Viscofan
The casing company

January-September 2013 Results



Disclaimer

This document may contain additional non-compulsory forward-looking statements on intentions or expectations of the Company as of the date of its publication whose only purpose is to provide further information on perspectives on future performance.

Such forward-looking statements do not constitute any guarantee of future performance and involve risks and uncertainties as well as other important factors that could cause actual developments or results to differ essentially from those expressed in our forward-looking statements.

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The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited and, therefore, subject to potential future modifications.

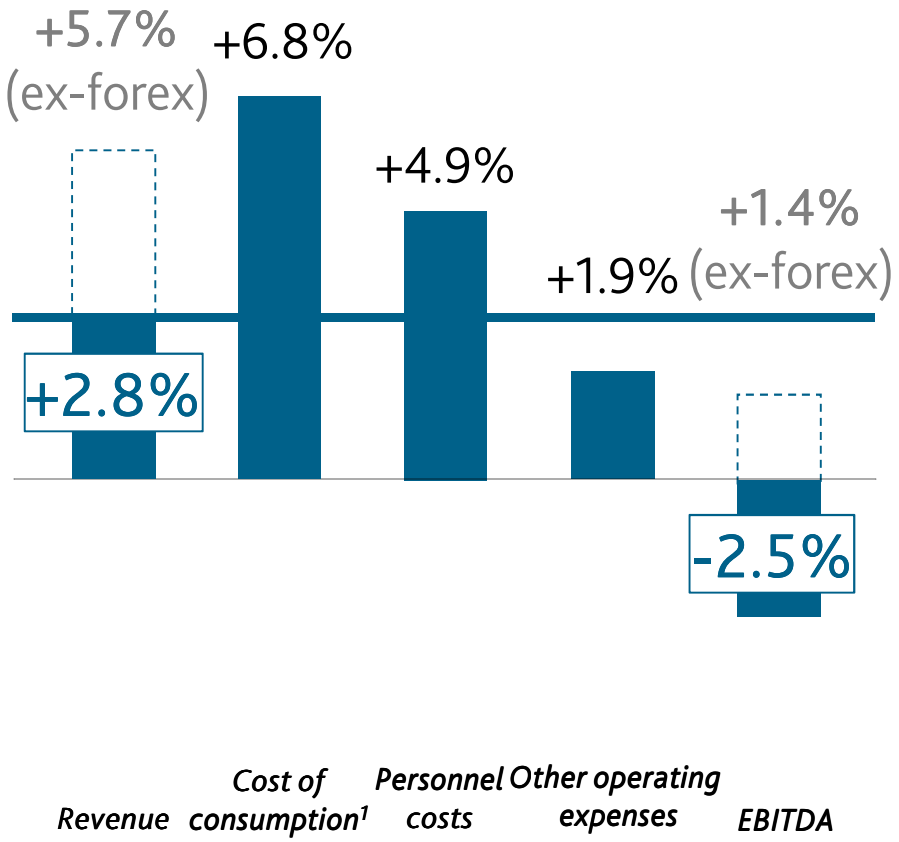
Quarterly evolution negatively affected by the depreciation of main trading currencies, higher raw material prices and energy.

MM €	*9M13*	*% y-o-y*	% y-o-y ex-forex[1]	3Q13	% y-o-y
Revenue	578.8	+2.8%	+5.7%	191.3	-0.3%
EBITDA	136.1	-2.5%	+1.4%	44.3	-8.6%
EBITDA Margin	*23.5%*	*-1.3 p.p.*	*-1.0 p.p.*	*23.1%*	*-2.1p.p.*
EBIT	99.8	-5.2%		32.1	-12.6%
PBT	96.9	-3.2%		29.7	-12%
Net Profit	77.4	-0.7%		23.6	-10.8%

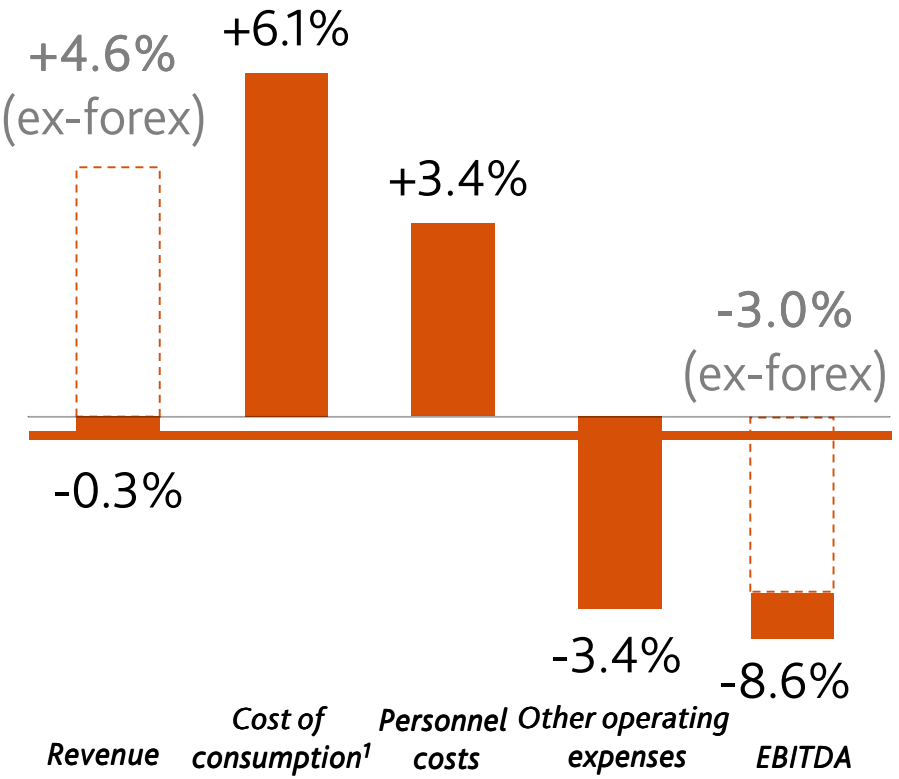
1 For comparative purposes, growth excluding foreign exchange differences excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US$ fluctuations on trade transactions.

Organic growth and control of operational costs (personnel and efficiencies) remains stable, but the pressure on cost of raw materials and energy continues.

9M13. % y-o-y

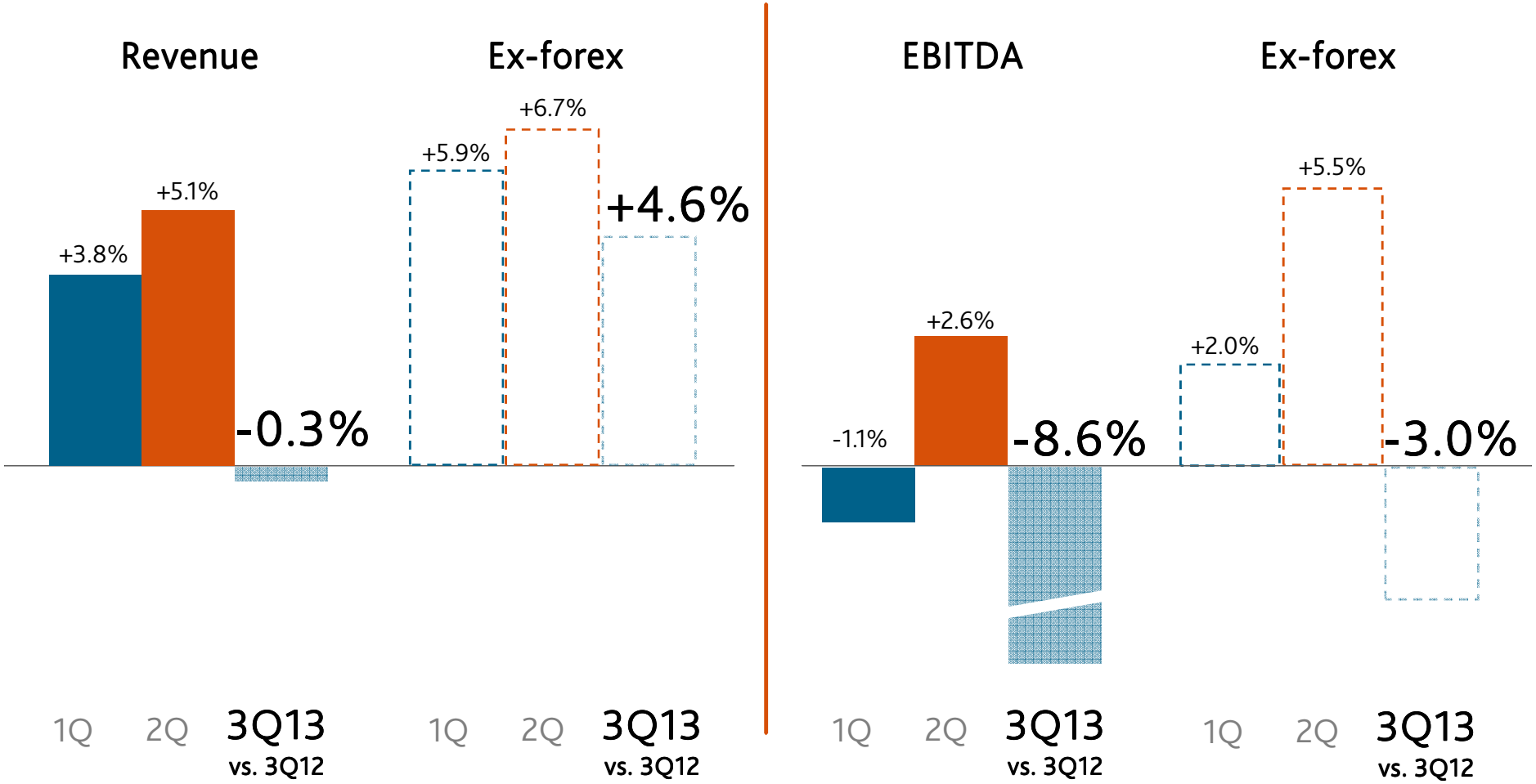


3Q13. % y-o-y

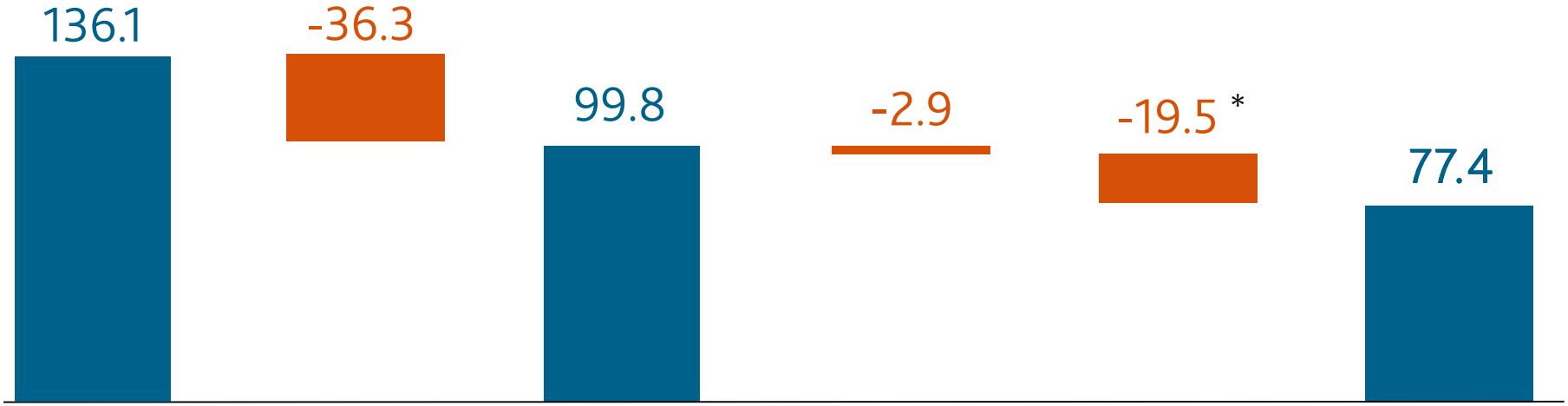


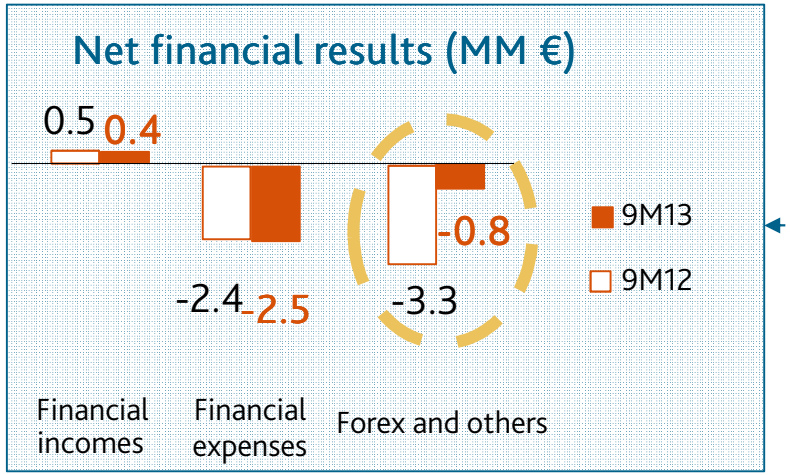
1 Net purchases +/- Change on inventories

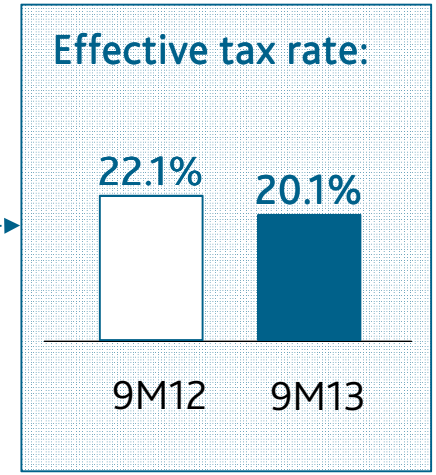
Revenue growth led by casings division volumes… not transferred to EBITDA due to weak currencies, inflation of raw materials and co-generation regulation.



Lower exchange differences and fiscal optimization are transferred to Net profit.

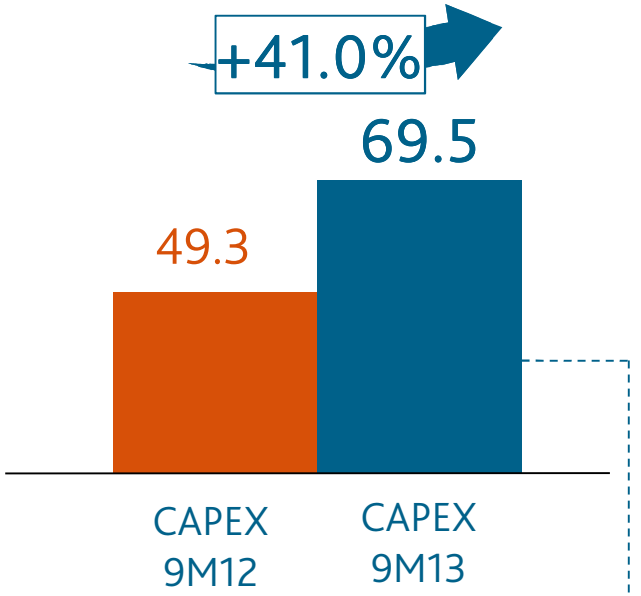




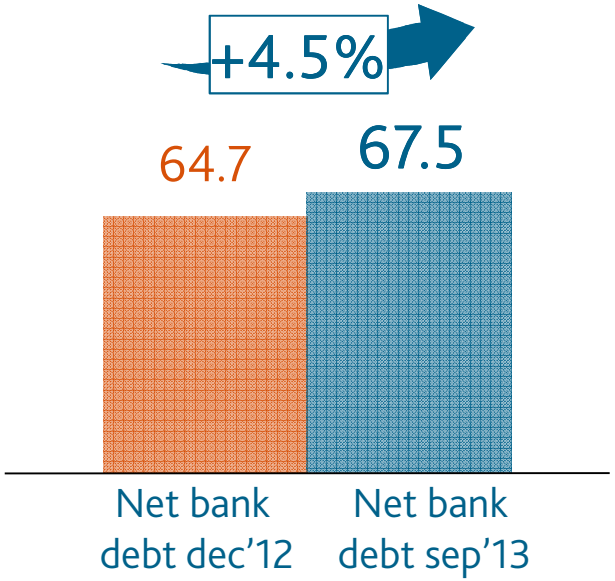


* Includes 2.8 MM€ corresponding to tax benefit of balance sheet revaluation performed in 1H13.

Solid balance sheet and strong operations to finance the expansion plan (both capex and working capital) and dividends payment.



- Building a new facility in Uruguay.
- Production capacity increase in China.
- Improvements on Energy in Mexico and Germany.
- Production improvements.



- Financial leverage remains stable in 13%
- Dividends payment.
- Positive evolution of working capital.

Casing business



CASINGS

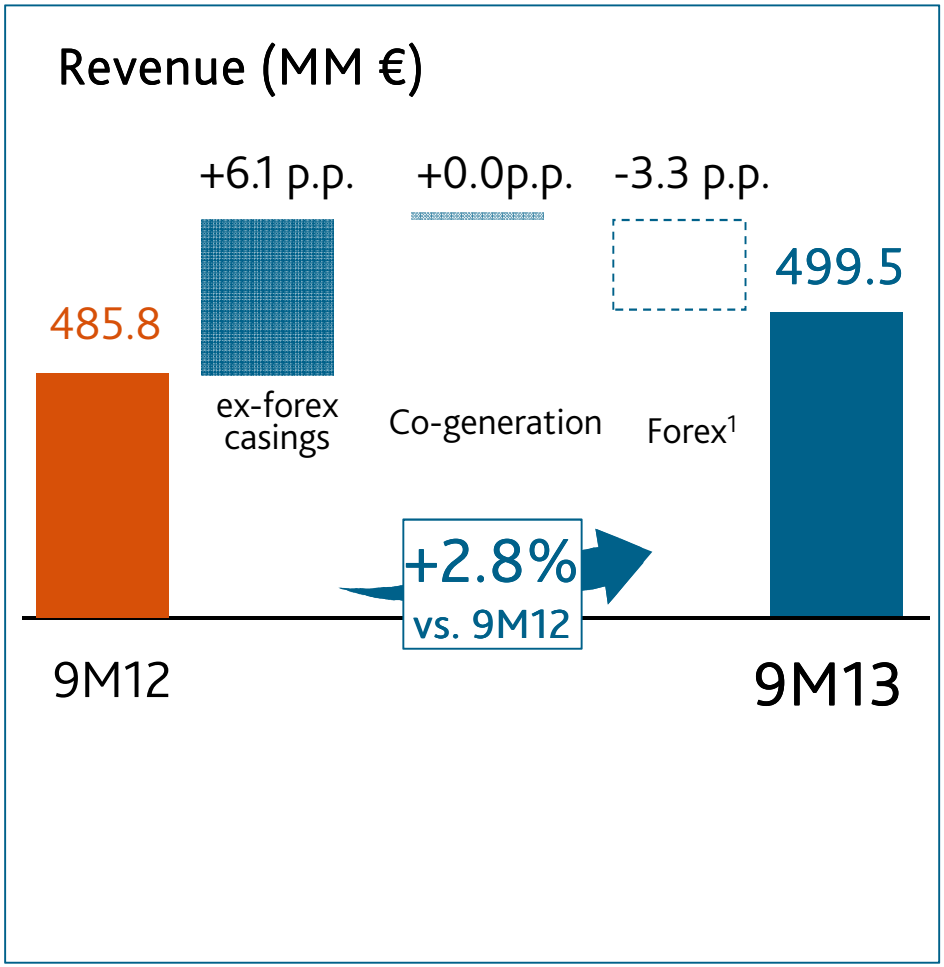
Viscofan continues capturing market growth, but this is not transferred to revenue and EBITDA because of weakness in main currencies, energy regulation in Spain and raw material inflation.

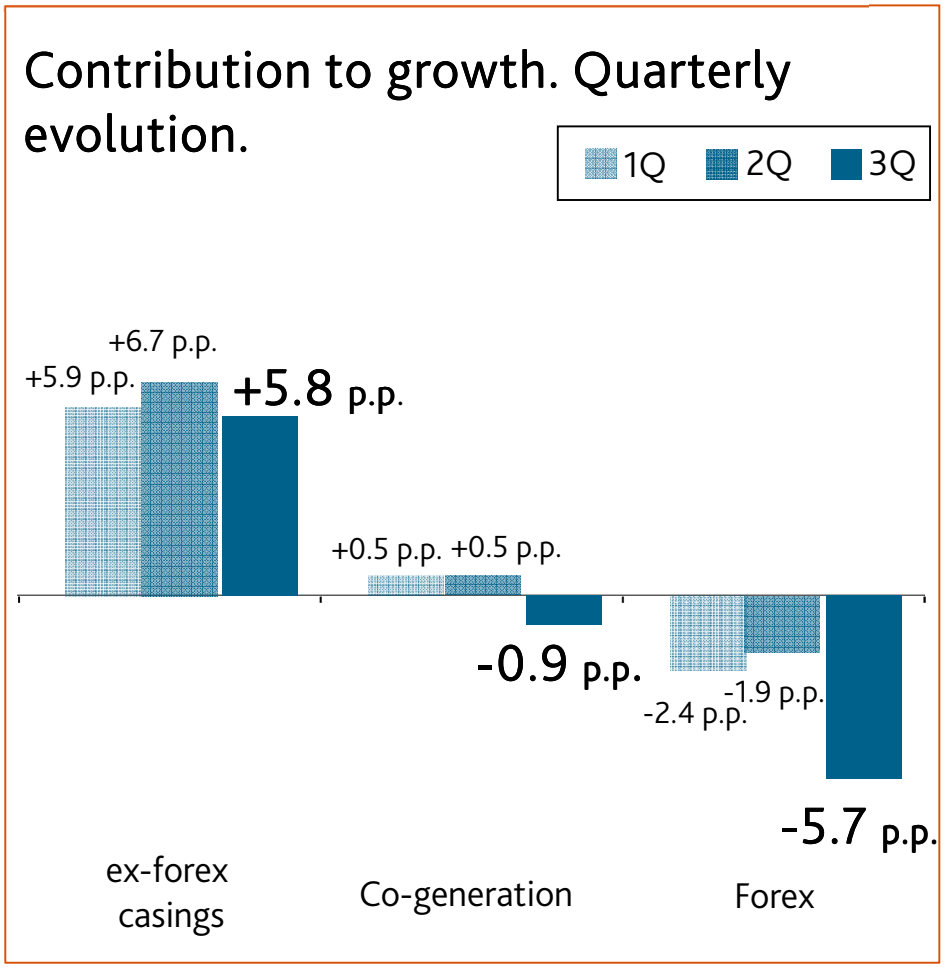
MM €	9M12	Organic growth	Forex	RDL *	9M13
Revenue	485.8	+31.0 (+6.4%)	-16.2	-1.1	499.5 (+2.8%)
EBITDA	133.9	+6,9 (+5.2%)	-5.4	-4.9	130.5 (-2.5%)

* Since the entry into force of Law 15/2012 in January 2013, co-generation activity has higher taxes on electricity sales and gas purchases . Furthermore, since July 2013, the new RD 9/2013 has abolished the price bonuses for reactive and efficiency power.

CASINGS

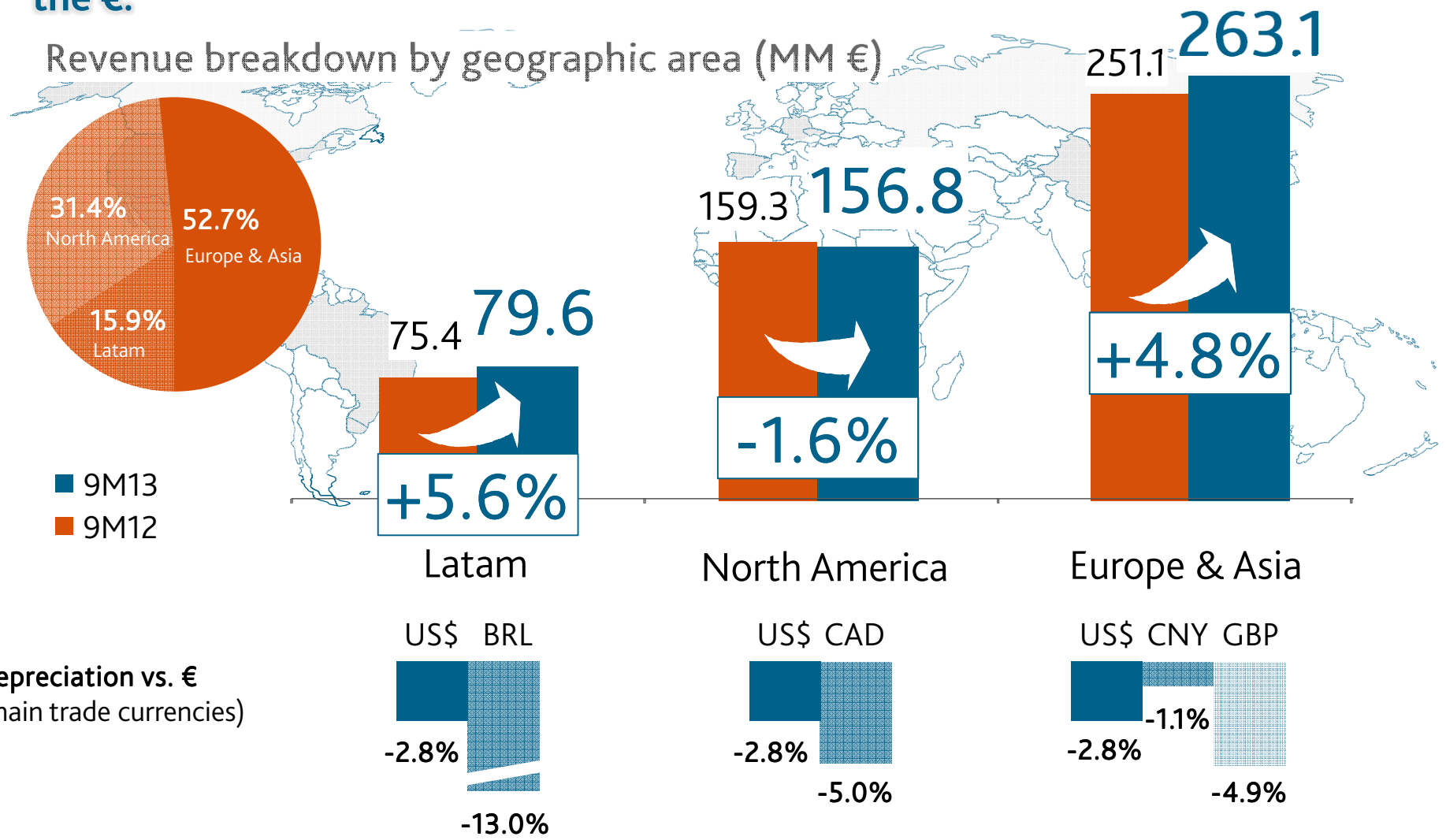
Positive year on year performance on revenue, driven by casings volumes (especially on collagen family)… but eroded in 3Q13 by currencies and co-generation…





1 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.

… that has not prevented to achieve significant growth in emerging areas, in an environment in which almost all trade currencies have depreciated against the €.

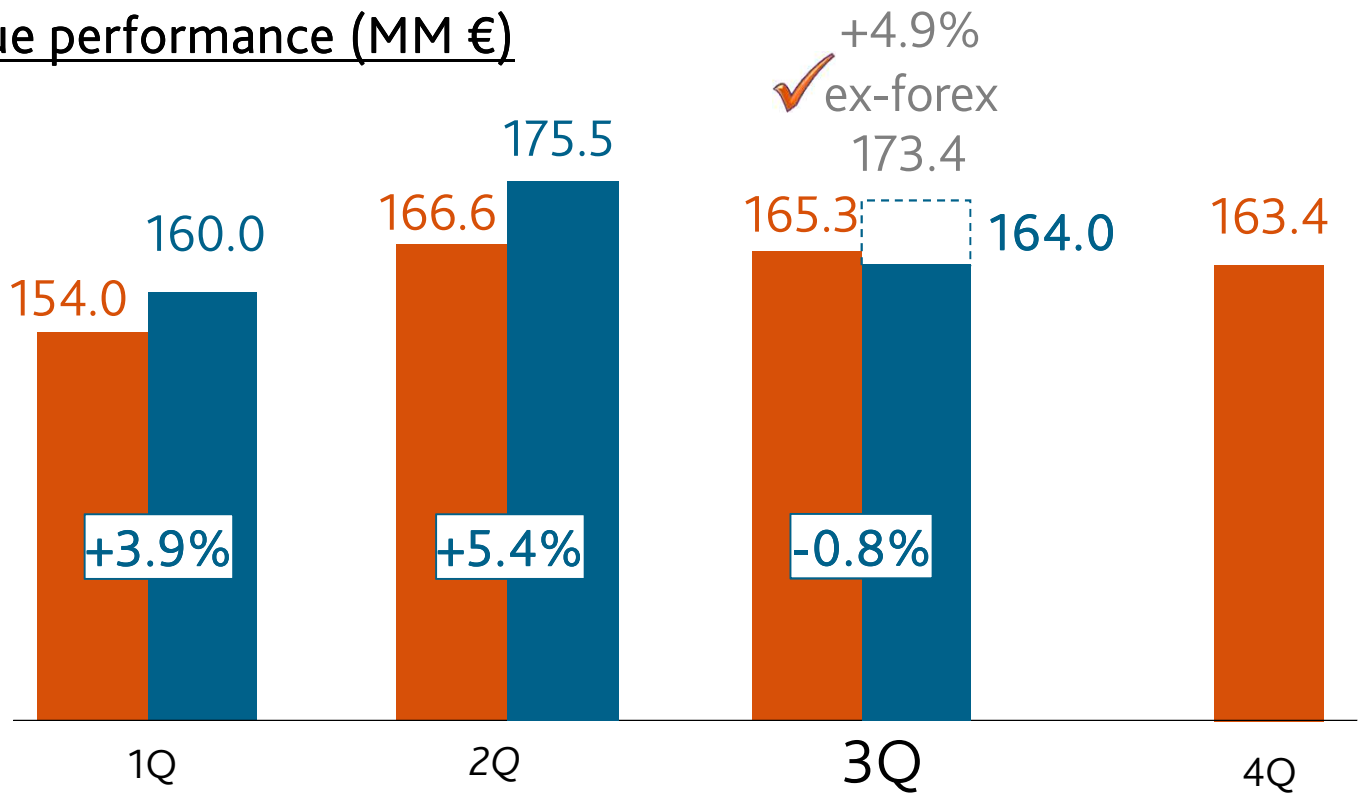


[1] Revenue per origin of sales

CASINGS

Reporting in the quarter lower revenues than expected, despite y-o-y improvement on volumes and price mix…

Revenue performance (MM €)

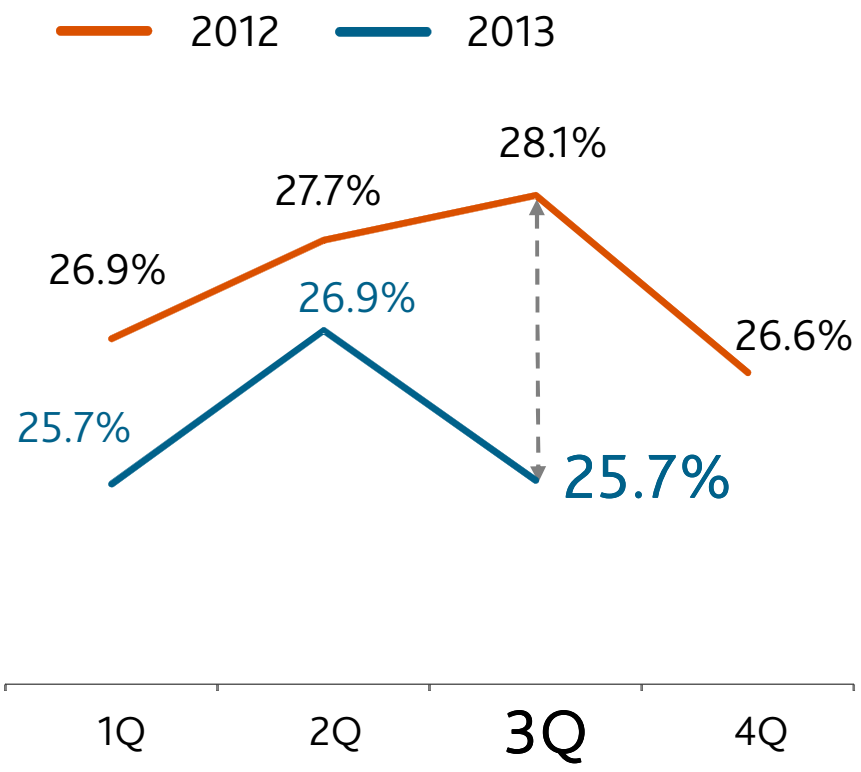


Casings	*+3.7%*	*+5.3%*	*+0.2%* ✓	+6.3% ex-forex
Co-generation	*+5.8%*	*+6.8%*	*-11.0%* ✗	

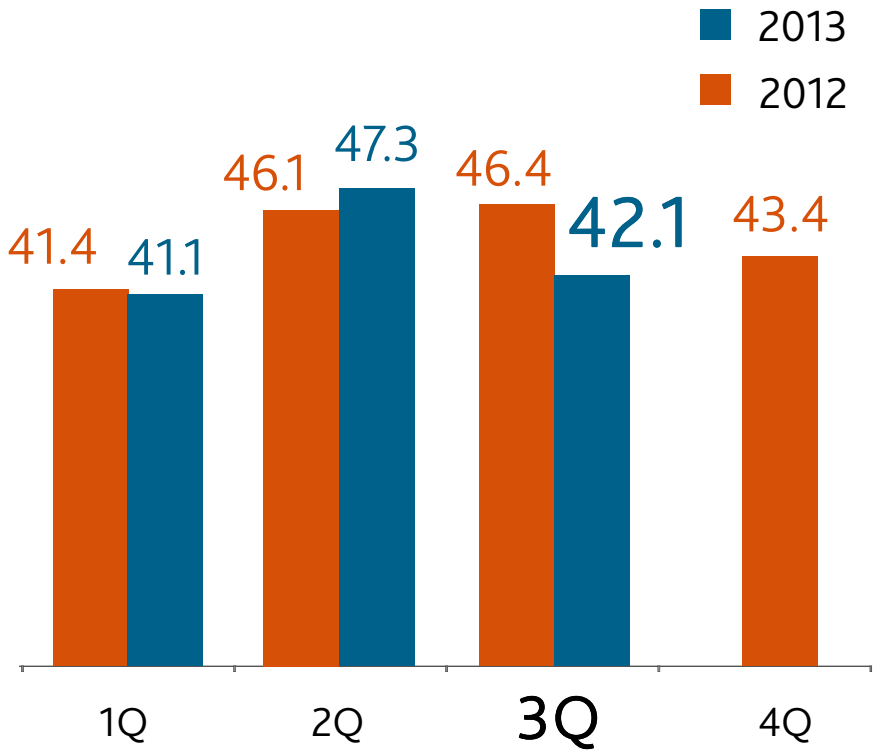
CASINGS

… in a costs scenario (start-up in China, collagen hides prices and new co-generation taxes) that erode margin evolution…

Quarterly EBITDA margin



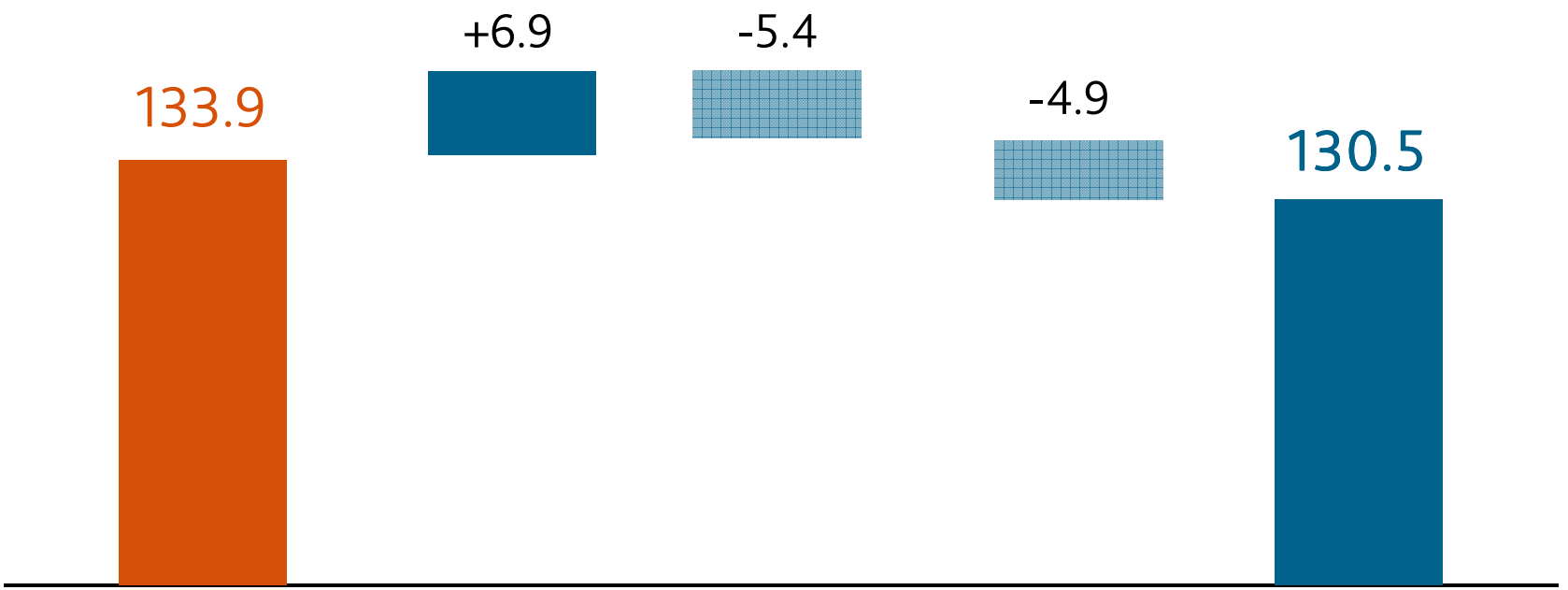
Quarterly EBITDA (MM €)



CASINGS

… and however, the strength and operational improvements of the division enable to partially offset the erosion on profitability.

Cumulative EBITDA (MM €)

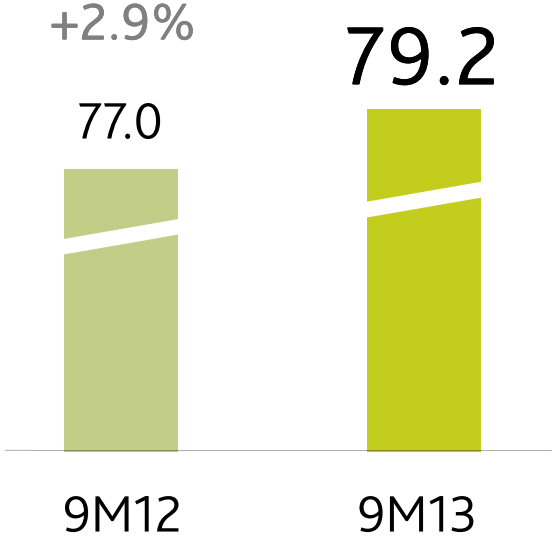


(+5.1 p.p.) (-4.0 p.p.) (-3.6 p.p.) (-2.5%)

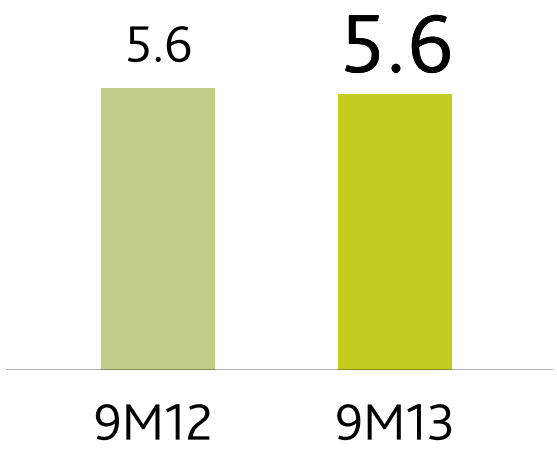


Increasing revenue backed by Carretilla brand strength, the search for new export markets and portfolio diversification.

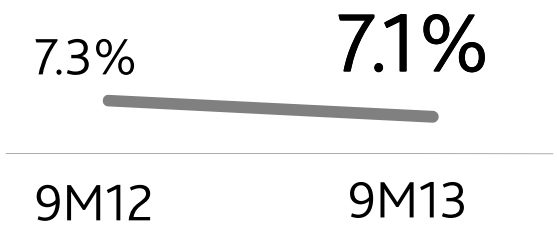
Revenue (MM €):
+2.9%



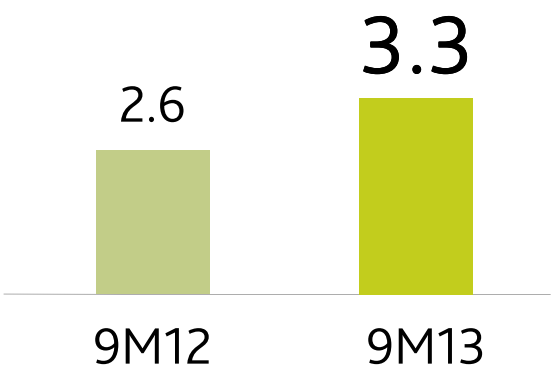
EBITDA (MM €):
-0.3%



EBITDA margin



Net profit (MM €):
27.9%



✓ To sum up

- Viscofan Group keeps the growth trend in an environment of **market growth**, particularly in emerging areas.
- Margin pressure due to **raw material prices**, **co-generation** taxes and **currency** weakness (BRL & US$), which have worsened quarterly growth, although the Group keep positive organic annual growth rates.
- On track to fulfil the **investment plan for the year (€100MM)**, backed by volume growth, the correct progression on the start up projects and growth perspectives
- **The weakness and volatility of currency** in third quarter and early fourth quarter, **makes difficult the achievement of announced targets** for the year end.
- **Financial strength** has helped to optimize operations, to grow and remunerate shareholders, and also to keep the necessary flexibility to face the volatility of the environment, the expected inflation from input costs, and the growth opportunities that the artificial casings market provides.