Ence Energía y Celulosa
9M13 Results

October 30th, 2013

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9M13 Results

A positive 9M13 set of results

1. **Strong increase in pulp volumes in 9M13 vs 9M12 (+6%) due to higher production and solid demand**
2. **Solid performance of energy pushed by the contribution of the new Huelva 50 MW power plant recently commissioned**
3. **Strong EBITDA generation despite a pick-up in cash cost due to the impact of the new energy measures**
4. **A robust financial profile including €246M of liquidity and €99M of net financial debt**

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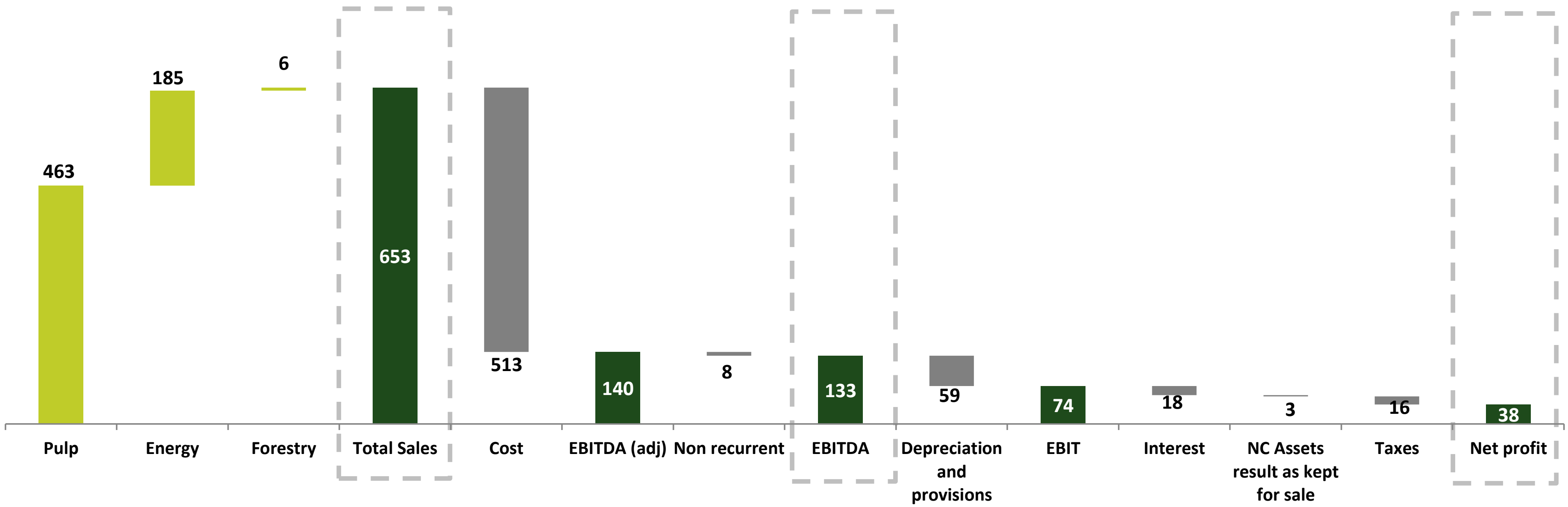
A positive set of results in 9M13

Breakdown of 9M13 P&L (€M)



- Net profit stands at €38M in 9M13, +31% higher than 9M12
- +6% growth in pulp sales in 9M13 vs 9M12 after +7% increase in pulp prices
- Strong increase in energy sales, reaching an annual growth above +30% thanks to the contribution of the new Huelva power plant
- Increases in pulp prices are driven by higher pulp demand

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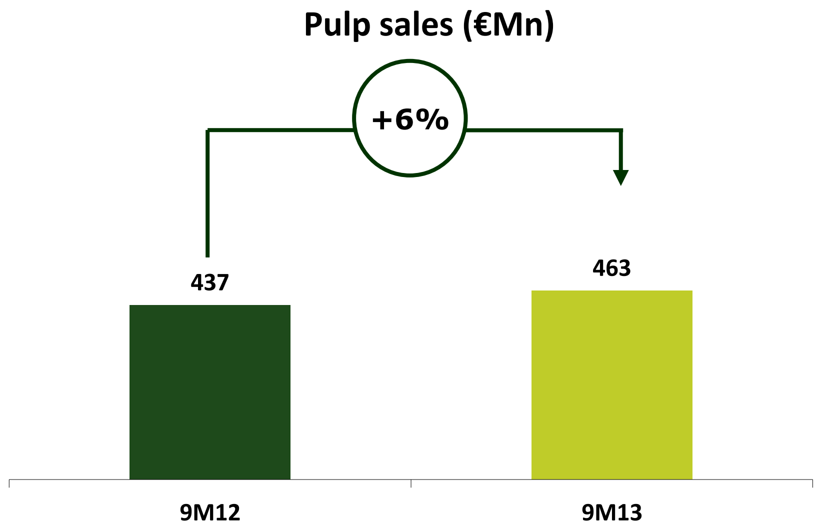
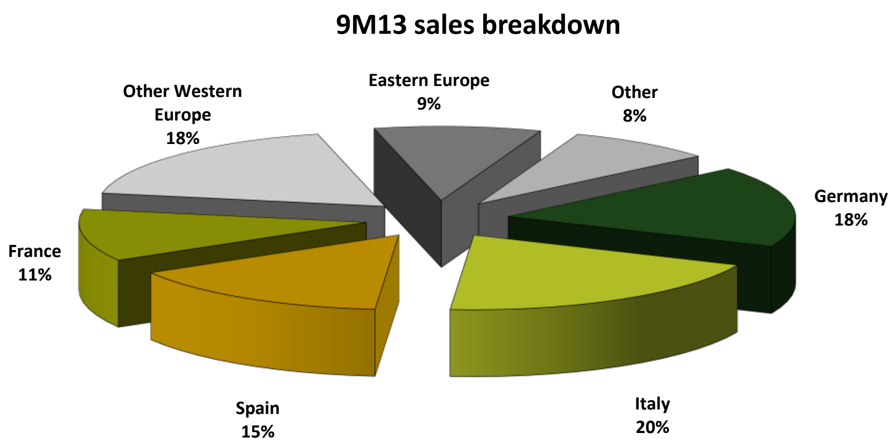
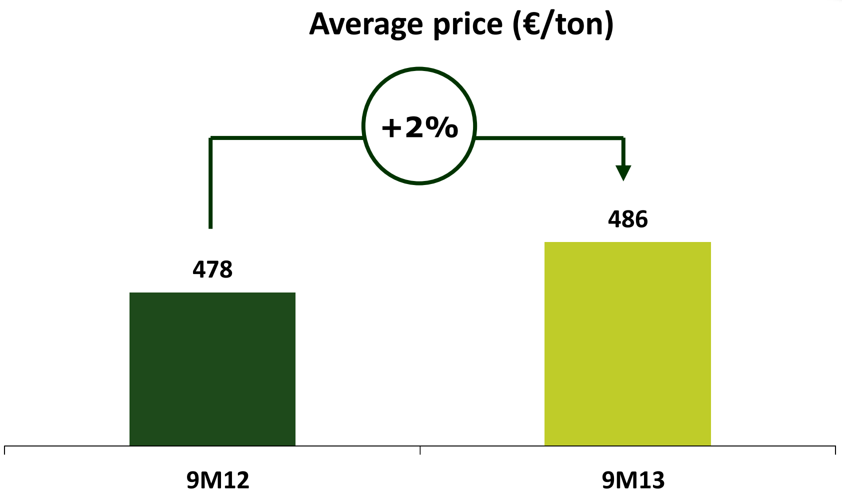
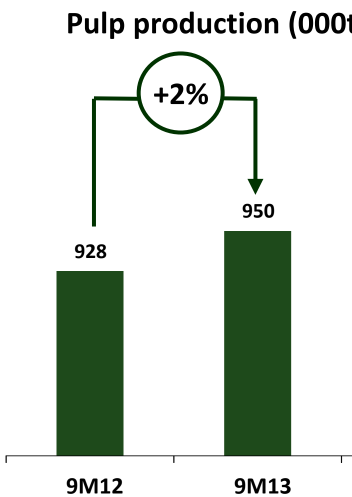
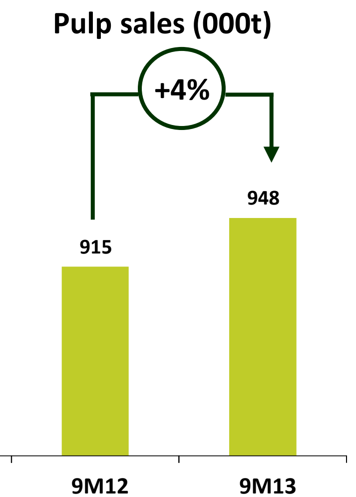
1 Strong pulp sales led by strong pulp demand





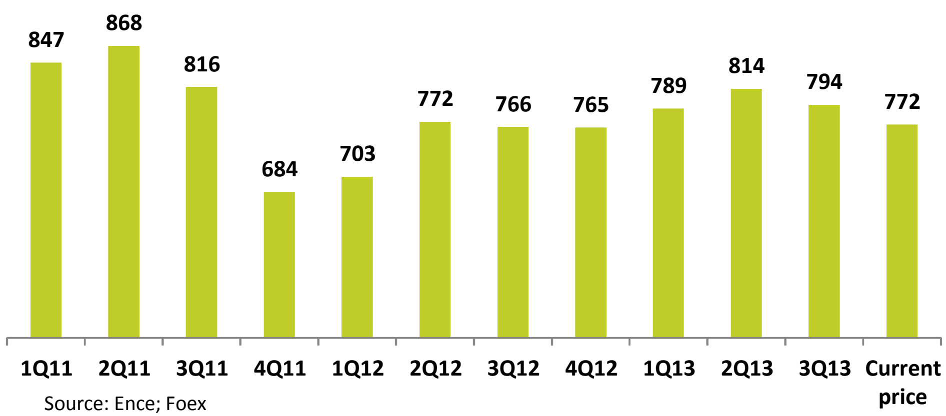




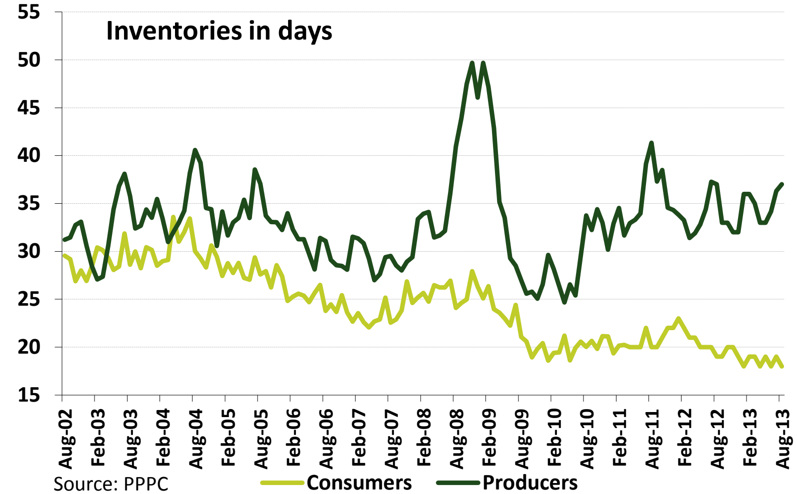


1 The upward trend in market prices driven by higher pulp demand will contribute positively to performance in coming quarters

Evolution of pulp prices ($/t)

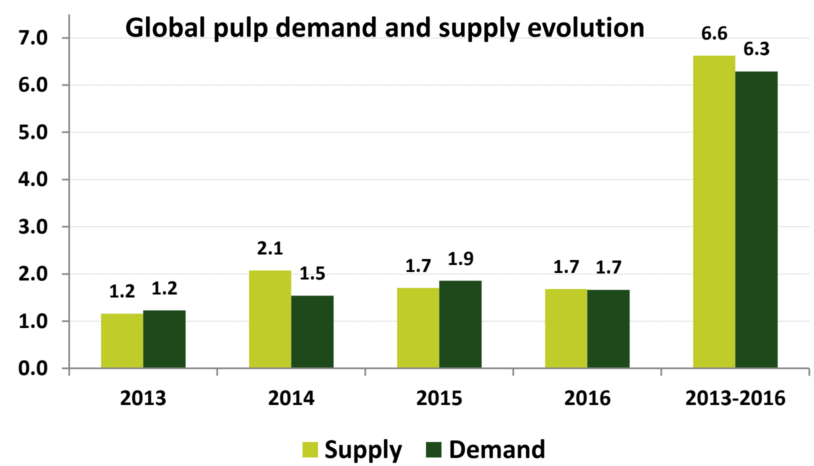


Source: Ence; Foex



Source: PPPC

- The price of short fiber bottomed at $768/t in October, +2% above the average reached in 2012 and -3% below 3Q13 average due to demand seasonality
- Demand strength (+2% both on a global basis and in Europe), current low inventory levels and capacity closures, are supporting prices above $770/t
- The current supply-demand balance is expected to remain in the coming years, what will keep the medium term prices close to $800/t



Source: RISI Aug-13; figures in million tons

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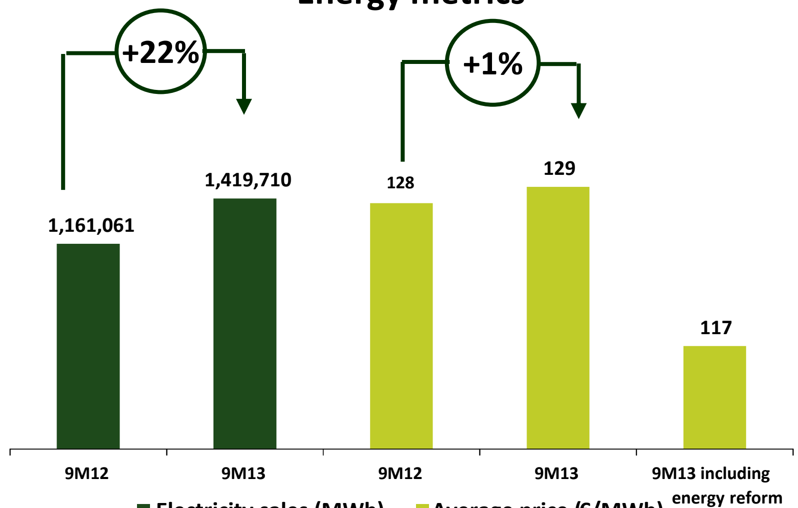
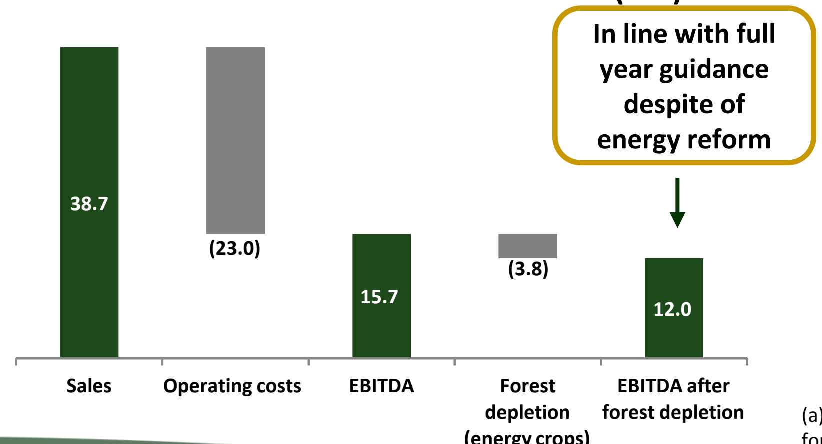
2 Solid performance of energy activity led by the consolidation of the new 50MW power plant

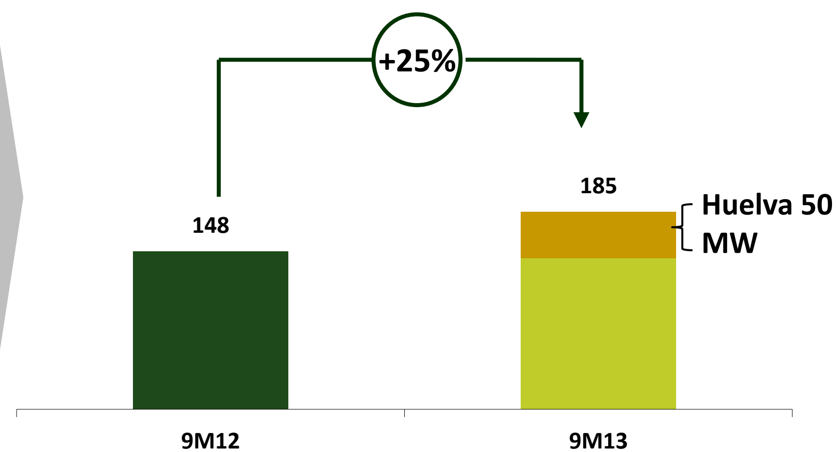
Energy metrics



Breakdown of 9M13 P&L of Huelva 50MW (€M) (a)



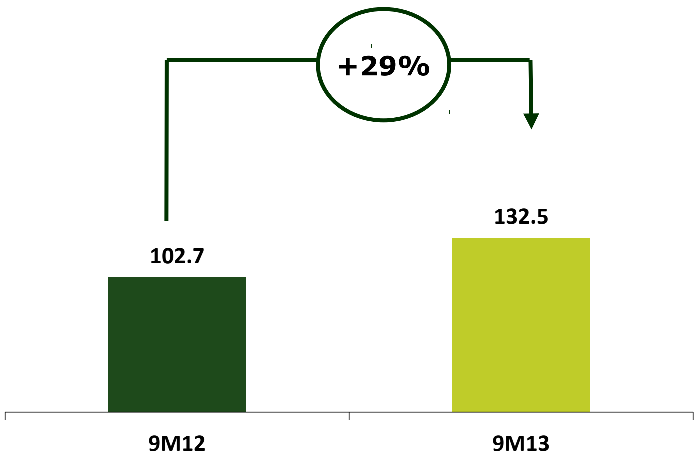
Electricity sales (€M)



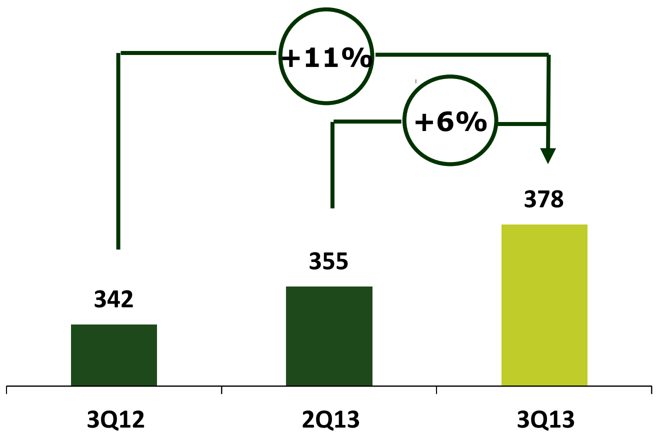
(a) From February to September. In January, figures were fully capitalized. Excluding this capitalization, pro-form EBITDA 9M13 would have increased to €17.7M and pro-forma EBITDA after forest depletion would have increased to €13.5M

3 Strong EBITDA generation despite a pick-up in cash cost due to the impact of the new energy measures

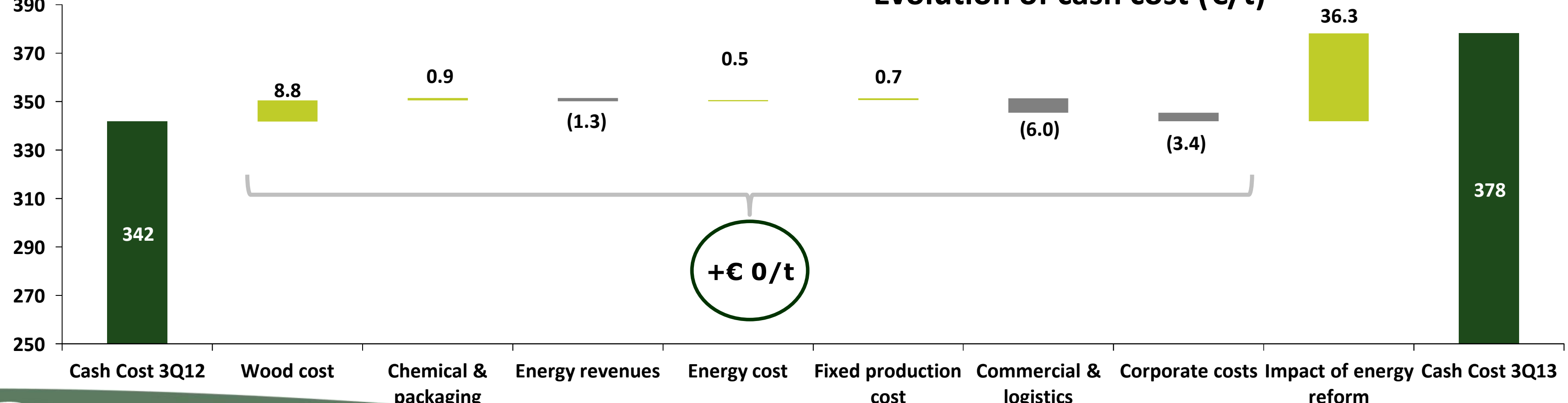
9M13 EBITDA(€M)



Average cash cost (€/t)



Evolution of cash cost (€/t)



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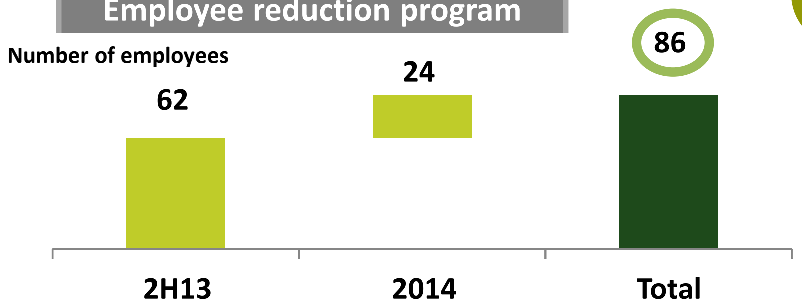
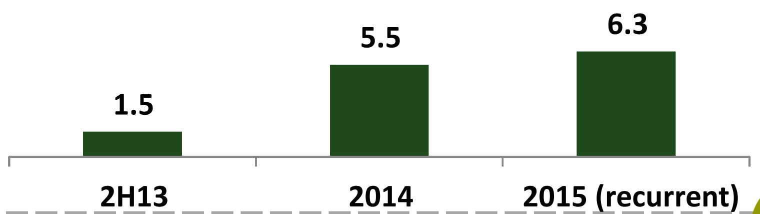
3 We are keeping the focus on efficiency, which will help us to restore margins after regulatory changes in energy

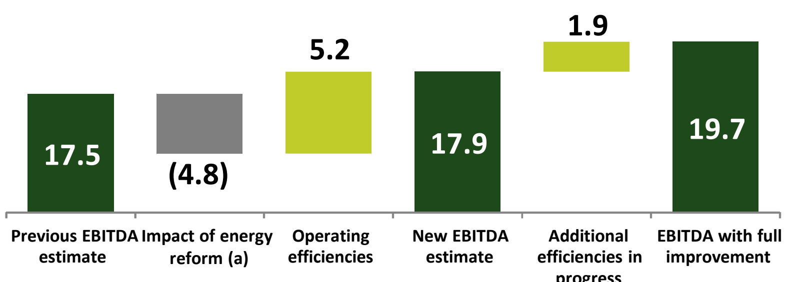
Employee reduction program



Projected savings (€M)



50MW: managing operations to secure EBITDA



(a) annualized figure including the impact of removing the payments for efficiency and reactive bonuses

Key areas of efficiency projects

- Replacing fuel consumption in lime kilns with gas:
  - Executed in Huelva (May 2013)
  - Programmed for Navia (1Q14)
  - Designed and under permitting phase for Pontevedra
- Optimizing energy facilities:
  - Navia: increasing availability of boilers
  - Pontevedra: rebalancing mill´s steam consumption
  - Huelva 50 MW: increasing load levels
- Renegotiating supply contracts:
  - Logistics
  - Chemicals
  - Industrial & maintenance services

We expect €15-20M pro-forma annual savings in six to nine months

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RD 9/2013 replaces the RD 661/2007, that established the regulatory scheme for renewables and cogeneration

- The basic framework of the new scheme has been defined in the preliminary draft of a Royal Decree for special regime installations
  - Premium price will aim to achieve a 7.5% return pre-tax
  - New ministerial orders will define standards for energy plants by technology: investment, costs and useful life
  - Standards will be reviewed periodically to adjust for deviations in returns

  As a whole, the impact on renewables expected from this reform is a reduction in the regulated cost of €1,500 M

- Valuation of the impact on Ence requires that standards be quantified by the regulator
- The new RD is in the process of discussion and appeals

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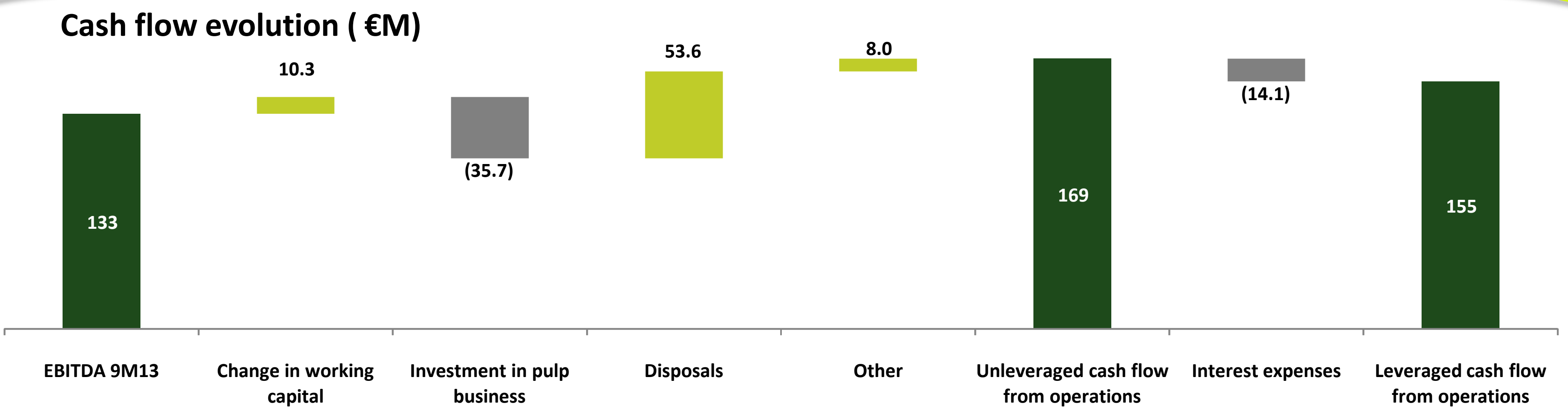
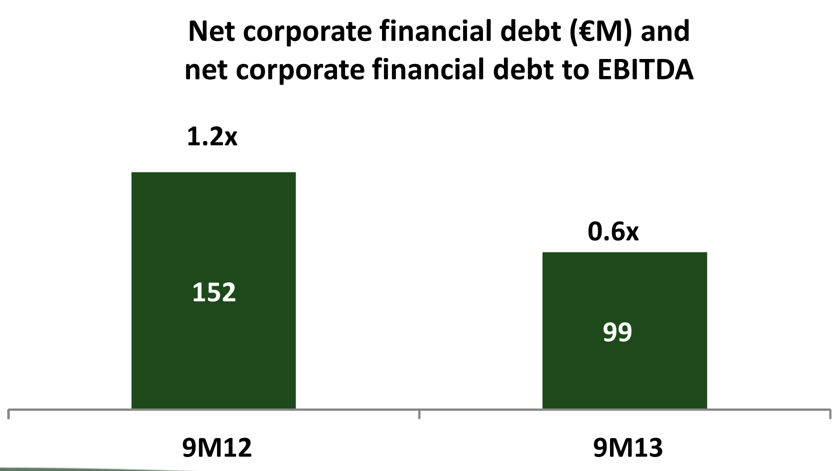
A robust financial profile based on solid cash flow from operations …

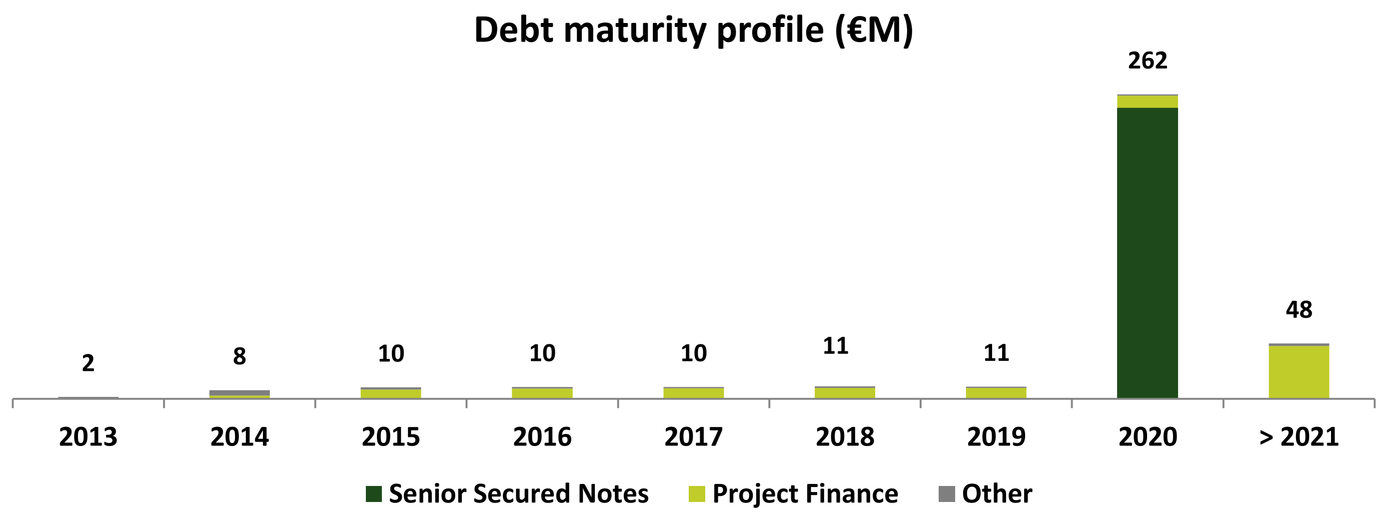


(a) Changes in working capital includes the sale of inventories in Uruguay for €6.2 M as part of the assets disposals
(b) investments in pulp mills and eucalyptus plantations for pulp production



- **Strong operating cash flow thanks to higher prices** driven by higher demand and a solid management of working capital
- **Net financial debt decreased by -35% to €99M, with low leverage of 0.6x EBITDA** of the last twelve months
- There is €105M non-recourse debt related to the "project finance" successfully signed for the construction of the 50MW plant in Huelva and 20MW plant in Mérida

… further strengthened after the issuance of a €250M senior secured note that provides flexibility and protection



- **Ence successfully issued a €250M senior secured note due 2020 and with a 7.25% coupon (semi annual payments), four times oversubscribed**
- **The proceeds allowed to repay the syndicated loan maturing January 2014,** limiting annual debt payments to that of the project financing (c€16M annually, once current financing is fully drawn)
- **Additionally, Ence contracted a €90M RCF (Revolving Credit Facility) maturing in 2018,** currently undrawn, that provides further support to the company´s liquidity

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This presentation includes data relating to future forecasts. Any data included in this presentation which differ from other data based on historical information, including, in a merely expository manner, those which refer to the financial situation of Ence, its business strategy, estimated investments, management plans, and objectives related to future operations, as well as those which include the words "anticipate", "believe", "estimate", "consider", "expect" and other similar expressions, are data related to future situations and therefore have various inherent risks, both known and unknown, and possess an element of uncertainty, which can lead to the situation and results both of Ence and its sector differing significantly from those expressly or implicitly noted in said data relating to future forecasts.

The energy income figure and production cost ("cash cost") in the 3rd quarter of 2013 are calculated based on the rates, defined in Order IET/221/2013 and published in the Official State Gazette (BOE) of 16 February 2013, for electricity-generation facilities operating under the special regime, excluding compensation for efficiency and reactive energy as of 14 July 2013 (the date of the publication of Royal Decree-Law 9/2013 on measures to guarantee the stability of the Electricity System).

In addition, Royal Decree-Law 9/2013 establishes the transitory application of said rates during the period between 14 July 2013 (date of the entry into force of the Royal Decree-Law) and the date on which the new compensation system for production facilities operating with renewable energy sources, co-generation and waste enters into force. Parameters of rates calculation of the new compensation framework, which will be defined in Development Orders of the Royal Decree, have not been published to the issue date of the current report of results, therefore it is not possible to collect its potential impact on the financial statements at the end of September. After the entry into force of the new system, the rates paid during the transitory period can be adjusted retroactively from 14 July 2013, so the energy income and production cost ("cash cost") ultimately recorded in the period covered are subject to change after the publication of this report.

The aforementioned data relating to future forecasts are based on numerous assumptions regarding the current and future business strategy of Ence and the environment in which it expects to be situated in the future. There is a series of important factors which could cause the situation and results of Ence to differ significantly from what is expounded in the data relating to future forecasts, including fluctuation in the price of wood pulp or wood, seasonal variations in business, regulatory changes to the electricity sector, fluctuation in exchange rates, financial risks, strikes or other kinds of action carried out by the employees of Ence, competition and environmental risks, as well as any other factors described in the document. The data relating to future forecasts solely refer to the date of this presentation without Ence being under any obligation to update or revise any of said data, any of the expectations of Ence, any modification to the conditions or circumstances on which the related data are based, or any other information or data included in this presentation.

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