Viscofan

January - March 2009 Results



April 27th, 2009

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

Main Highlights of January-March 2009 Results

- +33% year-on-year Net profit growth in Q109, to €14.6 million.
- +25% year-on-year growth in Consolidated EBITDA to €32.2 million.
- A 22.5% consolidated EBITDA margin (+2.3 p.p. against Q108), driven by improved profitability in the casings division (+2.5 p.p. compared with Q108), where the quarterly EBITDA margin exceeded 25%.
- Strong consolidated revenues, growing by 12% on Q108 and boosted by expansion in all the Group's geographical areas.
- Results decline at the vegetable food division, IAN Group, affected by the scale of the economic crisis in Spain.
- Leverage[1] of 40.4%, even after increasing the interim dividend payment by 7.9%, which reflects the Company's solid financial situation.
- In the first quarter of 2009, despite the complicated global economic environment, recent years' efforts to boost margins and growth allowed a double-digit expansion in the main financial variables: revenues, Ebitda and net profit.

Key Events

- In January 2009, an interim dividend was distributed, charged to 2008 earnings, in a gross amount of €0.205 per share. This represented a 7.9% increase over the interim dividend charged to 2007 earnings, distributed the year before.
- In January 2009, capital increases were approved for Koteks Viscofan d.o.o. and Viscofan de México de S.R.L de C.V in respective amounts of €4 million and €6 million.
- In February 2009, the Board of Directors, on a proposal from the Appointments and Remuneration Committee, adopted the appointment of José Domingo Ampuero Osma as an independent member of the Board of Directors, to replace the late José María Cuevas Salvador. In addition, after a report from the Appointments and Remuneration Committee, it also adopted the appointment of Agatha Echevarría Canales and José Domingo Ampuero Osma as members of the Company's Executive Committee.

[1] Leverage = net debt / equity

1Q09 Consolidated Group Results

Viscofan Group Profit and loss account ('000 €)

	Jan-Mar' 09	Jan-Mar' 08	*Change*
Revenues	**142,979**	**127,860**	**11.8%**
Other operating income	964	577	67.1%
Self-constructed assets	55	132	-58.3%
Variation in stocks of finished products and work-in-progress	2,420	4,083	-40.7%
Net purchases	-41,025	-40,461	1.4%
Personnel expenses	-32,916	-32,637	0.9%
Other operating expenses	-40,544	-34,021	19.2%
Capital grants	221	183	20.8%
Impairment and results coming from disposals of non-current assets	31	68	-54.4%
Other results	0	0	n.s.
EBITDA	**32,185**	**25,784**	**24.8%**
Amortization and depreciation	-9,052	-9,022	0.3%
EBIT	**23,133**	**16,762**	**38.0%**
Financial incomes	140	289	-51.6%
Financial expenditures	-1,530	-1,682	-9.0%
Changes in reasonable value of financial instruments	0	121	n.s.
Exchange differences	-1,734	-568	205.3%
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	**-3,124**	**-1,840**	**69.8%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**20,009**	**14,922**	**34.1%**
Taxes	-5,381	-3,892	38.3%
Profit after taxes	**14,628**	**11,030**	**32.6%**
Minority interest	0	0	n.s.
NET PROFIT	**14,628**	**11,030**	**32.6%**

Unaudited data

In the first quarter of 2009, revenue equalled €143 million, some 11.8% more than the same period the previous year. This growth was driven by the casings division, which posted a 14.3% year-on-year growth rate, thus offsetting a slight decline of 1.5% in the vegetable food business against the first quarter of 2008.

The recent years' price recovery in the casings sector contributed favourably to this growth, as did the sale of electricity from the Spanish cogeneration plant and the US dollar's strength against the euro.

In Q109 the scarcity of certain raw materials used in artificial casings manufacturing pushed costs higher. This increase is reflected in a 6.1% year-on-year growth in consumption[2], to €38.6 million.

Efforts in the last year to boost the Company's productivity, cutting back the workforce at the Group (with 129 less staff than at end-March 2008) resulted in a slight increase of just 0.9% in the personnel costs against Q108, to €32.9 million.

Energy costs were 16.1% larger than in Q108, linked to higher gas consumption as a consequence of the capacity increase at the Spanish cogeneration plant.

Other operating expenses, at €40.5 million, were 19.2% higher than in the same quarter of 2008, due mainly to the abovementioned energy cost increase and expenses linked to centralising and unifying IT and other systems under the Be ONE corporate strategy.

The strength of revenues and productivity improvements fed through into EBITDA, which at €32.2 million was 24.8% greater than in the same period a year earlier. Thus the EBITDA margin, at 22.5%, 2.3 p.p. more than the year before, driven by the increase in the casing business's EBITDA margin against Q108 (+2.5 percentage points against Q108), which offset the decline in that of the vegetable food division (-0.7 p.p. vs. Q108).

EBIT increased by 38.0% to €23.1 million thanks to the improvement in EBITDA and stable amortisation and depreciation, which at €9.1 million was just 0.3% more than in Q108.

The net financial result came to -€3.1 million, compared with -€1.8 million in Q108. This was due mainly to greater exchange losses in the quarter (-€1.7 million compared with -€0.6 million in Q108), as a result of the US dollar appreciation against the euro compared with the exchange-rate hedges implemented. Gross financial expenses declined by 9.0% year-on-year thanks to interest-rate reductions in the US and Europe that are cutting the cost of financial liabilities.

Net financial debt[3] at 31 March 2009 amounted to €125.5 million, a €3.1 million increase over the end-2008 figure, mostly resulting from payment of the interim dividend (€9.6 million) in the first quarter and the larger value of US dollar debt due to the currency's appreciation against the euro. Leverage remained comfortable at 40.4% and was stable compared with end-2008's.

Cumulative profit before taxes exceeded €20.0 million, or 34.1% more than in Q108. This increase in profit before tax, together with a 26.9% effective tax rate, was reflected in the bottom-line, which at €14.6 million was 32.6% larger than the same period a year earlier.

[2] Consumption = variation in stock + net purchases
[3] Net debt = Non current loans + current loans - Cash and cash equivalents

Q109 Results: Casings

In thousand €

	Jan-Mar' 09	Jan-Mar' 08	*Change*
Revenues	**123,028**	**107,605**	**14.3%**
EBITDA	**31,218**	**24,667**	**26.6%**
Margin EBITDA	***25.4%***	***22.9%***	**2.5 p.p.**
EBIT	**22,695**	**16,190**	**40.2%**
Net profit	**14,416**	**10,360**	**39.2%**

Unaudited data

Despite the global economic uncertainty, the artificial casing market continues to demonstrate it soundness, with positive growth rates in the first quarter of the year. Against this backdrop, with the commercial discipline fostered by Viscofan, a key footprint on strategic markets, US dollar strength against the euro and new revenue coming from the sale of electricity in Spain, Viscofan's casings division was able to expand by 14.3% in the first quarter of 2009 against Q108, to €123.0 million. Of this figure, €4.4 million was obtained from the sale of electricity in Spain.

Performance by geographical area[4] was positive in all segments, particularly in North America, where sales growth outpaced the US dollar's 13.1% appreciation against the euro and totalled 23.7% against Q108. In Europe revenue grows by 11.1% year-on-year, and 4.5% in South America, where revenues were negatively affected by the Brazilian real's considerable weakness against the euro (-15.7% Q109 compared with Q108), excluding this effect, South America grows by double digits.

The unit price of the main raw materials for making artificial casings, mainly cellulose, collagen and manila hemp (this being used in manufacturing fibrous casings) pressured upward on the cost of net purchases, partly offset by a reduction in the price of glycerine and oil derivatives. Accordingly, the cost of consumption[5] recorded in Q109 equalled €25.9 million, some 9.6% more than in Q108.

The casing business's personnel cost totalled €30.8 million, 1.2% more than in the same period the year before. This represented 25.0% of the casing division's revenues, against 28.3% in Q108.

Operating expenses benefited from energy unit price declines and the first benefits of the energy saving plan introduced at the Group. However, energy costs did increase by 15.9% compared with the same period in 2008 due to the capacity increase at the Spanish cogeneration plant in 2H08.

The strength of revenues, together with the firm grip on operating expenses and in particular personnel costs and energy costs, contributed significantly to the casing division's EBITDA growth, which at €31.2 million meant a 26.6% improvement on the previous year. Thus the cumulative EBITDA margin for Q109 equalled 25.4%, or 2.5 percentage points more than in Q108.

Stable amortisation and depreciation (+0.5% against Q108) and the improvement in EBITDA fed through into significant EBIT growth of 40.2% against the first quarter of 2008, to €22.7 million.

Net profit for the period surged by 39.2% compared with the same period a year earlier, to €14.4 million.

[4] Revenue per origin of sales
[5] See note 2

Q109 Results: IAN Group

In thousand €

	Jan-Mar' 09	Jan-Mar' 08	*Change*
Revenues	19,951	20,255	-1.5%
EBITDA	967	1,117	-13.4%
Margin EBITDA	*4.8%*	*5.5%*	-0.7 p.p.
EBIT	438	572	-23.4%
Net profit	212	670	-68.4%

Unaudited data

In the first quarter of 2009, in the midst of economic crisis, IAN Group's revenues declined by just 1.5% against the same period a year earlier, to €20.0 million. This revenue level was achieved thanks to favourable developments in the sale of tomato-based products, which offset in part the sharp drop in asparagus sales.

Competitive pressures on the market, with the boost to sales of private label brands and sector overcapacity, are placing downward pressure on prices in the vegetable food sector. In this context, IAN's commercial discipline and its market positioning allowed a gross margin[6] of 36.6%, compared with 37.3% in Q108.

The EBITDA margin totalled 4.8%, against 5.5% in the same period a year earlier, with EBITDA itself amounting to around €1.0 million, or a 13.4% decline since Q108.

Amortization and depreciation was 2.9% less than in Q108 totalling €0.5 million. Nevertheless, the decline in EBITDA fed through into a 23.4% drop in EBIT against Q108, to €0.4 million.

Net profit for the period was €0.2 million, or a 68.4% reduction compared with Q108, due to the use of tax credits recorded in 2008.

[6] Gross margin = revenue + variation in stock – net purchases

APPENDIX

Consolidated balance sheets ('000 €)

	Mar '08	Dec '08	*Change*
Intangible assets	12,143	11,976	1.4%
Goodwill	0	0	n.s.
Others intangible asset	12,143	11,976	1.4%
Tangible assets	279,927	277,940	0.7%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	998	998	0.0%
Non-current financial assets	606	585	3.6%
Deferred tax assets	14,302	15,286	-6.4%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**307,976**	**306,785**	**0.4%**
Non-current assets held for sale	0	0	n.s.
Inventories	161,888	156,540	3.4%
Trade and other receivables	125,248	118,344	5.8%
Trade debtors	99,096	100,119	-1.0%
Other debtors	25,656	18,073	42.0%
Current tax assets	497	152	226.7%
Other financial current assets	431	612	-29.5%
Other current assets	759	172	341.3%
Cash and cash equivalents	10,930	14,014	-22.0%
CURRENT ASSETS	**299,257**	**289,682**	**3.3%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**607,233**	**596,467**	**1.8%**
Share capital	14,020	14,020	0.0%
Share issue premium	30,165	30,165	0.0%
Reserves	3,264	3,281	-0.5%
Treasury shares	-1,699	-1,699	0.0%
Profit for previous years	278,015	226,593	22.7%
Received from associates	0	0	n.s.
Result of the period	14,628	51,403	-71.5%
Less: Interim dividend	-9,554	0	n.s.
Other equity instruments	0	0	n.s.
SHAREHOLDER'S FUNDS	**328,840**	**323,763**	**1.6%**
ADJUSTMENTS DUE TO CHANGE IN VALUE	**-18,280**	**-20,488**	-10.8%
SHAREHOLDERS' EQUITY	**310,560**	**303,275**	**2.4%**
Minority interest	0	0	n.s.
EQUITY	**310,560**	**303,275**	**2.4%**
Grants	3,024	3,111	-2.8%
Non-current provision	35,140	35,393	-0.7%
Non-current financial liabilities	59,053	58,202	1.5%
Financial debt	53,962	53,151	1.5%
Other financial liabilities	5,091	5,051	0.8%
Deferred tax liabilities	27,345	28,272	-3.3%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**124,562**	**124,978**	**-0.3%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	5,289	4,569	15.7%
Current financial liabilities	87,642	87,429	0.2%
Financial debt	82,498	83,287	-0.9%
Other financial liabilities	5,144	4,142	24.2%
Trade creditor and other payable accounts	78,850	76,216	3.5%
Trade creditors	47,335	53,558	-11.6%
Other creditors	27,562	21,711	26.9%
Current tax liabilities	3,953	947	317.4%
Other current liabilities	331	0	n.s.
CURRENT LIABILITIES	**172,111**	**168,214**	**2.3%**
NET DEBT	**125,530**	**122,424**	**2.5%**

Unaudited data

Average exchange rates (Currency/€)

	1Q09	1Q08	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.302	1.499	-13.1%
Canadian Dollar	1.621	1.505	7.7%
Mexican Peso	18.716	16.196	15.6%
Brazilian real	3.012	2.604	15.7%
Czech crown	27.620	25.554	8.1%
British Pound	0.909	0.758	19.9%
Polish Zloty	4.483	3.574	25.4%
Serbian Dinar	93.612	82.159	13.9%

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