Viscofan
The casing company
40 YEARS

January – March 2015 Results



23rd March 2015

(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 2015 results

- **+35.8%** year-on-year growth in **net profit,** to €30.4 million.
- **+29.2%** growth in **recurring net profit**[1] excluding the net impact of the outsourcing of pensions in the US in March 2015.
- **+24.0%** year-on-year growth in **recurring EBITDA**[2] to €51.5 million, and €53.9 million in reported terms (+29.7% vs. 1Q14).
- Improvement in the **recurring EBITDA margin**[2] **to 28.6%** (+3.0 p.p. vs. 1Q14)
- **+11.1%** in year-on-year growth in **revenue** to €180.0 million.
- In March, Viscofan successfully completed the process to **sell the IAN Group**[3] to Portobello Capital Gestión, S.G.E.C.R., S.A., after accepting a new offer for an equity value of **€55.8 million** paid in cash on the date of signing the contract. This implies a capital gain after tax of €0.4 million.
- In the first quarter of 2015 an agreement was reached whereby the insurer Metropolitan Life Insurance Company (MetLife) undertakes the payment of the life annuities of pensioners under the "Hourly Employees" and "Salaried Employees" plans in the United States which represented a liability worth €47.6MM at the end of December 2014. This deal implies the payment of €7 million in cash to the insurer, having discounted the assets under the plan. The **outsourcing** of this **liability risk results in a positive non-recurring accounting impact of €2.4 million on operating profit** and of €1.5 million on profit after tax.
- **79.2% reduction in net bank debt**[4] to €15.5 million, compared with €74.6 million in December 2014, leaving a financial leverage ratio[5] of 2.5% (13.0% in December 2014).
- According to José Domingo de Ampuero y Osma, Chairman of Viscofan, "The results obtained in the first quarter consolidate the improvements achieved in 2014, and this, along with a more favourable currency backdrop, has translated into double-digit growth in revenue, EBITDA and net profit".

[1] Outsourcing of pensions in the US: In the first quarter of 2015 an agreement was reached whereby the insurer Metropolitan Life Insurance Company (MetLife) undertakes the payment of the life annuities of pensioners under the "Hourly Employees" and "Salaried Employees" plans. This deal implies a positive non cash profit of €2.4 million on operating profit and of €1.5 million on profit after tax.

[2] EBITDA = Operating Profit (EBIT) + Depreciation of Property, Plant and Equipment.

[3] In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". The IAN Group's assets and liabilities at the end of December 2014 have been classified as "Held for sale" on the Viscofan Group's consolidated balance sheet.

[4] Net bank debt = Non-current bank borrowings + current bank borrowings - Cash and cash equivalents.

[5] Financial leverage = Net bank debt/equity.

Consolidated 1Q15 Results

Viscofan Group 1Q15 consolidated income statement ('000 €)

	Jan-Mar' 15	Jan-Mar' 14	*Change*	*exforex change*
Revenue	180,046	162,124	11.1%	3.6%
Recurring EBITDA *	51,533	41,566	24.0%	12.6%
*Recurring EBITDA Margin**	*28.6%*	*25.6%*	3.0 p.p.	2.2 p.p.
Non recurring result *	2,389	0	n.s	
EBITDA	53,922	41,566	29.7%	
EBITDA Margin	*29.9%*	*25.6%*	4.3 p.p.	
EBIT	40,788	29,420	38.6%	
Net profit from continuing operations	30,034	21,863	37.4%	
Net profit from discontinued operations	411	550	-25.3%	
Net profit	30,445	22,413	35.8%	
Recurring Net profit *	28,960	22,413	29.2%	

*Non-cash operating profit of €2.4 million and €1.5 million net profit recorded in 1Q15 due to the outsourcing of the "Hourly Employees" and "Salaried Employees" pensions in the USA.

Revenue

The Viscofan Group's consolidated revenue in 1Q15 amounted to €180.0 million, an 11.1% increase on the previous year. By revenue type, casing sales rose 11.7% vs. 1Q14 to €169.9 million, and energy sales increased 1.2% vs. 1Q14 to €10.1 million.

This growth in revenue came on the back of the positive performance in all reporting regions. Accordingly, the geographical breakdown of revenue[6] in the first quarter of 2015 is as follows:

- In Europe and Asia, revenue totalled €96.7 million, up 8.5% against 1Q14, boosted by sales growth in both regions.
- In the US, personnel expenses stood at €53.3 million, 12.9% higher than in 1Q14.
- In Latin America, consolidated revenue increased by 16.7% in 1Q15 vs. 1Q14 to €30.1 million.

Organic revenue growth was in turn boosted by strengthening of the main trade currencies against the €, most notably the US$/€ and the CNY/€, which appreciated by 17.7% and 17.2%, respectively. Excluding the impact of exchange rate fluctuations[7], consolidated revenue in 1Q15 grew 3.6% compared with 1Q14.

Operating profit

Cost of consumption[8] in 1Q15 amounted to €44.5 million, 0.7% higher than in the same period of the previous year, driven by savings in raw materials.

Consequently, revenue growth coupled with cost cuts and commercial discipline in the first quarter translated into 14.9% year-on-year growth in the Gross Margin[9] to €135.6 million, implying an improvement of 2.5 p.p. in the gross margin over sales to 75.3%.

Throughout 2014 and in the first quarter of 2015, various recruitments were made in connection with the Be MORE expansion plan. Average workforce rose by 4.1% to 4,156 mainly driven by recruitments in China,

[6] Revenue by origin of sales

[7] Constant exchange rate growth: 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

[8] Cost of consumption = Supplies +/- Change in finished and work in progress products.

[9] Gross margin = Revenue – Cost of consumption

Uruguay and, early in the year, in Mexico, where a new facility is planned for the manufacture of plastic casings at the end of 2015. Accordingly, personnel costs grew 3.4% in 1Q15 vs. 1Q14 to €37.5 million.

In 1Q15, the reduction in energy costs coupled with savings from cogeneration in Germany pushed energy supply costs down 2.2% year-on-year. However, Other operating expenses in 1Q15 totalled €45.3 million, up 10.0% vs. 1Q14, pressured by stronger currencies against the €.

The increase in the gross margin, productivity improvements and lower energy costs all helped boost operating profitability, with the recurring EBITDA margin at 28.6% (+3.0 p.p. vs. 1Q14), reported EBITDA margin at 29.9% (+4.3 p.p. vs. 1Q14) including the positive accounting impact of the outsourcing of pension plans in the US[1].

Recurring EBITDA in the first quarter of 2015 amounted to €51.5 million (+24.0% higher than in 1Q14), and €53.9 million in reported terms (+29.7% vs. 1Q14). Stripping out the impact of foreign exchange rates[7], organic EBITDA[1] grew 12.6% year on year.

The robust performance by Revenue and EBITDA in the first quarter of the year boosted EBIT, which rose 38.6% against 1Q14 to €40.8 million, with depreciation expenses up +8.1% vs. 1Q14 to €13.1 million.

Net finance results

Net finance loss in 1Q15 amounted to €1.2 million, compared with a loss of €0.6 million in 1Q14. The finance expense totalled €1.0 million (€0.8 million in 1Q14) and exchange differences -€0.2 million (vs. €0 million in 1Q14).

Net profit and Tax

Profit before tax amounted to €39.6 million and in 1Q15 Corporate Income Tax amounted to €9.6 million, equivalent to a tax rate of 24.2% (+0.1 p.p. vs. the effective tax rate in 1Q14).

Accordingly, the Group recorded +37.4% growth in Net Profit from continuing operations in 1Q15 vs. 1Q14 to €30.0 million.

Including the €0.4 million in capital gains from the sale of the IAN Group recognised as profit from discontinued operations,[3] Net Profit attributed to the Viscofan Group amounted to €30.4 million in 1Q15 (+35.8% vs. 1Q14) and €29.0 million (+29.2%) in recurring terms[1].

Capex

Capex in 1Q15 totalled €10.2 million, similar to the €10.4 million booked in 1Q14, and in line with the goal of investing €60 million in 2015. The investment plan includes €10 million, for the new production plant for plastic casings in Mexico, where construction work has progressed, although the bulk of the investment will be concentrated in the second and third quarters of 2015, with the aim of bringing the plant on stream in the final quarter.

Financial liabilities

In order to reduce exposure to long-term financial risk arising from the US pension plans, on 6 February 2015, an insurer was selected to undertake the payment of life annuities to pensioners under the "Hourly Employees" and "Salaried Employees". The selection process involved nine insurance companies, and the winning bid was presented by Metropolitan Life Insurance Company (MetLife), for an overall amount of US$54.6 million. This amount, subject to immaterial final adjustments, implies a cash payment to the insurer of US$8 million, and has generated a non-recurring accounting profit of €2.4 million.

Furthermore, in the first quarter of the year a payment of€55.8 million was received from the sale of the IAN Group to Portobello Capital Gestión.

As a result, net bank debt diminished to €15.5 million, leaving financial leverage at 2.5%, compared with 13% in December 2014.

APPENDICES

Significant events

- On 10 March 2015, Viscofan S.A. successfully concluded the sale of IAN S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Peru, S.A, for an equity value of €55.8 million, to Servicios Compartidos de Industrias Alimentarias, S.L., a company managed by Portobello Capital Gestión, S.G.E.C.R., S.A. Since 2014, the IAN Group has been listed as a held-for-sale asset in accordance with the criteria provided in IFRS 5. Compared with the bid that expired on 23 February 2015, the new offer implied a capital gain after tax of €0.4 million for the consolidated Viscofan Group.

- On 26 February 2015, the Board of Directors agreed to propose to the General Shareholders' Meeting a final dividend of 0.724 per share, payable from 4 June 2015. This brings total shareholder remuneration to €1.18 per share, including the interim dividend of €0.450 per share paid on 29 December 2014, the aforementioned final dividend of €0.724 per share, and €0.006 per share as a bonus for attending the Shareholders' Meeting. The remuneration proposed is 5.4% higher than the total remuneration of €1.12 approved in the previous year.

Viscofan Group 1Q15 Profit and loss account ('000 €)

	Jan-Mar' 15	Jan-Mar' 14	*Change*
Revenues	180,046	162,124	11.1%
Other operating income	970	902	7.5%
Self-constructed assets	69	87	-20.7%
Variation in stocks of finished products andwork-in-progress	21,966	6,822	222.0%
Net purchases	-66,424	-50,988	30.3%
Personnel expenses	-37,517	-36,268	3.4%
Other operating expenses	-45,335	-41,224	10.0%
Capital grants	152	97	56.7%
Impairment and results coming from disposals of non-current assets	-5	14	c.s
Other results	0	0	n.s.
EBITDA	53,922	41,566	29.7%
EBITDA margin	*29.9%*	*25.6%*	*4.3 p.p.*
Non recurring*	2,389	0	n.s.
Recurring EBITDA *	51,533	41,566	24.0%
*Recurring EBITDA margin **	*28.6%*	*25.6%*	*3.0 p.p.*
Amortization and depreciation	-13,134	-12,146	8.1%
EBIT	40,788	29,420	38.6%
EBIT margin	*22.7%*	*18.1%*	*4.6 p.p.*
Financial incomes	52	180	-71.1%
Financial expenditures	-1,039	-784	32.5%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-164	-18	811.1%
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	-1,151	-622	85.0%
Profit from associated companies	0	0	n.s.
Profit before taxes	39,637	28,798	37.6%
Taxes	-9,603	-6,935	38.5%
Profit after taxes from continued operations	30,034	21,863	37.4%
Profit after taxes from interrupted operations	411	550	-25.3%
Net profit	30,445	22,413	35.8%
Recurring Net profit *	28,960	22,413	29.2%

*The figures exclude the non-recurring accounting profit of €2.4 million recorded in 1Q15 as a result of outsourcing the US pensions.

Consolidated balance sheets ('000 €)

	Mar '15	Dec '14	*Change*
Intangible assets	14,442	13,550	6.6%
Goodwill	0	0	n.s.
Others intangible asset	14,442	13,550	6.6%
Tangible assets	392,808	380,963	3.1%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	1,192	619	92.6%
Deferred tax assets	19,863	18,046	10.1%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	428,305	413,178	3.7%
Non-current assets held for sale	0	90,113	n.s.
Inventories	207,553	189,085	9.8%
Trade and other receivables	163,629	155,397	5.3%
Trade debtors	134,354	124,745	7.7%
Other debtors	25,256	25,394	-0.5%
Current tax assets	4,019	5,258	-23.6%
Other financial current assets	744	1,019	-27.0%
Other current assets	6,004	2,506	139.6%
Cash and cash equivalents	73,378	25,601	186.6%
CURRENT ASSETS	451,308	463,721	-2.7%
TOTAL ASSETS= EQUITY AND LIABILITIES	879,613	876,899	0.3%
Share capital	32,623	32,623	0.0%
Share issue premium	12	12	0.0%
Reserves	588,040	483,283	21.7%
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	30,445	106,452	-71.4%
Less: Interim dividend	-20,972	-20,972	0.0%
Other equity instruments	0	0	n.s.
SHAREHOLDER´S FUNDS	630,148	601,398	4.8%
Financial assets held for sale	0	0	n.s.
Hedge transaction reserves	-7,551	-4,913	53.7%
Currency translation differences	1,666	-20,618	c.s.
Others	0	0	n.s.
ADJUSTMENTS DUE TO CHANGE IN VALUE	-5,885	-25,531	-76.9%
SHAREHOLDERS' EQUITY	624,263	575,867	8.4%
Minority interest	0	0	n.s.
EQUITY	624,263	575,867	8.4%
Grants	4,106	2,280	80.1%
Non-current provision	22,633	30,888	-26.7%
Non-current financial liabilities	45,077	45,231	-0.3%
Financial debt	33,080	33,154	-0.2%
Other financial liabilities	11,997	12,077	-0.7%
Deferred tax liabilities	22,335	21,467	4.0%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	94,151	99,866	-5.7%
Liabilities linked to non-current assets held for sale	0	34,814	n.s.
Current provisions	6,134	4,976	23.3%
Current financial liabilities	78,486	85,039	-7.7%
Financial debt	55,833	67,059	-16.7%
Other financial liabilities	22,653	17,980	26.0%
Trade creditor and other payable accounts	76,035	75,818	0.3%
Trade creditors	47,805	48,101	-0.6%
Other creditors	14,277	18,253	-21.8%
Current tax liabilities	13,953	9,464	47.4%
Other current liabilities	544	519	4.8%
CURRENT LIABILITIES	161,199	201,166	-19.9%
NET BANK DEBT	15,535	74,612	-79.2%

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	1Q15	1Q14	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.127	1.370	-17.7%
Canadian Dollar	1.397	1.511	-7.6%
Mexican Peso	16.834	18.132	-7.2%
Brazilian real	3.221	3.238	-0.5%
Czech crown	27.627	27.442	0.7%
British Pound	0.744	0.828	-10.2%
Serbian Dinar	121.518	115.728	5.0%
Chinesse yuan remminbi	6.942	8.388	-17.2%
Uruguayan Peso	27.907	30.400	-8.2%

End period (Currency/€)

Mar 15	Dec 14	% Change
1.000	1.000	0.0%
1.076	1.214	-11.4%
1.374	1.406	-2.3%
16.512	17.868	-7.6%
3.452	3.225	7.0%
27.533	27.735	-0.7%
0.727	0.779	-6.6%
120.215	120.958	-0.6%
6.665	7.456	-10.6%
27.660	29.586	-6.5%

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