

Capital Increase Investment Proposition



5 March 2010



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Transaction Description

Main terms

Total amount

- 130.1 M€

Ratio

- 83,112,890 new shares (10-for-21)

Subscription price

- 1.565 €/share, equivalent to a 35% discount on the TERP

Use of Proceeds

80%

- Reinforce balance sheet & financial position

20%

- Complete the equity financing of the 50 MW Biomass Plant in Huelva
 - 23 M€ already disbursed
 - Fully (Equity) funded post Rights Issue
- Costs of the Rights Issue

Deal Structure

Strategic Shareholders

- Commitment to subscribe 50.9% of the Rights Issue (66.2M€)

Bank syndicate

- 49.1% of the Rights Issue underwritten by the bank syndicate (63.9 M
 - Banco Santander (Global Coordinator), BBVA and CajaMadrid (Managers & underwriters)

Transaction Rationale

Two Main Goals

1

Attain an outstanding financial structure within the industry

- ✓ Solid position against market downturns
- ✓ Strengthen competitive position

Net Debt/EBITDA of 2.5-3x as an objective of financial discipline

2

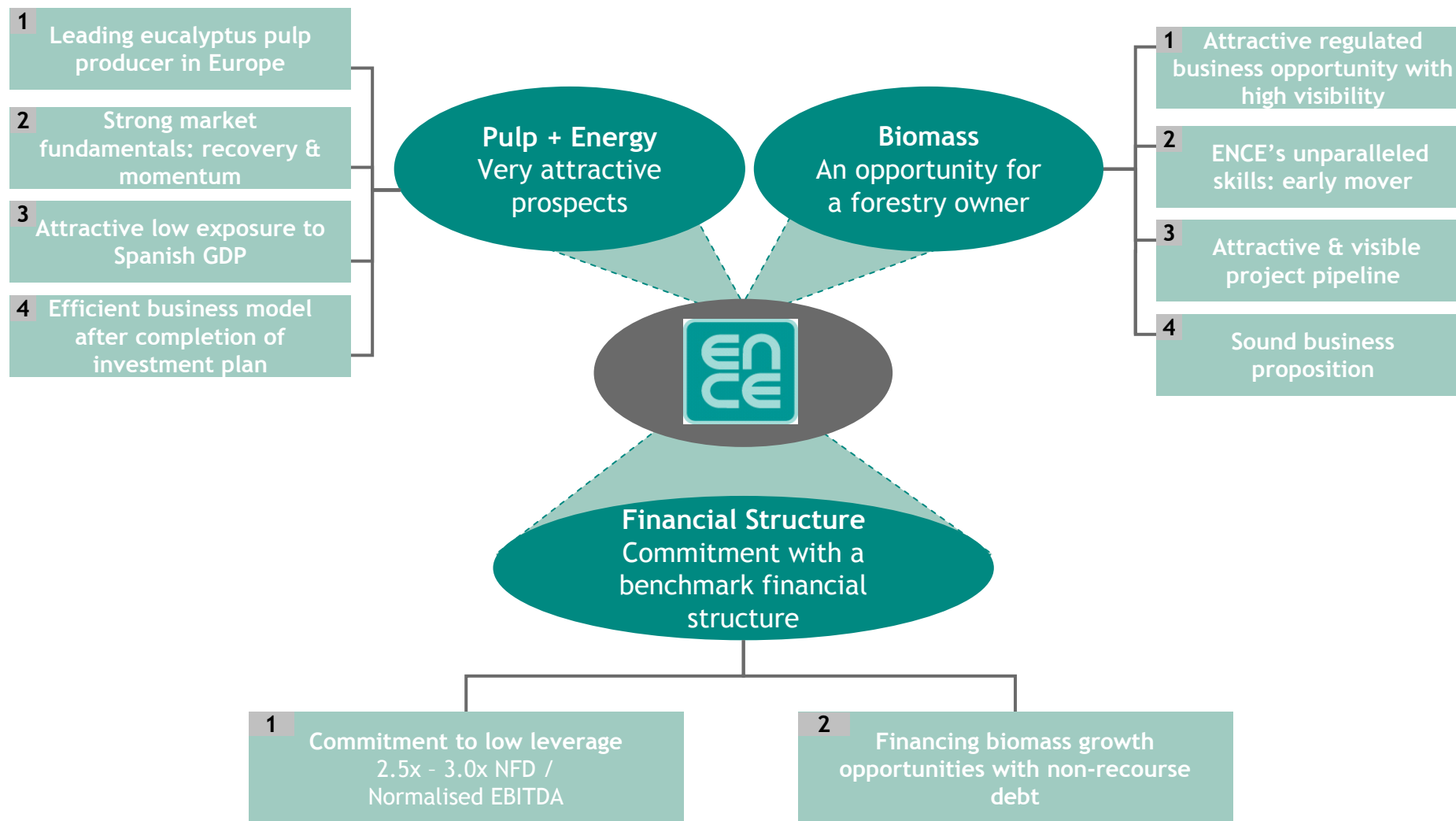
Gain flexibility to address growth opportunities

- ✓ Execute the biomass opportunity
- ✓ Foster efficiencies in pulp

Targeting 210 new MW of power capacity based in biomass in 4 years

Laying the foundation to transform the company's value proposition: financial discipline to extract value from strong momentum in pulp & organic growth potential in biomass

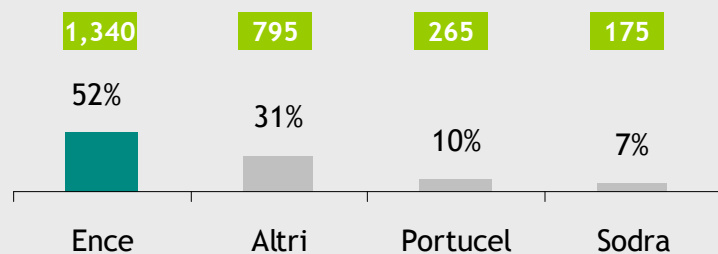
Transforming our value proposition



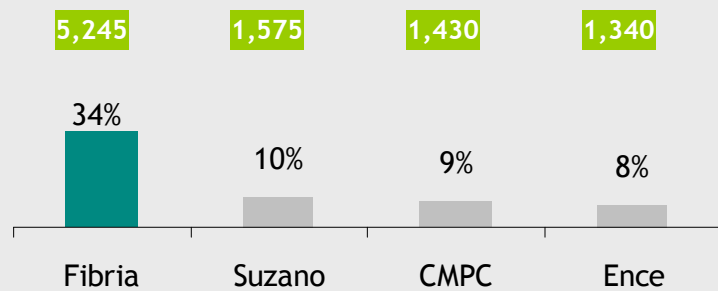
Pulp + Energy: Very attractive prospects

Leading eucalyptus pulp producer in Europe

Europe's no. 1 eucalyptus pulp producer

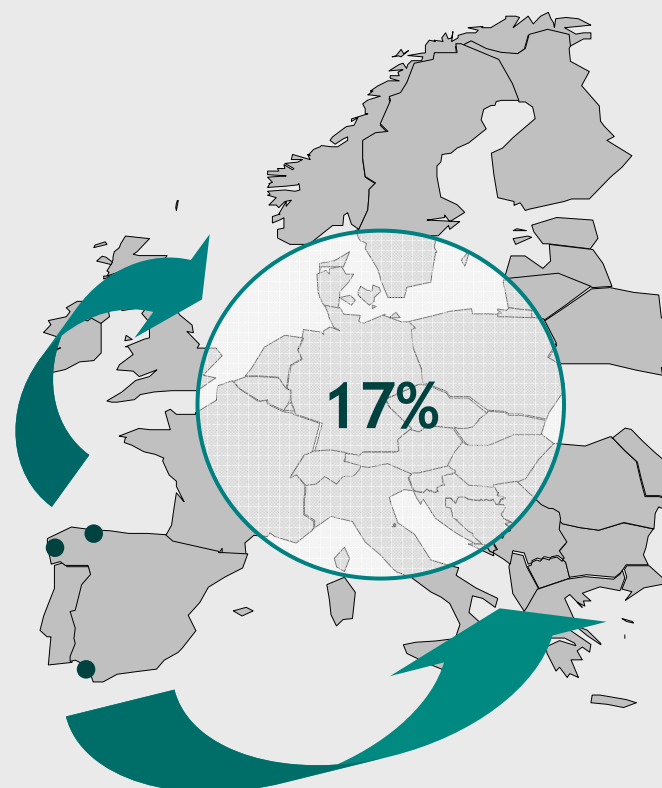


4th-largest eucalyptus pulp producer in the world



Capacity ('000Tonnes)

Ence market share in Europe



Source: Hawkins Wright

Strong market fundamentals: recovery & momentum

Strong market fundamentals ...

Global recovery

- Most of the world's regions are starting to recover a positive economic growth trend
- Steady withdrawal of stimulus packages around the world is not impairing growth

Reduced supply

- Capacity shutdowns due to the crisis: In 2008-2009, world installed capacity fell by c. 10%
 - c. 2.7 million tonnes of permanent shutdowns
 - c. 1.4 million tonnes of temporary shutdowns
- No significant increase in capacity expected globally until 2013
 - New capacity will take at least 3 years to be operational

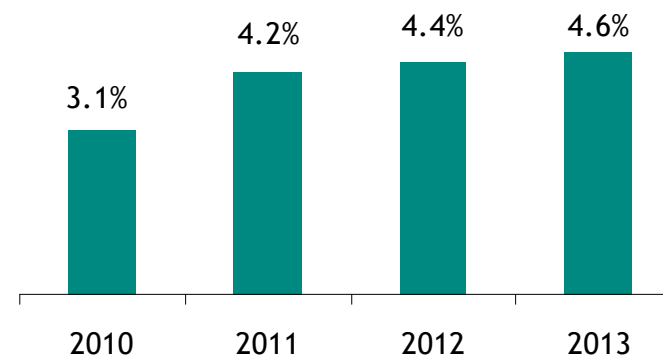
Inventory levels

- Inventories are low due to:
 - Supply adjustment
 - Restructuring of the industry
- Producer inventories stood at 28 days at the end of 2009 (vs. 34 days average in the last 10Y)
- Low consumer inventories
- Time lag of around 3 months between changes in inventories and pulp prices

Source: Hawkins Wright, PPPC

Demand will benefit from global recovery

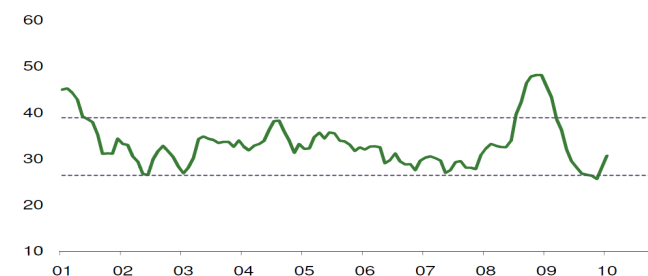
Global GDP Growth



Source: Hawkins Wright; IMF

Producers inventories⁽¹⁾

World Chemical Market Pulp Producer Stocks
Days of supply (Seasonally adjusted)



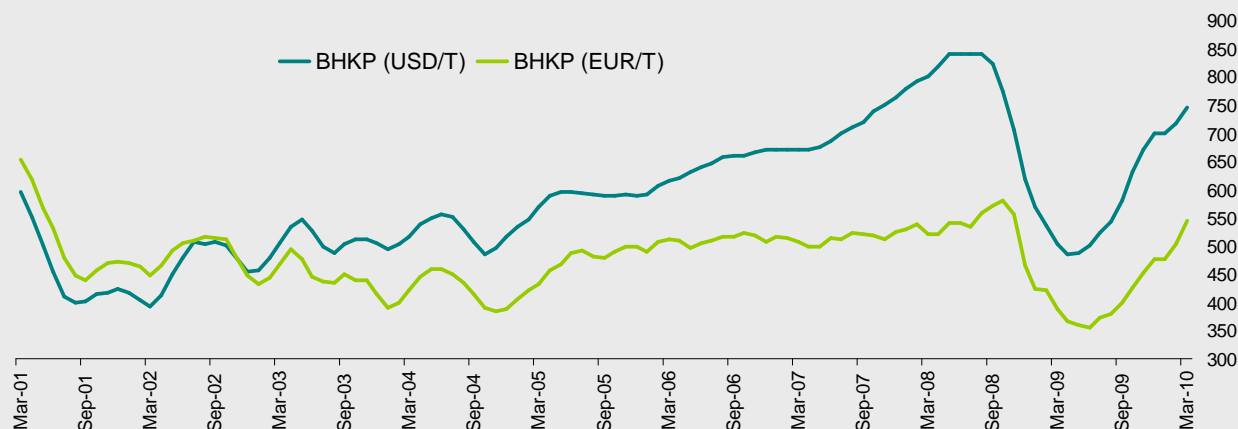
(1) Source: PPPC



Strong market fundamentals: recovery & momentum

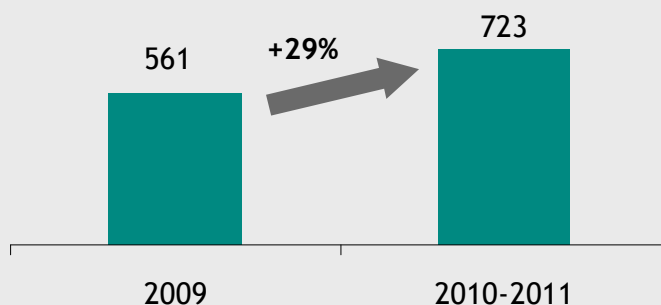
... leading to a positive outlook in terms of pulp prices (2010-2013)

Sound recovery from bottom



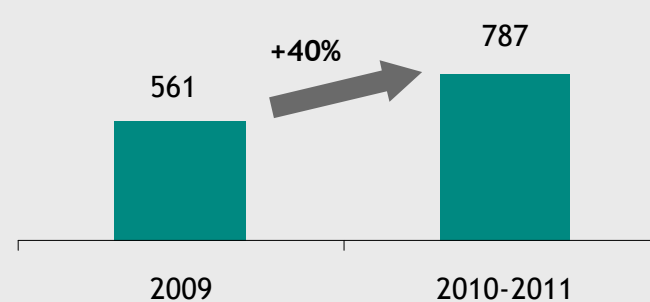
Positive market outlook

Market analysts expectations (\$/ton)⁽¹⁾



(1) Average of Hawkins Wright, Valoise, RISI and Terra Choice

Equity Analyst expectations (\$/ton)⁽²⁾

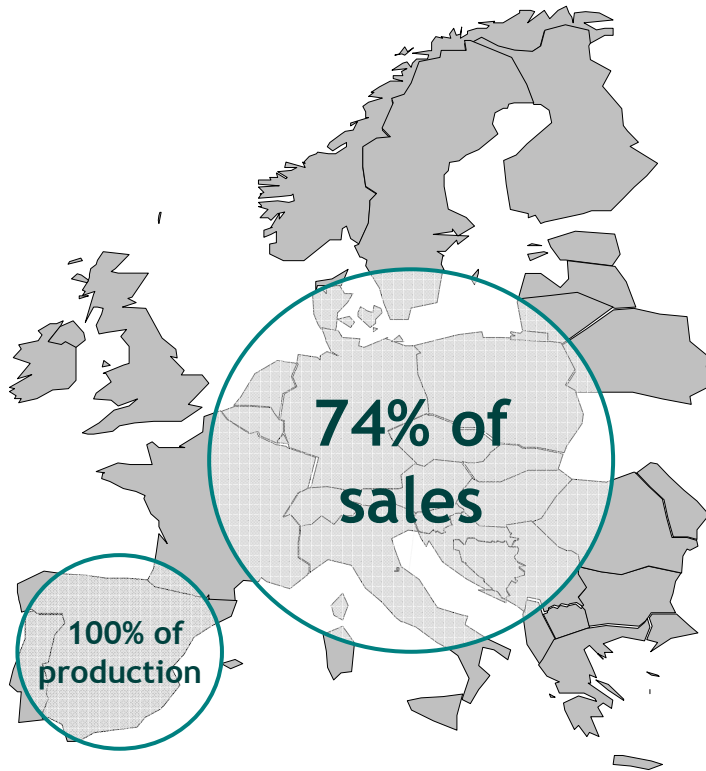


(2) Morgan Stanley, Citigroup, Deutsche Bank, Credit Suisse, Goldman Sachs

\$ Strength widely perceived by consensus will complement positive international price outlook

Attractive low exposure to Spanish GDP

Attractive Sales / Costs base exposure



Attractive exposure to healthier European growth

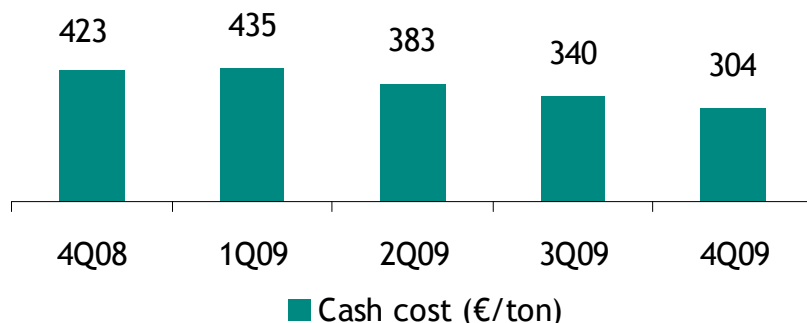
- 74% of sales are in Europe ex-Spain (20% Spain; 6% Mediterranean area)
- Average expected GDP growth of 1.5% in Europe for 2010-2013, compared to 0.5% in Spain (source IMF)
- Global Index Pulp prices to benefit from increasing global growth in the period (3.9% vs. -1.1% in 2009; source IMF)

Positive natural trend in costs due to weaker Spanish economy

- Ence's pulp production 100% located in Spain
- Current economic weakness in Spain should help to contain costs for Ence:
 - Highest unemployment rate in the EU (c. 20%)
 - Improving control of raw material costs after the collapse of the real estate & building material markets
- Average expected inflation of 0.5% in Spain for 2010-2013, compared to 1.5% in EU (source IMF)

Efficient business model after completion of investment plan

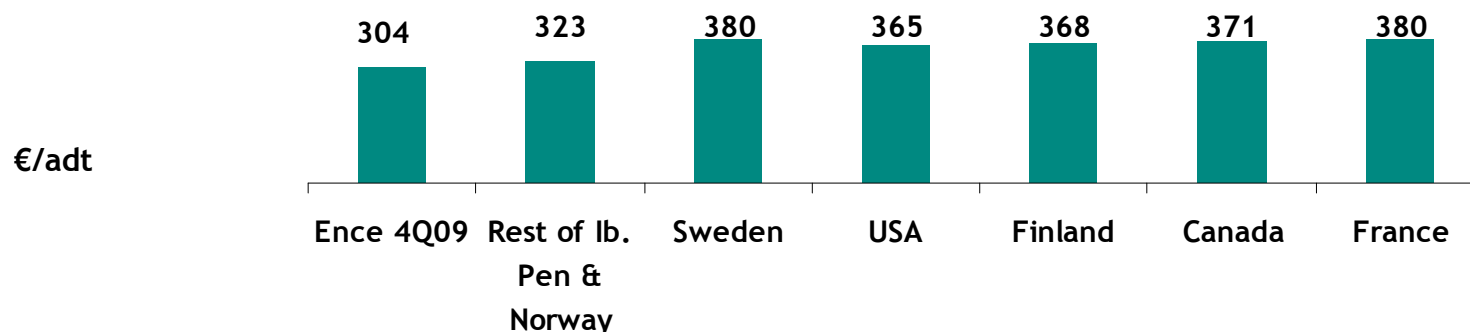
Cash cost reduced through lower lumber cost and higher energy income



■ Successful efforts to reduce cash cost enabled Ence to hit target in Q409

- Sizeable industrial investment plan already completed, focused on boosting pulp&power output and energy efficiency
- Cost reduction plan already implemented and potential additional savings still to be achieved

Cash cost Ence vs. European / North-American producers (euros)



BHKP installed capacity (kAdt)	1,340	1,140	380	2,190	950	1,680	750	World total
	4.8%	4.1%	1.4%	7.9%	3.4%	6.1%	2.7%	27,645

Source: adapted from Hawkins Wright; Forex 1,4US\$/€

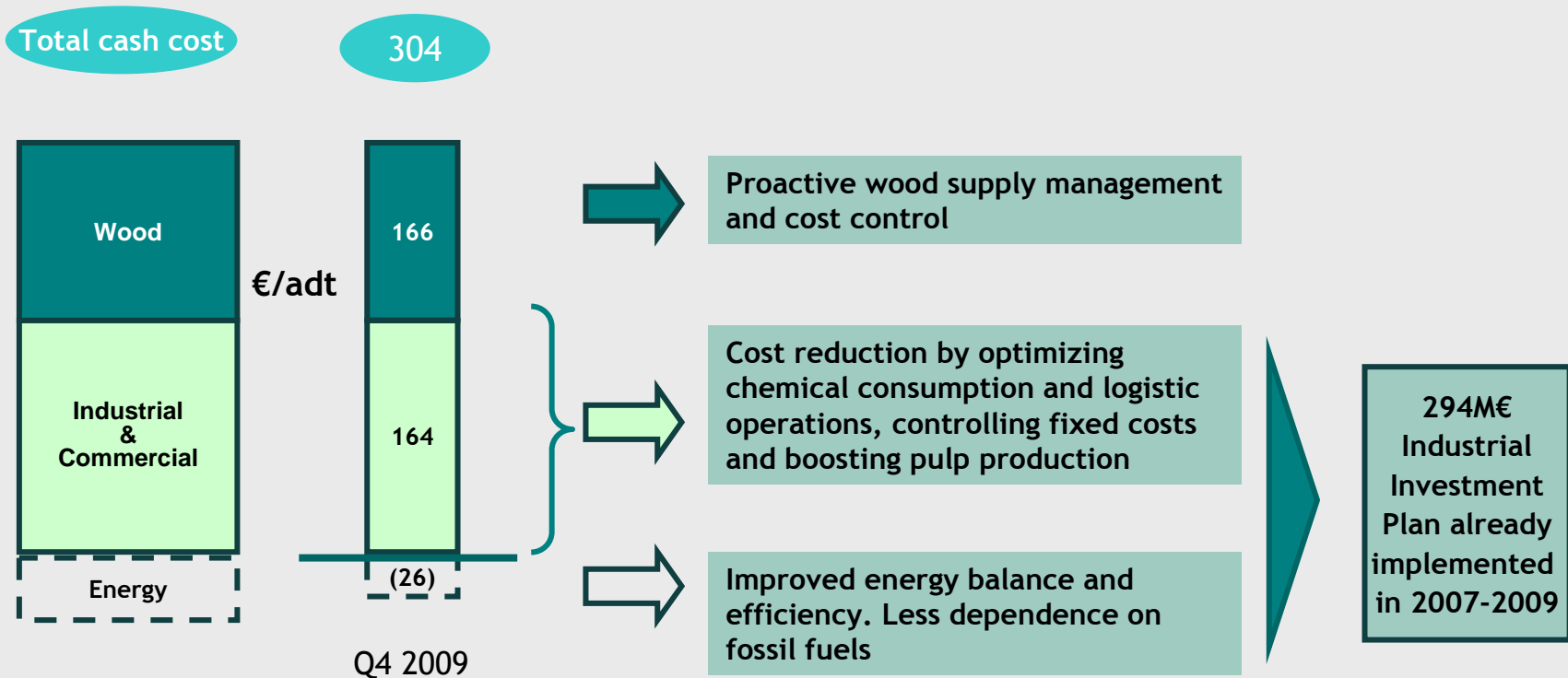
25.6% of world total has higher cash costs per ton of pulp



Efficient business model after completion of investment plan

Focused on reducing cash cost

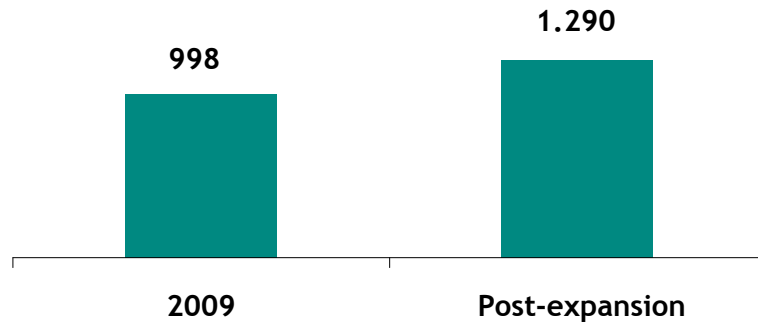
Three essential levers for efficient business management & cost reductions



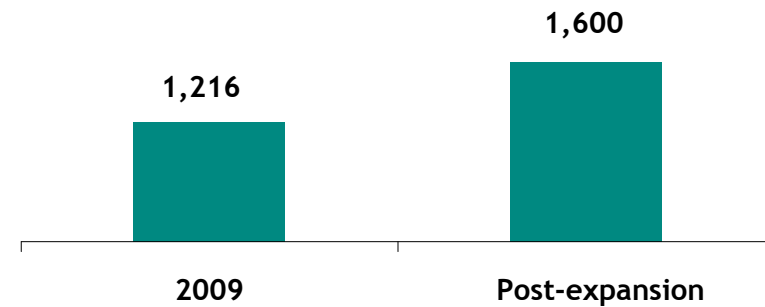
Efficient business model after completion of investment plan

Cash cost successfully reduced maximizing pulp and energy production

Pulp production increase to 1,290 million tons ⁽¹⁾

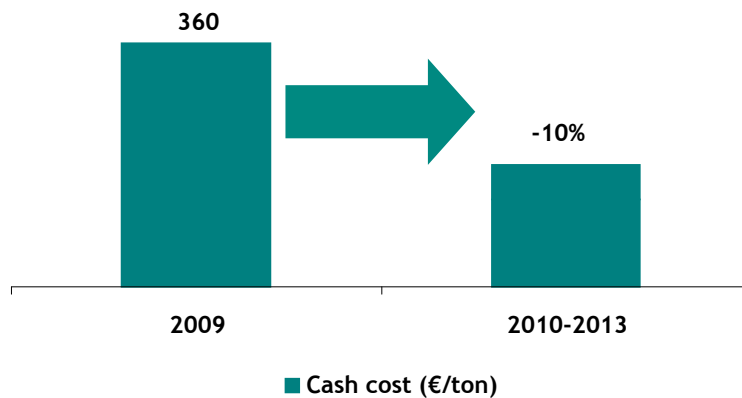


Power output increased to 1,600 GWh

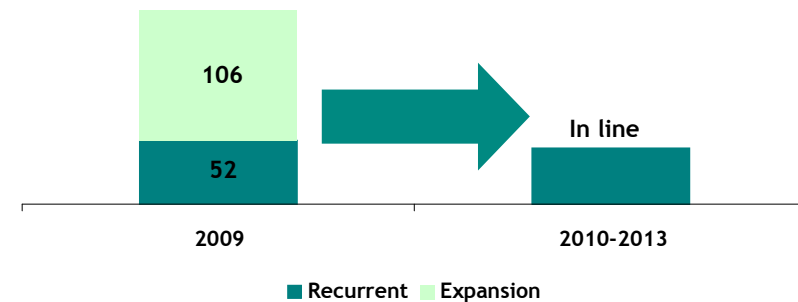


Estimating 90-95% capacity utilisation

Successful cash cost reduction by end 2009



Limited investment after expansion in 2009 (M€)



(1) Based on utilization rates as shown in CNMV file

Biomass: An opportunity for a forestry owner

Attractive regulated business opportunity with high visibility

Attractive regulation already in place until 2012...

Biomass business regulated by Spain's Royal Decree 661/2007

Priority access to the grid

- Biomass plants are guaranteed to sell their electricity production

Stable feed-in tariff for 25 years

- Tariff increase at CPI -0.25% up to 2012 and CPI -0.5% from 2013

Flexibility to choose the tariff framework every year

- Regulated tariff: 125 to 155 €/MWh depending on biomass type
- Pool price plus + Premium of 81.5-111.5 €/MWh (with a floor of 121-151 €/MWh and a cap of 130-160 €/MWh)

CO₂-neutral

- As special regime facilities, the biomass plants do not need emission rights

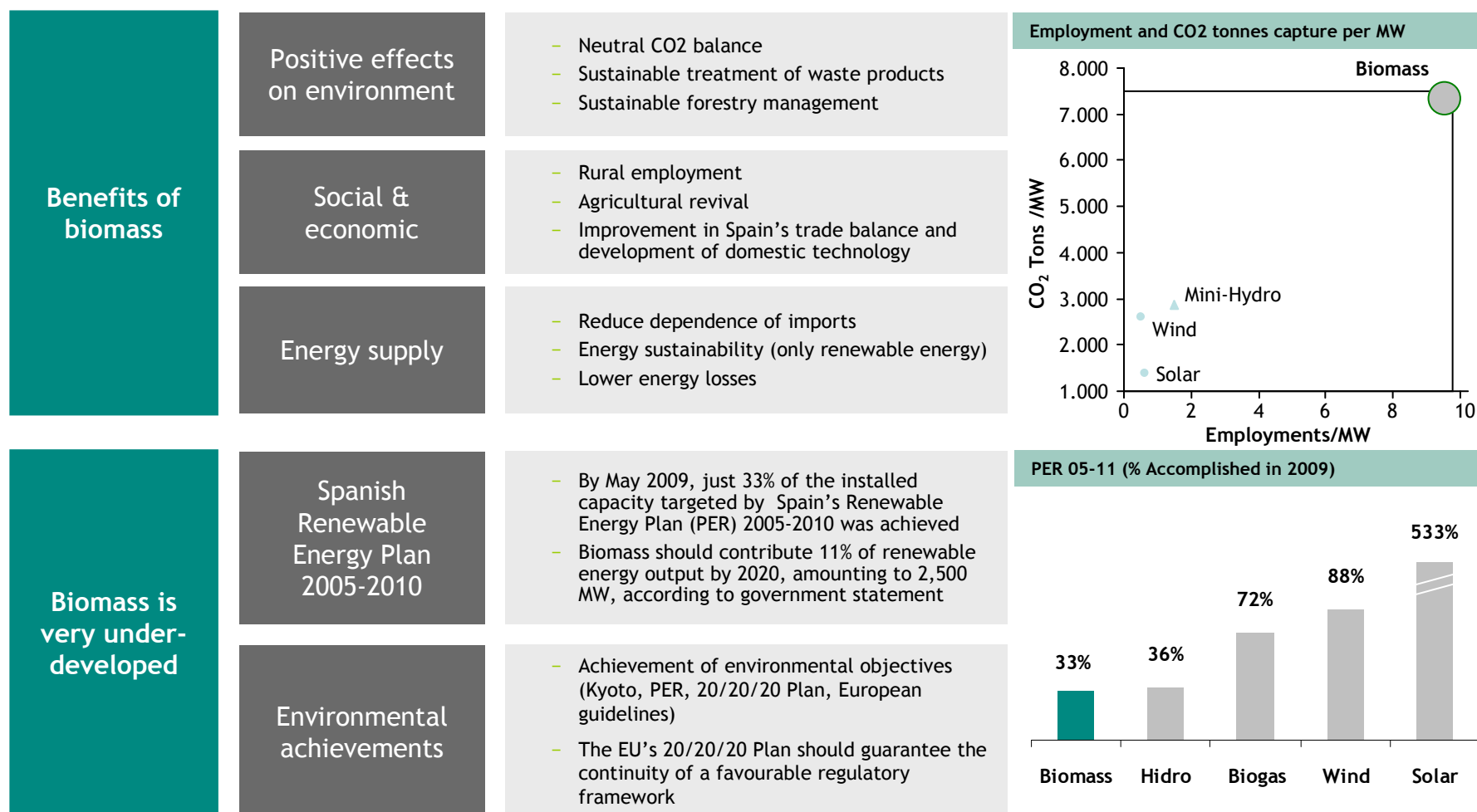
All of ENCE's operational plants are under RD 661/2007, meaning stable recurring cash flows

230 MW in operation
(180 MW with biomass)



Attractive regulated business opportunity with high visibility

... expected to persist in the future



Source: IDAE, PER 2005-2010 and BCG



ENCE's unparalleled skills: early mover

ENCE is a market leader in lumber management and the largest private forest owner in Spain

- ENCE manages over 3 million cubic meters of wood for its own mills
- More than 86,000 hectares of forestry assets under management in Spain (over 61% company-owned)

ENCE is Spain's largest biomass-fired power producer

- Ence's 3 mills currently produce energy with biomass
- The total installed capacity of these plants is 230 MW⁽¹⁾, of which 180 MW use biomass
- >6,500 hectares already under energy crops in Huelva

Strong commitment to R&D in biomass

- Two closely-related research lines
- Genetic improvement of eucalyptus, development of energy crops, development of specific machinery
- 31 hectares of experimental crops with 13 different species

(1) Including 49,9 MW co-generation with gas

ENCE's unparalleled skills: early mover

Biggest plant in operation in Spain - Navia project

Navia Project

Description

- Largest biomass plant in Spain
- First biomass plant owned by Ence that is independent of the pulp process (no cogeneration)

Installed capacity

- 37 MW (only 28MW until 2012 due to grid limitations)

Start-up

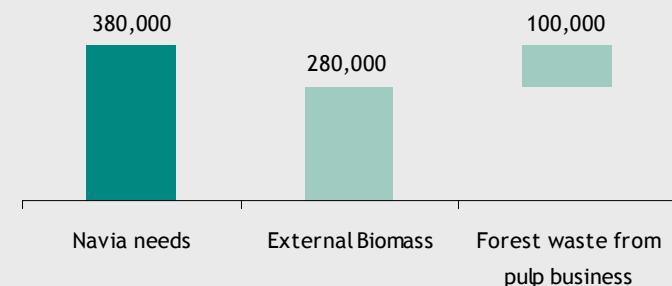
- 1 April 2009

Availability

- 8,400 hours / year

Supply

- The supply strategy for the plant consists of:
 - Forest waste from the pulp process
 - External biomass negotiated with several suppliers under 5-year contracts

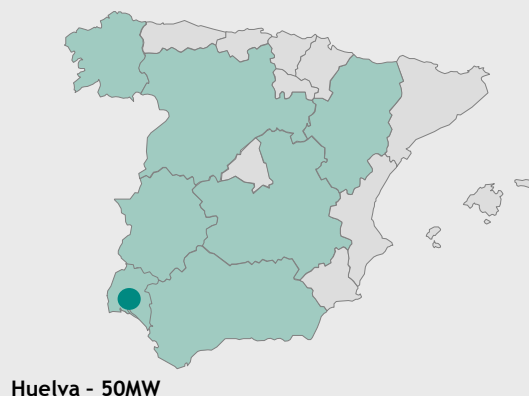


Note: Supply figures in tonnes

Attractive and visible pipeline of projects

Expansion Plan

Development of projects in ENCE catchment areas to exploit synergies

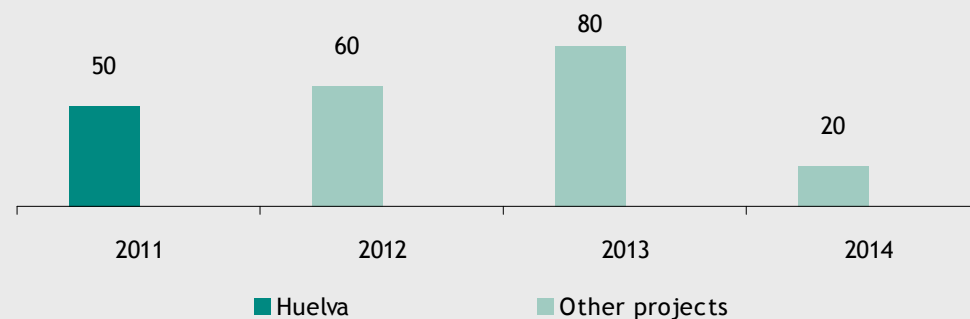


Autonomous Region	No. of Plants	Installed capacity (MW)
Region A	1-2	10-20
Region B	1	20
Region C	2	40
Region D	1-2	20-40
Region E	2-3	60-90
Total	7-10	150-210

Schedule

- Although the Huelva plant will start up late in 2011, most of the projects will become operational in 2012 - 2014

Schedule for start-up for the maximum 210 MW project (MW)



Attractive and visible pipeline of projects

Standard Project - 20 MW plant

Remuneration	▪ Fixed Tariff
Production hours	▪ 8,000 hours
Losses	▪ 9% in auto-consumption and 2.25% in grid supply
Biomass supply	▪ 179,000 tons (45% forestry waste and 55% energy crops)
Personnel	▪ 20 direct employees - total costs 700,000 €/year
O&M	▪ 15 €/MWh
Investment	▪ 2.5 M€ / MW
Useful life	▪ 30 years

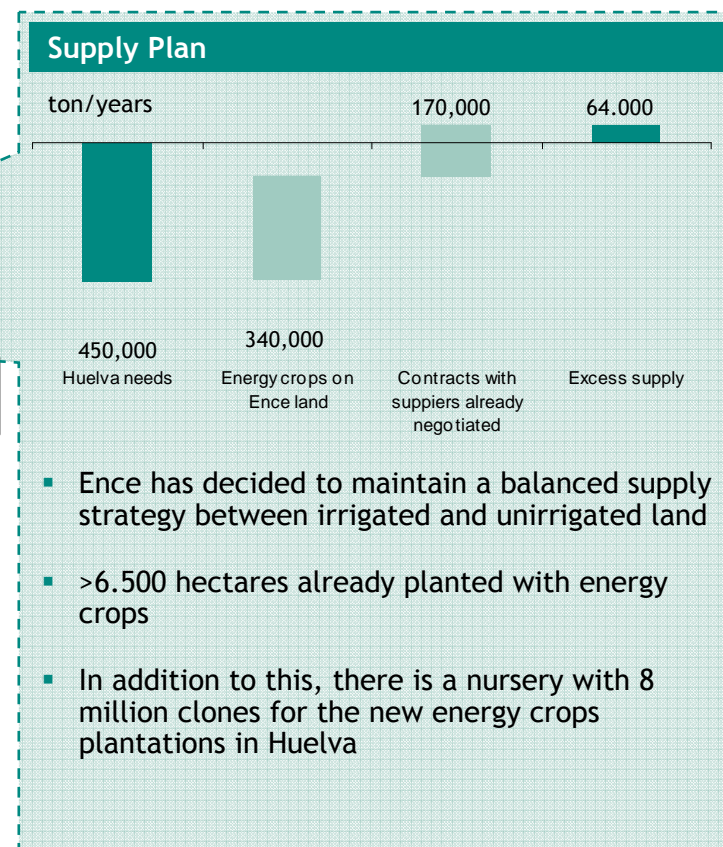
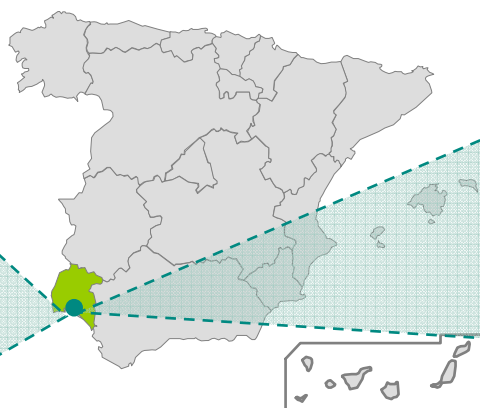
Annual Revenues

Over 20 M€

Attractive and visible pipeline of projects

Huelva: Strong project visibility (50 MW) - The first step

Factory	
Location	Huelva
Power	50 MW
Prod. Hours	c. 8,000 hours / year
Output	370 GWh
Consumption	450,000 tons/year
Supply Mix	<ul style="list-style-type: none"> Energy crops - Energy crops: 60% - Forest waste: 40%

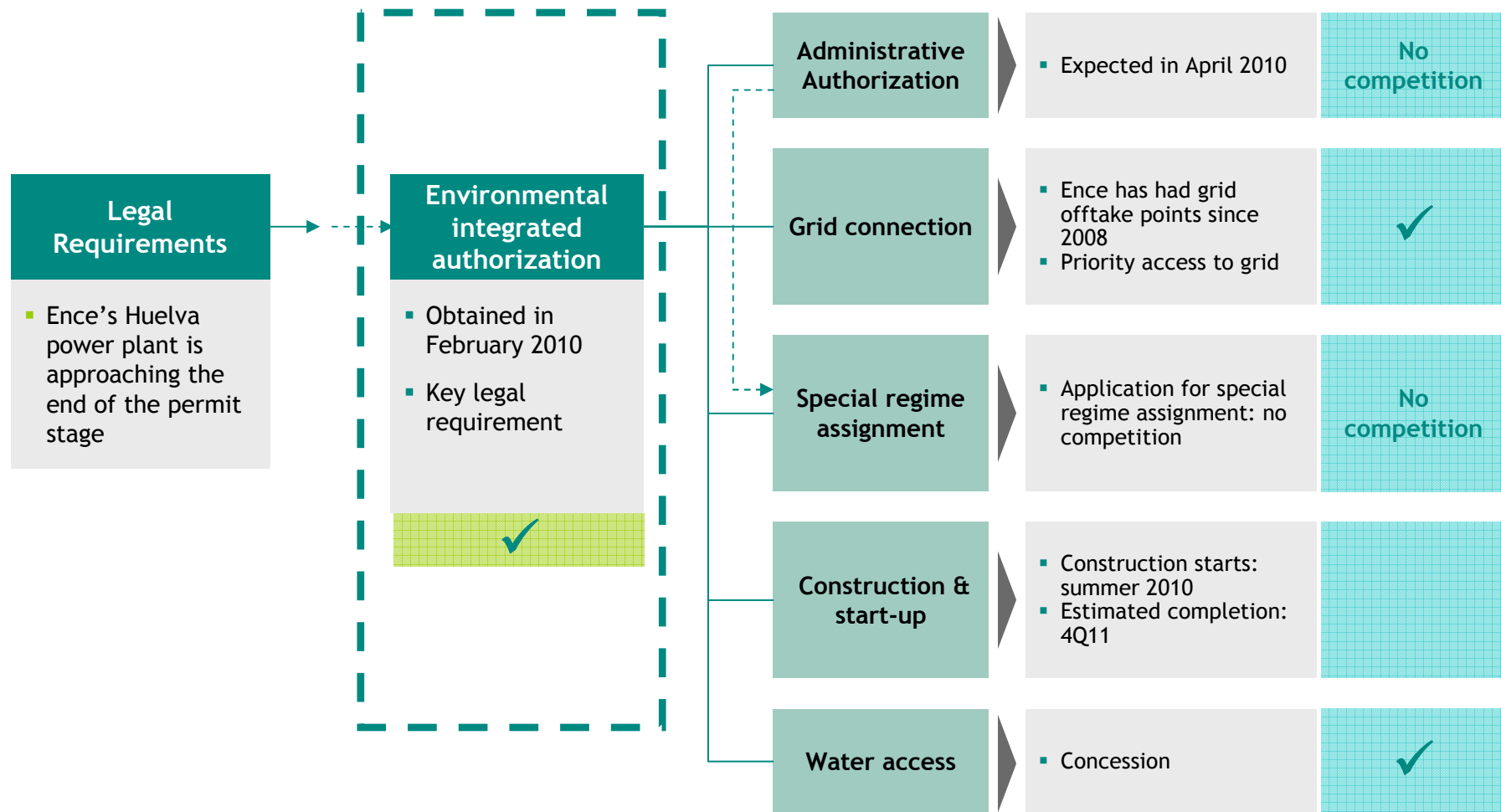


Project			
Estimated investment	▪ 120 M€ (23 M€ already paid)		
Biomass Costs	▪ 40 - 60 € / tonne		
Operating Costs	▪ 15 € / MWh		
Timing (E)	Starting up (E)	▪ 4Q2011	
Financing	Method	▪ Project finance	
	Leverage	Equity	▪ 30%
		Debt	▪ 70%
Employment ⁽¹⁾	▪ 18 industrial workers and 400 forestry workers		
Competition landscape	▪ No competing projects in the area ▪ Experience in dealing with the Administration		
Financials	▪ 60 M€ sales / year		

(1) Due to synergies with the Huelva Mill, 15 additional workers are not considered in the total Job Creation

Attractive and visible pipeline of projects

Huelva - Timetable / Licenses



Sound business proposition

Biomass: Low cyclical in the medium term

Biomass, an attractive business opportunity

- Regulated tariff and guaranteed sales of production
- Lower cost in economic downturns
 - Access to land
 - Access to long-term supply agreements
- High growth potential
- Low execution risk and modularity of the projects
- Low capex requirements
- No currency risk
- Stable EBITDA
- Non recourse debt - Project Finance

Investment Plan full project 2010-2015⁽¹⁾

- Nearly all the biomass projects should be financed with cash flow and project finance

Investments in the Industrial Process

	MW	€/MW	M€
Total Investment →	150-210	2,50	375-525
Total Equity →	150-210	0,75	112-157

Investments in the Energy Crop Supply Base

	Hec	M€
Total Investment →	15.920	90-100

(1) Assuming plants are financed through project finance (70% non-recourse debt and 30% equity). All information is included in the document submitted to the CNMV. For the Investment in Energy Crop supply base a detailed planning of plantation and costs is included in the CNMV file.

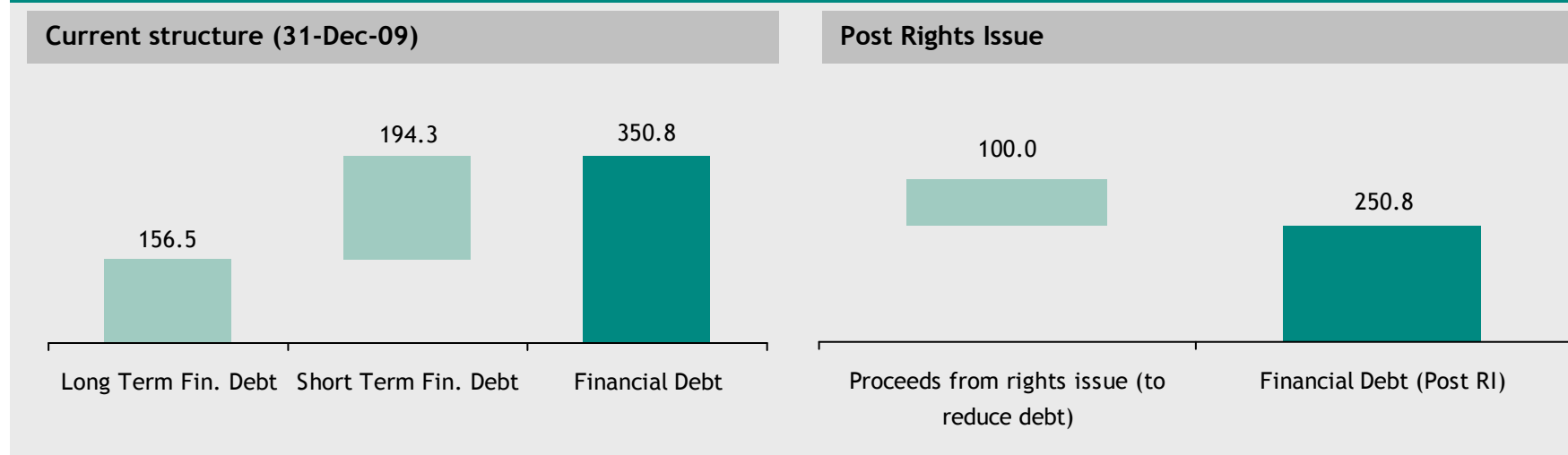


Financial Structure: commitment with a benchmark financial structure

Financial Structure

Financial restructuring according to a new strategy

Financial Structure⁽¹⁾

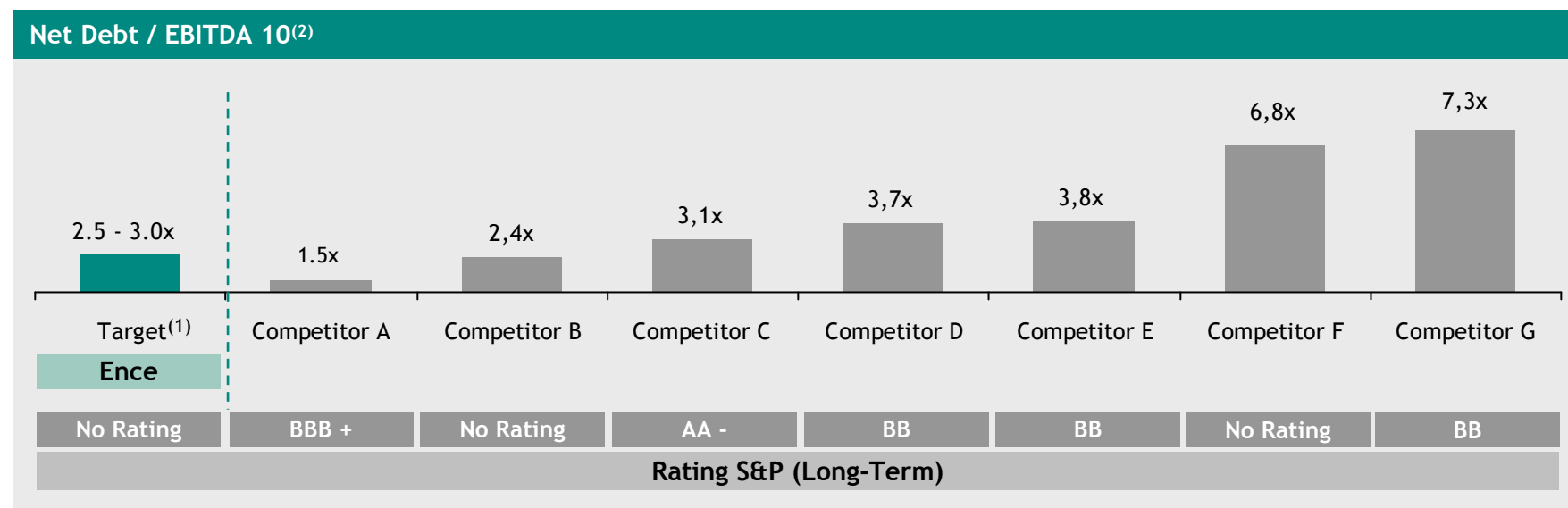


- Attain a solid financial structure within the industry to guard against market downturn (Net Debt / normalized EBITDA of 2.5-3x)
- Gain flexibility to address growth opportunities (targeting 210 MW of biomass) and foster efficiencies in pulp

(1) 98.5 M€ of additional financial risk (33.1 M€ of confirming and 65.5 M€ of off-balance contingencies)

Financial Structure

Financial restructuring according to a new strategy



- Ence to enjoy much stronger financial position throughout the economic cycle
- Clearly below the sector average (Net Debt/EBITDA 2.5x - 3.0x vs. its peers 4.1x)

(1) Ence's target ratio of debt (with recourse) to EBITDA with normalized EBITDA

(2) Last Company report and Bloomberg consensus