January-March 2021
Results

23 April 2021

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Results note

Main highlights of the January-March 2021 results:

- Revenue is €228.4 million, 2.8% higher than the previous year, and 10.3% in like-for-like terms[1].
- EBITDA[2] of €57.6 million, a growth of 10.8% compared to the previous year and 27.8% in like-for-like terms.
- €30.2 million in net profit, 10.3% up on the previous year.
- €18.5 million of net bank debt[3] at March 2021, a decrease of 51.7% compared to €38.2 million at December 2020 thanks to the strength of operating results.
- José Domingo de Ampuero y Osma, Chairman of the Viscofan Group: "In the first quarter we continued our growth in casing volumes in all reporting areas, which we are responding to with increased capacity and high production efficiencies at our plants. This strength has enabled us to achieve double-digit earnings growth and to offset the weakness of the major trading currencies."

Business performance

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

	Jan-Mar' 21	Jan-Mar' 20	*Change*	*Like- for -like**
Revenue	228,373	222,105	2.8%	10.3%
EBITDA	57,611	51,986	10.8%	27.8%
EBITDA Margin	*25.2%*	*23.4%*	1.8 p.p.	3.7 p.p.
Operating profit	39,388	33,307	18.3%	
Net profit	30,180	27,363	10.3%	

*Like-for-like results exclude the impact of foreign exchange rate changes in 2021. There are no non-recurring impacts in 1Q21 or 1Q20.

Revenue in first quarter 2021 amounted to €228.4 million, a growth of 2.8% vs. 1Q20, of which +10.5 p.p. corresponds to like-for-like[1] sales of casings, compared to a decrease of -0.2 p.p. due to lower comparable sales of cogeneration and -7.5 p.p. due to the change in exchange rates.

In the first quarter, the favourable trend of volumes continued in all product families where Viscofan continues to benefit from the proximity to customers thanks to a global positioning, together with a broad and diversified product portfolio.

The growth in the volume of casings and the improvement in the sales price mix offset the strong negative impact of changes in exchange rates (mainly due to the depreciation of the BRL and the USD) against the EUR.

[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2021. There are no non-recurring impacts in 1Q21 and in 1Q20.
[2] EBITDA = Operating profit (EBIT) + Depreciation of property, plant and equipment and amortization.
[3] Net bank debt= Current and non-current bank debt - Cash and cash equivalents.

In like-for-like[1] terms, first-quarter revenue is up 10.3% vs. 1Q20 excluding exchange rate changes.

Of the total amount of the quarterly revenue, €218.6 million correspond to casing sales (+3.2% vs. 1Q20), and €9.8 million to the income from the sale of cogeneration energy, which decreased by 5.9% vs. 1Q20.

The geographical[4] breakdown of revenue in 1Q21 is as follows:

- Europe and Asia (54.4% of the total): Reported revenues amounted to €124.2 million, 4.7% higher than 1Q20 and 6.3% on a like-for-like basis, led by the good performance in China and Southeast Asia.

- North America (30.5% of the total): Revenue amounted to €69.6 million, down 1.6% vs. 1Q20 due to the weakness of the US$ against the Euro. In like-for-like terms, revenue was up 6.9%.

- Latin America (15.2% of the total): Revenue is €34.6 million, a growth of 5.3% compared to 1Q20 in reported terms despite the weakness of the Brazilian Real. In like-for-like terms, revenue from the region was up 31.9% compared to 1Q20.

Operating expenses

Consumption costs[5] for the quarter increased by 4.6% to €63.9 million, mainly due to higher sales volumes. The increase in auxiliary raw material prices has been counteracted by the sourcing policy and the decrease in collagen hides costs.

In the first quarter the production plants maintained high efficiencies with gross margin[6] at 72.0% (72.5% in 1Q20).

In a context of growth Viscofan is increasing personnel to increase production and successfully complete the capacity expansion projects in the plants of Cáseda (Spain) and Suzhou (China) among others. As a result, the average workforce in March was 4.7% higher than in the same period of the previous year at 5,057 people.

However, personnel expenses grew by 2.1% in 1Q21 vs. 1Q20 to €58.4 million, helped by currency weakness against the Euro.

Other operating expenses amounted to €50.4 million, a decrease of 4.7% in 1Q21 compared to 1Q20. These savings are mainly due to lower travel costs as a result of restrictions on the movement of people, lower energy supply costs and savings in plant overheads.

Operating profit

Higher revenue, cost control and efficiency in production plants offset the weakness of the currencies in the quarter. As a result, reported EBITDA grew by 10.8% vs. 1Q20 to €57.6 million.

Stripping out the impact of foreign exchange differences, EBITDA grew by 27.8% year on year.

The reported EBITDA margin in 1Q21 was 25.2% and 27.1% on a like-for-like basis, +1.8 p.p. and +3.7 p.p. higher than in 1Q20, respectively.

Cumulative depreciation costs at March 2021 amounted to €18.2 million (-2.4% vs. 1Q20), bringing the quarter EBIT to €39.4 million, 18.3% greater than the EBIT figure reported in 1Q20.

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[4] Revenue per origin of sales.
[5] Consumption costs = Net purchases +/- Changes in inventory of finished goods and work in progress.
[6] Gross margin = (Revenue - Consumption costs) / Revenue.

Net financial result

In the first quarter of 2021, the Net Financial Result was positive with +€0.8 million, less than the +€2.7million in 1Q20 due to lower positive exchange rate differences.

Net profit

Profit before tax in the first quarter 2021 amounted to €40.2 million while corporate income tax totalled €10.1 million (an increase of 15.9% vs. 1Q20) with an effective tax rate 25.0% (compared with 24.1% in the same period of the previous year).

As a result, reported net profit in 1Q21 amounted to €30.2 million, 10.3% higher than in the same quarter of the previous year.

Capex

A total of €8.4 million has been invested in the first quarter of 2021, within the objective of investing €70 million in 2021. These include the expansion of fibrous capacity in Cáseda under the new technology, the installation of a new cogeneration engine with the capacity to use green hydrogen, the expansion of collagen casing capacity in China and the investments for the technological upgrade of the collagen casing plant in the United States.

Financial liabilities

Earnings growth and strong cash flow generation help reduce net bank debt[7] to €18.5 million from €38.2 million in December 2020, a drop of 51.7% in a quarter in which there were no significant cash outflows from investments or dividends.

[7] Net bank debt= Current and non-current bank debt - Cash and cash equivalents.

Appendix 1. Measures taken to deal with the COVID-19 pandemic at Viscofan

The Viscofan Group is focusing its management of the situation caused by the COVID-19 pandemic on three main areas:

- Guaranteeing the safety and well-being of our workers, with protection protocols that include sanitation measures, social distancing, mandatory use of masks, cleaning and disinfection work, teleworking and increased communication.
- Ensuring global supply to all our customers by increasing and reinforcing production and logistics activity and building safety inventories.
- Contributing to limiting the spread of COVID-19 and its effects, with donations of protective gear, food, and for the purchase of medical equipment. Also, the deployment of awareness-raising campaigns.

With regard to liquidity, the company has a positive working capital[8] of €382.7 million as at 31 March 2021. No liquidity stress is anticipated for 2021 as a result of the forecast performance of the Group, which contemplates a positive generation of cash during 2021. For those bank borrowings where compliance with certain ratios is established, there have not been, nor are they expected to be, any breaches of these ratios in 2021.

No significant signs of impairment have been identified from the analysis of the fixed assets, intangible assets, property plant and equipment, customers or inventory.

As a result of the market growth and the measures implemented to mitigate and control risk, the COVID-19 pandemic has not resulted in any changes to the strategic direction, operations, financial results, economic situation and cash flows.

[8] Working Capital = Current assets – Current liabilities

Appendix 2. Financial data

	Jan-Mar' 21	Jan-Mar' 20	*Change*
Revenues	**228,373**	**222,105**	**2.8%**
Other operating income	1,898	964	96.9%
Self-constructed assets	62	72	-13.9%
Variation in stocks of finished products and work-in-progress	3,014	8,501	-64.5%
Net purchases	-66,941	-69,630	-3.9%
Personnel expenses	-58,432	-57,241	2.1%
Other operating expenses	-50,412	-52,873	-4.7%
Capital grants	100	130	-23.1%
Impairments	-7	-7	0.0%
Results coming from disposals of non-current assets	-44	-35	25.7%
Other results	0	0	n.s.
EBITDA	**57,611**	**51,986**	**10.8%**
EBITDA margin	*25.2%*	*23.4%*	*1.8 p.p.*
Amortization and depreciation	-18,223	-18,679	-2.4%
Operating profit	**39,388**	**33,307**	**18.3%**
Operating profit margin	*17.2%*	*15.0%*	*2.2 p.p.*
Financial incomes	70	91	-23.1%
Financial expenditures	-206	-364	-43.4%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	983	3,002	-67.3%
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	**847**	**2,729**	**-69.0%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**40,235**	**36,036**	**11.7%**
Taxes	-10,055	-8,673	15.9%
Profit after taxes from continued operations	**30,180**	**27,363**	**10.3%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**30,180**	**27,363**	**10.3%**
a) Net profit attributable to the parent comany	30,180	27,363	10.3%
b) Net profit attributable to minority interests	0	0	n.s.

Viscofan
The casing company

Consolidated balance sheets ('000 €) - ASSETS

	Mar'21	Dec '20	*Change*
Intangible assets	18,754	19,268	-2.7%
Goodwill	2,553	2,638	-3.2%
Others intangible asset	16,201	16,630	-2.6%
Tangible assets	472,377	475,293	-0.6%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	1,966	1,940	1.3%
a) At fair value through profit and loss	633	633	0.0%
Of which "Designated upon initial recognition"	633	633	0.0%
b) At fair value with changes in other comprehensive income	0	0	n.s.
Of which "Designated upon initial recognition"	0	0	n.s.
c) At amortized cost	1,333	1,307	2.0%
Non-current derivatives	384	326	17.8%
Cash flow hedges	384	326	17.8%
Others	0	0	n.s.
Deferred tax assets	26,507	26,966	-1.7%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	519,988	523,793	-0.7%
Non-current assets held for sale	0	0	n.s.
Inventories	279,583	273,193	2.3%
Trade and other receivables	191,563	183,473	4.4%
Trade debtors	172,314	166,079	3.8%
Other debtors	14,977	16,629	-9.9%
Current tax assets	4,272	765	458.4%
Current financial assets	847	840	0.8%
a) At fair value through profit and loss	751	751	0.0%
Of which "Designated upon initial recognition"	751	751	0.0%
b) At fair value with changes in other comprehensive income	0	0	n.s.
Of which "Designated upon initial recognition"	0	0	n.s.
c) At amortized cost	96	89	7.9%
Current derivatives	4,160	4,708	-11.6%
Cash flow hedges	3,797	3,088	23.0%
Others	363	1,620	-77.6%
Other current assets	7,390	2,435	203.5%
Cash and cash equivalents	64,504	51,990	24.1%
CURRENT ASSETS	548,047	516,639	6.1%
TOTAL ASSETS	1,068,035	1,040,432	2.7%

Consolidated balance sheets ('000 €) - EQUITY AND LIABILITIES

	Mar'21	Dec '20	*Change*
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	890,468	767,960	16.0%
Treasury shares	-5,579	-6,031	-7.5%
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	30,180	122,513	-75.4%
Less: Interim dividend	-64,905	-64,905	0.0%
Other equity instruments	1,747	1,747	0.0%
SHAREHOLDER´S FUNDS	**884,473**	**853,846**	**3.6%**
Items that are not reclassified to profit or loss for the period	0	0	n.s.
Equity instruments through other comprehensive income	0	0	n.s.
Others	0	0	n.s.
Items that may subsequently be reclassified to profit or loss for the period	-109,981	-117,600	-6.5%
Hedge transactions	2,493	1,031	141.8%
Currency translation differences	-112,474	-118,631	-5.2%
Share in other comprehensive income for investments in joint ventures and others	0	0	n.s.
Debt instruments at fair value through other comprehensive income	0	0	n.s.
Others	0	0	n.s.
ACCUMULATED OTHER COMPREHENSIVE INCOME	**-109,981**	**-117,600**	-6.5%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	**774,492**	**736,246**	**5.2%**
Non-controlling interests	0	0	n.s.
EQUITY	**774,492**	**736,246**	**5.2%**
Grants	1,091	1,189	-8.2%
Non-current provision	39,197	38,520	1.8%
Non-current financial liabilities	69,071	59,473	16.1%
Bank debt	41,815	32,644	28.1%
Other financial liabilities	27,256	26,829	1.6%
Deferred tax liabilities	18,845	19,274	-2.2%
Non-current derivatives	0	107	n.s.
Cash flow hedges	0	107	n.s.
Others	0	0	n.s.
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**128,204**	**118,563**	**8.1%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	14,208	11,204	26.8%
Current financial liabilities	52,359	75,803	-30.9%
Bank debt	41,160	57,563	-28.5%
Other financial liabilities	11,199	18,240	-38.6%
Trade and other payable accounts	97,407	96,240	1.2%
Trade creditors	63,137	53,768	17.4%
Other creditors	22,682	33,389	-32.1%
Current tax liabilities	11,588	9,083	27.6%
Current derivatives	668	2,159	-69.1%
Cash flow hedges	506	2,159	-76.6%
Others	162	0	n.s.
Other current liabilities	697	217	221.2%
CURRENT LIABILITIES	**165,339**	**185,623**	**-10.9%**
TOTAL EQUITY AND LIABILITIES	**1,068,035**	**1,040,432**	**2.7%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

End period (Currency/€)

	1Q21	1Q20	% Change	Mar 2021	Dec 2020	% Change
Euro	1.000	1.000	0.0%	1.000	1.000	0.0%
US Dollar	1.206	1.102	-8.6%	1.173	1.227	4.7%
Canadian Dollar	1.527	1.481	-3.0%	1.478	1.563	5.8%
Mexican Peso	24.516	22.045	-10.1%	24.051	24.416	1.5%
Brazilian real	6.592	4.915	-25.4%	6.680	6.381	-4.5%
Czech crown	26.065	25.614	-1.7%	26.145	26.245	0.4%
British Pound	0.875	0.862	-1.5%	0.852	0.899	5.5%
Serbian Dinar	117.579	117.566	0.0%	117.580	117.580	0.0%
Chinese yuan remminbi	7.815	7.691	-1.6%	7.703	8.025	4.2%
Uruguayan Peso	51.940	43.640	-16.0%	51.809	51.955	0.3%
Australian Dollar	1.561	1.676	7.4%	1.542	1.593	3.3%
New Zealand Dollar	1.676	1.738	3.7%	1.678	1.698	1.2%

Appendix 3. 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.

- Net financial debt: This is calculated as non-current and current bank debt plus non-current and current other financial liabilities netted from current financial assets, cash and cash equivalents. Management considers net financial debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net financial debt should not be considered a substitute for gross financial 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 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.

- Working capital: It is calculated as the difference between Current Assets and Current Liabilities. Management considers that this measure is relevant for shareholders and other stakeholders because it provides an analysis of the Group's liquidity situation in the short term.

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All results information can be consulted on Viscofan Group website.

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