Quarterly Report
4th Quarter 2012

December 31st 2012

CONTENTS

(Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

1. EXECUTIVE SUMMARY 2012

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
Pulp sales	160.3	156.2	3%	140.4	14%	597.0	596.9	0%
Electricity sales [(a)]	60.1	51.6	16%	50.6	19%	208.4	184.3	13%
Forestry sales and others	3.7	3.1	20%	7.0	(48%)	22.3	44.3	(50%)
Total sales	**224.1**	**210.8**	6%	**198.0**	13%	**827.6**	**825.5**	0%
Adjusted EBITDA	**47.1**	**49.9**	(6%)	**21.6**	118%	**175.3**	**152.1**	15%
EBITDA	**36.7**	**38.3**	(4%)	**24.4**	50%	**139.3**	**139.1**	0%
EBIT	**22.8**	**23.8**	(4%)	**7.1**	221%	**82.3**	**80.1**	3%
Net profit	**14.2**	**12.8**	11%	**2.9**	393%	**43.0**	**41.2**	4%
Net financial debt [(b)]	**200.7**	**151.9**	32%	**155.6**	29%	**200.7**	**155.6**	29%
Pulp sales (tons)	**333,640**	**314,390**	6%	**332,432**	0%	**1,248,805**	**1,232,501**	1%
Electricity sales (MWh)	**381,712**	**400,443**	(5%)	**383,495**	(0%)	**1,542,773**	**1,490,290**	4%
Net pulp sale price (€/ton)	**481**	**498**	(3%)	**422**	14%	**479**	**485**	(1%)
Average electricity sale price (€/MWh)	**129**	**129**	1%	**127**	2%	**128**	**120**	7%
Cash cost (€/t)	**354**	**342**	3%	**352**	1%	**344**	**366**	(6%)

(a) includes € 11M for the sale of electricity produced at the new 50MW plant in Huelva, which is capitalized pending its reception
(b) additionally, there are € 96 M of non-recourse debt linked to the "project finance" of the 50MW and 20MW biomass plants as of 31/12/12

- ✓ **Solid operating results.** The adjusted EBITDA for the year stands at +€175 million in 2012, +15% more than 2011 thanks to the higher pulp and electricity sales, adjusted sales prices for energy and reduction in costs of -6%. The reported EBITDA stands at +€139 million in 2012, in line with 2011 due to the negative impact of the currency hedges. The net profit for the year stands at +€43 million, +4% more than 2011.

- ✓ **Strong growth in pulp and energy sales.** Pulp sales by ton saw +1% growth in 2012 vs 2011. Growth was achieved despite the difficulties in starting up the Huelva plant after its maintenance shutdown, which resulted in an additional 16 days of shutdown; without which the Group's production growth would have been +2% as compared with 2011. With regard to the energy business, electricity sales in MWh amounted to +4% above the level achieved in 2011, higher than the increased pulp production. In consequence, energy sales grew by +13% to €208 million thanks to a better generation mix, as well as the inclusion of €11 million of additional revenues related to the sale of electricity produced at the new 50MW plan in Huelva, operational sin September 2012, which are capitalized pending its reception in 1Q13.

- ✓ **Continued positive annual evolution of the cash cost, which fell to €344/t in 2012**, -6% below the amount registered in 2011. The increased efficiency is the result of the efforts to lower the cost of wood (mainly by lowering the level of imports), the improved consumption of chemicals and greater contribution of the electricity business.

- ✓ **Solid pulp prices, with price rises of up to $800/t announced in January.** The +2.4% worldwide growth in the demand for pulp in 2012, together with producers' inventory at average levels of cycle (those of consumers remain close to minimum historical values), have supported the announcement of a new rise of +$20/t in January of up to $800/t after the $750/t to $780/t increase that was introduced in October. Average prices in 2012 stand at $751/t, below the average of $800/t in 2011.

- ✓ **Continued financial strength thanks to the generation of cash.** The operations keep generating a solid cash flow during the year (+€93 million in 2012) in an environment of price rises and subsequent stabilisation. As a result, the net financial debt amounted to €201 million (excluding €96 million of non-recourse debt related to the biomass plants at Huelva and Mérida). Said level is +29% above the level registered at the end of 2011, derived from the investments at the Huelva and Merida biomass projects, the repurchase of €12.5 million worth of CO2 rights in December and the acquisition of Fidalser' stake in Ence. The current net financial debt levels are equivalent to 1.4 times the EBITDA for the past 12 months. The closing of Uruguayan asset sale, which is expected to occur in 1Q13, will push this ratio to come down to the 1.1x mark.

- ✓ **Sale of the assets in Uruguay.** On 15 December 2012, Ence agreed to sell its assets in Uruguay to a North American institutional fund for $77.3 million, which will allow it to improve its financial strength. The assets consist of 27,780 hectares of forestry land with eucalyptus plantations in south-eastern Uruguay, together with the facilities for the wood-chip and saw mill. The sale of these assets is produced after the implementation of a disintermediation strategy in the company's wood purchases, replacing imported wood by wood from Northern Spain. We expect to close down the operation in March, as soon as Uruguayan forestry authorities give us their authorisation.

- ✓ **Issue of a bond for the amount of €250 million and the opening of a credit line for €90 million.** On 25 January, Ence successfully issued €250 million senior secured note aimed at international qualified investors with 7.25% annual fixed interest, semi-annual coupons and maturing in 2020. Furthermore, we closed a senior credit line with a limit of €90 million and maturing in 2018. This issue allows us to repay the existing corporate bank financing, expand the debt maturity profile, optimising the structure of its funds and increasing our financial flexibility, while at the same time diversifying and internationalising the funding sources.

- ✓ **The company's Board of Director will propose to the Annual Shareholders Meeting the payment of a cash dividend in the amount of €0.07 per share and a share dividend in the amount of 1 share of the treasury stock for every 25 shares hold by the shareholder**. Both dividends provide a total dividend yield of 7.0% at February 19th market close. The Annual General Shareholders Meeting will be held next 21st of March at first call.

2. PULP BUSINESS: KEY INDICATORS

	4Q12	3Q12	%	4Q11	%	2012	2011	%
Huelva	95,487	98,007	(3%)	98,727	(3%)	357,008	368,048	(3%)
Pontevedra	100,141	106,255	(6%)	108,328	(8%)	406,722	416,800	(2%)
Navia	125,911	125,587	0%	120,675	4%	485,906	458,260	6%
Pulp production (tons)	**321,539**	**329,849**	(3%)	**327,730**	(2%)	**1,249,636**	**1,243,108**	1%
Huelva	98,545	89,164	11%	102,348	(4%)	353,733	361,299	(2%)
Pontevedra	105,656	102,366	3%	110,547	(4%)	406,475	408,780	(1%)
Navia	129,439	122,860	5%	119,537	8%	488,597	462,422	6%
Pulp sales (tons)	**333,640**	**314,390**	6%	**332,432**	0%	**1,248,805**	**1,232,501**	1%
BHKP ($/t)	**765**	**766**	(0%)	**684**	12%	**751**	**800**	(6%)
Average exchange rate ($/€)	**1.30**	**1.25**	4%	**1.35**	(4%)	**1.28**	**1.39**	(8%)
Net sale price (€/t)	**481**	**498**	(3%)	**422**	14%	**479**	**485**	(1%)
Pulp sales (€M)	**160.3**	**156.2**	3%	**140.4**	14%	**597.0**	**596.9**	0%

Pulp sales per ton increased by +1% in 2012, +16,304 more tons than those registered in 2011. This growth is due to the commercial strength of the company, which allowed it to sell its increased production (+1% vs 2011). The increased stability of the plants has made it possible to reach capacity utilisation rates in excess of 96% in spite of the difficulties in starting up the Huelva plant after its maintenance shutdown. The use of a new industrial management model rooted in the on-going improvement of the facilities, the identification and use of improved practices in the group and the monitoring of the statistical variables related to the process is making it possible to optimise production, while containing investment. As a result, pulp production stood at 1,249,636 tons for 2012, which represents a +1% year-on-year increase:

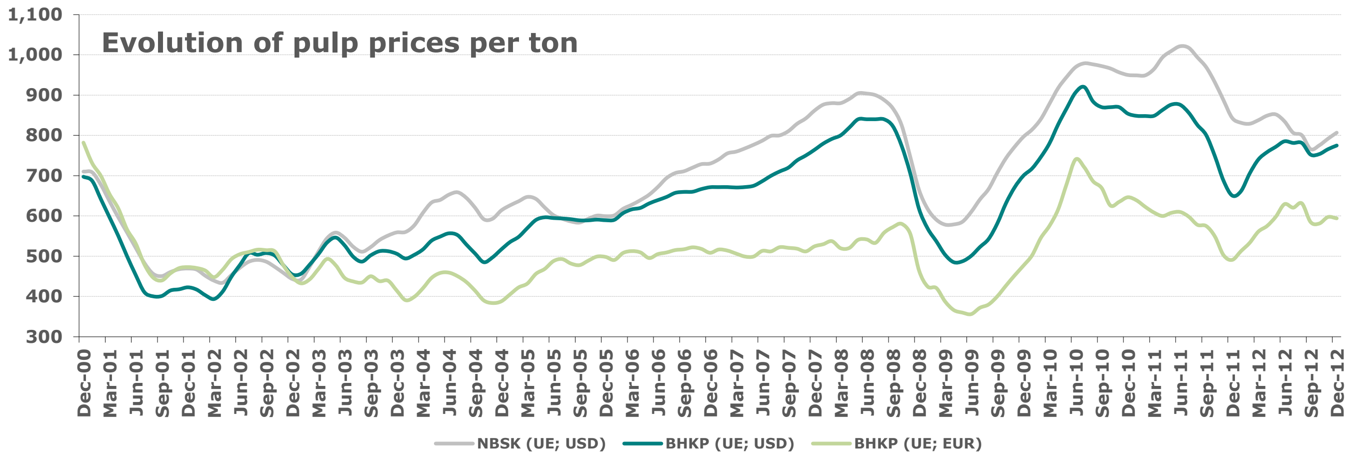
- ✓ At the Huelva plant, production totalled 357,008 tons, a -3% decrease on 2011. The difficulties in starting up the plant following maintenance in May caused a total shutdown of 26 days versus the 10 days initially projected, resulting in a loss of -27,252 tons at current production rates. Net of the effect of the extraordinary shutdown, the plant's daily production stood at +2% above the figure for 2011.
- ✓ Production at the Pontevedra plant totalled 406,722 tons, a -2% decrease on 2011. Pontevedra shutdown for maintenance for 10 days in March, which at current production rates implied a loss of nearly -11,647 tons.
- ✓ Production at the Navia plant totalled 485,906 tons, a +6% increase on 2011. The plant shut down for maintenance for 12 days in March, which at current production rates implied a loss of nearly -16,546 tons.

With the exception of the Huelva plant due to the problems mentioned above, output levels for the year are in line with the target that the company has set for the year, with the joint production of Navia and Pontevedra growing by +2%.

With respect to the average income per ton, the average net sale price fell to €479/t in the period, -1% below the average price registered in 2011 on the appreciation of the dollar being offset by the decline in prices of pulp in dollars from the highs for the cycle. The slight drop in prices was offset by a higher volume of sales, with total sales amounting to millions of euros, at similar levels to those of last year.

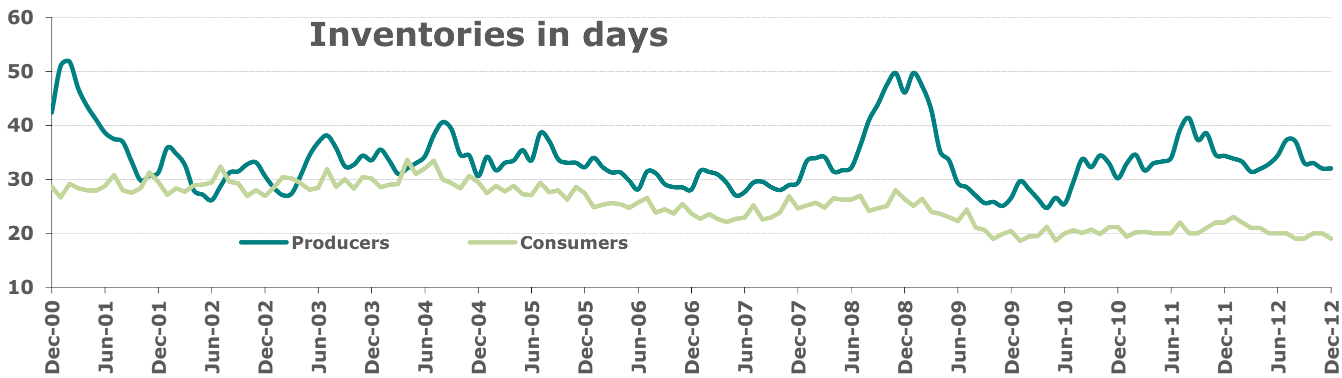
2.1. OVERVIEW OF THE PULP MARKET

The pulp market has shown signs of stability and robustness in 2012 after hitting a minimum of $650/t in the fourth quarter of 2011. Towards the end of 2011, there was a rapid drop in the inventories of pulp producers thanks to a supply-side adjustment on the part of the producers and a significant increase in demand from China, taking advantage of the drop in prices. Said adjustment made it possible to maintain an upward trend in pulp prices in 1H12 to levels in the region of $790/t. The lower seasonal demand in Europe together with a drop in Chinese imports in the 3Q12 entailed a new increase in the supplier's inventories and pressure on pulp prices that returned to $750/t levels. In 4Q12, the positive behaviour of demand (+2.4% in the year) together with the swift correction of inventories to nearly 30-day levels, made it possible to implement a new price rise to $780/t levels.



Source: FOEX

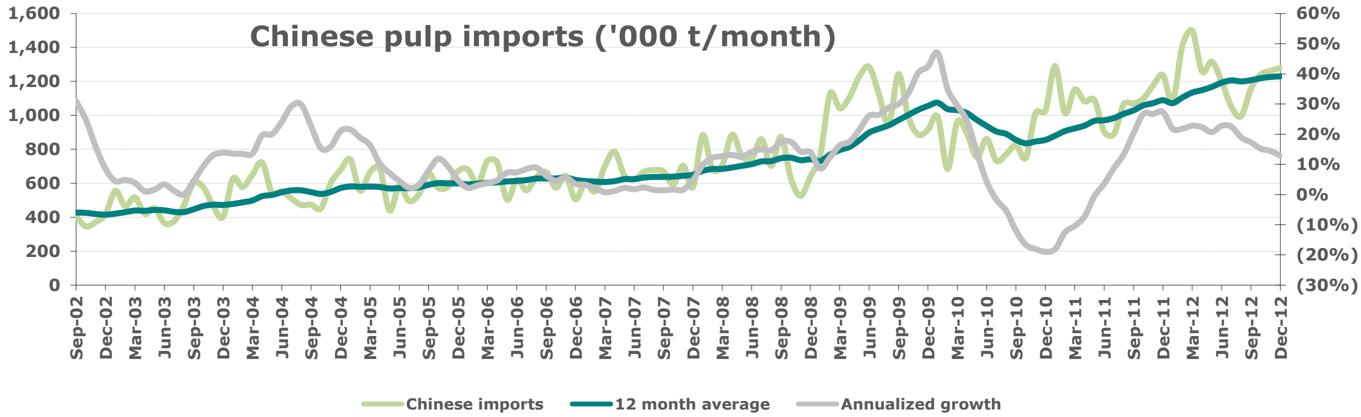
Global producers' inventory remain at average levels of cycle of 32 days, while consumer inventories still remain close to the minimum historical values of 19 days shown at the end of the year. The European situation is equally positive, with some consumer inventories still remaining close to the minimum historical values of 20 days (Utipulp) while port inventories stood at -20% below those registered at the end of December last year (Europulp).



Source: PPPC (W20 statistics)

Global demand has continued to show a positive trend throughout the year, with growth of +2.4% up to December due to strong demand from China with a cumulative increase of +7% this year (PPPC-

G100). Chinese imports have continued with their upward trend, thanks to growth in the Chinese economy, the implementation of new non-integrated paper production facilities and the gradual substitution of local fibre with imports due to the higher cost and negative environmental impact of the former. As an additional element, the upward trend in the price of imported wood puts integrated Chinese plants at a disadvantage when competing with non-integrated plants that are supplied with imported pulp.



Source: Hawkins Wright

Accordingly, BHKP price rises from +$20/t to $800/t levels were announced in January 2013. Prospects for 2013 are for pulp prices to remain strong in comparison with 2012 thanks to the expected growth of demand, low inventory levels and the lack of any significant increase in supply, given that the closing down of the Jari plant offset the progressive improvement in the utilisation ratios of the new Eldorado plant (0.4 and 1.5 million tons respectively).

3. ENERGY BUSINESS: KEY INDICATORS

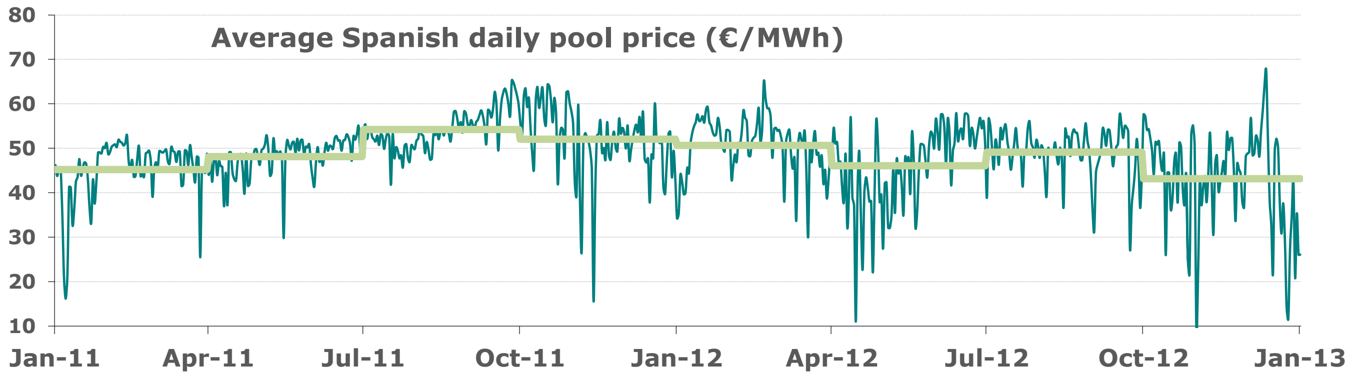
	4Q12	3Q12	%	4Q11	%	2012	2011	%
Huelva	201,798	209,336	(4%)	211,737	(5%)	814,995	816,790	(0%)
Pontevedra	57,929	60,224	(4%)	59,979	(3%)	229,353	221,836	3%
Navia	129,539	131,617	(2%)	119,459	8%	514,571	490,069	5%
Electricity production (MWh)	**389,265**	**401,177**	(3%)	**391,175**	(0%)	**1,558,919**	**1,528,695**	2%
Huelva	197,964	212,697	(7%)	211,648	(6%)	813,315	807,466	1%
Pontevedra	55,241	57,167	(3%)	56,935	(3%)	218,588	213,238	3%
Navia	128,507	130,578	(2%)	114,912	12%	510,870	469,585	9%
Electricity sales (MWh) [(a)]	**381,712**	**400,443**	(5%)	**383,495**	(0%)	**1,542,773**	**1,490,290**	4%
Electricity consumption (MWh)	**191,909**	**192,719**	(0%)	**193,411**	(1%)	**738,628**	**746,103**	(1%)
Average pool price (€/MWh)	**43**	**49**	(12%)	**52**	(17%)	**47**	**50**	(5%)
Average sale price (€/MWh)	**129**	**129**	1%	**127**	2%	**128**	**120**	7%
Electricity sales (€M) [(b)]	**60.1**	**51.6**	16%	**50.6**	19%	**208.4**	**184.3**	13%

(a) adjusted by unbalances
(b) includes € 11M for the sale of electricity produced at the new 50MW plant in Huelva, which is capitalized pending its reception
Note: except for sales figure in €M, rest of figures do not include the new 50MW plant in Huelva

Energy sales amounted to €208 million in 2012, up +13% on 2011 due to the inclusion of €11 million for the sale of electricity produced at the new 50MW plan in Huelva, which is capitalized pending its reception in 1Q13. Net of the effect, sales increased +10% to €197M thanks to the increase in volume (+4%) and the higher weighting of biomass-fuelled generation in the production mix, factors that have pushed the average sale price to increase by +7% to €128/MWh.

In operational terms, the company produced 1,558,919 MWh in 2012, +2% more compared with the MWh generated in 2011 thanks to higher pulp production (that makes it possible to increase power generation in the cogeneration facilities based on the higher volume of black liquor from the production process) and especially to the good behaviour of the biomass generating facilities that are not linked to the pulp process, that grew by +9% in the period. This significant growth (in line with the company's targets) was achieved despite reduced production from the Navia biomass plant because of repairs in its boiler in April and the reduced production of pulp at Huelva in May. With regard to renewable energy, the three plants together sold nearly 1,166,985 MWh of energy with biomass in 2012, a +4% increase over sales in 2011. With this, biomass generation accounts for 76% of the mix.

Prices in the electricity market have been -5% below those observed in 2011, having a negative impact on the sales price of the turbines that sell at pool plus premium (78% of installed capacity).



Source: OMEL

4. FOREST ACTIVITY: KEY INDICATORS

	4Q12	3Q12	%	4Q11	%	2012	2011	%
Supply to the industrial process (m^3)	**949,566**	**960,042**	(1%)	**953,997**	(0%)	**3,643,083**	**3,699,456**	(2%)
Cost €/m^3	**69.3**	**68.8**	1%	**70.6**	(2%)	**69.6**	**71.4**	(3%)
Own hectares	51,917	77,660	(33%)	77,687	(33%)	51,917	77,687	(33%)
Third party hectares (consortia)	36,007	37,831	(5%)	36,847	(2%)	36,007	36,847	(2%)
Hectares managed by ownership (Ha)	**87,924**	**115,491**	(24%)	**114,534**	(23%)	**87,924**	**114,534**	(23%)
Hectares for pulp	69,810	97,473	(28%)	96,960	(28%)	69,810	96,960	(28%)
Hectares for energy crops	18,114	18,018	1%	17,574	3%	18,114	17,574	3%
Hectares managed by use (Ha)	**87,924**	**115,491**	(24%)	**114,534**	(23%)	**87,924**	**114,534**	(23%)

Note: figures at the end of the period exclude hectares of Uruguay, which agreed to sell as of December 2012

In terms of forestry activity, over the course of the year, 3,643,083 m³ of wood were supplied to the group's pulp plants, -2% less than the amount supplied over the same period last year in spite of increased pulp production as a result of improvements in the industrial performance of processed wood (reduction in specific consumption of -2%, falling to 2.9 m³ of wood for each ton of pulp produced). The investment in the management of the company's forestry asset base reached a total of €11.6 million. With this investment, the company has planted 1,831 hectares and carried out forestry maintenance and management activities on a further 29,325 hectares. Regarding the energy crops business, the company worked on 16,616 hectares during the period for a total investment of €17.6 million, 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, in particular to supply the 50MW plant in Huelva projected completed in September. Likewise, 377,177 tons of forestry biomass have been acquired, mostly for the supply of the group's energy production.

The company has continued to actively manage its wood supply sources in 2012 in order to strengthen its competitive position in this market, diversifying its supply sources as a way of guaranteeing volume availability as well as improving its control over the entire supply chain (from the initial logging to the transport) so as to achieve improved cost efficiency. The major measures implemented are the following:

- Intensifying the purchase of wood directly from the forest owners (standing timber purchases), thus reducing, to a great extent, its dependency on intermediaries and encouraging cooperative relationship with the owners. Direct contact also allows the company to support the owner in the proper management of the plantations, including better forestry practices, which will result in improved productivity of the plantations in the future as well as increased prevalence of forestry certification in the country. As a result of the significant progress achieved, standing timber purchases (trees yet to be felled) exceeded 1,067,106 m3 in 2012 (35% of the group's needs), +40% above those registered in 2011.

- Balancing out the base of local suppliers, by increasing the number of wood providers, which has made it possible to reduce the price of local market wood by -2% with respect to 2011. Since December last year, the volume of small suppliers increased by +43% reaching 72% of all the wood suppliers.

- Instigating an action plan to review and improve the company's logistical processes, including the usage and forestry activities, with a focus on optimising costs and improving the safety conditions of forestry operations.

- Promoting the certification of third-party wood as a guarantee of responsible and sustainable management, which has allowed the company to purchase nearly 1,106,757 m3 of certified wood (FSC/PEFC).

The progressive implementation of the foregoing measures has allowed the company to reduce the weighting of imports in 2012 by -51% as compared with 2011. This reduction, together with the lower cost of local wood, has facilitated a reduction in the average purchase price by -4%.

5. COMMENT ON THE RESULTS OF 2012

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
Pulp sales	160.3	156.2	3%	140.4	14%	597.0	596.9	0%
Electricity sales [a]	60.1	51.6	16%	50.6	19%	208.4	184.3	13%
Forestry sales and others	3.7	3.1	20%	7.0	(48%)	22.3	44.3	(50%)
Total net sales	**224.1**	**210.8**	6%	**198.0**	13%	**827.6**	**825.5**	0%
Cost of goods sold [b]	(107.6)	(100.3)	7%	(101.6)	6%	(407.2)	(392.4)	4%
Personnel expenses	(22.6)	(20.8)	9%	(22.6)	0%	(82.1)	(89.4)	(8%)
Other operating expenses	(57.3)	(51.5)	11%	(49.4)	16%	(199.0)	(204.4)	(3%)
EBITDA	**36.7**	**38.3**	(4%)	**24.4**	50%	**139.3**	**139.1**	0%
Forest depletion	(4.7)	(1.2)	305%	(2.2)	120%	(8.9)	(8.3)	6%
Rest of depreciations	(13.0)	(14.4)	(10%)	(15.5)	(16%)	(54.5)	(55.1)	(1%)
Provisions	3.9	1.1	267%	0.3	n.s.	6.3	4.4	44%
EBIT	**22.8**	**23.8**	(4%)	**7.1**	221%	**82.3**	**80.1**	3%
Financial result	(2.3)	(4.6)	(49%)	(4.7)	(50%)	(18.6)	(23.1)	(19%)
Non-Current Assets Classified as kept for Sale (net)	(0.7)	-	n.s.	-	n.s.	(0.7)	-	n.s.
Profit before taxes	**19.9**	**19.2**	4%	**2.4**	n.s.	**63.0**	**57.0**	10%
Taxes	(5.6)	(6.3)	(11%)	0.5	n.s.	(19.9)	(15.8)	26%
Net profit	**14.2**	**12.8**	11%	**2.9**	393%	**43.0**	**41.2**	4%
Adjusted EBITDA	**47.1**	**49.9**	(6%)	**21.6**	118%	**175.3**	**152.1**	15%
Cash cost (€/t)	**353.5**	**341.7**	3%	**351.6**	1%	**343.9**	**365.8**	(6%)

(a) includes € 11M for the sale of electricity produced at the new 50MW plant in Huelva, which is capitalized pending its reception
(b) supplies +/- change in stocks

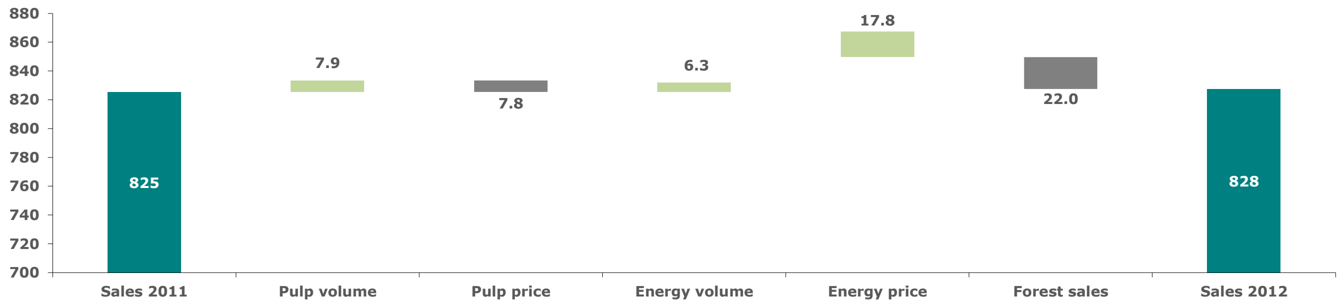
2012 sales stood at €828 million, in line with those of 2011 when the growth in electricity sales were offset by the drop in the forestry and other sales, in accordance with the company's decision to restructure and lower its exposure to these activities.

Pulp sales in the period amounted to €597 million, in line with those of 2011. The +1% increase in sales volumes was offset by the -1% drop in prices, since the revaluation of the dollar offsets the -6% drop in pulp prices.

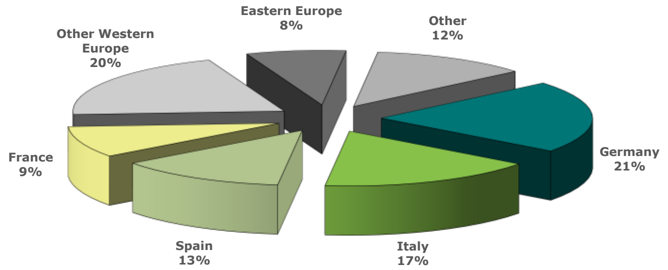
Energy sales amounted to €208 million in 2012, +13% more than in 2011, due to the strength in production (+4% on 2011), the positive trend in prices (+7%) resulting from increases in the better production mix and the inclusion of €11 million for the sale of electricity produced at the new 50MW plan in Huelva, which is capitalized pending its reception in 1Q13.

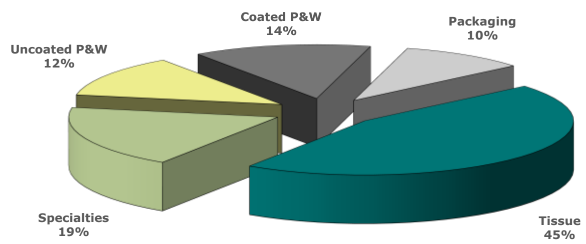
Forestry sales stood at €22 million (-50% vs 2011) owing to the drop in sales of forestry consultancy and services, as well as less sales of wood to third parties, in line with the reduction in the level of imports and activity on the wood international markets consistent with the implementation of the change in strategy for the supply of wood, focused on guaranteeing the supply through local sources.

Evolution of sales (M€)

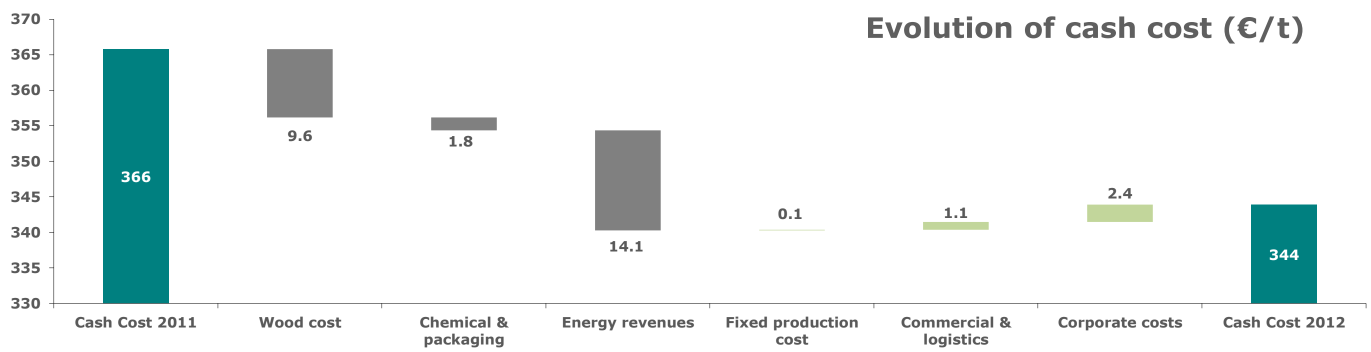


The breakdown of sales by countries and segments remained in line with 2011, with the tissue market as the most relevant target paper segment, given the ability to manufacture it completely with eucalyptus fibre and the stability of its growth (above +1% per annum in Europe, even areas against a backdrop of reduced economic activity). Geographically, there was a slight drop in the amount of shipping outside of Europe to 12% from 14% (primarily due to a decline in exports to China), with sales in Spain falling from 14% to 13%. The market share in Europe stands at nearly 15%.





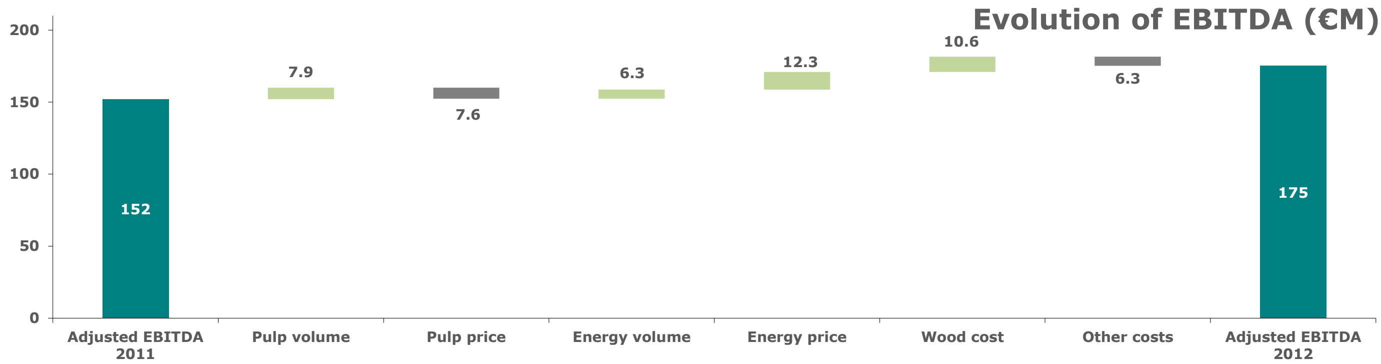
The cash-cost level decreased by -6% to €344/t in 2012 compared to the €366/t achieved in 2011, reflecting the downward trend in production and sales costs. This decrease reached a total of -12%, dropping from a high of €393/t in 4Q10. This downward trend was possible due to greater efficiency in the industrial process as well as greater control of wood prices, a trend that is expected to continue next year through a reduction in the weighting of imported wood in the consumption mix and greater cost efficiencies in supply. The lower production stability during the second half of the year reduced the expected dilution of fixed costs and the efficiency in the consumptions of wood, chemicals and energy. The improvement in the plants' stability during the first months of the year is making it possible to recover said efficiencies. 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 (+40% vs. 2011), and 3) applying price reductions to suppliers in the months of and December 2011, April 2011 and January 2013 (€3/m3, €1.5/m3 and €1.5/m3 for domestic wood, respectively). As a result, the cost per m3 is down 3% vs. 2011 in spite of the increased cost of imported wood (+7%) due to a strengthening of the USD. Additionally, the company continues to focus its efforts on reducing the absolute value of general and structural costs.



The cash cost of €344/t for 2012 consolidates last year's reduction trend and implies a drop of -6% against the average production unit cost of €366/t of 2011.

Consequently, the adjusted EBITDA for 2012 amounted to +€175 million, +15% higher than the amount registered in 2011. Including the impact of hedges, compensations and provisions, the 2012 EBITDA stood at +€139 million, in line with that achieved in 2011. The improvement in the company's on-going operating earnings, thanks to the positive performance of volumes and costs, was mainly offset by the impact of the currency hedge. Concerning hedge agreements as of December 2012, the currency hedge is expected to perform positively in 2013, which at the close of 2012 had a market value of +€11 million.

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
EBITDA	**36.7**	**38.3**	(4%)	**24.4**	50%	**139.3**	**139.1**	0%
Hedging instruments: pulp and exchange rate	5.6	9.4	(40%)	(0.8)	n.s.	27.6	10.4	164%
Severance payments	3.1	0.3	n.s.	1.8	72%	4.7	6.8	(31%)
Provisions and others	0.1	0.0	57%	(4.1)	n.s.	(1.4)	(1.6)	(12%)
Other non-recurrent	1.6	1.9	(13%)	0.2	n.s.	5.1	(2.7)	n.s.
Adjusted EBITDA	**47.1**	**49.9**	(6%)	**21.6**	118%	**175.3**	**152.1**	15%



Excluding the depreciation and amortisation charge, provisions, financial results and taxes, the company reported a net profit of +€43 million in 2012, +4% more than in 2011.

6. FINANCIAL RESULTS

Making adjustments for the interest capitalisation, mainly linked to the interest arising from the financing of the investments in biomass plants, the 2012 financing expenses fell by -17% as a result of the drop in benchmark interest rates. The financial result stood at -€19 million, -€4 million less than in 2011, because of the above effect and the lesser recognition of losses from previous years in the IRS, which is cash neutral.

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
Interest on syndicated loan	(1.8)	(2.1)	(11%)	(2.8)	(34%)	(8.7)	(10.5)	(17%)
Interests on other loans	(0.0)	(0.1)	(53%)	0.2	n.s.	(0.2)	(0.3)	(17%)
Interests on factoring and confirming	(0.5)	(0.5)	9%	(0.6)	(18%)	(1.7)	(2.0)	(14%)
Capitalization of financial expenses	2.5	1.6	62%	2.1	22%	7.2	2.6	171%
Financial expenses	**0.2**	**(1.0)**	n.s.	**(1.1)**	n.s.	**(3.4)**	**(10.1)**	(66%)
IRS settlement interest	(2.9)	(2.9)	(0%)	(2.6)	10%	(11.1)	(11.7)	(5%)
IRS adjustment in fair value	2.2	1.5	46%	0.9	159%	6.6	4.6	43%
Financial expenses for equity swap	1.6	0.3	459%	(1.1)	n.s.	(0.3)	(3.3)	(90%)
Result of hedging (IRS and equity swap)	**0.9**	**(1.1)**	n.s.	**(2.9)**	n.s.	**(4.8)**	**(10.3)**	(54%)
Net exchange differences	**(0.4)**	**(0.6)**	(30%)	**1.4**	n.s.	**(1.8)**	**2.1**	n.s.
Other financial expenses	**(1.0)**	**(0.9)**	13%	**(1.9)**	(46%)	**(3.7)**	**(5.0)**	(27%)
Financial income	**0.2**	**0.2**	7%	**1.6**	(89%)	**0.7**	**2.6**	(72%)
Financial result	**(0.2)**	**(3.4)**	(96%)	**(2.9)**	(95%)	**(12.9)**	**(20.7)**	(38%)
Interests on non recourse debt	(2.2)	(1.2)	82%	(1.8)	23%	(5.7)	(2.3)	144%
Adjusted financial result	**(2.3)**	**(4.6)**	(49%)	**(4.7)**	(50%)	**(18.6)**	**(23.1)**	(19%)

7. INVESTMENTS AND NET DEBT

Thanks to the strength of the pulp and energy businesses, the operations keep generating a solid cash flow of +€93 million in 2012, -€29 million less than 2011 almost entirely because of the increased working capital arising from the impact of higher pulp and electricity prices on receivables. The good evolution of pulp prices in combination with the expected reduction in costs shall maintain the positive generation of cash in 2013.

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
Cash flow of operating activities	8.8	37.7	(77%)	42.1	(79%)	93.4	121.9	(23%)
Cash flow of investment activities	(60.8)	(23.2)	162%	(17.6)	246%	(120.1)	(91.0)	32%
Cash flow of financing activities	11.3	(14.6)	n.s.	7.8	46%	(22.9)	(20.8)	10%
Change in cash or cash equivalents	**(40.6)**	**(0.1)**	n.s.	**32.3**	n.s.	**(49.6)**	**10.1**	n.s.

7.1. Investments

Investments in the pulp business (industrial and forestry) made in 2012 amounted to €36 million, -9% less than in 2011, thanks to the effort made to limit investments on the on-going maintenance required for the plants' optimal operation and the development of forest assets. Investments in biomass plants stood at €59 million, +16% more than 2011 as a result of the conclusion of the construction of the Huelva plant that Ence is expected to receive in 1Q13. Investment in energy crops, however, grew by +66% in respect of 2011, within the policy of accelerating the development of the volume of energy crops that guarantee supply of the biomass projects.

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
Maintenance	8.6	0.1	n.s.	9.4	(9%)	15.1	24.1	(37%)
Improvements in efficiency/production	4.4	0.1	n.s.	0.1	n.s.	5.5	0.6	n.s.
Environmental	3.1	0.6	423%	0.5	n.s.	4.2	1.6	159%
Industrial investment in pulp	**16.0**	**0.8**	n.s.	**10.0**	60%	**24.8**	**26.3**	(6%)
Plantation and maintenance activity	2.3	2.0	16%	2.4	(2%)	10.1	11.3	(10%)
Financial expenses	0.4	0.4	(0%)	0.6	(40%)	1.5	2.6	(42%)
Forest investment in pulp	**2.7**	**2.4**	13%	**3.0**	(10%)	**11.6**	**13.9**	(16%)
Industrial investment in biomass	**25.5**	**21.1**	21%	**9.4**	170%	**58.9**	**50.8**	16%
Forest investment in biomass	**7.0**	**2.2**	212%	**0.6**	n.s.	**17.6**	**10.6**	66%
Total investment	**51.2**	**26.6**	93%	**23.0**	122%	**113.0**	**101.6**	11%

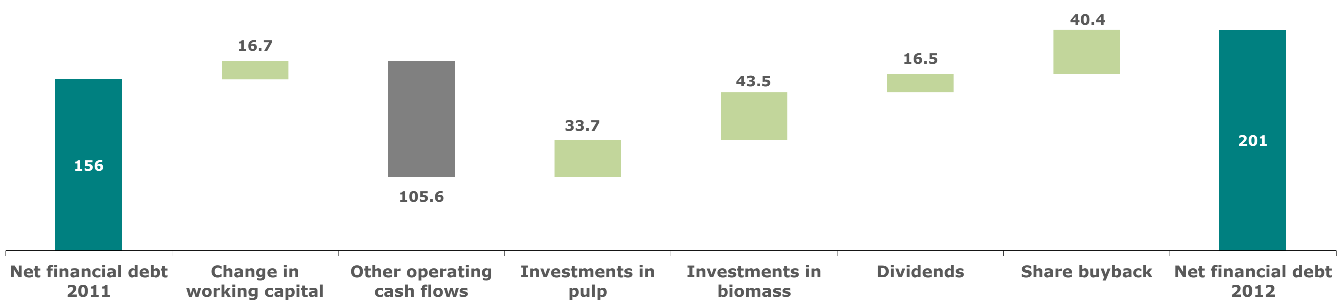
Note: not include investments of €16.6M for CO2 rights needs, €12.5M related to repurchases of rights in December 2012 and the remaining related to received grants

7.2. Net financial debt

In terms of leverage, at the end of December the net financial debt with recourse stood at €201 million, +29% more than it was at the end of 2011, mainly because of the acquisition of 5% of the shares of Ence owned by Fidalser, as well as the repurchase of CO2 rights. Net of the impact of dividend payments and the repurchasing of treasury stock, the net financial debt would have dropped -€12 million since the end of June last year, leaving it around the €144 million mark. In spite of the effort to compensate the shareholders, the company continues to be a benchmark of financial discipline in the industry, closing out the year with a net financial debt/EBITDA ratio of 1.4x for the past 12 months. The closing of Uruguayan asset sale, which is expected to occur in 1Q13, will push this ratio to come down to the 1.1x mark.

figures in €M	4Q12	3Q12	%	4Q11	%	2012	2011	%
LT Debts with credit entities	212.6	203.4	5%	219.8	(3%)	212.6	219.8	(3%)
Other long-term financial liabilities	9.3	8.4	11%	9.2	1%	9.3	9.2	1%
Long-term debt	**221.9**	**211.7**	5%	**229.0**	(3%)	**221.9**	**229.0**	(3%)
ST debts with credit entities	25.0	25.3	(1%)	20.5	22%	25.0	20.5	22%
Other short-term financial liabilities	1.6	0.7	140%	0.6	172%	1.6	0.6	172%
Short-term debt	**26.6**	**26.0**	2%	**21.0**	26%	**26.6**	**21.0**	26%
Total gross financial debt	**248.5**	**237.7**	5%	**250.0**	(1%)	**248.5**	**250.0**	(1%)
Cash	40.2	76.3	(47%)	71.6	(44%)	40.2	71.6	(44%)
Short-term financial investments	7.6	9.5	(21%)	22.8	(67%)	7.6	22.8	(67%)
Net cash	**47.8**	**85.8**	(44%)	**94.5**	(49%)	**47.8**	**94.5**	(49%)
Total net financial debt	**200.7**	**151.9**	32%	**155.6**	29%	**200.7**	**155.6**	29%
Deposits from guarantees	0.8	1.0	(24%)	-	n.s.	0.8	-	n.s.
Non recourse debt	96.2	66.3	45%	54.4	77%	96.2	54.4	77%
Total adjusted financial debt	**297.7**	**219.2**	36%	**209.9**	42%	**297.7**	**209.9**	42%

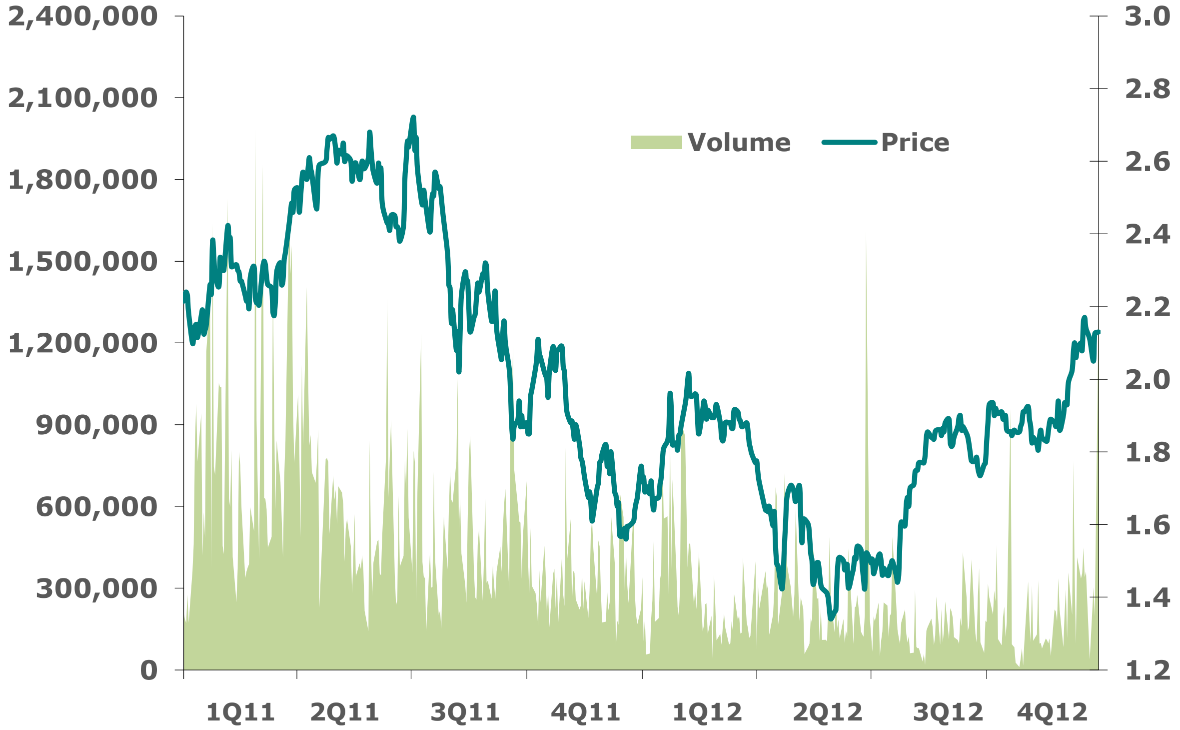
Net financial debt (M€)



At the end of the period the existing businesses in Uruguay were still recognised on the group's "balance sheet", as assets available for sale. The agreement for the sale of said assets for a total of $77 million that was reached in December 2012 is expected to be closed towards the end of the 1Q13, once the approval of the Uruguayan authorities has been obtained.

8. ENCE ON THE STOCK MARKET

After the correction suffered in the first half of 2012, the share price has made a significant recovery in the second half of 2012 with its performance during the year being +32% and +13% higher than that of the Spanish and European Stock Market, respectively.



Source: Thomson Reuters

	2011	2012
Average daily volume (shares)	**546,383**	**238,098**
Ence performance	**(24%)**	**27%**
Ibex 35 performance	**(13%)**	**(5%)**
Eurostoxx performance	**(17%)**	**14%**

N.B.: The evolution of Ence's share price has been adjusted for the dividend of €0.1/share paid on 9 May 2011 and the €0.07/share paid on 8 May 2012; no adjustment was made for the dividend in kind paid on 8 May 2012 and on 17 August 2012, which entail an additional 3.5% and 2.7% in profitability.

The Ence share forms part of the IBEX·Medium Cap, IBEX Top Dividend and FTSE4Good Ibex indexes.

Apart from its presence on the markets through listed shares, in January 2013 the company issued a €250 million bond with 7.25% annual fixed interest, semi-annual coupon and maturing in 2020. Occasionally, Ence could buy back said bonds on the secondary market. Any purchase shall be made after consideration of the relevant factors, including the quoted price of the bonds and our liquidity position and shall be done in compliance with all the applicable legal requirements.

9. HIGHLIGHTS OF 2012

Issue of senior debt amounting to €250 million

On 25 January, the issue of senior secured notes aimed at international qualified investors was successfully issued for €250 million, with 7.25% annual fixed interest, semi-annual coupon and maturing in 2020. We closed the deal on a senior credit line with a €90 million limit and maturing in 2018. This issue has made it possible to repay the existing corporate bank financing, expand the debt maturity profile, optimising the structure of its funds and increasing its financial flexibility; while at the same time diversifying and internationalising the funding sources.

Sale of the assets in Uruguay

On 15 December 2012, Ence agreed to sell its assets in Uruguay to a North American institutional fund for $77.3 million, which will allow it to improve its financial strength. The assets consist of 27,780 hectares of forestry land with eucalyptus plantations in south-eastern Uruguay, together with the facilities for the wood-chip and saw mill. The sale of these assets is produced after the implementation of a disintermediation strategy in the company's wood purchases, replacing imported wood by wood from Northern Spain. We expect to close down the operation in March, as soon as Uruguayan forestry authorities give us their authorisation.

Purchase of the stake in Fidalser

On 7 December 2012, 12,815,353 treasury shares, representing 5.12% of share capital were purchased. The aforementioned treasury shares were acquired from the significant shareholder, Fidalser, S.L. for a lump sum of 25,246,245.41 euros, i.e., at a price of €1.97/share. The company will keep the shares as treasury share until the Board of Directors decides on a better alternative for their use in order to maximise the creation of value for shareholders.

Synchronisation of the Huelva biomass plant with the Electricity System

On 10 September, the connection of the Huelva 50MW plant was completed, making it the largest biomass generating plant contributing energy to the Spanish electricity grid with a planned annual production of 337 million kWh. The commissioning of this plant implies an increase of almost +30% in the company's installed capacity to produce biomass energy of up to 230MW.

Closing of the financing agreement for the 20MW biomass plant in Mérida

On 1 August 2012, the financing of a contract –in the form of project finance- for the execution of a "turnkey" project for the construction of a renewable biomass energy generating plant with an installed capacity of 20 MW was arranged. The new plant shall be located in Merida (Badajoz) and its entry into operation is planned for the fourth quarter of 2014. The aforementioned project implies an industrial investment of €80.9 million, of which €60.7 million are financed by a syndicate formed by three of Spain's principal financial entities and €20.2 million which are taken from company equity.

Share buyback program for up to 5% of the capital

On 24 July, the Board of Directors approved a share buyback program aimed at rewarding the shareholder through the subsequent reduction in share capital. The program shall last until 30 June 2013 and may acquire a maximum number of treasury shares equivalent to 5% of share capital.

Cancellation of 3% of the shares in circulation and a dividend in kind of one treasury share for every 37 held

On 21 June, the board of directors resolved to propose cancelling 7,740,390 treasury shares (3% of the total shares issued) and the distribution of a stock dividend in treasury shares drawn down from the share premium in the proportion of one treasury share for each 37 shares that the shareholder currently owns at the Extraordinary General Shareholders' Meeting was hold on 24 July 2012. This dividend amounts to a dividend yield of 2.7%, which when added to the prior dividend approved in April gives a total yield of 10.1% per shareholder, without taking into consideration the positive impact on the shares of the retired shares.

Dividend of €0.07€/share and one treasury share for every 26 held

On 28 February, the Board of Directors resolved to propose at the 2012 General Shareholders Meeting a dividend payment of €0.07 per share against the 2011 operating results as well as a dividend on treasury shares drawn down from the share premium in the proportion of one treasury share for every 26 shares that the shareholder hold. At the date of approval, both dividends amounted to a dividend yield of 7.4%.

FINANCIAL STATEMENTS

figures in €M	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Profit and loss account										
Total Net Turnover	**218.4**	**200.9**	**208.1**	**198.0**	**825.5**	**201.5**	**191.2**	**210.8**	**224.1**	**827.6**
Supplies	(106.2)	(93.2)	(96.7)	(94.7)	(390.8)	(100.9)	(96.1)	(105.4)	(105.7)	(408.0)
Change in stocks of finished products	3.6	(0.6)	2.3	(7.0)	(1.7)	(3.1)	0.7	5.1	(1.8)	0.8
Gross Margin	**115.8**	**107.1**	**113.7**	**96.4**	**433.0**	**97.5**	**95.7**	**110.5**	**116.6**	**420.4**
Works performed by the group on fixed assets	7.8	7.5	7.4	4.6	27.2	7.0	7.1	9.0	1.1	24.2
Other income	1.1	3.3	3.4	4.8	12.6	1.7	1.4	1.9	1.6	6.5
Result from hedging operations	(6.7)	(3.0)	(1.5)	0.8	(10.4)	(5.0)	(7.5)	(9.4)	(5.6)	(27.6)
Personnel	(22.9)	(22.7)	(21.2)	(22.6)	(89.4)	(18.9)	(19.9)	(20.8)	(22.6)	(82.1)
Other operating expenses	(55.8)	(56.2)	(62.3)	(59.5)	(233.9)	(51.5)	(43.1)	(53.1)	(54.4)	(202.1)
EBITDA	**39.3**	**36.0**	**39.5**	**24.4**	**139.1**	**30.7**	**33.7**	**38.3**	**36.7**	**139.3**
EBITDA margin	**18.0%**	**17.9%**	**19.0%**	**12.3%**	**16.9%**	**15.2%**	**17.6%**	**18.1%**	**16.4%**	**16.8%**
Depreciation of fixed assets	(14.8)	(13.9)	(17.1)	(17.7)	(63.5)	(15.5)	(14.6)	(15.6)	(17.8)	(63.4)
Impairment and result from sales of fixed assets	0.7	0.6	2.8	0.3	4.4	0.5	0.8	1.1	3.9	6.3
EBIT	**25.1**	**22.7**	**25.2**	**7.1**	**80.1**	**15.8**	**19.9**	**23.8**	**22.8**	**82.3**
EBIT margin	**11.5%**	**11.3%**	**12.1%**	**3.6%**	**9.7%**	**7.8%**	**10.4%**	**11.3%**	**10.2%**	**9.9%**
Financial income	0.4	0.4	0.8	3.6	5.3	0.2	0.2	4.8	2.7	7.9
Financial expenses	(2.7)	(6.9)	(10.5)	(8.3)	(28.4)	(6.0)	(6.1)	(9.4)	(5.0)	(26.5)
Profit before tax	**22.9**	**16.2**	**15.6**	**2.4**	**57.0**	**10.0**	**13.9**	**19.2**	**20.5**	**63.6**
Corporate tax	(6.7)	(4.8)	(4.8)	0.5	(15.8)	(3.4)	(4.5)	(6.3)	(5.6)	(19.9)
Non-Current Assets Classified as kept for Sale (net)	-	-	-	-	-	-	-	-	(0.7)	(0.7)
Net profit	**16.2**	**11.4**	**10.7**	**2.9**	**41.2**	**6.6**	**9.4**	**12.8**	**14.2**	**43.0**
Balance sheet										
Tangible fixed assets	922.3	939.4	952.5	952.9	952.9	951.6	906.4	931.8	947.2	947.2
Intangible fixed assets	15.4	8.8	8.3	8.1	8.1	12.0	5.9	5.7	21.6	21.6
Long- term financial assets	2.7	2.6	3.9	4.1	4.1	4.1	4.1	3.6	4.1	4.1
Other non-current assets	45.0	36.9	45.7	42.7	42.7	37.6	38.7	35.1	30.6	30.6
Total fixed assets	**985.4**	**987.7**	**1,010.3**	**1,007.8**	**1,007.8**	**1,005.4**	**955.2**	**976.2**	**1,003.5**	**1,003.5**
Inventories	105.5	110.6	107.9	112.5	112.5	111.4	101.9	93.4	87.6	87.6
Trade debtors and other accounts receivable	150.7	132.3	129.0	135.8	135.8	135.9	121.9	139.3	167.0	167.0
Cash and other short-term financial assets	102.2	105.8	62.8	94.5	94.5	77.1	87.9	85.8	47.8	47.8
Other current assets	5.6	7.9	3.7	1.8	1.8	1.5	6.8	6.7	11.6	11.6
Non-Current Assets Classified as kept for Sale		28.7	24.0	16.5	16.5	19.8	68.4	68.3	59.3	59.3
Total current assets	**364.0**	**385.3**	**327.4**	**361.0**	**361.0**	**345.7**	**386.9**	**393.5**	**373.3**	**373.3**
Total assets	**1,349.4**	**1,373.0**	**1,337.8**	**1,368.8**	**1,368.8**	**1,351.1**	**1,342.0**	**1,369.7**	**1,376.8**	**1,376.8**
Equity	**777.2**	**766.3**	**732.2**	**720.2**	**720.2**	**729.0**	**717.8**	**735.2**	**724.7**	**724.7**
Long- term financial debt	251.8	278.3	277.3	283.4	283.4	277.9	282.1	276.4	316.4	316.4
Long-term provisions	24.7	21.2	22.8	23.2	23.2	20.8	13.8	12.4	13.3	13.3
Financial instruments for long-term hedging	28.6	26.9	38.0	25.5	25.5	24.4	32.0	32.5	16.6	16.6
Other non-current liabilities	41.5	38.6	45.2	48.5	48.5	51.9	50.9	49.9	51.8	51.8
Total non-current liabilities	**346.5**	**365.0**	**383.3**	**380.6**	**380.6**	**375.0**	**378.7**	**371.3**	**398.2**	**398.2**
Short-term financial debt	5.7	10.9	17.0	21.0	21.0	27.6	27.5	27.6	28.1	28.1
Trade creditors	180.2	186.5	154.3	165.8	165.8	163.1	166.6	198.0	184.7	184.7
Short-term provisions	8.1	8.1	7.7	7.9	7.9	8.2	10.9	8.9	8.5	8.5
Financial Instruments for short-term hedging	15.8	7.0	10.0	34.6	34.6	21.2	22.1	2.5	14.9	14.9
Other current liabilities	15.8	15.4	21.6	26.4	26.4	12.9	16.4	23.8	17.8	17.8
Non-Current liabilities classified as kept for Sale		13.7	11.7	12.3	12.3	14.0	2.2	2.4	0.0	0.0
Total current liabilities	**225.7**	**241.7**	**222.2**	**268.1**	**268.1**	**247.1**	**245.6**	**263.2**	**253.9**	**253.9**
Total liabilities	**1,349.4**	**1,373.0**	**1,337.8**	**1,368.8**	**1,368.8**	**1,351.1**	**1,342.0**	**1,369.7**	**1,376.8**	**1,376.8**
Cash flow statement										
EBITDA (adjusted)	**47.5**	**42.1**	**40.9**	**21.6**	**152.1**	**35.6**	**42.8**	**49.9**	**47.1**	**175.3**
Inventories	0.5	(11.9)	2.8	0.3	(8.3)	1.5	2.8	8.3	5.7	18.3
Trade debtors and other accounts receivable	7.1	(0.1)	7.9	13.0	27.9	(6.3)	14.3	(17.5)	(28.3)	(37.8)
Other current liabilities	(5.7)	3.0	(23.0)	17.8	(8.0)	(12.9)	(0.8)	12.6	3.9	2.8
Changes in working capital	1.8	(7.8)	(12.5)	30.4	12.0	(17.7)	16.4	3.4	(18.7)	(16.7)
Interest payments	(6.0)	(6.3)	(5.6)	(4.8)	(22.7)	(4.8)	(5.9)	(4.5)	(5.6)	(20.8)
Subsidies transferred to P&L	(0.2)	(0.2)	(0.2)	(0.5)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Hedging instruments: pulp and exchange rate	(6.7)	(3.0)	(1.5)	0.8	(10.4)	(5.0)	(7.5)	(9.4)	(5.6)	(27.6)
Corporate tax payment	-	-	-	(2.9)	(2.9)	-	(1.1)	-	(8.4)	(9.4)
Others	(1.4)	(1.7)	0.6	(2.4)	(5.0)	(3.4)	(1.7)	(1.4)	0.3	(6.2)
Cash flow: operating activities	**35.0**	**23.1**	**21.7**	**42.1**	**121.9**	**4.3**	**42.6**	**37.7**	**8.8**	**93.4**
Tangible assets	(11.1)	(6.4)	(33.1)	(12.0)	(62.5)	(10.6)	(11.9)	(18.7)	(40.9)	(82.2)
Biological assets	(6.7)	(6.1)	(6.3)	(6.1)	(25.3)	(6.6)	(7.2)	(5.3)	(3.2)	(22.2)
Intangible assets	(0.2)	(0.3)	0.1	(0.1)	(0.4)	-	-	-	(16.1)	(16.1)
Other financial assets	-	-	-	-	-	(0.1)	0.1	(0.3)	0.2	(0.2)
Divestments			3.7	0.6	4.3	-	0.2	1.1	(0.8)	0.5
Cash flow: investment activities	**(17.9)**	**(19.9)**	**(35.6)**	**(17.6)**	**(91.0)**	**(17.3)**	**(18.9)**	**(23.2)**	**(60.8)**	**(120.1)**
Collections and payments from equity instruments	(0.2)	(29.0)	(37.2)	(5.9)	(72.3)	(3.7)	(19.8)	(4.3)	(29.1)	(56.9)
Collection and payments from financial liability instruments	(3.3)	31.7	9.4	13.7	51.6	0.1	3.7	(10.2)	40.4	34.0
Cash flow: financing activities	**(3.5)**	**2.7**	**(27.8)**	**7.8**	**(20.8)**	**(3.6)**	**(16.1)**	**(14.6)**	**11.3**	**(22.9)**
Increase (decrease) in cash and cash equivalents	**13.6**	**5.9**	**(41.7)**	**32.3**	**10.1**	**(16.6)**	**7.7**	**(0.1)**	**(40.6)**	**(49.6)**

Energía y Celulosa