

EXPLANATORY NOTES FOR THE THIRD QUARTER OF 2020.

30 September 2020

BUSINESS PERFORMANCE

(Report at 30/09/2020)

Setting aside the exceptional situation brought about by the global pandemic, the third quarter of 2020 saw the completion and commissioning of the major renovation of our cellulose plant which was fortunately successful, despite the personnel difficulties caused by the pandemic. We are currently finalising the adjustment processes that are normal and logical in a project of this size.

This entailed the total stoppage of plant production from the end of July, throughout August and a large part of September, spanning over 50 days.

This event, unprecedented in Zicuñaga's history, combined with the health and economic crisis caused by the Covid-19 pandemic, has had a significant impact on Iberpapel's results.

Paper sales fell by 29% on the same period of the previous year in a market in which demand has been affected by the measures taken to combat the health crisis.

Revenue from electricity sales also declined by 32% due to the sharp fall in selling prices and the decline in production.

In this unprecedented situation, the Group managed to post third quarter EBITDA of €10.25 million (Q3 2019: €28.90 million), representing a decrease of 64%, and a net profit of €1.14 million, which is 93% below the same period of 2019.

1. CONSOLIDATED HIGHLIGHTS AT 30 SEPTEMBER 2020

Revenue (€117,581 thousand) was 29% down on the same period of the previous year (Q3 2019: €166,190 thousand)

EBITDA amounted to €10,247 thousand (Q3 2019: €28,897 thousand), 64% down. The gross operating margin was 8.71% (Q3 2019: 17.39%).

Net profit for the third quarter of 2020 amounted to €1,140 thousand (Q3 2019: €17,112 thousand), 93% down.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/09/2020	30/09/2019	% change
Revenue	117,581	166,190	-29.25%
Other income	4,331	2,437	77.72%
Income	121,912	168,627	-27.70%
Changes in inventories of finished goods and work in progress	-4,445	1,836	
Raw materials and consumables	-47,082	-66,893	-29.62%
Staff costs	-15,168	-14,738	2.92%
Other expenses	-44,970	-59,935	-24.97%
EBITDA	10,247	28,897	-64.54%
Depreciation/amortisation	-7,844	-7,829	0.19%
Impairment and profit/(loss) on fixed asset disposals	2	8	-75.00%
EBIT	2,405	21,076	-88.59%
Net financial income/(expense)	-746	-152	
Profit before tax	1,659	20,924	-92.07%
Taxes	-519	-3,812	-86.39%
NET PROFIT	1,140	17,112	-93.34%

b) OPERATING INCOME

Cumulative revenue at 30 September 2020 totalled €117,581 thousand (Q3 2019: €166,190 thousand), having fallen by 29%. The most significant items are set out below:

Thousand euro	30/09/2020	30/09/2019	Change %
Paper sales	96,739	134,507	-28.08%
Electricity sales	20,018	29,380	-31.87%
Timber sales	824	2,303	-64.22%

i. Paper sales

The fall in paper sales is explained by the 22% reduction in the number of physical units sold and a significant fall in the average paper selling price, in comparison with the third quarter of 2019 in both cases.

ii. Electricity sales

“Electricity sales” billings declined by 31% on the same period of the previous year due to the decline in power pool prices and the fall in production caused by the stoppage.

iii. Timber sales

In the third quarter of 2020, the forestry companies sold timber in the amount of €824 thousand (Q3 2019: €2,303 thousand), 64% less because activities in Spain and Uruguay were interrupted by the coronavirus.

c) OPERATING EXPENSES

i. Other expenses

This income statement item includes gas and power purchases, prices having fallen in comparison with the third quarter of 2019 by 25% and 28%, respectively.

3. CONSOLIDATED BALANCE SHEET AT 30/09/2020 AND 31/12/2019

ASSETS		Date	Date
Thousand euro		30/09/2020	31/12/2019
I.	Property, plant and equipment	168,600	143,637
II.	Biological assets	15,813	18,165
III.	Other intangible assets	1,922	2,753
IV.	Deferred tax assets	2,640	2,669
V.	Non-current financial assets	7,232	1,611
A) NON-CURRENT ASSETS		196,207	168,835
II.	Inventories	23,101	28,221
II.	Trade and other receivables	22,157	34,696
IV.	Cash and cash equivalents	144,012	147,006
B) CURRENT ASSETS		189,270	209,923
TOTAL ASSETS (A+B)		385,477	378,758

LIABILITIES		Date	Date
Thousand euro		30/09/2020	31/12/2019
I.	Capital	6,624	6,624
II.	Retained earnings and other reserves	254,905	240,947
III.	Profit/(loss) for the year	1,140	21,679
IV.	<i>Less: Treasury shares</i>	-2,518	-2,393
V.	Exchange differences	-13,069	-9,294
VI.	Share premium account	13,633	13,633
IX.	<i>Less: Interim dividends</i>		-4,368
A) EQUITY		260,715	266,828
I.	Bank borrowings	85,326	48,425
II.	Deferred tax liabilities	187	178
III.	Non-current provisions	186	246
IV.	Other non-current liabilities	4,312	4,639
B) NON-CURRENT LIABILITIES		90,011	53,488
I.	Bank borrowings	10,604	19,807
II.	Trade and other payables	21,078	34,219
III.	Provisions for other current liabilities	3,069	4,416
C) CURRENT LIABILITIES		34,751	58,442
TOTAL LIABILITIES AND EQUITY (A+B+C)		385,477	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 September 2020, the Group records cumulative currency translation losses totalling €(13,069) 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 16.04% from December 2019 to 30 September 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 September 2020 amounted to €8 thousand, as compared with a loss of €38 thousand at 30 September 2019.

b) Bank borrowings

At 30 September 2020, the Group records a net cash surplus of €48,082 thousand (31/12/2019: €78,774 thousand).

Thousand euro	30/09/2020	31/12/2019
Short- and long-term bank borrowings	95,930	68,232
(Less: Cash and cash equivalents)	(144,012)	(147,006)
Net debt	(48,082)	(78,774)
Equity	260,715	266,828
Leverage ratio	(18.44%)	(29.52%)

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

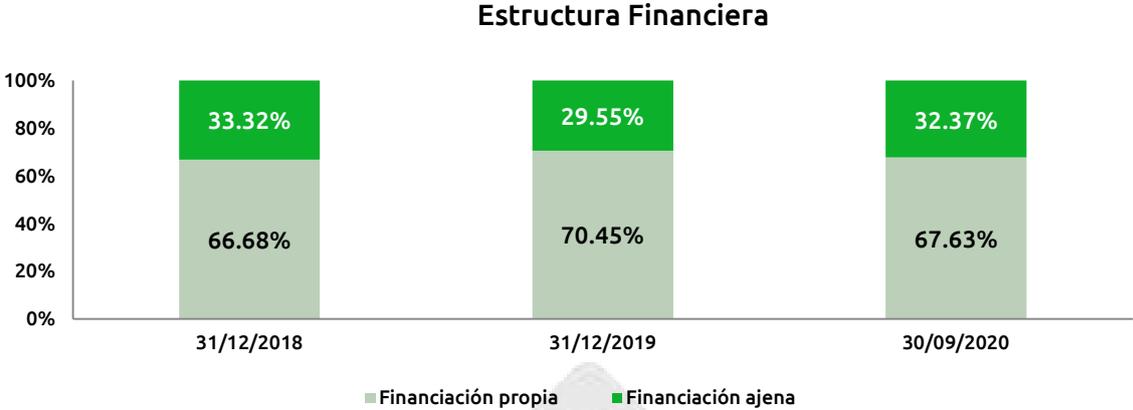


Chart I

4. ACCOUNTING POLICIES

This accounting information at 30 September 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 €35,652 thousand in the third quarter of 2020.

6. SHARE PRICE TREND

In the third quarter of the current year, the Ibex-35 fell by 7.12% and Iberpapel's stock by 10.80%. The year-to-date decrease amounts to 29.66% and 31.96%, respectively.

The most significant international issues which have yet to be resolved include the second wave of Covid-19, China-US trade relations, the completion of Brexit and the uncertainty surrounding the forthcoming US presidential elections.

In the domestic arena, the contraction of GDP, which could reach 14.40% according to the OECD, together with the rising debt and public deficit, are the main issues.

On the positive side, the historical "Next Generation EU " agreement reached by the 27 EU Member States on 21 July has created a fund of €750 billion to build a common front and overcome the serious health and economic crisis in Europe.

Main stock data:

	Q3 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)	191.54	281.52	364.31	319.17	250.20
Volume traded (x 1000 shares)	946	1,354	1,060	2,961	1,998
Cash value traded (€M)	19.57	36.22	35.60	83.12	38.37
Closing price (€)	17.35	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 (€)	17.05 (21 Sep)	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.

