

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2018.



BUSINESS PERFORMANCE

(Report at 30/06/2018)

In the first half of 2018, the Group's results were very positive, despite the 15-day maintenance stoppage in March, consolidated net profit having risen 19.28% on the same period of the previous year. Growth in both EBITDA and net profit is attributable to the increase in the average selling price of writing and printing paper.

I. CONSOLIDATED HIGHLIGHTS AT 30 JUNE 2018

Revenue (€111,637 thousand) rose 2.81% on the same period of the previous year (HI 2017: €108,584 thousand).

EBITDA (€20,344 thousand) (HI 2017: €17,616 thousand) rose 15.49%. The gross operating margin was 18.22% (HI 2017: 16.22%).

Net profit for the first half of 2018 amounted to €12,487 thousand (HI 2017: €10,469 thousand), having risen 19.28%.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/06/2018	30/06/2017	% change
Revenue	111,637	108,584	2.81
Other income	3,136	2,207	42.09
Income	114,773	110,791	3.59
Changes in inventories of finished goods and work in progress	-3,494	-4,184	-16.49
Raw materials and consumables	-43,323	-41,272	4.97
Staff costs	-9,714	-9,714	-0.28
Other expenses	-37,898	-38,005	-0.28
EBITDA	20,344	17,616	15.49
Depreciation/amortisation	-5,311	-5,477	-3.03
Impairment and profit/(loss) on fixed asset disposals	7	467	
EBIT	15,040	12,606	19.31
Net financial income/(expense)	10	14	-28.57
Profit before tax	15,050	12,620	19.26
Taxes	-2,563	-2,151	19.15
NET PROFIT	12,487	10,469	19.28

b) OPERATING INCOME

Cumulative revenue at 30 June 2018 totalled €111,637 thousand (H1 2017: €108,584 thousand), entailing a rise of 2.81%; the most significant items are set out below:

Thousand euro	30/06/2018	30/06/2017	Change %
Paper sales	89,534	88,936	0.67
Electricity sales	20,118	19,418	3.60
Timber sales	1,985	230	

i. Paper sales

Paper sales were in line with the same period of the previous year, despite the fall in the number of physical units sold, since there was a maintenance stoppage at Papelera Guipuzcoana de Zicuñaga S.A.U. in March. Paper prices performed better in the first half of the year.

ii. Electricity sales

Turnover from “electricity sales” was in line with the same period of the previous year.

iii. *Timber sales*

In the first half of 2018, the Group's Uruguayan forestry company made sales of eucalyptus timber in the local market totalling €1,985 thousand (HI 2017: €230 thousand).

c) **OPERATING EXPENSES**

i. *Staff costs*

The average headcount in the first half of 2018 was 289 employees, including senior management (2017: 291). The Group has employed an average of 9 people with recognised disabilities during the year (2017: 13 people).

d) The Group's EBITDA amounted to €20,344 thousand (HI 2017: €17,616 thousand), representing a 15.49% rise.

3. **CONSOLIDATED BALANCE SHEET AT 30/06/2018 AND 31/12/2017**

ASSETS		Date	Date
Thousand euro		30/06/2018	31/12/2017
I.	Property, plant and equipment	120,807	124,696
II.	Biological assets	12,441	13,640
III.	Other intangible assets	1,357	1,510
IV.	Deferred tax assets	1,755	1,547
V.	Non-current financial assets	2,881	3,411
A) NON-CURRENT ASSETS		139,241	144,804
II.	Inventories	13,701	15,859
II.	Trade and other receivables	42,180	41,213
IV.	Cash and cash equivalents	163,295	151,426
B) CURRENT ASSETS		219,176	208,498
TOTAL ASSETS (A+B)		358,417	353,302

LIABILITIES		Date	Date
Thousand euro		30/06/2018	31/12/2017
I.	Capital	6,558	6,558
II.	Retained earnings and other reserves	230,300	213,457
III.	Profit/(loss) for the year	12,487	22,906
IV.	Less: Treasury shares	-2,624	-2,418
V.	Exchange differences	-21,181	-17,365
VI.	Share premium account	13,633	13,633
A) EQUITY		239,173	236,771
I.	Bank borrowings	71,120	71,255
II.	Deferred tax liabilities	1,360	1,622
III.	Provisions for non current liabilities	2,516	2,673
IV.	Other non-current liabilities	2,556	2,645
B) NON-CURRENT LIABILITIES		77,552	78,195
I.	Bank borrowings	2,954	2,816
II.	Trade and other payables	35,459	33,083
III.	Provisions for other current liabilities	3,279	2,437
C) CURRENT LIABILITIES		41,692	38,336
TOTAL LIABILITIES AND EQUITY (A+B+C)		358,417	353,302

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 2018, the Group records cumulative currency translation losses totalling €21,181 thousand (2017: €17,365 thousand), caused by foreign exchange fluctuations affecting those currencies in relation to the euro. The Argentine peso depreciated 33.85% against the euro from 31 December 2017 to 30 June 2018, while the Uruguayan peso fell 6.02% in the same period.

b) Bank borrowings

At 30 June 2018, the Group records a net cash surplus of €89,221 thousand (31/12/2017: €79,126 thousand).

Thousand euro	30/06/2018	31/12/2017
Short- and long-term bank borrowings	74,074	74,071
(Less: Cash and cash equivalents)	-163,295	-153,197
Net debt	-89,221	-79,126
Equity	239,173	236,771
Leverage ratio	-37.30%	-33.42%

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

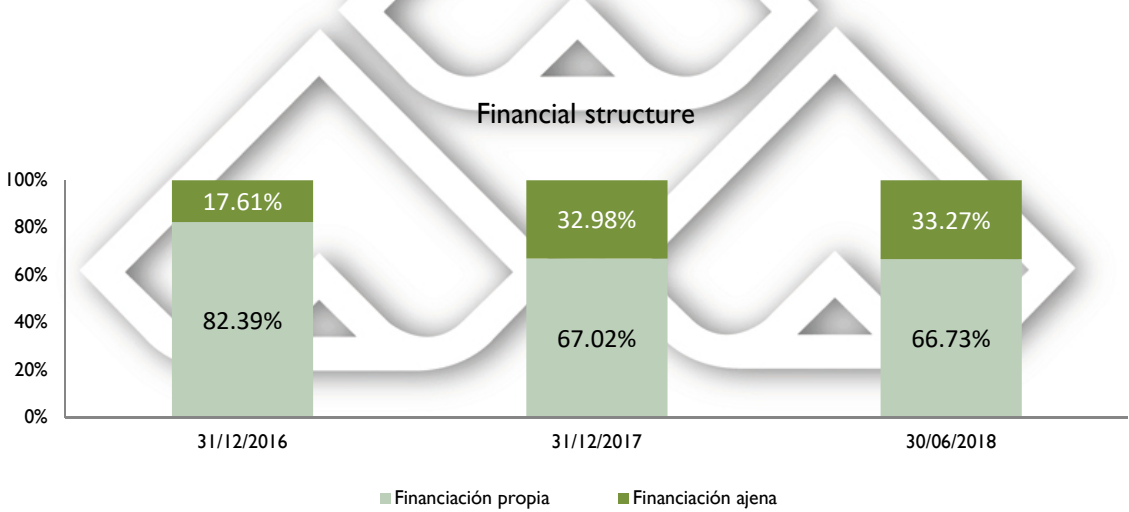


Chart I

4. ACCOUNTING POLICIES

This accounting information at 30 June 2018 has been prepared applying the International Financial Reporting Standards (IFRS) adopted by the European Union and approved by European Council Regulations, the IFRIC interpretations and commercial law applicable to companies reporting under IFRS-EU.

5. SHARE PRICE EVOLUTION

Following a complicated start to the year and despite geopolitical tensions, the IBEX35 closed the second quarter 0.23% up, although the cumulative fall for the year remains above 4%. The share prices of small- and medium-sized companies continued to show strong potential, having improved in relation to large companies. The performance of the Ibx Small Caps is a fine example, having closed the half year up 17.28%. Iberpapel's stock once again performed well, gaining 23.97% during the half year.

Main stock data

	HI 2018	2017	2016	2015	2014
Shares admitted to trading (€M)	6.56	6.56	6.56	6.75	6.75
No. of shares (x1000)	10,930	10,930	10,930	11,247	11,247
Capitalisation (€M)	395.68	319.17	250.20	194.01	142.95
Volume traded (x 1000 shares)	721	2,961	1,998	2,796	3,453
Cash value traded (€M)	24.10	83.12	38.37	40.25	42.77
Closing price (€)	36.20	29.20	22.89	17.25	12.71
Maximum price (€)	38.00 (13 Feb)	31.88 (15 May)	22.89 (30 Dec)	17.50 (17 Dec)	16.55 (16 Jan)
Minimum price (€)	27.63 (2 Jan)	22.12 (3 Jan)	15.57 (15 Feb)	12.20 (7 Jan)	11.56 (18 Nov)

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

Comparative stock performance in HI 2018 (Base 100 at 31/12/2017)

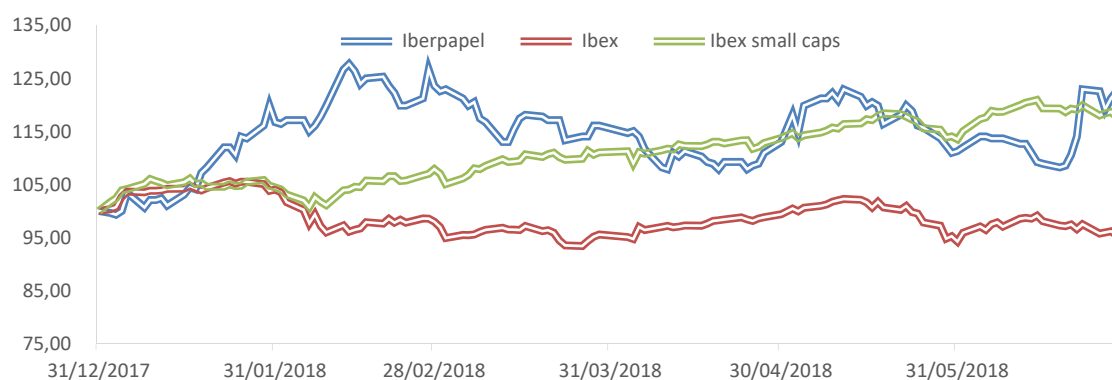


Chart II

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).

6. RELEVANT EVENTS

24/01/2018.- The Board of Directors resolves to pay a gross interim dividend of €0.30 per share out of 2017 profits.

06/03/2018.- The Annual General Meeting is convened and the proposed resolutions are sent to the shareholders.

07/03/2018.- The Board of Directors' proposal to the General Meeting regarding a supplementary and definitive gross dividend of €0.25€ per share for 2017 is attached.

25/04/2018.- Attached are the resolutions adopted by the Annual General Meeting.

30/04/2018.- Resolutions adopted by the Annual General Meeting, stating the number of votes cast.

21/06/2018.- Attached is the amendment to the Bylaws registered at the Guipúzcoa Commercial Registry.