



Energía y Celulosa

ENCE ENERGÍA Y CELULOSA, S.A. (the "Company"), pursuant to article 82 of the Securities Market Act, encloses the information note published today in the media, concerning the publication of its semi-annual financial statements and the resolutions of its Extraordinary General Shareholders Meeting and of its Board of Directors.

In Madrid, 24 July 2012.



Approval of 7-million € capital reduction

Ence obtained €16 million net profit in the first half of the year

- The company's net income in the second quarter increases by 43% with respect to the first quarter result.
- Strong progress of operating results: EBITDA for the second quarter reached €42.8 million (+20% than in the first quarter), thanks to cost reduction and price recovery.
- Growth in pulp and energy sales: pulp sales in tonnes grew by 3% with respect to the first half of 2011, and electricity sales rose by 5%. Income from energy sales grew by 13%.
- Positive development of cash cost (total unit cost), which dropped to €340/tonne, 10% below the level recorded in the first half of 2011, thanks to the efficiency improvements achieved.
- Maintenance of financial strength: net financial debt reached €167 million, equal to 1.3 times the EBITDA, the benchmark level in the sector.
- Recovery of pulp prices, with an aggregate increase of \$140/t in the second half of the year, reaching \$790/t.

24 July 2012. The Ence Extraordinary General Meeting of Shareholders held today approved a reduction in share capital of almost 7 million € through the retiring of 7.7 million of own shares held in treasury stock, as well as the distribution in kind of the share premium, through delivery to shareholders of 1 new share for every 37 shares outstanding.

The Extraordinary General Shareholders Meeting has also approved maintaining own share purchase. As the Ence Chair, Juan Luis Arregui, said purchase of own shares is the best investment for Ence shareholders, as the current market conditions and share prices provide a good opportunity to create value and contribute to profitability for shareholders.

The Ence CEO, Ignacio Colmenares, said that "against the worst backdrop possible, in the midst of an unprecedented global crisis, Ence is achieving satisfactory results and is even increasing its financial strength and profitability for shareholders, which makes it possible to face the future under enviable conditions".

"We have a high cash generation capacity, of over 120 million €/year, thanks to our growing competitiveness, our export strength, and financial solvency, which enable us to face new own share purchases to provide retribution for Ence shareholders", said Ignacio Colmenares.



Strong result evolution

Ence's net profit in the first half of the year was €16 million, thanks to the strong performance of the company's operating results and continuous productivity improvements. It should be pointed out that results in the second quarter reached €9.4 million, a 43% increase with respect to the 6.6 million in the previous quarter.

The average cash cost dropped to €340/t, 10% below the €376/t reached in the first quarter of the previous year. By comparison to the €393/t reached in the last quarter of 2010, cash cost dropped by 16%, in line with the -4%/-6% cutback objective set for the entire 2012 business year.

This decrease was the result both of greater efficiency in the industrial process and of wood cost containment, a trend that is expected to continue in 2012 as the weight of imported wood in the consumption mix decreases and greater cost efficiencies are achieved in supply.

Sales for the first half of the year amounted to €392.6 million, 6% less than sales in the same period in 2011, solely as the result of the drop in pulp prices and the decrease in wood sales to third parties, partially offset by higher pulp production, after efficiency and performance improvements.

The adjusted EBITDA for the six-month period was €78.3 million, 13% below the EBITDA for the same period the previous business year. However, a comparison between the adjusted EBITDA for the second quarter and the adjusted EBITDA for the previous quarter shows a 20% rise which only partially reflects the upward trend in prices.

Discounting amortisation and depreciation charges, provisions, financial results, and taxes, the company made the aforementioned net profit of €16.0 million.

It should be pointed out that pulp prices in the first half of 2011, when net profit was €27.6 million, were abnormally high, and so it is expected that company results will quickly grow in the current business year due to price recovery, as well as to Ence's strong cash generation capacity and the drop in the company's production costs.

As a result of the strength of the pulp and energy businesses, operations continue to generate strong cash flows, which amounted to €47 million in the first half of the year, generated despite of a backdrop of price recovery and the recovery of investment in working capital which took place in 1Q12 as a result of the anticipation of VAT liquidation in the German market. Price recovery, together with the expected cost improvements, will boost cash generation in the second half of the year.

In terms of debt, in late June net financial debt with recourse was €165 million. The company continues to be a benchmark in the sector, closing the quarter with a 1.3x ratio between net financial debt/EBITDA in the last 12 months.

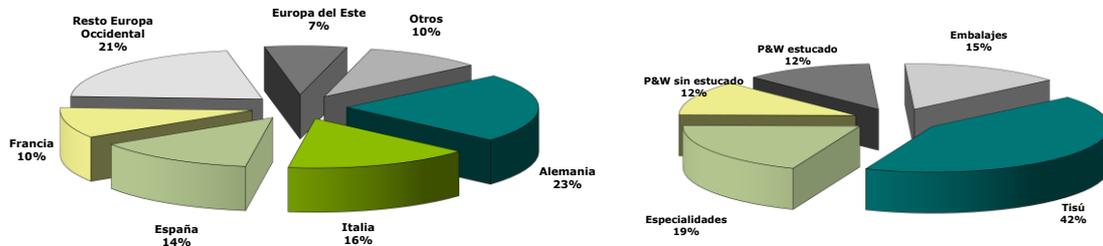
Pulp business

Application in the last two years of a new industrial management model based on continuous improvement has made it possible to optimise pulp production, which amounted to 598,248 tonnes of pulp in the semester – a 1.4% year-on-year increase. Higher plant stability has made it possible to reach capacity to use ratios of more than 96%.

Pulp sales increased by 3% in the first semester, reaching 600,775 tonnes. This increase is the result of the company's commercial strength, which enabled it to sell the highest production ever in the market, as well as decreasing its inventories.



Sales distribution by segment was in line with 2011, with tissue paper as the main target segment, as 100% of the products in this segment are manufactured with eucalyptus fibre and its growth is very stable (more than an annual +1% in Europe, even in situation of economic contraction).



The recovery of market prices from the floor of \$650/t floor in December 2011 should be pointed out, as it made possible an 11% improvement in average sale price with respect to the first quarter of the year and a 17% improvement with respect to the last quarter of 2011. In this way, the pulp market has maintained an upward trend during the quarter, reaching levels close to \$790/t.

Global demand continues to display a positive trend this year, with 2.5% growth until May, thanks to the strong behaviour of Chinese demand, with 17% accumulated growth this year.

Prospects for the coming months continue to be positive, given the stable inventory status, the strength of demand, and the lack of capacity increases until early 2013.

Energy business

Energy sales were amounted to €97 million in the first semester, 13% more than in the same period last year due to the higher sale volume, the greater weight of biomass generation in the production mix, improved pool prices, and the review of tariffs and premiums.

Electricity production was 768,477 MWh, 4% more than the first half of 2011. Biomass renewable energy generation constitutes 76% of the company's production mix. Ence's electricity sales in the six-month period amounted to 760,618 MWh, a 5% increase with respect to the same period last year.

The positive development of production figures strengthens Ence's leadership in the biomass renewable market, and consolidates the company's growth in the energy sector, which is a key factor in its growth strategy until 2015.

Forestry

During this semester, 1,733,475 m³ of wood were supplied to the group's pulp factories, 2% less than the figure consumed over the same period last year, despite the increase in pulp production. This positive development is the result of improvements in industrial performance of processed wood (-4% reduction in specific consumption, reaching 2.9 m³ of wood for every tonne of paste manufactured).

Over this semester, the company has continued to actively manage its wood supply sources to strengthen its competitive position in this market, diversifying origins as a guarantee of volume



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availability and improving control over the entire value chain (from felling to transport), in order to achieve greater cost efficiencies.

The measures taken made it possible to decrease the weighting of imports by 49% over the quarter. This decrease, together with the lower cost of local wood, made it possible to reduce average purchase price by 3%. This improvement will be fully transferred to results over the second quarter.