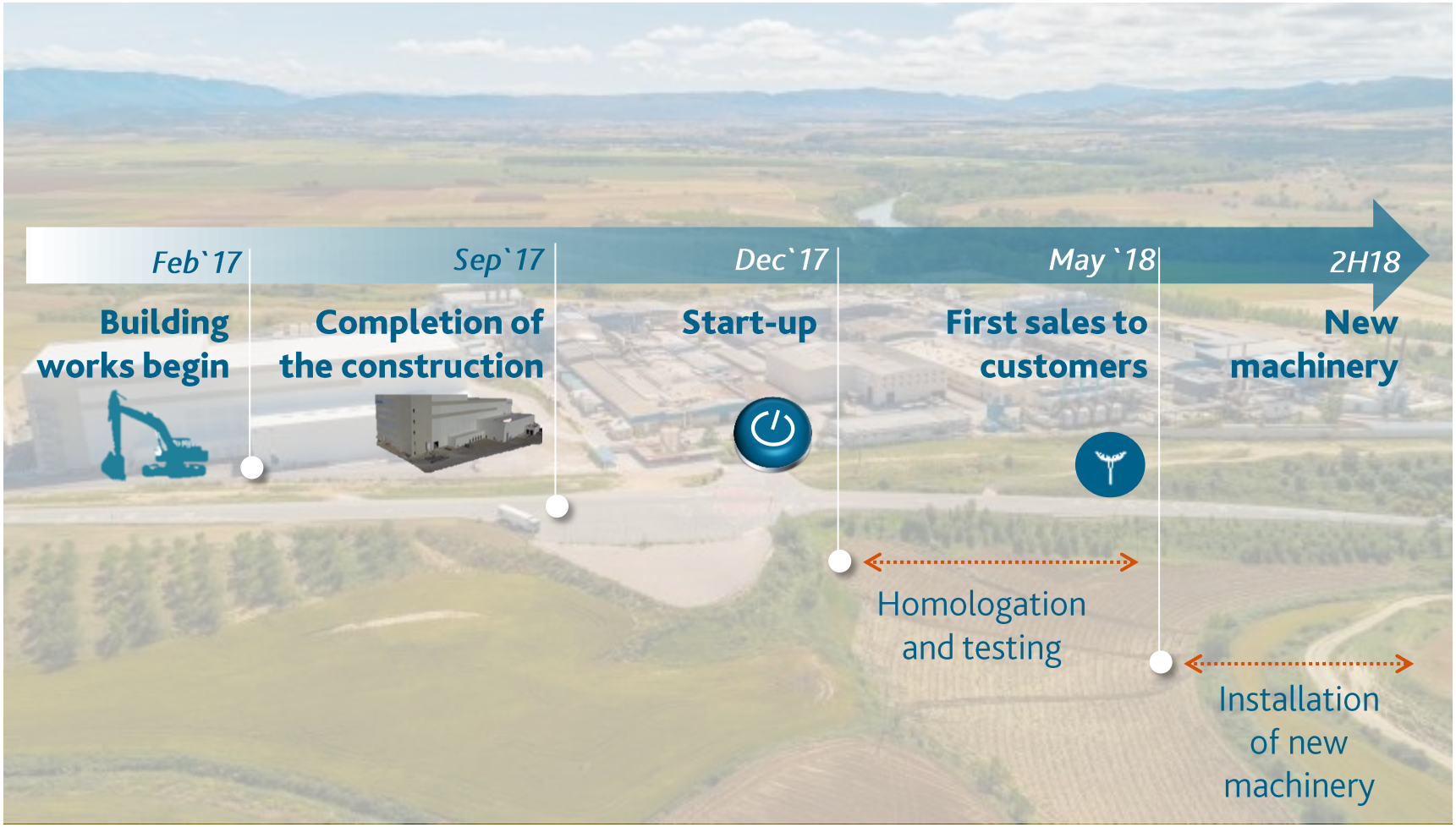
Viscofan
The casing company

January –June Results
twenty 18



27 July 2018

First Half marked by intense commercial and operational activity…



Non-recurring impacts 2018

Breakdown in Million €

1Q18 booked	€8.5 Mio corresponding to the compensation received in 2018 for a dispute against Mivisa Envases S.A.U due to patent infringement, netted at €0.3 Mio related with this dispute and the acquisition of companies.	+€8.2 Mio Profit before taxes
2Q18 booked	Agreement to end the litigation against Mivisa Envases S.A.U, currently named Crown Foods España S.A.U. for patent validity	+€6.3 Mio Profit before taxes ✓New
		+€14.5 Mio

Volume growth in a context of weak trading currencies against the Euro.

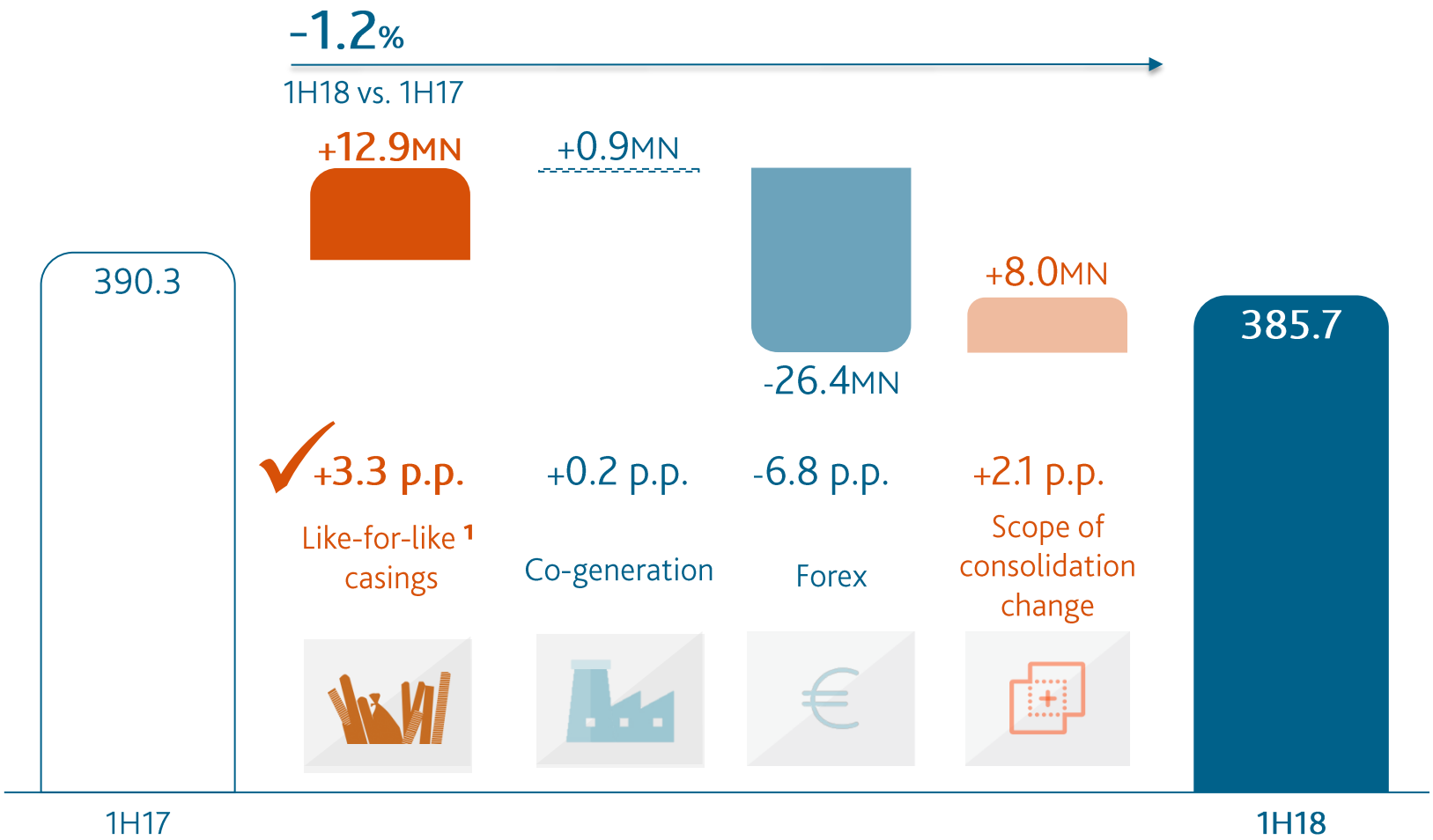
€ Million	1H18	% y-o-y	% y-o-y Like-for-like [1]	2Q18	% y-o-y	% y-o-y Like-for-like [1]
Revenue	385.7	-1.2%	+3.5%	197.9	+1.1%	+4.6%
Recurring EBITDA[2]	94.8	-14.3%	-1.5%	48.6	-13.3%	-3.4%
Rec. EBITDA margin[2]	*24.6%*	*-3.7 p.p.*	*-1.3p.p.*	*24.5%*	*-4.1 p.p.*	*-2.2 p.p.*
EBITDA	109.3	-6.3%		54.8	-11.5%	
EBITDA margin	*28.3%*	*-1.6 p.p.*		*27.7%*	*-4.0 p.p.*	
Operating Profit	78.5	-11.2%		39.1	-18.5%	
Profit before taxes	80.8	-2.3%		43.6	+2.0%	
Net Profit	65.7	-0.7%		34.0	-1.5%	

[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 (Supralon and Transform Pack) and non-recurring impacts.

[2] Recurring results: a) In 2018, the amount excludes the impact recorded in Other operating income of €15.4 million corresponding to the compensation received in 2018 for a dispute against Mivisa Envases S.A.U. due to patent infringement, netted at €0.9 million recorded in Other operating expenses corresponding to this dispute and the acquisition of companies. b) In 2017, it excludes the positive impact of €6.0 million in EBITDA corresponding to the net impact of the compensation for the fire in Germany, once non-recurring costs are deducted for inventory, clearing and cleaning, inter alia.

All casings technologies contributing to top line…

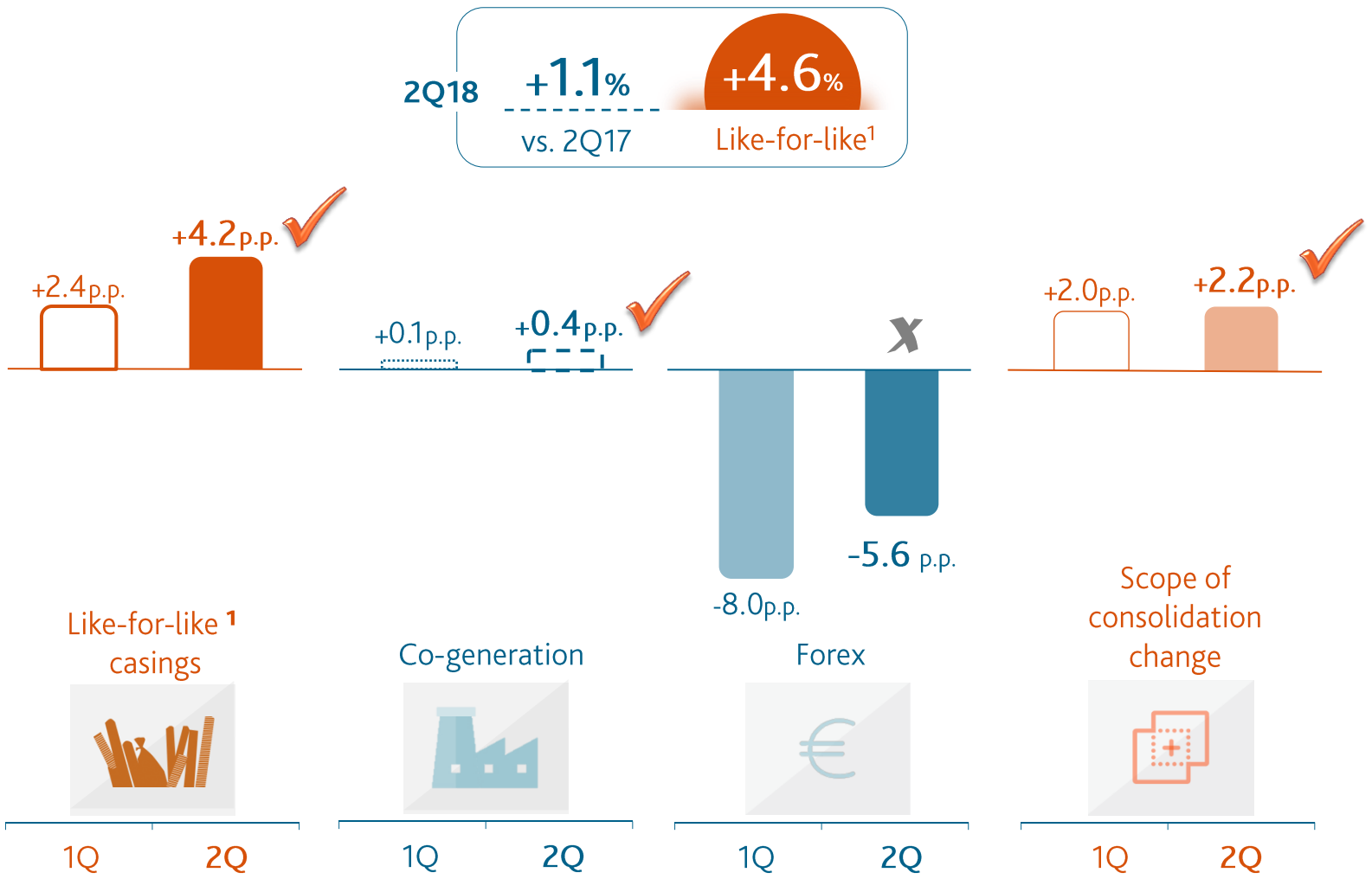
REVENUE. Growth contribution (€ million)



[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 (Supralon and Transform Pack) and non-recurring impacts.

...accelerating revenue growth in the second quarter...

REVENUE. Quarterly growth contribution (€ million)



[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 (Supralon and Transform Pack) and non-recurring impacts.

...and solid performance in all areas, highlighting the like-for-like growth in Latam, Europe and Asia, and the recovery in North America.

1H18 GROUP

-1.2% vs. 1H17

+3.5% Like-for-like[2]

REVENUE 1H18. Breakdown by geographical area [1] (€ million)

EUROPE AND ASIA

57.2%



+5.6% vs. 1H17

+4.1% Like-for-like[2]

NORTH AMERICA

28.4%



-9.9% vs. 1H17

+0.1% Like-for-like[2]

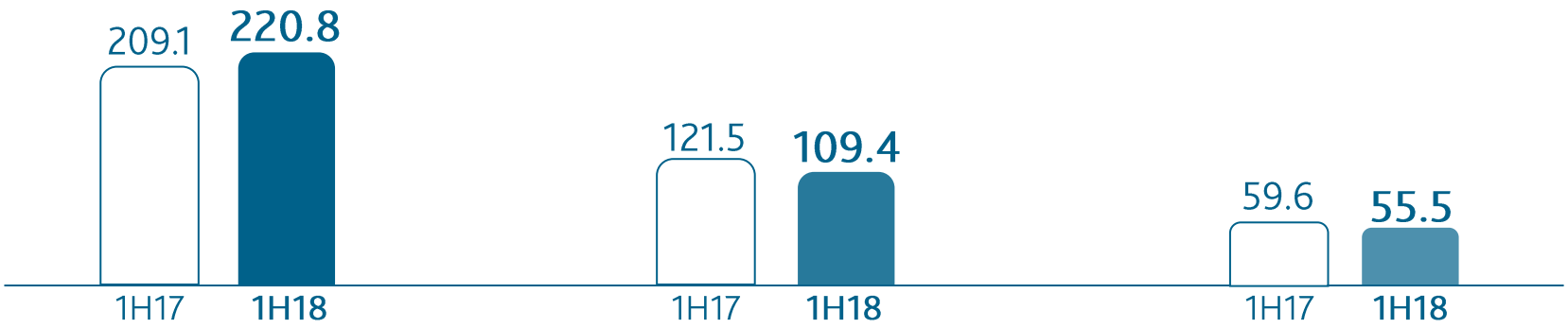
LATAM

14.4%



-7.0% vs. 1H17

+8.5% Like-for-like[2]

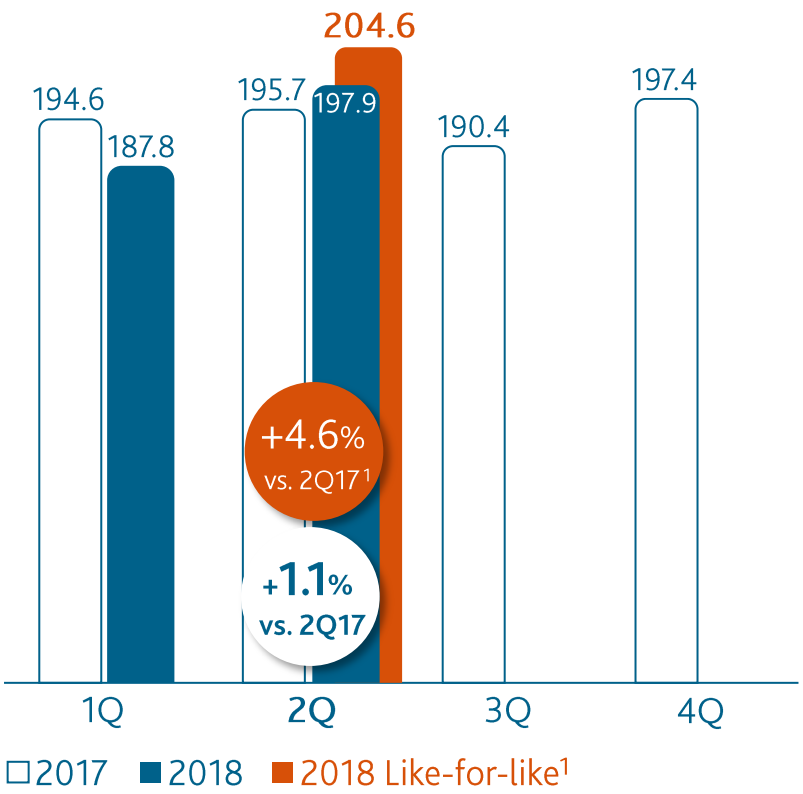


[1] Revenue per origin of sales.

[2] 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 (Supralon and Transform Pack) and non-recurring impacts.

New record high in quarterly revenue despite the severe forex erosion.

REVENUE. Viscofan Group (€ million)



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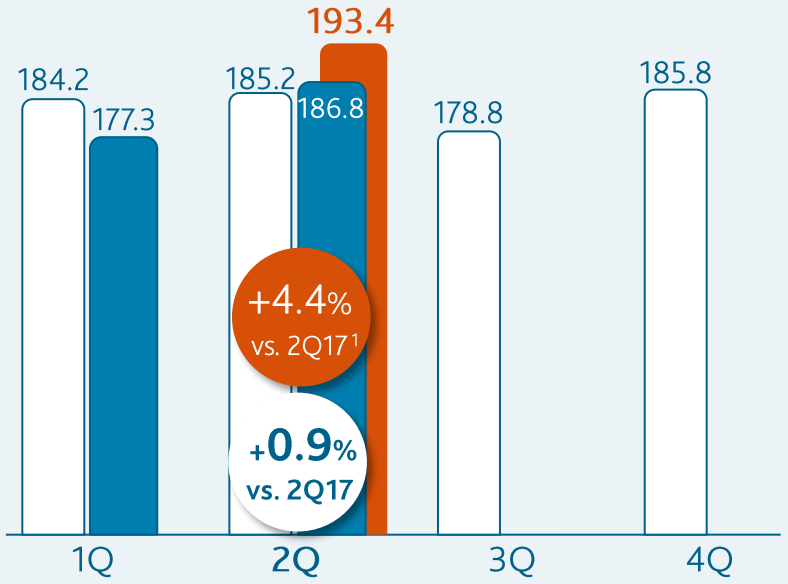
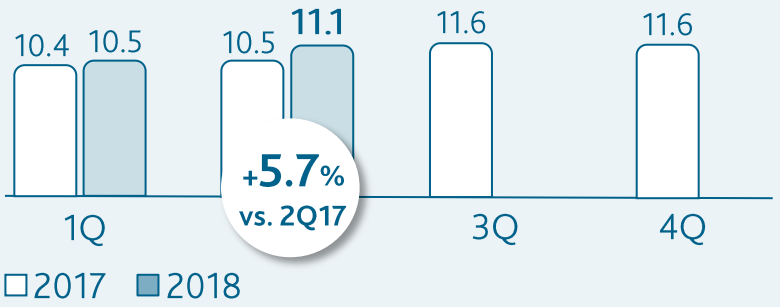
CASING SALES (€ million)

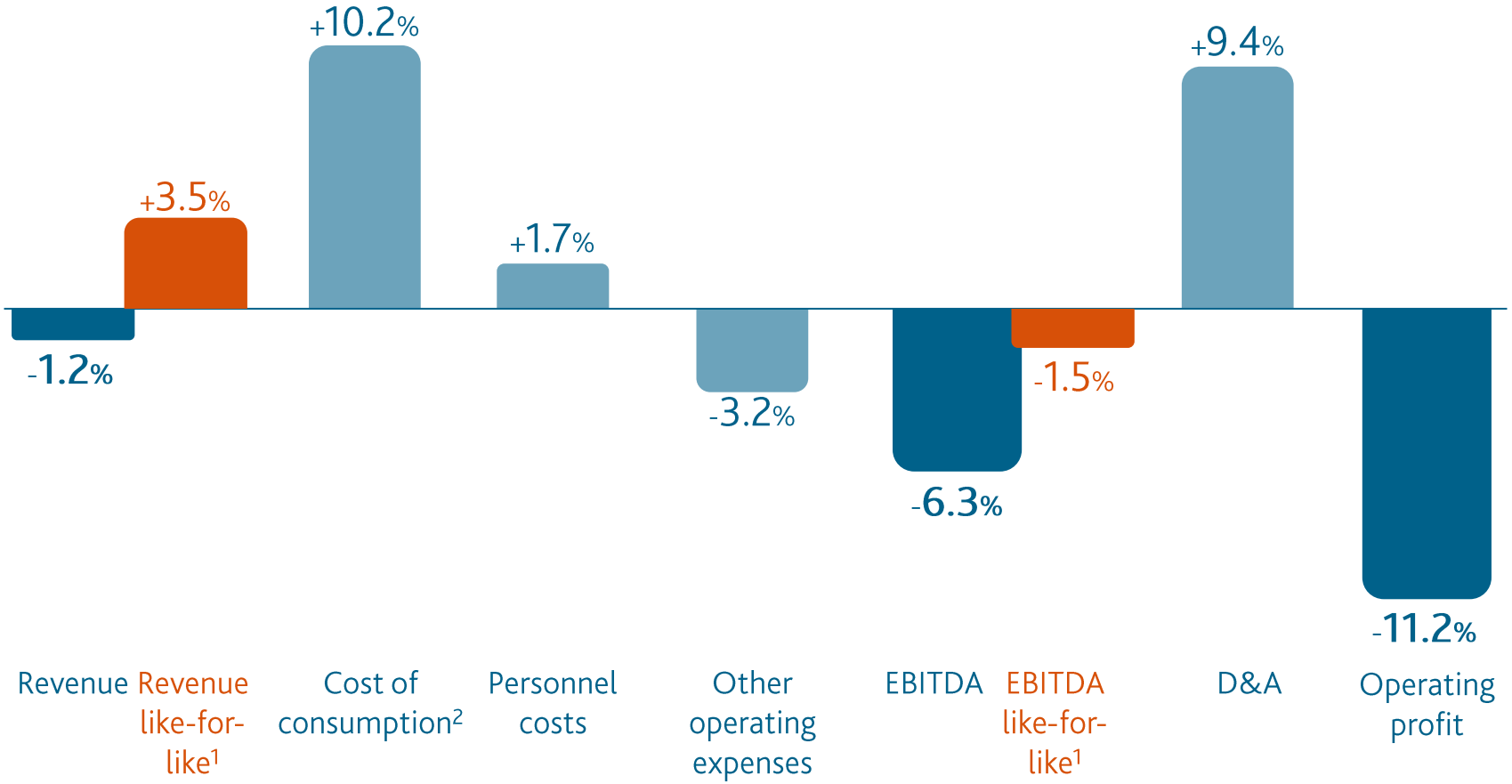


CO-GENERATION REVENUE (€ million)



Volume growth against a backdrop of raw materials inflation that justify price increases.

P&L 1H18. % year-on-year change

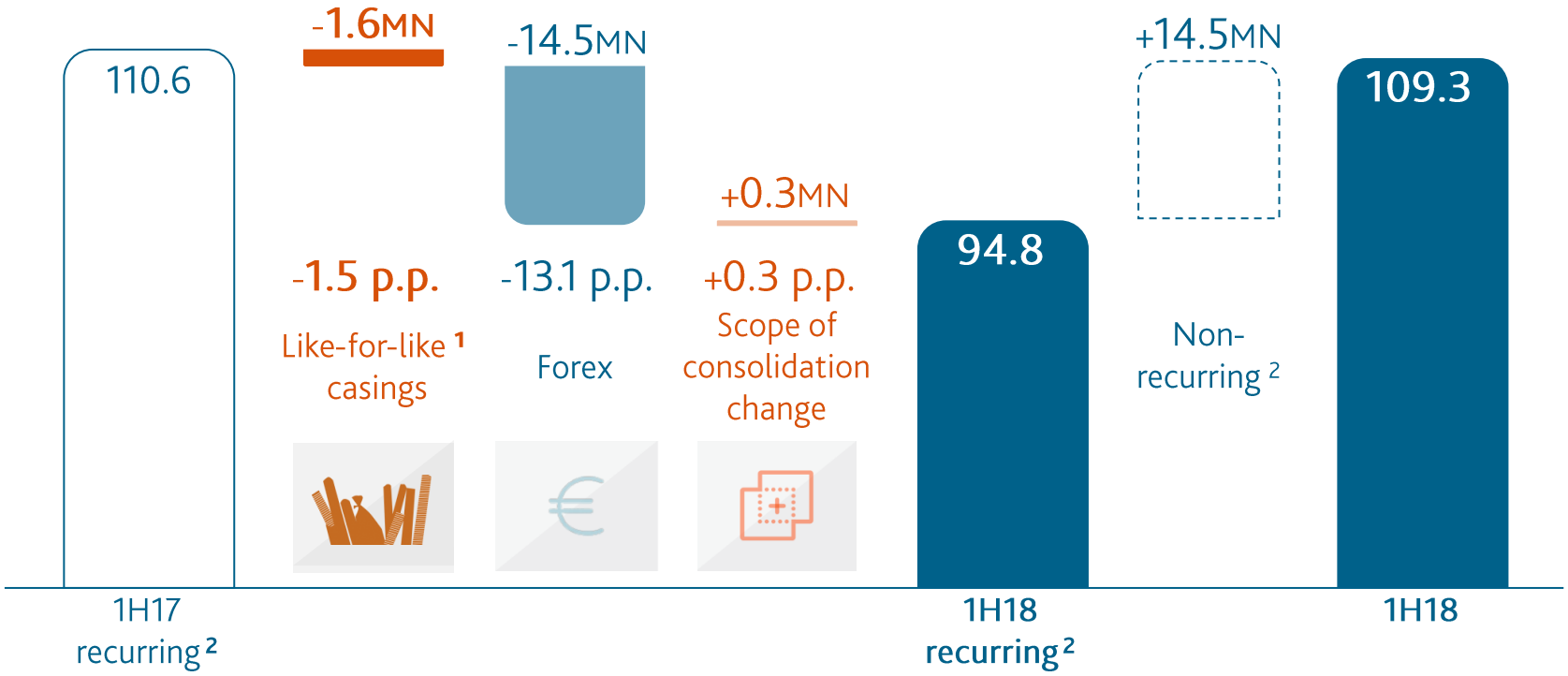


[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon and Transform Pack) and non-recurring impacts.

[2] Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.

EBITDA is eroded by a weak currency environment in a year of technological transition and inflation of raw materials.

EBITDA 1H18. Growth contribution (€ million)



[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 (Supralon and Transform Pack) and non-recurring impacts

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Positive exchange differences and lower tax rate lead to flat Net profit.

1H18. EBITDA to Net Profit (€ million)

	1H18	1H17	% y-o-y
EBITDA	109.3	116.6	-6.3%
Operating Profit	78.5	88.5	-11.2%
+ *Financial income*	*+0.2*	*+0.1*	
- *Financial expenses*	*-0.8*	*-0.9*	
+ / - *Exchange differences and others*	*+2.9*	*-4.9*	
- *Taxes*	*-15.1*	*-16.6*	
(Tax rate)	*(18.7%)*	*(20.0%)*	
Net profit	65.7	66.2	-0.7%

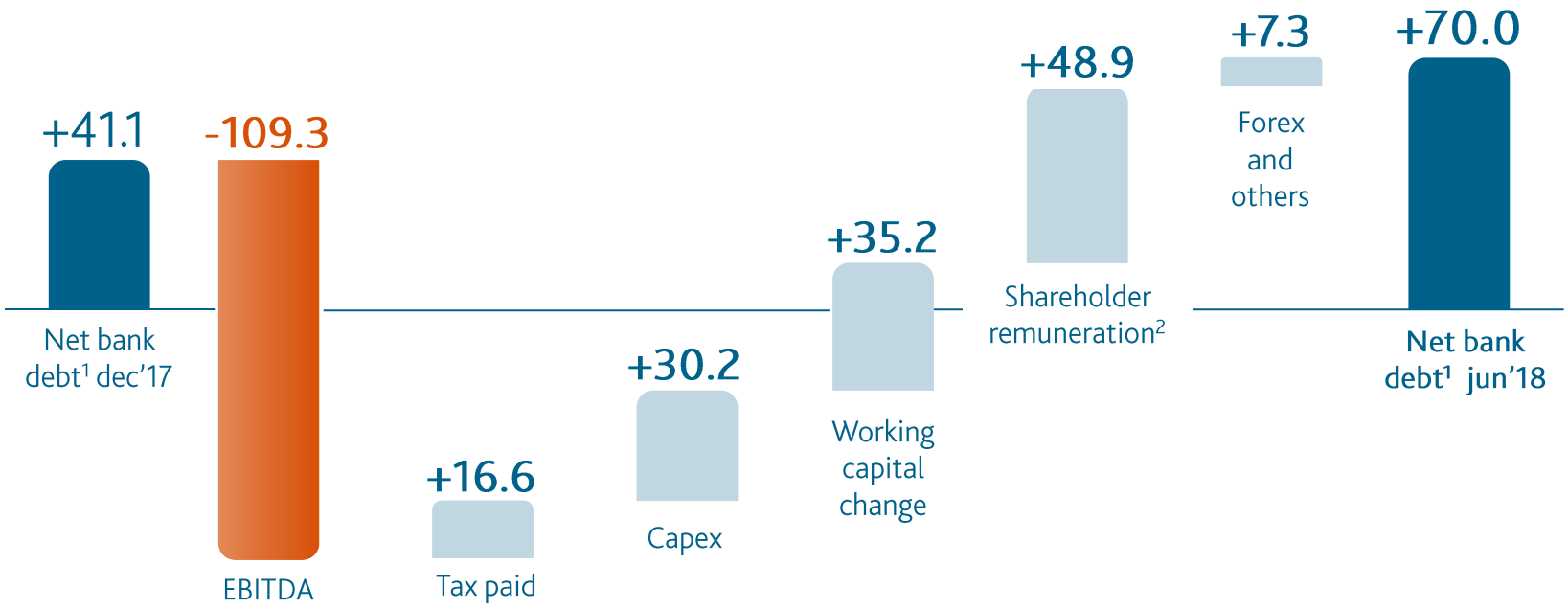
Forex impact

-14.5 Mio €

+7.8 Mio €

Increasing dividends with a solid balance sheet driven by operating cash flow.

NET BANK DEBT[1] Evolution (€ million)



[1] Net bank debt = Non-current bank borrowings + Current bank borrowings – Cash and equivalents.

[2] Includes €0.13 per share extraordinary dividend paid in March 2018 and €0.92 per share 2017 FY final dividend paid in June 2018.

To wrap-up

- ✓ Viscofan **continues to reinforce its leadership in the casings market** thanks to **volume growth acceleration** in all technologies and Supralon.
- ✓ **Forex** erode **revenue and EBITDA** by around **7p.p. and 13p.p.** respectively.



- ✓ **Volume growth and cost inflation** back **price increases** for the second half.
- ✓ **Cáseda new plant has successfully started the production of new disruptive technology of viscose-based casings** (cellulose and fibrous).
- ✓ Solid balance sheet to continue "MORE TO BE": the **technological transformation and growth strategy.**

Appendix. Alternative Performance Measures

The Alternative Performance Measures included in this report are as follows:

- The EBITDA, or operating profit before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.
- Cost of consumption: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors cost of consumption as one of the main cost components for Viscofan. The weight of net revenue for this cost component on revenue or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and cost of consumption must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.
- Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.
- Like-for-like revenue and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period, the effect of the change in the consolidation scope, and the non-recurring impacts of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like revenue and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.

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Such intentions, expectations or forecasts do not constitute any guaranties of compliance and involve risks, uncertainties and other relevant factors that could cause actual developments and results to differ materially from those states in such forward-looking statements.

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