



COMISIÓN NACIONAL DEL MERCADO DE VALORES
Edison 4
28006 Madrid

Madrid, 21st March 2018

Dear Sirs,

We hereby submit the presentation of the STRATEGIC PLAN 2018-2020 in english, approved by the Board of Directors, which is attached below

Best Regards,

Alfonso Barón Bastarreche
Secretary of the Board of Directors of Sniace S.A.

(Free translation from the original in Spanish, in event of discrepancy, the Spanish language version prevails)



Strategic Plan 2018-2020

March 2018

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1. Current situation of Sniace

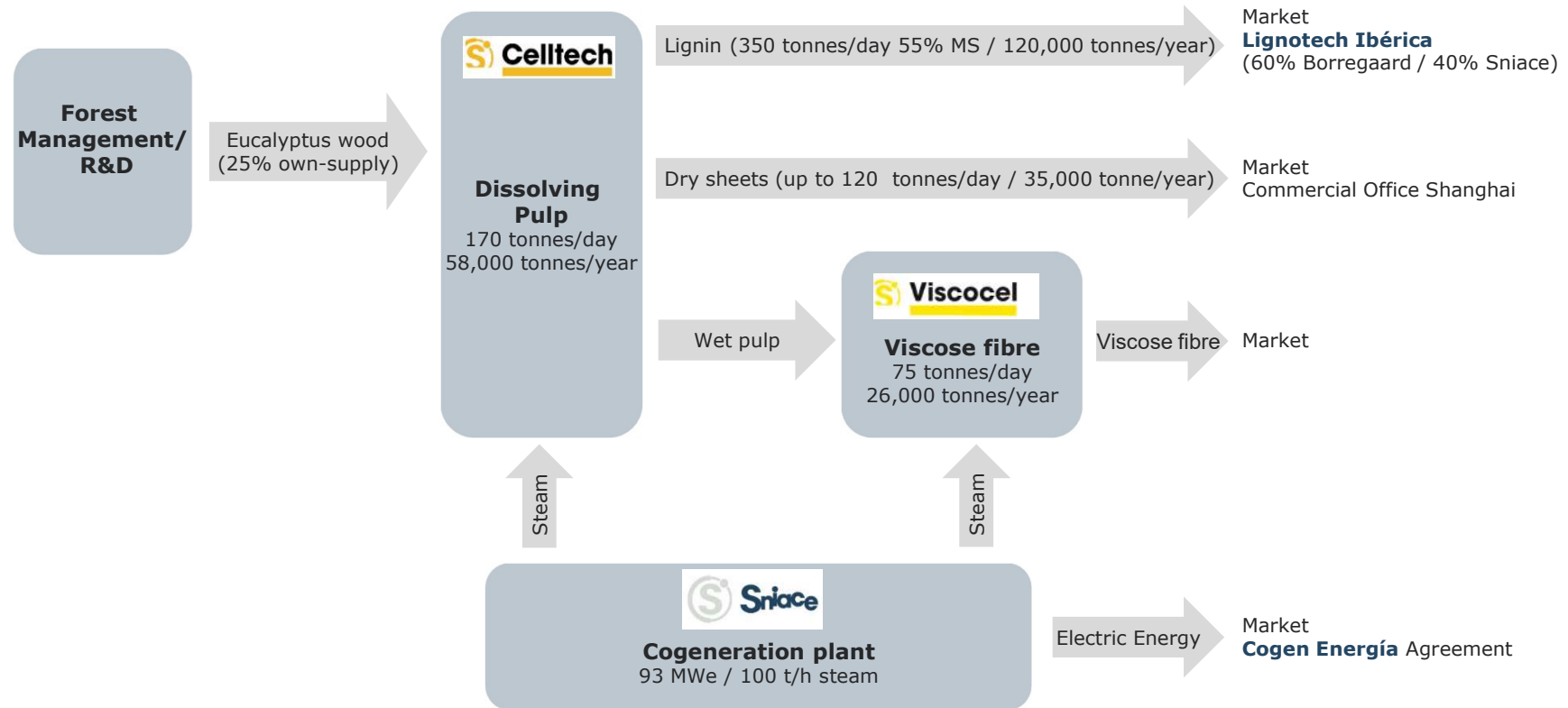
We are in a good position to initiate a period of growth

- Sniace has managed to **resume its industrial activity** in all its lines of activity, as it had committed to do: pulp and energy (October 2016) and viscose fibre (December 2017). Objective: to reach **100% of the production capacity** in the coming months.
- We are **vertically integrated**, from the eucalyptus tree to viscose fibre, which gives us competitive advantages in terms of production costs.
- We operate in a **growing market**, both in terms of volume and price expectations.
- We have a clearly defined **strategy** based on growth, improvement of competitiveness and viscose fibre products with higher added value.
- We are firmly committed to **strengthening our balance sheet**.
- We have a team of **highly qualified professionals** aligned with the group's strategy.
- And we enjoy **shareholders stability**.

All this will allow us to adapt our business to the needs of the environment successfully in the next 3 years

1. Current situation of Sniace

100% INTEGRATED PULP-VISCOSE FIBRE: competitive advantage in costs



- Of the 13 main dissolving pulp producers, which account for 75% of the market share, only 2 are **vertically integrated**.
- Sniace is one of the 3 producers of viscose fibre in Europe**, along with Lenzing and Kelheim. Lenzing, the market leader in viscose fibre, is integrated 56% pulp-viscose ⁽¹⁾ (with a strategic objective of achieving an integration rate of around 70% by 2020).

(1) Source: Lenzing.

2. Our markets

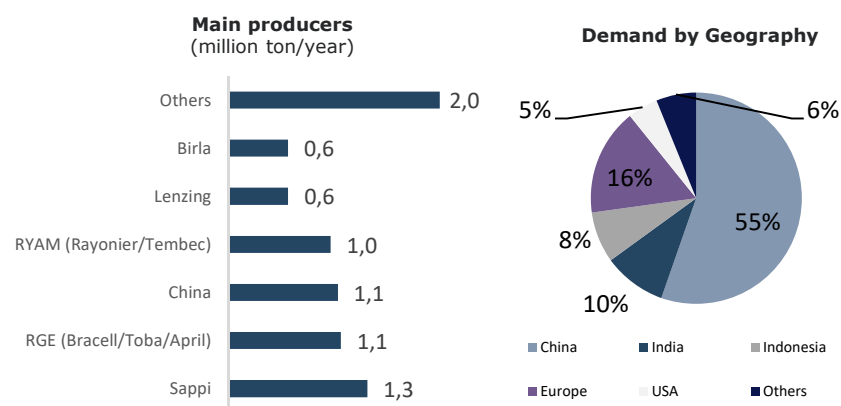
OUR PRODUCTS: Expected increase in demand 2015-20 of + 5-6% ⁽¹⁾ CAGR⁽²⁾

Dissolving pulp

Demand: Growth of demand in 2010-2016: CAGR 7%. 80% of dissolving pulp has been destined for viscose fibre application in 2016. Demand is expected to increase by **5-6 per cent per annum by 2020**.

Offer: **Limited capacity addition of** dissolving pulp in 2018. Pulp producers with flexibility of producing paper/dissolving pulp will choose the latter, hence, reducing the offer.

Price: **Upward pressure** on the price for supply-demand balance and high prices of paper pulp.

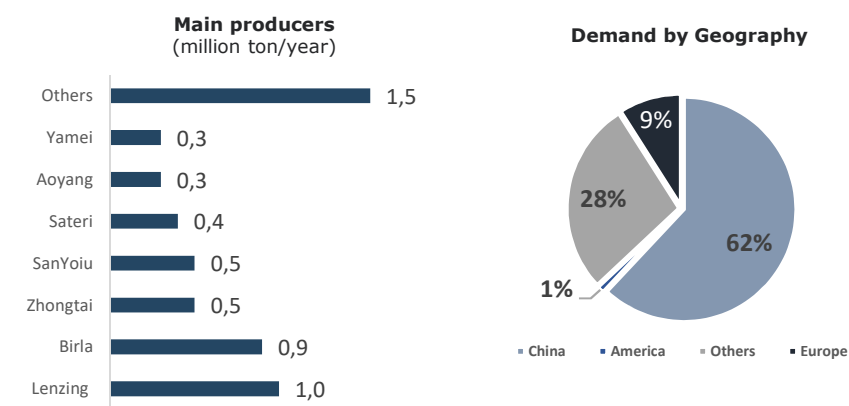


Viscose fibre

Demand: Growth of demand in 2010-2015: CAGR 7.8%. Consumption is expected to increase by **5-6 per cent per annum by 2020**.

Offer: An **additional capacity** of approximately **900,000 tonnes/year** in China in 2018.

Price: The strength of the price of raw materials (*dissolving pulp and caustic soda* mainly), as well as the rising price of other fibres (*cotton, polyester, etc.*), suggest **an increasing price trend in 2018**. Narrow margins are expected in standard viscose fibre, due to the addition of new capacity, with less exposure in the case of high added value applications.



(1) Sources: CCF group, CIRFS, The Fiber Organon and Sappi and Lenzing Estimates.

(2) CAGR = Compound Annual Growth Rate.

2. Our markets

We are prepared to face the following steps in all business lines

Dissolving pulp

- Markets and customers recovered, after restarting activity in October 2016.
- We are close to our customers: commercial office in Shanghai (China).
- Projects to reduce cash-cost and quality improvement ⁽¹⁾ in development.

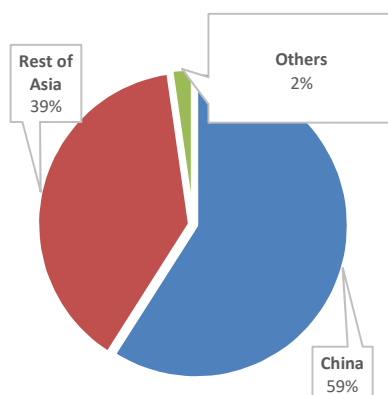
Viscose fibre

- Size and flexibility of our lines are ideal for specialized products.
- Pulp-viscose fibre integration gives us a raw material saving of ca. 20%.
- Flame Retardant fibre patent. In the process of developing fibre for Flushable Wipes.

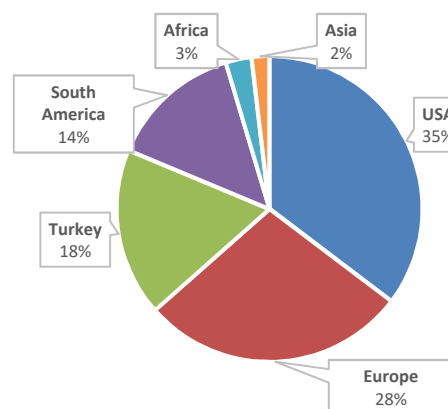
Energy

- The agreement with **Cogen Energía** guarantees **competitive** supply and enables us to participate from the **incomes** from power markets.
- Cogeneration (CHP): **Guaranteed power price premium** for the operation and investment (Ro and Ri) **until 2025**, as per Spanish regulation.
- We comply with the environment: **Investment of 6 million** Euros made in **gas turbines** and **natural gas boilers**.
- Additional source of income: Preparing the participation in **adjustment services and regulation markets**.
- The purchase of **natural gas**, CHP fuel, acts as a **natural hedge** for the **EUR/USD** exchange rate.

Sniace sales dissolving pulp 2018E
(% by volume of sales)



Sniace sales Viscose Fibre 2018E
(% in sales volume)



(1) Project for the improvement of pulp reactivity in collaboration with the University of Cantabria.

3. Strategy 2018-2020

FINANCIAL: Growth, profitability and strength of the balance sheet
BUSINESS: Value-added products and improvement of competitiveness

FINANCIAL STRATEGY

Increase in turnover:

- ▀ Sustained demand of our products: CAGR 2015-20: +5-6%
- ▀ Price increase forecast for pulp and viscose fibre in 2018, due to the balance between supply and demand being adjusted.
- ▀ New products with better prices.

Operational efficiency improvements derived from:

- ▀ New products with better margins.
- ▀ Improvement of competitiveness: lower production costs.
- ▀ Optimisation of the energy segment.
- ▀ Strict cost control policy.

Focus on working capital management.

Strength of the Balance Sheet:

- ▀ Strengthening of solvency ratios.

BUSINESS STRATEGY

In the short term:

- ▀ To reach 100% of production capacity before the end of Q2 2018.

2018-2020 Period:

- ▀ **Pulp:**
 - Cash-cost reduction and focus on product quality.
 - Ongoing project focused on increasing capacity, eliminating bottlenecks (debottlenecking).
 - Redefine the lignin business line⁽¹⁾, either by managing by the business ⁽²⁾ or with collaboration agreements with a relevant group in the sector.
- ▀ **Viscose:**
 - Applications with high added value compared to standard fibre: Flame Retardant Fibre, fibre for flushable wipes and fibre for hygienic applications.
- ▀ **Energy:** optimization of the steam turbine, optimization of the power supply, participation in adjustment services and regulation markets etc.
- ▀ **Cost Reduction:** Reduction of caustic soda consumption, efficiency improvement projects, etc.

(1) The Joint Venture Agreement with Borregaard ends on the 31st December 2021.

(2) Like other pulp producers such as Sappi, Domsjo (Birla), Tembec (now RayonierAM) or Burgo.

3. Strategy 2018-2020

VISCOSE FIBRE: Higher value-added applications and better margins

- The size and flexibility of the recently modernized production lines of Sniace allow us to market **products with higher added value** compared to the standard viscose fibre.
- Our strategy for the next 3 years is based on the manufacture and commercialization of Flame Retardant fibre, fibre for flushable wipes and for hygienic applications. **By 2020, 80% of Viscocel's production** will correspond to **high value-added products**.
- This requires an **investment of between 12 and 13.5 million Euros**, mainly in a new production line for fibre used in flushable wipes.
- And it would mean an **improvement in the EBITDA margin** of between 10% and 45% depending on the product.


	Hygiene	Flame Retardant	ShortCut - Flushable Wipes
Estimated investment (millions of Euros) (1)	1-1.5	<2	9-10
Estimated margin improvement compared to standard fibre (%)	10%	10%	45%

(1) The investment figures are preliminary and are subject to modification by adaptation to final technical configuration:

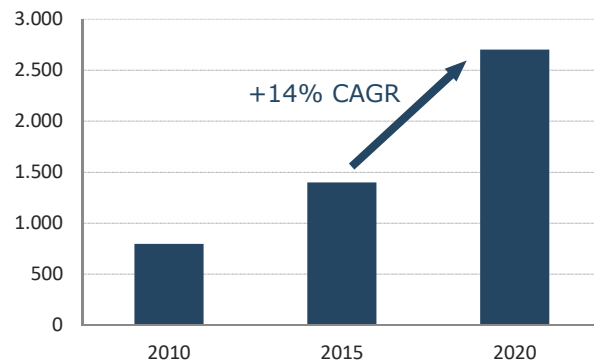
- Hygienic: The investment corresponds to the adaptation of existing facilities to meet the requirements for the manufacture of viscose fibre for sanitary applications, including quality certifications.
- Flame Retardant: The investment corresponds to the costs associated with the start-up of the current manufacturing lines for production of the Flame Retardant specification, as well as the specific working capital required. The investment in production assets has already been made.
- ShortCut: The investment is the sum of the investment in a specific production line, as well as start-up costs and working capital.

3. Strategy 2018-2020

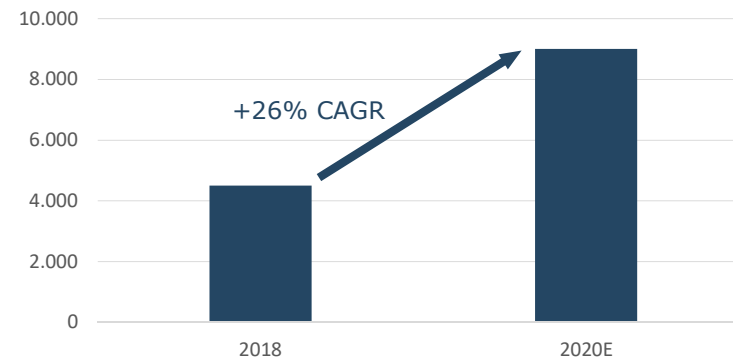
VISCOSE FIBRE FOR FLUSHABLE WIPES: A value-added product with high demand in Spain.

- The consumption of **flushable wipes** is increasing significantly in response to problems generated by traditional wipes and the impetus given by new legislation in this area.
- One of the competitive advantages of Sniace is that our fibre is **Totally Chlorine Free** , a quality that is highly valued in hygiene applications.
- In **Europe** there are only **2 producers** of this type of product, one of them in Spain. An **annual growth of 14%** is predicted **worldwide** and **26% in Spain** by 2020.

Business volume of Flushable Wipes
World 2010-2020E (millions of USD) ⁽²⁾



Viscose fibre consumption for Flushable Wipes
Spain 2017-2020E (tonnes/year) ⁽³⁾



1st step **executed**:

Agreement signed with **Papel Aralar** (1st of March, 2018): common development of viscose fibre for flushable wipes.

(1) Large blockages in urban wastewater pipes and in water treatment stations, as well as marine pollution with synthetic fibres.

(2) Source: International Fiber Journal: "Flushable wipes: A perfect technological contradiction" and Smithers Pira: "The future of flushable wipes to 2020".

(3) Source: Chamber of Commerce of Guipuzcoa.

3. Strategy 2018-2020

ENERGY: additional income

- Within the framework of the collaboration agreement signed with **Cogen Energía España**, the following initiatives will be covered, which will involve **additional income**:
 - Increase of power output in **steam turbines** (with the same steam).
 - Participation in **Adjustment Services and Regulation Markets** in the power market. Ongoing execution process, expected to start in Q4 2018.

- There is also a project to **optimise the supply of power for pulp and viscose fiber mills**, with several modalities under study. A more efficient power supply will positively impact on our production costs.

ENERGY	Adjustment Services and Regulation Markets	Steam turbine optimisation	Optimisation of power supply
Estimated investment (millions of Euros) ⁽¹⁾	0.2	0.3	<0.1
Improvement in expected margin (millions of Euros/year) ⁽¹⁾	0.5	0.6-1.2	0.5

(1) Preliminary estimates of both investment and margin improvement, subject to development.

3. Strategy 2018-2020

COST REDUCTION: Constant search for efficiency improvements

- In the short term, reaching **100% of our production capacity** will allow an adequate **dilution of fixed costs**.
- In 2018-2020, the Sniace group aims to improve its competitiveness, with **efficiency improvement projects** that will **improve its EBITDA by more than 2 million Euros** yearly, which will mean cash-cost reductions, both in pulp and viscose fibre.
- The **caustic soda replacement project**, which will provide flexibility and savings in scenarios of high prices of this raw material (such as the current one), is in the initial phase of development.
- These initiatives represent a **moderate investment** with a **high return**.

COST REDUCTION	Reduction of soda consumption ⁽²⁾	Efficiency improvement projects ⁽³⁾
Estimated investment (millions of Euros) ⁽¹⁾	1	Up to 2 million
Improvement in expected margin (millions of Euros/year) ⁽¹⁾	06-09	Pay back <1-2 years

(1) Preliminary estimates of both investment and margin improvement, subject to development.

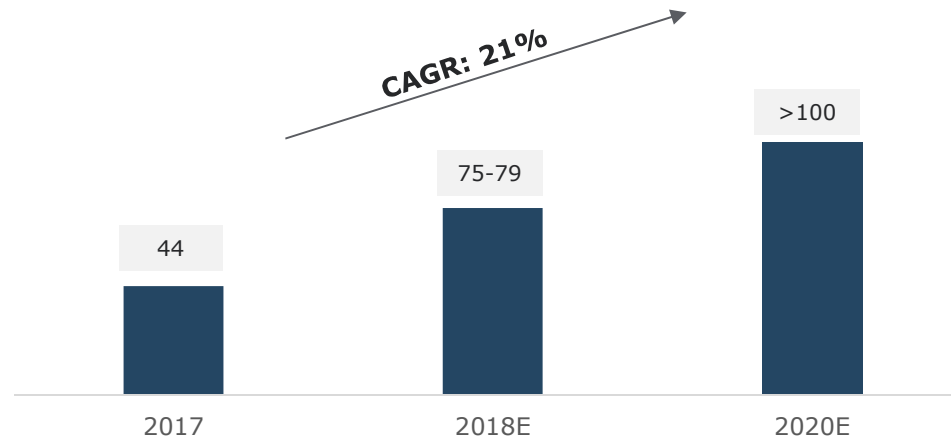
(2) Actions for the replacement of soda with sodium carbonate in acidic flows, and investment in a sulphate plant.

(3) With regard to efficiency improvement projects, those with a better return on investment will be prioritized. Prior identification of projects with investment returns of less than 1-2 years has been made.

4. Financial data

FINANCIAL TARGETS: Proper management of growth, strength and profitability

Consolidated sales group Sniace
(millions of Euros)



EBITDA 2020
> 20 million Euros

EBITDA margin 2020E:
18% -20%

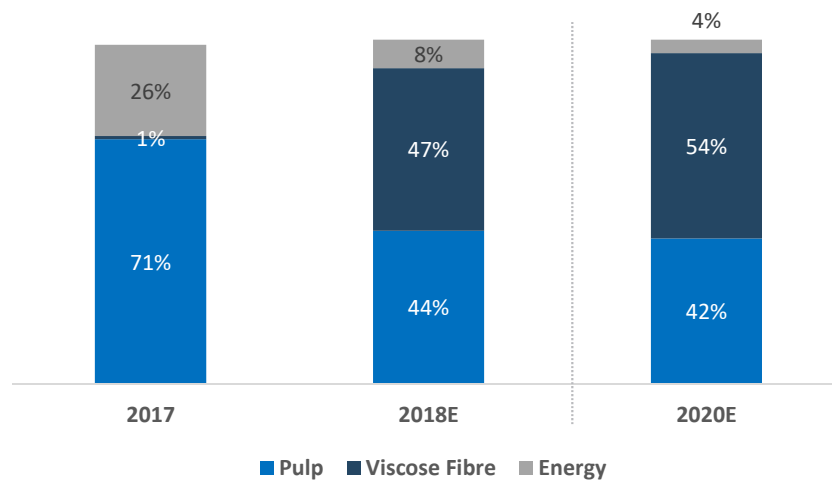
DFN/EBITDA 2020:
<2.6x

Viscose fibre applications with **high added value** and improved **competitiveness**.

4. Financial data

TURNOVER: More than 100 million Euros in 2020E driven by the sale of new products with higher prices (TACC Sales 2017-2020 > 20%)

Turnover distribution by area of activity (%)



- ☛ Increase in production to 58,000 tonnes of pulp thanks to reaching **100% of our production capacity**.

- ☛ Increasing demand for dissolving pulp as a raw material of the viscose fibre. Annual **growth** of both products is expected of **5% - 6% by 2020**.

- ☛ **Viscose fibre** products with **added value** at better prices.

- Flushable Wipes
- Hygienic
- Flame retardant

80% viscose fibre with high added value by the end of 2020E

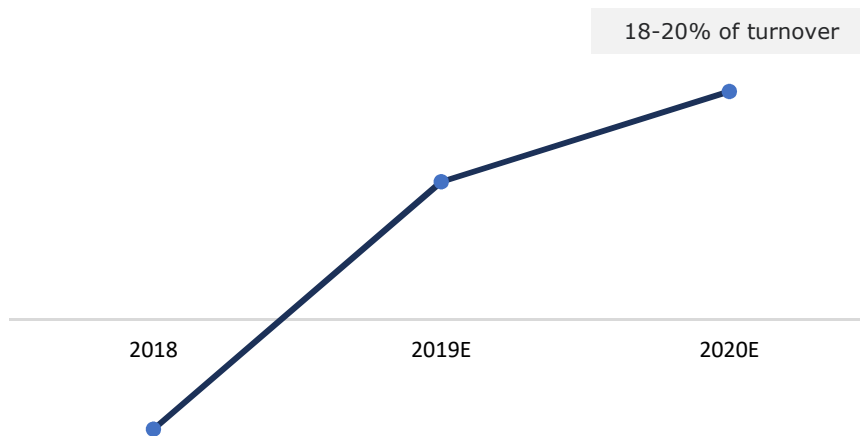
- ☛ Increase in other additional income: participation in the optimisation of the steam turbine, etc.

An **increase in sales in 2018 is expected above 60%**, mainly derived from the start-up of Viscocel, and reaching 100% capacity in Celltech.

4. Financial data

EBITDA Margin: 18% -20% in 2020E, which will allow us to reach the sector average in terms of operational efficiency

Evolution of the EBITDA margin of the Sniace group
(% of turnover)



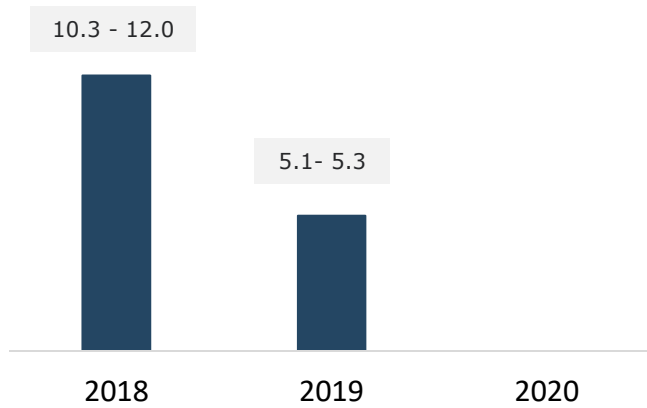
- Migration towards **higher value-added products** in viscose fibre with better margins, with the advantage to the Sniace group of **100% pulp-viscose integration**.
- **Optimisation of production costs** in all business areas.
- **Additional income** in the area of **energy**.
- Strict **cost containment** policy.

TARGET: Achieve **EBITDA > 20 million Euros in 2020E.**

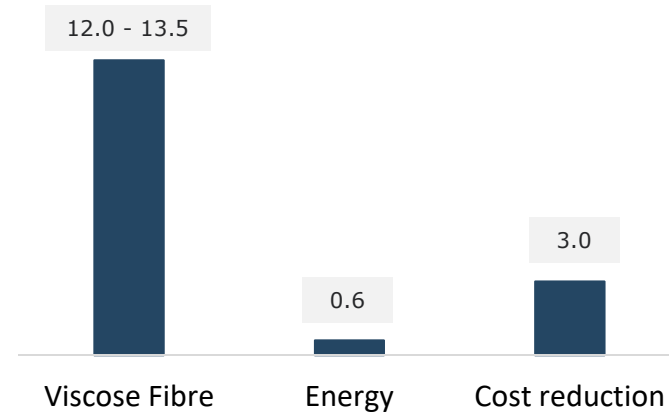
4. Financial data

CAPEX: Strict investment discipline

CAPEX Forecast 2018-2020 ⁽¹⁾
(millions of Euros)



CAPEX distribution by area of activity ⁽¹⁾
(millions of Euros)



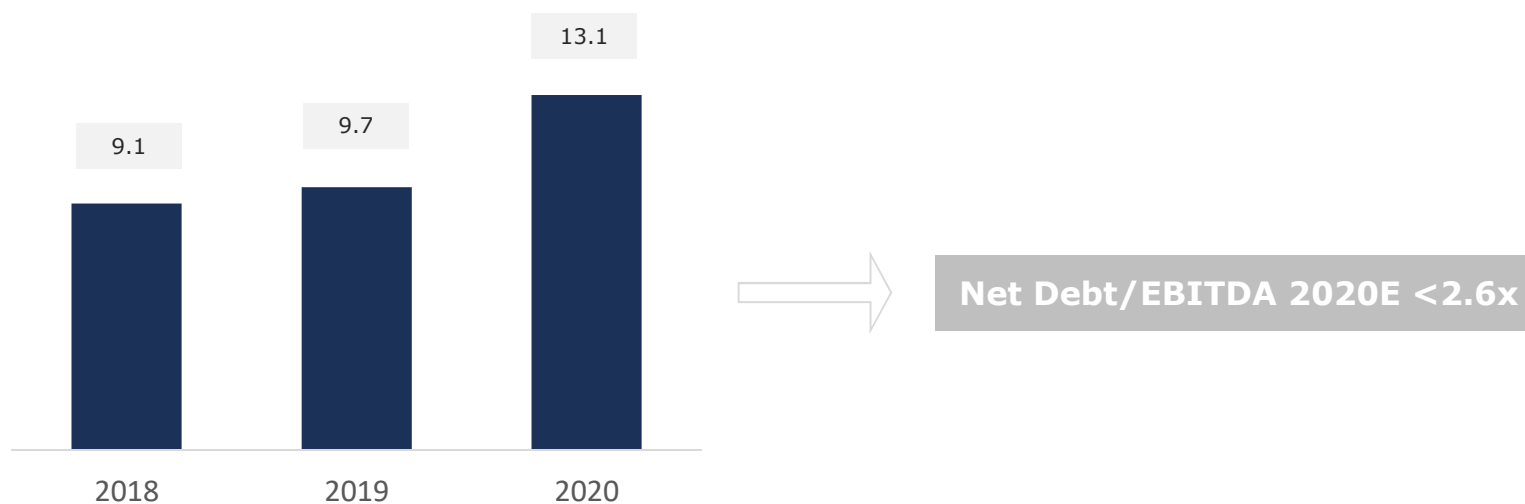
- Estimated **total investment** 2018-2020: **15.6-17.1 million Euros**.
- CAPEX focused on projects of **short maturity**.
- Emphasis on the **short term** and **cash generation**.

(1) Does not include maintenance CAPEX.

4. Financial data

DEBT: Focus on the strength of the balance sheet

Evolution of debt repayment ⁽¹⁾
(millions of Euros)



The execution of the Strategic Plan 2018-2020 allows us to reach **adequate solvency ratios**, which will allow us to undertake **more ambitious projects in the medium-long term**.

(1) The repayment of Preferential Debt, which is pending to be agreed on repayment terms, for a total of 13.8 million Euros, has been considered under the same assumptions as in the Creditors Agreement.

5. Conclusions

- ✦ We are present in attractive markets with **growing demand** and improvements in the prices of our products.
- ✦ We have a clearly defined **strategy, stable shareholders** and **committed management**.
- ✦ So we **are prepared** to:
 - Increase our business volume: **sales 2020 > 100 million Euros**.
 - Significantly improve our profitability: **EBITDA 2020E > € 20 million** and **EBITDA margin 2020E: 18%-20%**.
 - Based on **products with high added value**, such as Flame Retardant fibre, fibre for flushable wipes and for hygiene applications, (objective of 80% of specialized viscose fibre products at the end of 2020E).
 - Strengthen our balance sheet: **Net Debt/EBITDA 2020E < 2.6x**.
 - Undertake new **investments: € 15.6-17.1 million** in the 2018-2020 period.
- ✦ And all with the sole interest of laying the foundations that guarantee a better competitive position in the markets in which we are present, that allow us to **create value** for our shareholders.



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