2017 RESULTS

EUROPAC INCREASES ITS NET PROFIT BY 59.4%

- Net profit stood at 78 million euros in a year in which aggregate sales grew to 1.19 billion euros, 10.9% up on 2016.

- Consolidated EBITDA amounted to 158 million euros, 25% up on the 127 million euros of the previous year, while the EBITDA Margin grew by 2.4 points to 18.2%.

- These results were thanks to cost optimisation and productivity improvements together with strong final demand and repeated rises in paper sales prices.

- The drop in the price of recovered paper by €45 per tonne since January, together with the recovery of packaging margins, means that a potential improvement in results can be expected.

- The new strategic objectives for 2018-2020 foresee an average EBITDA Margin and ROCE of 20%, with a structural Debt/EBITDA ratio of 2,0x.

Madrid, 28 February 2018.- The Board of Directors of the Europac Group has approved its 2017 annual accounts, which recorded a net profit of 78 million euros, 59.4% up on 2016. Aggregate sales increased by 10.9% to 1,186 million euros, Aggregate sales increased by 10.9% to 1,186 million euros, while consolidated sales reached 868 million euros, 8.4% more than a year ago. Consolidated EBITDA amounted to 158 million euros, 25% up on the 127 million euros of the previous year, while recurring EBITDA totalled 147 million euros, 19.3% up on the previous year.

The difference between consolidated and recurring EBITDA is mainly due to the extraordinary effects of the sale of the packaging factory in Tangier and the logistics operator at the port of Viana do Castelo, as well as settlement of the guarantees linked to the acquisition of the paper and packaging factories in Rouen (France) in 2008. In this context, the EBITDA margin rose by 2.4 percentage points to 18.2%, while EBIT amounted to 106 million euros, 37.1% up on the previous year.

"The 2017 results are the best for the third year running, although they do not represent our best possible result," indicates José Miguel Isidro, Chairman of the Europac Group. In this regard, he stressed that "*maintenance of paper demand with additional rises in January 2018 and the downward trend in the price of its raw material, which has accumulated an overall fall of 45 euros per tonne since the beginning of the year, together with the necessary recovery of the margins of the packaging business, allow us to think that the Company's results have the potential to continue improving*."

Furthermore, the Chairman indicated that "*the year improved progressively as it went on and was marked by strong final demand and repeated rises in paper sales prices, which, together with the management endeavours at cost optimisation and productivity improvements, have allowed us to comply with the 2015-2018 strategic objectives one year early, thus confirming the good work performed over recent years, which has had the multiplier effect of good market conditions in 2017.*"

Strategic objectives 2018-2020

The Board of Directors has approved the new strategic plan 2018-2020, which establishes three new objectives to reach average EBITDA Margin and ROCE of 20% during the period, with a structural Debt/EBITDA ratio of 2.0x. The 2015-2018 strategic objectives established an EBITDA Margin of 16%, ROCE of 15% and a Debt/EBITDA ratio of 2. At year-end 2017, these figures were 18.2%, 16.6% and 1.1, respectively.

Paper and Packaging Divisions

In the Paper Division, investments in increasing the production capacity and efficiency of the machines have made it possible to optimise the impact of the sales price rises caused by strong demand and growth in shipments against a backdrop of minimum stock levels. The average sales price of kraftliner and recycled papers in Europe rose by 74 euros and 45 euros per tonne, respectively.

The raw material price recorded a downward trend from August as a result of increased availability following the import restrictions imposed by China, which implies a structural change in the European recovered paper market. However, the price of recovered paper in 2017 was higher than one year earlier by 16 euros per tonne.

The Packaging Division recorded growth in volume in every market and increased its sales by over 5%. However, the aforementioned sales price rises of paper, its raw material, led to an increase in production costs. The packaging business is a line of activity that takes longer to pass on its raw material price rises to the market. However, its margins will recover progressively over 2018.

Lower finance costs

Finance costs fell by 48% in 2017 as a result of lower debt volume and the renewal of the syndicated loan signed in December 2016 with the aim of reducing financing costs and extending the due dates, whose improved conditions were applied throughout 2017. Without taking into account extraordinary effects, finance costs would have fallen by 27%.

Shareholder remuneration

After paying an interim dividend against 2017 earnings of 0.125 euros per share on 26th February, 31% up on the previous year, the Board of Directors will submit to the approval of the General Shareholders' Meeting payment of a final dividend in order to achieve a payout of 50%. Europac would therefore distribute among its shareholders a total of 39 million euros. Furthermore, The Board of Directors will propose to the AGM the approval of a bonus issue in a proportion of one new share for every 25 old shares and the amortisation of 2% of the share capital as a supplementary remuneration measure.

Further information

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Supplementary information on the development of the businesses in the 2017 Consolidated Management Report
https://www.europacgroup.com/en/investment/information/public/