

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2017.



BUSINESS PERFORMANCE

(Report at 30/06/2017)

Unlike cellulose, the printing and writing paper market has clearly been less expansive in the first half of the current year, with prices slightly below the same period of the previous year.

Fortunately, in recent months there has been a certain recovery in demand that we trust will continue to the end of the year.

Despite this, Iberpapel managed to close June 2017 with an increase of 11.53% in its net profit as compared with the first half of 2016.

I. CONSOLIDATED HIGHLIGHTS AT 30 June 2017

Revenue (€108,584 thousand) rose 4.14% on the same period of the previous year (HI 2016: €104,265 thousand).

EBITDA (€17,616 thousand) (HI 2016: €17,907 thousand) fell by 1.63%. The gross operating margin was 16.22% (HI 2016: 17.17%).

Net profit for the first half of 2017 amounted to €10,469 thousand (HI 2016: €9,387 thousand), having risen 11.53%.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/06/2017	30/06/2016	% change
Revenue	108,584	104,265	4.14
Other income	2,207	1,652	33.60
Income	110,791	105,917	4.60
Changes in inventories of finished goods and work in progress	-4,184	886	
Raw materials and consumables	-41,272	-45,126	-8.54
Staff costs	-9,714	-9,451	2.78
Other expenses	-38,005	-34,319	10.74
EBITDA	17,616	17,907	-1.63
Depreciation/amortisation	-5,477	-5,213	5.06
Impairment and profit/(loss) on fixed asset disposals	467		
EBIT	12,606	12,694	-0.69
Net financial income/(expense)	14	64	-78.13
Profit before tax	12,620	12,758	-1.08
Taxes	-2,151	-3,371	-36.19
NET PROFIT	10,469	9,387	11.53

b) OPERATING INCOME

Cumulative revenue at 30 June 2017 totalled €108,584 thousand (H1 2016: €104,265 thousand), entailing a rise of 4.14%; the most significant items are set out below:

Thousand euro	30/06/2017	30/06/2016	Change %
Paper sales	88,936	87,675	1.44
Electricity sales	19,418	14,204	36.71
Timber sales	230	2,386	-90.36

i. Paper sales

Market difficulties affecting selling prices were partly offset by the increase in units sold.

ii. Electricity sales

Revenue growth in the item “electricity sales” is explained by the increased efficiency of our gas cogeneration turbine and a rise in the pool price.

c) OPERATING EXPENSES

i. Staff costs

The average number of employees to 30 June 2017 was 291, including senior management (HI 2016: 302). The Group has employed an average of 13 people with different degrees of recognised disability in 2017 (HI 2016: 13 people).

Chart I shows movements in the headcount.

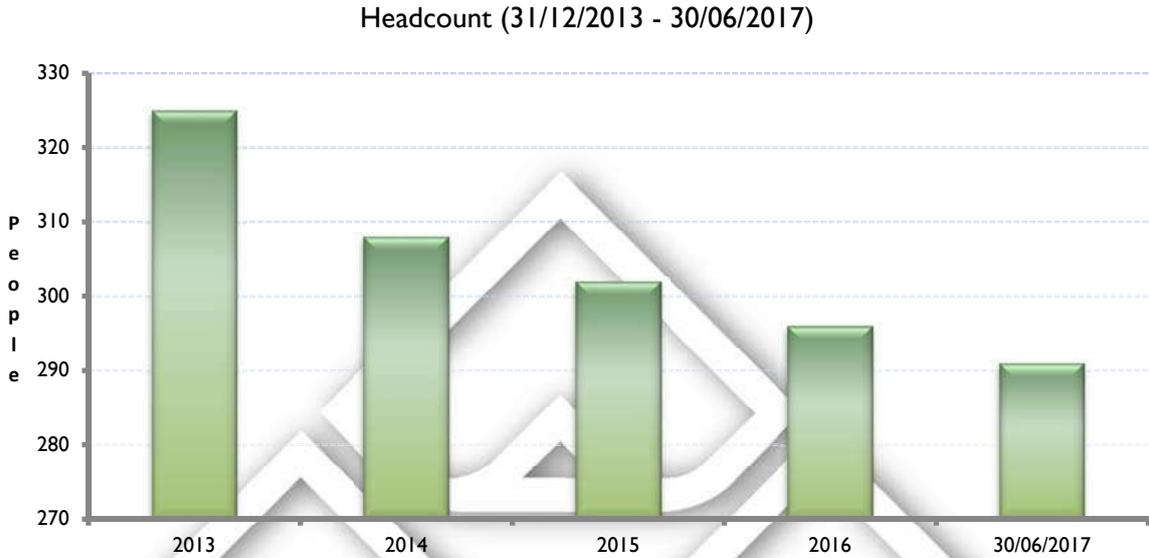


Chart I

d) The Group's EBITDA amounted to €17,616 thousand (HI 2016: €17,907 thousand), representing a 1.63% decrease.

3. CONSOLIDATED BALANCE SHEET AT 30/06/2017 AND 31/12/2016

ASSETS		Date	Date
Thousand euro		30/06/2017	31/12/2016
I.	Property, plant and equipment	129,597	135,341
II.	Biological assets	15,414	15,419
III.-	Other intangible assets	1,741	2,327
IV.	Deferred tax assets	1,117	1,381
V.	Non-current financial assets	4,383	4,421
A) NON-CURRENT ASSETS		152,252	158,889
II.	Inventories	16,130	21,194
II.	Trade and other receivables	37,604	64,235
IV.	Cash and cash equivalents	68,314	31,741
B) CURRENT ASSETS		122,048	117,170
TOTAL ASSETS (A+B)		274,300	276,059

LIABILITIES		Date	Date
Thousand euro		30/06/2017	31/12/2016
I.	Capital	6,558	6,558
II.	Retained earnings and other reserves	213,492	200,415
III	Profit/(loss) for the year	10,469	20,105
IV.	Less: <i>Treasury shares</i>	(2,415)	(1,060)
V.	Exchange differences	(14,749)	(12,202)
VI.	Share premium account	13,633	13,633
A) EQUITY		226,988	227,449
I.	Bank borrowings	1,760	2,437
II.	Deferred tax liabilities	2,481	2,743
IV.	Other non-current liabilities	4,949	4,914
B) NON-CURRENT LIABILITIES		9,190	10,094
I.	Bank borrowings	2,897	2,840
II.	Trade and other payables	33,699	33,739
III.-	Provisions for other current liabilities	1,526	1,937
C) CURRENT LIABILITIES		38,122	38,516
TOTAL LIABILITIES AND EQUITY (A+B+C)		274,300	276,059

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.

In the first half of 2017, the Group records cumulative negative currency translation differences in the amount of €14,749 thousand (31/12/2016: €12,202 thousand), caused by foreign exchange fluctuations affecting those currencies in relation to the euro. In the first six months of 2017, the Argentine and Uruguayan pesos depreciated against the euro by 12.48% and 4.61%, respectively.

b) Bank borrowings

At 30 June 2017, the Group records a net cash surplus of €65,417 thousand (31/12/2016: €55,131 thousand).

Thousand euro	30/06/2017	31/12/2016
Short- and long-term bank borrowings	4,657	5,277
(Less: Cash and cash equivalents)	(70,074)	(60,408)
Net debt	(65,417)	(55,131)
Equity	226,988	227,449
Leverage ratio	(28.82)	(24.23)%

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



Chart II

4. INVESTMENTS

Property, plant and equipment and intangible assets increased by €800 thousand in the first six months of 2017 (HI 2016: €4,474 thousand).

5. ACCOUNTING POLICIES

This accounting information for the first half of 2017 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, approved by European Commission Regulations and in force, and all prevailing IFRIC interpretations and commercial law applicable to companies reporting under EU-IFRS. This interim information been prepared on a cost basis, as adjusted to measure forestry assets in accordance with IAS 41.

6. SHARE PRICE EVOLUTION

Following the strength shown in the first quarter of the year in the equity market, in the second quarter there was a small spike in volatility, which remained at minimal levels, however. The main indices ended the year at close to maximum levels, showing significant annual yields. Iberpapel's stock again performed well, ending the period at €30.01 after having risen by a cumulative 31.11% as compared with 11.68% in the IBEX-35 or 17.56% in the Ibex Small Caps.

Main stock data

	HI 2017	2016	2015	2014	2013
Shares admitted to trading (€M)	6.56	6.56	6.75	6.75	6.75
No. of shares (x1000)	10,930	10,930	11,247	11,247	11,247
Capitalisation (€M)	328.03	250.20	194.01	142.95	169.84
Volume traded (x 1000 shares)	1,726	1,998	2,796	3,453	1,981
Amount traded (€M)	49.51	38.37	40.25	42.77	28.28
Closing price (€)	30.01	22.89	17.25	12.71	15.10
Maximum price (€)	31.88 (17 May)	22.89 (30 Dec)	17.50 (17 Dec)	16.55 (16 Jan)	15.99 (21 Oct)
Minimum price (€)	22.12 (3 Jan)	15.57 (15 Feb)	12.20 (7 Jan)	11.56 (18 Nov)	13.00 (2 Jan)

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

At end-June, the Company's market capitalisation stood at €328.03 million.

Comparative stock performance in HI 2017 (Base 100 at 31/12/2016)

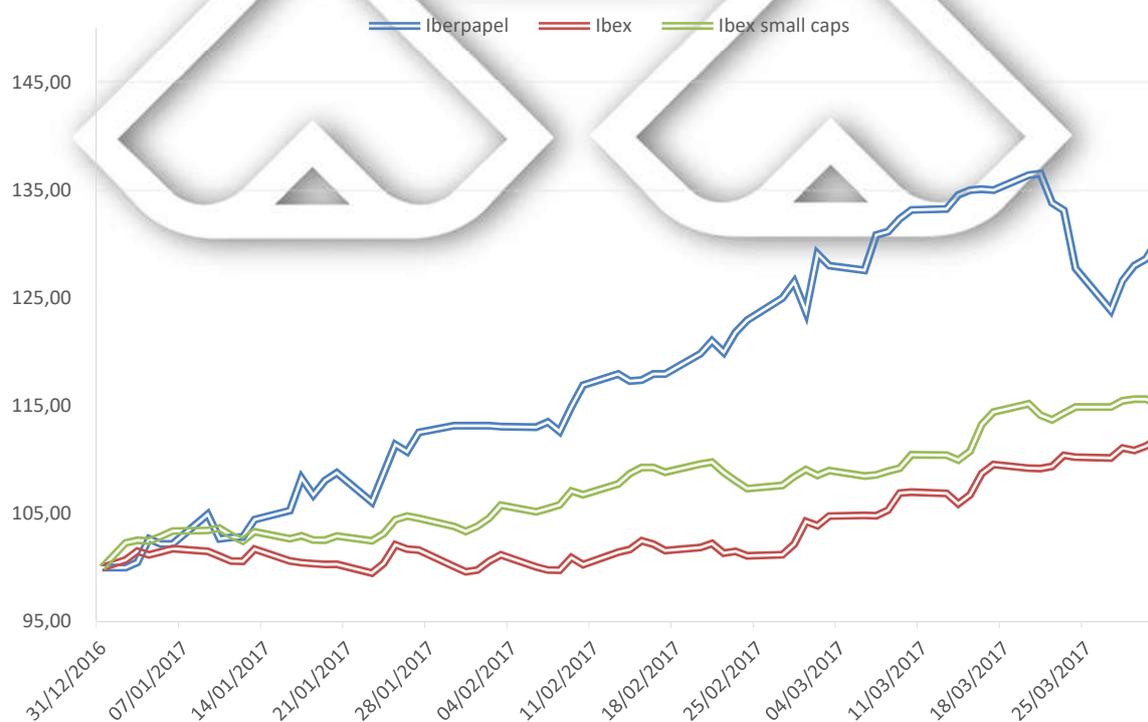


Chart III

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.

7. RELEVANT EVENTS

28/02/2017.- The Board of Directors resolved to pay out a gross interim dividend of €0.30 per share for 2016.

03/04/2017.- The Annual General Meeting was convened and the proposed resolutions were sent to the shareholders.

10/05/2017.- "Hernani Project" presentation.

24/05/2017.- Attached are the resolutions adopted by the Annual General Meeting held today.

30/05/2017.- Dividend information.

22/06/2017.- The Company announces the temporary suspension of the liquidity agreement.

22/06/2017.- Share buy-back, stabilisation and treasury share plans.

22/06/2017.- The Company announces the resumption of the liquidity agreement on 23 June 2017.

8. EVENTS AFTER THE REPORTING DATE

There are no relevant events to report since 30 June 2017.