Presentation Results 1H 2017

27 JULY 2017

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Directive of Investor Relations and Communication

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Highlights

- Sharp growth in the Group's **consolidated EBITDA** in 1H2017: **+20%** vs. 1H2016, which includes the effect of the sale of the factory in Morocco

- **EBITDA of Paper Division** increases driven by operational improvements and market prices penalized by lower volumes related to planned maintenance stops

- **EBITDA of Packaging Division** decreases negatively affected by raw material market prices, partly compensated with higher volume and management improvements

- **The consolidated EBITDA Margin stood at 17%,** +2.4 pp compared with 1H2016, (+20% in 2Q17). **The recurring EBITDA Margin stood at 15% in 1H17** (16% in 2Q17)

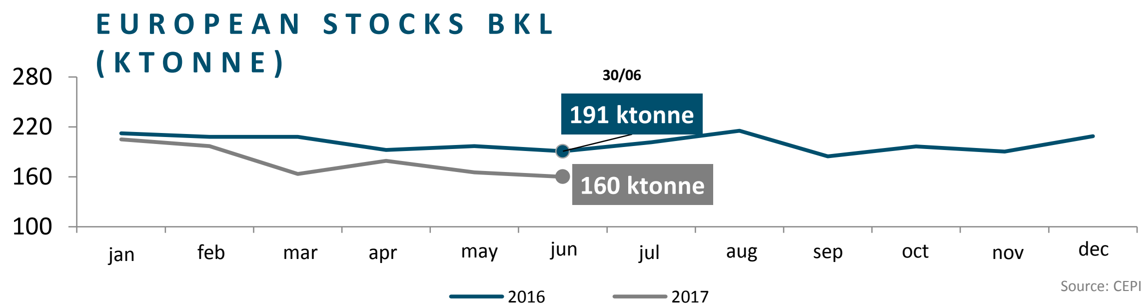
- Ongoing reduction in **Net Debt** (Debt/EBITDA: 1.55) and **Finance costs** (-80%)

- **Profit grew by 55%** vs 1H2016, to €32m

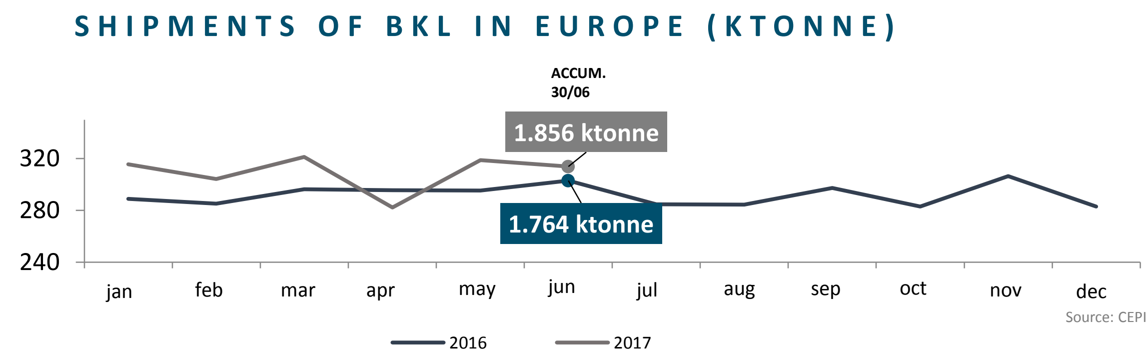
- **Solid final demand,** which led to the rise in the sales price of the finished product and the increase in raw material prices

Kraft paper: continuous price rises as a result of the increase in demand and the reduction in exports from the US

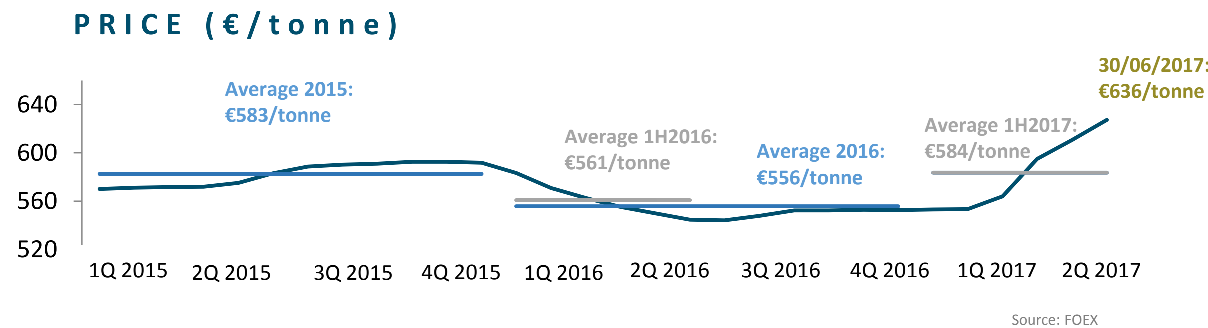
- **Reduction** in stocks in 2017 as a result of the strong demand in Europe and the reduction in US exports (-15% cumulative to May)



- **Shipments** of kraft paper from European manufacturers grew by 5.2% up to June compared with the same period of 2016, limited by the lack of supply of paper in the market



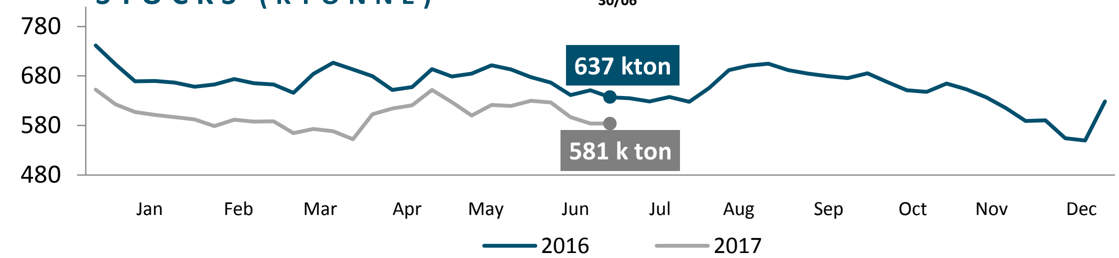
- **Increase in average price** of €23/tonne in 1H17 vs 1H16. New announcement of **price rises of €50/tonne** in August**.** Taking into account this announcement, the total rise is **between 27% and 33%** compared with the start of the year, **depending on the market**



Recycled paper: Increase in sales price as a result of the increase in final demand in Europe based on a structural rise in consumption

- **Significant reduction in stocks** that began in 4Q16 as a result of the increase in final demand, based on a significant rise in consumption

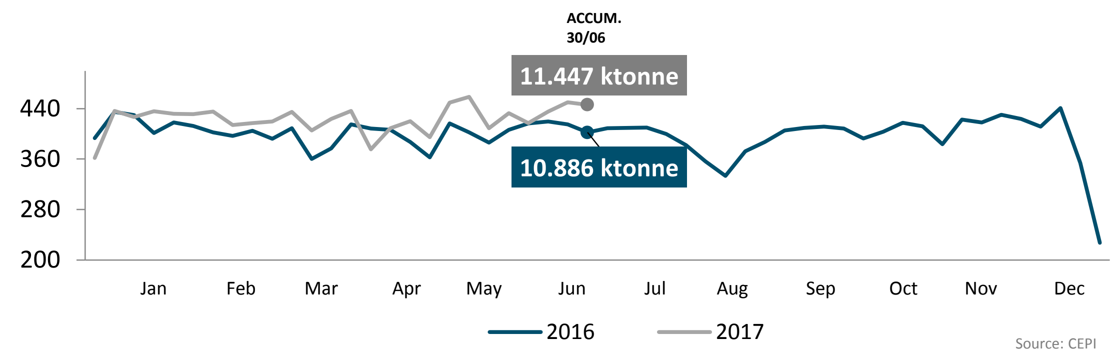
STOCKS (KTONNE)



Source: CEPI

- **Shipments** by European manufacturers remain solid with a **rise** of 5.1% in 1H17 on the same period last year. The increase in demand has absorbed the new production capacities

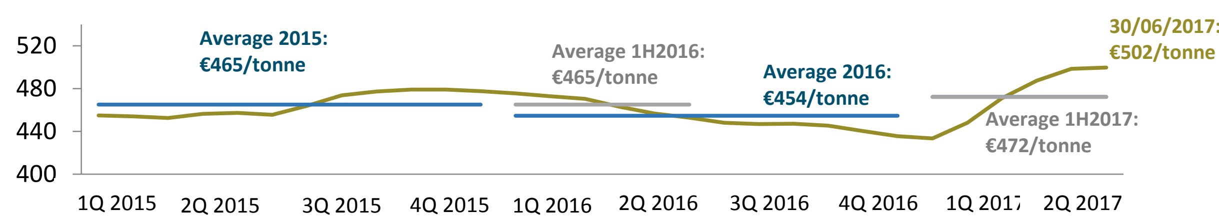
SHIPMENTS IN EUROPE (KTONNE)



Source: CEPI

- **Increase in average price** of €7/tonne in 1H17 vs 1H16. Announcement of additional rise of €30-50/tonne in July. With this announcement, the total rise is between 23% and 25% compared with the start of the year, depending on the market

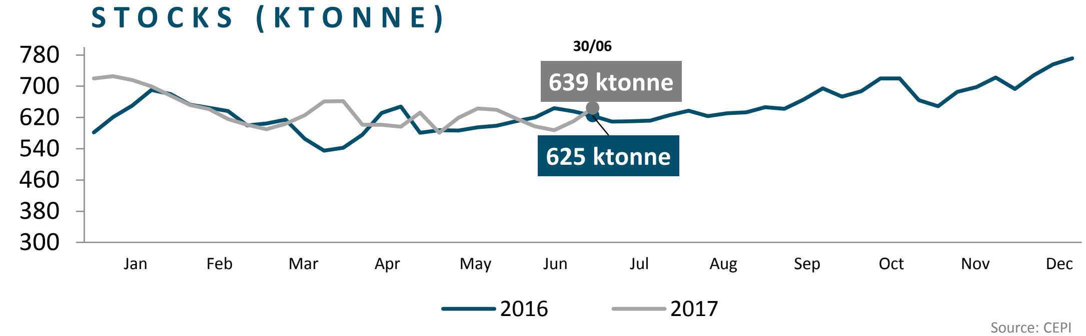
PRICE (€/tonne)



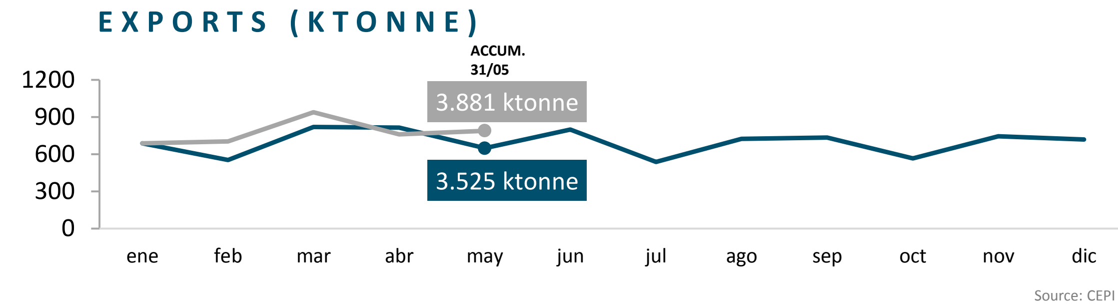
Source: FOEX

Recovered paper: upward pressure on raw material prices as a result of the increase in exports to China

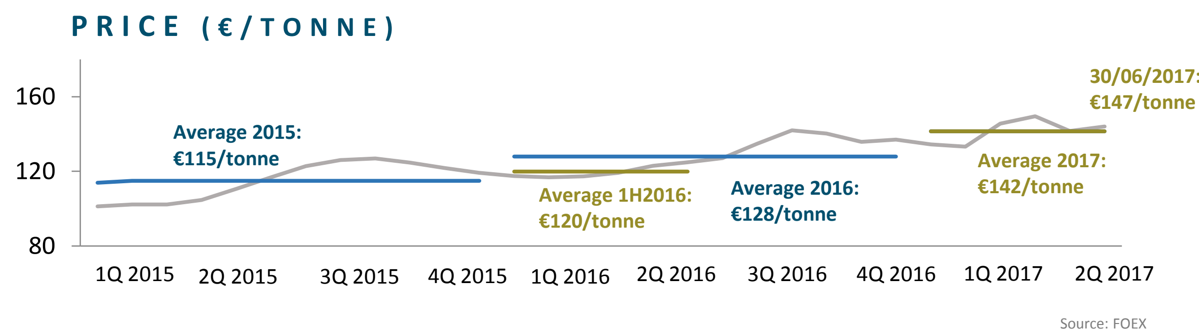
- Recovered paper stocks are at **stable levels compared with the previous year**



- As in previous years, **exports** to China from CEPI countries continue to rise, with a cumulative increase of 10% to May compared with the same period of 2016.



- **Rise in average price of €22/tonne** in 1H17 vs 1H16. Upward tension in prices as a result of export pressures as well as the increase in capacities in Europe



Corporate transactions

SALE OF EUROPAC PACKAGING MED

- Sale of the packaging factory in Tangier to the International Paper group for **€44m**
- The transaction provided a **consolidated net gain of €10m**
- Change in the structure of the Moroccan market with tightening of margins and increase in competition with the announcement of new projects

OTHER STRATEGIC TRANSACTIONS

- The group's strategic objective is to grow in the packaging and waste management sectors in the priority market that is Spain, without increasing the debt ratios set out in the Strategic Plan 2015-2018:
    - Acquisition of Europac Packaging Lucena
    - Acquisition of Transcon Valladolid, S.A.
    - Investment to double the production of Europac Packaging Dueñas
    - Investment planned and three converting lines at the Alcolea de Cinca factory

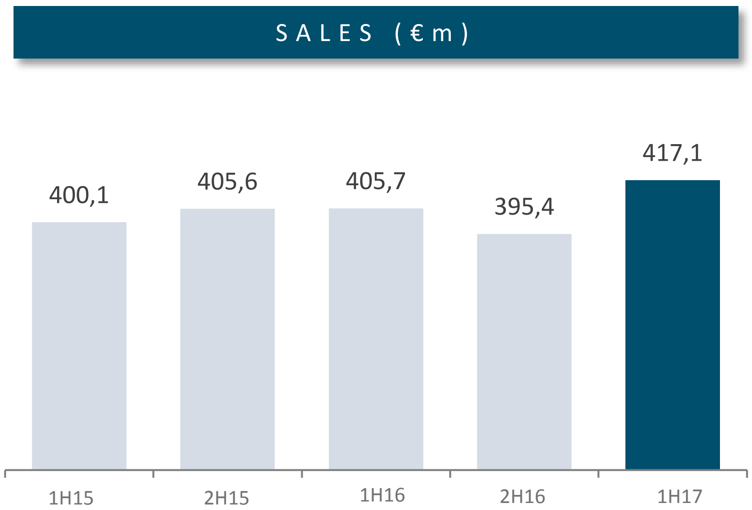
Contents

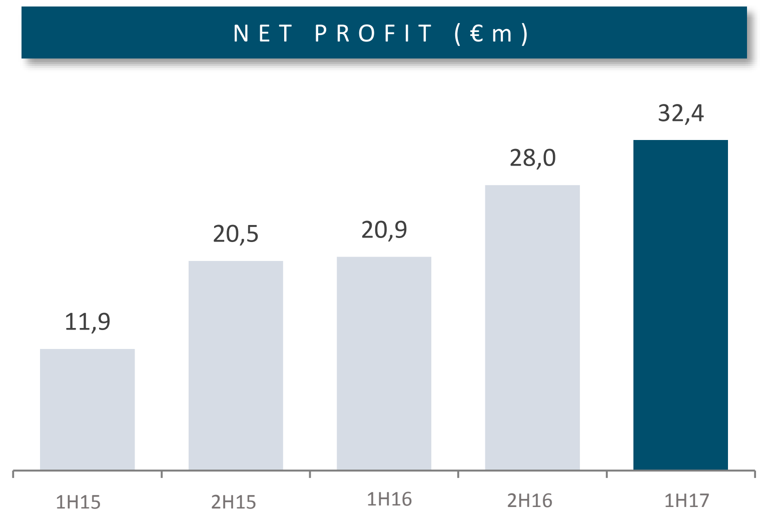
Profit grew by 55% on the first half of 2016

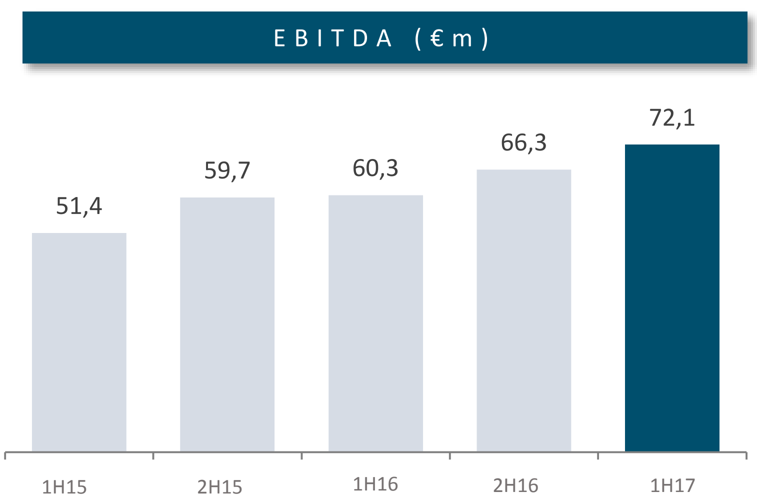
2Q 2016	2Q 2017	diff. %	€m	1H 2016	1H 2017	diff. %
272.7	282.1	+3.5%	Aggregate Revenue	535.7	563.9	+5.3%
206.4	207.0	+0.3%	Consolidated Revenue	405.7	417.1	+2.8%
31.3	33.4	+6.6%	Recurring EBITDA	62.5	62.9	+0.6%
30.2	41.1	+36.0%	Consolidated EBITDA	60.3	72.1	+19.6%
14.6%	19.8%	+5.2pp	Consolidated EBITDA Margin	14.9%	17.3%	+2.4pp
18.1	25.1	+38.8%	Consolidated EBIT	35.9	43.7	+21.8%
14.6	25.8	+76.6%	EBT	28.5	42.3	+48.2%
10.8	21.2	+96.8%	Net Profit	20.9	32.4	+54.6%
0.11	0.22	+89.3%*	EPS	0.22	0.33	+48.7%*

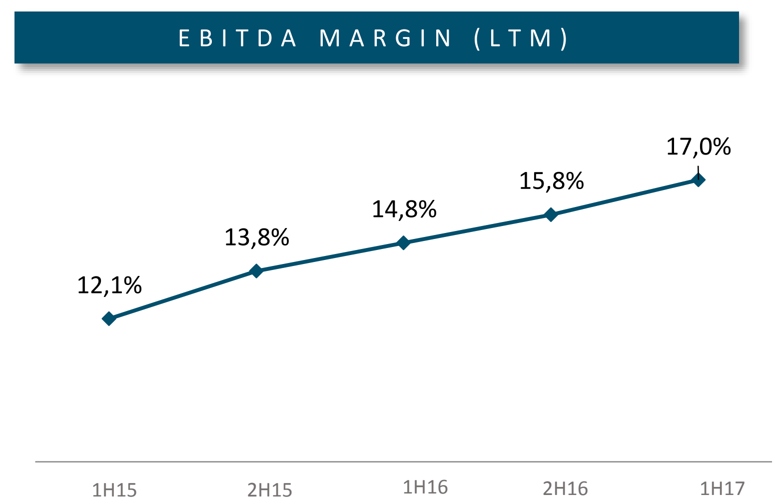
The growth in EPS is lower than the growth in net profit due to the bonus issue carried out in November 2016

The consolidated results for the half-year show solid progress







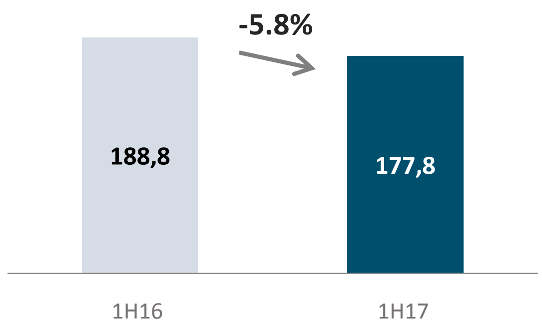


Paper Revenue

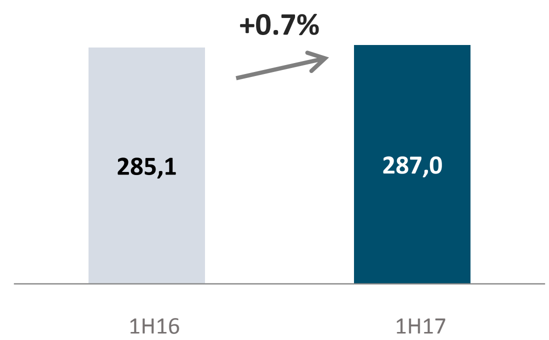
- Fall in **Kraft production volume** as a result of the scheduled maintenance halt in May (-16.8 ktonne). The maintenance halt was scheduled in order to increased production capacity

- **Recycled paper production volumes** are similar to 1H16 despite the scheduled maintenance halt in Rouen in May.

KRAFT SALES VOLUME (KTONNE)

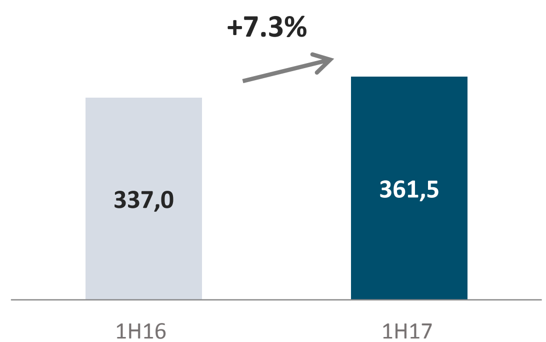


RECYCLED SALES VOLUME (KTONNE)



- **Paper sales** rose by 7.3% due to strong demand, which led to a reduction in stocks of finished products and an increase in sales prices

PAPER SALES (€m)



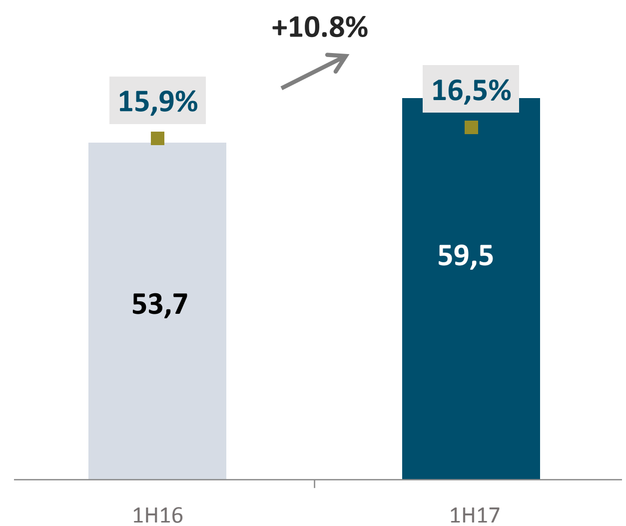
Paper EBITDA

- Growth of 10.8% in **EBITDA** and increase in **margin** to 16.5% as a result of the sales price rises despite the increase in raw material price and the scheduled maintenance halts

- **The industrial cost reduction projects under EOS** (Europac Operations System) and **ESS** (Europac Sales System) continue to have a positive impact on operational efficiency and margins

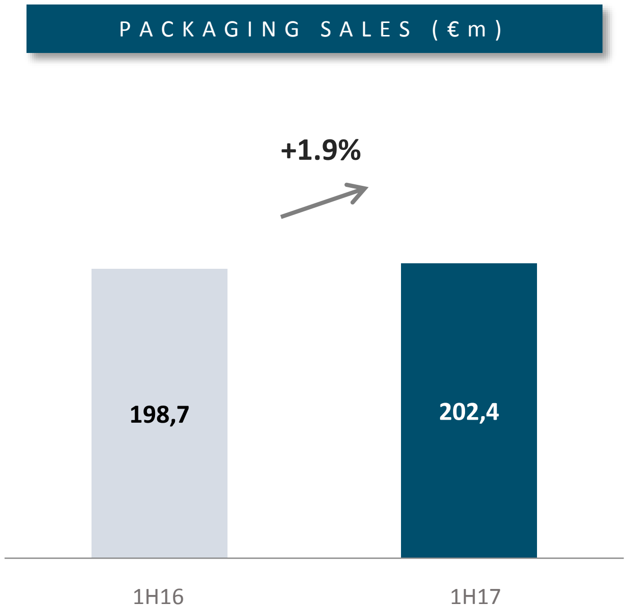
  - Improved geographic distribution of sales
  - Improvement in the quality mix
  - Savings in logistics/transport
  - Reduction in specific consumption (e.g. energy consumption)
  - Increase in production volume

PAPER EBITDA (€m) AND MARGINS (%)



Packaging Revenue

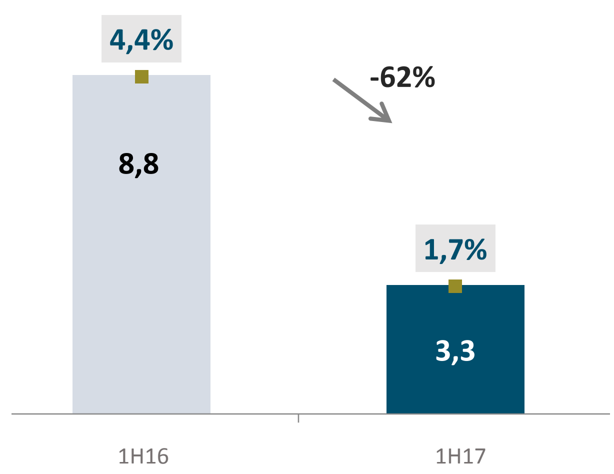
- Increase in sales volumes of 1.9%, thereby increasing our market share, particularly in Portugal and Spain
- Progressive passing on of the increases in raw material prices
- Contribution of the **Europac Sales System (ESS)** aimed at increasing revenue and profitability:
    - +19% increase in commercial activity (number of visits)
    - +26% increase in market soundings to acquire new customers
    - +9% new customers acquired



Packaging EBITDA

- **Reduction in EBITDA** due to the major impact of the rise in raw material prices which the group has not yet been able to fully pass on to the market
- **Priority in executing added value projects** to improve margins, such as high-quality printing, logistics solutions and specialised structural design
- **Launch of the Ambition Project,** which began in 2017: improvements in the competitiveness of each factory by focusing on operational excellence and improving cost management

PACKAGING EBITDA (€m) AND MARGINS (%)



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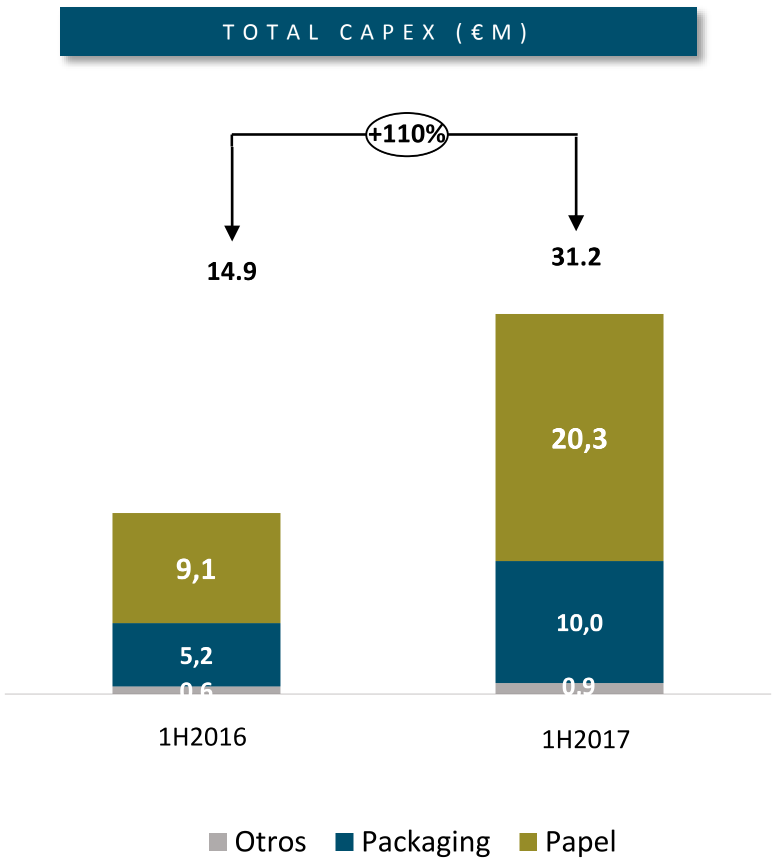
Capex



Investments in the Paper Division:

- Increase in capacity and improvements in production: Viana do Castelo
- Reduction in specific costs and increase in volume: Rouen
- Environmental investments
- Recurring investments

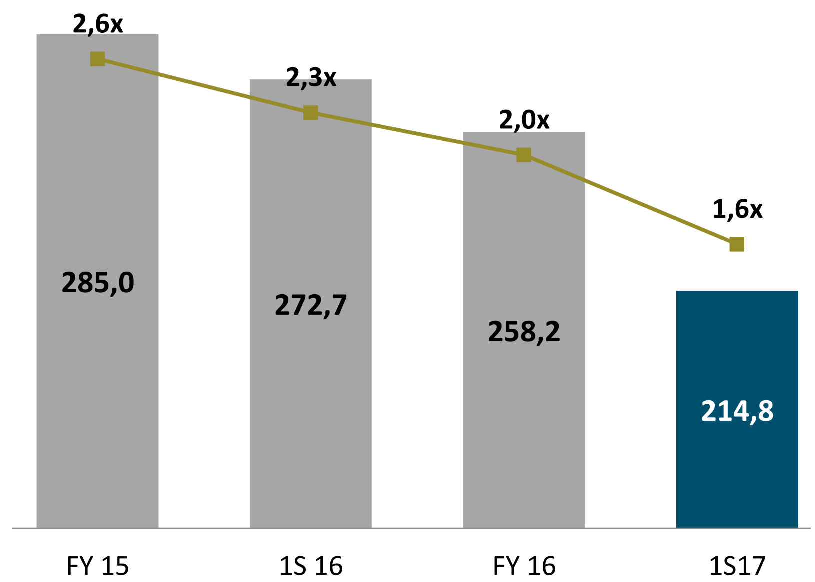
Investments in the Packaging Division:

- Productivity improvement projects: Val de Seine, Ovar and Albarraque
- Project to increase production at Dueñas
- Launch of new projects: Lucena and Alcolea

Debt

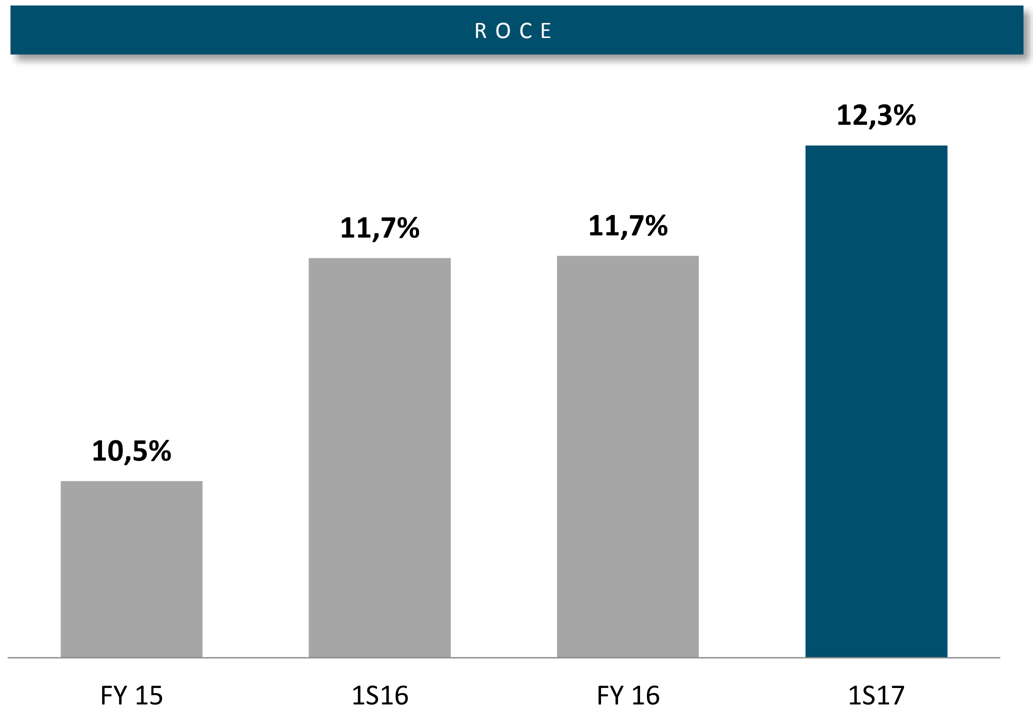
- **New reduction in net debt**
  - Cash generation
  - Increase in income from M&A: sale of Europac Packaging Med and Puerto de Viana, acquisition of Europac Packaging Lucena and Transcon
- **Debt/EBITDA ratio improved to 1.55**
  - Unchanged target (2.0) linked to the development of our investment plan, corporate transactions and remuneration to our shareholders

NET DEBT AND ND/EBITDA MULTIPLE



Ongoing improvement of ROCE

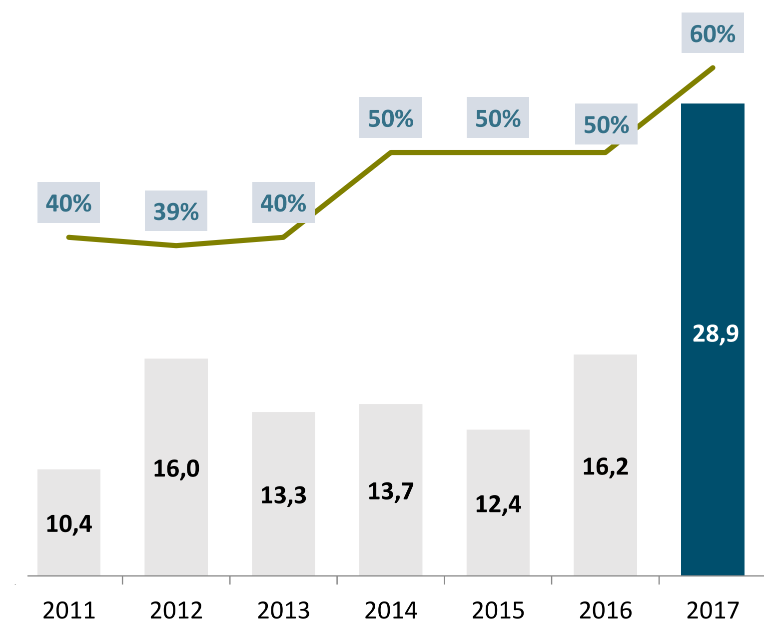
- Ongoing **improvement in profitability:**
  - Increase in **operating profit**
  - Fall in **capital employed**
    - Net reduction in assets related to investments, acquisitions and disinvestments
    - Increase in working capital in 1H17



Shareholder remuneration

- Growth in dividend of +78.4%
- Interim dividend of **€0.095/share** paid on 23 February (€0.053 in 2016): which amounts to €8.7m and final dividend of €0.223/share paid on 17 July (€0.127 in 2016)
- On an exceptional basis, increase in **pay-out in 2016** to 60%: €0.318/share, which amounts to €28.9m (€20.2m final dividend)
- Approval by the General Shareholders' Meeting of 1x25 **bonus issue**
- Approval by the General Shareholders' Meeting of the cancellation of 1,947,368 treasury shares, which account for 2% of the company's share capital

DIVIDEND (€m) Y PAY-OUT(1) (%)



(1) Pay-out in the graph: over net profit of previous year

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Moving forward towards achieving the strategic targets for 2018

	STARTING POINT	ACHIEVED			TARGET
	2014	2015	2016	1H2017	2018e
EBITDA MARGIN	11.8%	13.8%	15.8%	17.3%	16%
DEBT / EBITDA	3.2 x	2.6 x	2.0 x	1.6 x	2.0 x
ROCE	7.7%	10.5%	11.7%	12.2%	15%

Highlights

Sharp growth in the Group's **consolidated EBITDA** in 1H2017: **+20%** vs. 1H2016, which includes the effect of the sale of the factory in Morocco

EBITDA of Paper Division increases driven by operational improvements and market prices penalized by lower volumes related to planned maintenance stops

EBITDA of Packaging Division decreases negatively affected by raw material market prices, partly compensated with higher volume and management improvements

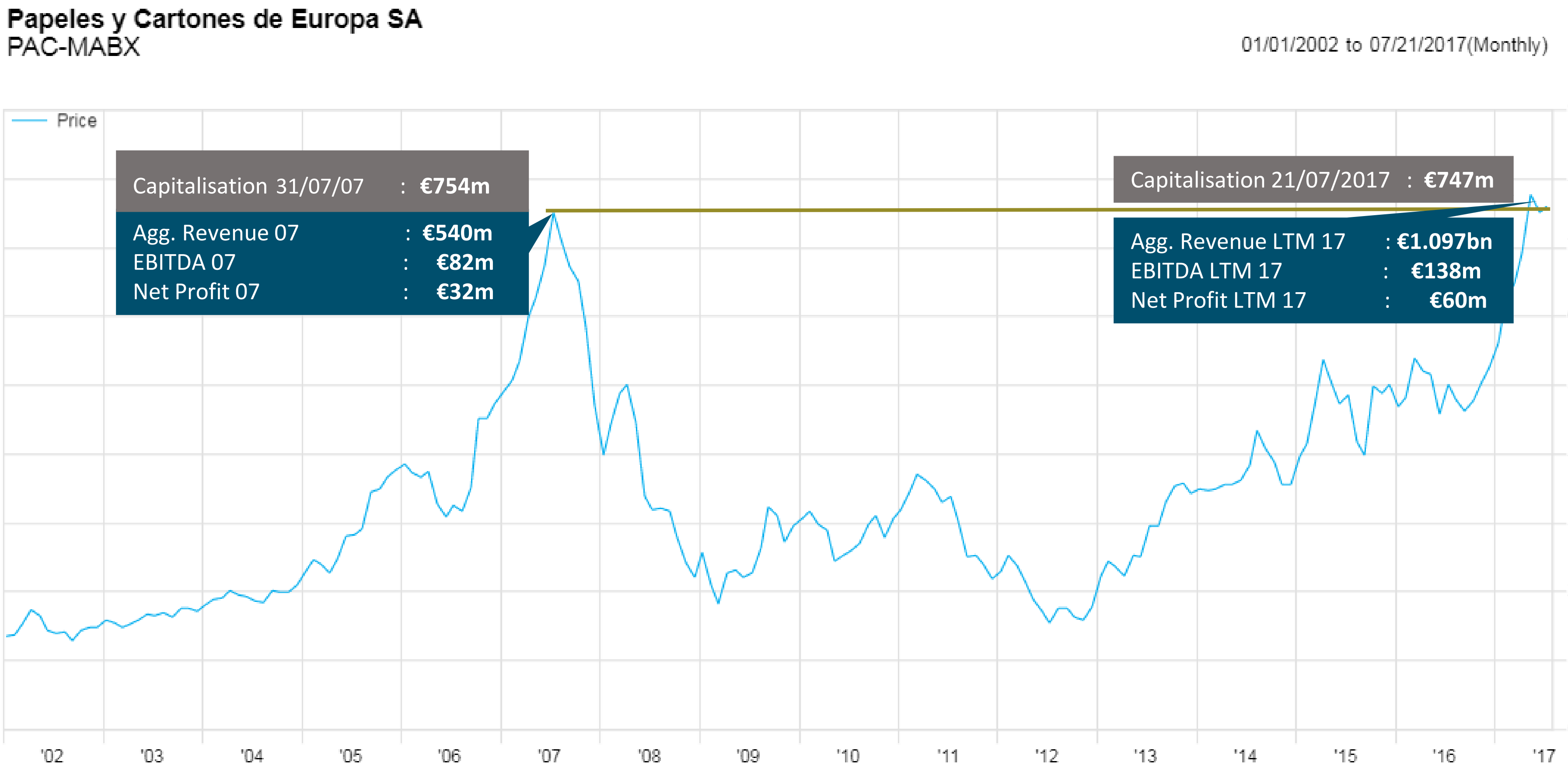
The consolidated EBITDA Margin stood at 17%, +2.4 pp compared with 1H2016, (+20% in 2Q17). **The recurring EBITDA Margin stood at 15% in 1H17** (16% in 2Q17)

Ongoing reduction in **Net Debt** (Debt/EBITDA: 1.55) and **Finance costs** (-80%)

Profit grew by 55% vs 1H2016, to €32m

Solid final demand, which led to the rise in the sales price of the finished product and the increase in raw material prices

Share 2007 vs 2017



(*) Source: Thomson One historical data

Outlook 2017

INCREASE IN EBITDA MARGIN	✓ Kraftliner paper market: solid demand, order book at maximum levels with paper machines operating at full capacity. Price rises in January, March and May. Announcement of additional rise of €50/tonne in August. Taking into account this announcement, the rise is of between 27% to 33% compared with the start of the year, depending on the market. Reduction in US exports (-14% cumulative to April).
	✓ Recycled paper market: strong European demand and growth in exports. Sharp reduction in stocks in Europe and increase in raw material prices. Sales price rises in February, March and April in all qualities. Announcement of additional rise of €30-50/tonne in July. With this announcement, the rise is of between 23% and 25% compared with the start of the year, depending on the market.
	✓ Packaging market: progressive transfer of the increase in raw material prices in 2017. Work continues on improving commercial positioning and optimising operations.
INCREASE IN CASH GENERATION	✓ Sustainable increase in cash generation from operations.
	✓ Optimisation of financing sources and continuous reduction in net debt and finance costs.

Outlook 2017

PACKAGING GROWTH PROJECTS

- AMBITION PROJECT
- DUEÑAS EXTENSION
- ALCOLEA CONVERTING
- LUCENA INTEGRATION
- HIGH-QUALITY PRINTING
- OVAR PROJECT

CONCLUSIONS

Outlook 2017

PAPER GROWTH PROJECTS

INCREASES IN CAPACITY

PAPER MIX DUEÑAS

COMMERCIAL DEVELOPMENT COATED PAPERS

ALCOLEA PAPER MIX

EUROPAC RECICLA

Q&A

THANK YOU VERY MUCH FOR YOUR ATTENTION

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