

Viscofan
The casing company

Results
January – September 2019

24 October 2019

3Q19 results highlights

+12.4%

Revenue growth in 3Q19 to reach an **all-time high of €215.9 million.**



Volume growth in all geographical areas and technologies with a **noteworthy growth in collagen in China** due to pig gut casings replacement.

+12.8%

EBITDA increased to €50.3 million driven by **operating leverage** in a context of costs inflation.

+17.3%

Improvement in quarterly Net Profit to €27.0 million.

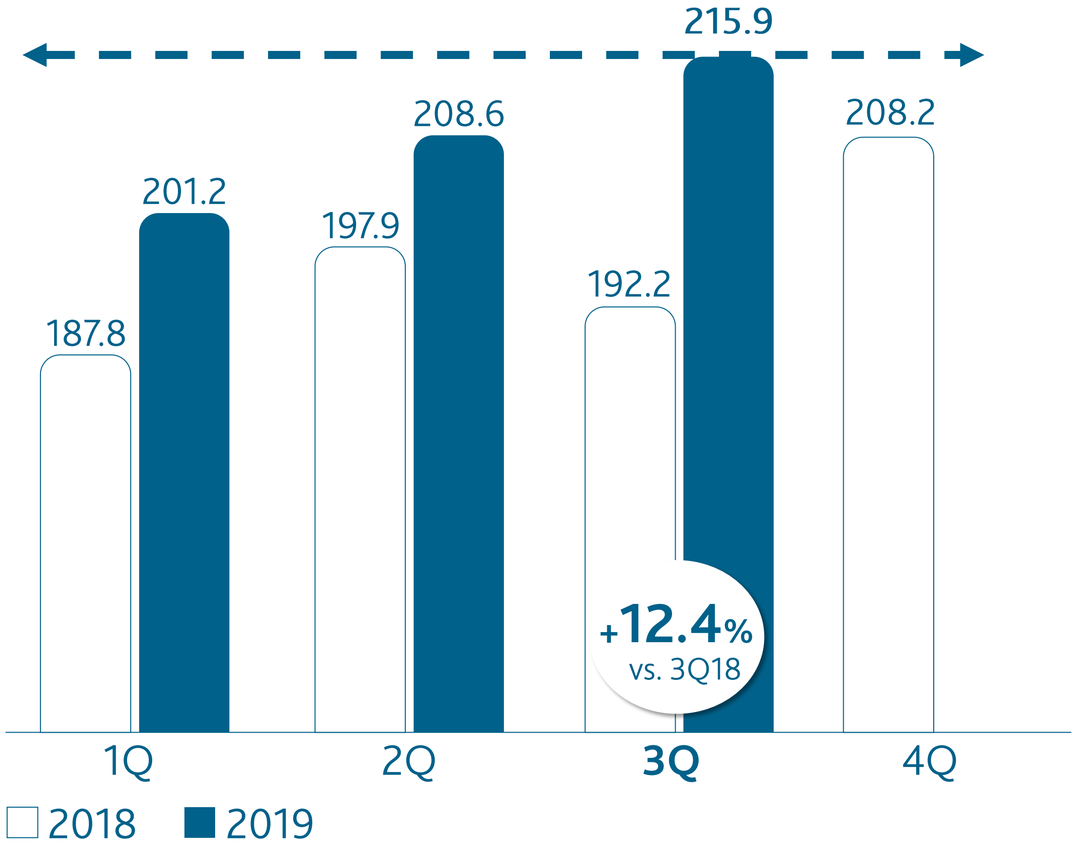


-29.1%

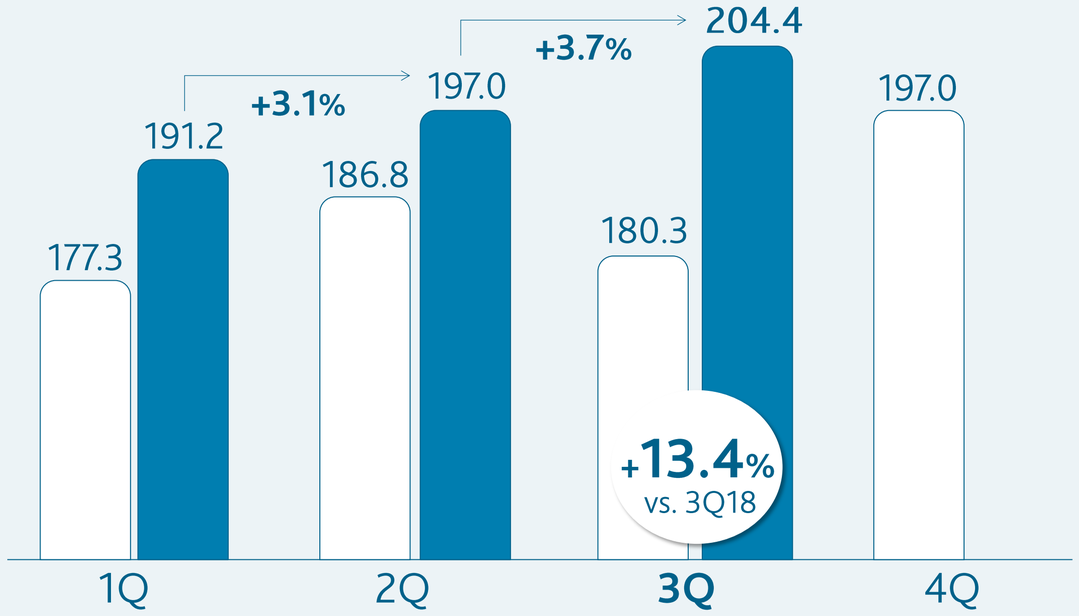
Net bank debt reduction in September 2019 vs. December 2018 to €56.5 million as a result of operating cash flow strength and lower investment requirements once the main projects of the MORE TO BE strategy have been fulfilled.

New all-time high in quarterly revenue…

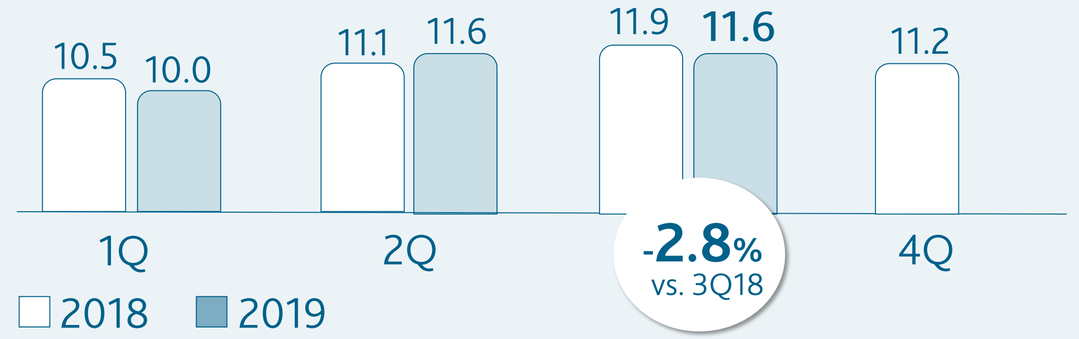
REVENUE. Viscofan Group (€ million)



CASING SALES (€ million)



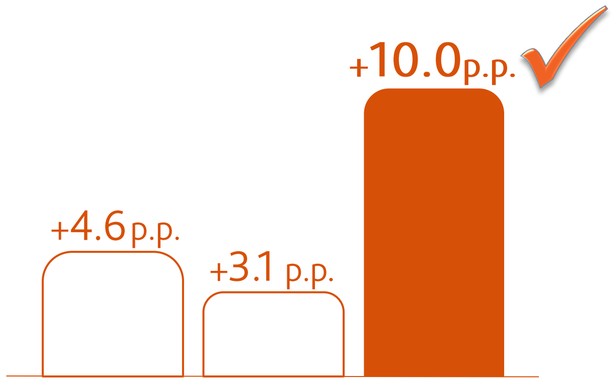
CO-GENERATION REVENUE (€ million)



…driven by volume growth in all casings technologies.

REVENUE. Quarterly growth contribution

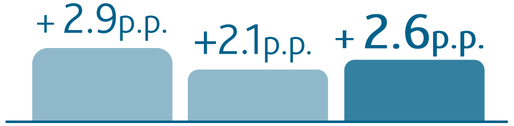
3Q19 **+12.4%** vs. 3Q18 — **+9.8%** Like-for-like[1]



Like-for-like[1] casings



Co-generation

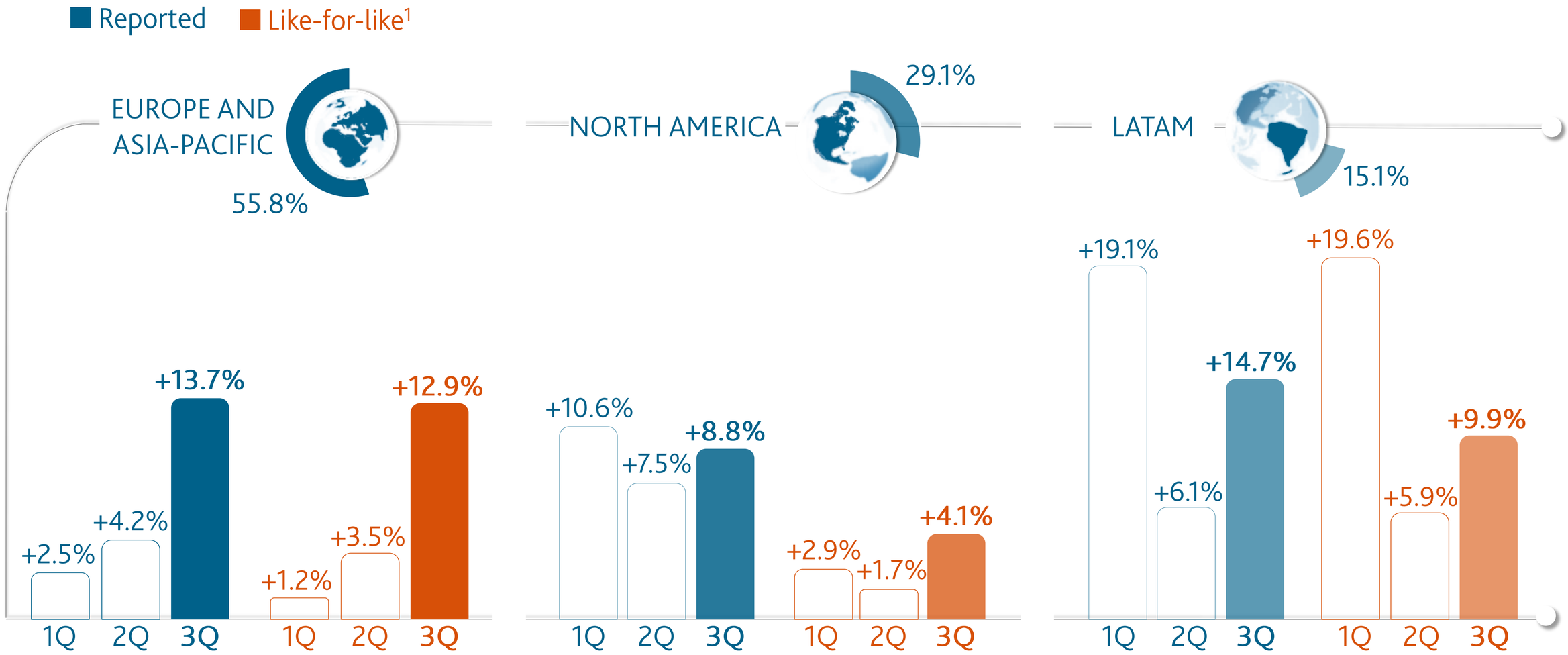


Forex

[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

Volume growth in all reporting regions (pointing out the acceleration in Europe and Asia, supported by pig gut casings replacement in China).

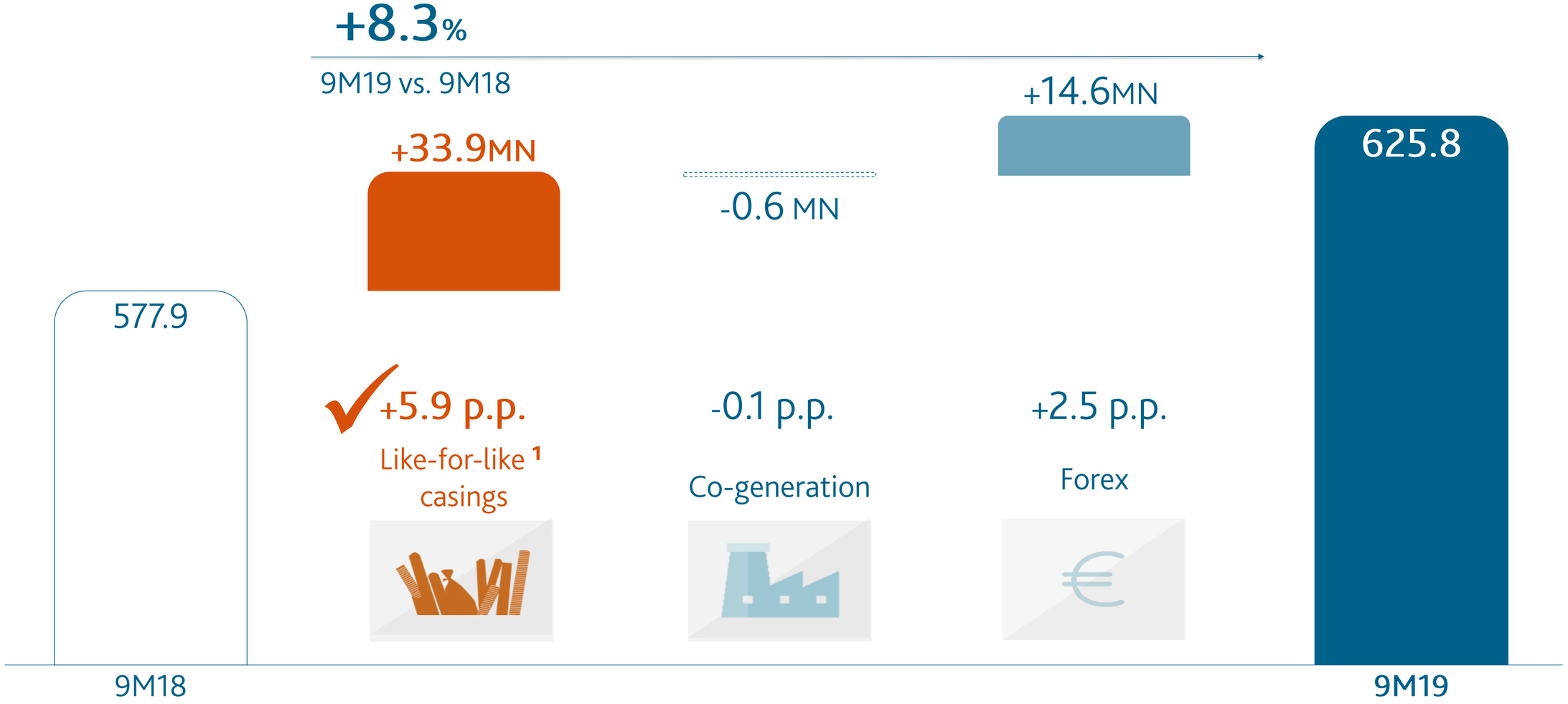
REVENUE. Quarterly change



[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

Price/mix improvement, volume growth, Globus and forex strength.

REVENUE 9M19. Growth contribution (€ million)



[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

Higher revenues in all reporting areas with a strong mix growth (volume and price).

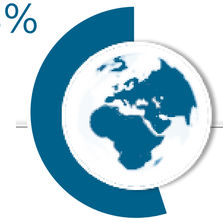
REVENUE 9M19. Breakdown by geographical area [1] (€ million)

GROUP

+8.3% vs. 9M18

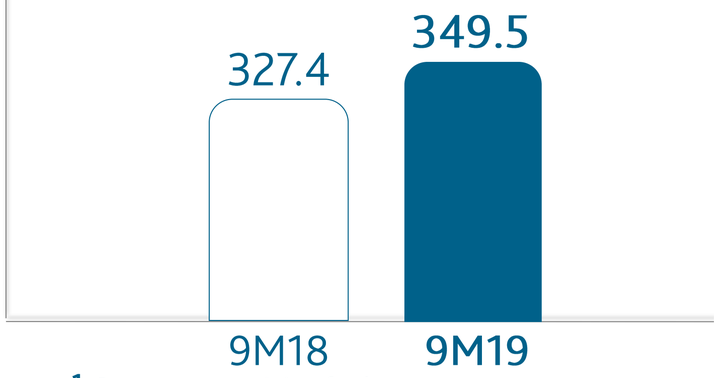
+5.8% Like-for-like[2]

EUROPE AND ASIA-PACIFIC — 55.8%



+6.7% vs. 9M18

+5.8% Like-for-like[2]

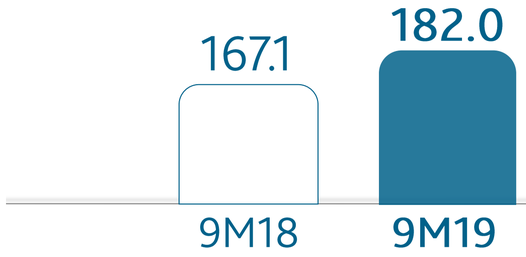


NORTH AMERICA — 29.1%



+8.9% vs. 9M18

+2.9% Like-for-like[2]

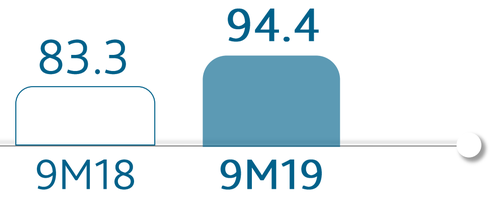


LATAM — 15.1%



+13.2% vs. 9M18

+11.7% Like-for-like[2]

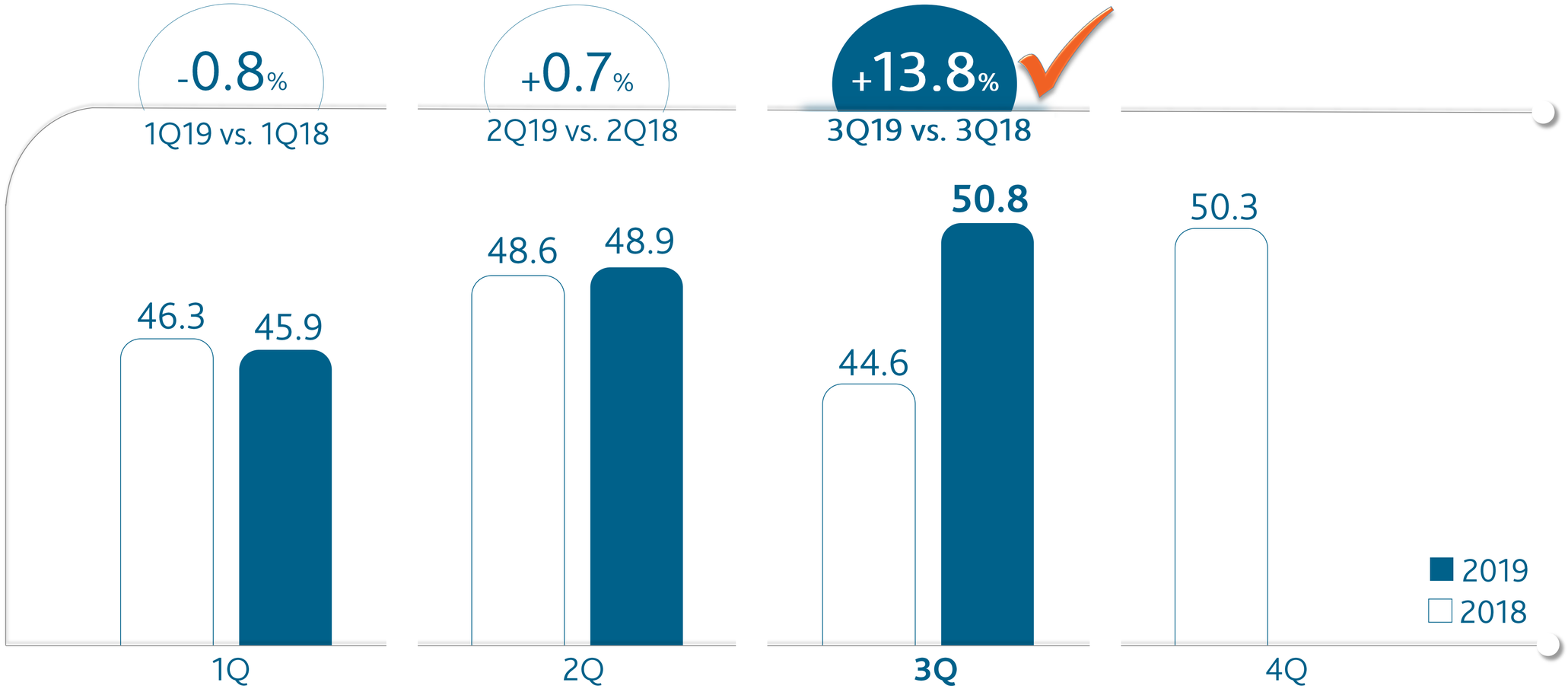


[1] Revenue per origin of sales.

[2] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

EBITDA in the Q3 saw double digit growth supported by higher operating leverage and cost control.

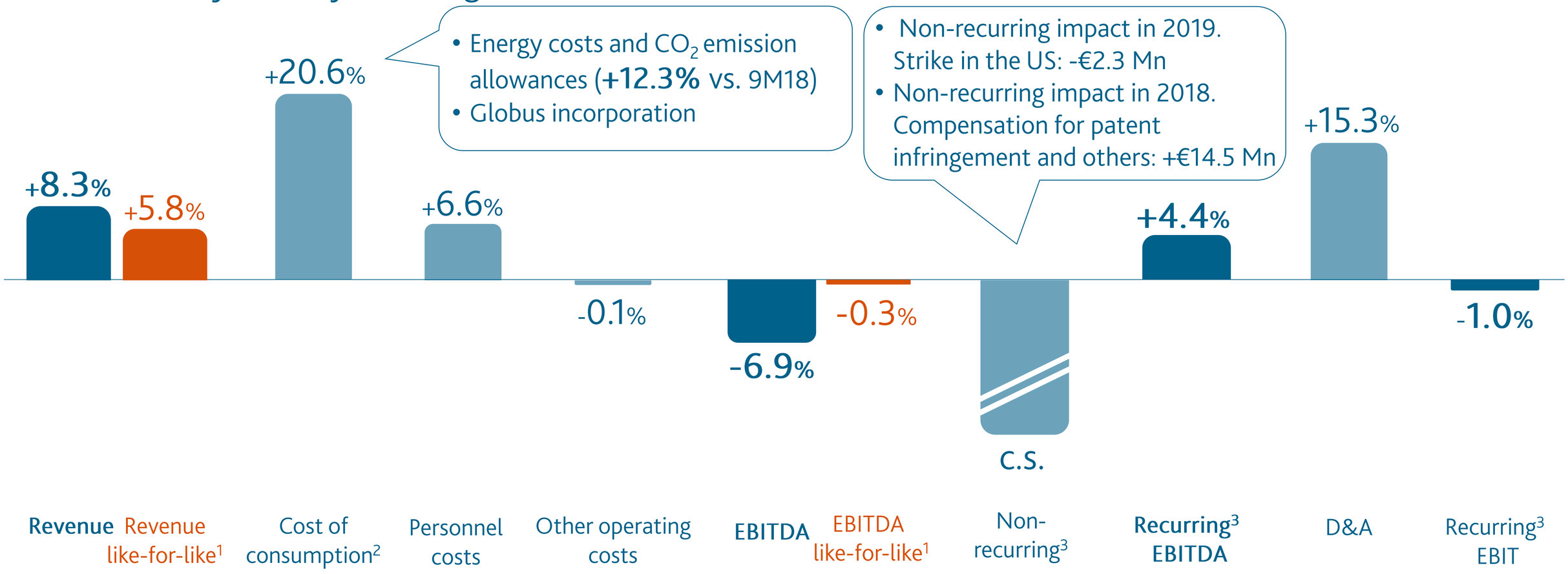
Quarterly recurring[1] EBITDA. (€ million)



[1] Recurring results: a) In 2019 the amount excludes €2.3 million of non-recurring expenses related with the strike at the Danville plant (EEUU) in June. b) 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.

Revenue growth offsetting higher energy costs and wage inflation.

P&L 9M19. % year-on-year change



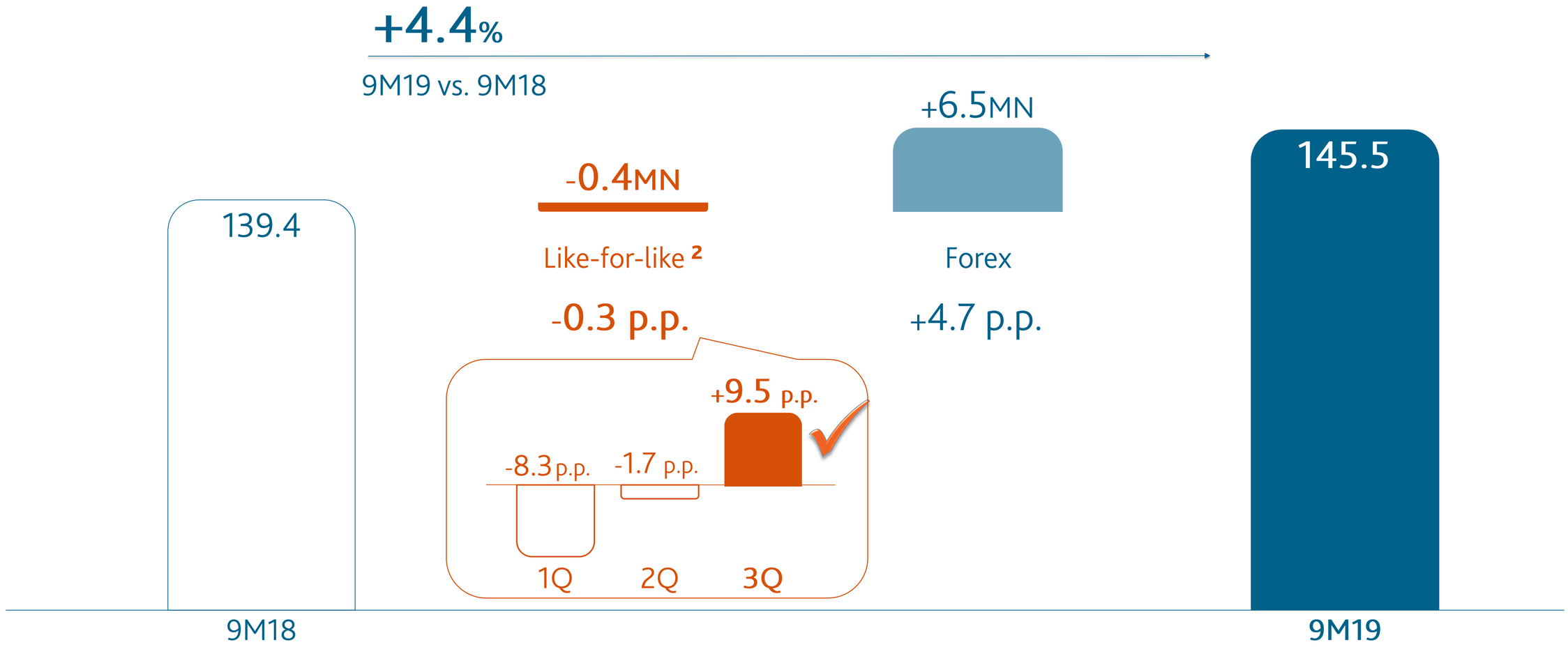
[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

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

[3] Recurring results: a) In 2019 the amount excludes €2.3 million of non-recurring expenses related with the strike at the Danville plant (EEUU) in June. b) 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.

Recurring EBITDA improves progressively based on solid operating results within an adverse cost environment.

Recurring[1] EBITDA 9M19. y-o-y growth contribution (€ million)

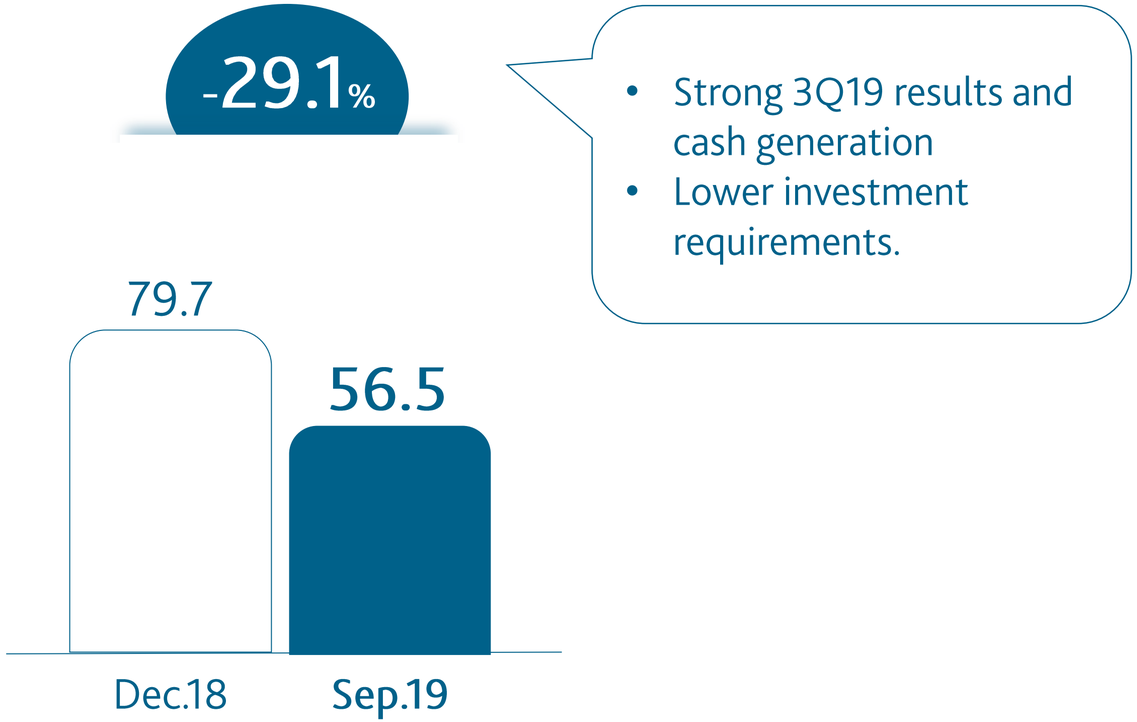


[1] Recurring results: a) In 2019 the amount excludes €2.3 million of non-recurring expenses related with the strike at the Danville plant (EEUU) in June. b) In 2018, the amount excludes the impact recorded in Other operating income of €15.4 million corresponding to the compensation received in 2018 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.

[2] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

Cash flow gains from operational strength due to lower investment requirements in the second phase of the MORE TO BE strategy period.

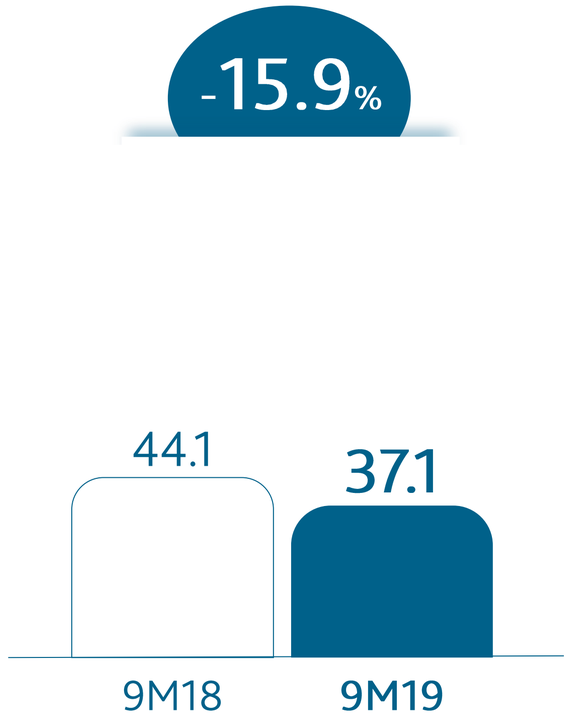
NET BANK DEBT[1] (€ million)



- Strong 3Q19 results and cash generation
- Lower investment requirements.

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

CAPEX 9M19 (€ million)



To wrap-up

- ✓Double-digit growth in the main financial figures aligns results with the new guidance for the full year.
- ✓Overall outstanding volume growth in the main regions in Q3, pointing out collagen casings volume improvement in China driven by pig gut casings scarcity
- ✓A proper mix growth that combines price/mix and volume improvement, leading to higher revenues.
- ✓Positive operating leverage that drives up EBITDA within an adverse energy and wage cost environment.
- ✓Cash flow benefits from financial and operational strength, together with lower investment requirements in the second phase of the MORE TO BE strategy plan.

3Q19. Main financial figures (€ million)

	Recurring [1]			*Reported*	
	3Q19	% y-o-y	% y-o-y Like-for-like [2]	*3Q19*	*% y-o-y*
Revenue	215.9	+12.4% ✓	+9.8%	*215.9*	*+12.4%*
EBITDA	50.8	+13.8% ✓	+9.5%	*50.3*	*+12.8%*
EBITDA margin	23.5%	+0.3 p.p.	0.0 p.p.	*23.3%*	*+0.1 p.p.*
Operating profit	32.8	+13.3%		*32.4*	*+11.7%*
Net profit	27.3	+18.8% ✓		*27.0*	*+17.3%*

[1] Recurring results: a) In 2019 the amount excludes €2.3 million of non-recurring expenses related with the strike at the Danville plant (EEUU) in June. b) 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.

[2] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

9M19. Main financial figures (€ million)

	Recurring [1]			*Reported*	
	9M19	% y-o-y	% y-o-y Like-for-like [2]	*9M19*	*% y-o-y*
Revenue	625.8	+8.3% ✓	+5.8%	*625.8*	*+8.3%*
EBITDA	145.5	+4.4% ✓	-0.3%	*143.2*	*-6.9%*
EBITDA margin	23.3%	-0.8 p.p.	-1.4 p.p.	*22.9%*	*-3.7 p.p.*
Operating profit	92.1	-1.0%		*89.7*	*-16.5%*
Net profit	74.4	-4.9%		*72.7*	*-18.1%*

[1] Recurring results: a) In 2019 the amount excludes €2.3 million of non-recurring expenses related with the strike at the Danville plant (EEUU) in June. b) 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.

[2] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2019 and non-recurring impacts.

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 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.

Appendix. Disclaimer

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

This document may include statements about intentions, expectations or forecasts of the Company additional to the mandatory financial reporting whose sole purpose is to provide information more accurately about the perspectives of future behaviours.

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.

This circumstance must be taken into account mainly for all persons or entities that may have to take decision, develop or spread opinions relative to values issued by the Company and particularly by analysts and investors that handle this document.

The financial statements contained in this document have been prepared under International Financial Reporting Standards (IFRS). This financial statements has not been audited and consequently is susceptible to potential future modifications.