



Quarterly Report Second Quarter 2015

30 June 2015

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1. EXECUTIVE SUMMARY, 1H15 IN REVIEW

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Revenue from pulp business ^(a)	137.9	132.3	4%	155.0	(11%)	270.2	316.6	(15%)
Revenue from energy business ^(b)	19.0	23.9	(20%)	13.0	46%	43.0	21.7	98%
Total revenue	156.9	156.3	0%	168.0	(7%)	313.2	338.3	(7%)
Adjusted EBITDA	46.3	39.1	19%	12.1	284%	85.4	24.6	248%
EBITDA	42.8	34.4	24%	(2.9)	n.s.	77.3	5.6	n.s.
EBIT	27.4	18.2	51%	(44.5)	n.s.	45.6	(58.6)	n.s.
Net profit/(loss) for the period	12.4	9.7	29%	(33.8)	n.s.	22.1	(48.6)	n.s.
Net debt (recourse) ^(c)	150.4	159.4	(6%)	125.2	20%	150.4	125.2	20%
Pulp sales (tonnes)	211,370	220,397	(4%)	304,145	(31%)	431,767	601,767	(28%)
Energy sales (MWh) ^(b)	107,875	167,895	(36%)	81,222	33%	275,771	153,481	80%
Net pulp sale price (€/ton)	553	503	10%	434	27%	527	438	20%
Average energy sale price (€/MWh) ^(b)	176	143	24%	160	10%	156	141	10%
Cash cost (€/t) ^(d)	367	363	1%	413	(11%)	365	414	(12%)

(a) Includes 1M€ of forestry sales done by the energy subsidiaries in 1H15

(b) Includes operations at Huelva 50MW, Merida 20MW before the acceptance deeds were signed and Huelva 41MW since November 2014

(c) There is also €102 M of project finance loans funding Huelva 50MW and Merida 20MW outstanding at 30/06/2015

(d) This metric is not impacted by Huelva 50MW, Merida 20MW and Huelva 41MW as they are not related to the pulp business

- ✓ **The 1H15 results evidence the profit and cash flow generation momentum created by the Company's strategic efforts to cut costs, aided by the trend in pulp prices and dollar appreciation. Adjusted EBITDA rose three-fold year-on-year to €85m in 1H15.**
- ✓ **Operating cash flow, meanwhile, amounted to €69m, enabling the Company to reduce debt by €32m after paying a €25m dividend.**
- ✓ **The Board of Directors announces its intention to distribute an interim gross dividend against 2015 earnings of €0.044/share during the month of October.**
- ✓ **Pulp prices have staged a sharp recovery, underpinned by strong demand, which has paved the way for successive price increases to \$800/t by the June close. These price increases drove year-on-year growth in net sales prices in euros of 20%, specifically from €438/t in 1H14 to €527/t in 1H15, buoyed by the trend in demand and dollar appreciation. The Company has arranged monthly dollar hedges for the period elapsing between July 2015 and June 2016 using tunnel structures with a floor of \$/€1.06 and a ceiling of \$/€1.15 over a notional amount of \$174m, approximately between 35% and 40% of the pulp sales at an average cycle price.**
- ✓ **Revenue from pulp sales totalled €270m in 1H15, down 15% year-on-year due to a 28% drop in sales volumes in the wake of the closure of the Huelva mill last October, as well as a longer maintenance stoppage at Navia (21 days vs. 12 in 2014) to invest in efficiency measures and Phase I of a 40,000 tons capacity increase. Adjusting for these non-recurring factors, output would have been 3% higher year-on-year.**
- ✓ **Meanwhile, the effort to reduce production costs continued: the plants' cash cost was cut by €49/t, or 12%, vs. 1H14, following closure of the Huelva production centre and thanks to a reduction in transformation costs following the gradual rollout of the plans for boosting the company's competitiveness.**
- ✓ **Revenue from energy sales jumped 98% year-on-year. This growth is attributable to the contribution of the Mérida 20-MW and Huelva 41-MW power plants from September and October 2014, respectively, driving**

volume growth of 80%. Prices also edged 10% higher from €141/MWh in 1H14 to €156/MWh in 1H15, underpinned by higher pool prices for electricity. The biomass plant supply scheme has been restructured to a regime furnished exclusively from biomass purchased under agreements with third parties. This strategic change is enabling the Group to sell land formerly earmarked for the development of energy crops of up to €38m; these assets are currently classified as available-for-sale assets. In 2Q15, Ence sold 113 hectares for €2.1m and signed deposit agreements for the sale of 517 hectares totalling €12m, €1.4m of which has been collected upfront.

- ✓ Adjusted EBITDA was €85m, three times the 1H14 figure, while reported EBITDA was €77m (vs. €6m in 1H14); the different between the two figures is related mainly to the engagement of consultants with a view to supporting and accelerating delivery of the planned operational improvements, as well as the impact of the share price's recovery on the executive bonus schemes. As a result, profit for the six-month period amounted to €22m, compared to a bottom-line loss of €49m in 1H14.
- ✓ Net debt at the corporate level was reduced by €32m in 1H15 to €150m after the dividend payment of €25m in April and repaid €5m related to the Huelva closure (provisioned in 2014), standing at 1x the ratio Corporate Net Debt/EBITDA.
- ✓ The Company is committed to meeting the most stringent environmental standards, having invested €7m to this end at its plants in 1H14 and a further €3m in 1H15. The investments made to make the factories more environmentally friendly since 2010 has enabled a 97% reduction in odour emissions at the Pontevedra plant, while the Navia plant has achieved 96% of its zero-emissions target since it embarked on its environmental investment programme in 2011.

2. PULP BUSINESS

Ence's pulp business encompasses the activities related to the production of pulp for sale to third parties. It therefore includes not only the production of pulp but also the generation of electricity at the plants involved in the productive process, as well as the supply of timber to the factories (whether from owned or third-party forest plantations).

1.1. PULP PRODUCTION AND SALE

	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Huelva	-	-	n.s.	80,510	(100%)	-	164,086	(100%)
Pontevedra	105,940	88,477	20%	98,244	8%	194,417	198,286	(2%)
Navia	99,274	125,961	(21%)	105,392	(6%)	225,235	222,713	1%
Pulp production (tonnes)	205,215	214,438	(4%)	284,146	(28%)	419,653	585,085	(28%)
Huelva	-	-	n.s.	81,893	(100%)	-	164,831	(100%)
Pontevedra	103,072	94,608	9%	108,536	(5%)	197,681	205,673	(4%)
Navia	108,297	125,789	(14%)	113,716	(5%)	234,086	231,263	1%
Pulp sales (tonnes)	211,370	220,397	(4%)	304,145	(31%)	431,767	601,767	(28%)
BHKP (\$/t)	793	749	6%	751	6%	771	760	1%
Average exchange rate (\$/€)	1.11	1.13	(2%)	1.37	(19%)	1.12	1.37	(18%)
Net sale price (€/t)	553	503	10%	434	27%	527	438	20%
Revenue from pulp sales (€M)	117.1	111.3	5%	132.2	(11%)	228.4	263.6	(13%)

Pulp production fell by 28% year-on-year in 1H15, due mainly to the discontinuation of pulp production in Huelva on 11 October 2014, a decision taken in light of the heavy losses sustained by this facility in the wake of passage of the new renewable and co-generation regulatory regime. Stripping out the impact of the Huelva closure, output was fairly stable.

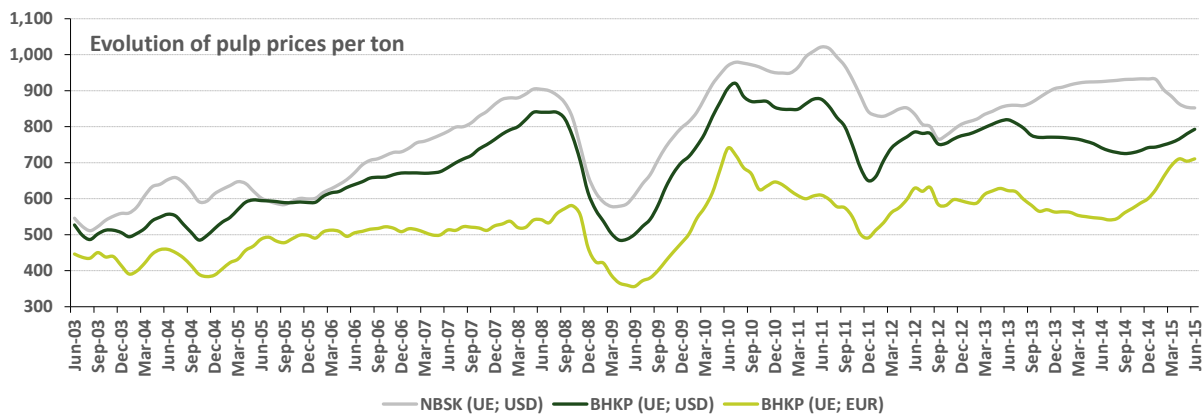
Production in Pontevedra was also affected by the programmed 10-day maintenance stoppage last March, whereas the Navia facility was stopped for 21 days in June in order to carry out efficiency upgrades and Phase I of capacity increase of 40,000 tons. Adjusting for the longer stoppage at Navia (12 days in 1H14), pulp production at these two plants would have increased by 3% in 1H15.

The average net sales price was €527/t in 1H15, up 20% year-on-year, driven by sharp dollar appreciation (18% vs. 1H14). Prices continued to climb higher, reaching \$800/t by the end of June. The first-half results don't evidence the full impact of the price recovery due to customary contractual terms: pulp prices are set at the prior-month average, generating a lag of close to one month between price/currency improvements and their impact in terms of merchandise invoicing.

The Company has arranged monthly dollar hedges for the period between July 2015 and June 2016 using tunnel structures with a floor of \$/€1.06 and a ceiling of \$/\$1.15. The notional amount of the hedge as of the June close was \$174m.

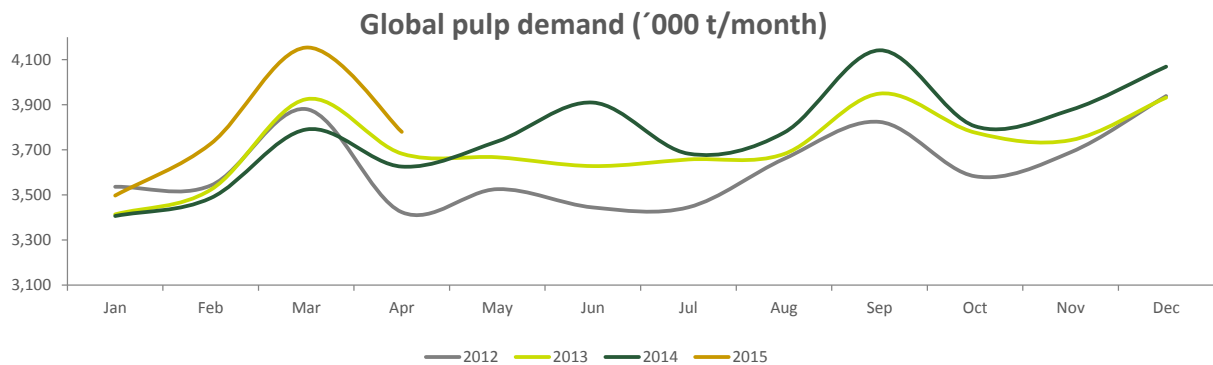
OUTLOOK FOR THE PULP MARKET

Pulp prices extended the upward climb initiated last September and were hiked successively to end June at \$800/t. These increases have coincided with steady dollar appreciation against the euro, putting prices at 10-year highs in euro terms. Long fibre price stability in recent months has had the effect of narrowing the gap with short fibre prices to within \$50/t, in line with the long-run average.



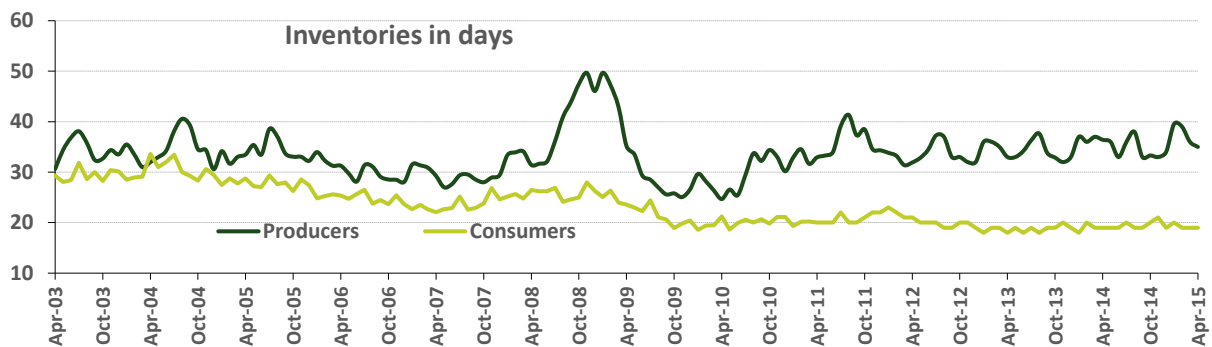
Source: FOEX

Demand remained strong, up 5.1% year-to-date (to April) at the global level. In the wake of the commissioning of two plants in 2014, the low level of additional capacity expected to come on stream in 2015, low consumer inventories and the outlook for economic recovery have underpinned solid growth in demand, paving the way for price increases. By region, demand rose by 2.0% and 1.3% in the US and Europe, respectively, and increased by 11.5% in China, which is above the trendline of recent years (PPPC).



Source: PPPC (W-20)

Producer inventories worldwide remain at mid-cycle levels of around 34 days, while consumer inventory levels were still at record lows of 19 days at the end of April (PPPC). The situation in Europe is just as encouraging: consumer inventories remained at record lows of 19 days at the end of May (Utipulp).



Source: PPPC (W-20 statistics)

The main source of new supply anticipated in 2015 is the Guaiba II expansion, which came on stream in May, adding 1.3 million tonnes of new capacity. The impact on pulp supply in 2015 will be initially limited given the learning curve effect and the offsetting impact of the 410,000 tonnes of capacity taken offline in the wake of the Huelva closure. Against this backdrop, the announced increase in short fibre prices to \$810/t is expected to be implemented in full.

1.2. GENERATION AND SALE OF ELECTRICITY IN CONNECTION WITH PULP PRODUCTION

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Huelva	-	-	n.s.	88,538	(100%)	-	210,352	(100%)
Pontevedra	55,440	45,578	22%	52,504	6%	101,018	102,202	(1%)
Navia	112,733	134,147	(16%)	119,301	(6%)	246,880	250,931	(2%)
Electricity production (MWh)	168,173	179,725	(6%)	260,343	(35%)	347,898	563,485	(38%)
Biomass generation	43,909	50,345	(13%)	62,945	(30%)	94,254	140,657	(33%)
Biomass co-generation	114,903	120,067	(4%)	155,092	(26%)	234,971	315,853	(26%)
Natural gas co-generation	-	-	n.s.	33,017	(100%)	-	86,333	(100%)
Electricity sales (MWh)^(a)	158,812	170,413	(7%)	251,055	(37%)	329,225	542,843	(39%)
Electricity consumption (MWh)	108,126	125,246	(14%)	170,587	(37%)	233,372	346,701	(33%)
Average sale price (€/MWh)	84	85	(1%)	76	11%	84	72	17%
Investment remuneration (€M)	2.6	2.8	(6%)	5.4	(52%)	5.4	10.7	(50%)
Average income (€/MWh)	100	101	(0%)	98	3%	101	92	10%
Revenue from electricity sales (€M)^(b)	15.9	17.2	(7%)	23.8	(33%)	33.1	49.1	(33%)

(a) Adjusted for system imbalances

(b) Excludes the sales volumes of Huelva 50MW and Merida 20MW and Huelva 41MW, the latter since November 2014 and includes adjustments in 1H14 for settlements made by the regulator (the CNE) in respect of sales made in prior periods

Revenue from energy sales associated with installed capacity at the pulp mills amounted to €33m in 1H15, down 33% from 1H14, due to a 39% drop in sales volumes (in MWh) at the co-generation facilities fuelled by lignin as a result mainly of lower pulp production following the closure of the Huelva mill, as well as the cap on output (at 6,500 hours/MW/year) imposed under the new regulatory regime on the 37-MW Navia power plant. The drop in volumes was offset by a year-on-year increase in average revenue per MWh sold of 10%, due to a 42% jump in electricity pool prices compared to 1H14 (when prices had been depressed by heavy rainfall).

1.3. FORESTRY

	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Timber consumption (m3)	614,389	654,223	(6%)	842,535	(27%)	1,268,612	1,750,949	(28%)
Cost €/m³	65	66	(1%)	73	(10%)	66	72	(9%)
Wood purchases per source								
Owned timber	5%	2%		7%		3%	6%	
Standing timber acquired directly from land owners	22%	27%		33%		25%	31%	
Suppliers	73%	71%		51%		72%	52%	
Imported timber	-	-		9%		-	12%	
Own hectares	49,147	49,073	0%	49,079	0%	49,147	49,079	0%
Third party hectares (consortia) ^(a)	33,713	34,088	(1%)	34,425	(2%)	33,713	34,425	(2%)
Hectares managed by ownership regime	82,860	83,162	(0%)	83,504	(1%)	82,860	83,504	(1%)
Revenue from forestry sales and other^(b)	4.9	3.8	28%	5.0	(3%)	8.7	10.0	(13%)

(a) Includes 2,598 hectares sold in Portugal in December 2013; Ence does not own the standing timber or biological assets on this land but does manage them

(b) Includes 1M€ of forestry sales done by the energy subsidiaries in 1H15

Timber costs, meanwhile, decreased by 9% thanks to the price cut of €3.5/m³ announced to suppliers in April 2014, which has enabled a gradual reduction in the cost of timber sourced from suppliers in northern Spain. Costs were also influenced by the virtual elimination of timber imports since the Huelva pulp mill's closure, as this facility had been the group's biggest importer of timber. Timber consumption declined by 28% in 1H15 as a result of lower pulp output in the wake of closure of the Huelva mill.

3. ENERGY BUSINESS

Ence's energy business encompasses the generation of power at plants that have no relation to the pulp production process. It currently comprises two facilities (the 50-MW Huelva and the 20-MW Mérida plants), whose construction was funded using project finance and are owned by Ence Energía SL, and a third facility (the Huelva 41-MW plant), which used to be part of the Huelva industrial pulp complex and is owned by CENER SA.

POWER GENERATION AT THE INDEPENDENT PLANTS

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Huelva 50MW	48,625	94,369	(48%)	67,256	(28%)	142,994	139,515	2%
Mérida 20MW	24,381	39,386	(38%)	13,966	75%	63,767	13,966	357%
Huelva 41MW	34,869	34,140	2%	-	n.s.	69,009	-	n.s.
Energy sales (MWh)	107,875	167,895	(36%)	81,222	33%	275,771	153,481	80%
Average pool price (€/MWh)	48	46	6%	40	21%	47	33	42%
Average sale price (€/MWh)	109	93	16%	101	7%	99	89	12%
Investment remuneration (€M)	7.3	8.2	(12%)	4.8	52%	15.5	8.1	92%
Average revenue (€/MWh)	176	143	24%	160	10%	156	141	10%
Sales ^(a)	19.0	23.9	(20%)	13.0	46%	43.0	21.7	98%
EBITDA	6.6	8.5	(22%)	3.2	104%	15.1	6.0	153%
Forest depletion (energy crops)	(0.1)	(0.3)	(59%)	(0.0)	n.s.	(0.5)	(2.0)	(76%)
EBITDA excluding forest depletion charge ^(b)	6.5	8.1	(20%)	3.2	100%	14.6	3.9	271%
Industrial depreciation ^(c)	(2.9)	(2.9)	(0%)	(0.0)	n.s.	(5.9)	(2.8)	109%
EBIT	3.4	5.3	(35%)	3.2	7%	8.7	1.1	n.s.

(a) Includes €3M capitalised in 2Q14 in respect of the sale of electricity produced at Merida 20MW before its acceptance deeds were signed in September 2014

(b) EBITDA ex-forestry depletion charges is consistent with the criteria used to prepare and disclose the plants' EBITDA guidance

(c) Includes the re-estimation of the depreciation schedule at Huelva 50MW in the wake of the new remuneration regime

Electricity sales volumes were 80% higher year-on-year in 1H15 at 276 GWh, thanks to the growing contribution by the 20-MW Merida plant and the re-opening of the 41-MW Huelva plant in November. Although the Mérida plant began to contribute energy to the Spanish electricity system on 31 March 2014, its sales were capitalised until August, inclusive. The 41-MW Huelva plant was originally part of the Huelva industrial complex. In the wake of discontinuation of the activities related to pulp production and co-generation, this facility is now operating as a standalone unit.

EBITDA amounted to €15m in 1H15 thanks to an 80% jump in sales volumes (in MWh) and a 10% increase in average revenue per MWh sold, underpinned by higher pool prices which drove year-on-year growth in revenue from energy sales of 98%.

The power plants' volumes dropped by 36% quarter-on-quarter in 2Q15 due to maintenance stoppages in April and May lasting 41 days. The reason is the cap on output imposed under current regulations of 6,500 hours/MW/year, which makes it more efficient from an operational standpoint to scale back operations during the months in which pool prices tend to be lower in order to be able to operate at full tilt during the second half of the year, when pool prices are expected to be higher. In addition, the Company took advantage of the stoppage at the 41-MW Huelva plant to fine-tune the equipment to enable higher capacity utilisation ratios than observed in 1Q15; this will drive growth in sales volumes and EBITDA going forward.

ELECTRICITY MARKET TRENDS

Pool prices averaged €47/MWh in 1H15, above the 1H14 average of €33/MWh but below the €49.52 €/MWh estimated by the regulator as the basis for its operation supplement remuneration proposal, which is intended to cover the operating costs of power-producing facilities fuelled by renewable sources, co-generation and waste. The Company has hedged its plants' 3Q15 output at a price of €52/MWh and locked 50% in a price of €49/MWh for its 4Q15 output.

4. 1H15 EARNINGS ANALYSIS

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Pulp sales ^(a)	137.9	132.3	4%	155.0	(11%)	270.2	316.6	(15%)
Energy sales ^(b)	19.0	23.9	(20%)	13.0	46%	43.0	21.7	98%
Total revenue	156.9	156.3	0%	168.0	(7%)	313.2	338.3	(7%)
Cost of goods sold ^(c)	(65.1)	(69.3)	(6%)	(100.4)	(35%)	(134.4)	(200.2)	(33%)
Employee benefits expense	(13.2)	(16.8)	(21%)	(16.9)	(22%)	(30.1)	(33.2)	(10%)
Other operating expenses	(35.8)	(35.7)	0%	(53.5)	(33%)	(71.5)	(99.3)	(28%)
EBITDA	42.8	34.4	24%	(2.9)	n.s.	77.3	5.6	n.s.
Forest depletion	(2.2)	(2.4)	(6%)	(3.0)	(27%)	(4.6)	(7.8)	(41%)
Other D&A	(13.3)	(14.0)	(5%)	(18.0)	(26%)	(27.2)	(29.1)	(6%)
Provisions	0.1	0.1	46%	(25.9)	n.s.	0.2	(27.3)	n.s.
EBIT	27.4	18.2	51%	(49.7)	n.s.	45.6	(58.6)	n.s.
Net finance cost	(9.6)	(5.1)	89%	(6.4)	49%	(14.7)	(13.7)	7%
Profit before tax	17.8	13.1	36%	(56.2)	n.s.	30.9	(72.3)	n.s.
Income tax	(5.4)	(3.4)	58%	17.2	n.s.	(8.8)	23.7	n.s.
Net profit/(loss) for the period	12.4	9.7	29%	(39.0)	n.s.	22.1	(48.6)	n.s.
Adjusted EBITDA	46.3	39.1	19%	12.1	284%	85.4	24.6	248%
Cash cost (€/t) ^(d)	367	363	1%	413	(11%)	365	414	(12%)

(a) Includes 1M€ of forestry sales done by the energy subsidiaries in 1H15

(b) Includes operations at Huelva 50MW, Merida 20MW before the acceptance deeds were signed and Huelva 41MW since November 2014

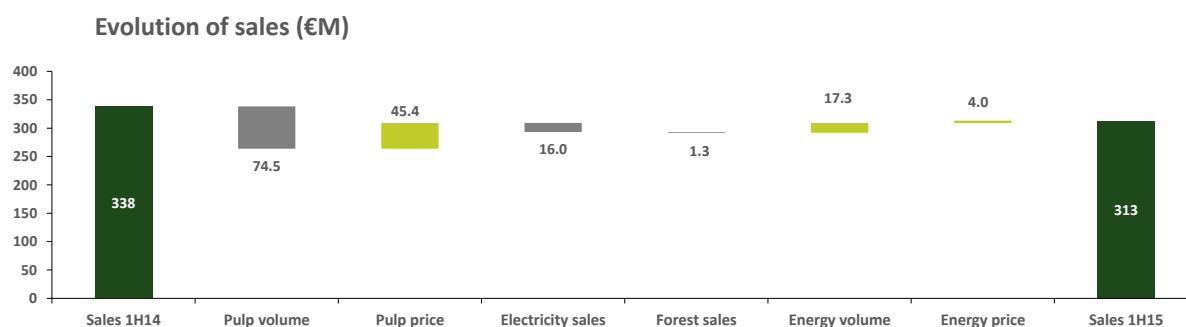
(c) supplies +/- change in inventories

(d) This metric is not impacted by Huelva 50MW, Merida 20MW and Huelva 41MW as they are not related to the pulp business

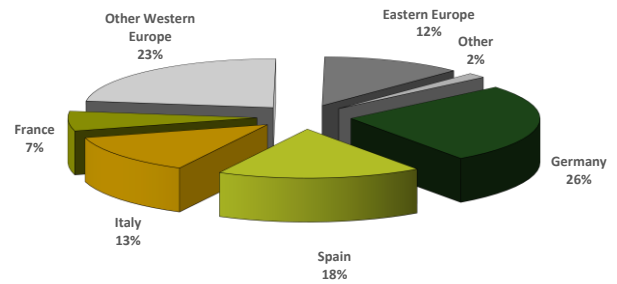
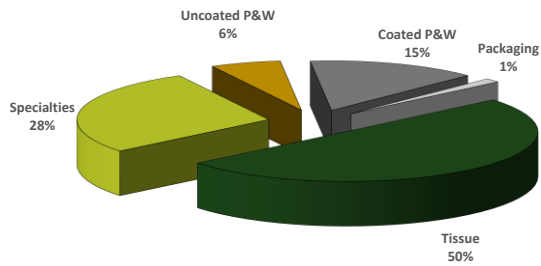
First-half revenue decreased by 7% year-on-year to €313m.

1H15 revenue from pulp sales totalled €270m, down 15% year-on-year due to a 28% drop in sales volumes derived from the closure of the Huelva mill; production at the Navia and Pontevedra mills was stable (up 3% adjusting for the longer stoppage at Navia this half). The net sales price in euro terms rose by 20% thanks to strong pulp prices and favourable currency trends.

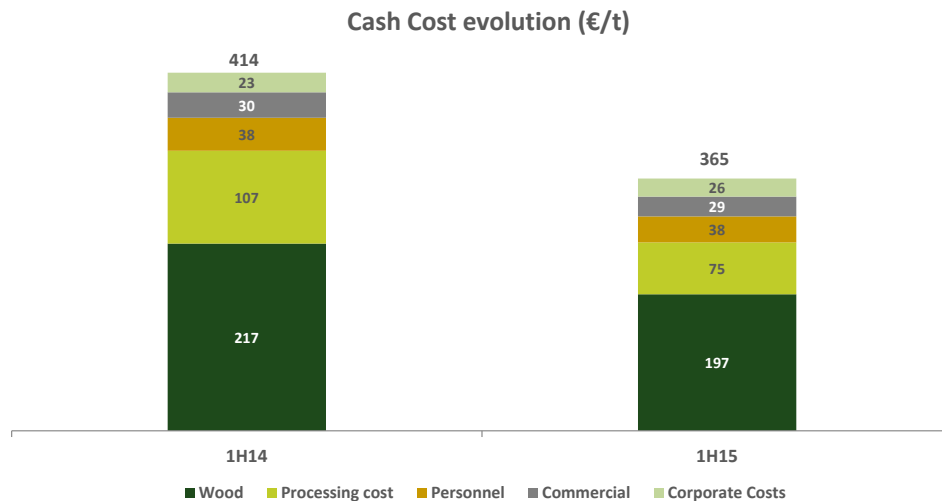
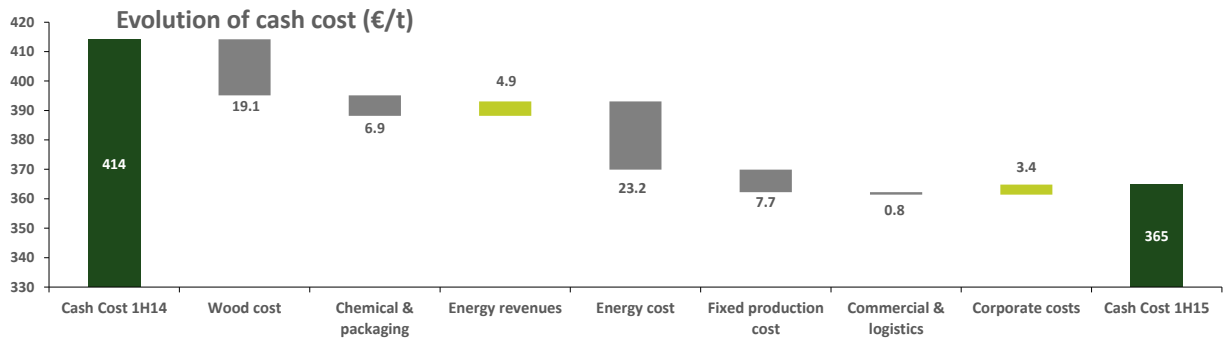
Revenue in the energy business, meanwhile, rose by 98% year-on-year to €43m in 1H15 as it included the impact of lower rates because of the electricity reform, and because of the greater contribution of independent biomass power plants and the 10% increase in the average income per electricity sale on the basis of higher pool prices.



The breakdown by segment did not change substantially, with tissue paper remaining the main use for the group's pulp. Geographically, Spain accounted for a slightly higher 18% of the total (vs. 16% in 1H14), while total European sales accounted for 98% of the Group total (90% in 1H14), implying a market share around 12%.



Cash costs were cut by 12% year-on-year in 1H15 to €365/t, due mainly to the discontinuation of pulp production in Huelva and implementation of efficiency measures. The improvement was concentrated in timber and energy costs as well as the dilution of fixed manufacturing overhead.



Adjusted 1H15 EBITDA was €85m vs. €25m in 1H14. Factoring in the impact of hedges, termination benefits and provisions, 1H15 EBITDA (reported EBITDA) amounted to €77m compared to €6m in 1H14; the main adjustments relate to the cost of the expert consultant hired to support and accelerate delivery of the efficiencies deriving from the investments made and the provision for the executive bonus plan recognised in the wake of the sharp gain in the Company's share price in the first half. The improvement in profitability is mainly attributable to higher pulp prices, higher pool prices and a €49/t reduction in production costs.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
EBITDA	42.8	34.4	24%	(2.9)	n.s.	77.3	5.6	n.s.
Hedging instruments: pulp prices and exchange rates	0.8	(0.2)	n.s.	0.4	93%	0.6	0.4	33%
Non recurrent personal expenses	(0.3)	3.9	n.s.	(0.1)	174%	3.5	(0.3)	n.s.
Provisions and others	0.8	0.4	94%	0.1	n.s.	1.3	3.3	(61%)
Other non-recurring items	2.2	0.6	265%	14.6	(85%)	2.8	15.6	(82%)
Adjusted EBITDA	46.3	39.1	19%	12.1	284%	85.4	24.6	248%

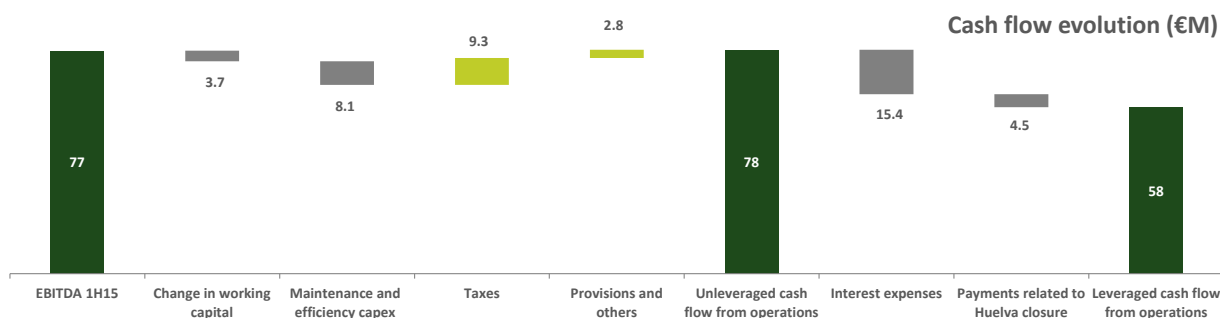
Net of depreciation and amortisation charges, net finance costs and tax, the Company posted a profit of €22m in 1H15 compared to a loss of €49m in 1H14.

At the June close, the cash outflows related to the Huelva closure pending and fully provisioned amounted to €17m.

5. LIQUIDITY AND FINANCING

CASH FLOWS

Operating cash flow, net of maintenance capex, totalled €78m in 1H15.



Net cash flows from operating activities totalled €69m in 1H15, compared to €3m in 1H14, thanks to higher pulp prices, higher revenue from electricity sales and the collection in 1Q15 of €12m of refundable corporate tax paid on account in 2014 (refundable as a result of the losses generated by the Huelva closure and offset against tax expense in 2Q15). The year-on-year comparison reveals an increase in trade receivables related to the increase in pulp prices and a €4m decrease in receivables discounting facilities.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Consolidated profit/(loss) for the period before tax	17.8	13.1	36%	(51.0)	n.s.	30.9	(72.3)	n.s.
Depreciation and amortisation charge	15.5	16.3	(5%)	15.8	(2%)	31.8	36.9	(14%)
Finance income/costs	9.4	5.3	75%	6.8	39%	14.7	13.7	8%
Increase / decrease other deferred income/costs	(2.4)	8.3	n.s.	31.6	n.s.	5.8	41.2	(86%)
Adjustments of profit for the year-	22.4	29.9	(25%)	54.2	(59%)	52.4	91.8	(43%)
Trade and other receivables	4.1	(14.3)	n.s.	15.9	(74%)	(10.2)	10.6	n.s.
Current financial and other assets	0.1	(0.2)	n.s.	1.3	(89%)	(0.0)	2.6	n.s.
Trade and other payables	13.7	(13.3)	n.s.	(10.5)	n.s.	0.4	(14.5)	n.s.
Inventories	(3.5)	5.2	n.s.	3.6	n.s.	1.7	(3.9)	n.s.
Changes in working capital-	14.4	(22.6)	n.s.	10.2	41%	(8.2)	(5.1)	59%
Interest paid / received	(5.6)	(9.7)	(43%)	(3.0)	82%	(15.2)	(11.5)	32%
Income tax recovered (paid)	(2.3)	11.6	n.s.	-	n.s.	9.3	-	n.s.
Other cash flows from operating activities-	(7.9)	1.9	n.s.	(3.0)	159%	(5.9)	(11.5)	(49%)
NET CASH FLOWS FROM OPERATING ACTIVITIES	46.8	22.4	109%	10.4	348%	69.2	2.8	n.s.

Cash flows used in investing activities totalled €13m in 1H15 vs. €26m in 1H14; this 52% reduction reflects the scaling back of capex to maintenance capex only (in 2014, capex included investments in efficiency upgrades at the Pontevedra complex). The 1H15 financial statements also recognise €4m of revenue and deposits from agreements to sell forest land in southern Spain.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Property, plant and equipment	(7.3)	(7.2)	1%	(12.4)	(42%)	(14.5)	(24.3)	(40%)
Intangible assets	(0.2)	(1.5)	(84%)	(0.8)	(68%)	(1.8)	(2.2)	(17%)
Other financial assets	0.1	(0.0)	n.s.	0.1	44%	0.1	0.2	(53%)
Investments	(7.4)	(8.8)	(16%)	(13.1)	(44%)	(16.1)	(26.2)	(38%)
Disposals	3.6	-	n.s.	0.1	n.s.	3.6	0.1	n.s.
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3.8)	(8.8)	(57%)	(13.1)	(71%)	(12.5)	(26.1)	(52%)

Cash outflows from financing activities amounted to €39m in 1H15, compared to an inflow of €47m in 1H14 due to the maturity of a €45m investment in 12-month deposits in 2Q13 using the proceeds from the Uruguay disposal.

Borrowings were reduced by €18m, thanks mainly to the buyback of 10% of the €250m bond issue carried out by the Company in 2013 and the repayment of the project finance facilities associated with the energy projects, partially offset by a €15m bank loan arranged to take advantage of prevailing low interest rates. Other cash outflows included a €25m dividend payment and a €3.3m payment upon maturity of the existing equity swap, which was offset by proceeds from the sale of own shares totalling €4m.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Proceeds from and payments for equity instrument	-	4.0	(100%)	(1.6)	(100%)	4.0	(2.0)	n.s.
Bonds and other marketable securities (net)	(25.0)	(0.0)	n.s.	0.0	n.s.	(25.0)	-	n.s.
Increase/(decrease) in bank borrowings (net)	10.5	0.1	n.s.	2.8	275%	10.6	4.3	149%
Other financial liabilities	(0.0)	(3.3)	(100%)	(0.0)	n.s.	(3.3)	(0.5)	n.s.
Proceeds from and repayments of financial liabilities	(14.5)	(3.2)	348%	2.8	n.s.	(17.7)	3.8	n.s.
Dividends and payments on other equity instrument	(24.9)	-	n.s.	-	n.s.	(24.9)	-	n.s.
Translation differences	0.0	0.0	(44%)	0.0	67%	0.0	-	n.s.
Fixed-term deposit	-	-	n.s.	-	n.s.	-	45.0	(100%)
Other cash received from (used in) financing activities	-	-	n.s.	-	n.s.	-	45.0	(100%)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(39.4)	0.8	n.s.	1.3	n.s.	(38.6)	46.8	n.s.

In all, the Company's cash balance rose by €18m to €76m at the 1H15 close; this figure rises to €84m factoring in short-term financial investments.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	3.7	14.4	(75%)	(1.4)	n.s.	18.1	23.4	(23%)

WORKING CAPITAL

The working capital requirement narrowed by -€15m in 1H15, having increased by €16m in 1H14, shaped by significant changes in inventories and taxes payable related to the drop in volumes in the wake of closure of the Huelva mill, as well as the refund of corporate income tax paid on account in connection with the losses generated by the closure. Accounts receivable increased on the back of higher pulp prices.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Inventories	34.1	34.2	(0%)	70.1	(51%)	34.1	70.1	(51%)
Trade and other receivables	104.2	113.1	(8%)	86.8	20%	104.2	86.8	20%
Income tax receivable	0.3	0.3	(3%)	11.6	(97%)	0.3	11.6	(97%)
Other current financial assets	8.5	8.7	(2%)	8.3	3%	8.5	8.3	3%
Other accounts receivables from public authorities	16.7	12.5	34%	26.8	(38%)	16.7	26.8	(38%)
Other current assets	3.0	2.3	33%	3.5	(13%)	3.0	3.5	(13%)
Trade and other payables ^(a)	(167.8)	(141.1)	19%	(180.7)	(7%)	(167.8)	(180.7)	(7%)
Income tax payable	(6.7)	(2.6)	160%	(0.1)	n.s.	(6.7)	(0.1)	n.s.
Other accounts payable to public authorities	(7.0)	(7.5)	(7%)	(8.5)	(18%)	(7.0)	(8.5)	(18%)
Other current liabilities	(0.0)	(1.6)	(100%)	(1.3)	(100%)	(0.0)	(1.3)	(100%)
Working capital	(14.7)	18.3	n.s.	16.4	n.s.	(14.7)	16.4	n.s.
Change in WC as per cash flow statement	14.4	(22.6)	n.s.	10.2	41%	(8.2)	(5.1)	59%

(a) the provision for the revenue restatement in the wake of the new regulations is included within trade accounts payable

CAPITAL EXPENDITURE

Capital expenditure in the pulp business (industrial and forestry) amounted to €20m in 1H15, above €7m from 1H14, and was earmarked mainly to investments designed to make the plants more cost-efficient. This figure includes €7m corresponding to part of the effort to enhance efficiency and expand capacity at the Navia complex, work that was carried out in June. As of the June close, €76m of assets at the Huelva plant and nearby eucalyptus plantations have been reclassified as "Non-current assets held for sale".

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Maintenance	4.8	1.0	392%	3.4	41%	5.8	3.4	69%
Improvements in efficiency/production	4.8	4.2	14%	7.5	(36%)	9.1	7.5	21%
Environmental	2.7	0.5	397%	0.7	277%	3.3	0.7	352%
Industrial capex, pulp	12.4	5.8	115%	11.7	6%	18.2	11.7	56%
Plantation and maintenance activity	1.1	0.7	58%	0.4	154%	1.8	0.4	314%
Financial expenses	-	-	n.s.	0.7	(100%)	-	0.7	(100%)
Forestry capex, pulp	1.1	0.7	58%	1.1	(2%)	1.8	1.1	61%
Industrial capex, biomass	3.1	0.1	n.s.	5.8	(46%)	3.2	5.8	(44%)
Forestry capex, biomass	1.4	1.3	12%	2.5	(42%)	2.7	1.4	89%
Total capital expenditure	18.0	7.8	130%	21.0	(14%)	25.9	20.0	29%

6. NET FINANCE COST AND NET DEBT

NET FINANCE COST

Finance costs (excluding capitalised borrowing costs but including payments related to interest rate hedges) amounted to nearly €15m, somewhat above the 1H14 figure due to the inclusion of the premium paid to bondholders for the repurchase of 10% of the 2013 issue. The equity swap, which was cancelled on 15 March, gave rise to the recognition of a gain thanks to the recovery in the Company's share price, while dollar appreciation triggered net exchange gains of €1.5m.

The interest incurred under energy project related borrowings increased by close to €1m in 1H15 as capitalisation of the interest generated by the project finance funding the Mérida facility was discontinued from September 2014.

In all, net finance cost amounted to €3m in 1H15, a 45% reduction vs. 1H14.

figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Interest on bond	(5.1)	(4.5)	14%	(4.5)	14%	(8.9)	(9.1)	(1%)
Interest on loans	(1.6)	(1.4)	15%	(1.5)	11%	(3.1)	(3.0)	3%
Interest on factoring and reverse factoring lines	(0.3)	(0.3)	5%	(0.4)	(26%)	(0.6)	(0.7)	(13%)
Capitalization of borrowing costs	0.0	0.0	1%	1.1	(97%)	0.1	2.0	(97%)
Finance costs	(7.1)	(6.2)	14%	(5.4)	32%	(12.6)	(10.7)	17%
Settlement of interest under IRS	(0.8)	(0.8)	0%	(0.7)	9%	(1.6)	(1.4)	9%
Financial expenses for equity swap	0.0	0.9	(97%)	(0.5)	n.s.	1.0	(1.3)	n.s.
Net gain/(loss) on hedges (IRS and equity swap)	(0.8)	0.1	n.s.	(1.2)	(38%)	(0.6)	(2.8)	(78%)
Debt redemption expense	(1.4)	-	n.s.	-	n.s.	(1.4)	-	n.s.
Net exchange differences	(0.8)	1.5	n.s.	0.5	n.s.	0.7	0.4	78%
Other financial expenses	(0.5)	(0.5)	(10%)	(0.6)	(27%)	(1.0)	(1.2)	(21%)
Financial income	0.1	0.0	122%	0.2	(64%)	0.1	0.6	(80%)
Net finance cost	(10.4)	(5.1)	103%	(6.4)	61%	(14.7)	(13.7)	7%
Interests on non recourse debt	(1.9)	(1.9)	(3%)	(1.5)	23%	(3.8)	(2.9)	28%
Net finance cost excluding project finance facilities	(8.5)	(3.2)	166%	(4.9)	72%	(10.9)	(10.8)	2%

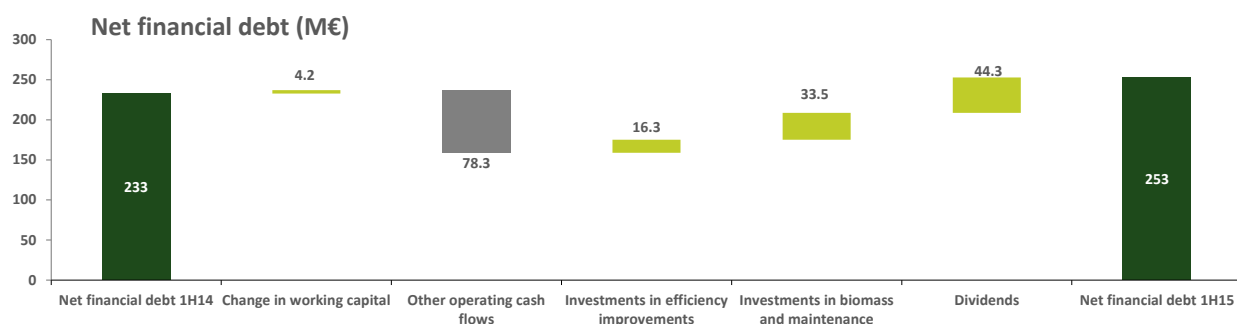
NET DEBT

At the 1H15 close, net recourse debt (i.e., excluding the project finance facilities associated with the energy projects) amounted to €150m, up 20% from the 1H14 close due to the cost of closing the Huelva mill and the investments made in efficiency at the Navia complex. Quarter-on-quarter, borrowings declined by 6% thanks to cash flow generation during the quarter and despite the €25m dividend payment and €25m bond buyback. Total net debt, including non-recourse debt, totalled €253m, up 9% year-on-year.

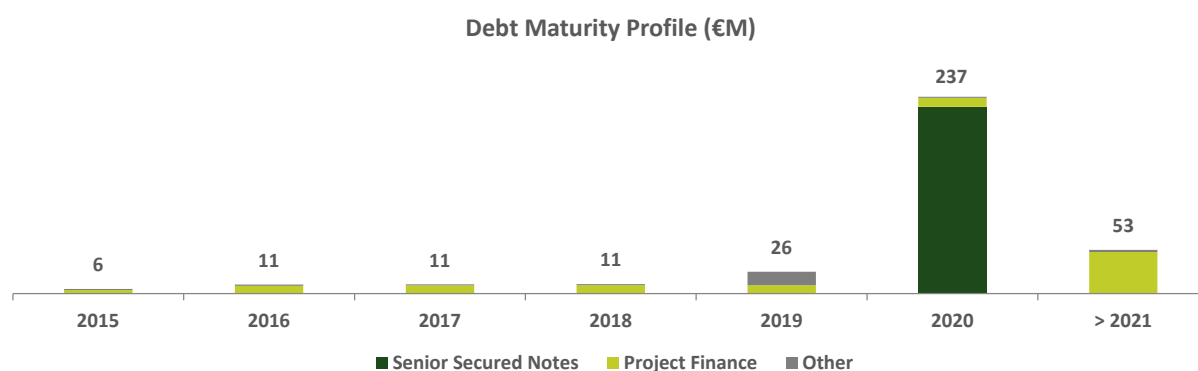
figures in €M	2Q15	1Q15	Δ%	2Q14	Δ%	1H15	1H14	Δ%
Bond	225.0	250.0	(10%)	250.0	(10%)	225.0	250.0	(10%)
Bonds - arrangement fees	(6.5)	(7.5)	(13%)	(8.6)	(24%)	(6.5)	(8.6)	(24%)
Bank borrowings	15.1	0.2	n.s.	0.5	n.s.	15.1	0.5	n.s.
Other financial liabilities	8.9	9.0	(1%)	10.2	(13%)	8.9	10.2	(13%)
Other financial liabilities - grant	(0.9)	(1.0)	(7%)	(1.2)	(25%)	(0.9)	(1.2)	(25%)
Non-current borrowings	241.5	250.7	(4%)	250.8	(4%)	241.5	250.8	(4%)
Bonds - accrued interest	6.4	2.6	145%	7.1	(9%)	6.4	7.1	(9%)
Bank borrowings	0.4	0.4	-	0.4	-	0.4	0.4	-
Bank borrowings - accrued interest	0.1	-	n.s.	0.0	179%	0.1	0.0	179%
Other financial liabilities	1.9	2.1	(11%)	1.9	(1%)	1.9	1.9	(1%)
Other financial liabilities - accrued interest	0.0	0.1	(38%)	0.0	4%	0.0	0.0	4%
Current borrowings	8.9	5.2	70%	9.5	(6%)	8.9	9.5	(6%)
Total gross borrowings	250.5	255.9	(2%)	260.3	(4%)	250.5	260.3	(4%)
Cash ^(a)	91.5	87.9	4%	126.8	(28%)	91.5	126.8	(28%)
Short-term financial investments	8.5	8.7	(2%)	8.3	3%	8.5	8.3	3%
Total net debt (recourse)	150.4	159.4	(6%)	125.2	20%	150.4	125.2	20%
Non-current, non-recourse debt	95.7	100.4	(5%)	103.7	(8%)	95.7	103.7	(8%)
Non-current, non-recourse debt - arrangement fees	(2.5)	(2.6)	(5%)	(3.0)	(17%)	(2.5)	(3.0)	(17%)
Current non-recourse debt	9.0	8.6	4%	7.0	28%	9.0	7.0	28%
Current non-recourse debt - arrangement fees	(0.5)	(0.5)	-	(0.5)	(1%)	(0.5)	(0.5)	(1%)
Current non-recourse debt - accrued interest	0.6	2.5	(74%)	0.4	67%	0.6	0.4	67%
Total net debt	252.8	267.7	(6%)	232.9	9%	252.8	232.9	9%

(a) Includes the consolidated cash

In addition, the Company has discounting facilities with a limit of €85m, which were drawn down by €32m at the 2Q15 close (by €35m at the 1Q15 close and by €38m at the 4Q14 close). In terms of liquidity other than the Company's cash on hand, it also had an undrawn €90m credit line at 30 June 2015.

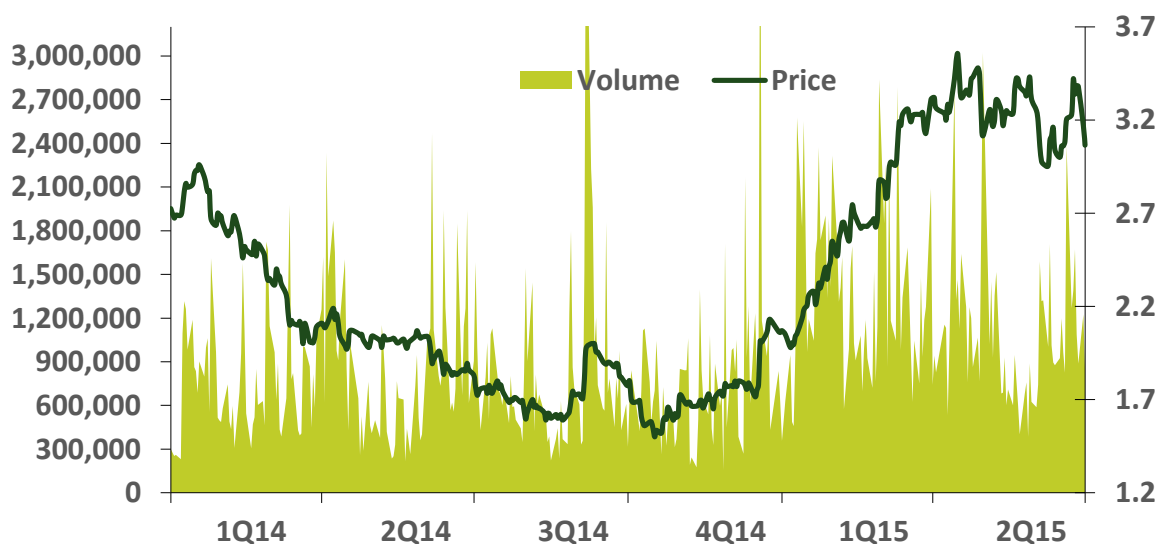


The Group does not face significant refinancing requirements until February 2020, which is when the €250m of bonds issued in February 2013 fall due.



7. SHARE PRICE PERFORMANCE

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



Source: Thomson Reuters

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Average daily volume (shares)	808,674	878,515	829,628	790,434	1,382,498	1,094,473
Ence performance	(23%)	(13%)	(3%)	17%	60%	(7%)
Ibex 35 performance	4%	6%	(1%)	(5%)	12%	(7%)
Eurostoxx performance	2%	1%	(0%)	(2%)	18%	(8%)

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. 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.

8. 2015 MILESTONES

€0.10 dividend per share

Ence's shareholders approved a cash dividend of €0.10 per share at the Annual General Meeting held on 28 April 2015 (charged against the share premium account); the dividend was paid on 8 May 2015. The yield implied by this dividend was 3% at the time of the shareholder resolution.

Cancellation of 10% of the €250m 7.25% bonds

On 28 April 2015, Ence announced its decision to exercise its right to buy back 10% of the €250m bond issue carried out in February 2013. The bonds were bought back at a premium of 3% to face value and the bondholders were paid on 4 June 2015. The rationale for the decision was to reduce the Company's borrowing costs against the backdrop of growth in the wake of the momentum created by the cost-cutting and competitiveness enhancement programmes implemented by it, higher pulp prices and favourable exchange rates.

€0.044 interim dividend per share

The Board of Directors announces its intention to distribute an interim gross dividend against 2015 earnings of €0.044/share during the month of October.

9. FINANCIAL STATEMENTS

Income statement

figures in €M	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15
Revenue	170.3	168.0	187.4	161.8	687.5	156.3	156.9
Cost of sales	(101.1)	(92.9)	(108.0)	(77.4)	(379.4)	(66.9)	(62.8)
Changes in inventories of finished goods	1.3	(7.5)	4.5	(8.5)	(10.1)	(2.4)	(2.3)
Gross profit	70.5	67.6	83.9	75.9	298.0	86.9	91.8
Own work capitalised	2.7	1.2	(0.4)	2.6	6.2	2.0	2.8
Other income	2.4	3.8	3.7	2.2	12.1	2.5	1.5
Net gain/(loss) on hedging transactions	-	(0.4)	0.1	0.4	0.0	0.2	(0.8)
Employee benefits expense	(16.3)	(16.9)	(36.9)	(16.9)	(87.0)	(16.8)	(13.2)
Other operating expenses	(50.8)	(58.2)	(75.2)	(43.3)	(227.6)	(40.4)	(39.3)
EBITDA	8.5	(2.9)	(24.8)	20.9	1.7	34.4	42.8
EBITDA margin	5.0%	(1.7%)	(13.3%)	12.9%	0.2%	22.0%	27.3%
Depreciation and amortisation	(16.3)	(12.8)	(15.0)	(15.4)	(59.5)	(14.0)	(13.3)
Forestry Depletion	(4.8)	(3.0)	(1.6)	(0.3)	(9.7)	(2.4)	(2.2)
Impairment of and gains/(losses) on fixed-asset disposals	(1.5)	(25.9)	(87.8)	14.0	(101.2)	0.1	0.1
EBIT	(14.1)	(44.5)	(129.3)	19.2	(168.6)	18.2	27.4
EBIT margin	(8.3%)	(26.5%)	(69.0%)	11.9%	(24.5%)	11.6%	17.5%
Finance income	0.4	0.2	0.3	0.2	1.1	0.0	0.1
Finance costs	(7.7)	(6.7)	(5.6)	(7.8)	(27.7)	(5.1)	(9.7)
Profit before tax	(21.3)	(51.0)	(134.6)	11.6	(195.3)	13.1	17.8
Income tax	6.6	17.2	43.4	(2.3)	64.8	(3.4)	(5.4)
Restatement of deferred tax assets	-	-	-	(10.4)	(10.4)	-	-
Net profit/(loss)	(14.8)	(33.8)	(91.1)	(1.2)	(140.9)	9.7	12.4

Balance sheet

figures in €M	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15
Property, plant and equipment	923.0	901.1	803.1	734.2	734.2	723.2	725.4
Intangible assets	20.9	12.8	12.5	13.7	13.7	15.6	10.3
Non-current financial assets	2.8	2.7	2.9	3.0	3.0	3.0	2.8
Other non-current assets	42.5	57.0	100.9	81.6	81.6	80.9	79.2
Total fixed assets	989.2	973.5	919.4	832.5	832.5	822.7	817.7
Inventories	74.4	70.1	53.4	37.9	37.9	34.2	34.1
Trade other accounts receivable	137.6	113.6	117.3	110.2	110.2	125.6	120.9
Cash and other short-term financial assets	137.7	135.1	108.8	81.9	81.9	96.5	100.1
Current derivatives	-	-	-	1.0	1.0	0.3	-
Other current assets	12.0	15.0	14.2	13.3	13.3	2.6	3.3
Non-current assets held for sale	-	-	-	77.4	77.4	78.8	75.9
Total current assets	361.7	333.9	293.7	321.7	321.7	338.0	334.2
Total assets	1,350.9	1,307.4	1,213.1	1,154.2	1,154.2	1,160.7	1,151.9
Equity	694.0	638.2	545.0	542.9	542.9	555.3	544.3
Non-current borrowings	349.4	351.6	353.4	348.6	348.6	348.4	334.8
Non-current provisions	19.5	5.2	6.6	11.1	11.1	14.6	8.8
Non-current derivatives	6.2	7.1	8.4	8.1	8.1	9.1	6.8
Other non-current liabilities	42.9	41.9	41.9	33.0	33.0	32.9	32.0
Total non-current liabilities	418.0	405.7	410.3	400.8	400.8	405.0	382.4
Current borrowings	12.3	16.4	12.9	17.7	17.7	15.8	18.1
Trade payables (a)	194.5	180.7	165.6	144.6	144.6	141.1	167.8
Current provisions	6.7	14.5	32.2	23.8	23.8	21.9	14.0
Current derivatives	6.6	7.5	7.4	7.4	7.4	3.2	3.7
Other current liabilities (b)	18.8	44.4	39.8	16.9	16.9	18.4	21.8
Total current liabilities	238.9	263.5	257.9	210.4	210.4	200.4	225.3
Total equity and liabilities	1,350.9	1,307.4	1,213.1	1,154.2	1,154.2	1,160.7	1,151.9

(a) Amount of €8.9M were reclassified from current provisions to trade payables in 1Q14 in connection with the retroactive restatement of revenue in the wake of passage of the new regulatory framework

(b) The 2Q14 figure includes €19.6M of dividends payable

Cash flow statement

figures in €M	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15
Consolidated profit/(loss) for the period before tax	(21.3)	(51.0)	(134.6)	11.6	(195.3)	13.1	17.8
Depreciation	16.1	12.7	14.9	15.2	58.9	13.7	12.9
Depletion of forest reserve	4.8	3.0	1.6	0.3	9.7	2.4	2.2
Amortisation	0.1	0.1	0.1	0.2	0.6	0.2	0.4
Impairment of and gains/(losses) on disposals intangible as:	1.5	25.7	87.1	(13.1)	101.2	(0.2)	(0.2)
Finance costs	7.3	7.0	7.4	7.8	29.5	5.4	9.5
Finance income	(0.4)	(0.2)	(0.3)	(0.2)	(1.1)	(0.0)	(0.1)
Government grants taken to income	(0.3)	(0.4)	(0.3)	(0.3)	(1.3)	(0.4)	(0.6)
Changes in provisions and other deferred expense (net)	8.5	6.3	44.7	(26.7)	32.8	8.8	(1.6)
Adjustments to profit	37.6	54.2	155.3	(16.8)	230.3	29.9	22.4
Trade and other receivables	(5.3)	15.9	(1.7)	5.0	13.9	(14.3)	4.1
Current financial and other assets	1.3	1.3	0.4	(0.6)	2.4	(0.2)	0.1
Trade and other payables	(3.9)	(10.5)	(9.1)	(18.4)	(41.9)	(13.3)	13.7
Inventories	(7.5)	3.6	10.4	17.9	24.5	5.2	(3.5)
Changes in working capital	(15.4)	10.2	0.1	3.9	(1.2)	(22.6)	14.4
Interest paid	(8.9)	(3.3)	(8.9)	(4.2)	(25.2)	(9.7)	(5.6)
Interest received	0.4	0.2	0.3	0.2	1.1	0.0	0.1
Inclme tax received/(paid)	-	-	-	(0.2)	(0.2)	11.6	(2.3)
Other cash flows from operating activities	(8.5)	(3.0)	(8.6)	(4.2)	(24.3)	1.9	(7.9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(7.6)	10.4	12.2	(5.5)	9.5	22.4	46.8
Property, plant and equipment	(11.8)	(12.4)	(16.0)	(15.5)	(55.7)	(7.2)	(7.3)
Intangible assets	(1.4)	(0.8)	(0.6)	(1.4)	(4.1)	(1.5)	(0.2)
Other financial assets	0.1	0.1	(0.2)	(0.0)	(0.0)	(0.0)	0.1
Investments	(13.1)	(13.1)	(16.8)	(16.9)	(59.8)	(8.8)	(7.4)
Property, plant and equipment	-	0.1	-	-	0.1	-	3.6
Other financial assets	-	-	-	-	-	-	-
Disposals	-	0.1	-	-	0.1	-	3.6
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(13.1)	(13.1)	(16.8)	(16.9)	(59.8)	(8.8)	(3.8)
Buyback of own equity instruments	(0.5)	(1.6)	(2.4)	(1.6)	(6.1)	(0.3)	-
Disposal of own equity instruments	0.1	0.0	-	-	0.2	4.3	-
Proceeds from and payments for equity instruments	(0.4)	(1.6)	(2.4)	(1.6)	(5.9)	4.0	-
Issuance of bonds and other marketable securities (net)	(0.0)	0.0	0.0	(0.0)	-	(0.0)	(25.0)
Increase / (decrease) in bank borrowings (net)	1.5	2.8	0.3	(3.5)	1.1	0.1	10.5
Grants received	0.8	0.0	(2.2)	2.2	0.9	-	-
Other financial liabilities	(1.3)	(0.0)	2.2	(2.2)	(1.3)	(3.3)	(0.0)
Proceeds from and repayments of financial liabilities	0.9	2.8	0.3	(3.4)	0.6	(3.2)	(14.5)
Dividends	-	-	(19.4)	-	(19.4)	-	(24.9)
Dividends payments	-	-	(19.4)	-	(19.4)	-	(24.9)
Translation differences	(0.0)	0.0	0.1	(0.1)	0.0	0.0	0.0
Fixed-term deposit	45.0	-	-	-	45.0	-	-
Other cash received from (used in) financing activities	45.0	-	-	-	45.0	-	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	45.5	1.3	(21.3)	(5.1)	20.4	0.8	(39.4)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALEN	24.8	(1.4)	(25.9)	(27.5)	(30.0)	14.4	3.7

10. APPENDICES

REMUNERATION PARAMETERS APPLICABLE TO THE ENCE GROUP'S FACILITIES

Facility	Type of facility	MW	Remuneration to investment 2015 (Ri; €/MW)	Type of fuel	Remuneration to operation 2015 (Ro; €/MW)	Maximum of sale hours per MW under tariff
Navia	Biomass co-generation	40.3	-	Black liquor	29.616	-
	Biomass generation	36.7	230,244	Forestry waste	54.361	6,500
Pontevedra	Biomass co-generation	34.6	49,945	Black liquor	29.616	-
				Forestry waste	54.126	6,500
Huelva	Biomass co-generation	27.5	-	Black liquor	29.616	-
	Natural gas co-generation	49.9	-	Natural gas	43.634	-
	Biomass generation (b)	41.1	305,543	Forestry waste	59.793	6,500
Huelva 50MW	Biomass generation	50.0	266,452	Forestry waste	52.721	6,500
Mérida 20MW	Biomass generation	20.0	293,579	Forestry waste	51.106	6,500

(a) The turbine operates according to a combination of steam from a recovery boiler and a biomass boiler

The remuneration deriving from the new remuneration regime is calculated as follows:

- **Ri (remuneration on investment):** annual remuneration per gross installed MW, generating an annual payment which is the product of this parameter and gross installed capacity (MW)
Investment income = MW * Ri
- **Ro (remuneration for operations):** remuneration per MWh sold incremental to the pool price fetched, generating income calculated by adding this supplement to the pool price and multiplying the result by sales volumes in MWh

$$\text{Income from operations} = (\text{Ro} + \text{pool}) * \text{MWh}$$

Sales volumes in MWh may not exceed the product of a facility's gross installed capacity (MW) and the annual cap on hourly impact (there is no cap in the case of co-generation facilities).

$$\text{MWh} < \text{MW} * 6,500 \quad (\text{for power generated from biomass})$$

Output above this cap is sold at pool prices, with no entitlement to additional premiums.

Under the new regulatory framework, the company's revenue from electricity sales in any given period will depend on the trend in pool prices. Deviations in average pool prices with respect to the estimate reflected in the ministerial order (€49.16/MWh on average in 2014-2016; €52/MWh thereafter), within certain fluctuation ranges, will be offset in the next regulatory stub period (which lasts three years) by means of adjustments to the standard facility remuneration parameters.

Following publication of Spanish Royal Decree 413/2014, the biomass power generation plants located in the industrial complexes in Pontevedra, Navia and Huelva were incorrectly classified as black liquor facilities in the new official remuneration regime registry. ENCE is taking the administrative steps that the Ministry of Industry, Energy and Tourism made available to the generators with a view to seeking redress for errors of this kind. The case addressing the first misclassification has already been ruled in the company's favour and the other two were still being processed as of the reporting date.

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