Viscofan
The casing company

January-December 2013 Results

28th February 2014



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.

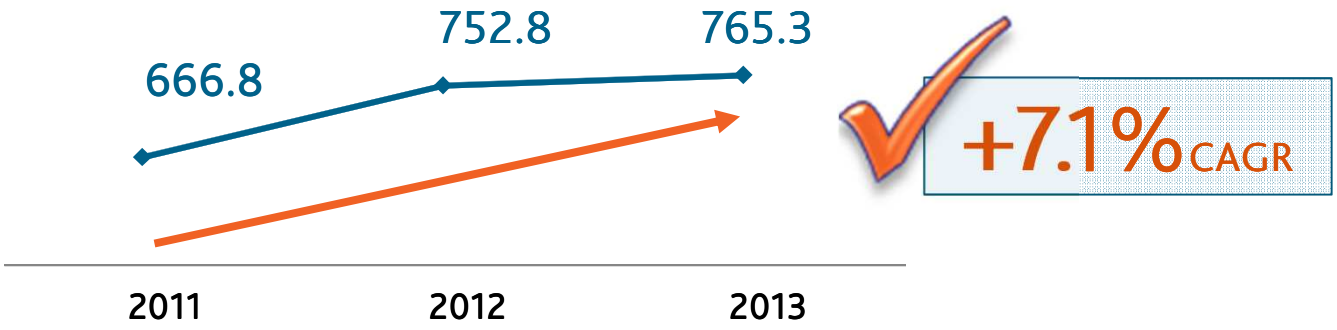
Such forward-looking statements do not constitute any guarantee of future performance and involve risks and uncertainties as well as other important factors that could cause actual developments or results to differ essentially from those expressed in our forward-looking statements.

Analysts and investors in particular as well as any other persons or entities who must take decisions or give advise on investments in the Company should not place undue reliance on those forward-looking statements.

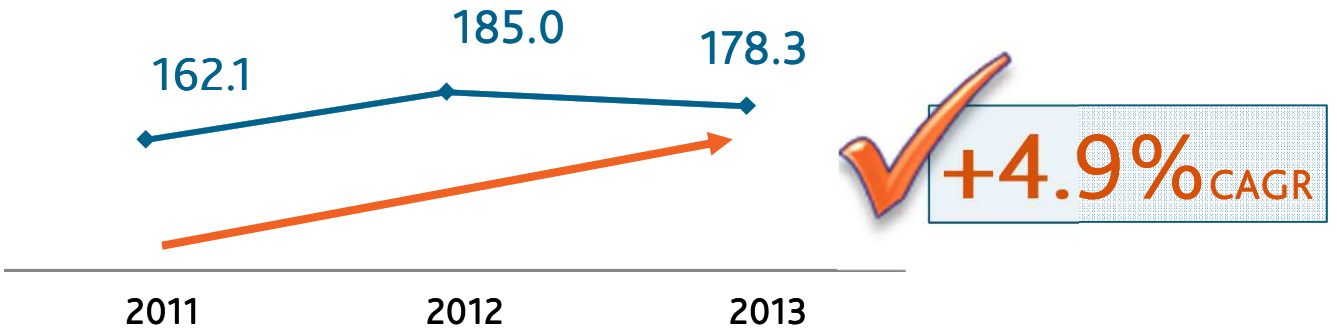
The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited and, therefore, subject to potential future modifications.

Positive performance of Be MORE strategy.

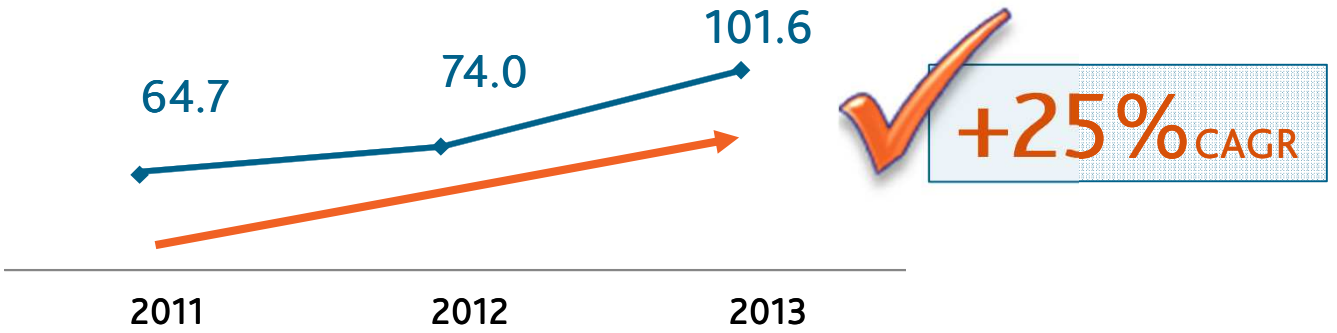
Revenue



EBITDA



CAPEX



2013 Milestones



Global collagen manufacturer with the start-up of China facility and the beginning of operations in Uruguay. Furthermore **the increase in volumes**, specially in collagen family, which grows at double digit rate.



Consolidation of technological improvements in Spain and Germany.

Energy efficiency: Change in energetic model in Mexico and own management in Germany with a boiler installation.



Processes automation in existing facilities.

Success in know how transfer in China, where the learning curve has permitted to report positive earnings at year end.



The **operational stregth** allows to continue remunerating shareholders and expansion plans with own resources.

A solid and growing **team.**

Weaker results than expectations…

MM €	2013	Var %	Guidance
Revenue	765.3	+1.7%	+5-6% X
EBITDA	178.3	-3.6%	+4-5% X
EBITDA Margin	*23.3%*	*-1.3 p.p.*	
Net Profit	101.5	-3.4%	+2-3% X
DPS	1.12€	+1.8%	

… however, internal operating has recorded excellent results in terms of organic growth…

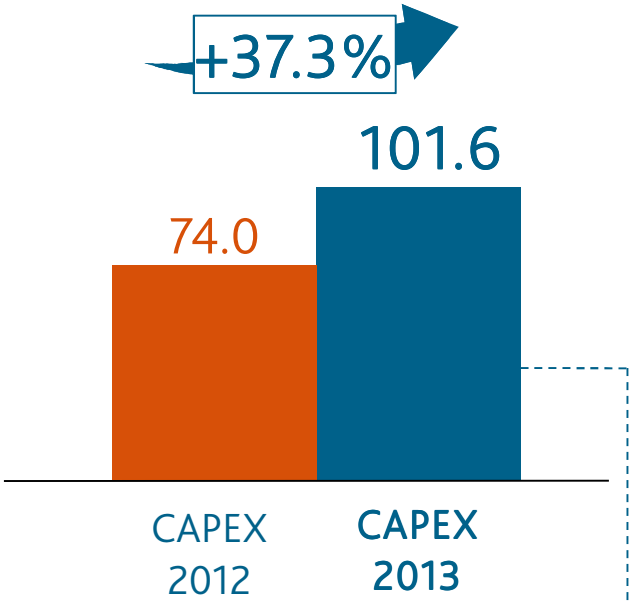
	2012	2013	Forex [1]	Regulación cogeneración[2]	Like-for-like 2013 [3]	Like-for-like %y-o-y.
Revenue	752.8	765.3	-24.9	-5.8	796.1	5.8%
EBITDA	185.0	178.3	-7.3	-10.2	195.9	5.8%
EBITDA margin	*24.6%*	*23.3%*	*-0.2 p.p.*	*-1.1 p.p.*	*24.6%*	*0.0 p.p.*

[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.

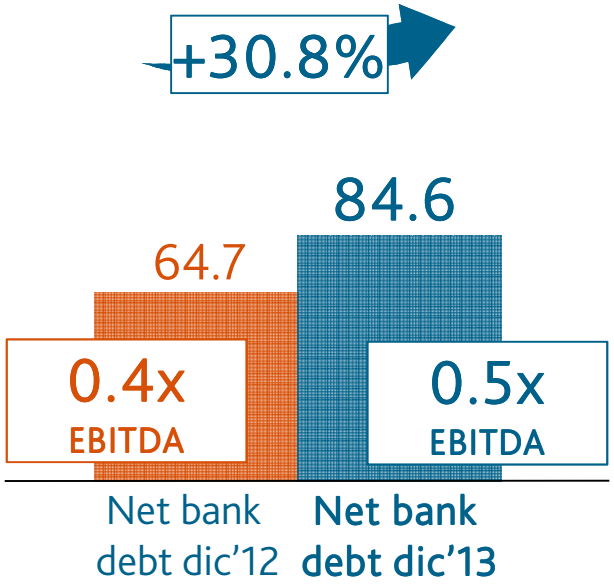
[2] Impact on results of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013.

[3] The like-for-like fiscal year excludes the impact of successive cogeneration regulations in Spain and the impact of different exchange rates used in consolidation.

… provided by the anticipation in expansion plans, and protected by a strong balance sheet.



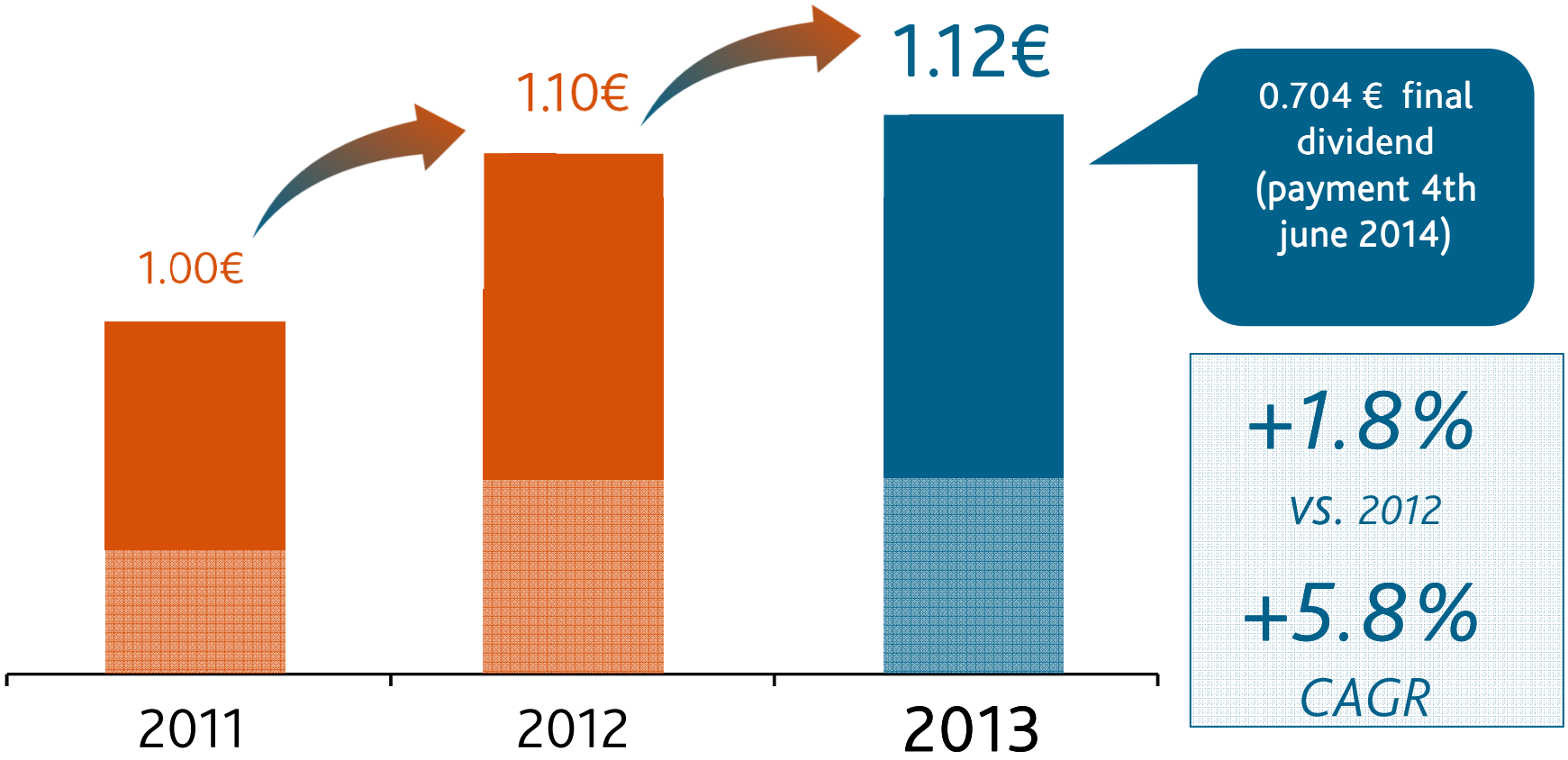
- Building a new facility in Uruguay.
- Production capacity increase in China.
- Improvements on energy in Mexico and Germany.
- Production improvements.



- Expansion without excessive leverage.
- Dividends payment.
- Reducing exposure to pension plans.
- Positive evolution of working capital.

Expansion in our core business without requiring additional efforts to shareholders, who benefit from the structural improvement of Viscofan Group.

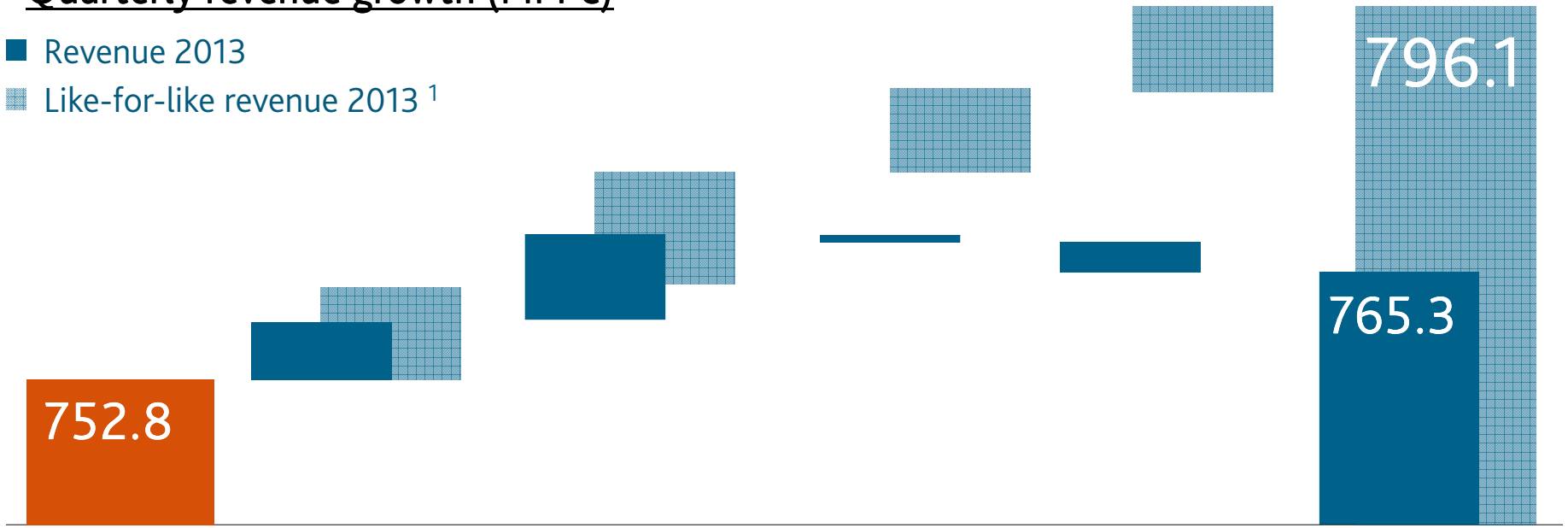
Total remuneration per share[1] (€)



[1] Remuneration per share includes interim dividend, final dividend, refund of issue premium, capital reimbursement, and the AGM attendance bonus.

New record level in revenue, despite a backdrop that erodes organic growth by more than 4 p.p.

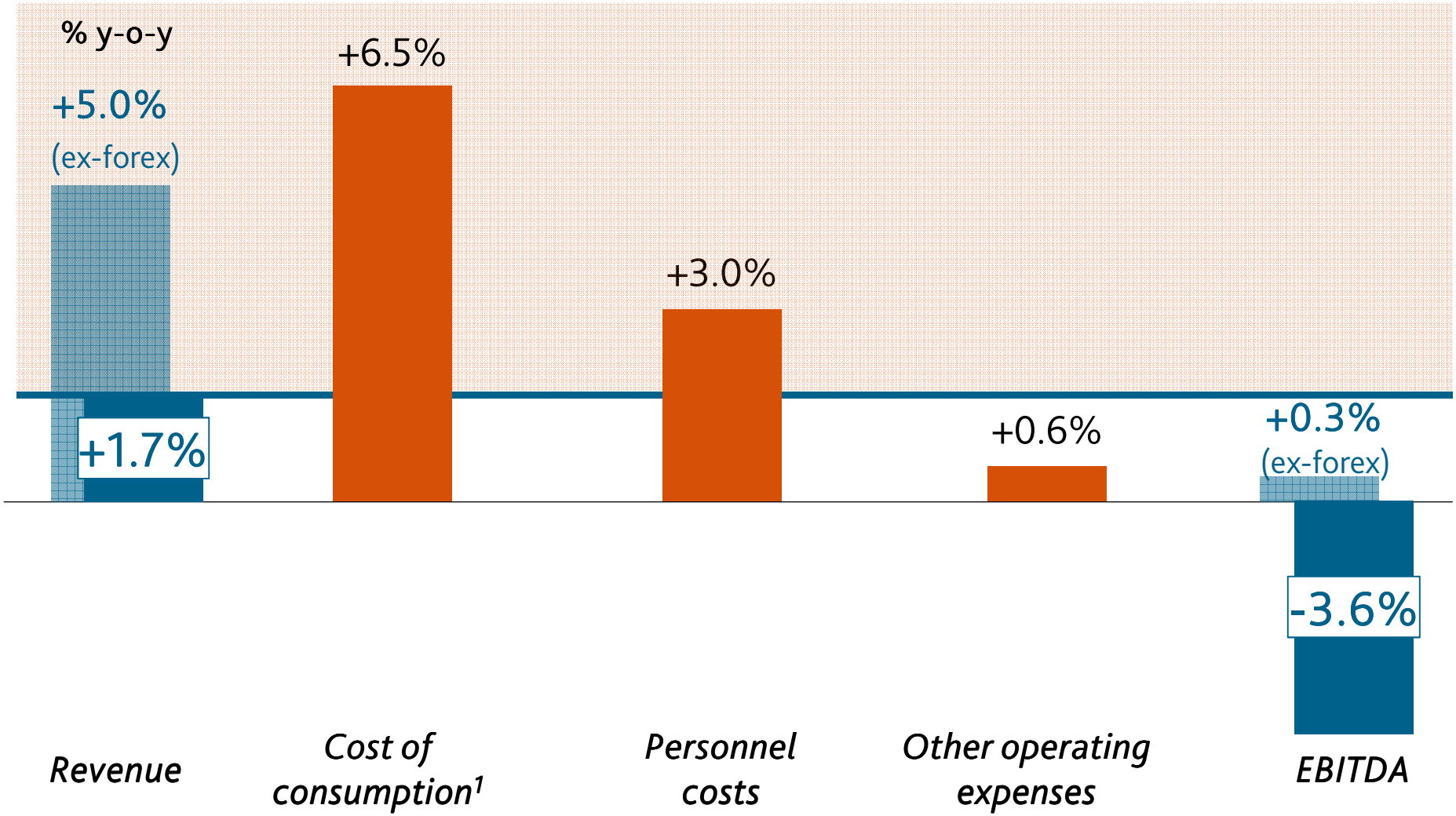
Quarterly revenue growth (MM €)



	1Q	2Q	3Q	4TQ	2013
% Change	+3.8%	+5.1%	-0.3%	-1.8%	+1.7%
% Change like-for-like	+5.9% ✓	+6.7% ✓	+5.1% ✓	+5.3% ✓	+5.8% ✓

[1] The like-for-like fiscal year excludes the impact of successive cogeneration regulations in Spain and the impact of different exchange rates used in consolidation.

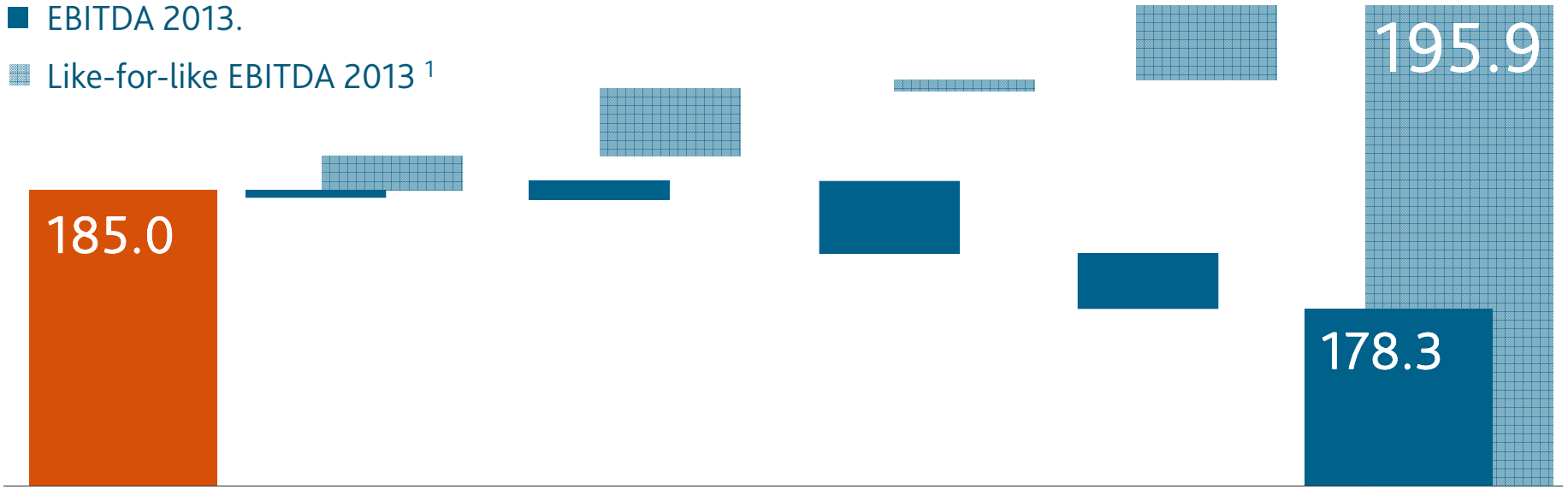
Organic growth and cost control against a backdrop of high inflation on raw material prices and energy, weak forex and adverse energy regulation.



[1] Net purchases +/- Change on inventories

Like-for-like EBITDA growth all quarters, speeding up in Q4 fostered by China performance.

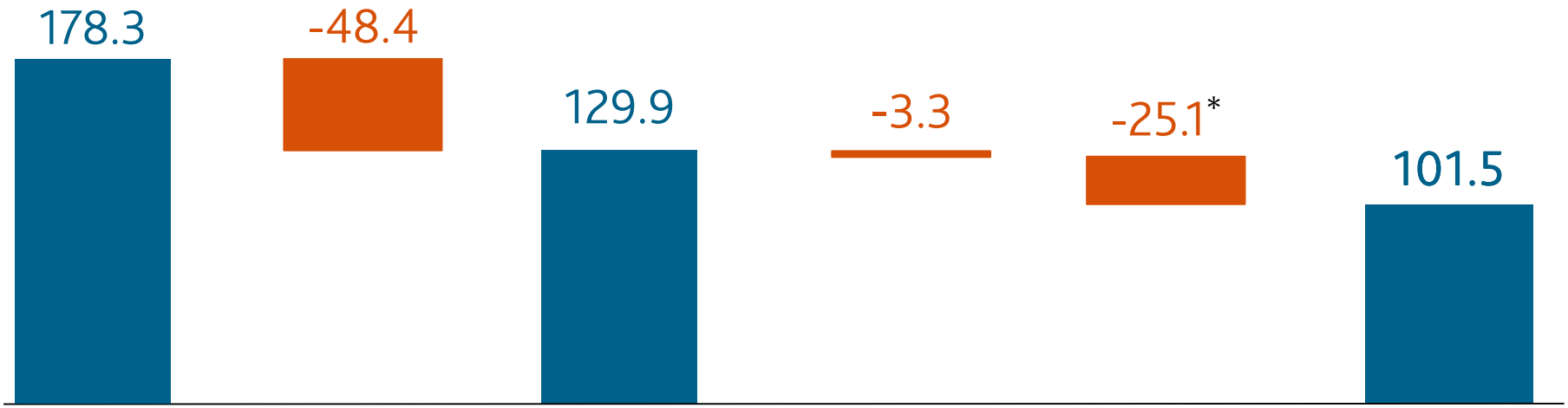
Quarterly EBITDA growth (MM €)

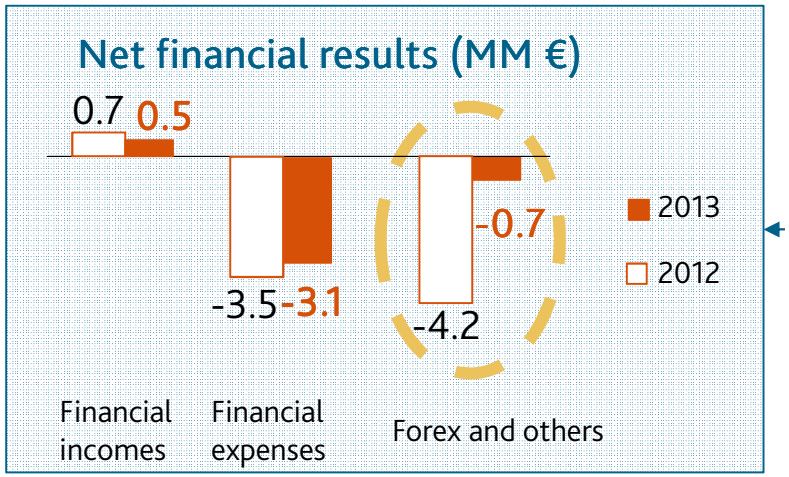


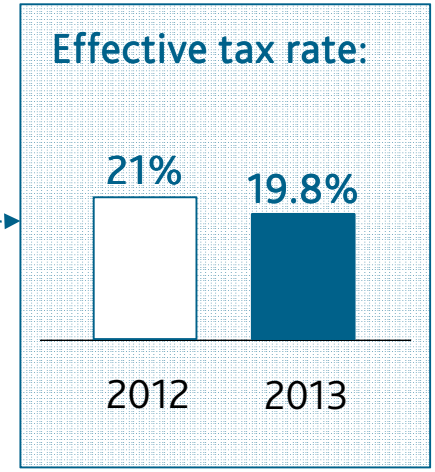
	1Q	2Q	3Q	4Q	2013
% Change	-1.1%	+2.6%	-8.7%	-7.2%	-3.6%
% Change Like-for-like	+4.7% ✓	+8.0% ✓	+1.3% ✓	+9.4% ✓	+5.8% ✓

[1] The like-for-like fiscal year excludes the impact of successive cogeneration regulations in Spain and the impact of different exchange rates used in consolidation.

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



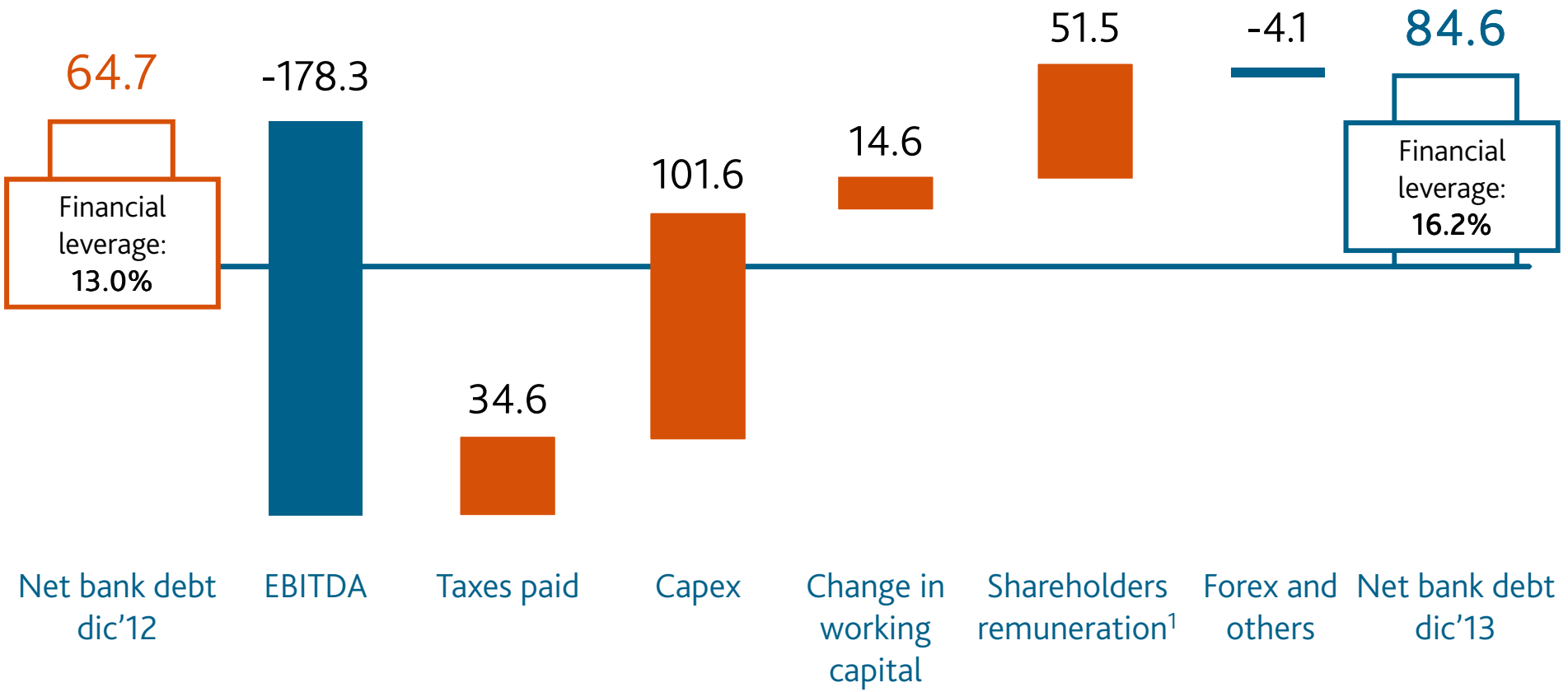




* Includes 2.8 MM€ corresponding to tax benefit of balance sheet revaluation performed in 1H13.

Strong operations to finance the expansion plan, both capex and working capital, and also increases on shareholder's remuneration.

Net bank debt evolution (MM €)



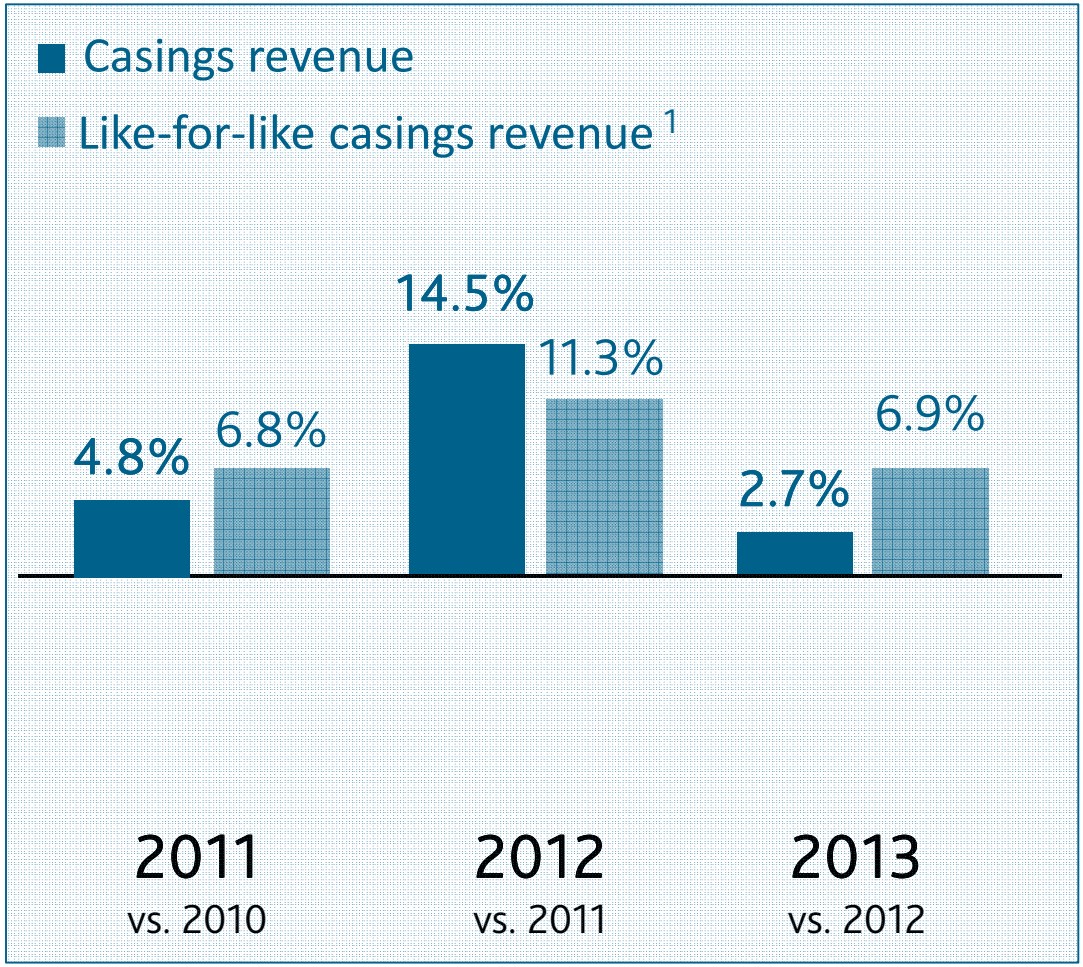
[1] Includes 0.694€ final dividend 2012 paid in June 2013 and 0.410 € interim dividend for 2013 paid in December 2013.

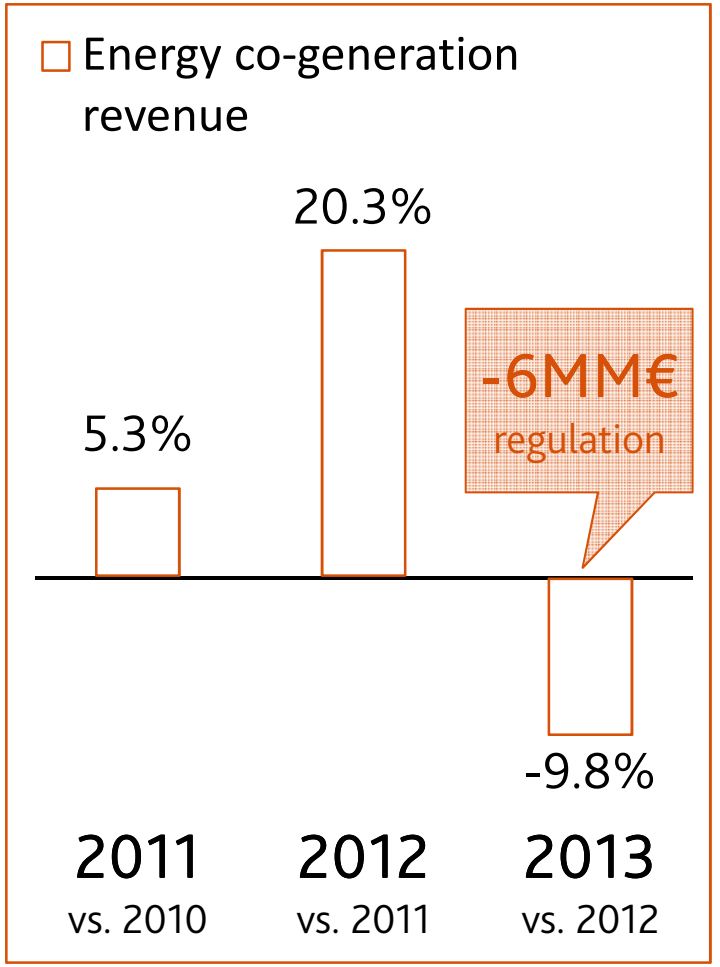
Casings division



Casings sales rise in line with market growth…

Evolution of revenue growth (%)

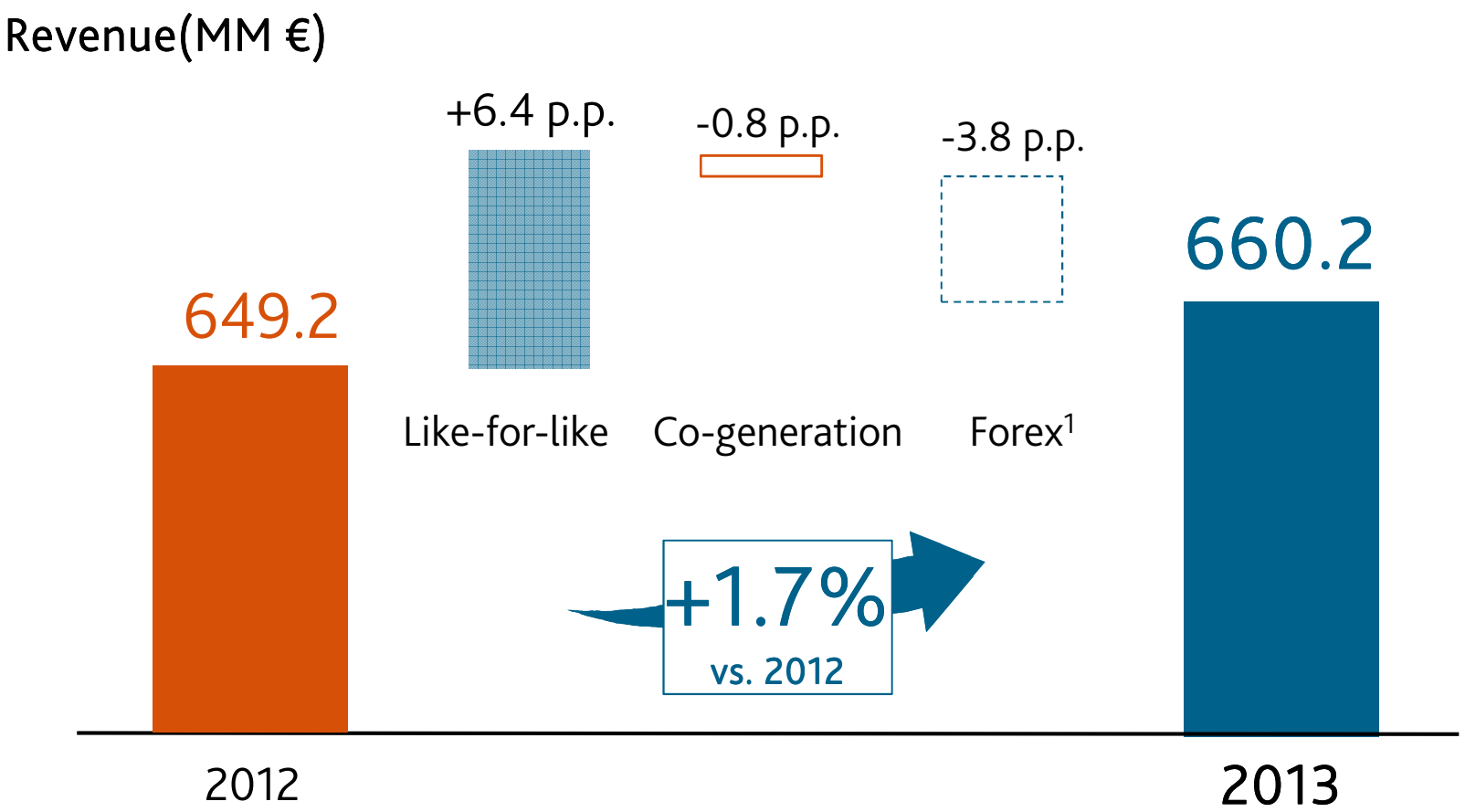




[1] The like-for-like fiscal year excludes the impact of successive cogeneration regulations in Spain and the impact of different exchange rates used in consolidation.

CASINGS

… driven by casings volumes (specially in collagen family)… but eroded in the second half of the year by currencies and cogeneration…

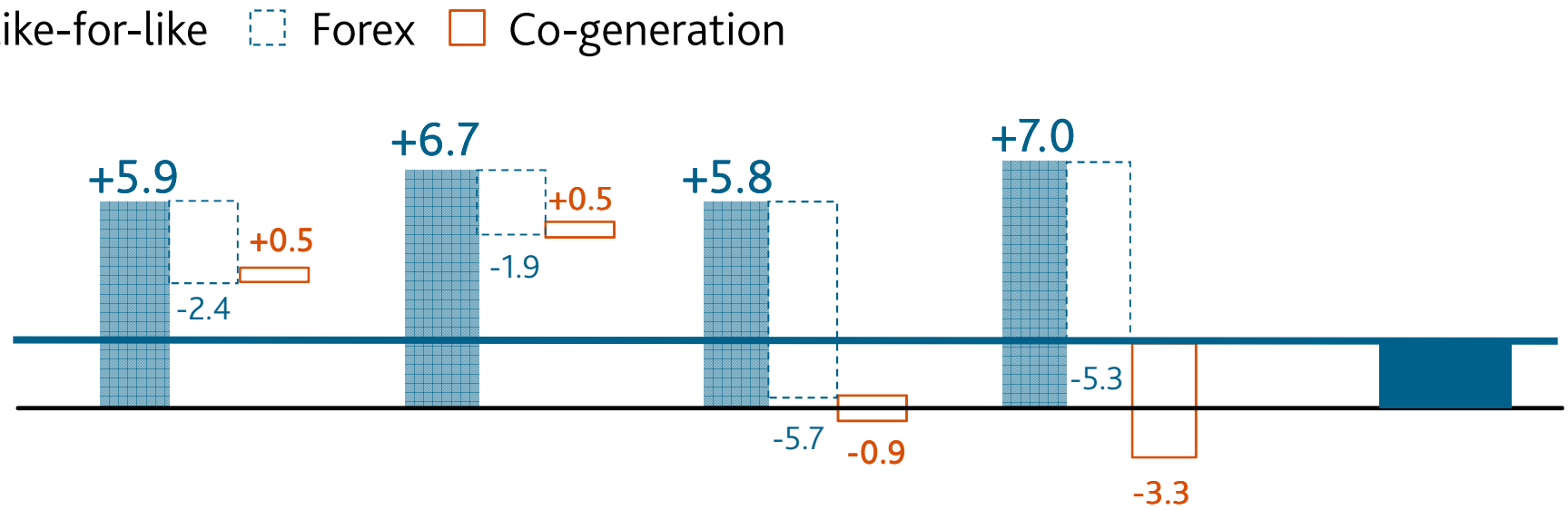


[1] For comparative purposes, growth excluding foreign exchange differences excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US$ fluctuations on trade transactions.

CASINGS

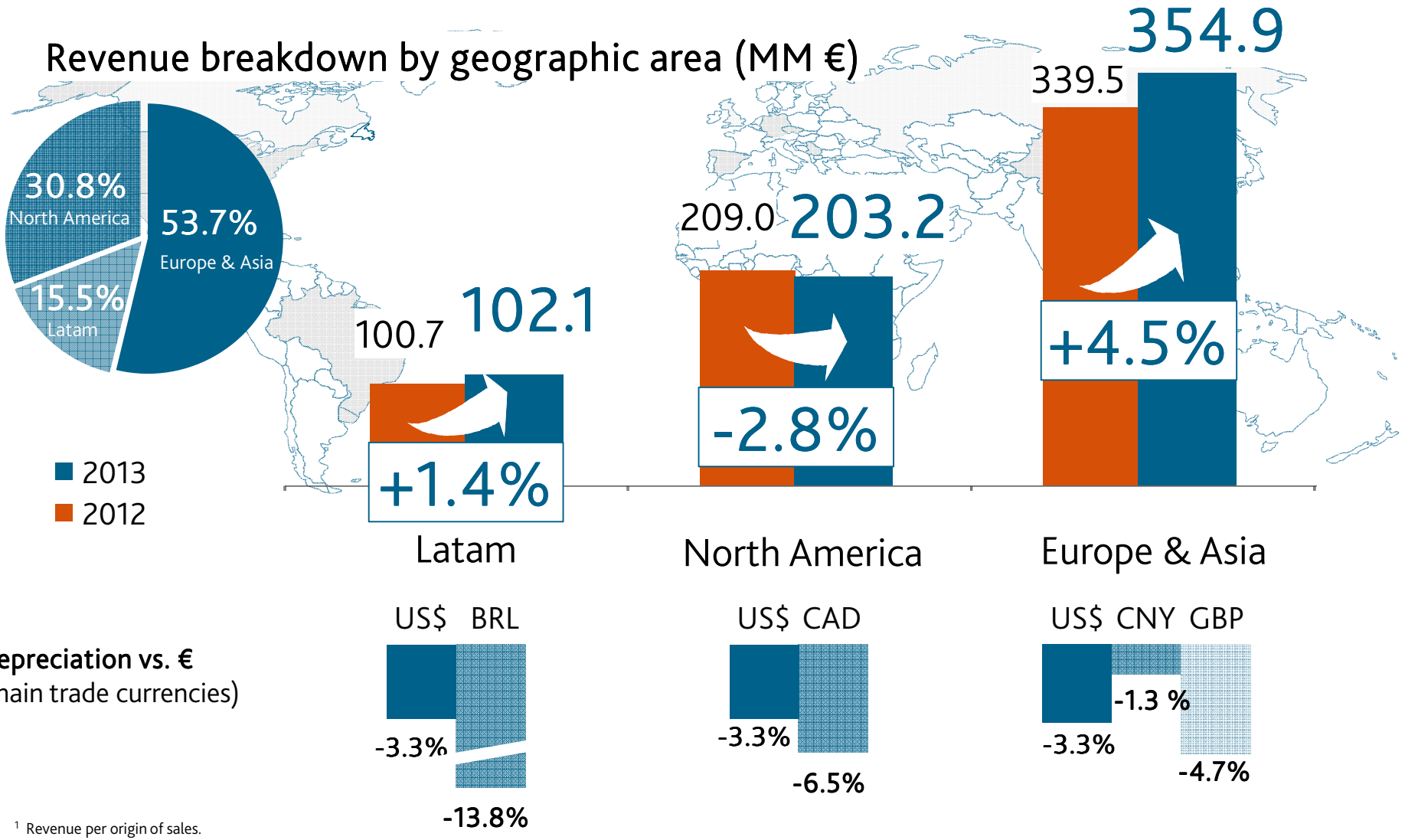
Solid quarterly performance, with the acceleration of year on year growth in last quarter…

Contribution to growth. Quarterly evolution, in p.p.



	1Q	2Q	3Q	4Q	2013
% Var	+3.9%	+5.4%	-0.8%	-1.6%	+1.7%

… with volume growth in all reporting areas[1], against an environment where all trade currencies have depreciated against the €…

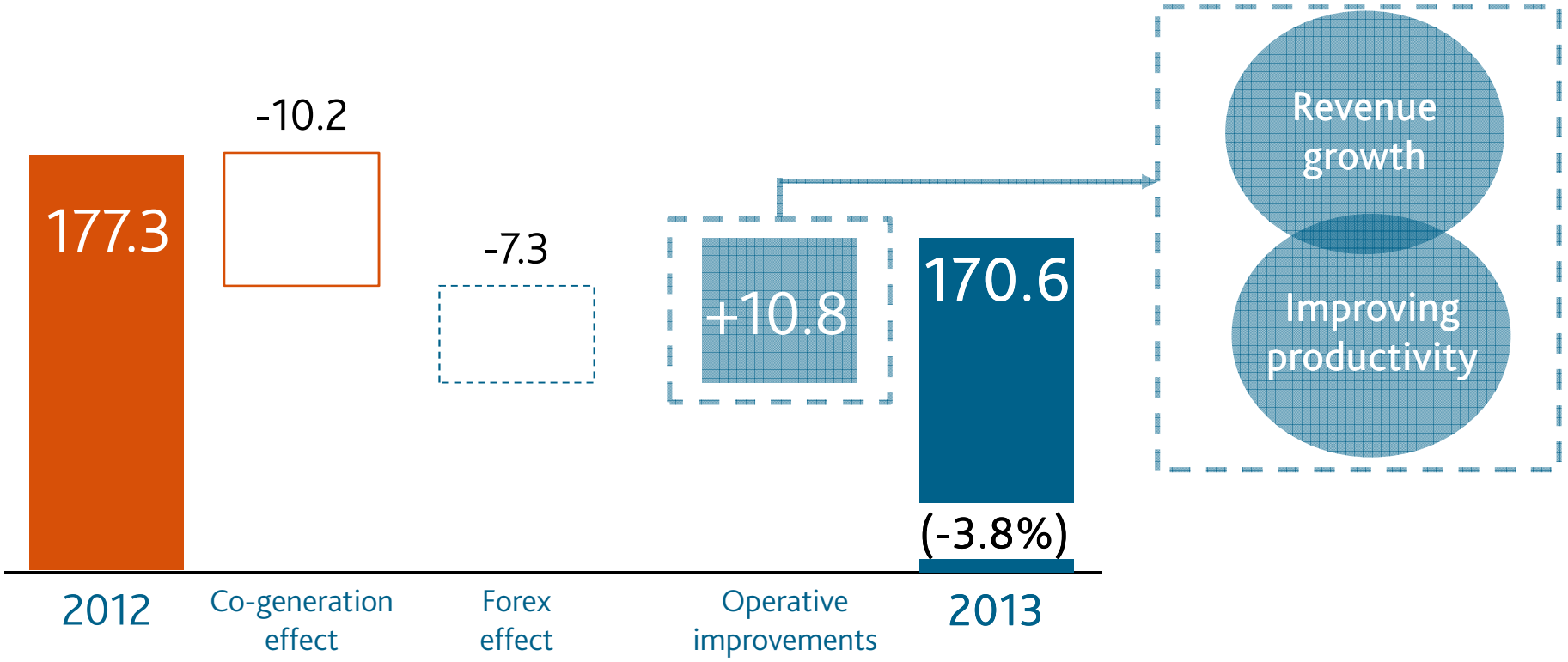


[1] Revenue per origin of sales.

CASINGS

… and nevertheless, casings division robustness and operative improvements enable to partially offset external factors,…

Cumulative EBITDA (MM €)



(-5.8 p.p.) (-4.1 p.p.) (+6.1 p.p.)

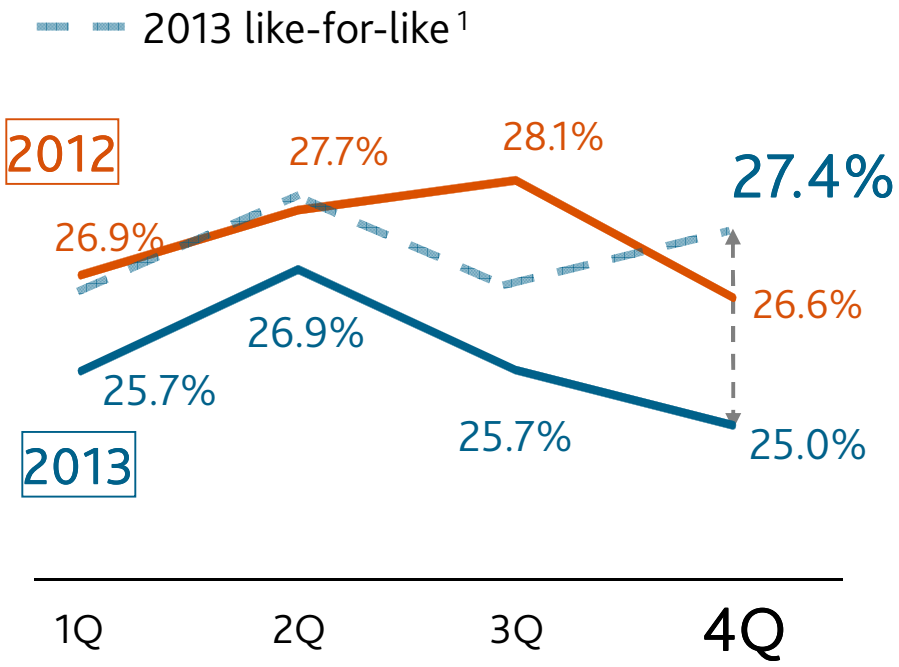
CASINGS

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

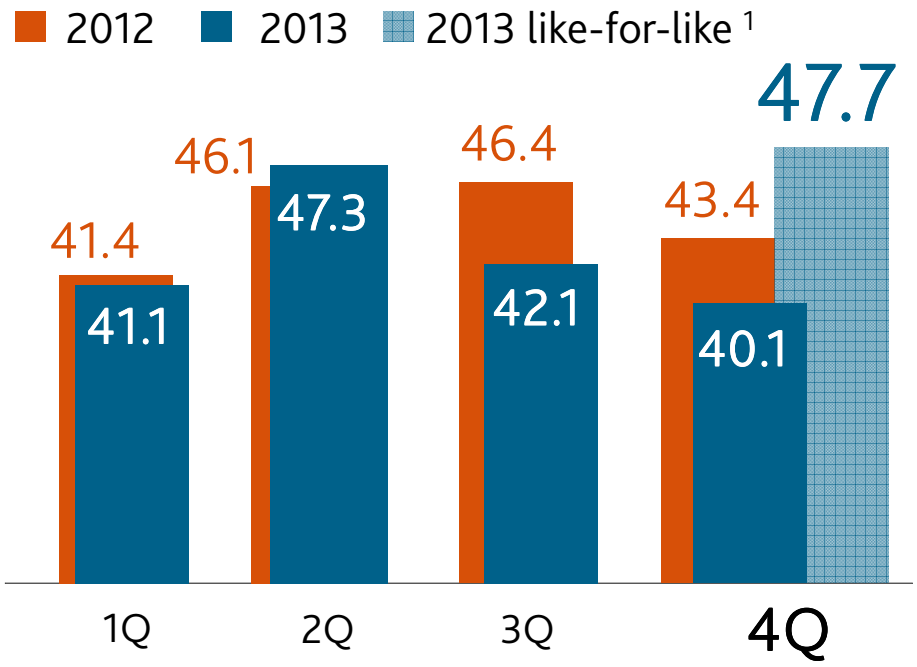
+0.8 p.p.
4Q13 like-for-like[1] vs. 4Q12

+9.8%
4Q13 like-for-like[1] vs. 4Q12

Quarterly EBITDA margin



Quarterly EBITDA (MM €)

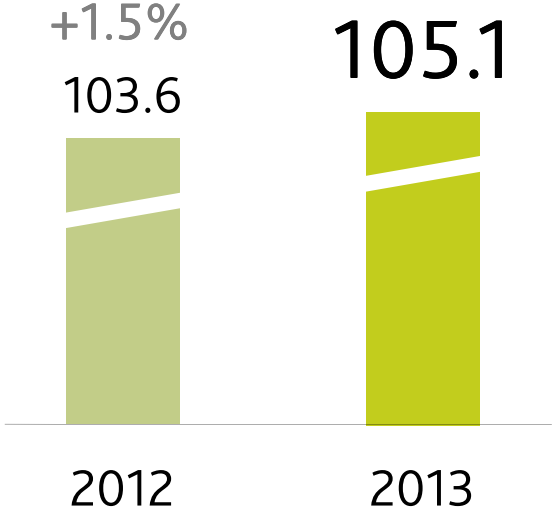


[1] The like-for-like fiscal year excludes the impact of successive cogeneration regulations in Spain and the impact of different exchange rates used in consolidation.

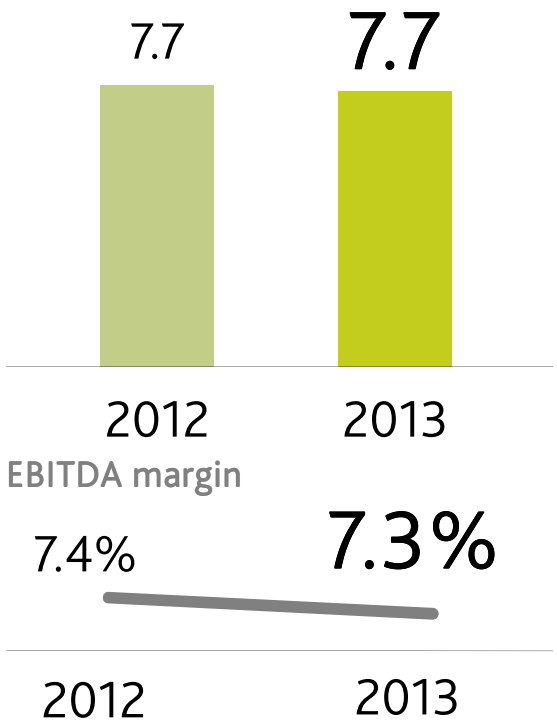


Positive performance driven by Carretilla brand strength and diversification strategy, even despite the weakness of the domestic market, Spain.

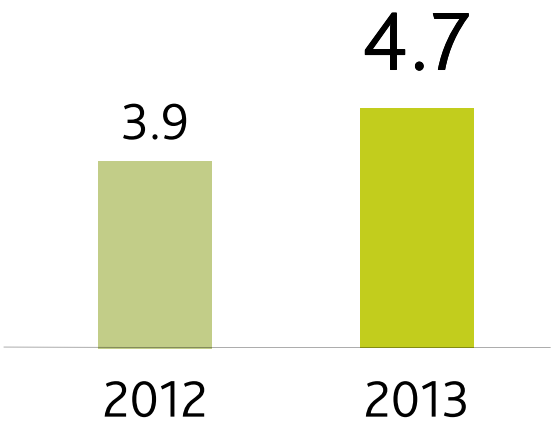
Revenue (MM €):
+1.5%



EBITDA (MM €):
-0.1%



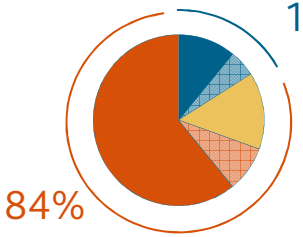
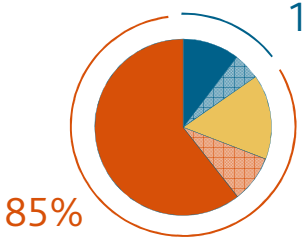
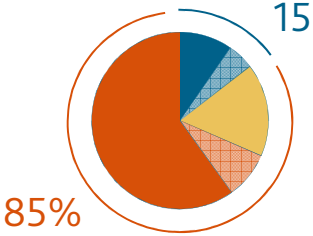
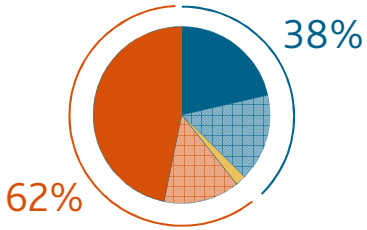
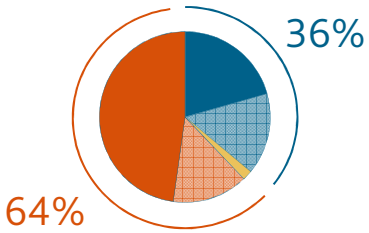
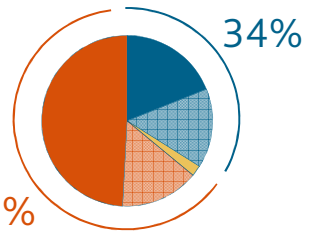
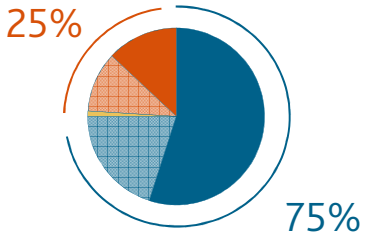
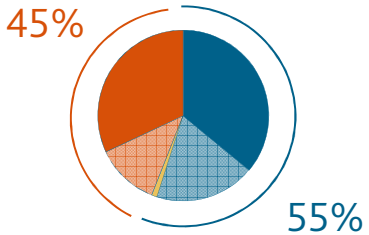
Net profit (MM €):
21,0%



Context and Outlook 2014



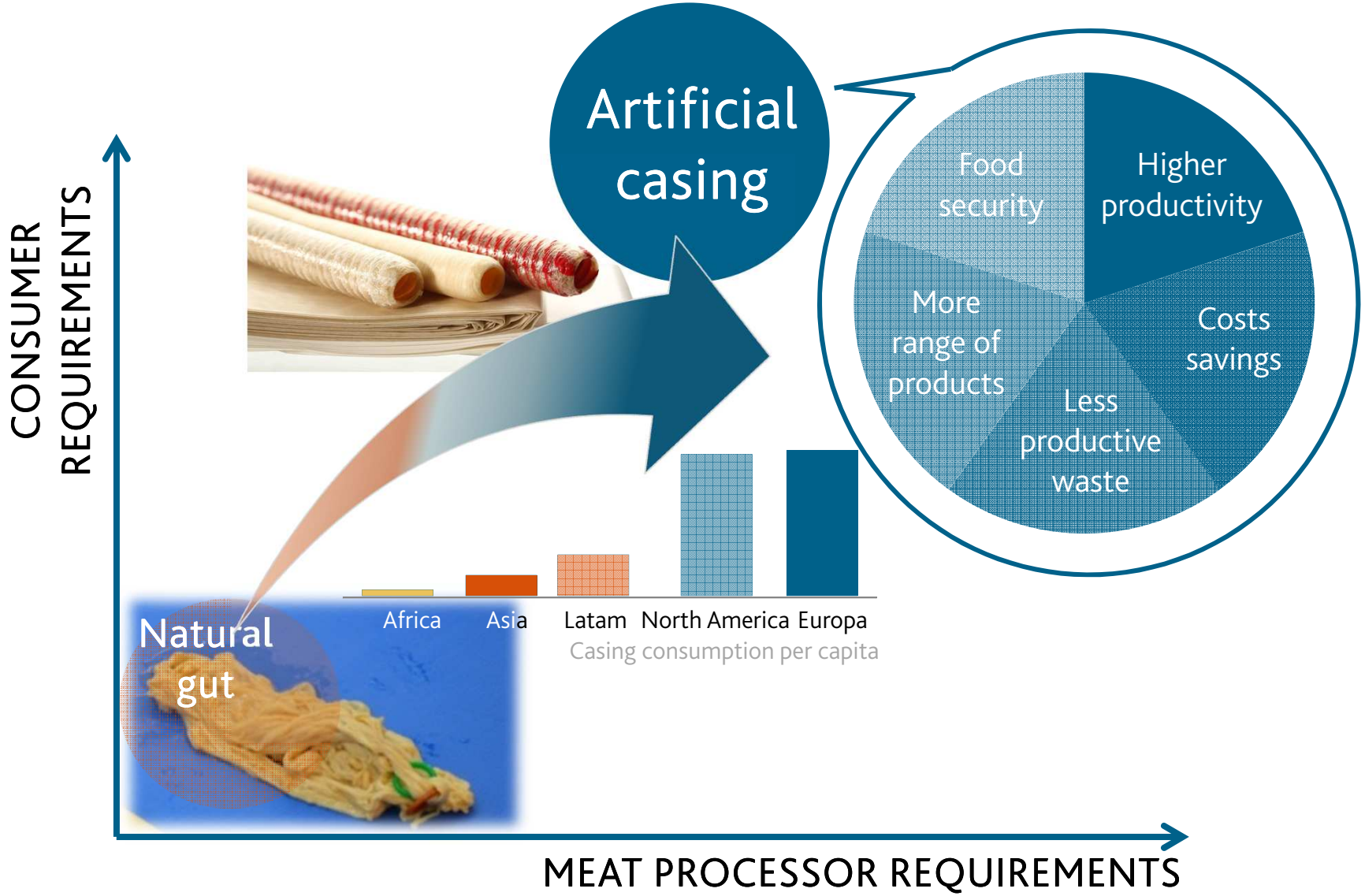
Our world is still unbalanced…

	2008	2013	2020	CAGR 08-13
Population				World: +1.2%
Poultry and pork production (Tm)				World: +2.0%
Expense on casings (MM €)			?	World: +6.6%

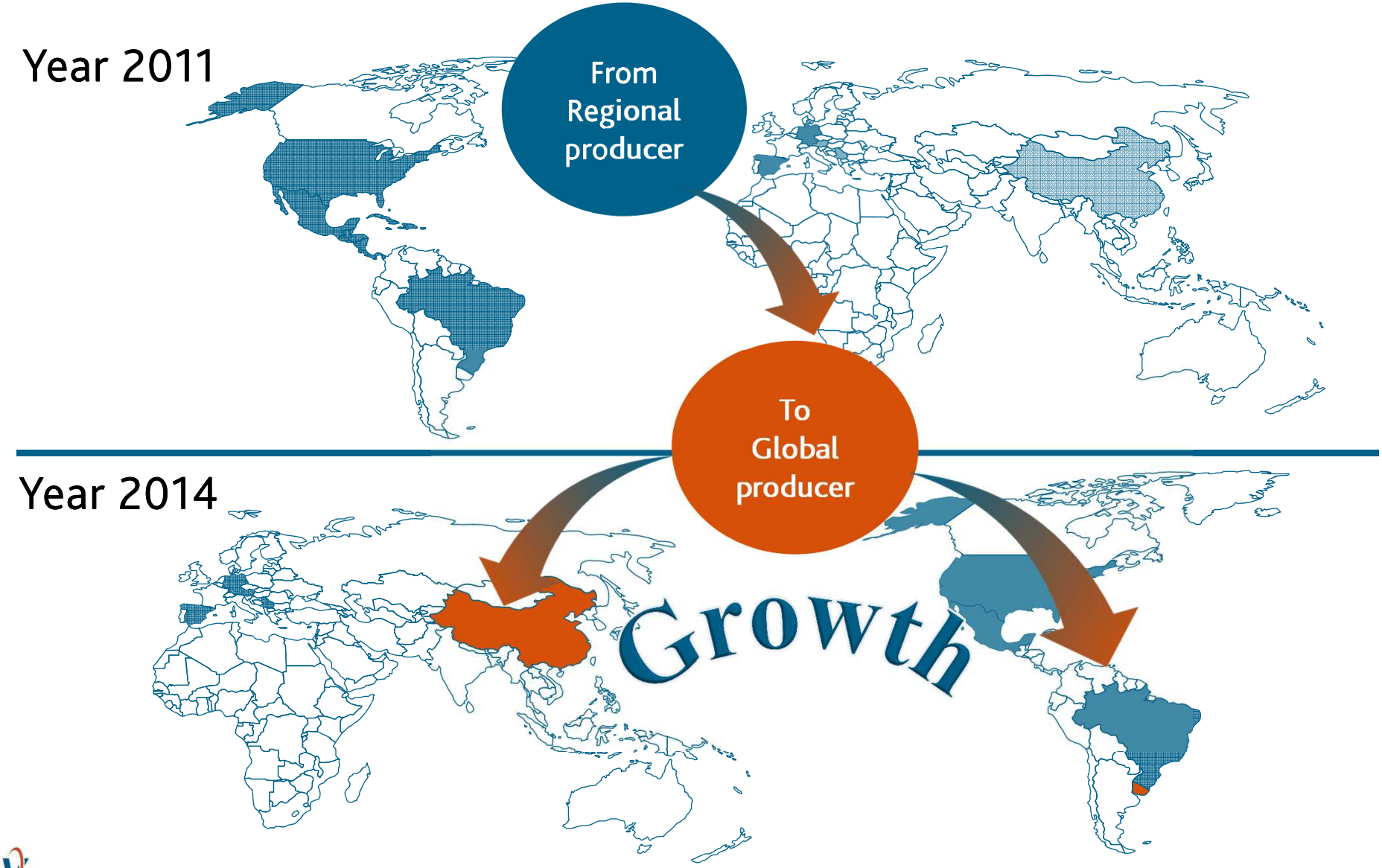
Asia Latam Africa North America Europe

Source: FAO, Viscofan

Artificial casings benefits: a natural evolution to meet the needs of a demanding market.



Viscofan has had to make a titanic effort to adapt itself to this environment … but has led the change.



New production plants in China and Uruguay are now a real…



Suzhou (Extrusion)

Suzhou (Converting)

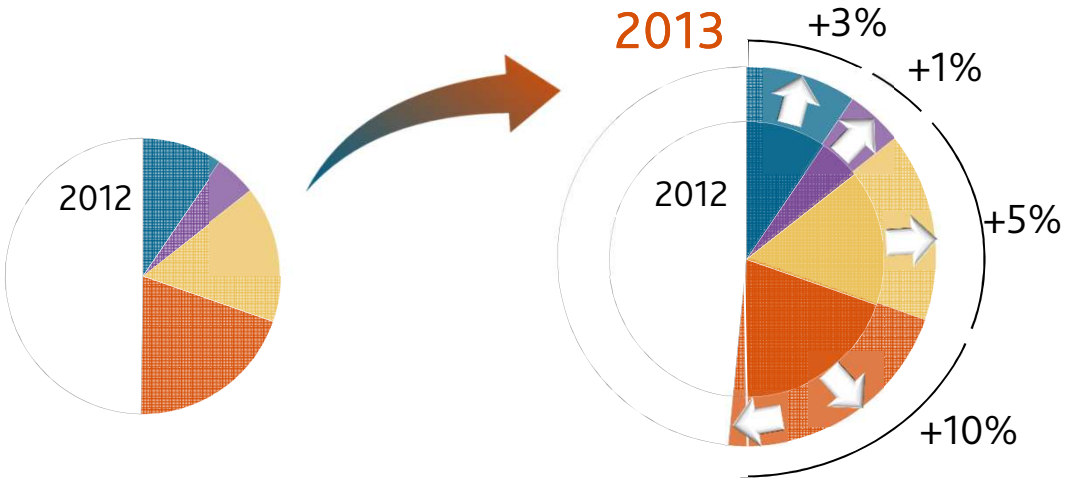


Pando (Extrusion)





In 2013, casings market continue growing above its historic average…



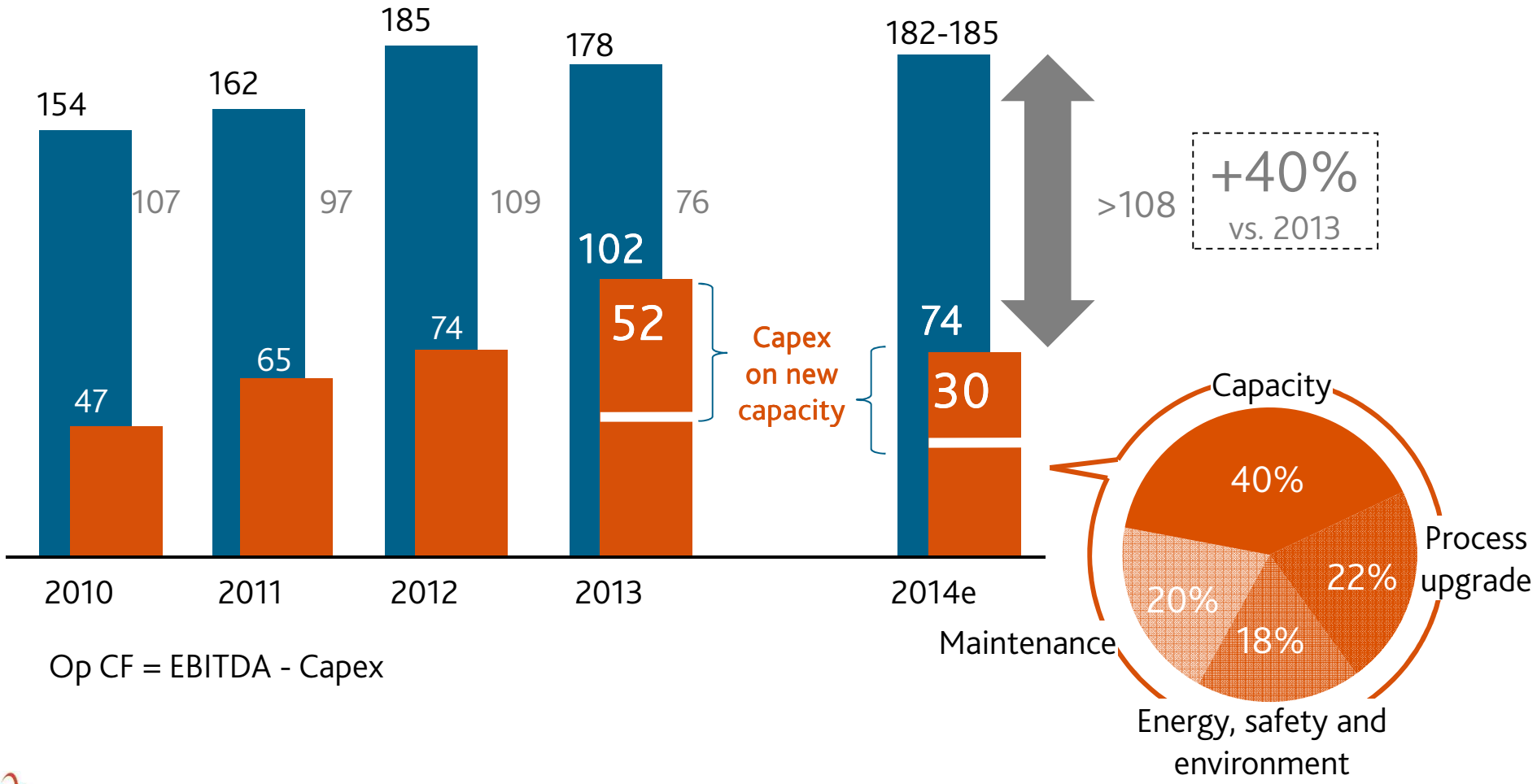
… and Viscofan is the only one that benefits from its portfolio.

	Cellulose	Collagen	Fibrous	Plastic	Total range
Viscofan	✓	✓	✓	✓	✓ #1
Devro	–	✓	–	✓	-
Viskase	✓	–	✓	✓	-
Shenguan	–	✓	–	–	-
Kalle	–	–	✓	✓	-
Visko-Teepak	✓	–	✓	✓	-
Nitta	–	✓	–	–	-
Nippi	–	✓	–	–	-

27% Total market share

… 2012 and 2013 have anticipated the investment to provide expansion growth in the coming years.

Op CF performance (MM €)



Op CF = EBITDA - Capex

A dynamic model that combines long term investment in fixed assets with volatile environment in a global world.

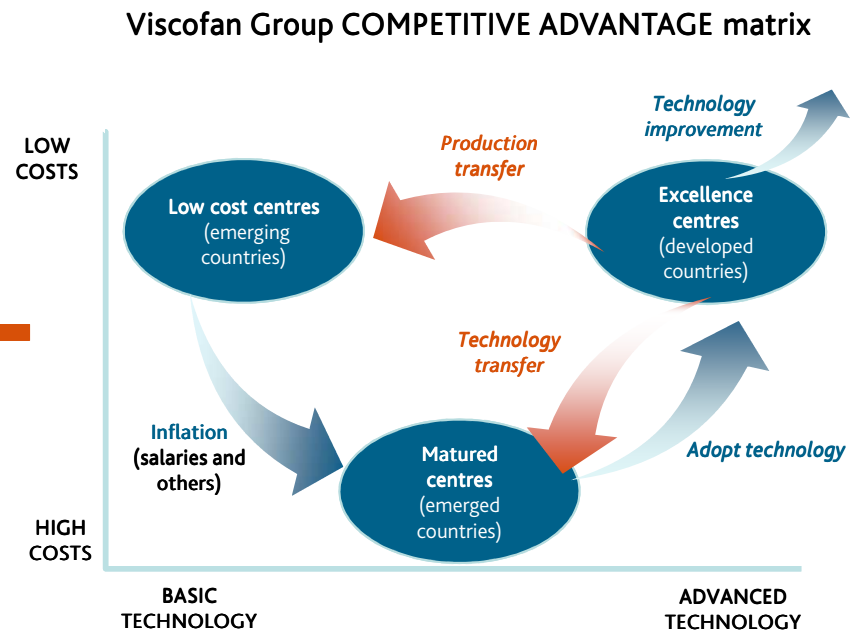
Protfolio and footprint as sustainable competitive advantage.

	Skinless	Collagen	Plastics	Fibrous
	✓	✓	✓	✓
	✓	✓	–	–
	✓	–	✓	✓
	✓	✓	✓	✓

✓ Extrusion and Converting

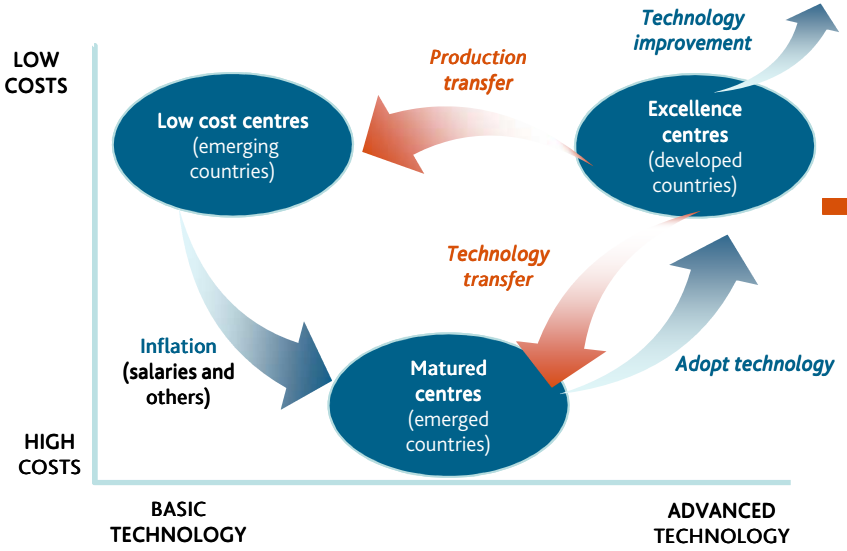
✓ Converting

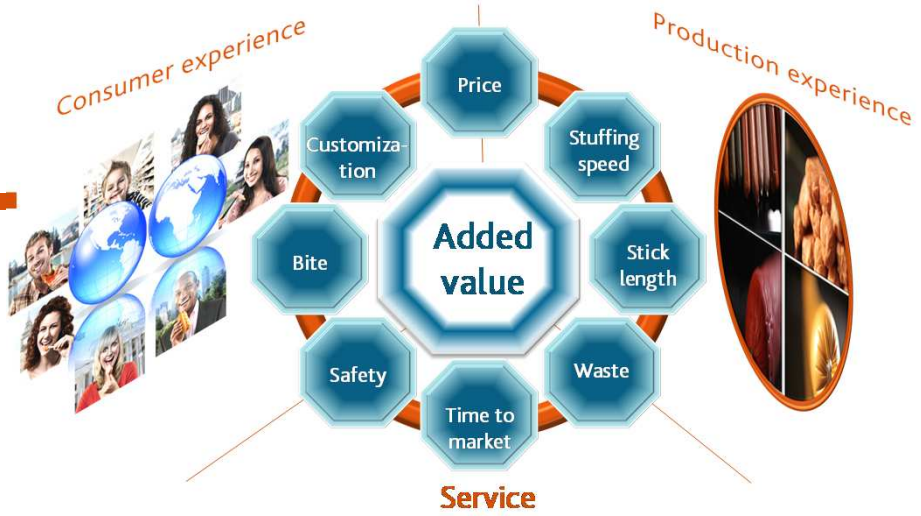
Centres of excellence: a dynamic management model.



Focus on operational improvement and commercial leadership that nobody else in the market offers

Viscofan Group COMPETITIVE ADVANTAGE matrix



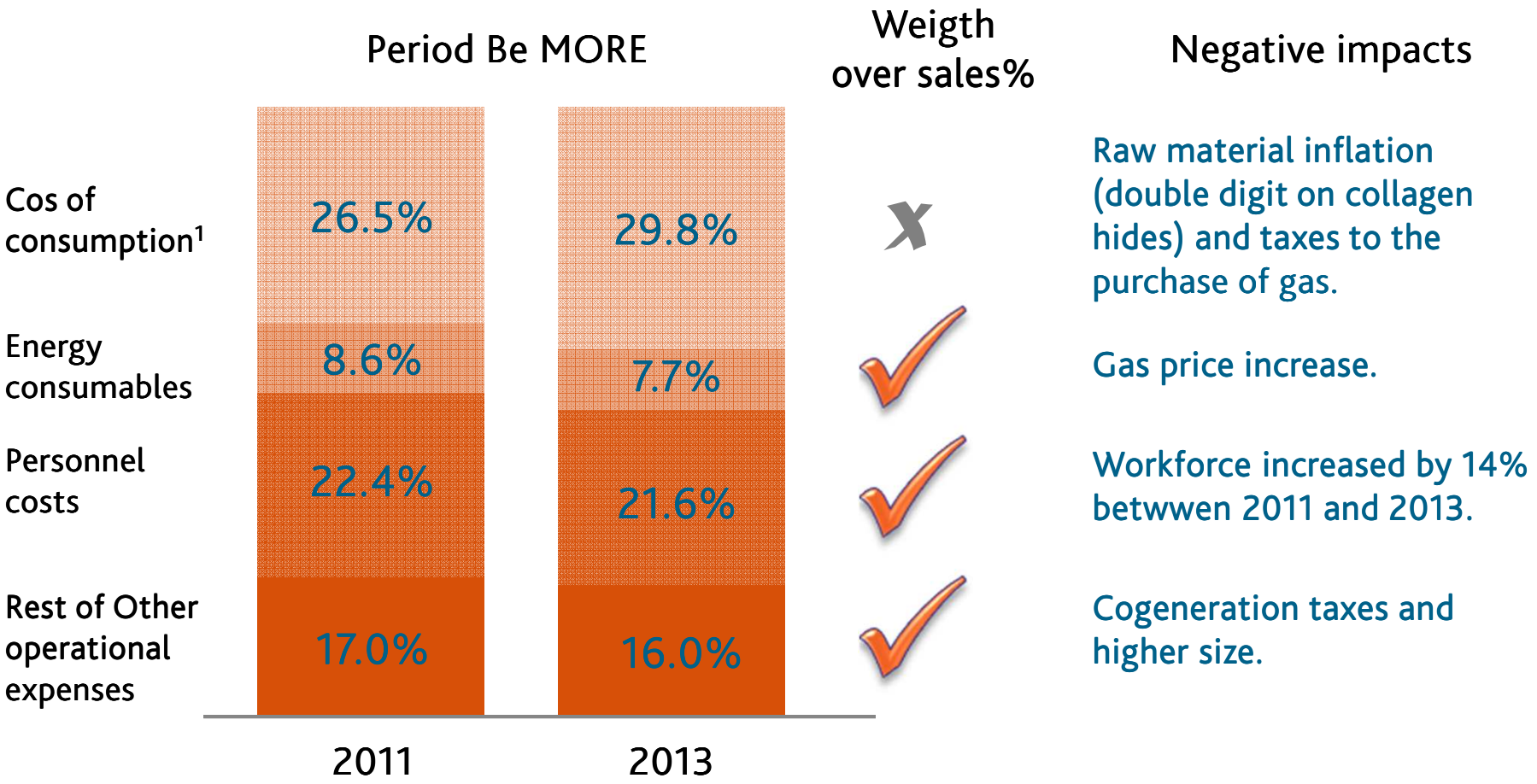


HIGH ADDED VALUE PRODUCTS



… That offset negative impact form a very tough environment.

Casings. Main costs over sales. %



1 Purchases +/- Change in stock.

Specific "Optimization" initiatives that could help our business to improve margins despite the tough environment.



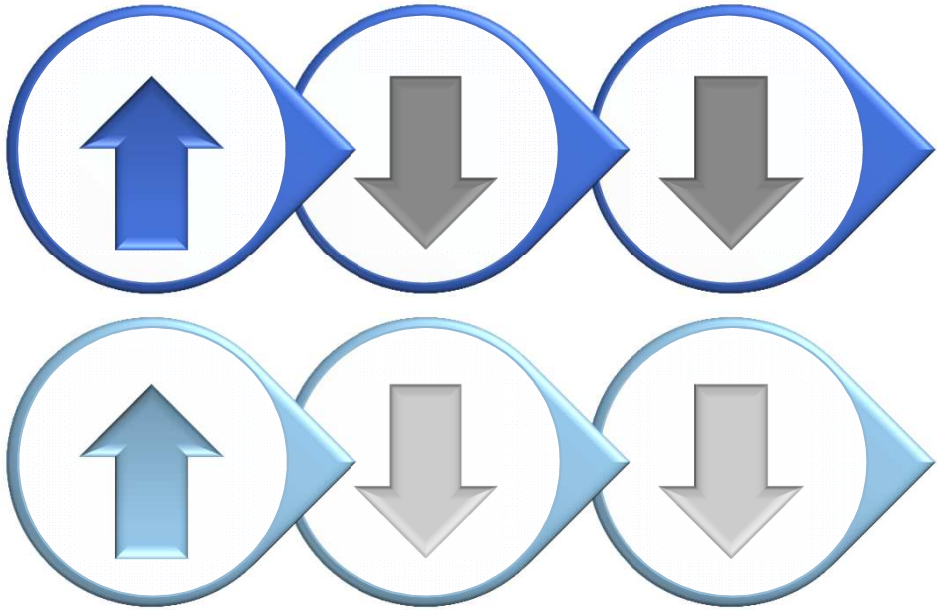
- **M** Uruguay start-up and production improvement

- **O** Raw material management
- **O** Reduce production "waste"
- **O** Automate processes (Brazil, USA)
- **O** New team for "Process Engineering"
- **O** Energy optimization (Co-generation in Germany)

- **E** Improve service level
- **E** Integrated vision for Environment, Hygiene an Safety

Guidance 2014

	Casings	Energy regulation	Currency
		-6 MM €	US$/€: 1.35 BRL/€: 3.20



REVENUE

EBITDA

NET PROFIT

Viscofan
The casing company

€781/796MM
+2%/+4%

€182/185MM
+2%/+4%

€93/95MM
-6%/-8%

To Wrap Up

- Viscofan Group has fulfilled main strategic milestones for 2013.
- Solid casings business growth in a market that remains growing faster than its historical average.
- Margin pressure due to **raw material costs, co-generation** taxes, and **currency weakness** (BRL y US$) that eroded like-for-like margin expansion, especially on the Q4.
- The **first phase** of the Be MORE strategic plan **is now completed** and the second phase will be less investment intensive, with a greater focus on operational improvements and profitability.
- **€74 million investment** to achieve further revenue and EBITDA **growth in 2014** despite the impact of currency weakness, energy regulations in Spain and raw material prices.
- **Financial strengths** to streamline our operations, grow and improve shareholder remuneration while maintaining the flexibility required to deal with a volatile environment, expected inflation in production input prices and the growth possibilities offered by the sector.