

# NOTES FOR THE FINANCIAL YEAR 2019

31 December 2019

## BUSINESS PERFORMANCE

(Report at 31/12/2019)

Fierce pressures in the cellulose market during 2019 led to a significant fall in prices, due mainly to large pulp stocks worldwide and essentially in China from the end of 2018 to early 2020.

This impacted demand for printing and writing paper in 2019, also hit by the world economic slowdown and the adjustment of inventories.

Despite this, Iberpapel managed to keep selling prices stable, although physical units sold fell somewhat.

Production by the Group's paper subsidiary was halted during the year by a strike on six alternate days at the end of June and beginning of July, which logically affected the year's results.

As regards paper production costs, purchase prices of eucalyptus timber, the main raw material, have risen in recent years, although the market began to show signs of returning to normal at the end of 2019.

Iberpapel defended EBITDA reasonably well, at €37 million as compared with €41 million in 2018, representing a 9% decrease.

Net profit came in at €21.70 million (2018: €25.21 million), 14% down.

### 2020 outlook

It is still a little early to make forecasts. Although there are signs of a recovery in paper demand, we are as yet unable to assess the impact of the coronavirus on the world's economy and on the paper market in particular.

Heavy pressure on cellulose pulp prices has continued in the first two months of 2020. But supply is expected to shrink and as there are currently no new capacity plans in progress the market should improve.

In 2020, as indicated in the price-sensitive information reported by Iberpapel on 7 February, the new facilities are soon to be commissioned as part of the renovation and modernisation of the existing cellulose plant.

Besides implementing further best available techniques (BAT) for controlling environmental aspects in our industry, the plant's capacity will increase by between 15% and 20%.

This will involve a production stoppage of around 45 to 52 days, which will logically affect the Group's 2020 results.

## 1. CONSOLIDATED HIGHLIGHTS AT 31 DECEMBER 2019

**Revenue** (€213,471 thousand) was 3.44% down on the same period of the previous year (2018: €221,071 thousand).

**EBITDA** (€36,998 thousand) (2018: €40,912 thousand) decreased by 9.57%. The gross operating margin was 17.33% (2018: 18.50%).

**Net profit** for 2019 totalled €21,679 thousand (2018: €25,207 thousand), 14.00% down.

## 2. CONSOLIDATED INCOME STATEMENT

### a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	31/12/2019	31/12/2018	% change
Revenue	213,471	221,071	(3.44%)
Other income	4,867	4,775	1.93%
<b>Income</b>	<b>218,338</b>	<b>225,846</b>	<b>(3.32%)</b>
Changes in inventories of finished goods and work in progress	4,993	3,938	26.79%
Raw materials and consumables	(88,368)	(88,231)	0.15%
Staff costs	(20,302)	(19,289)	5.25%
Other expenses	(77,663)	(81,352)	(4.53%)
<b>EBITDA</b>	<b>36,998</b>	<b>40,912</b>	<b>(9.57%)</b>
Depreciation/amortisation	(10,704)	(10,926)	(2.03%)
Impairment and profit/(loss) on fixed asset disposals	8	7	14.29%
<b>EBIT</b>	<b>26,302</b>	<b>29,993</b>	<b>(12.31%)</b>
Net financial income/(expense)	(174)	(744)	(76.61%)
<b>Profit before tax</b>	<b>26,128</b>	<b>29,249</b>	<b>(10.67%)</b>
Taxes	(4,449)	(4,042)	10.07%
<b>NET PROFIT</b>	<b>21,679</b>	<b>25,207</b>	<b>(14.00%)</b>

## b) OPERATING INCOME

Cumulative revenue at 31 December 2019 totalled €213,471 thousand (2018: €221,071 thousand), having fallen by 3.44%. The most significant items are set out below:

Thousand euro	31/12/2019	31/12/2018	% change
Paper sales	172,560	177,580	(2.83%)
Electricity sales	38,642	40,452	(4.47%)
Timber sales	2,269	3,039	(25.34%)

### i. Paper sales

The fall in paper sales is explained by the reduction in physical units sold in relation to 2018. But the average paper selling price rose slightly.

### ii. Electricity sales

“Electricity sales” billings decreased on the same period of the previous year due both to lower production caused by the strike days and to the fall in remuneration.

### iii. Timber sales

In 2019, the Group's South American forestry companies sold eucalyptus timber in local South American markets for the sum of €2,269 thousand (2018: €3,039 thousand).

## c) OPERATING EXPENSES

### i. Staff costs

The average headcount in 2019 was 295, including senior management (2018: 289). The average number of employees with a recognised disability was 9 during the year (2018: 9).

	2019	2018
Board director	1	1
Executives	8	8
Technical specialists and administrative staff	78	76
Workers and specialists	208	204
	<b>295</b>	<b>289</b>

Chart I shows the average headcount trend in the last five years.

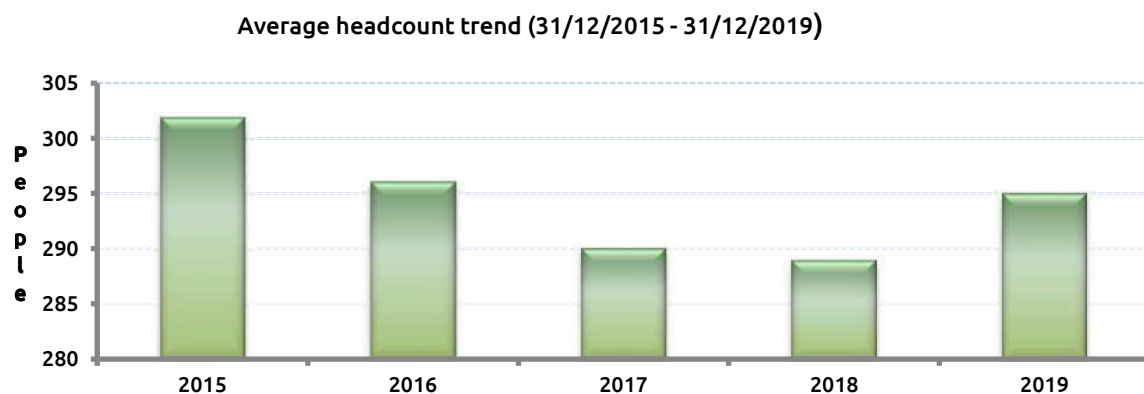


Chart I

- d) The Group's EBITDA amounted to €36,998 thousand (2018: €40,912 thousand), having fallen 9.57%.

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

<b>ASSETS</b>		<b>Date</b>	<b>Date</b>
Thousand euro		31/12/2019	31/12/2018
I.	Property, plant and equipment	143,637	133,739
II.	Biological assets	18,165	18,420
III.	Other intangible assets	2,753	1,641
IV.	Deferred tax assets	2,669	2,665
V.	Non-current financial assets	1,611	2,418
<b>A) NON-CURRENT ASSETS</b>		<b>168,835</b>	<b>158,883</b>
II.	Inventories	28,221	20,204
II.	Trade and other receivables	34,696	38,744
IV.	Cash and cash equivalents	147,006	165,114
<b>B) CURRENT ASSETS</b>		<b>209,923</b>	<b>224,062</b>
<b>TOTAL ASSETS (A+B)</b>		<b>378,758</b>	<b>382,945</b>

<b>LIABILITIES</b>		<b>Date</b>	<b>Date</b>
Thousand euro		<b>31/12/2019</b>	<b>31/12/2018</b>
I.	Capital	6,624	6,624
II.	Retained earnings and other reserves	240,947	223,448
III.	Profit/(loss) for the year	21,679	25,207
IV.	<i>Less: Treasury shares</i>	(2,393)	(2,727)
V.	Exchange differences	(9,294)	(6,465)
VI.	Share premium account	13,633	13,633
IX.	<i>Less: Interim dividends</i>	(4,368)	(4,362)
<b>A) EQUITY</b>		<b>266,828</b>	<b>255,358</b>
I.	Bank borrowings	48,425	66,295
II.	Deferred tax liabilities	178	509
III.	Non-current provisions	3,651	5,760
IV.	Other non-current liabilities	1,234	1,940
<b>B) NON-CURRENT LIABILITIES</b>		<b>53,488</b>	<b>74,504</b>
I.	Bank borrowings	19,807	7,134
II.	Trade and other payables	34,219	43,412
III.	Provisions for other current liabilities	4,416	2,537
<b>C) CURRENT LIABILITIES</b>		<b>58,442</b>	<b>53,083</b>
<b>TOTAL LIABILITIES AND EQUITY (A+B+C)</b>		<b>378,758</b>	<b>382,945</b>

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 December 2019, the Group records cumulative currency translation losses totalling €(9,294) 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 11.50% from December 2018 to 31 December 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 in 2018 so as to present more relevant and reliable information.

A cumulative loss of €33 thousand was recognised in 2019 due to the effect of hyperinflation.

#### b) Bank borrowings

At 31 December 2019, the Group records a net cash surplus of €78,774 thousand (31/12/2018: €92,810 thousand).

Thousand euro	31/12/2019	31/12/2018
Short- and long-term bank borrowings	68,232	73,429
(Less: Cash and cash equivalents)	(147,006)	(165,114)
<b>Net debt</b>	<b>(78,774)</b>	<b>(92,810)</b>
Equity	266,828	255,358
<b>Leverage ratio</b>	<b>(29.52%)</b>	<b>(35.90%)</b>

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

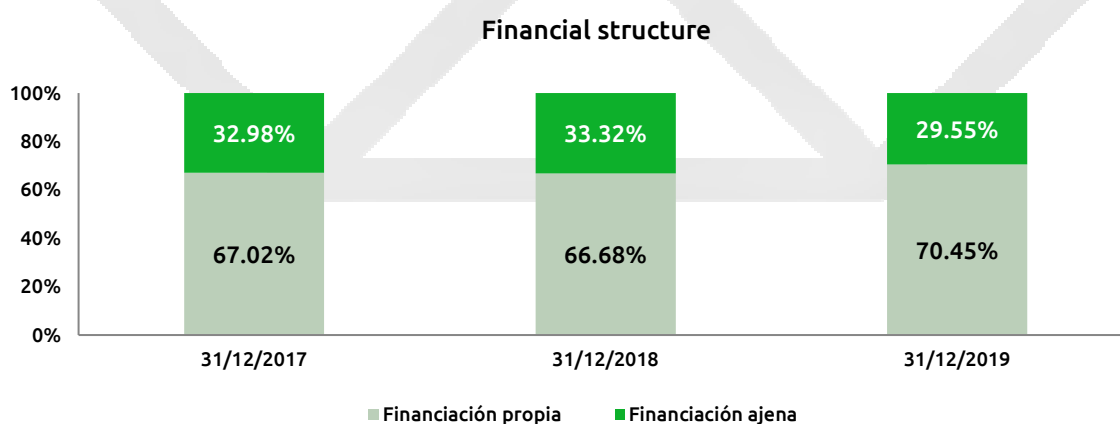


Chart II

#### 4. ACCOUNTING POLICIES

This accounting information at 31 December 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

Investment during 2019 totalled €22,731 thousand.

#### 6. SHARE PRICE TREND

In view of the uncertainties generated by the trade negotiations between China and the USA, as well as Brexit, the European economic cycle is becoming less dynamic. In this complicated environment, the main Spanish stock market indices still show positive cumulative yields at the end of the year. Iberpapel, after rising 13.01% in 2018, has not performed well in the stock market, as is the case of other industry companies, posting a cumulative fall of 22.73% over the period.

##### Main stock data

	2019	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)	281.52	364.31	319.17	250.20	194.01
Volume traded (x 1000 shares)	1,354	1,060	2,961	1,998	2,796
Cash value traded (€M)	36.22	35.60	83.12	38.37	40.25
Closing price (€)	25.50	33.00	29.20	22.89	17.25
Maximum price (€)	33.60 (02 Jan)	39.30 (30 Jul)	31.88 (15 May)	22.89 (30 Dec)	17.50 (17 Dec)
Minimum price (€)	23.80 (18 Nov)	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 2019  
(Base 100 at 31/12/2019)**

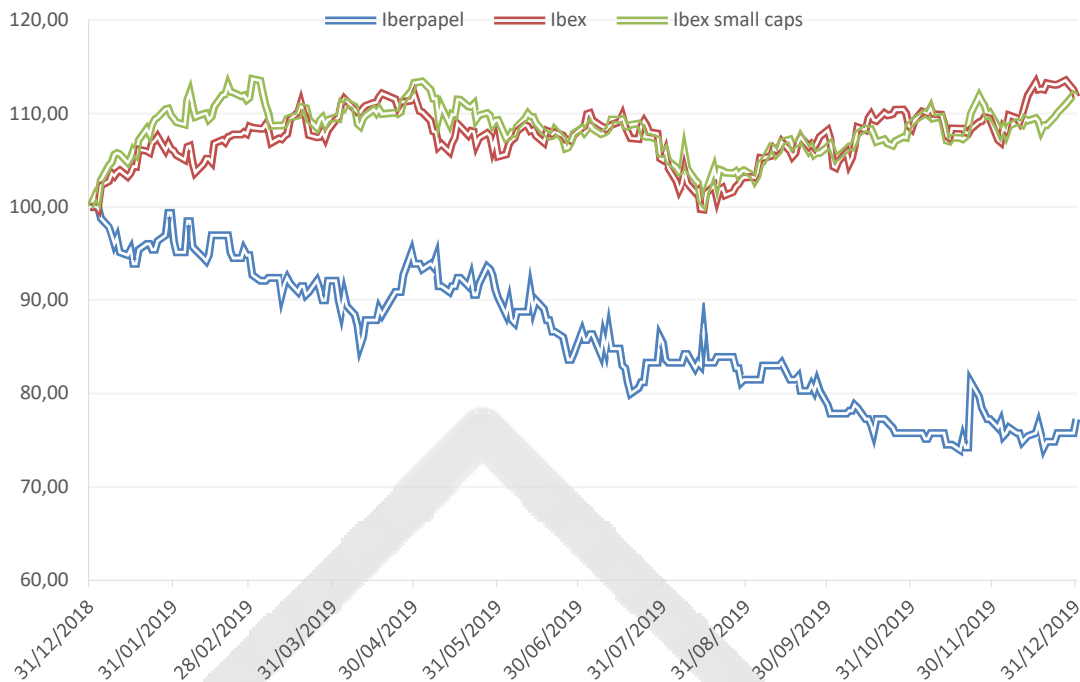


Chart III

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](http://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](mailto: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.

29/11/2019.- The Board of Directors resolves to pay a gross interim dividend of €0.40 per share out of 2019 profits.