Viscofan

January – March 2012 Results



26th April 2012

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

Interim management report

Main highlights of the January-March 2012 results

- +13% in growth in consolidated revenues, amounting to €177.9 million, underpinned by strong volumes.
- +9% year-on-year consolidated EBITDA[1] growth to €42.8 million.
- +6% year-on-year net profit growth to €23.3 million.
- Works continue to build the new collagen extrusion plant in China, which is expected to be started up in the first quarter of 2013.
- Net financial debt[2] stands at €61.1 million, 0.5% down on the December figure, despite the investments made in the first quarter of the year.

1Q12 Consolidated Group Results

Viscofan Group consolidated income statement ('000 €)

	Jan-Mar' 12	Jan-Mar' 11	*Change*
Revenue	177,879	157,182	13.2%
EBITDA	42,848	39,147	9.5%
EBITDA margin	*24.1%*	*24.9%*	-0.8 p.p.
EBIT	31,633	29,251	8.1%
Net profit	23,286	21,889	6.4%

Viscofan Group consolidated revenue rose 13.2% on the first quarter of 2011 to €177.9 million, driven by 15.1% growth in the casings division and the 2.0% growth in the vegetable food business.

Stripping out the exchange rate effect[3], at March 2012 consolidated revenue growth grew by 11.9% compared to 1Q11.

Cost of consumption[4] in 1Q12 rose 20.5% year-on-year vs. 1Q11 to €56.0 million as a result of the sharp increase in unit raw material costs, particularly those deriving from cellulose and cogeneration gas.

The average headcount stands at 4,040, 4.9% more than at March 2011, largely due to the increased shifts at the converting factory in China and higher non-edible collagen production capacity in Serbia, and also

[1] EBITDA = Operating profit (EBIT) + Depreciation of property, plant and equipment
[2] Net financial debt = Long-term borrowings + Short-term borrowings – Cash and equivalents
[3] Growth at constant exchange rates: for comparative purposes, growth excluding foreign exchange differences excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US$ fluctuations on trade transactions
[4] Cost of consumption = change in inventories + net purchases. Since 2012, the net purchases figure has included energy consumption associated with electricity production from the cogeneration plants in Spain and Mexico, formerly recorded under Other operating expenses. The impact of this reclassification in 1Q11 is €7.2 million of higher costs of consumption and a lower figure in Other operating expenses.

the staff from Lingbao Baolihao Food Industrial Co. Ltd., an investment that has been fully consolidated since August 2011. As a result, first-quarter personnel expense rose 6.6% to €37.2 million.

Other operating expenses[4] climbed 11.3% to €42.8 million, driven by growth of 12.0% in energy costs.

In 1Q12, consolidated EBITDA of the Viscofan Group amounted to €42.8 million, 9.5% higher than 1Q11, thanks to the strong drive in revenues and volumes over the first months of the year. The EBITDA margin narrowed 0.8 p.p. to 24.1% due to the significant increase in the unit raw material and energy prices.

Stripping out the exchange rate effect, EBITDA growth was 5.1% compared to 1Q11.

Depreciation and amortisation charges amounted to €11.2 million (+13.3% vs. 1Q11), to leave EBIT of €31.6 million, i.e. year-on-year growth of 8.1%.

Net financial loss amounted to -€2.2 million vs. -€0.2 million in 1Q11 due to the impact of foreign exchange differences (-€1.7 million in 1Q12 against slightly positive in 1Q11).

Net financial debt stands at €61.1 million, 0.5% down on the December figure, despite the investments made in the first quarter of the year (€12 million), which include, inter alia, the works carried out for building the new collagen plant in China. As a result, the financial leverage[5] of the Viscofan Group was 12.9% compared to 13.7% in December 2011.

Profit before tax amounted to €29.4 million (+1.5% vs. 1Q11) which, with tax expenditure of €6.1 million, equivalent to an effective tax rate of 20.9%, leads to Net profit in 1Q12 of €23.3 million, 6.4% higher than the previous year.

1Q12 results: Casings

Casings income statement ('000€)

	Jan-Mar' 12	Jan-Mar' 11	*Change*
Revenue	**153,957**	**133,721**	**15.1%**
EBITDA	**41,376**	**37,723**	**9.7%**
EBITDA margin	***26.9%***	***28.2%***	**-1.3 p.p.**
EBIT	**30,902**	**28,455**	**8.6%**
Net profit	**22,826**	**21,323**	**7.0%**

The casings market has continued with the global growth trend observed in the previous year, with all segments reporting growth on 2011, especially in the collagen family.

The Viscofan Group has reported year-on-year revenue of 15.1% in the casings division, underpinned by improved customer service, allowing the company to meet the strong demand with new capacity installed the year before.

Revenues thus reach an all-time high of €154.0 million: €12.9 million of this balance came from cogeneration in Spain and North America (+28.8% vs. 1Q11); while casing sales amounted to €141.1 million, growth of 14.0% vs. 1Q11 driven by increased volumes in all the casings families (cellulose, collagen, fibrous and plastics) globally, but particularly in Asia and Latin America.

Stripping out the impact of the foreign exchange rates applied in consolidation, revenue in the casings division grew by 13.7%.

[5] Leverage = Net financial debt / Equity

The geographical breakdown of revenue[6] for the quarter was as follows:

- In Europe and Asia, revenue rose 17.7% on 1Q11 to €79.0 million.
- In North America, revenue was 14.5% higher, at €50.8 million.
- In Latin America, revenue rose 8.8% year-on-year to €24.2 million.

In this context of growth, the Viscofan Group is forging ahead with the implementation of its core expansion projects set out in the "Be MORE" plan, particularly works to build a new edible-collagen extrusion plant in China, which is expected to be started up in the first quarter of 2013, with capacity designed to improve service in the Chinese market and win market share in that country.

Costs for consumption[4] rose 30.7% to €41.2 million due, on the one hand, to increased sale volumes and, on the other, to the significant rise in unit raw material prices, especially those deriving from cellulose and polyamides, and the price of energy used in the cogeneration plants in Spain and North America. Due to these higher costs for consumption, together with the expansion in emerging areas, the gross margin[7] amounted to 73.2%, 3.2 p.p. lower than that of the previous year.

Personnel costs amounted to €34.6 million at 1Q12, 6.7% up on 1Q11. This growth has largely come about due to the increased average headcount associated with the capacity increase in China, with the new shifts, and the transfer of non-edible production in Serbia, in conjunction with the increased production capacity in Spain and Germany carried out during 2011.

Other Operating Expenses rose 12.0% vs. 1Q11 to €37.5 million, including a 11.2% rise in energy.

EBITDA for 1Q12 amounted to €41.4 million, 9.7% up on the previous year. Therefore, the strong volumes offset the substantial rise in energy prices and raw materials, which pushed the EBITDA margin to 26.9%, 1.3 p.p. lower than the 1Q11 figure.

Depreciation and amortisation charges amounted to €10.5 million (+13.0% vs. 1Q11), with EBIT of €30.9 million, 8.6% higher year-on-year.

First-quarter net profit in the casings division rose 7.0% year-on-year to €22.8 million.

[6] Revenues by origin of sales
[7] Gross margin = (Revenue – cost of consumption) / Revenue

1Q12 results: IAN Group

IAN Group income statement ('000€)

	Jan-Mar' 12	Jan-Mar' 11	*Change*
Revenue	**23,922**	**23,461**	**2.0%**
EBITDA	**1,472**	**1,424**	**3.4%**
EBITDA margin	***6.2%***	***6.1%***	**0.1 p.p.**
EBIT	**731**	**796**	**-8.2%**
Net profit	**460**	**566**	**-18.7%**

In what is a very adverse setting due to the economic crisis in Spain, the IAN Group continues to perform strongly, reporting positive year-on-year growth with a background of economic slowdown. Revenue in the vegetable food division rose 2.0% year-on-year to €23.9 million.

Once again, the strongest growth was in ready-made meals (+28% year-on-year), followed by a solid performance in the tomato division, offsetting the fall in asparagus sales, where Carretilla is still the undisputed leader in the Spanish market.

In this context, the IAN Group remains committed to its austerity and service quality policies, allowing it to raise its EBITDA margin 0.1 p.p. year-on-year to 6.2%; bringing its quarterly EBITDA to €1.5 million, 3.4% higher than in 1Q11.

First-quarter net profit fell by 18.7% year-on-year to €0.5 million.

APPENDICES

Significant events

- In its meeting of 29 February 2012, the Board of Directors resolved to propose a final dividend of €0.634 per share, to be paid from 5 June 2012 onwards, to the Shareholders Meeting to be held on 23 May 2012. Therefore, total shareholder remuneration amounts to a total of €1.00 per share, including the interim dividend of €0.360 per share paid on 22 December 2011, the aforesaid final dividend of €0.634 per share, and the attendance bonus of €0.006 per share. The remuneration proposed is 25.0% higher than the total remuneration of €0.80 approved last year.

Viscofan Group Profit and loss account ('000 €)

	Jan-Mar' 12	Jan-Mar' 11	*Change*
Revenues	**177,879**	**157,182**	**13.2%**
Other operating income	583	1,554	-62.5%
Self-constructed assets	102	61	67.2%
Variation in stocks of finished products and work-in-progress	-1,519	114	c.s
Net purchases	-54,453	-46,569	16.9%
Personnel expenses	-37,168	-34,857	6.6%
Other operating expenses	-42,758	-38,433	11.3%
Capital grants	187	114	64.0%
Impairment and results coming from disposals of non-current assets	-5	-19	-73.7%
Other results	0	0	n.s.
EBITDA	**42,848**	**39,147**	**9.5%**
EBITDA margin	*24.1%*	*24.9%*	*-0.8 p.p.*
Amortization and depreciation	-11,215	-9,896	13.3%
EBIT	**31,633**	**29,251**	**8.1%**
EBIT margin	*17.8%*	*18.6%*	*-0.8 p.p.*
Financial incomes	223	684	-67.4%
Financial expenditures	-680	-911	-25.4%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-1,735	17	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	**-2,192**	**-210**	**943.8%**
Profit from associated companies	0	-41	n.s.
Profit before taxes	**29,441**	**29,000**	**1.5%**
Taxes	-6,155	-7,111	-13.4%
Profit after taxes	**23,286**	**21,889**	**6.4%**
Minority interest	0	0	n.s.
Net profit	**23,286**	**21,889**	**6.4%**

Consolidated balance sheets ('000€)

	Mar '12	Dec '11	Change
Intangible assets	17,124	17,545	-2.4%
Goodwill	0	0	n.s.
Others intangible asset	17,124	17,545	-2.4%
Tangible assets	321,209	322,293	-0.3%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	587	838	-30.0%
Deferred tax assets	10,795	11,155	-3.2%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**349,715**	**351,831**	**-0.6%**
Non-current assets held for sale	0	0	n.s.
Inventories	183,523	175,076	4.8%
Trade and other receivables	154,198	141,470	9.0%
Trade debtors	132,979	124,014	7.2%
Other debtors	19,123	16,706	14.5%
Current tax assets	2,096	750	179.5%
Other financial current assets	9,545	11,515	-17.1%
Other current assets	4,437	2,656	67.1%
Cash and cash equivalents	13,776	14,748	-6.6%
CURRENT ASSETS	**365,479**	**345,465**	**5.8%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**715,194**	**697,296**	**2.6%**
Share capital	32,623	32,623	0.0%
Share issue premium	12	12	0.0%
Reserves	436,036	334,575	30.3%
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	23,286	101,245	-77.0%
Less: Interim dividend	-16,777	-16,777	0.0%
Other equity instruments	0	0	n.s.
SHAREHOLDER'S FUNDS	**475,180**	**451,678**	**5.2%**
Financial assets held for sale	0	0	n.s.
Hedge transaction reserves	101	-1,498	c.s.
Currency translation differences	49	-744	c.s.
Others	0	0	n.s.
ADJUSTMENTS DUE TO CHANGE IN VALUE	**150**	**-2,242**	c.s.
SHAREHOLDERS' EQUITY	**475,330**	**449,436**	**5.8%**
Minority interest	0	0	n.s.
EQUITY	**475,330**	**449,436**	**5.8%**
Grants	6,456	6,444	0.2%
Non-current provision	27,704	28,461	-2.7%
Non-current financial liabilities	23,507	22,059	6.6%
Financial debt	16,614	16,654	-0.2%
Other financial liabilities	6,893	5,405	27.5%
Deferred tax liabilities	26,296	26,692	-1.5%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**83,963**	**83,656**	**0.4%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	6,065	5,140	18.0%
Current financial liabilities	67,528	69,606	-3.0%
Financial debt	58,301	59,563	-2.1%
Other financial liabilities	9,227	10,043	-8.1%
Trade creditor and other payable accounts	82,304	89,458	-8.0%
Trade creditors	52,928	63,654	-16.9%
Other creditors	19,141	17,240	11.0%
Current tax liabilities	10,235	8,564	19.5%
Other current liabilities	4	0	n.s.
CURRENT LIABILITIES	**155,901**	**164,204**	**-5.1%**
NET BANK DEBT	**61,139**	**61,469**	**-0.5%**

Average exchange rates (Currency/€)

	1Q12	1Q11	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.311	1.367	-4.1%
Canadian Dollar	1.313	1.348	-2.6%
Mexican Peso	17.018	16.491	3.2%
Brazilian real	2.317	2.279	1.7%
Czech crown	25.080	24.373	2.9%
British Pound	0.835	0.853	-2.2%
Serbian Dinar	108.017	104.013	3.8%
Chinesse yuan remminbi	8.269	9.000	-8.1%

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