Quarterly Report 3rd Quarter 2011

30 September 2011

CONTENTS

1. EXECUTIVE SUMMARY 3Q11

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Pulp sales	151,8	145,5	4%	184,6	(18%)	456,5	468,0	(2%)
Electricity sales	48,5	42,3	15%	35,5	36%	133,7	101,3	32%
Forestry sales and others	7,9	13,0	(40%)	9,6	(18%)	37,2	38,5	(3%)
Total sales	**208,1**	**200,9**	4%	**229,7**	(9%)	**627,4**	**607,8**	3%
EBITDA	**39,5**	**36,0**	10%	**61,5**	(36%)	**114,7**	**149,7**	(23%)
Adjusted EBITDA	**40,9**	**42,1**	(3%)	**64,4**	(37%)	**130,4**	**156,9**	(17%)
EBIT	**25,2**	**22,7**	11%	**45,9**	(45%)	**73,0**	**102,6**	(29%)
Net profit	**10,7**	**11,4**	(6%)	**27,9**	(62%)	**38,3**	**54,5**	(30%)
Net financial debt [(a)]	**189,2**	**151,4**	25%	**181,5**	4%	**189,2**	**181,5**	4%
Pulp sales (tons)	**317.921**	**282.126**	13%	**312.759**	2%	**900.069**	**854.738**	5%
Electricity sales (MWh)	**384.713**	**357.604**	8%	**328.906**	17%	**1.106.795**	**976.035**	13%
Net pulp sale price (€/ton)	**478**	**516**	(7%)	**590**	(19%)	**508**	**548**	(7%)
Average electricity sale price (€/MWh)	**124**	**116**	7%	**111**	11%	**118**	**106**	11%

(a) additionally, there is € 42.3 M of non-recourse debt linked to the "project finance" of the 50MW biomass plant as of 30/09/11

- ✓ **Strength of the pulp sales activity, in an attractive price environment even after the correction:** pulp sales grew 5% in volumen in 9M11 vs. 9M10, partly ofsetting the price correction in dollars seen in the period. The depreciation of the euro limited the decline in net sales to -7%, leading to a fall in pulp sales of -2% in 9M11 vs. 9M10.

- ✓ **Positive evolution of the cash cost, which fell to 362€/t in 3Q11,** 3% and 7% below 2Q11 and 3Q10 respectively, thanks to efforts in reducing the cost of wood, increased savings in consumption of chemicals and steam, the greater contribution of the electricity business and higher dilution of fixed costs owing to increased production.

- ✓ **The capacity utilization ratio remained above 94% in 9M11:** pulp production was up 8% in 9M11 vs. 9M10 despite the longer duration of the maintenance shutdown at Navia, for efficiency improvements. The maintenance of high levels of utilization, in line with 1H11, supports the prospect of good business results for 2011 offsetting the decreased strength in prices, adding to the gradual improvement in costs through decreased consumption (stable production process), the increasing contribution of the electricity business and greater dilution of fixed costs.

- ✓ **Growth acceleration in energy sales:** electricity sales stand at +32% in 9M11 vs. 9M10 (+13% y-o-y growth in volumes and +11% annual increase in prices), thanks to the greater production of pulp and to the solving of operational problems of one of the turbines in Pontevedra as of April of last year. Electricity prices have likewise benefited from tariff increases effective last December, and from higher pool prices.

- ✓ **Solid operating results:** the adjusted EBITDA for 9M11 stands at +€130.4M, 17% below those of 9M10, due mainly to the fall in the price of pulp. EBITDA for 2Q10 and 3Q10 were the highest in the last 10 years thanks to the strong price environment, making the comparison with 2011 difficult and offsetting the strong operating improvement shown by the company in production and costs throughout the year.

- ✓ **Consolidation of financial strength:** the soundness of the generation of cash flow comprising the pulp and energy business has made it possible to maintain the net financial debt at €189M (excluding €42.3M of non-recourse debt linked to the Huelva biomass plant). Such levels are in line with those recorded in 2010 in spite of the payment of a €25.8M dividend made in May, purchase of treasury stock and the increase in working capital, primarily due to growing wood stocks resulting from the implementation of an active price reduction policy. The current net financial debt levels are equivalent to 1.3 times the EBITDA for the last twelve months.

- ✓ **Establishment of a treasury stock position equivalent to 6.7% of the capital at the close of September.** As of 7 October, the treasury stock position reached 17.36 million shares, following the purchase of the 3.76% stake previously owned by Atalaya in the month of July and the execution of additional purchases in the market. The company is purchasing treasury stock in response to the general weakness of stock markets and to the shrinkage of liquidity, factors that have impacted negatively the value of the share in spite of the company's capacity to generate cash flow within the current level of pulp prices and its leadership position for the development of renewable energy with biomass in Spain. Ence will maintain the shares acquired as treasury stock until the Board of Directors decides upon the best alternative for their application in order to maximize the creation of value for its shareholders.

2. PULP BUSINESS: KEY INDICATORS

	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Huelva	97,303	74,352	31%	84,888	15%	269,321	240,259	12%
Pontevedra	110,868	106,497	4%	105,286	5%	308,472	290,289	6%
Navia	117,372	99,279	18%	111,420	5%	337,585	314,278	7%
Pulp production (tons)	**325,543**	**280,127**	16%	**301,594**	8%	**915,378**	**844,826**	8%
Huelva	89,839	76,496	17%	85,081	6%	258,951	242,516	7%
Pontevedra	105,231	105,263	(0%)	107,197	(2%)	298,232	292,624	2%
Navia	122,851	100,367	22%	120,482	2%	342,885	319,598	7%
Pulp sales (tons)	**317,921**	**282,126**	13%	**312,759**	2%	**900,069**	**854,738**	5%
BHKP ($/t)	**816**	**868**	(6%)	**889**	(8%)	**843**	**841**	0%
Average exchange rate ($/€)	**1.42**	**1.44**	(1%)	**1.28**	11%	**1.40**	**1.31**	7%
Net sale price (€/t)	**478**	**516**	(7%)	**590**	(19%)	**508**	**548**	(7%)
Pulp sales (€Mn)	**151.8**	**145.5**	4%	**184.6**	(18%)	**456.5**	**468.0**	(2%)

The production of pulp stood at 915,378 tons of pulp during the first nine months of the year, which represents an 8% increase YoY. The growth occurs mainly thanks to the increased stability of the plants that has pushed capacity utilization ratios surpass the 94%, 4% above the historical average. The application in the last two years of a new industrial management model based on the ongoing improvement of the installations, guiding the operation and equipment maintenance towards the establishment of operating standards and their achievement, the identification and use best practices within the group and the monitoring of the statistical variables of the process, is helping to stabilize and optimize production, minimizing investment expenses. The comparison also benefited from lower production in 1Q10 as a result of wood supply restrictions caused by the storms. With respect to pulp sales recorded in 9M11, these were greater by 45,331 tons than those of the same period in 2010, a 5% increase in YoY terms:

- ✓ In the Huelva plant, production totaled 269,321 tons, 12% higher than 9M10. The mill performed its maintenance shutdown in May (15 days), which at normal production rates implied a loss of 17,040 tons.
- ✓ At the Pontevedra mill, production stood at 308,472 tons, 6% higher than 9M10. 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 totaled 337,585 tons, an increase of 7% with respect to the 9M10 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 period has been characterized by continued stability in the production of the plants adjusted for the impact of the shutdowns. If the current production rates are maintained, the company would end 2011 with a production in excess of 1.24 million tons, a 7% increase compared to the volume achieved in 2010.

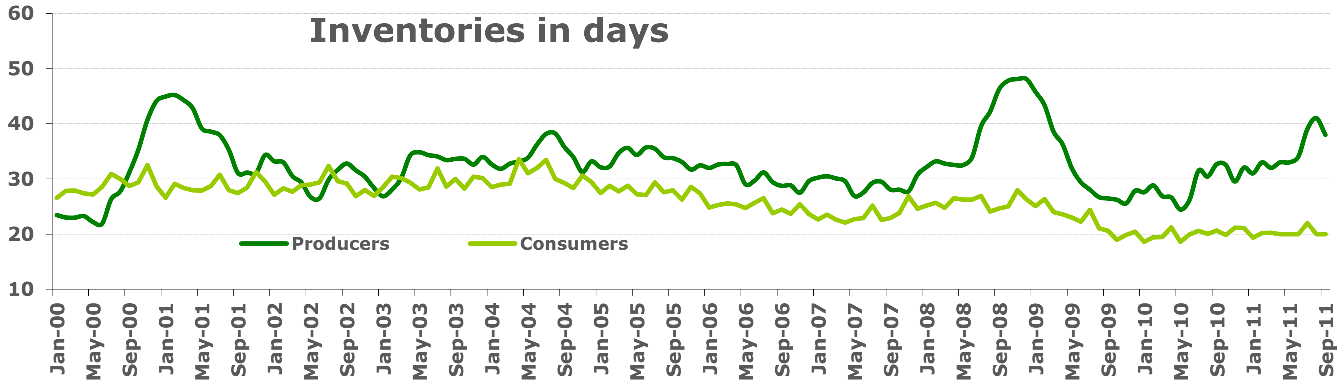
As far as the average income per ton is concerned, the average net sale price fell to €508/t in the first half, 7% below that of 2010, mainly due to the depreciation of the dollar.

2.1. OVERVIEW OF THE PULP MARKET

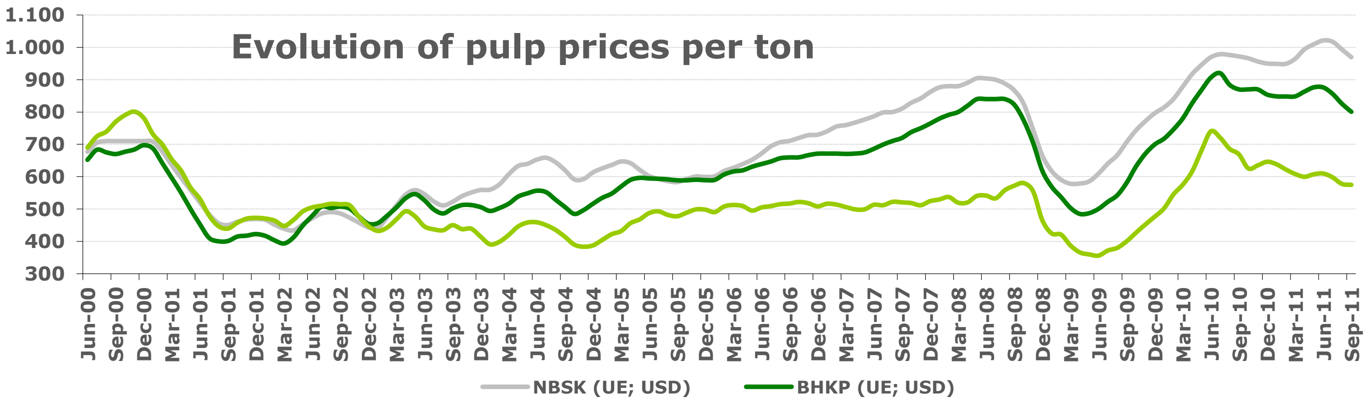
During 3Q11, demand for pulp showed a greater weakness due to the lesser seasonal activity and to the strong increase of economic uncertainty. Fear of a greater fall in future growth and expectations of decreasing prices have delayed orders by pulp consumers, who have focused on minimizing stocks in the face of doubts regarding demand, and the possibility of being able to purchase at lower prices within the next few months. Furthermore, Chinese demand fell in the second quarter in an endeavor to pressure a decrease in prices, which caused an increase in flows of pulp toward developed markets. As a result, producer inventories saw a rebound above average levels while consumer inventories remained at historical minimums. Within this context, reference prices (Foex) showed a decreasing trend throughout the third quarter to end close to $790/t at the end of September, a drop of nearly $90/t since the maximum attained in June. The appreciation of the dollar in the final stretch of the quarter offset the fall to a large extent, limiting the correction in euros to a figure close to €30/t and placing the euro price at a level close to €590/t.

In spite of economic uncertainty, the growth in pulp demand during the year stood at 7% in the month of September; a positive effect which was offset by the reopening of capacity in Chile and Indonesia.

In this setting of containment in the volume of orders, the stocks of market pulp manufacturers were at 38 days while those of consumers still remained at historical lows of 20 days (PPPC) as of september 2001.



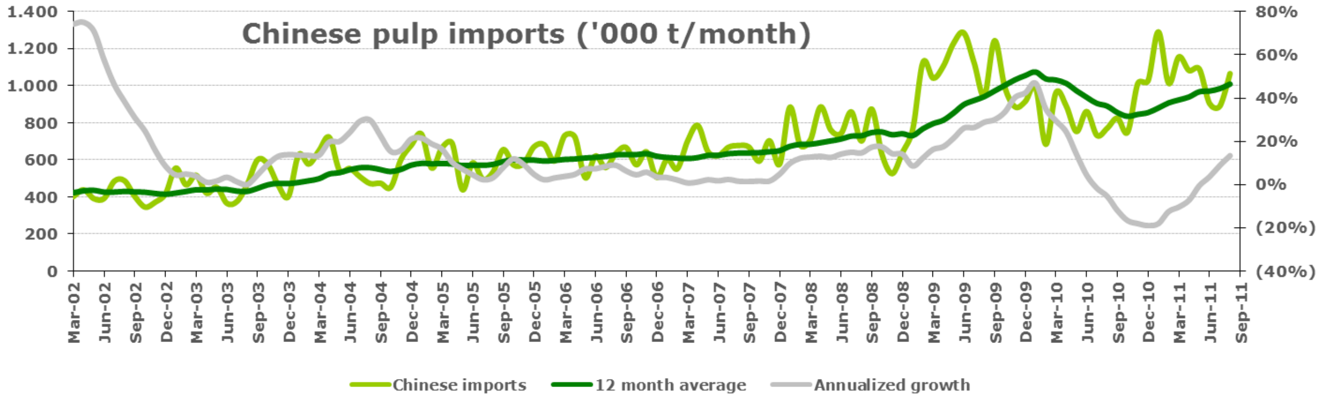
Source: PPPC



Source: FOEX

In the month of October, prices have continued to maintain their downward trend accompanied by a worsening of the economic crisis with drops in growth expectations and a strong increase in financial risk, at the private as well as the governmental level. Prices at the end of the month stood at levels of $745/t (€540/t).

Facing the last quarter, it is expected that increased seasonal consumption in mature markets towards the end of the year and the recovery of demand in China will make the stabilization of pulp prices possible. The increased activity in the Chinese market, visible at the end of the quarter with a volume of imports recovering the level of 1.36 million tons, aim at an increase in demand from the Asian giant for the last quarter of the year in spite of the lesser availability of financing, owing to the restrictive monetary measures implemented by the administration, and to the weakness of the paper market in Asia. The September statistics already show drops in producer inventories and an increase in global demand which supports current prices.



Source: Pulpwatch; the data does not include mechanical pulp, BSP and unbleached pulp.

3. ENERGY BUSINESS: KEY INDICATORS

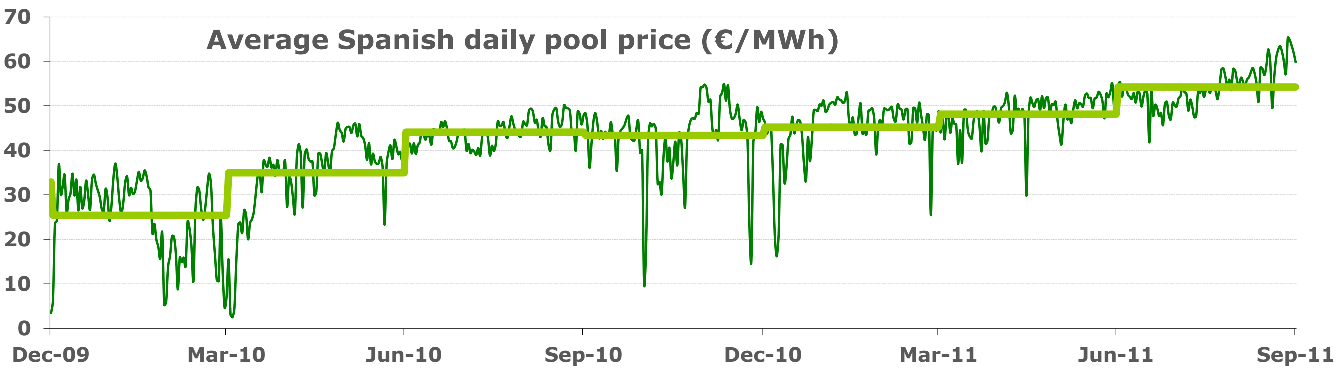
	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Huelva	211,681	192,624	10%	159,085	33%	605,053	511,035	18%
Pontevedra	60,303	55,114	9%	56,009	8%	161,858	139,575	16%
Navia	129,299	114,758	13%	121,415	6%	370,609	341,272	9%
Electricity production (MWh)	**401,282**	**362,496**	11%	**336,509**	19%	**1,137,520**	**991,882**	15%
Huelva	202,942	194,590	4%	158,657	28%	595,818	506,518	18%
Pontevedra	58,032	53,190	9%	54,054	7%	156,303	134,936	16%
Navia	123,739	109,824	13%	116,195	6%	354,673	334,581	6%
Electricity sales (MWh) [(a)]	**384,713**	**357,604**	8%	**328,906**	17%	**1,106,795**	**976,035**	13%
Electricity consumption (MWh)	**194,004**	**176,380**	10%	**186,284**	4%	**552,692**	**526,749**	5%
Average pool price (€/MWh)	**54**	**48**	13%	**44**	23%	**49**	**35**	41%
Average sale price (€/MWh)	**124**	**116**	7%	**111**	11%	**118**	**106**	11%
Electricity sales (€Mn)	**48.5**	**42.3**	15%	**35.5**	36%	**133.7**	**101.3**	32%

(a) adjusted by unbalances

Energy sales increased to €134M in the 9M11, 32% above 9M10 due to greater production, the higher weight of biomass-fueled 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. Likewise, the consumption of electricity produced per ton decreased by 3% thanks to increased production efficiency, thus strengthening the energy gross margin generated by pulp mills.

In operational terms, the three plants have produced 1,137,520 MWh in 9M11, which involves a + 15% increase vs. 9M10. The sale volumes of energy have shown a similar behavior, reaching 1,106,961 MWh. The improvement in production is largely due to the increased production of pulp, which enables power generation to increase based on the additional black liquor generated by the production process. The resolution of the turbine operation problems in Pontevedra last year, which were solved in April 2010, as well as lower production in Huelva in 9M10 owing to an additional maintenance shutdown at Cener, are two additional factors that help to improve power production YoY. Together, the three plants have sold nearly 862,459 MWh of renewable energy (excluding gas) in 9M11, +16% more than those in 9M10. This means that biomass generation accounts for 75% of the mix.

Electricity market prices have continued to show an upward trend in the year due to strength in the price of oil, which has contributed to improve the sale price for the turbines that sell at pool price plus premium (78% of the installed capacity).



Source: OMEL

4. FORESTRY ACTIVITY: KEY INDICATORS

	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Supply to the industrial process (m^3)	**972,977**	**841,919**	16%	**912,249**	7%	**2,745,459**	**2,567,218**	7%
Cost €/m^3	**71.7**	**69.9**	3%	**70.6**	2%	**71.7**	**68.2**	5%
Own hectares	77,597	68,742	13%	77,610	(0%)	77,597	77,610	(0%)
Third party hectares (consortia)	39,676	47,628	(17%)	37,728	5%	39,676	37,728	5%
Hectares managed by ownership (Ha)	**117,273**	**116,370**	1%	**115,338**	2%	**117,273**	**115,338**	2%
Hectares for pulp	100,689	100,615	0%	103,988	(3%)	100,689	103,988	(3%)
Hectares for energy crops	16,584	15,755	5%	11,350	46%	16,584	11,350	46%
Hectares managed by use (Ha)	**117,273**	**116,370**	1%	**115,338**	2%	**117,273**	**115,338**	2%

With regard to the forestry activity, 2,745,459 m3 of wood were supplied to the pulp plants of the group in the first nine months of the year. Investment in the management of the company's forestry asset base attained €20.9M. With this investment, the company has planted 700 ha and carried out forestry maintenance and management activities in another 34,856 ha.

Regarding the energy crops business, the company has been working on 11,396 hectares during the year, 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, 306,316 tons of forestry biomass have been marketed, mostly for the supply of the group's energy production.

During 9M11, Ence has developed an active price reduction policy in the Iberian eucalyptus wood market, which commenced in 2Q11 and will be consolidated in 4Q11, consistent with a scenario of a drop in pulp prices. As additional leverage for price reduction, the company has continued to mitigate the effect of the increase in the price of wood witnessed 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. This effort has been compensated by higher cost of wood imports (+9.5% vs 2010).

The company is also working very intensely to promote the direct relationship with forest owners and with auxiliary forestry service companies as the pillar of its strategy to reduce inefficiencies in the logging and transport of wood, as well as to provide such market with transparency, improving the mobilization of wood at a competitive cost. As part of this objective a purchase agreement was signed with Promagal (Federación de Productores de Madera de Galicia) and work groups have been set up with ASEFOGA (UPA-Unions Agrarias) and SILVANUS (Xovenes Agricultores-ASAJA Galicia), within a scope aimed at seeking solutions to reinforce the role of forestry owners and small and medium-sized enterprises in the forestry sector, to improve the quality and competitiveness of the supply and to enable the transfer of income directly to owners. Such efforts have enabled the purchase of wood from forest owners to increase by +143% during the year, decreasing the dependence on imports by 17%.

Finally, the company maintains a long-term investment policy aimed at maximizing self-supply by expanding its forestry assets in the Iberian Peninsula, particularly in the energy crops field, and by applying advanced silvicultural techniques as a means of improving productivity.

5. COMMENT ON 3Q11 RESULTS

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Pulp sales	151.8	145.5	4%	184.6	(18%)	456.5	468.0	(2%)
Electricity sales	48.5	42.3	15%	35.5	36%	133.7	101.3	32%
Forestry sales and others	7.9	13.0	(40%)	9.6	(18%)	37.2	38.5	(3%)
Total net sales	**208.1**	**200.9**	4%	**229.7**	(9%)	**627.4**	**607.8**	3%
Cost of goods sold (a)	(94.4)	(93.8)	1%	(91.3)	3%	(290.8)	(255.9)	14%
Personnel expenses	(21.2)	(22.7)	(7%)	(21.9)	(3%)	(66.8)	(62.1)	8%
Other operating expenses	(53.1)	(48.4)	10%	(55.0)	(3%)	(155.1)	(140.1)	11%
EBITDA	**39.5**	**36.0**	10%	**61.5**	(36%)	**114.7**	**149.7**	(23%)
Forest depletion	(2.4)	(2.2)	10%	(2.3)	6%	(6.2)	(10.2)	(40%)
Rest of depreciations	(14.7)	(11.7)	26%	(13.4)	10%	(39.6)	(36.9)	7%
Provisions	2.8	0.6	413%	0.1	n.s.	4.0	0.0	n.s.
EBIT	**25.2**	**22.7**	11%	**45.9**	(45%)	**73.0**	**102.6**	(29%)
Financial result	(9.6)	(6.5)	48%	(8.5)	14%	(18.4)	(24.2)	(24%)
Profit before taxes	**15.6**	**16.2**	(4%)	**37.5**	(58%)	**54.6**	**78.3**	(30%)
Taxes	(4.8)	(4.8)	1%	(9.6)	(49%)	(16.3)	(23.9)	(32%)
Net profit	**10.7**	**11.4**	(6%)	**27.9**	(62%)	**38.3**	**54.5**	(30%)
Adjusted EBITDA	**40.9**	**42.1**	(3%)	**64.4**	(37%)	**130.4**	**156.9**	(17%)
Cash cost (€/t)	**361.0**	**371.7**	(3%)	**386.2**	(7%)	**370.9**	**371.4**	(0%)

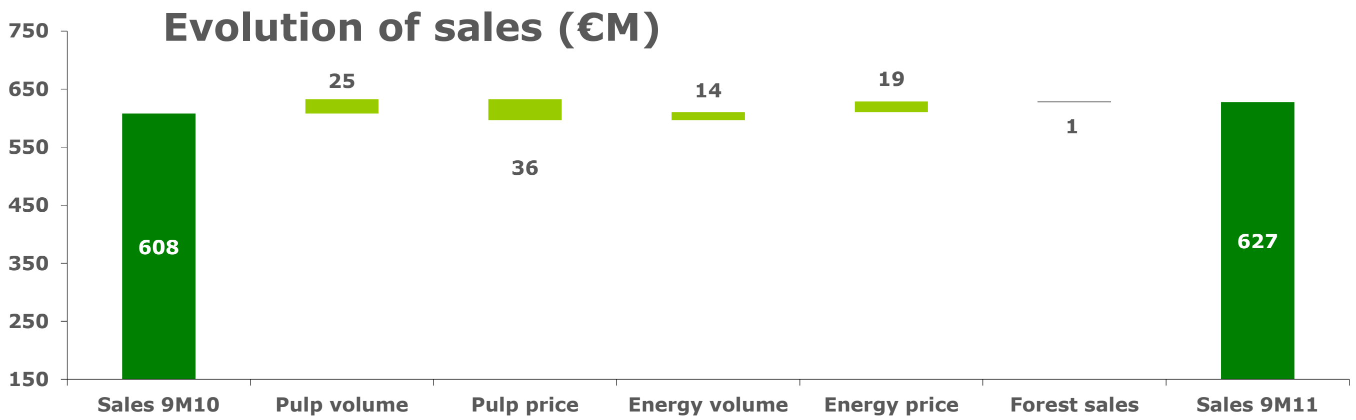
(a) supplies +/- change in stocks

In 9M11 sales amounted to €627.4M, 3% higher than 9M10 thanks to increased pulp and energy production, reflecting the increases in capacity and improvements in efficiency attained over the last two years.

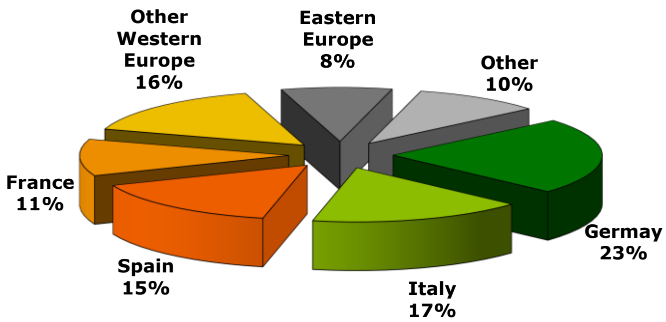
Pulp sales in 9M11 amounted to €456.5M, -2% below the figure registered in 9M10. Sales volume grew by +5%, which made it possible to offset the -7% fall in prices.

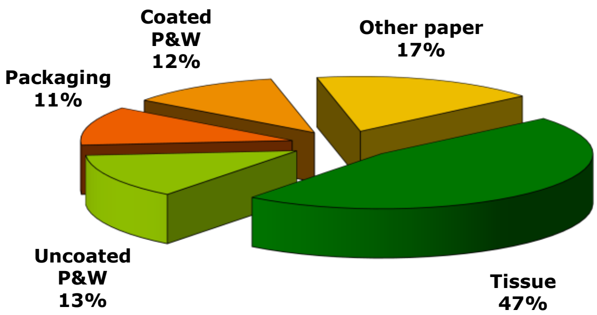
Energy sales amounted to €133.7M in 9M11, +32% above 9M10, due to the strength in production (+13% vs. 9M10) and the positive trend in prices (+11%), resulting from increases in the pool price (+41%) and the higher rates and premiums approved at the end of last year (+2.1%).

Revenues from the sale of forestry products and services amounted to €37.2M in 9M11, -3% compared to 9M10 due to the drop in the forestry consulting activity.



The breakdown of sales by countries and segments in 9M11 remained in line with 2010, with market exposure primarily to Europe (whose exports represent 85% of production) and to a greater extent to tissue paper as the most relevant target paper segment, given the potential to increase the weight of Eucalyptus in the mix of fibres to manufacture tissue to 100% and the stability of its growth (above 1% per annum in Europe).

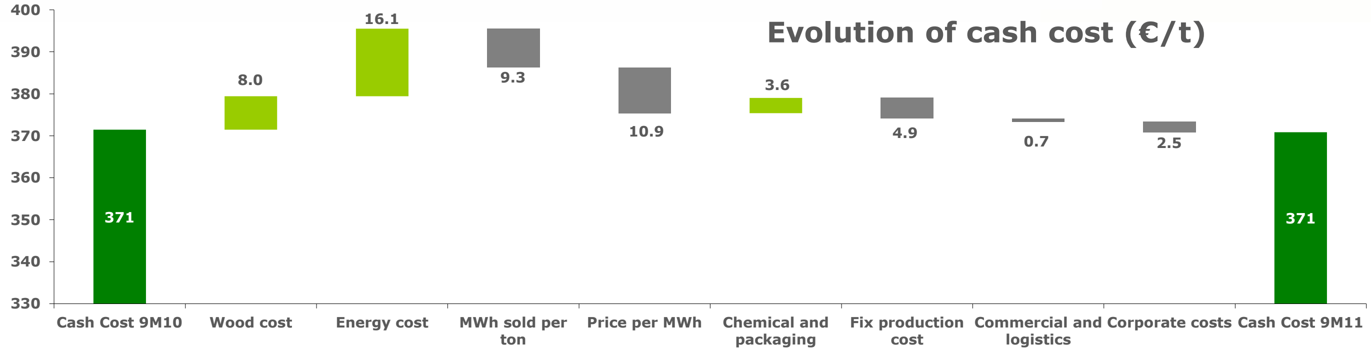




The cash-cost level remained stable compared to the level of €371/t achieved at the close of the first 9 months of 2010. It is worth mentioning the quarterly evolution of the production and sale costs since the beginning of the year, showing a decline from its €393/t maximun level reached in 4Q10 to €362/t level achieved in 3Q11. This downward trend has been possible thanks to greater efficiency in the industrial process as well as greater control of wood prices. The increased stability of production, allowing for the dilution of fixed costs and greater efficiency in consumptions of wood, chemicals and energy, and an improved energy margin are the two main factors behind industrial process savings. With regard to the cost of the supply of wood, the positive result of the domestic wood cost reduction strategy is maintained on the basis of three pillars: 1) increasing the number of species used in the industrial process 2) diversifying supply sources, increasing the volume of standing timber purchases through agreements with owners and producer associations (+143% in 9M11); and 3) applying price reductions to suppliers in the month of April (€1.5/m3 for domestic wood). However, this effort has been neutralized by the increased cost of imported wood (+9.5% vs. 2010). Additionally, the company continues focusing its efforts on reducing general and structural costs.

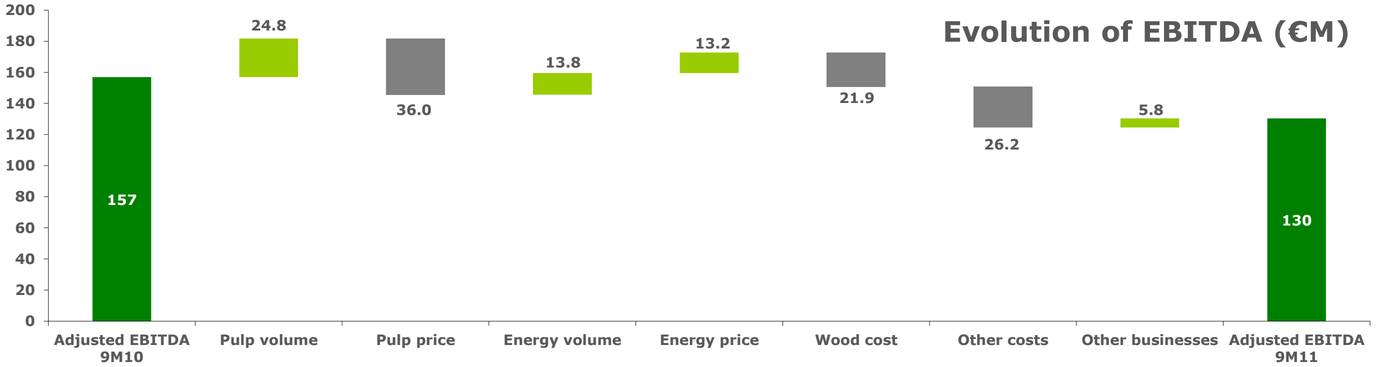
The reinforcement of all these measures will set the basis for a progressive reduction of the cash cost towards the 350€/t level, which remains the company’s short-term target.

The increased contribution of energy sales, due to both the stronger growth in volumes of energy vs. pulp as well as higher sale prices, was offset to a large degree by the increase in the price of fuels, which impacted negatively on the cost of energy as well as on the cost of chemical products (indexed to oil levels) as compared to the previous year.



Consequently, the adjusted EBITDA for 9M11 amounted to +€130.4M, -17% lower than those registered in 9M10. Net of the impact of hedging, severance payments and provisions, the reported EBITDA in 9M11 amounted to +€114.7M, -23% lower than 9M10. The contained fall in operating profit is proof of the strength of results, given that 2010 was the most profitable year in the last decade, benefiting from maximum pulp prices, a strong dollar and wood costs that increased gradually during the year.

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
EBITDA	**39.5**	**36.0**	10%	**61.5**	(36%)	**114.7**	**149.7**	(23%)
Hedging instruments: pulp and exchange rate	1.5	3.0	(49%)	3.0	(49%)	11.2	8.6	30%
Severance payments	0.6	2.6	(76%)	0.1	n.s.	5.0	0.4	n.s.
Provisions and others	1.1	1.4	(18%)	0.6	87%	2.5	0.8	210%
Other non-recurrent	(1.8)	(0.8)	121%	(0.8)	143%	(3.0)	(2.6)	13%
Adjusted EBITDA	**40.9**	**42.1**	(3%)	**64.4**	(37%)	**130.4**	**156.9**	(17%)



Excluding depreciation, provisions, financial results and taxes, the company reported a net profit of €38.3M in 9M11, 30% below 9M10 due to the fall in pulp prices and in spite of improved financial expenses.

6. FINANCIAL RESULTS

Financial expenses remained stable during the year at €10M. The financial result in 9M11 amounted to -€17.9M, a 26% drop compared to the figure recorded in 9M10 thanks to the mark to market loss recorded on the value of the IRS in 2010, following the drop of the Euribor curve last year, which did not impact cash.

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Financial income	**0.8**	**0.4**	111%	**0.7**	13%	**1.7**	**1.6**	2%
Interest on syndicated loan	(2.7)	(2.6)	7%	(1.3)	104%	(7.7)	(4.0)	95%
Interests on other loans	(0.1)	(0.2)	(22%)	(1.7)	(92%)	(0.5)	(4.9)	(90%)
Interests on factoring and confirming	(0.5)	(0.5)	(9%)	(0.8)	(40%)	(1.4)	(1.1)	22%
Financial expenses	**(3.3)**	**(3.2)**	3%	**(3.8)**	(13%)	**(9.6)**	**(9.9)**	(4%)
IRS settlement interest	(2.8)	(3.1)	(10%)	(3.8)	(26%)	(9.1)	(11.6)	(22%)
IRS adjustment in fair value	(2.1)	(0.0)	n.s.	2.6	n.s.	3.8	(0.8)	n.s.
Financial expenses for equity swap	(4.1)	0.7	n.s.	(0.8)	420%	(2.1)	(0.1)	n.s.
Result of hedging (IRS and equity swap)	**(9.0)**	**(2.4)**	278%	**(1.9)**	363%	**(7.5)**	**(12.5)**	(40%)
Net exchange differences	**3.6**	**(0.2)**	n.s.	**(3.3)**	n.s.	**0.7**	**(1.7)**	n.s.
Other financial expenses	**(1.3)**	**(1.1)**	20%	**(0.2)**	n.s.	**(3.3)**	**(1.7)**	87%
Financial result	**(9.2)**	**(6.5)**	41%	**(8.5)**	8%	**(17.9)**	**(24.2)**	(26%)
Interests on non recourse debt	(0.5)	-	n.s.	-	n.s.	(0.5)	-	n.s.
Adjusted financial result	**(9.6)**	**(6.5)**	48%	**(2.9)**	234%	**(18.4)**	**(24.2)**	(24%)

(a) following the signing of the new syndicated loan in October 2010, the existing credit lines came to form a part thereof

7. INVESTMENTS AND NET DEBT

Due to the strength of the pulp and energy businesses, operations continued to generate a solid cash flow for the year (+€79.8M in 9M11 vs. €78.9M in 9M10). This positive performance took place despite the increase in working capital of €18.4M, mainly due to higher wood inventory volumes and improved payment conditions consistent with the strategy of the company to encourage wood sales directly from the owner via "standing timber purchases", a prior essential requirement to implement the price reduction policy in wood purchases currently being executed by the company.

In the course of the year a significant effort to improve shareholder remuneration was undertaken leading to the payment of cash dividend in the month of May of €25.8M and the purchase of treasury stock, in addition to enlarging investments for expansion in generation with biomass. As a result a decrease of cash and banks of €22.2M took place in spite of the recovery of €20.9M following the signing of the financing agreement for Huelva (previously invested in the project above the equity contribution required) and the strong generation of cash from operating activities. The comparison with the previous year is distorted by the capital increase ended in March 2010 in an amount of €130M and which was applied in the month of October to the cancellation of debt in the amount of €93M.

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Cash flow: operating activities	21.7	23.1	(6%)	45.4	(52%)	79.8	78.9	1%
Cash flow: investment activities	(35.6)	(19.9)	79%	(21.7)	64%	(73.4)	(82.6)	(11%)
Cash flow: financing activities	(27.8)	2.7	n.s.	(3.3)	n.s.	(28.5)	5.6	n.s.
Change in cash or cash equivalents	**(41.7)**	**5.9**	n.s.	**20.4**	n.s.	**(22.2)**	**1.9**	n.s.
Capital increase	-	-	n.s.	-	n.s.	-	130.0	n.s.
Change in cash after capital increase	**(41.7)**	**5.9**	n.s.	**20.4**	n.s.	**(22.2)**	**131.9**	n.s.

7.1. Investments

Investments in the pulp business (industrial and forestry) made in 9M11 amounted to €27.2M, 36% below 9M10, thanks to the effort made to limit investments to the ongoing maintenance necessary for optimal operation of the plants and the development of forestry assets. On the other hand, the industrial investment linked to the new biomass generation plants showed a strong increase with the signing of the EPC contract for the construction of the 50MW plant in Huelva. Moreover, the investment in energy crops was €10.1M, much higher than previous periods in line with the approach to accelerate the development of energy crops that guarantee the supply to the new power generation plants.

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
Maintenance	2.4	10.6	(78%)	2.9	(17%)	14.7	11.3	30%
Improvements in efficiency/production	0.1	0.2	(59%)	2.2	(96%)	0.5	15.6	(97%)
Environmental	0.2	0.5	(59%)	2.0	(89%)	1.1	2.7	(59%)
Industrial investment in pulp	**2.7**	**11.4**	(76%)	**7.1**	(62%)	**16.3**	**29.6**	(45%)
Plantation and maintenance activity	0.7	4.4	(83%)	1.6	(55%)	8.9	10.7	(17%)
Financial expenses	0.6	0.7	(11%)	0.2	249%	1.9	1.7	13%
Forest investment in pulp	**1.4**	**5.1**	(73%)	**1.8**	(25%)	**10.9**	**12.5**	(13%)
Industrial investment in biomass	**17.8**	**21.3**	(16%)	**2.1**	n.s.	**41.4**	**12.7**	227%
Forest investment in biomass	**2.7**	**7.1**	(61%)	**2.1**	31%	**10.1**	**4.5**	124%
Total investment	**24.6**	**44.8**	(45%)	**13.1**	88%	**78.6**	**59.3**	33%

7.2. Net financial debt

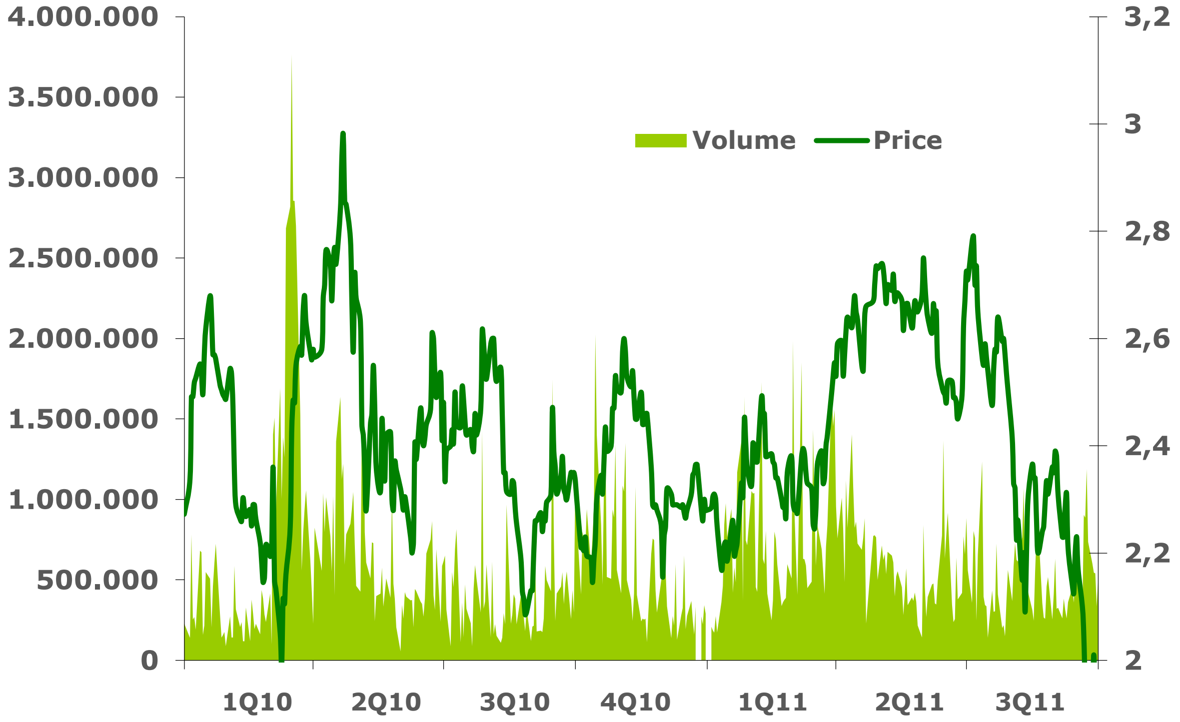
In terms of debt, at the end of September net financial debt amounted to €189.2M, 4% above the figure registered at the end of 9M10, with the increase in working capital, the payment of the €25.8M dividend and the repurchase of the treasury stock partially offsetting the strong generation of operating cash flow.

figures in €Mn	3Q11	2Q11	%	3Q10	%	9M11	9M10	%
LT Debts with credit entities	225.8	237.6	(5%)	135.2	67%	225.8	135.2	67%
Other long-term financial liabilities	9.3	8.7	7%	8.4	10%	9.3	8.4	10%
Long-term debt	**235.0**	**246.3**	(5%)	**143.6**	64%	**235.0**	**143.6**	64%
ST debts with credit entities	14.4	8.3	72%	220.5	(93%)	14.4	220.5	(93%)
Other short-term financial liabilities	2.6	2.6	2%	-	n.s.	2.6	-	n.s.
Short-term debt	**17.0**	**10.9**	56%	**220.5**	(92%)	**17.0**	**220.5**	(92%)
Total gross financial debt	**252.0**	**257.2**	(2%)	**364.1**	(31%)	**252.0**	**364.1**	(31%)
Cash	53.6	97.1	(45%)	169.6	(68%)	53.6	169.6	(68%)
Short-term financial investments	9.1	8.7	5%	13.0	(30%)	9.1	13.0	(30%)
Net cash	**62.8**	**105.8**	(41%)	**182.7**	(66%)	**62.8**	**182.7**	(66%)
Total net financial debt	**189.2**	**151.4**	25%	**181.5**	4%	**189.2**	**181.5**	4%
Deposits from guarantees	-	1.0	(100%)	0.7	(100%)	-	0.7	(100%)
Deposit for fixed asset suppliers (a)	-	-	n.s.	**22.1**	(100%)	-	22.1	(100%)
Non recourse debt	42.3	32.0		**-**	n.s.	42.3	-	n.s.
Total adjusted financial debt	**231.5**	**184.4**	26%	**204.3**	13%	**231.5**	**204.3**	13%

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

8. ENCE ON THE STOCK MARKET

In line with the behavior of the markets, the stock has shown a correction during the quarter, leaving the variation for the year at -15%, very similar to the domestic market index performance.
The volume traded remained 4% above the average for 2010 in a setting of increased market volatility and uncertainty.



Source: Thomson Reuters

While the recovery of the stock markets has helped the positive performance of the share, this has actually surpassed the evolution of stock market indices.

	2010	9M11
Average daily volume (shares)	595,836	616,747
Ence performance	0%	(15%)
Ibex 35 performance	(6%)	(13%)
Eurostoxx performance	2%	(22%)

Note: the performance of the Ence stock adjusted due to the €0.1/share dividend paid on 9 May

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

9. HIGHLIGHTS OF 9M11

Dividend payment of €0.1/share against 2011 results

On 9 May, Ence paid €0.1/share as a dividend against the results of the 2010 fiscal year, following approval in the general shareholders meeting held on 29 April. The dividend yield at the date of payment amounted to 3.6%.

Promagal Agreement

On 24 May, Ence entered into an agreement with Promagal (Federation of wood producers of Galicia) for the supply of 250,000 tons of wood over a period of 12 months. The agreement promotes sustainable forestry management, incentivizing certification, as well as an increase in transparency and efficiency in the sector with the establishment of explicit and transparent premiums for members.

Closing of the financing agreement for the 50MW biomass plant of Huelva

On 21 June, Ence arranged a 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 capacity of 50 MW, this instalation will generate enough renewable energy to meet the electricity needs of more than 360,000 people. The Project Finance was coordinated by La Caixa and Banesto, with the participation of Santander, BBVA, Bankia, Banco Sabadell and the ICO as well, which came to offer a risk in an amount of 145 million euros; which represents an over-subscription of 44 million euros beyond the 101 million euros sought by Ence for this project. Likewise Ence signed an EPC contract with OHL, which guarantees the execution of this project which is scheduled to become operational in the fourth quarter of 2012, in terms of cost, quality and time. This is the first financial transaction of these characteristics performed in Spain for the financing of a biomass renewable energy plant.

Purchase of 9,701,770 treasury shares from Atalaya de Inversiones

On 4 July Ence purchased 9,701,770 treasury shares, representing 3.76% of its share capital, from Atalaya de Inversiones, for a total global amount of 26,388,814 euros, equivalent 2.72 euros per share. The company will keep the shares as treasury stock until the Board of Directors decides on the best alternative for their use in order to maximize the creation of value for shareholders.

10. FINANCIAL STATEMENTS

figures in €Mn	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11
Profit and loss account								
Total Net Turnover	**170.2**	**207.9**	**229.7**	**223.0**	**830.8**	**218.4**	**200.9**	**208.1**
Supplies	(79.9)	(87.4)	(89.1)	(110.7)	(367.0)	(106.2)	(93.2)	(96.7)
Change in stocks of finished products	1.2	1.6	(2.3)	4.4	4.8	3.6	(0.6)	2.3
Gross Margin	**91.4**	**122.1**	**138.4**	**116.7**	**468.6**	**115.8**	**107.1**	**113.7**
Works performed by the group on fixed assets	5.4	6.9	6.8	8.8	27.8	7.8	7.5	7.4
Other income	3.1	3.2	0.9	3.7	10.8	1.1	3.3	3.4
Result from hedging operations	-	(5.6)	(3.0)	3.8	(4.9)	(6.7)	(3.0)	(1.5)
Personnel	(18.4)	(21.9)	(21.9)	(22.2)	(84.3)	(22.9)	(22.7)	(21.2)
Other operating expenses	(47.8)	(50.1)	(59.8)	(82.1)	(239.7)	(55.8)	(56.2)	(62.3)
EBITDA	**33.7**	**54.5**	**61.5**	**28.6**	**178.3**	**39.3**	**36.0**	**39.5**
EBITDA margin	**19.8%**	**26.2%**	**26.8%**	**12.8%**	**21.5%**	**18.0%**	**17.9%**	**19.0%**
Depreciation of fixed assets	(14.1)	(17.4)	(15.7)	(14.1)	(61.2)	(14.8)	(13.9)	(17.1)
Impairment and result from sales of fixed assets	0.5	(0.6)	0.1	0.2	0.2	0.7	0.6	2.8
EBIT	**20.1**	**36.5**	**45.9**	**14.7**	**117.3**	**25.1**	**22.7**	**25.2**
EBIT margin	**11.8%**	**17.5%**	**20.0%**	**6.6%**	**14.1%**	**11.5%**	**11.3%**	**12.1%**
Financial income	0.1	0.8	0.7	0.4	2.0	0.4	0.4	0.8
Financial expenses	(9.2)	(7.4)	(9.2)	(3.1)	(29.0)	(2.7)	(6.9)	(10.5)
Profit before tax	**11.0**	**29.8**	**37.5**	**12.0**	**90.3**	**22.9**	**16.2**	**15.6**
Corporate tax	(4.3)	(10.0)	(9.6)	(1.7)	(25.6)	(6.7)	(4.8)	(4.8)
Net profit	**6.7**	**19.8**	**27.9**	**10.2**	**64.7**	**16.2**	**11.4**	**10.7**
Balance sheet								
Tangible fixed assets	893.2	906.9	907.6	915.6	915.6	922.3	939.4	952.5
Intangible fixed assets	13.4	6.3	6.2	6.5	6.5	15.4	8.8	8.3
Long- term financial assets	5.8	8.3	10.4	5.8	5.8	2.7	2.6	3.9
Other non-current assets	69.6	64.6	55.2	49.9	49.9	45.0	36.9	45.7
Total fixed assets	**982.0**	**986.2**	**979.3**	**977.8**	**977.8**	**985.4**	**987.7**	**1,010.3**
Inventories	97.1	103.2	106.7	105.9	105.9	105.5	110.6	107.9
Trade debtors and other accounts receivable	116.3	125.0	146.7	160.1	160.1	150.7	132.3	129.0
Cash and other short-term financial assets	182.2	163.7	182.7	85.6	85.6	102.2	105.8	62.8
Other current assets	3.1	11.5	11.1	2.3	2.3	5.6	7.9	3.7
Non-Current Assets Classified as kept for Sale							28.7	24.0
Total current assets	**398.8**	**403.4**	**447.2**	**353.9**	**353.9**	**364.0**	**385.3**	**327.4**
Total assets	**1,380.8**	**1,389.6**	**1,426.6**	**1,331.7**	**1,331.7**	**1,349.4**	**1,373.0**	**1,337.8**
Equity	**710.2**	**723.7**	**762.0**	**766.4**	**766.4**	**777.2**	**766.3**	**732.2**
Long- term financial debt	160.1	149.4	143.6	251.3	251.3	251.8	278.3	277.3
Long-term provisions	22.4	17.5	19.4	23.8	23.8	24.7	21.2	22.8
Financial instruments for long-term hedging	43.7	43.7	40.9	36.6	36.6	28.6	26.9	38.0
Other non-current liabilities	39.1	37.8	41.4	33.6	33.6	41.5	38.6	45.2
Total non-current liabilities	**265.3**	**248.3**	**245.3**	**345.3**	**345.3**	**346.5**	**365.0**	**383.3**
Short-term financial debt	204.9	212.7	220.5	7.0	7.0	5.7	10.9	17.0
Trade creditors	174.2	158.8	168.5	180.7	180.7	180.2	186.5	154.3
Short-term provisions	4.5	4.0	4.6	8.1	8.1	8.1	8.1	7.7
Financial Instruments for short-term hedging	0.8	13.4	0.0	4.6	4.6	15.8	7.0	10.0
Other current liabilities	21.0	28.7	25.7	19.7	19.7	15.8	15.4	21.6
Non-Current liabilities classified as kept for Sale							13.7	11.7
Total current liabilities	**405.4**	**417.6**	**419.3**	**220.1**	**220.1**	**225.7**	**241.7**	**222.2**
Total liabilities	**1,380.8**	**1,389.6**	**1,426.6**	**1,331.7**	**1,331.7**	**1,349.4**	**1,373.0**	**1,337.8**
Cash flow statement								
EBITDA	**32.4**	**60.1**	**64.4**	**43.3**	**200.2**	**47.5**	**42.1**	**40.9**
Inventories	(8.3)	(6.3)	(3.7)	(3.8)	(22.0)	0.5	(11.9)	2.8
Trade debtors and other accounts receivable	(12.4)	(10.7)	(21.3)	(15.6)	(60.0)	6.3	2.4	7.6
Other current assets and temporary investments	-	-	0.8	(0.9)	(0.2)	0.8	(1.3)	0.2
Other current liabilities	(7.2)	5.1	15.6	3.8	17.2	(5.7)	3.0	(23.0)
Changes in working capital	(28.0)	(11.9)	(8.5)	(16.6)	(65.0)	1.8	(7.8)	(12.5)
Interest payments	(6.2)	(7.1)	(5.2)	(6.3)	(24.7)	(6.0)	(6.3)	(5.6)
Subsidies transferred to P&L	(0.1)	(0.2)	(0.3)	(0.3)	(0.9)	(0.2)	(0.2)	(0.2)
Hedging instruments: pulp and exchange rate	-	(5.6)	(3.0)	3.8	(4.9)	(6.7)	(3.0)	(1.5)
Others	1.3	(1.0)	(2.1)	(0.4)	(2.2)	(1.4)	(1.7)	0.6
Cash flow: operating activities	**(0.7)**	**34.2**	**45.4**	**23.6**	**102.5**	**35.0**	**23.1**	**21.7**
Tangible assets	(3.5)	(43.5)	(14.0)	(15.1)	(76.1)	(11.1)	(13.5)	(33.1)
Biological assets	(4.6)	(5.9)	(5.9)	(4.4)	(20.8)	(6.7)	(6.1)	(6.3)
Intangible assets	(0.3)	(0.2)	0.3	(1.4)	(1.6)	(0.2)	(0.3)	0.1
Other financial assets	(0.3)	(2.5)	(2.1)	4.9	-	-	-	-
Divestments								3.7
Cash flow: investment activities	**(8.7)**	**(52.2)**	**(21.7)**	**(15.9)**	**(98.5)**	**(17.9)**	**(19.9)**	**(35.6)**
Collections and payments from equity instruments	125.0	0.4	(1.9)	(0.3)	123.2	(0.2)	(29.0)	(37.2)
Collection and payments from financial liability instruments	15.5	(2.1)	(1.4)	(104.6)	(92.5)	(3.3)	31.7	9.4
Cash flow: financing activities	**140.6**	**(1.7)**	**(3.3)**	**(104.9)**	**30.7**	**(3.5)**	**2.7**	**(27.8)**
Increase (decrease) in cash and cash equivalents	**131.5**	**(17.1)**	**20.4**	**(97.3)**	**34.7**	**13.6**	**5.9**	**(41.7)**