

# QUARTERLY REPORT 2Q10

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*“Growing the forest and growing with it”*

## BUSINESS GROWTH AND MARKET OUTLOOK

The growth for the quarter can be summarised with the following main figures:

✓ **Strong operating results, at highs for recent years**

EBITDA amounted to €55Mn in 2Q10, driven by the price rises implemented throughout the half-yearly period as a result of the pulp market recovery, the capacity increases carried out last year and control of costs. Adjusted EBITDA (net of hedging and extraordinary items) amounted to +€60Mn, all-time quarterly highs for the last 10 years. The higher expected average sale price and the increased production of both pulp and energy, due to the absence of maintenance shutdowns, should enable the company to report further margin increases in the third quarter.

✓ **Pulp prices at highs with good outlook for the rest of 2010**

The strength of the market was confirmed during the quarter, with three consecutive rises on the pulp list price up to \$920/t from 1 June (6% above the market price average in 2Q10 and 22% higher than 1Q10). The rise came about as a result of the low inventories worldwide, as well as pulp supply restrictions specifically aggravated by the reduced availability of wood on the international market, the earthquake in Chile and strikes in Scandinavian countries. In addition, the gradual recovery of demand has continued, underpinned by Chinese imports that remain at high levels. Although the recovery in Chilean production and the lower seasonal demand in summer are exerting downward pressure in the long term, the aforementioned factors are expected to support prices over the coming months.

✓ **Strong pulp sales, in terms of both prices and volumes**

Sales in 2Q10 came to €208.2M, 78% higher than in 2Q09. This performance is the result of pulp production growth and recovery in demand, reflected in the higher pulp sales volume (+12.9% compared to 2Q09 up to 279 metric kmt) and in the recovery of pulp market prices in Euros of 85% compared to 2Q09, having obtained a mean pulp sales price of €579/t. These two improvements led to pulp sales income of €161Mn, +110% higher than that of 2Q09 (€76.8Mn).

✓ **Healthy energy sales**

Energy sales amounted to €32Mn in 2Q10, equivalent to an 18% increase compared to the same quarter in the previous year, in line with the higher pulp production, optimised electrical systems in the plants, and a greater proportion of biomass-fuelled generation.

✓ **Sustained effort in controlling wood costs**

The cash-cost is being kept below the level reported in the first half of 2009, with a 11% fall in relation to the figure of €408/t for 1H09, down to €365/t. Over the quarter, the company has

continued to use the imports and a greater mixture in the species used in the production process, as a way of balancing the internal market and preventing the consolidation of price hikes which could compromise the company's results in the mid term. This strategy has continued to have an impact on costs due to the higher price of imported wood brought to plants and the lower industrial yield arising from the change in the species mix. **Production was also affected by the maintenance shutdowns in the Navia and Huelva plants, carried out in April and May respectively.**

✓ **Reduced debt**

Because of the positive cash generated over the half-year period, the company has once again been able to reduce net debt to €221Mn, 35% lower than the figure at 2009 year end, **in line with the company's targets.**

## KEY CORPORATE ASPECTS IN 1H 2010

### Capital increase

On 4 March, the company announced the Board's approval of a capital increase with a nominal value of €74,801,601, through the issue and circulation of 83,112,890 new common shares with a par value of €0.9 each and an issue premium of €0.665 per new share.

The increase was subscribed in full with an actual amount of €130,071,672.85, with the shares admitted for listing as of 1 April 2010. The leading shareholders represented on the Board subscribed to 52.66% in line with their stake in the company.

The aim of the capital increase was to reduce indebtedness and strengthen the Company's equity and financial structure, and also to develop various investment projects.

### Expansion of biomass-based generation plants

Because of the capital increase, the company presented to the market the projects that are being developed for the company's diversification towards biomass-fuelled generation plants and mainly into energy crops. The identified projects will enable the construction of plants up to a total of 210 MW and with self-supply levels above 50%, taking advantage of the company's enviable position in the management of forestry resources and reducing the cyclical nature of benefits in the future.

### Entry into Ibx Medium Cap and RSC index

On 11 June, the Ibx technical committee decided to admit Ence into the Ibx Medium Cap and remove it from the Ibx Small Cap, following the increased market cap and greater liquidity shown by the company in recent months.

Furthermore, from 22 March, Ence shares have formed part of the FTSE 4Good Ibx Index, an environmental and social responsibility index created by the FTSE Group and BME (Bolsas y Mercado Españoles), as they comply with all the requirements established for this purpose.

## MARKET PERFORMANCE

### PULP

During 2Q10, the pulp market has continued to follow the trend of recovery shown in the last quarter of 2009, with sharp tensions on the supply side and a recovering market, particularly in Europe, North America and Japan, which account for around 60% of global pulp demand.

The supply of market pulp has fallen as a result of the capacity shutdowns which occurred last year, wood restrictions due to adverse climate factors during 1Q10, the temporary closure of Chilean factories from February to May after the earthquake in Chile, the bringing forwards of maintenance shutdowns in the first half of the year by the leading Brazilian producers, and the spring strikes in Sweden, Finland and Canada. At the same time, global pulp demand at May 2010 showed an increase of 0.8% against the same period of the previous year, a figure which would actually be over 10% if we eliminate the effect of the reduced imports from China (source: PPPC).

Consequently, at May 2010, manufacturers' stocks of market pulp have remained at a persistently low level of 27 days of supply, well below the standard range in the sector (source: PPPC). In May, stocks of market pulp in consumers once again reported a further reduction of two days to 20 days of supply (source: PPPC), following the slight increase registered in April.

In this setting, pulp prices have continued to report successive rises from the start of the year in all markets. The Eucalyptus pulp listed price in Europe reached \$US920/t in June 2010, tantamount to recovery of 92% from the floor of \$US480/t seen in April 2009.

Meanwhile, the strengthening dollar trend is increasing the effect of the price increases in euros, with an estimated recovery of 106% in euros from lows; this would be having a very positive impact on the Group's results due to the lower exposure of costs to the US dollar.

Outlook for the second half of the year is of correction in prices, in view of recovery in Chilean production, the lower seasonal demand over the summer, and the possibility of clients' postponing orders in light of pulp prices standing at highs. However, with inventories at lows and the aforesaid recovery in demand, the correction in prices is likely to be limited, with prices remaining at very attractive levels in coming months.

### WOOD

During the first half of the year, tensions in the eucalyptus market in the Peninsula have continued, prompting a moderate rise in the cost of Iberian wood over the period. In addition to the increased consumption of wood for pulp arising from the capacity increases in Portugal and Spain, we have also seen continued recovery in the pulp market. This tension was particularly

affected in the first quarter by the combination of natural catastrophes and adverse weather conditions globally, with a concomitant negative impact on wood access and transportation, in terms of both volumes and logistics costs. With this trend there has been a continued demand - in order to guarantee supply and prevent higher tensions in prices - for a higher volume of non-European wood towards pulp manufacturers in Spain and Portugal; wood which is also showing price hikes due to the tensions in pulp prices.

Furthermore, the company maintains a long-term investment policy towards maximising self-supply by expanding its forestry assets in the Iberian Peninsula, strengthening its **R&D&I programmes, and applying advanced silvicultural techniques**. Investment in the company's forestry asset management during the first half of 2010 came to €10.6Mn, required for the **planting of 1,363 ha and procurement of 181 ha**.

In addition, in relation to energy crops, during the first quarter of 2010, **507 ha were planted and an additional 280 were procured for the production of energy crops** for the company's biomass power stations, in line with the execution of a strategy for ensuring volumes at competitive and sustainable costs.

In this respect, on 14 October 2009, ENCE entered into a **collaboration agreement with the Junta de Andalucía** (Autonomous Government of Andalusia) to move forward with a set of institutional and business initiatives in the area of forest management, wood and biomass production, and promotion of renewable energies.

The execution of this agreement will enable the consolidation and expansion of forestry employment in the province by promoting local wood production as a basis for the pulp sector, and **increasing local wood and biomass supply** for the production of pulp and energy, which reduces dependence on imported wood and strengthens **biomass supply for potential energy projects**.

## COMMENTS Q2 2010

### MAIN BALANCE SHEET FIGURES AND RESULTS FOR ENCE GROUP ACCORDING TO IFRS.

#### Main items of Balance sheet and Results of ENCE Group (000eur)

(Data in thousands of euros) (Quarterly figures not audited)	1Q 2009	2Q 2009	1Q 2010	2Q 2010	VAR in % 2Q10/09	AC 2Q 2009	AC 2Q 2010	VAR in % 1H10/09
<b>SALES</b>	109,816	116,989	170,155	207,903	77.7%	226,805	378,058	66.7%
EBITDA sg IAS	(19,292)	(10,287)	33,678	54,479	n.s.	(29,579)	88,157	n.s.
EBIT sg IAS	(28,481)	(23,449)	20,137	36,472	n.s.	(51,930)	56,609	n.s.
% of sales	-25.9%	-20.0%	11.8%	17.5%		-22.9%	15.0%	
% of net assets	-9.1%	-7.6%	6.8%	12.3%		-16.8%	19.1%	
Exchange rate differences	(14)	(365)	(104)	1,704	n.s.	(379)	1,599	n.s.
Other financial results	(12,386)	(5,701)	(8,997)	(8,347)	46.4%	(18,087)	(17,344)	-4.1%
<b>FINANCIAL RESULT</b>	(12,400)	(6,066)	(9,102)	(6,643)	9.5%	(18,466)	(15,744)	-14.7%
Income from discontinued activities net of taxes	(65,533)	(9,146)	0	0	-100.0%	(74,680)	0	-100.0%
TAX	12,546	8,868	(4,325)	(9,996)	n.s.	21,414	(14,320)	n.s.
<b>NET PROFIT/LOSS AFTER TAX</b>	<b>(93,869)</b>	<b>(29,793)</b>	<b>6,711</b>	<b>19,833</b>	n.s.	<b>(123,662)</b>	<b>26,544</b>	n.s.
% of Shareholder's Equity	-59.5%	-19.8%	3.8%	11.0%		-82.3%	14.7%	
<b>RESULTS PER SHARE (in euros)**</b>	<b>(0.54)</b>	<b>(0.17)</b>	<b>0.03</b>	<b>0.08</b>	n.s.	<b>(0.71)</b>	<b>0.12</b>	n.s.
Dividend paid per share (in euros)**	0.14	0.00	0.00	0.00		0.14	0.00	

<b>INVESTMENT</b>	73,219	54,327			-100.0%	101,744		-100.0%
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(Data in thousands of euros) (Quarterly figures not audited)	1Q 2009	2Q 2009	1Q 2010	2Q 2010	VAR in % 2Q10/09	AC 2Q 2009	AC 2Q 2010	VAR in % 1H10/09
<b>FIX ASSETS</b>	882,626	906,023	981,993	986,155	8.8%	906,023	986,155	8.8%
AVAILABLE CASH	2,897	6,889	144,222	140,930	1945.8%	6,889	140,930	1945.8%
NET ASSETS AVAILABLE FOR SALE	238,219	231,994	0	0	-100.0%	231,994	0	-100.0%
OTHER CURRENT ASSETS	126,977	93,331	54,113	57,602	-38.3%	93,331	57,602	-38.3%
<b>NET ASSETS</b>	1,250,718	1,238,236	1,180,327	1,184,686	-4.3%	1,238,236	1,184,686	-4.3%
<b>SHAREHOLDERS' EQUITY</b>	630,822	601,116	710,166	723,680	20.4%	601,116	723,680	20.4%
N° of shares end of period (in thousands)*	174,900	174,900	258,013	258,013	47.5%	174,900	258,013	47.5%
<b>SUBSIDIES</b>	10,643	8,491	15,255	13,516	59.2%	8,491	13,516	59.2%
% Shareholders' Equity+Subsidies on fixed assets	72.7%	67.3%	73.9%	74.8%		67.3%	74.8%	
<b>DEFERRED TAX LIABILITIES</b>	24,999	24,980	23,823	24,250	-2.9%	24,980	24,250	-2.9%
<b>PROVISIONS</b>	23,185	16,699	22,389	17,481	4.7%	16,699	17,481	4.7%
<b>LONG TERM DEBT</b>	396,936	377,482	160,083	149,353	-60.4%	377,482	149,353	-60.4%
<b>SHORT TERM DEBT</b>	120,788	165,162	204,902	212,711	28.8%	165,162	212,711	28.8%
Net financial debt	514,827	535,756	220,762	221,135	-58.7%	535,756	221,135	-58.7%
% Net financial debt/Shareholder's Equity	81.6%	89.1%	31.1%	30.6%		89.1%	30.6%	

#### Sales by Business Lines

(Data in thousands of euros) (Quarterly figures not audited)	1Q 2009	2Q 2009	1Q 2010	2Q 2010	VAR in % 2Q10/09	AC 2Q 2009	AC 2Q 2010	VAR in % 1H10/09
Pulp sales	77,607	76,759	122,218	161,221	110.0%	154,366	283,439	83.6%
Electricity sales	27,242	27,399	33,597	32,205	17.5%	54,641	65,802	20.4%
Forest sales and others	4,967	12,831	14,341	14,477	12.8%	17,798	28,817	61.9%
<b>SALES</b>	109,816	116,989	170,155	207,903	77.7%	226,805	378,058	66.7%
% pulp / total	70.7%	65.6%	71.8%	77.5%		68.1%	75.0%	

Total sales by quarters amounted to €208, 78% and 22% compared with 2Q09 and 1Q10 respectively, due to the increase in prices and pulp production (+85% and +22% respectively compared with 2Q09). This growth has positively impacted pulp sales and the production and sale of energy linked to the industrial process.

**Pulp sales in 2Q10 came to €162.1Mn, 110% higher than the figure for 2Q09.** Sales volumes rose 13% against the same period of 2009, following the capacity increase carried out in Navia, an improvement which will become more marked still in the next quarter because of the plant's maintenance shutdown in April. Sales prices increased 86% due to the rise in market prices and the appreciation of the dollar.

**Energy sales rose to €32Mn in 2Q10, 18% up on the same quarter of the previous year,** thanks to the higher pulp production, and optimised electrical systems in plants. In this respect, **the three plants have, as a whole, sold nearly 239,000MWh of renewable energy (excluding gas) in 2Q10, 10% higher** than the average reached in 2009.

**Income from forestry products and services sales amounted to €14.5Mn in 2Q10,** a year-on-year increase of 13%, thanks to stronger sales in forestry consulting and sales of wood to third parties.

**With regard to the overheads structure,** operating expenses (supplies, personnel, and other running costs) **came to €159Mn in 1Q10, a 13% year-on-year increase,** based on the Group's greater business activities due to the recovery in demand and completed capacity expansions.

As a result, **the cash-cost level stood at about \$365/t over the half-yearly period, 11% down against the €400/t reached in 1H09.** Costs during the quarter were affected by the **lower dilution of fixed costs arising from the decrease in activity** owing to the plants' maintenance shutdowns. Furthermore, in order to offset the lower availability of domestic wood and prevent price tensions in the Iberian Peninsula, **wood imports were increased,** more costly and less efficient in production because of the change to the eucalyptus species mix.

Consequently, **EBITDA for 2Q10 amounted to €54.5Mn, 210% and 62% higher respectively than the figures reported in 4Q09 and 1Q10.** Excluding hedging and extraordinary items, **adjusted EBITDA in 2Q10 came to +€60Mn,** above levels not reached since 2000 (when we saw pulp price highs together with an exchange rate of around 0.8 dollars per euros). This reflects the high pulp prices, increased capacity and efficiency improvements achieved during the previous year.

Not including amortisations, provisions, financial results, and taxes, the company obtained a **net profit of €19.8Mn in 2Q10, compared with losses of €29.7M in 2Q09, which included €9Mn of losses related to the sale of assets in Uruguay.**

Investments in 2Q10 amounted to €25.6M, 52.9% below those recorded in the same period of 2009, as the latter included the investment in the Navia capacity expansion. Forestry investments amounted to €6.5M as a result of planting 650 ha and procuring 293 ha. In addition, during the



first quarter of 2010, 410 ha were planted and an additional 632 were procured for the production of energy crops.

**Working capital increased by €32Mn** over the quarter **due to the impact of the increases in prices** and volumes on the clients' account.

In terms of indebtedness, at 30/06/10 **net financial debt had fallen to €221Mn**, in line with the financial leverage target, underpinned by the positive cash generation over the first half of the year.

## COMMENTS ON BUSINESS ACTIVITIES

Activities Data								
(Data in thousands of euros)								
	1Q 2009	2Q 2009	1Q 2010	2Q 2010	VAR in % 2Q10/09	AC 2Q 2009	AC 2Q 2010	VAR in % 1H10/09
PULP SOLD (000 t.)	235.42	246.76	263.40	278.60	12.9%	482.18	542.00	12.4%
PULP PRODUCED (000 t.)	191.60	236.56	255.00	288.29	21.9%	428.16	543.29	26.9%
ELECTRICITY PRODUC. (000 Mwh)	298.6	349.9	344.9	314.9	-10.0%	648.5	659.8	1.7%
ELECTRICITY SOLD (000 Mwh)	241.0	294.7	332.5	314.7	6.8%	535.7	647.2	20.8%
% sales / production	80.7%	84.2%	96.4%	100.0%		82.6%	98.1%	
INDUSTRIAL INVESTMENT	35,787	41,831	5,012	25,583	-38.8%	77,618	30,595	-60.6%
INDUSTRIAL EMPLOYEES (YEAR END)	848	848	805	953	12.4%	848	953	12.4%
WOOD SALES (000 m <sup>3</sup> )	729.5	677.7	905.4	1,165.9	72.0%	1,407.2	2,071.3	47.2%
% by Latin American subsidiaries	17.1%	14.9%	36.1%	18.3%		16.0%	22.8%	
BIOMASS SALES (000 t)	48.3	65.9	99.5	79.5	20.6%	114.2	179.0	56.7%
FORESTED HECTARES (ha)								
- For pulp	3,297	1,306	681	650	-50.2%	4,603	1,331	-71.1%
% by Latin American subsidiaries	83.6%	68.5%	0.0%	0.0%		79.3%	0.0%	
- For energy crops	257	240	97	410	70.8%	497	507	2.0%
FOREST INVESTMENT	11,630	12,496	4,023	6,541	-47.7%	24,126	10,564	-56.2%
FOREST EMPLOYEES (YEAR END)	983	882	767	756	-14.3%	882	756	-14.3%

As far as **pulp production and marketing** are concerned, sales reported in 2Q10 were 31,843 tons higher than those of the same period of 2009. Production amounted to **288,291 tons** of pulp, tantamount to a 22% rise by virtue of the increased capacity of the Navia plant and despite the fact that the greater use of imported wood had a negative impact on productivity. As a result, finished product stocks rose by 9,688 tonnes during the quarter:

- ✓ At the **Huelva plant**, production came to **77,724 tonnes**, 23% higher than 2Q09. The maintenance shutdown in May was offset by the shutdowns carried out last year owing to weak demand and prices.
- ✓ **Production in the Pontevedra plant amounted to 108,276 tons**, 3% down on 2Q09 due to the impact which the change in the wood mix had on production.
- ✓ Production at the **Navia plant came to 102,292 tonnes**, which is a 64% increase on the equivalent production figure for 1Q09, reflecting the long shutdown carried out in that quarter to carry out the capacity increase. The maintenance shutdown took place in April, after which the plant has reached production levels close to its maximum capacity.

As far as **energy activity is concerned**, **314,856 MWh were produced in 2Q10**, an decrease of 10% on 2Q09. Energy sales grew by 7%, reaching 314,717 MWh, with the percentage of electricity sold to the grid amounting close to 100% vs. 84.2% in 2Q09 by virtue of the improved electrical systems in Huelva.

In relation to the **forestry business**, in the first nine months of 2009, 1,166,000 m<sup>3</sup> of wood was marketed, nearly 74% of which was supplied to the pulp plants. During the same period, 650 ha were planted and 748 ha were procured for the pulp business. In addition, during the first quarter

of 2010, 410 ha were planted and an additional 632 ha were procured for the production of energy crops. Furthermore, 79,485 tonnes of forest biomass have been marketed mostly for the supply of the group's energy production.

## ANNEX 1

### CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

#### BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS

ASSETS (thousands of euros)	31/06/2010	31/12/2009
<b>I Tangible Fixed Assets</b>	<b>745,953</b>	<b>737,807</b>
Land and Buildings	303,872	301,825
Plant and Machinery	945,461	940,470
Other Fixed Assets	27,168	26,821
Advances and Tangible Fixed Assets in Progress	121,064	98,407
Provisions and Depreciation	(651,612)	(629,716)
<b>II Property Investments</b>	<b>3,024</b>	<b>3,413</b>
<b>III Issue Rights</b>	<b>2,544</b>	<b>1,053</b>
<b>IV Intangible Assets</b>	<b>3,800</b>	<b>3,919</b>
Intangible Rights and Goods	25,794	25,274
Provisions and Amortizations	(21,994)	(21,355)
<b>V Non-current Financial Assets</b>	<b>8,334</b>	<b>5,494</b>
Long-Term Portfolio	1,037	1,036
Other Long-Term Credits	7,930	5,091
Provisions	(633)	(633)
Derivative Financial Instruments	0	0
Long-Term Hedging	0	0
<b>VI Biological Assets</b>	<b>157,876</b>	<b>155,238</b>
Forest Cover	237,964	227,412
Forest Reserve Depletion	(80,089)	(72,173)
<b>VII Deferred Tax Assets</b>	<b>64,624</b>	<b>73,230</b>
<b>VIII Other Non-Current Assets</b>	<b>0</b>	<b>0</b>
<b>NON-CURRENT ASSETS</b>	<b>986,155</b>	<b>980,155</b>
<b>I Stocks</b>	<b>103,223</b>	<b>88,844</b>
<b>II Trade Debtors and other Accounts Receivable</b>	<b>124,999</b>	<b>102,805</b>
Clients by Sales and Services	109,447	81,289
Other Debtors	18,377	24,355
Provisions	(2,825)	(2,839)
<b>III Financial Investments by Short-Term Hedging</b>	<b>1,728</b>	<b>0</b>
<b>IV Assets from Tax on Current Earnings</b>	<b>0</b>	<b>0</b>
<b>V Other Current Assets</b>	<b>9,756</b>	<b>1,377</b>
<b>VI Temporary Financial Investments</b>	<b>20,814</b>	<b>1,913</b>
<b>VII Cash and Banks</b>	<b>142,913</b>	<b>49,132</b>
<b>Sub-total Current Assets</b>	<b>403,433</b>	<b>244,071</b>
<b>Non-Current Assets Classified as Kept for Sale and Discontinued Activities</b>	<b>0</b>	<b>0</b>
<b>CURRENT ASSETS</b>	<b>403,433</b>	<b>244,071</b>
<b>TOTAL ASSETS</b>	<b>1,389,587</b>	<b>1,224,226</b>

<b>LIABILITIES (thousands of euros)</b>	<b>31/06/2010</b>	<b>31/12/2009</b>
<b>I Subscribed Capital</b>	232,212	157,410
<b>II Share Premium</b>	254,328	199,058
<b>III Other Reserves</b>	220,214	230,070
Distributable Reserves	148,748	152,352
Non-distributable Reserves	30,808	30,270
Adjustments to net worth by valuation (hedging and floors)	40,658	47,448
<b>IV Reserves Calculated by Global or Proportional Method</b>	121,536	149,131
<b>V Results of Previous Years Pending Distribution</b>	(131,155)	(3,766)
<b>VI Consolidated Profit and Losses</b>	26,544	(154,571)
<b>VII Interim Dividend</b>	0	0
<b>VIII Conversion Differences</b>	0	0
<b>IX Own Shares</b>	0	(435)
<b>NET WORTH ALLOCATED TO PARENT COMPANY NET WORTH INSTRUMENT SHAREHOLDERS</b>	<b>723,680</b>	<b>576,897</b>
<b>X Minority Interest</b>	0	0
<b>NET WORTH</b>	<b>723,680</b>	<b>576,897</b>
<b>I Bond and Other Issues</b>	0	0
<b>II Debts to Credit Entities</b>	140,906	155,755
<b>III Financial Instruments for Long-Term Hedging</b>	43,695	42,952
<b>IV Other Financial Liabilities</b>	8,448	8,791
<b>V Deferred Tax Liabilities</b>	24,250	23,467
<b>VI Provisions for risks and expenses</b>	17,481	20,381
<b>VII Income to be distributed over several years</b>	13,516	7,076
<b>VIII Other non-Current Liabilities</b>	0	0
<b>NON-CURRENT LIABILITIES</b>	<b>248,295</b>	<b>258,421</b>
<b>I Bond and other Issues</b>	0	0
<b>II Debts to Credit Entities</b>	212,711	186,240
<b>III Trade Creditors</b>	158,774	168,535
<b>IV Other non-Trade Debts</b>	24,712	26,431
<b>V Financial Instruments for Short-Term Hedging</b>	13,390	(0)
<b>VI Short-Term Provisions</b>	4,036	4,468
<b>VII Liabilities for Taxes on Current Earnings</b>	3,204	2,809
<b>VIII Other Current Liabilities</b>	785	424
<b>Subtotal Current Liabilities</b>	<b>417,613</b>	<b>388,908</b>
<b>IX Liabilities classed as kept for sale and discontinued activities</b>	<b>0</b>	<b>0</b>
<b>CURRENT LIABILITIES</b>	<b>417,613</b>	<b>388,908</b>
<b>TOTAL LIABILITIES</b>	<b>1,389,587</b>	<b>1,224,226</b>

<b>PROFIT AND LOSS STATEMENT</b> (Thousands of euros)	<b>31/06/2010</b>	<b>31/12/2009</b>
<b>REVENUE</b>		
Total Net Turnover	378,058	535,551
Increase in Stocks of Finished Products	2,717	(17,422)
Works Performed by the Group on Fixed Assets	12,208	34,438
Other Operating Revenue	2,547	3,006
Earnings from Hedge Transactions	(5,645)	3,808
Capital Subsidies Transf. To Result for the Year	344	474
Capital Subsidies Transf. To Result for the Year - Emission Rights	3,328	7,764
<b>GASTOS</b>		
Supplies	(167,244)	(348,163)
Payroll Costs	(40,264)	(88,730)
Depreciation of Fixed Assets	(31,466)	(46,812)
Change in Trading Provisions	(392)	(763)
Other Operating Expenses	(93,701)	(138,614)
Other Operating Expenses - Emissions Rights	(3,798)	(6,194)
Change in Provisions for Fixed Assets	(83)	(10,845)
<b>I. OPERATING RESULT</b>	<b>56,609</b>	<b>(72,501)</b>
Revenue from Equity Interest	6	0
Other Financial Revenue	871	3,875
Financial Expenses	(18,221)	(48,664)
Exchange Rate Differences (net)	1,599	456
<b>II. FINANCIAL RESULTS</b>	<b>(15,744)</b>	<b>(44,333)</b>
Income from non-current assets kept for sale		
<b>III. PRE-TAX RESULTS FROM CONTINUING ACTIVITIES</b>	<b>40,864</b>	<b>(116,834)</b>
Corporation Tax	(14,320)	39,283
<b>IV. RESULT FOR THE FINANCIAL YEAR FROM CONTINUING ACTIVITIES</b>	<b>26,544</b>	<b>(77,551)</b>
Result of Valuation of non-Current Assets Classified as kept for Sale not included in Discontinued Activities (net)	0	(77,020)
<b>V. RESULT FOR THE YEAR</b>	<b>26,544</b>	<b>(154,571)</b>
Result Attributable to External Partners		
<b>VI. RESULT ALLOCATED TO SHAREHOLDERS OF THE PARENT COMPANY OF THE CONTINUED ACTIVITIES</b>	<b>26,544</b>	<b>(154,571)</b>

## ANNEX 2

### MAIN RELEVANT FACTS FROM THE FINANCIAL YEAR

**22/06/2010**

- ✓ Ence estimates EBITDA of over €50 million in the second quarter.

**22/06/2010**

- ✓ The Company submits the resolutions adopted in the Shareholders' Meeting of 2010.

**30/03/2010**

- ✓ New shares issued for capital increase admitted for trading.

**18/03/2010**

- ✓ The Company announces that the leading shareholders had issued an instruction to subscribe to the new shares at 52.66% of the amount of the capital increase, as part of the capital increase.

**05/03/2010**

- ✓ The Company submits its presentation on the capital increase.

**04/03/2010**

- ✓ The Company announced that the Board of Directors had agreed to increase the share capital by €74,801,601 through the issue of 83,112,890 new shares.

***End of ENCE 2Q10 Quarterly Report***