Viscofan
The casing company

Results
January-September 2014



October 28th, 2014

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Highlights 3Q14

Q3 **Net income was up** to €27.2MM, on the back of strong operating results and better forex.

+15.3%

+0.7 p.p.

Q3 **EBITDA margin grew** to 23.8% year to date, recurring[1] EBITDA margin in 9M14 rose to 23.8% (+0.3 p.p. up vs. 9M13).

Q3 **EBITDA increased** to €47.6MM, driving EBITDA in 9M14 to grow by 4.3% to €142.0MM (+2.3% in recurring[1] terms).

+7.5%

+4.6%

Consolidated **revenue rose** to €200.1MM in 3Q14 thanks to volume growth. Cumulative revenue grew by +1.6% to 588.0MM, driven by positive performance in Casings and IAN Group.

[1] The figures exclude non-recurring additional impact registered in 2014 in Revenue by €2.9MM and €2.7MM in EBITDA 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.

Solid organic performance: strong volumes and margin expansion…

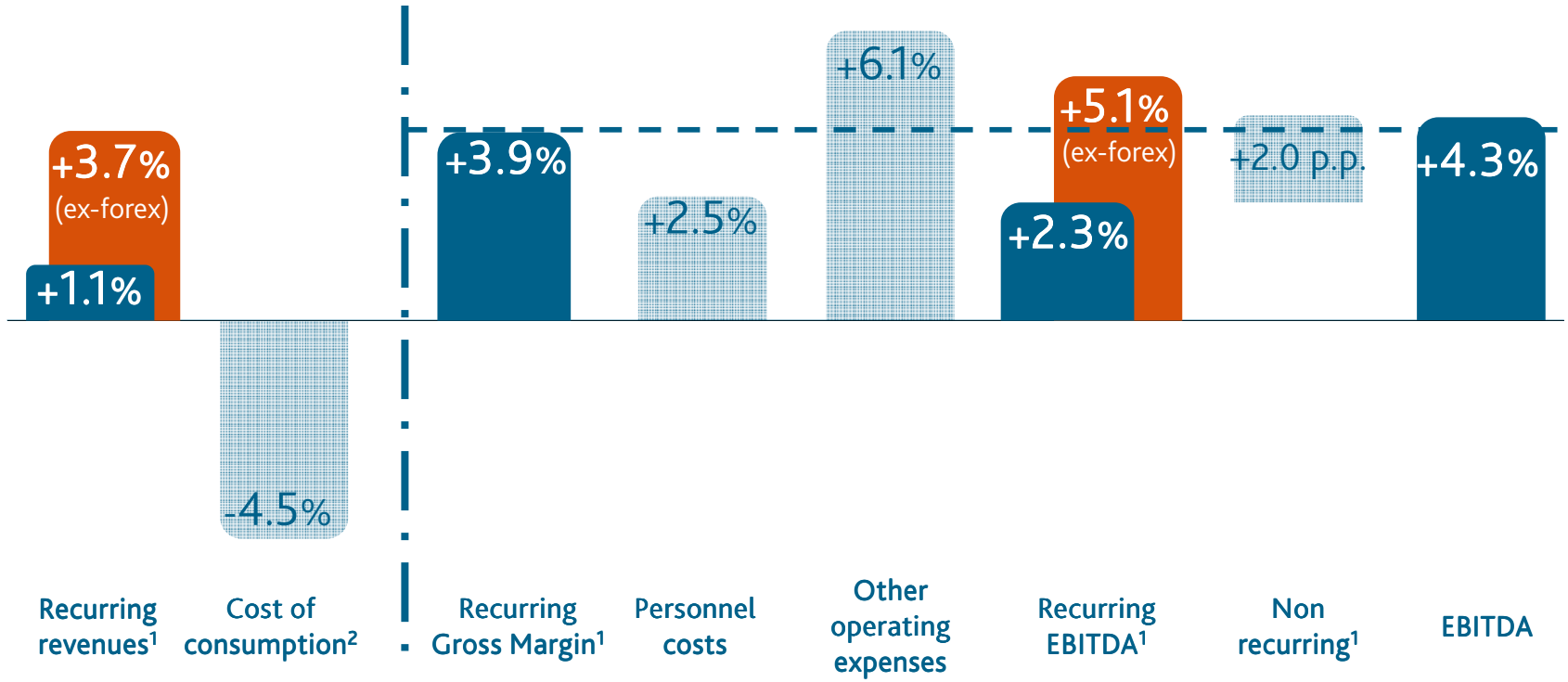
Selected financial data (MM €)

	3Q14	% y-o-y	% y-o-y LFL [1]	9M14	% y-o-y	% y-o-y LFL [1]
Revenues	200.1	+4.6%	+4.6% ✓	588.0	+1.6%	+3.7% ✓
EBITDA	47.6	+7.5%	+6.6% ✓	142.0	+4.3%	+5.1% ✓
EBITDA margin	*23.8%*	*+0.7 p.p.*	*+0.4 p.p.* ✓	*24.1%*	*+0.6 p.p.*	*+0.3 p.p.* ✓
EBIT	34.3	+7.1%		103.0	+3.1%	
PBT	35.1	+18.1%		101.8	+5.0%	
Net income	27.2	+15.3%		78.2	+1.0%	

[1] The figures exclude non-recurrent additional impact registered in 2014 in Revenue by €2.9MM and €2.7MM in EBITDA 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.
At the same time, for comparative purposes, ex-forex growth excludes the impact of the different exchange rates applied in the consolidation of the financial statements and the impact of the USD variation in business transactions.

Revenue growth, operational improvements and cost control led to higher gross margin and EBITDA.

% Year on year change



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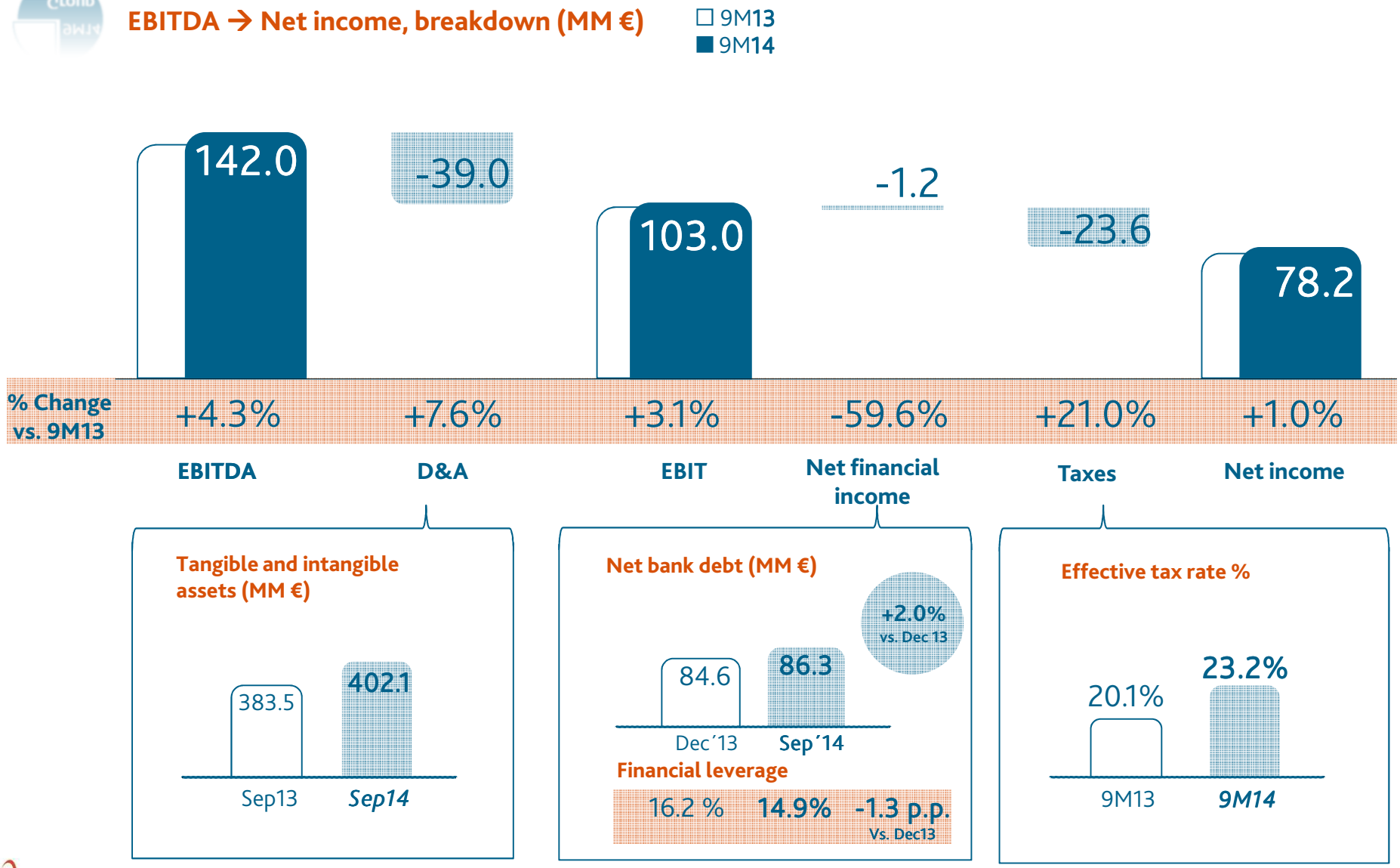
[2] Net purchases+/- changes in Inventory

Net income growth boosted by operational strength despite of higher D&A and the tax burden.

EBITDA → Net income, breakdown (MM €)



Casings division

Selected financial data (MM €)

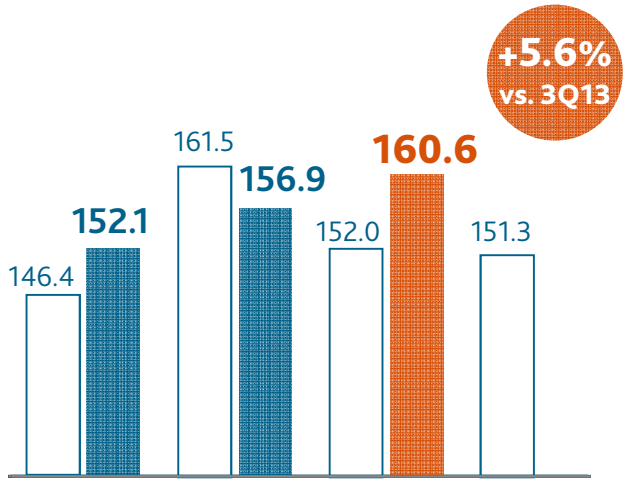
	9M14	% y-o-y	% y-o-y Like-for-Like
Revenues	506.3	+1.4%	+3.8% ✓
EBITDA	136.2	+4.4%	+5.4% ✓
EBITDA margin	*26.9%*	*+0.8 p.p.*	*+0.4 p.p.* ✓



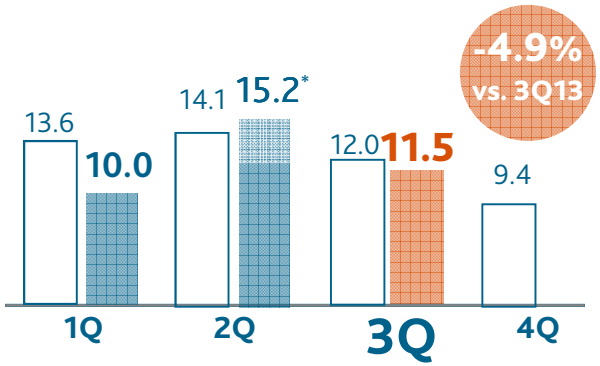
Revenue growth driven by volume growth in all families: cellulose, collagen, fibrous and plastics …

Sales of casings (MM €)

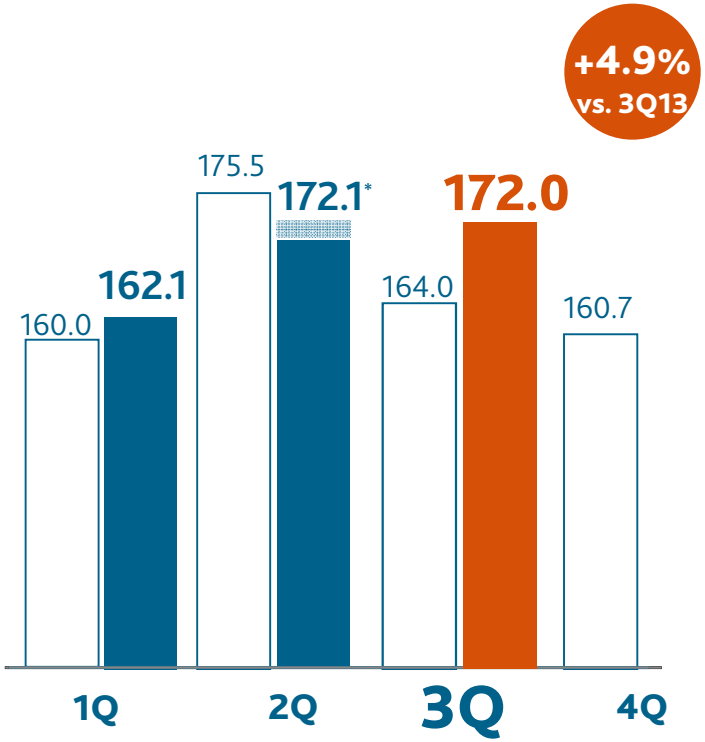
□ 2013 ■ 2014



Cogeneration revenue (MM €)



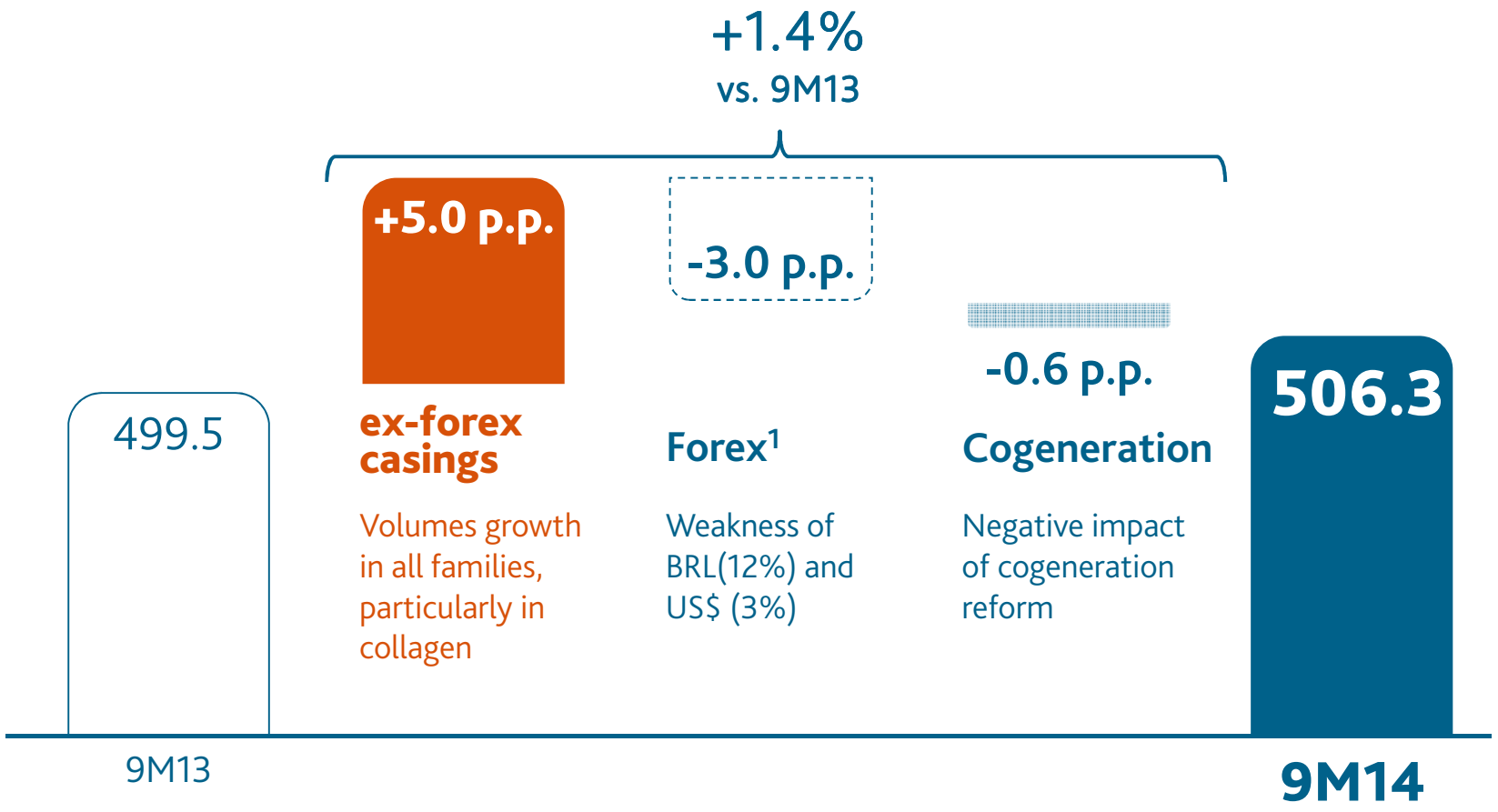
Total revenue Casing division (MM €)



* 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 .

… offsetting negative impact of main headwinds: cogeneration reform and forex weakness.

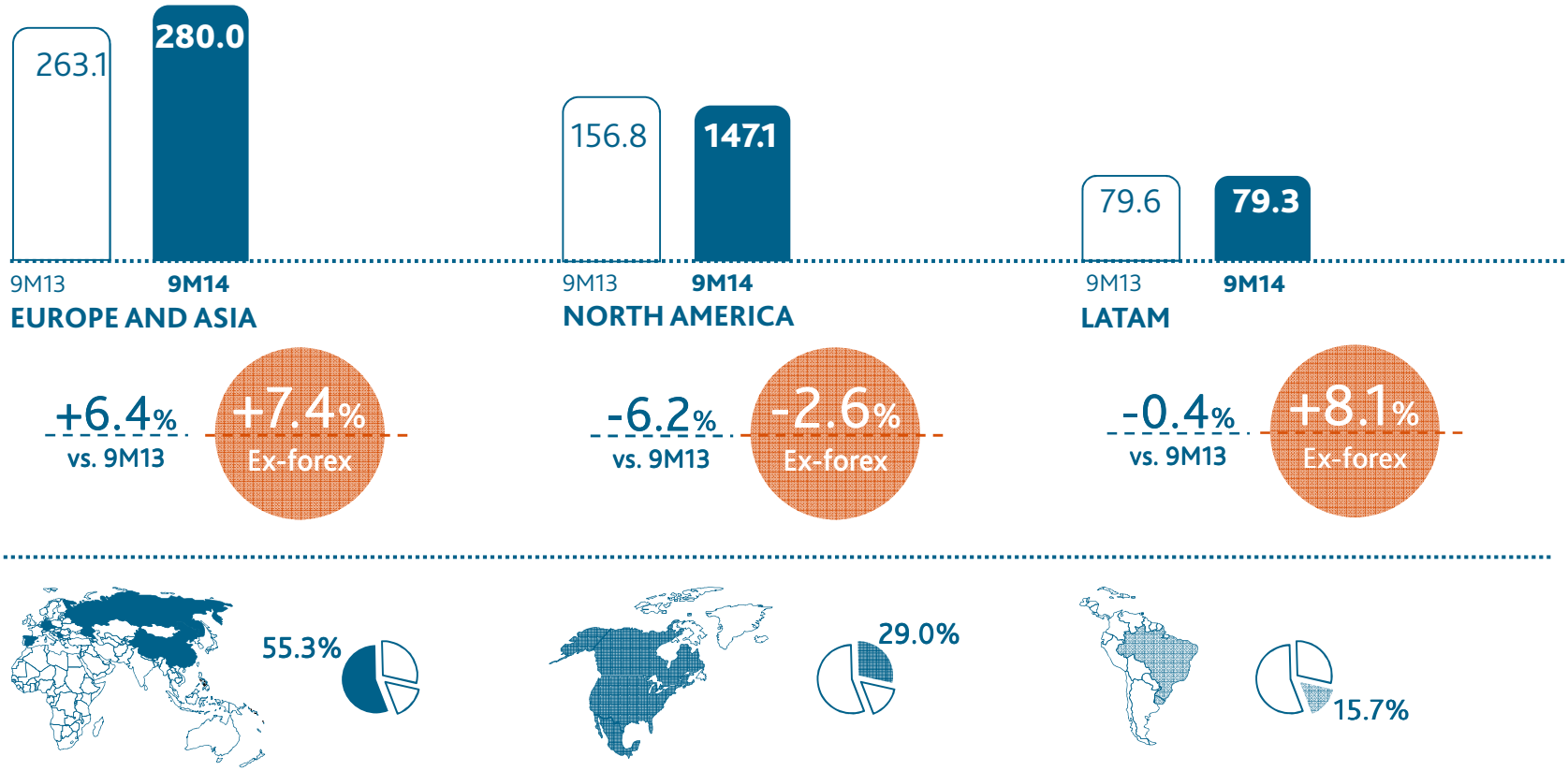
Casings division Revenues (MM €)



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

Revenue driven by strong volumes in emerging markets, especially in Asia and Latam…

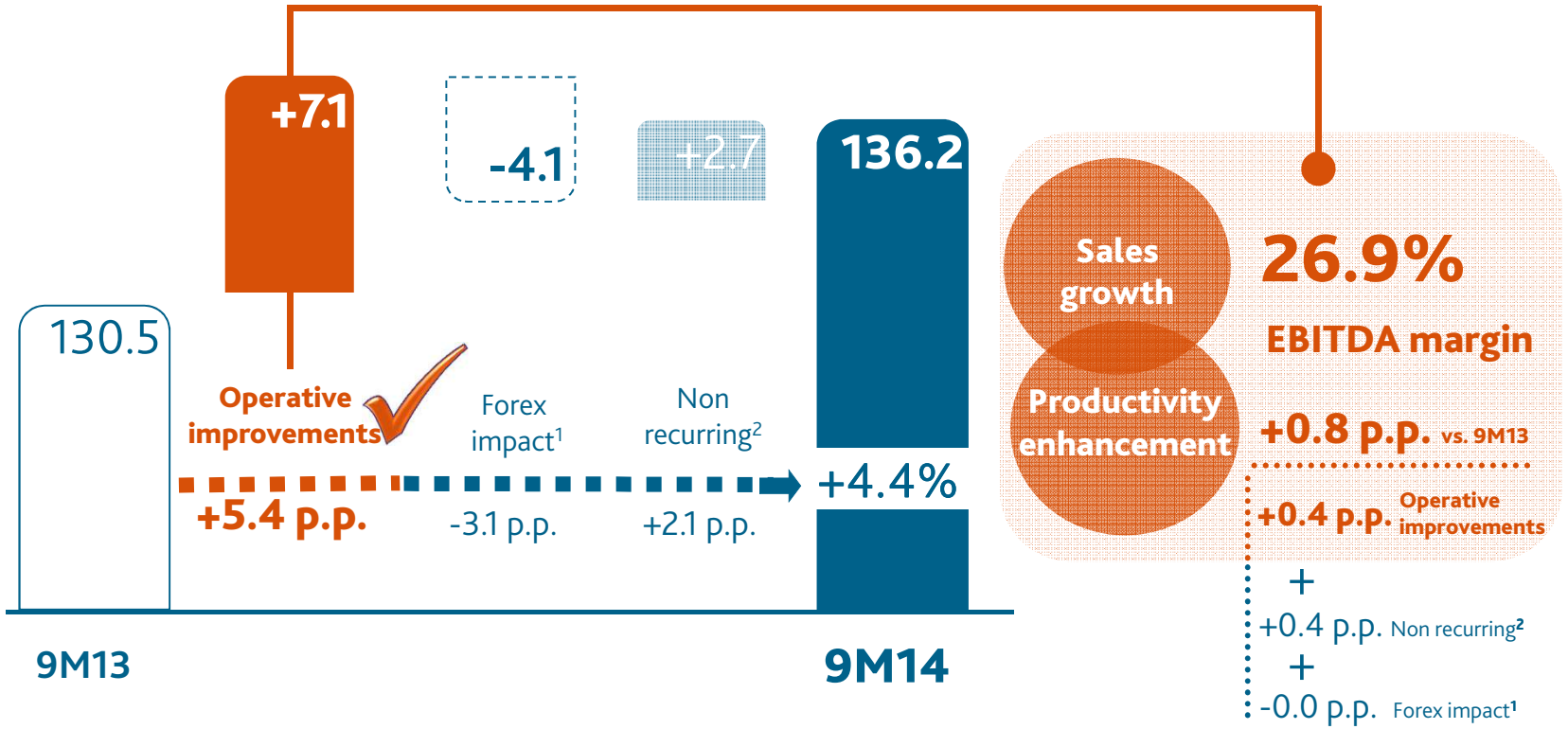
Revenue breakdown by geographical areas[1] (MM €)



[1] Revenues per origin of sales.

… which leveraged on revenue foster EBITDA growth (both, reported and recurring[2]).

Cumulative EBITDA (MM €)

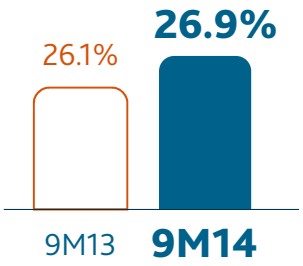


[1] It includes the impact of the exchange rate variation applied in the consolidation and the variation of the $U.S in business transactions.

[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 .

… Optimization measures from Be MORE help margin expansion despite adverse environment: start up in Uruguay, energy cost and lower effective price in cogeneration…

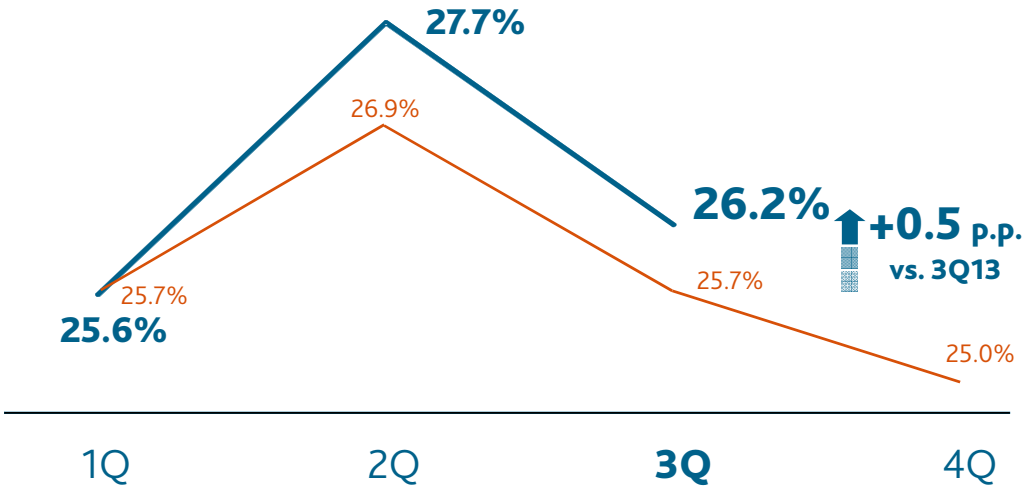
EBITDA margin (%)





- ✓ **Improvement in gross margin**
  - Productive efficiencies
  - Procurement policy
- ✓ **Balanced human resources structure**
  - Productive efficiencies
  - Workforce closer to the market
- ✓ **Resources optimization**
  - Cogeneration turbine in Germany
  - Good developement of new facilities: China and Uruguay.

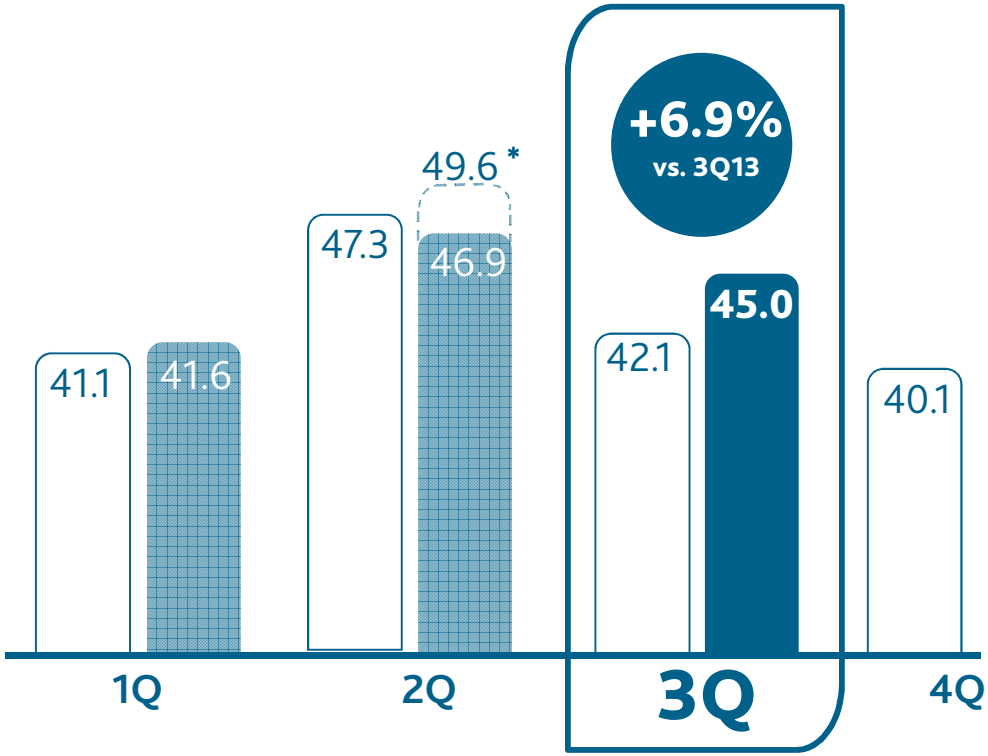
Recurring EBITDA margin[1] (%)



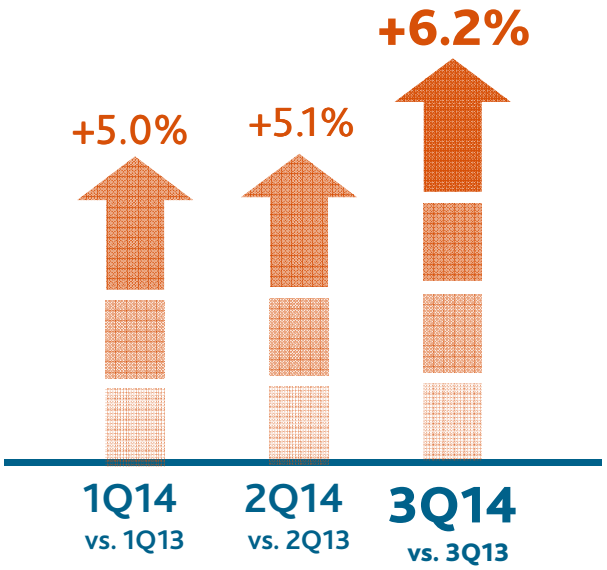
[1] The figures exclude the additional non-recurring impact of €2.9MM revenue and €2.7MM EBITDA registered in 2014 due to the modification of payment parameters for cogeneration published in the Ministerial Order in July, 2014 versus provisioned in 2013 under the publication of the Order dispatched by the Secretary of State to the CNMC.

...leading to like-for-like EBITDA growth for yet another quarter

EBITDA (MM €)



Recurring * EBITDA ex forex ** growth (%)



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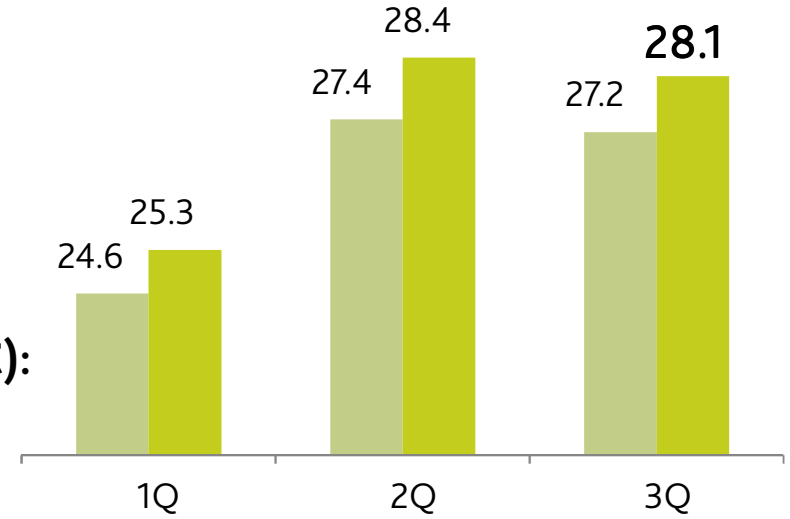
Revenues and EBITDA recovery in the quarter.

2013
2014

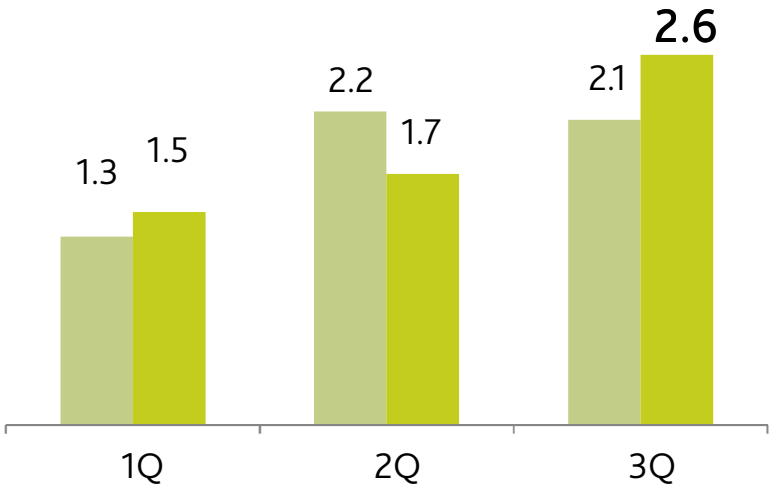
Revenues (MM €):



+3.1% vs. 3Q13
Strong push from ready meals

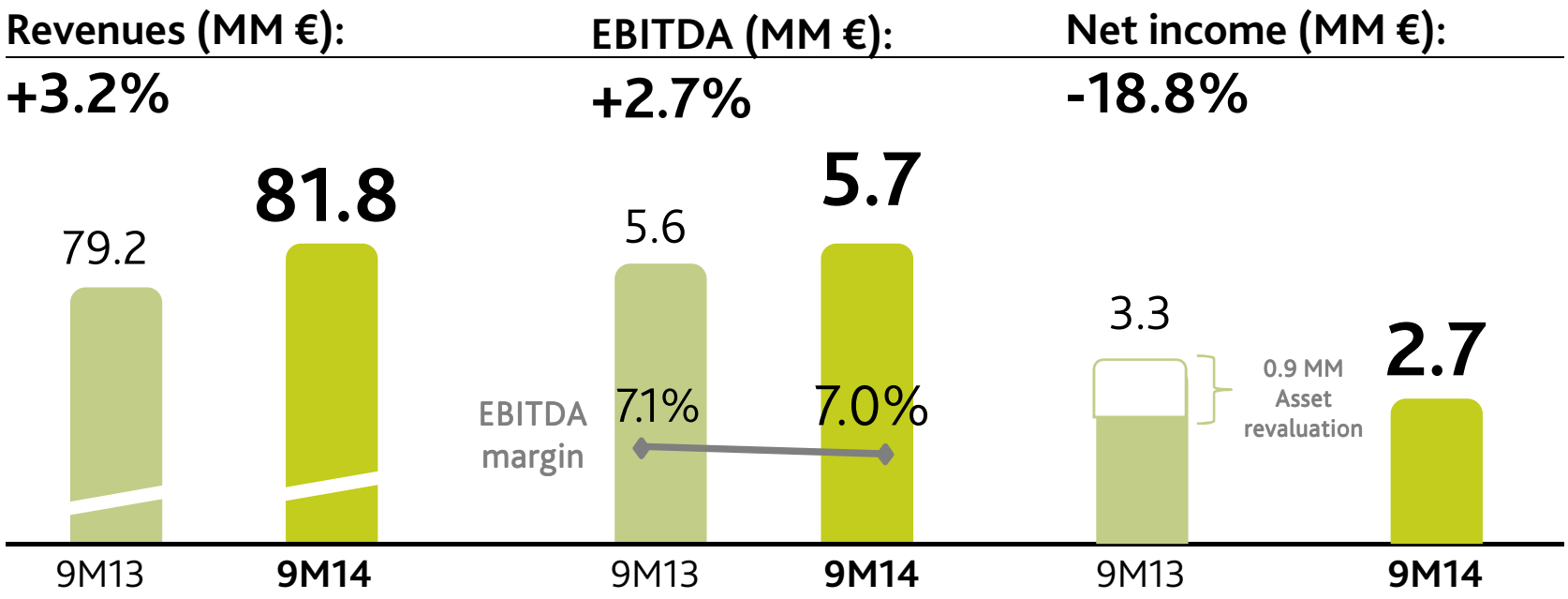


EBITDA (MM €):



+19.5% vs. 3Q13
Margin recovery compared to the fall in the previous quarter

Revenues and EBITDA growth thanks to the strength of the brand Carretilla and the diversification strategy.













To sum up

- ✓ **Viscofan** keeps capturing the **market growth** led by dynamism in the emerging areas and the collagen sector.

- ✓ Viscofan is executing a strategy (Be MORE) that **combines sales growth and improvement in recurring operative margins**, thanks to commercial discipline, production efficiencies and cost control.

- ✓ There are significant improvements in the main manufacturing centers, including the **new extrusion plant of collagen in Uruguay**, that started producing for the Latam market in 1Q14.

- ✓ A **solid balance** to finance the organic expansion, higher needs of working capital associated with an increase in sales, and also minimize liability risks and carry out the payment of dividends, **without compromising the flexibility to face the volatility of the environment and the challenges of the future.**