

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2016



BUSINESS PERFORMANCE

(Report at 30/06/2016)

Iberpapel's results in the first half of 2016 were highly satisfactory. Net profit rose 71% on the same period of the previous year, despite the fall in revenue, meaning that the Group managed to defend its margins.

I. CONSOLIDATED HIGHLIGHTS AT 30 JUNE 2016

Revenue (€104,265 thousand) decreased by 7.24% on the same period of the previous year (IH 2015: €112,399 thousand).

EBITDA (€17,907 thousand) (IH 2015: €11,902 thousand) rose 50.45%. The gross operating margin was 17.17% (IH 2015: 10.59%).

Net profit for the first six months of 2016 totalled €9,387 thousand (IH 2015: €5,491 thousand), having risen 70.95%.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/06/2016	30/06/2015	% change
Revenue	104,265	112,399	-7.24%
Other income	1,652	2,873	-42.50%
Income	105,917	115,272	-8.12%
Changes in inventories of finished goods and work in progress	886	-12,052	-
Raw materials and consumables	-45,126	-39,178	15.18%
Staff costs	-9,451	-9,337	1.22%
Other expenses	-34,319	-42,803	-19.82%
EBITDA	17,907	11,902	50.45%
Depreciation/amortisation	-5,213	-4,912	6.13%
Profit/(loss) on fixed asset disposals		-3	
EBIT	12,694	6,987	81.68%
Net financial income/(expense)	64	353	-81.87%
Profit before tax	12,758	7,340	73.81%
Taxes	-3,371	-1,849	82.31%
NET PROFIT	9,387	5,491	70.95%

b) OPERATING INCOME

Cumulative revenue at 30 June 2016 totalled €104,265 thousand (1H 2015: €112,399 thousand), having fallen by 7.24%. The most significant items are set out below:

Thousand euro	30/06/2016	30/06/2015	Change %
Paper sales	87,674	90,856	-3.50%
Electricity sales	14,204	17,873	-20.53%
Timber sales	2,386	3,670	-34.99%

i. Paper sales

The 3.50% decline in paper sales is explained by the reduction in physical units sold due to difficulties in the market.

ii. Electricity sales

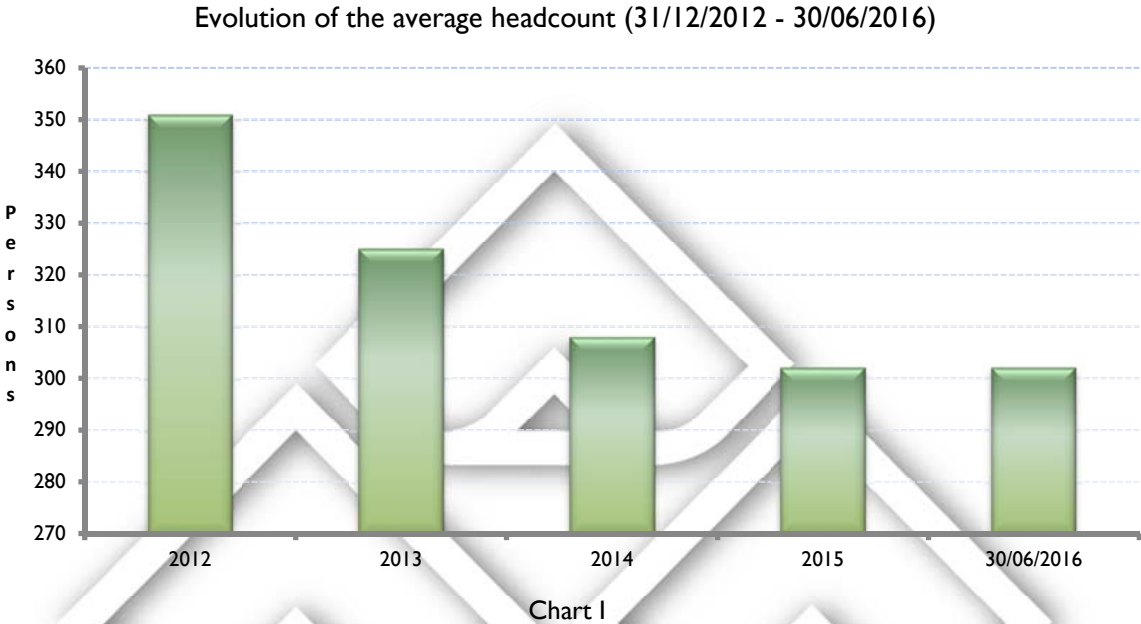
The reduction in “electricity sales” revenue is due basically to the fall in the pool price during the half year, which was offset by a decrease in the gas purchase price.

c) OPERATING EXPENSES

i. Staff costs

The Iberpapel Group's average headcount in the first half of 2016 was 302 (IH 2015: 302), including senior management

The Group employed an average of XX people with recognised disabilities in 2016 (IH 2015: 17 people).



d) The Group's EBITDA amounted to €17,907 thousand (IH 2015: €11,902 thousand), representing a 50.45% rise.

3. CONSOLIDATED BALANCE SHEET AT 30/06/2016 AND 31/12/2015

ASSETS		Date	Date
Thousand euro		30/06/2016	31/12/2015
I.	Property, plant and equipment	134,848	136,591
II.	Biological assets	13,000	13,109
III.	Other intangible assets	2,374	4,671
IV.	Deferred tax assets	529	1,857
V.	Non-current financial assets	2,412	2,415
A) NON-CURRENT ASSETS		153,163	158,643
II.	Inventories	18,175	17,668
II.	Trade and other receivables	36,457	37,294
III.	Other current financial assets	27,680	19,643
IV.	Cash and cash equivalents	29,811	31,098
B) CURRENT ASSETS		112,123	105,703
TOTAL ASSETS (A+B)		265,286	264,346

LIABILITIES		Date	Date
Thousand euro		30/06/2016	31/12/2015
I.	Capital	6,430	6,748
II.	Retained earnings and other reserves	199,525	197,446
III.	Profit/(loss) for the year	9,387	16,111
IV.	Less: Treasury shares	(608)	(7,064)
V.	Gains/(losses) on exchange	(14,269)	(12,975)
VI.	Share premium account	13,633	13,633
A) EQUITY		214,098	213,899
I.	Bank borrowings	2,400	2,400
II.	Deferred tax liabilities	3,060	3,201
IV.	Other non-current liabilities	4,868	3,616
B) NON-CURRENT LIABILITIES		10,328	9,217
I.	Bank borrowings	2,889	3,329
II.	Trade and other payables	30,247	28,365
III.	Provisions for other current liabilities	1,170	4,895
IV.	Current tax liabilities	6,554	4,641
C) CURRENT LIABILITIES		40,860	41,230
TOTAL LIABILITIES AND EQUITY (A+B+C)		265,286	264,346

a) Biological assets

Biological assets are valued annually by the independent expert “Galtier Franco Ibérica, S.A.”

On each balance sheet date, the Group initially recognises biological assets at fair value less estimated point-of-sale costs.

Gains or losses on the initial recognition of a biological asset at fair value less estimated point-of-sale costs and gains or losses resulting from all successive fair value changes less estimated point-of-sale costs are included in net profit or loss for the year.

Government grants associated with a biological asset are recognised when and only when they are payable.

i) Exchange differences.

The Group has investments in Uruguay and Argentina through companies operating in currencies other than the euro, which is Iberpapel Gestión, S.A.’s functional and presentation currency. Consequently, the Group is exposed to foreign exchange risks in connection with the Argentine and Uruguayan pesos against the euro.

At 30 June 2016 the Group records cumulative currency translation losses totalling €14,269 thousand (1H 2015: €12,975 thousand), caused by foreign exchange fluctuations affecting those currencies in relation to the euro. In the first six months of 2016, the Argentine and Uruguayan pesos depreciated against the euro by 14.70% and 14.90%, respectively.

b) Bank borrowings

At 30 June 2016, the Group records a net cash surplus of €52,202 thousand (31/12/2015: €45,012 thousand).

Thousand euro	30/06/2016	31/12/2015	31/12/2014
Short- and long-term bank borrowings	5,289	5,729	3,056
(Less: Cash and cash equivalents)	(57,491)	(50,741)	(36,183)
Net debt	(52,202)	(45,012)	(33,127)
Equity	214,098	213,899	208,186
Leverage ratio	(24.38%)	(21.04%)	(15.91%)

The following chart reflects the evolution of the Group's sound financial structure:

Financial structure

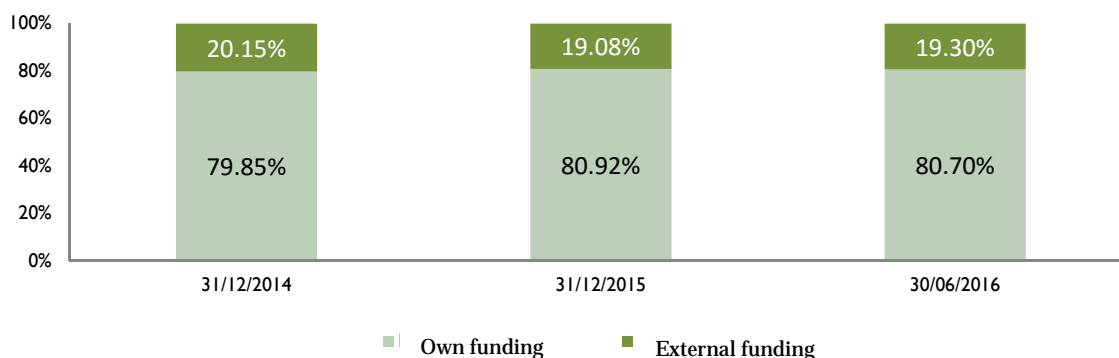


Chart Li

4. INVESTMENTS

The increase in fixed assets in the first half of 2016 amounted to €4,474 thousand (30/06/2015: 2,330).

5. ACCOUNTING POLICIES

This accounting information for the first half of 2016 has been prepared applying the same accounting policies used in the previous annual financial report, specifically the International Financial Reporting Standards (IFRS) adopted by the European Union and approved by European Commission Regulations, and which are in force at 30 June 2016, and with all prevailing IFRIC interpretations and commercial law applicable to companies reporting under EU-IFRS. This interim information has been prepared on a cost basis, as adjusted to measure forestry assets in accordance with IAS 41.

6. RELEVANT EVENTS

26/02/2016.- The Board of Directors resolved to pay out an interim dividend of €0.30 per share.

13/03/2016.- The Annual General Meeting was announced.

25/04/2016.- Resolutions were adopted by the Annual General Meeting, stating the number of votes cast.

21/06/2016.- The capital reduction deed is attached.

7. SHARE PRICE EVOLUTION

In the first half of the year, stock market performance mirrored the uncertainty surrounding the world economy and the increase in implicit risk. The Iberpapel Group's stock performed well during the half year. The stock rose +1.45% in the first half, as compared with significant falls in the selective IBEX35 and the Ibx Small Caps indices (-14.47% and -8.24%, respectively).

Main stock data

	1S 2016	2015	2014	2013	2012
Shares admitted to trading (€M)	6.40	6.75	6.75	6.75	6.75
No. of shares (x1000)	10,716	11,247	11,247	11,247	11,247
Capitalisation (€M)	187.53	194,017	142.95	169.84	147.34
Volume traded (x 1000 shares)	1,122	2,796	3,453	1,981	1,440
Amount traded (€M)	19.78	40.25	42.77	28.28	18.67
Closing price (€)	17.50	17.25	12.71	15.10	13.10
Maximum price (€)	18.80 (3 May)	17.50 (17 Dec)	16.55 (16 Jan)	15.99 (21 Oct)	14.30 (13 Feb)
Minimum price (€)	15.57 (15 Feb)	12.20 (7 Jan)	11.56 (18 Nov)	13.00 (2 Jan)	12.06 (23 Apr)

Source: BME and Madrid Stock Exchange (Summary of equity trading)

At end-June, the Company's market capitalisation stood at €187.53 million.

Comparative stock performance in IH 2016 (Base 100 at 31/12/2015)

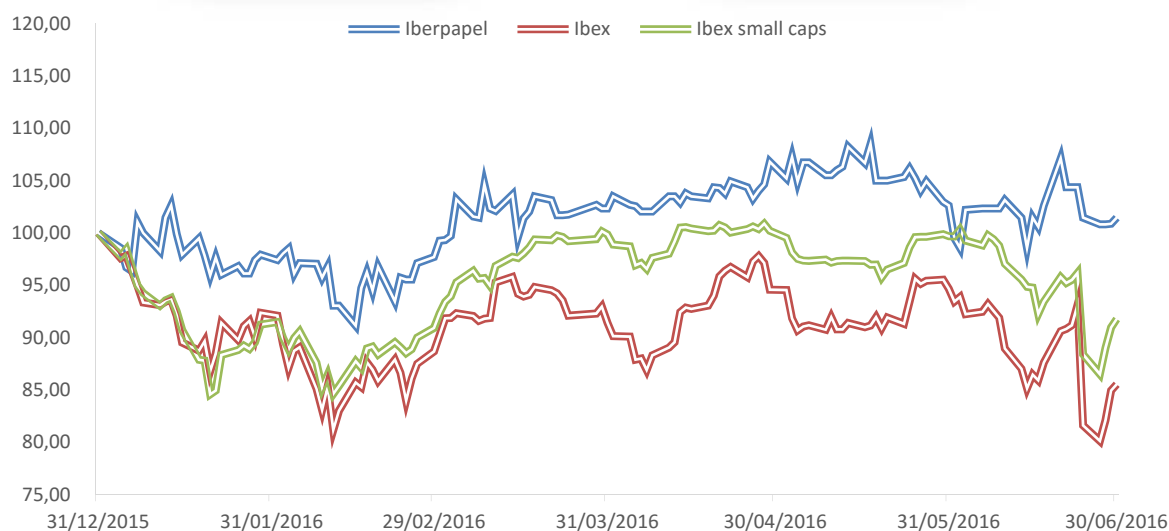


Chart III

The Iberpapel Group has a relationship with its shareholders and investors based on transparency and adequate information channels to assure a permanent flow of easily accessible information.

The website (www.iberpapel.es) is continuously updated to include all the information necessary on the Company and the Group, as well as quarterly and half-yearly results, relevant events and any other information of interest.

The Investor Relations Department is open to all queries through the website, over the telephone (91 564 07 20) or via e-mail (atención.al.accionista@iberpapel.es).

