

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2010



DEVELOPMENT OF THE BUSINESS

(Report at 30/06/2010)

I. Development of the business

Iberpapel's results for the first half of 2010 reflect a major improvement in income and Group results.

This is due to the change in trends with regard to both prices and sales of physical units of printer and writing paper during the last four months of the year.

The Group continues to benefit from its cost control plan and its energy efficiency programme, which has allowed operating margins to increase and debt to continue to be reduced significantly while strengthening its balance sheet structure.

CONSOLIDATED MANAGEMENT RESULTS AT 30 June 2010

Net revenues totalled €106,703 thousand, a 7.5% increase compared with last year (1H2009: €99,282 thousand). The Group's total revenues amounted to €109,787 thousand (1H2009: €102,385 thousand).

EBITDA totalled €19,995 thousand (1H2009: €9,484 thousand), a **110.4% increase**. The gross operating margin on revenues improved significantly to 18.2% (1H09: 9.3%)

EBIT at 30 June 2010 stood at €13,530 thousand (1H2009: €3,394 thousand), **298.6% higher**.

The profit before taxes recorded by Iberpapel Group **rose by 390.3%** to €13,342 thousand (1H2009: €2,721 thousand).

Net profit rose during the six months of 2010 to **€9,729 thousand (1H2009: €2,136 thousand)**.

Short and long-term **bank borrowings** at 30 June 2010 totalling €18,035 thousand fell by €11,948 thousand (39.8%), which reduced **leverage** to 7.8% (vs. 15.3% at 31/12/2009).

Comparative income statement in thousand euro

	30/06/2010	30/06/2009	Variance %
Net revenues	106,703	99,282	+7.5%
Other revenues	3,084	3,103	-0.6%
Revenues	109,787	102,385	+7.2%
Changes in inventories of finished goods and work in progress	-4,253	-7,858	-45.9%
Raw materials and consumables	-40,206	-38,781	+3.7%
Staff costs	-8,600	-8,683	-1.0%
Other expenses	-36,773	-37,579	-2.1%
EBITDA	19,955	9,484	+110.4%
Depreciation and amortisation	-6,425	-6,090	+5.5%
EBIT	13,530	3,394	298.6%
Financial results	-188	-673	-72.1%
Profit before taxes	13,342	2,721	390.3%
Taxes	-3,613	-585	517.6%
NET PROFIT	9,729	2,136	355.5%

a) Operating revenues and profits

Accumulated net revenues recorded by Iberpapel Group at 30 June 2010 amounted to €106,703 thousand (1H2009: €99,282 thousand), which is a 7.5% increase. The most significant components were as follows:

In thousand Euro	30/06/2010	30/06/2009	Var. %
Sale of paper	86,545	79,072	+9.5%
Sale of timber	2,112	1,970	+7.2%
Sale of Electricity	18,046	18,240	-1.1%

Paper sales rose by 9.5% due to the increase in the average selling price, which arose mainly in the second quarter. Sales of physical units grew by 4.4% on average during the first half of the year.

Iberpapel Paper Prices, base Index 100 year 2000



Supply costs totalled €40,206 thousand, a 3.7% increase. Iberpapel has increased its own production of cellulose pulp by 5.8%.

"Other expenses" includes the positive effect of the lower gas prices compared with 1H2009.

Up until June 2010 Iberpapel Group imported 1 shipment of Eucalyptus Globulus from its properties in South America (21,300 cubic meters).

The Group's gross operating profit rose to €19,955 thousand (1H2009: €9,484 thousand), which is a 110.4% increase. EBITDA reflects the recovery of sales of physical paper units and the reduction in operating costs.

Consolidated balance sheet at 30/06/2010 and 31/12/2009 (Thousand euro)

ASSETS		Date	Date
		30/06/2010	31/12/2009
I.	Property, plant and equipment	160,889	164,304
IV.	Other intangible assets	5,826	5,705
V.	Non-current financial assets	37	38
VII.	Biological assets	15,525	13,296
VIII.	Deferred tax assets	11,918	13,541
A) NON-CURRENT ASSETS		194,195	196,884
I.	Biological assets	1,378	1,462
II.	Inventories	15,823	20,461
III.	Trade and other receivables	49,701	41,437
VII.	Cash and cash equivalents	3,725	3,618
B) CURRENT ASSETS		70,627	66,978
TOTAL ASSETS (A+B)		264,822	263,862

LIABILITIES		Date	Date
		30/06/2010	31/12/2009
I.	Share capital	6,980	6,980
II.	Retained earnings and other reserves	151,245	142,437
III.	Dividend	0	-923
IV.	Less: Treasury shares	-1,568	-1,556
V.	Exchange differences	1,099	-1,189
VI.	Share premium account	27,104	27,104
A) EQUITY		184,860	172,853
I.	Bank loans and overdrafts	11,939	20,245
II.	Deferred tax liabilities	2,966	3,743
III.	Provisions	0	60
IV.	Other non-current liabilities	22,087	21,298
B) NON-CURRENT LIABILITIES		36,992	45,346
I.	Bank loans and overdrafts	6,096	9,738
II.	Trade and other payables	30,268	29,219
III.	Provisions for other current liabilities	1,247	3,589
IV.	Other current liabilities	5,359	3,117
C) CURRENT LIABILITIES		42,970	45,663
TOTAL LIABILITIES AND EQUITY (A+B+C)		264,822	263,862

a) Other intangible assets

This heading includes CO₂ emission rights granted for this year and measures at the price established at 01 January 2010.

b) Biological assets

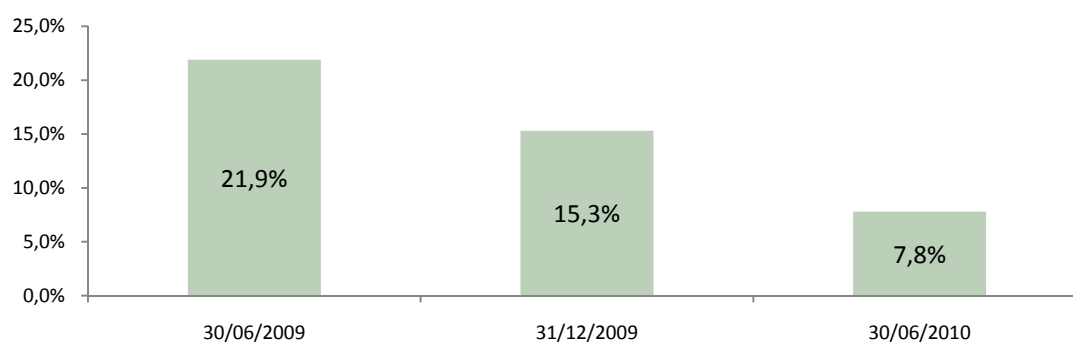
The measurement of biological assets is performed on an annual basis by the independent expert "GALTIER FRANCO IBERICA, S.A."

c) Bank loans and overdrafts

Short and long-term bank borrowings at 30/06/2010 totalled €18,035 thousand (31/12/2009: €29,983 thousand). The Group reduced its debt by €11,948 thousand (-39.8%), which reduced its leveraging to 7.8% (31/12/2009: 15.3%)

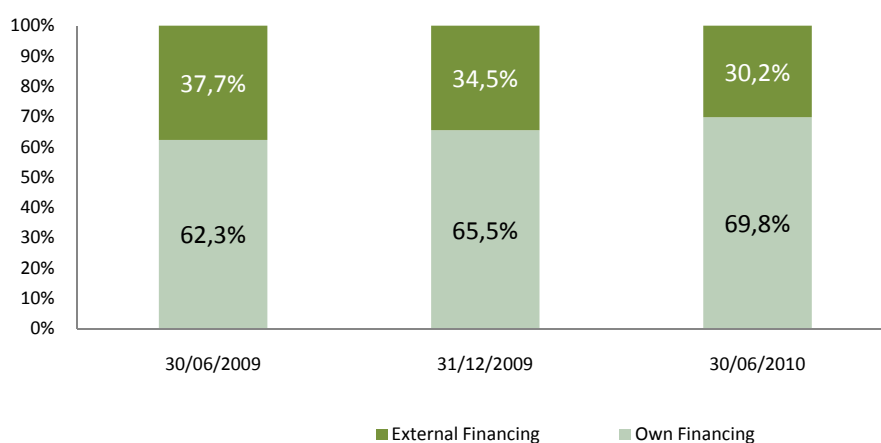
€'000	30/06/2010	31/12/2009
Short and long-term bank borrowings	18,035	29,983
Less: Cash and cash equivalents	(3,725)	(3,618)
Net debt	14,311	26,365
Equity	184,860	172,853
Leveraging index	7.8%	15.3%

LEVERAGE %



The decrease in debt allowed the Group to improve its financial structure. At 30 June 2010 the Group's capital and reserves represent 69.8% of total liabilities.

FINANCIAL STRUCTURE



RELEVANT EVENTS

- 01/03/2010 The Company issued the Annual Corporate Governance Report for 2009.
- 01/03/2010 Appointment of Mrs. M^a Luisa Guibert Ucin to the Appointments and Remuneration Committee.
- 01/03/2010 The Company applied Article 116 bis of the Stock Market Act
- 12/03/2010 The deceased Board Member Mr. Iñigo Solaun Garteiz-Goxeascoa was formally removed from the Board.
- 16/03/2010 Call for a strike at Papelera Guipuzcoana de Zicuñaga, S.A.
- 18/03/2010 Cancellation of the strike at Papelera Guipuzcoana de Zicuñaga, S.A.
- 26/03/2010 Appointment of Mr. Gabriel Sansinenea Urbisondo to the Board of Directors.
- 26/03/2010 Appointment of Mrs. M^a Luisa Guibert Ucin as Chairwoman of the Appointments and Remuneration Committee.
- 10/05/2010 Convening of the General Shareholders' Meeting. Proposals for resolutions to be submitted to the shareholders at the General Meeting.
- 25/06/2010 Resolutions adopted by the shareholders at the Annual General Meeting held on 24 June 2010.