3.1)
Changes in working capital	**(28.8)**	**(1.9)**		**(30.7)**	**(14.3)**	**(1.6)**		**(15.9)**
Interest paid	(0.3)	(1.2)	1.1	(0.4)	(1.0)	(0.8)	1.4	(0.4)
Interest received	1.3	0.1	(1.1)	0.3	1.5	0.1	(1.4)	0.3
Income tax received/(paid)	-	0.3		0.3	-	-		-
Variable Payment Plan	(0.8)	-		(0.8)	-			-
Other cash flows from operating activities	**0.1**	**(0.8)**		**(0.6)**	**0.5**	**(0.7)**		**(0.2)**
Net cash flow from operating activities	**29.0**	**8.7**		**37.7**	**19.4**	**9.7**		**29.1**
Property, plant and equipment	(11.1)	(10.1)		(21.2)	(13.1)	(1.3)		(14.4)
Intangible assets	(0.4)	(0.0)		(0.4)	(0.3)	(0.1)		(0.4)
Other financial assets	0.8	1.1		1.9	(0.0)	0.0		0.0
Disposals	**1.1**	**-**		**1.1**	**0.0**	**-**		**0.0**
Net cash flow from investing activities	**(9.6)**	**(9.1)**		**(18.7)**	**(13.4)**	**(1.3)**		**(14.7)**
Free cash flow	**19.4**	**(0.4)**		**19.0**	**6.0**	**8.4**		**14.4**
Buyback/(disposal) of own equity instruments	14.8	-		14.8	0.1	-		0.1
Proceeds from and repayments of financial liabilities	154.9	14.2		169.1	(1.6)	1.4		(0.3)
Dividends payments	-	-		-	-	-		-
Translation differences	-	-		-	-	-		-
Group and Associated companies	-	-		-	-	-		-
Net cash flow from financing activities	**169.7**	**14.2**		**183.9**	**(1.6)**	**1.4**		**(0.2)**
Net increase/(decrease) in cash and cash equivalents	**189.1**	**13.9**		**202.9**	**4.4**	**9.8**		**14.2**

5. KEY DEVELOPMENTS

€160m convertible bond issue

On 5 March 2018, Ence issued €160m of convertible bonds due 5 March 2023.

The bonds carry a fixed annual coupon of 1.25%, payable semi-annually, and are convertible into shares of the company, at the option of the bondholders, at an initial conversion price of €7.2635 per share.

The proceeds will be used primarily to partially fund the early and voluntary redemption of the €250m of 5.375% bonds issued on 30 October 2015.

The idea is to redeem the bonds during the second quarter.

Annual Shareholders Meeting

On March 22, Ence held its General Shareholders' Meeting in which 72% of the share capital was represented and in which all the items on the agenda relating to:

- Annual accounts for 2017 and application of profit for the year
- Re-election of the Company's auditors
- Management performed by the Board of Directors
- Re-election and ratification of Directors and appointment of Ms. Rosa María García Piñeiro as independent director.
- Directors' remuneration report in 2017
- Policy for the remuneration of Directors for the years 2018 to 2020

Payment of the final dividend

The company had paid out the final dividend against 2017 profits of €0.066 per share (before tax) on 12 April 2018.

The final dividend complemented two interim dividends from 2017 profits: a first interim dividend of €0.061 paid out on 6 September 2017 and a second interim dividend of €0.06, on 14 December 2017.

The three dividend payments sum to €46m, implying a dividend yield (based on the year-end share price) of 3%.

Forward sale agreements covering 100% of pulp production in 2018

In January, Ence secured forward pulp sale agreements covering 100% of targeted output for 2018.

The agreements reached imply growth in the company's pulp sales volumes compared to 2017 and lock in narrower discounts to benchmark prices for Ence compared to last year.

APPENDIX 1: REPORTED WORKING CAPITAL AND CAPEX

Figures in €Mn	Mar-18	Dec-17	Δ%
Inventories	37.1	39.1	*(5.1%)*
Trade and other receivables	136.0	113.7	*19.6%*
Other current assets	3.8	2.1	*82.2%*
Trade and other payables	(205.1)	(180.3)	*13.8%*
Income tax	(6.9)	0.6	*n.s.*
Current provisions	(9.7)	(7.1)	*37.1%*
Working Capital	**(44.9)**	**(31.9)**	***40.9%***

The negative working capital balance increased by €13m between year-end 2017 and 31 March 2018, due mainly to an increase of €24.8m in trade and other payables, a heading which includes the final dividend declared from 2017 profits, which was paid out on 12 April (€16.2m).

Elsewhere, it is worth noting the €22.3m increase in trade and other accounts receivable, shaped in part by a lower use of factoring lines (-15.5m).

Meanwhile, the increase in taxes payable (+7.5m) and in provisions for contingencies and charges (+€2.6m) and the reduction in inventories (-€2m) were partially offset by a €1.7m increase in other current assets.

Figures in €Mn	1Q18	1Q17	Δ%	4Q17	Δ%
Maintenance capex	2.2	2.7	*(18.8%)*	2.4	*(8.2%)*
Environmental capex	1.6	0.4	*311.1%*	2.1	*(24.0%)*
Efficiency and expansion capex	14.2	2.9	*396.2%*	4.2	*237.9%*
Pulp business capex	**18.1**	**6.0**	*202.0%*	**8.8**	*106.3%*
Maintenance and environmental capex	1.9	0.3	*n.s.*	0.7	*198.0%*
Efficiency and expansion capex	15.8	0.7	*n.s.*	10.5	*51.0%*
Energy business capex	**17.7**	**1.0**	*n.s.*	**11.1**	*59.6%*
Total capex	**35.8**	**7.0**	***411.4%***	**19.9**	***80.2%***

Capitalised capex amounted to €35.8m in 1Q18, €18.1m of which corresponded to the Pulp business and €17.7m, to the Energy business.

In the Pulp business, investments in efficiency and expansion work totalled €14.2m, largely related to the capacity expansion work contemplated in the Business Plan for Pontevedra and Navia. Maintenance capex amounted to €2.2m, while environmental capex totalled €1.6m.

In the Energy business, growth capex amounted to €15.8m, relating mainly to the ongoing construction of the new 40-MW plant in Huelva. Maintenance capex in this business totalled €1.9m.

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

Facility	Type of facility	MW	Remuneration to investment 1Q18 (Ri; €/MW)	Type of fuel	Remuneration to operation 1Q18 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Lignin	37.154	-
	Biomass generation	36.2	230,190	Agroforestry biomass	62.337	6,500
Pontevedra	Biomass co-generation (a)	34.6	-	Lignin	37.282	-
			55,308	Agroforestry biomass	62.647	6,500
Huelva 41MW	Biomass generation	41.0	246,267	Agroforestry biomass	68.500	6,500
Huelva 50MW	Biomass generation	50.0	266,452	Agroforestry biomass	61.003	6,500
Mérida 20MW	Biomass generation	20.0	293,579	Agroforestry biomass	59.598	6,500
C. Real 16MW	Biomass generation	16.0	262,317	Olive pulp	47.628	6,500
Jaen 16MW	Biomass generation	16.0	262,317	Olive pulp	47.142	6,500
Cordoba 27MW	Biomass generation	14.3	95,659	Olive pulp	47.857	6,500
	Gas co-generation	12.8	-	Natural Gas	63.201	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:

1. 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 by adjustments made 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

2. The **remuneration for investment (Ri)** parameter guarantees the recovery of the initial investment plus a return on the estimated cost of building a 'standard' plant. This return, which is currently set at 7.4%, is reviewed every six years and is based on the yield on 10-year Spanish government bonds plus a spread of 300bp. 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, Merida, La Loma (Ciudad Real), Enemansa (Jaen) and Lucena (Cordoba), 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 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:

1. Reducing odour pollution
2. Improving the quality of wastewater
3. Boosting energy efficiency
4. Reducing the consumption of raw materials
5. Cutting waste generation
6. Reducing noise
7. Reducing emissions to the atmosphere

The integrated management system in place at the Navia, Pontevedra and Huelva 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 91% and 82%, respectively, as of the March 2018 close.

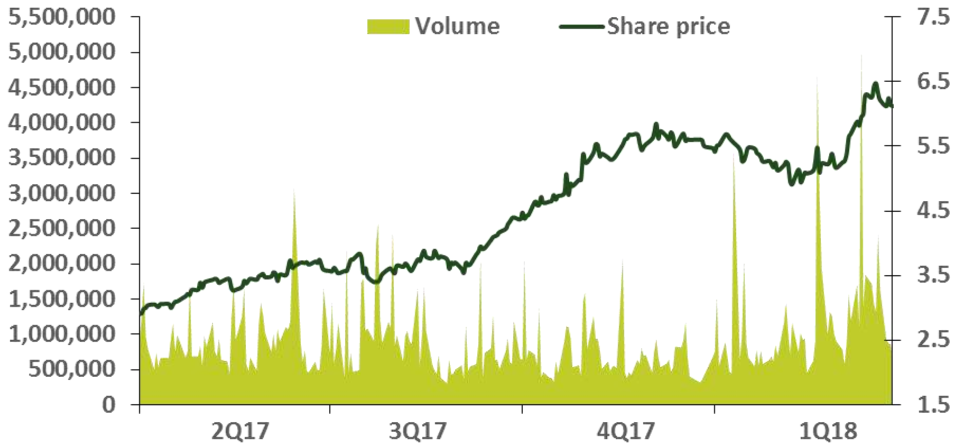
As for the sustainability of biomass as a fuel, Ence has once again emerged as a pioneer, developing a 10-point declaration guaranteeing its commitment to using biomass sustainably and caring for the environment in making use of this renewable source of energy. In formulating this declaration, Ence drew 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 index.

Ence's share price ended the March at €6.12, implying a cumulative gain of 11.3% in the first quarter and of 111.8% in the last 12 months. Over the same timeframes, the company's sector peers* saw their share prices increase by 33.0% and 83.3%, respectively.



Source: Bloomberg

	1Q17	2Q17	3Q17	4Q17	1Q18
Share price at the end of the period	2.89	3.59	4.40	5.50	6.12
Market capitalization at the end of the period	711.7	884.1	1083.6	1354.5	1507.2
Ence quarterly evolution	15.1%	24.2%	22.6%	25.0%	11.3%
Daily average volume (shares)	883,525	938,535	927,095	723,124	1,200,152
Peers quarterly evolution *	1.9%	5.3%	18.7%	6.8%	33.0%

(*) Altri, Navigator, Fibria and Suzano.

Ence issued €250m of 5.37% bonds due 1 November 2022 on 30 October 2015. The coupon is payable semi-annually. The first call date falls due in November 2018. The bonds are traded on the EuroMTF exchange in Luxembourg.

HY BOND	1Q17	2Q17	3Q17	4Q17	1Q18
Share price at the end of the period	107.14	107.15	107.62	106.41	105.25
Yield to worst at the end of the period*	2.42%	1.90%	0.76%	0.83%	0.87%

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

On 5 march 2018, Ence issued €160m of convertible bonds due 5 March 2023. The bonds carry a fixed annual coupon of 1.25%, payable semi-annually, and are convertible into shares of the company, at the option of the bondholders, at an initial conversion price of €7.2635 per share. The convertible bonds will be traded on the Frankfurt stock exchange.

The proceeds will be used to fund the early and voluntary redemption of the €250m of bonds issued on 30 October 2015.

CONVERTIBLE BOND	1Q17	2Q17	3Q17	4Q17	1Q18
Bond price at the end of the period	-	-	-	-	106.77
Yield to worst at the end of the period*	-	-	-	-	-0.12%

(*) Yield to maturity.

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 all 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, the termination benefits agreed with staff and certain social expenses.

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.

DISCLAIMER

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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