Reshaping food and wellbeing.
For many, for long.

January - March 2022
Results

28 April 2022

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

Results note

Main highlights of the January-March 2022 results:

- Revenue is €262.9 million, 15.1% up year-on-year.
- EBITDA[1] of €57.8 million, 0.3% up year-on-year.
- €27.5 million in Net Profit, 8.9% down year-on-year.
- €13.9 million of net bank debt[2] at March 2022 compared to €1.8 million at December 2021.
- José Domingo de Ampuero y Osma, Chairman of the Viscofan Group: "These results reflect our business model strength within one of the most adverse environments in decades characterized by high-cost inflation, supply chain disruptions, geopolitical tensions, and COVID19. Volume growth and commercial discipline are driving our revenue up offsetting higher operating expenses in this environment.

  Moreover, capacity increase, technology upgrade and efficiency projects within the Beyond25 strategy plan are being implemented according to plan. In addition, we are going to carry out new rises in selling prices in the second half of this year to offset a more adverse inflation environment than expected aiming at maintaining the announced results guidance."

[1] EBITDA = Operating profit (EBIT) + Depreciation of property, plant and equipment and amortization.
[2] Net bank debt= Current and non-current bank debt - Cash and cash equivalents.

Business performance

Viscofan Group income statement ('000 €)

	Jan-Mar' 22	Jan-Mar' 21	*Change*	*Like-for-like**
Revenue	262,867	228,373	15.1%	10.0%
EBITDA	57,783	57,611	0.3%	-8.2%
EBITDA margin	*22.0%*	*25.2%*	-3.2 p.p.	-4.1 p.p.
Operating profit	38,871	39,388	-1.3%	
Net profit	27,484	30,180	-8.9%	

*Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2022.

Revenue breakdown ('000 €)

By division	Jan-Mar' 22	Jan-Mar' 21	*Change*
Traditional Business	214,571	191,669	11.9%
New Business	31,496	26,883	17.2%
Total business divisions	**246,067**	**218,552**	**12.6%**
Other revene from co-generation energy	16,800	9,821	71.1%
Revenue	262,867	228,373	15.1%

By geographical area	Jan-Mar' 22	Jan-Mar' 21	*Change*
Europe, Middle East and Africa (EMEA)	105,505	91,611	15.2%
Asia Pacific (APAC)	38,171	32,548	17.3%
North America	86,070	71,339	20.6%
South America	33,121	32,875	0.7%
Revenue	262,867	228,373	15.1%

In the first quarter of 2022 the casings market maintained the growth momentum of the previous year, with higher volumes in the main technologies.

Growth within and inflationary environment in raw materials and energy, while global supply chains have been squeezed, making a value and a closer service proposal to customers even more necessary.

Against this backdrop, the main initiatives foreseen in the Beyond25 Strategic Plan are under way, that are focused on preparing Viscofan to capture the growth opportunity, not only in the *Traditional Business* -especially in collagen casings-, but also in the *New Business*. These initiatives include changes in the organizational structure, the promotion of investments in capacity and technological transformation, and the reinforcement of operational and commercial activity, including new hikes in selling prices announced to customers, to grow and to offset the inflation in production costs aiming at achieving the short and long-term goals.

Revenue

Revenue sets an all-time high at €262.9 million, a growth of 15.1% on 1Q21 driven by volumes strength in the two business divisions of the Beyond25 plan (Traditional Business and New Business), the increase in selling price, higher revenue in co-generation electricity sales in Spain, and the positive contribution from forex.

In like-for-like terms, revenue was up 10.0% in 1Q22 vs. 1Q21, i.e. stripping out the +5.1 p.p. positive contribution from forex, mainly due to the appreciation of the US$ and the BRL against the Euro.

In the Traditional Business revenue rose by 11.9% to €214.6 million, driven by price mix increase of circa 3% and higher volumes, highlighting the performance in collagen casings, the growth in cellulose casings -driven by increased demand in food staples-, and the strength in fibrous in Europe thanks to the new installed capacity installed at the Cáseda plant in 2021.

In the New Business revenue was up 17.2% to €31.5 million propelled by plastic casings -among which the added value references stand out-, and the veggie casing, a product that is being well received by new customers and countries.

Furthermore, revenue from energy sales amounted to €16.8 million, up by 71.1% mainly due to higher electricity prices in the Spanish market.

The geographical breakdown [3] of revenue in 1Q22 was as follows:

- EMEA (40.1% of the total): Reported revenue came to €105.5 million, up 15.2% on 1Q21 and 13.3% in like-for-like terms thanks to the sound growth in all technologies in the Traditional Business and the boost of the New Business.

- APAC: (14.5% of the total): Reported revenue was €38.2 million, 17.3% above 1Q21 and 11.1% in like-for-like terms led by the good performance of China.

- North America (32.7% of the total): Revenue amounted to €86.1 million, a growth of 20.6%. In like-for-like terms, revenue grew 12.4% in a context of casings market strength, the impulse of New Business and the increased requirements for service assurance by customers.

- South America (12.7% of the total): Revenue stood at €33.1 million, up 0.7% on 1Q21 and down 5.6% in like-for-like terms.

Operating expenses

1Q22 has been marked by a double-digit rate rise in the prices of the main raw materials, together with the increase in energy and CO_2 emission allowances costs, bringing consumption costs[4] to €80.0 million, up 25.2% from 1Q21. Thus, gross margin[5] in 1Q22 was 69.6% as compared to 72.0% in 1Q21.

The average accumulated headcount at March 2022 grew 1.3% year-on-year to 5,125 people mainly due to capacity expansion projects. This increase in the workforce deals with higher wage costs in an environment of overall inflation. In this way, personnel expenses rose by 6.1% in 1Q22 vs. 1Q21 to €62.0 million.

Other operating expenses in 1Q22 of €67.4 million, a growth of 33.8% from 1Q21 due mainly to increased energy supply expenses (+67.9% vs. 1Q21) and transport expenses (+36.7% vs. 1Q21). Moreover, In the comparison with 1Q21, travel expenses increased as there are lower mobility restrictions that prevent commercial visits and to promote international projects.

Operating profit

The strength in organic revenue driven by volume and commercial discipline, the positive forex evolution, and operative efficiencies offset cost inflation driving EBITDA in 1Q22 to €57.8 million, up 0.3% year-on-year. Thus, EBITDA margin in the quarter was 22.0% as compared to 25.2% in 1Q21.

Stripping out the impact of foreign exchange differences, like-for-like EBITDA decreased 8.2%.

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[3] Revenue by origin of sales: EMEA (European companies), North America NAM (Canada, Costa Rica, Mexico, and EEUU), APAC (Australia, China, Japan, New Zealand, and Thailand), South America SAM (Brazil and Uruguay).

[4] Consumption costs = Net purchases +/- Change in inventories of finished and unfinished products.

[5] Gross margin = (Revenue - Consumption costs) / Revenue.

The depreciation and amortisation charge in 1Q22 was €18.9 million (+3.8% vs. 1Q21) bringing the quarter EBIT to €38.9 million, 1.3% below reported EBIT in 1Q21.

Net financial result

In the first quarter of 2022, the Net Financial Result was negative with -€0.8 million with negative Exchange differences of -€1.0 million, as compared with a positive net financial result of +€0.8 million in 1Q21, quarter in which exchange differences were positive with +€1.0 million.

Net profit

Profit before tax in the first quarter of 2022 was €38.1 million with a corporate income tax expense of €10.6 million (a growth of 5.2% versus 1Q21) placing the cumulative effective tax rate at 27.8% (25.0% in the same period of the previous year).

As a result, the net profit in 1Q22 amounted to €27.5 million, 8.9% down year-on-year.

Investment

Investment of €11.6 million in the first quarter of 2022 (€8.4 million 1Q21), within the objective of investing €100 million in 2022. The main projects underway are the upgrade in the cellulose technology at the Danville plant in the United States to improve the production efficiencies, and capacity increases in collagen casings to meet the expected growth of the market.

Financial liabilities

Net bank debt[6] as of March 2022 was €13.9 million, above €1.8 million in December 2021 due to the higher investment requirements within the Beyond25 strategic plan and greater working capital to ensure the supply of raw materials and service to the market in a context of growth.

Subsequent events

Trade sanctions to Russia

On April 8, 2022, Regulation (EU) 2022/576 of the Council of the European Union established restrictive measures motivated by actions by Russia that destabilize the situation in Ukraine. Specifically, Article 3 duodecies prohibits the sale, supply, transfer, or export, directly or indirectly, to Russia of a broad list of products including artificial casings made of hardened protein or cellulose.

Within its risk control and management system and considering current growth market momentum, Viscofan is working on commercial and operative risks mitigation measures to achieve growth targets for current year.

New hike in selling price

In April, initial talks are underway with customers to update sales price scheme in line to the context of inflation in the production inputs expected for this year. This new price increase will take effect mainly in the second half of the year.

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

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Appendix 1. Financial data

Viscofan Group profit and loss account. 1Q22 ('000 €)

	Jan-Mar' 22	Jan-Mar' 21	*Change*
Revenues	**262,867**	**228,373**	**15.1%**
Other operating income	4,261	1,898	124.5%
Self-constructed assets	65	62	4.8%
Variation in stocks of finished products and work-in-progress	10,502	3,014	248.4%
Net purchases	-90,534	-66,941	35.2%
Personnel expenses	-62,003	-58,432	6.1%
Other operating expenses	-67,433	-50,412	33.8%
Capital grants	53	100	-47.0%
Impairments	-7	-7	0.0%
Results coming from disposals of non-current assets	12	-44	c.s
Other results	0	0	n.s.
EBITDA	**57,783**	**57,611**	**0.3%**
EBITDA margin	*22.0%*	*25.2%*	*-3.2 p.p.*
Amortization and depreciation	-18,912	-18,223	3.8%
Operating profit	**38,871**	**39,388**	**-1.3%**
Operating profit margin	*14.8%*	*17.2%*	*-2.4 p.p.*
Financial incomes	398	70	468.6%
Financial expenditures	-196	-206	-4.9%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-1,009	983	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	**-807**	**847**	**c.s**
Profit from associated companies	0	0	n.s.
Profit before taxes	**38,064**	**40,235**	**-5.4%**
Taxes	-10,580	-10,055	5.2%
Profit after taxes from continued operations	**27,484**	**30,180**	**-8.9%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**27,484**	**30,180**	**-8.9%**
a) Net profit attributable to the parent comany	27,484	30,180	-8.9%
b) Net profit attributable to minority interests	0	0	n.s.

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Consolidated balance sheets ('000 €) - ASSETS

	Mar'22	Dec '21	*Change*
Intangible assets	19,715	20,138	-2.1%
Goodwill	3,027	2,959	2.3%
Others intangible asset	16,688	17,179	-2.9%
Tangible assets	515,769	512,235	0.7%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	3,900	3,272	19.2%
a) At fair value through profit and loss	1,121	1,121	0.0%
Of which "Designated upon initial recognition"	1,121	1,121	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	2,779	2,151	29.2%
Non-current derivatives	287	51	462.7%
Deferred tax assets	27,561	26,639	3.5%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	567,232	562,335	0.9%
Non-current assets held for sale	0	0	n.s.
Inventories	338,981	303,380	11.7%
Trade and other receivables	222,722	205,449	8.4%
Trade debtors	187,171	174,578	7.2%
Other debtors	33,620	28,215	19.2%
Current tax assets	1,931	2,656	-27.3%
Current financial assets	833	837	-0.5%
a) At fair value through profit and loss	753	753	0.0%
Of which "Designated upon initial recognition"	753	753	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	80	84	-4.8%
Current derivatives	2,567	2,258	13.7%
Other current assets	9,411	3,183	195.7%
Cash and cash equivalents	91,676	91,352	0.4%
CURRENT ASSETS	666,190	606,459	9.8%
TOTAL ASSETS	1,233,422	1,168,794	5.5%

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

	Mar'22	Dec '21	*Change*
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	948,098	815,033	16.3%
Treasury shares	-14,640	-10,473	39.8%
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	27,484	132,997	-79.3%
Less: Interim dividend	-64,880	-64,880	0.0%
Other equity instruments	2,912	2,912	0.0%
SHAREHOLDER´S FUNDS	**931,536**	**908,151**	**2.6%**
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	-52,353	-85,375	-38.7%
Hedge transactions	925	467	98.1%
Currency translation differences	-53,278	-85,842	-37.9%
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	-52,353	-85,375	-38.7%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	879,183	822,776	6.9%
Non-controlling interests	0	0	n.s.
EQUITY	879,183	822,776	6.9%
Grants	889	942	-5.6%
Non-current provision	31,475	29,369	7.2%
Non-current financial liabilities	76,863	77,360	-0.6%
Bank debt	53,690	53,690	0.0%
Other financial liabilities	23,173	23,670	-2.1%
Deferred tax liabilities	19,958	19,276	3.5%
Non-current derivatives	0	0	n.s.
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	129,185	126,947	1.8%
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	18,426	12,321	49.5%
Current financial liabilities	63,138	53,282	18.5%
Bank debt	51,842	39,418	31.5%
Other financial liabilities	11,296	13,864	-18.5%
Trade and other payable accounts	137,575	147,866	-7.0%
Trade creditors	87,549	90,379	-3.1%
Other creditors	38,832	46,844	-17.1%
Current tax liabilities	11,194	10,643	5.2%
Current derivatives	1,876	1,342	39.8%
Other current liabilities	4,039	4,260	-5.2%
CURRENT LIABILITIES	225,054	219,071	2.7%
TOTAL EQUITY AND LIABILITIES	1,233,422	1,168,794	5.5%

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	1Q22	1Q21	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.123	1.206	6.5%
Canadian Dollar	1.422	1.527	5.2%
Mexican Peso	23.006	24.516	4.3%
Brazilian real	5.879	6.592	13.2%
Czech crown	24.639	26.065	5.3%
British Pound	0.836	0.875	3.3%
Serbian Dinar	117.617	117.579	0.0%
Chinese yuan remminbi	7.124	7.815	9.5%
Uruguayan Peso	48.626	51.940	8.5%
Australian Dollar	1.552	1.561	0.2%
New Zealand Dollar	1.662	1.676	1.1%
Thai baht	37.090	36.489	-1.6%

End period (Currency/€)

	Mar 2022	Dec 2021	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.110	1.183	6.6%
Canadian Dollar	1.390	1.483	6.7%
Mexican Peso	22.090	23.989	8.6%
Brazilian real	5.259	6.381	21.3%
Czech crown	24.385	25.648	5.2%
British Pound	0.846	0.860	1.6%
Serbian Dinar	117.751	117.574	-0.2%
Chinese yuan remminbi	7.085	7.638	7.8%
Uruguayan Peso	45.642	51.532	12.9%
Australian Dollar	1.484	1.575	6.2%
New Zealand Dollar	1.592	1.682	5.7%
Thai baht	36.911	37.815	2.5%

Appendix 2. 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 amortization, is calculated excluding depreciation and amortization 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 analyzed to study the operating margin's development. However, it is not a defined indicator in IFRS, and cost of consumption 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 and the non-recurring impacts of the business 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.

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All results information can be consulted on Viscofan Group website.

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