

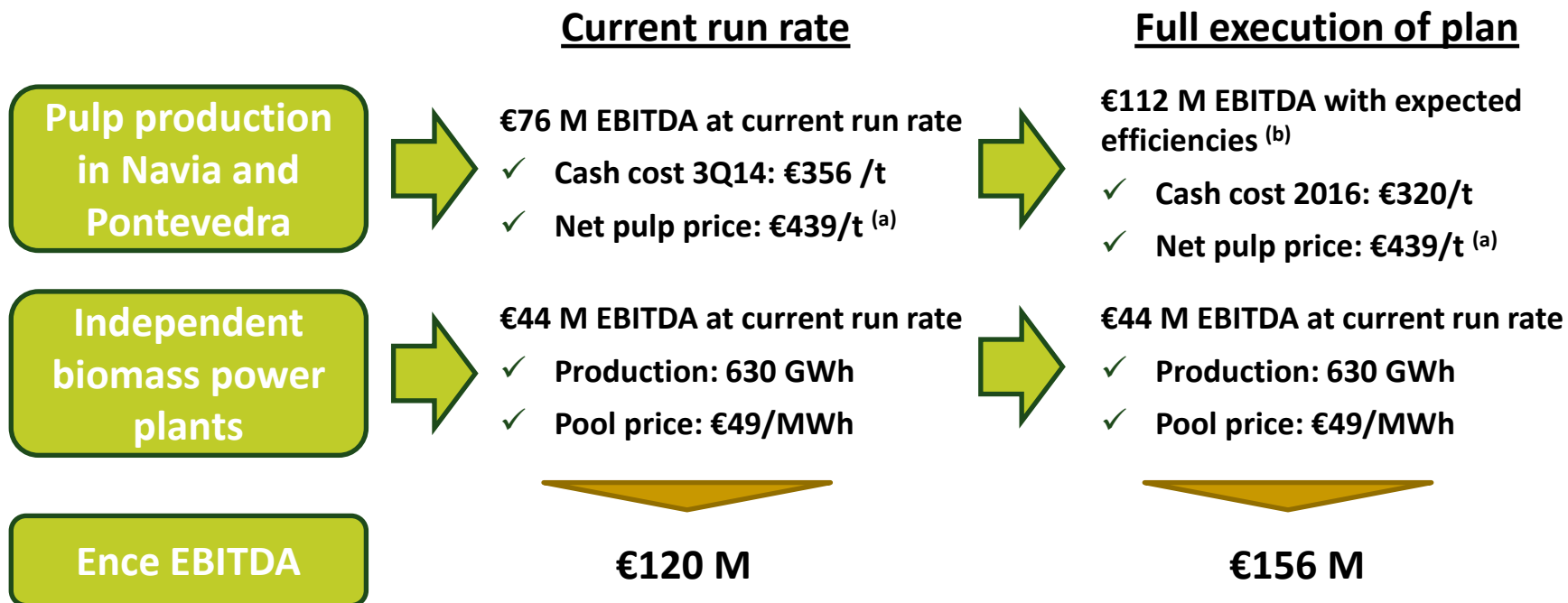
Ence Energía y Celulosa

3Q14 Results

November 3rd, 2014



Ence delivers on its commitment to grow EBITDA



A 5% dollar appreciation or 5% pulp increase would increase EBITDA by €20 M, providing upside to this scenarios ^(c)

^(a) based on March 2014 reference (pulp price at \$765/t and \$1.38/€, as previous run rate guidance

^(b) based on a combined pulp production of 0,94 Mt after the execution vs a 0,9 Mt at 3Q14 levels

^(c) based on a 0,9 Mt production

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A Progressing with the efficiency plan

B 3Q14 summary results

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A

Progressing with the efficiency plan

B

3Q14 summary results

2014 – 2016 Competitiveness recovery plan announced in May is progressing successfully

1	Current pulp EBITDA run rate (at real Navia and Pontevedra Q3 cash cost)	€76 M
2	Negative EBITDA of Huelva Pulp mill (-€40 M per year until closure)	€0 M
3	Investments in efficiency <ul style="list-style-type: none">• 2 years payback• 4 years payback	€10.2 M €3.5 M
4	Cash cost reduction (€9/t)	€8.3 M
5	Current biomass EBITDA run rate following the incorporation of Merida 20 MW	€44 M

ENCE 2015 PROFORMA EBITDA

€142 M

1

Impact of Huelva shutdown

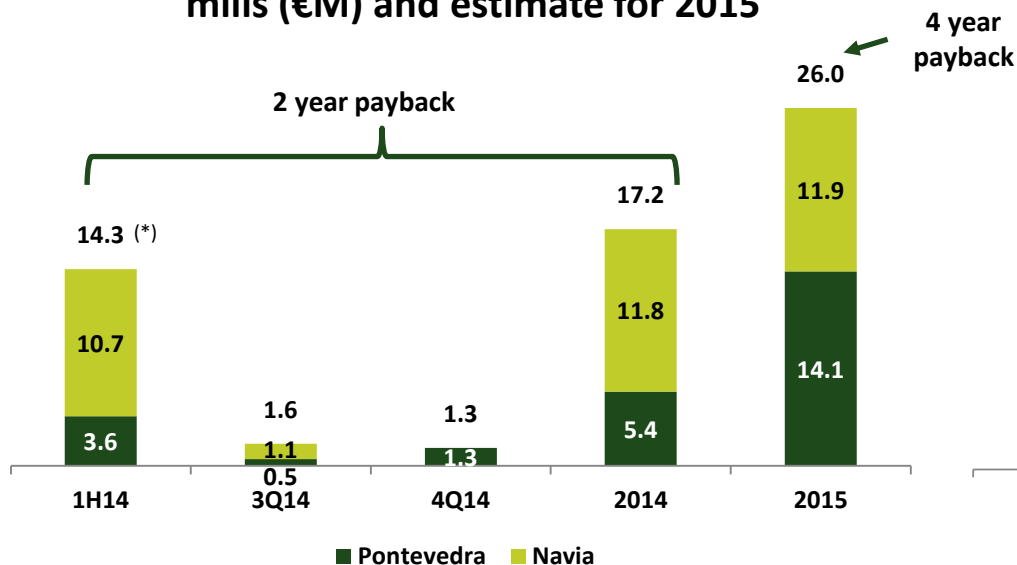
<u>Cash impacts</u>		<u>Non recurrent P&L impacts</u>	
• Severance payments	€18.6 M	• Impairment of industrial assets	€41.8 M
• Cancellation of contracts	€15.6 M	• Eucalyptus plantations	€45.9 M
• Refund of grants and others	€8.2 M	• Cash impacts	€42.4 M
Total	€42.4 M	Total	€130.1 M

**Positive annualized impact of €40 M EBITDA ^(a)
(starting October 2014)**

(a) Based on 9M14 net pulp price and mill costs

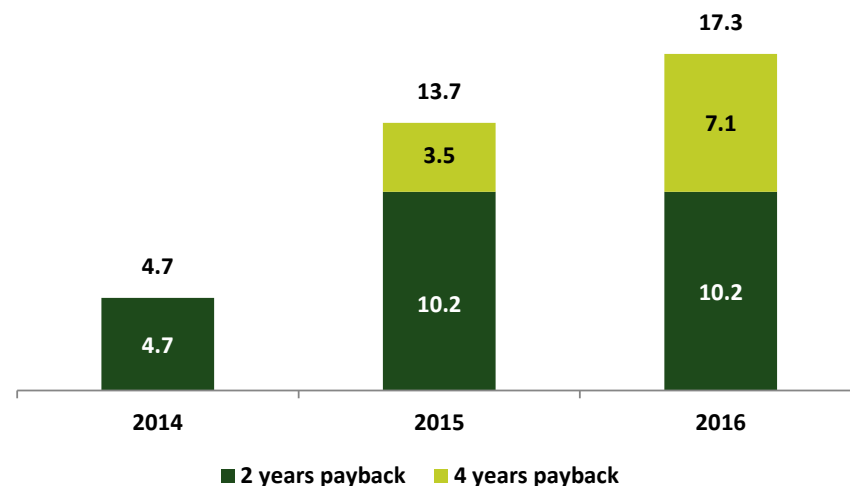
2 Investments to improve efficiency on track

Investments made in Navia and Pontevedra mills (€M) and estimate for 2015



(*) €6.8 M were accounted in July

Annual savings expected from investments (€M)

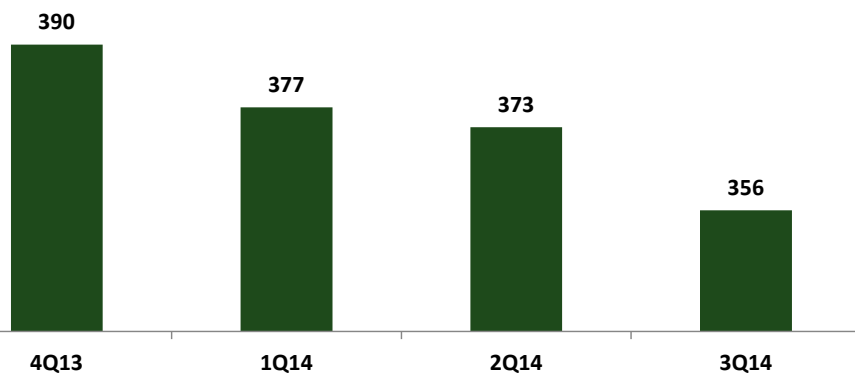


- Ence expects to fully implement its investments with expected return in 2 years, during the 2H14, with committed investments reduced by 18%
- Estimate of the annual impact on the company's EBITDA of €17 M remains in line (€19/t)

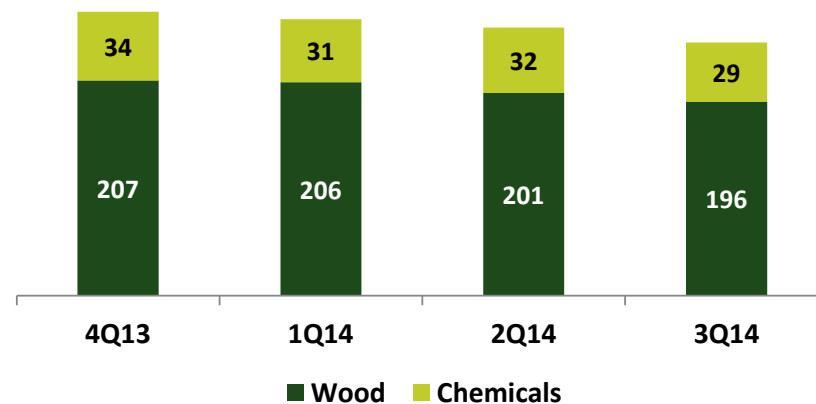
3

Cost management starting to pay off, especially in wood and chemicals

Cash cost evolution in Navia and Pontevedra (€/t)



Chemical and wood costs evolution in Navia and Pontevedra (€/t)



We expect to continue lowering our cash cost in 2015 with efficiency measures

4

Biomass power plants are increasing their contribution to results...

Huelva 50MW



Huelva 50 MW has improved its contribution to the EBITDA of the company with €4.7 M EBITDA in the 3Q14, in line with company guidance as this is the first quarter that is not including the impact of the use of energy crops as fuel

**Annual
EBITDA**

€20 M

Merida 20MW



Merida 20 MW has contributed to the EBITDA of Ence since September after the reception of the power plant; the EBITDA of September amounted to €0.7 M in line with company guidance

€7 M

Huelva 41MW



The generation power plant that was part of the pulp site, is expected to start operations in late November, after the required changes to allow it to run independently. The annualized EBITDA of the power plant is expected to be above €17 M

€17 M

Annualized EBITDA contribution of independent power plants above the €44 M figure

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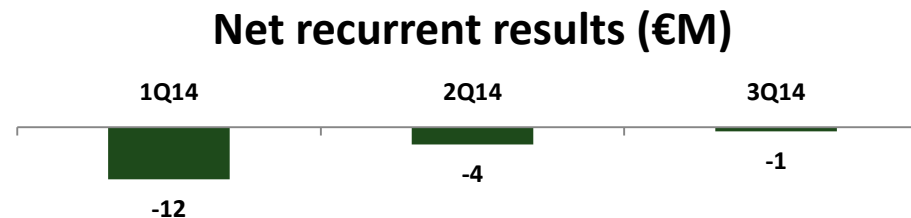
A Progressing with the efficiency plan

B 3Q14 summary results

3Q14 results

1

Recurrent net results are improving each quarter due to the efficiency plan despite low pulp prices



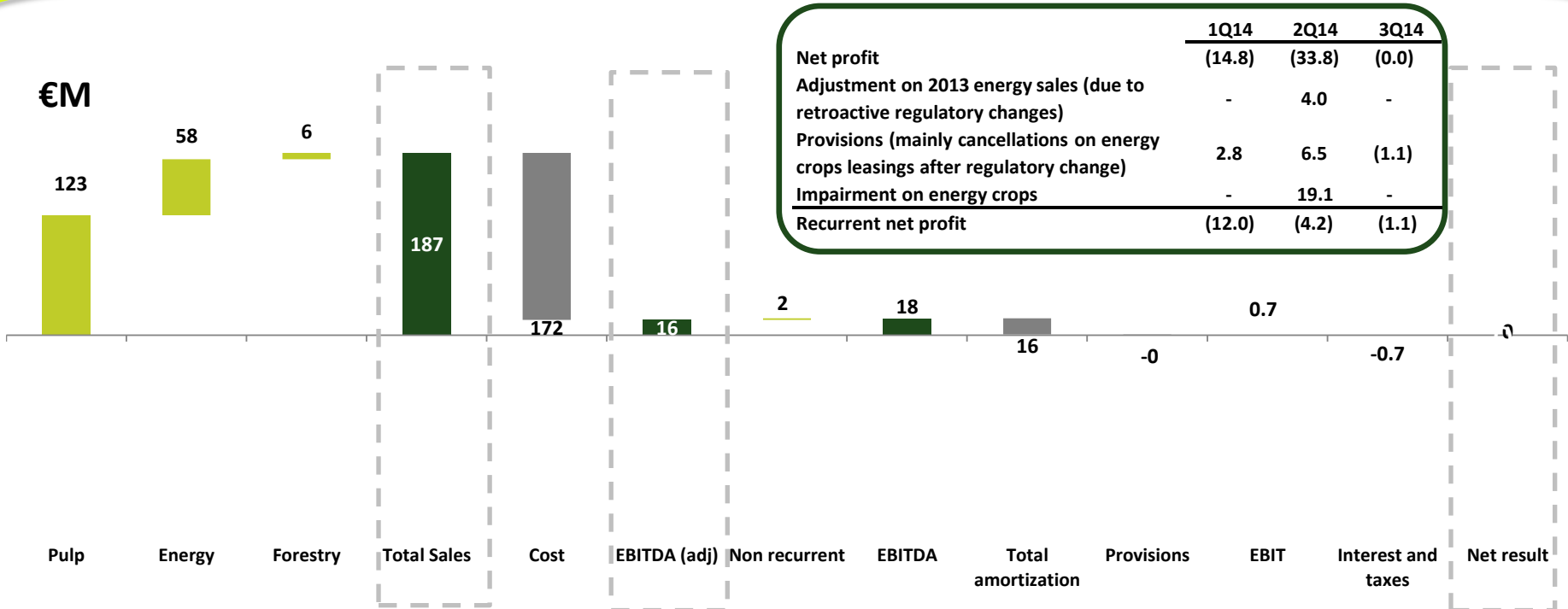
2

Pulp prices are recovering after bottoming at \$724/t

3

The company maintains a solid balance sheet and cash flow generation despite the impact of the new regulatory framework and low pulp prices. Despite this negative environment we have the best Net Debt/EBITDA of the industry

1 Breakdown of 3Q14 P&L

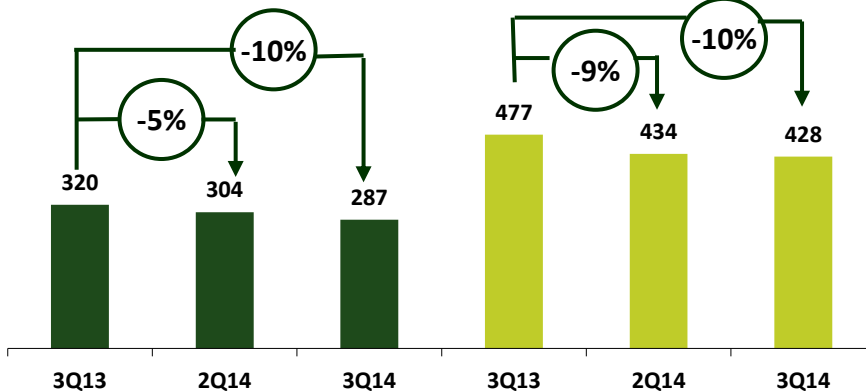


- 11% decrease in pulp sales in 3Q14 vs 3Q13 driven by lower pulp prices and volumes
- 3Q14 EBITDA stands at €16 M, penalized by the negative contribution of Huelva pulp activity
- Net profit in 3Q14 (excluding non recurrent impacts due to regulatory change) stands at -€1 M

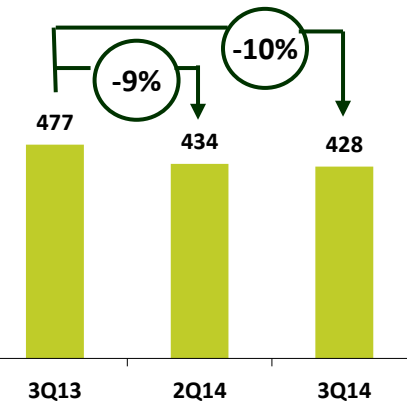
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Pulp activity impacted by low pulp prices and negative mill's operating performance...

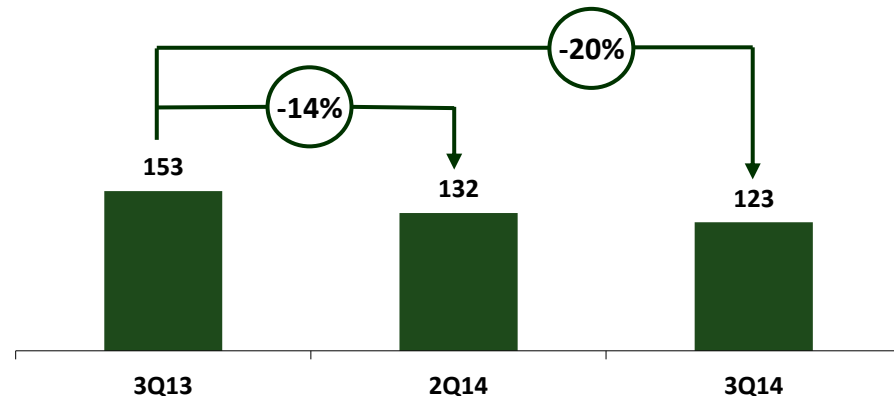
Pulp sales (000t)



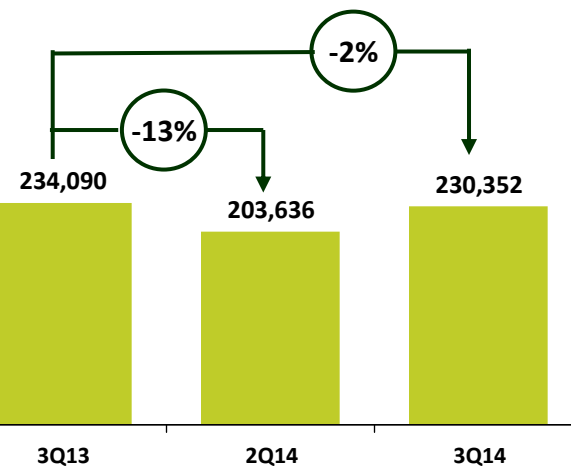
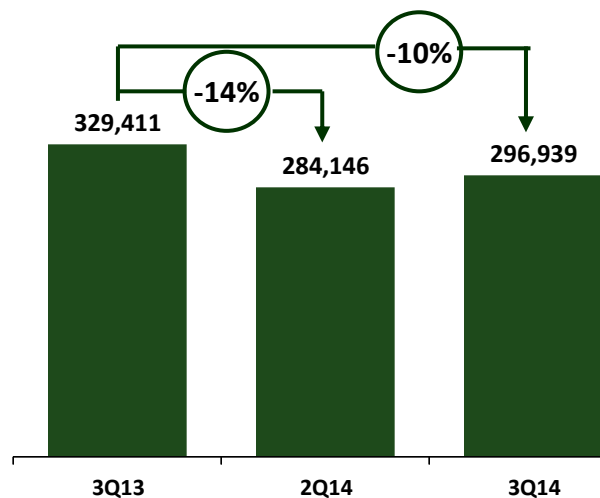
Average selling price (€/t)



Pulp sales (€M)



Production per plant (tons)

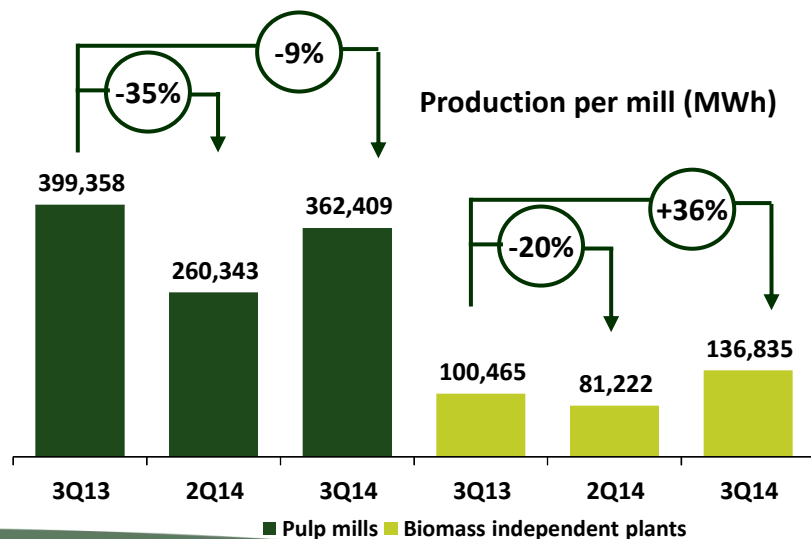
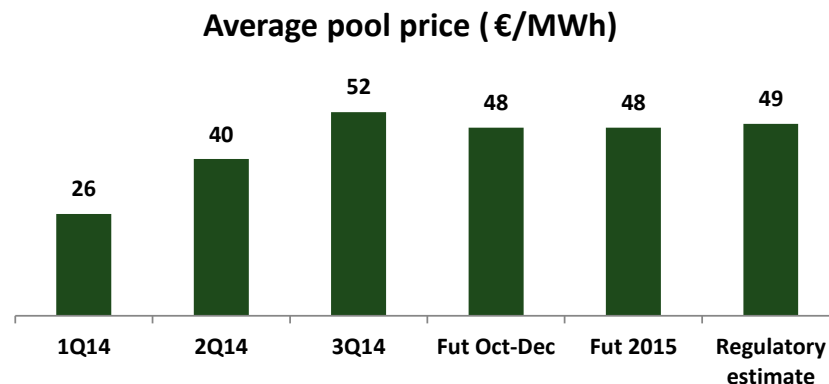
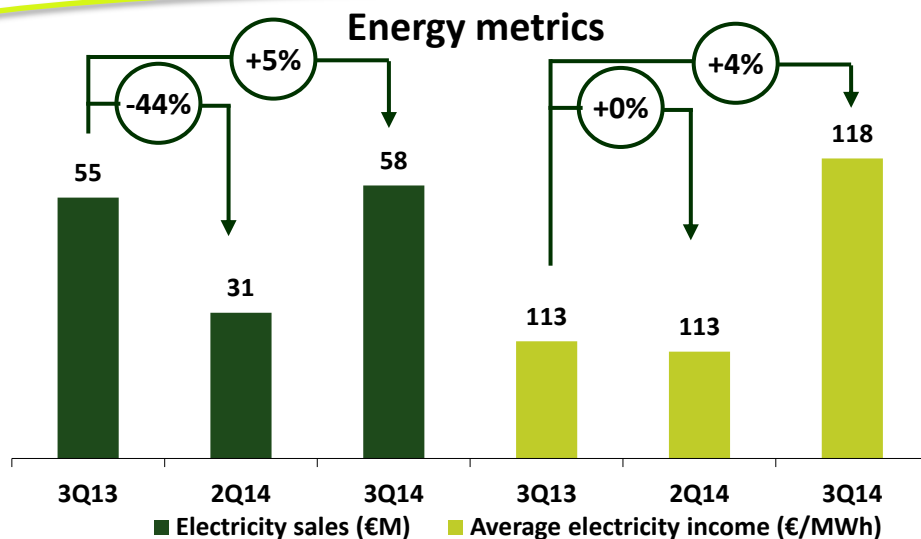


■ Ence Group

■ Navia & Pontevedra

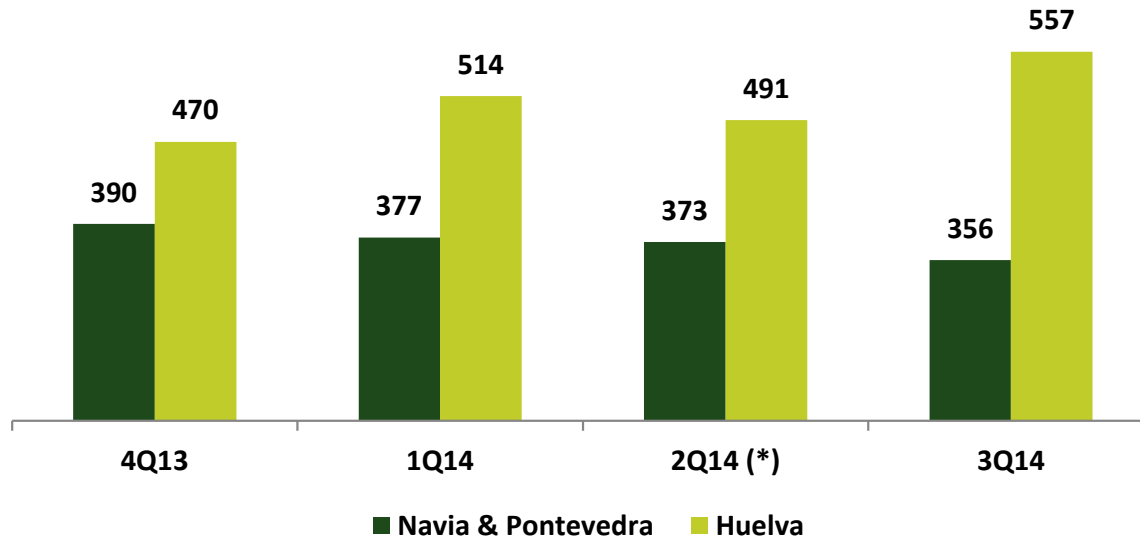
1

...with increase energy sales as generation at the mills has been offset by the growth in the independent biomass power plants



- ✓ Production at the mills have fallen compared to 3Q13 due to lower pulp production
- ✓ Energy sales have increased thanks to the contribution of independent power plants and positive evolution of pool prices in the period

1 Efficiency measures are showing in the 3Q14 cash cost of Navia and Pontevedra



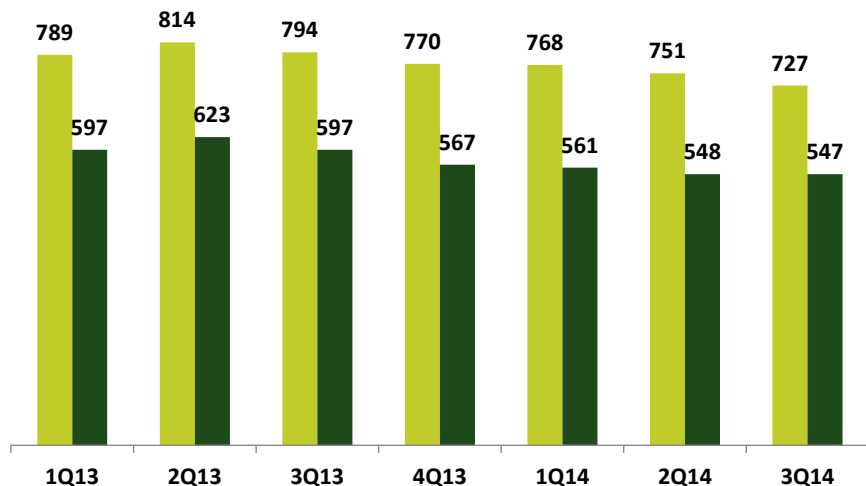
- ✓ 3Q14 cash cost figure is showing an improvement, mainly in wood, chemicals and fix costs
- ✓ Further improvements in 4Q14 will be offset by a 4 days strike in October, during the discussion for the Huelva shut down

(*) adjusted downward €6/t in Pontevedra & Navia by the effect of the strike in Pontevedra and problems in restarting Navia; and €10/t in Huelva by the effect of the strike

2 Pulp prices stabilizing close to \$730/t...

Pulp price evolution

■ \$/t ■ €/t



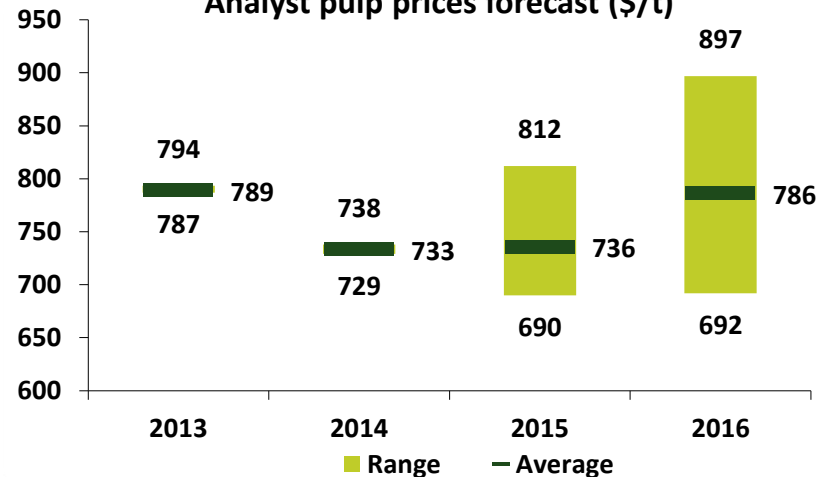
Source: Ence; Foex

Prices have averaged \$749/t in 9M14 thanks to:

- ✓ Consumer stocks at historical lows (18 days)
- ✓ Spread between soft and hardwood at maximum levels
- ✓ Chinese demand accelerating during the year (+4% in 9M14)

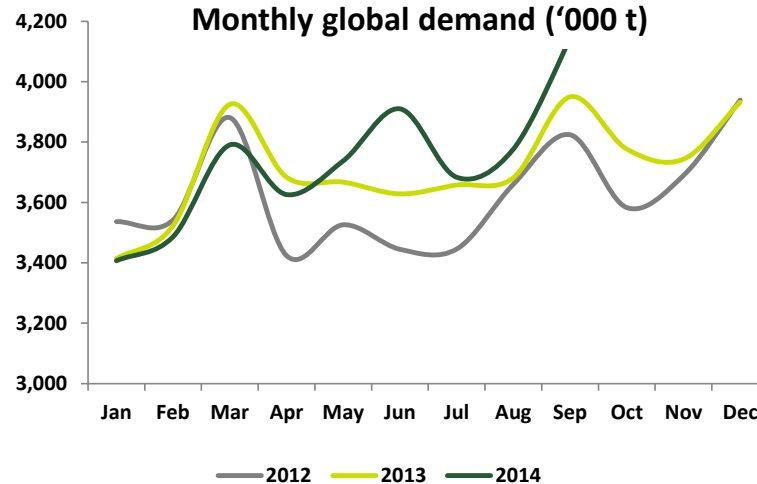
While price showed a downward trend in 1H14, it bottomed at \$724/t in September with price increase to \$750/t announced for October supporting a recovery in the last month to \$730/t

Analyst pulp prices forecast (\$/t)



Source: Prices are \$/t CIF North Europe; contributors: Hawkins, RISI, Terra Choice, Valoise Vision

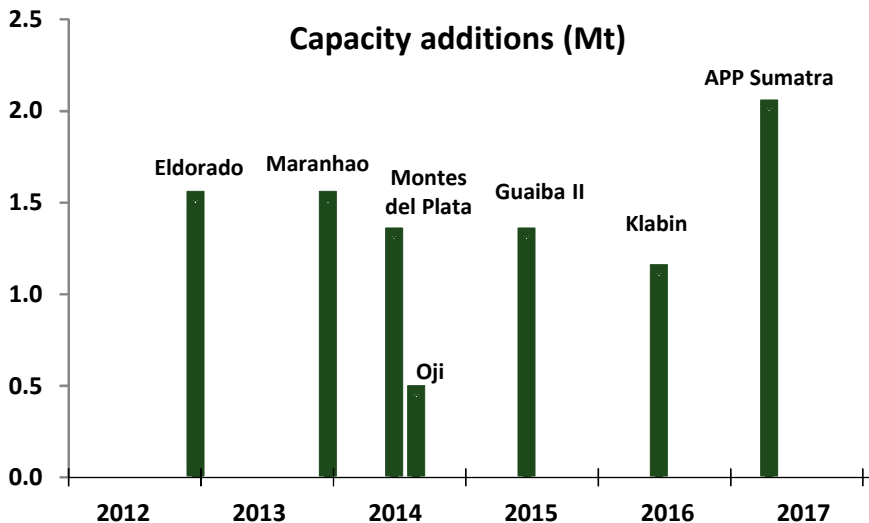
Monthly global demand ('000 t)



Source: PPPC

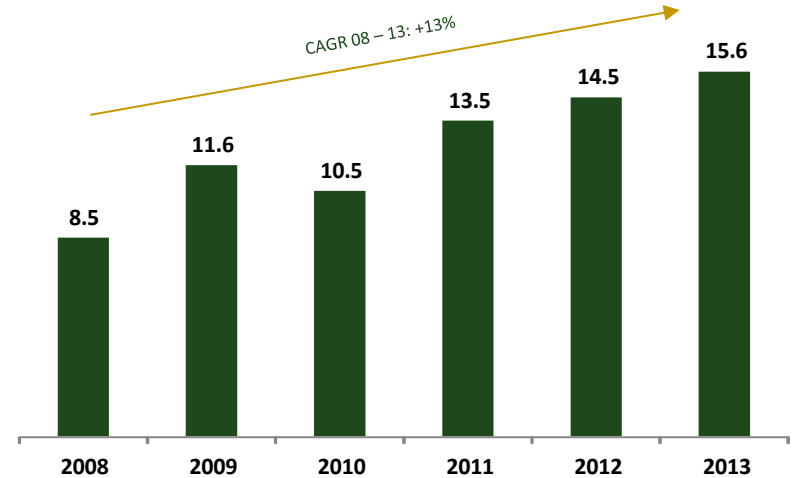
... which are set to improve in 2015 with lower supply growth

- ✓ New supply expected from Eldorado (1.5Mt), Maranhao (1.5 Mt), Montes del Plata (1.3 Mt) and Oji (0.4 Mt) have pushed prices down in 9M14, although full impact of Montes del Plata supply will be delayed until 2015. However, this capacity will be offset as demand is expected to keep in line with 2.5-3% growth trend during the last 4 years
- ✓ Strength of Chinese demand increasing +13% CAGR for the last 5 years (1.38 million tons of new annual demand), equivalent to a new pulp mill per year



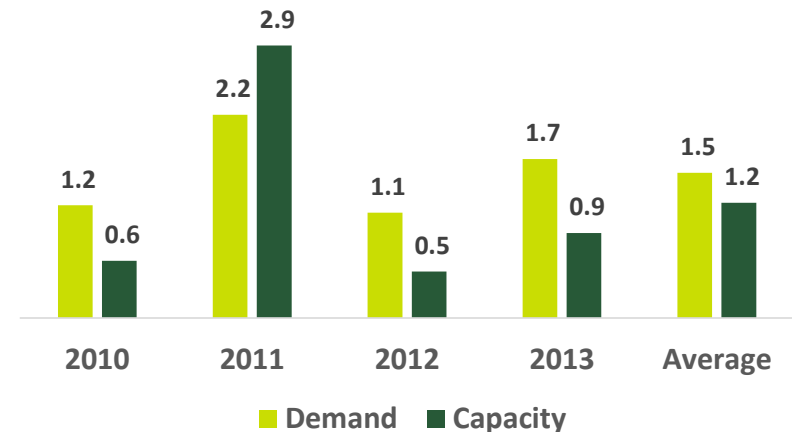
Source: Hawkins Wright (Jul-14) estimates; data in million tons

Chinese demand



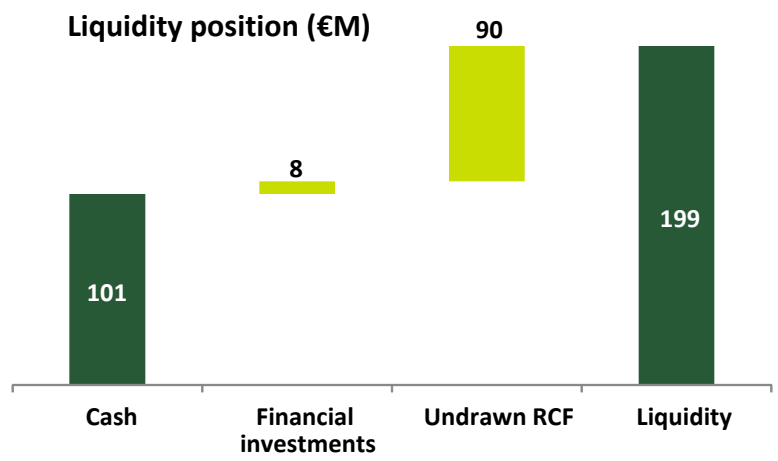
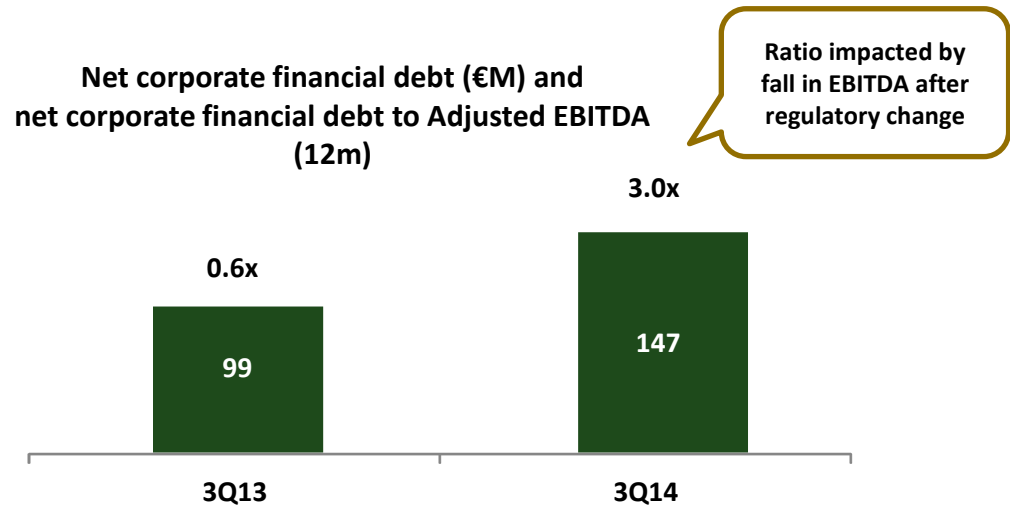
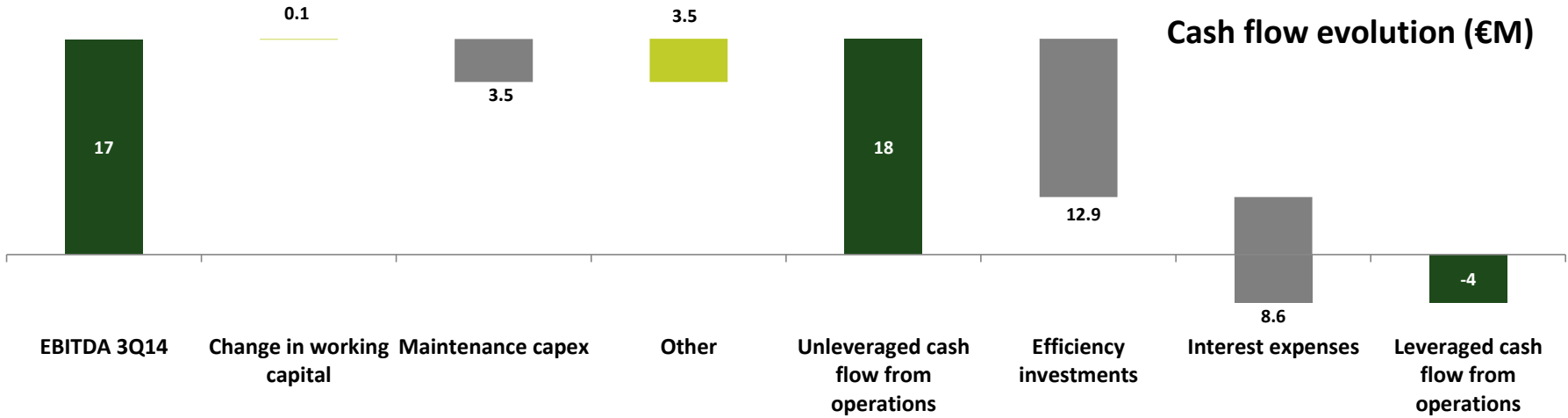
Source: PPPC; figures in million tons

Demand and capacity growth in 2010-2013

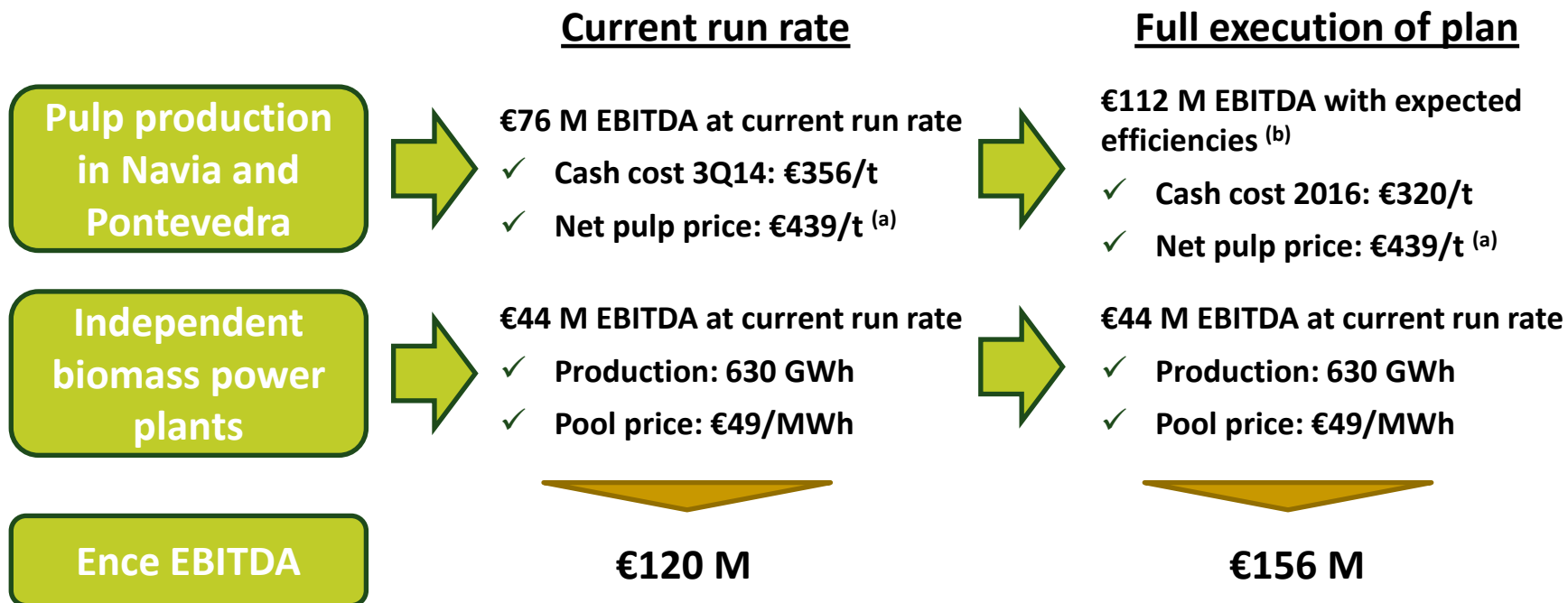


Source: PPPC; Hawkins Wright (Dec-13) estimates; data in million tons

3 Solid financial situation with no relevant maturities in the short term



Ence: a €120 M EBITDA company with low leverage



A 5% dollar appreciation or 5% pulp increase would increase EBITDA by €20 M, providing upside to this scenarios ^(c)

^(a) based on March 2014 reference (pulp price at \$765/t and \$1.38/€, as previous run rate guidance

^(b) based on a combined pulp production of 0,94 Mt after the execution vs a 0,9 Mt at 3Q14 levels

^(c) based on a 0,9 Mt production

Ence Energía y Celulosa

3Q14 Results

ANNEXES



We have achieved a agreement with works council for the closure of Huelva pulp and cogeneration activities

- ✓ **The agreement has been approved by the Huelva and headquarters employees, minimizing legal risks in the future**
- ✓ **As a result:**
 - **223 employees have left the company**
 - **40 employees will stay in the Huelva site, where the company is maintaining a biomass power plant, with a 50% reduction in salaries**
 - **37 will be relocated in the biomass operations of the company, replacing outsourcing companies, with a 50% reduction in salaries**
- ✓ **Expected payment amounts to €18.6 M**
- ✓ **The agreement was fully implemented in October**

Cash expenses of Huelva restructuring are estimated at €42 M, with saving above €30 M

figures in €M	Maximum impact	Accounted in 3Q14	Cash Impact
Impairment of industrial assets	83,3	41,6 ^(*)	0,0
Refund of grants	3,3	1,5	7,0
Inventories	5,3	5,3	0,0
Eucalyptus plantations	46,5	46,5	0,6
Severance payments	18,6	18,6	18,6
Cancellation of contracts	24,4	15,6	15,6
Other	0,5	0,9	0,6
Total impact	181,9	130,1	42,4

- ✓ Impact in P&L of Huelva restructuring accounted in 3Q14 amount to €130 M...
- ✓ ... with cash output limited to €42 M

^(*) the company is doing the technical analysis in order to get the market value of industrial assets

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