



## Letter from the Chairman

Dear Shareholder,

We have hit the half-way mark on our 2016-2020 MORE TO BE strategic plan, a period in which Viscofan has been strengthened as the leading casing company with the deployment of initiatives that involve a very in-depth transformation.

Far from being content with the leadership position we have achieved, we have maintained our road map with the conviction that only those companies capable of leading technology, service and costs will be able to face the challenges of the sector and the

opportunities that open up in a world as dynamic as the current one.

Last year's letter highlighted the record time construction of the new cellulose and fibrous plant in Cáseda (Spain), and this year, I'm pleased to let you know that this new technology is already a reality: it is no longer a pilot project, and now sells its products with high levels of customer acceptance, with productive and quality ratios that improve significantly compared to our previous standard. These results encourage us to complete the final modules in order to achieve a critical mass that maximises investment returns and

prepares us for the expected growth in these technologies without the need for significant additional investments.

The casings market continues to grow every year, now exceeding 60 billion meters per year, and with it our commitment to reach millions of homes around the world. This is a challenge that involves solving new challenges and finding opportunities wherever they may occur.

Proving once again that our vocation for growth has no borders is the recent acquisition of Globus in Australia and New Zealand, curiously in the geographical antipodes of Spain, where our Group was founded more than 40 years ago. Other examples of new horizons, this time technological, are the aforementioned plant 4 in Cáseda, the acquisition at the beginning of the year of Transform Pack, a Canadian company specialising in the transfer of ingredients, which opens doors to new concepts of added value in the sector, and our progress in more diversified areas such as collagen hydrolysates and bioengineering, where in 2018 we were approved by the Spanish authorities to conduct clinical trials in human hearts, a sample of our ability to make innovative products with the highest quality standards.

Our company is prepared to grow and better adapt to this environment than any other company in our sector, and this is backed by achievements that are detailed throughout this annual report: excellent production and safety numbers in practically all our plants, improvement in market share, distance of profitability from the main casing producers, solid balance sheet and generation of cash flow to support our growth plans, without renouncing new highs in shareholder remuneration, are some indicators of this improvement.

Despite this, it has not been an easy year. Our transformation has coexisted with an environment characterised by volatility, as a result of global uncertainties, something that has impacted not only our market, but also economic and political relations around the world.

In this sense, our results, even with a new historical maximum revenue, have come in below our initial expectations. We have grown in volumes in all our technologies, accompanying our commercial activity with a pricing strategy that puts into value the benefits provided by our casings to customers and consumers, and that adapts to the costs in our sector. Once again, the erosion in exchange rates, especially the US dollar and the Brazilian real, has been the main difficulty in improving our results on the previous year, together with increases in the cost of raw materials and energy.

We have grown and strengthened our leadership, although the reduction of our expectations has affected stock performance, which has gone from historical highs to annual minimums in the last quarter, causing our share price to fall by 12.5% during the year. Our performance has been better than that of reference indices such as the Ibex 35, which dropped by 15%, or the EuroStoxx 600, which dropped 13.2%.

In a changing environment, with the imbalances and uncertainties we are facing, Viscofan once again supports its commitment to the objectives of sustainable development and the 2030 agenda by renewing our support for the Global Compact. The non-financial information included in this integrated annual report shows that our transformation process is also a success thanks to a solid positioning to guarantee long-term sustainability. We have built a unique business model around our values and principles: the largest commercial portfolio in the market; the most advanced technology

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applied to our processes to improve our products, our cost structure and our impact on the environment; and being present in more countries and continents than any other company in our sector. Above all, Viscofan has a formidable team of more than 4,600 people who share values and a commitment to continuous improvement as a constant source of competitive advantage, whom I would like to thank for their tireless work this year.

Having concluded the first part of our strategic plan, we are now beginning a phase in which the results of our transformation will be more visible. Investment needs are significantly reduced to around 60 million euros, while we will resume the growth trend in revenues, EBITDA and pre non-recurring net profit. Increased cash flows in a very healthy balance sheet will allow us to continue promoting growth and remuneration for our shareholders.

Based on the 2018 results, the Board of Directors has approved the largest distribution of dividends in our history: a payment of €1.60 per share, to which must be added €0.13, distributed as an extraordinary dividend due to the distribution of the extraordinary benefit from the compensation for patent infringement. A direct payment of more than 80 million euros, which is 11.6% higher than that proposed the previous year and 28% more than the amount distributed before the MORE TO BE period began. A direct payment that has been supplemented by the indirect

payment of 5 million euros from the amortisation of treasury shares acquired during the year and which was approved by the Board of Directors last January.

I would like to wrap up by thanking you on behalf of the Board of Directors and the entire Viscofan team for your support and confidence, and convey my commitment to continue promoting Viscofan as a leader and benchmark of sustainable value creation to all our shareholders in this promising future that is presented to us and that we look at with hope and optimism.



**José Domingo de Ampuero y Osma**  
Chairman