Viscofan
The casing company

Results January-June 2014

July 31, 2014



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Highlights 1H14

+5.4% y-o-y growth in casing **volumes**

Consolidated income totalled €387.9MM in 1H14 supported in the casing volumes and the vegetable food division.

+2.8% y-o-y **EBITDA growth**

Cumulative EBITDA to 1H14 grows to €94.4MM, which includes an improvement in EBIDTA margin of +0.6 p.p. up to 24.3%

-5.3% y-o-y decrease in net income

Net income stands at €50.9MM, a 5% decrease versus last year.

It has been published the Ministerial Order regulating payment parameters for cogeneration from the previous known in 2013. The application of this Ministerial Order generates a non recurring additional impact of €2.9MM on income and €2.7MM in EBITDA

€2.7MM Non-recurring EBITDA from the modification of compensations in cogeneration.

Solid organic performance: strength in volumes together with improvements in margins…

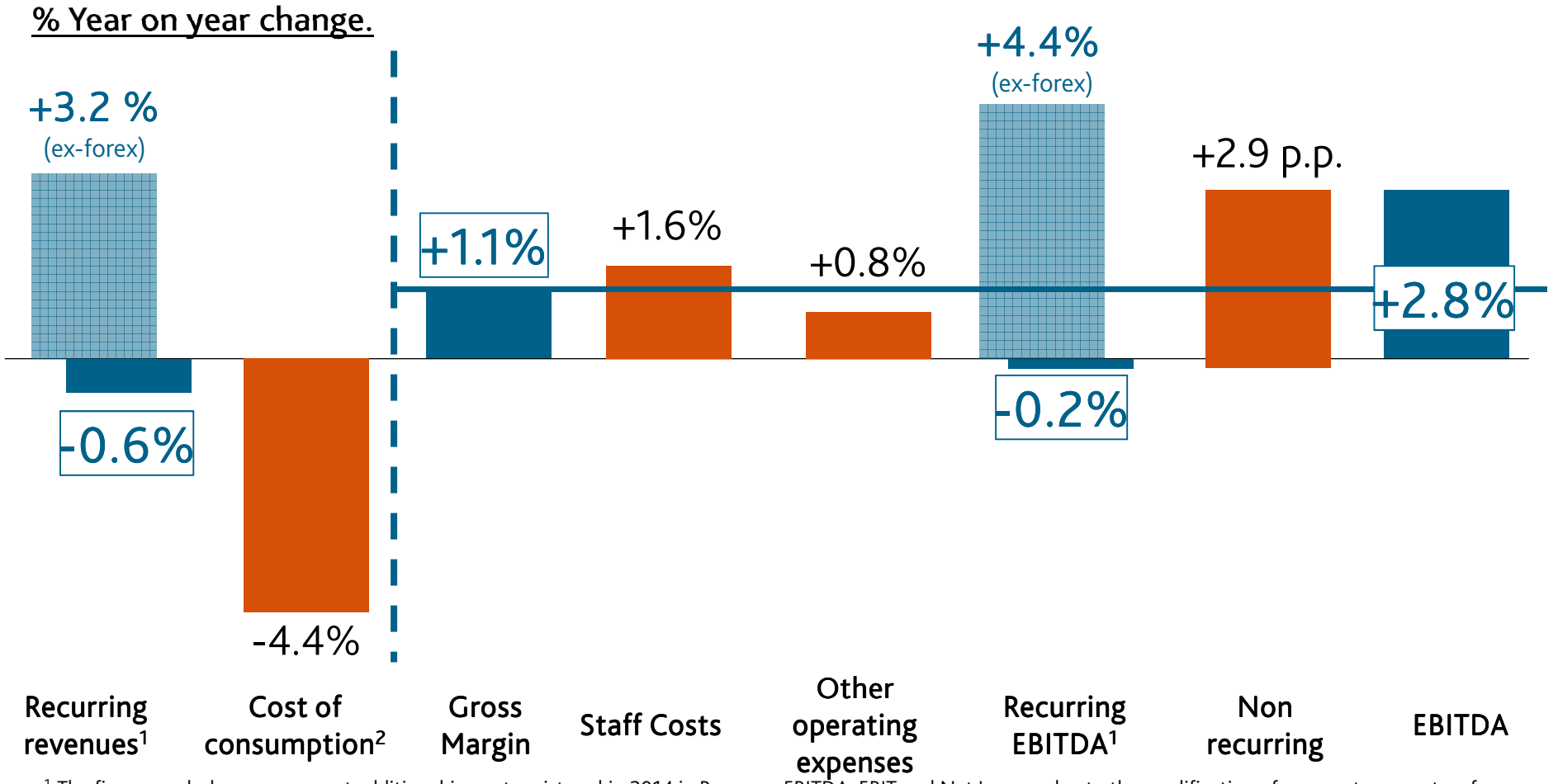
Selected financial data (MM €)

	1H14 LFL	% y-o-y LFL	No recurring[1]	Forex[2]	1H14	% y-o-y
Revenues	400.1	+3.2%	+2.9	-15.1	387.9	+0.1%
EBITDA	95.8	+4.4%	+2.7	-4.2	94.4	+2.8%
EBITDA margin	*24.0%*	*+0.3 p.p.*	*+0.5 p.p.*	*-0.2 p.p.*	*24.30%*	*+0.6 p.p.*

[1] The figures include non-recurrent additional impact registered in 2014 in Revenue, EBITDA, EBIT and Net Income due to the modification of payment parameters for cogeneration published in the Ministerial Order in July, 2014 versus provisioned in 2013 under the publication of the Order dispatched by the secretary of State to the CNMC.
[2] It excludes the impact of the exchange rates variation applied in the consolidation and the variation of the $U.S in business transactions.

… eroded by significant weakness of main trading currencies against the €

Increase in volumes in a context of optimisation of costs that allow and improvement in gross margin.



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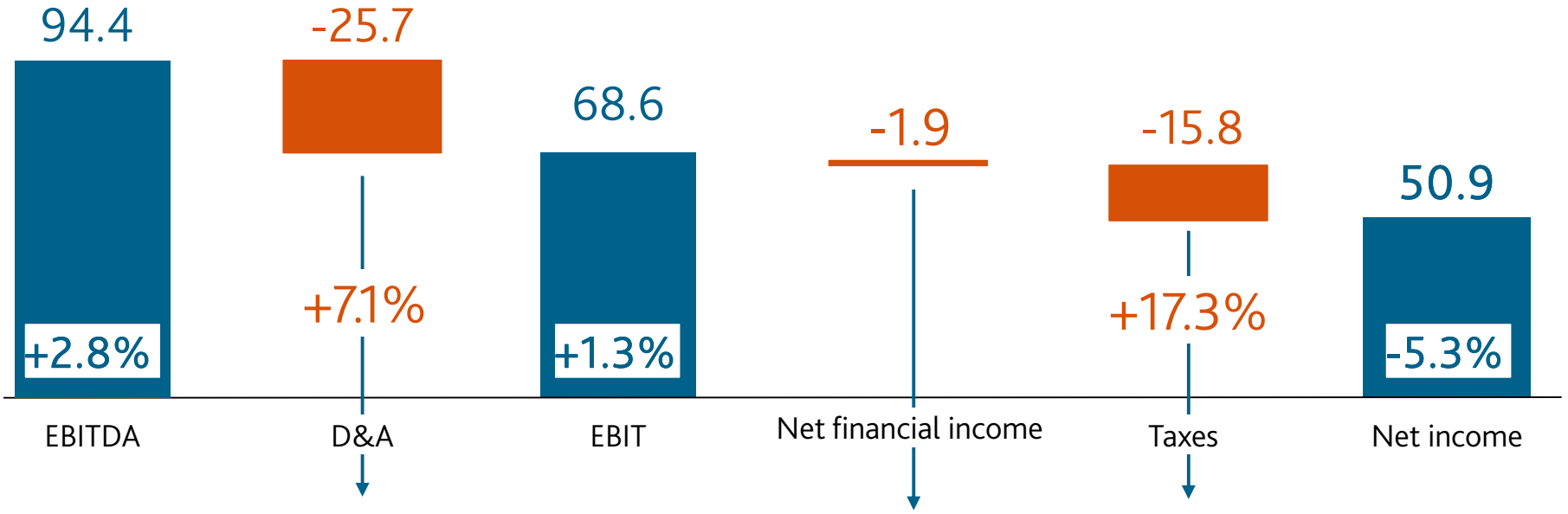
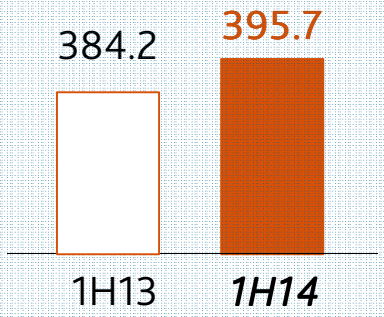
[2] Net purchases+/- changes in Inventory

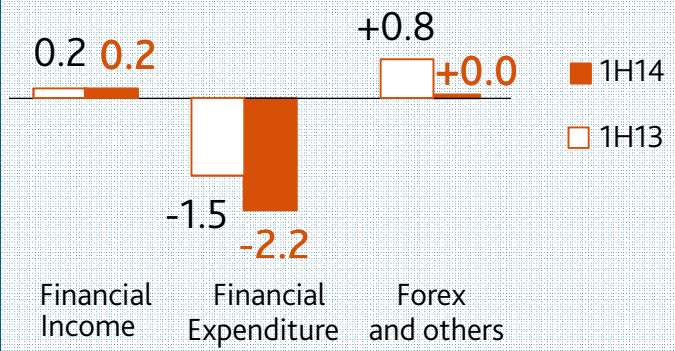
Decrease in net income due to the increase in D&A and the impact of the revaluation of assets in the tax rate of 2013.



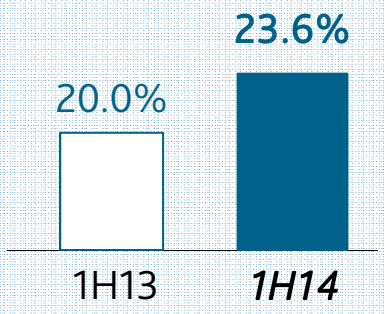
Tangible and intangible assets (MM €)



Net financial income (MM €)

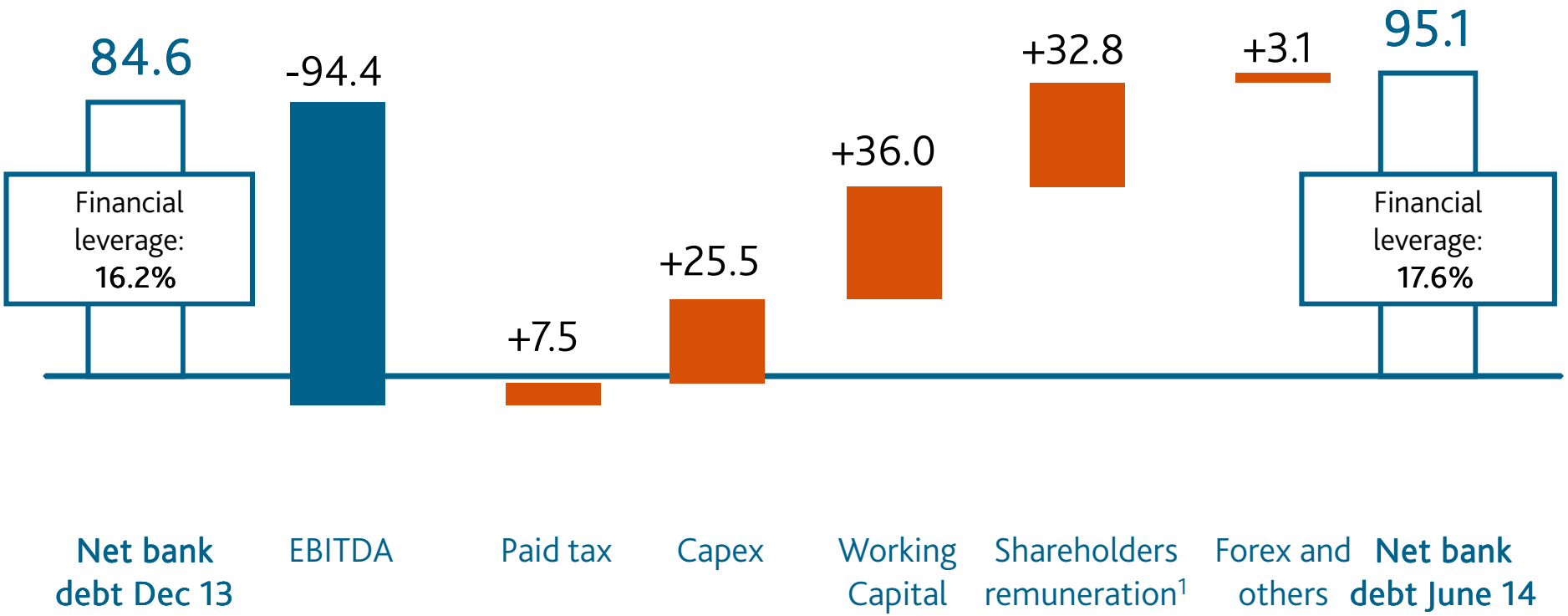


Effective tax rate:



Strength of operating cash flows that allow support solid financial leverage ratios in a context of business expansion and dividend increase.

Net bank debt evolution (MM €)



[1] It includes 0.704€ final dividend from 2013 paid in June 2014.

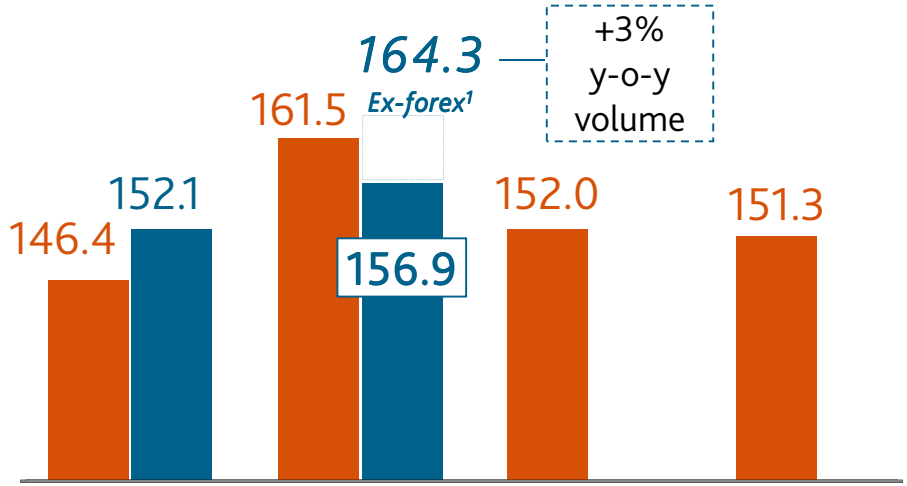
Casing division



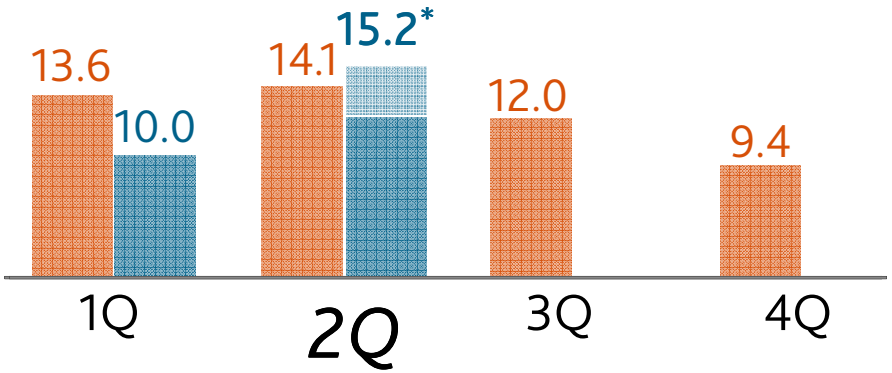
CASINGS

Revenue growth driven by the cumulative H1 y-o-y casings volume growth of 5,4%…

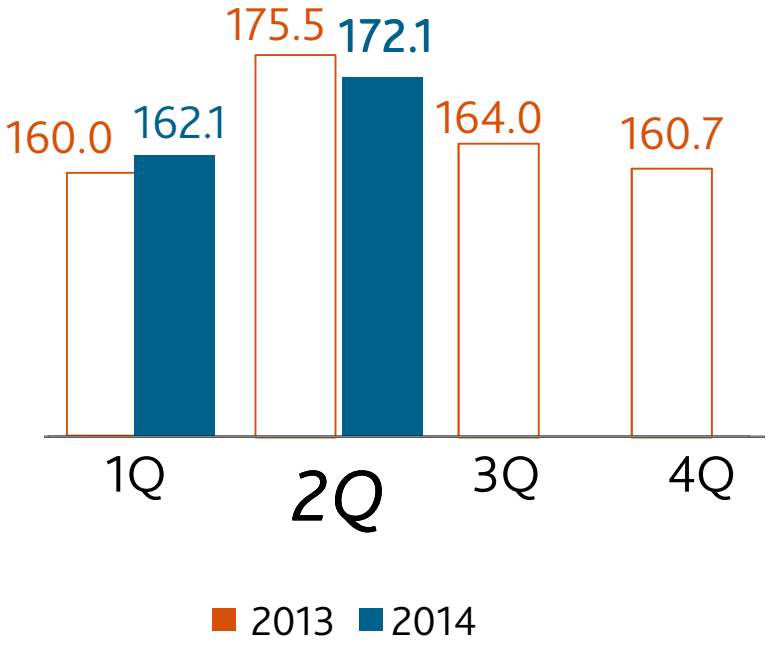
Sales of casings (MM €)



Cogeneration revenue (MM €)



Total revenue Casing division (MM €)

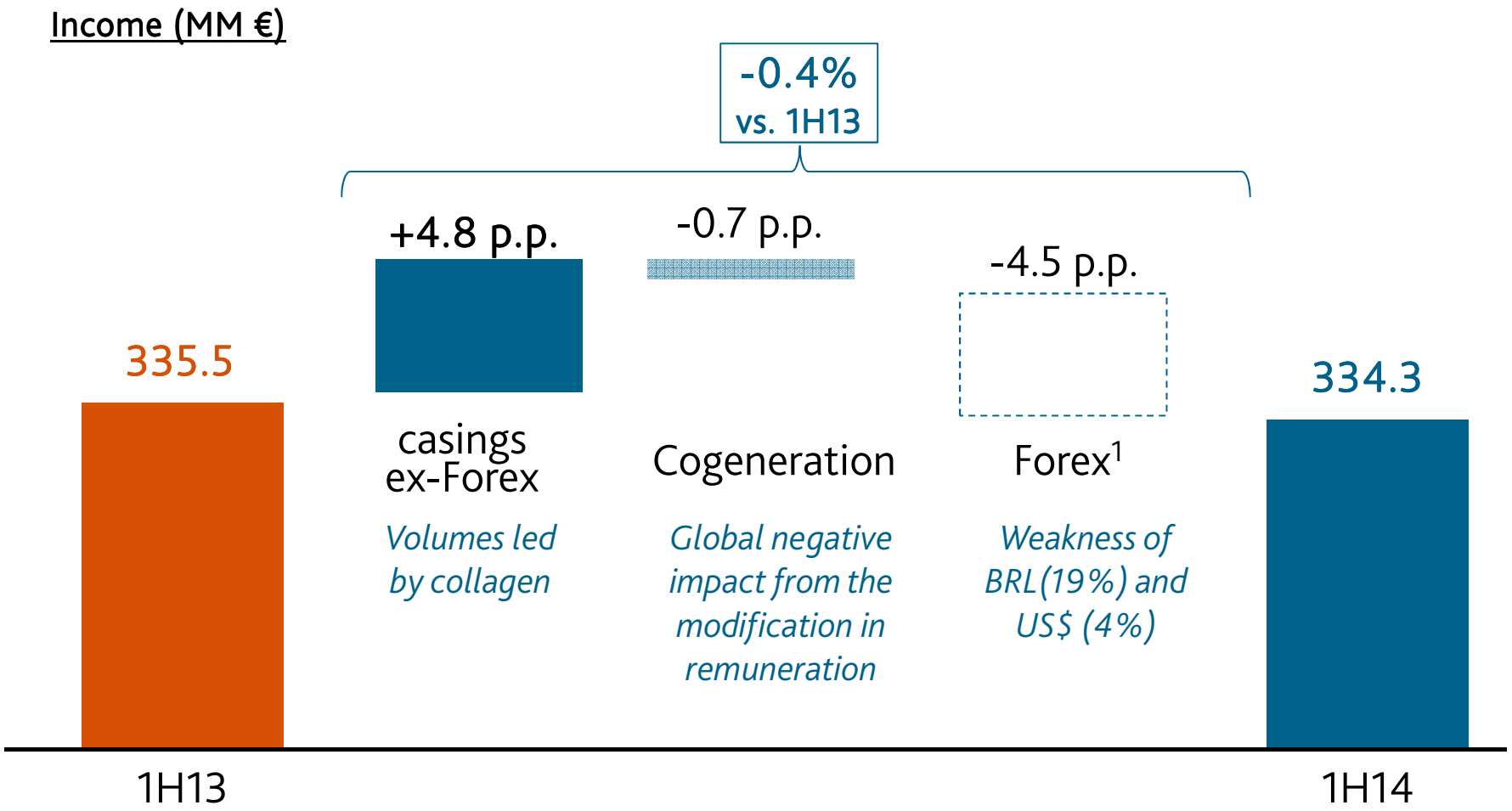


[1] It excludes the impact of the exchange rates variation applied in the consolidation and the variation of the U.S$ in business transactions.

* The figures include the additional non-recurring impact of €2.9MM Income registered in 2014 due to the modification of payment parameters for cogeneration published in the Ministerial Order in July, 2014 versus provisioned in 2013 under the publication of the Order dispatched by the Secretary of State to the CNMC .

CASINGS

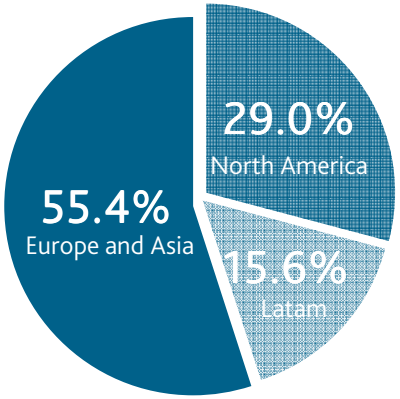
… that are eroded by the significant weakness of US$ and BRL versus €, and by the global negative impact of the cogeneration reform in Spain.

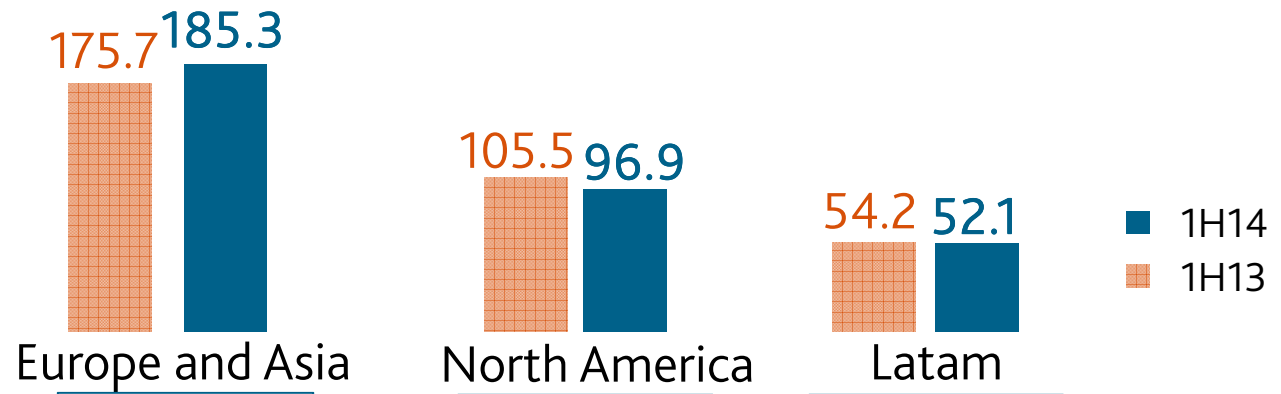


1 For comparative purposes, ex-forex growth includes the impact of the different exchange rates applied in the consolidation of the financial states and the impact of the USD variation in business transactions.

Revenue driven by strong volumes in emerging countries, specially the new Viscofan productive areas: Asia and Latam.

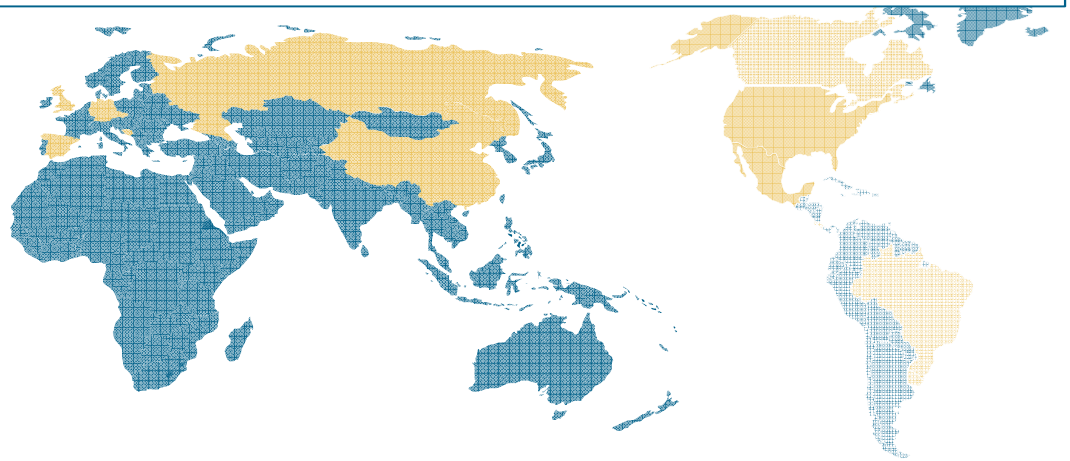
Revenue breakdown by geographical areas[1] (MM €)





	Europe and Asia	North America	Latam
	+5.4%	-8.2%	-3.9%
Growth Ex-Forex	*+6.9%*	*-3.2%*	*+9.2%*

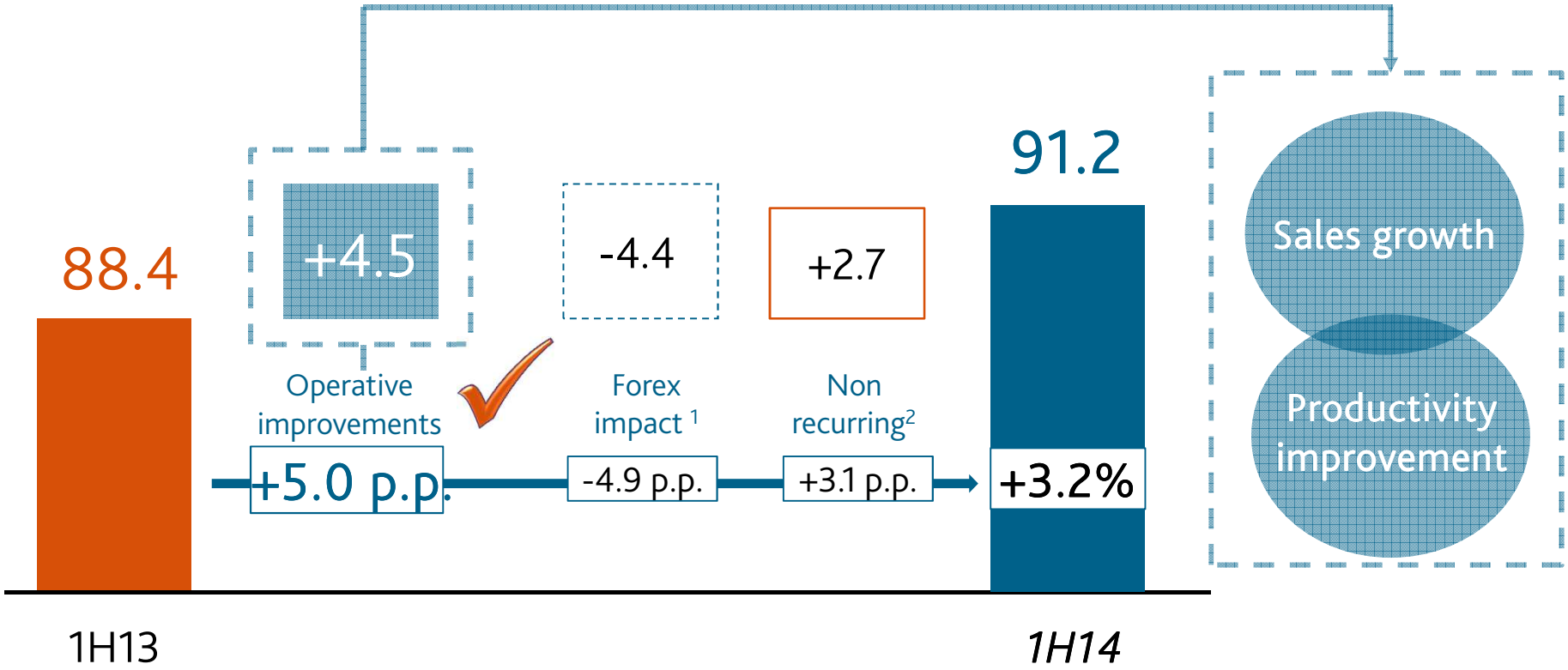
Depreciation/€ (main business currencies)	
US$	-4.4%
BRL	-18.8%
CAD	-12.7%
GBP	+3.5%
CNY	-2.7 %



[1] Revenue by origin of sales.

Organic growth has been offset by the weakness of the currencies, while a less unfavourable remuneration to cogeneration versus the expected allows the growth of the reported EBITDA…

Cumulative EBITDA (MM €)

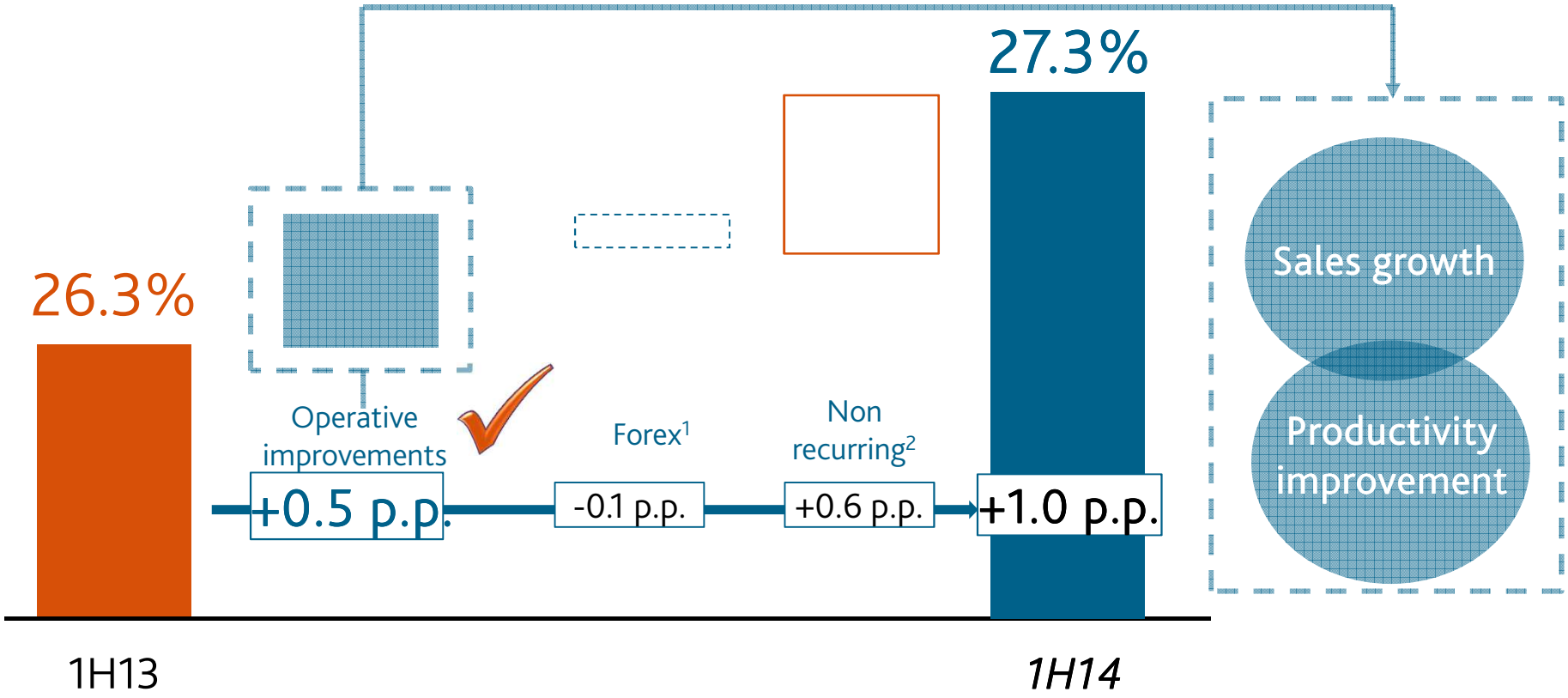


[1] It includes the impact of the exchange rates variation applied in the consolidation and the variation of the $U.S in business transactions.

[2] The figures include the additional non-recurring impact of €2.7MM EBITDA registered in 2014 due to the modification of payment parameters for cogeneration published in the Ministerial Order in July, 2014 versus accounted in 2013 under the publication of the Order dispatched by the Secretary of State to the CNMC .

…where the casing business has been able to combine growth with organic margins improvement , in an adverse backdrop of pressure in energy costs and learning curve in the new production centres.

Cumulative EBITDA margin



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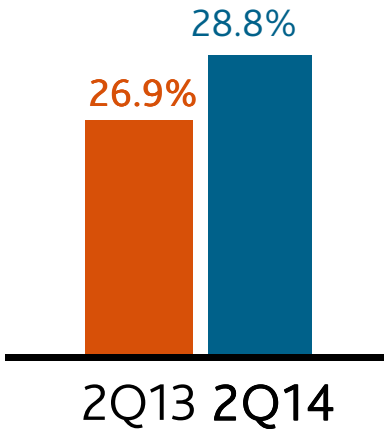
… the Be MORE measures favour the expansion of margins in a environment (start up in Uruguay, energy cost and lower effective price in cogeneration) that erode the evolution of margins.

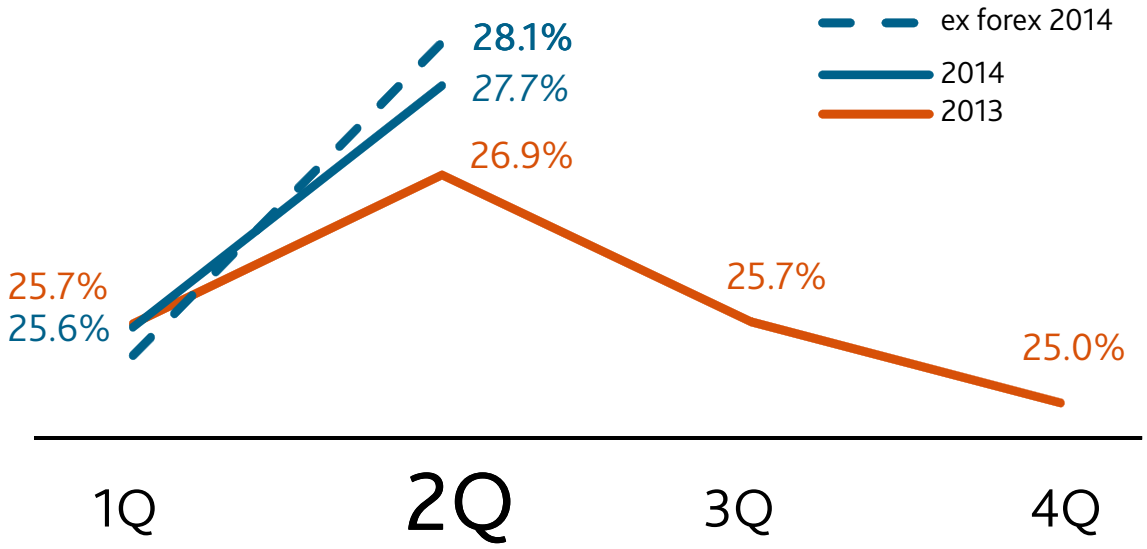
EBITDA margin (%)





- **Improvement in gross margin**
  - Productive efficiencies
  - Provisioning policies
- **Balanced human resources structure**
  - Productive efficiencies
  - Labour force closer to the market
- **Other operating expenses control**
  - Energy efficiencies
  - Austerity

Recurring quarterly EBITDA margin[1] (%)



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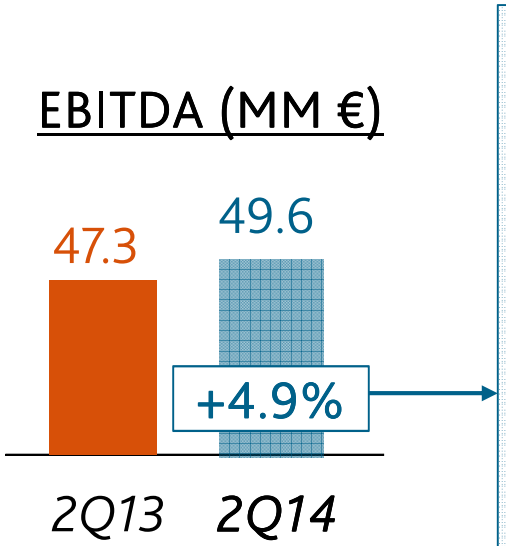
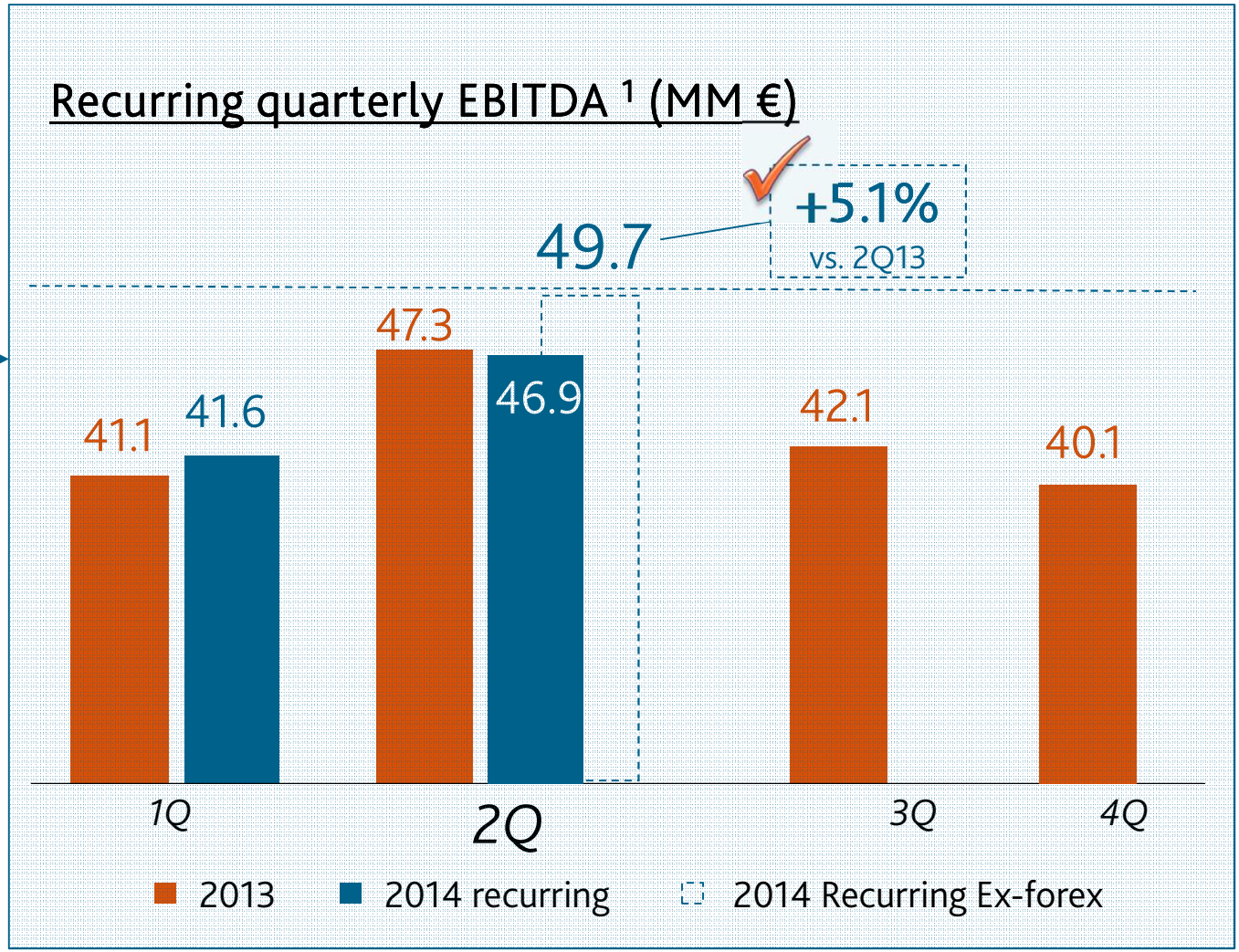
...allow that quarterly EBITDA to have a positive behaviour.





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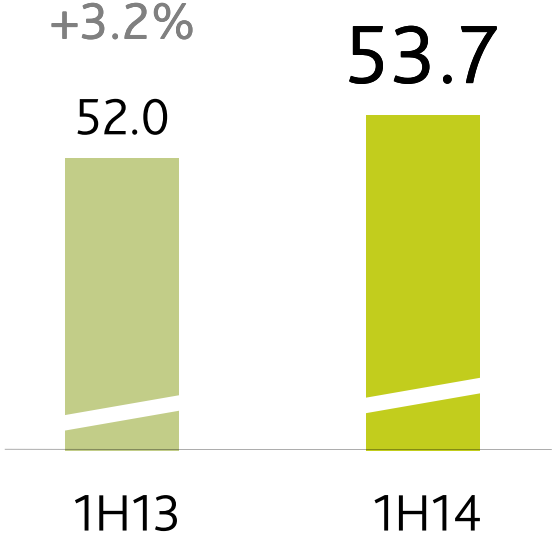
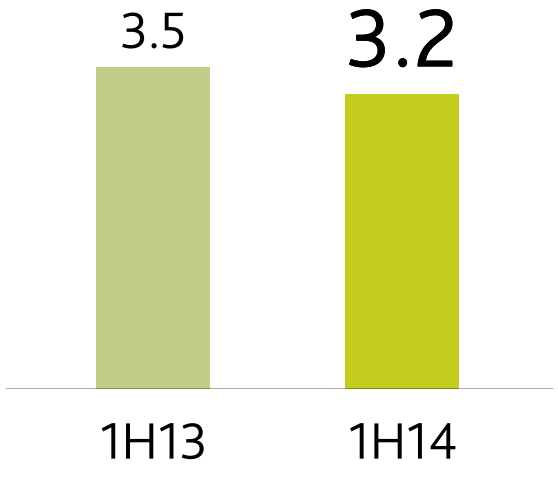
Positive evolution thank to the strength of the brand Carretilla and the diversification strategy.

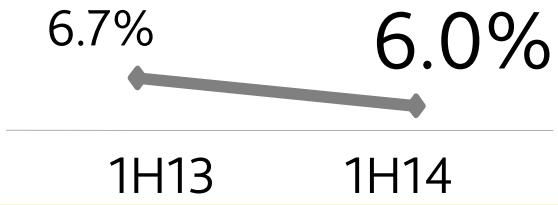
Revenue (MM €):
+3.2%



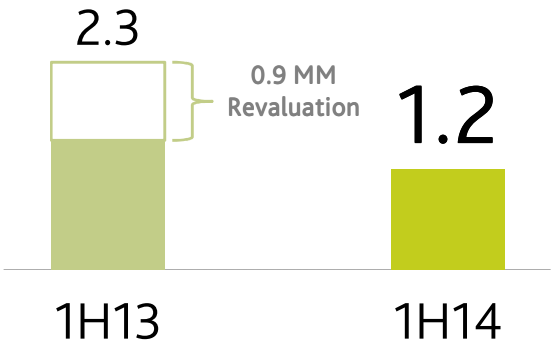
EBITDA (MM €):
-7.7%



EBITDA Margin



Net income (MM €):
-48.7%



To sum up

- Viscofan continues catching the **market growth,** with increases in volumes both the first quarter and the second, led by the growth in the emerging areas and the collagen sector.
- The **weakness of currencies against the € erode to a large degree the organic growth** reached both in revenue and EBITDA.
- Viscofan is executing a strategy that **allow sales growth and improvement in recurring operative margins,** thank to the commercial discipline, the productive efficiencies and the cost control.
- There are significant improvements in the ain manufacturing centres, while the learning curve continues in the **new extrusion plant of collagen in Uruguay,** that started producing for the Latam market in 1Q14.
- A **solid balance** that allows to finance the organic expansion, the major needs of working capital associated with an increase in sales, minimising liability risks and carry out the payment of dividends, **without compromising the necessary flexibility to face the volatility of the environment and the challenges of the future.**