Viscofan
The casing company

Results JANUARY-MARCH twenty 18

26 April 2018

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

Results report

Main highlights of the January-March 2018 results:

- €187.8 million in revenue. Growth of 2.5% in like-for-like[1] terms, and a decrease of 3.5% in the consolidated figure due to the weakness of exchange rates for the main trading currencies against the €.
- €54.5 million in EBITDA[2], 0.2% less than the previous year, but 0.4% higher in like-for-like[1] terms.
- €31.7 million in Net Profit, 0.2% higher than the previous year.
- €28.3 million of net bank debt[3] in March 2018, down 31.1% from €41.1 million in December 2017, having paid out in March an extraordinary dividend of €0.13 per share on account of the non-recurring net profit obtained during the year.
- According to José Domingo de Ampuero y Osma, chairman of the Viscofan Group: "Viscofan continues to carry out its growth and technological transformation strategy supported by market growth and our financial strength to continue driving investments and counteract the adverse currency environment".

Changes in the consolidation scope

Transform Pack Inc:

In February 2018, the Viscofan Group signed a SPA agreement with a group of private investors and the province of New Brunswick (Canada) for the cash purchase of 100% of Transform Pack Inc.

The company was included in the Viscofan Group consolidation scope as of March 1, 2018 using the full consolidation method.

Supralon:

In November 2017, the Viscofan Group signed a SPA agreement with a group of private investors for the cash purchase of 100% of Supralon International AG, Supralon Verpackungs AG and their subsidiaries: Supralon Produktions und Vertriebs GmbH and Supralon France SARL.

The subsidiaries were included in the Viscofan Group consolidation scope as of December 1, 2017 using the full consolidation method.

[1] Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates, the effect of the change in the consolidation scope and the non-recurring impacts of the business.
[2] EBITDA = Operating profit (EBIT) + Depreciation of property, plant and equipment and amortization.
[3] Net bank debt = Non-current bank debt + Current bank debt - Cash and cash equivalents

Viscofan Group. January-March 2018 Results

Selected figures. Viscofan Group income statement ('000 €)

	Accumulated			
	Jan-Mar' 18	Jan-Mar' 17	*Change*	*Like-for-like (2)*
Revenue	187,795	194,604	-3.5%	2.5%
Recurring EBITDA (1)	46,252	54,590	-15.3%	0.4%
Recurring EBITDA Margin (1)	*24.6%*	*28.1%*	-3.5 p.p.	-0.6 p.p.
EBITDA	54,461	54,590	-0.2%	
EBITDA Margin	*29.0%*	*28.1%*	0.9 p.p.	
Operating profit	39,438	40,516	-2.7%	
Net profit	31,651	31,596	0.2%	

(1) Recurring results: In 2018, the amount excludes the impact recorded in Other operating income of €8.5 million corresponding to the compensation received in 2018 for a dispute against Mivisa Envases S.A.U. due to patent infringement, netted at €0.3 million recorded in Other operating expenses related with this dispute and the acquisition of companies.
(2) Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates, the effect of the change in the consolidation scope and the non-recurring impacts of the business.

Revenue:

In the first quarter of 2018, the Viscofan Group continued to grow in terms of sales volume in all casing technologies: cellulose, fibrous, plastic and collagen. This performance is led by the positive development of volumes in Europe, Asia and Latin America, while North America continues to be impacted by the decrease in cellulose sales on the United States.

This growth in volumes has been accompanied by a significant deterioration in the main trading currencies against the €. Particularly notable among these is the decrease of -13.4% of the US$/€, of -16.1% of the BRL/€, and of -6.0% of the CNY/€.

In this context of growth in volumes and currency weakness, revenue for 1Q18 is €187.8 million, which is 3.5% less than the same period in the previous fiscal year.

Without considering the impact of foreign exchange differences, which undermine growth by -8.0 p.p., and the changes in the consolidation scope, which contribute +2.0 p.p. of growth, quarterly revenue grew 2.5% vs. 1Q17 in like-for-like[1] terms.

By revenue type, reported casing sales totalled €177.3 million (-3.7% vs. 1Q17) and revenue from co-generation sales totalled €10.5 million (+0.8% vs. 1Q17).

The breakdown and geographical performance of revenue[4] in 1Q18 is as follows:

- Europe and Asia (57.6% of the total): In Europe and Asia reported revenue totalled €108.2 million, up 6.0% compared with 1Q17 and 5.5% in like-for-like terms, boosted by higher sales volumes in both Europe and Asia.
- North America (28.0% of the total): Revenue amounted to €52.6 million, down 14.7% on 1Q17, caused by the weakness of the US$ against the € and the United States market. In like-for-like terms, revenue fell by 2.8%.
- Latin America (14.4% of the total): Revenue amounted to €27.0 million, a decline of 12.6% on 1Q17, caused mainly by the weakness of the Brazilian Real against the €, while in like-for-like terms revenue increased 2.9%.

[4] Revenue by origin of sale.

In a market context of higher costs for raw materials, the Viscofan Group announced price increases that will be transferred to its customer base over the coming months.

Other operating income

Other operating income from the first quarter totalled €9.9 million, including the compensation payment of €8.5 million resulting from a Supreme Court ruling due to patent infringement against Mivisa Envases S.A.U. (currently Crown Food España S.A.U).

Operating expenses

In the first quarter of 2018, costs of consumption[5] increased by 7.2% vs. 1Q17 to €50.5 million, resulting in a gross margin[6] of 73.1% (-2.7 p.p. vs. 1Q17) due to the increase in cost of raw materials.

The average workforce in March 2018 was up 3.6% compared with the previous year to 4,652 people, owing to the inclusion of staff from the Supralon companies in Europe and the increase in personnel recruited, most notably in Spain (+11%). Personnel expenses in the quarter remained stable compared with the previous year at €47.1 million (+0.2% vs. 1Q17), with the increase in the average workforce counteracted by the depreciation in currencies.

Other operating expenses decreased 6.3% compared with 1Q17 to €45.8 million, with quarterly energy supply costs decreasing by 6.8% in 1Q18 vs. 1Q17.

Operating and Net profit

Like-for-like[1] EBITDA increased 0.4% compared with 1Q17, reaching a like-for-like quarterly EBITDA margin of 27.5% (-0.6 p.p. vs. 1Q17).

Once again, the notable depreciation of the main trading currencies affected development of the quarterly EBITDA, which lost €8.9 million due to this reason, the equivalent of 16.3 p.p. of growth. On the other hand, the non-recurrent profits of €8.2 million stemming from the compensation payment due to patent infringement mean the reported EBITDA is almost stable at €54.5 million (-0.2% vs. 1Q17).

Quarterly depreciation costs grew by 6.7% vs. 1Q17 to €15.0 million due to the launch of the new production plant in Cáseda and the investments made under the current MORE TO BE strategic plan.

As a result, the Group obtained a cumulative operating profit of €39.4 million, 2.7% less than was achieved during the same period in the previous year.

In the first quarter of 2018, the net financial loss stood at -€2.2 million owing to the negative exchange differences of -€1.9 million, which compares with the net financial loss of -€0.5 million in 1Q17 when foreign exchange differences weren´t significant.

Cumulative profit before tax as of March 2018 rose to €37.3 million with corporate income tax totalling €5.6 million, bringing the net profit for the first quarter of 2018 at €31.7 million, up 0.2% vs. 1Q17.

Investment

In the first quarter of 2018, the new plant in Cáseda with the latest viscose-based casing technology started industrial production with highly satisfactory results among final customers.

In this first quarter, a total of €13.1 million was invested (€13.5 million in 1Q17) of a total expected investment of €75 million for the year 2018 as a whole, which includes, among others, the aforementioned Cáseda project and installation of collagen capacity in Serbia.

[5] Costs of consumption= Net purchases +/- Changes in inventory of finished goods and work in progress.
[6] Gross margin = (Revenue - Costs of consumption) / Revenue

Bank debt

The strong generation of cash flow allows for a reduction in net bank indebtedness, which stands at €28.3 million at the end of March 2018, down 31.3% from €41.1 million at the end of December 2017.

Shareholder remuneration

On 22 March 2018, the Viscofan Group paid out an extraordinary dividend of €0.13 per share, which corresponds to the positive net profit of the year 2018 resulting from the Supreme Court ruling in the action brought by Industrias Alimentarias de Navarra S.A.U. against Mivisa Envases S.A.U. (now Crown Food España S.A.U.) for the infringement of a patent which, according to the sale contract of Industrias Alimentarias de Navarra, S.A.U., belongs to Viscofan S.A.

Viscofan Group Profit and loss account. 1Q18 ('000 €)

	Jan-Mar' 18	Jan-Mar' 17	*Change*
Revenues	**187,795**	**194,604**	**-3.5%**
Other operating income	9,857	2,637	273.8%
Self-constructed assets	64	68	-5.9%
Variation in stocks of finished products and work-in-progress	15,228	10,656	42.9%
Net purchases	-65,777	-57,813	13.8%
Personnel expenses	-47,138	-47,061	0.2%
Other operating expenses	-45,758	-48,819	-6.3%
Capital grants	158	161	-1.9%
Impairment and results coming from disposals of non-current assets	32	157	-79.6%
Other results	0	0	n.s.
EBITDA	**54,461**	**54,590**	**-0.2%**
EBITDA margin	*29.0%*	*28.1%*	*0.9 p.p.*
Amortization and depreciation	-15,023	-14,074	6.7%
Operating profit	**39,438**	**40,516**	**-2.7%**
Operating profit margin	*21.0%*	*20.8%*	*0.2 p.p.*
Financial incomes	77	39	97.4%
Financial expenditures	-369	-507	-27.2%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-1,911	-46	4054.3%
Impairment and results coming from disposals of financials assets	25	0	n.s.
Financial results	**-2,178**	**-514**	**323.7%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**37,260**	**40,002**	**-6.9%**
Taxes	-5,609	-8,406	-33.3%
Profit after taxes from continued operations	**31,651**	**31,596**	**0.2%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**31,651**	**31,596**	**0.2%**
a) Net profit attributable to the parent comany	31,677	31,617	0.2%
b) Net profit attributable to minority interests	-26	-21	23.8%

Consolidated balance sheets ('000 €)

	Mar '18	Dec '17	Change
Intangible assets	20,305	19,293	5.2%
Goodwill	6,498	4,906	32.5%
Others intangible asset	13,807	14,387	-4.0%
Tangible assets	467,345	469,799	-0.5%
Real state investments	0	0	n.s.
Investment accounting using the equity method	0	0	n.s.
Non-current financial assets	8,976	9,149	-1.9%
Deferred tax assets	14,542	17,472	-16.8%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**511,168**	**515,713**	**-0.9%**
Non-current assets held for sale	0	0	n.s.
Inventories	254,065	238,530	6.5%
Trade and other receivables	163,912	172,134	-4.8%
Trade debtors	140,297	141,165	-0.6%
Other debtors	18,114	27,135	-33.2%
Current tax assets	5,501	3,834	43.5%
Other financial current assets	7,242	3,557	103.6%
Other current assets	6,002	2,727	120.1%
Cash and cash equivalents	42,642	28,143	51.5%
CURRENT ASSETS	**473,863**	**445,091**	**6.5%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**985,031**	**960,804**	**2.5%**
Share capital	32,623	32,623	0.0%
Share issue premium	12	12	0.0%
Reserves	772,677	650,573	18.8%
Treasury shares	0	0	n.s.
Profit for previous years	0	0	n.s.
Received from associates	0	0	n.s.
Net profit of the period attributable to the parent company	31,677	122,101	-74.1%
Less: Interim dividend	-34,953	-28,894	21.0%
Other equity instruments	0	0	n.s.
SHAREHOLDER´S FUNDS	**802,036**	**776,415**	**3.3%**
Financial assets held for sale	0	0	n.s.
Hedge transaction reserves	1,710	1,772	-3.5%
Currency translation differences	-52,296	-50,641	3.3%
Others	0	0	n.s.
ADJUSTMENTS DUE TO CHANGE IN VALUE	**-50,586**	**-48,869**	3.5%
SHAREHOLDERS' EQUITY	**751,450**	**727,546**	**3.3%**
Minority interest	110	135	-18.5%
EQUITY	**751,560**	**727,681**	**3.3%**
Grants	2,314	2,482	-6.8%
Non-current provision	21,934	22,235	-1.4%
Non-current financial liabilities	73,354	74,336	-1.3%
Financial debt	61,454	62,679	-2.0%
Other financial liabilities	11,900	11,657	2.1%
Deferred tax liabilities	17,665	20,514	-13.9%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**115,267**	**119,567**	**-3.6%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	6,419	4,999	28.4%
Current financial liabilities	20,003	19,386	3.2%
Financial debt	9,504	6,571	44.6%
Other financial liabilities	10,499	12,815	-18.1%
Trade creditor and other payable accounts	91,063	88,596	2.8%
Trade creditors	65,707	58,007	13.3%
Other creditors	19,396	24,072	-19.4%
Current tax liabilities	5,960	6,517	-8.5%
Other current liabilities	719	575	25.0%
CURRENT LIABILITIES	**118,204**	**113,556**	**4.1%**
NET BANK DEBT / (NET BANK CASH)	**28,316**	**41,107**	**-31.1%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	1Q18	1Q17	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.230	1.065	-13.4%
Canadian Dollar	1.555	1.409	-9.3%
Mexican Peso	23.029	21.631	-6.1%
Brazilian real	3.990	3.346	-16.1%
Czech crown	25.400	27.021	6.4%
British Pound	0.883	0.860	-2.7%
Serbian Dinar	118.421	123.869	4.6%
Chinesse yuan remminbi	7.802	7.337	-6.0%
Uruguayan Peso	35.043	30.344	-13.4%

End period (Currency/€)

	Mar 18	Dec 17	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.232	1.199	-2.7%
Canadian Dollar	1.590	1.504	-5.4%
Mexican Peso	22.525	23.661	5.0%
Brazilian real	4.095	3.967	-3.1%
Czech crown	25.425	25.535	0.4%
British Pound	0.875	0.887	1.4%
Serbian Dinar	118.385	118.473	0.1%
Chinesse yuan remminbi	7.738	7.802	0.8%
Uruguayan Peso	34.978	34.548	-1.2%

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All results information can be consulted on Viscofan Group website.

Alternative Performance Measures

The Viscofan Group has included in this report various Alternative Performance Measures (hereinafter APMs), as established in APM Guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the National Securities Market Commission (the CNMV).

This involves a series of measures designed using the financial information of Viscofan, S.A. and its subsidiary companies, and they are complementary to the financial information drawn up in agreement with International Financial Reporting Standards (IFRS). Under no circumstance should they be assessed separately or considered a substitute.

They are measures used internally in decision making processes and which the Board of Directors decides to report externally as it considers they provide additional information that is useful in the analysis and assessment of the Viscofan Group's results and its financial situation.

The APMs included in this report are as follows:

- The EBITDA, or operating profit before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

- Cost of consumption: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors cost of consumption as one of the main cost components for Viscofan. The weight of net revenue for this cost component on revenue or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and consumption costs must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.

- Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.

- Like-for-like revenue and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period, the effect of the change in the consolidation scope, and the non-recurring impacts of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like revenue and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.