

ENCE ENERGÍA Y CELULOSA, S.A. (the "Company"), in accordance with the article 82 of the Securities Market Act, proceeds under this letter to communicate the following:

RELEVANT EVENT

On the date hereunder the Company has completed the financing –in the modality of project finance- of a contract for the execution of a turnkey project of a 20 MW biomass power plant.

The new plant will be located in Mérida (Badajoz) and is expected to start operations during the fourth quarter of 2014.

The project involves an investment of Euro 80,9 million, of which Euro 60,7 million are financed by a syndicate formed by three of the major Spanish banks and Euro 20,2 million with the funds of the company.

As attached are the press release and the presentation on the operation to be distributed on this date.

In Madrid, on 1 August 2012.



The successful financing of the plant, despite the current difficulties in financial markets, shows the trust which the investor community has placed in Ence's strategy

Ence signs the Project Finance and the EPC contract for its Mérida biomass power plant

- **The total investment amounts to €80.9 million. The plant construction contract has been awarded to Sener Ingeniería y Sistemas.**
- **The financing amounts to €60.7 million. The bank syndicate is coordinated by Banesto, with the participation of La Caixa and BBVA.**
- **The plant will have a capacity of 20 MW, an expected production of 158 million kWh and will start operation in 2014.**
- **The new Mérida plant, that will provide a recurring EBITDA of €10 million/year starting in 2015, is a new milestone for Ence in its growth strategy in the energy sector and.**
- **Biomass energy is the only renewable energy which has positive financial results for Spain due to the jobs it generates, the economic development it entails, and its environmental benefits.**

1 August 2012. Ence has closed a Project Finance for a total of €60.7 million to finance its new Mérida biomass power plant, an operation which has been coordinated by Banesto as the agent bank, and in which La Caixa and BBVA also take part. This is the second operation of this type performed in Spain for the financing of a biomass plant, after the operation performed last year, also by Ence, for its Huelva plant, which will start operation this year.

Ence had also signed the EPC contract with Sener, which guarantees project execution as regards costs, quality and the timeframe. The total plant investment amounts to €80.9 million.

Ignacio Colmenares, Ence CEO, said "the project will enable one of the largest renewable biomass power plant in Spain to start operation in the third quarter of 2014 in Mérida, with a nominal power of 20 MW, and will provide a recurring EBITDA of €10 million/year, with an estimated production up to 160 million kWh/year, that is enough to meet the electricity needs of around 150,000 people".

The main features of this operation, which highlights the high level of trust which the finance community has placed in Ence's biomass renewable energy project, are the following:

- 75% of the project shall be financed through debt and 25% through shareholders' equity.
- The financing period is 15 years, 2 for the construction period and a 13-year amortisation period over the plant's commercial operation.

Ence, a leader in biomass energy generation

The financing obtained for the Mérida plant constitutes a significant milestone in the development of Ence's growth strategy in the energy sector, which envisages the operation of



another additional 210 MW in biomass plants until 2015, more than double the current power installed. It should be noted that this September is scheduled synchronization of 50MW biomass plant in Huelva that will provide a recurring EBITDA of 25 million € / year

The company has a biomass renewable power of 180 MW, which makes it the Spanish leader in biomass energy generation, with an electricity production of more than 1,500 million kWh per year.

Ence is promoting the international development of biomass electricity generation, an aim for which a highly qualified professional team has been established. This line of activity makes it possible to showcase in the next few years the high international potential created by Ence in the energy sector, thanks to development of a technology platform for the cultivation of energy crops and biomass generation, technologies in which the company is a global leader.

In parallel, Ence continues to advance in projects which were temporarily impacted by the moratorium on renewable energies, making them ready to start building with the greatest possible agility, once the suspension is lifted. The company contemplates the possibility of continuing to invest and grow in the energy sector with the firm intention of having a stable, recurring EBITDA of €100 million coming exclusively from this business line before the end of 2015.

Benefits of Biomass Energy

Renewable energy from biomass has enormous growth potential in Spain, second country in the European Union in wooded areas. In fact, it is the only renewable energy that has a positive economic balance of the benefits given its capacity for employment generation (up to 20 jobs per MW installed), rural development and contribution to improving the environment, both through the capture of CO2 care and clearing of hills and mountains, with a reduced risk of fire of up to 70%.

In addition, it is the only one that can be managed, independent of variable factors such as sunlight, wind or the availability of agricultural waste. Besides, biomass could take part in the progressive replacement of Spanish coal creating jobs in the affected mining regions, given the proximity of those areas to forest areas with the potential for biomass production.



20 MW Mérida Biomass Power Plant

Closing of the EPC and Project Financing

Energía y Celulosa



August, 2012

Ence has successfully closed the EPC and financing of the 20MW Mérida Plant

- ✓ **Closing of the financing for a biomass power plant** of 20MW capacity in Mérida, with an **industrial investment of €64.3M (€3.2M/MW)**
- ✓ **75% of total investment financed via project financing**, with 3 Spanish Banks (**Banesto, BBVA and La Caixa**) with equal participation
- ✓ The financing was auctioned and awarded **in a competitive process with 6 first-tier financial institutions**
- ✓ The **EPC was awarded to Sener Ingeniería y Sistemas**, a reference in renewable energy, with turnover above €1bn and presence in 13 countries
- ✓ **A construction period of 27 months**, with power sales to the grid starting in October 2014
- ✓ **The plant will add circa 10M€ EBITDA** once it is working at nominal power output (2015)

Main financing terms and conditions ...



Energía y Celulosa

Total Investment Amount

- Total Investment amounts to €80.9M of which:
 - €64.3M relating to industrial investment (€3.2M/MW)
 - €16.6M relating to the plant biomass initial stock, fees and other operating expenses⁽¹⁾

Leverage and DSCRs

- 75% debt – 25% equity:
 - ✓ Equity: a maximum 50% as shareholder subordinated debt
 - ✓ Equity disbursements “prorrata” to debt drawdowns
- Minimum Structuring DSCR⁽²⁾ : 1.40x

Term and Margin

- 15 years: 2 years construction and 13 years amortization (semiannual repayments)
- Interest Rate: 6-month EURIBOR
 - ✓ Applicable Margin years 1-5: 3.50%
 - ✓ Applicable Margin year 6 and beyond: 4.00%

▶ Hedge to a fixed rate of around 2.0% for 75% of the debt

Cash Sweep

- Reduction of the loan total life in 2.5 years.
- Cash-sweep of 30% (years 1-3), 40% (years 4-6) and 50% (from year 7 onwards).

(1) Including capitalized interests, development costs, grid connection investments, as well as investments related to the funding of the initial biomass stock and the Debt Service Reserve Fund, which will be both recovered through the project life (for a total aggregated 5.3M€)

Debt Service Coverage Ratio=(annual Free Cash Flow) / (annual debt service)

... which improve those agreed for the Huelva Financing



Energía y Celulosa

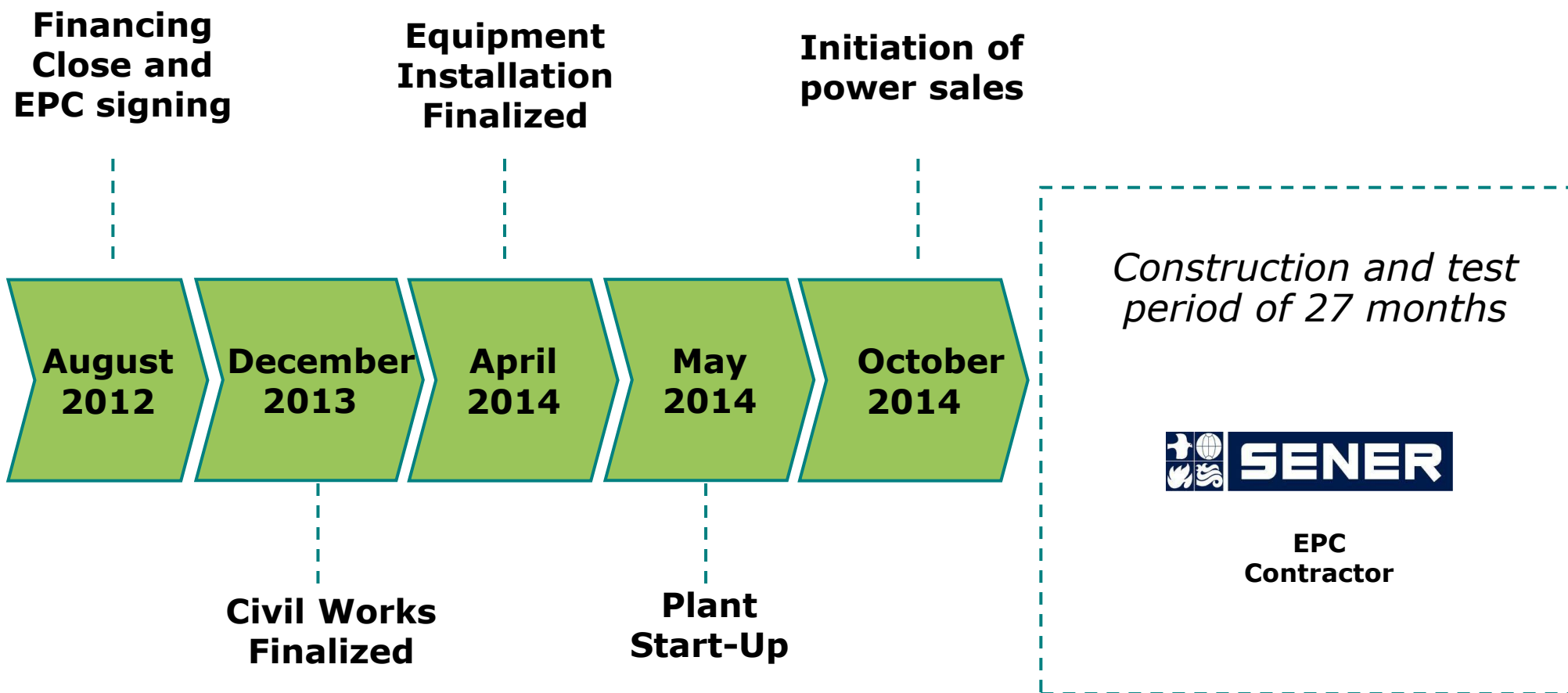
	Huelva	Mérida
Leverage	75%/25%	75%/25%
Equity disbursement	Equity first	Prorrata
Structuring DSCR	1.40x	1.40x
Debt Term (years)	12 (10+2)	15 (13+2)
Project Costs: inclusion of the initial biomass stock	No	Yes (3 months)
Cash Sweep	50% until debt is reduced to 50% (25% from that moment)	Starting at 30% ending at 50%

	Huelva	Mérida
Margins over Euribor (A)	3.25/3.75	3.50/4.00
Fixed Rate IRS (B)	3.50%	2.0%
Effective Financing Cost (A+B)	6.75%/7.25%	5.50%/6.00%

Projected construction timetable



Energía y Celulosa



Main operating and financial metrics



Energía y Celulosa

	2014	2015	2016
Nominal capacity	20MW	20MW	20MW
Self-consumption and losses	12%	12%	12%
Availability ⁽¹⁾	86%	94%	94%
Sales Output	50GWh	153GWh	158GWh
Net income	7.2M€	23.7M€	24.7M€
EBITDA ⁽²⁾	3.2M€	10.1M€	10.2M€

In addition to the returns from the power plant, the parent company will benefit from (i) recurrent income from the forestry management (margin on biomass supply to the plant), (ii) operation and maintenance income from 2016, and (iii) income from administrative and technical support services.

	<u>Cash income</u>
2014	0.5M€
2015	1.2M€
2016	1.8M€


(1) Calculated on a 8,400 hours per year utilization ratio

(2) EBITDA includes plant maintenance investment

This transaction is a step forward to comply with the Group EBITDA target on biomass energy



Energía y Celulosa

	<u>Capacity</u>	<u>EBITDA</u>	
Navia	37 MW	>15M€	
Huelva	50 MW	>25M€	
Merida	20 MW	>10M€	

**Equivalent to
50% of the
100M€ recurrent
EBITDA
objective for
2015**

- ✓ Ence continues to development its 140MW biomass power generation pipeline, a target which will be met once the current regulatory moratorium in Spain ends
- ✓ In addition, the company is accelerating the analysis of biomass project opportunities in international markets

- ✓ We have **successfully closed our second project finance structure for biomass power** in Spain in order to timely execute the construction of a 20MW plant in Mérida with a total investment of 81M€ ...
- ✓ ... **with the support of first-tier Spanish financial institutions**, showing the quality and visibility of our projects and our **capacity to supply biomass in the needed time, cost and volume** ...
- ✓ ... **on improved financing terms and conditions** compared to those closed for the **Huelva** project financing, with appealing financial costs **in a difficult economic and financial environment** ...
- ✓ ... **highly mitigating construction risk** through the signing of a fixed price EPC with Sener group ...
- ✓ ... and moving forward into our objective to reach **around 100M€ EBITDA from biomass power generation activity by 2015**



Disclaimer

This presentation contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Although ENCE believes that these statements are based on reasonable assumptions, such forward-looking statements, by their nature, are not guarantees of future performance and involve risks and uncertainties and actual results may differ materially from those in the forward looking statements as a result of various factors, most of which are difficult to predict and are generally beyond ENCE's control.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. ENCE undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in ENCE's business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report as well as periodic filings filed with the relevant Securities Markets Regulators, and in particular with the Spanish Market Regulator.

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). ENCE may present financial information herein that is not prepared in accordance with IFRS. This non-GAAP financial information should be considered in addition to, but not as a substitute for, financial information prepared in accordance with IFRS. ENCE has included such non-GAAP financial information because ENCE's management uses such financial information as part of its internal reporting and planning process and to evaluate ENCE's performance. Accordingly, ENCE believes that investors may find such information useful. However, such non-GAAP financial information is not prepared in accordance with IFRS or any other generally accepted accounting principles, and such non-GAAP financial information, as defined and calculated by us, may be different from similarly-titled financial information used by other companies. Investors are cautioned not to place undue reliance on such non-GAAP financial information.



20 MW Mérida Biomass Power Plant

Closing of the EPC and Project Financing

Energía y Celulosa



August, 2012