

2020 RESULTS

31 December 2020



BUSINESS PERFORMANCE

(Report at 31/12/2020)

FY 2020 was absolutely exceptional, marked by the health and economic crisis due to the Covid-19 pandemic. Virtually all economic activities were interrupted in Spain for a large part of the first half.

Papelera Guipuzcoana de Zicuñaga's facilities remained operational, however, as an essential activity, in an extremely complex scenario in which demand clearly contracted, causing a 24% fall in paper sales compared with the first half of the previous year. Unfortunately, the complex market situation did not improve during the year.

In this context, in view of huge uncertainty regarding health, Iberpapel decided to delay the interconnection and commissioning of the new cellulose plant facilities, the production stoppage at the Hernani plant and the Annual General Meeting.

In this exceedingly complicated environment, the Group managed to successfully complete the extension and renovation of our cellulose plant during the summer, without departures from the planned timing or budget.

This entailed the total stoppage of pulp and paper production at the Hernani plant from the end of July, throughout August and a large part of September, spanning around 55 days. This unprecedented event in Iberpapel's history, combined with the serious health crisis, logically had a significant impact on the Company's results.

In a market in which demand was affected by the situation described, paper sales fell by 28% on the same period of the previous year. Revenue from electricity sales also declined by 30% due to the sharp fall in selling prices and the decrease in production.

EBITDA for 2020 totalled €19.13 million, down 48% (2019: €36.99 million). Net profit amounted to €4.24 million, down 80% (2019: €21.68 million).

The decision was taken to temporarily delay the investment in the new MG paper machine (also part of the "Hernani Project"), in view of the current circumstances.

2021 outlook

It is a little soon to forecast economic trends in 2021, since macroeconomic and health uncertainties are still with us.

The onset of the third wave at the end of December has raised concern as regards business trends in the first quarter of 2021. Nonetheless, there are hopes of an improvement during the current year thanks to the vaccines and health measures implemented.

1. CONSOLIDATED HIGHLIGHTS AT 31 December 2020

Revenue (€152,884 thousand) was 28.38% down on the same period of the previous year (2019: €213,471 thousand).

EBITDA (€19,129 thousand) fell by 48.30% (2019: €36,998 thousand). The gross operating margin was 12.51% (2019: 17.33%).

Net profit for 2020 totalled €4,240 thousand, 80.44% down (2019: €21,679 thousand).

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	31/12/2020	31/12/2019	% change
Revenue	152,884	213,471	-28.38%
Other income	10,775	4,867	121.39%
Income	163,659	218,338	-25.04%
Changes in inventories of finished goods and work in progress	2,645	4,993	-47.03%
Raw materials and consumables	(65,548)	(88,368)	-25.82%
Staff costs	(20,174)	(20,302)	-0.63%
Other expenses	(61,453)	(77,663)	-20.87%
EBITDA	19,129	36,998	-48.30%
Depreciation/amortisation	(10,806)	(10,704)	0.95%
Impairment and profit/(loss) on fixed asset disposals	(1,649)	8	
EBIT	6,674	26,302	-74.63%
Net financial income/(expense)	(1,572)	(174)	
Profit before tax	5,102	26,128	-80.47%
Taxes	(862)	(4,449)	-80.62%
NET PROFIT	4,240	21,679	-80.44%

b) OPERATING INCOME

Cumulative revenue at 31 December 2020 totalled €152,884 thousand (2019: €213,471 thousand), having fallen by 28.38%. The most significant items are set out below:

Thousand euro	31/12/2020	31/12/2019	% change
Paper sales	124,358	172,560	-27.93
Electricity sales	27,083	38,642	-29.91
Timber sales	1,443	2,269	-36.40

i. Paper sales

The fall in paper sales is due to the considerable reduction in physical units sold caused by the pandemic, the stoppage of over 55 days in our plant and the decrease in the average selling price of paper.

ii. Electricity sales

Power sales fell by 30% because the Group's electricity production decreased by 16% on the previous year. Selling prices were also lower as a result of the sharp contraction of demand during the pandemic.

iii. Timber sales

In 2020, the Group's South American forestry companies sold eucalyptus timber in the Spanish and local South American markets for the sum of €1,443 thousand (2019: €2,269 thousand).

c) OPERATING EXPENSES

i. Staff costs

The average headcount in 2020 was 298, including senior management (2019: 295). The average number of employees with a recognised disability was 9 during the year (2019: 9).

	2020	2019
Board director	1	1
Executives	9	8
Technical specialists and administrative staff	80	78
Workers and specialists	208	208
	298	295

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

Average headcount (31/12/2016 - 31/12/2020)

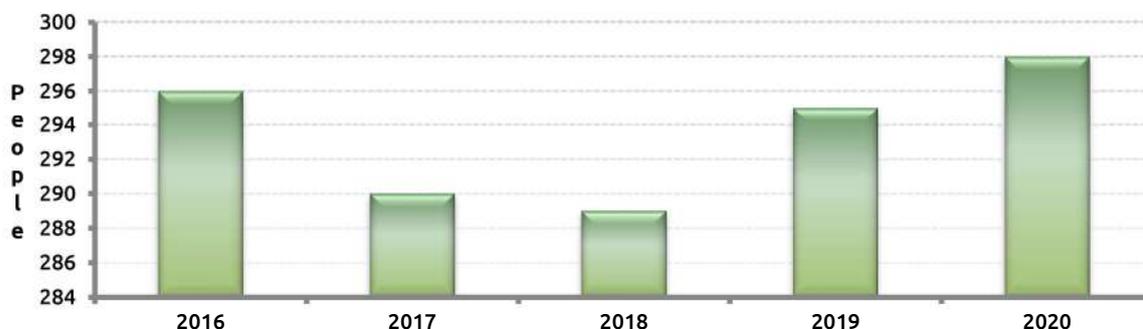


Chart I

d) The Group's EBITDA amounted to €19,129 thousand (2019: €36,998 thousand), having fallen 48.30%.

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

ASSETS		Date	Date
Thousand euro		31/12/2020	31/12/2019
I.	Property, plant and equipment	185,704	143,637
II.	Biological assets	16,320	18,165
III.	Other intangible assets	2,385	2,753
IV.	Deferred tax assets	2,539	2,669
V.	Non-current financial assets	8,059	1,611
A) NON-CURRENT ASSETS		215,007	168,835
II.	Inventories	29,419	28,221
II.	Trade and other receivables	27,194	34,696
IV.	Cash and cash equivalents	126,322	147,006
B) CURRENT ASSETS		182,935	209,923
TOTAL ASSETS (A+B)		397,942	378,758

LIABILITIES		Date	Date
Thousand euro		31/12/2020	31/12/2019
I.	Capital	6,624	6,624
II.	Retained earnings and other reserves	263,596	247,923
III.	Profit/(loss) for the year	4,240	21,679
IV.	<i>Less: Treasury shares</i>	(2,574)	(2,393)
V.	Exchange differences	(22,451)	(16,270)
VI.	Share premium account	13,633	13,633
IX.	<i>Less: Interim dividends</i>	(2,183)	(4,368)
A) EQUITY		260,885	266,828
I.	Bank borrowings	82,608	48,425
II.	Deferred tax liabilities	285	178
III.	Non-current provisions	162	3,651
IV.	Other non-current liabilities	3,661	1,234
B) NON-CURRENT LIABILITIES		86,716	53,488
I.	Bank borrowings	10,768	19,807
II.	Trade and other payables	36,059	34,219
III.	Provisions for other current liabilities	3,514	4,416
C) CURRENT LIABILITIES		50,341	58,442
TOTAL LIABILITIES AND EQUITY (A+B+C)		397,942	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 December 2020, the Group records cumulative currency translation losses totalling €(22,451) thousand (31/12/2019: €(16,270) thousand).

The Argentine peso depreciated 33.95% against the euro from 31 December 2019 to 31 December 2020, while the Uruguayan peso fell 19.30% in the same period.

A cumulative loss of €35 thousand was recognised in 2020 due to the effect of hyperinflation (2019: €33 thousand).

b) Bank borrowings

At 31 December 2020, the Group records a net cash surplus of €32,946 thousand (31/12/2019: €78,774 thousand).

Thousand euro	31/12/2020	31/12/2019
Short- and long-term bank borrowings	93,376	68,232
(Less: Cash and cash equivalents)	(126,322)	(147,006)
Net debt	(32,946)	(78,774)
Equity	260,885	266,828
Leverage ratio	(12.63%)	(29.52%)

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

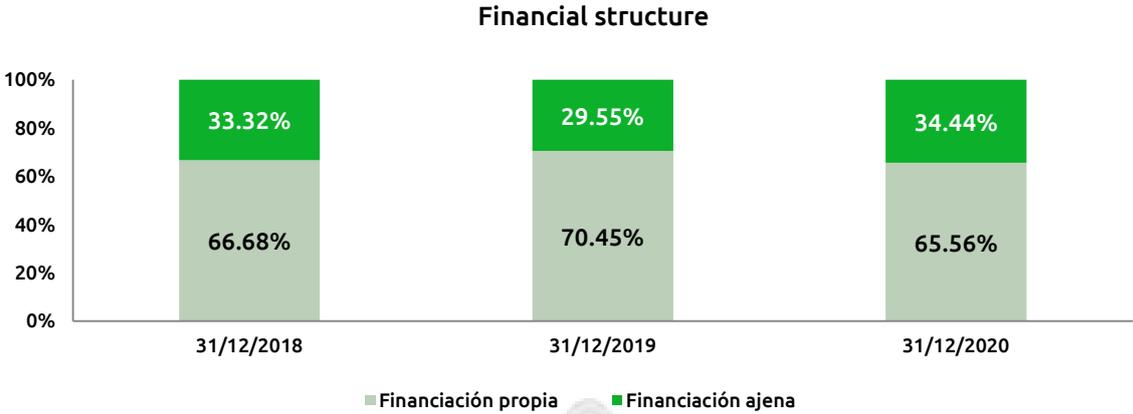


Chart II

4. ACCOUNTING POLICIES

This accounting information at 31 December 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

Investment during 2020 totalled €58,171 thousand (2019: €22,731 thousand).

The company Papelera Guipuzcoana de Zicuñaga, S.A.U. completed the modernisation of its cellulose production plant as part of the "Hernani Project", bringing in new BAT (best available techniques) and processes that are more efficient and environmentally sustainable. The plant was commissioned in the final quarter of the year.

The investment in the new MG paper machine (which also forms part of the "Hernani Project") for the efficient manufacture of high-quality KRAFT MG, as announced in other relevant information sent to the CNMV (Spanish National Securities Market Commission) on 18 June 2020, 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.

6. SHARE PRICE TREND

The Ibox closed the year trailing behind the world's major stock markets, showing a return of -15.45% as compared with 43% for the Nasdaq. At the global level, the large technology stocks were benefited by the crisis, but the banking, tourism and energy industries, except for renewables, felt the most heat, these being the Ibox's most significant stocks.

The final quarter saw a 16.81% upturn in the Ibox, driven by the arrival of the new vaccines, the change of president in the United States and the European agreement to inject funds into the most damaged economies. Stock markets are always a step ahead, assuming what businesses will earn once the Covid-19 crisis is over.

Iberpapel's stock closed the year -32.55% down, although it only fell -0.86% in the last quarter.

Main stock data

	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)	189.89	281.52	364.31	319.17	250.20
Volume traded (x 1000 shares)	1,235	1,354	1,060	2,961	1,998
Cash value traded (€M)	24.48	36.22	35.60	83.12	38.37
Closing price (€)	17.20	25.50	33.00	29.20	22.89
Maximum price (€)	26.30 (02 Feb)	33.60 (02 Jan)	39.30 (30 Jul)	31.88 (15 May)	22.89 (30 Dec)
Minimum price (€)	15.50 (05 Nov)	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 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) 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.

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.

30/11/2020.- The Board of Directors resolves to pay a gross interim dividend of €0.20 per share out of 2020 profits.

24/12/2020.- Appointment of new directors.