pwc

ENCE ENERGÍA Y CELULOSA, S.A.

Report on limited review of condensed
Consolidated interim financial statements

30 June 2015

pwc

REPORT ON LIMITED REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

To the Shareholders of Ence Energía y Celulosa, S.A.:

Report on the condensed consolidated interim financial statements

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of Ence Energía y Celulosa, S.A. (hereinafter, the parent Company) and its subsidiaries (hereinafter, the Group), which comprise the statement of financial position at 30 June 2015, income statement, statement of other comprehensive income, statement of changes in equity and the cash flow statement, together with the accompanying notes thereto, all condensed and consolidated, for the six-month period then ended. The Company's Board of Directors are responsible for the preparation of said interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on the interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a limited review is substantially lower than an audit conducted in accordance with legislation governing the audit practice in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which can in no way be interpreted as an audit, no matters have come to our attention which cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2015 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, and the provisions of Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

pwc

Emphasis of matter

We draw attention to Note 1.2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, adopted by the European Union, therefore, the accompanying interim financial statements should be read together with the Group's consolidated annual accounts for the year ended 31 December 2014. This aspect does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2015 contains the explanations that the parent Company's directors consider relevant on the events occurring in the period and their impact on the interim financial statements presented, of which it does not form part, together with the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in said Directors' Report coincides with the interim financial statements for the six-month period ended 30 June 2015. Our work is limited to checking the Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from Ence Energía y Celulosa, S.A. and its subsidiaries' accounting records.

Other aspects

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 35 of Law 24/1988 of 28 July, on the Securities Market developed by Royal Decree 1362/2007 of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Mar Gallardo

21 July 2015

Ence Energía y Celulosa, S.A. and subsidiaries

Condensed Consolidated Financial Statements for the six-month period ended 30 June 2015 prepared under the International Financial Reporting Standards adopted by the European Union and the corresponding Group Management Report

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

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015 AND 31 DECEMBER 2014

Thousands of euros	Note	30/06/2015 (*)	31/12/2014
NON-CURRENT ASSETS:			
Intangible assets	10	10.293	13.698
Property, plant and equipment	11	637.799	643.996
Investment properties		-	-
Biological assets	12	87.573	90.247
Other financial assets		2.844	2.956
Deferred tax assets	20	79.197	81.588
		817.706	832.485
CURRENT ASSETS:			
Non-current assets held for sale	22	75.857	77.379
Inventories	15	34.052	37.919
Trade and other receivables	16	104.198	100.431
Receivable from public authorities	13 & 20	16.735	9.747
Income tax receivable from the tax authorities	13 & 20	335	11.934
Current financial assets:			
Derivatives	14	-	999
Other financial assets	13 & 19	8.542	8.513
Cash and cash equivalents	19	91.512	73.428
Other current assets		2.990	1.321
		334.221	321.671
TOTAL ASSETS		1.151.927	1.154.156
EQUITY:			
Share capital	18	225.245	225.245
Share premium	18	170.776	195.665
Parent company reserves	18	100.964	99.965
Parent company retained earnings (prior-period losses)	18	(109.117)	-
Reserves in fully-consolidated companies	18	88.275	123.282
Valuation adjustments	18	49.958	46.501
Profit for the period attributable to owners of the parent		22.133	(140.909)
Translation differences		(1.239)	(1.077)
Own shares - parent company shares	18	(2.721)	(5.744)
Equity attributable to owners of the parent		544.274	542.928
TOTAL EQUITY		544.274	542.928
NON-CURRENT LIABILITIES:			
Bonds and other marketable securities	19	218.450	242.089
Bank borrowings	19	108.327	97.960
Grants		10.601	11.032
Derivative financial instruments	14	6.825	8.103
Other financial liabilities	19	7.993	7.486
Deferred tax liabilities	20	21.368	21.948
Non-current provisions	21	8.811	11.147
		382.375	399.765
CURRENT LIABILITIES:			
Bank borrowings	19	16.156	16.404
Derivative financial instruments	14	3.718	7.373
Other financial liabilities	19	1.903	2.385
Trade and other payables	17	175.782	156.326
Income tax payable to the tax authorities	20	6.740	94
Other payables to public authorities	20	7.021	8.649
Other current liabilities		2	512
Current provisions	21	13.956	19.720
		225.278	211.463
TOTAL EQUITY AND LIABILITIES		1.151.927	1.154.156

The accompanying notes 1 to 26 are an integral part of the condensed consolidated statement of financial position at 30 June 2015

(*) Unaudited figures

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014

Thousands of euros	Note	Six months ended 30/06/2015 (*)	Six months ended 30/06/2014 (*)
Continuing operations:			
Revenue	4	313.202	338.274
Gain (loss) on hedging transactions	14	(551)	(413)
Changes in inventory of finished goods and work in progress		(4.749)	(6.230)
Cost of sales	5	(129.671)	(193.958)
GROSS PROFIT		178.231	137.673
Own work capitalised	10 & 11	4.773	3.971
Other operating income		2.726	3.463
~~Government grants taken to income~~		~~1.274~~	~~2.735~~
Employee benefit expense	6	(30.055)	(33.230)
Depreciation and amortisation charges	10 & 11	(27.237)	(29.054)
Depletion of forest reserve	12	(4.599)	(7.804)
Impairment of and gains/(losses) on disposals intangible assets and PP&E	10.11 & 12	196	(27.318)
Other operating expenses	7	(79.674)	(109.011)
OPERATING PROFIT/(LOSS)		45.635	(58.575)
Finance income		130	621
Change in fair value of financial instruments	14	942	(1.226)
Other finance costs	8	(16.488)	(13.517)
Exchange differences		706	396
NET FINANCE COST		(14.710)	(13.726)
PROFIT/(LOSS) BEFORE TAX		30.925	(72.301)
Income tax	20	(8.792)	23.709
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		22.133	(48.592)
PROFIT/(LOSS) FOR THE PERIOD	18	22.133	(48.592)
Earnings per share:			
Basic	18	0,09	(0,19)
Diluted	18	0,09	(0,19)

The accompanying notes 1 to 26 are an integral part of the condensed consolidated income statement for the six months ended 30 June 2015

(*) Unaudited figures

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 June 2015 AND 2014

Thousands of euros	Note	Six months ended 30/06/2015 (*)	Six months ended 30/06/2014 (*)
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (I)	18	22.133	(48.592)
Income and expense recognised directly in equity:			
Cash flow hedges (**)		(1.526)	(4.626)
Translation differences (**)		(162)	4
Tax effect		458	1.387
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY (II)	18	(1.230)	(3.235)
Amounts transferred to the consolidated income statement			
- Cash flow hedges (**)		1.871	1.862
- Tax effect		(562)	(558)
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS (III)	18	1.309	1.304
TOTAL COMPREHENSIVE INCOME/(EXPENSE) (I+II+III)		22.212	(50.523)

The accompanying notes 1 to 26 are an integral part of the condensed consolidated statement of comprehensive income for the six months ended 30 June 2015

(*) Unaudited figures
(**) Items that may be subsequently be reclassified to profit or loss

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014

2015 (thousands of euros)	Balance at 1/1/2015	Total recognised income/ (expense)	Appropriation of prior-year profit/(loss)	Dividends	Trading in own shares	Distribution of own shares	Balance at 30/06/2015 (*)
Share capital	225.245	-	-	-	-		225.245
Share premium	195.665	-	-	(24.889)	-		170.776
Legal reserve	45.050	-	-	-	-		45.050
Other reserves/Parent company retained earnings (prior-period losses)	54.915	-	(109.118)	-	1.000		(53.203)
Reserves in fully-consolidated companies	123.282	651	(35.658)	-	-		88.275
Translation differences	(1.077)	(162)	-	-	-		(1.239)
Own shares	(5.744)	-	-	-	3.023		(2.721)
Valuation adjustments	46.501	(410)	3.867	-	-		49.958
Profit/(loss) for the period attributable to owners of the parent	(140.909)	22.133	140.909	-	-		22.133
	542.928	22.212	-	(24.889)	4.023	-	544.274

2014 (thousands of euros)	Balance at 1/1/2014	Total recognised income/ (expense)	Appropriation of prior-year profit/(loss)	Dividends	Trading in own shares	Distribution of own shares	Balance at 30/06/2014 (*)
Share capital	225.245	-	-	-	-		225.245
Share premium	210.037	-	-	-	-	(14.372)	195.665
Legal reserve	45.050	-	-	-	-		45.050
Other parent company reserves	72.408	-	7.451	(19.575)	(38)	(5.640)	54.606
Reserves in fully-consolidated companies	126.422	-	(3.140)	-	-		123.282
Translation differences	(2.218)	4	-	-	-		(2.214)
Own shares	(19.762)	-	-	-	(1.952)	20.012	(1.702)
Valuation adjustments	48.807	(1.935)	-	-	-		46.872
Profit/(loss) for the period attributable to owners of the parent	4.311	(48.592)	(4.311)	-	-		(48.592)
	710.300	(50.523)	-	(19.575)	(1.990)	-	638.211

The accompanying notes 1 to 26 are an integral part of the condensed consolidated statement of changes in equity for the six months ended 30 June 2015

(*) Unaudited figures

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOW FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014

Thousands of euros	Six months ended 30/06/2015 (*)	30/06/2014 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated profit/(loss) for the period before tax	30.925	(72.301)
Adjustments for:		
Depreciation	26.613	28.791
Depletion of forest reserve	4.599	7.804
Amortisation	624	264
Changes in provisions, current asset impairment charges and other charges	8.959	16.873
Changes in impairment charges and gains/(losses) on disposals of non-current assets	(393)	27.132
Finance income	(130)	(621)
Finance costs	14.840	14.297
Accruals and deferred income	(1.793)	(570)
Government grants taken to income	(949)	(691)
	52.370	93.279
Changes in working capital:		
Trade and other receivables	(10.177)	10.599
Financial and other current assets	(29)	2.601
Trade payables, other payables and other liabilities	356	(15.989)
Inventories	1.671	(3.854)
	(8.179)	(6.643)
Other cash flows from operating activities:		
- Interest paid	(15.363)	(12.153)
- Interest received	130	620
- Income tax received (paid)	9.310	-
	(5.923)	(11.533)
Net cash generated from operating activities (I)	69.193	2.802
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments:		
Property, plant and equipment and biological assets	(14.471)	(24.285)
Intangible assets	(1.783)	(2.153)
Other financial assets	112	239
	(16.142)	(26.199)
Disposals:		
Property, plant and equipment and biological assets	3.626	58
	3.626	58
Net cash used in investing activities (II)	(12.516)	(26.141)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from and payments for equity instruments		
Buyback of own equity instruments	(250)	(2.145)
Disposal of own equity instruments	4.275	156
	4.025	(1.989)
Proceeds from and repayments of financial liabilities:		
Issuance / (cancellation) of bonds and other marketable securities	(25.000)	-
Increase / (decrease) in bank borrowings	10.597	4.257
Repayment of other borrowings and cancellation of derivatives	(3.339)	(1.342)
Grants received	-	844
	(17.742)	3.759
Dividends and payments on other equity instruments		
Dividends	(24.889)	-
	(24.889)	
Translation differences	13	(1)
Other cash received from (used in) financing activities		
Fixed-term deposits	-	45.000
	-	45.000
Net cash from / (used in) financing activities (III)	(38.593)	46.769
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	18.084	23.430
Cash and cash equivalents, opening balance	73.428	103.391
Cash and cash equivalents, closing balance	91.512	126.822

The accompanying notes 1 to 26 are an integral part of the condensed consolidated statement of changes in cash flow for the six months ended 30 June 2015

(*) Unaudited figures

Explanatory notes to the condensed consolidated financial statements for the six months ended 30 June 2015

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

Contents

Ence Energía y Celulosa, S.A. and subsidiaries

Explanatory notes accompanying the condensed consolidated financial statements for the six-months ended 30 June 2015

1. Introduction, basis of presentation of the condensed consolidated interim financial statements, accounting policies and other information

1.1. Foreword

Ence Energía y Celulosa, S.A. (hereinafter "ENCE", the "Company" or the "Parent") was incorporated in 1968. Its registered office is located at Calle Beatriz de Bobadilla, 14 in Madrid. It formerly went by the name of Empresa Nacional de Celulosas, S.A. until 1999 and Grupo Empresarial ENCE, S.A. until 2012.

Its corporate purpose, as per its bylaws, consists of:

a) The manufacture of cellulose pulp and derivatives thereof, the obtainment of the products and other elements necessary to this end and the use of the sub-products of both;

b) The production by any means, sale and use of electric energy and other sources of energy and of the materials and primary energies needed for its generation, as permitted under prevailing legislation; and the marketing, sale-purchase and supply thereof under any of the formulae permitted under law;

c) The cultivation, exploitation and use of forests and forest land, afforestation work and the provision of expert forestry-related services and works. The preparation and transformation of forestry products. The use and exploitation for commercial and business purposes of all manner of forestry products (including biomass and forest energy products), their derivatives and their sub-products. Forestry studies and projects;

d) The planning, development, construction, operation and maintenance of the facilities referred to in sections a), b) and c) above.

The Group has structured its activities around two business lines:

i) Pulp manufacturing:

Includes the production of bleached eucalyptus kraft pulp (BEKP) by means of elementary chlorine free (ECF) and totally chlorine free (TCF) bleaching sequences.

To carry out this activity, the Group had, until the third quarter of 2014, three factories in Spain (located in Asturias, Pontevedra and Huelva) with combined nominal capacity of approximately 1,350,000 tonnes per annum.

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

During the third quarter of 2014, the Group announced its decision to devote the industrial complex in Huelva to the generation of renewable energy and to discontinue the production of pulp (note 21); in tandem, management announced plans to reorganise the Group's corporate structure to align it with the new productive configuration. Since then, the Group has concentrated its pulp-making activities at its mills in Asturias and Pontevedra, which between them, following the capacity expansion carried out at the Navia plant in Asturias in the first half of 2015, have nominal capacity of 960,000 tonnes per annum.

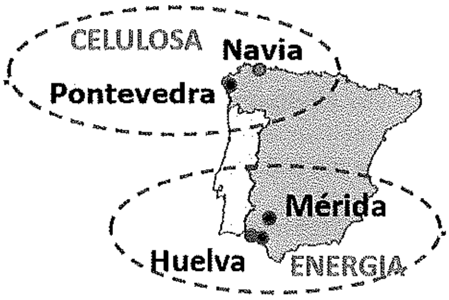
The mills in Asturias and Pontevedra use the kraft process to produce pulp. This productive process includes the co-generation of electric power fuelled by the parts of timber that cannot be transformed in pulp, lignin/biomass. The Group's aggregate nominal installed electric power generation capacity (integrated within the Asturias and Pontevedra factories) is approximately 113 megawatts (MW), divided between three facilities.

In order to facilitate procurement of the timber supplies needed for the pulp manufacturing process, the Group manages 82,860 hectares of forested land in Spain and Portugal, 49,147 hectares of which it owns.

ii) Generation of electric power from biomass:

In recent years, ENCE has developed several power generation facilities that are fuelled by forestry and agricultural biomass; these plants operate on a standalone basis, separately to the pulp business.

The 50-MW power generation plant in Huelva began operations in February 2013, while the 20-MW plant in Mérida started up in September 2014. In addition to these two plants, and as a result of the decision to discontinue pulp production at the industrial complex in Huelva, this business line now also includes a third generation plant, with capacity of 41 MW, which was formerly integrated into the pulp operations. Factoring in this third facility, power generation capacity at the stations independent of pulp operations stands at 111 MW.



All of the Company's shares are represented by book entries and are officially listed on the Spanish stock exchanges and traded on the continuous market (SIBE for its acronym in Spanish).

1.2. Basis of presentation of the condensed consolidated interim financial statements under the IFRS adopted by the European Union

The 2014 consolidated annual financial statements were prepared from the accounting records and annual financial statements of the Parent and Group companies. They were prepared in accordance with the prevailing financial reporting framework, specifically the International Financial Reporting Standards (IFRS) adopted by the European Union, as provided for in Regulation (EC) No. 1606/2002 of the European Parliament, and Spanish Law 62/2003 (30 December 2003) on tax, administrative and corporate measures, to give a true and fair view of the Group's financial position at 31 December 2014 and of its financial performance and cash flows for the year then ended.

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

The accompanying condensed consolidated interim financial statements were drawn up in keeping with IAS 34 - Interim Financial Information and were authorised for issue by the Board of Directors of Ence Energía y Celulosa, S.A. on 21 July 2015.

In keeping with IAS 34, the interim financial information has been prepared solely for the purpose of providing an update with respect to the last complete set of annual consolidated financial statements authorised for issue and accordingly focuses on new activities, events and circumstances arising in the six-month period and does not duplicate the information previously reported in the 2014 consolidated annual financial statements. Accordingly, for full reader comprehension, the information included in these condensed consolidated interim financial statements should be read in conjunction with the Group's 2014 consolidated annual financial statements, which were ratified by the Company's shareholders at the Annual General Meeting held on 28 April 2015.

1.3. Accounting policies and basis of consolidation

In drawing up the accompanying condensed consolidated interim financial statements, ENCE has applied the same accounting policies and consolidation rules as were used to prepare the 2014 consolidated financial statements, as detailed in notes 3.5 and 4 thereof, except as outlined in section 2 below.

1.4. Comparative information

The information provided in these condensed consolidated interim financial statements in respect of the first half of 2014 is presented solely and exclusively to allow the reader to compare the figures with those corresponding to the first half of 2015.

In this respect it is important to note that, as a result of regulatory changes introduced in the energy sector in Spain, in the third quarter of 2014, the Group definitively discontinued the production of pulp at its industrial complex in Huelva (note 21).

In addition, in the wake of discontinuation of pulp production in Huelva and with effect from 1 January 2015, the 41-MW biomass-fuelled power plant operated by the Group in Huelva has been removed from the "Pulp" operating segment and included under the "Energy - Independent electric power generation plants" segment. As a result, and with a view to facilitating the year-on-year comparison, the segment-specific disclosures corresponding to the first half of 2014 (presented in note 4 – "Revenue" and note 9 – "Operating segments") are presented including the company that owns this plant, Celulosa Energía, S.A., under the "Energy - Independent electric power generation plants" segment and therefore differ from the segment disclosures provided in the condensed consolidated interim financial statements for the six months ended 30 June 2014, which included the activities of this Group company within the "Pulp" segment.

1.5. Seasonal nature of the Group's transactions

Given the nature of the Group companies' business operations, its transactions are not cyclical or seasonal in nature. Consequently, the notes to the accompanying condensed consolidated financial statements for the six months ended 30 June 2015 do not include specific seasonality disclosures.

Note, however, that the production of pulp requires annual stoppages of between 10 and 15 days for maintenance purposes. The mills in Pontevedra and Asturias carried out these annual stoppages during the first half of 2015. In this respect, an asset has been recognised in the amount of €3,117 thousand corresponding to

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

fixed costs accrued during the stoppages which, in keeping with the income and expense matching principle, will be recognised in the income statement during the second half of 2015.

1.6. Materiality

In determining the information to be disclosed in the explanatory notes for the various headings of the condensed consolidated interim financial statements, the Group assessed materiality in relation to the financial statements themselves, in accordance with IAS 34.

1.7. Changes in the Group's consolidation scope

There were no changes in Ence Energía y Celulosa, S.A.'s consolidation scope during the first half of 2015.

2. Accounting policies and measurement criteria

2.1. New and amended standards taking effect during the reporting period

The following new and amended standards took effect in 2015 and were applied in preparing the accompanying consolidated financial statements:

- IFRIC 21 - Levies

  Interpretation providing guidance on when to recognise a liability for a levy imposed by a government. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Application of this interpretation has not had a significant impact on the accompanying condensed consolidated financial statements.

2.2. Standards and interpretations issued but not yet effective

At the date of authorising the accompanying consolidated interim financial statements for issue, the most significant standards and interpretations published by the International Accounting Standard Board (IASB) but not yet effective, either because they have yet to be adopted by the European Union or because their date of effectiveness is subsequent to that of authorisation, are the following:

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

Standard	Contents	Effective for annual periods on or after
IFRS 9 - Financial instruments: Classification and measurement	Replacement of the financial asset and liability classification and measurement requirements prescribed by IAS 39	1 January 2018
IFRS 15 - Revenue from contracts with customers	Replaces prevailing IAS 18 and IAS 11 as well as the current interpretation of revenue	1 January 2017
Amendment to IAS 27 - Equity method in separate financial statements	This amendment will reinstate the use of the equity method to measure investments in an investor's separate financial statements. Under Spanish regulations, this amendment will have a limited impact since the standards governing separate financial statements are those stipulated in the Spanish General Accounting Plan.	1 January 2016
Amendment to IAS 1 - Disclosure Initiative	Multiple clarifications with respect to disclosure requirements (materiality, aggregation, note order, etc.)	1 January 2016
Amendment to IAS 19 - Employee contribution to defined benefit plans	The impact of this amendment is expected to be limited. Subject to compliance with certain requirements, the amended wording will allow for the deduction of these contributions from service cost at the time they are paid in	1 February 2015
Amendments to IAS 16 / IAS 38 - Acceptable methods of depreciation and amortisation	These amendments clarify the fact that revenue-based depreciation methods are not permitted as they do not reflect the expected pattern of consumption of the future economic benefits embodied by an asset	1 January 2016
Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations	As amended, IFRS 11 requires the use of the acquisition method prescribed in IFRS 3 - Business combinations when joint operations are businesses	1 January 2016
Amendments to IAS 16 and IAS 41 - Bearer plants	As amended, bearer plants will have to be carried at cost instead of fair value	1 January 2016
Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture	The gain or loss resulting from the sale or contribution of assets that constitute a business is recognised in full; that resulting from the sale or contribution of assets that do not constitute a business is recognised partially	1 January 2016

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

The Group is in the process of analysing what impact these new and amended standards could have on its consolidated interim financial statements if adopted. None of these new or amended standards has been early applied.

3. Critical accounting estimates and judgements

Preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2015 in accordance with EU-IFRS requires the use of assumptions and estimates that affect the amounts of related assets, liabilities, revenues, income and expenses recognised and the corresponding disclosures. The accounting policies that incorporate management assumptions and estimates that are material in respect of the accompanying condensed consolidated financial statements are:

- The asset impairment charges associated with the discontinuation of pulp production at the Huelva plant (note 21)
- The impact of changes in the Spanish energy sector regulatory framework (note 21)
- Calculation of income tax and the recoverable amount of deferred tax assets
- The assumptions used to calculate certain obligations to employees
- The fair value of certain assets, principally financial instruments
- The recoverable amount of certain assets, mainly biological assets
- The useful lives of property, plant and equipment and intangible assets
- Calculation of the provisions recognised to cover liabilities arising under lawsuits in progress and bad debt

Some of these accounting policies require management to exercise judgement in selecting the best assumptions for arriving at these estimates. These assumptions and estimates are based on historical experience, the advice of experts, forecasts and other circumstances and expectations prevailing at the reporting date.

By their very nature, these judgements are subject to a high degree of intrinsic uncertainty, which is why actual results could differ materially from the estimates and assumptions used. At the date of authorising these condensed consolidated interim financial statements for issue, these estimates are not expected to change significantly.

The Directors believe that as of 30 June 2015 there is no new information that significantly changes the estimated impairment provisions recognised against the Group's various industrial and biological assets, as detailed in notes 4.2, 7, 8 and 9 of the consolidated financial statements for the year ended 31 December 2014.

Although these estimates were made on the basis of the best information available at each reporting date regarding the facts analysed, events occurring after the date of authorising these financial disclosures for issue could make it necessary to revise these estimates (upwards or downwards) in the future. Changes in accounting estimates would be applied prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

4. Revenue

The breakdown of Group revenue by business in the first halves of 2015 and 2014 is as follows:

Thousands of euros	1H15			1H14		
	Pulp business	Energy business	Total	Pulp business	Energy business	Total
Business metrics:						
Pulp sales volume (tonnes)	431,767	-	431,767	601,767	-	601,767
Energy sales volume (MWh)	329,225	275,771	604,996	411,792	264,337	676,129
Revenue						
Revenue from pulp sales	228,416	-	228,416	263,560	-	263,560
Revenue from energy sales (*)	32,877	43,210	76,087	28,608	36,099	64,707
Revenue from sales of timber and forestry services	8,293	406	8,699	9,963	44	10,007
	269,586	**43,616**	**313,202**	**302,131**	**36,143**	**338,274**

(*) In order to facilitate the year-on-year comparison, in the figures corresponding to 1H14, the "ENERGY business" includes €15,406 thousand of revenue associated with Celulosa Energía, S.A., the Group company that owns the 41-MW Huelva facility.

The drop in revenue in the Pulp operating segment is related to the closure of the Huelva pulp mill during the third quarter of 2014.

Virtually all of the revenue from energy sales is generated in Spain.

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

4.1. Geographic revenue split

The breakdown of revenue from pulp sales by geographic market is as follows:

% of revenue	1H15	1H14
Germany	23.7	20.0
Italy	21.2	17.5
Spain	17.5	15.5
Austria	9.9	5.8
France	6.3	9.7
United Kingdom	4.9	3.2
Netherlands	4.7	2.8
Poland	4.6	3.6
Slovenia	3.6	3.2
Greece	2.6	3.3
Turkey	-	7.5
Other	1.0	7.9
	100.0	**100.0**

4.2. Energy sector regulation

This section attempts to summarise the most noteworthy highlights of prevailing energy sector regulations in Spain, as applicable to the business activities of the ENCE Group:

Law 24/2013 (26 November 2013), the Electricity Sector Act, replacing Law 54/1997 (27 November).

This piece of legislation introduces the governing principle of ensuring the economic and financial sustainability of the electricity system, limiting the so-called tariff deficit; it abandons the former distinction between the 'ordinary', or conventional, and 'special', or renewable, regimes, introducing a single set of regulations, without prejudice to unique considerations potentially requiring regulation; and it establishes a remuneration regime applicable to electricity generated from renewable sources, co-generation and waste based on the pool prices fetched by these facilities in the market, topped up by specific regulated remuneration designed to enable these technologies to compete with the other generation technologies on an even footing.

The new remuneration premiums will be incremental to the remuneration obtained by selling electricity in the market and will be made up of an amount per unit of installed capacity covering, as warranted, investment costs that cannot be recouped in the market and an operations supplement covering the difference between operating costs and market prices, as required.

The principle underpinning this remuneration regime is that of a 'reasonable return on investment', defined as the yield on 10-year Spanish sovereign bonds plus a spread, initially set at 300 basis points; it will be calculated on the basis of a standard facility, over the course of its regulated useful life and assuming operation by an efficient and well-managed undertaking, all of which factoring in: 1) standard revenue from the sale of electricity at market or pool prices; 2) standard operating costs; and 3) standard upfront investment metrics.

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

The new regime establishes regulatory periods of six years and stub periods of three years. Every three years there is scope for changing the remuneration parameters to reflect pool price forecasts, factoring in any deviations arising during the stub period in question. Every six years the authorities can change the standard facility parameters other than the amount of initial investment and the facilities' regulatory useful lives, which will remain unchanged throughout. The regime also envisages changing the interest rate used for remuneration purposes every six years, albeit only prospectively.

The standard investment supplements for new facilities will be determined by means of a competitive tender process.

This new remuneration regime applies retroactively from July 2013, the date on which Royal Decree-Law 9/2013 took effect.

The new regulations also stipulate that any tariff deficit arising in the Spanish electricity system must be funded proportionately by the various parties that collect remuneration based on the revenue collected by the power distributors or by the system operator. This funding may not exceed 2% of initially estimated revenue for the year in question or 5% of actual estimated revenue for the year.

Law 15/2012 (27 December 2012) on fiscal measures for energy system sustainability

This piece of legislation introduces, with effect from 1 January 2013, several tax modifications that affect the Group's business, specifically creating a levy on the value of electric energy sold, which affects the entire energy sector, equivalent to 7% of revenue from generation activities. This legislation has also had the effect of amending the tax rates levied on natural gas and eliminating the exemptions formerly in place for energy products used to produce electric energy and in co-generation processes.

Royal Decrees

On 27 January 2012, the Spanish Cabinet passed Royal Decree-Law 1/2012, which had the effect of temporarily suspending the procedure for pre-qualifying new renewable capacity for remuneration premiums, thereby eliminating other financial incentives formerly awarded to power generation facilities that use co-generation, renewable energy sources or waste that were not included in the register of pre-qualified facilities at the time this legislation came into effect.

Royal Decree-Law 2/2013 of 1 February 2013, on urgent electricity system and financial sector measures, mandated that all remuneration calculation formulae benchmarked to headline CPI be revised going forward on the basis of consumer price inflation excluding energy and unprocessed foods at constant tax rates and eliminated the 'pool-plus-premium' remuneration regime so that renewable facilities could only be remunerated at the regulated tariff going forward.

Royal Decree 413/2014 (6 June 2014) was published on 10 June, regulating the production of electric power by means of renewable sources, co-generation and waste, establishing the methodology underpinning the specific remuneration regime applicable to facilities that fail to cover their costs by enough of a margin to enable them to compete with the rest of the generation technologies in the market on an even footing, thereby generating a reasonable return based on benchmark facilities for each affected class of technology. This decree also stipulates the publication of an enacting order by the Spanish Ministry for Industry, Energy and Tourism to specify the methodology for classifying standard facilities by technology, installed capacity, age or using any other segmentation criteria deemed necessary for the purpose of applying the new remuneration regime. Against this backdrop, Ministerial Order IET/1045/2014 (16 June 2014) was published on 20 June, enacting the standard facility remuneration parameters applicable to certain electricity-producing facilities

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

that use co-generation, renewable energy sources or waste applicable for the first regulatory stub period which ends on 31 December 2016 and defining the 'standard facility' categories which encompass every single generation facility in existence in Spain.

5. Cost of sales

Consumption of raw materials and other consumables in the first six months of 2015 and 2014 breaks down as follows:

Thousands of euros	1H15	1H14
Purchases	116,497	179,428
Change in raw materials, goods held for resale		
and other inventories	(3,222)	(8,834)
Other external expenses	16,396	23,364
	129,671	**193,958**

This heading mainly includes the timber, chemical products, fuel and other variable costs incurred in the pulp production process. The year-on-year reduction is related to the discontinuation of pulp production in Huelva, among other factors.

The land under ENCE's management includes 2,598 hectares located in Portugal that the Group sold in 2013, having entered into an agreement with the buyer covering the purchase by ENCE, at market prices, of the timber produced from the land sold for a term of 20 years, estimated at 20,000 cubic metres per annum.

6. Employee benefit expense

The breakdown of the employee benefit expense incurred in the first six months of 2015 and 2014 is provided below:

Thousands of euros	1H15	1H15
Wages and salaries	20,017	24,960
Social security	5,341	6,834
Pension contributions and other social benefits	1,168	1,707
	26,526	**33,501**
Termination benefits	374	(523)
Long-term remuneration plans	3,155	252
	30,055	**33,230**

The year-on-year reduction is related to the discontinuation of pulp production in Huelva, among other factors.

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

6.1. Headcount figures

The breakdown of the Group's headcount at 30 June 2015 and 2014 is as follows:

	30/06/2015			30/06/2014		
Job category	Men	Women	Total	Men	Women	Total
Executives	6	1	7	7	1	8
Individual job contracts	197	55	252	214	64	278
Collective bargaining agreement	396	58	454	558	80	638
Temporary workers	93	29	122	69	28	97
	692	**143**	**835**	**848**	**173**	**1,021**

Forty-eight people work exclusively for the energy business.

The Board of Directors comprises 13 members, 12 of whom men, at 30 June 2015.

6.2. Share-based payments

At the Parent's Annual General Meeting of 30 March 2007, the Company's shareholders ratified a "Special Bonus Plan for Executives for 2007–2011", which was amended at the Annual General Meeting of 22 June 2010 and renamed the "Long-term Bonus Plan of ENCE Energía y Celulosa S. A." for 2010-2015, the bonus plan currently in effect. The plan was cash-settled.

The purpose of the bonus plan was to encourage delivery of the targets set by the Board of Directors for 2010 - 2012. The maximum number of shares deliverable under the plan was 3,850,000 (representing 1.53% of share capital).

This plan matured on 30 June 2015 and gave rise to the accrual of an expense in the first half of 2015 of €1,935 thousand euros. The amount pending settlement with the plan's beneficiaries at 30 June 2015 was €224 thousand (note 21).

6.3. Long-term bonus plan

The Parent's shareholders approved a "Long-term bonus plan for 2013-2015" at the Annual General Meeting of 21 March 2013.

This plan is designed to orient the management team towards delivery of the targets set by the Board of Directors for the term of the scheme and to retain talent. The plan beneficiaries are the CEO, the members of the Executive Committee and other key management personnel. A total of 54 people were beneficiaries of this plan at 30 June 2015.

The bonus payment contemplated consists of a percentage of average annual fixed remuneration in 2013-2015 (100% in the case of the CEO, 75% for the members of the Executive Committee and 50% for the other executives). Entitlement is tied to delivery of three equally-weighted objectives: (i) an absolute gain in the

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

Parent's share price; (ii) a gain in the Parent's share price relative to a basket of pulp sector stocks; and (iii) an increase in the Company's theoretical value relative to the year-end 2012 figure determined by applying a multiple to average EBITDA in 2013-2015.

For each of these targets, the plan establishes a threshold below which the target is deemed not delivered and another above which the beneficiary is granted 120% of the base-case payment. Continued effective service as of 1 October 2016 is a prerequisite for entitlement to the bonus, with the exception of certain instances contemplated in the plan rules.

The expense accrued in the first half of 2015 in this respect was €1,220 thousand (1H14: €65 thousand), and the liability accrued as of 30 June 2015 amounted to €1,879 thousand euros (note 21).

7. Other operating expenses

The breakdown of this heading of the condensed consolidated income statement for the six months ended 30 June 2015 and 2014:

Thousands of euros	1H15	1H14
External services	65,936	83,893
Use of emission allowances (note 21)	1,057	3,044
Taxes other than income tax and other management charges	1,549	1,401
Electricity generation levy	5,350	4,984
Change in trade and other provisions	1,277	3,259
Impact of regulatory changes on energy business	-	7,399
Impact of the closure of the Huelva mill	1,399	5,031
Other non-recurring charges	3,106	-
	79,674	**109.011**

For the most part, these costs are incurred by the Pulp operating segment. The year-on-year reduction is related to the discontinuation of pulp production in Huelva, among other factors.

7.1. External services

The breakdown of "External services" in the interim reporting periods is as follows:

Thousands of euros	1H15	1H14
Transport, freight and business expenses	18,281	28,127
Utilities	18,000	21,414
Repairs and upkeep	9,792	11,414
Rent and fees	2,449	3,905
Insurance premiums	2,308	2,729
Independent professional services	3,003	3,620
Banking and similar services	733	860
Advertising, publicity and public relations	385	374
Research and development expenses	5	198
Other services	10,980	11,252
	65,936	**83,893**

8. Finance costs

The breakdown of this condensed consolidated income statement heading in the reporting periods:

Thousands of euros	1H15	1H14
High-yield bond	9,677	9,064
Project finance facilities	1,937	2,009
Credit, factoring and reverse factoring lines	746	779
Fees recognised in profit and loss	2,619	2,165
Settlement of the project finance interest-rate swap (note 14)	1,578	1,449
Settlement of the equity swap	(15)	109
Capitalised borrowing costs (note 11)	(58)	(2,039)
Other	4	(19)
	16,488	**13,517**

On 4 June 2015, the Company bought back 10% of the bonds it had issued in 2013 (note 19). The cost of cancelling these bonds ahead of maturity was €750 thousand, which is equivalent to 3% of the face value repurchased; this balance has been included under 'High-yield bond' in the table above. In addition, 10% of the bond arrangement fee - or €625 thousand - was charged in the consolidated income statement in the first half of 2015.

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

9. Operating segments

The Group has defined the following two reporting segments for which it has full and independent financial information that is reviewed regularly by senior management in order to evaluate their performance:

Pulp Business

This business line encompasses the following reportable segments:

- Pulp. This segment includes the pulp production activity carried out at the productive facilities located in Pontevedra and Asturias and the power co-generation and generation activities related to the production of pulp and integrated therein, making use of the parts of timber that cannot be transformed in pulp, essentially lignin and biomass.

- Forest Management This operating segment essentially includes the forest crops and forest areas that are later used as raw materials in the pulp production process or sold to third parties.

- Forest Services & Other. This segment includes residual business activities carried out by the Group, including forest services provided to third parties, etc.

Energy Business - Independent electric power generation plants.

This business line/segment includes the plants that generate electric power using forestry and agricultural biomass; they are developed and operated separately and independently from the pulp business. This segment currently encompasses the 50-MW Huelva, 41-MW Huelva and 20-MW Mérida biomass generation plants.

In the wake of discontinuation of pulp production in Huelva and with effect from 1 January 2015, the 41-MW biomass-fuelled power plant operated by the Group in Huelva has been removed from the "Pulp" operating segment and included under the "Energy - Independent electric power generation plants" segment. As a result, and with a view to facilitating the year-on-year comparison, the segment disclosures corresponding to the first half of 2014 have been restated herein to include the company which owns this plant, Celulosa Energía, S.A., under the "Energy - Independent electric power generation plants" segment.

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

9.1. Operating segment reporting

The table below details the earnings performance by operating segment in the first six months of 2015 and 2014:

1H15

	Thousands of euros							
	PULP business							Total
Income statement	Pulp (**)	Forest Management	Forest Services & Other	Adjustments & Eliminations	Total Pulp	ENERGY business & segment (**)	Adjustments & Eliminations	
Revenue:								
Third-party revenue	266,688	2,298	600	-	269,586	43,616	-	313,202
Inter-segment revenue	420	6,296	-	(6,210)	506	365	(871)	-
Total revenue	**267,108**	**8,594**	**600**	**(6,210)**	**270,092**	**43,981**	**(871)**	**313,202**
Earnings:								
EBITDA (*)	**55,961**	**3,835**	**(59)**	-	**59,737**	**18,827**	**(1,289)**	**77,275**
Operating profit/(loss)	**33,140**	**(218)**	**(112)**	-	**32,810**	**13,862**	**(1,037)**	**45,635**
Finance income	7,326	58	-	(4,193)	3,191	2,316	(5,377)	130
Finance costs	(14,021)	(4,170)	(30)	4,193	(14,028)	(6,895)	5,377	(15,546)
Exchange differences	573	-	142	-	715	(9)	-	706
Tax	(7,285)	776	24	-	(6,485)	(2,597)	290	(8,792)
Profit / (loss) for the period	**19,733**	**(3,554)**	**24**	-	**16,203**	**6,677**	**(747)**	**22,133**

(*) This metric is not disclosed in the consolidated income statement; it is calculated as earnings before depreciation and amortisation charges, depletion of forest reserve charges, impairment charges and gains/losses on non-current assets.

(**) For the reader's information, the changes in the names of the business segments with respect to the 2014 consolidated financial statements are hereby noted: the current Pulp segment used be called "Energy & Pulp", while the current Energy segment used to be called "Biomass Energy Products".

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

1H14

Income statement	Thousands of euros: PULP business: Pulp (**)	Forest Management	Forest Services & Other	Adjustments & Eliminations	Total Pulp	ENERGY Business & Segment (**)	Adjustments & Eliminations	Total
Revenue:								
Third-party revenue	292,124	9,056	951	-	302,131	36,143	-	338,274
Inter-segment revenue	685	38,586	55	(37,908)	1,418	4,206	(5,624)	-
Total revenue	**292,809**	**47,642**	**1,006**	**(37,908)**	**303,549**	**40,349**	**(5,624)**	**338,274**
Earnings:								
EBITDA (*)	**3,339**	**8,545**	**(867)**	-	**11,017**	**(3,363)**	**(2,053)**	**5,601**
Operating profit/(loss)	**(22,436)**	**2,095**	**(927)**	-	**(21,268)**	**(37,509)**	**202**	**(58,575)**
Finance income	8,555	(273)	-	(5,492)	2,790	1,582	(3,751)	621
Finance costs	(13,913)	(4,279)	(350)	5,492	(13,050)	(5,444)	3,751	(14,743)
Exchange differences	536	(131)	(8)	-	397	(1)	-	396
Tax	9,846	1,130	382	-	11,358	12,511	(160)	23,709
Profit / (loss) for the period	**(17,412)**	**(1,458)**	**(903)**	**-**	**(19,773)**	**(28,861)**	**42**	**(48,592)**

(*) This metric is not disclosed in the consolidated income statement; it is calculated as earnings before depreciation and amortisation charges, depletion of forest reserve charges, impairment charges and gains/losses on non-current assets.

(**) For the reader's information, the changes in the names of the business segments with respect to the 2014 consolidated financial statements are hereby noted: the current Pulp segment used be called "Energy & Pulp", while the current Energy segment used to be called "Biomass Energy Products".

9.2. Disclosures by productive plant

To complement the operating segment disclosures, the table below provides profit and loss disclosures by pulp and energy production facility:

1H15	Thousands of euros						
	Pontevedra factory	Navia factory	Corporate	Other (a)	Subtotal	Eliminations	Total
Business metrics:							
Pulp output (ADt)	194,417	225,235	-	-	419,652	-	419,653
Pulp sales volume (ADt)	197,681	234,086	-	-	431,767	-	431,767
Energy sales volume (MWh)	97,448	231,777	-	275,771	604,996	-	604,996
Continuing operations:							
Revenue	113,543	184,769	-	80,498	378,810	(65,608)	313,202
Gross profit	60,745	78,836	(355)	39,170	178,396	(165)	178,231
Employee benefit expense	(9,538)	(9,618)	(7,918)	(2,981)	(30,055)	-	(30,055)
Other operating expenses	(18,620)	(23,680)	(5,005)	(23,761)	(71,066)	165	(70,901)
Overhead passed on	(6,533)	(5,445)	13,992	(2,014)	-	-	-
EBITDA	**26,054**	**40,093**	**714**	**10,414**	**77,275**	**-**	**77,275**
Depreciation & amortisation	(8,010)	(12,215)	(714)	(6,299)	(27,238)	-	(27,238)
Depletion of forestry reserve	-	-	-	(4,599)	(4,599)	-	(4,599)
Impairment of and gains/losses on non-current assets	(320)	29	-	488	197	-	197
OPERATING PROFIT/(LOSS)	**17,724**	**27,907**	**-**	**4**	**45,635**	**-**	**45,635**

(a) Includes the forestry and energy crop activities, the 50-MW Huelva, 41-MW Huelva and 20-MW Mérida plants, companies that are virtually inactive and the Group's subsidiaries in Uruguay.

The allocation by productive facility of the finance income and expense incurred by the Group, other than the interest expense associated with the project financing structures funding the new biomass power generation projects, in proportion to output in terms of tonnage, would have the effect of increasing expenditure at the Pontevedra and Navia plants by €6,010 thousand and €6,963 thousand, respectively.

The allocation to the productive facilities of these finance costs would result in operating profits at the Pontevedra and Navia plants of €11,714 thousand and €20,944 thousand, respectively.

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

10. Intangible assets

The reconciliation of the opening and closing carrying amounts of the various components of intangible assets and accumulated amortisation for the first half of 2015 is as follows:

Thousands of euros	Balance at 01/01/2015	Additions/ charges	Derecognitions/ decreases	Transfers	Balance at 30/06/2015
Computer software	10,300	1,782	-	4,249	16,331
Emission allowances	5,784	650	(5,131)	-	1,303
Prepayments	4,422	2	-	(4,249)	175
Other intangible assets (*)	14,432	-	-	-	14,432
Total cost	**34,938**	**2,434**	**(5,131)**	**-**	**32,241**
Computer software	(7,381)	(563)	-	(84)	(8,028)
Other intangible assets (*)	(10,259)	(61)	-	-	(10,320)
Total amortisation	**(17,640)**	**(624)**	**-**	**(84)**	**(18,348)**
Other intangible assets	(3,600)	-	-	-	(3,600)
Total impairment	**(3,600)**	**-**	**-**	**-**	**(3,600)**
Total	**13,698**				**10,293**

(*) Mainly includes development expenses

10.1. Computer software

The Group has executed a plan to migrate its IT systems over to an SAP platform that has been serving as the management information tool supporting business processes since early 2015. The capital expenditure incurred to date in this respect amounts to €7.9 million.

10.2. Emission allowances

The reconciliation of the opening and closing Group-owned carbon allowance balances for the six months ended 30 June 2015 is provided in the next table:

	Number of allowances	Thousands of euros
Opening balance	376,241	5,784
Allocations	92,998	650
Delivered (*)	(346,634)	(5,131)
Closing balance	**122,605**	**1,303**

(*) Corresponds to the allowances used in 1H14

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

In November 2013, the Spanish Parliament approved the New National Allocation Plan under which it will allocate emission allowances free of charge in 2013-2020. The new plan upholds the criteria adopted by Decision 2011/278/EU of the European Commission. Under the Plan, the Group received allowances equivalent to 92,998 tonnes of carbon emissions, valued at €650 thousand, in the first half of 2015.

"Non-current provisions" on the liability side of the consolidated interim statement of financial position includes €1,008 thousand in this respect at 30 June 2015, corresponding to the liability derived from the consumption of 82,068 tonnes of carbon in the first half of 2015 (note 21).

The Group has contractually committed to the forward purchase of allowances covering a total of 601,000 tonnes: 401,000 tonnes at a price of €15.69/tonne exercisable in December 2015 and 200,000 tonnes at €15.79/tonne exercisable in December 2016. The aim is to cover the Group's future consumption of emission allowances.

10.3. Intangible asset impairment

As a result of regulatory changes in the energy sector in Spain (note 21), in 2013, the Group wrote its investments in techniques, experiences and know-how for use in boosting the productivity of energy crops and in-vitro reproduction of eucalyptus crops down for impairment, recognising a charge in the amount of 2,853 thousand euros. In addition, the rights to operate certain quarries in Huelva were fully written down for impairment in 2014, recognising a charge of €746 thousand.

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

11. Property, plant and equipment

The reconciliation of the opening and closing carrying amounts of the various components of this heading of the condensed consolidated statement of financial position for the first half of 2015 is as follows:

Thousands of euros	Balance at 01/01/2015	Additions/ charges	Derecognitions/ decreases	Transfers (note 22)	Balance at 30/06/2015
Forest land	83,549	-	-	-	83,549
Other land	8,101	21	(21)	-	8,101
Buildings	94,982	274	(1,063)	338	94,531
Plant and machinery	1,014,333	3,495	(11)	4,103	1,021,920
Other items of PP&E	18,709	1,130	(4)	929	20,764
Prepayments and PP&E in progress	13,667	14,619	-	(4,522)	23,764
Cost	**1,233,341**	**19,539**	**(1,099)**	**848**	**1,252,629**
Buildings	(56,333)	(1,280)	490	(20)	(57,143)
Plant and machinery	(465,416)	(24,416)	1	(38,717)	(528,548)
Other items of PP&E	(49,222)	(917)	28	38,446	(11,665)
Depreciation	**(570,971)**	**(26,613)**	**519**	**(291)**	**(597,356)**
Land and buildings	(2,588)	-	603	-	(1,985)
Plant and machinery	(14,206)	213	84	-	(13,909)
Other items of PP&E	(1,580)	-	-	-	(1,580)
Impairment	**(18,374)**	**213**	**687**	**-**	**(17,474)**
Total	**643,996**				**637,799**

11.1. Additions

The Group invested at all its facilities with a view to making its pulp production processes more efficient, boosting power generation and making them more environmentally friendly. This capital expenditure breaks down as follows by facility:

	Thousands of euros	
	1H15	1H14
Navia (Asturias)	12,069	16,193
Huelva	-	5,464
Pontevedra	4,151	11,911
41-MW Huelva plant	3,100	-
20-MW Mérida plant	-	11,521
Other	219	288
	19,539	**45,377**

In 2015, the Group carried out investments at its industrial complex in Navia (Asturias) and the 41-MW Huelva plant with a view to increasing the mill's capacity by 20,000 ADt, enhancing efficiency and reducing production costs. At the Pontevedra facility, capital expenditure was earmarked mainly to improving its environmental performance as well to replacement investments.

11.2. Public-domain concession arrangement

The concession for the use of the public-domain coastal land on which the Pontevedra factory sits was granted to the Company by Ministerial Order on 13 June 1958 without any set expiry date.

Subsequently, the Coastal Act of 1988 (Law 22/1988 of 28 July) stipulated that the holder of concessions granted prior to effectiveness of this Act, therefore applying to the Company's concession in Pontevedra, would be deemed granted for a maximum term of 30 years from enactment of the Coastal Act. This Coastal Act came into effect on 29 July 1988, which means that under that piece of legislation, the concession would terminate on 29 July 2018.

Under the scope of Law 2/2013, of 29 May 2013, on coastal protection and sustainability and amending the Coastal Act, and the General Coast Regulations enacted by means of Royal Decree 876/2014 (10 October 2014), ENCE has taken the initial steps to have the concession extended for a maximum term provided under law, starting from the date of the extension application, which is 8 November 2013 (note 21).

The carrying amount of the assets located on this concession land was €60,838 thousand at 30 June 2015 (€66,071 thousand at 31 December 2014). The Company is depreciating these assets under an accelerated depreciation schedule to 2018.

11.3. Asset revaluations

The Group restated all its forest land to fair value as of 1 January 2004, the date of transition to IFRS-EU. This value was determined by independent expert appraisers. As permitted under IFRS, these revalued amounts were considered deemed cost. The gain on the revaluation, net of the corresponding deferred tax liability of €19,317 thousand, amounts to €57,364 thousand and is included in "Valuation adjustments" in equity. That fair value benchmark has been used as deemed cost in subsequent years.

11.4. Provision for impairment

As a result of regulatory changes in the energy sector in Spain (note 21), in 2013 and 2014, the Group wrote its investments in irrigation equipment installed in estates in which energy crops are grown and capitalised costs incurred to develop new biomass-fuelled power generation facilities down for impairment. The impairment charges in this respect, recognised in prior years, stood at €10,314 thousand at 30 June 2015.

In addition, as a result of the discontinuation of pulp production in Huelva, the industrial facilities and nurseries in this complex were also written down for impairment; the charges recognised in profit and loss in this respect amounted to €54,000 thousand (notes 21 & 22).

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

11.5. Insurance cover

It is Group policy to take out the insurance policies necessary to cover the potential risks to which the various items of property, plant, and equipment are exposed. The Parent's directors believe that the coverage provided by these policies at the reporting date is sufficient.

12. Biological assets

"Biological assets" include the Group's forest cover, which breaks down as follows at 30 June 2015 and 31 December 2014:

Thousands of euros	30/06/2015	31/12/2014
Forest cover earmarked for pulp	82,877	85,234
Forest cover earmarked for energy crops	4,279	4,618
Non-forest cover	417	395
TOTAL	**87,573**	**90,247**

The movement in this heading during the first half of 2015:

	Thousands of euros				
	Balance at year-end 2014	Additions/ (charges)	Disposals	Transfers (note 21)	Balance at 30/06/2015
Earmarked for pulp & other uses:					
Forest cover	150,929	1,762	-	-	152,691
Depletion of forest reserve	(34,219)	(3,908)	-	(1,453)	(39,580)
Provision for impairment	(31,081)	(189)	-	1,453	(29,817)
	85,629	**(2,335)**	**-**	**-**	**83,294**
Earmarked for energy crops:					
Forest cover	47,463	2,701	(6,411)	-	43,753
Depletion of forest reserve	(864)	(691)	6,763	(21,470)	(16,262)
Provision for impairment	(41,981)	-	-	18,769	(23,212)
	4,618	**2,010**	**352**	**(2,701)**	**4,279**
	90,247				**87,573**

In the first half of 2015, the Group planted 22 hectares of land and carried out forest preservation and protection work on 855 hectares.

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

12.1. Additions to forest cover

In the first half of 2015, Group capital expenditure on forest plantation and crop maintenance amounted to€1,762 thousand (€4,894 thousand in 1H14).

The investments in energy crops correspond to the dismantling costs incurred at leased estates prior to termination of the lease agreements. These investments have been fully written down for impairment.

The Group capitalised borrowing costs of €58 thousand in the first half of 2015. This income is presented in the consolidated income statement as a reduction in "Other finance costs".

12.2. Provision for impairment

At 30 June 2015, the Group has recognized impairment provisions on its biological assets, recognised in profit and loss in prior years, in the amount of €53,029 thousand. Of this sum, €4,008 thousand is related to the discontinuation of pulp production in Huelva and €19,204 thousand was caused by the impairment of energy crops due to the change in applicable remuneration under the new regulatory framework (note 21).

In parallel, the decision to cease pulp production in Huelva has required identifying an alternative use for the Group's forestry assets in southern Spain; this timber will now be sold to third parties, an alternative that could imply additional costs (mainly transportation), or used as biomass for power generation purposes, an option that gives these assets a low net realisable value. This development has given rise to impairment provisions on these assets which stood at €16,242 thousand at 30 June 2015 (note 21). In addition, an impairment loss of €8,956 thousand has been recognised against forest assets in northern Spain.

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

13. Financial instruments by nature and category

The Group's financial instruments mainly include deposits, trade and other receivables, derivatives and loans. The table below reconciles the Group's financial instruments by category and the consolidated statement of financial position headings:

Thousands of euros	Loans and receivables / payables	Trading derivatives	Hedging derivatives	Held-to-maturity investments	Total at 30/06/2015
Derivative financial instruments	-	-	-	-	-
Financial accounts receivable	-	-	-	8,542	8,542
Trade and other receivables	120,933	-	-	-	120,933
Cash and cash equivalents	91,512	-	-	-	91,512
Total financial assets	**212,445**	**-**	**-**	**8,542**	**220,987**
Non-recourse borrowings	102,366	-	-	-	102,366
Recourse borrowings	240,567	-	-	-	240,567
Derivative financial instruments	-	257	10,286	-	10,543
Trade and other payables	189,543	-	-	-	189,543
Other financial liabilities	9,896	-	-	-	9,896
Total financial liabilities	**542,372**	**257**	**10,286**	**-**	**552,915**

Thousands of euros	Loans and receivables / payables	Trading derivatives	Hedging derivatives	Held-to-maturity investments	Total at 31/12/2014
Available-for-sale financial assets	-	-	-	-	-
Derivative financial instruments	-	-	999	-	999
Financial accounts receivable	-	-	-	8,513	8,513
Trade and other receivables	110,178	-	-	-	110,178
Cash and cash equivalents	73,428	-	-	-	73,428
Total financial assets	**183,606**	**-**	**999**	**8,513**	**193,118**
Non-recourse borrowings	106,446	-	-	-	106,446
Recourse borrowings	250,007	-	-	-	250,007
Derivative financial instruments	-	4,280	11,196	-	15,476
Trade and other payables	165,069	-	-	-	165,069
Other financial liabilities	9,871	-	-	-	9,871
Total financial liabilities	**531,393**	**4,280**	**11,196**	**-**	**546,869**

The financial assets and liabilities measured at fair value are mostly derivative financial instruments. They are valued using different quoted price variables that are observable, either directly, or indirectly using valuation techniques.

14. Derivative financial instruments

In keeping with the risk management policy outlined in note 6 of the Group's 2014 consolidated annual financial statements, the Group arranges derivative contracts, mainly to hedge the risks deriving from fluctuations in interest rates, exchange rates, pulp prices, gas prices, fuel-oil prices and the cost of the electricity used in its productive processes.

Among the financial instruments used to hedge interest-rate risk, interest rate swaps are the most common. The Group mainly uses tunnel-structure Asian options, swaps and futures contracts to hedge changes in exchange rates and the prices of pulp and certain energy products.

The breakdown of this condensed consolidated statement of financial position heading at 30 June 2015 and 31 December 2014, which corresponds with the fair value of the derivatives at the reporting dates, is provided in the next table:

	Current assets		Non-current liabilities		Current liabilities	
Thousands of euros	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Cash flow hedges:						
Energy sale hedges	-	999	-	-	363	-
IRS - 50-MW project finance	-	-	4,847	5,677	2,260	2,280
IRS - 20-MW project finance	-	-	1,978	2,426	838	813
Currency hedges	-	-	-	-	257	-
		999	6,825	8,103	3,718	3,093
Trading derivatives:						
Equity swap	-	-	-	-	-	4,280
Total	-	**999**	**6,825**	**8,103**	**3,718**	**7,373**

All of the financial instruments arranged have been valued subsequent to initial recognition by reference to observable market data, either directly (i.e., prices), or indirectly (i.e. inputs derived from prices).

A fair value loss of €2,128 thousand on derivatives designated as hedging instruments was reclassified to profit and loss in the first half of 2015 (a loss of €2,860 thousand in 1H14).

14.1. Currency hedges

In order to hedge the risks to which the Group is exposed as a result of fluctuations in the dollar-euro exchange rate, during the first half of 2015, ENCE arranged a tunnel option strategy (Asian options) over US dollars (this means using the average exchange rate for a given period instead of the rate on a specific date as the benchmark).

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

The breakdown of these options at 30 June 2015 is as follows:

Underlying	Last exercise date	Call option strike price	Put option strike price	Notional amount (USD)
EUR-USD	May-16	1.0350	1.1375	16,500
EUR-USD	May-16	1.0835	1.1650	16,500
EUR-USD	May-16	1.0875	1.1700	16,500
EUR-USD	May-16	1.0765	1.1575	16,500
EUR-USD	June-16	1.0650	1.1575	18,000

These instruments presented a negative fair value at 30 June 2015 of €257 thousand; this loss is recognised in "Current liabilities – derivatives" in the consolidated statement of financial position with a balancing entry under "Change in fair value of financial instruments" in the accompanying condensed interim income statement. Their fair value is derived entirely from the time value of money.

14.2. Energy sale hedges

The Group is exposed to fluctuations in the prices of certain energy products that are used in its productive processes and can have a significant impact on its production costs. This risk is partially hedged by commodity swaps.

The Group has written commodity swaps covering the price at which it sells its power output to the national electricity system (OMEL). The breakdown of the hedges outstanding at 30 June 2015:

Maturity	Amount (MWh)	Price range in euros
2H15	298,080	48.85/52.15
1H16	43,680	47

These instruments presented a negative fair value at 30 June 2015 of €363 thousand (a positive fair value of €999 thousand at 31 December 2014); this gain is recognised in "Current liabilities – derivatives" in the consolidated statement of financial position with a balancing entry, net of the corresponding tax effect, in "Equity – Valuation adjustments".

A fair value loss of €294 thousand on energy sale hedges was reclassified to profit and loss in the first half of 2015 (1H14: a loss of €413 thousand).

14.3. Interest rate swaps

The Group actively manages its exposure to interest rate risk derived from borrowings taken out at floating rates.

The interest rate derivatives arranged by the Group and outstanding at the reporting date are shown below:

30 June 2015

Thousands of euros	Fair value	Notional principal amounts at reporting date:						
		2015	2016	2017	2018	2019	2020	2021
IRS - 50-MW project finance facility	7,107	66,965	60,750	54,043	47,074	40,109	-	-
IRS - 20-MW project finance facility	2,816	43,472	40,508	37,456	34,301	31,023	27,688	24,248

31 December 2014

Thousands of euros	Fair value	Notional principal amounts at reporting date:						
		2015	2016	2017	2018	2019	2020	2021
IRS - 50-MW project finance facility	7,957	66,965	60,750	54,043	47,074	40,109	-	-
IRS - 20-MW project finance facility	3,239	43,472	40,508	37,456	34,301	31,023	27,688	24,248

The interest rate swaps associated with the project finance loans funding the 50-MW project in Huelva and the 20-MW project in Mérida qualify as effective accounting hedges.

A fair value loss of €1,578 thousand on interest rate swaps was reclassified to profit and loss in the first half of 2015 (1H14: a fair value loss of €1,449 thousand) (note 8).

14.4. Equity swap

The equity swap arranged by ENCE to service its "Special Bonus Plan for Executives for 2007–2011" expired during the first half of 2015. The Group recognised a gain of €942 thousand in the consolidated income statement in this respect in the first half of 2015 (1H14: a loss of €1,326 thousand).

ence
ENERGÍA & CELULOSA

15. Inventories

The breakdown of the Group's inventories at 30 June 2015 and 31 December 2014 is as follows:

Thousands of euros	30/06/2015	31/12/2014
Timber	22,946	19,965
Other raw materials	1,986	2,389
Spare parts	20,698	21,649
Finished goods	6,069	10,641
Prepayments to suppliers	1,034	2,186
Impairment (*)	(18,681)	(18,911)
	34,052	**37,919**

(*) Related primarily to slow-moving parts.

There are no restrictions on title to inventories.

It is Group policy to take out the insurance policies necessary to cover the potential risks to which its inventories are exposed and management believes that its coverage at the reporting date is adequate.

16. Trade and other receivables

The breakdown at 30 June 2015 and 31 December 2014 of "Trade and other receivables" in the condensed consolidated statement of financial position is as follows:

Thousands of euros	30/06/2015	31/12/2014
Trade receivables, pulp sales	61,525	58,788
Trade receivables, energy sales	37,524	37,357
Trade receivables, other sales	3,502	5,614
Sundry receivables and receivable from employees	4,594	937
Provision for impairment	(2,947)	(2,265)
	104,198	**100,431**

The regulatory changes introduced in the Spanish energy sector have included, among other measures, the obligation on the part of all parties receiving remuneration from the system operator to finance the electricity tariff deficit. The Group's share of the financing of this deficit pending collection at 30 June 2015 amounts to €9,601 thousand.

The "Sundry receivables and receivable from employees" balance mainly includes sums pending collection from the insurance company in connection with damages affecting the power generation turbine at the Pontevedra complex at the end of 2013. This payment is expected to be collected during the third quarter of 2015.

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

The average credit period on pulp sales ranges between 50 and 60 days. The fair value of pulp receivables does not differ significantly from their carrying amount.

The Group has drawn down €31,988 thousand under several factoring agreements deemed non-recourse, as all the risks intrinsic to monetisation of the underlying receivables have been transferred, with an aggregate limit of €85,000 thousand at 30 June 2015 (€30,530 thousand and €83,000 thousand, respectively, at 31 December 2014). The Group pays interest equivalent to 3-month Euribor plus a spread ranging between 1.5 and 2.5% on the receivables discounted under these agreements.

17. Trade and other payables

The breakdown at 30 June 2015 and 31 December 2014 of "Trade and other payables" in the condensed consolidated statement of financial position is as follows:

Thousands of euros	30/06/2015	31/12/2014
Trade payables	150,166	139,559
Payable to fixed asset suppliers	22,177	8,916
Employee benefits payable	3,439	7,851
	175,782	**156,326**

The average payment term awarded on the purchase of goods and services ranges between 60 and 75 days.

The Group has drawn down €70,956 thousand under non-recourse reverse factoring agreements with an aggregate limit of €114,000 thousand at 30 June 2015 (€64,625 thousand and €113,000 thousand, respectively, at 31 December 2014).

18. Equity

18.1. Share capital

The share capital of Ence Energía y Celulosa, S.A. at 30 June 2015 was represented by 250,272,500 fully subscribed and paid bearer shares, each with a par value of €0.90.

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

The chart below depicts the Company's shareholder structure at 30 June 2015 and 31 December 2014:

	%	
Shareholder	30/06/2015	31/12/2014
Retos Operativos XXI, S.L.	26.5	26.5
Alcor Holding, S.A.	5.9	6.2
La Fuente Salada, S.L.	5.4	5.4
Asúa Inversiones, S.L.	5.2	5.2
Amber Capital UK LLP	4.4	4.4
Norges Bank Investment Management	3.3	3.6
Treasury shares	0.6	1.2
Free float	48.7	47.5
Total	**100.0**	**100.0**

The Company's shares are represented by book entries and are officially listed on the Spanish stock exchanges and traded on the continuous market. All of its shares confer equal voting and dividend rights.

18.2. Dividends

At the Annual General Meeting held on 28 April 2015, the shareholders of Ence Energía y Celulosa, S.A. ratified the motion to pay a dividend against the share premium account in the amount of €0.10 per Ence Energía y Celulosa, S.A. share. The dividend, which totalled €24,889 thousand, was paid out on 8 May 2015.

The earnings per share calculations (which coincide with diluted earnings per share) for the six-month period ended 30 June 2015 are shown below:

Earnings per share (€)	Six months ended 30/06/2015
Consolidated profit/(loss) for the period attributable to owners of the parent	22,133,000
Ordinary shares outstanding at 31/12/2014	250,272,500
Ordinary shares outstanding at 30/06/2015	250,272,500
Weighted average ordinary shares	250,272,500
Basic earnings per share (€)	**0.09**
Diluted earnings per share (€)	**0.09**

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

18.3. Parent Company shares

The reconciliation of "Own shares - parent company shares" at the beginning and end the six-month period ended 30 June 2015 is as follows:

	No. of shares	Thousands euros
Opening balance	2,920,663	5,744
Purchases	119,000	250
Sales	(1,661,200)	(3,273)
Closing balance	**1,378,463**	**2,721**

The own shares held by the Parent are held for market trading purposes.

19. Borrowings and cash and cash equivalents

The breakdown of the Group's borrowings at 30 June 2015 is as follows:

	30/06/2015		
	Current	Non-current	Total
High-yield bond	-	225,000	225,000
Loans and credit facilities	400	15,100	15,500
50-MW project finance facility	6,974	68,165	75,139
20-MW project finance facility	2,015	27,542	29,557
Arrangement fees (*)	(495)	(9,030)	(9,525)
Accrued interest payable and other	7,262	-	7,262
	16,156	**326,777**	**342,933**

(*) High-yield bond: €6,550 thousand; 50-MW project finance facility: €1,709 thousand; 20-MW project finance facility: €1,266 thousand.

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

The breakdown of bank borrowings at 30 June 2015 and 31 December 2014 corresponding to loans, credit facilities and discounting facilities, classified by their respective maturities, is as follows:

		Drawn	Due in				
30 June 2015 (thousands of euros)	Limit	down	2015	2016	2017	2018	Beyond
High-yield bond	225000	225,000	-	-	-	-	225,000
Revolving credit facility	90,000	-	-	-	-	-	-
50-MW project finance facility	101,309	75,139	3,330	7,288	7,762	7,878	48,881
20-MW project finance facility	60,692	29,557	977	2,077	2,075	2,205	22,223
Other loans	15,500	15,500	200	300	-	-	15,000
Interest and other	-	7,262	7,262	-	-	-	-
Arrangement fees	-	(9,525)	(495)	(1,935)	(1,991)	(1,721)	(3,383)
	492,501	342,933	11,274	7,730	7,846	8,362	307,721

		Drawn	Due in				
30 June 2014 (thousands of euros)	Limit	down	2015	2016	2017	2018	Beyond
High-yield bond	250,000	250,000	-	-	-	-	250,000
Revolving credit facility	90,000	-	-	-	-	-	-
50-MW project finance facility	101,309	78,469	6,660	7,288	7,762	7,878	48,881
20-MW project finance facility	60,692	30,533	1,953	2,077	2,075	2,205	22,223
Other loans	700	700	400	300	-	-	-
Interest and other	-	7,886	7,886	-	-	-	-
Arrangement fees	-	(11,135)	(495)	(2,090)	(2,132)	(2,181)	(4,237)
	502,701	356,453	16,404	7,575	7,705	7,902	316,867

19.1. ENCE bond issue

On 1 February 2013, ENCE Energía y Celulosa, S.A. closed the placement of a €250 million bond issue with qualified institutional investors under Rule 144A and Regulation S of the US Securities Act of 1933, as amended. The issue was carried out under New York state law and the bonds are traded on the Luxembourg Euro MTF exchange.

On 4 June 2015, the Company bought back 10% of the 2013 bond issue.

The bonds fall due on 15 February 2020 and accrue a fixed annual coupon, payable six-monthly, of 7.25%. The bonds are guaranteed, mainly, by pledges over the shares of the Group's main operating companies (Celulosas de Asturias, S.A., Celulosa Energía, S.A., Norte Forestal, S.A. and Silvasur Agroforestal, S.A.) and pledges over the accounts receivable, bank accounts and intra-group loans. The bonds imply certain disclosure requirements and restrictions on the payment of dividends and arrangement of additional borrowings in the event of failure to comply with certain financial ratios that are customary in deals of this nature. The projects that have arranged project finance facilities to fund the development of biomass power generation projects did not extend any guarantees under the scope of this bond issue. The transaction costs amounted to approximately €10 million.

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

Under the scope of this issue, two credit ratings agencies issued an opinion on the creditworthiness of the Group as a whole and of its bond issue. The current issuer and issue credit ratings assigned by Standard&Poors and Moody's are BB-/BB- and Ba3/B1, respectively.

Also under the scope of this issue, a revolving €90 million credit facility was arranged with a syndicate of prestigious Spanish and international banks. This facility accrues interest at a rate benchmarked to Euribor and matures in 2018. It was fully drawn down at the reporting date. This agreement is governed by English and Welsh legislation.

19.2. Project finance facilities

50-MW Huelva plant

On 21 June 2011, the Group and a syndicate of seven banks entered into a project finance loan agreement to finance the construction of a biomass-fuelled power generation plant (note 11). The loan was initially granted for €101,309 thousand, of which €85,256 thousand has been drawn down to date. Loan repayments began on 22 June 2013 and the facility is scheduled for full repayment by 22 December 2022. It accrues interest at a floating rate indexed to Euribor plus a spread ranging between 3.25% and 3.75%, depending on how many years have elapsed since it was granted. The fee for structuring this loan was €3,483 thousand.

20-MW Mérida plant

On 1 August 2012, the Group and a syndicate of three banks entered into a project finance loan agreement to fund the construction of a biomass-fuelled power generation plant (note 11). The loan was initially granted for €60,692 thousand, of which €29,500 thousand has been drawn down to date. Loan repayments began on 15 December 2014 and the facility is scheduled for full repayment by 15 June 2027. It accrues interest at a floating rate indexed to Euribor plus a spread ranging between 3.5% and 4.0%, depending on the loan repayment instalment. The fee for structuring this loan was €1,656 thousand.

The disclosures regarding the guarantees extended and obligations and other restrictions assumed in the context of these project finance facilities are provided in note 19 of the 2014 consolidated financial statements.

Refinancing process

The regulatory changes affecting the energy business have affected the ability of the projects' holding companies to meet certain of the obligations covenanted under their financing agreements (note 21).

At present, the Group is in talks with the banks that provided the 50-MW Huelva and 20-MW Mérida project finance facilities with a view to adapting the size of the facilities to the above-mentioned regulatory changes, particularly the new supply structure.

The proposed new facility would be structured as a single senior loan that would cover the two power generation plants, the distinguishing characteristics of which include: 1) a guarantee regime that only affects the Energy business such that the loan is non-recourse to the parent, Ence Energía y Celulosa, and the rest of the Pulp business; and 2) a biomass supply system adapted for the new regulatory environment and based on biomass secured in the marketplace.

The goal is to conclude the negotiation process in the third quarter of 2015 and to secure funding of at least that already drawn down as well as longer repayment terms than those contemplated in the current loan agreements.

19.3. Other loans

On 23 April 2015, ENCE arranged a €15 million loan repayable in a single bullet payment on 24 March 2019. This loan accrues interest at Euribor + 2.1% and is secured by several of the Group companies engaged in the pulp business. The loan was taken out to fund some of the investments to be carried out at the Asturias complex in connection with planned capacity additions (note 11).

19.4. Other financial liabilities

The amount recognised in the accompanying consolidated statement of financial position corresponds primarily to loans extended at below-market rates and sometimes even interest-free.

The breakdown by maturity at 30 June 3015 and 31 December 2014 is as follows:

Thousands of euros	2015	2014
2015	1,482	1,858
2016	1,543	1,280
2017	1,279	1,279
2018	1,288	1,288
2019 and beyond	5,210	5,210
Unwind of discount	(906)	(1,044)
	9,896	**9,871**

19.5. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash on hand and short term bank deposits with original maturities of three months or less. The carrying amount of these assets approximates their fair value. These assets earned an average rate of 0.34% in the first half of 2015 (1.07% in 1H14).

The 30 June 2015 statement of financial position includes €9,568 thousand of cash denominated in US dollars (year-end 2014: €2,667 thousand).

19.6. Other financial assets

This heading mainly includes deposits set up to guarantee obligations assumed in writing certain derivative financial instruments (note 14), as well as under the agreements entered into for the future purchase of emission allowances (note 10).

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

ence
ENERGÍA & CELULOSA

20. Tax matters

The balances receivable from and payable to the tax authorities at 30 June 3015 and 31 December 2014 are shown below:

	Thousands of euros			
	30 June 2015		31 December 2014	
	Balances receivable	Balances payable	Balances receivable	Balances payable
Non-current:				
Deferred tax assets	79,197	-	81,588	-
Deferred tax liabilities	-	21,368	-	21,948
Total	**79,197**	**21,368**	**81,588**	**21,948**
Current:				
Income tax receivable and VAT payable	13,855	1,712	8,492	1,942
Current tax on profits for the year	2,852	6,740	303	94
Tax in respect of prior years	-	-	11,631	-
Electricity levy	-	2,466	876	3,039
Sundry taxes receivable from/payable to tax authorities	363	2,843	379	3,668
Total	**17,070**	**13,761**	**21,681**	**8,743**

Current tax expense was calculated using the prevailing tax rate of 28%.

20.1. Deferred tax assets

The reconciliation of the opening and closing balances of "Deferred tax assets" for the six months ended 30 June 2015 is shown below:

	Thousands of euros			
	Taxable income & tax credits (*)	Hedging instruments	Other deferred tax assets	Total
Opening balance	53,780	2,938	24,870	81,588
Estimated 2015 income tax	(2,176)	-	-	(2,176)
Change in fair value of hedging instruments	-	(59)	-	(59)
Other	-	-	(156)	(156)
	51,604	**2,879**	**24,714**	**79,197**

(*) Utilisation of tax losses is limited to 25% of taxable income in 2016

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

The deferred tax assets have been recognised in the condensed consolidated statement of financial position based on the judgement, using the best estimate of the profits of the companies comprising the consolidated Tax Group, that it is highly probable that future taxable profit will be available against which the tax assets can be utilised within the prescribed term.

As provided in Spanish legislation, unused tax losses generated during a given year can be offset against taxable income generated by the consolidated Tax Group No. 149/02 in successive years, as they do not prescribe.

20.2. Years open to inspection and tax inspections

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the inspection period in effect in each tax jurisdiction has prescribed (four years in Spain and Portugal and five years in Uruguay). The directors believe that the tax contingencies that could arise from the investigations underway (note 21) and from any review of the returns still open to inspection, if any, will not have a material impact on the accompanying condensed consolidated financial statements.

21. Provisions, impairment charges, guarantees and contingent liabilities

21.1. Provisions and impairment charges

The reconciliation of the opening and closing balances of current and non-current provisions for the six months ended 30 June 2015 is as follows:

	Thousands of euros				
	Balance at 01/01/2015	Additions/ (charges)	Derecognitions or decreases	Transfers (note 12)	Balance at 30/06/2015
Non-current:					
Employee commitments (notes 6)	712	3,155	(1,765)	-	2,102
Emission allowances (note 10)	5,081	1,008	(5,081)	-	1,008
Discontinuation of pulp production in Huelva	3,917	-	-	-	3,917
Other	1,437	408	(61)	-	1,783
	11,147	**4,571**	**(6,907)**		**8,811**
Current					
Costs of unwinding energy crop and other lease agreements	9,898	-	(41)	(2,701)	7,156
Discontinuation of pulp production in Huelva	9,822	400	(3,422)	-	6,800
	19,720	**400**	**(3,463)**	**(2,701)**	**13,956**

<u>**Changes in the regulatory framework governing the Spanish energy sector**</u>

In 2013 and 2014, the Spanish government passed a series of laws and regulations which have had the effect of modifying the remuneration and tax regime applicable to the generation of energy from renewable sources, including generation and co-generation facilities fuelled by biomass.

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

The new regulations had the following significant impacts on the carrying amounts of the Group's assets and liabilities:

1. Impairment of energy crops and other related assets

   In prior years, the ENCE Group had invested significantly in energy crops as part of its growth strategy for its biomass power generation business under the regime afforded by Royal Decree-Law 661/2007 (25 May 2007), which enacted the regime applicable to renewable energy or the so-called 'special' regime.

   The regulatory changes introduced in the Spanish energy sector between 2013 and 2014 were legislated without any consideration whatsoever for compensating developers for these heavy investments, triggering the need to write down the investments in energy crops and other assets for impairment.

   The following table itemises the impact on profit and loss of the impairment provisions recognised against the Group's various assets, as well as the outstanding related obligations as of 30 June 2015:

	Income statement impact			Outstanding obligation
Thousands of euros	2013	2014	Total	
Energy crop plantations (note 12)	12,219	22,370	34,589	19,204
Irrigation facilities (note 11)	4,475	4,049	8,524	8,204
Termination of lease agreements	5,228	10,401	15,629	7,156
Energy crop R&D (note 10)	2,853	-	2,853	2,853
Energy project development costs (note 11)	2,110	-	2,110	2,110
	26,885	**36,820**	**63,705**	**39,527**

2. Settlement of remuneration earned on energy sold in 2013 and 2014

   Spain's energy sector reforms were rounded out on 20 June 2014 with the publication of Ministerial Order IET/1045/2014 (16 June 2014) enacting the standard facility remuneration parameters applicable to certain electricity producing facilities that use co-generation, renewable energy sources or waste, with retroactive effect to 14 July 2013, the date on which Royal Decree-Law 9/2013 took effect.

   In 2013 and the first half of 2014, the regulator settled energy remuneration applying the terms of the outgoing regime, namely Royal Decree 661/2007, which meant that the retroactive application of the new regime entailed the reimbursement to the regulator in 2014 of €10,809 thousand of accrued settlements (€13,150 thousand in 2013).

3. Project finance facilities arranged to fund the power generation developments

   The regulatory changes introduced in the energy sector have affected cash flow generation at the 50-MW Huelva and 20-MW Mérida projects as well as the ability of the holding companies to meet some of the obligations covenanted in the related financing agreements.

   The lenders' estimates of the combined impact of application of Law 15/2012 of 27 December 2012, on fiscal measures towards energy sustainability, and Royal Decree-Law 2/2013 of 1 February 2013, on urgent

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

electricity system and financial sector measures, prompted them to propose reducing the amount of project financing available for the 20-MW Mérida and 50-MW Huelva projects by €20 million and €29 million, respectively. These estimates were made during the first half of 2013 and therefore do not factor in Royal Decree 413/2014, of 6 June 2014, regulating the production of electric power by means of renewable sources, co-generation and waste, which took effect on 11 June 2014, or Ministerial Order IET/1045/2014, of 16 June 2014, approving the remuneration parameters for standard facilities applicable to certain facilities that generate power by means of renewable sources of energy, co-generation and waste, published on 20 June 2014.

At present, the Group is in talks with the banks that provided the 50-MW Huelva and 20-MW Mérida project finance facilities with a view to adapting the size of the facilities to the above-mentioned regulatory changes (note 19).

On 30 December 2014, the banks that provided these facilities expressly manifested that it is not their intention to seek early repayment of the loans extended or to declare the loans due as a result of the breach, forced by the regulatory changes in the Spanish energy sector, of certain covenants in the loan agreements related to the energy crop business. This waiver is valid until 31 December 2015.

In addition, the new Spanish regulatory framework implies the application of the same regime to energy crops as forestry and agricultural biomass for remuneration purposes and establishes a cap on the amount of output eligible for remuneration premiums of 80%-90% of the plants' nominal annual capacity.

Discontinuation of pulp production in Huelva

The lack of competitiveness of the industrial complex in Huelva caused by the impact of the regulatory reforms undertaken in the Spanish energy sector, drastically reducing premiums for the co-generation of power using lignin to well below the levels received by our European peers, coupled with the structural scarcity of eucalyptus wood in the vicinity of the complex, forced ENCE to announce, on 4 September 2014, its decision to specialise in clean energy generation at the Huelva complex and to cease the production of pulp.

The following table itemises the impact on profit and loss of the corresponding impairment provisions recognised against the Group's various assets, as well as the outstanding related obligations as of 30 June 2015:

	Income statement impact		Outstanding
Thousands of euros	2014	2015	obligations
Asset impairment:			
Industrial facilities (note 11)	44,744	-	54,000
Forest plantations (note 12)	20,949	-	20,250
Spare parts	6,027	-	6,206
Quarry mining rights (note 10)	746	-	746
Contractually-assumed obligations	16,498	400	10,717
Employee benefits expense	20,395	-	314
	109,359	**400**	**92,233**

21.2. Guarantees

At 30 June 2015, several financial institutions had extended the various Group companies guarantees for an aggregate amount of approximately €48,580 thousand, of which €26,638 thousand is accounted for by guarantees of a financial nature.

The Board of Directors does not expect the amounts guaranteed or the guarantees extended to result in material liabilities for the Group.

21.3. Contingent liabilities

Note 18 to the Group's 2014 consolidated annual financial statements provides disclosures in respect of the Group's contingent liabilities at year-end. The material changes in contingent liability related issues occurring during the first half of 2015 are detailed below:

<u>Public-domain concession - Pontevedra factory</u>

Under the scope of Law 2/2013, of 29 May 2013, on coastal protection and sustainability and amending the Coastal Act, and the General Coast Regulations enacted by means of Royal Decree 876/2014 (10 October 2014), ENCE has taken the initial steps to have the concession extended for the maximum term provided under law, starting from the date of the extension application, which is 8 November 2013.

The processing of this application has been suspended by legal injunction until the administrative case regarding the expiry of this concession, initiated by the Ministry of Agriculture, Food and the Environment in executing the Supreme Court sentence of 11 July 2014, has been resolved.

Sentences handed down by the National High Court (Chamber for Contentious Administrative Proceedings) on 19 May 2011 and 19 April 2013 ordered the state to initiate proceedings to investigate the expiry of the Pontevedra concession on the grounds alleged by an environmental association. The first of these sentences was upheld by the Supreme Court on 11 July 2014.

Carrying out this sentence, the Ministry for Agriculture, Food and the Environment has initiated the case as required and heard three rounds of pleas by ENCE arguing the lack of legal grounds for declaring the concession expired. The case is currently pending ruling by the Ministry for Agriculture, Food and the Environment; however, it has already issued a proposed ruling stating that the concession has not expired except in respect of the land earmarked to the Placeres wastewater treatment plant and the underwater discharge pipeline and the land reserved for sports facilities, albeit making maintenance of the said land incumbent upon the treatment plant and discharge pipeline operator.

22. Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale when its carrying amount is to be recovered principally through a sale transaction insofar as a sale within the next 12 months is considered highly probable. These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The breakdown of "Non-current assets held for sale" at 30 June 2015 and 31 December 2014 is as follows:

Thousands of euros	30/06/2015	31/12/2014
NON-CURRENT ASSETS		
Huelva industrial complex	**34,053**	**34,632**
Forest land and cover	**37,879**	**38,822**
Forest land	34,034	33,955
Forest cover	3,845	4,867
Investment and other properties	**3,925**	**3,925**
TOTAL	**75,857**	**77,379**

The decision to cease pulp production at the Huelva industrial complex has meant that some of its industrial assets are no longer used for productive purposes (note 21) and are now classified as 'available-for-sale'. These assets' recoverable amount has been estimated at €34,053 thousand, which implied the need to recognise impairment losses on these assets in prior years totalling €54,000.

The Group is in the process of carrying out the orderly sale of its irrigation-entitled forest land in southern Spain that used to be earmarked for energy crop development. This land encompasses approximately 2,000 hectares of irrigation-entitled land, alongside 1,000 hectares of adjacent land that does not carry irrigation entitlements. The carrying amount of the land and corresponding forest cover is €34,034 thousand and €3,845 thousand, respectively. Its realisable value, estimated on the basis of firm offers for part of this land and forest cover, is in the range of €40-€60 million.

During the first half of 2015, the Group closed the sale of 64 hectares of irrigated land for €1,952 thousand and 49 hectares of non-irrigated land for €146 thousand. In addition, it has entered into deposit agreements for the sale of 393 hectares of irrigated land for €11.9 million and of 124 hectares of non-irrigated land for €0.5 million. These sales are expected to go through during the second half of 2015, once the land segregation records have been duly processed.

Elsewhere, the Group has taken several measures to sell properties located in Pontevedra that are not used in its core business activities. The carrying amount of these assets is €3,925 thousand, in line with their estimated net realisable value.

23. Related-party disclosures

The Company performed the following transactions with related parties in the first six months of 2015 and 2014:

		Thousands of euros	
Related party	Item	1H15	1H14
Agroluan, S.L.	Services received	50	121
Grupo Foresta	Biomass	606	18

These transactions were arranged on an arm's length basis.

24. Director and key management personnel pay and other benefits

Note 30 to the Group's 2014 consolidated annual financial statements details the agreements in force regarding the remuneration and other benefits provided to the members of the Company's Board of Directors and its senior management team.

The table below summarises the most significant items of remuneration and benefits accrued during the six months ended 30 June 2015:

	Thousands of euros
Members of the Board of Directors:	
Type of remuneration-	
Fixed remuneration	314
Meeting attendance fees	240
Other expenses	4
	558
Executives:	
Total remuneration received by executives	**1,481**
	2,039

In addition, the key management personnel received €741 thousand under their long-term bonus plan.

The list of key management personnel as of 30 June 2015 is as follows:

Name	Position
Ignacio de Colmenares y Brunet	Chief Executive Officer
Jaime Argüelles Álvarez	Pulp and Energy Operations Officer
Javier Arregui Abendivar	Forestry Officer
Alvaro Eza Bernaola	Procurements Officer
María José Zueras Saludas	Corporate Resources Officer
Alfredo Avello de la Peña	Chief Financial Officer
Luis Carlos Martínez Martín	Communication and Institutional Relations Officer

The Parent has no pension or alternative insurance related obligations to its directors. However, the Chief Executive Officer, by virtue of his service agreement, shares in certain company profits, which are included in the corresponding pension contributions and payments.

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

25. Environmental disclosures

The Ence Energía y Celulosa Group has two pulp mills in Spain, one in Navia and the other in Pontevedra, and two biomass-fuelled renewable power generation stations, one in Huelva and one in Mérida, all of which hold the corresponding integrated environmental permit for the pursuit of their respective industrial activities.

As part of the total quality management (TQM) model, processes are carried out in keeping with management excellence, articulated around three cornerstones:

1) Managing improvement
2) Managing processes
3) Managing everyday activities

This management model is based on a continuous improvement approach with a focus on maximising efficiency and competitiveness by addressing matters related to quality, health and safety, environmental protection and pollution prevention as one. Against this backdrop, the Group has established targets with a clear environmental focus aimed specifically at:

- Reducing odour pollution
- Improving the quality of wastewater
- Boosting energy efficiency
- Reducing the consumption of raw materials
- Cutting waste generation
- Reduction of noise levels

In addition, the biomass renewable power generation station in Huelva and the pulp mills in Navia and Pontevedra are in the process of implementing an integrated management system that complies with the following standards:

- UNE-EN-ISO 9001 (quality management)
- UNE-EN-ISO 14001 (environmental management)
- OHSAS 18001 (workplace health and safety management)

This integrated system is certified by an accredited organism that carries out the corresponding audits. The overriding goal of the system is to ensure that all of ENCE's activities are carried out under the scope of the management policy set by senior management and the Group's defined strategic targets are met. The management system is articulated around processes that are identified and evaluated in order to facilitate control tasks and their continual improvement.

Furthermore, the biomass renewable power generation station in Huelva and the pulp mills in Navia and Pontevedra participate in the Community eco-management and audit scheme (EMAS) governed by Regulation (EC) No. 1221/2009. Validation of the environmental statement enables continued participation by all three facilities in this scheme, each of which was the first in their respective regions to assume this demanding voluntary commitment which only a limited number of companies uphold today.

At ENCE, environmental management seeks to go beyond compliance with prevailing legislative requirements applicable to pulp production. The goal is to be a sector benchmark in terms of environmental performance. The related legislative requirements are laid down in the corresponding integrated environmental permit which defines the environmental criteria for operating an industrial facility.

The goal is to prevent, or at least minimise, and control the impact of business operations on air, water and soil with a view to protecting the environment as a whole.

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

To this end, the permit sets emission limits for each facility based on best available techniques (BAT), as well as surveillance plans in respect of all significant environmental parameters.

Under the scope of the TQM model, the Group is developing the operating standards needed to optimally control and manage potential environmental fallout. In fact, the results obtained, which are a testimony to the effectiveness of this management model, certify due compliance with applicable legislation.

These achievements are the result of the commitment of all the people working at ENCE and the investment effort undertaken in recent years, underpinned by implementation of the best available techniques (BAT) and best environmental practices (BEP) defined in the sector BREF (Best Available Techniques in the Pulp and Paper Industry 2014) recently approved by the European Parliament's ENVI Committee.

Huelva Operations Centre

The activity carried out at the Huelva Operations Centre since it was commissioned on 24 October 2014 consists of the production of electric power from forestry biomass by means of two biomass furnaces, with nominal capacity of 41 MWe and 50 MWe, known as HU-40 and HU-50, respectively.

As for the environmental impact of this facility's wastewater, the main readings tracking the quality of the effluents discharged, such as total organic carbon (TOC) and suspended solids, fell substantially year-on-year during the first half of 2015 due to the discontinuation of pulp production on 9 October 2014.

In terms of waste generation and management, the sand and ash generated by the biomass furnaces are managed with a view to their recovery, specifically for use in the manufacture of aggregates and for soil treatment purposes. All of the ash generated at both plants and the sand generated at HU-50 were recovered in the first half of 2015. The sand produced at HU-40, which is currently going to landfill, will also be recovered from the third quarter of this year on.

Navia Operations Centre

The progress made on implementation of the TQM has led to a change in the focus of the operational control strategies pursued by the teams operating the productive facilities. The initial results of this change in strategic focus include a 10.5% year-on-year reduction in the use of chemical products during the pulp delignification and bleaching processes in the first half of 2015.

During the first half of 2015, the Navia Operations Centre focused its efforts on delivering a substantial improvement in process control by redesigning and redefining operations to focus on the reduction of operating costs. This streamlining process is designed to deliver excellence in terms of operational control, initially tackling the processes that are critical to the productive process with a view to subsequently taking on other areas over the course of 2015.

The operational improvements are going to be accompanied by facility upgrades, specifically execution of plans to enhance the facility's productive and environmental performance by means of application of best available techniques to mission-critical processes.

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

The objectives pursued by this project, which is expected to take one year to complete, are the following:

- Maximisation of the facility's utilisation and production, increasing pulp production capacity by 8%.

- Improvement of the facility's environmental footprint, reducing NOx emissions at the recovery furnace by 12-15%, minimising consumption of chlorine dioxide during the bleaching process and implementing specific measures to reduce overall noise pollution.

- Enhancement of the complex's energy performance, reducing its electricity consumption by 7.5% per tonne of pulp produced.

Steady progress was made on execution of this project during the first half of 2015, thanks to the following modifications made to the facility:

- Improvements to the recovery furnace by means of implementation of a tertiary air system, improvements to the black liquor injection system and the treatment of odorous gases.

- Improvements in the digester system thanks to structural changes to the continuous digester's design in order to facilitate liquor circulation and boost its performance.

- Improvements at the bleaching phase thanks to the installation of a new EOP tower to make the lignin extraction reaction process more efficient.

- Improvements to the drying process by means of substantial changes to the filtering and press drying processes that will increase the facility's productive capacity and improve its energy performance.

In terms of emissions, odorous gas emissions from stationary emission sources have fallen significantly, specifically by 95% year-on-year.

As part of the ongoing effort to continue to reduce odour in the facility's surroundings, action is being taken to reduce emissions from diffuse sources in order to increase that ability to capture and treat emissions from these sources in order to reach the in-house target of 'zero odours'.

Wastewater discharges continued to improve during the first half of 2015, reaching levels that fall within the benchmark readings stipulated in the pulp and paper sector BREF published on 30 September 2014.

Environmental capital expenditure at the Navia factory totalled €2,381 thousand in the first half of 2015.

All of the Group's facilities present noise readings that are below the benchmark integrated environmental permit levels. During the second quarter, an acoustics study was carried out at the Navia Operations Centre to identify the sources of noise emissions. Action was taken during the annual stoppage undertaken in June at the four priority sources so identified (digester, roller, building and blower pipes in the treatment plant) in order to reduce the impact. In addition, further action is planned for the remainder of the year in order to reduce sound emissions at other sources.

Pontevedra Operations Centre

The Pontevedra Operations Centre, as with the Navia factory, has set in motion a series of initiatives targeted at the redesign and reconfiguration of the facility's operations with the overriding goal of achieving excellence in terms of operational control, initially tackling critical processes, with a view to subsequently taking on other areas over the course of 2015.

Work continued on the project designed to fully eliminate the facility's odour impact. As a result, in the first half of 2015, the number of daily minutes with odorous episodes declined by 69% year-on-year.

In addition, in an effort to continue to bring down the odorous impact with a view to ultimately delivering the 'zero odour' target, a number of initiatives were undertaken during the March maintenance stoppage, such as the installation of an automatic cleaning system for the black liquor burners in the recovery furnace and of a fuel tank in the gas furnace.

Progress was made in parallel on initiatives under the plan for increasing the complex's environmental reliability which focuses on preventing fallout from potential emissions into the atmosphere from the recovery furnace in the event of incidents; in this respect, 94% of all planned actions, entailing total investment of €884 thousand, had been completed by the end of June.

As for greenhouse gas (GHG) emissions, the 2014 emissions report was validated in January in keeping with emissions legislation applicable from 2013 to 2020.

The first-half wastewater discharge readings confirm the Pontevedra Operation Centre's position as a sector benchmark in this respect. For example, chemical oxygen demand is 76% below the threshold recommended in the pulp and paper BREF paper published last September. Meanwhile, it outperforms the BREF recommendations on suspended solids by 60%.

These figures mean that the Pontevedra factory is already compliant with the BREF benchmarks that will be mandatory from 2018.

Like the Navia factory, the Pontevedra facility also renewed its Nordic Swan seal. This official Scandinavian ecolabel was created in 1989 by the Nordic Council of Ministers representing Sweden, Denmark, Finland, Iceland and Norway, with the aim of making a positive contribution to sustainable consumption. The goal of this ecolabel is to help consumers, particularly the citizens of the above-mentioned countries, take purchasing decisions that respect environmental sustainability, although the prestige earned has made this certificate one of the most important in the world.

Lastly, true to its environmental pledge, the Pontevedra Operations Centre publishes daily environmental performance indicators on its website, www.encepontevedra.com, showing levels for the last 30 days; the reported figures are adapted for ready comparison with the parameters defined in the integrated environmental permit and the benchmark indicators used in the EU's pulp and paper sector BREF report.

Mérida Operations Centre

The regional government of Extremadura's Environmental Department granted the 20-MW Mérida biomass power plant's definitive commissioning certificate on 4 February 2015. That date marked the start of the Mérida biomass plant's business operations, to which end gas emissions and wastewater discharge figures are furnished to the regional government on an ongoing basis.

This facility's first programmed stoppage since it began to operate commercially was carried out in April, during which all the tasks required to keep the plant's equipment in proper shape were performed.

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

The facility's gas emissions are significantly below the levels established in its integrated environmental permit. The second-quarter results corroborate the reliable nature of this plant's operations.

Similarly, the wastewater discharges were adequate considering conductivity and nitrate levels, which are seasonally-high in the first half, of the water drawn directly from the Guadiana River.

Action has been taken to modify the biomass transportation systems with the aim of preventing the potential release of dust into the air due to the relatively drier nature of this material.

As for management of the waste generated in the furnace, such as slag and ash, these are being recovered for agricultural purposes. However, work is underway on a project being financed by the European Union for the recovery of industry-generated ash.

Elsewhere, the regional government has approved a plant reforestation plan which is slated for execution during the last quarter of this year.

A top-tier external consultant carried out an acoustics study at the Mérida Operations Centre with a view to identifying the main sources of noise emissions at this facility. Having so identified these sources, corrective measures have been established to guarantee compliance with regulatory noise thresholds.

Lastly, the bird and wildlife report has been compiled for presentation to the authorities.

Forestry

ENCE is the largest private forest owner-manager in Spain as well as the main buyer of timber. Its forest sustainability policy, articulated around the three major lines of initiative outlined below, has made it a standard-bearer in the sector:

- **Environmental responsibility:** ENCE follows and promotes management criteria inspired by excellence across its owned tracts of forest and third-party forests, taking its cues from the sustainable forest management frameworks (PEFC and FSC). Indeed, its goal is to achieve dual forest certification for all its operations, whether owned by it or by third parties.

- **Management efficiency**: ENCE's forestry business has a series of environmental impacts on account of the consumption of water, electricity and gas-oil. ENCE aims to use these resources to the highest standards of efficiency. In parallel, it develops and promotes best management practices (forestry and genetic management and techniques) in order to maximise the yield from the land under its management.

- **Community commitment:** ENCE carries out its forestry activities in rural areas and it engages proactively with these rural communities in an attempt to share its broad know-how with a view to facilitating the professional development and efficient management of these forests. Assistance with zoning, pest control, plant matters and forest certification are some of the cornerstones of this policy of engagement.

ENCE's forestry business is regulated by an integrated forest management system which provides the framework for compliance with the ISO quality and environmental management standards and the sustainable forestry and chain of custody standards, PEFC and FSC. Forestry-related initiatives are guided by the Sustainability Principles approved by ENCE's senior management.

During the first half of 2015, ENCE extended its record of developing forestry policies underpinned by sustainability criteria in both its forest management activities and as part of its timber supply arrangements (purchase of standing timber and wood); these are complemented by policies designed to encourage certification, membership

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

of sector associations and the award of premiums for timber produced under benchmark international sustainability standards.

Broadly speaking, forestry management has been shaped by growing market flexibility with respect to demand for certified timber, with supplies of PEFC-certified timber increasing; this has reinforced the Company's strategic focus on dual certification. Due diligence is the other key trend.

On the certification front, significant work has gone in to getting the entire network of certification groups, which cover virtually 100% of private timber production, doubly certified. This project, championed by ENCE, culminated on 30 June, thanks to which all groups and owners have useful and competitive tools for certifying timber at source under both sustainability seals.

As for the chain of custody, progress has similarly been made in the direction of dual certification, an essential requirement in the case of timber furnished by suppliers. ENCE has worked with certifying groups and entities and reached competitive deals in terms of timing and prices so that all suppliers can avail of dual certification, should this be required, by the month of July.

Another milestone in the forestry area worthy of mention is the drafting of the bill known as the Forestry Act (approved by the Spanish senate as of the date of issuance of this report), which defines the penalty regime and National Timber Legality Committee structure against the backdrop of the European Timber Regulation addressing the due diligence requirement. ENCE has worked with all of the regions that will inspect its activities (namely Galicia, Asturias, Cantabria, Extremadura and Andalusia), coordinating the development and clarification of terms and concepts and external training programmes with their experts and officials. These inspections will take place during the second half of this year. At present, Galicia is only working with companies registered in RESFOR, the regional government's registry of forest companies; in the other regions, pending enactment of local legislation, the benchmark is provided by ENCE's due diligence system, as allowed under the European Timber Regulation.

On the corporate certification front, the renewal audit for ENCE's FSC certificate at the Group level was conducted during the second quarter of the year. The audit did not reveal any major deviations, increased the scope of the audit to the region of Cantabria and brought the total land area certified to 38,815 hectares. By the time it next renews its certificate (in 2020), the Company aims to have all of the forest land under its management FSC-certified. Chain of custody PEFC, ISO 9001, ISO 14001 and GFS PEFC audits are scheduled to take place during the third quarter.

The main development in the forest management business during the second quarter of 2015 was the FSC certification renewal audit, marking the end of a five-year cycle. ENCE's forest certification system (the Group system) is by now well proven and tested and continues to evolve satisfactorily, with barely any incidents.

The amount of forest land that is FSC-certified in the wake of the last audit stands at 38,393 hectares, which is equivalent to 55% of total potentially-certifiable land. Meanwhile, the PEFC-certified land mass (which audit is scheduled for July) totals 57,077 hectares, which represents 82% of total potentially-certifiable land.

ENCE has embarked on a new line of initiative in parallel to that developed in the third-party market, encouraging dual certification: 38,323 hectares or 55% of total potentially-certifiable land, boasts the dual seal. ENCE's goal is to have 100% of its forest tracts doubly-certified within three years' time.

Of the 63,000 hectares under management, almost 6,000 are zoned as forest land with high conservation value and 12,230 are located in protected nature reserves. The environmental heritage of the Group's forest land is enriched by the identification of 14 species of protected flora found in 55 forests (out of the 228 in which detailed floral studies have been carried out). As many as 35 so-called Habitats of Community Interest have been identified in the forests managed by ENCE.

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

The following community-related initiatives are worth highlighting:

- Progress on the project for classifying eucalyptus biomass in conjunction with the regional government of Andalusia
- Development of the land zoning taskforce together with the regional government of Andalusia and owner and producer associations
- Continuation of the flora classification work underway across the forests managed by ENCE
- Continued provision of support for external certification groups, focusing the effort on the promotion of single property ownership and dual certification
- Support for land owners with development of a plan to fight the eucalyptus leaf beetle in northern Spain; and
- Membership of the FSC's Management Board in Spain with the express goal of simplifying certification requirements for small land owners

From a productive standpoint, the timber added (in cubic metres) in the second quarter of the year and the closing balance are shown below:

	Accumulated		1Q15		2Q15	
Total timber received	1,340,121.56	100%	635,429.34	100%	704,692.22	100%
Total certified timber	1,038,879.72	78%	439,632.33	69%	599,247.39	85%
Total FSC-certified	681,554.99	51%	288,788.05	45%	392,766.94	56%
Total PEFC-certified	357,324.73	27%	150,844.28	24%	206,480.45	29%

The key lines of initiative planned for the second half of the year:

- Continued promotion of dual certification and single property ownership
- Plan for the development of the *Eucalyptus globulus species*
- Plan to fight the Gonipterus, or eucalyptus snout beetle
- Development of the new FSC forest certification standard in Spain
- Implementation of ENCE's new chain of custody system, including double certification credit, direct accreditation and reinforcement of the due diligence system.
- Support for suppliers in carrying out the first government due diligence inspections.

26. Events after the reporting date

On 15 July 2015, ENCE arranged a €15 million loan repayable in a single bullet payment on 30 June 2020. This loan will be used to finance the expansion of capacity at the mill in Asturias. It accrues interest at a fixed rate of 2.1% and is guaranteed by several Group companies engaged in the pulp business.

In July 2015, the Group arranged tunnel-structure options over US dollars to hedge future income benchmarked to that currency in a notional amount of USD90 million; the exercise prices for the options purchased range between \$/€1.0445 and 1.0690 and for the options sold, between \$/€1.115 and 1.096.

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

In a meeting held on 21 July 2015, the Board of Directors agreed to add to the agenda for the Board meeting scheduled for 30 September 2015 a motion for the distribution of an interim dividend from 2015 earnings in the amount of €0.044 per share.

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

Ence Energía y Celulosa, S.A. and subsidiaries

Group management report
for the six-month period ended 30 June 2015

Organisational structure

Except for matters reserved for approval by the shareholders in general meeting, the Board of Directors is the highest decision-making body of Ence Energía y Celulosa, S.A. (the "Company"). The Board's policy is to delegate the management of the Company in its executive team and to concentrate its activities on its general supervisory role, without prejudice to the duties that cannot be so delegated, such as approval of the Company's general strategies, investing and financing policies and the remuneration policy applicable to the directors and most senior officers. The Board's actions are guided at all times by the criteria of maximising the value of the Company in the interest of its shareholders.

The Board is entitled to delegate duties falling under its purview in committees made up of directors and/or chief executive officer(s), albeit exercising due oversight over these bodies and setting the guidelines under which they should operate.

The Board is made up of executive, proprietary and independent directors, in line with corporate governance regulations and best practices. The Board is currently supported by an Executive Committee (in which it has delegated several of the powers vested in it) and three advisory committees tasked with providing it with information, advice and proposals on the matters falling under their respective remits: the Audit Committee, the Appointments and Remuneration Committee and the Forest Policy and Regulatory Advisory Committee.

The Company has a Chief Executive Officer (CEO) who is responsible for the Company's everyday management. He is supported in this work by the Management Committee, which comprises the Company's senior management, specifically the heads of the various business units and corporate departments: the Pulp and Energy Operations Officer, the Forestry Officer, the Procurements Officer, the Chief Finance & Corporate Development Officer, the Human Capital Officer, the Communication and Institutional Relations Officer and the General Secretary. These officers report directly to the Company's CEO, who sets the guiding lines of initiative within each officer's area of responsibility.

The Company is the parent of a group of companies (the "Group"), whose management is fully integrated and centralised within the former, as the scope of the specific duties assigned to the Company's executive team extends to all the Group companies. In this respect, the Company singly manages all of the companies within its Group.

Business activity

ENCE has articulated its activities around two core businesses: pulp production and the generation of power from renewable sources.

ence
ENERGÍA & CELULOSA

Pulp Business

The pulp business encompasses the production of eucalyptus pulp (short fibre), the generation of electricity in connection with the pulp production process (co-generation and generation fuelled by lignin and biomass) and the forestry business.

ENCE is Europe's largest producer of BHKP pulp from eucalyptus timber. It currently has annual production capacity of 0.96 million tonnes between its mills in Navia and Pontevedra. Eighty per cent (by sales volume) of its eucalyptus pulp was exported to Europe (the European market accounted for 98% of sales volume factoring in Spain), the world's largest pulp market and a net importer. Integrated within the pulp business, with installed capacity of 113 MW, ENCE co-generates and generates renewable energy from timber waste that is not used in the pulp manufacturing process, i.e., the lignin and forest waste that cannot be used as inputs.

In the forestry sector, the timber and biomass supply management model is underpinned by continually-improving forest management techniques, the diversification of sources of supply towards small land owners and enhancement of the value chain (from standing timber to collection and transportation) with a view to bringing down overall costs and guaranteeing the sustainability of our wood supplies. In addition, the Group has been gradually selling its forested land, retaining management of those located in the vicinity of its pulp plants.

The management strategy is focused on the development of a competitive pulp business, tapping the opportunity for cash flow generation and protecting the Company's financial situation from cyclical volatility, while pursuing active growth in biomass power generation.

The pulp business is primarily focused on reducing costs in order to guarantee the competitiveness of its plants. The total quality management programme, which is designed to boost operating efficiency, balance maintenance capital expenditure requirements at the Group's facilities and drive significant improvements in productivity levels and capacity utilisation rates, was introduced in 2011. In 2014-2015, the Group also rolled out a €47m capex programme designed to lower cash costs at the Pontevedra and Navia plants by making them more competitive. In addition, in 2015, the Company engaged the services of specialist consultants in order to ensure delivery of the production efficiencies embedded in the investments made.

Energy Business

The other core business, which is independent of the pulp production process, is the renewable energy business, fuelled by forestry and agricultural biomass. It encompasses standalone generation plants that are independent of the pulp business, with aggregate installed capacity of 110 MW in the wake of start-up of the newest generation plant in Mérida, a 20-MW facility. This new power plant, along with the other two in Huelva, a 50-MW facility commissioned in 2013 and a 40-MW facility, now independent but initially part of the Huelva pulp production complex, comprise the Group's second core line of business.

The revenue derived from the generation of power has been increasing in recent years to account for close to 14% of total revenue in the first half of 2015, injecting stability and long-term visibility into the Group's ability to generate cash. This strategy began with the construction of independent biomass power generation stations plants in Huelva and Mérida; the construction and financial risks associated with these projects were reduced by means of turnkey arrangements and project finance facilities with terms of over 10 years.

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

The two businesses, the production of pulp and generation of electricity, leverage ENCE's solid positioning in the Spanish forestry market, which guarantees the supply of timber and biomass, primarily from third-party sources, essential to long-term business sustainability.

Without considering the expansion programmes, annual maintenance capex has averaged around €40m between 2007 and 2013. In the wake of the Huelva closure, the ongoing capex requirement will drop to under €30m due to the reduction in industrial and forestry assets. The Group's finance policy can be described as conservative, characterised by a commitment to maintaining a low leverage ratio and adequate liquidity levels, a strategy deemed consistent with the cyclicality intrinsic to the pulp business and designed to ensure the Company's long-term financial sustainability. This policy is articulated around a maximum tolerated leverage ratio - measured in terms of net debt to recurring mid-cycle EBITDA - of 2.5x.

Business performance and financial results

Business environment and outlook

The economic trends witnessed in 2014 continued throughout the first half of 2015, with the developed markets revealing ongoing consolidation of GDP recovery, offsetting the gradual slowdown in emerging markets. The IMF is forecasting global growth of 3.3% in 2015, just shy of the 2014 reading of 3.4%. Growth across the developed economies is expected to gather momentum, increasing from 1.8% to 2.1%, thanks to more robust growth across the eurozone (1.5% vs. 0.8% in 2014). This brighter outlook is offset by the anticipated slowdown in emerging economies, where growth is expected to ease from 4.6% to 4.2%, with Brazil (-1.5% vs. +0.1% in 2014) and Russia (-3.4% vs. +0.6%) standing out, hurt by the correction in commodity and oil prices.

The biggest source of uncertainty in Europe relates to the negotiations with the Greek government.

On the plus side, the eurozone economy should continue to benefit from euro depreciation against the dollar (particularly the main exporting nations such as Germany), the correction in oil prices and the quantitative easing policies rolled out by the ECB (which announced the buyback of €60 billion of assets in January 2015 and have stepped up liquidity facilities such as the LTRO and TLTRO programmes).

This environment is propitious to further euro depreciation against the US dollar, a trend that would have a very positive impact on sales and margins in the pulp business as pulp sales prices are referenced to the dollar.

Against this backdrop, the Spanish economy is expected to register growth of 3.1% vs. 1.4% in 2014, outperforming the European average. This growth is the result of the reforms implemented in recent years which have made Spanish companies more competitive, delivering the attendant growth in exports, the recapitalisation of the banks and ultra-low benchmark interest rates, which are helping to get credit flowing back into the economy.

Pulp prices extended the rally initiated last September. Demand strength, particularly in Asia, low inventory levels and the price gap that had opened up relative to long fibre prices, paved the way for successive price increases to $800/t. Although the Guaiba mill (Brazil) commissioned its 1.3 million tonne capacity expansion during the second quarter, the impact on supply is expected to be limited due to growth in global demand and the new facility's inevitable learning curve, as well as the capacity taken off-stream in the wake of closure of the Huelva plant; it is believed that the resulting market tightness could result in additional price increases.

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

Business overview and financial results

After a difficult 2014, in which government-led energy sector reforms triggered the decision to discontinue pulp production in Huelva, the first half of 2015 has yielded excellent results from the plan implemented to regain competitiveness, buoyed by the strength of both pulp prices and the dollar. Group revenue narrowed by 7% year-on-year to €313.2m, due to lower sales volumes; however, the EBIT margin stood at 14% compared to a substantial loss at this level in 1H14.

PULP business

Revenue from pulp sales amounted to €270m, down 11% year-on-year, due to lower volumes. Revenue from fibre sales fell 13% to €228.4m due to a drop in sales volume (tonnage) of 28% in the wake of closure of the Huelva mill in October 2014. The volume contraction was largely offset by growth of 20% in net pulp sales prices in euro terms. Although average prices inched just 1% higher year-on-year, the dollar appreciated 18% against the euro. The impact of currency appreciation trickled down to prices and margins, as ENCE's costs are incurred in euros whereas pulp prices are set in dollars. In addition, production costs declined by 12% as a result of investments made to boost efficiency and the general cost-cutting effort ongoing for the past 12 months. Revenue from electricity sales related to the pulp production process fell 26% to €36.2m, again attributable to the drop in volumes in the wake of the Huelva closure (-39%), partially offset by an 11% increase in prices thanks to higher pool prices. In the forestry business, revenue declined by 13% to €8.7m, shaped by lower sales of timber to third parties.

ENERGY business

The standalone energy business - articulated around the three biomass generation plants - registered sales growth of 84% to 276 GWh, thanks to a bigger year-on-year contribution by the 20-MW Merida facility which started up in April 2014 and the inclusion of the 41-MW Huelva plant as a standalone facility in the wake of discontinuation of pulp and co-generation activities at that industrial complex. Moreover, prices firmed by 3% to €145/MWh against the backdrop of higher pool prices.

EBIT was €45.6m, compared to a loss at the operating profit level of €58.6m in 1H14. The sharp recovery in earnings in 2015 was underpinned by higher prices coupled with lower costs. The year-on-year comparison is additionally boosted by the impact of the regulatory changes on revenue recognition (which changes triggered the closure of the Huelva mill).

Capital expenditure amounted to €26.4m, with just 7% earmarked to investment in biological assets for reforestation and improvement to forest assets earmarked for pulp production, having paralysed investment in energy crops and taken the decision to discontinue pulp production in Huelva. Industrial capital expenditure totalled €19.5m.

Group equity stood at €544.3m at 30 June 2015, which is equivalent to 47% of total assets.

The Company continues to deploy its cost-cutting and efficiency upgrade plan which is enabling it to fully offset the impact of the regulatory changes passed in 2014. This plan covers 2014, 2015 and 2016 and contemplates investment of €123m; it is expected to drive EBITDA to €77m in 2016.

The current situation, coupled with the outlook for the pulp market, position ENCE as a group with strong cash generation wherewithal.

In the research and development arena, the Group continued to make progress on its programmes for improving the genetic make-up and performance of the eucalyptus for pulp production purposes, for innovating and

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

enhancing pulp-making processes and products, for the mechanical transformation of timber and new product engineering, these assets being capitalised as intangible assets and duly itemised in the notes to the consolidated annual financial statements.

Environmental protection

The required environmental disclosures are provided in note 25 of the condensed consolidated interim financial statements for the six months ended 30 June 2015.

Key risks and sources of uncertainty

The risk factors to which the ENCE Group is exposed are identified and described in note 6 to the 2014 consolidated annual financial statements of Ence Energía y Celulosa, S.A. and its subsidiaries.

Events after the reporting date

No events have occurred between the reporting date and the date of authorising these condensed consolidated financial statements for issue that have not been disclosed therein.

Corporate governance

All of the documentation relating to the annual corporate governance report (in keeping with the Spanish Transparency Act, Ministerial Order ECO/3722/2003 of 26 December 2003) and the other information which listed companies are required to disclose have been duly uploaded onto the corporate website, www.ence.es.

Purchase-sale of own shares

The disclosures regarding the acquisition and sale of own shares in 2015 are provided in note 18.3 to the accompanying condensed consolidated interim financial statements.

Other disclosures

Share price performance

The share price gained a noteworthy 48% in 1H15, outperforming the Spanish and European stock markets by 43% and 39%, respectively.

	1T14	2T14	3T14	4T14	1T15	2T15
Volumen medio diario (acciones)	**808.674**	**878.515**	**829.628**	**790.434**	**1.382.498**	**1.094.473**
Evolución Ence	**(23%)**	**(13%)**	**(3%)**	**17%**	**60%**	**(7%)**
Evolución Ibex 35	**4%**	**6%**	**(1%)**	**(5%)**	**12%**	**(7%)**
Evolución Eurostoxx	**2%**	**1%**	**(0%)**	**(2%)**	**18%**	**(8%)**

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

Note: Ence's share price performance has been adjusted for the €0.08 per share dividend paid on 11 July 2014 and the €0.10 per share dividend paid on 8 May 2015; it has not been adjusted for the in-kind dividend paid on 21 July 2014, which had the effect of increasing the total shareholder return by 3%.

Ence's shares are part of the IBEX Medium Cap, the IBEX Top Dividendo and FTSE4Good Ibex indices.

In addition to having its shares publicly traded, in January 2013, the Company issued €250m of 7.25% bonds due 2020.

At the June close, the bonds were trading at close to 107% of par. From time to time ENCE may buy back its bonds on the secondary market. Any such buyback activity would be carried out on the basis of analysis of all relevant factors, including the bonds' quoted price and the Group's liquidity position, and in compliance with all applicable legal requirements.

The ENCE Group's current credit ratings are provided in the table below:

Calificación crediticia corporativa

	Rating	Perspectiva	Última revisión
Moody's	Ba3	Negativa	21/11/2014
Standard & Poor's	BB-	Negativa	20/11/2014

Calificación crediticia de la emisión

	Rating	Última revisión
Moody's	B1	21/11/2014
Standard & Poor's	BB-	20/11/2014

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