

FY2023 RESULTS

30 September 2023



BUSINESS PERFORMANCE

(Report at 30/09/2023)

Demand for uncoated printing and writing paper in Europe clearly slowed by around 26% in the first nine months of the year. This, combined with a significant volume of imports, essentially from Asian countries, put huge pressure on the market.

In this complicated European paper market context, the Company worked hard to defend selling prices and margins. Thanks to this, the Group made a net profit of €13.77 million, without the sale in Uruguay, which is 122% up on the same period of the previous year.

For this reason, physical units sold by the Group were below the same period of 2022, in line with the other European producers.

Installed capacity utilisation in Europe was 66% to September, as compared with 91% for the same period of 2022.

Production costs remain high due mainly to raw materials and energy, as a result of the energy crisis triggered by the war in Ukraine. However, they both fell below previous-year levels.

The plant's annual production stoppage took place in September 2023, when the usual general maintenance tasks were undertaken.

The agreement for the sale of the forestry assets (11,277 hectares of land and trees) owned by the Los Eucaliptus Group's Uruguayan company in the departments of Canelones, Lavalleja and Maldonado for a total of USD 57.08 million (€52 million) was signed on 29 September, giving rise to a net profit of €25.90 million, of which €4.70 million was allocated to 2022 as an increase in the value of the forestry assets.

The replacement of the lime kiln at our Hernani plant will be completed in October following an estimated investment of €15 million. It will bring a major improvement to our environmental impact through significant savings on raw materials that will considerably reduce the waste sent to landfills and ensure ample cost savings.

The continuous paper quality measurement equipment will be replaced and the centralised control system for one of the paper machines has already been upgraded. Another machine has also been improved by fitting a new electric and mechanical drive.

A new auxiliary fuel (gas) burning system has been installed in the recovery boiler. Investments have also been made in the line that feeds the mill with timber to fit a screen that sorts wood chips and a log reception and feeding vat twice as wide as the previous one. Finally, investments have been made in new air compression equipment for the paper mill.

Investments in Papelera Guipuzcoana de Zicuñaga are expected to total around €22.5 million in 2023.

1. CONSOLIDATED HIGHLIGHTS AT 30 September 2023

Revenue totalled €189,888 thousand, 17.72% down on the same period of the previous year (30/09/2022: €230,791 thousand).

EBITDA amounted to €26,352 thousand (30/09/2022: €16,473 thousand), having increased by 59.97%. The gross operating margin was 13.88% (30/09/2022: 7.14%).

Net profit totalled €34,969 thousand (30/09/2022: €6,207 thousand), up 463.38%.

2. CONSOLIDATED INCOME STATEMENT

a) COMPARATIVE INCOME STATEMENT (THOUSAND EURO)

	30/09/2023	30/09/2022	% change
Revenue	189,888	230,791	-17.72%
Other income	4,563	10,058	-54.63%
Revenue	194,451	240,849	-19.26%
Changes in inventories of finished goods and work in progress	-6,294	9,371	-167.16%
Raw materials and consumables	-73,875	-78,155	-5.48%
Staff costs	-17,060	-15,518	9.94%
Other expenses	-70,870	-140,074	-49.41%
EBITDA	26,352	16,473	59.97%
Depreciation/amortisation	-9,645	-9,729	-0.86%
Impairment and profit/(loss) on fixed asset disposals	22,463	-91	
EBIT	39,170	6,653	488.76%
Net financial income/(expense)	259	587	-55.88%
Profit before tax	39,429	7,240	444.60%
Taxes	-4,460	-1,033	331.75%
NET PROFIT	34,969	6,207	463.38%

b) OPERATING INCOME

Cumulative revenue at 30 September 2023 totalled €189,888 thousand (30/09/2022: €230,791 thousand), having fallen by 17.72%. The most significant items are set out below:

Thousand euro	30/09/2023	30/09/2022	Change %
Paper sales	152,459	191,263	-20.29%
Electricity sales	26,483	38,211	-30.69%
Timber sales	10,946	1,317	731.13%
	189,888	230,791	-17.72%

i. Paper sales

The decline in paper sales was due essentially to the reduction in physical units sold in relation to the third quarter of 2022. The selling price also fell 2% compared to the same period of the previous year.

ii. Electricity sales

Turnover from "electricity sales" was 30.69% down on the same period of the previous year. This is because the gas cogeneration plant was not operating at full capacity.

iii. Timber sales

The forestry companies made timber sales in Spain and Argentina totalling €10,946 thousand (30/09/2022: €1,317 thousand). This amount includes the sale of forestry assets by the Uruguayan company Los Eucaliptus for €9,862 thousand.

c) OPERATING EXPENSES

i. Raw materials and consumables

The most significant supply item is timber. The price of this raw material reached historical highs in the first quarter of the year and then decreased considerably in the second and third quarters.

ii. Staff costs

The average headcount in the third quarter of 2023 was 291, including directors and senior management (31/12/2022: 290). The average number of persons with recognised disabilities employed by the Group was 7, of whom 1 is in administration and 6 are operators (31/03/2022: 9, of whom 2 were skilled and administrative workers and 7 were operators).

iii. Other expenses

This item includes:

- a) Gas purchase prices are still well above pre-energy crisis levels. However, the price is significantly lower than the same period of the previous year. Consumption also declined, since the plant did not operate at full capacity.
- b) Electricity purchase prices fell by around 53.96% in relation to the same period of the previous year.
- c) Finally, the cost of CO₂ allowances fell during the nine-month period, since the cogeneration plant was not at full capacity.

3. CONSOLIDATED BALANCE SHEET AT 30/09/2023 AND 31/12/2022

ASSETS

	Thousand euro	30/09/2023	31/12/2022
I. Property, plant and equipment		161,540	181,736
II. Biological assets		13,421	28,008
III. Other intangible assets		11,344	11,526
IV. Deferred tax assets		4,691	4,168
V. Non-current financial assets		769	1,247
A) NON-CURRENT ASSETS		191,765	226,685
II. Inventories		32,330	36,518
II. Trade and other receivables		33,704	48,881
IV. Cash and cash equivalents		128,098	77,014
B) CURRENT ASSETS		194,132	162,413
TOTAL ASSETS (A+B)		385,897	389,098

LIABILITIES

	Thousand euro	30/09/2023	31/12/2022
I. Capital		6,450	6,624
II. Retained earnings and other reserves		277,415	249,263
III. Profit/(loss) for the year		34,969	34,969
IV. Less: Treasury shares		-1,127	-5,209
V. Exchange differences		-12,703	-11,925
VI. Share premium account		13,633	13,633
IX. Less: Interim dividends			
A) EQUITY		318,637	287,355
I. Bank borrowings		19,457	23,426
II. Deferred tax liabilities		55	983
III. Non-current provisions		28	59
IV. Other non-current liabilities		3,201	2,533
B) NON-CURRENT LIABILITIES		22,741	27,001
I. Bank borrowings		6,566	14,357
II. Trade and other payables		32,525	54,600
III. Provisions for other current liabilities		5,428	5,785
C) CURRENT LIABILITIES		44,519	74,742
TOTAL LIABILITIES AND EQUITY (A+B+C)		385,897	389,098

a) Biological assets

Biological assets are valued annually by the independent expert "Galtier Franco Ibérica, S.A.".

The scope of this valuation spans all the biological assets owned by the Group's forestry companies in Spain, Argentina and Uruguay.

The valuation is performed by identifying and grouping the biological assets on the basis of physical characteristics and geographic coordinates. Each defined group of biological assets has been classified according to its qualities and sized based on quantitative characteristics so as to determine fair value less estimated point-of-sale costs. The following criteria are addressed in the valuation process: product type, species and quality; annual growth; date of planting or new shoots; felling date; degree of maturity; planting cost; disposal cost; and prices of recent market transactions, market prices of similar assets and industry benchmarks.

The valuation criteria are as follows:

Fair value hierarchy 1 under IFRS 13: Management valued mature and immature biological assets by reference to current offers in an active market.

Fair value hierarchy 2 under IFRS 13: Management valued the assets that were ready for harvesting or picking, according to the report from the independent expert "Galtier Franco Ibérica, S.A." and by reference to the selling price of standing timber in each market in which the asset is located.

Fair value hierarchy 3 under IFRS 13: Management valued assets that have not reached optimum maturity based on costs incurred. The most significant costs include the plant, preparation of the land, cultivation work, etc.

Government grants associated with a biological asset are recognised when and only when they are payable.

b) 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 2023, the Group records cumulative currency translation losses totalling €12,703 thousand (31/12/2022: €11,925 thousand).

The Argentine peso depreciated 49.03% against the euro from 31 December 2022 to 30 September 2023, while the Uruguayan peso appreciated 4.76% in the same period.

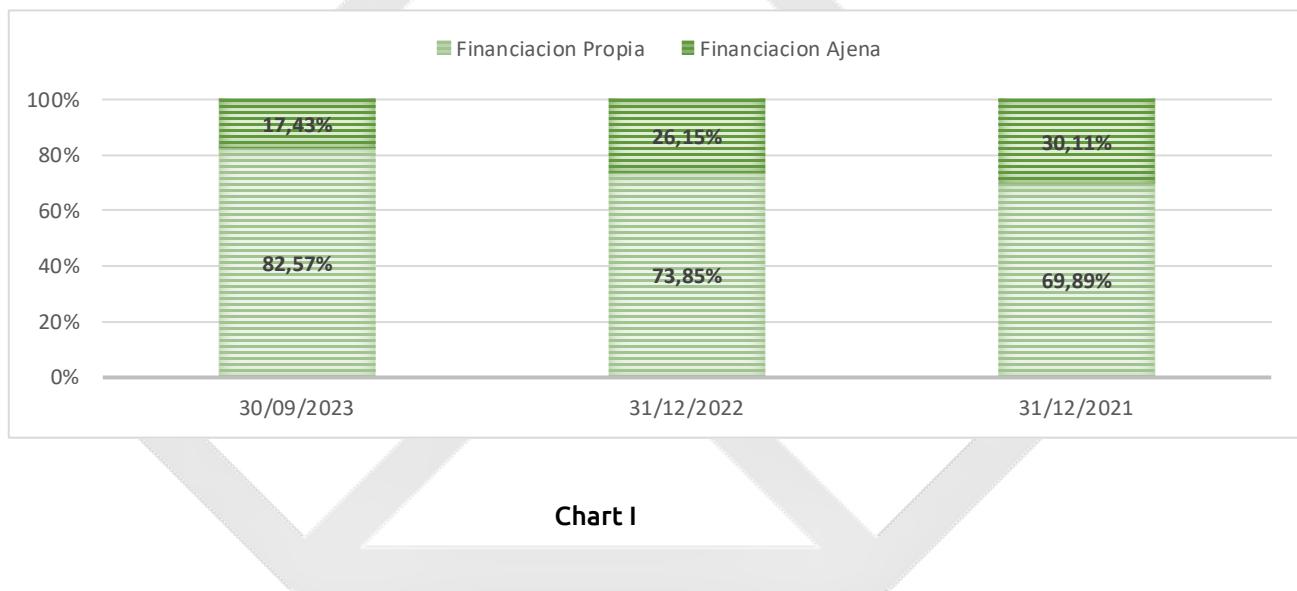
Argentina has been classed as a hyperinflationary economy since July 2018 with retrospective effect to 1 January 2018. A cumulative loss of €65 thousand was recognised in the Group's Argentinian companies due to hyperinflation at 30 September 2023, as compared with a gain of €108 thousand at 30 September 2022.

c) *Bank borrowings*

At 30 September 2023, the Group records a net cash surplus of €105,035 thousand (31/12/2022: €42,191 thousand).

	Thousand euro	30/09/2023	31/12/2022
Long-term bank borrowings		19,457	23,426
Short-term bank borrowings		6,566	14,357
Total debt		26,023	37,783
(Less: Cash and cash equivalents)		-131,058	-79,974
Net debt		-105,035	-42,191
Equity		318,637	287,355
Leverage ratio		-32.96%	-14.68%

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



4. ACCOUNTING POLICIES

This accounting information at 30 September 2023 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.

Alternative performance measures (APMs) are used internally by Iberpapel Gestión, S.A.'s management and Board of Directors to make decisions and we therefore consider them to be significant for users of the financial information when assessing the Group's results and financial situation. This report reflects the unregulated APMs defined below:

The Gross Operating Margin (%) is calculated as the quotient of the above-mentioned EBITDA indicator and revenue reflected in the Iberpapel Group's consolidated income statement (section 1).

Thousand euro	30/09/2023	30/09/2022
EBITDA	26,352	16,473
Revenue	189,888	230,791
Gross Operating Margin %	13.88%	7.14%

EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortization") is an indicator measuring the company's operating results before deducting interest, taxes, impairment losses, depreciation and amortisation charges, and results from non-current assets. As it does not include financial figures, taxes, impairment, depreciation or amortisation, EBITDA is used by management to assess results and allows comparison with other industry companies, section 2.a).

EBITDA = Operating profit-Depreciation/amortisation-Impairment losses.

Thousand euro	30/09/2023	30/09/2022
Operating profit	39,170	6,653
Net realisable value (NRV) provision	-572	
Profit/(loss) on fixed asset disposals	-22,463	
Depreciation and amortisation	9,645	9,729
Adjusted EBITDA	26,352	15,810

EBIT ("Earnings Before Interest and Taxes) is an indicator measuring the company's operating results before deducting interest and taxes. It is used by management to assess results over time and allows comparison with other industry companies. EBIT is calculated as EBITDA less depreciation, amortisation and results from non-current assets (section 2.a).

Net debt is the indicator employed to measure the Group's level of indebtedness. Net debt is calculated by aggregating the balance sheet items reflected under "Bank borrowings", including "Payables due to discounted bills". This amount is reduced by "Cash and cash equivalents" and a term deposit maturing in more than three months.

Leverage ratio (%). This figure is the quotient between net debt and the figure for total equity reflected in Iberpapel Gestión, S.A.'s consolidated balance sheet (section 3.c).

5. FIXED ASSETS

Property, plant and equipment and intangible assets increased by €6,489 thousand to September 2023.

6. SHARE PRICE TREND

The Iberpapel Group's share price was €16.65 at the 30 September 2023 close (31/12/2022: €13.05), entailing an increase of 27.59% on the previous year-end. The stock reached a high of €16.95 in March and a low of €13.30 in January.

Main stock data:

	30/09/2023	2022	2021
Shares admitted to trading (€M)	6.62	6.62	6.62
No. of shares (x1000)	11,040	11,040	11,040
Capitalisation (€M)	183.81	144.07	198.72
Volume traded (thousands of shares)	986	1,984	1,394
Cash value traded (€M)	15.51	29.93	25.7
Closing price (€)	16.65	13.05	18.00
Maximum price (€)	16.95 (1 Mar)	19.25 (12 Jan)	20.80 (07 Sep)
Minimum price (€)	13.30 (2 Jan)	11.65 (11 Nov)	16.50 (12 Feb)

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

Comparative stock performance at 30/09/2023
(Base 100 at 31/12/2022)

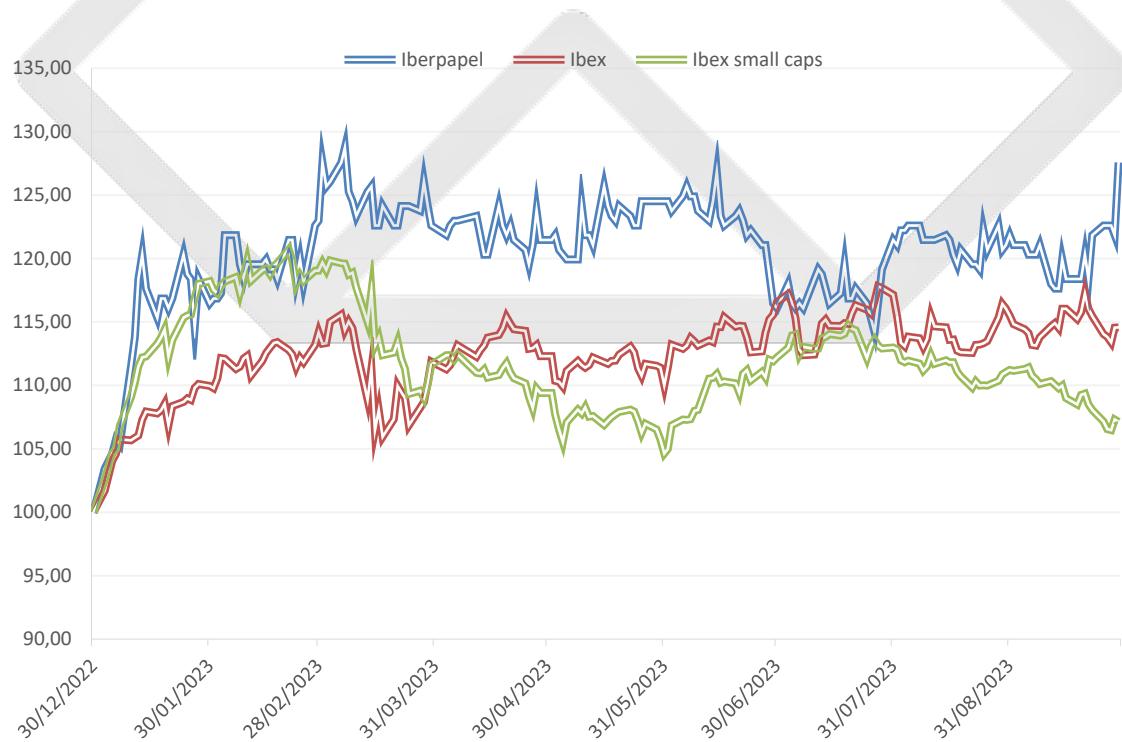


Chart II

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 or via e-mail atencion.al.accionista@iberpapel.es

7. OTHER RELEVANT INFORMATION

11/01/2023.- The Company announces the approval of a temporary treasury share purchase programme so as to reduce share capital.

27/02/2023.- The Company announces financial information for FY 2022.

27/02/2023.- The Board of Directors resolves to pay a gross interim dividend of €0.25 per share out of 2022 profits.

31/03/2023.- Iberpapel Gestión, S.A. acquires a total of 38,195 treasury shares under the repurchase programme.

18/04/2023.- Attached are the announcement of the Annual General Meeting and the Proposed Resolutions.

27/04/2023.- Q1 2023 results are announced.

31/05/2023.- Attached are the resolutions adopted by the Annual General Meeting held yesterday.

31/05/2023.- The Annual General Meeting resolves to pay a supplementary, definitive gross dividend of €0.15 per share out of 2022 profits.

31/05/2023.- Information on the resolution to appoint the Board Secretary is attached.

02/06/2023.- The Company announces the resumption of the liquidity agreement on 5 September 2023.

31/08/2023.- The Company announces the exercise of the extension right by the Eucalyptus del Sur financial trust, as envisaged in the earnest money agreement signed on 25 April 2023.

29/09/2023.- The Company announces that the public deed of sale of the Uruguay forestry assets was signed yesterday.

29/09/2023.- The Company announces the registration of the capital reduction.

29/09/2023.- The Company announces the change of Board director category and the reorganisation of the committees.

8. PRIVILEGED INFORMATION

16/01/2023.- Iberpapel Gestión reports the extension of the term of the option to purchase the forestry assets in Uruguay.

26/04/2023.- Iberpapel Gestión reports that the earnest money agreement for the forest assets of the company Los Eucaliptus, S.A. was signed yesterday.

