Earnings Report
3rd Quarter 2017

31 October 2017

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
BHKP (USD/t) average price	872.4	672.0	*29.8%*	782.9	*11.4%*	778.1	709.4	*9.7%*
Average exchange rate (USD/€)	1.17	1.12	*4.8%*	1.10	*6.5%*	1.11	1.11	*(0.2%)*
BHKP (€/t) average price	745.8	602.2	*23.8%*	713.1	*4.6%*	699.4	636.5	*9.9%*
Average pool price (€/MWh)	48.5	41.7	*16.1%*	47.2	*2.8%*	50.3	34.1	*47.6%*

Source: Bloomberg

Operating Magnitudes	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Pulp production (t)	**246,898**	**239,326**	***3.2%***	**226,522**	***9.0%***	**700,022**	**679,838**	***3.0%***
Pulp sales (t)	**239,034**	**215,236**	***11.1%***	**234,728**	***1.8%***	**719,901**	**663,879**	***8.4%***
Average sale pulp price (€/t)	543.2	451.6	*20.3%*	520.6	*4.3%*	509.3	474.3	*7.4%*
Cash cost (€/t)	350.0	351.0	*(0.3%)*	346.3	*1.1%*	346.7	362.7	*(4.4%)*
Wood cost €/m3	64.2	64.9	*(1.0%)*	64.2	*0.0%*	64.1	64.7	*(0.9%)*
Energy sales from Energy business (MWh)	**260,106**	**195,321**	***33.2%***	**154,741**	***68.1%***	**625,892**	**433,523**	***44.4%***
Average selling price - Pool + Ro (€/MWh)	98.9	96.1	*3.0%*	97.6	*1.4%*	105.3	97.4	*8.1%*
Investment remuneration (€Mn)	10.0	7.3	*36.0%*	9.4	*5.8%*	28.8	22.0	*31.2%*

P&L €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Revenues from Pulp business	150.9	116.5	*29.6%*	143.8	*4.9%*	436.2	369.8	*17.9%*
Revenues from Energy business	36.5	26.2	*39.5%*	24.6	*48.3%*	94.7	64.2	*47.6%*
Consolidation adjustments	(1.8)	(2.1)		(0.8)		(3.5)	(4.4)	
Total net revenue	**185.6**	**140.5**	*32.1%*	**167.6**	*10.8%*	**527.4**	**429.7**	*22.7%*
Pulp business EBITDA	45.4	21.2	*113.8%*	39.1	*16.0%*	114.7	66.0	*73.7%*
Margin %	**30%**	**18%**	*11.8 p.p.*	**27%**	*2.9 p.p.*	**26%**	**18%**	*8.4 p.p.*
Energy business EBITDA	14.4	8.9	*60.4%*	8.0	*80.5%*	33.0	17.4	*89.8%*
Margin %	**39%**	**34%**	*5.1 p.p.*	**32%**	*7.0 p.p.*	**35%**	**27%**	*7.8 p.p.*
EBITDA	**59.8**	**30.2**	*97.9%*	**47.1**	*26.9%*	**147.7**	**83.4**	*77.1%*
Adjusted EBITDA margin	*32%*	*21%*	*10.7 p.p.*	*28%*	*4.1 p.p.*	*28%*	*19%*	*8.6 p.p.*
Amortization and forestry depletion	(18.6)	(29.4)	*(36.8%)*	(17.7)	*5.0%*	(53.9)	(59.1)	*(8.9%)*
Impairment of and gains/(losses) on fixed-asset disposals	1.5	19.3	*(92.3%)*	2.2	*(32.5%)*	5.6	19.6	*(71.5%)*
EBIT	**42.7**	**20.1**	*112.0%*	**31.6**	*35.0%*	**99.4**	**43.9**	*126.5%*
Net finance costs	(5.3)	(4.9)	*8.2%*	(5.1)	*3.4%*	(15.3)	(14.8)	*3.5%*
Other financial results	(0.1)	(0.4)	*(68.3%)*	(2.3)	*(95.0%)*	(3.6)	(1.5)	*130.0%*
Profit before tax	**37.3**	**14.9**	*150.4%*	**24.2**	*54.0%*	**80.5**	**27.5**	*192.7%*
Income tax	(8.8)	(3.1)	*185.2%*	(6.1)	*43.2%*	(19.7)	(6.5)	*204.0%*
Non-controlling interests	(0.5)	-	*n.s.*	(0.4)	*n.s*	(1.3)	-	*n.s.*
Atributable Net Income	**28.0**	**11.8**	*137.2%*	**17.7**	*58.1%*	**59.5**	**21.0**	*183.0%*
Earnings per share (EPS)	0.11	0.05	*141.0%*	0.07	*58.1%*	0.24	0.08	*187.6%*

Cash flow €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
	59.8	**30.2**	*97.9%*	**47.1**	*26.9%*	**147.7**	**83.4**	*77.1%*
Change in working capital	(12.7)	9.6	*n.s.*	(0.3)	*n.s.*	(28.8)	(3.6)	*n.s.*
Maintenance capex	(3.7)	(7.2)	*(47.9%)*	(3.5)	*7.6%*	(13.4)	(16.8)	*(20.3%)*
Interest Payment	(0.1)	(0.5)	*(70.1%)*	(10.0)	*(98.5%)*	(10.4)	(12.5)	*(16.6%)*
Income tax received/(paid)	0.3	(0.0)	*n.s.*	(3.3)	*n.s.*	(3.0)	(0.8)	*298.3%*
Recurrent free cash flow	**43.5**	**32.1**	*35.6%*	**30.0**	*45.1%*	**92.1**	**49.9**	*84.7%*
Other charges / (payments)	5.7	1.7	*n.s.*	0.1	*n.s*	10.2	5.8	*75.9%*
Expansion capex	(32.0)	(9.3)	*246.0%*	(2.9)	*n.s.*	(41.7)	(29.6)	*40.7%*
Environmental capex	(1.2)	(2.9)	*(56.9%)*	(1.2)	*5.6%*	(4.3)	(5.8)	*(26.4%)*
Disposals	0.5	17.6	*(97.1%)*	2.7	*(80.8%)*	3.2	24.9	*(87.3%)*
Free Cash Flow	**16.5**	**39.2**	*(57.9%)*	**28.7**	*(42.4%)*	**59.5**	**45.1**	*31.8%*
Dividends	(12.1)	(0.0)	*n.s.*	(11.6)	*n.s*	(23.7)	(24.9)	*(4.9%)*

Net debt €Mn	Sep-17	Dec-16	Δ%	Jun-17	Δ%
Pulp business net financial debt	148.8	195.1	*(23.7%)*	164.0	*(9.2%)*
Energy business net financial debt	34.7	23.2	*49.4%*	24.1	*44.0%*
Net financial debt	**183.5**	**218.3**	*(15.9%)*	**188.0**	*(2.4%)*

- ✓ **The 9M17 results once again evidence the ongoing successful execution of Ence's 2016-2020 Business Plan.**
- ✓ **Group net profit per share increased 188% and EBITDA was 77% higher year-on-year.**
- ✓ **EBITDA in the Pulp business rose 74%, driven by growth of 7% in average pulp sales prices, an 8% increase in sales volumes and a 4% reduction in the cash cost, which is equivalent to €16/t.**
- ✓ **The reduction in the cash cost came about despite a €9/t increase in timber prices which are now tied to pulp prices in order to maintain cost flexibility in all price scenarios.**
- ✓ **EBITDA in the Energy business was 90% higher, 51% due to organic growth and the remaining 39% thanks to the contribution by the three biomass plants acquired in the last twelve months with aggregate capacity of 59 MW. Annualising the contribution from these three plants would put the Energy business's EBITDA at over €50m.**
- ✓ **Strong cash generation during the period has enabled Ence to earmark €46m to funding its Business Plan, €24m to shareholder remuneration and €35m to debt reduction.**
- ✓ **Group leverage amounted to just 1x EBITDA at the September close, guaranteeing the ability to complete execution of the 2016 - 2020 Business Plan.**
- ✓ **The next steps in the Pulp business will be shaped by the addition of 30,000 tonnes of new capacity at the Pontevedra facility next year, followed by another 40,000 tonnes in 2019, and by expansion of the Navia facility by 80,000 tonnes between the second half of 2018 and the first half of 2019.**
- ✓ **In the Energy business the project for the construction of a new 40-MW biomass power plant in Huelva has already been set in motion. The works are due to begin in the fourth quarter with the plant slated for commissioning during the second half of 2019. The new power plant is expected to generate €11m of EBITDA in its first year in operation.**
- ✓ **In parallel, Ence continues to analyse investment alternatives in Spain and Europe to acquire biomass plants with a view to lifting EBITDA in the Energy business close to €80m by 2020.**
- ✓ **The outlook for pulp prices is very positive. Ence has already announced a fresh increase in the price of its pulp to $970/t in November. The lack of major capacity addition plans around the world foreshadows a period of high pulp prices over the next three years.**
- ✓ **Ence has an ongoing hedging policy, designed to mitigate exchange rate volatility. It has currently locked in a cap of $1.15 for over half of its pulp sales between now and the end of 2018.**

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.

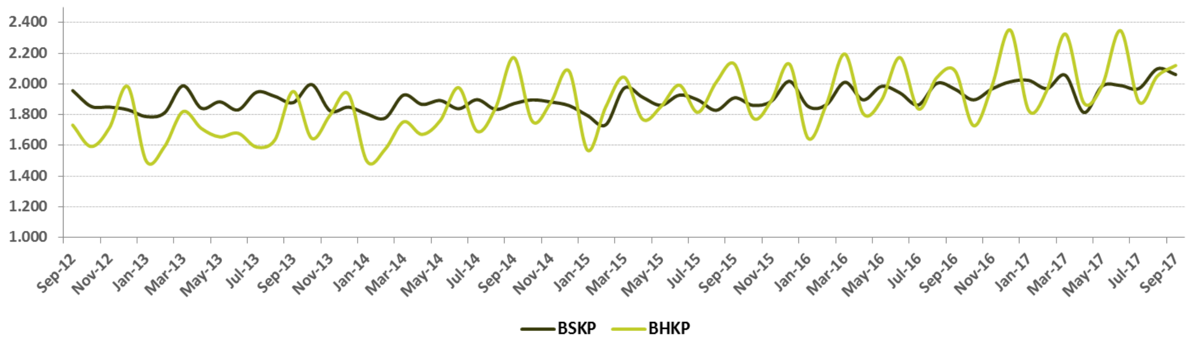
Ence's Pulp business encompasses all the activities related to the production of pulp for sale to third parties. It therefore includes not only the production and sale of pulp but also the generation and co-generation of energy at the plants involved in the productive process, as well as the supply of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

2.1. Pulp market trends

Growth in global demand for short-fibre pulp remains strong, with global shipments up 4% year-on-year in the first nine months of the year.

China remains the main driver of growth in global demand for short-fibre pulp, having registered year-on-year demand growth of 12% in 9M17, followed by other emerging markets, where demand has risen by 10%. This sharp growth in demand for short-fibre 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)

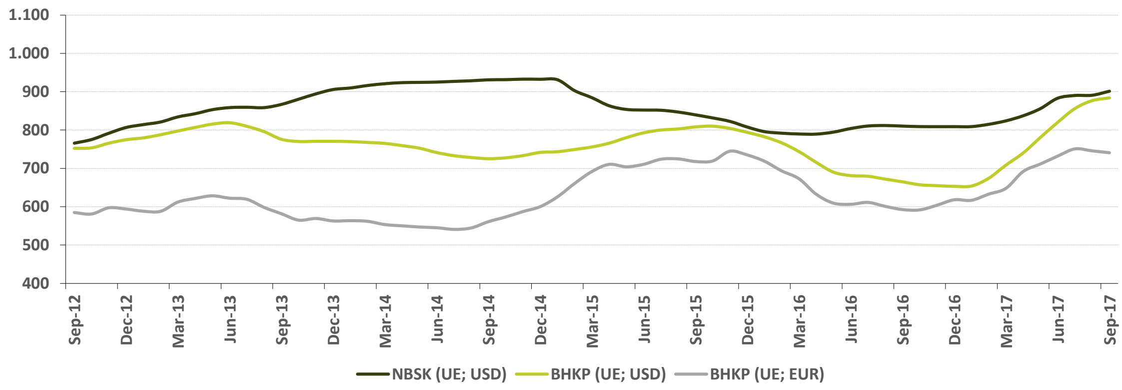
On the other hand, as we had already indicated, the growth in supply via new short-fibre capacity is proving lower than initially anticipated by sector analysts as a result of a far more gradual than expected start-up of APP's new mill in Indonesia and the intense pace of mergers and capacity conversions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

On top of this, some factories are experiencing operating issues, a recurring problem in an industry which is running at an overall capacity utilisation rate of more than 90%, this year affecting one of CMPC's factories in Brazil.

As a result, the price of short-fibre pulp (BHKP) in Europe has continued to climb all year long, reaching $890/t by the end of September. This trend is expected to continue throughout the fourth quarter, Ence having already announced an additional increase in the price of its pulp to $970/t in November.

The lack of major plans to add short-fibre pulp capacity bodes for a high prices scenario over the next three years.

Pulp prices in Europe during the last five years



Source: FOEX

2.2. Revenue from pulp sales

	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Pulp sales (t)	**239,034**	**215,236**	*11.1%*	**234,728**	*1.8%*	**719,901**	**663,879**	*8.4%*
Average selling price (€/t)	543.2	451.6	*20.3%*	520.6	*4.3%*	509.3	474.3	*7.4%*
Pulp sales revenues (€Mn)	**129.8**	**97.2**	*33.6%*	**122.2**	*6.2%*	**366.7**	**314.8**	*16.5%*

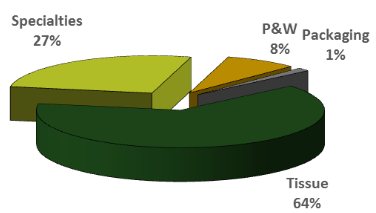
Pulp sales volumes rose by 8.4% year-on-year in 9M17, shaped by growth of 3.0% in output, coupled with sales of 19,879 tonnes from inventories.

The volume of pulp inventories has fallen by 40% so far this year and stood at a low of 30,433 tonnes at the September close.

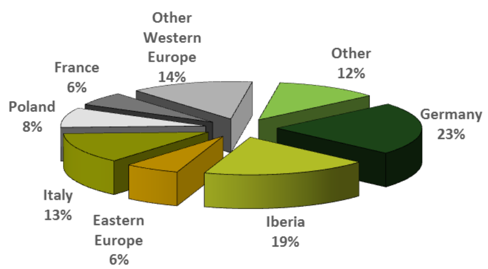
The growth in sales volumes, coupled with a 7.4% recovery in average sales prices, drove revenue from pulp sales 16.5% higher to €366.7m.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 64% of revenue from pulp sales in 9M17, followed by the specialty paper segment, at 27%. 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 9M17. Germany and Spain/Portugal accounted for 23% and 19% of total revenue, respectively, followed by Italy, Poland and France, at 13%, 8% and 6%, respectively. Western Europe accounted for 14% of the total, with the rest of Eastern Europe representing 6%.

2.3. Pulp production and the cash cost

	3Q17	3Q16	*Δ%*	2Q17	*Δ%*	9M17	9M16	*Δ%*
Navia pulp production	133,501	131,002	*1.9%*	115,026	*16.1%*	380,517	367,924	*3.4%*
Pontevedra pulp production	113,396	108,324	*4.7%*	111,496	*1.7%*	319,505	311,914	*2.4%*
Pulp production (t)	**246,898**	**239,326**	*3.2%*	**226,522**	*9.0%*	**700,022**	**679,838**	*3.0%*

Pulp production increased by 3.0% year-on-year in 9M17. Production at the Navia mill increased by 3.4%, compared to growth of 2.4% at the Pontevedra mill.

As is customary, the Pontevedra mill was stopped for maintenance for nine days in March and the Navia mill was halted for 12 days in June, which was three days longer than usual due to the clean-up of the pipeline into the Navia estuary.

During the maintenance stoppage in Pontevedra, 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 excellence and continued to make progress on its Zero Odour programme by introducing several improvements to the facility's digesters and furnaces that will boost the quality of gas condensation and controls.

During the maintenance stoppage at Navia, this facility's environmental excellence was similarly reinforced, emphasising the reduction of odours but also making the cooking process more efficient. It also conducted an ad-hoc clean-up of the pipeline discharging into the Navia estuary.

Figures in €/t	**3Q17**	3Q16	*Δ%*	2Q17	*Δ%*	9M17	9M16	*Δ%*
Wood cost	192.1	189.8	*1.2%*	191.6	*0.2%*	191.3	191.2	*0.0%*
Conversion costs	104.0	106.2	*(2.1%)*	99.4	*4.6%*	101.8	115.4	*(11.7%)*
Commercial and logistic costs	28.6	30.2	*(5.3%)*	29.0	*(1.5%)*	29.0	29.0	*0.1%*
Overheads	25.3	24.7	*2.5%*	26.2	*(3.4%)*	24.6	27.1	*(9.5%)*
Total cash cost	**350.0**	**351.0**	*(0.3%)*	**346.3**	*1.1%*	**346.7**	**362.7**	*(4.4%)*

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.

The cash cost amounted to €346.7/t in the first nine months, down a significant €16/t year-on-year and despite the increase of €9/t in timber prices, which are now indexed to the trend in pulp prices, in the last 12 months.

The reduction was brought about thanks to investments in efficiency improvements and capacity additions in prior quarters, coupled with savings in overhead and other timber costs.

The €9/t increase in timber prices compared to 9M16 as a result of tying them to pulp prices (timber prices were increased three times, in December, April and June) was fully offset by means of savings achieved in certification costs, shortening of the supply distance, price differentiation with respect to other less productive eucalyptus species such as the *Nitens* and new initiatives such as the promotion of forest owner associations (*cotos redondos*).

The trend in the cash cost is similar quarter-on-quarter: the increase of nearly €6/t in timber prices as a result of tying them to pulp prices (in the wake of two increases applied in April and June) was fully offset by the savings achieved by means of the above measures.

In addition, conversion costs increased quarter-on-quarter due largely to the increase in the prices of the chemical products used, as well as higher personnel costs.

	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Wood cost €/m3	64.2	64.9	*(1.0%)*	64.2	*0.0%*	64.1	64.7	*(0.9%)*
Timber consumption (m3)	699,716	685,847	*2.0%*	726,003	*(3.6%)*	2,138,515	2,128,932	*0.5%*
Suppliers	73%	67%		73%		73%	74%	
Standing timber acquired directly from land owners	27%	31%		38%		27%	25%	
Owned timber	0%	2%		0%		0%	2%	

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 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.

	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Navia energy sales	139,616	119,712	*16.6%*	109,881	*27.1%*	384,979	341,939	*12.6%*
Pontevedra energy sales	58,539	53,329	*9.8%*	55,112	*6.2%*	159,331	139,509	*14.2%*
Energy sales linked to the pulp process (MWh)	**198,155**	**173,040**	*14.5%*	**164,993**	*20.1%*	**544,309**	**481,448**	*13.1%*
Average selling price - Pool + Ro (€/MWh)	84.7	77.3	*9.6%*	81.9	*3.5%*	88.0	70.0	*25.7%*
Investment remuneration (€Mn)	2.6	2.6	*(1.0%)*	2.6	*(0.0%)*	7.7	7.8	*(1.0%)*
Revenues from energy sales linked to pulp (€Mn)	**19.4**	**16.0**	*21.2%*	**16.1**	*20.4%*	**55.6**	**41.5**	*34.0%*

The generation of energy in connection with pulp production increased by 13.1% year-on-year in 9M17, the prior year's output having been affected by the incident affecting the turbine rotor in Pontevedra in 1Q16.

Average sales prices meanwhile jumped 25.7%, due mainly to growth in pool prices to €50.3/MWh, compared to €34.1/MWh in 9M16. On top of this, the plants' remuneration for operations (Ro) parameter increased following the recent update of the parameters applicable for 2017-2019.

Erring on the side of caution, 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 €1.8m in 9M17 which has been recognised as a reduction in the average sales price. In 2016, however, the company made a single adjustment in this respect, in the fourth quarter. Had the adjustment been made monthly, the revenue accrued in 9M17 would have been €2.9m higher.

Note that the remuneration for investments (regulated IRR) was flat at €7.7m in 9M17.

In all, revenue from energy sales in the Pulp business increased by 34.0% year-on-year to €55.6m in 9M17.

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.

	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Forestry and other revenues (€Mn)	**1.7**	**3.3**	*(47.3%)*	**5.5**	*(68.8%)*	**13.9**	**13.5**	*2.9%*

Revenue from forestry increased by 2.9% year-on-year in 9M17 due to higher sales of timber to third parties.

2.6. Income statement

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Total net revenue	**150.9**	**116.5**	*29.6%*	**143.8**	*4.9%*	**436.2**	**369.8**	*17.9%*
EBITDA	**45.4**	**21.2**	*113.8%*	**39.1**	*16.0%*	**114.7**	**66.0**	*73.7%*
EBITDA margin	*30%*	*18%*	*0.6 p.p.*	*27%*	*2.9 p.p.*	*26%*	*18%*	*8.4 p.p.*
Amortization	(13.6)	(24.5)	*(44.7%)*	(12.3)	*10.6%*	(38.6)	(44.3)	*(12.8%)*
Forest depletion	(0.1)	(0.9)	*(87.6%)*	(1.3)	*(91.9%)*	(2.6)	(3.9)	*(33.3%)*
Impairment of and gains/(losses) on fixed-asset dis	1.5	18.5	*(91.7%)*	2.3	*(32.0%)*	5.7	19.0	*(69.9%)*
EBIT	**33.3**	**14.4**	*131.4%*	**27.9**	*19.6%*	**79.2**	**36.8**	*114.9%*
EBIT margin	*22%*	*12%*	*0.8 p.p.*	*19%*	*2.7 p.p.*	*18%*	*10%*	*8.2 p.p.*
Net finance costs	(3.8)	(3.4)	*11.5%*	(3.6)	*5.5%*	(10.9)	(10.7)	*1.9%*
Other financial results	(0.1)	(0.4)	*(80.0%)*	5.9	*n.s.*	4.5	(1.5)	*n.s.*
Profit before tax	**29.4**	**10.6**	*177.5%*	**30.1**	*(2.2%)*	**72.9**	**24.6**	*195.6%*
Income tax	(6.8)	(1.9)	*257.0%*	(5.6)	*21.4%*	(15.8)	(5.6)	*179.3%*
Net Income	**22.6**	**8.7**	*160.0%*	**24.5**	*(7.7%)*	**57.1**	**19.0**	*200.5%*

EBITDA in the Pulp business amounted to €114.7m in 9M17, up 73.7% from 9M16, thanks to the 7.4% increase in average sales prices, growth of 8.4% in sales volumes and a 4.4% reduction in the cash cost.

Depreciation charges were 12.8% lower at €38.6m. Note that in 3Q16 the company recognised €13.5m of depreciation charges in respect of the industrial complex in Huelva which was reclassified from assets held for sale to property, plant and equipment that quarter.

Since then, depreciation of these assets has been largely offset by the reversal of the impairment provision recognised against these assets within depreciation charges and gains on asset disposals. In 9M16, this heading also included the reversal of this provision in the amount of €9.5m and gains on the sale of estates in the amount of €9.5m.

Net finance costs were virtually flat year-on-year at €10.9m, while 'other finance income/costs' reflects net exchange losses and collection of an €8m dividend from the Energy business in 2Q17.

First-time application of IFRS 9 in 2017 recommends retrospective application to 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 200.5% to €57.1m in 9M17, compared to €19.0m in 9M16.

2.7. Cash flow statement

Net cash flows from operating activities amounted to €95m in 9M17, up 106.6% from 9M16, as a result of the growth in EBITDA of 73.7%.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
EBITDA	**45.4**	**21.2**	*113.8%*	**39.1**	*16.0%*	**114.7**	**66.0**	*73.7%*
Non cash expenses / (incomes)	3.3	1.6	*106.6%*	(0.5)	*n.s.*	5.5	0.9	*n.s.*
Other charges / (payments)	0.0	(2.2)	*n.s.*	(0.9)	*n.s.*	(0.4)	2.7	*n.s.*
Change in working capital	(5.5)	(6.7)	*(17.9%)*	2.5	*n.s.*	(17.3)	(15.5)	*11.4%*
Income tax received/(paid)	-	-	*n.s.*	(2.0)	*(100.0%)*	(2.0)	(0.6)	*219.8%*
Interest paid	0.6	0.1	*n.s.*	(6.5)	*n.s.*	(5.5)	(7.4)	*(25.9%)*
Net cash flow from operating activities	**43.9**	**14.1**	*211.8%*	**31.3**	*40.3%*	**95.0**	**46.0**	*106.6%*

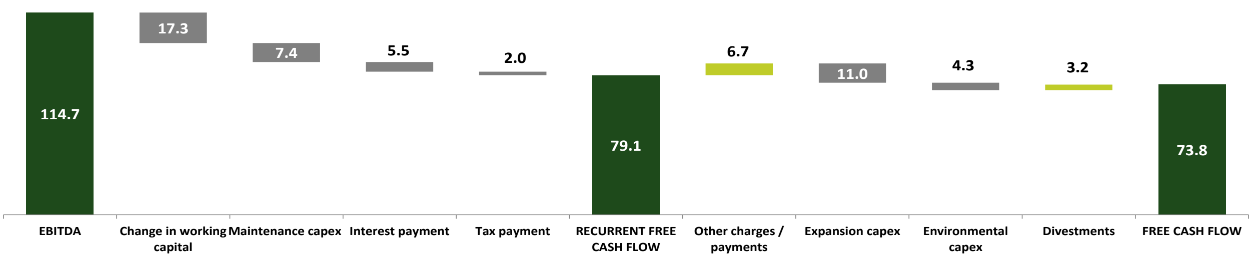
Working capital increased by €17.3m, reflecting growth in trade receivables, due to the recovery in the net sales price, partially offset by the reduction in inventories.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Inventories	(0.9)	(5.8)	*(83.7%)*	1.0	*n.s.*	4.7	(7.7)	*n.s.*
Trade and other receivables	(2.4)	8.8	*n.s.*	(5.5)	*(56.3%)*	(20.9)	8.6	*n.s.*
Current financial and other assets	0.9	0.6	*48.4%*	0.5	*100.8%*	0.8	(2.0)	*n.s.*
Trade and other payables	(3.1)	(10.3)	*(70.2%)*	6.6	*n.s.*	(1.9)	(14.4)	*(86.8%)*
Change in working capital	**(5.5)**	**(6.7)**	*(17.9%)*	**2.5**	*n.s.*	**(17.3)**	**(15.5)**	*11.4%*

Net cash flows used in investing activities totalled €21.2m, including the collection of €3.2m corresponding to the sale of the last 165 hectares of forest plantations agreed in December 2016 and of certain industrial assets related with the Huelva complex. In 9M16, the company recognised disposal proceeds of €24.9m from the sale of 1,031 hectares of forest crops.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Maintenance capex	(2.6)	(5.9)	*(55.7%)*	(3.1)	*(16.8%)*	(10.8)	(14.3)	*(24.6%)*
Environmental capex	(1.2)	(2.9)	*(56.9%)*	(1.2)	*5.6%*	(4.3)	(5.8)	*(26.4%)*
Efficiency and expansion capex	(2.0)	(9.3)	*(78.1%)*	(2.4)	*(16.4%)*	(11.0)	(29.6)	*(63.0%)*
Financial investments	0.9	0.0	*n.s.*	0.8	*7.3%*	1.6	1.0	*61.8%*
Investments	**(5.0)**	**(18.0)**	*(72.2%)*	**(5.9)**	*(15.5%)*	**(24.4)**	**(48.7)**	*(50.0%)*
Disposals	0.5	17.6	*(97.1%)*	2.7	*(80.8%)*	3.2	24.9	*(87.3%)*
Net cash flow from investing activities	**(4.5)**	**(0.4)**	*n.s.*	**(3.3)**	*37.5%*	**(21.2)**	**(23.8)**	*(11.0%)*

Maintenance capital expenditure amounted to €10.8m in 9M17. Environmental capital expenditure - €4.3m - was earmarked to multiple initiatives designed to reinforce the factories' environmental excellence, emphasising the reduction of odours and noise, and to the start of the landscaping project planned in Pontevedra. Investments in efficiency and expansion work - €11m - corresponded primarily to payments for investments made in 2016 in connection with the capacity added in Navia.



As a result, recurring free cash flow in the Pulp business amounted to €79.1m in 9M17, while free cash flow net of efficiency, growth and environmental capex totalled €73.8m.

2.8. Change in net debt

Net debt in the Pulp business declined by €46.3m from year-end 2016 to €148.8m as of the September close.

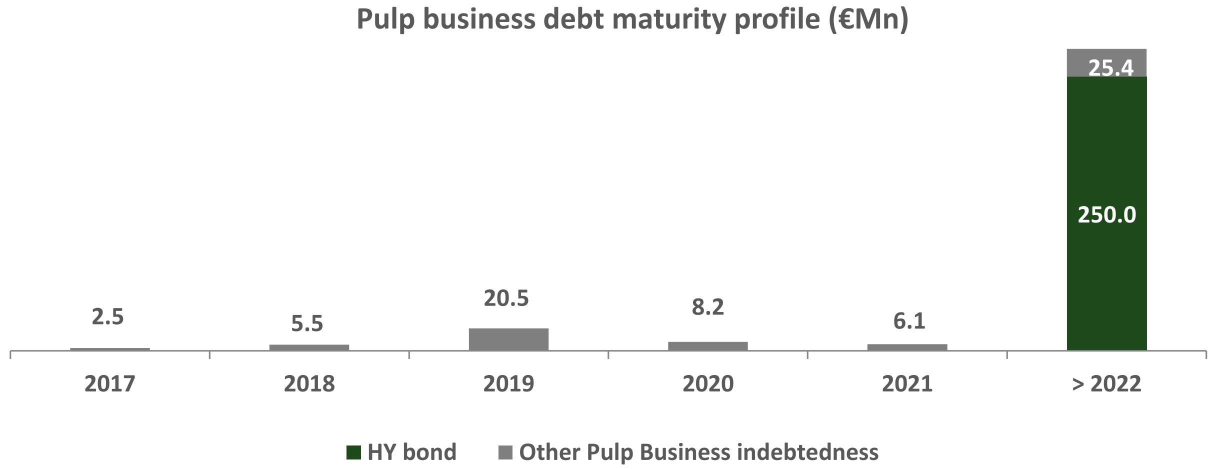
The Pulp business paid out €15.7m of dividends, net of dividends received, in 9M17. This figure includes payment of the final dividend against 2016 profits in 2Q17 in the amount of €11.6m, collection of an €8m dividend from the Energy business, also in 2Q17, and payment of the first interim dividend against 2017 profits in the amount of €12.1m in 3Q17.

The movement in borrowings from the Energy business implied a cash outflow of €6.2m, mainly related to the passing on of overhead that is still pending collection.

Figures in €Mn	Sep-17	Dec-16	Δ%	Jun-17	Δ%
Long term financial debt	287.7	308.7	*(6.8%)*	307.0	*(6.3%)*
Short-term financial debt	31.5	8.0	*293.3%*	8.6	*265.8%*
Gross financial debt	**319.2**	**316.8**	*0.8%*	**315.7**	*1.1%*
Cash and cash equivalents	161.6	112.1	*44.2%*	141.9	*13.8%*
Short-term financial investments	8.8	9.6	*(7.9%)*	9.8	*(9.7%)*
Pulp business net financial debt	**148.8**	**195.1**	*(23.7%)*	**164.0**	*(9.2%)*

The gross debt of €319.2m at the September close corresponds mainly to the €250m corporate bond due 2022, the outstanding balance of €28m 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 €41m 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 30 Sept 2017, the company had cash and cash equivalents of €170.4m 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), the last two acquired in December 2016; and one in Cordoba (27 MW), acquired in August 2017.

3.1. Electricity market trends

	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Average pool price (€/MWh)	48.5	41.7	*16.1%*	47.2	*2.8%*	50.3	34.1	*47.6%*

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

Average pool prices in mainland Spain were 47.6% higher year-on-year in 9M17, driven mainly by a drop of 49.4% in hydro output and of 9.8% in wind power generation compared to 9M16, 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

	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Huelva 50 MW	97,793	99,128	*(1.3%)*	51,111	*91.3%*	234,822	236,344	*(0.6%)*
Huelva 41 MW	43,895	53,157	*(17.4%)*	39,931	*9.9%*	131,116	103,631	*26.5%*
Mérida 20 MW	41,982	43,036	*(2.5%)*	24,507	*71.3%*	99,765	93,548	*6.6%*
Ciudad Real 16 MW	24,995	-		19,323	*29.4%*	67,673	-	
Jaén 16 MW	19,012	-		19,869	*(4.3%)*	60,086	-	
Córdoba 27 MW	32,429	-		-		32,429	-	
Energy sales (MWh)	**260,106**	**195,321**	*33.2%*	**154,741**	*68.1%*	**625,892**	**433,523**	*44.4%*
Average selling price - Pool + Ro (€/MWh)	98.9	96.1	*3.0%*	97.6	*1.4%*	105.3	97.4	*8.1%*
Investment remuneration (€Mn)	10.0	7.3	*36.0%*	9.4	*5.8%*	28.8	22.0	*31.2%*
Revenues (€Mn)	**36.5**	**26.2**	*39.5%*	**24.6**	*48.3%*	**94.7**	**64.2**	*47.6%*

It is worth highlighting the strong operating performances at the 50-MW Huelva, 41-MW Huelva and 20-MW Merida plants in 9M17, where energy sales volumes were 7.4% higher year-on-year at 465,704 MWh.

During the second quarter, as is customary, all three plants were stopped for their annual revisions and maintenance work. Note that the overhaul of the turbine at the 41-MW Huelva plant in the second quarter of 2016 had resulted in a longer stoppage than is customary.

The growth in energy sales at these three plants was boosted by the 127,759 MWh contributed by the two 16-MW biomass plants acquired last December in Ciudad Real and Jaen and the 32,429 MWh produced by the 27-MW plant acquired in Cordoba last August.

As a result, total energy sales volumes increased by 44.4% year-on-year in 9M17 to 625,892 MWh.

The average sales price was 8.1% higher year-on-year due mainly to the increase in mainland pool prices, partially offset by the impact of the first-time consolidation of the three recently-acquired plants which have below-average remuneration for operations (Ro) parameters.

Erring on the side of caution, 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 €2.6m in 9M17 which has been recognised as a reduction in the average sales price. In 2016, however, the company made a single adjustment in this respect, in the fourth quarter. Had the adjustment been made monthly, the revenue accrued in 9M17 would have been €2.9m higher.

Remuneration for investment (regulated IRR) also increased by 31.2% year-on-year thanks to the first-time consolidation of the three recently-acquired plants.

In total, the Energy business reported topline growth of 47.6% in 9M17, posting revenue of €94.7m.

3.3. Income statement

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Total net revenue	**36.5**	**26.2**	*39.5%*	**24.6**	*48.3%*	**94.7**	**64.2**	*47.6%*
EBITDA	**14.4**	**8.9**	*60.4%*	**8.0**	*80.5%*	**33.0**	**17.4**	*89.8%*
EBITDA margin	*39%*	*34%*	*5.1 p.p.*	*32%*	*7.0 p.p.*	*35%*	*27%*	*7.8 p.p.*
Amortization	(4.1)	(3.7)	*10.4%*	(4.0)	*2.2%*	(11.7)	(9.9)	*18.7%*
Forest depletion	(0.8)	(0.2)	*221.8%*	(0.1)	*n.s.*	(1.0)	(1.1)	*(11.3%)*
Impairment of and gains/(losses) on fixed-asset disposals	(0.1)	0.8	*n.s.*	(0.1)	*(15.3%)*	(0.1)	0.6	*n.s.*
EBIT	**9.4**	**5.7**	*63.5%*	**3.8**	*149.8%*	**20.2**	**7.0**	*187.5%*
EBIT margin	*26%*	*22%*	*3.8 p.p.*	*15%*	*10.4 p.p.*	*21%*	*11%*	*10.4 p.p.*
Net finance costs	(1.4)	(1.4)	*0.3%*	(1.6)	*(9.5%)*	(4.5)	(4.2)	*7.6%*
Other financial results	(0.0)	-	*n.s.*	(0.0)	*48.3%*	(0.1)	-	*n.s.*
Profit before tax	**7.9**	**4.3**	*83.6%*	**2.1**	*270.5%*	**15.6**	**2.9**	*447.1%*
Income tax	(2.0)	(1.2)	*68.5%*	(0.5)	*276.3%*	(3.9)	(0.8)	*372.8%*
Net Income	**5.9**	**3.1**	*89.2%*	**1.6**	*268.5%*	**11.7**	**2.0**	*477.4%*
Non-controlling interests	(0.5)	-	*n.s.*	(0.4)		(1.3)	-	*n.s.*
Atributable Net Income	**5.4**	**3.1**	*73.6%*	**1.2**	*335.6%*	**10.4**	**2.0**	*413.6%*

EBITDA in the Energy business was 89.8% higher year-on-year at €33m, driven by the above-mentioned growth of 47.6% in revenue as well as biomass cost savings attained thanks to the diversification strategy initiated in 2015.

The growth was accentuated by the adverse accounting effect in 2016 (€2.9m, recognised in 2Q16) of the classification of the Huelva 41-MW plant as a hybrid plant (85%-biomass; 15%-lignin).

Below the EBITDA line, it is worth highlighting the 18.7% increase in depreciation charges, due mainly to the consolidation of the three plants acquired over the past 12 months, and the first-time recognition of the profit attributable to the non-controlling interests in those same plants, in the amount of €1.3m in 9M17.

In all, the Energy business reported a net profit (attributable to owners of the parent) of €10.4m in 9M17, compared to €2m in 9M16.

3.4. Cash flow statement

Net cash flows from operating activities totalled €16.3m, compared to €25.3m in 9M16, due to the different performance in the working capital requirement year-on-year which more than offset the growth in EBITDA.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
EBITDA	**14.4**	**8.9**	*60.4%*	**8.0**	*80.5%*	**33.0**	**17.4**	*89.8%*
Non cash expenses / (incomes)	0.2	0.4	*(51.0%)*	(0.3)	*n.s.*	1.5	(0.1)	*n.s.*
Other charges / (payments)	(0.3)	(0.6)	*(46.3%)*	(0.2)	*94.0%*	(0.8)	1.2	*n.s.*
Change in working capital	(7.2)	16.3	*n.s.*	(2.8)	*159.8%*	(11.5)	12.0	*n.s.*
Income tax received/(paid)	0.3	-	*n.s.*	(1.3)	*n.s.*	(1.0)	(0.1)	*n.s.*
Interest paid	(0.7)	(0.6)	*25.3%*	(3.5)	*(80.2%)*	(4.9)	(5.1)	*(3.1%)*
Net cash flow from operating activities	**6.7**	**24.5**	*(72.8%)*	**(0.0)**	*n.s.*	**16.3**	**25.3**	*(35.4%)*

In the first nine months of the year, the movement in working capital implied a cash outflow of €11.5m, mainly as a result of the €9.1m increase in trade receivables as a result of the sharp growth in the volume of energy sold, coupled with the effect of the timing of the settlements made by the national electricity system. In addition, the biomass inventories balance increased by €2.8m.

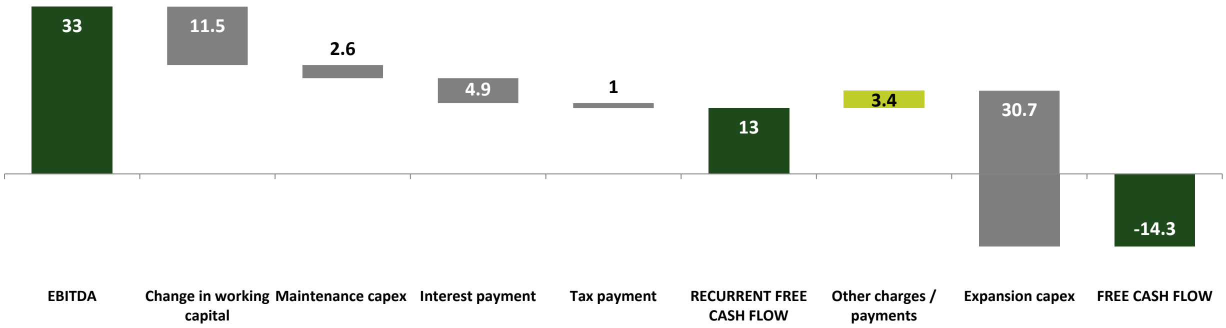
In 9M16, the movement in working capital had implied a cash inflow of €12m, due to the collection of balances due from the electricity system totalling €18.7m in the third quarter.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Inventories	(0.3)	0.5	*n.s.*	(2.1)	*(84.4%)*	(2.8)	0.7	*n.s.*
Trade and other receivables	(7.0)	13.5	*n.s.*	1.4	*n.s.*	(9.1)	8.6	*n.s.*
Trade and other payables	0.2	2.3	*(92.3%)*	(2.1)	*n.s.*	0.4	2.6	*(84.0%)*
Change in working capital	**(7.2)**	**16.3**	*n.s.*	**(2.8)**	*159.8%*	**(11.5)**	**12.0**	*n.s.*

Net cash flows used in investing activities totalled €30.6m and included the €28.5m payment for the 27-MW plant acquired in Cordoba in August. The remaining investments in efficiency and expansion work corresponded to the first payments for the construction of a new 40-MW plant in Huelva, which is expected to be commissioned during the second half of 2019.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Maintenance capex	(1.1)	(1.3)	*(12.9%)*	(0.3)	*229.4%*	(2.6)	(2.5)	*4.8%*
Efficiency and expansion capex	(30.0)	-	*n.s.*	(0.5)	*n.s.*	(30.7)	-	*n.s.*
Financial investments	1.6	-	*n.s.*	1.0	*51.7%*	2.7	0.1	*n.s.*
Investments	**(29.5)**	**(1.3)**	*n.s.*	**0.2**	*n.s.*	**(30.6)**	**(2.3)**	*n.s.*
Disposals	-	-	*n.s.*	-	*n.s.*	-	-	*n.s.*
Net cash flow from investing activities	**(29.5)**	**(1.3)**	*n.s.*	**0.2**	*n.s.*	**(30.6)**	**(2.3)**	*n.s.*

The net cash inflow of €2.7m from financing activities essentially reflects the accounting provision recognised during the reporting period to adjust average pool prices for the limits set by the regulator.



In total, the Energy business generated €13m of recurring free cash flow in 9M17. Free cash flow after capex (efficiency and expansion), however, was negative: -€14.3m.

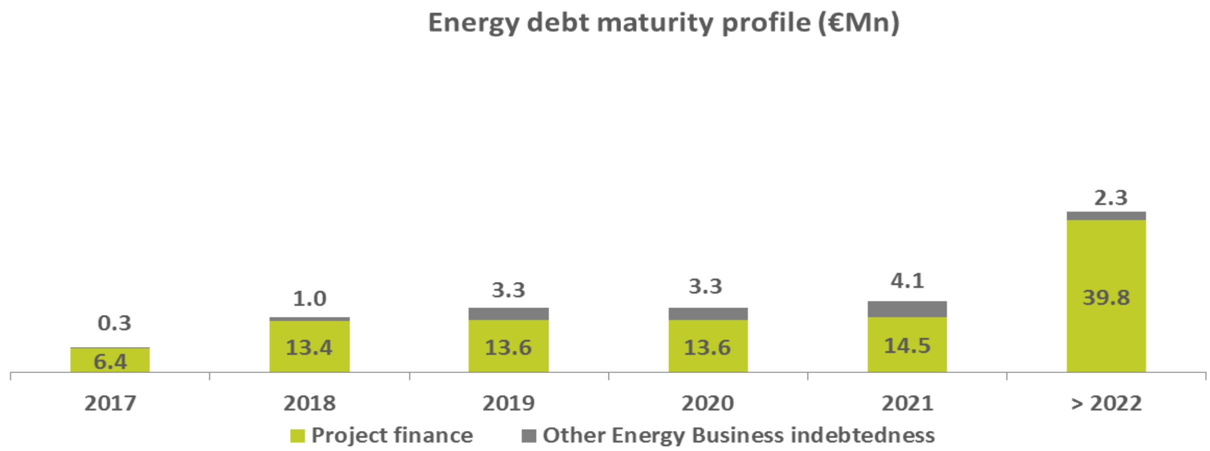
3.5. Change in net debt

Net debt in the Energy business increased by €11.5m from year-end 2016 to €34.7m.

The Energy business paid the Pulp business an €8m dividend during the second quarter. In addition, the movement in cash between the two businesses implied a cash inflow of €6.2m, mainly related to the passing on of overhead still pending collection.

Figures in €Mn	Sep-17	Dec-16	Δ%	Jun-17	Δ%
Long term financial debt	99.9	107.2	*(6.8%)*	100.1	*(0.2%)*
Short-term financial debt	14.8	13.8	*7.2%*	14.1	*4.6%*
Gross financial debt	**114.7**	**121.0**	*(5.2%)*	**114.2**	*0.4%*
Cash and cash equivalents	80.0	97.8	*(18.2%)*	90.1	*(11.2%)*
Short-term financial investments	0.0	0.0	*20.0%*	0.0	-
Energy business net financial debt	**34.7**	**23.2**	*49.4%*	**24.1**	*44.0%*

The €114.7m of gross debt at the September close corresponds essentially to the outstanding balance on the project finance facility arranged to fund construction of the Huelva 50-MW and Merida 20-MW plants (€100m) and €14m of loans taken on to finance the acquisition last December of 68.4% and 64.1% of the 16-MW Ciudad Real and the 16-MW Jaen plants, respectively, for €22.5m in total.



Cash stood at €80m at 30 September 2017.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Income statement

	9M17				9M16			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total net revenue	**436.2**	**94.7**	**(3.5)**	**527.4**	**369.8**	**64.2**	**(4.4)**	**429.7**
Other income	12.2	(0.1)	(4.4)	7.7	22.8	3.8	(12.5)	14.1
Change in inventories of finished products	(6.3)	-	-	(6.3)	3.9	-	-	3.9
Cost of sales	(181.4)	(28.3)	3.5	(206.1)	(181.6)	(19.9)	4.4	(197.1)
Personnel expenses	(47.8)	(5.0)	-	(52.8)	(48.7)	(2.7)	0.0	(51.5)
Other operating expenses	(98.2)	(28.4)	4.4	(122.3)	(100.2)	(28.0)	12.5	(115.6)
EBITDA	**114.7**	**33.0**	**0.0**	**147.7**	**66.0**	**17.4**	**-**	**83.4**
EBITDA margin	*26%*	*35%*		*28%*	*18%*	*27%*		*19%*
Amortization	(38.6)	(11.7)	-	(50.3)	(44.3)	(9.9)	(0.0)	(54.1)
Forest depletion	(2.6)	(1.0)	-	(3.6)	(3.9)	(1.1)	-	(5.0)
Impairment of and gains/(losses) on fixed-asset disposals(a)	5.7	(0.1)	(0.0)	5.6	19.0	0.6	(0.0)	19.6
EBIT	**79.2**	**20.2**	**0.0**	**99.4**	**36.8**	**7.0**	**(0.0)**	**43.9**
EBIT margin	*18%*	21%		19%	*10%*	11%		*10%*
Net finance costs	(10.9)	(4.5)	(0.0)	(15.3)	(7.2)	(2.7)	-	(9.9)
Other financial results	4.5	(0.1)	(8.0)	(3.6)	(5.0)	(1.4)	(0.0)	(6.4)
Profit before tax	**72.9**	**15.6**	**(8.0)**	**80.5**	**24.6**	**2.9**	**(0.0)**	**27.5**
Income tax	(15.8)	(3.9)	0.0	(19.7)	(5.6)	(0.8)	-	(6.5)
Net Income	**57.1**	**11.7**	**(8.0)**	**60.8**	**19.0**	**2.0**	**(0.0)**	**21.0**
Non-controlling interests	-	(1.3)	0.0	(1.3)	-	-	-	-
Atributable Net Income	**57.1**	**10.4**	**(8.0)**	**59.5**	**19.0**	**2.0**	**(0.0)**	**21.0**
Earnings per Share (EPS)	0.23	0.04	(0.03)	0.24	0.08	0.01	(0.00)	0.08

4.2. Balance sheet

	Sep-17				Dec-16			
Figures in €Mn	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Intangible assets	13.6	2.8	-	16.4	15.2	2.7	-	17.9
Property, plant and equipment	438.7	247.0	(0.0)	685.7	451.4	234.9	0.0	686.3
Biological assets	78.7	3.8	0.0	82.4	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	3.9	4.3	5.0	13.2	5.6	6.0	(0.0)	11.6
Assets for deferred tax	50.4	13.0	-	63.4	57.8	11.3	(0.0)	69.1
Total fixed assets	**864.1**	**270.8**	**(273.8)**	**861.1**	**879.4**	**259.3**	**(270.4)**	**868.3**
Non-current assets held for sale	4.1	0.0	0.0	4.1	6.5	0.4	-	6.9
Inventories	29.8	11.9	-	41.7	35.4	8.2	0.0	43.6
Trade other accounts receivable	112.8	32.8	(30.3)	115.2	93.7	27.8	(32.5)	89.0
Income tax	0.8	0.3	(0.0)	1.1	0.9	0.5	-	1.5
Other current assets	5.1	0.8	(0.5)	5.4	3.5	0.1	(0.0)	3.6
Hedging derivatives	9.8	-	-	9.8	0.0	-	-	-
Short-term financial assets	8.8	0.0	(0.0)	8.8	9.6	0.0	(0.0)	9.6
Cash and cash equivalents	161.6	80.0	0.0	241.6	112.1	97.8	-	209.9
Total current assets	**332.8**	**125.7**	**(30.8)**	**427.7**	**261.7**	**134.8**	**(32.5)**	**364.0**
TOTAL ASSETS	**1,196.9**	**396.5**	**(304.6)**	**1,288.8**	**1,141.1**	**394.2**	**(302.9)**	**1,232.3**
Equity	**662.9**	**155.3**	**(198.6)**	**619.6**	**609.2**	**151.0**	**(198.6)**	**561.6**
Non-current borrowings	287.7	99.9	0.0	387.6	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	-	6.3	-	6.3	4.0	7.8	-	11.7
Liabilities for deferred tax	20.7	2.8	-	23.5	17.9	3.2	-	21.1
Non-current provisions	5.7	0.7	-	6.4	5.8	0.3	(0.0)	6.2
Other non-current liabilities	7.7	2.0	(0.0)	9.7	8.5	1.2	0.0	9.7
Total non-current liabilities	**321.8**	**186.9**	**(75.2)**	**433.5**	**345.0**	**191.5**	**(71.8)**	**464.7**
Liabilities linked to non-current assets held for sale	-	-	-	-	-	-	-	-
Current borrowings	31.5	14.8	-	46.3	8.0	13.8	0.0	21.8
Current derivatives	0.0	2.6	-	2.6	11.7	3.1	(0.0)	14.7
Trade payables and other	162.0	34.0	(30.8)	165.2	159.9	34.8	(32.5)	162.2
Income tax	10.9	2.9	-	13.8	0.1	(0.0)	0.0	0.1
Current provisions	7.7	0.1	0.0	7.8	7.2	0.0	-	7.3
Total current liabilities	**212.2**	**54.3**	**(30.8)**	**235.7**	**186.9**	**51.7**	**(32.5)**	**206.1**
TOTAL EQUITY AND LIABILITIES	**1,196.9**	**396.5**	**(304.6)**	**1,288.8**	**1,141.1**	**394.2**	**(302.9)**	**1,232.3**

4.3. Cash flow statement

Figures in €Mn	9M17 Pulp	9M17 Energy	9M17 Adjustments	9M17 Consolidated	9M16 Pulp	9M16 Energy	9M16 Adjustments	9M16 Consolidated
Consolidated profit/(loss) for the period before tax	**72.9**	**15.6**	**(8.0)**	**80.5**	**24.6**	**2.9**	**-**	**27.5**
Depreciation	42.1	11.8	-	53.9	50.0	9.2	-	59.1
Changes in provisions and other deferred expense	6.3	1.6	-	8.0	2.2	2.9	-	5.1
Impairment of gains/(losses) on disposals intangible asset	(5.6)	0.2	-	(5.4)	(19.0)	(0.6)	(0.0)	(19.6)
Net finance costs	13.0	4.6	-	17.6	12.1	4.2	-	16.3
Government grants taken to income	(0.9)	(0.1)	-	(1.0)	(1.2)	(0.1)	0.0	(1.3)
Adjustments to profit	**54.9**	**18.1**	**-**	**73.1**	**44.0**	**15.6**	**-**	**59.6**
Inventories	4.7	(2.8)	-	1.8	(7.7)	0.7	-	(7.0)
Trade and other receivables	(20.9)	(9.1)	-	(30.0)	8.6	8.6	-	17.2
Current financial and other assets	0.8	-	-	0.8	(2.0)	-	-	(2.0)
Trade and other payables	(1.9)	0.4	-	(1.5)	(14.4)	2.6	-	(11.8)
Changes in working capital	**(17.3)**	**(11.5)**	**-**	**(28.8)**	**(15.5)**	**12.0**	**-**	**(3.6)**
Interest paid	(8.0)	(5.3)	2.2	(11.1)	(7.8)	(5.3)	1.4	(11.8)
Interest received	2.6	0.4	(2.2)	0.8	1.3	0.3	(1.4)	0.2
Income tax received/(paid)	(2.0)	(1.0)	-	(3.0)	(0.6)	(0.1)	-	(0.8)
Other cash flows from operating activities	**(7.5)**	**(5.9)**	**-**	**(13.4)**	**(7.2)**	**(5.1)**	**-**	**(12.3)**
Net cash flow from operating activities	**103.0**	**16.3**	**(8.0)**	**111.3**	**46.0**	**25.3**	**-**	**71.3**
Property, plant and equipment	(25.1)	(4.6)	-	(29.7)	(44.2)	(2.4)	-	(46.6)
Intangible assets	(0.9)	(0.3)	-	(1.2)	(5.5)	(0.0)	(0.0)	(5.6)
Other financial assets	1.6	(25.8)	-	(24.1)	1.0	0.1	-	1.1
Disposals	**3.2**	**-**	**-**	**3.2**	**24.9**	**-**	**-**	**24.9**
Net cash flow from investing activities	**(21.2)**	**(30.6)**	**-**	**(51.8)**	**(23.8)**	**(2.3)**	**0.0**	**(26.1)**
Free cash flow	**81.8**	**(14.3)**	**(8.0)**	**59.5**	**22.2**	**23.0**	**0.0**	**45.1**
Buyback/(disposal) of own equity instruments	0.5	-	-	0.5	(9.1)	-	-	(9.1)
Proceeds from and repayments of financial liabilities	(9.1)	(1.0)	-	(10.2)	(17.8)	1.8	-	(16.0)
Dividends payments	(23.7)	(8.0)	8.0	(23.7)	(24.9)	-	-	(24.9)
Translation differences	-	-	-	-	-	-	-	-
Group and Associated companies	-	-	-	-	-	-	-	-
Net cash flow from financing activities	**(32.3)**	**(9.0)**	**8.0**	**(33.3)**	**(51.8)**	**1.8**	**-**	**(50.0)**
Net increase/(decrease) in cash and cash equivalents	**49.5**	**(23.3)**	**-**	**26.2**	**(29.6)**	**24.8**	**-**	**(4.8)**

5. KEY DEVELOPMENTS

Acquisition of the Lucena biomass plant

Ence closed the acquisition of a 27.1-MW biomass-fuelled renewable energy plant in Lucena (Cordoba) from EDF Energies Nouvelles on 2 August 2017. The plant was valued at €28m (100%).

The newly-acquired plant is expected to generate annual EBITDA of €5m, which will put the Energy business's recurring annual EBITDA at over €50m.

Approval of the company's dividend policy

At a meeting held on 26 July, Ence's Board of Directors ratified the dividend policy applicable from this year, the main characteristics of which are:

- The proposed payout, with a charge against profits for the year, of a per-share dividend equivalent to approximately 50% of reported earnings per share;
- The following timing and structure:
    - Two interim dividends, one ratified at the end of the first half and the other in November of each year;
    - A final dividend, to be approved at the company's Annual General Meeting.
- The dividend policy is subject to delivery of the financial discipline criteria laid down in the Business Plan as well as the company's legal and contractual obligations.

Dividend payment

Ence paid the first interim dividend from 2017 profits - €0.061 per share (before withholding tax) - on 6 September 2017.

The company had paid out the final dividend against 2016 profits of €0.0473 per share (before tax) on 18 April 2017.

Cancellation of 4 million own shares

The deeds to the capital decrease ratified at the Annual General Meeting of 30 March 2017, whose execution was approved by the board on 26 April 2017, were filed with the Madrid Companies Register on 11 May.

The company's share capital was reduced by cancelling 4 million own shares held as treasury stock in the wake of the share buyback programme carried out in 2016.

As a result, the company's share capital is now made up of 246,272,500 shares with a unit par value of €0.90, represented by book entries and all belonging to a single class.

Moody's and S&P affirm Ence's credit ratings

On 11 October 2017, Moody's affirmed Ence's Ba3 rating with a stable outlook.

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

APPENDIX 1: REPORTED WORKING CAPITAL AND CAPEX

Figures in €Mn	Sep-17	Dec-16	Δ%	Jun-17	Δ%
Inventories	41.7	43.6	*(4.4%)*	39.6	*5.3%*
Trade and other receivables	115.2	89.0	*29.4%*	102.0	*13.0%*
Other current assets	5.4	3.6	*51.0%*	6.5	*(16.9%)*
Trade and other payables	(165.2)	(162.2)	*1.9%*	(159.5)	*3.6%*
Income tax	(12.7)	1.3	*n.s.*	(5.6)	*128.4%*
Current provisions	(7.8)	(7.3)	*7.0%*	(6.6)	*18.7%*
Working Capital	**(23.4)**	**(31.9)**	***(26.6%)***	**(23.6)**	***(0.6%)***

The reported negative working capital balance decreased by €8.5m between year-end 2016 and 30 September 2017 due mainly to the €26.2m increase in trade receivables, which was partially eroded by the €14m increase in tax payables.

Figures in €Mn	3Q17	3Q16	Δ%	2Q17	Δ%	9M17	9M16	Δ%
Maintenance capex	3.6	4.3	*(16.7%)*	4.5	*(20.9%)*	10.8	16.5	*(34.7%)*
Environmental capex	1.2	1.9	*(38.3%)*	1.3	*(11.7%)*	2.9	6.2	*(53.8%)*
Efficiency and expansion capex	2.6	11.0	*(76.5%)*	2.5	*1.9%*	8.0	33.1	*(75.9%)*
Pulp business capex	**7.3**	**17.1**	*(57.4%)*	**8.3**	*(12.5%)*	**21.6**	**55.8**	*(61.3%)*
Maintenance and environmental capex	0.9	1.0	*(8.2%)*	1.4	*(36.2%)*	2.7	2.7	*(1.9%)*
Efficiency and expansion capex	2.5	-	*n.s.*	0.0	*n.s.*	3.1	-	*n.s.*
Energy business capex	**3.4**	**1.0**	*238.4%*	**1.4**	*143.0%*	**5.8**	**2.7**	*113.3%*
Total capex	**10.7**	**18.1**	***(41.0%)***	**9.7**	***9.8%***	**27.4**	**58.6**	***(53.1%)***

Capitalised capex amounted to €27.4m in 9M17, €21.6m of which corresponded to the Pulp business and €5.8m, to the Energy business.

In the Pulp business, investments in efficiency and expansion work totalled €8m, largely related with energy efficiency upgrade work and the preparatory work for the addition of 30,000 tonnes of capacity at the Pontevedra complex planned for 1Q18. Maintenance capex amounted to €10.8m, while environmental capex totalled €2.9m and was largely related to the Zero Odours projects at both the Pontevedra and Navia complexes.

In the Energy business, growth capex amounted to €3.1m, related to the development of the new 40-MW plant in Huelva. Maintenance capex in this business totalled €2.7m.

ence
ENERGÍA & CELULOSA

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

Facility	Type of facility	MW	Remuneration to investment 9M17 (Ri; €/MW)	Type of fuel	Remuneration to operation 9M17 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Lignin	35.028	-
	Biomass generation	36.2	172,642	Agroforestry biomass	59.998	6,500
Pontevedra	Biomass co-generation (a)	34.6	-	Lignin	35.168	-
			41,481	Agroforestry biomass	60.896	6,500
Huelva 41MW	Biomass generation	41.0	184,700	Agroforestry biomass	66.225	6,500
Huelva 50MW	Biomass generation	50.0	199,839	Agroforestry biomass	58.326	6,500
Mérida 20MW	Biomass generation	20.0	220,184	Agroforestry biomass	57.404	6,500
C. Real 16MW	Biomass generation	16.0	197,065	Olive pulp	45.230	6,500
Jaen 16MW	Biomass generation	16.0	197,065	Olive pulp	45.031	6,500
Cordoba 27MW	Biomass generation	14.3	38,264	Olive pulp	49.780	6,500
	Gas co-generation	12.8	-	Natural Gas	63.964	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:

- The **remuneration for investment (Regulated IRR)** parameter 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 * Regulated IRR

- 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 Regulated IRR 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 Operations Centres, located in Huelva, Navia, Pontevedra, Merida, Ciudad Real and Jaen, 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:

- 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: 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 93% and 80%, respectively, as of the September 2017 close.

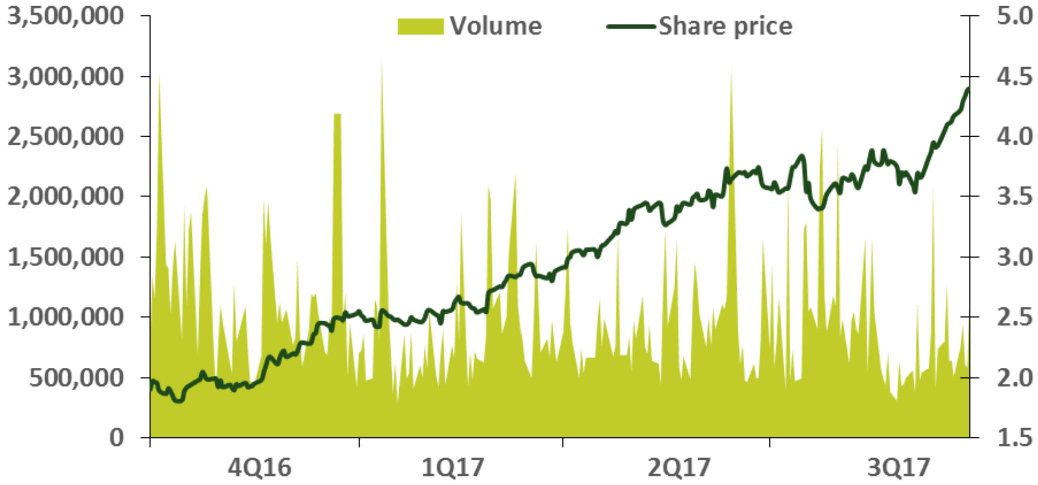
As for the sustainability of biomass as a fuel, Ence has once again emerged as a pioneer, developing a 10-point declaration guaranteeing its commitment to using biomass sustainably and caring for the environment in making use of this renewable source of energy. In formulating this declaration, Ence drew 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, Ibex Top Dividendo and FTSE4Good stock indices.

Ence's share price ended September at €4.40, implying a cumulative gain of 75.3% in 9M17. During the same period, the company's sector peers saw their share prices increase by 26.3% on average (*).



Source: Bloomberg

	4Q16	1Q17	2Q17	3Q17
Share price at the end of the period	2.51	2.89	3.59	4.40
Market capitalization at the end of the period	618.1	711.7	884.1	1083.6
Ence quarterly evolution	29.4%	15.1%	24.2%	22.6%
Daily average volume (shares)	1,183,229	883,525	938,535	927,095
Peers quarterly evolution *	31.5%	1.9%	5.3%	18.7%

(*) Altri, Navigator, Fibria and Suzano.

Ence issued €250m of 5.37% bonds due 1 November 2022 on 30 October 2015. The coupon is payable twice-yearly. The bonds are traded on the EuroMTF exchange in Luxembourg.

	4Q16	1Q17	2Q17	3Q17
Share price at the end of the period	105.78	107.14	107.15	107.62
Yield to worst at the end of the period*	3.52%	2.41%	1.90%	0.75%

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

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 financial metrics that are not defined or specified in IFRS and are used by management to track the company's financial performance. The alternative performance measures (APMs) used in this report are defined, reconciled and explained below:

CASH COST

The cost of producing a tonne of pulp - the cash cost - is an analytical accounting metric used by Ence which includes all of the expenses incurred to produce pulp, from the cost of the timber and all the costs incurred to convert this timber into pulp, to overhead, sales and marketing expenses and logistics costs.

The only expenses not included are depreciation charges, finance charges, corporate tax expense and certain non-recurring charges such as one-off projects, the long-term incentive plan and termination benefits.

As a result, the difference between the average sales price and the cash cost multiplied by the number of tonnes sold yields a figure that is a close proxy for the EBITDA generated by the Pulp business.

EBITDA

The EBITDA calculation Ence presents in its income statement is the difference between revenue and operating expenses, excluding depreciation, amortisation and forest depletion charges, non-current asset impairment charges and gains (or losses) on the sale of non-current assets.

EBITDA provides an initial proxy for the cash generated by the company's operating activities before the payment of interest and tax. Indeed, Ence uses EBITDA as the starting point for calculating the cash flow generated by each of its two business units.

In addition, EBITDA is an indicator that is widely used in the capital markets to compare the financial performance of different companies.

RECURRING FREE CASH FLOW

Ence reports recurring free cash flow within the cash flow metrics for each of its two business units as the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

Recurring 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 additional to maintenance capex, for shareholder remuneration and for debt repayment.

NET DEBT

The net debt figure reported by Ence is the difference between current and non-current borrowings on the liability side of the balance sheet (excluding the remeasurement of financial derivatives) and the sum of cash and cash equivalents and short-term financial investments on the asset side.

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 presentation was prepared by Ence Energía y Celulosa, S.A. (hereinafter, "Ence").

This presentation contains 'forward-looking statements'. Any statements made in this presentation 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, electricity sector regulatory changes, 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.

The information contained in this document has not been verified by independent experts. Accordingly, Ence does not make any representation or warranty, express or implied, as to the impartiality, reliability, completeness or accuracy of the information, opinions or conclusions in this presentation.

This document does not constitute an offer or a recommendation to buy or subscribe for shares, in keeping with the terms of Spain's Securities Market Act (Law 24/1988 of 28 July 1998) and enacting regulations. Nor does it constitute an offer to buy, sell or exchange or a solicitation of an offer to buy, sell or exchange any securities or the solicitation of any vote or approval in any jurisdiction.

Earnings Report
3rd Quarter 2017