

January - September 2008 Results

October, 27th, 2008

January – September 2008 results highlights

- +12% y-o-y growth of net profit at 9M08 to €35.7MM.
- Strong quarterly EBITDA[1] growth (+8% compared to 3Q07) led by the double-figure growth (+11% compared to 3Q07) in the EBITDA of casings.
- €76.6MM in EBITDA at 9M08 (+2.5% compared to 9M07).
- +7% in the growth of cumulative revenues at 9M08 thanks to the quarterly speed-up both of the casings business (+11% compared to 3Q07) and in vegetable foods (+11% compared to 3Q07).
- The company shows strong growth rates in 3Q08 in all major financial figures despite the marked depreciation in currencies in relation to the €, and the higher costs of raw materials and energy: revenues (+11%), EBITDA (+8%), EBIT (+12%) and net profit (+19%).
- The company maintained a healthy financial position, with a financial leverage[2] of 38.1% at September 2008.
- Following sound operating results, the company is on track to achieve full year 2008 guidance.

Significant events

- In January 2008, as a result of the search for greater corporate streamlining, Teepak de México S.R.L. de C.V. and Teepak Holdings de México S.R.L. de C.V. were merged into Viscofan de México S.R.L. de C.V., and Teepak Servicios de México, S.R.L. de C.V. was merged into Viscofan de México de Servicios S.R.L. de C.V. In the USA, Teepak USA, LLC was merged into Viscofan USA, Inc.
- In January 2008, an interim dividend was distributed from 2007's results, for a gross amount of €0.19 per share, a 35.7% rise on the interim dividend paid out of 2006's results distributed last year.
- In April 2008, the company Industrias Alimentarias de Navarra, S.A.U., a 100% subsidiary of Viscofan, set up a Joint Venture: Lingbao Baolihao Food Industrial Co. Ltd, domiciled in the province of Henan, China. This company has a share capital worth RMB 17,800,000 (around €1,620,000), of which Industrias Alimentarias de Navarra, S.A.U, has contributed some 50%. The new company's corporate purpose is asparagus processing, which will make it possible to improve the competitiveness of the IAN Group in marketing that product.
- In June 2008, the extension of the Cáseda plant cogeneration station was inaugurated (Spain).
- In July 2008, the Company paid the €0.25 per share premium as approved at the latest General Meeting of Shareholders. This payment, added to the dividend per share and the Meeting attendance premium, made up a €0.445 yield per share, or a 45.9% increase on the previous year.
- As a result of the resolutions passed at the last General Meeting of Shareholders held in June 2008, the Company filed with the Commercial Register of Navarra the reduction of share capital resulting from the cancellation of 561,963 treasury shares held by the Company, equivalent to 1.2% of share capital. The Company has accordingly returned over €8.1MM to shareholders in this manner.

[1] EBITDA = Operating profit or loss – Depreciation of assets
[2] Financial leverage = Net financial debt / Equity

9M08 Consolidated Group Results

	Jan-Sep' 08	Jan-Sep' 07	Change	Jul-Oct' 08	Jul-Oct' 07	Change
Revenues	**407,719**	**380,354**	**7.2%**	**139,429**	**125,606**	**11.0%**
Other operating income	4,192	1,436	191.9%	255	659	-61.3%
Self-constructed assets	256	178	43.8%	70	63	11.1%
Variation in stocks of finished products and work-in-progress	567	6,425	-91.2%	-215	657	c.s
Net purchases	-126,158	-116,252	8.5%	-45,234	-39,839	13.5%
Personnel expenses	-98,006	-98,172	-0.2%	-32,562	-32,348	0.7%
Other operating expenses	-112,964	-100,420	12.5%	-37,160	-32,172	15.5%
Capital grants	956	1,033	-7.5%	617	216	185.6%
Impairment and results coming from disposals of non-current assets	22	103	-78.6%	-346	132	c.s
Other results	0	0	n.s.	0	0	n.s.
EBITDA	**76,584**	**74,685**	**2.5%**	**24,854**	**22,974**	**8.2%**
Amortization and depreciation	-28,084	-28,192	-0.4%	-9,805	-9,549	2.7%
EBIT	**48,500**	**46,493**	**4.3%**	**15,049**	**13,425**	**12.1%**
Financial incomes	776	748	3.7%	225	403	-44.2%
Financial expenditures	-5,629	-5,471	2.9%	-2,059	-1,648	24.9%
Financial instruments at fair value	51	188	-72.9%	190	264	-28.0%
Exchange differences	2,100	-44	c.s	1,613	-232	c.s
Financial results	**-2,702**	**-4,579**	**-41.0%**	**-31**	**-1,213**	**-97.4%**
Results of companies by equity method	0	0	n.s.	0	0	n.s.
Profit before taxes	**45,798**	**41,914**	**9.3%**	**15,018**	**12,212**	**23.0%**
Taxes	-10,134	-10,179	-0.4%	-4,174	-3,066	36.1%
Profit after taxes	**35,664**	**31,735**	**12.4%**	**10,844**	**9,146**	**18.6%**
Minority interes	0	0	n.s.	0	0	n.s.
NET PROFIT	**35,664**	**31,735**	**12.4%**	**10,844**	**9,146**	**18.6%**

Unaudited data

Cumulative consolidated revenues at September 2008 exceeded €407.7MM, 7.2% compared to 9M07; this shows an acceleration compared to the cumulative year-on-year growth rate at June 2008 (+5.3% compared to 1H07) owing to the good trend both of the casing business and of vegetable foods in the third quarter of the year.

In quarterly terms, the growth in casings revenues (+11.1% compared to 3Q07) and in vegetable foods (+10.5% compared to 3Q07) generated quarterly net revenues of €139.4MM, 11.0% higher than revenues obtained in the same period of the previous financial year.

In 3Q08 alone, the positive performance of revenues generated by the extension of the cogeneration plant in Spain contributed more than €4MM to the Group's consolidated revenues.

Revenue growth accelerated despite a very adverse scenario, characterized by the marked depreciation in Viscofan's main commercial currencies against the € (US$ by 13.2% and GBP by 15.6%), coupled with market turmoil deriving from the world financial and economic crisis.

The significant increase in the cost of some raw materials at source (mainly cellulose and glycerine in the casings business and white asparagus in the vegetable foods division), added to a greater sales volume, resulted in an increase in consumption[3], which grew by 14.4% compared to 9M07 with €125.6MM. In quarterly terms, consumption[3] grew by 16.0% in 3Q08 compared to 3Q07 to €45.4MM.

Energy costs grow by 33.7% compared to 9M07 (compared with a growth of 11.1% in 1H08 vs. 1H07) due mainly to the new cogeneration plant in Spain, which contributes with €4MM in just 3 months.

However, the higher energy price, resulting from the high oil prices (which reached annual highs this quarter), continued to put pressure on production costs both, in the casing business and, at lower extent, in the vegetable business.

The higher energy costs affected the performance of Other operating expenses, which rose by 12.5% compared to 9M07 to €113.0MM. In quarterly terms, Other operating expenses rose by 15.5% compared to 3Q07 to €37.2MM.

Personnel costs rose to €98.0MM, and fell by 0.2% in the first 9 months of the year compared to the same period of the previous year. This reduction was due to the improvement in the Group's productivity and restructuring plans, which allowed personnel costs to be reduced despite the higher increase in unit wage costs associated with the increase in inflation in some countries in which Viscofan production takes place. In 3Q08, personnel costs amounted to €32.6MM compared to the €32.3MM recorded in 3Q07 (+0.7%).

Cumulative EBITDA at September 2008 amounts to €76.6MM, 2.5% up on that obtained at 9M07, supported by the growth in EBITDA of the casings business (+4.1% compared to 9M07), that despite the negative impact of US Dollar and GBP depreciation against the €, and the increase in the unit costs of raw materials, energy and wages, more than offset the poor performance of EBITDA in the vegetable foods division (-18.7% compared to 9M07).

This recovery in the growth of EBITDA was due to the significant improvement in EBITDA in 3Q08, which grew by 8.2% compared to the previous year to €24.9MM.

The cumulative EBITDA margin at September 2008 amounted to 18.8%, 0.9 p.p. down on that obtained in 9M07. In quarterly terms, the EBITDA margin fell by 0.5 p.p. to 17.8%, mainly due to the fall in quarterly EBITDA in the vegetable foods business.

Cumulative EBIT at September amounted to €48.5MM, 4.3% higher than that achieved at 9M07, driven by the improvement in cumulative EBITDA and the fall in depreciation and amortization (-0.4% compared to 9M07). Quarterly EBIT at September 2008 grew by 12.1% to over €15.0MM.

Net financial result amounted to -€2.7MM, a 41.0% decline from 9M07, and remained virtually stable compared to the cumulative result in 1H08. This result is due to the improvement in financial revenues (+3.7% compared to 9M07), the containment in financial costs (+2.9% compared to 9M07) despite the context of increasing financing costs, and the positive impact of foreign exchange differences, which generated a financial gain of €2.1MM thanks to the currency risk hedging, mainly in US$, that took place during the year.

The Viscofan Group maintained a sound financial position with a financial leverage[4] of 38.1%, similar to the leverage in June 2008 and 5.2 p.p. higher than that of September 2007. The net financial debt at 30

[3] Consumption = Variation in stock + Net purchases
[4] See note 2

September 2008 amounted to €117.2MM, growing by €22.5MM compared to the 2007 year end, and €1.4MM higher than the net debt at June 2008.

The increase in net debt during 3Q08, despite the Company's sound cash flow generation, was mainly due to tax prepayments, a speed-up in the investment plans and debt restructuring implemented in the light of the uncertainties seen in the financial markets. Following this restructuring, the Company extended the average debt payment period, reducing the gross financial debt by €9.5MM in the short term, and increasing the gross financial debt by €13.3MM in the long term.

The strong operating results, particularly revenues and operating results, together with the improvement in financial results, led to a marked increase in the cumulative profit before tax, which amounted to €45.8MM (+9.3% compared to 9M07) for the full year and to €15.0MM in 3Q08 (+23.0% compared to 3Q07).

This result, after a tax rate of 22.1%, amounts to a net profit of €35.7MM, a 12.4% rise on the same period last year. In quarterly terms, the net profit exceeded €10.8MM, 18.6% higher than in 3Q07.

9M08 results: Casings

Data in thousand €

	Jan-Sep' 08	Jan-Sep' 07	*Change*	Jul-Oct' 08	Jul-Oct' 07	*Change*
Revenues	**337,401**	**315,420**	**7.0%**	**114,923**	**103,430**	**11.1%**
EBITDA	**72,372**	**69,504**	**4.1%**	**23,264**	**21,011**	**10.7%**
Margin EBITDA	***21.4%***	***22.0%***	**-0.6 p.p.**	***20.2%***	***20.3%***	**-0.1 p.p.**
EBIT	**46,539**	**43,513**	**7.0%**	**14,446**	**12,409**	**16.4%**
Net profit	**33,362**	**30,343**	**9.9%**	**10,078**	**8,681**	**16.1%**

Unaudited data

The artificial casings market continued to show sound growth in 2008, in which artificial casings continued to achieve greater penetration in emerging markets, such as Asia, Eastern Europe and Latin America, while sausage consumption in developed markets recovered as a result of a greater demand from that population.

Consequently, although traditionally the third quarter is characterized by a reduced volume of sales associated with the summer period in Europe and USA, during 3Q08 net revenues from the casings business exceeded €114.9MM, making it the best performing quarter for the year, with a 11.1% rise on 3Q07, and a year-to-date figure of €337.4MM (+7.0% compared to 9M07).

This growth was mainly due to the increase in the volume of sales during 3Q08, and to an improvement in the average sales price and to revenues made by the new cogeneration plant in Spain, which contributed €4MM to revenues in the quarter. Thanks to the combination of these three factors revenues increased by double-digit, despite the significant deterioration in the main marketing currencies in relation to the € (US$ -13.2% and GBP -15.6%).

The price of the main raw materials, except for collagen, continued to be significantly higher than the prices obtained in the same period of the previous year, although a gradual improvement in the price of glycerine was noticed in the third quarter of the year. Consequently, the higher unit cost of the raw materials, and growth in production volumes resulted in an increase in cumulative consumption[5] for the year of 15.1% compared to the same period of the previous year, to €82.4MM. In quarterly terms, consumption grew by some 16.0% compared to 3Q07 to €31.2MM.

During 3Q08, Other operating expenses rose (+17.6% compared to 3Q07) as a result of the higher maintenance costs associated with the stoppage of production in some of the Group's plants, and the

[5] See note 3

higher cost of energy, both owing to the higher unit price and to a greater volume of gas consumed as a result of the increased capacity of the cogeneration plant in Spain. Consequently, Other operating expenses rose by 14.2% over the whole year.

Measures focusing on improved productivity of the plants made it possible to reduce the Group's average staff in the casings business by some 1.1% compared to 9M07, resulting in a saving of 0.8% in cumulative personnel costs at September 2008 compared to the previous year, to €90.6MM, despite greater production and the higher unit wage cost. In 3Q08, personnel costs amounted to €29.7MM, 0.3% higher than in 3Q07.

Revenue growth acceleration and the containment in costs in an inflation-driven environment translated into a cumulative EBITDA at September 2008 of €72.4MM, a 4.1% rise on that obtained at 9M07. More significant still was the improvement in quarterly EBITDA, which exceeded 10.7% of EBITDA obtained in 3Q07.

Consequently, despite the seasonality of the quarter, the EBITDA margin remained above 20% in 3Q08, in line with that achieved in 3Q07 (-0.1 p.p.), with the EBITDA margin for the year standing at 21.4% (-0.6 p.p. compared to 9M07).

The growth in EBITDA, and the fall of 0.6% in cumulative depreciation and amortization, were reflected in EBIT, which amounted to €46.5MM, (+7.0% compared to 9M07), while EBIT grew by some 16.4% to €14.4MM in the quarter.

The cumulative net profit stood at €33.4MM, some 9.9% higher than in the same period of the previous year, of which €10.1MM originated from the 3Q08, reflecting a growth of 16.1% compared to 3Q07.

9M08 results: IAN Group

Data in thousand €

	Jan-Sep' 08	Jan-Sep' 07	*Change*	Jul-Oct' 08	Jul-Oct' 07	*Change*
Revenues	70,318	64,934	8.3%	24,506	22,176	10.5%
EBITDA	4,212	5,181	-18.7%	1,590	1,963	-19.0%
Margin EBITDA	***6.0%***	***8.0%***	-2.0 p.p.	***6.5%***	***8.9%***	-2.4 p.p.
EBIT	1,961	2,980	-34.2%	603	1,016	-40.6%
Net profit	2,302	1,392	65.4%	766	465	64.7%

Unaudited data

During the third quarter of the year, the trends observed in the previous periods continued with a rapid deterioration of the Spanish economy affecting household consumption, mainly of products with higher added value.

In this context, the IAN Group maintained sound year-on-year growth rates of net revenues, which rose by some 8.3% compared to 9M07 and by some 10.5% compared to 3Q07 to exceed €70.3MM and €24.5MM respectively.

This growth in sales was mainly due to the higher average sales price of certain products, such as asparagus, and the increase in sales of the tomato families, with the aim of partially offsetting the higher course of raw materials at source.

Despite that increase in sales prices, the rise in the costs of raw materials and a sales mix where distributor's brand continues to gain market share at the expense of own brand, and tomato sales gain market share over asparagus, led to a fall in the gross margin of the vegetable foods division to 38.6% compared to the 41.2% achieved in 9M07.

Consumption[6] grew by some 13.0% compared to 9M07, and reached €43.2MM in cumulative consumption at September 2008, and €14.3MM in 3Q08 (+16.5% compared to 3Q07).

This greater deterioration in the domestic market weighed on the EBITDA margin, which fell by 2.0 p.p. against last year, to around 6.0% at 9M08. The operating margin worsened even further in 3Q08, when the EBITDA margin stood at 6.5%, considerably below the 8.9% obtained in 3Q07.

EBITDA for the year amounted to €4.2MM at 9M08, 18.7% below the EBITDA figure at 9M07, which is consistent with the fall in quarterly EBITDA to €1.6MM, a decrease of some 19.0% compared to 3Q07.

The fall in EBITDA, coupled with an increase in depreciation and amortization, resulted in a 34.2% fall to €2.0MM in year-to-date EBIT at 9M08 compared to the previous year. In quarterly terms, EBIT fell by 40.6% compared to 3Q07 to €0.6MM.

The cumulative net profit exceeded €2.3MM as a result of the use of tax credits, thus exceeding the €1.4MM achieved in the same period of the previous year by some 65.4%.

[6] See note 3

Appendix

Consolidated balance sheets ('000 €)

	Sep '08	Dec '07	%Change
Intangible assets	11,390	9,919	14.8%
Goodwill	0	0	n.s.
Others intangible asset	11,390	9,919	14.8%
Tangible assets	285,547	279,017	2.3%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	817	0	n.s.
Non-current financial assets	663	977	-32.1%
Deferred tax assets	14,003	9,717	44.1%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**312,420**	**299,630**	**4.3%**
Non-current assets held for sale	0	0	n.s.
Inventories	141,654	143,013	-1.0%
Trade and other receivables	140,939	104,817	34.5%
Trade debtors	113,189	93,150	21.5%
Other debtors	26,829	11,189	139.8%
Current tax assets	921	478	92.7%
Other financial current assets	986	0	n.s.
Other current assets	578	1,213	-52.3%
Cash and cash equivalents	15,735	17,107	-8.0%
CURRENT ASSETS	**299,892**	**266,150**	**12.7%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**612,312**	**565,780**	**8.2%**
Share capital	14,020	14,189	-1.2%
Share issue premium	30,165	41,844	-27.9%
Reserves	172,323	3,281	5152.1%
Treasury shares	-1,541	-3,728	-58.7%
Profit for previous years	57,554	197,561	-70.9%
Received from associates	0	0	n.s.
Result of the period	35,664	46,178	-22.8%
Less: Interim dividend	0	0	n.s.
Other equity instruments	0	0	n.s.
SHAREHOLDER'S FUNDS	**308,185**	**299,325**	3.0%
ADJUSTMENTS DUE TO CHANGE IN VALUE	**-827**	**-3,518**	-76.5%
SHAREHOLDERS' EQUITY	**307,358**	**295,807**	**3.9%**
Minority interest	0	0	n.s.
EQUITY	**307,358**	**295,807**	**3.9%**
Grants	2,254	3,440	-34.5%
Non-current provision	35,610	36,906	-3.5%
Non-current financial liabilities	73,509	45,603	61.2%
Financial debt	67,147	40,344	66.4%
Other financial liabilities	6,362	5,259	21.0%
Deferred tax liabilities	27,135	28,333	-4.2%
Other non-current liabilities	0	103	n.s.
NON-CURRENT LIABILITIES	**138,508**	**114,385**	**21.1%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	3,075	2,259	36.1%
Current financial liabilities	70,842	72,684	-2.5%
Financial debt	66,799	71,442	-6.5%
Other financial liabilities	4,043	1,242	225.5%
Trade creditor and other payable accounts	92,529	80,645	14.7%
Trade creditors	51,583	44,494	15.9%
Other creditors	37,880	31,740	19.3%
Current tax liabilities	3,066	4,411	-30.5%
Other current liabilities	0	0	n.s.
CURRENT LIABILITIES	**166,446**	**155,588**	**7.0%**
NET DEBT	**117,225**	**94,679**	**23.8%**

Unaudited data

Average exchange rates (Currency/€)

	9M08	9M07	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.522	1.344	13.2%
Canadian Dollar	1.549	1.485	4.3%
Mexican Peso	16.000	14.724	8.7%
Brazilian real	2.564	2.686	-4.6%
Czech crown	24.828	28.085	-11.6%
British Pound	0.782	0.677	15.6%
Polish Zloty	3.430	3.866	-11.3%
Serbian Dinar	80.254	79.950	0.4%

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