



*Reshaping food and wellbeing.
For many, for long.*

Results January-March 2024

17 April 2024



Results statement

Main highlights of the January-March 2024 results:

- Revenue of €289.7 million, 6.0% lower than the previous year affected by the -35.0% decline in energy sales as compared with the -2.5% drop in the traditional business.
- EBITDA¹ of €61.6 million, 0.2% below the previous year and a growth of +3.1% in like-for-like terms². Consequently, EBITDA margin has increased by 1.3 p.p. to 21.3%.
- Net profit of €31.6 million, 22.4% up on the previous year.
- Net bank debt³ of €176.6 million at March 2024 including a cash outflow of €36.8 million from the share buybacks carried out within the framework of the flexible remuneration program.
- José Antonio Canales, Viscofan Group CEO: "The evolution of the traditional business is in line with our expectations, that include the normalization of volumes throughout the year. In the quarter, the improvement in the Asian market stands out as compared with the ongoing weakness in South America, and the decrease in the price from the sale of co-generation electricity in Spain that is eroding revenue performance.

Conversely, we are improving our operating profitability thanks to the production efficiencies coming from the operational improvements and the context of lower costs of raw materials and energy.

Finally, although the evolution of average exchange rates has been adverse, the improvement compared to the end of 2023 has allowed us to obtain positive exchange differences leading to double-digit growth rate in Net profit."

¹ EBITDA = Operating profit (EBIT) + depreciation of property, plant and equipment.

² Like-for-like: Like-for-like growth excludes the impact of exchange rate fluctuations in 2024.

³ Net bank borrowings = Non-current bank borrowings + Current bank borrowings - Cash and cash equivalents.

Business performance

Viscofan Group income statement ('000 €)

	Jan-Mar' 24	Jan-Mar' 23	Change	Like-for-like*
Revenue	289,729	308,344	-6.0%	-5.1%
EBITDA	61,595	61,742	-0.2%	3.1%
EBITDA margin	21.3%	20.0%	1.3 p.p.	1.8 p.p.
Operating profit	40,375	41,142	-1.9%	
Net profit	31,590	25,799	22.4%	

Revenue breakdown ('000 €)

	Jan-Mar' 24	Jan-Mar' 23	Change
Traditional Business	240,982	247,157	-2.5%
New Business	35,277	40,466	-12.8%
Other revenue from energy	13,470	20,721	-35.0%
Revenue	289,729	308,344	-6.0%

By geographical area

	Jan-Mar' 24	Jan-Mar' 23	Change
Europe, Middle East and Africa (EMEA)	123,237	131,557	-6.3%
Asia Pacific (APAC)	37,225	35,104	6.0%
North America	91,521	95,115	-3.8%
South America	37,746	46,568	-18.9%
Revenue	289,729	308,344	-6.0%

* Like-for-like: Like-for-like growth excludes the impact of exchange rate fluctuations in 2024.

Revenue:

In the first quarter of 2024, consolidated revenue amounted to €289.7 million, 6.0% below the previous year due to the 35.0% decrease in revenue from sale of co-generation energy, the volume decline, and to a lesser extent, currencies evolution that erodes growth by 0.9 p.p.

Of the consolidated revenue, Traditional Business revenue contributed €241.0 million (-2.5% vs. 1Q23), New Business with €35.3 million (-12.8% vs. 1Q23), and energy revenue with €13.5 million (-35.0% vs. 1Q23) impacted by lower electricity sales prices and limitations on the sale of electricity from co-generation engines to the grid in specific periods of high electricity production in the Spanish electricity system.

During the first months of 2024, volume performance was mixed across the reporting regions.

Volumes in APAC grew driven by the recovery in the Chinese market together with some countries in Southeast Asia, while volumes in South America dropped due to difficulties in the Brazilian market.

In North America and EMEA the evolution was more stable. In the United States volumes are still affected by the loss of volumes associated with the problems of technological transition, while in EMEA the solid growth in collagen casings stands out, where Viscofan is implementing specific animal gut replacement projects, in contrast with the soft evolution in the cellulose technology.

The New Business division had a weak performance in the first quarter affected by greater competition in plastics technology, where the reduction in raw material costs is being transferred quickly to market selling prices.

The geographical⁴ breakdown of revenue in 1Q24 was as follows:

- EMEA (42.5% of the total): Reported revenue amounted to €123.2 million, 6.3% below 1Q23 affected by the 41.2% decline in electricity sales from co-generation in Spain. In like-for-like terms, revenue in the region was down 6.1%, and 0.2% if electricity sales from co-generation are excluded.
- APAC (12.8% of the total): Reported revenue of €37.2 million, a growth of 6.0% versus 1Q23 and of 10.1% in like-for-like terms.
- North America (31.6% of the total): Revenue amounted to €91.5 million, down 3.8% vs. 1Q23 and 3.0% on a like-for-like basis.
- South America (13.0% of the total): Revenue was €37.7 million, a drop of 18.9% vs. 1Q23 and of 18.2% on a like-for-like basis.

Operating expenses

Although the cost of inventories sold are still affected by high average costs of 2023, in the first months of the year cost savings are being generated compared to the previous year, especially driven by the lower cost of natural gas in Spain from February - once the new supply contract has come into force -, and the moderation of the price of the main raw materials, especially collagen hides. Thus, consumption costs⁵ in 1Q24 were down 4.0% to €94.0 million leading gross margin⁶ in 1Q24 to 67.6% (68.2% in 1Q23).

Personnel expenses fell by 1.4% to €70.1 million supported by the 4.6% decline in the average accumulated workforce as of March 2024 to 5,149 people offsetting the higher costs due to wage inflation. This greater productivity is driven by the lower personnel needs associated with the new technology installed in the USA and the optimization measures of operations implemented throughout the Group and particularly in Europe.

Other operating expenses in 1Q24 of €66.3 million, down 17.6% versus 1Q23 thanks to lower energy supply costs (-22.0% vs. 1Q23) and transportation costs (-21.6% vs. 1Q23).

Operating profit

The decrease in the costs of production inputs in a context of high production efficiencies drove like-for-like EBITDA up by 3.1% and improved like-for-like EBITDA margin by +1.8 p.p. to 21.8%, i.e., stripping out the effect of the variation in exchange rates.

Once the effect of exchange rates is incorporated, reported EBITDA stood at €61.6 million, almost flat versus the previous year (-0.2% vs. 1Q23), while reported EBITDA margin improved by +1.3 p.p. to 21.3%.

Depreciation and amortisation expense in 1Q24 was €21.2 million, up 3.0% versus 1Q23 driving Operating profit (EBIT) to €40.4 million (-1.9% vs. 1Q23).

⁴ Revenue by origin of sales: EMEA (European companies), North America (Canada, Costa Rica, Mexico and the United States), APAC (Australia, China, Japan, New Zealand, Thailand), Latin America (Brazil and Uruguay).

⁵ Consumption costs = Net purchases +/- Change in inventories of finished and unfinished products.

⁶ Gross margin = (Revenue - Cost of Consumption) / Revenue.

Financial result

In the first quarter of 2024, the net Financial Result was positive with +€0.9 million with positive exchange rate differences of +€2.6 million arising from the impact of forex variation in the balance sheets accounts, mainly due to the appreciation in recent months of the US\$ against the Euro, and the Czech Crown. In addition, financial expenses for the quarter amounted to €2.5 million.

This compares to a negative net financial result of -€7.9 million in 1Q23, a period in which exchange rate differences were negative with -€6.9 million and financial expenses were €1.1 million.

Net profit

Profit before tax in 1Q24 amounted to €41.3 million, and corporate income tax expense was €9.7 million bringing the effective tax rate to 23.4% (22.4% in the same period of the previous year).

All in all, Net profit in 1Q24 was €31.6 million, a growth of 22.4% compared to the same quarter of the previous year.

Investment

Investment of €7.8 million in the first quarter of 2024 (€8.9 million in 1Q23), within the objective of investing €65 million in 2024. Of note are the construction of a new cellulose and collagen casings converting plant in Thailand, which is progressing within the planned deadlines for its start-up at the end of the year, and the investments in decarbonization of the Cáseda plant.

Financial liabilities

Net bank debt⁷ in March 2024 of €176.6 million, as compared with €138.0 million in December 2023. The seasonal increase is mainly due to the share buybacks of €36.8 million carried out within the framework of the flexible shareholder remuneration program, which includes an extraordinary remuneration equivalent to €1 per share.

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

Appendix 1. Financial data

Viscofan Group profit and loss account. 1Q24 ('000 €)

	Jan-Mar' 24	Jan-Mar' 23	Change
Revenues	289,729	308,344	-6.0%
Other operating income	2,248	1,841	22.1%
Self-constructed assets	94	1,037	-90.9%
Variation in stocks of finished products and work-in-progress	-1,040	31,453	c.s.
Net purchases	-92,976	-129,389	-28.1%
Personnel expenses	-70,133	-71,109	-1.4%
Other operating expenses	-66,318	-80,454	-17.6%
Capital grants	15	33	-54.5%
Impairments	-7	-7	0.0%
Results coming from disposals of non-current assets	-17	-7	142.9%
Other results	0	0	n.s.
EBITDA	61,595	61,742	-0.2%
<i>EBITDA margin</i>	<i>21.3%</i>	<i>20.0%</i>	<i>1.3 p.p.</i>
Amortization and depreciation	-21,220	-20,600	3.0%
Operating profit	40,375	41,142	-1.9%
<i>Operating profit margin</i>	<i>13.9%</i>	<i>13.3%</i>	<i>0.6 p.p.</i>
Financial incomes	701	122	474.6%
Financial expenditures	-2,460	-1,083	127.1%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	2,634	-6,939	c.s.
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	875	-7,900	c.s.
Profit from associated companies	0	0	n.s.
Profit before taxes	41,250	33,242	24.1%
Taxes	-9,660	-7,443	29.8%
Profit after taxes from continued operations	31,590	25,799	22.4%
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	31,590	25,799	22.4%
a) Net profit attributable to the parent comany	31,590	25,799	22.4%
b) Net profit attributable to minority interests	0	0	n.s.

Consolidated balance sheets ('000 €) - ASSETS

	Mar'24	Dec '23	Change
Intangible assets	19,638	20,562	-4.5%
Goodwill	3,272	3,605	-9.2%
Others intangible asset	16,366	16,957	-3.5%
Tangible assets	560,016	567,718	-1.4%
Real state investments	0	0	n.s.
Investment accounting using the equity method	0	0	n.s.
Non-current financial assets	7,900	7,561	4.5%
a) At fair value through profit and loss	4,523	4,273	5.9%
Of which "Designated upon initial recognition"	4,523	4,273	5.9%
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	3,377	3,288	2.7%
Non-current derivatives	0	0	n.s.
Cash flow hedges	0	0	n.s.
Others	0	0	n.s.
Deferred tax assets	45,826	47,645	-3.8%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	633,380	643,486	-1.6%
Non-current assets held for sale	0	0	n.s.
Inventories	452,516	442,892	2.2%
Trade and other receivables	286,764	263,894	8.7%
Trade debtors	239,460	220,786	8.5%
Other debtors	44,001	39,459	11.5%
Current tax assets	3,303	3,649	-9.5%
Current financial assets	907	911	-0.4%
a) At fair value through profit and loss	759	759	0.0%
Of which "Designated upon initial recognition"	759	759	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	148	152	-2.6%
Current derivatives	3,133	4,330	-27.6%
Cash flow hedges	3,133	4,330	-27.6%
Others	0	0	n.s.
Other current assets	0	0	n.s.
Cash and cash equivalents	57,354	51,996	10.3%
CURRENT ASSETS	800,674	764,023	4.8%
TOTAL ASSETS	1,434,054	1,407,509	1.9%

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

	Mar'24	Dec '23	Change
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	1,075,830	915,655	17.5%
Treasury shares	-58,510	-21,671	170.0%
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	31,590	140,962	-77.6%
Less: Interim dividend	-64,563	-64,563	0.0%
Other equity instruments	4,298	3,905	10.1%
SHAREHOLDER'S FUNDS	1,021,207	1,006,850	1.4%
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	-65,036	-49,078	32.5%
Hedge transactions	1,790	2,026	-11.6%
Currency translation differences	-66,826	-51,104	30.8%
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	-65,036	-49,078	32.5%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	956,171	957,772	-0.2%
Non-controlling interests	0	0	n.s.
EQUITY	956,171	957,772	-0.2%
Grants	791	806	-1.9%
Non-current provision	27,592	25,959	6.3%
Non-current financial liabilities	60,659	50,833	19.3%
Bank debt	40,146	31,118	29.0%
Other financial liabilities	20,513	19,715	4.0%
Deferred tax liabilities	29,837	32,830	-9.1%
Non-current derivatives	0	0	n.s.
Cash flow hedges	0	0	n.s.
Others	0	0	n.s.
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	118,879	110,428	7.7%
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	32,081	26,228	22.3%
Current financial liabilities	204,915	182,735	12.1%
Bank debt	193,830	158,841	22.0%
Other financial liabilities	11,085	23,894	-53.6%
Trade and other payable accounts	121,929	130,303	-6.4%
Trade creditors	84,379	83,630	0.9%
Other creditors	29,869	41,890	-28.7%
Current tax liabilities	7,681	4,783	60.6%
Current derivatives	79	43	83.7%
Cash flow hedges	79	43	83.7%
Others	0	0	n.s.
Other current liabilities	0	0	n.s.
CURRENT LIABILITIES	359,004	339,309	5.8%
TOTAL EQUITY AND LIABILITIES	1,434,054	1,407,509	1.9%

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	1Q24	1Q23	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.086	1.073	-1.2%
Canadian Dollar	1.464	1.451	-0.9%
Mexican Peso	18.450	20.045	8.6%
Brazilian real	5.378	5.574	3.7%
Czech crown	25.079	23.784	-5.2%
British Pound	0.856	0.883	3.1%
Serbian Dinar	117.193	117.319	0.1%
Chinese yuan renminbi	7.737	7.336	-5.2%
Uruguayan Peso	42.192	42.051	-0.3%
Australian Dollar	1.650	1.567	-5.0%
New Zealand Dollar	1.771	1.702	-3.9%
Thai baht	38.735	36.413	-6.0%

End period (Currency/€)

	Mar 2024	Dec 2023	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.081	1.105	2.2%
Canadian Dollar	1.467	1.464	-0.2%
Mexican Peso	18.031	18.667	3.5%
Brazilian real	5.401	5.350	-1.0%
Czech crown	25.305	24.725	-2.3%
British Pound	0.855	0.869	1.6%
Serbian Dinar	117.142	117.174	0.0%
Chinese yuan renminbi	7.677	7.859	2.4%
Uruguayan Peso	40.598	43.119	6.2%
Australian Dollar	1.655	1.616	-2.4%
New Zealand Dollar	1.805	1.743	-3.4%
Thai baht	39.412	37.973	-3.7%

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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