Viscofan
The casing company

January – December 2013 Results



27th February 2014

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

Management report

Key conclusions on the January-December 2013 results

- Growth of +1.7% in revenue, which amounts to 765.3 million euros, driven by the rise in casing sales volumes, and growth of 5.0% at constant exchange rates[1].
- Consolidated EBITDA falls -3.6% year on year[2] to 178.3 million euros, due to the impact of the cogeneration regulation. Stripping out that impact, EBITDA rose 1.9% against the previous year.
- Strong like-for-like margins[3], particularly in 4Q13, despite higher raw materials prices and the start-up of new projects.
- Net profit fell -3.4% year on year to 101.5 million euros, and up +3.4% year-on-year excluding the impact of the changes in the cogeneration regulation in Spain.
- In 2013, the Group successfully completed the start-up and capacity increase in China and began production tests in Uruguay.
- For José Domingo de Ampuero y Osma, the Chairman of Viscofan: "2013 has been a year of mixed feelings: on the one hand, the Group forges ahead with growth in our core business and operational improvements, putting us in a stronger position than we were at the end of 2012; on the other hand, the weak currencies and regulatory changes have prevented us from reaching guidance for 2013. Against this background, taking into account the strength of the balance sheet and expected growth, the Board of Directors has proposed that shareholder remuneration be increased by 1.8% against the previous year, to €1.12 per share".

2013 results, Consolidated Group

Viscofan Group consolidated income statement ('000 €)

	Jan-Dec' 13	Jan-Dec' 12	Change	Oct-Dec' 13	Oct-Dec' 12	Change
Revenue	**765,337**	**752,784**	**1.7%**	**186,560**	**189,985**	**-1.8%**
EBITDA	**178,316**	**185,033**	**-3.6%**	**42,227**	**45,513**	**-7.2%**
EBITDA margin	***23.3%***	***24.6%***	**-1.3 p.p.**	***22.6%***	***24.0%***	**-1.4 p.p.**
Cogeneration regulation impact *	-10,186	0	n.s.	-5,664	0	n.s
EBITDA pre-regulation *	188,502	185,033	1.9%	47,891	45,513	5.2%
EBITDA margin pre-regulation *	*24.4%*	*24.6%*	-0.2 p.p.	*25.0%*	*24.0%*	1.0 p.p.
EBIT	**129,941**	**140,023**	**-7.2%**	**30,106**	**34,734**	**-13.3%**
Net profit	**101,520**	**105,063**	**-3.4%**	**24,105**	**27,114**	**-11.1%**
Net Profit pre-regulation *	**108,650**	**105,063**	**3.4%**	**28,070**	**27,114**	**3.5%**

* This amount does not include the impact on EBITDA and net profit of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013.

[1] Constant exchange rate growth: For comparative purposes, growth stripping out 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 dollar fluctuations on trade transactions.

[2] EBITDA = Operating profit (EBIT) + depreciation of property, plant and equipment and amortisation of intangible assets.

[3] This amount does not include the impact on results of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013, and excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US dollar fluctuations on trade transactions.

In 2013, following the first two years of implementation of the Be MORE 2012-2015 plan, the upturn in the casings market has continued from 2011. Market growth is above the historical average due to globalisation and its impact on changes in urban living and the introduction of more animal protein into people's diets. In addition to these key factors, the meat processors pursue productivity improvements and savings in both developed and emerging markets, particularly against a backdrop of shrinking competitiveness due to higher labour costs and inflated raw material prices.

Consequently, the first half of the Be MORE period has focused on projects aimed at adapting to this new growth environment. Accordingly, the Group has gone to great lengths in terms of investments in human resources and new assets, where the two new collagen extrusion plants built have been particularly important: one in China, which was started up in the first quarter of 2013 to serve the local market, and another in Uruguay, which began to operate in the first quarter of 2014 to provide coverage to Latin America.

Thanks to these efforts aimed to capture the growth in the market, the Viscofan Group has been able to grow and to offset part of the impacts caused by a highly adverse setting prompted by the depreciation of the main trading currencies, an increase in the prices of the main production inputs and the new energy regulation in Spain. This is all happening during a period of expansion during which new material and human resources are being channelled into building new production plants, with all the associated start-up expenses.

Revenue of the Viscofan Group reached a new high of 765.3 million euros in 2013, up 1.7% year on year, completing the ninth successive year of growth. This performance is particularly positive taking into account that the new energy regulation developed through 2013 and the first months of 2014 has had a negative impact of 5.8 million euros on 2013 revenue. Not including this impact, consolidated revenue for 2013 rises by 2.4%.

Throughout 2013, and particularly in the latter half of the year, the main trading currencies used by the Viscofan Group fell against the euro. Stripping out the exchange rate effect, consolidated revenue at December 2013 has increased 5.0% against 2012.

Despite the Viscofan Group's solid performance over the year as a whole, the regulatory changes in the energy sector and the currency depreciation against the euro reduced organic growth by 4.1 p.p. Without these changes in the environment, organic growth would be up 5.8%.

The growth in consolidated revenue is largely due to the upturn in casing sales, which, except for cellulose, reported significant growth in all families (collagen, fibrous and plastic), amounting to 660.2 million euros in this division, 1.7% up against the previous year. The positive performance of the vegetable foods division also stands out, where income climbed 1.5% to 105.1 million euros driven by the Carretilla brand strength and exports.

Revenue for the quarter fell 3.4 million euros (-1.8% against the previous year) to 186.6 million euros. This figures includes the impact of 4.7 million euros lower revenue stemming from the application of the new energy regulation in Spain, and the erosion of 8.7 million euros due to the weakening of the main trading currencies. If we strip out these two impacts, consolidated revenue in 4Q13 still shows solid growth rates of 5.3% against 4Q12.

Also during 2013, continued the rises in the prices of certain raw materials, particularly collagen and cogeneration gas, bringing cost of consumption[4] in the year to 259.3 million euros, 6.5% higher than the same period of the previous year. This brought the gross margin[5] to 66.1% in 2013 compared with 67.7% for the same period last year. In quarterly terms, cost of consumption rose by 5.6% against the previous year to 65.6 million euros.

[4] Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.
[5] Gross margin = (Income – Cost of consumption)/Income.

The average headcount for the year stood at 4,660 employees, 6.5% higher than in 2012, although the employee benefits expense for 2013 is up 3.0% against the previous year to 154.8 million euros. This increase in staff is mainly due to growth in China, both in the casings division where personnel has grown by 50% in the new Suzhou collagen extrusion plant, and in the vegetable foods plant of the IAN Group in Lingbao (where production has been expanded to include pepper for the first time). In Spain, the average headcount has also increased by 16 people (+2.6%), due to international expansion support and corporate coordination tasks.

In a year of expansion, with higher sales and production activity, an increase in average staff and the start-up of new plants, the Viscofan Group team's productive improvements and the higher level of competitiveness achieved, meant the productivity ratio[6] fell by only 0.2 p.p. against 2012.

Personnel expenses in the quarter amounted to 37.8 million euros, 2.4% lower than in 4Q12, after withdrawing part of the resources relocated to China to commission the new plant in the final quarter of the previous year.

Cost containment and austerity policies are apparent in the performance of other operating expenses at December 2013, which amounted to 180.6 million euros, only 0.6% higher than 2012. This performance is underpinned by key factors such as the savings from the use of natural gas in the Mexico cogeneration centre, and operating improvements, enabling a higher volume and absorption of fixed costs despite inefficiencies associated with the logical learning curve in the new plant in China, start-up expenses for new installations in Uruguay, and the 4.4 million-euro increase in new cogeneration taxes throughout the year.

Underpinned by strong volumes, productive efficiencies and cost containment, the Group has been able to report EBITDA of 178.3 million euros, 3.6% less than in 2012, in spite of the particularly adverse setting due to the factors mentioned above: the weakness of the most important trading currencies, regulatory changes in cogeneration in Spain, higher raw materials prices, and the expansion costs associated with the start-up of new collagen extrusion plants in China and Uruguay.

Stripping out the exchange rate effect, aggregate EBITDA at December 2013 is up 0.3% against the previous year. Meanwhile, changes to cogeneration regulations in Spain have driven down consolidated EBITDA by 10.2 million euros, equivalent to 5.5 p.p. of the year-on-year growth.

In the quarter, consolidated EBITDA amounted to 42.2 million euros, 7.2% down on 4Q12, and +5.2% up not including the impact of 5.7 million euros caused by the new cogeneration regulation. In other words, like-for-like consolidated EBITDA[7] rose 9.4% year on year.

Growth in revenues and EBITDA at constant exchange rates would not have been possible if the Viscofan Group had not successfully anticipated the market's expected growth and rolled out the rapid expansion plan starting in late 2011 with the Be MORE strategic plan, which earmarked total investments of 175,6 million euros in the 2012-2013 period (101.6 million euros in 2013 and 74.0 million euros in 2012). Once the main projects are carried out, expected investments will fall in the 2014-2015 period.

These investments means also a higher volume of depreciation and amortisation charges, of 48.4 million euros in 2013 (+7.5% vs. 2012) and of 12.1 million euros in 4Q13 (+12.5% vs. 4Q12), bringing consolidated operating profit to 129.9 million euros in 2013 (7.2% lower than that reached in the previous year) and 30.1 million euros in 4Q13 (-13.3% vs. 4Q12).

[6] Productivity ratio = (Revenue – employee benefits expense)/revenue.

[7] This amount does not include the impact on results of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013 and excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US dollar fluctuations on trade transactions.

Net financial losses at the close of 2013 amounted to -3.3 million euros against losses of -7.0 million euros reported in 2012, due to the impact of lower exchange losses (-0.7 million euros in 2013 compared with -4.2 million euros registered in 2012).

Profit before tax stood at 126.6 million euros in 2013, with total taxes during the year of 25.1 million euros, with an effective tax rate of 19.8%.

The difference between the theoretical tax rate (30.0%) and the actual tax rate (19.8%) is largely due to the difference between the various tax rates of subsidiaries which do not have residency in Navarre (where Viscofan S.A. is registered for tax purposes) and pay tax in each of the countries in which they operate, applying the prevailing corporate income tax (or equivalent tax) rate to profits for the period in question and tax credits for investment in some of the Group subsidiaries.

Fiscal optimisation activities include the revaluation of the balance sheets at 31 December 2012 of Viscofan S.A. and Industrias Alimentarias de Navarra S.A.U. pursuant to laws applicable in Spanish territory. By applying the rates approved by the aforesaid laws, the Group has been able to reduce the corporate income tax expense by 2.8 million euros.

This leads to net profit of 101.5 million euros, 3.4% lower than in 2012. Net profit for 4Q13 amounts to 24.1 million euros, down 11.1% against the previous year.

A strong balance sheet and robust and improved operations have enabled the Group to successfully complete its core expansion projects. These projects include increases in Capex (101.6 million euros in 2013) and working capital (14.6 million euros of changes in working capital) without sacrificing higher shareholder remuneration, with the Viscofan Group paying out 51.5 million euros during 2013.

This brings net bank borrowings to 84.6 million euros, up 30.8% against December 2012 due to the aforesaid pace of investment and increased dividend payments. Thus, the Viscofan Group's financial leverage stood at 16.2% vs. 13.0% in December 2012.

Having considered the strong balance sheet, the operating improvements achieved, and the expected growth outlook for the coming year, the Board of Directors resolved at its meeting of February 27, 2014 to propose an 1.8% increase in total shareholder remuneration of 1.12 euros per share to the General Shareholders' Meeting, vs. 1.10 euros per share for the previous year, made up of:

- An interim dividend of 0.410 euros per share paid on December 23, 2013.
- A proposed final dividend of 0.704 euros per share to be paid on June 4, 2014 pending approval by shareholders.
- A per diem for attending the General Shareholders' Meeting of 0.006 euros per share.

2013 results: Casings

Casings income statement ('000€)

	Jan-Dec' 13	Jan-Dec' 12	Change	Oct-Dec' 13	Oct-Dec' 12	Change
Revenue	**660,201**	**649,176**	**1.7%**	**160,658**	**163,353**	**-1.6%**
EBITDA	**170,637**	**177,343**	**-3.8%**	**40,145**	**43,439**	**-7.6%**
EBITDA margin	***25.8%***	***27.3%***	**-1.5 p.p.**	***25.0%***	***26.6%***	**-1.6 p.p.**
Cogeneration regulation impact *	-10,186	0	n.s.	-5,664	0	n.s
EBITDA pre-regulation *	180,823	177,343	2.0%	45,809	43,439	5.5%
EBITDA margin pre-regulation *	*27.2%*	*27.3%*	-0.1 p.p.	*27.7%*	*26.6%*	1.1 p.p.
EBIT	**125,495**	**135,633**	**-7.5%**	**28,684**	**33,464**	**-14.3%**
Net profit	**96,845**	**101,200**	**-4.3%**	**22,723**	**25,827**	**-12.0%**
Net Profit pre-regulation *	**103,975**	**101,200**	**2.7%**	**26,688**	**25,827**	**3.3%**

* This amount does not include the impact on EBITDA and net profit of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013.

The artificial casings market continues to grow above its historical average, with estimated growth of around 5% to 6%. This performance is underpinned by solid foundations of population growth, eating habits and the search for higher productivities in the meat sector.

Against this background of growth, the Viscofan Group, now in the second year of the Be MORE 2012-2015 strategic plan, is moving in the right direction towards consolidating its global leadership in the casings market. In 2013, a new record was reached in sales volumes, productive improvements and cost control.

With that object in mind, the Group increased its productive capacity in 2013 with new machinery and technological improvement in existing plants. One part of the expansion plan is the Suzhou extrusion plant (China), which began production in the first quarter of 2013. Over the year, it ramped up its capacity to meet Chinese market demand (China is the largest consumer of collagen casings worldwide), where Viscofan is the second-ranking market operator by turnover. It is also important to highlight the work that has been also carried out for the start-up of the Uruguay extrusion plant, which began production tests in the fourth quarter with the aim of producing collagen casings for the Latin American market as from the first quarter of 2014.

Thanks to its foresight and the excellent productive performance of new capacity, Viscofan has proved able of meeting market demands with double-digit growth in collagen volumes, and positive performances in the fibrous and plastic segments.

This growth in casings volumes has not been entirely translated into revenues due to the impact of the new energy regulation in Spain, which reduced revenue by 4.7 million euros during the quarter and by 5.8 million euros over the year as a whole, as well as the weakness of the main trading currencies.

This brings quarterly revenue in the casings division to 160.7 million euros, 1.6% down against the previous year. Cogeneration contributes 9.4 million euros (-36.7% vs. 4Q12), and casings sales amount to 151.3 million euros (+1.9% vs. 4Q12).

In aggregate terms, revenue in the casings division is up 1.7% to over 660.2 million euros. Cogeneration accounts for 49.1 million euros of this amount (-9.8% vs. 2012) and casing sales for 611.1 million euros (+2.7% vs. 2012). This performance in casing sales was also affected by the significant depreciation in the US and Brazilian currencies. At constant exchange rates, casing sales not including cogeneration were up 6.9% against the previous year.

In terms of revenue by geographical areas [8], overall performance for the year is as follows:

- In Europe and Asia, revenue was up 4.5% against 2012 to 354.9 million euros, thus confirming Viscofan's healthy position in the European casings market, and also in the Chinese market, where Viscofan has achieved growth of over 10%.
- In North America, revenues have dropped 2.8% to 203.2 million euros, largely prompted by the 3.3% depreciation in the US dollar against the euro.
- In Latin America, revenues have increased 1.4% against the previous year to 102.1 million euros; a very significant rise taking into account the 13.8% depreciation of the Brazilian real against the euro.

Growth in volumes and revenues is coupled with significant pressure on raw materials costs, mainly collagen hides and gas for cogeneration in Spain. Costs of consumption during the year amount to 196.8 million euros, 7.3% higher than the previous year, reducing the gross margin by 1.6 p.p. to 70.2%.

During the quarter, costs of consumption are over 49.9 million euros, up 7.5% vs. 4Q12, bringing the gross margin to 68.9%, down 2.7 p.p. against 4Q12. The Group continues with its efforts to mitigate the significant increase in raw materials prices, seeking to develop new suppliers, both in new geographical areas and in countries where our presence is more consolidated.

It has been necessary to take on more employees due to the important strategic projects carried out, and the Group's organic expansion. The average headcount in the casings division stands at 3,955 people, 4.7% higher than in 2012, mainly due to the increase in staff in China and the corporate structure in Spain.

In spite of the increase in staff, the employee benefits expense rose 3.4% to 142.8 million euros in 2013, but were down 0.9% in 4Q13 vs. 4Q12 to 35.4 million euros.

Other operating expenses amount to 156.7 million euros for 2013 as a whole, 1.0% higher than the previous year, thanks to energy savings in Mexico, and to cost control, thus enabling the Group to offset the negative impact of the 4.4 million euros of new taxes on cogeneration (0.9 million euros registered in 4Q13). In 4Q13, other operating expenses amounted to 38.5 million euros, 3.0% down on the same period of the previous year.

Because of the changes to cogeneration regulations, EBITDA does not properly reflect the results obtained during the year. Annual EBITDA dropped 3.8% against the previous year to 170.6 million euros, and 7.6% in 4Q13 to 40.1 million euros. Without including the impact of the new regulation, EBITDA increased 2.0% in the year and rose 5.5% in 4Q13, with an EBITDA margin practically stable over the year (a significant improvement of 1.1 p.p. in the final quarter) in a very demanding setting of weak currencies, higher raw materials costs and the start-up of new operations.

At constant exchange rates, EBITDA for the casings division is up 0.4% against 2012 and 6.1% like-for-like growth.

The EBITDA margin for the year in the casings division stands at 25.8%, 1.5 p.p. down against the previous year, and 25.0% in 4Q13, (-1.6 p.p. vs. 4Q12). This fall is practically all due to the regulatory impact, and comes despite the internal improvement in the Group's operations in its core business.

The depreciation and amortisation charge stands at 11.5 million euros in 4Q13 (+14.9% vs. 4Q12) and 45.1 million euros in 2013 (+8.2% vs. 2012), reflecting the investments made in recent years, and leading to quarterly EBIT of 28.7 million euros (-14.3% vs. 4Q12) and an accumulated figure of 125.5 million euros (-7.5% vs. 2012).

[8] Revenue by origin of sales.

Internal operational improvements and growth in volumes, together with fiscal optimisation and the financial robustness of this division, have offset significantly the impacts stemming from the adverse environment. As a consequence, Net profit for 2013 amounts to 96.8 million euros, 4.3% down against the previous year. Net profit for 4Q13 stands at 22.7 million euros, -12.0% down against 4Q12.

2013 results: IAN Group

IAN Group income statement ('000€)

	Jan-Dec' 13	Jan-Dec' 12	*Change*	Oct-Dec' 13	Oct-Dec' 12	*Change*
Revenue	**105,136**	**103,608**	**1.5%**	**25,902**	**26,632**	**-2.7%**
EBITDA	**7,679**	**7,690**	**-0.1%**	**2,082**	**2,074**	**0.4%**
EBITDA margin	***7.3%***	***7.4%***	**-0.1 p.p.**	***8.0%***	***7.8%***	**0.2 p.p.**
EBIT	**4,446**	**4,390**	**1.3%**	**1,422**	**1,270**	**12.0%**
Net profit	**4,675**	**3,863**	**21.0%**	**1,382**	**1,287**	**7.4%**

During 2013, the vegetable food division has reported a strong performance considering the tough economic backdrop in its core market: Spain. In response to weak household consumption, distribution chains have focused on price in their sales strategies, so it has been very difficult to pass the increase in raw materials costs on through retail prices.

Against this backdrop, the IAN Group's strategy has been to safeguard its value and margins, using the strength of the Carretilla brand, diversification in its commercial portfolio, and the launch of new ready-made meal products, while searching for new international markets.

Net revenues were up 1.5% in 2013 to 105.1 million euros, 25.9 million euros (-2.7%) of which was in the final quarter.

The EBITDA margin stands at 7.3% for the year overall, down 0.1 p.p. against the previous year's figure, leaving EBITDA practically unchanged at 7.7 million euros. During the quarter, the success of the campaign brought about a slight improvement in the quarterly margin of 0.2 p.p. to 8.0%, enabling a slight improvement of 0.4% in quarterly EBITDA to 2.1 million euros.

On the back of strong operating results and the fiscal optimisation through the revaluation of assets carried out in Spain (+0.9 million euros in May 2013), the vegetable food division has been able to reach net profit of 21.0% higher than in the period through to December 2012, while net profit rose 7.4% during 4Q13 to 1.4 million euros.

Description of risks and uncertainties

The Viscofan Group has strengthened its earnings in a period of high volatility and uncertainty, and is well placed to tap into market growth in its core operations. However, it is important to bear in mind that because of the nature of its operations, the Group's activities are exposed to different types of risks. The Group manages risk through policies approved by the Board of Directors, which are outlined in the Annual Corporate Governance Report, the supervision of which is also entrusted to the Audit Committee.

APPENDICES

Significant events

- The Board of Directors, at its meeting on 28 February 2013, appointed Ms Agatha Echevarría as Second Vice-Chairwoman.

- In May 2013, the following resolutions, among others, were adopted at the General Shareholders' Meeting:

  - The meeting approved the balance sheet, income statement, statement of changes in equity, cash flow statement, proposed distribution of earnings including a final dividend of €0.694 per share, explanatory notes, management report including the annual report on corporate governance and management's performance, for Viscofan, S.A., as well as the consolidated statement of financial position, the consolidated income statement, the consolidated statement of total changes in equity, the consolidated cash flow statement, explanatory notes, management report and management's performance for the Viscofan Group, of which Viscofan, S.A. is the parent, for the year ended 31 December 2012.

    Bearing in mind the interim dividend of €0.40 per share paid on 20 December 2012, and the above mentioned final dividend of €0.694 per share paid on 4th June 2013, the proposed total remuneration per share, including the premium for attending the General Shareholders' Meeting of €0.006 per share, is €1.10 per share.

  - The meeting approved the revaluation of the Viscofan SA balance sheet to 31 December 2012 in application of Regional Law 21/2012, of 26 December, on the modification of various taxes and other tax measures.

  - The meeting resolved to appoint Ernst & Young, S.L. as auditors to review the financial statements of Viscofan, S.A. and the consolidated annual accounts of the business group of which Viscofan is the parent, for the fiscal year closing on 31 December 2013.

  - The meeting approved the adoption and application of recommendation 29 of the Unified Code of Good Governance of Listed Companies and subsequent amendment of article 27 of the Company Bylaws, related to the limit of 12 years for the Independent Directors.

  - The meeting approved the modification of the remuneration system of the Board of Directors with the subsequent amendment of articles 27 and 30 of the Company Bylaws.

  - The meeting resolved to renew, for the maximum term envisaged by law, and running from the date of the resolution, the authorisation for the Board of Directors to buy and sell treasury shares on the market at the listed share price on the day of the transaction, subject to the maximum number of shares permitted by the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital) and related legal provisions, with the minimum price being the par value and the maximum not exceed 15% of the value of the share price in the stock market at the time of the acquisition.

  - The meeting approved, by advisory vote, the report on the directors'compensation policy, pursuant to art. 61.3 "of the Securities Market Act.

- On January 31, 2014, the Spanish Cabinet approved a bill regulating the electricity sector in Spain introducing specific rules on the remuneration and profitability of cogeneration plants with retroactive effect to 2013. The application of this regulation and its impact on the financial statements was already included in the 2013 consolidated financial statements of the Viscofan Group.

- On February 27, 2014, the Board of Directors agreed to propose a final dividend of 0.704 euros per share to the General Shareholders' Meeting for payment on June 4, 2013. This brings total shareholder remuneration to a total of 1.12 euros per share, including the interim dividend of 0.410 euros per share paid on December 23, 2013, the aforesaid final dividend of 0.704 euros per share and the per diem of 0.006 euros per share for attending the General Shareholders' Meeting. This proposal is 1.8% higher than the total remuneration of 1.10 euros per share approved the previous year.

Viscofan Group Profit and loss account ('000 €)

	Jan-Dec' 13	Jan-Dec' 12	*Change*	Oct-Dec' 13	Oct-Dec' 12	*Change*
Revenues	**765,337**	**752,784**	**1.7%**	**186,560**	**189,985**	**-1.8%**
Other operating income	5,663	4,706	20.3%	2,481	2,193	13.1%
Self-constructed assets	955	428	123.1%	736	85	765.9%
Variation in stocks of finished products and work-in-progress	9,938	29,502	-66.3%	-993	29,325	c.s
Net purchases	-269,202	-272,943	-1.4%	-64,592	-91,402	-29.3%
Personnel expenses	-154,845	-150,319	3.0%	-37,824	-38,743	-2.4%
Other operating expenses	-180,565	-179,578	0.5%	-44,388	-45,887	-3.3%
Capital grants	962	843	14.1%	411	207	98.6%
Impairment and results coming from disposals of non-current assets	73	-390	c.s	-164	-250	-34.4%
Other results	0	0	n.s.	0	0	n.s.
EBITDA	**178,316**	**185,033**	**-3.6%**	**42,227**	**45,513**	**-7.2%**
EBITDA margin	*23.3%*	*24.6%*	*-1.3 p.p.*	*22.6%*	*24.0%*	*-1.4 p.p.*
Amortization and depreciation	-48,375	-45,010	7.5%	-12,121	-10,779	12.5%
EBIT	**129,941**	**140,023**	**-7.2%**	**30,106**	**34,734**	**-13.3%**
EBIT margin	*17.0%*	*18.6%*	*-1.6 p.p.*	*16.1%*	*18.3%*	*-2.2 p.p.*
Financial incomes	457	691	-33.9%	97	229	-57.6%
Financial expenditures	-3,080	-3,518	-12.5%	-610	-1,098	-44.4%
Changes in reasonable value of financial instruments	0	0	n.s.	0	0	n.s.
Exchange differences	-703	-4,201	-83.3%	111	-944	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.	0	0	n.s.
Financial results	**-3,326**	**-7,028**	**-52.7%**	**-402**	**-1,813**	**-77.8%**
Profit from associated companies	0	0	n.s.	0	0	n.s.
Profit before taxes	**126,615**	**132,995**	**-4.8%**	**29,704**	**32,921**	**-9.8%**
Taxes	-25,095	-27,932	-10.2%	-5,599	-5,807	-3.6%
Profit after taxes	**101,520**	**105,063**	**-3.4%**	**24,105**	**27,114**	**-11.1%**
Minority interest	0	0	n.s.	0	0	n.s.
Net profit	**101,520**	**105,063**	**-3.4%**	**24,105**	**27,114**	**-11.1%**

Consolidated balance sheets ('000 €)

	Dec '13	Dec '12	*Change*
Intangible assets	16,022	16,342	-2.0%
Goodwill	0	0	n.s.
Others intangible asset	16,022	16,342	-2.0%
Tangible assets	380,607	344,536	10.5%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	780	1,360	-42.6%
Deferred tax assets	14,554	11,023	32.0%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**411,963**	**373,261**	**10.4%**
Non-current assets held for sale	0	0	n.s.
Inventories	202,989	197,837	2.6%
Trade and other receivables	150,398	155,897	-3.5%
Trade debtors	123,640	133,563	-7.4%
Other debtors	25,561	20,011	27.7%
Current tax assets	1,197	2,323	-48.5%
Other financial current assets	5,937	3,412	74.0%
Other current assets	2,649	2,299	15.2%
Cash and cash equivalents	16,739	44,863	-62.7%
CURRENT ASSETS	**378,712**	**404,308**	**-6.3%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**790,675**	**777,569**	**1.7%**
Share capital	32,623	32,623	0.0%
Share issue premium	12	12	0.0%
Reserves	441,174	386,858	14.0%
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	101,520	105,063	-3.4%
Less: Interim dividend	-19,108	-18,641	2.5%
Other equity instruments	0	0	n.s.
SHAREHOLDER´S FUNDS	**556,221**	**505,915**	**9.9%**
Financial assets held for sale	0	0	n.s.
Hedge transaction reserves	217	1,125	-80.7%
Currency translation differences	-34,821	-8,471	311.1%
Others	0	0	n.s.
ADJUSTMENTS DUE TO CHANGE IN VALUE	**-34,604**	**-7,346**	371.1%
SHAREHOLDERS' EQUITY	**521,617**	**498,569**	**4.6%**
Minority interest	0	0	n.s.
EQUITY	**521,617**	**498,569**	**4.6%**
Grants	3,891	5,434	-28.4%
Non-current provision	20,632	26,772	-22.9%
Non-current financial liabilities	47,758	25,856	84.7%
Financial debt	35,670	19,000	87.7%
Other financial liabilities	12,088	6,856	76.3%
Deferred tax liabilities	22,549	25,315	-10.9%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**94,830**	**83,377**	**13.7%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	5,475	3,834	42.8%
Current financial liabilities	84,892	102,112	-16.9%
Financial debt	65,656	90,516	-27.5%
Other financial liabilities	19,236	11,596	65.9%
Trade creditor and other payable accounts	83,279	89,677	-7.1%
Trade creditors	61,367	62,458	-1.7%
Other creditors	17,447	17,784	-1.9%
Current tax liabilities	4,465	9,435	-52.7%
Other current liabilities	582	0	n.s.
CURRENT LIABILITIES	**174,228**	**195,623**	**-10.9%**
NET BANK DEBT	**84,587**	**64,653**	**30.8%**

Cash flow statments ('000 €)

	Jan-Dec' 13	Jan-Dec' 12	Change
Cash flows from operating activities	**123,783**	**104,212**	**18.8%**
Profit for the year before tax	**126,615**	**132,995**	**-4.8%**
Adjustments in results	**53,788**	**51,547**	**4.3%**
Amortisation and depreciation	48,375	45,010	7.5%
Others adjustments in results(net)	5,413	6,537	-17.2%
Changes in working capital	**-14,600**	**-43,467**	**-66.4%**
Other cash flows from operating activities	**-42,020**	**-36,863**	**14.0%**
Interest paid	0	0	n.s.
Dividend paid and other payments from others equity instruments	0	0	n.s.
Dividends received	0	0	n.s.
Interests received	0	0	n.s.
Proceeds/ (payments) from income tax	-34,668	-29,228	18.6%
Proceeds/(payments) from operating activities	-7,352	-7,635	-3.7%
Cash flows from investing activities	**-100,773**	**-58,290**	**72.9%**
Investment payments	**-103,538**	**-70,239**	**47.4%**
Group companies, associated & business units	0	0	n.s.
Acquisition of property, plant and equipment and intangible assets	-97,793	-69,238	41.2%
Other financial assets	-5,745	-971	491.7%
Other assets	0	-30	n.s.
Cash from disposals	**2,308**	**11,258**	**-79.5%**
Group companies, associated & business units	0	0	n.s.
Disposal of property, plant and equipment and intangible assets	1,381	274	404.0%
Other financial assets	927	10,984	-91.6%
Other assets	0	0	n.s.
Other cash flows from investing activities	**457**	**691**	**-33.9%**
Dividends received	0	0	n.s.
Interest received	457	691	-33.9%
Proceeds/(Payments) from others investings activities.	0	0	n.s.
Cash flows from financing activities	**-51,343**	**-15,781**	**225.3%**
Proceeds and payments from equity instruments	**0**	**0**	**n.s.**
Proceeds from issue of stock	0	0	n.s.
Cancellation and payments	0	0	n.s.
Acquisition	0	0	n.s.
Disposal	0	0	n.s.
Proceeds and payments from financial liabilities instruments	**-8,242**	**33,965**	**c.s.**
Proceeds from issue of financial liabilities instruments	81,864	54,039	51.5%
Refund, cancellation and payments	-90,106	-20,074	348.9%
Dividends paid and others payments from others equities instruments	**-51,450**	**-48,188**	**6.8%**
Others cash flows from financing activities	**8,349**	**-1,558**	**c.s.**
Interest paid	-2,251	-3,390	-33.6%
Others proceeds /(payments) from financing activities	10,600	1,832	478.6%
Effect of foreign exchange rate changes on collections and payments	**209**	**-26**	**c.s.**
Net increase (decrease) in cash and cash equivalents	**-28,124**	**30,115**	**c.s.**
Cash and cash equivalents at the begining of the period	**44,863**	**14,748**	**204.2%**
Cash and cash equivalent at the end of the period	**16,739**	**44,863**	**-62.7%**

Reporting exchange rates (Currency/€)

	Average (Currency/€)			End year (Currency/€)		
	2013	2012	% Change	2013	2012	% Change
Euro	1.000	1.000	0.0%	1.000	1.000	0.0%
US Dollar	1.328	1.286	3.3%	1.379	1.319	4.5%
Canadian Dollar	1.368	1.285	6.5%	1.467	1.314	11.7%
Mexican Peso	16.962	16.908	0.3%	18.073	17.185	5.2%
Brazilian real	2.857	2.510	13.8%	3.231	2.696	19.8%
Czech crown	25.987	25.143	3.4%	27.427	25.151	9.0%
British Pound	0.849	0.811	4.7%	0.834	0.816	2.2%
Serbian Dinar	113.094	112.999	0.1%	114.642	113.718	0.8%
Chinesse yuan remminbi	8.225	8.116	1.3%	8.419	8.318	1.2%
Uruguayan Peso	27.121	26.083	4.0%	29.546	25.598	15.4%

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