

Quarterly Report 2nd Quarter 2013



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1. EXECUTIVE SUMMARY 1H13

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Pulp sales	158.9	150.6	6%	137.4	16%	309.5	280.5	10%
Electricity sales (a)	60.7	64.7	(6%)	46.6	30%	125.4	96.7	30%
Forestry sales and others	2.1	2.1	(0%)	7.2	(70%)	4.3	15.5	(72%)
Total sales	221.7	217.4	2%	191.2	16%	439.2	392.6	12%
Adjusted EBITDA	54.0	44.2	22%	42.8	26%	98.2	78.3	25%
EBITDA	48.3	43.5	11%	33.7	43%	91.8	64.4	43%
EBIT	30.1	23.9	26%	19.9	51%	54.1	35.7	52%
Net profit	17.2	13.1	31%	9.4	83%	30.3	16.0	90%
Net financial debt (b)	87.8	114.8	(23%)	166.8	(47%)	87.8	166.8	(47%)
Pulp sales (tons)	315,568	312,480	1%	279,812	13%	628,048	600,775	5%
Electricity sales (MWh)	453,919	478,132	(5%)	364,304	25%	932,051	760,618	23%
Net pulp sale price (€/ton)	502	479	5%	492	2%	491	467	5%
Average electricity sale price (€/MWh) (c)	133	131	1%	128	4%	132	127	4%
Cash cost (€/t) ^(d)	355	359	(1%)	343	4%	357	340	5%

⁽a) includes €5M capitalized in 1Q13 for the sale of electricity produced at the new 50MW plant in Huelva before its reception

- ✓ Net profit stands at €30M in 1H13, doubling the figure obtained in 1H12.
- ✓ Reduction of the net corporate financial debt by -47% since June 2012 to €88M, as a consequence of the strong operating cash flow generation (€120M) and disposals made. Leverage ratio ex-project finance stood at 0.6x.
- ✓ Adjusted EBITDA grew by +25% in 1H13 vs 1H12 to €98M, thanks to pulp price rises, enhanced production and the contribution of the new 50MW biomass plant from its reception in February, compensating the impact of the new energy taxes since the beginning of the year. Cash cost stood at €355/t in 2Q13, +4% above 2Q12 affected by the negative impact of the electricity tax, but -1% below 1Q13.
- ✓ Pulp sales rose by +10% in 1H13 vs 1H12, thanks to increases in pulp prices and sales volumes. The strength of the market led to price rises to \$821/t in the first half of the year, and the 1S13 average was +9% above the 1S12 average.
- ✓ Electricity sales grew by +30% in 1H13 vs 1H12 as a result of +23% higher volumes due to the contribution of the new biomass plant in Huelva, and prices +4% higher due to an enhanced generation mix following the inclusion of this facility.
- ✓ Huelva 50MW plant, which has been consolidated since February, generated approximately 187,000 MWh in the first half of the year. The plant is producing +30% above 2013 guidance, accelerating its learning curve thanks to the increased system availability and lower self consumption.
- ✓ In January, Ence issued senior secured notes amounting to €250M, at 7.25%, maturing in 2020.
- ✓ In March, the General Shareholders' Meeting approved the distribution in cash of €0.07 per share and a dividend in kind of one treasury share for every 25 held in the company, a return of 7% at the time of approval.

⁽b) additionally, existed ≤ 103 M of non-recourse debt linked to the "project finance" of the 50MW Huelva and 20MW Mérida biomass plants as of 30/06/13

⁽c) includes the operational of the new 50MW plant in Huelva before its reception

⁽d) excludes impact on Huelva 50MW plant as it is not linked to pulp production activity



2. PULP BUSINESS

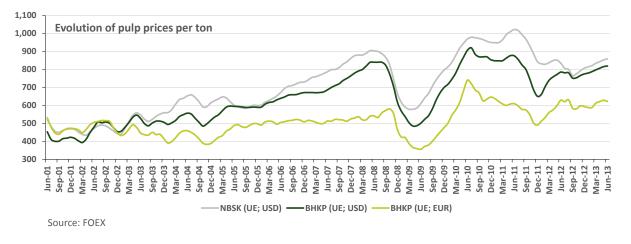
	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Huelva	83,436	97,084	(14%)	64,266	30%	180,520	163,515	10%
Pontevedra	111,542	96,352	16%	108,731	3%	207,893	200,326	4%
Navia	106,690	125,486	(15%)	109,342	(2%)	232,176	234,408	(1%)
Pulp production (tons)	301,668	318,921	(5%)	282,339	7%	620,589	598,248	4%
Huelva	83,306	103,650	(20%)	70,091	19%	186,956	166,024	13%
Pontevedra	115,901	92,867	25%	104,388	11%	208,768	198,454	5%
Navia	116,361	115,963	0%	105,333	10%	232,323	236,298	(2%)
Pulp sales (tons)	315,568	312,480	1%	279,812	13%	628,048	600,775	5%
BHKP (\$/t)	814	789	3%	772	5%	801	735	9%
Average exchange rate (\$/€)	1.31	1.32	(1%)	1.28	2%	1.31	1.30	1%
Net sale price (€/t)	502	479	5%	492	2%	491	467	5%
Pulp sales (€M)	158.9	150.6	6%	137.4	16%	309.5	280.5	10%

Pulp production rose by +4% in 1H13 vs 1H12 in a good semester at the operating level which resulted in a capacity usage ratio of nearly 93%, below 1Q13 figure due to the impact of maintenance shut-downs. The Pontevedra, Huelva and Navia plants performed their shut-downs in March, May and June respectively, which explains the lower production levels in 2Q13 vs 1Q13. Sales increased by +5% vs 1H12 in a climate of prices +9% above those of the previous year.

With respect to the average income per ton, the average net sale price was €491/t for the year, +5% higher than in 1H12 due to the rise in pulp prices, partly offset by the depreciation of the Dollar.

OVERVIEW ON PULP MARKET

Despite the uncertainty generated by the start-up of new capacity in Brazil (the 1.5 million tons capacity Eldorado plant started operations in November 2012), prices maintained in the first half of the year the upward trend which began last September, standing at \$821/t at the end of June. This rise was eased in Europe due to the depreciation of the Dollar, which weakened the rise in €/t.



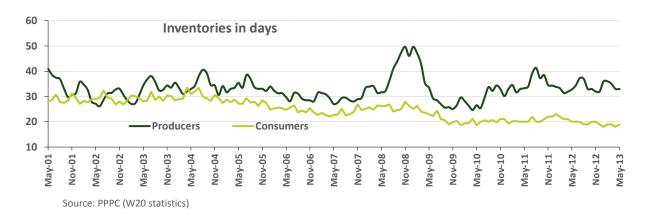
The closure of the Jari plant in Brazil in February (0.4 million tons), together with a recovery in demand in mature countries, maintained the tight balance between supply and demand. Demand globally showed an accumulated recovery of +2% up to May. By area, the developed economies reported increases in demand in the year, with a rise of +2% in Europe and +8% in the United States (PPPC). However, Chinese demand was down -0.9% on 2012, due to the fact that the high prices of 1H13 led to lower speculative demand by traders compared with the previous year. It is expected that the upward trend in Chinese demand will continue, backed by the growth of its economy, low levels of consumption per capita and the new capacity additions both in terms of tissue and printing and writing paper.





Source: Hawkins Wright

Total inventories hold by producers remained at average cycle levels of 33 days, while consumer inventories have continued maintaining historical minimum levels of 19 days at the end of May (PPPC). The situation is just as positive in Europe, where consumer inventories are holding at historical minimums of 19 days (Utipulp), whereas port inventories were down -3% on those reported in the previous year (Europulp).



These favourable market conditions enabled a rise to \$821/t. Prices underwent a slight adjustment in July of \$10/t, coinciding with lower seasonal demand arising from increased maintenance shut-downs of paper plants in 3Q13. However, the low levels of inventories at global level, together with lower trading demand in 1H13, will limit the adjustment of demand in the next quarter and, accordingly, of prices. While Montes del Plata (1.3 million tons) and Maranhão (1.5 million tons) projects have announced their start-up in the fourth quarter, the standard implementation of their learning curves will delay the arrival of pulp to the market to the first half of 2014.

3. ENERGY BUSINESS

The progress of the energy business in 1H13 was mainly affected by regulatory changes, effective from 1 January, and the reception of the Huelva plant in February. With regard to regulation, the impact was focused mainly on costs, due to the 7% generation tax and the green cent for fossil fuels, which led to an increase in the Company's cash-cost. In terms of income, the main effect was to maintain prices stable in 2013 due to the change in the CPI used for their update. The loss of the sales option at market prices plus premium did not have an impact on the first half of the year, since the low pool prices make it more worthwhile to sell at fixed-rate prices. However, income from energy on the other hand reported growth of +30% following the start-up of the Huelva plant in September of last year, and its contribution to earnings since the beginning of February following its delivery by the contractor.



ENERGY PRODUCTION AT PULP MILLS

	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Huelva	189,085	213,040	(11%)	190,048	(1%)	402,126	403,862	(0%)
Pontevedra	59,645	52,816	13%	59,509	0%	112,461	111,200	1%
Navia	113,049	128,646	(12%)	119,058	(5%)	241,696	253,416	(5%)
Electricity production (MWh)	361,780	394,502	(8%)	368,616	(2%)	756,283	768,477	(2%)
Biomass generation	110,078	122,459	(10%)	124,704	(12%)	232,537	256,302	(9%)
Biomass co-generation	157,661	166,542	(5%)	151,617	4%	324,203	319,028	2%
Gas natural co-generation	91,425	97,325	(6%)	87,983	4%	188,750	185,288	2%
Electricity sales (MWh) (a)	359,164	386,326	(7%)	364,304	(1%)	745,490	760,618	(2%)
Electricity consumption (MWh)	178,048	185,586	(4%)	166,658	7%	363,634	353,999	3%
Average pool price (€/MWh)	34	40	(15%)	46	(26%)	37	48	(23%)
Average sale price (€/MWh)	128	128	(0%)	128	(0%)	128	127	1%
Electricity sales (€M) ^(b)	46.4	51.3	(10%)	46.6	(0%)	97.6	96.7	1%

⁽a) adjusted by unbalances

Energy sales tied to installed capacity at the pulp plants rose to €98M in 1H13, up +1% on 1H12. Lower volumes (-1%, adjusted by the number of days of the first half since 2012 was a leap year) due to problems already resolved in Navia's co-generation turbine were offset by a slightly higher MWh price (in July daily production has stood +5% above 1Q13). Pool prices were -23% down on 2012 prices, due to the high rainfall in the period. This fall did not have an impact on sales prices, since all the turbines were sold at a fixed rate, following the elimination of the variable option; although has supported a cost reduction on the energy consumption on the mills.

ENERGY PRODUCTION AT INDEPENDENT ENERGY MILL

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Electricity sales (MWh)	94,754	91,806	3%	-	n.s.	186,560	-	n.s.
Average selling price (€/MWh)	151.6	146.0	4%	-	n.s.	148.8	-	n.s.
Sales ^(a)	14.4	13.4	7%	-	n.s.	27.8	-	n.s.
EBITDA	5.9	4.3	37%	-	n.s.	10.2	2.0	400%
Forest depletion (energy crops)	(1.3)	(1.4)	(10%)	-	n.s.	(2.7)	12.2	n.s.
EBITDA excluding forest depletion (b)	4.6	2.9	61%	-	n.s.	7.5	1.5	400%
Industrial depreciation	(2.7)	(1.7)	62%	-	n.s.	(4.4)	9.0	n.s.
EBIT	1.9	1.2	59%	-	n.s.	3.1	-	n.s.
Net profit	(0.4)	0.3	n.s.	-	n.s.	(0.1)	-	n.s.

⁽a) includes € 4.6M of capitalized sales in January previous the reception of the plant

The 50MW Huelva biomass plant was delivered in February. As in 4Q12, operations for January were capitalised, including the sale figure of €4.6M relating to this month, which was capitalised as work for fixed assets with an equivalent negative amount. EBITDA therefore comprises the operating results of the plant from February to June, both inclusive. Electricity sales in the first half amounted to 187 GWh, placing annual sales above the 287 GWh initially estimated for 2013, as a result of reduced self-consumption of electricity (approximately 10% of installed power capacity vs the 13% originally estimated) and higher utilization rates (over 90%).

At the EBITDA level, current margins will led to €18M annualized figure, in line with initial forecasts despite regulatory changes, thanks to improvements in both industrial operation and management of supply costs.

⁽b) excludes sales from the new 50MW plant in Huelva

 $⁽b) \ EBITDA \ ex-forestry \ depletion \ is \ in \ line \ with \ the \ criteria \ that \ was \ used \ to \ communicate \ EBITDA \ guidance \ for \ the \ plants$



4. FOREST ACTIVITY

	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Supply to the industrial process (m³)	897,877	953,054	(6%)	819,680	10%	1,850,931	1,733,475	7%
Cost €/m³	70.1	69.6	1%	68.5	2%	69.9	70.2	(1%)
Wood purchases per source								
Own wood	6%	7%		3%		7%	3%	
Direct acquisitions from land owners	25%	22%		29%		23%	29%	
Suppliers	56%	56%		57%		56%	54%	
Imported timber	14%	15%		11%		14%	14%	
Own hectares	51,703	51,918	(0%)	77,669	(33%)	51,703	77,669	(33%)
Third party hectares (consortia)	36,820	37,055	(1%)	37,653	(2%)	36,820	37,653	(2%)
Hectares managed by ownership (Ha)	88,523	88,973	(1%)	115,322	(23%)	88,523	115,322	(23%)
Hectares for pulp	70,616	71,085	(1%)	97,305	(27%)	70,616	97,305	(27%)
Hectares for energy crops	17,907	17,888	0%	18,017	(1%)	17,907	18,017	(1%)
Hectares managed by use (Ha)	88,523	88,973	(1%)	115,322	(23%)	88,523	115,322	(23%)

Wood consumption rose +7% in 1H13 due to the growth in pulp production and a slight increase in consumption per ton. This effect was offset by a reduction in the average cost of -1% following the price reductions implemented in the last twelve months. With regard to the origin of supply, the high rainfall in the first half of the year limited wood harvesting, and led to a high volume of imports compared with 2H12 which represented 9%.

There has not been a significant change in the number of hectares under management as Company's efforts have been focused on reducing the cost of biomass both from third parties supplies and from the Company's managed energy crops in order to maintain the profitability of the projects following the latest regulatory changes.

5. COMMENT ON THE RESULTS OF 1H13

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Pulp sales	158.9	150.6	6%	137.4	16%	309.5	280.5	10%
Electricity sales ^(a)	60.7	64.7	(6%)	46.6	30%	125.4	96.7	30%
Forestry sales and others	2.1	2.1	(0%)	7.2	(70%)	4.3	15.5	(72%)
Total net sales	221.7	217.4	2%	191.2	16%	439.2	392.6	12%
Cost of goods sold (b)	(107.7)	(105.9)	2%	(95.4)	13%	(213.6)	(199.4)	7%
Personnel expenses	(23.1)	(18.6)	24%	(19.9)	16%	(41.6)	(38.8)	7%
Other operating expenses	(42.7)	(49.4)	(14%)	(42.2)	1%	(92.1)	(90.1)	2%
EBITDA	48.3	43.5	11%	33.7	43%	91.8	64.4	43%
Forest depletion	(5.7)	(8.9)	(36%)	(1.2)	388%	(14.6)	(3.0)	392%
Rest of depreciations	(12.9)	(10.7)	21%	(13.4)	(4%)	(23.6)	(27.1)	(13%)
Provisions	0.5	(0.1)	n.s.	0.8	(34%)	0.4	1.3	(66%)
EBIT	30.1	23.9	26%	19.9	51%	54.1	35.7	52%
Financial result	(5.8)	(5.3)	10%	(6.0)	(3%)	(11.0)	(11.7)	(6%)
Profit before taxes	24.3	18.7	30%	13.9	75%	43.0	23.9	80%
Taxes	(7.1)	(5.6)	28%	(4.5)	57%	(12.7)	(8.0)	59%
Net profit	17.2	13.1	31%	9.4	83%	30.3	16.0	90%
Adjusted EBITDA	54.0	44.2	22%	42.8	26%	98.2	78.3	25%
Cash cost (€/t) ^(c)	355.2	359.1	(1%)	342.7	4%	356.6	340.2	5%

⁽a) includes €4.6M of capitalized sales in January previous the reception of the plant

1H13 sales stood at €439M, up +12% on those of 1H12. Pulp sales in the period rose by €309M; +10% higher than in 1H12 due to a price increase of +5% and an increase in sales volumes of +5%.

Energy sales rose to €125M in 1H13, up +30% on 1H12, due both to production strength (+23% as compared with 1S12), and to an increase in the average sales price (+4%), a result of incorporation of the 50MW Huelva biomass plant, which pushed production of MWh up and improved selling price due to a better production mix.

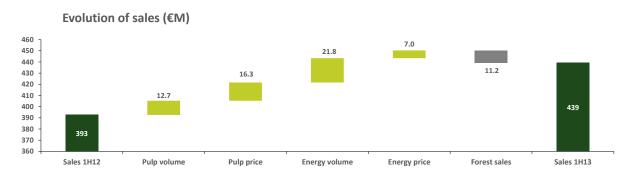
Forestry sales amounted to €4M (-72% less than in 1H12) due to the fall in sales of consultancy and forestry services, coupled with fewer wood sales to third parties. This was in line with the reduction of imports and activity

⁽b) supplies +/- change in stocks

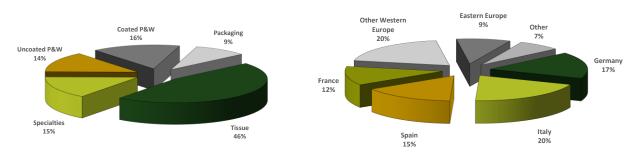
⁽c) excludes impact on Huelva 50MW plant as it is not linked to pulp production activity



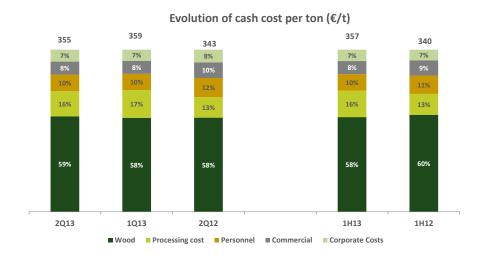
in the international wood markets as part of the change in the Company's wood supply strategy, focused on guaranteeing supply from local, more economical sources.



The distribution of sales by segment was in line with previous quarters, with tissue being the main paper segment. At geographical level, there was an increase of sales in Spain to 15% (from 13%) due to the significant exports of our Spanish paper customers, with a reduction of exports outside Europe, which stood at 7% (vs 10%), in line with the increased strength of European demand in 1H13 (+2%; PPPC).

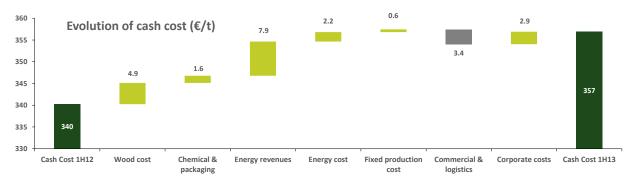


The cash-cost grew +5% in 1H13 vs 1H12 to €357/t due to the impact of electricity regulation, although the 2Q13 figure evidenced a fall of -1% vs. 1Q13, in line with 4Q12 levels.



The impact of the regulatory reform was €13/t, €11/t for the production tax and €2/t for the green cent (without including the impact of higher rates due to the change of CPI used as bechmark). Having made adjustments for this impact, costs stood at €344/t, an increase of +2% on those of 1H12 and -3% below those of 4Q12.





Note. The increase in energy costs of +€2.2/t related to a reduction of \in -10.5/t due to the increased production of pulp vs electricity and an increase of +€12.7/t as a result of new taxes.

As a result of increased prices and volumes, and despite the regulatory impact, the adjusted EBITDA in 1H13 stood at €98M, up +25% on that reported in 1H12. Including the impact of hedging, severance payments and provisions, the EBITDA in 1H13 amounted to €92M, +43% above that obtained in 1H12. Exchange rate hedging had a positive impact in 1H13 and a negative impact in 1H12, favoring the comparison between periods. 2Q13 adjustments include a provision of €5M after the labor agreement reached in order to improve the efficiency of the mills, which will materialized between 2013 and 2014, leading to annual savings close to €6M, once implemented.

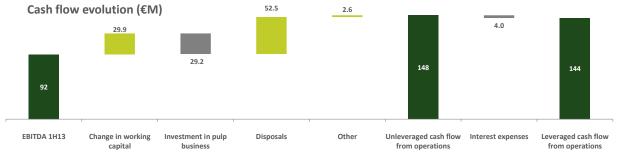
figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
EBITDA	48.3	43.5	11%	33.7	43%	91.8	64.4	43%
Hedging instruments: pulp and exchange rate	(2.9)	(3.4)	(15%)	7.5	n.s.	(6.3)	12.6	n.s.
Severance payments	5.4	0.4	n.s.	0.7	n.s.	5.8	1.2	371%
Provisions and others	0.5	0.0	n.s.	(0.4)	n.s.	0.6	(1.5)	n.s.
Other non-recurrent	2.7	3.6	(25%)	1.2	123%	6.2	1.6	278%
Adjusted EBITDA	54.0	44.2	22%	42.8	26%	98.2	78.3	25%

Excluding depreciation and amortisation, provisions, financial results and taxes, the Company reported net profit of €+30M in 1H13, doubling that obtained in 1H12.

6. LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

The cash flow generated by the Company's operations in 1H13, including the maintenance investments, was €+148M, including the conclusion of the sale of Uruguayan assets. This significant generation of liquidity enables the Company to meet dividend payments and finance its expansion investments envisaged in the year, while reducing the levels of net financial debt obtained at the end of last year.



Note: the variation in working capital includes €6.2M relating to inventory reductions tied to the Uruguayan sale.

Net cash flows from operating activities amounted to €+120M in 1H13, more than double the figure obtained in 1H12, as a result of increased pulp prices, growth in electricity production following the reception of the Huelva



biomass plant and the positive impact of the variation in working capital as a result of the reduction of inventories and the increase in the financing from suppliers.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Consolidated profit for the year before tax	24.3	18.7	30%	13.9	75%	43.0	23.9	80%
Depreciation and amortisation charge	18.7	19.5	(4%)	14.6	28%	38.2	30.0	27%
Finance income/costs	5.9	5.9	(1%)	6.4	(9%)	11.8	11.6	1%
Increase / decrease other deferred income/costs	1.9	4.3	(56%)	(7.1)	n.s.	6.2	(8.2)	n.s.
Adjustments of profit for the year-	26.4	29.8	(11%)	13.9	91%	56.2	33.4	68%
Trade and other receivables	7.1	18.0	(60%)	25.8	(72%)	25.1	21.7	16%
Current financial and other assets	0.9	(3.8)	n.s.	(5.1)	n.s.	(2.8)	2.7	n.s.
Current liabilities	(2.8)	(2.7)	1%	(6.8)	(59%)	(5.5)	(24.8)	(78%)
Inventories	5.9	7.3	(19%)	2.8	108%	13.2	4.3	204%
Changes in working capital-	11.2	18.8	(40%)	16.7	(33%)	29.9	4.0	n.s.
Interest paid / received	(1.7)	(1.4)	23%	(5.9)	(72%)	(3.1)	(10.7)	(71%)
Income tax recovered (paid)	(5.7)	-	n.s.	(1.1)	445%	(5.7)	(1.1)	445%
Other cash flows from operating activities-	(7.4)	(1.4)	442%	(7.0)	7%	(8.8)	(11.7)	(25%)
NET CASH FLOWS FROM OPERTATING ACTIVITIES	54.5	65.9	(17%)	37.5	45%	120.4	49.6	143%

Cash flows from investing activities amounted to €-1.1M in 1H13 vs €-36.1M in the same period last year, since the sale of Uruguayan assets was concluded in March. Investments were up +48% on those of 1H12 due to greater investments in biomass projects.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Property, plant and equipment	(26.1)	(26.6)	(2%)	(19.1)	36%	(52.7)	(36.3)	45%
Intangible assets	(2.2)	-	n.s.	-	n.s.	(2.2)	-	n.s.
Other financial assets	1.6	(0.3)	n.s.	0.1	n.s.	1.2	(0.0)	n.s.
Investments	(26.7)	(27.0)	(1%)	(19.0)	40%	(53.6)	(36.3)	48%
Disposals	0.0	52.5	(100%)	0.2	(93%)	52.5	0.2	n.s.
NET CASH FLOWS FROM INVESTING ACTIVITIES	(26.7)	25.5	n.s.	(18.9)	41%	(1.1)	(36.1)	(97%)

Cash flows from financing activities stood at €-43M in 1H13, with the increase in the drawdown of project debt being offset by dividend payments in March, and after placing part of the Company's cash in deposits at over three months to optimize financial income. The placement of a bond of €250M in January was used in the repayment of existing debt, maintaining the gross corporate financial debt at similar levels.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Proceeds and payments relating to equity instruments	24.2	(3.6)	n.s.	(3.3)	n.s.	20.7	(6.9)	n.s.
Debt instruments and held-for-trading liabilities (net)	(2.5)	243.8	n.s.	3.7	n.s.	241.3	3.7	n.s.
Increase/(decrease) in bank borrowings (net)	(0.5)	(230.5)	(100%)	(0.3)	81%	(231.0)	0.0	n.s.
Other financial liabilities	(0.4)	(12.0)	(97%)	-	n.s.	(12.3)	-	n.s.
Proceeds and payments relating to financial liability	(3.3)	1.3	n.s.	3.4	n.s.	(2.0)	3.7	n.s.
Dividends and returns on other equity instruments paid	(16.2)	(0.0)	n.s.	(16.5)	(2%)	(16.2)	(16.5)	(2%)
Translation differences	(0.0)	0.0	n.s.	0.3	n.s.	0.0	0.1	(91%)
Fixed-term deposit	(45.0)	-	n.s.	-	n.s.	(45.0)	-	n.s.
Other proceeds and payments from financing activities	(45.0)	-	n.s.	-	n.s.	(45.0)	-	n.s.
NET CASH FLOWS FROM FINANCING ACTIVITIES	(40.3)	(2.2)	n.s.	(16.1)	151%	(42.5)	(19.7)	116%

As a result, in 1H13, the Company's cash levels rose by €+77M to €117M, increasing to €173M if we take into account financial investments.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(12.5)	89.2	n.s.	2.5	n.s.	76.7	(6.2)	n.s.



WORKING CAPITAL

Working capital was €37M in 1H13, €-40M below that of 1H12, as a result of the reduction in inventories and the increase in trade payables.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Inventories	76.8	86.4	(11%)	101.9	(25%)	76.8	101.9	(25%)
Trade and other receivables	120.1	128.8	(7%)	105.7	14%	120.1	105.7	14%
Other current financial assets (a)	10.8	11.7	(8%)	22.4	(52%)	10.8	22.4	(52%)
Other accounts receivables from public authorities	20.0	20.5	(2%)	16.3	23%	20.0	16.3	23%
Other current assets	8.2	1.6	396%	6.8	20%	8.2	6.8	20%
Trade and other payables	(179.1)	(192.0)	(7%)	(166.6)	8%	(179.1)	(166.6)	8%
Corporate income tax payables	(7.8)	(5.6)	40%	(3.8)	107%	(7.8)	(3.8)	107%
Other accounts payable to public authorities	(11.4)	(11.6)	(2%)	(5.4)	110%	(11.4)	(5.4)	110%
Other current liabilities	(0.5)	(0.7)	(30%)	(0.3)	56%	(0.5)	(0.3)	56%
Working capital	37.2	39.2	(5%)	76.9	(52%)	37.2	76.9	(52%)
Change in WC as per cash flow statement	11.2	18.8	(40%)	16.7	(33%)	29.9	4.0	n.s.

⁽a) figure in 2Q13 is adjusted by €45M of fixed-term deposit

CAPEX

Investments in the pulp business (industrial and forestry) in 1H13 stood at €27M, €+13M above those of 1H12, mainly due to investments related with environmental improvements to the plants. The investments related with the expansion in biomass production stood at €26M, tied mostly to the construction of biomass generation plants. Following the connection of the 50MW Huelva plant in February, the payment schedule linked to the industrial project was completed.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Maintenance	2.2	2.2	2%	3.2	(31%)	4.4	6.4	(32%)
Improvements in efficiency/production	2.1	1.4	49%	1.1	92%	3.5	1.1	220%
Environmental	10.3	3.0	241%	0.1	n.s.	13.4	0.5	n.s.
Industrial investment in pulp	14.6	6.6	122%	4.5	229%	21.3	8.0	166%
Plantation and maintenance activity	3.1	2.3	31%	3.5	(13%)	5.4	5.8	(6%)
Financial expenses	0.4	0.4	(0%)	0.3	12%	0.7	0.7	(4%)
Forest investment in pulp	3.4	2.7	27%	3.8	(11%)	6.1	6.5	(6%)
Industrial investment in biomass	5.9	18.5	(68%)	8.9	(34%)	24.4	12.3	99%
Forest investment in biomass	0.0	1.9	(99%)	5.3	(100%)	1.9	8.4	(78%)
Total investment	24.0	29.7	(19%)	22.4	7%	53.7	35.2	52%

7. FINANCIAL RESULT AND DEBT

FINANCIAL RESULT

The finance costs amounted to approximately €10M following the allocation in the first half of 2013 of the arrangement expenses (previously paid) of the syndicated loan, once the bond had been issued and this syndicated loan repaid. With regard to the results of the hedges, the cancellation of the IRS tied to the syndicated loan led to the future disappearance of the payments linked to this instrument, and to the allocation of the results of the changes in the valuation thereof. The impacts of the interest rate hedges in the year will be reduced to the settlement of the Project Finance IRSs, without impacts arising from the changes in their measurements since they are considered to be hedge instruments.



figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Interest on bond	(4.5)	(3.0)	50%	-	n.s.	(7.6)	-	n.s.
Interest on loans	(1.6)	(2.0)	(20%)	(3.5)	(54%)	(3.6)	(8.1)	(55%)
Interests on factoring and confirming	(0.6)	(0.4)	47%	(0.4)	53%	(0.9)	(0.7)	29%
Capitalization of financial expenses	1.3	1.2	10%	1.8	(27%)	2.5	3.1	(20%)
Financial expenses	(5.4)	(4.3)	28%	(2.1)	157%	(9.7)	(5.7)	69%
IRS settlement interest	(1.3)	-	n.s.	(3.2)	(59%)	(1.3)	(5.8)	(77%)
IRS adjustment in fair value	-	(1.0)	(100%)	1.6	(100%)	(1.0)	2.9	n.s.
Financial expenses for equity swap	1.1	0.4	175%	(2.6)	n.s.	1.4	(2.2)	n.s.
Result of hedging (IRS and equity swap)	(0.3)	(0.6)	(52%)	(4.3)	(93%)	(0.9)	(5.1)	(83%)
Net exchange differences	(0.1)	1.9	n.s.	0.5	n.s.	1.8	(8.0)	n.s.
Other financial expenses	(0.7)	(2.5)	(73%)	(0.2)	173%	(3.2)	(0.5)	n.s.
Financial income	0.7	0.2	256%	0.2	330%	0.9	0.4	123%
Financial result	(5.8)	(5.3)	10%	(6.0)	(3%)	(11.0)	(11.7)	(6%)
Interests on non recourse debt	(2.0)	(0.6)	239%	(0.0)	n.s.	(2.5)	(0.0)	n.s.
Financial result excluding project finance	(3.8)	(4.7)	(18%)	(6.0)	(36%)	(8.5)	(11.7)	(27%)

FINANCIAL DEBT

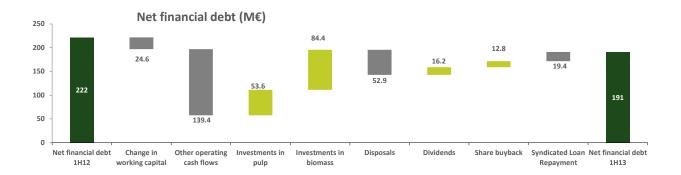
In terms of debt, at the end of 1H13, the net financial debt with recourse was €88M, down -47% on that registered in 1H12. Total net financial debt was €191M, down -14% on that registered at the end of 1H12 following the construction of the Mérida Plant and the completion of the 50MW Huelva biomass project.

figures in €M	2Q13	1Q13	Δ%	2Q12	Δ%	1H13	1H12	Δ%
Bond	250.0	250.0	-	-	n.s.	250.0	-	n.s.
Bond - unamortized transaction costs	(9.4)	(9.7)	(3%)	-	n.s.	(9.4)	-	n.s.
Loans	0.9	1.0	(10%)	218.8	(100%)	0.9	218.8	(100%)
Loans - unamortized transaction costs	-	-	n.s.	-	n.s.	-	-	n.s.
Other financial liabilities	10.4	10.5	(1%)	9.1	14%	10.4	9.1	14%
Other financial liabilities - grant	(1.1)	(1.2)	(7%)	-	n.s.	(1.1)	-	n.s.
Long-term debt	250.8	250.6	0%	228.0	10%	250.8	228.0	10%
Bond - accrued interest	7.8	3.2	144%	-	n.s.	7.8	-	n.s.
Loans	0.4	0.4	-	26.2	(98%)	0.4	26.2	(98%)
Loans - unamortized transaction costs	-	-	n.s.	-	n.s.	-	-	n.s.
Loans - accrued interest	0.1	0.1	29%	-	n.s.	0.1	-	n.s.
Other financial liabilities	1.5	1.6	(8%)	0.5	202%	1.5	0.5	202%
Short-term debt	9.8	5.3	85%	26.7	(63%)	9.8	26.7	(63%)
Total gross financial debt	260.5	255.9	2%	254.6	2%	260.5	254.6	2%
Cash	116.9	129.4	(10%)	65.5	79%	116.9	65.5	79%
Short-term financial investments	55.8	11.7	375%	22.4	149%	55.8	22.4	149%
Total net financial debt with recourse	87.8	114.8	(23%)	166.8	(47%)	87.8	166.8	(47%)
Non recourse debt Long-term	103.7	106.3	(2%)	54.9	89%	103.7	54.9	89%
Non recourse debt LT - unamortized transaction costs	(3.5)	(3.6)	(4%)	-	n.s.	(3.5)	-	n.s.
Non recourse debt Short-term	3.4	1.5	130%	0.1	n.s.	3.4	0.1	n.s.
Non recourse debt ST - unamortized transaction costs	(0.5)	(0.5)	2%	-	n.s.	(0.5)	-	n.s.
Non recourse debt ST - accrued interest	0.1	1.1	(90%)	-	n.s.	0.1	-	n.s.
Total net financial debt	191.1	219.5	(13%)	221.7	(14%)	191.1	221.7	(14%)

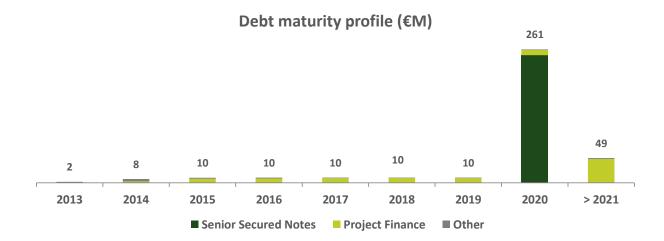
This reduction was obtained as a result of significant cash generation from the pulp business and divestments, offset to a large extent by investments in biomass projects and shareholder remuneration. In March, the sale of assets in Uruguay was concluded after having obtained the approval of the Uruguayan authorities, leading to a €59M cash increase.

In addition, the Company has factoring lines with a limit of €70M, of which €36M had been drawn down at the end of the first half of the year. In terms of liquidity resources additional to the cash position, the Company has access to a revolving credit facility with a limit of €90M against which is fully un-drawn at the end of the first half of the year.





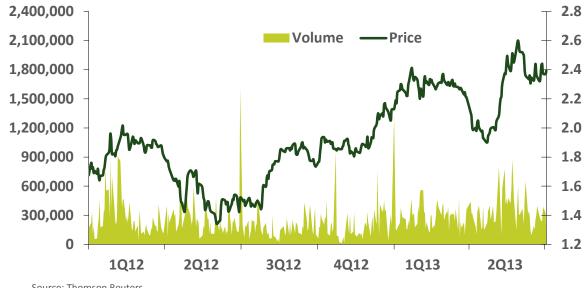
Following the issuance of a bond amounting to €250M and the repayment of the existing debt (with the exception of €11M, mainly relating to public entity loans with reduced interest rates), no significant debt maturities will occur until 2020.





ENCE ON THE STOCK MARKET

The share performance was positive in 1H13, up +23% and +21% on the Spanish and European market performances, respectively.



Source: Thomson Reuters

	1Q12	2Q11	3Q11	4Q12	1Q13	2Q13
Average daily volume (shares)	283,924	270,690	190,820	226,282	283,963	347,171
Ence performance	7%	(15%)	14%	23%	1%	14%
lbex 35 performance	(7%)	(11%)	9%	6%	(6%)	(2%)
Eurostoxx performance	7%	(9%)	8%	7%	(3%)	(3%)

Note: the performance of Ence's share price has been adjusted by the dividend of €0.07/share paid on 3 April 2013; no adjustment was made for the dividend in kind paid on 11 April 2013, which entails an additional return of 4%.

Ence shares are listed on the IBEX Medium Cap, IBEX Top Dividend and FTSE4Good Ibex indexes.

Aside from its presence in markets through listed shares, in January 2013, the Company issued bonds totalling €250M with a return of 7.25% over seven years. Occasionally, Ence may re-purchase these bonds on the secondary market. Any purchase may be made after considering relevant factors, including the listing price of the bonds and our liquidity position, and must comply will all the applicable legal requirements.



9. HIGHLIGHTS OF 2013

Issuing of senior debt amounting to €250M

On January 25, Ence successfully issued senior secured notes for €250M aimed at qualified international investors, with 7.25% annual fixed interest, semi-annual coupon and maturing in 2020. Additionally, it contracted a senior loan facility with a limit of €90M, maturing in 2018. This issue made it possible to repay the existing corporate bank financing, expand the debt maturity profile, optimise the structure of its funds and increase its financial flexibility, at the same time as diversifying and internationalising the company's funding sources.

Acceptance of the Huelva biomass plant by the Electricity Grid

Transfer of ownership of the Huelva biomass plant was carried out on February 7, 2013 by OHL, the project contractor. Prior to this, on September 10, the connection of the 50 MW Huelva plant was completed, making it the largest biomass generating plant to provide power to the Spanish electricity grid, with a forecast annual production of the 337 million kWh. The start up of this plant represents an increase of nearly +30% in the company's installed power capacity for biomass energy production, to 230 MW.

Dividend of €0.07/share and one treasury share for every 25 held

On February 19, the board of directors approved the proposal to the general shareholders' meeting of a dividend payment of €0.07 per share against the 2012 operating results, as well as a stock dividend in treasury shares drawn down from the issue premium in the proportion of one treasury share for each 25 shares that the shareholder currently owns. The dividend was approved at the General Shareholders' Meeting held on 21 March 2013. At the date of approval, the two dividends amounted to a dividend yield of 7%.

Completion of the sale of assets in Uruguay

On December 15, 2012 Ence agreed to sell its assets in Uruguay to a North American institutional fund for \$77.3M, allowing it to improve its financial strength. The assets consisted of 27,780 hectares of forestry land with eucalyptus plantations in south-eastern Uruguay, along with wood-chip and saw mill facilities. The sale of these assets took place after the implementation of a disintermediation strategy in the company's wood purchasing, replacing imported wood with wood from Northern Spain. The operation was completed on March 7, 2013 once authorisation was received from the Uruguayan forestry authorities.

Approval of the new Costs Law

On 9 May, the Spanish parliament approved the new Coasts Law, which enables the existing concessions on the coast to be extended and which affects, among others, Ence's Pontevedra plant. The maximum extension period will be 75 years. Based on use, the State may grant successive extensions until reaching the maximum period. It is foreseen that the regulation that will enact the new law, which must be approved by the Ministry of Agriculture, Food and Environment, will be approved in a period of six months. In order to grant an extension, a preliminary environmental report is required from the regional governments, although this will not be binding for the State.

Treasury share sale

On 13 June, 12,513,625 treasury shares were sold, representing 5% of share capital, for a total amount of €27,404,838.75, at a price of 2.19 Euros per share. The shares were acquired with a view to long-term permanence and stability in the Company's shareholder structure, purchased equally by Asúa Inversiones, S.L. and Fuente Salada, S.L.

Energy reform

On 12 July, Royal Decree-Law 9/2013 was approved, whereby urgent measures were adopted to guarantee the stability of the Spanish Electricity System, change the Electricity Industry Law and modify the remuneration system of the special system facilities. Among other measures, Royal Decree-Law 661/2007, which regulated the electricity production activity under the special system, and art. 4 of the Royal Decree-Law 6/2009, which created the pre-assignment register, were revoked. A new economic system was announced, which has yet to be implemented, whose objective is to guarantee that the renewable energy facilities obtain profitability of 7.5%, calculated before taxes, with reference to the costs and investment of a standard facility, during the whole of its



regulatory useful life. With immediate impact, the efficiency and reactive Premium were eliminated until the approval of the new remuneration framework.

Personnel agreement to improve efficiency

The Group has reached an agreement with unions at the three mills in order to reduce by 67 people the number of employees through early retirements and redundancies. The Program, whose cost has been fully provisioned in 2Q13, will reduce the company personnel expenses by close to €6M, once fully implemented.



10. FINANCIAL STATEMENTS

Profit and Loss Account

figures in €M	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13
Total Net Turnover	201.5	191.2	210.8	224.1	827.6	217.4	221.7
	1						
Supplies	(100.9)	(96.1)	(105.4)	(105.7)	(408.0)	(106.4)	(103.5)
Change in stocks of finished products	(3.1)	0.7	5.1	(1.8)	0.8	0.5	(4.2)
Gross Margin	97.5	95.7	110.5	116.6	420.4	111.5	114.0
Works performed by the group on fixed assets	7.0	7.1	9.0	1.1	24.2	1.3	4.4
Otherincome	1.7	1.4	1.9	1.6	6.5	3.2	2.0
Result from hedging operations	(5.0)	(7.5)	(9.4)	(5.6)	(27.6)	3.4	2.9
Personnel	(18.9)	(19.9)	(20.8)	(22.6)	(82.1)	(18.6)	(23.1)
Other operating expenses	(51.5)	(43.1)	(53.1)	(54.4)	(202.1)	(57.3)	(52.0)
EBITDA	30.7	33.7	38.3	36.7	139.3	43.5	48.3
EBITDA margin	15.2%	17.6%	18.1%	16.4%	16.8%	20.0%	21.8%
Depreciation of fixed assets	(15.5)	(14.6)	(15.6)	(17.8)	(63.4)	(19.5)	(18.7)
Impairment and result from sales of fixed assets	0.5	0.8	1.1	3.9	6.3	(0.1)	0.5
EBIT	15.8	19.9	23.8	22.8	82.3	23.9	30.1
EBIT margin	7.8%	10.4%	11.3%	10.2%	9.9%	11.0%	13.6%
Financial income	0.2	0.2	0.2	0.2	0.7	0.2	0.7
Financial expenses	(6.0)	(6.1)	(4.7)	(2.5)	(19.4)	(5.5)	(6.5)
Profit before tax	10.0	13.9	19.2	20.5	63.6	18.7	24.3
Corporate tax	(3.4)	(4.5)	(6.3)	(5.6)	(19.9)	(5.6)	(7.1)
Non-Current Assets Classified as kept for Sale (net)	-	-	-	(0.7)	(0.7)	-	-
Net profit	6.6	9.4	12.8	14.2	43.0	13.1	17.2

Balance Sheet

figures in €M	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13
Tangible fixed assets	951.6	906.4	931.8	947.2	947.2	956.6	960.1
Intangible fixed assets	12.0	5.9	5.7	21.6	21.6	21.4	20.3
Long- term financial assets	4.1	4.1	3.6	4.1	4.1	4.5	2.9
Other non-current assets	37.6	38.7	35.1	30.6	30.6	31.7	28.5
Total fixed assets	1,005.4	955.2	976.2	1,003.5	1,003.5	1,014.2	1,011.8
Inventories	111.4	101.9	93.4	87.6	87.6	86.4	76.8
Trade debtors and other accounts receivable	135.9	121.9	139.3	168.2	168.2	149.3	140.2
Cash and other short-term financial assets	77.1	87.9	85.8	47.8	47.8	149.5	172.7
	1			- 1			
Financial investments for short-term hedging	0.0	0.0	1.9	10.7	10.7	4.0	3.8
Other current assets	1.5	6.8	4.7	0.9	0.9	1.6	8.2
Non-Current Assets Classified as kept for Sale	19.8	68.4	68.3	59.3	59.3	0.7	0.7
Total current assets	345.7	386.9	393.5	374.6	374.6	383.1	402.3
Total assets	1,351.1	1,342.0	1,369.7	1,378.0	1,378.0	1,397.3	1,414.2
Equity	729.0	717.8	735.2	724.7	724.7	715.0	758.8
Long- term financial debt	277.9	282.1	276.4	318.9	318.9	353.3	351.0
Long-term provisions	20.8	13.8	12.4	13.3	13.3	13.6	12.8
Financial instruments for long-term hedging	24.4	32.0	32.5	16.6	16.6	13.9	9.1
Other non-current liabilities	51.9	50.9	49.9	51.8	51.8	50.9	46.3
Total non-current liabilities	375.0	378.7	371.3	400.6	400.6	431.7	419.2
Short-term financial debt	27.6	27.5	27.6	25.7	25.7	7.3	12.8
Trade creditors	163.1	166.6	198.0	184.7	184.7	192.0	179.1
Short-term provisions	8.2	10.9	8.9	8.5	8.5	8.1	8.6
Financial Instruments for short-term hedging	21.2	22.1	2.5	14.9	14.9	4.7	4.3
Other current liabilities	12.9	16.4	23.8	19.0	19.0	38.4	31.3
Non-Current liabilities classified as kept for Sale	14.0	2.2	2.4	-	-	_	-
Total current liabilities	247.1	245.6	263.2	252.7	252.7	250.6	236.1
Total liabilities	1,351.1	1,342.0	1,369.7	1,378.0	1,378.0	1,397.3	1,414.2



Cash Flow Statement

figures in €M	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13
Consolidated profit for the year before tax	10.0	13.9	19.2	19.9	63.0	18.7	24.3
Depreciation and amortisation charge	13.4	13.1	14.2	12.7	53.3	14.2	15.0
Exhaustion of forestry reserve	1.8	1.3	1.2	4.9	9.1	5.2	3.1
Amortisation of intangible assets	0.2	0.2	0.3	0.2	1.0	0.2	0.5
Gains/Losses on disposal of non-current assets	(0.7)	(0.8)	(1.1)	(0.3)	(3.0)	0.1	0.2
Finance costs	(0.4)	12.4	3.8	2.2	18.0	0.1	12.5
Finance income	5.6	(6.0)	(0.2)	(0.2)	(0.7)	5.8	(6.7)
Grants and subsidies transferred to profit and loss	(0.3)	(4.7)	1.8	1.9	(1.2)	(0.3)	(0.3)
Changes in provisions and other deferred expenses (net)	(0.1)	(1.6)	1.4	4.0	3.7	4.6	2.0
Adjustments of profit for the year-	19.6	13.9	21.4	25.3	80.1	29.8	26.4
Trade and other receivables	(4.0)	25.8	(17.5)	(28.3)	(24.0)	18.0	7.1
Current financial and other assets	7.9	(5.1)	10.9	4.6	18.2	(3.8)	0.9
Current liabilities	(18.0)	(6.8)	10.9	0.1	(13.8)	(2.7)	(2.8)
Inventories	1.5	2.8	8.3	5.7	18.3	7.3	5.9
Changes in working capital-	(12.7)	16.7	12.5	(17.9)	(1.3)	18.8	11.2
Interest paid	(5.0)	(6.1)	(4.6)	(5.8)	(21.5)	(1.6)	(2.4)
Interest received	0.3	0.2	0.1	0.2	0.7	0.2	0.7
Income tax recovered (paid)	-	(1.1)	-	(8.4)	(9.4)	-	(5.7)
Other cash flows from operating activities	(4.8)	(7.0)	(4.5)	(14.0)	(30.2)	(1.4)	(7.4)
NET CASH FLOWS FROM OPERATING ACTIVITIES	12.2	37.5	48.6	13.4	111.6	65.9	54.5
Property, plant and equipment	(17.2)	(19.1)	(24.0)	(44.1)	(104.4)	(26.6)	(26.1)
Intangible assets	-	-	-	(16.1)	(16.1)	-	(2.2)
Other financial assets	(0.1)	0.1	(0.3)	0.2	(0.2)	(0.3)	1.6
Investments	(17.3)	(19.0)	(24.3)	(60.0)	(120.6)	(27.0)	(26.7)
Property, plant and equipment	-	0.2	0.2	-	0.4	52.5	0.0
Other financial assets	-	-	0.9	(0.8)	0.2	-	-
Disposals	-	0.2	1.1	(0.8)	0.5	52.5	0.0
NET CASH FLOWS FROM INVESTING ACTIVITIES	(17.3)	(18.9)	(23.2)	(60.8)	(120.1)	25.5	(26.7)
Purchase of treasury shares	(3.7)	(4.0)	(4.3)	(29.7)	(41.7)	(3.7)	(3.4)
Disposal of treasury shares	0.0	0.8	(0.0)	0.6	1.3	0.2	27.6
Proceeds and payments relating to equity instruments	(3.7)	(3.3)	(4.3)	(29.1)	(40.4)	(3.6)	24.2
	` _	3.7		` ′		. ,	(2.5)
Debt instruments and other held-for-trading liabilities (net) Increase / (decrease) in bank borrowings (net)	0.3	(0.3)	(3.7) (3.2)	- 40.6	- 37.4	243.8 (230.5)	(2.5) (0.5)
Grants and subsidies received	0.5	(0.3)	(3.2)	40.6	57.4	(230.5)	(0.5)
Other financial liabilities	_	-	(3.3)	0.0	(3.3)	(12.0)	0.0
Proceeds and payments relating to financial liability instruments	0.3	3.4	(10.1)	40.6	34.2	1.3	(3.3)
	0.0		(===)	.5.0	1		
Dividends	-	(16.5)	(0.0)	-	(16.5)	(0.0)	(16.2)
Dividends and returns on other equity instruments paid	-	(16.5)	(0.0)	-	(16.5)	(0.0)	(16.2)
Translation differences	(0.2)	0.3	(0.1)	(0.2)	(0.2)	0.0	(0.0)
Fixed-term deposit	-	-	-	-	-	-	(45.0)
Other proceeds and payments from financing activities	-	-	-	-	-	-	(45.0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(3.6)	(16.1)	(14.6)	11.3	(22.9)	(2.2)	(40.3)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	(8.7)	2.5	10.8	(36.1)	(31.4)	89.2	(12.5)





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