

HALF YEAR 2018 RESULTS



26 July 2018
europacgroup.com



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OLIVER HASLER

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JORGE BONNIN

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CFO



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A blurred photograph of a cardboard box being processed on a conveyor belt in a factory setting. The box is light brown and is moving along a metal track with red rollers. In the background, there are stacks of cardboard boxes on pallets and industrial machinery. The image has a soft, hazy light effect on the left side.

RESULTS

1H 2018

Executive Summary



Growth in recurring EBITDA to €106m (+68% vs. 1H2017) and increase in Consolidated EBITDA to €102m (+42% vs. 1H2017)

Continued solid final demand for Paper and increase in the availability of recovered paper in Europe

Gradual transfer of the raw material price increase in Packaging

Growth in Net Profit to €55m (+68% vs. 1H2017)

Decrease in Net debt to €104m (-39% vs. year-end 2017)

ROCE improved to 26.6%

Announcement of a voluntary takeover bid by DS Smith for 100% of the shares of the Europac Group.

Net Profit grew by +68% vs. 1H2017



2Q 2017	2Q 2018	% diff.
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282.1	322.8	14.4%
207.0	244.8	18.2%

33.4	55.4	66.2%
41.1	52.9	28.9%
19.8%	21.6%	+1.8 pp

25.1	40.9	63.1%
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25.8	38.7	50.2%
21.2	29.3	38.1%
0.22	0.29	35.5%

€m

Aggregate Revenue
Consolidated Revenue

Recurring EBITDA
Consolidated EBITDA
Consolidated EBITDA Margin

Consolidated EBIT

EBT
Net Profit
EPS*

1H 2017	1H 2018	% diff.
---------	---------	---------

563.9	640.6	13.6%
417.1	479.6	15.0%

62.9	105.6	67.9%
72.1	102.3	41.9%
17.3%	21.3%	+4.0 pp

43.7	78.0	78.7%
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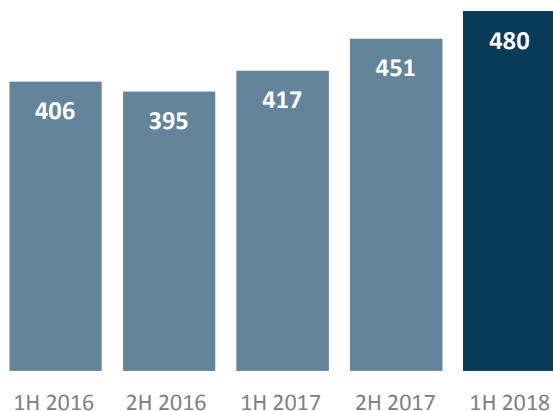
42.3	73.9	74.7%
32.4	54.5	68.3%
0.33	0.55	65.1%

*The growth in EPS is lower than the growth in net profit due to the bonus issue in November 2017

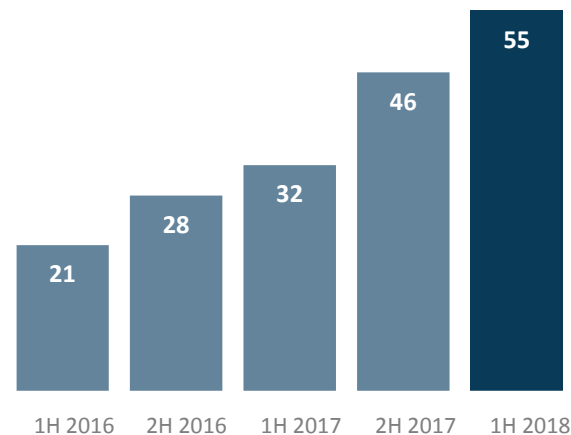
Consolidated results



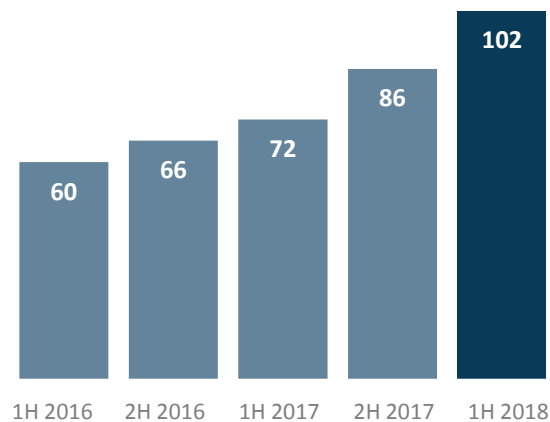
SALES (€m)



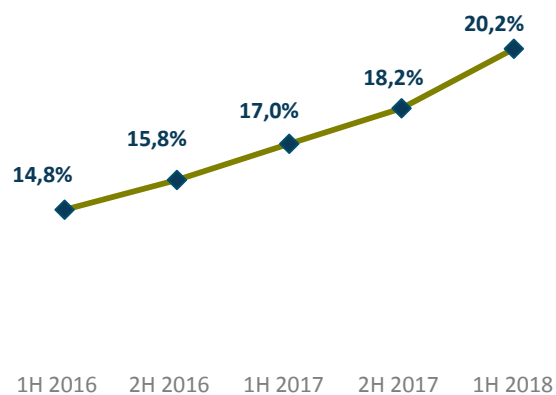
NET PROFIT (€m)



EBITDA (€m)



EBITDA MARGIN (LTM)



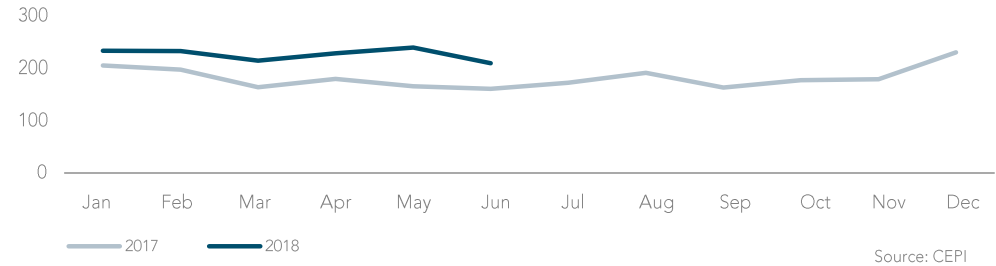
MARKET



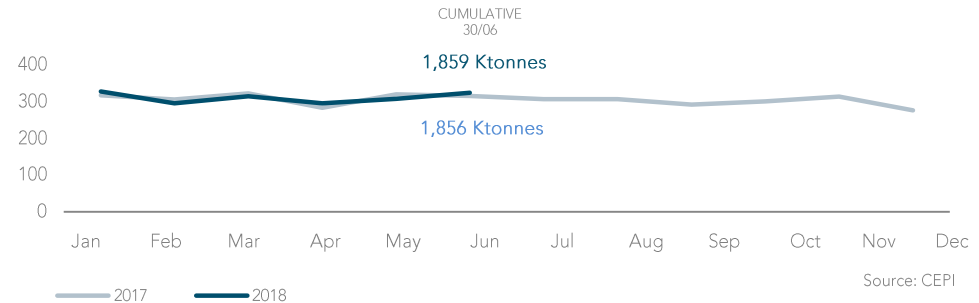
Market: Kraft paper

- Cumulative average stock for the year in line with the end of 2017. Strong demand in Europe.
- Shipments at similar levels to the same period of the previous year (+0.1% vs. 1H 2017) with paper machines at full capacity due to strong final demand that is the same as that recorded in 2017.
- Continuous improvement in sale prices that started in 1Q2017.
- Increase in average prices in 1H2018 of €140/tonne compared with 1H2017
- From 31/12/17 to 24/07/2018 the price rose by €43/tonne to €740/tonne.

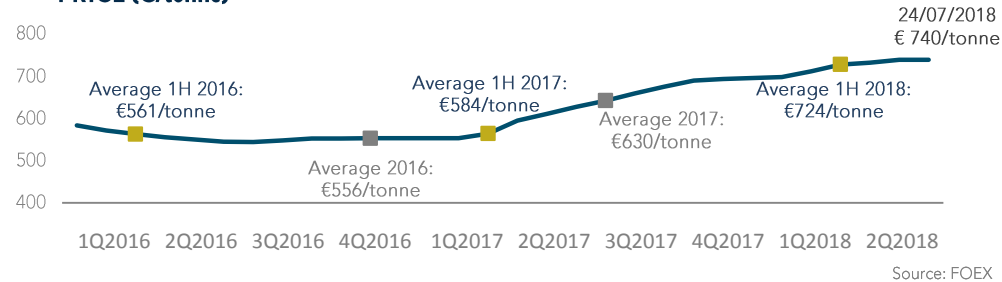
STOCKS (KTONNE)



SHIPMENTS (KTONNE)



PRICE (€/tonne)

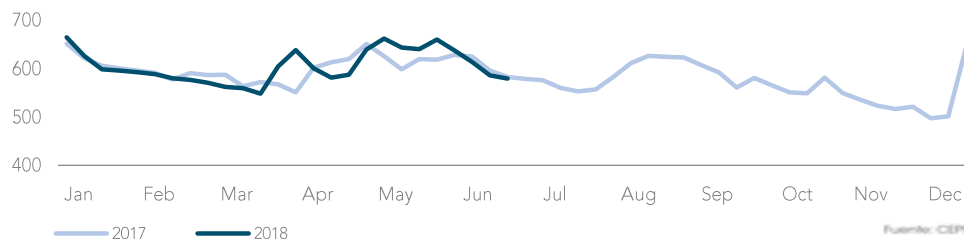


Market: Recycled paper



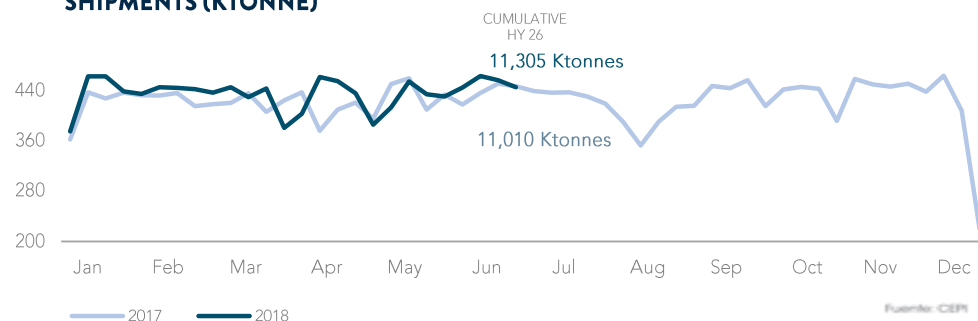
- Average stock levels similar to the same period of last year (+1.0%), with final demand remaining strong.

STOCKS (KTONNE)



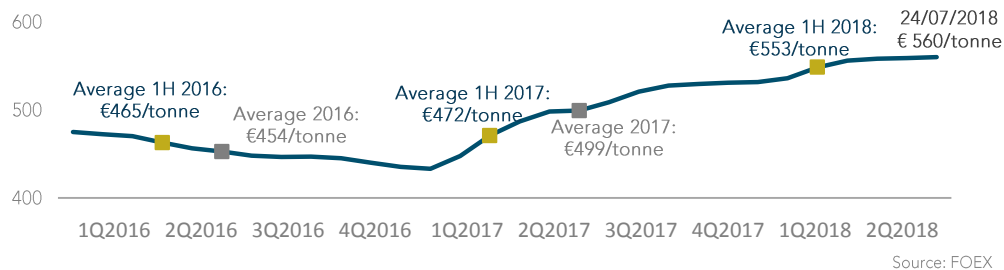
- Shipments by European manufacturers remain strong with a rise of 2.7% over the year. The new capacities of 2017 and 2018 are being absorbed by final demand.

SHIPMENTS (KTONNE)



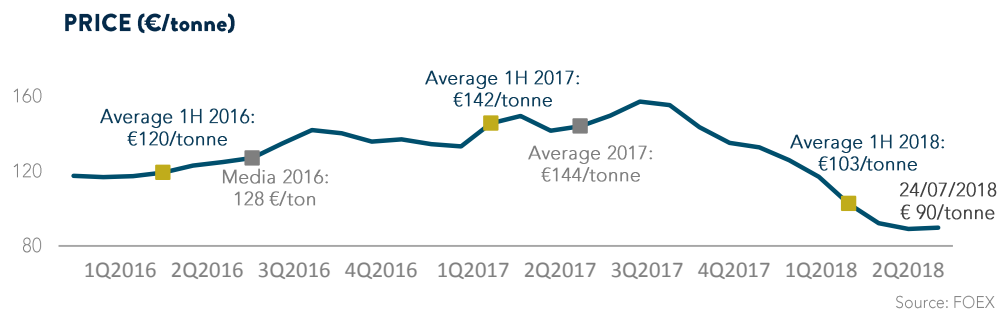
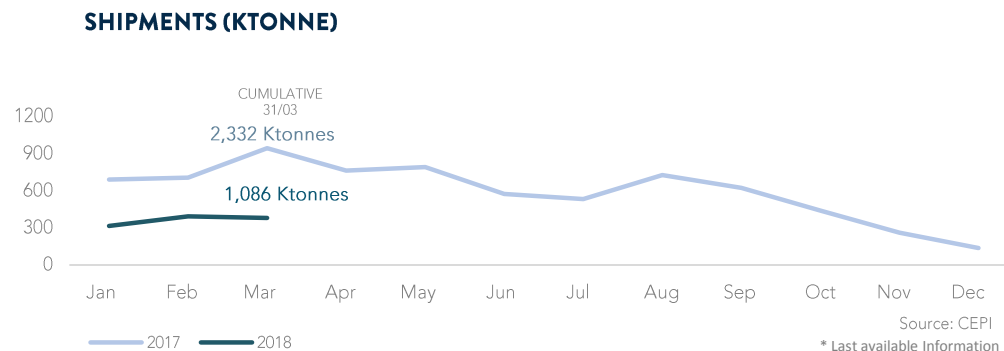
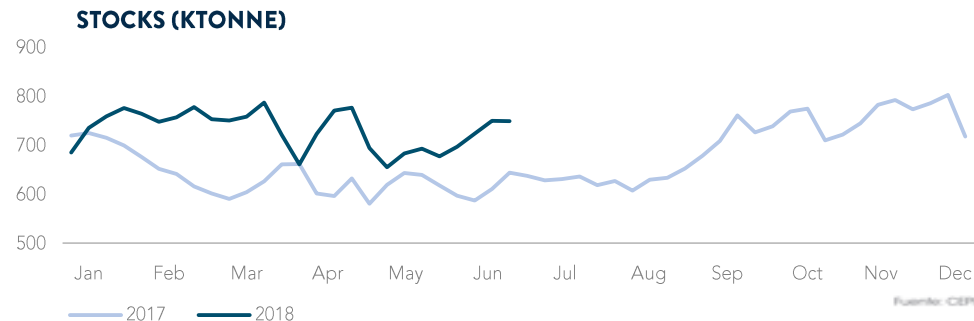
- The price increase recorded over 2017 has continued during 2018 based on strong final demand.
- Increase in average prices in 1H2018 of €81/tonne compared with 1H2017
- From 31/12/17 to 24/07/2018 the price rose by €27/tonne to €560/tonne.

PRICE (€/tonne)



Market: Recovered paper

- Continuous increase in recovered paper stocks since August 2017 as a result of the change in the raw materials market brought on by the new Chinese legislation (average stock in 2018 +15% vs 2017).
- Exports to China from CEPI countries fell by 53% to March*.
- Fall in prices as a result of increase in availability of raw material in Europe.
- Reduction in average prices in 1H2018 of €39/tonne compared with 1H2017
- From 31/12/17 to 24/07/2018 the price fell by €38/tonne to €90/tonne.



**BUSINESS
LINES**

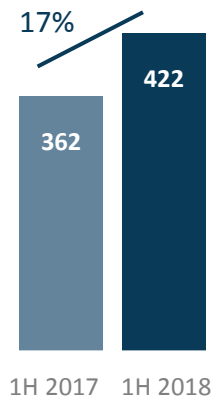


Revenue and Recurring EBITDA

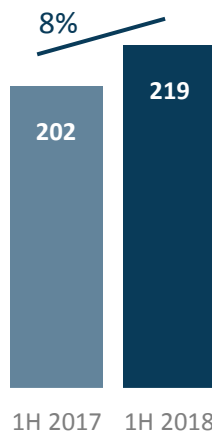


REVENUE (€m)

PAPER (€m)

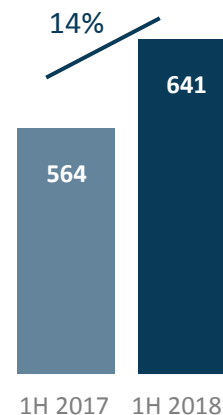


PACKAGING (€m)

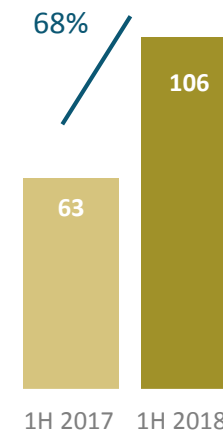


GROUP (€m)

REVENUE (€m)



EBITDA (€m)



- Sale price rises.
- Higher production volume: kraftliner +12%, recycled +1%.
- Positioning in higher added value segments.

- Gradual transfer of raw material price increase.
- Increase in production volume of +2.6%.

- Growth in EBITDA of +68%.
- Lower recovered paper cost as a result of change in the global model.
- Management projects in Packaging soften the impact of the rise in its raw material, paper.
- Management projects in Paper that neutralise inflation in energy and chemical costs.
- The integrated management model makes it possible to take advantage of moments of market strength and reduce the impact at times of fluctuation, thus ensuring sustainability in the results.

A man wearing a black cap, glasses, and a dark long-sleeved shirt with a yellow sticky note on his chest is sitting at a desk. He is pointing his right index finger at a large computer monitor. His left hand is on a mouse. The monitor displays a webpage with a dark header and a large image. The background shows a white wall with three vertical wooden slats. The overall scene is brightly lit, with a soft white glow on the left side of the image.

CASH

GENERATION

Main projects in progress

2018 PROJECTS

ENVIRONMENTAL IMPROVEMENT:

Paper:

- Dueñas
- Alcolea
- Rouen

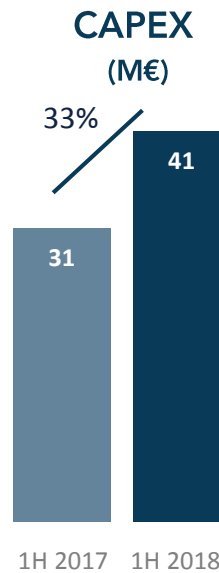
INCREASES IN CAPACITY:

Paper:

- Dueñas

Packaging:

- Ovar
- Dueñas
- Alcolea
- Lucena



PRODUCT DEVELOPMENT:

Paper:

- Dueñas
- Alcolea

Packaging:

- Torrelavit
- Atlantique
- Rouen

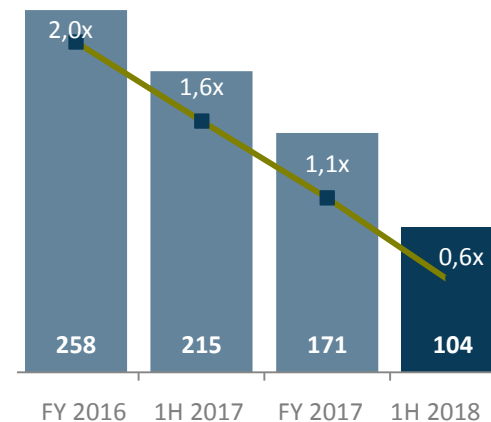
MANAGEMENT PROJECTS:

- Operational excellence: Ambition
- Supply Chain
- Administrative process digitalisation

2018 PROJECTS

- **Continuous decrease in Net Financial Debt**, improving NET DEBT/EBITDA ratio to 0.6x.
- An 18% decrease in recurring finance expenses without considering the effects of IFRS 9 and extraordinary income.
- **ONGOING OPTIMISATION OF FINANCE COSTS:**
 - **Renewal of the syndicated loan** in July 2018: Interest rate reduction of an additional 20 basis points and extension of the debt maturity by a further two years
 - **Renewal of the short-term commercial paper issue programme in the MARF (Alternative Fixed-Income Market)**, increasing the maximum amount from 100 to 200 million euros

PROGRESSIVE REDUCTION IN NET DEBT (€m)



SHAREHOLDER

REMUNERATION

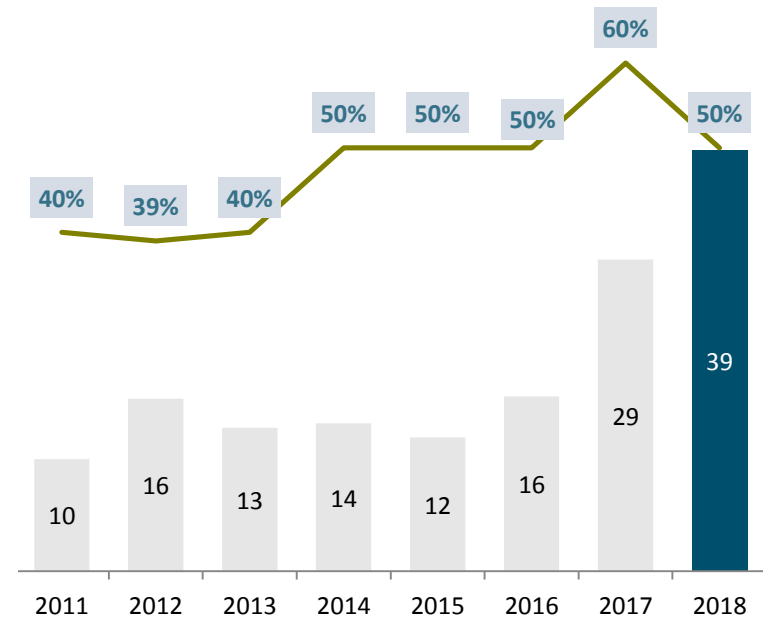


Shareholder remuneration

Pay-Out 50%

- Dividend growth +35% payable in 2018.
- Interim dividend of €0.125/share paid on 26 February (€0.095 in 2017) and final dividend of €0.293/share paid on 4 July (€0.223 in 2017).
- 2017 Pay-Out of 50%: €0.418/Share, amounting to €38.9m
- In June 2018 joined the Ixex Medium Cap index

DIVIDEND (€m) Y PAY-OUT¹ (%)



¹Payout in the graph: over net profit of previous year

CONCLUSION



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Announcement of a voluntary takeover bid by DS Smith for 100% of the shares of the Europac Group.

ANNOUNCEMENT OF TAKEOVER BID

DS SMITH / EUROPAC

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Announcement of a voluntary takeover bid by DS Smith for 100% of the shares of the Europac Group:

- PRICE:

- €16.80 in cash per Europac share
- The price will not be adjusted for any dividend payment in accordance with Europac's current dividend policy (distribution of 50% of 2017 Consolidated Net Profit). Final dividend paid on 4 July of 0.293 euros per outstanding share.
- Total shareholder remuneration of €17.093/share (€16.80/share + €0.293/share)

- CONDITIONS:

- Approval of DS Smith shareholders: approved at its General Shareholders' Meeting held on 10/07/18 (99.99%)
- Acceptance of 50% + 1 share by Europac shareholders
 - Hard irrevocable undertaking of 52.8% received by DS Smith from certain shareholders
- Approval by the CNMV and authorisation by European antitrust authorities.

MILESTONE	DATE
Announcement of the transaction	4 June 2018
Request for authorisation of the bid from the CNMV	5 July 2018
Approval of the proposed acquisition by the EGM of DS Smith	10 July 2018
Admission for processing by the CNMV	16 July 2018
Approval of anti-trust authorities (anticipated)	4Q 2018
Anticipated receipt of CNMV approval and start of Offer Term	4Q 2018
Report of the Board of Directors of Europac*	4Q 2018
Anticipated completion of the acquisition	4Q 2018

The members of the Board of Directors of the Europac Group will issue the mandatory report on this takeover bid on the date established by applicable regulations once the CNMV has authorised the takeover bid and the Board receives the necessary financial reports and legal advice

The Europac Board of Directors approved the creation of a **work committee to monitor the takeover bid** made up of independent and "other external" directors.

** Maximum period of 10 calendar days from the start of the acceptance period*





TOGETHER, POWERING PACKAGING