Quarterly Report
2nd Quarter 2011

30 June 2011

CONTENTS

1. EXECUTIVE SUMMARY 2Q11

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Pulp sales	145.5	159.2	(9%)	161.2	(10%)	304.7	283.4	8%
Electricity sales	42.3	43.0	(2%)	32.2	31%	85.3	65.8	30%
Forest sales and others	13.0	16.3	(20%)	14.5	(10%)	29.4	28.8	2%
Total sales	**200.9**	**218.4**	(8%)	**207.9**	(3%)	**419.3**	**378.1**	11%
EBITDA	**36.0**	**39.3**	(8%)	**54.5**	(34%)	**75.2**	**88.2**	(15%)
Adjusted EBITDA	**42.1**	**47.5**	(11%)	**60.1**	(30%)	**89.5**	**92.5**	(3%)
EBIT	**22.7**	**25.1**	(10%)	**36.5**	(38%)	**47.8**	**56.6**	(16%)
Net profit	**11.4**	**16.2**	(30%)	**19.8**	(43%)	**27.6**	**26.5**	4%
Net financial debt [(a)]	**148.6**	**155.3**	(4%)	**198.3**	(25%)	**148.6**	**198.3**	(25%)
Pulp sales (tons)	**282,126**	**300,021**	(6%)	**278,603**	1%	**582,147**	**541,980**	7%
Electricity sales (MWh)	**357,604**	**364,477**	(2%)	**314,717**	14%	**722,082**	**647,129**	12%
Net pulp sale price (€/ton)	**516**	**531**	(3%)	**579**	(11%)	**524**	**523**	0%
Average electricity sale price (€/MWh)	**116**	**113**	3%	**105**	11%	**114**	**103**	11%

(a) additionally, there is € 34.8 M of non-recourse debt linked to the "project financing" of the 50MW plant

- ✓ **Consolidation of biomass expansion with the signing of the Huelva project finance and the turnkey EPC contract:** on June 21, Ence concluded the first "Project Finance" carried out in Spain for the construction of the largest renewable biomass energy plant in Spain (50 MW), located in Huelva, totalling 101 million. Furthermore, Ence signed the EPC contract with OHL, which guarantees the implementation of the project in terms of cost, quality and time. This project is scheduled to begin operations in the last quarter of 2012. The signing of two the contracts gives visibility to the group's expansion plans and strengthens the position of Ence as a leader in biomass-based electricity production.

- ✓ **The capacity utilization ratio remained above 94% in 1H11:** pulp production was up 9% in 1H10 vs. 1H11 despite the longer duration of the maintenance shutdown at Navia, for efficiency improvements. The maintenance of high levels of utilization, in line with the 1Q11, supports the prospect of good business results for the 2H11 and a cost improvement based on the increasing contribution of the electricity business and dilution of fixed costs.

- ✓ **Consolidation of revenue growth from pulp and electricity sales:** pulp and electricity sales rose 8% and 30% respectively in 1H11 against 1H10, thanks to the greater stability of pulp production at the plants and the solving of the operating problems at one of the turbines in Pontevedra as from April last year. Pulp prices have been negatively affected by the depreciation of the dollar during the quarter, which has been offset by the higher dollar price (+5%). Electricity prices benefited from tariff increases last December and the higher pool price.

- ✓ **Positive evolution of the cash cost, which fell to €372/t in 2Q11,** 2% and 5% below 1Q11 and 4Q10 respectively, thanks to efforts in reducing the cost of wood and the increase in the dilution of fixed costs owing to increased production.

- ✓ **Solid operating results:** the adjusted EBITDA for 1H11 stood at +€89.5 Mn, 3% below the 1H10 despite increases in the price of wood that took place throughout 2010 and the higher cost of chemicals and fuels owing to rising crude prices. EBITDA for 2Q10 and 3Q10 were the highest in the last 10 years, making the comparison with 2011 difficult in an environment with a weak dollar and lower prices in euros.

- ✓ **Debt reduction:** The strong cash generation in the integrated pulp and energy business has helped maintain net debt at €150 Mn (excluding €34.8Mn of non-recourse debt), 32% below the debt existing at June 2010 despite the dividend payment of €25.8 Mn and increased working capital, primarily due to growing stocks of wood resulting from the implementation of the company´s price reduction policy. Current det debt levels are equivalent to 0.9 times the EBITDA for the last twelve months.

- ✓ **Pulp prices remain strong in 2011:** the dollar prices of pulp have been stable in the quarter despite the worse performance of demand given the existing macroeconomic uncertainty, lower seasonal demand owing to maintenance shutdowns in the paper industry and reduced imports from China following the increase shown in 1Q11 before the price increase. As a result, a price cut of $30/t was applied in July to $850/t, reversing the increase implemented in April. While these factors will continue to affect business in the third quarter, an improvement is expected by the fourth quarter, with a stronger price outlook for end-of-year.

2. PULP BUSINESS: KEY INDICATORS

	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Huelva	74,352	97,667	(24%)	77,723	(4%)	172,018	155,371	11%
Pontevedra	106,497	91,107	17%	108,276	(2%)	197,604	185,002	7%
Navia	99,279	120,934	(18%)	102,292	(3%)	220,213	202,858	9%
Pulp production (tons)	**280,127**	**309,707**	(10%)	**288,291**	(3%)	**589,835**	**543,231**	9%
Huelva	76,496	92,616	(17%)	76,869	(0%)	169,112	157,435	7%
Pontevedra	105,263	87,738	20%	103,156	2%	193,001	185,428	4%
Navia	100,367	119,667	(16%)	98,578	2%	220,034	199,117	11%
Pulp sales (tons)	**282,126**	**300,021**	(6%)	**278,603**	1%	**582,147**	**541,980**	7%
BHKP ($/t)	**868**	**847**	3%	**869**	(0%)	**857**	**813**	5%
Average exchange rate ($/€)	**1.44**	**1.35**	6%	**1.29**	11%	**1.39**	**1.33**	5%
Net sale price (€/t)	**516**	**531**	(3%)	**579**	(11%)	**524**	**523**	0%
Pulp sales (€Mn)	**145.5**	**159.2**	(9%)	**161.2**	(10%)	**304.7**	**283.4**	8%

With regard to production and marketing of pulp, sales for 1H11 were 40,167 tons higher than the same period in 2010, a 7% increase YoY. Meanwhile, pulp production stood at 589,835 tons, representing an increase of 9%. This growth comes despite the longer duration of the maintenance shutdowns of Navia and Huelva in 2Q11, although the comparison benefited from lower production in 1Q10 as a result of wood supply restrictions caused by the storms:

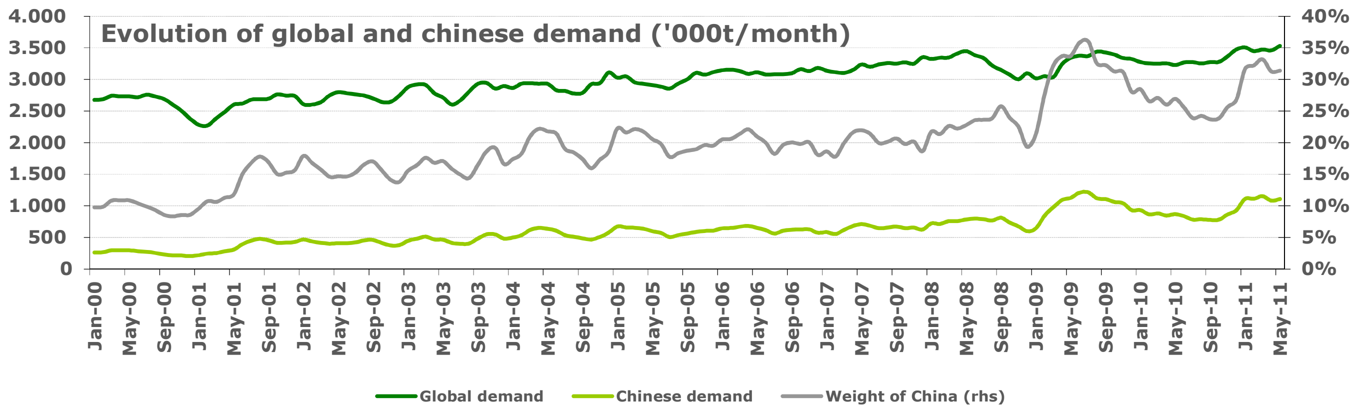
- ✓ At the Huelva plant, production totalled 172,018 tons, 11% higher than 1H10. The plant performed its maintenance shutdown in May (15 days), which at normal production rates implied a loss of 17,040 tons.
- ✓ At the Pontevedra plant, production stood at 197,604 tonnes, 7% higher than the 1H10. The Pontevedra plant performed its maintenance shutdown in 1Q11, which at normal production rates implied a loss of about 12,700 tons.
- ✓ Production at the Navia plant totalled 220,213 tons, up 9% over the 1H10 production figure despite the longer duration of the maintenance shutdown in April (17 days vs. 9), which at normal production rates implied a loss of 22,807 tons.

In general, the first half showed continued stability in the production of the plants adjusted for the impact of the shutdowns. Looking to the second half, the impact on activity will be even more visible since there are no further shutdowns scheduled for the year. At the rate shown in July, production will exceed 315,000 tonnes in 3Q11, equivalent to a 4% increase compared to 3Q10.

As far as the average income per ton is concerned, the average net sale price fell to the €524/t in the first half, in line with 2010 since the rising cost in dollars has been offset by the depreciation of that currency. In April, an increase of $30/t was applied to $880/t, which was reversed in July.

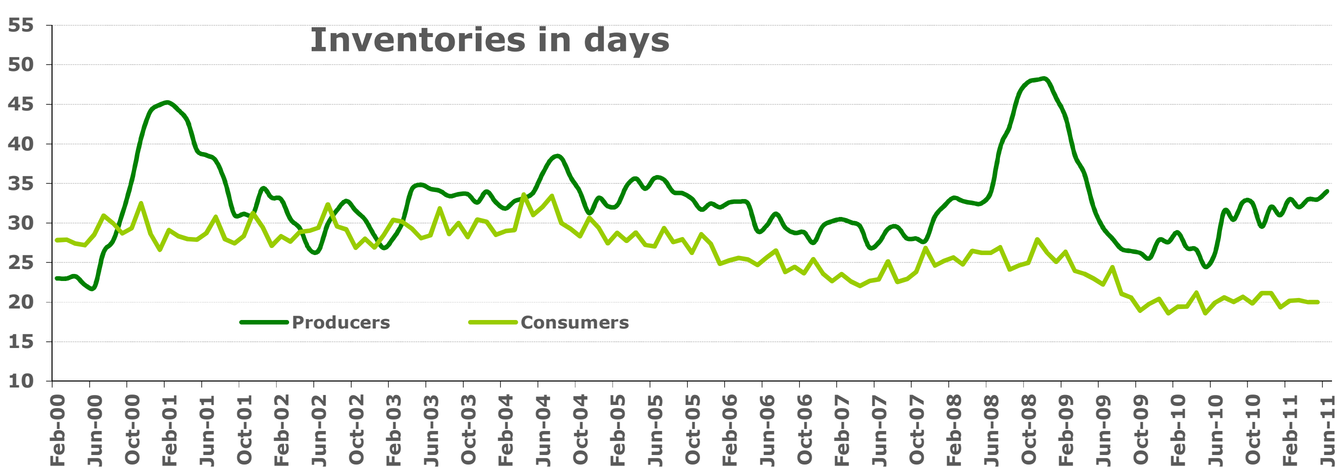
2.1. OVERVIEW OF THE PULP MARKET

During the 2Q11, demand for pulp weakened slightly after the strength shown in 1Q11. After strong figures for March in anticipation of the price rise in April, levels of demand fell both in China and in developed markets to levels similar to those seen earlier this year. Macroeconomic uncertainties on both sides of the Atlantic along with the restrictive measures applied by the Chinese government and producer inventories at more normal levels compared to last year, have diminished expectations of increasing prices and has limited orders, especially from the month June. The difficult implementation of the price rise in long fibre in June justified a demand decrease in the short term, that lead to a $30/t decrease for both long and short fibre announced for July. Nevertheless, demand has grown 8.6% so far this year, supported by positive performance in Europe (+1.7%) and the recovery of demand in China (+39.2%) (data PPPC). This growth has allowed the market to absorb the reopening of capacity in Chile and Indonesia without a major impact on the industry utilization ratios, which remained at levels of 95% (Pulp Watch; April).



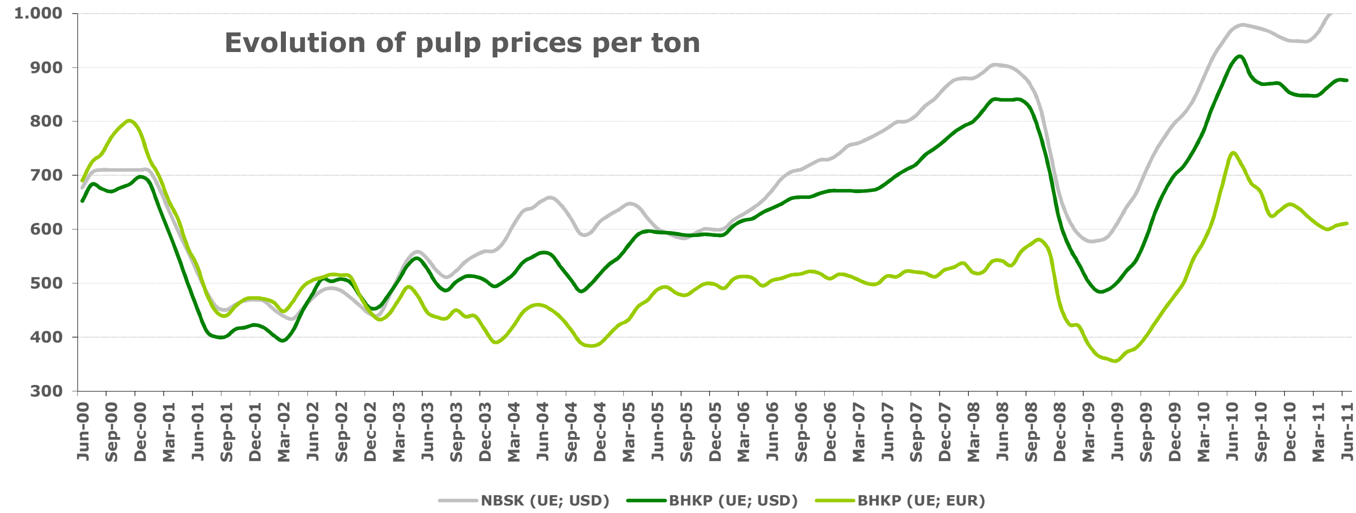
Source: PulpWatch

In this setting of containment in the volume of orders, as of June 2011 the stocks of market pulp manufacturers increased slightly (from 32 to 34 days) while those of consumers still remained at historical lows of 20 days (PPPC).



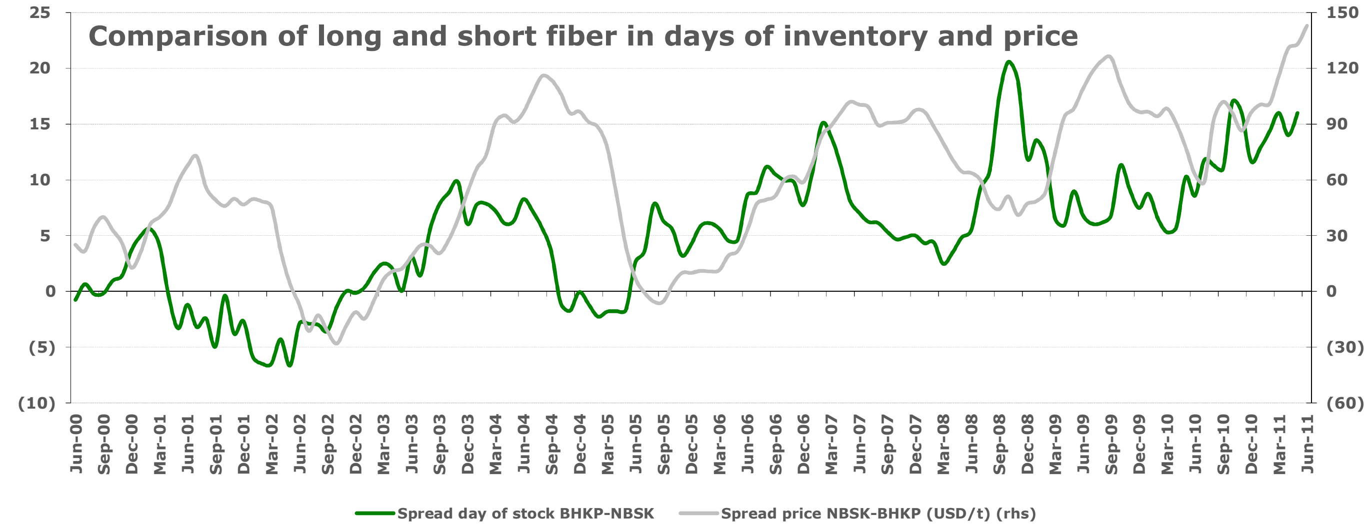
Source: PPPC

As a result, pulp prices continue at record levels in all markets, although some of the support is due to the weak dollar which has reduced supply costs for paper manufacturers, in paper markets which continued to be weak.



Source: FOEX

The gap between long and short fibre prices has continued to increase reaching peak levels ($160/t in Europe) while the difference in the number of days of inventory has remained stable. The lower demand resulting from the correction in viscose prices that was generating additional demand for long fibre, should avoid widening the price gap between fibres. In the short term, the all-time high gap in prices will lead to a replacement effect in the pulp mix for paper production, limiting the correction of the short fibre price.



Source: PPPC

From the standpoint of balance between supply and demand, the tension in the market reduced by the end of the quarter, with a cellulose offer that has remained stable over the period while demand has been limited to waiting for a correction in prices. The price reduction is also justified by the lower seasonal demand owing to maintenance shutdowns at pulp plants, as well as specific factors that have affected Chinese imports such as the more restrictive monetary policy of the Asian giant that negatively impacted the liquidity of the system and speculation arising from the significant influence of intermediaries in the Asian market. However, the increased seasonal demand expected once paper production rates recover and the limited ability to reduce inventories in Asia (China destocked in 2010 in view of high prices) is expected to eliminate the current pressure on prices and facilitate recovery in the last quarter. This result could be amplified as developed countries show signs of macroeconomic recovery, supporting higher levels of demand.

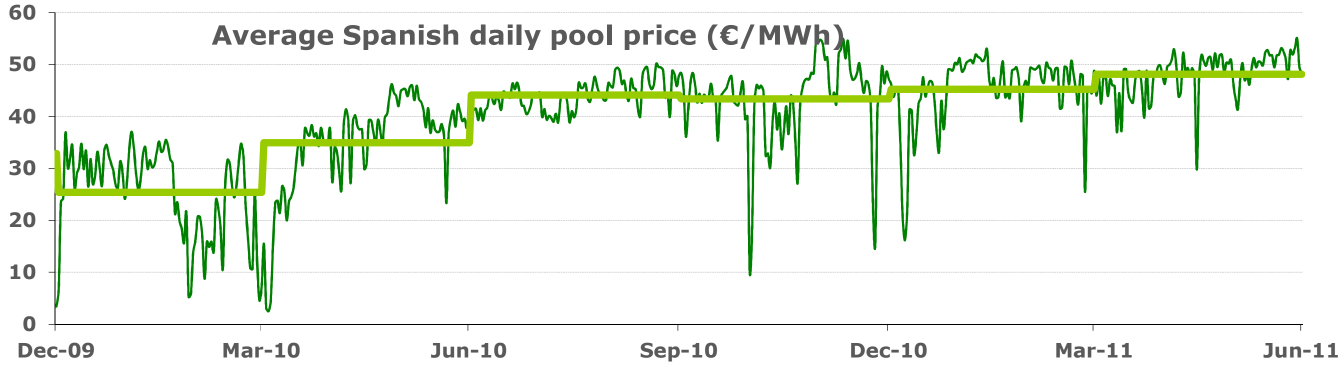
3. ENERGY BUSINESS: KEY INDICATORS

	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Huelva	192,624	198,763	(3%)	160,636	20%	391,387	351,950	11%
Pontevedra	55,114	46,711	18%	51,272	7%	101,825	83,566	22%
Navia	114,758	126,552	(9%)	104,934	9%	241,311	219,857	10%
Electricity production (MWh)	**362,496**	**372,026**	(3%)	**316,842**	14%	**734,522**	**655,374**	12%
Huelva	194,590	198,286	(2%)	156,598	24%	392,876	347,861	13%
Pontevedra	53,190	45,081	18%	49,715	7%	98,271	80,882	21%
Navia	109,824	121,111	(9%)	108,405	1%	230,934	218,386	6%
Electricity sales (MWh)	**357,604**	**364,477**	(2%)	**314,717**	14%	**722,082**	**647,129**	12%
Electricity consumption (MWh)	**176,380**	**182,308**	(3%)	**174,351**	1%	**358,688**	**340,466**	5%
Average pool price (€/MWh)	**48**	**45**	6%	**35**	38%	**47**	**30**	55%
Average sale price (€/MWh)	**116**	**113**	3%	**105**	11%	**114**	**103**	11%
Electricity sales (€Mn)	**42.3**	**43.0**	(2%)	**32.2**	31%	**85.3**	**65.8**	30%

Energy sales amounted to €85.3 Mn in 1H11, 30% higher than 1H10 due to greater production, the higher weight of biomass-fuelled generation in the production mix, the improvement in pool prices, and the 2.1% revision of tariffs and premiums approved at the end of 2010, linked to inflation.

With regard to the energy business, 734,522 MWh were produced in 1H11, representing an increase of +12% vs. 1H10. Energy sales volumes have shown a similar pattern, reaching 722,082 MWh. The improvement in production is largely due to increased production of cellulose, which enables power generation to increase with the waste from the production process. The increase is also due to the turbine operation problems in Pontevedra last year, which were solved in April 2010, as well as lower production in Huelva last year owing to an additional maintenance shutdown at Cener. Together, the three plants have sold nearly 538,000 MWh of renewable energy (excluding gas) in 1H11, up 12% on 1H10. This means that biomass generation would account for 75% of the mix.

Electricity market prices have continued to show a slight improvement in the quarter due to strength in the price of crude, improving the sales of the turbines that sell at pool price plus premium (45% of installed capacity).



Source: OMEL

4. FOREST ACTIVITY: KEY INDICATORS

	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Supply to industrial process (m^3)	**841,919**	**930,563**	(10%)	**855,843**	(2%)	**1,772,482**	**1,654,969**	7%
Cost €/m^3	**69.9**	**73.5**	(5%)	**71.7**	(2%)	**71.8**	**66.9**	7%
Own hectares	77,548	77,606	(0%)	77,649	(0%)	77,548	77,649	(0%)
Third party hectares (consortia)	39,772	38,495	3%	35,002	14%	39,772	35,002	14%
Hectares managed by ownership (Ha)	**117,320**	**116,101**	1%	**112,651**	4%	**117,320**	**112,651**	4%
Hectares for pulp	98,495	103,184	(5%)	104,552	(6%)	98,495	104,552	(6%)
Hectares for energy crops	18,825	12,917	46%	8,099	132%	18,825	8,099	132%
Hectares managed by use (Ha)	**117,320**	**116,101**	1%	**112,651**	4%	**117,320**	**112,651**	4%

Turning now to the forestry business, in the first six months of the year 1,772,482 m^3 of wood were supplied to the group's pulp plants. Investment in managing the company's forestry asset base reached €16.2 Mn. With this investment, the company has planted 1,125 ha and carried out forestry maintenance and management activities in another 31,190 ha.

Regarding the energy crops business, the company has been working on 5,845 hectares during the first half, in line with its strategic objective of creating a regular and competitive biomass supply base to provide stability and guarantee profitability for the future renewable biomass energy generation facilities currently under development. Likewise, 209,545 tonnes of forestry biomass have been marketed mostly for the supply of group's energy production.

During 1H11, Ence has maintained an active price reduction policy in the Iberian eucalyptus wood market which is starting to pay off and will be consolidated throughout the second six-month period. Additionally, the company has continued to mitigate the effect of the increase in the price of wood seen at the end of 2010 and at the beginning of this year through the diversification of its supply sources, the use of alternative eucalyptus subspecies, and a more intense supply chain management.

The company is also working very intensely and transparently in collaboration with various associations of forest owners to mobilise additional volumes of wood at a competitive cost. As such, the acquisition of wood from forestry owners has increased twofold as a consequence of the execution of this strategy. Ence believes that the direct relationship with forestry owners and auxiliary forestry services companies must be a strategic priority in the management of wood supply sources. Accordingly, Ence has promoted an agreement with Promagal (Federación de Productores de Madera de Galicia), and has set up work groups with ASEFOGA (UPA-Unions Agrarias) and with SILVANUS (Xovenes Agricultores-ASAJA Galicia), with the aim of seeking solutions to reinforce the role of forestry owners and small and medium-sized companies in the forestry sector, to improve the quality and cost competitiveness of supply and to enable income to be transfered directly to owners.

Finally, the company maintains a long-term investment policy geared towards maximising self-supply by both expanding its forestry assets in the Iberian Peninsula, particularly in the energy crops field, and by applying advanced silvicultural techniques as a mean to improve productivity.

5. COMMENT ON 1Q11 RESULTS

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Total net sales	**200.9**	**218.4**	(8%)	**207.9**	(3%)	**419.3**	**378.1**	11%
Cost of goods sold (a)	(93.8)	(102.6)	(9%)	(85.8)	9%	(196.4)	(164.5)	19%
Personnel expenses	(22.7)	(22.9)	(1%)	(21.9)	4%	(45.7)	(40.3)	13%
Other operating expenses	(48.4)	(53.6)	(10%)	(45.7)	6%	(102.0)	(85.1)	20%
EBITDA	**36.0**	**39.3**	(8%)	**54.5**	(34%)	**75.2**	**88.2**	(15%)
Forest depletion	(2.2)	(1.5)	43%	(5.4)	(59%)	(3.7)	(7.9)	(53%)
Rest of depreciations	(11.7)	(13.3)	(12%)	(12.0)	(3%)	(24.9)	(23.5)	6%
Provisions	0.6	0.7	(15%)	(0.6)	n.s.	1.2	(0.1)	n.s.
EBIT	**22.7**	**25.1**	(10%)	**36.5**	(38%)	**47.8**	**56.6**	(16%)
Financial result	(6.5)	(2.3)	189%	(6.6)	(2%)	(8.8)	(15.7)	(44%)
Profit before taxes	**16.2**	**22.9**	(29%)	**29.8**	(46%)	**39.0**	**40.9**	(5%)
Taxes	(4.8)	(6.7)	(28%)	(10.0)	(52%)	(11.4)	(14.3)	(20%)
Net profit	**11.4**	**16.2**	(30%)	**19.8**	(43%)	**27.6**	**26.5**	4%
Adjusted EBITDA	**42.1**	**47.5**	(11%)	**60.1**	(30%)	**89.5**	**92.5**	(3%)
Cash cost (€/t)	**371.7**	**380.5**	(2%)	**375.9**	(1%)	**376.3**	**363.2**	4%

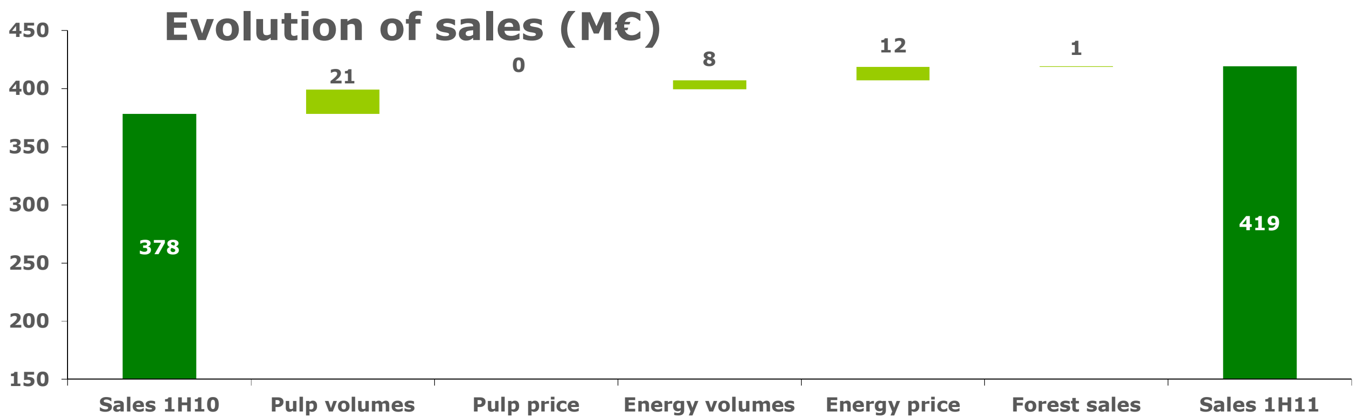
(a) supplies +/- change in stocks

1H11 sales amounted to €419.3Mn, 11% higher than 1H10 as a result of pulp and energy production, reflecting the increases in capacity and improvements in efficiency reached during the last two years.

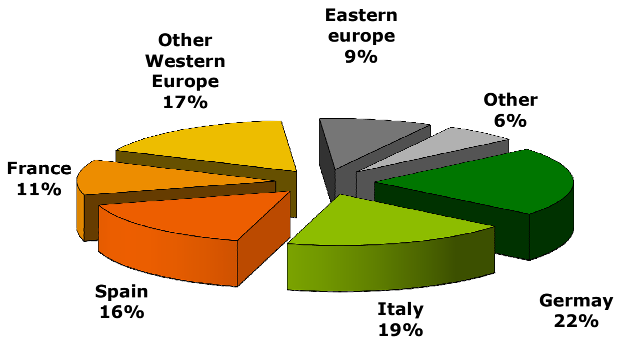
Pulp sales in 1H11 amounted to €304.7Mn, 8% higher than 1H10. Sales volume grew by 7% y-o-y, while prices remained stable as the increase in dollar prices were compensated by the weakness of this particular currency versus the euro.

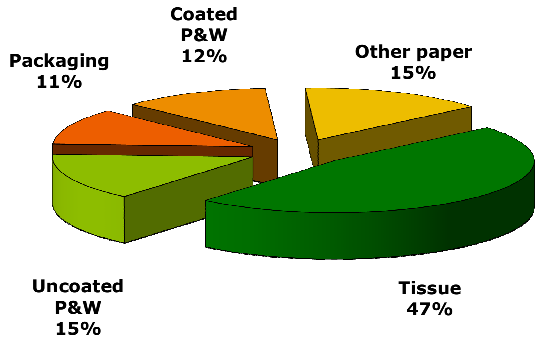
Energy sales amounted to €85.3Mn in 1H11, +30% compared to 1H10, due to the increase in production (+12% vs. 1H10) and the positive trend in prices (+11) resulting from the jump in the pool price (+55%) and the higher rates and premiums approved at the end of last year (+2.1%).

Ence reported revenues from sale of forest products and services of €29.4Mn in 1H11, +2% compared to 1H10, showing an increase in wood sales to third parties and a drop in forestry consulting activity.



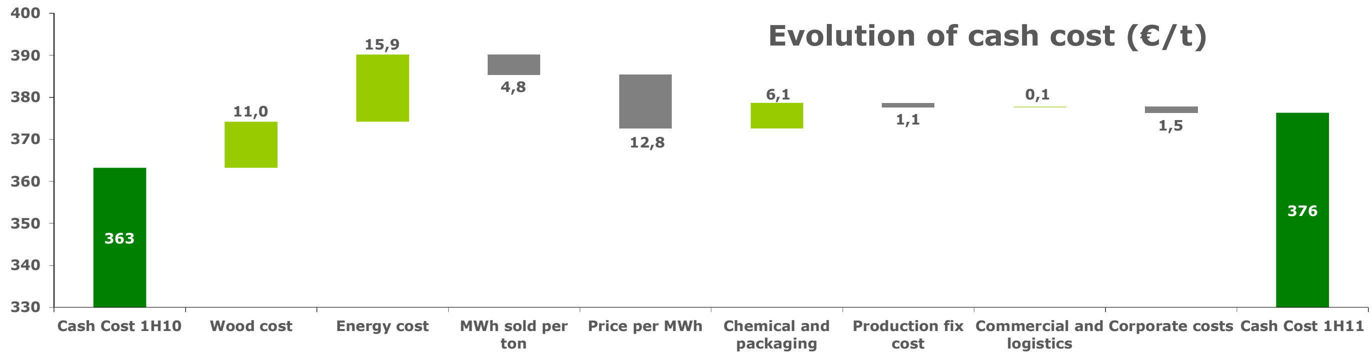
The breakdown of sales by countries and segments in 1H11 came in line with 2010, with market exposure being primarily to Europe (exports represented 84% of production), and with tissue as the most relevant targeted paper segment.





The cash-cost level rose 4% against 1H10 to €376/t. However, the trend has been on the downturn during the six-month period from the maximum of 393€/t reached in the 4Q10 until settling at 372€/t in 2Q11. This downward trend has been possible thanks to the reduction in corporate costs, the greater dilution of fixed costs in a stable operational environment, as well as the positive results of wood cost reduction strategy which was based on three pillars: 1) increasing the number of species used in the industrial process; 2) diversifying supply sources, increasing the weight of standing timber purchases through agreements with owners and producers associations; and 3) reducing prices to suppliers for in the month of April (€1.5/m3 for domestic wood). Consequently, standing timber purchases have increased by 155% in 1H11 year-on-year, and a new price reduction has been applied in the amount of €3/m3 in the month of July, whose effect will be accounted for during 2H11. The implementation of all of these measures will lead to the progressive reduction of the cash cost towards €350/t, which remains as a short term target.

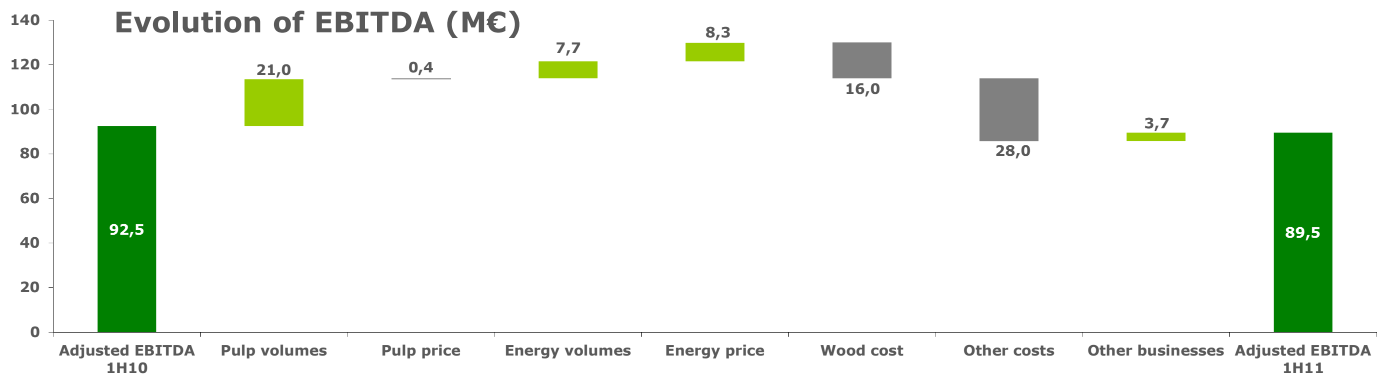
The greatest contribution of energy revenues, due to both the healthy growth in energy volumes vs. pulp production and to better sales prices, was partly compensated by the increase in the price of fuels, which had a negative impact on the cost of energy consumption and chemicals (indexed to crude levels) as compared to the previous year.



Consequently, adjusted EBITDA for 1H11 amounted to +€89.5Mn, 3% lower than 1H10. Netting the impact of hedging, severance payments and provisions, accounting EBITDA in 1H11 amounted to

+€75.2Mn, 15% less than 1H10 figure. The limited fall in operating profit showed the strength of the results, given that 2010 was the best year for profits in the last decade, benefiting from pulp prices at a their pick, a strengthening dollar and slowly rising wood costs during the year.

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
EBITDA	**36.0**	**39.3**	(8%)	**54.5**	(34%)	**75.2**	**88.2**	(15%)
Hedging instruments: pulp and exchange rate	3.0	6.7	(56%)	5.6	(48%)	9.7	5.6	72%
Severance payments	2.6	1.8	39%	0.3	n.s.	4.4	0.4	n.s.
Provisions and others	1.4	(0.0)	n.s.	0.2	n.s.	1.4	0.2	n.s.
Other non-recurrent	(0.8)	(0.3)	145%	(0.5)	78%	(1.2)	(1.9)	(39%)
Adjusted EBITDA	**42.1**	**47.5**	(11%)	**60.1**	(30%)	**89.5**	**92.5**	(3%)



Excluding depreciation, provisions, financial results and taxes, the company reported net profit of €27.6Mn in 1H11, 4% above 1H10 due to reduced financial expenses.

6. FINANCIAL RESULTS

Financial income remained stable in the six-month period at €6.2Mn. The financial result in 1H11 reached €8.7Mn, 44% lower than that of 1H10 due to the negative impact the fall in the Euribor curve had in the value of the Interest Rate Swap last year, which was a non-cash item.

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Financial income	**0.4**	**0.4**	(2%)	**0.8**	(49%)	**0.8**	**0.9**	(8%)
Interest on syndicated facility	(2.6)	(2.4)	5%	(1.3)	93%	(5.0)	(2.6)	90%
Interests on other loans	(0.2)	(0.1)	24%	(1.6)	(88%)	(0.3)	(3.1)	(89%)
Factoring and confirming interests	(0.5)	(0.4)	29%	(0.2)	221%	(0.9)	(0.3)	161%
Financial expenses	**(3.2)**	**(3.0)**	9%	**(3.1)**	5%	**(6.2)**	**(6.1)**	2%
IRS settlement interest	(3.1)	(3.2)	(4%)	(3.9)	(22%)	(6.3)	(7.9)	(20%)
IRS adjustment in fair value	(0.0)	5.9	n.s.	(0.4)	(98%)	5.9	(3.4)	n.s.
Financial expenses for equity swap	0.7	1.2	(41%)	(0.6)	n.s.	1.9	0.7	168%
Result of hedging (IRS and equity swap)	**(2.4)**	**3.9**	n.s.	**(4.9)**	(52%)	**1.5**	**(10.6)**	n.s.
Net exchange differences	**(0.2)**	**(2.6)**	(92%)	**1.7**	n.s.	**(2.9)**	**1.6**	n.s.
Other financial expenses	**(1.1)**	**(0.9)**	17%	**(1.2)**	(7%)	**(2.0)**	**(1.6)**	28%
Financial result	**(6.5)**	**(2.3)**	189%	**(6.6)**	(2%)	**(8.8)**	**(15.7)**	(44%)

7. INVESTMENTS AND NET DEBT

Due to the strength of the pulp and energy businesses, operations continued to generate a solid cash flow this year (+€19.5Mn in 1H11 versus -€15.6Mn in 1H10). This very positive performance was registered despite the increase of €7.8Mn in working capital for the period, an investment mainly related to the higher wood inventory volumes the company has been building across the year as part of its price reduction policy to pressure down wood costs from third parties.

At the financing level, the cash outflow in 2Q11 related to the payment of €25.8Mn in dividends in the month of May was compensated in the month of June with the signing of the financing agreement for the 50MW Huelva project which meant the recovery of €20.9Mn previously invested in the project above the required amount of own equity resources. The year-on-year comparison for the six-months ended June was affected by the capital increase carried out in March 2010 for a total amount of €130Mn, €93Mn of which was devoted to cancel debt in October last year.

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Cash flow: operating activities	23.1	35.0	(34%)	34.2	(33%)	58.1	33.5	73%
Cash flow: investment activities	(19.9)	(17.9)	11%	(49.7)	(60%)	(37.8)	(58.0)	(35%)
Cash flow: financing activities	2.7	(3.5)	n.s.	(1.7)	n.s.	(0.7)	8.9	n.s.
Change in cash or cash equivalents	**5.9**	**13.6**	(57%)	**(17.1)**	n.s.	**19.5**	**(15.6)**	n.s.
Cash flow: financing activities	-	-	n.s.	-	n.s.	-	130.0	n.s.
Change in cash after rights issue	**5.9**	**13.6**	(57%)	**(17.1)**	n.s.	**19.5**	**114.4**	(83%)

7.1. Investments

Total pulp investments (industrial and forestry) in 1H11 were slightly over €23Mn, 30% lower than 1H10 as a result of renewed efforts to limit capital expenditures to the required maintenance level to guarantee the mills operate at the industry technical standard, with resources being concentrated to build the forestry asset base. On the opposite, industrial Capex link to the development of the company´s new biomass energy mills showed the highest increase once the EPC contract for the construction of the 50MW plant in Huelva (€23Mn) was signed. Moreover, the investment in energy crops was €5.3Mn, well above prior periods and in line with the focus of speeding up the development of a stable biomass supply to guarantee the future operation of new energy generation plants.

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
Maintenance	10.6	1.7	n.s.	6.5	64%	12.3	8.4	46%
Improvements in efficiency/production	0.2	0.2	16%	11.1	(98%)	0.4	13.4	(97%)
Environmental	0.5	0.4	52%	0.6	(13%)	0.9	0.7	20%
Industrial investment in pulp	**11.4**	**2.2**	409%	**18.2**	(38%)	**13.6**	**22.6**	(40%)
Plantation and maintenance activity	4.4	3.8	17%	6.1	(28%)	8.2	9.1	(10%)
Financial expenses	0.7	0.6	16%	1.0	(31%)	1.3	1.5	(15%)
Forest investment in pulp	**5.1**	**4.4**	17%	**7.1**	(28%)	**9.5**	**10.7**	(11%)
Industrial investment in biomass	**21.9**	**2.3**	n.s.	**4.7**	364%	**24.2**	**5.4**	350%
Forest investment in biomass	**6.5**	**0.2**	n.s.	**1.9**	241%	**6.7**	**2.4**	181%
Total investment	**44.8**	**9.2**	390%	**32.0**	40%	**54.0**	**41.0**	32%

7.2. Net financial debt

In terms of leverage, net financial debt stood at €150Mn as of 31/06/11, 32% below that recorded at the end of 1H10, mainly due to the strong operating cash flow generation that compensated the payment of €25.8Mn in dividends and the increase in working capital of €7.8Mn, mainly due to the increase in wood inventories.

figures in €Mn	2Q11	1Q11	%	2Q10	%	1H11	1H10	%
LT Debts with credit entities	234.8	243.5	(4%)	140.9	67%	234.8	140.9	67%
Other long-term financial liabilities	8.7	8.3	5%	8.4	3%	8.7	8.4	3%
Long-term debt	**243.5**	**251.8**	(3%)	**149.4**	63%	**243.5**	**149.4**	63%
ST debts with credit entities	8.3	3.1	169%	212.7	(96%)	8.3	212.7	(96%)
Other short-term financial liabilities	2.6	2.6	(3%)	-	n.s.	2.6	-	n.s.
ST debt	**10.9**	**5.7**	90%	**212.7**	(95%)	**10.9**	**212.7**	(95%)
Total gross financial debt	**254.4**	**257.5**	(1%)	**362.1**	(30%)	**254.4**	**362.1**	(30%)
Cash	97.1	86.6	12%	142.9	(32%)	97.1	142.9	(32%)
Cash equivalents	8.7	15.6	(44%)	20.8	(58%)	8.7	20.8	(58%)
Net cash	**105.8**	**102.2**	3%	**163.7**	(35%)	**105.8**	**163.7**	(35%)
Total net financial debt	**148.6**	**155.3**	(4%)	**198.3**	(25%)	**148.6**	**198.3**	(25%)
Deposits from guarantees	1.0	0.9	5%	0.7	44%	1.0	0.7	44%
Deposit for fixed asset suppliers (a)	-	-	n.s.	22.1	n.s.	-	22.1	n.s.
Total adjusted financial debt	**149.6**	**156.2**	(4%)	**221.1**	(32%)	**149.6**	**221.1**	(32%)

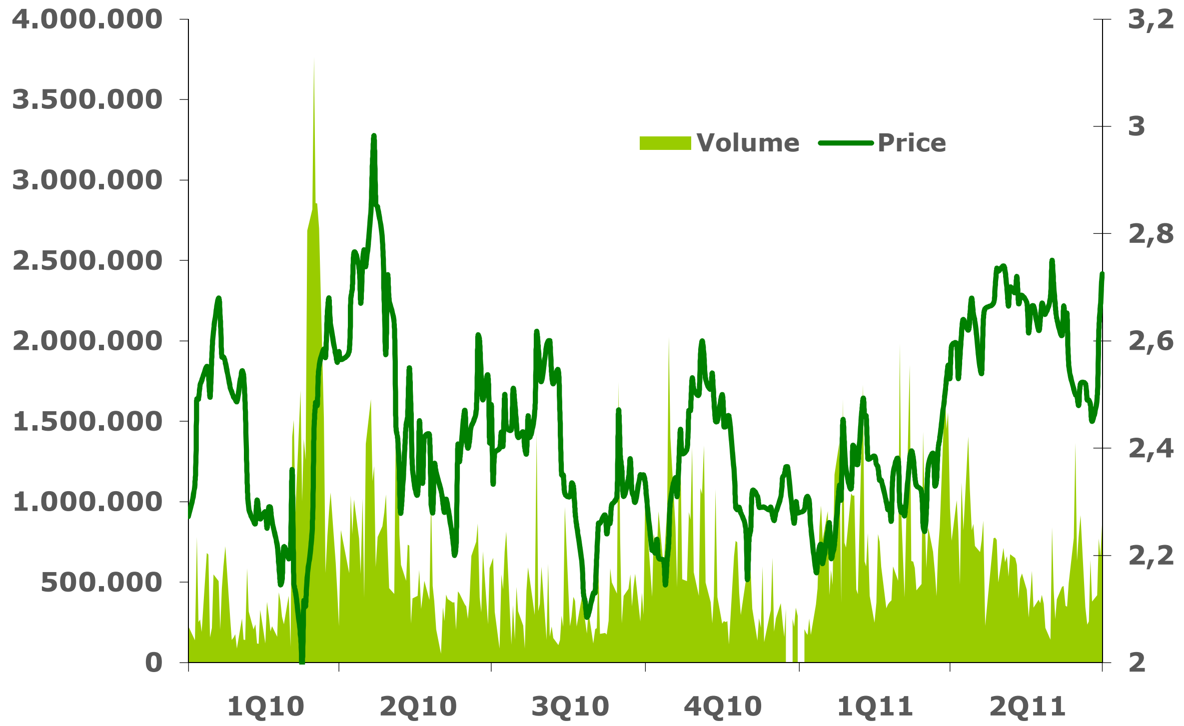
(a) Deposit used to pay fixed asset suppliers for projects executed and pending technical verification

Additionally, €34.8Mn in non-recourse debt has been incurred realted to the "Project finance" for financing Huelva, signed last June for an amount of €101.3Mn.

8. ENCE ON THE STOCK MARKET

The stock reported a strong performance over the quarter, with the share price rising 8%, fuelled by the announcements of pulp price increases at the start of the quarter.

The trading volume fell 18% vs. 1Q11 in a downward market environment, although it remained 8% above 2010 average.



Source: Thomson Reuters

Although recovery in the stock markets has helped the good share price performance, it has actually outperformed the stock market indices.

	2010	1Q11	2Q11
Average daily volume (shares)	595,836	743,850	608,527
Performance Ence	0%	11%	8%
Performance Ibex 35	(6%)	7%	(2%)
Performance Eurostoxx	2%	4%	(2%)

Note: the performance of Ence stock adjusted due to the 0,1€/share dividend paid on 9 May

Ence stock is listed in the IBEX·Medium Cap and FTSE4Good Ibex indices.

9. HIGHLIGHTS OF 2Q11

Proposed dividend payment of €0.1/share charged to 2011 results

On 9 March, Ence made effective the payment of €0.1/share as a dividend accounted for in the 2010 fiscal year, after having been approved at the shareholder's meeting held last 29 April. Dividend yield on the date of payment was 3.6%.

Promagal Agreement

On 24 May, Ence entered into an agreement with Promagal (Wood producers federation of Galicia) for the supply of 250,000 tonnes of wood during a period of 12 months. The agreement promotes sustainable forestry management, incentivising certification, as well as an increase in transparency and efficiency in the sector with a focus on explicitly premiums and transparent for the associates.

Financing agreement for the 50MW biomass plant of Huelva.

On 21 June, Ence entered into "Project Finance" in the amount of 101 million euros for the construction of the largest biomass renewable energy plant in Spain, located in Huelva, with a total installed power of 50MW, which will generate enough renewable energy to meet the electricity needs of more than 360,000 people. "Project Finance" was coordinated by La Caixa and Banesto; also participating were Santander, BBVA, Bankia, Banco Sabadell and the ICO, which risked 145 million euros; this represents the deal was 44 million euros over-subscribed based on the 101 million euros funding need for this project. Likewise, Ence signed a turnkey-EPC contract with OHL, which guarantees the execution of the project as regards cost, quality and time frame, enabling the mill to become operational in the final quarter of 2012. This is the first financial transaction with these characteristics that has taken place in Spain for the financing of a biomass renewable energy plant.

Other events occurring after the close of 2Q11.

Purchase of 9,701,770 treasury shares owned by Atalaya de Inversiones

On 4 July Ence acquired 9,701,770 treasury shares, representing 3.76% of its share capital, from Atalaya de Inversiones for the total amount of 26,388,814 euros, i.e. 2.72 euros per share. The company will keep these as treasury shares, while the Board of directors decides upon a better alternative for their use with the purpose of maximising the creation of value for its shareholders.

10. FINANCIAL STATEMENTS

figures in €Mn	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11
Profit and loss account							
Total Net Turnover	**170.2**	**207.9**	**229.7**	**223.0**	**830.8**	**218.4**	**200.9**
Supplies	(79.9)	(87.4)	(89.1)	(110.7)	(367.0)	(106.2)	(93.2)
Change in stocks of finished products	1.2	1.6	(2.3)	4.4	4.8	3.6	(0.6)
Gross Margin	**91.4**	**122.1**	**138.4**	**116.7**	**468.6**	**115.8**	**107.1**
Works performed by the group on fixed assets	5.4	6.9	6.8	8.8	27.8	7.8	7.5
Other income	3.1	3.2	0.9	3.7	10.8	1.1	3.3
Result from hedging operations	-	(5.6)	(3.0)	3.8	(4.9)	(6.7)	(3.0)
Personnel	(18.4)	(21.9)	(21.9)	(22.2)	(84.3)	(22.9)	(22.7)
Other operating expenses	(47.8)	(50.1)	(59.8)	(82.1)	(239.7)	(55.8)	(56.2)
EBITDA	**33.7**	**54.5**	**61.5**	**28.6**	**178.3**	**39.3**	**36.0**
EBITDA margin	**19.8%**	**26.2%**	**26.8%**	**12.8%**	**21.5%**	**18.0%**	**17.9%**
Depreciation of fixed assets	(14.1)	(17.4)	(15.7)	(14.1)	(61.2)	(14.8)	(13.9)
Impairment and result from sales of fixed assets	0.5	(0.6)	0.1	0.2	0.2	0.7	0.6
EBIT	**20.1**	**36.5**	**45.9**	**14.7**	**117.3**	**25.1**	**22.7**
EBIT margin	**11.8%**	**17.5%**	**20.0%**	**6.6%**	**14.1%**	**11.5%**	**11.3%**
Financial income	0.1	0.8	0.7	0.4	2.0	0.4	0.4
Financial expenses	(9.2)	(7.4)	(9.2)	(3.1)	(29.0)	(2.7)	(6.9)
Profit before tax	**11.0**	**29.8**	**37.5**	**12.0**	**90.3**	**22.9**	**16.2**
Corporate tax	(4.3)	(10.0)	(9.6)	(1.7)	(25.6)	(6.7)	(4.8)
Net profit	**6.7**	**19.8**	**27.9**	**10.2**	**64.7**	**16.2**	**11.4**
Balance sheet							
Tangible fixed assets	893.2	906.9	907.6	915.6	915.6	922.3	939.4
Intangible fixed assets	13.4	6.3	6.2	6.5	6.5	15.4	8.8
Long- term financial assets	5.8	8.3	10.4	5.8	5.8	2.7	2.6
Other non-current assets	69.6	64.6	55.2	49.9	49.9	45.0	36.9
Total fixed assets	**982.0**	**986.2**	**979.3**	**977.8**	**977.8**	**985.4**	**987.7**
Inventories	97.1	103.2	106.7	105.9	105.9	105.5	110.6
Trade debtors and other accounts receivable	116.3	125.0	146.7	160.1	160.1	150.7	132.3
Cash and other short-term financial assets	182.2	163.7	182.7	85.6	85.6	102.2	105.8
Other current assets	3.1	11.5	11.1	2.3	2.3	5.6	7.9
Non-Current Assets Classified as kept for Sale							28.7
Total current assets	**398.8**	**403.4**	**447.2**	**353.9**	**353.9**	**364.0**	**385.3**
Total assets	**1,380.8**	**1,389.6**	**1,426.6**	**1,331.7**	**1,331.7**	**1,349.4**	**1,373.0**
Equity	**710.2**	**723.7**	**762.0**	**766.4**	**766.4**	**777.2**	**766.3**
Long- term financial debt	160.1	149.4	143.6	251.3	251.3	251.8	278.3
Long-term provisions	22.4	17.5	19.4	23.8	23.8	24.7	21.2
Financial instruments for long-term hedging	43.7	43.7	40.9	36.6	36.6	28.6	26.9
Other non-current liabilities	39.1	37.8	41.4	33.6	33.6	41.5	38.6
Total non-current liabilities	**265.3**	**248.3**	**245.3**	**345.3**	**345.3**	**346.5**	**365.0**
Short-term financial debt	204.9	212.7	220.5	7.0	7.0	5.7	10.9
Trade creditors	174.2	158.8	168.5	180.7	180.7	180.2	186.5
Short-term provisions	4.5	4.0	4.6	8.1	8.1	8.1	8.1
Financial Instruments for short-term hedging	0.8	13.4	0.0	4.6	4.6	15.8	7.0
Other current liabilities	21.0	28.7	25.7	19.7	19.7	15.8	15.4
Non-Current liabilities classified as kept for Sale							13.7
Total current liabilities	**405.4**	**417.6**	**419.3**	**220.1**	**220.1**	**225.7**	**241.7**
Total liabilities	**1,380.8**	**1,389.6**	**1,426.6**	**1,331.7**	**1,331.7**	**1,349.4**	**1,373.0**
Cash flow statement							
EBITDA	**32.4**	**60.1**	**64.4**	**43.3**	**200.2**	**47.5**	**42.1**
Inventories	(8.3)	(6.3)	(3.7)	(3.8)	(22.0)	0.5	(11.9)
Trade debtors and other accounts receivable	(12.4)	(10.7)	(21.3)	(15.6)	(60.0)	6.3	2.4
Other current assets and temporary investments	-	-	0.8	(0.9)	(0.2)	0.8	(1.3)
Other current liabilities	(7.2)	5.1	15.6	3.8	17.2	(5.7)	3.0
Changes in working capital	(28.0)	(11.9)	(8.5)	(16.6)	(65.0)	1.8	(7.8)
Interest payments	(6.2)	(7.1)	(5.2)	(6.3)	(24.7)	(6.0)	(6.3)
Subsidies transferred to P&L	(0.1)	(0.2)	(0.3)	(0.3)	(0.9)	(0.2)	(0.2)
Hedging instruments: pulp and exchange rate	-	(5.6)	(3.0)	3.8	(4.9)	(6.7)	(3.0)
Others	1.3	(1.0)	(2.1)	(0.4)	(2.2)	(1.4)	(1.7)
Cash flow: operating activities	**(0.7)**	**34.2**	**45.4**	**23.6**	**102.5**	**35.0**	**23.1**
Tangible assets	(3.5)	(43.5)	(14.0)	(15.1)	(76.1)	(11.1)	(13.5)
Biological assets	(4.6)	(5.9)	(5.9)	(4.4)	(20.8)	(6.7)	(6.1)
Intangible assets	(0.3)	(0.2)	0.3	(1.4)	(1.6)	(0.2)	(0.3)
Other financial assets	-	-	(2.1)	4.9	-	-	-
Cash flow: investment activities	**(8.4)**	**(49.7)**	**(21.7)**	**(15.9)**	**(98.5)**	**(17.9)**	**(19.9)**
Collections and payments from equity instruments	125.0	0.4	(1.9)	(0.3)	123.2	(0.2)	(3.2)
Collection and payments from financial liability instruments	15.5	(2.1)	(1.4)	(104.6)	(92.5)	(3.3)	31.7
Cash flow: financing activities	**140.6**	**(1.7)**	**(3.3)**	**(104.9)**	**30.7**	**(3.5)**	**2.7**
Increase (decrease) in cash and cash equivalents	**131.5**	**(17.1)**	**20.4**	**(97.3)**	**34.7**	**13.6**	**5.9**