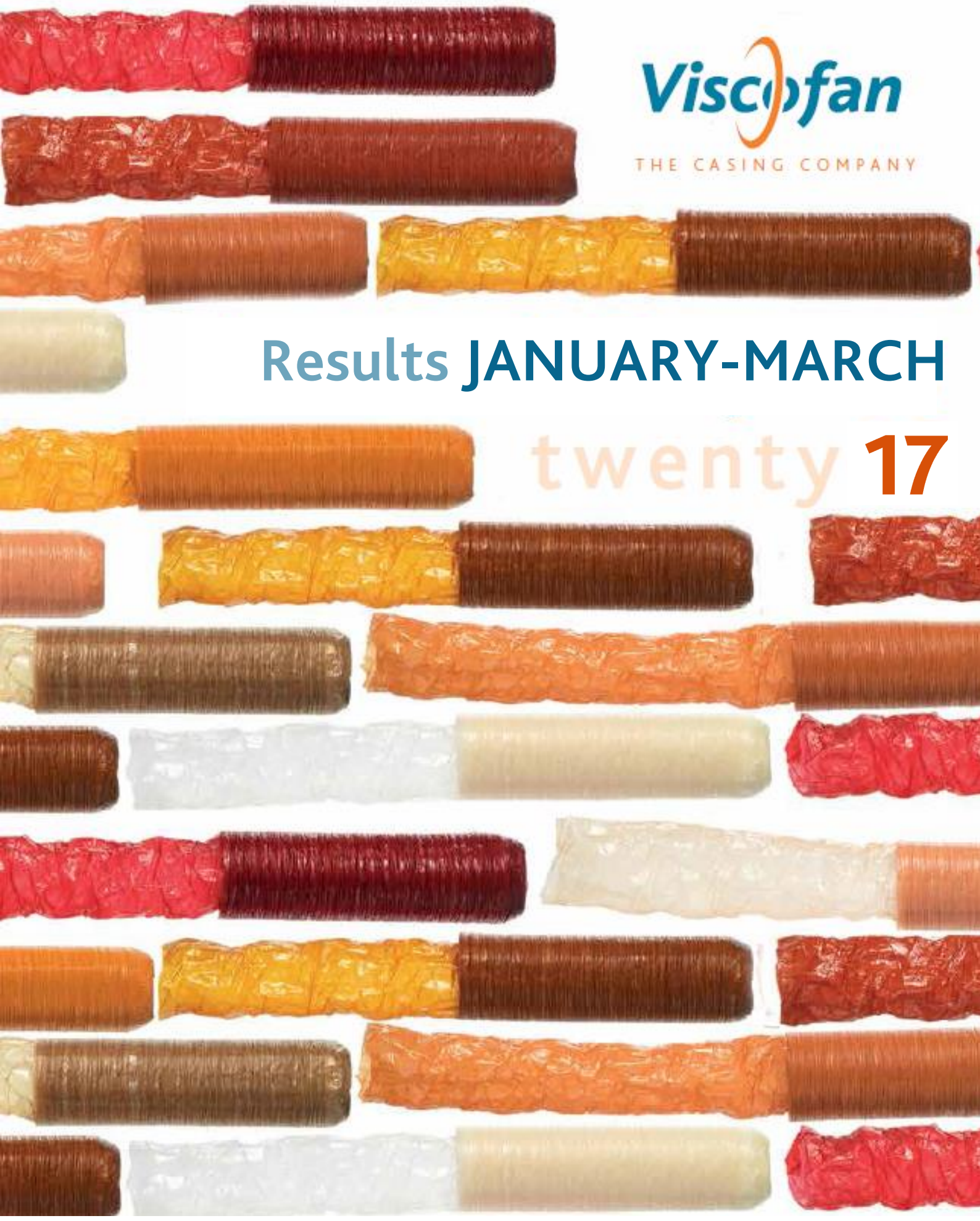

Viscofan

THE CASING COMPANY

Results JANUARY-MARCH twenty 17

2017, 27th April

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

Management report

Main highlights of the January-March 2017 results

- €194.6 million in revenue, up 11.6% from last year.
- €54.6 million in EBITDA[1], an 11.1% increase compared with last year, resulting in an EBITDA margin of 28.1%.
- €31.6 million in Net Profit, 15.8% higher than the previous year.
- Net Bank Debt[2] as of March 2017 stands at €5.2 million compared with the €8.8 million reported for December 2016.
- According to José Domingo de Ampuero y Osma, chairman of the Viscofan Group, "the results obtained during the first quarter prove our capacity to keep on growing and to reach new record levels in revenue while taking advantage of the opportunities for growth that arise in the market".

[1] EBITDA = Operating profit (EBIT) + depreciation of property, plant and equipment.
[2] Net bank debt = Non-current bank borrowings + Current bank borrowings – Cash and equivalents.

January-March 2017 Results. Consolidated Group

Viscofan Group 1Q17 income statement ('000 €)

	Jan-Mar' 17	Jan-Mar' 16	*Change*	*Like-for-like (1)*
Revenue	194,604	174,428	11.6%	4.3%
EBITDA	54,590	49,125	11.1%	5.8%
EBITDA Margin	*28.1%*	*28.2%*	-0.1 p.p.	0.4 p.p.
EBIT	40,516	36,997	9.5%	
Net profit	31,596	27,286	15.8%	

(1) Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Vector) and non-recurring results.

Revenue

The consolidated revenue in 1Q17 is €194.6 million, up 11.6% from the same period last year. This growth was driven by the volumes in Latin America, North America, Europe and Asia, strength of commercial currencies against the €, and the contribution of €7.6 million from the sales of Vector companies acquired in 2016.

In like-for-like terms[3], quarterly revenue grew 4.3% compared with 1Q16 because of the larger volumes in all casings technologies.

By type of the revenue, casing sales contributed with €184.2 million (+12.2% vs. 1Q16) and revenue from co-generation sales brought €10.4 million (+0.9% vs. 1Q16).

The geographical breakdown of accumulated revenue[4] as of March 2017 is:

- In Europe and Asia, the reported revenue totalled €102.1 million, up 3.6% compared with 1Q16 and 1.7% in like-for-like terms.
- In North America, revenue grew to €61.7 million, up 15.4% compared with 1Q16 and 3.3% in like-for-like terms.
- In Latin America, consolidated revenue advanced 37.5% in 1Q17 vs. 1Q16 to reach €30.9 million. This behaviour is supported by the solid like-for-like performance of revenue (+18.2% vs. 1Q16) following the recovery of the casings market in Brazil and the positioning of Viscofan in the region, and a favourable currency environment (+22.3% BRL/€).

Operating expenses

During the initial months of the year, the cost of raw materials was contained driving costs of consumption[5] for the first quarter 2017 to €47.2 million, 7.5% higher than the same period of the last year. Thus, the gross margin[6] attained in the first quarter 2017 was 75.8%, an increase of 0.9 p.p. compared with 1Q16.

The average accumulated headcount as of March 2017 rose to 4,492 persons, up 4.6% year-on-year. This increase reflects the shored up workforce to carry out "MORE TO BE" projects, including the production of plastics in Mexico, the new plant with fibrous technology in Spain, the capacity increase in Serbia, and the incorporation of personnel from Vector's companies.

[3] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Vector) and non-recurring results.
[4] Revenue by origin of sales
[5] Cost of consumption = Supplies +/- Variation in finished and unfinished products
[6] Gross margin = (Revenue – cost of consumption) / Revenue.

In a context of higher workforce and strong currencies against the €, personnel expenses grew 14.5% in 1Q17 compared with 1Q16 to €47.1 million.

"Other operating expenses" in 1Q17 grew 18.4% compared with 1Q16 to €48.8 million, including a 12.4% increase in energy supply expenses.

EBITDA and Net Profit

Higher revenue, cost control and production efficiencies accomplished this quarter have resulted in a growth in EBITDA of 11.1% vs. 1Q16 to €54.6 million, including the contribution of €1.0 million from Vector companies acquired in 2016. Thus, EBITDA margin in 1Q17 was 28.1%, compared with the 28.2% reached in 1Q16.

In like-for-like terms, EBITDA grew 5.8% compared to 1Q16, with an EBITDA margin of 28.6%, +0.4 p.p. vs. 1Q16.

Cumulative amortization and depreciation costs as of March 2017 amounted to €14.1 million (+16.0% vs. 1Q16), bringing the quarterly EBIT to €40.5 million, 9.5% higher than the EBIT figure reported in 1Q16.

The negative Net Financial Result in 1Q17 stood at €0.5 million compared with the €0.9 million loss recorded in 1Q16.

Cumulative profit before tax as of March 2017 rose to €40.0 million with corporate income tax totalling €8.4 million, an effective tax rate of 21.0% (24.3% for the same period in the previous year).

The Net Profit in the first quarter 2017 thus climbed 15.8% to reach €31.6 million.

Investment

In 1Q17 the Group has continued implementing the investment plans established within the MORE TO BE 2016-2020 Strategic Plan, noteworthy is the construction of the new facility with fibrous technology, whose works progress on schedule to be commissioned and start production in the second half of the year.

The investment total for this first quarter is €13.5 million (€10.9 million in 1Q16) and is expected to reach €85 million overall for 2017.

Financial liabilities

The growth of the Viscofan Group continues being financed by operating cash flow while it maintains a solid balance sheet. Thus, at the close of March 2017, the net bank debt stood at €5.2 million compared with the €8.8 million at the end of December 2016.

Viscofan Group Profit and loss account. 1Q17 ('000 €)

	Jan-Mar' 17	Jan-Mar' 16	Change	Like-for-like
Revenues	**194,604**	**174,428**	**11.6%**	**4.3%**
Other operating income	2,637	643	310.1%	
Self-constructed assets	68	64	6.3%	
Variation in stocks of finished products andwork-in-progress	10,656	-10,455	c.s	
Net purchases	-57,813	-33,404	73.1%	
Personnel expenses	-47,061	-41,119	14.5%	
Other operating expenses	-48,819	-41,240	18.4%	
Capital grants	161	169	-4.7%	
Impairment and results coming from disposals of non-current assets	157	39	302.6%	
Other results	0	0	n.s.	
EBITDA	**54,590**	**49,125**	**11.1%**	**5.8%**
EBITDA margin	*28.1%*	*28.2%*	*-0.1 p.p.*	*0.4 p.p.*
Amortization and depreciation	-14,074	-12,128	16.0%	
EBIT	**40,516**	**36,997**	**9.5%**	
EBIT margin	*20.8%*	*21.2%*	*-0.4 p.p.*	
Financial incomes	39	119	-67.2%	
Financial expenditures	-507	-406	24.9%	
Changes in reasonable value of financial instruments	0	0	n.s.	
Exchange differences	-46	-647	-92.9%	
Impairment and results coming from disposals of financials assets	0	0	n.s.	
Financial results	**-514**	**-934**	**-45.0%**	
Profit from associated companies	0	0	n.s.	
Profit before taxes	**40,002**	**36,063**	**10.9%**	
Taxes	-8,406	-8,777	-4.2%	
Profit after taxes from continued operations	**31,596**	**27,286**	**15.8%**	
Profit after taxes from interrupted operations	0	0	n.s.	
Net profit	**31,596**	**27,286**	**15.8%**	
a) Net profit attributable to the parent comany	31,617	27,302	15.8%	
b) Net profit attributable to minority interests	-21	-16	31.3%	

Consolidated balance sheets ('000 €)

	Mar '17	Dec '16	*Change*
Intangible assets	15,777	16,425	-3.9%
Goodwill	3,520	3,520	0.0%
Others intangible asset	12,257	12,905	-5.0%
Tangible assets	435,205	431,910	0.8%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	11,986	12,793	-6.3%
Deferred tax assets	16,181	16,329	-0.9%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**479,149**	**477,457**	**0.4%**
Non-current assets held for sale	0	0	n.s.
Inventories	244,765	229,578	6.6%
Trade and other receivables	188,046	174,871	7.5%
Trade debtors	153,256	141,659	8.2%
Other debtors	30,454	29,763	2.3%
Current tax assets	4,336	3,449	25.7%
Other financial current assets	1,703	1,460	16.6%
Other current assets	6,042	2,574	134.7%
Cash and cash equivalents	47,015	45,054	4.4%
CURRENT ASSETS	**487,571**	**453,537**	**7.5%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**966,720**	**930,994**	**3.8%**
Share capital	32,623	32,623	0.0%
Share issue premium	12	12	0.0%
Reserves	717,257	592,173	21.1%
Treasury shares	0	0	n.s.
Profit for previous years	0	0	n.s.
Received from associates	0	0	n.s.
Result of the period	31,617	125,084	-74.7%
Less: Interim dividend	-26,564	-26,564	0.0%
Other equity instruments	0	0	n.s.
SHAREHOLDER´S FUNDS	**754,945**	**723,328**	**4.4%**
Financial assets held for sale	0	0	n.s.
Hedge transaction reserves	2,106	2,240	-6.0%
Currency translation differences	-11,550	-17,704	-34.8%
Others	0	0	n.s.
ADJUSTMENTS DUE TO CHANGE IN VALUE	**-9,444**	**-15,464**	-38.9%
SHAREHOLDERS' EQUITY	**745,501**	**707,864**	**5.3%**
Minority interest	196	217	-9.7%
EQUITY	**745,697**	**708,081**	**5.3%**
Grants	2,852	3,001	-5.0%
Non-current provision	23,376	23,317	0.3%
Non-current financial liabilities	54,868	54,867	0.0%
Financial debt	41,977	42,147	-0.4%
Other financial liabilities	12,891	12,720	1.3%
Deferred tax liabilities	21,842	22,811	-4.2%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**102,938**	**103,996**	**-1.0%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	8,116	6,678	21.5%
Current financial liabilities	23,113	30,119	-23.3%
Financial debt	10,276	11,698	-12.2%
Other financial liabilities	12,837	18,421	-30.3%
Trade creditor and other payable accounts	84,491	81,753	3.3%
Trade creditors	54,828	53,160	3.1%
Other creditors	19,349	22,069	-12.3%
Current tax liabilities	10,314	6,524	58.1%
Other current liabilities	2,365	367	544.4%
CURRENT LIABILITIES	**118,085**	**118,917**	**-0.7%**
NET BANK DEBT / (NET BANK CASH)	**5,238**	**8,791**	**-40.4%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	1Q17	1Q16	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.065	1.102	-3.4%
Canadian Dollar	1.409	1.516	-7.0%
Mexican Peso	21.631	19.897	8.7%
Brazilian real	3.346	4.304	-22.3%
Czech crown	27.021	27.040	-0.1%
British Pound	0.860	0.770	11.6%
Serbian Dinar	123.869	122.842	0.8%
Chinesse yuan remminbi	7.337	7.116	3.1%
Uruguayan Peso	30.344	34.775	-12.7%

End period (Currency/€)

	Mar 17	Dec 16	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.069	1.054	1.4%
Canadian Dollar	1.427	1.419	0.5%
Mexican Peso	20.018	21.772	-8.1%
Brazilian real	3.387	3.435	-1.4%
Czech crown	27.030	27.021	0.0%
British Pound	0.856	0.856	-0.1%
Serbian Dinar	123.968	123.472	0.4%
Chinesse yuan remminbi	7.372	7.307	0.9%
Uruguayan Peso	30.516	30.927	-1.3%

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