

EXPLANATORY NOTES FOR THE FIRST QUARTER OF 2020.

31 March 2020

BUSINESS PERFORMANCE

(Report at 31/03/2020)

The first quarter of the year was marked by the start of the health and economic crisis caused by the Covid-19 pandemic.

In general, nearly all business activity in Spain has been shut down.

However, our Group, which is engaged in an essential activity, has continued to work in a very complex market scenario in which demand has clearly contracted, reducing physical units sold by around 15%.

Revenue from electricity sales also declined by 21% 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 €6.7 million (Q1 2019: €9.5 million), representing a decrease of 29%, and a net profit of €3.3 million, which is 39% 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 always at full capacity.

In addition, as we reported to the Spanish National Securities Market Commission (CNMV) on 27 March, Iberpapel has delayed the start-up of the new cellulose plant and has therefore suspended the production stoppage in the Hernani plant until it is possible from a logistical, technical and healthcare viewpoint, which we hope will be in the third quarter of the current year.

Finally, in view of the state of emergency declared to manage the Covid-19 health crisis, on 16 March the Board of Directors decided to postpone the Annual General Meeting scheduled for 22 April on first call and 23 April on second call, until it is possible to hold it.

1. CONSOLIDATED HIGHLIGHTS AT 31 March 2020

Revenue (€49,908 thousand) was 21.89% down on the same period of the previous year (Q1 2019: €63,897 thousand).

EBITDA (€6,733 thousand) (Q1 2019: €9,524 thousand) decreased by 29.30%. The gross operating margin was 13.49% (Q1 2019: 14.9%).

Net profit for the first quarter of 2020 amounted to €3,318 thousand (Q1 2019: €5,436 thousand), 38.96% down.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	31/03/2020	31/03/2019	% change
Revenue	49,908	63,897	-21.89
Other income	846	817	3.55
Income	50,754	64,714	-21.57
Changes in inventories of finished goods and work in progress	-326	-6,075	-94.63
Raw materials and consumables	-20,533	-21,836	-5.97
Staff costs	-5,025	-4,948	1.56
Other expenses	-18,137	-22,331	-18.78
EBITDA	6,733	9,524	-29.30
Depreciation/amortisation	-2,838	-2,680	5.90
Impairment and profit/(loss) on fixed asset disposals		8	
EBIT	3,895	6,852	-43.16
Net financial income/(expense)	-65	-77	-15.58
Profit before tax	3,830	6,775	-43.47
Taxes	-512	-1,339	-61.76
NET PROFIT	3,318	5,436	-38.96

b) OPERATING INCOME

Cumulative revenue at 31 March 2020 totalled €49,908 thousand (Q1 2019: €63,897 thousand), having fallen by 21.89%. The most significant items are set out below:

Thousand euro	31/03/2020	31/03/2019	Change %
Paper sales	41,243	52,528	-21.48
Electricity sales	8,327	10,549	-21.06
Timber sales	338	820	-58.78

i. Paper sales

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

ii. Electricity sales

“Electricity sales” billings decreased on the same period of the previous year due to the decline in power pool prices.

iii. Timber sales

In the first quarter of 2020, the forestry companies in Spain and Argentina sold timber in the amount of €338 thousand (Q1 2019: €820 thousand).

c) OPERATING EXPENSES

i. *Other expenses*

This income statement item includes gas and power purchases, prices having fallen in comparison with the first quarter of 2019 by 23% and 29%, respectively.

3. CONSOLIDATED BALANCE SHEET AT 31/03/2020 AND 31/12/2019

ASSETS		Date	Date
Thousand euro		31/03/2020	31/12/2019
I.	Property, plant and equipment	155,339	143,637
II.	Biological assets	17,078	18,165
III.	Other intangible assets	5,912	2,753
IV.	Deferred tax assets	2,549	2,669
V.	Non-current financial assets	1,748	1,611
A) NON-CURRENT ASSETS		182,626	168,835
II.	Inventories	28,640	28,221
II.	Trade and other receivables	38,933	34,696
IV.	Cash and cash equivalents	156,543	147,006
B) CURRENT ASSETS		224,116	209,923
TOTAL ASSETS (A+B)		406,742	378,758

LIABILITIES		Date	Date
Thousand euro		31/03/2020	31/12/2019
I.	Capital	6,624	6,624
II.	Retained earnings and other reserves	261,022	240,947
III.	Profit/(loss) for the year	3,318	21,679
IV.	<i>Less: Treasury shares</i>	-2,513	-2,393
V.	Exchange differences	-10,739	-9,294
VI.	Share premium account	13,633	13,633
IX.	<i>Less: Interim dividends</i>	-4,368	-4,368
A) EQUITY		266,977	266,828
I.	Bank borrowings	79,080	48,425
II.	Deferred tax liabilities	178	178
III.	Non-current provisions	241	3,651
IV.	Other non-current liabilities	5,567	1,234
B) NON-CURRENT LIABILITIES		85,066	53,488
I.	Bank borrowings	13,480	19,807
II.	Trade and other payables	36,206	34,219
III.	Provisions for other current liabilities	5,013	4,416
C) CURRENT LIABILITIES		54,699	58,442
TOTAL LIABILITIES AND EQUITY (A+B+C)		406,742	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 31 March 2020, the Group records cumulative currency translation losses totalling €(10,739) 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 11.33% from December 2019 to 31 March 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 31 March 2020 led to a loss of €9 thousand, as compared with a profit of €8 thousand at 31 March 2019.

b) Bank borrowings

At 31 March 2020, the Group records a net cash surplus of €64,304 thousand (31/12/2019: €78,774 thousand).

Thousand euro	31/03/2020	31/12/2019
Short- and long-term bank borrowings	92,560	68,232
(Less: Cash and cash equivalents)	(156,543)	(147,006)
Net debt	(63,983)	(78,774)
Equity	266,977	266,828
Leverage ratio	(23.96%)	(29.52%)

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

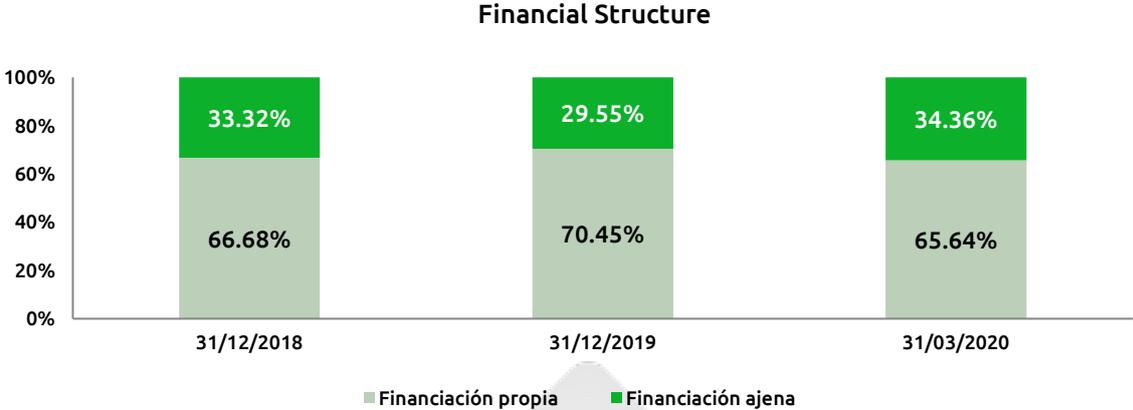


Chart I

4. ACCOUNTING POLICIES

This accounting information at 31 March 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 €13,516 thousand in the first quarter of 2020.

6. SHARE PRICE TREND

The impact of Covid-19 on the global economy, which was not foreseen at year-end 2019, is an unknown factor that will continue to impact markets for an undetermined period of time. All evidence indicates that national and supranational bodies face their greatest challenge yet and only coordinated, joint and swift decision-making will beat the common invisible enemy and halt this unprecedented economic recession. In the midst of this dismal scenario, the Ibex-35 fell 28.94%, its worst quarter ever, and Iberpapel's stock retreated 27.45%.

Main stock data:

	Q1 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)	204.24	281.52	364.31	319.17	250.20
Volume traded (x 1000 shares)	317	1,354	1,060	2,961	1,998
Cash value traded (€M)	7.10	36.22	35.60	83.12	38.37
Closing price (€)	18.50	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 2019 (Base 100 at 31/12/2019)

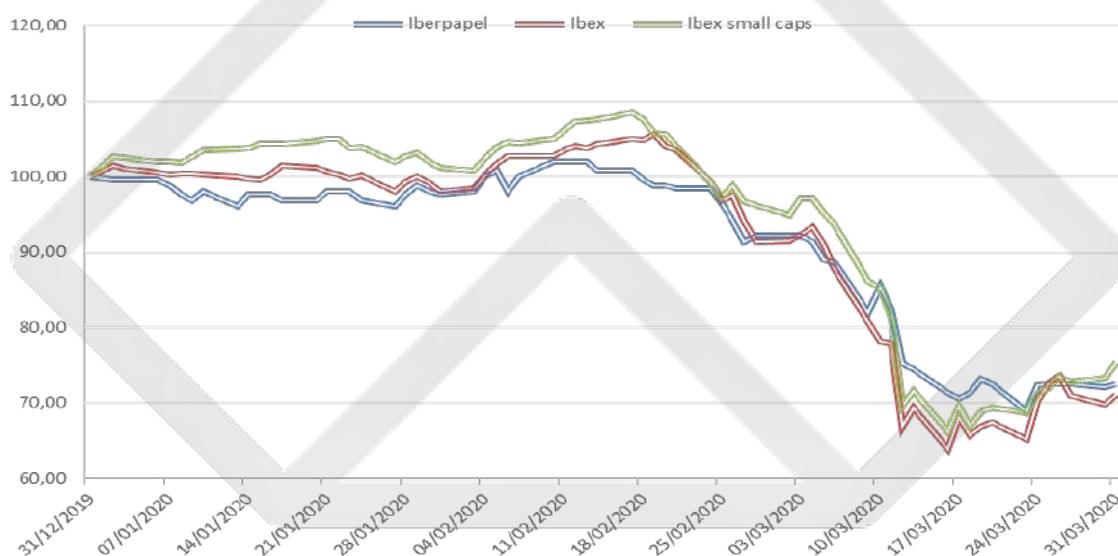


Chart II

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. RELEVANT EVENTS

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.

