

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2019



BUSINESS PERFORMANCE

(Report at 30/06/2019)

The strike ended after six alternate days once an understanding was reached on the Guipúzcoa provincial collective agreement for the paper industry.

This is reflected in the results for the period, although it will be more apparent in the third quarter of the current year.

All in all, the Group performed well, despite the 10-day general maintenance stoppage in March and April, and the above-mentioned strike, consolidated net profit having risen by 3.14% on the same period of the previous year. This slight increase in both EBITDA and net profit is explained essentially by the rise in the average selling price of printing and writing paper with respect to the first half of 2018.

1. CONSOLIDATED HIGHLIGHTS AT 30 June 2019

Revenue (€116,967 thousand) rose by 4.77% on the same period of the previous year (H1 2018: 111,637 thousand).

EBITDA (€20,941 thousand) (H1 2018: €20,344 thousand) rose 2.93%. The gross operating margin was 17.90% (H1 2018: 18.22%).

Net profit for the first half of 2019 amounted to €12,879 thousand (H1 2018: €12,487 thousand), having risen 3.14%.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/06/2019	30/06/2018	% change
Revenue	116,967	111,637	4.77
Other income	1,608	3,136	-48.72
Income	118,575	114,773	3.31
Changes in inventories of finished goods and work in progress	-3,291	-3,494	-5.81
Raw materials and consumables	-44,210	-43,323	2.05
Staff costs	-9,842	-9,714	1.32
Other expenses	-40,291	-37,898	6.31
EBITDA	20,941	20,344	2.93
Depreciation/amortisation	-5,195	-5,311	-2.18
Impairment and profit/(loss) on fixed asset disposals	8	7	14.29
EBIT	15,754	15,040	4.75
Net financial income/(expense)	-135	10	
Profit before tax	15,619	15,050	3.78
Taxes	-2,740	-2,563	6.91
NET PROFIT	12,879	12,487	3.14

b) OPERATING INCOME

Cumulative revenue at 30 June 2019 totalled €116,967 thousand (H1 2018: €111,637 thousand), having risen by 4.77%. The most significant items are set out below:

Thousand euro	30/06/2019	30/06/2018	Change %
Paper sales	94,576	89,534	5.63
Electricity sales	20,150	20,117	0.16
Timber sales	2,241	1,986	12.84

i. Paper sales

The increase in paper sales is due to the increase in the selling price with respect to the same period of the previous 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 2019, the Group's South American forestry companies sold eucalyptus timber in local markets for the sum of €2,241 thousand (H1 2018: €1,985 thousand).

c) OPERATING EXPENSES

i. Staff costs

The average number of employees in the first half of 2019 was 292, including senior management (H1 2018: 289 thousand). The average number of persons with a recognised disability employed by the Group was nine (H1 2018: nine).

d) The Group's EBITDA amounted to €20,941 thousand (H1 2018: €20,344 million), representing growth of 2.93%.

3. CONSOLIDATED BALANCE SHEET AT 30/06/2019 AND 31/12/2018

ASSETS		Date	Date
Thousand euro		30/06/2019	31/12/2018
I.	Property, plant and equipment	133,969	133,739
II.	Biological assets	18,108	18,420
III.	Other intangible assets	1,613	1,641
IV.	Deferred tax assets	2,548	2,665
V.	Non-current financial assets	1,282	2,418
A) NON-CURRENT ASSETS		157,520	158,883
II.	Inventories	20,244	20,204
II.	Trade and other receivables	39,743	38,744
IV.	Cash and cash equivalents	170,648	165,114
B) CURRENT ASSETS		230,635	224,062
TOTAL ASSETS (A+B)		388,155	382,945

LIABILITIES		Date	Date
Thousand euro		30/06/2019	31/12/2018
I.	Capital	6,624	6,624
II.	Retained earnings and other reserves	241,206	223,448
III.	Profit/(loss) for the year	12,879	25,207
IV.	<i>Less: Treasury shares</i>	-2,531	(2,727)
V.	Exchange differences	-8,274	(6,465)
VI.	Share premium account	13,633	13,633
IX.	<i>Less: Interim dividends</i>		(4,362)
A) EQUITY		263,537	255,358
I.	Bank borrowings	66,312	66,295
II.	Deferred tax liabilities	151	509
III.	Non-current provisions	5,729	5,760
IV.	Other non-current liabilities	2,413	1,940
B) NON-CURRENT LIABILITIES		74,605	74,504
I.	Bank borrowings	6,475	7,134
II.	Trade and other payables	40,562	43,412
III.	Provisions for other current liabilities	2,976	2,537
C) CURRENT LIABILITIES		50,013	53,083
TOTAL LIABILITIES AND EQUITY (A+B+C)		388,155	382,945

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 2019, the Group records cumulative currency translation losses totalling €(8,274) thousand (31/12/2018: €(6,465) thousand), caused by foreign exchange fluctuations affecting the Uruguayan peso in relation to the euro. The Uruguayan peso depreciated 7.48% from December 2018 to 30 June 2019.

In addition, as Argentina has been classed as a hyperinflation country since July 2018 with retrospective effect to 1 January 2018, in December 2018 the Iberpapel Group revised its policy for presenting the Argentinian subsidiaries in the financial statements. All the equity effects of hyperinflation were included in reserves of consolidated companies so as to present more relevant and reliable information.

A loss of €38 thousand was recognised in the first half of 2019 due to the effect of hyperinflation.

b) Bank borrowings

At 30 June 2019, the Group records a net cash surplus of €98,207 thousand (31/12/2018: €92,810 thousand).

Thousand euro	30/06/2019	31/12/2018
Short- and long-term bank borrowings	72,787	73,429
(Less: Cash and cash equivalents)	(170,994)	(166,239)
Net debt	(98,207)	(92,810)
Equity	263,537	255,358
Leverage ratio	(37.26%)	(36.34%)

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

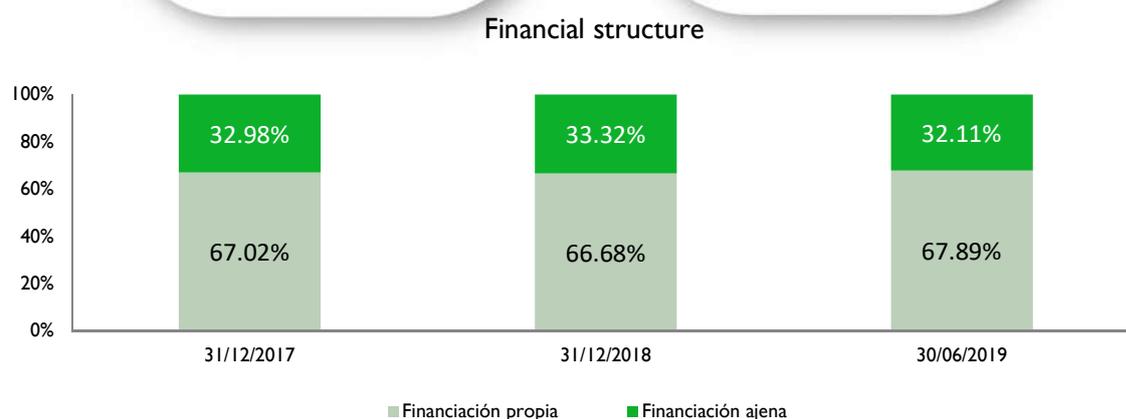


Chart I

4. ACCOUNTING POLICIES

This accounting information at 30 June 2019 has been prepared applying the International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved by European Commission Regulations, IFRIC interpretations and company law applicable to companies reporting under EU-IFRS.

5. FIXED ASSETS

Investments in fixed assets totalled €6,472 thousand in the first half of 2019.

6. SHARE PRICE TREND

Although a recession is unlikely, the uncertainty generated by the trade negotiations between China and the United States, Brexit and the European cycle are beginning to undermine growth. In this complicated environment, the main Spanish indices still show cumulative yields of close to 8% at the end of the half year. Iberpapel, after rising 16.10% in 2018, has not performed well, as is the case of other industry companies, posting a cumulative fall of 15.76% over the half year.

Main stock data

	1S2019	2018	2017	2016	2015
Shares admitted to trading (€M)	6.62	6.62	6.56	6.56	6.75
No. of shares (x1000)	11,040	11,040	10,930	10,930	11,247
Capitalisation (€M)	306.91	395.68	319.17	250.20	194.01
Volume traded (x 1000 shares)	446	721	2,961	1,998	2,796
Cash value traded (€M)	13.59	24.10	83.12	38.37	40.25
Closing price (€)	27.80	36.20	29.20	22.89	17.25
Maximum price (€)	33.60 (2 Jan)	38.00 (13 Feb)	31.88 (15 May)	22.89 (30 Dec)	17.50 (17 Dec)
Minimum price (€)	27.30 (28 Jun)	27.63 (2 Jan)	22.12 (3 Jan)	15.57 (15 Feb)	12.20 (7 Jan)

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

Comparative stock performance in the first half of 2019 (Base 100 at 31/12/2018)

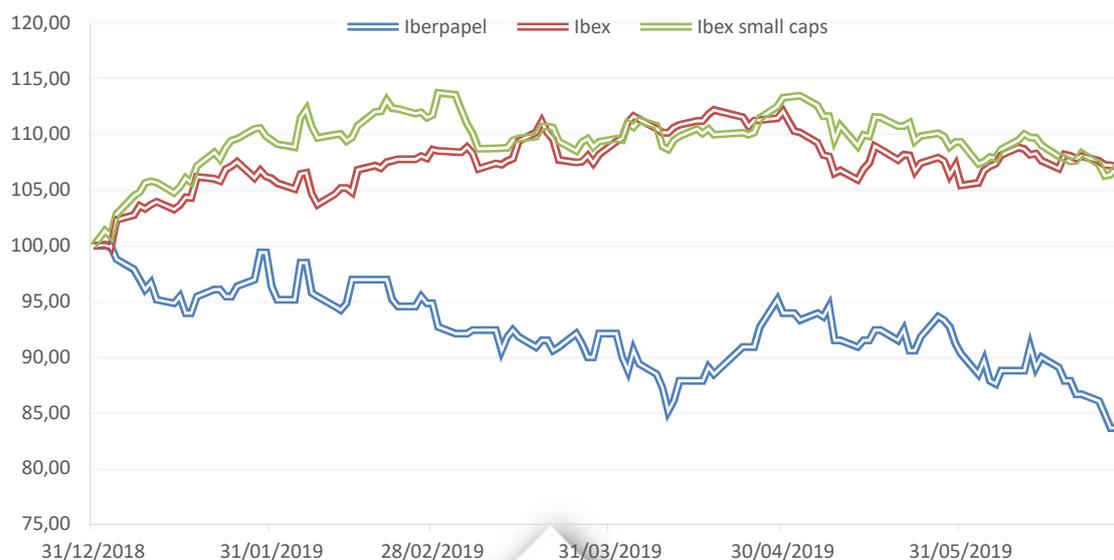


Chart II

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).

7. RELEVANT EVENTS

28/02/2019.- The Board of Directors' proposal to the General Meeting regarding a supplementary and definitive gross dividend of €0.30 per share for 2018 is attached.

12/03/2019.- The announcement of the Annual General Meeting and the Proposed Resolutions are attached.

30/05/2019.- Reorganisation of the Board committees.

19/06/2019.- Calling of a strike in Guipúzcoa's paper industry.