

**ENCE ENERGÍA Y CELULOSA, S.A.** (the “**Company**”), pursuant to article 82 of the Securities Market Act, proceeds under this letter to communicate the following:

**RELEVANT EVENT**

As communicated to the workers’ council today, the Company will begin the transformation of its industrial complex in Huelva. Through this transformation, and following all required legal proceedings, the Company will cease its pulp production operations and will continue strengthening its activities to generate renewable electricity from biomass, at the Huelva site.

This process, which is part of a package of management measures taken as a result of the approval of the energy reform, is designed both to adapt the company’s operations to the transforming global pulp market, and to ensure the competitiveness and viability of the activities of the group as a whole.

The Company aims to match this process with the maintenance of its operations in Huelva duly restructured, the development of its energy facilities and their integration into the most relevant renewable energy biomass hub in Spain.

This project will also give support to the forestry production and processing activities in the southeast of Andalusia, stimulating a change in the production model as well as the modernization of the economic and social local environment.

The press release sent today to the media about the start of the above mentioned transformation process in Huelva is attached to this notice.

Madrid, September 4th, 2014



## **Ence – Energía y Celulosa, will transform its Huelva mill in an advanced renewable energy site**

- **This transformation, which involves stopping pulp production, ensures the continuity of Ence in Huelva**
- **Ence offers the relocation of all its employees**

**September 4, 2014.-** Ence will transform its Huelva mill in an advanced renewable energy site, which will be an important driver of forest management in Andalusia. The company, on the other hand, will cease production of cellulose, once the factory has reached the end of its useful life, after almost 60 years of operation, and drags heavy losses for three consecutive quarters due to its cost inefficiency and lack of domestic wood. These issues had been mitigated until last year thanks to the cogeneration premiums that have been reduced by the energy reform.

Given this unsustainable economic situation -which has resulted in a loss of € 48.6 million in the first half of 2014 for the company-, and in order to implement this transformation plan, Ence has reported to the works council its intention to initiate a collective lay-off procedure, which will be accompanied by a program of relocation for 100% of workers in other workplaces and company activities. Ence will also provide, upon request, an external relocation plan and compensation, with the support of a leading outplacement firm.

The company is ready for thorough and good faith negotiations with the representatives of the workers so that the impact on the workforce, consisting of 294 employees, is minimized.

The proposed measure responds to the need to ensure the viability of the company globally, due to the unsustainable increase in manufacturing costs and loss of competitiveness of the factory in a highly competitive pulp world market. All these factors have not been overcome despite the efforts made in recent years to achieve the viability of the factory.

### **Huelva, a leader in biomass power**

Ence has opted to focus its Huelva site towards clean energy generation, as a result of the end of life cycle of the pulp mill and heavy losses due to its lack of competitiveness. Also, due to the structural shortage of eucalyptus in the area of Huelva, it is necessary to supply wood from northern Spain and through imports with high cost overruns. The decrease of eucalyptus plantations due to the expansion of strawberries and citrus crops in the province of Huelva has also worsened in recent years the lack of competitive volumes of wood.



The site will integrate the biomass power plants currently in operation, with renewable electricity capacity of 72 MW and north of 500 million kWh annual production.

The new site will consolidate Huelva as the leading province of Andalusia and one of the first of Spain in renewable energy generation from biomass. This transformation will ensure the continuity of the industrial activity of Ence in Huelva and constitute a significant contribution to the best management of forests, jobs creation and rural wealth in Andalusia.