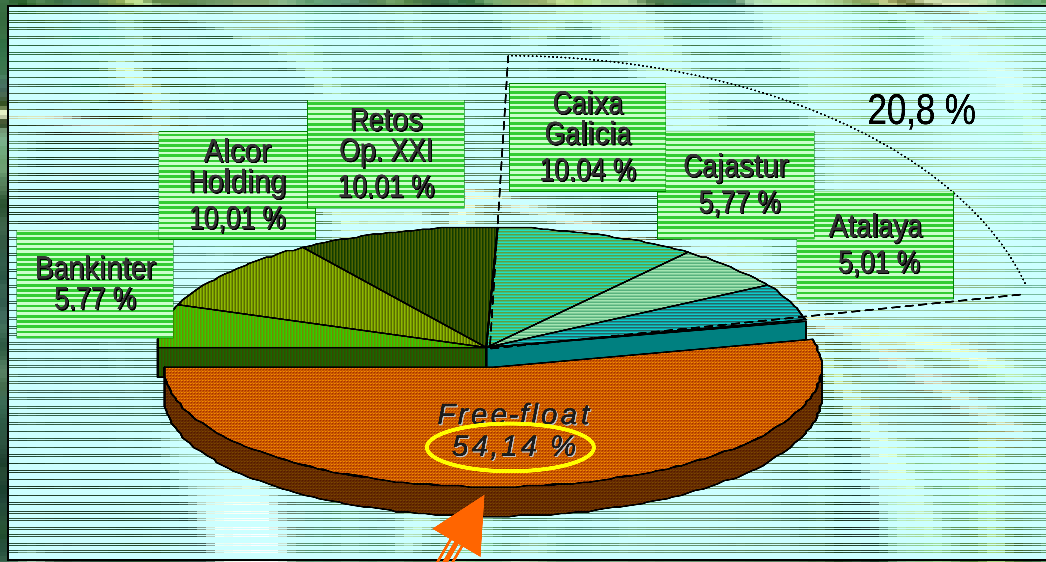
Investors' Presentation

8-Feb 2006

ENergy
CEllulose



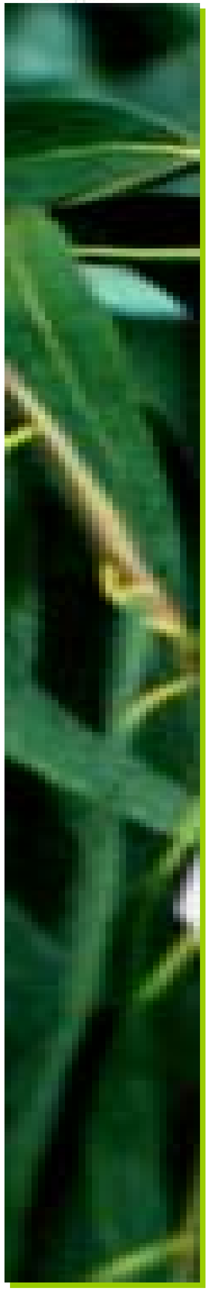
a listed company in Madrid Stockmarket

... focused in the forest:

Eucalyptus globulus plantations

... plus energy & a few linked industrial products

Capital increase information



Type of the offering	▪ Rights issue (1x3)
Issue price	▪ €/share 20.40
Size of the offering	▪ 8,490,000 of new shares, equivalent to € 173,196,000
Rights subscription period	▪ 12 November -26 November

- *€ 26.72 previous closing price*
- *€ 25.14 as theoretical right value (VTD)*
- *€ 1.58 as theoretical share value (VTA)*
- *1,11 times oversubscription*

Underwriting commitment	▪ 68% of the issue by BBVA & Santander Investment ▪ the remaining 32% assumed by principal shareholders

- *... finally 43% of the capital increase was subscribed by these shareholders*

New shares quotation	▪ 5 December with dealing effects in 6 December

- *€ 0,13 /share 3rd interim dividend to be paid 02.13.06*

- **Offering information**
- **ENCE overview**
- Strategic guidelines
- Pulp overview
- M´Bopicuá Project
- project impact

ENCE´s overview

- *ENCE is # 1 forest company in Southern Europe …*
  … with a solid presence in South America
- *ENCE is the leader in European eucalyptus pulp market & # 2 worldwide producer*
  … eucalyptus is the fastest growing segment & Europe the main market
- *ENCE is also a benchmark for electricity generation with bio fuels …*
  … Spain is the most renewal energy oriented among EC countries
- *high margins vs. peers & active currency risk Hedging Policy covering until 2007*
- *moderate Net Debt & attractive Dividend Policy*

Leading Forest Company

- 180.000 ha. (sep-05) (55% in South America)
- Sustainable Forest Management Certification (PEFC+ FSC)
- Nature preservation programs

- Collecting, debarking & chipping centers strategically located in Iberia & Rio de la Plata
- Logistic terminal + Free tax area over Uruguay river
- LT chip-carriers agreement (2 x 42.000 m3)

- Private R & D Center
- Nurseries producing 10 mill plants/year
- Consultancy, servicies & projects for the rural development

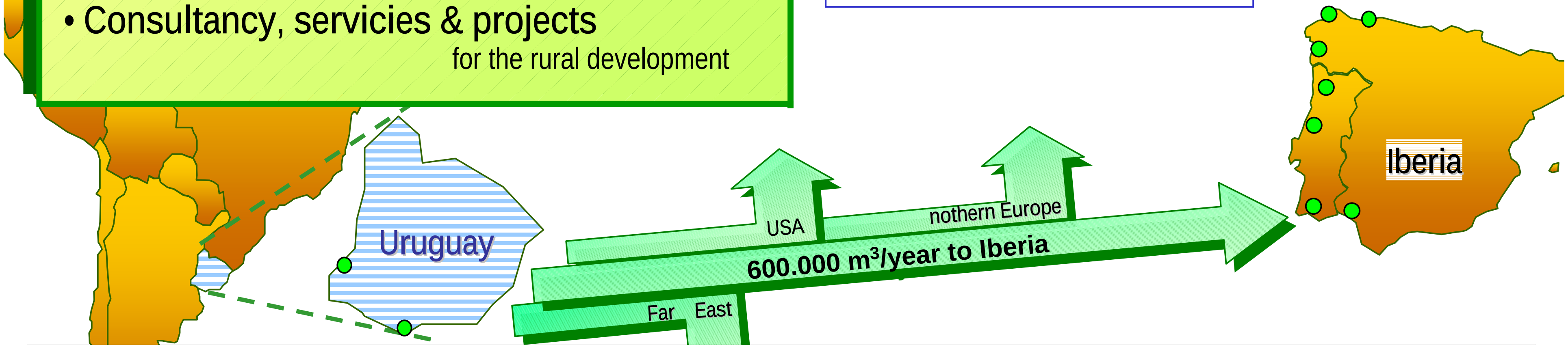
- ***<u>ENCE´s wood resources</u>*** *in a key geo--strategic position for Globulus*
- ***<u>Eucalyptus Globulus</u>*** *the most efficient fiber for pulp*

intensive* Reforestation Programs *with clones

⇨ *steady productivity improvements in Euca.Glob.plantations*

Logistic Facilities *for logs, chips & biomass*

⇨ *wood sources **flexibility***
⇨ *logistic **costs savings***
⇨ ***harvesting yields** improvements*
⇨ *access to **new customers***



ENCE is # 1 forest company in Southern Europe with a solid presence in South America

Leading Eucalyptus Pulp Manufacturer

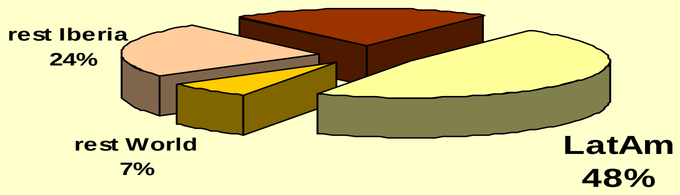
- **Leader** in **eucalyptus pulp** within the **European Market** (50% of world consumption)
  - logístics (all-wether terminals) & customer-service
  - direct & long term customers relationship in all high quality paper segments

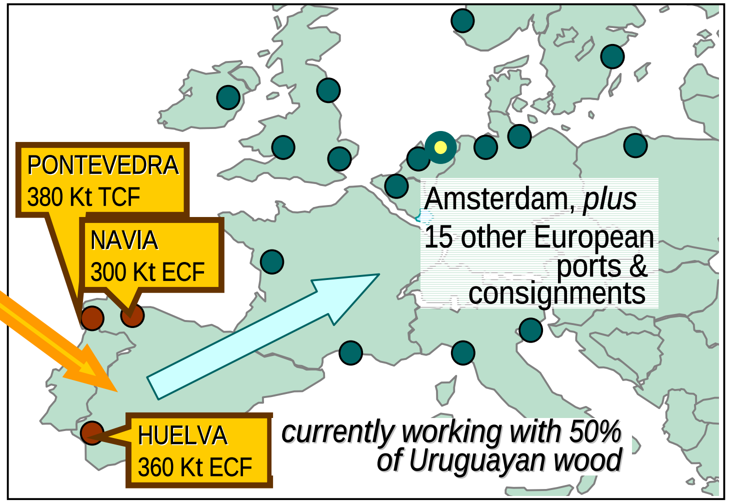
- 2º largest producer worldwide (12%) with more than 1 mill tons
- 3 mills in Spain EMAS registered (Eco Management & Audit Scheme)

- Private R & D Center :
  - chemical & mechanical wood processing
  - specific solutions for paper processes & products

- 1 plywood + 2 sawmills mill in Spain & Uruguay
  ➥ *new uses for globulus timber*

ENCE 21% European market share

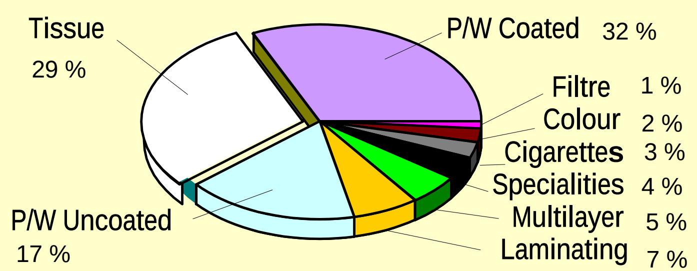




Eucalyptus market pulp producers		global market share
#1 Aracruz, Brazil	2.495	28%
#2 Ence, Spain	**1.040**	**12%**
#3 Cenibra, Brazil	940	10%
#4 Votorantim, Brazil	900	10%
#5 Suzano, Brazil	580	6%
TOTAL BEKP MARKET	8.980	

sales by destination

Europe	***96%***
N. America	*2%*
Asia	*2%*
S. America	*-*



ENCE** is the **worldwide benchmark** for **Eucalyptus Globulus industry

Strategic position facing Climate Change

- Valorisation as bio fuels of residues coming from forest & industry
- 164 MW continuous power generation
  - combining with gas in 4 plants
- 1.25 mill MWh/year generated
- 1 mill MWh/year sold to market

Priority towards
Clean & efficient
Industrial &
Bio fuels valorisation
Processes

95 % come from electricity generation

emissions

renewable energy

carbon sinks

industrial relocation

Development of
Electricity Generation plants with Biomass
combined with
Cogeneration with Gas

Development of
Forest Plantations
integrated in
Biomass Collecting
processes for energy uses

emission rights awarded
685.000 t/year
2005/07

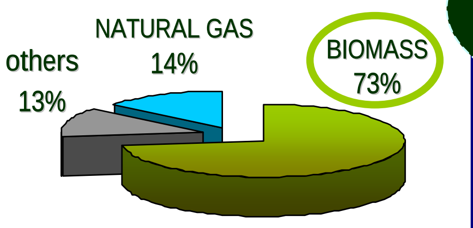
CO2 emission-rights surplus to be traded

+ "Offsets" opportunity in Spain

Clean Development Mechanism (CDM) opportunity in Uruguay

industrial developments in Uruguay who look for cost savings together with Emissions reduction electricity-projects

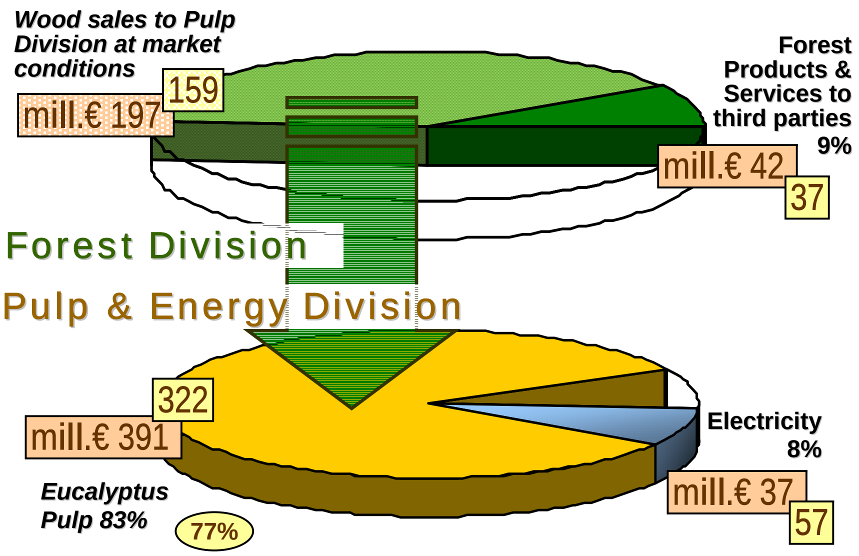
CO2 EMISSIONS by FUEL



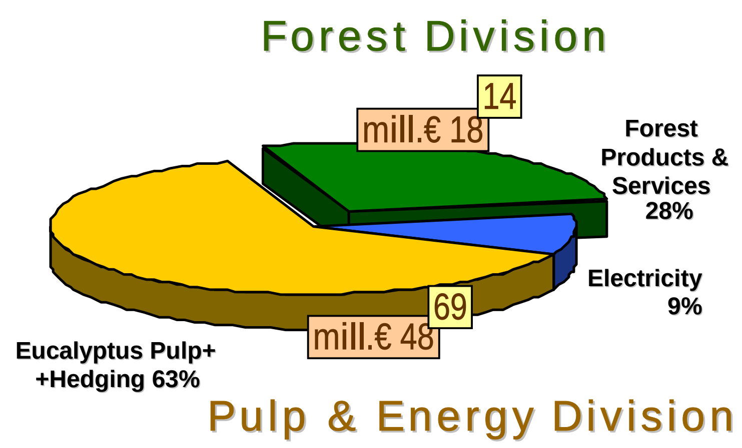
ENCE is also a benchmark for electricity generation with bio fuels

Key financials

Sales by Activity, 2004



EBIT by Activity, 2004



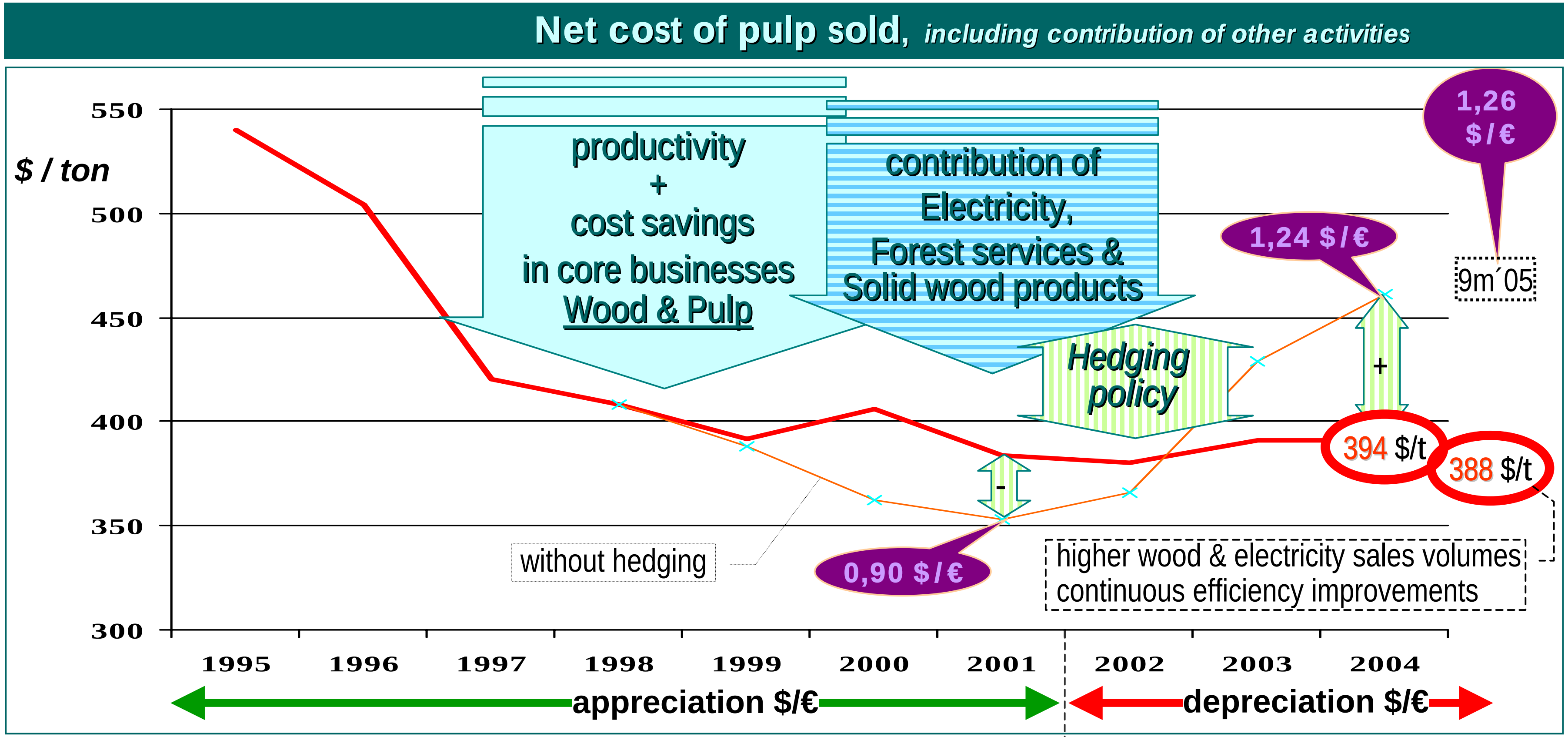
mill €	2000	2001	2002	2003	2004	*2004	*9m´05
exch.rate $/€	*0,92*	*0,90*	*0,94*	*1,13*	*1,24*		*1,26*
pulp $/t	*650*	*493*	*463*	*504*	*522*		*581*
Sales	**586,5**	**475,4**	**468,5**	**482,8**	**470,1**	**470,1**	**415,8**
EBITDA+hedg.	**207,8**	**83,1**	**80,5**	**106,8**	**116,0**	**113,1**	**118,7** ← 105 %
EBIT + hedg.	**181,5**	**47,3**	**43,0**	**61,9**	**68,0**	**65,6**	**83,1**
Net Profit	**120,6**	**27,3**	**28,7**	**41,6**	**48,7**	**39,4**	**49,6** ← 126 %

***with IAS**

*cyclical **profit** profile linked to **pulp prices**, but **currency risk** 2005-07 hedged ($825 mill <1 $/€)*

ENCE´s profitability vs peers

	€				$	
EBIT 2004	ENCE	Störa-Enso	UPM-Kymm.	M-Real	Weyerhauser	Aracruz
% over sales	14,5	5.7	6.5	-1.4	11.7	30.6
% net assets	9,6	4.9	4.7	-1.6	10.0	10.5

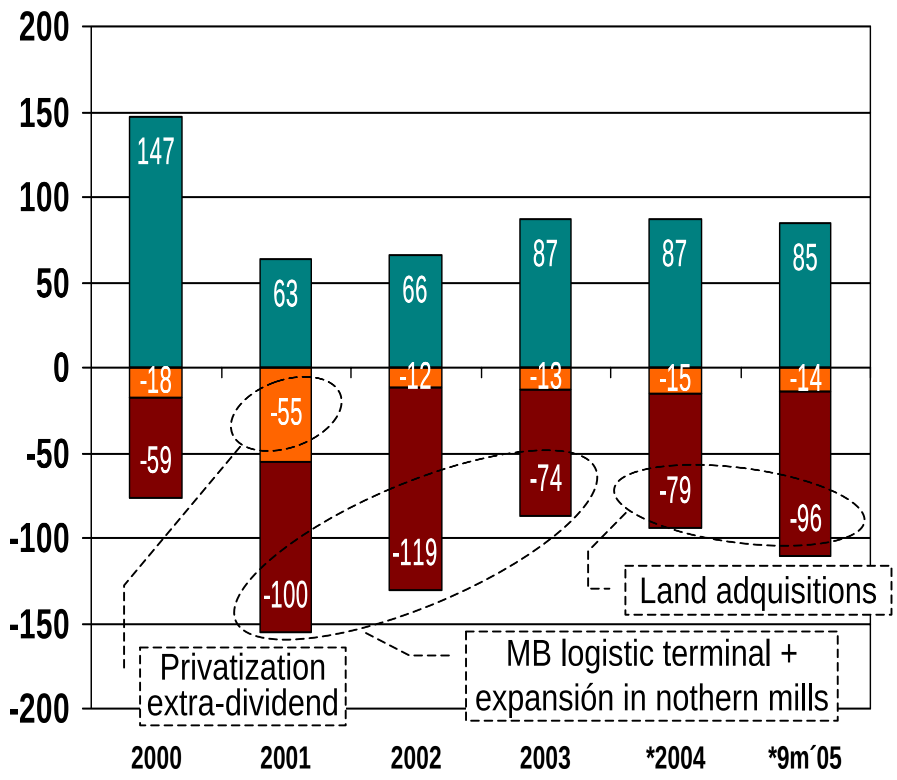


BR/$ dep. BR/$ dep.

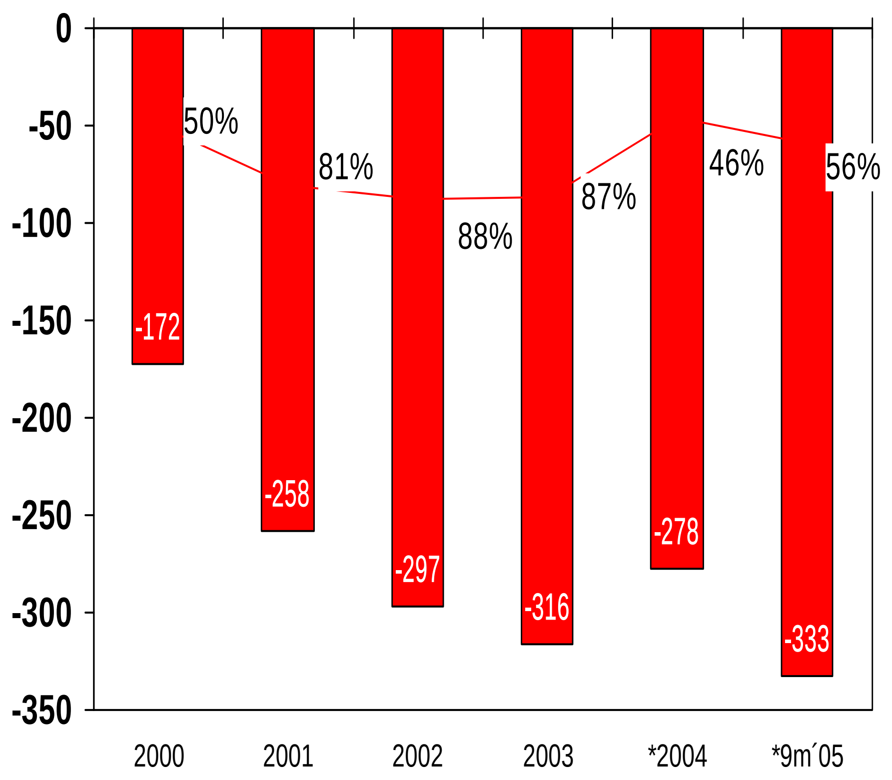
EBIT/ton ENCE	16	61	51	70	82	135
ARACRUZ	0	106	74	162	159	191
Dif	16	-45 .	-23 .	-92	-77	-56 .

Key financials

Cash Flow, Dividends paid & Capex



Net Financial Debt & gearing

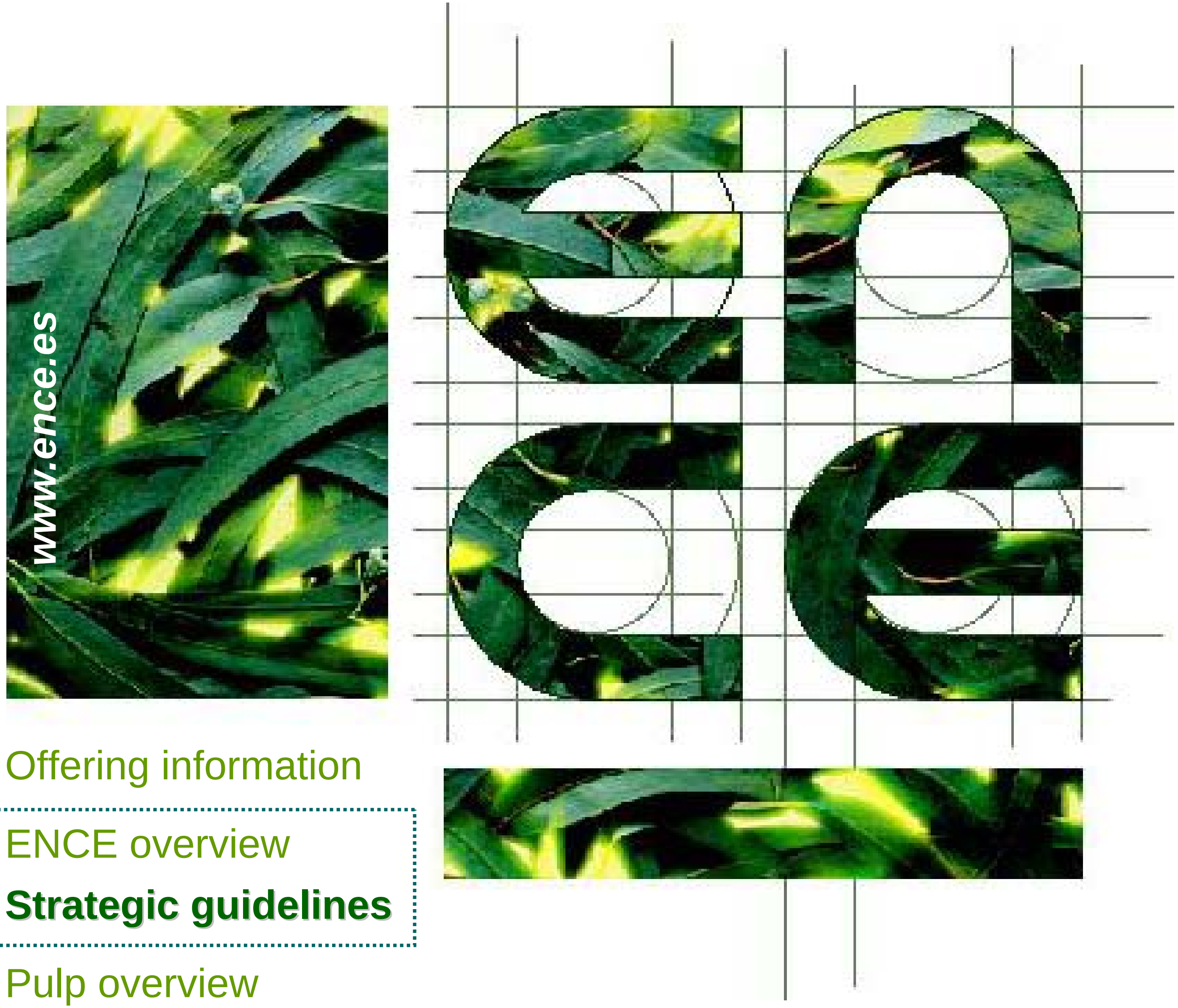


investments *during down cycles together with attractive* ***dividend policy***

moderate net debt *vs peers*
2,1 S/EBITDA (´05)

Dividend yield ´04:
- **3,01 % over average share price,** *after 31% of increase in closing price*
- **quarterly payments**

positive effect of IAS-IFRS new standards



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- **Strategic guidelines**
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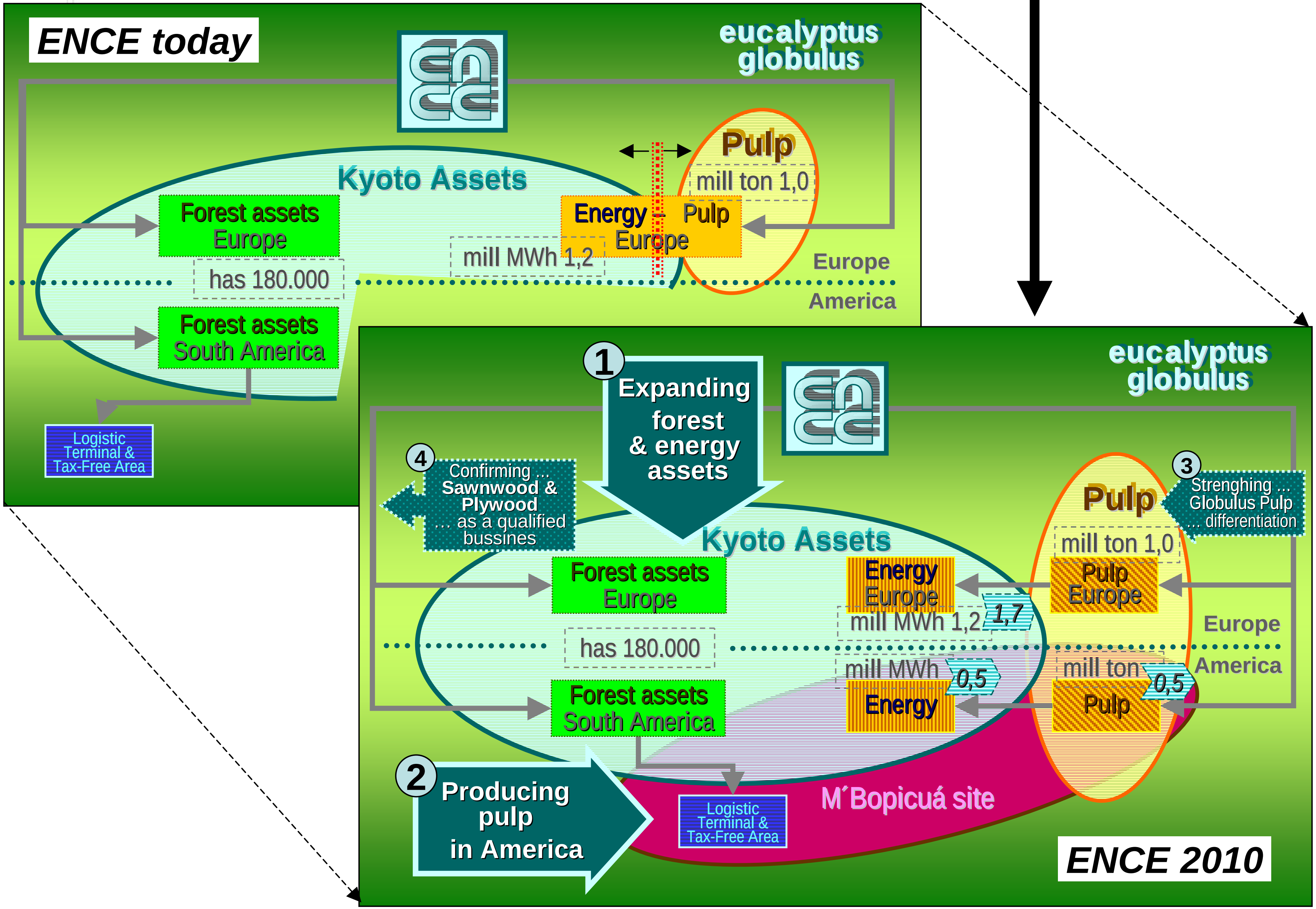
Strategic guidelines towards 2010



Strategic guidelines towards 2010

1

continuous expansion in **forest & energy assets**

as to …

- *support industrial raw-material growth,*
- *balance pulp--business volatility,*
- *take advantage of Kyoto Protocol,*
- *plus adding value through partnerships*

➡ intensive reforestation programs with clones & additional land adquisitions

➡ progressive growth of electricity generation assets at the Spanish sites

up to maximize Spanish regulation effects

↪ 1st) + 51 Mw at Huelva site (+34%)

➡ Emission Reduction Certificates (carbon sinks + energy efficiency) to be obtained

2

eucalyptus **pulp** production **in America**

as to …

- *strengthen cost position,*
- *reduce $/€ exposure,*
- *support European demand increase,*
- *plus entering in the Asian market*

➡ M´bopicuá project:

↪ *CMB´s 500.000 tons eucalyptus pulp line (+48%)*

↪ *EMB subsidiary´s energy recovery & Mw 70 electricity generation capacity (+43%), selling 49% to the market*

↪ *increase in present chipping / debarking capacity at Logistic Terminal*

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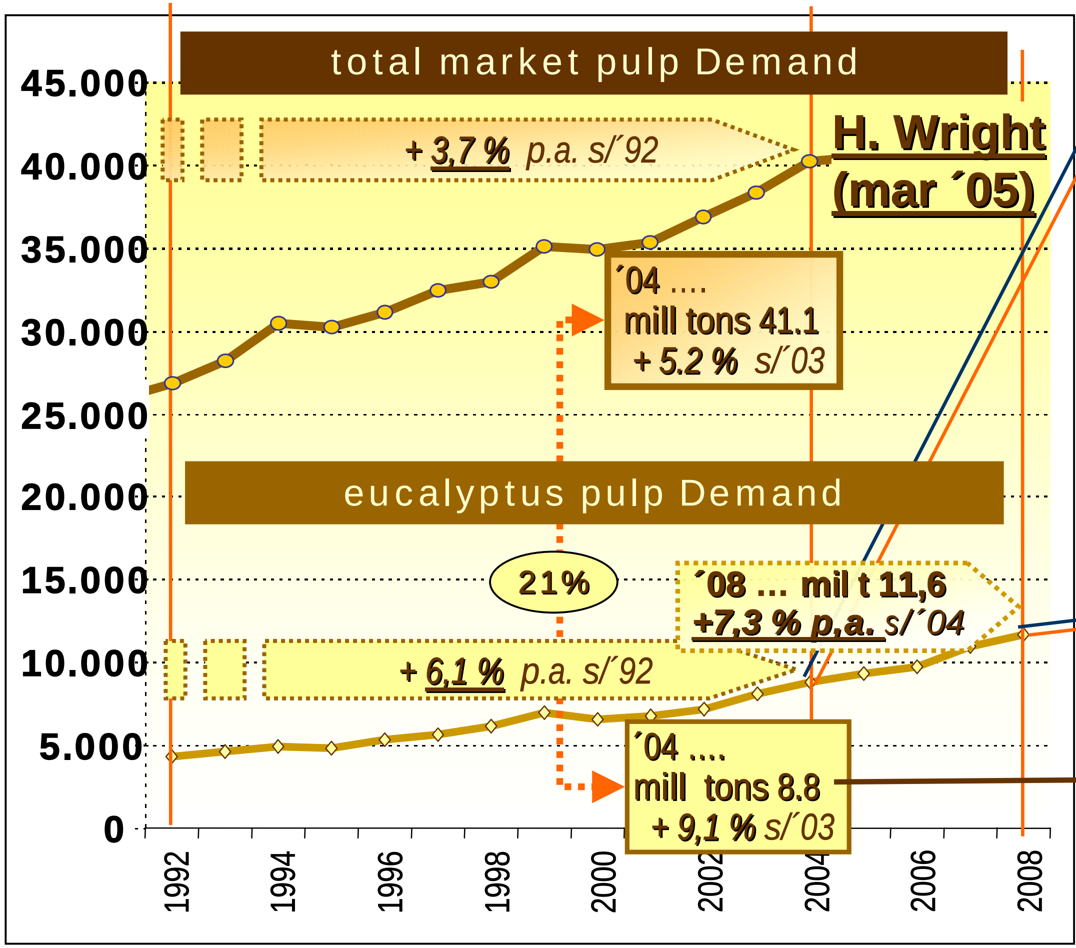
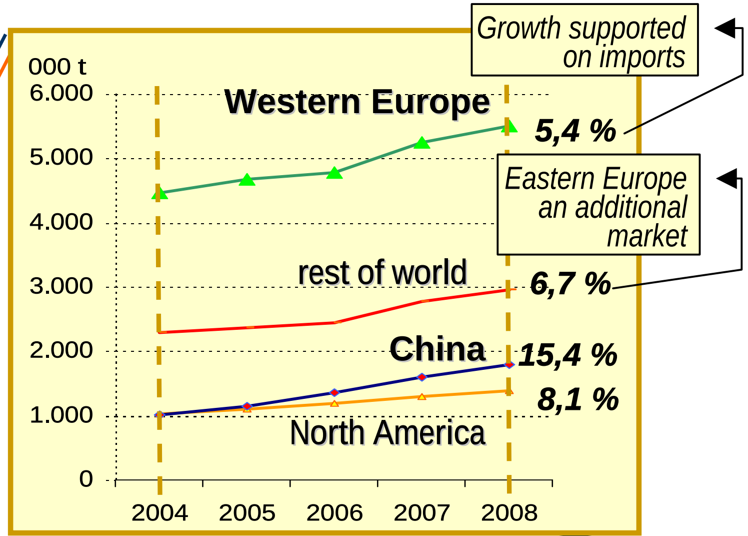
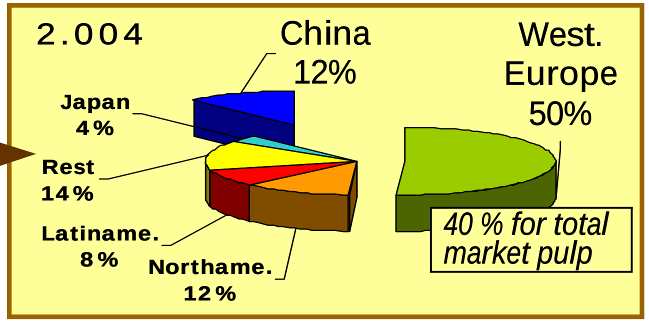
Eucalyptus market pulp within the paper industry

- Total pulp market growth over GDP - *virgin fibre resists recycle fibber pressure -*
- Demand moving towards eucalyptus pulp, to produce high quality paper
- Asia is showing the strongest growth for eucalyptus but Europe will still be the main market







Eucalyptus Pulp is the fastest growing segment

¿Is there room for new capacities ?

Demand

(mill.tons)	2001	2004	2008(e) (H. Wright (mar ´05))	dif p.a.	2008(e) (assuming just 3% growth)	dif p.a.
Total market pulp ……	35.8	41.1	44.4	+ 0.8	46,3	+1.3
average annual growth		*4,7 %*	*1,9%*	*if …*		
Eucalyptus pulp …….	6.7	8. 8	11. 6	+ 0.7		
average annual growth		*9,4 %*	*7,3%*			
% Eucalyptus vs/total	19	21	26			

- Eucalyptus fibre will support new Pulp needs
- Total pulp market growth rates will probably decelerate by 2004-08, … but how much?
  In a conservative scenario there is room for almost 700.000 tons per annum of new eucalyptus capacity in the next four years
- Paper processes modernization will increase eucalyptus consumption in high quality products …while wide forward markets will reduce prices volatility

Capacity

(mill.tons)	2001	2004
Eucalyptus ……….	7.1	9,0
average annual growth		*8,1 %*
Brasil+Chile ……….	4.1	6.1
% Brasil+Chile vs/total	57	68

Brasil-Chile 2005-2007
2.6 mill. t - 3 new projects

Veracel (´05)	*0.90*
Bahia Sul Mucuri(´07)	*0.95*
CMPC Santa Fe (´06)	*0.78*

- Brasil & Chile new capacities are supporting growth & North America shutdowns
- Wood resources will restrict new projects, preserving good utilization rates

interest is moving to Uruguay
M,Bopicuá will allow ENCE to maintain its leading position

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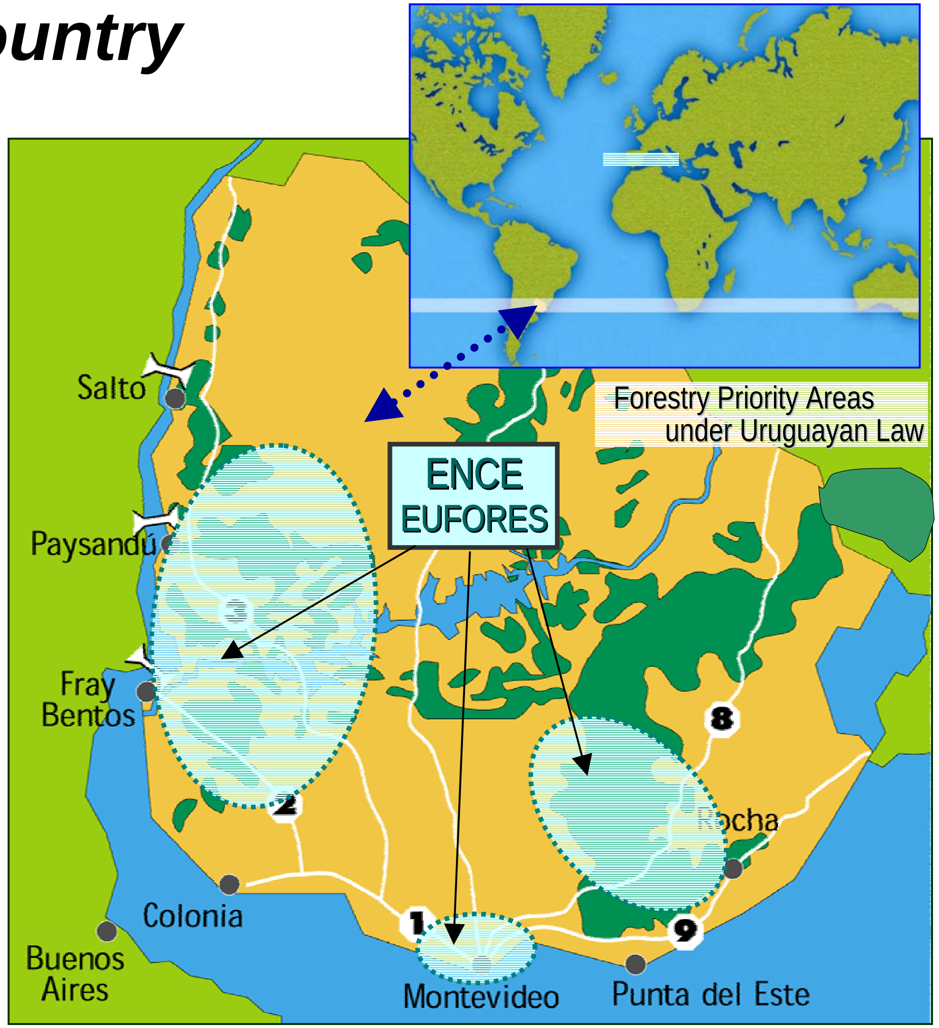
Uruguay: a strategic country

- *A perfect location for* ***eucalyptus globulus*** *plantations*
- *with a very little pulp & paper industry yet, it does have* ***half a million has. planted****,*

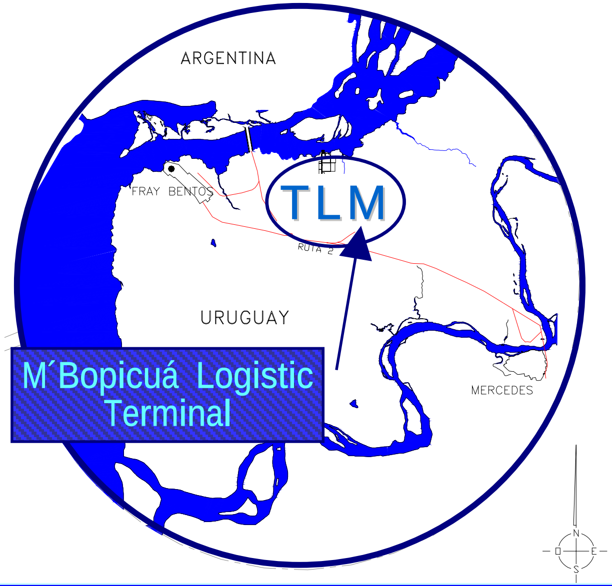
  that can provide 2.5 million metric tons of pulp
  - Is the country with the **greatest potential** for the **development of new eucalyptus pulp projects**
  - but also is increaseable **dependent on electricity imports**

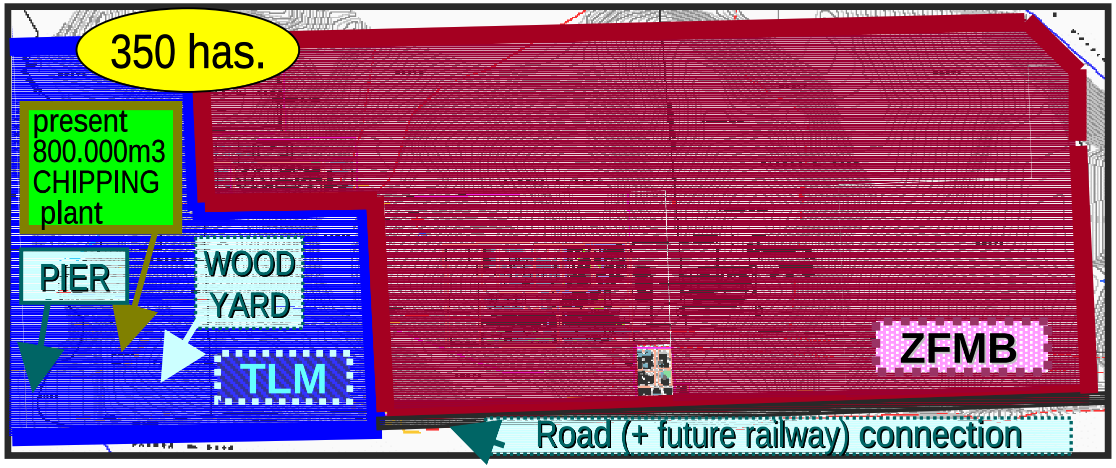


- ⇨ ENCE already has the wood, the logistical infrastructure and has secured an optimum legal & fiscal framework to develop wood-based industry
- ⇨ It has received the support of multilateral agencies Inter-American Development Bank (TLM existing loan) plus World Bank (mandate signed & terms under negotiation)

M´Bopicuá: a strategic location an infrastructure

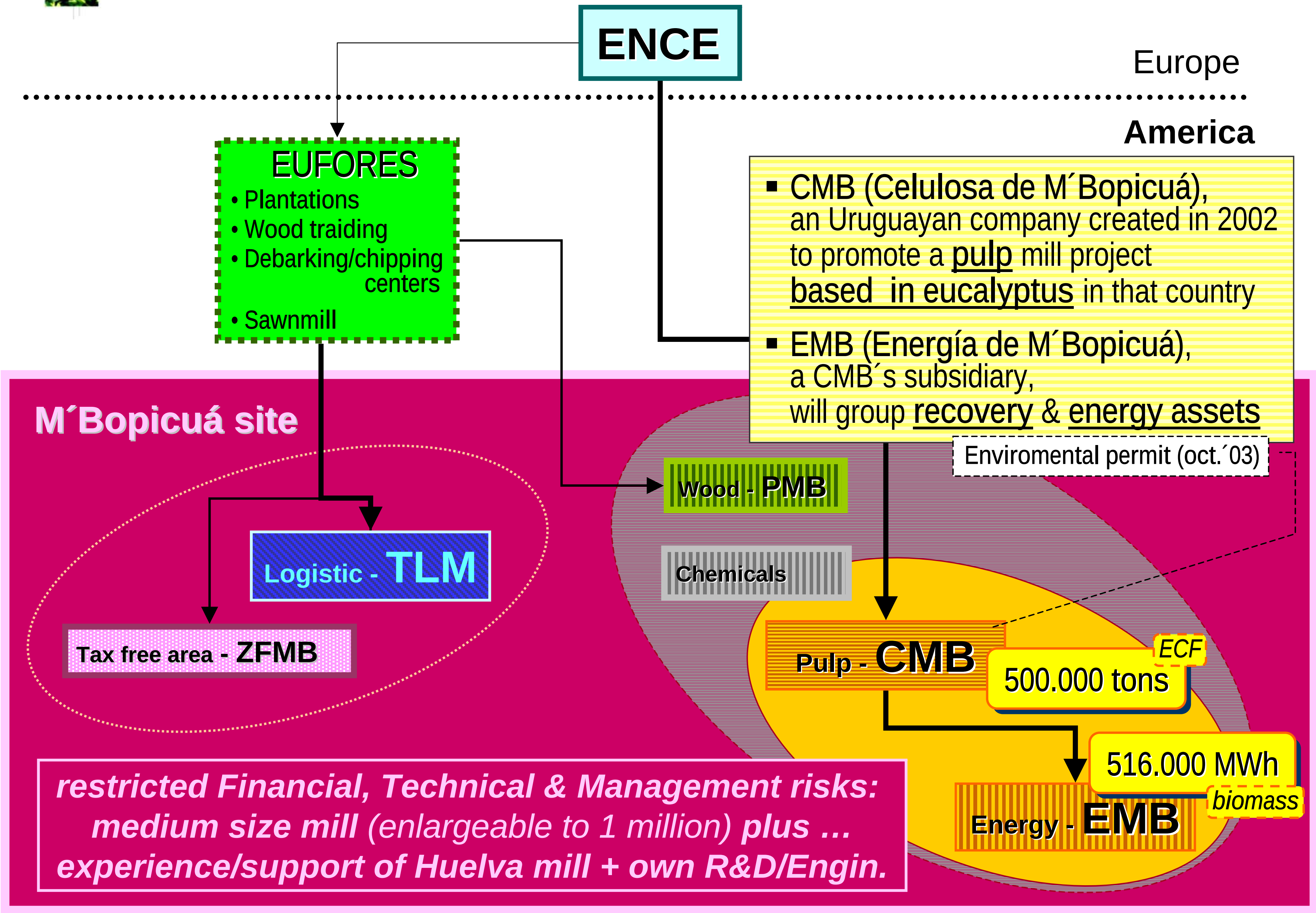
- M´Bopicua Logistic Terminal (TLM), over Uruguay River (100 Km far from the Plata River mouth),
  - *direct access to Uruguayan & Argentinean road system, that gives flexibility to goods origins,*
  - *availability of own pier for in/out flows, plus railway connection opportunity*
  - *close to Eucalyptus plantations & gas-pipelines*
  - *near urban centers where workers will stay in*
- Tax-Free Area (ZFMB), next to TLM, during 30 years, for the mills located (which can be extended to 50 years)





M´Bopicuá provides with important logistic advantages for trading / industrial projects, especially in wood

M'BOPICUA Project



Wood availability for CMB-EMB project

CMB - EMB woodchips & bark needs will be supplied at M´Bopicuá by EUFORES through a subsidiary (PMB) at Duty Free Area (*existing chipping facilities will be increased)*

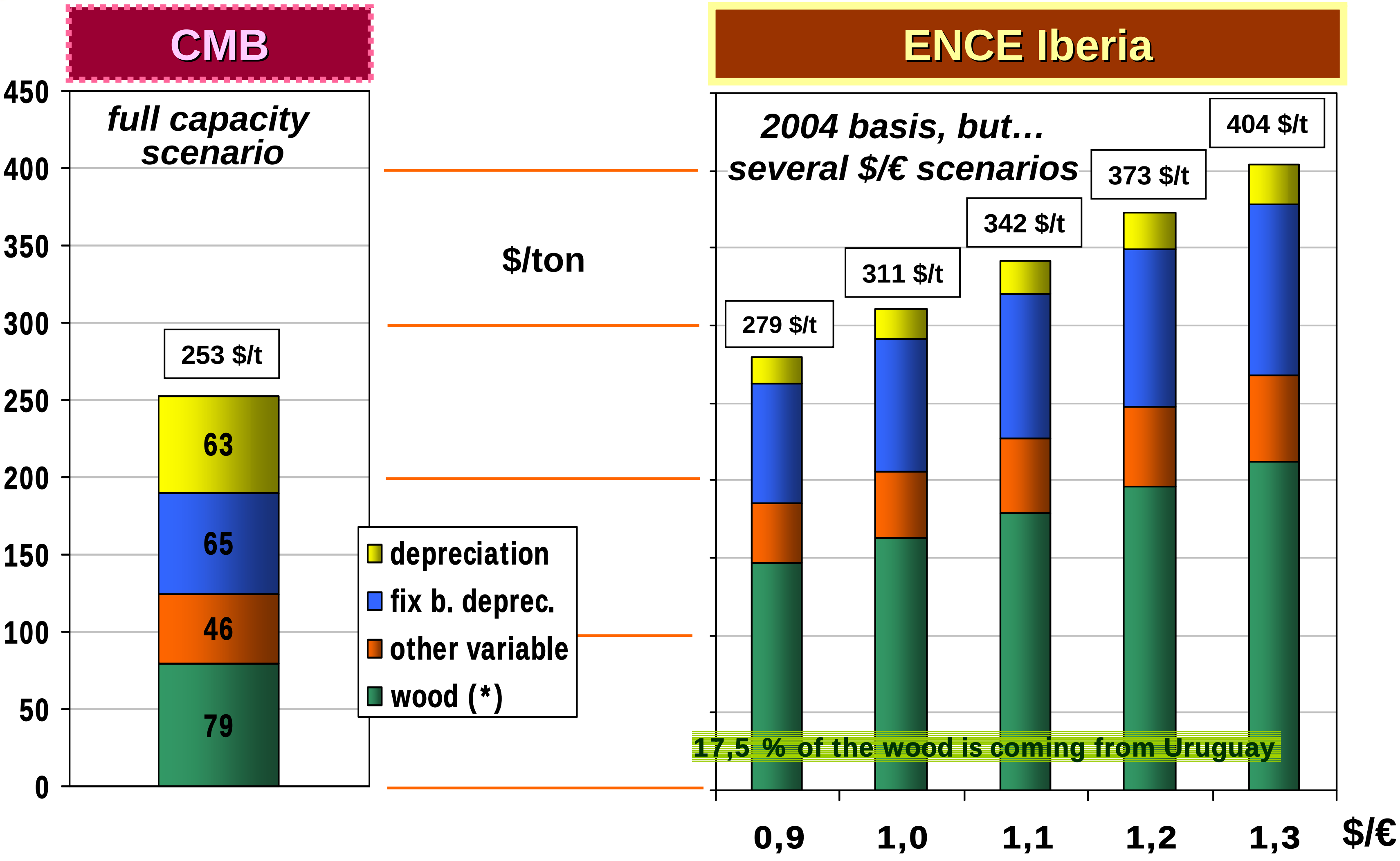
glóbulus equivalent: 3,1 m3/ton of pulp	**2008**	**2009**	**2010**	**... 2014**
Wood supply by source (000 m3)	*568*	*1.345*	*1.495*	*1.495*
Assets forested up to Dec ´04	*300*	*600*	*600*	*600*
Assets to be forested post Dec ´04	-	-	-	*950*
Forward purchases	*126*	*409*	*521*	-
Current purchases to third parties	*142*	*336*	*374*	-

➡ *limited exposure (25%) to current purchases in the Uruguayan market & Argentina as a secondary source*

- *EUFORES' forested assets up to the end of 2004 will supply 700,000 m3 per annum of eucalyptus wood - 600,000 to CMB-EMB - as from 2008, with increasing productivity (between 16 and 19.5 m3 per hectare and year)*
- *forward purchases of standing wood underway*
- *100.000 has. of own plantations in the area will minimize market wood exposure*
- *current restructuration investments with clones on the plantations as they are harvested will improve productivity (but is not consider in CMB-EMB´s costs)*
- *new forestations (6.000 has per year with estimated growth in excess of 21 m3), could fully satisfy CMB-EMB needs from 2014*

mill wood needs will be cover on <180 km average distance until 2012

ex-mill cost: Uruguay vs. Iberia mills

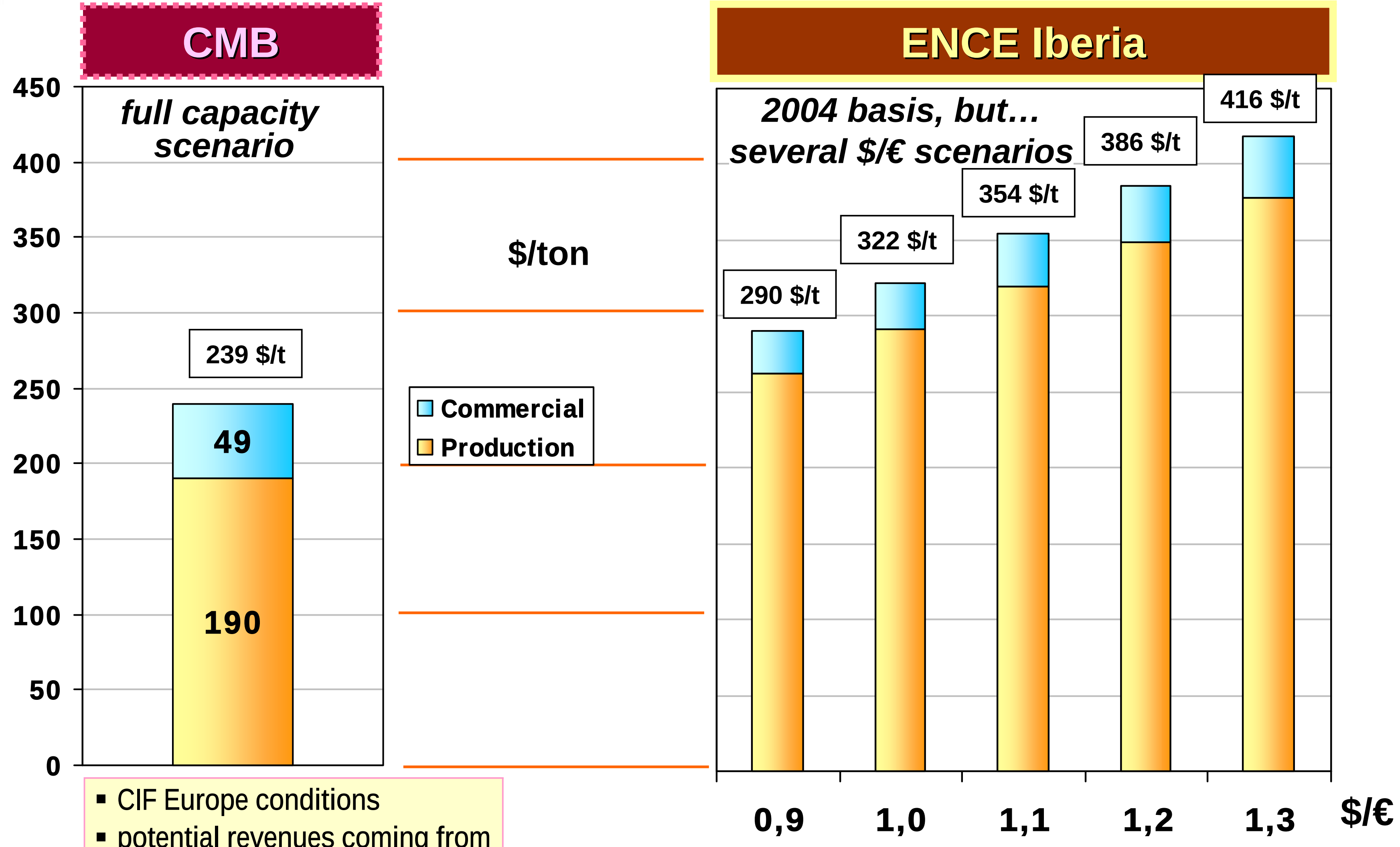


much lower Uruguayan wood cost & higher productivity of mill

(*) - debarking & chipping costs are not included in wood costs but in the other items to be comparable with the iberian ENCE´s mills

- Wood cost does not include capital cost as in competitors information available

cash cost CIF Europe: Uruguay vs. Iberia mills



- CIF Europe conditions
- potential revenues coming from carbon CDMs are not consider

good commercial costs of CMB due to…
… logistic facilities plus integrated sales & distribution network in Europe

Cash cost CIF: CMB Uruguay vs peers

Hawkins Wright source , March 2005 Outlook

€/$ 1,35

ENCE Iberia

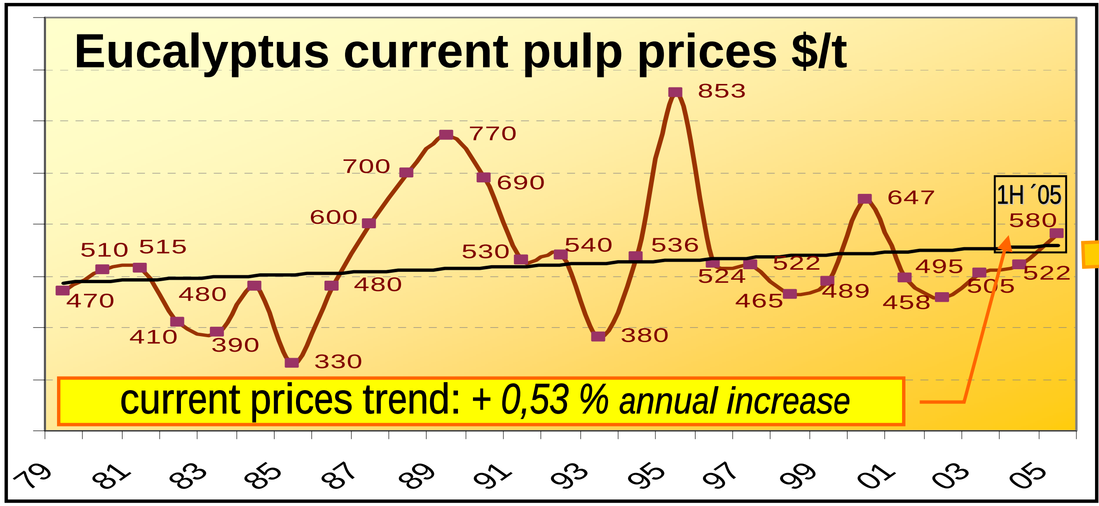
US $ /ton	Brazil	US South	Canada East	Portugal	Finland	World average	CMB
wood	84	128	158	206	266	144	79
other variable costs	45	60	54	71	43	51	46
fix cost b. depreciation	52	122	108	117	84	84	65
fob mill b. depreciation	***181***	***310***	***320***	***394***	***393***	***279***	*190*
Commercial cost	61	63	80	23	46	55	49
CASH COSTS cif	***242***	***373***	***400***	***417***	***439***	***334***	*239*

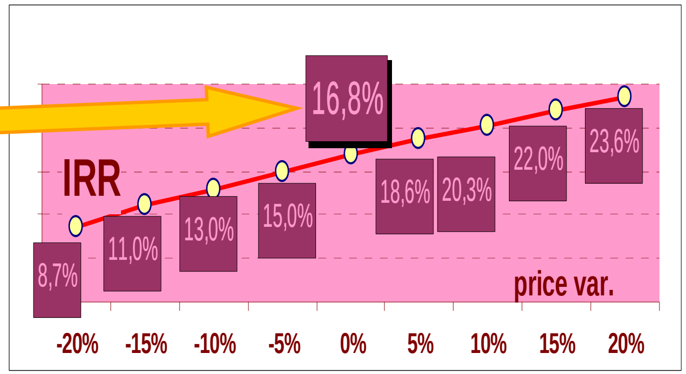
weak $ depress cost competitiveness of ENCE´s Iberian mills

CMB´s cost will be similar to Brazilian mills

M´Bopicuá project financial needs & IRR

➡ M´Bopicuá project financial needs: mill $	´06	´07	´08	total
↪ *CMB´s eucalyptus pulp line, plus chemicals*	*35*	*86*	*165*	*286*
↪ *EMB subsidiary´s energy recovery & electricity generation line*	*31*	*102*	*181*	*314*
↪ *EUFORES additional chipping / debarking capacity*	*5*	*11*	*6*	*22*
	71	*199*	*352*	*622*
plus deferred expenses + start up …………				*67*
working capital ……..…………………….				*23*
				712





M´Bopicuá´s IIR will be around 17% taxes free & before financial structure

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Impact of M´Bopicuá project on ENCE

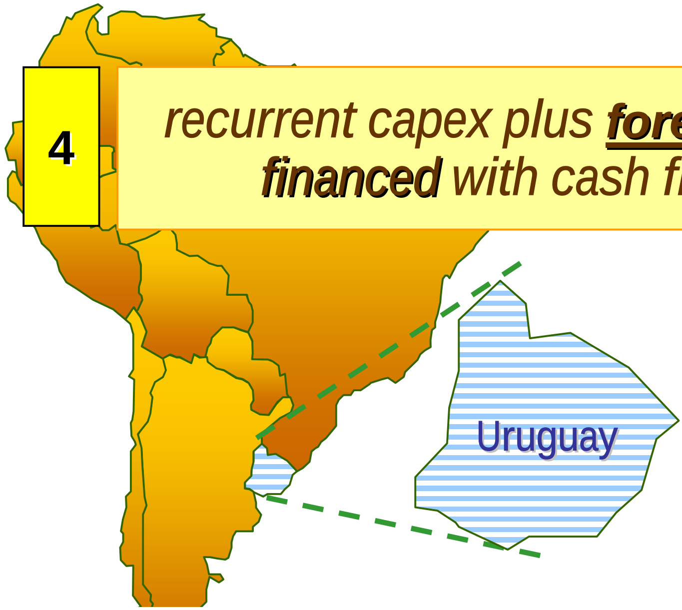
1 — ***M´Bopicuá*** *assure ENCE´s* ***cost competitiveness*** *in* ***weak $ scenarios***

... nevertheless *hedging will be added* *if possible*

2 — ***M´Bopicuá project*** *requires* ***higher equity*** *level:* €170 mill. Capital increase

3 — ***dividend payments & equity strengh would be compatible*** *even with new number of shares*

4 — *recurrent capex plus* ***forest & energy over investments financed*** *with cash flows and* ***certain land divestures & partnersips***



M´Bopicuá project impact in ENCE´s EBITDA

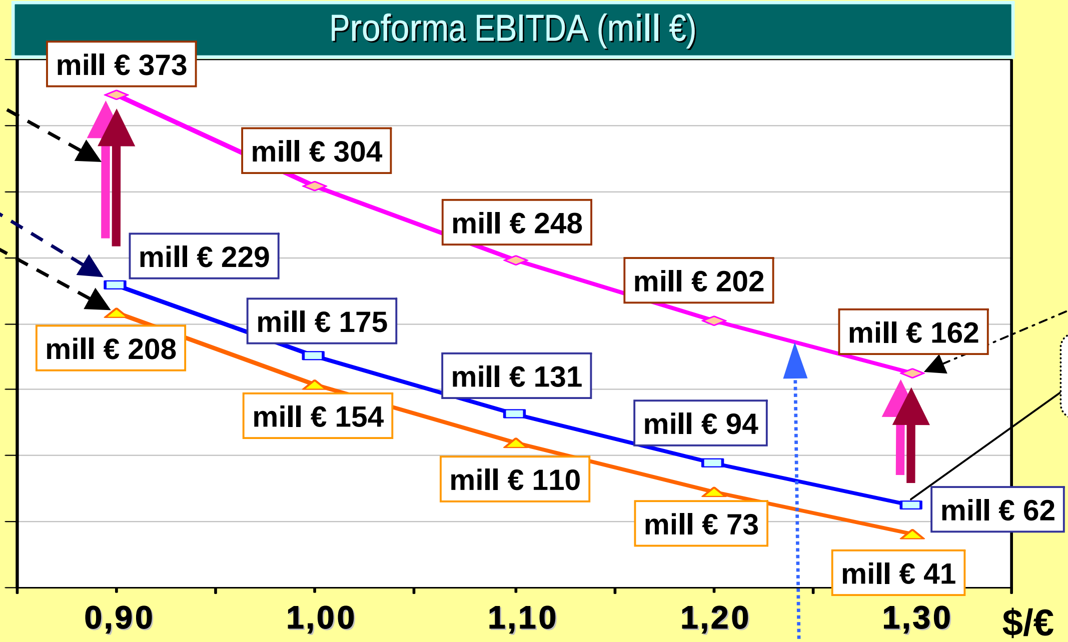
ENCE´04 <u>without hedging</u> *(pulp price 521$/ton)*

ENCE without hedging… *plus:*

- *profits coming from recentchanges in Spanish electricity legal framework* (full impact ´06)
- *51Mw additional power at Huelva*

… ***mill.€ 21*** on ´04 prices/costs basis

EBITDA increase trough M´Bopicuá



⇨ *proforma EBITDA:* ***at 1,24 $/€ rate & 521 $/ton*** ***<u>mill € 186</u>***
+ 65% s/ EBITDA´04 <u>hedging included</u>

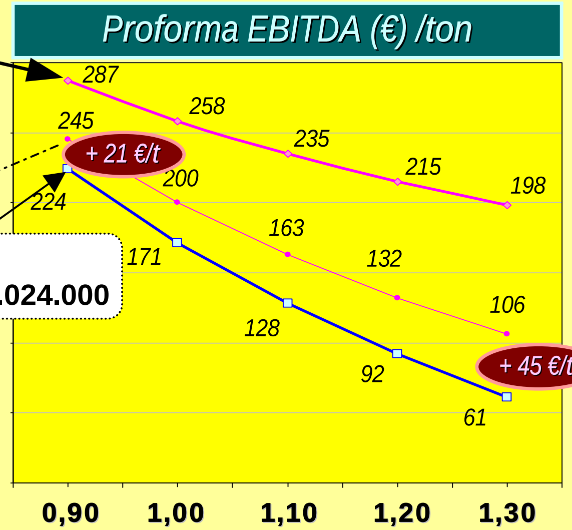
<u>M´Bopicuá project</u>: on ´04 basis …
… with exchange rate 1,24 $/€
⇨ *Total funds needed* *<u>mill € 574</u>*
… & pulp price 521 $/ton
⇨ *EBITDA per year* *<u>mill € 105</u>*

Including aditional volume effects in Eufores

Uruguay
tons 500.000

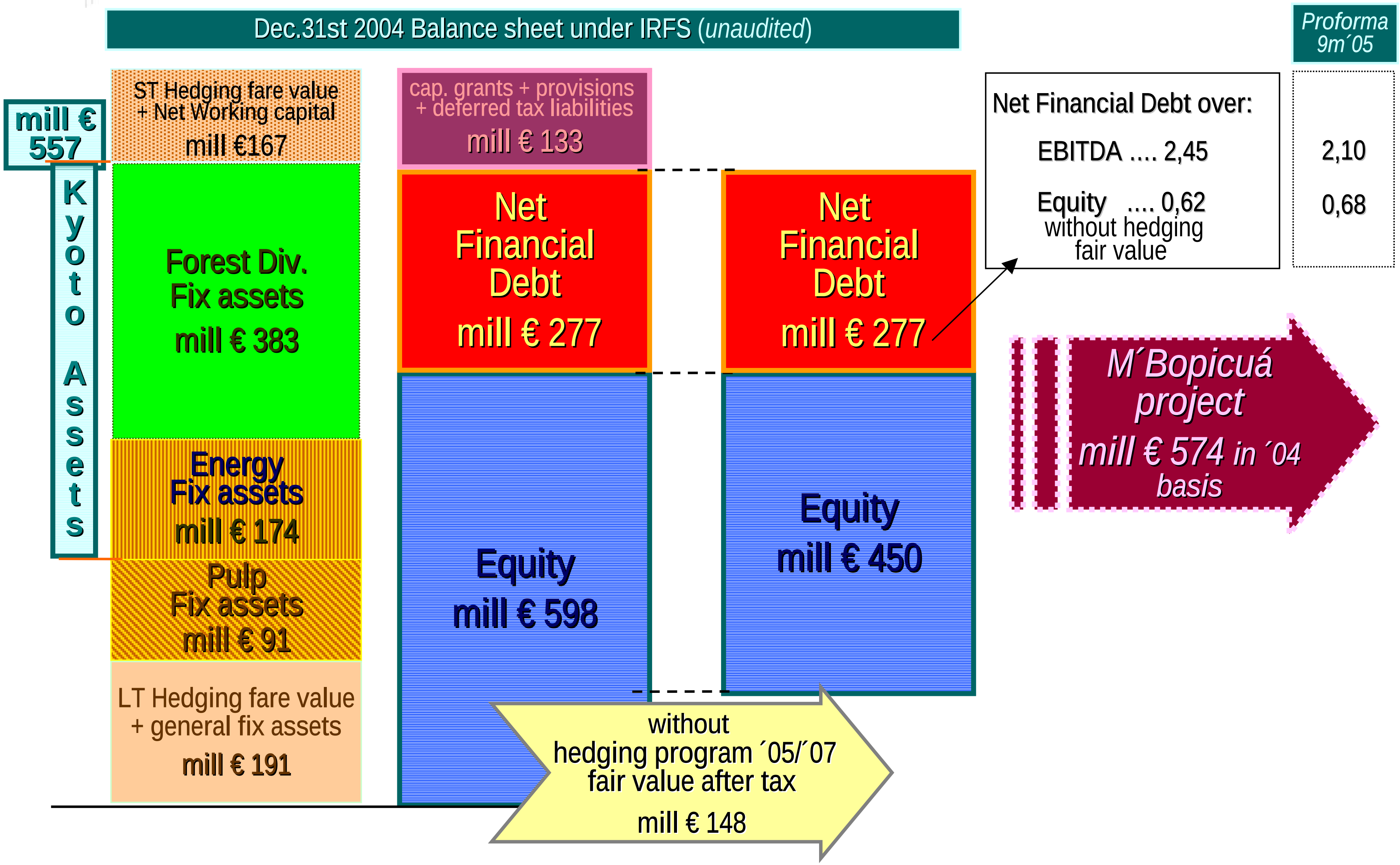
Iberia
tons 1.024.000

⇨ *substantially lower <u>cost per ton</u> of Iberia & Uruguay mix*



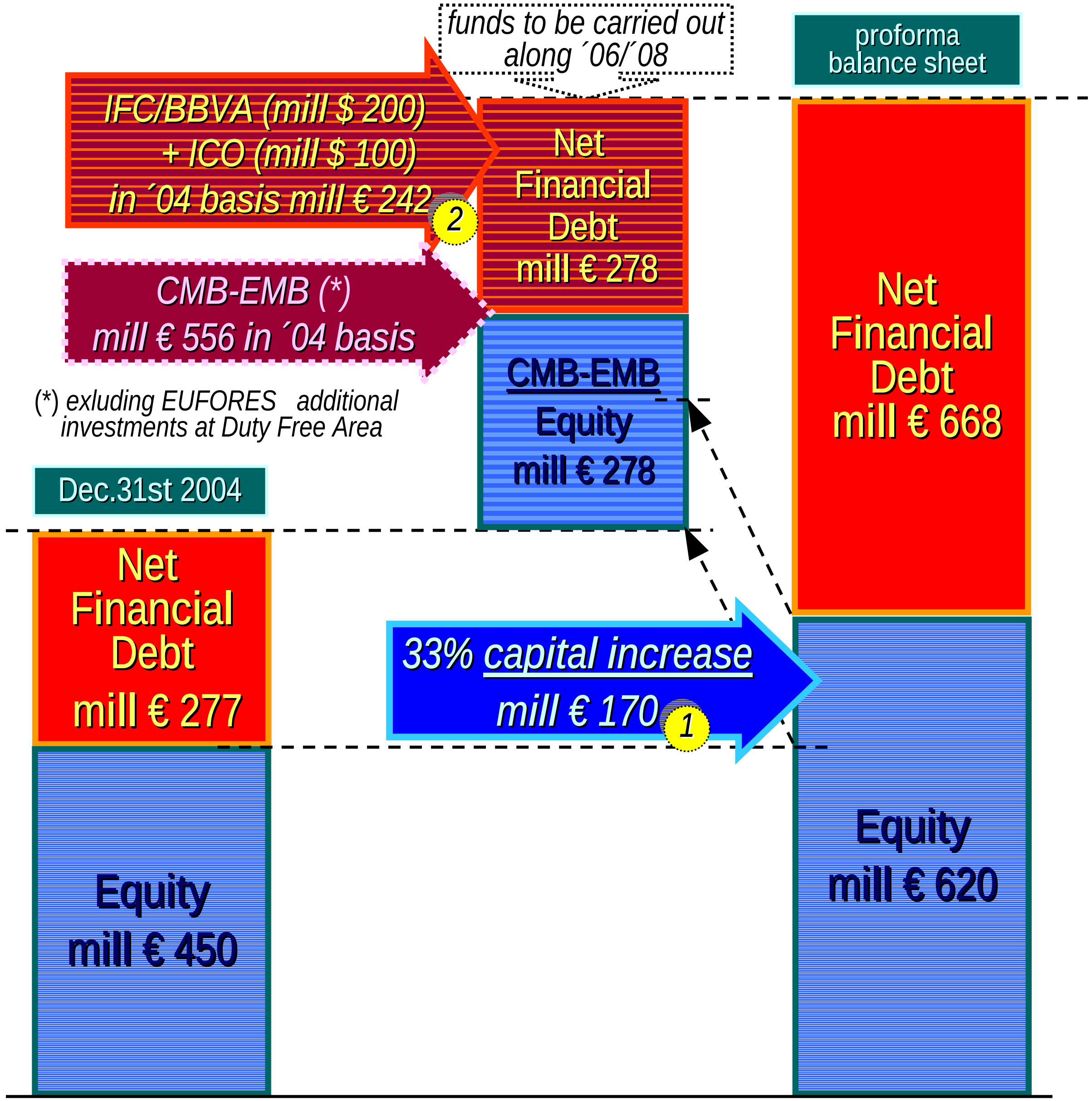
M´Bopicuá will assure ENCE´s cost competitiveness in weak $ scenarios

M´Bopicuá project financing (I)



ENCE has a good financial base …
…..but M´Bopicuá project requieres higher equity level

M´Bopicuá project financing (II)



- 3/4 of M´Bopicuá financial requirements will be cover by capital increase plus IFC/BBVA + ICO specific LT financing

- confortable debt ratios could be kept through:
  - ... *managing Kyoto assets expansion together with :*
    - ⇨ partnerships on them
    - ⇨ plus southern iberian land divestures
  - ⇨ net profits after dividends paid

- but also a new global financial dress is needed for new times:
  - ⇨ current M/S T corporate debt reestructuring to mach maturity of new projects

Conclusions

ENCE current position

- ENCE is # 1 forest company in Southern Europe … … with a solid presence in South America
- ENCE is the leader in European eucalyptus pulp market & # **2** worldwide producer … eucalyptus is the fastest growing segment & Europe the main market
- ENCE is also a benchmark for electricity generation with bio fuels … … Spain is the most renewal energy oriented among EC countries
- high margins vs. peers & active currency risk Hedging Policy covering until 2007
- moderate Net Debt & attractive Dividend Policy

M´Bopicuá project

- higher pulp capacity (+50%), stronger market position & access to the Far East
- attractive IRR plus optimum tax/legal frame & world Bank support
- important EBITDA / ton improvement (lower wood cost & sale/ distribution advantages) plus direct reduction of currency risk exposure

Kyoto assets

- higher electricity generation capacity (+75%) & … … benefits from Spanish Electricity Regulatory Frame evolution
- strong impact of R&D policy on land productivity & operational costs
- Rigths opportunity on all kind of Kyoto Protocol Flexibility Mechanism