Reshaping food and wellbeing.
For many, for long.

Results
January-March 2023

26 April 2023

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

Results note

Main highlights of the January-March 2023 results:

- Revenue is €308.3 million, 17.3% up year-on-year.
- EBITDA[1] of €61.7 million, 6.9% up year-on-year.
- €25.8 million in Net profit, 6.1% down year-on-year. The growth in operating profit was fully eroded by negative exchange differences that amounted to €6.9 million.
- €132.9 million in Net bank debt[2] in March 2023, above €101.3 million in December 2022.
- José Domingo de Ampuero y Osma, Chairman of the Viscofan Group: "The strength of our business model, the rise in price/mix, and the cost control have offset the sharp cost inflation. Thus, first quarter results are in line with the expectations for the year 2023.

  In 2023, a year with lower investment needs, the learning curve of the projects carried out last year is progressing satisfactorily. The production equipment with new cellulose (Danville) and collagen (New Jersey) technology installed in the United States is a significant leap in efficiencies and product quality in our operations in the country. In parallel, the capacity increases both in the Traditional Business and in the New Businesses are placing us in an ideal position to capture the growth opportunities foreseen in the Beyond25 strategic plan."

[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' 23	Jan-Mar' 22	*Change*	*Like-for-like**
Revenue	308,344	262,867	17.3%	15.6%
EBITDA	61,742	57,783	6.9%	6.3%
EBITDA margin	*20.0%*	*22.0%*	-2.0 p.p.	-1.8 p.p.
Operating profit	41,142	38,871	5.8%	
Net profit	25,799	27,484	-6.1%	

Revenue breakdown ('000 €)

	Jan-Mar' 23	Jan-Mar' 22	*Change*
Traditional Business	247,157	214,571	15.2%
New Business	40,466	31,496	28.5%
Other revene from energy	20,721	16,800	23.3%
Revenue	**308,344**	**262,867**	**17.3%**

By geographical area	Jan-Mar' 23	Jan-Mar' 22	*Change*
Europe, Middle East and Africa (EMEA)	131,557	105,505	24.7%
Asia Pacific (APAC)	35,104	38,171	-8.0%
North America	95,115	86,070	10.5%
South America	46,568	33,121	40.6%
Revenue	**308,344**	**262,867**	**17.3%**

Revenue:

Revenue in the first quarter of 2023 came to €308.3 million, a growth of 17.3% vs. 1Q22 and of 15.6% stripping out the +1.7 p.p. positive contribution from forex, mainly due to the appreciation of the US$ against the Euro in 1Q23 vs. 1Q22.

In the Traditional Business revenue rose by 15.2% to €247.2 million mainly driven by the improvement in the price mix and, to a lesser extent, by the contribution of volumes despite the weaker evolution in collagen sales due to market situation in China.

In the New Business revenue was up 28.5% to €40.5 million propelled by plastic casings -among which the added value references stand out- and by higher sales in collagen hydrolyzates once the new production capacity has been commissioned in Weinheim (Germany).

Furthermore, revenue from energy sales amounted to €20.7 million, up by 23.3% due to higher electricity prices in the Spanish market versus the previous year.

The geographical breakdown[3] of revenue in 1Q23 was as follows:

[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).

- EMEA (42.7% of the total): Revenue amounted to €131.6 million, a growth of 24.7% vs. 1Q22 and of 24.1% in like-for-like terms.
- APAC (11.4% of the total): Revenue in 1Q23 was €35.1 million, a drop of 8.0% versus 1Q22 and of 6.7% in like-for-like terms, impacted by the decline in collagen casings volumes in the Chinese market.
- North America (30.8% of the total): Revenue came to €95.1 million, up 10.5% versus 1Q22 and 6.6% in like-for-like terms.
- South America (15.1% of the total): Revenue in 1Q23 increased by 40.6% to €46.6 million and by 37.5% in like-for-like terms. Revenue in the region reflects the recovery of customers in the second half of the financial year 2022.

Operating expenses

In the first quarter of the year the increase in productions costs continues, including raw materials -where collagen hides stand outs-, and energy costs once the supply contracts for the year 2022 were concluded and the new natural gas purchase contracts in Spain entered into force in February 2023.

In addition, the production waste was increased in the first months of 2023 due to the commissioning of the machines with a new cellulose casings technology in Danville (United States) and the capacity increase in collagen casings in New Jersey (United States). The results achieved in these projects have been highly satisfactory and will make it possible to obtain the expected savings in the rest of the year.

Thus, consumption costs[4] in 1Q23 rose by 22.4% to €97.9 million driving gross margin[5] to 68.2% in 1Q23 (69.6% in 1Q22).

The average accumulated headcount at March 2023 grew 5.3% to 5,396 people due to the hiring of personnel associated with the new production capacity. This increase in the workforce deals with higher wage costs in an environment of overall inflation. In this way, personnel expenses rose by 14.7% in 1Q23 vs. 1Q22 to €71.1 million.

Other operating expenses in 1Q23 of €80.5 million, a growth of 19.3% versus 1Q22. Of the same, energy supply costs increased +19.6% vs. 1Q22.

Operating profit

The improvement in price/mix and the cost control have offset the sharp cost inflation. As a result, EBITDA in the first quarter of 2023 grew by 6.9% vs. 1Q22 to €61.7 million, driving EBITDA margin to 20.0% in 1Q23 as compared with 22.0% in 1Q22.

Stripping-out exchange rate changes, like-for-like EBITDA in 1Q23 was 6.3% ahead of the same period last year. In a context of high volatility in the forex markets, the positive impact of the appreciation of the main commercial currency against the € (US$) was almost fully offset at EBITDA level by the appreciation of the currencies of the countries where the main production facilities are located.

Depreciation and amortisation expense in 1Q23 amounted to €20.6 million, a growth of 8.9% versus 1Q22 due to the increase of tangible assets that have been commissioned in the last quarters. Thus, Operating profit (EBIT) in the quarter was €41.1 million, 5.8% ahead of the reported EBIT in 1Q22.

[4] Consumption costs = Net purchases +/- Change in inventories of finished and unfinished products.
[5] Gross margin = (Revenue - Consumption costs) / Revenue.

Financial result

In the first quarter of 2023, the net Financial Result was negative with -€7.9 million with negative exchange rate differences of -€6.9 million arising from the impact of forex variation in the balance sheets accounts, mainly due to the depreciation in recent months of the US$ against the Euro, the Mexican Peso, and the Czech Crown. This compares to a negative net financial result of -€0.8 million in 1Q22, a period in which exchange rate differences were negative with -€1.0 million.

Net profit

Profit before tax in 1Q23 amounted to €33.2 million and with a corporate income tax expense of €7.4 million, placing the effective tax rate at 22.4% (27.8% in the same period of the previous year).

As a result, Net profit in 1Q23 amounted to €25.8 million, 6.1% below compared to the same quarter of the previous year.

Investment

Investment of €8.9 million in the first quarter of 2023 (€11.6 million in 1Q22), within the objective of investing €75 million in 2023. In a year with lower investment needs compared to the previous one (Capex 2022: €125.6 million), it highlights the progress made in the construction of a new cellulose and collagen converting plant in Thailand to improve the service to Southeast Asia, one of the markets with the best future growth prospects.

Financial liabilities

Net bank debt[6] in March 2023 of €132.9 million, above €101.3 million in December 2022 driven by higher working capital because of the increase in safety inventories in a context of commissioning of investment projects, and due to the higher payments to suppliers upon the maturity of the investments carried out in the last quarter of 2022.

[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. 1Q23 ('000 €)

	Jan-Mar' 23	Jan-Mar' 22	*Change*
Revenues	**308,344**	**262,867**	**17.3%**
Other operating income	1,841	4,261	-56.8%
Self-constructed assets	1,037	65	1495.4%
Variation in stocks of finished products and work-in-progress	31,453	10,502	199.5%
Net purchases	-129,389	-90,534	42.9%
Personnel expenses	-71,109	-62,003	14.7%
Other operating expenses	-80,454	-67,433	19.3%
Capital grants	33	53	-37.7%
Impairments	-7	-7	0.0%
Results coming from disposals of non-current assets	-7	12	c.s
Other results	0	0	n.s.
EBITDA	**61,742**	**57,783**	**6.9%**
EBITDA margin	*20.0%*	*22.0%*	*-2.0 p.p.*
Amortization and depreciation	-20,600	-18,912	8.9%
Operating profit	**41,142**	**38,871**	**5.8%**
Operating profit margin	*13.3%*	*14.8%*	*-1.5 p.p.*
Financial incomes	122	398	-69.3%
Financial expenditures	-1,083	-196	452.6%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-6,939	-1,009	587.7%
Impairment and results coming from disposals of financials assets	0	0	n.s.
Result from disposal of financial instruments	0	0	n.s.
Financial results	**-7,900**	**-807**	**878.9%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**33,242**	**38,064**	**-12.7%**
Taxes	-7,443	-10,580	-29.7%
Profit after taxes from continued operations	**25,799**	**27,484**	**-6.1%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**25,799**	**27,484**	**-6.1%**
a) Net profit attributable to the parent comany	25,799	27,484	-6.1%
b) Net profit attributable to minority interests	0	0	n.s.

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Consolidated balance sheets ('000 €) - ASSETS

	Mar'23	Dec '22	*Change*
Intangible assets	19,570	20,886	-6.3%
Goodwill	3,146	3,237	-2.8%
Others intangible asset	16,424	17,649	-6.9%
Tangible assets	561,097	571,824	-1.9%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	5,483	4,344	26.2%
a) At fair value through profit and loss	2,649	1,521	74.2%
Of which "Designated upon initial recognition"	2,649	1,521	74.2%
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	2,834	2,823	0.4%
Non-current derivatives	0	342	n.s.
Cash flow hedges	0	342	n.s.
Others	0	0	n.s.
Deferred tax assets	27,095	26,793	1.1%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	613,245	624,189	-1.8%
Non-current assets held for sale	0	0	n.s.
Inventories	430,349	381,788	12.7%
Trade and other receivables	297,833	282,439	5.5%
Trade debtors	238,980	233,558	2.3%
Other debtors	48,648	42,741	13.8%
Current tax assets	10,205	6,140	66.2%
Current financial assets	822	1,582	-48.0%
a) At fair value through profit and loss	736	736	0.0%
Of which "Designated upon initial recognition"	736	736	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	86	846	-89.8%
Current derivatives	5,029	3,476	44.7%
Cash flow hedges	5,029	3,214	56.5%
Others	0	262	n.s.
Other current assets	0	0	n.s.
Cash and cash equivalents	62,224	51,193	21.5%
CURRENT ASSETS	796,257	720,478	10.5%
TOTAL ASSETS	1,409,502	1,344,667	4.8%

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

	Mar'23	Dec '22	Change
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	1,005,034	865,485	16.1%
Treasury shares	-15,516	-16,181	-4.1%
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	25,799	139,430	-81.5%
Less: Interim dividend	-64,644	-64,644	0.0%
Other equity instruments	1,779	1,388	28.2%
SHAREHOLDER´S FUNDS	**985,014**	**958,040**	**2.8%**
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	-43,862	-51,170	-14.3%
Hedge transactions	2,324	2,558	-9.1%
Currency translation differences	-46,186	-53,728	-14.0%
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	**-43,862**	**-51,170**	-14.3%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	**941,152**	**906,870**	**3.8%**
Non-controlling interests	0	0	n.s.
EQUITY	**941,152**	**906,870**	**3.8%**
Grants	767	800	-4.1%
Non-current provision	23,689	22,308	6.2%
Non-current financial liabilities	65,338	54,492	19.9%
Bank debt	44,500	34,500	29.0%
Other financial liabilities	20,838	19,992	4.2%
Deferred tax liabilities	16,019	17,153	-6.6%
Non-current derivatives	0	3	n.s.
Cash flow hedges	0	0	n.s.
Others	0	3	n.s.
Other non-current liabilities	17,302	17,302	0.0%
NON-CURRENT LIABILITIES	**123,115**	**112,058**	**9.9%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	33,914	26,201	29.4%
Current financial liabilities	159,736	139,897	14.2%
Bank debt	150,597	117,957	27.7%
Other financial liabilities	9,139	21,940	-58.3%
Trade and other payable accounts	151,585	159,191	-4.8%
Trade creditors	99,378	99,698	-0.3%
Other creditors	33,469	43,283	-22.7%
Current tax liabilities	18,738	16,210	15.6%
Current derivatives	0	450	n.s.
Cash flow hedges	0	450	n.s.
Others	0	0	n.s.
Other current liabilities	0	0	n.s.
CURRENT LIABILITIES	**345,235**	**325,739**	**6.0%**
TOTAL EQUITY AND LIABILITIES	**1,409,502**	**1,344,667**	**4.8%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	1Q23	1Q22	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.073	1.123	4.6%
Canadian Dollar	1.451	1.422	-2.0%
Mexican Peso	20.045	23.006	14.8%
Brazilian real	5.574	5.879	5.5%
Czech crown	23.784	24.639	3.6%
British Pound	0.883	0.836	-5.3%
Serbian Dinar	117.319	117.617	0.3%
Chinese yuan remminbi	7.336	7.124	-2.9%
Uruguayan Peso	42.051	48.626	15.6%
Australian Dollar	1.567	1.552	-1.0%
New Zealand Dollar	1.702	1.662	-2.4%
Thai baht	36.413	37.090	1.9%

End period (Currency/€)

	Mar 2023	Dec 2022	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.088	1.067	-1.9%
Canadian Dollar	1.474	1.444	-2.0%
Mexican Peso	19.639	20.856	6.2%
Brazilian real	5.525	5.565	0.7%
Czech crown	23.490	24.115	2.7%
British Pound	0.879	0.887	0.9%
Serbian Dinar	117.293	117.322	0.0%
Chinese yuan remminbi	7.495	7.423	-1.0%
Uruguayan Peso	42.030	42.740	1.7%
Australian Dollar	1.620	1.574	-2.8%
New Zealand Dollar	1.733	1.684	-2.9%
Thai baht	37.111	36.835	-0.7%

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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