



**REPORT BY THE BOARD OF DIRECTORS OF VISCOFAN S.A. ON THE  
COMMON DRAFT TERMS OF SPIN OFF OF**

**VISCOFAN, S.A.**

(Viscofan)

in favour of

**VISCOFAN ESPAÑA, S.L.U.**

(Viscofan España)

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Madrid, 25 February 2021

Viscofan S.A

## 1. PURPOSE

The Board of Directors of Viscofan S.A ("Viscofan" ) and Viscofan España, S.L.U. ("Viscofan España" ) have drawn up and signed Common draft terms of Spin-Off ("Spin-off Project" or the "Project") by virtue of which Viscofan S.A., parent company, transfers a part of its equity that constitutes an autonomous economic unit by means of universal succession to Viscofan España (the "Spin off").

This economic unit consists of the business in Spain of manufacturing and developing all types of casings and films for food use and other applications, as well as the production of electricity both for its own consumption and for sale to third parties. The production centres for this activity are located in Cáseda (Avenida Aibar - Caparroso 0 S N, 31490 Cáseda) and Urdiain (Lugar Bentalde, 4, 31810 Urdiain), both in Navarre. The economic unit includes the management and support services functions, as well as activities relating to the marketing and sale of manufactured casings, all of which are carried out mainly in Tajonar, (Berroa Industrial Estate, c/ Berroa 15, 31192 Tajonar, Navarra) (the "Spun-off Unit").

For the purposes set forth in the Law on structural modifications to commercial companies ("LME") (article 77 and related provisions), the Boards of Directors of the participating companies have prepared this Spin-off Project, in which the legal and economic aspects are explained and justified in detail.

## 2. RATIONALE FOR THE SPIN-OFF

The Viscofan Group, led by its parent company, Viscofan, carries out its corporate purpose both directly and through the participation and ownership of the share capital of the companies constituting this group.

The purpose of the planned corporate action is to complete the subsidiarisation in Spain of the business activity mentioned in section 1 above, through it being incorporated into Viscofan España, a company that is wholly owned directly by Viscofan.

Specifically, the economic reasons for this Spin-off are as follows:

- Rationalise the business structure of the Viscofan group, separating economically and legally the function of Viscofan, as a holding company focused on managing and overseeing the group, setting strategic objectives, defining its organisational model and providing global management support services to all group entities.
- Optimise the management, control and monitoring of the activity in Spain through Viscofan España and facilitating the financial and administrative control of the company by its managers, through drawing up annual accounts and periodic financial statements specific to the activity carried out in Spain, which would result in better analysis and more efficient allocation of resources within the group.

## 3. LEGAL ASPECTS OF THE COMMON DRAFT TERMS OF SPIN-OFF

### 3.1 Legal structure of the corporate action. Application of the simplified regime.

Viscofan will transfer all the assets and liabilities that constitute the Spin-Off Unit (as detailed in section 6, and by reference to the same in **Annexe 3** of the Project), by means of universal succession to Viscofan España.

Due to the fact that Viscofan España, is a company that is wholly owned directly by Viscofan (which, in turn, ensures that the shareholders of Viscofan participate indirectly in the capital of Viscofan España in the same proportion as they do in the capital of Viscofan), the simplified spin-off regime provided for in articles 78 bis and 49, by reference to article 73 of the LME, will be applied, and by virtue thereof:

- The Project does not contain the 2nd, 6th, 9th and 10th mentions of article 31 of the LME, essentially concerning the type of exchange, methods of attending the exchange and the exchange procedure, the date from which the holders of the shares delivered in exchange are entitled to participate in the profits (article 49.1.1 and 74.2 of the LME).

- Viscofan España does not need to adopt a resolution to increase capital (Article 49.1.3 and 74.2 of the LME), and the net value of the assets and liabilities received by this party must be included in a spin-off reserve under the terms set out in section 6 of the Project. Moreover, as Viscofan España is a limited liability company, there is no need to appoint an independent expert for the valuation of the Spin-off Equity, as a non-monetary contribution.

Nevertheless the applicability of the simplified regime, as a consequence of the fact that the Spin-off Unit constitutes an essential asset or activity of Viscofan under the terms of the Capital Companies Act, the Spin-off shall be submitted for approval at Viscofan's 2021 Annual General Meeting of Shareholders within six months after the end of the financial year. Likewise, the Spin-off shall be subject to the approval of the sole shareholder of Viscofan España.

### **3.2. Pertinent details of the Common draft terms of Spin-Off.**

The content of the Common draft terms of Spin-Off, drawn up and signed by the management bodies of the companies participating in the Spin-off, complies with the provisions of the LME for this type of corporate action.

### **3.3. Identification of the companies participating in the spin-off.**

#### **a. VISCOFAN:**

VISCOFAN, S.A., with registered office at Tajonar (Navarra; CP 31192), Polígono Industrial Berroa, c/ Berroa 15-4, CIF nº A-31065501, and registered in the Commercial Registry of Navarre, volume 316, folio 24, sheet NA-362.

#### **b. VISCOFAN ESPAÑA:**

VISCOFAN ESPAÑA, S.L.U., also with registered office at Tajonar (Navarra; CP 31192), Polígono Industrial Berroa, c/ Berroa 15-4 planta, Company tax ID no. B-71408660, and registered in the Commercial Registry of Navarre in volume 2001, folio 85, sheet NA-39902.

### **3.4. Amendments to the Articles of Association**

It is noted that no other changes to the Articles of Association of either Viscofan or Viscofan España are envisaged as a result of the Spin-off.

### **3.5. Implications of the Spin-off on the management body.**

The companies participating in the Spin-off shall not modify, on the occasion of the Spin-off, either the structure or the composition of their respective management bodies, both of which shall be a Board of Directors made up of the following persons:

- Viscofan S.A: Mr José Domingo de Ampuero y Osma, Mr Nestor Basterra Larroudé, Ms Agatha Echevarría Canales, Mr Ignacio Marco-Gardoqui Ibáñez, Mr José María Aldecoa Sagastasoloa, Mr Jaime Real de Asúa Arteche, Mr José-Antonio Canales García, Mr Juan March de la Lastra, Mr Santiago Domecq Bohórquez, Ms Laura González Molero and Ms Carmen de Pablo Redondo.

- Viscofan España S.L.U: Mr José Antonio Canales García, Ms María Carmen Peña Ruiz, Mr Andrés Díaz Echevarría and Mr José Antonio Cortajarena Manchado.

### **3.6. Effective date of the Spin-off for accounting purposes.**

The effect date of the Spin-off for accounting purposes will be 1 January 2021 so that from this date onwards the possible transactions carried out by Viscofan shall be deemed to have been carried out by Viscofan España, to the extent of its respective shares. This date corresponds to the starting date of the financial year in which the Spin-off is to be approved and implemented by Viscofan and Viscofan España.

### **3.7. INDEPENDENT EXPERT REPORT.**

As mentioned in section 3.1, pursuant to the provisions of Articles 49.1.2 and 78 bis LME, no expert report will be required on the Project.

### **3.8. TAX REGIME.**

It is expressly stated for the record that this Spin-off corporate action will be subject to the special regime provided for in Chapter VIII of Title VIII of Regional Law (Ley Foral) 26/2016 of 28 December on Corporate Income Tax and the appropriate notification shall be made to the Tax Authorities in due time and form, in accordance with the current provisions of the Corporate Income Tax Act and its implementing regulations.

## **4. ECONOMIC ASPECTS**

### **4.1 Spin-off Balance Sheets**

In accordance with Article 36 LME, the balance sheets of Viscofan and Viscofan España, corresponding to the financial year closed as at 31 December 2020 shall be considered as spin-off balance sheets. This is the last balance sheet for the financial year ended, and which, as an integral part of the annual accounts of the same, were drawn up by the respective Boards of Directors of Viscofan and Viscofan España on 25 and 24 February 2021, respectively. For these purposes, the following shall be considered as spin-off balance sheets if they have been closed within the six (6) months prior to the date of this Project.

As Viscofan is obliged to have its annual accounts audited, its spin-off balance sheet shall be accompanied by the required auditors' report. The respective spin-off balance sheets shall be submitted for approval by the General Meeting of Shareholders of Viscofan and of the sole shareholder of Viscofan España.

The spin-off balance sheets and the annual accounts referred to shall be made available to the shareholders as well as to the employees' representatives, together with the other documents referred to in Article 39.1 LME, at the time when the General Meeting of Shareholders of Viscofan is convened and the Universal Meeting of Viscofan España that is to decide on the Spin-off is held.

### **4.2. Type and procedure of exchange**

For the purposes of the provisions of paragraph 2 of article 31 of the LME, the Spin-off does not involve an exchange of securities and therefore the calculation of the exchange ratio and, therefore, the exchange procedure is not applicable, nor, where applicable, any cash compensation.

### **4.3. Determination and valuation of the spin-off equity**

For the purposes of Article 74.1 of the LME, the Common draft terms of Spin-Off identifies the assets, equity and liabilities of Viscofan which are included in the perimeter of the Spin-off and which will be transferred to Viscofan España in the context of the Spin-off, by means of universal succession, and which constitute an economic unit within the meaning of article 71 of the LME (the "Spin-off Equity").

The Spin-off Equity shall be included in the balance sheet of Viscofan España at the value reflected in the financial statements of Viscofan as at 31 December 2020, in accordance with the general accounting standards in force.

- Value of spin-off assets ..... **214,687,560** euros
- Value of spin-off equity and liabilities<sup>1</sup> ..... **103,907,380** euros

As a result, the net asset value of the Spin-off Equity amounts to **110,780,180** euros and this amount will be included in the balance sheet of Viscofan España as a spin-off reserve, without requiring an increase in the share capital of Viscofan España, as it is wholly owned by Viscofan (article 49.1.3 LME by reference to Article 73.1 LME).

By virtue of the provisions of article 71 LME, Viscofan will not experience any reduction of its share capital or equity and the net value of the Spin-off Equity will be reflected, for the same amount as indicated in the previous paragraph, within the assets of its balance sheet as "investments in group companies".

For the appropriate legal purposes, it is hereby stated that the Spin-off entails the transfer of a set of tangible and intangible assets which, forming part of Viscofan's equity, constitute an autonomous economic unit capable of carrying out a business activity by its own means.

Due to the dynamic nature of the Spin-off Equity, from the date of this Project until the date on which the Spin-off is registered in the Commercial Registry of Navarre, the said Spin-off Equity and its valuations may undergo variations in the ordinary course of business.

Likewise, in the event that for legal, contractual, operational or business reasons it is not possible to transfer the ownership of any of the spin-off assets and liabilities, Viscofan shall transfer to Viscofan España the economic value of the rights and obligations deriving from such assets or liabilities from the date of the Spin-Off for accounting purposes, so that there is no alteration in the valuation of the Spin-off Equity for the purposes of the capital increase referred to in section 6 below. Similarly, Viscofan España shall assume the financial liabilities of Viscofan that are not formally transferable at the time of the Spin-Off, assuming in full the fulfilment of the obligations specified in the corresponding contract.

The Boards of Directors of Viscofan and Viscofan España shall report to their respective general meetings on the significant changes in the Spin-off Equity that have occurred, if any between the date of the Project and the date of the general meeting, in accordance with the provisions of Article 79 LME.

## **5. RIGHTS TO INFORMATION, RIGHT TO OBJECT AND OTHER IMPLICATIONS OF THE SPIN-OFF**

### **5.1 Right to information**

In compliance with the provisions of article 32 of the LME and in accordance with the terms set out in said article, the Common draft terms of Spin-Off shall be published on Viscofan's website ([www.viscofan.com](http://www.viscofan.com)), with the possibility of being downloaded and printed, as from 26 February 2021, and will be submitted for filing at the Commercial Registry of Navarre on 26 February 2021, and these circumstances will be published in the Official Gazette of the Commercial Registry of Navarre, both with regard to being included on Viscofan website and the publication on the website of Viscofan. S.A) and in respect of the deposit made with the Commercial Registry of Navarre prior to the announcement of the call of the general meetings that are to decide on the Spin-Off.

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<sup>1</sup> In addition to current and non-current liabilities, Spin-off equity and liabilities include, among other things, value adjustments (hedging transactions), other equity instruments, and grants. 5

In addition, in compliance with the provisions of article 32 of the LME and in accordance with the terms set forth therein, the documentation detailed in said article shall be posted on the aforementioned website, with the possibility of downloading and printing them, and shall be made available to the shareholders, bondholders and holders of special rights, as well as the representatives of the employees of the companies participating in the Spin-off, for their examination at the registered office of Viscofan. They may also request that copies of such documentation be provided or sent free of charge by any legally admissible means.

Once the Spin-off resolution has been adopted, if applicable, by the general meetings that are to decide on the Spin-off, the approval of the Spin-off shall be published in the Official Gazette of the Commercial Registry and in a daily newspaper with a large circulation in Navarre.

## **5.2. Right to object**

During a period of one month from the date of the last such announcement, the creditors of the companies participating in the Spin-off may oppose it under the terms laid down in Article 44 LME. Once the aforementioned period has elapsed without any creditor having exercised their right to object or, where applicable, the claims of the creditors who have objected having been duly secured, the corresponding Spin-off deed shall be executed and filed with the Commercial Registry of Navarre in accordance with Article 236.3 of the Regulation on the Commercial Registry.

## **5.3 Special rights and advantages to be granted in the companies participating in the Spin-off**

There are no contributions of industry or ancillary benefits in any of the companies participating in the Spin-off and, consequently, it is not necessary to consider these matters in the Spin-off. Nor are there any special or preferred shares in Viscofan or in Viscofan España, or any person having special rights other than shares, and it is therefore not necessary to consider these matters in the Spin-off either.

No advantages of any kind shall be recognised in Viscofan España or in Viscofan, or for the directors of any of the companies involved therein.

## **5.4 Employment impacts**

As a consequence of the segregation of the Spin-off Equity, the employment relationships of the employees attached to the autonomous economic unit being transferred shall not be terminated. Instead, Viscofan España will be subrogated to the employment and social security rights and obligations of the employees subject to the Spin-off Equity.

In witness whereof, for all pertinent purposes, the members of the Board of Directors hereby approve this Joint Directors' Report in Madrid, on 25 February 2021.