

EXPLANATORY NOTES FOR THE FIRST HALF OF 2020.

30 June 2020

BUSINESS PERFORMANCE

(Report at 30/06/2020)

The first half of the year was marked by the health and economic crisis caused by the Covid-19 pandemic, which led to the closure of nearly all activities in Spain.

However, our Group, which is engaged in an essential activity, continued to work in a very complex market scenario in which demand clearly contracted, reducing paper sales by 24% on the same period of the previous year.

Revenue from electricity sales also declined by 24.88% due to the sharp fall in selling prices.

In this situation, for which there is no historical precedent, the Group managed to post EBITDA of €12.5 million (H1 2019: €20.94 million), representing a decrease of 39%, and a net profit of €6.03 million, which is 53% below the same period of 2019.

The facilities of Papelera Guipuzcoana de Zicuñaga, S.A.U. have remained operational during this health and economic crisis, though not at full capacity.

In addition, as we informed the Spanish National Securities Market Commission (CNMV) on 18 June and following the delay imposed by the health pandemic, the new facilities and interconnection with the existing cellulose plant will be completed at the end of July. Maintenance work will also be carried out in the entire plant.

This will involve a production stoppage of approximately 50 days at the Hernani plant, which will logically affect the Company's results.

The investment in the new MG paper machine (which also forms part of the "Hernani Project") will be temporarily delayed due to the current uncertainty regarding healthcare, the economy and business both nationally and internationally, caused by the Covid-19 crisis.

Finally, the General Shareholders' Meeting was held on second call on 22 June and a definitive, supplementary, gross dividend of €0.15 per share was paid out on 9 July.

1. CONSOLIDATED HIGHLIGHTS AT 30 June 2020

Revenue (€87,509 thousand) was 25.18% down on the same period of the previous year (H1 2019: €116,967 thousand).

EBITDA (€12,749 thousand) (H1 2019: €20,941 thousand) decreased by 39.12%. The gross operating margin was 14.57% (H1 2019: 17.90%).

Net profit for the first half of 2020 amounted to €6,033 thousand (H1 2019: €12,879 thousand), 53.16% down.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/06/2020	30/06/2019	% change
Revenue	87,509	116,967	-25.18%
Other income	1,799	1,608	11.88%
Income	89,308	118,575	-24.68%
Changes in inventories of finished goods and work in progress	2,825	-3,291	-185.84%
Raw materials and consumables	-36,736	-44,210	-16.91%
Staff costs	-10,129	-9,842	2.92%
Other expenses	-32,519	-40,291	-19.29%
EBITDA	12,749	20,941	-39.12%
Depreciation/amortisation	-5,494	-5,195	5.76%
Impairment and profit/(loss) on fixed asset disposals	1	8	-87.50%
EBIT	7,256	15,754	-53.94%
Net financial income/(expense)	-348	-135	157.78%
Profit before tax	6,908	15,619	-55.77%
Taxes	-875	-2,740	-68.07%
NET PROFIT	6,033	12,879	-53.16%

b) OPERATING INCOME

Cumulative revenue at 30 June 2020 totalled €87,509 thousand (H1 2019: €116,967 thousand), having fallen by 25.18%. The most significant items are set out below:

Thousand euro	30/06/2020	30/06/2019	Change %
Paper sales	71,760	94,576	-24.12%
Electricity sales	15,137	20,150	-24.88%
Timber sales	612	2,241	-72.69%

i. Paper sales

The fall in paper sales is explained by the 18% reduction in the number of physical units sold and a significant fall in the average paper selling price, in comparison with the first half of 2019 in both cases.

ii. Electricity sales

“Electricity sales” billings declined by 24% on the same period of the previous year due to the decline in power pool prices. Production figures exceeded the same period of the previous year, however.

iii. Timber sales

In the first half of 2020, the forestry companies sold timber in the amount of €612 thousand (H1 2019: €2,241 thousand), 72% less because activities in Spain and Uruguay were interrupted by the coronavirus.

OPERATING EXPENSES

i. Other expenses

This income statement item includes gas and power purchases, prices having fallen in both cases with respect to the first half of 2019, by 29% and 32%, respectively.

3. CONSOLIDATED BALANCE SHEET AT 30/06/2020 AND 31/12/2019

ASSETS		Date	Date
Thousand euro		30/06/2020	31/12/2019
I.	Property, plant and equipment	155,557	143,637
II.	Biological assets	16,135	18,165
III.	Other intangible assets	2,319	2,753
IV.	Deferred tax assets	2,724	2,669
V.	Non-current financial assets	6,104	1,611
A) NON-CURRENT ASSETS		182,839	168,835
II.	Inventories	32,070	28,221
II.	Trade and other receivables	25,270	34,696
IV.	Cash and cash equivalents	165,043	147,006
B) CURRENT ASSETS		222,383	209,923
TOTAL ASSETS (A+B)		405,222	378,758

LIABILITIES		Date	Date
Thousand euro		30/06/2020	31/12/2019
I.	Capital	6,624	6,624
II.	Retained earnings and other reserves	254,933	240,947
III.	Profit/(loss) for the year	6,033	21,679
IV.	<i>Less: Treasury shares</i>	-2,500	-2,393
V.	Exchange differences	-12,008	-9,294
VI.	Share premium account	13,633	13,633
IX.	<i>Less: Interim dividends</i>		-4,368
A) EQUITY		266,715	266,828
I.	Bank borrowings	90,289	45,425
II.	Deferred tax liabilities	186	178
III.	Non-current provisions	212	246
IV.	Other non-current liabilities	4,938	4,639
B) NON-CURRENT LIABILITIES		95,625	53,488
I.	Bank borrowings	8,530	19,807
II.	Trade and other payables	31,902	34,219
III.	Provisions for other current liabilities	2,450	4,416
C) CURRENT LIABILITIES		42,882	58,442
TOTAL LIABILITIES AND EQUITY (A+B+C)		405,222	378,758

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 2020, the Group records cumulative currency translation losses totalling €(12,008) thousand (31/12/2019: €(9,294) thousand), caused by foreign exchange fluctuations affecting the Uruguayan peso in relation to the euro. The Uruguayan peso depreciated 11.64% from December 2019 to 30 June 2020.

In addition, as a result of the classification of Argentina as a hyperinflationary economy since July 2018, with retroactive effect to 1 January 2018, retained losses recognised due to hyperinflation at 30 June 2020 amounting to €8 thousand, as compared with a loss of €38 thousand at 30 June 2019.

b) Bank borrowings

At 30 June 2020, the Group records a net cash surplus of €66,224 thousand (31/12/2019: €78,774 thousand).

Thousand euro	30/06/2020	31/12/2019
Short- and long-term bank borrowings	98,819	68,232
(Less: Cash and cash equivalents)	(165,043)	(147,006)
Net debt	(66,224)	(78,774)
Equity	266,715	266,828
Leverage ratio	(24.82%)	(29.05%)

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

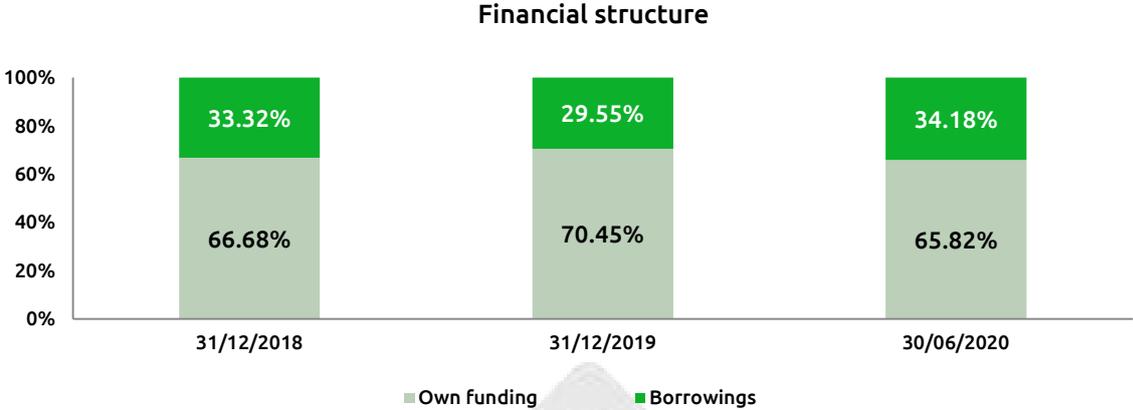


Chart I

4. ACCOUNTING POLICIES

This accounting information at 30 June 2020 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

Property, plant and equipment and intangible assets increased by €19,601 thousand in the first half of 2020.

6. SHARE PRICE TREND

The Covid-19 crisis led to a 40% fall in the Ibx 35 in only 18 sessions during February and March.

The Ibx 35 rallied by 30% at the beginning of June to reach nearly 8,000 points. Only half the losses had been recovered, but market sentiment was very positive. The fresh outbreaks of the virus triggered a pause that reached 30 June. On that day, the Ibx 35 closed at 7,231 points, entailing the worst-ever half year decline of 24.27%.

In the midst of this sombre panorama, Iberpapel's stock fell by 23.73%.

Main stock data:

	H1 2020	2019	2018	2017	2016
Shares admitted to trading (€M)	6.62	6.62	6.62	6.56	6.56
No. of shares (x1000)	11,040	11,040	11,040	10,930	10,930
Capitalisation (€M)	214.72	281.52	364.31	319.17	250.20
Volume traded (x 1000 shares)	728	1,354	1,060	2,961	1,998
Cash value traded (€M)	15.63	36.22	35.60	83.12	38.37
Closing price (€)	19.45	25.50	33.00	29.20	22.89
Maximum price (€)	26.30 (06 Feb)	33.60 (02 Jan)	39.30 (30 Jul)	31.88 (15 May)	22.89 (30 Dec)
Minimum price (€)	17.55 (23 Mar)	23.80 (18 Nov)	27.63 (2 Jan)	22.12 (3 Jan)	15.57 (15 Feb)

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

Comparative stock performance in 2020 (Base 100 at 31/12/2019)

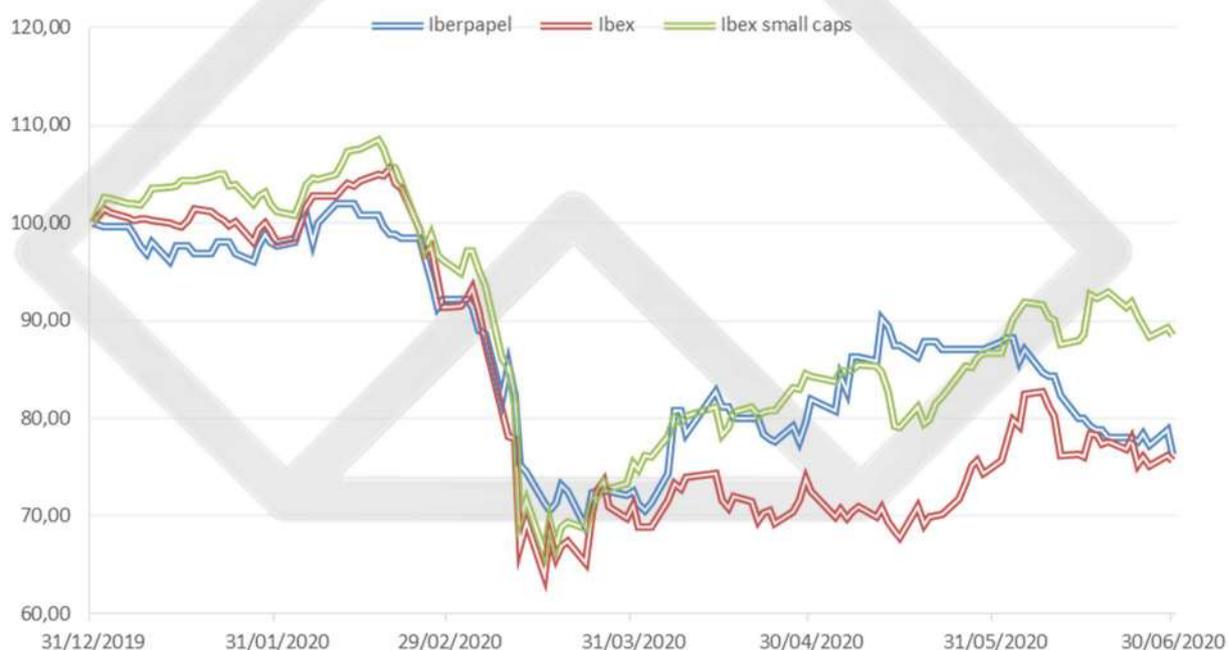


Chart II

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. OTHER RELEVANT INFORMATION

07/02/2020.- Hernani project, renovation and modernisation of the cellulose plant.

27/02/2020.- The Board of Directors' proposal to the General Meeting regarding a supplementary and definitive gross dividend of €0.15 per share for 2019 is attached.

09/03/2020.- The announcement of the Annual General Meeting and the Proposed Resolutions are attached.

20/03/2020.- Iberpapel's Board of Directors agrees to cancel the Annual General Meeting.

27/03/2020.- Iberpapel reports a delay in the start-up of the new cellulose plant.

11/05/2020.- The announcement of the Annual General Meeting and the Proposed Resolutions are attached.

18/06/2020.- Iberpapel reports the start-up of the new cellulose plant and the temporary delay of the rest of the investment.

24/06/2020.- Attached are the resolutions adopted by the Annual General Meeting.

26/06/2020.- Reorganisation of the Corporate Social Responsibility Committee.