Viscofan
The casing company

Results
January-December 2020

25 February 2021



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

Results note

Main highlights of the January-December 2020 results:

- Demand for casings has grown significantly in 2020. Within this context and due to the global pandemic it has been essential to ensure the supply of food to millions of homes around the world.
- The Viscofan Group reached €912.2 million in revenue, up 7.4% on the previous year driven by the growth in volumes in all reporting areas.
- EBITDA[1] totalled €234.4 million, up 16.7% year-on-year, reaching a new all-time high and improving by 2.0 p.p. the EBITDA margin to 25.7%.
- €122.5 million in Net Profit, 16.0% higher than the previous year.
- 2020 full year results are in line or above expected levels at the beginning of the year as a result of the growth in demand and the response of the human team to the challenge as exceptional as the one experienced in 2020.
- The strength of the operating results allowed us to reduce the net bank debt[2] by 10.2% in December 2020 to stand at €38.2 million, compared to the €42.5 million in December 2019, and to finance a greater outflow of cash in the form of dividends during the year of €109.4 million, compared to €74.3 million in 2019.
- The Board of Directors has agreed to propose to the General Shareholders' Meeting a final dividend of €0.29 per share, making a total remuneration of €1.70 per share in 2020, an increase of 4.9% compared to the total remuneration for the previous year.
- The world continues to be immersed in the fight against the pandemic caused by COVID-19 and the restriction measures implemented continue to impede the movement of people and the undertaking of ambitious strategic projects. Subsequently, the MORE TO BE Strategic Plan has been extended until 2021, a year in which we expect growth in the main financial figures thanks to the continuity of the existing projects and the drive in others that strengthen the Group in light of the new economic cycle that will arise after the pandemic.
- José Domingo de Ampuero y Osma, Chairman of the Viscofan Group: "The casings market has witnessed exceptional growth during a year in which the appearance of COVID-19 has represented an unprecedented challenge for the industry, to which it has had to respond diligently to ensure the supply of basic foodstuffs to millions of homes around the world. This responsibility has been accompanied by the commitment to fight the spread of the virus and to safeguard the safety and health of our employees and their families. But rather than praise our achievements, I wish to express my deepest sympathies for the human losses this year and in particular to acknowledge the efforts of this extraordinary human team for their incredible commitment, sense of duty and responsibility".

[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.

Selected financial data

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

	Jan-Dec' 20	Jan-Dec' 19	*Change*	*Like- for -like**	Oct-Dec' 20	Oct-Dec' 19	*Change*	*Like- for -like**
Revenue	**912,160**	**849,697**	**7.4%**	**8.3%**	**240,269**	**223,857**	**7.3%**	**11.3%**
EBITDA	**234,433**	**200,957**	**16.7%**	**27.7%**	**65,465**	**57,729**	**13.4%**	**38.1%**
EBITDA Margin	***25.7%***	***23.7%***	**2.0 p.p.**	**4.2 p.p.**	***27.2%***	***25.8%***	**1.4 p.p.**	**5.6 p.p.**
Operating profit	**162,907**	**130,283**	**25.0%**		**48,192**	**40,538**	**18.9%**	
Net profit	**122,513**	**105,577**	**16.0%**		**34,651**	**32,906**	**5.3%**	

*The like-for-like results exclude the impact of the fluctuations in the different exchange rates during 2020, and the non-recurring impacts the business recognised in 2019 on the operating profit €2.9 million euros for the 2019 financial year originating from the net amount of the business combinations due to the acquisition of Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc., legal and advisory expenses associated with the acquisition, the impairment of the goodwill of Nanopack Technology & Packaging S.L. and the impact of the strike in the United States.

Implications of the COVID-19 pandemic in Viscofan

The spread of COVID-19 during 2020 has created an environment of uncertainty, volatility, as well as a healthcare and economic crisis, which have affected practically every economy in the world, and having implications on the behaviour and eating habits of a multitude of countries. Within this context, in general terms this has resulted in an increase in the consumption of sausages and other cold meats with the subsequent increase in demand for casings on a global level.

In light of the situation caused by the COVID-19 pandemic, the Viscofan Group has focused on three main areas: protecting the employee health, ensuring the supply of our products to the food chain and contributing to preventing and combating the spread of COVID-19 and its effects.

Protecting health:

- Hygiene measures have been reinforced, such as the mandatory use of masks, distancing measures and an increased frequency of cleaning and disinfection. Health services have been increased, with frequent temperature readings being taken, antigen and PCR tests being given in collaboration with the health services and protocols have been established on what to do in the event of detecting cases of COVID or symptoms compatible with the virus. From an organisational perspective we have implemented teleworking when possible, limited access to facilities, modified working hours and maintenance stoppages, maintained close communication with staff and carried out awareness campaigns to avoid contagion both at work and in the home, as well as other measures.

To ensure supply:

- Throughout the year, and particularly during the first months of the year, we activated our contingency plans by implementing new production plans, increasing the purchase of raw materials, accelerating the shipment of products to customers and intermediary warehouses, and we also carried out a proactive management of our human resources to ensure the availability of staff due to the risk of higher sick leave. These measures, along with the commitment of the professional team working at Viscofan, have allowed no production plant to stop as a result of COVID-19. Not only have we complied with our responsibility as an essential food company by

guaranteeing the supply to all our customers, we have also been able to cover specific increases in demand that have occurred in some countries and help new customers.

With the aim of combating the spread of the virus and its effects:

- In addition to the acquisition of protection material for our employees around the world, during the months of greatest global shortage more than 200,000 masks were donated to various institutions to protect people who may be more exposed to this new virus and donations were made in order to acquire foodstuffs and medical equipment with the aim of helping the most vulnerable groups. Special bonuses and incentives have also been given to offset the costs associated with COVID-19 and the payment of the dividend was brought forward in order to facilitate liquidity and mitigate in so far as possible any decrease in savings that small investors may have suffered.

With regard to liquidity, the company has a positive working capital of €331 million as at 31 December 2020. 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 growth in the market 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 that have significantly affected the fulfilment of the objectives presented the market for the whole of 2020 and the plans for 2021.

Business performance

Market

2020 has been marked by the COVID pandemic, which among many aspects of our lives, it has affected the food habits in many countries due to the measures to prevent the spread of the virus, with home confinements, social distancing and mobility restrictions. This situation has generated a greater demand for products aimed at applications that generally have a greater consumption in the home, to the detriment of others that are generally consumed in the street, restaurants and social events.

In this environment, casings have demonstrated to be an essential ingredient for the production of basic foodstuffs for millions of homes around the world, and the market has grown throughout the year above the pace observed in recent years, especially in the case of cellulose and fibrous casings, which are greatly used in the production of sausages destined for home consumption.

During these years of the rollout of the MORE TO BE strategy, Viscofan has increased its production capacity, developed a new production technology, increased its range of products, launched innovative products and reached a more diversified geographic positioning that is closer to the end markets with the acquisition of companies in Germany, Australia, Belgium, Canada, United States and New Zealand.

This operational and financial strength has allowed us, within the context of this pandemic, to quickly attend to a higher market demand by increasing the capacity at our production centres (thus highlighting the greater available capacity thanks to the new cellulose and fibrous technology installed in Cáseda),

while in parallel, the healthy balance sheet and the focus on service has allowed us to generate a safety inventory to tackle any possible contingencies deriving from mobility restrictions or capacity constraints caused by the pandemic. All this guaranteed the supply of casings during the most critical months of shortages and restrictions.

With this backdrop of global uncertainty, customers have reinforced their trust in Viscofan as their preferred option in the casings market, with an increase in sales volumes above the growth observed in the market. Part of this growth is also due to the success of the new products launched in recent years, of particular note being the Marathon Line cellulose casing, the Natur casing aimed at replacing pig gut casings, new fibrous products, added value plastics, the transference of spices and the "veggie casing" as a new proposal for a vegetable-based edible casing.

The improvement in the market share has been accompanied by the consolidation in 2020 of projects focusing on increased efficiency and automation in production plants. Thus, the growth in sales, greater production level and use of a higher installed capacity has driven the operating margins. In this regard, special mention should be made of the efficiencies and savings obtained using the new cellulose and fibrous technology at Cáseda in scarcely two years since its start-up.

With regard to raw material costs, the early months of the confinement in Europe caused a shortage of hides for their use as a raw material for collagen, thus increasing its cost. This increase tapered off throughout the year and has been offset by the low cost of some auxiliary raw materials, such as caustic soda or glycerine and the depreciation of the US$ against the €.

Viscofan has adapted to the mobility restrictions of people and materials through changes to its production, logistics and investment plans. Among these projects are those aimed at improving the production speed and efficiency of the collagen production assets in the United States and Canada acquired in December 2019 from Nitta Gelatin Inc. -renamed Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc.-, which after the initial delays are proceeding favourably and currently expected to be concluded during 2021.

The new fibrous technology in Cáseda (Spain) is exceeding the initial expectations and reaching double-digit growth in sales for the year. As a result, in 4Q20 Viscofan commenced its investment in Cáseda to install new fibrous lines, an additional capacity that will be available during the second half of 2021.

Sustainability

Viscofan products mostly stand out for their sustainable nature, the majority of which are of natural and biodegradable origin. Regarding the objective of seeking new sustainable alternatives, this year saw the development of a new multi-barrier casing for meat products through the advanced recycling of plastics in partnership with DSM, SABIC, Cepsa, and Fibrant.

From the perspective of the sustainability governance, in 2020 the Appointments, Remuneration and Sustainability Committee was renamed in order to adapt it to its supervisory functions, increasing the number of members and the Sustainability Committee has been created from members of the Group's top management.

Within the Sustainability Action Plan, new priority objectives have been adopted to fight against climate change, reduce accidents and promote diversity and feminine talent by 2030.

In the short term, the most significant achievements in the year has been to reduce CO_2 emissions per produced kilometre by 6.8%.

Among the long-term decarbonisation initiatives carried out by Viscofan in 2020, of particular note is the installation at of two new cogeneration motors in Cáseda (Spain) that use green hydrogen as a fuel source with the aim of preparing our transition towards a greater use of green hydrogen.

Contribution to the results by the companies acquired in 2019

In December 2019, the Viscofan Group included the collagen casings companies in the United States and Canada acquired from Nitta Gelatin Inc. (renamed Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc.) thus improving customer proximity and completing the production portfolio with this new technology in the United States.

For the whole of 2020, the acquired companies contributed €29.8 million to revenue and €0.04 million to the consolidated EBITDA.

Main financial results:

The results for 2020 demonstrate the robustness of Viscofan's business model during the year marked by the impact of the pandemic and the weakness of the main currencies against the Euro, with growth in the main financial figures, which reached new all-time highs in revenue and in EBITDA.

Revenue stood at €912.2 million after growing 7.4% year-on-year, EBITDA totalled €234.4 million showing a growth of 16.7% compared to the previous year, and net profit was €122.5 million, 16.0% higher than the previous year.

These results are in line in revenue, and above in terms of EBITDA and Net Profit compared with the Guidance[3] for 2020 full year announced in February 2020.

Capex in 2020 totalled €56.9 million, 8.4% down on the €62.1 million invested in 2019. This amount includes the projects concluded during the last quarter of the year, of particular note being the installation of two cutting-edge co-generation engines with the capacity to use green hydrogen as a fuel and the first works for the installation of new fibrous production lines in Cáseda (Spain) with the aim of meeting the expected growth, which places capex in the year 5.3% higher than that initially planned.

A stronger balance sheet at the end of December 2020 thanks to the generation of cash flow from operations, with net bank debt of €38.2 million, a decrease of 10.2% compared to the €42.5million as at December 2019, even after a major dividend cash outflow in the year of €109.4 million in 2020 compared to €74.3 million in 2019.

The Board of Directors has approved to propose a final dividend of €0.29 per share payable in the month of June and to continue with a growing remuneration for shareholders. This proposal represents a total remuneration charged to profit for 2020 of €1.70 per share, 4.9% more than the total remuneration for 2019.

Revenue:

Viscofan has reinforced its global leadership by combining higher sales in all reporting geographic regions and in all product families.

Consequently, revenue in 2020 amounted to €912.2 million, a growth of 7.4% vs. 2019, +9.3 p.p. of which correspond to like-for-like[4] casings sales thanks to volume growth and the improvement in the sales price

[3] 2020 Guidance: Growth in revenue between 6% and 8%, in EBITDA between 7% and 9% and in Net Result between 6% and 9%, with a capex of € 54 million.

mix, and +3.5 p.p. are due to the incorporation of Nitta Casings, compared to a decrease of -1.0 p.p. due to lower comparable sales of co-generation and -4.4 p.p. due to the variation in exchange rates.

In like-for-like terms, revenue for 2020 was up 8.3% on 2019 once the change in the scope of consolidation and the variation in exchange rates was excluded.

Of the total revenue, €875.3 million correspond to casing sales, up +8.8% vs. 2019, and €36.9 million to revenues from the sale of co-generation energy, which decreased by -18.4% vs. 2019 due to the lower remuneration of energy in Spain and the lower electricity produced as a consequence of the engine shutdown carried out to install the new co-generation engines in Cáseda.

For the year as a whole, all reporting regions contributed positively to revenue growth. The geographical[5] breakdown of revenue in 2020 is as follows:

- Europe and Asia (55.2% of the total): Revenue reached €503.3 million, 4.8% higher than 2019 and 5.7% in like-for-like terms.
- North America (30.6% of the total): Revenue amounted to €279.5 million, revealing a growth of 15.0% on 2019 and of 4.9% in like-for-like terms.
- Latin America (14.2% of the total): Revenue totalled €129.4 million, a growth of 2.3% compared to 2019, with a growth of 24.8% in like-for-like terms.

Revenue reached a new quarterly all-time high of €240.3 million, driven by the increase in volumes, (especially in the markets in China, the rest of Asia and North America), the improvement in the sales price mix and the incorporation of Nitta Casings, which offset a greater negative impact of exchange rate fluctuations mainly derived from the depreciation of the BRL and the USD against the EUR.

Quarterly revenue growth stands at 7.3% vs. 4Q19, +12.8 p.p. of which correspond to like-for-like casing sales, and +3.0 p.p. contributes to the incorporation of Nitta Casings, compared to the -1.5 p.p. decrease in like-for-like co-generation sales and -7.0p.p. caused by exchange rate fluctuations.

In like-for-like terms, fourth quarter revenue grew 11.3% compared to the previous year.

Of the total amount of the quarterly revenue, €231.6 million correspond to casing sales (+9.3% vs. 4Q19), and €8.7 million to revenue from co-generation power sales (-27.8% vs. 4Q19) due to the decrease in the price of energy in Spain and the lower electricity produced as a consequence of the engine shutdown carried out to install the new cogeneration engines in Cáseda.

The geographical breakdown of revenue in 4Q20 is as follows:

- Europe and Asia (58.7% of the total): Revenue totalled €141.0 million, an increase of 7.9% compared to 4Q19 and 9.6% in like-for-like terms.
- North America (28.4% of the total): Revenue amounted to €68.1 million, revealing a growth of 11.5% on 4Q19 and of 8.0% in like-for-like terms.
- Latin America (13.0% of the total): Revenue reached €31.1 million, a decrease of 2.9% compared to 4Q19, but growing 24.2% in like-for-like terms.

[4] Like-for-like: Like-for-like growth excludes the impact of changes in the consolidation scope, fluctuations in exchange rates and the non-recurring gains of the business.

[5] Revenue per origin of sales.

Operating expenses

For the year as a whole, cost of consumption[6] grew 0.3% to €272.5 million during a year in which the shortage of hide increased the cost of the main collagen raw material, offset by the lower cost of some auxiliary raw materials, such as caustic soda or glycerine, savings in production and the depreciation of the US$ giving rise to a gross margin[7] of 70.1% (+2.1 p.p. vs. 2019). In the fourth quarter, cost of consumption grew by 0.9% to €77.0 million, placing the gross margin at 68.0% (+2.1 p.p. vs. 4Q19).

This improvement in the gross margin is due to the higher capacity utilization and production output in all technologies while at the same time obtaining high production efficiencies at the manufacturing centres. In turn, cellulose and fibrous production with the new technology installed in Plant 4 in Cáseda (Spain) has exceeded the €8 million in production savings forecast for the year during a period of high demand for these products.

The accumulated average workforce at December 2020 stood at 4,967 people, showing an increase of 7.3% compared to the previous year, mainly due to the incorporation of Nitta Casings staff in the United States and Canada. Without taking into account the Nitta Casings staff, the average workforce grew by 3.1% compared to the previous year.

Personnel expenses increased by 10.7% in 2020 vs. 2019 to €222.7 million including the extraordinary bonuses for attendance and COVID-19 grants; and by 10.0% in 4Q20 vs. 4Q19 to reach €55.1 million. This increase is mainly due to the incorporation of Nitta Casings personnel in the United States and Canada. Excluding Nitta Casings personnel in the United States and Canada, personnel expenses grew 3.7% in 2020 vs. 2019 and by 3.7% in 4Q20 vs. 4Q19.

Other operating expenses grew 0.2% in 2020 compared to 2019 to €190.4 million. Plant expenses have increased, including cleaning and other expenses, and transportation expenses, which have been largely offset by the 7.4% decrease in energy supply expenses, and lower travel expenses as a result of the restrictions imposed on the movement of people due to the pandemic.

In quarterly terms, Other operating expenses in 4Q20 stood at €45.5 million, 8.1% lower than in 4Q19, due to the fall in energy supply expenses (-4.0% vs. 4Q19), lower travel costs due to the mobility restrictions on people because of COVID-19, and a more favourable comparison due to the non-recurring expenses of €2.2 million corresponding to advisory and lawyer expenses for the acquisition of companies recognised in the fourth quarter of 2019.

Operating profit

Higher revenues in a context of high productive activity, the efficiencies achieved and the savings from the new cellulose and fibrous technology in Spain translate into higher EBITDA and improved operating profitability in both reported and like-for-like terms.

The accumulated EBITDA in 2020 grew by 16.7% vs. 2019 to €234.4 million, resulting in a EBITDA margin of 25.7% (+2.0 p.p. vs. 2019). In like-for-like terms, the EBITDA for 2020 grew 27.7% compared to 2019, with a comparable EBITDA margin of 27.5% (+4.2 p.p. vs. 2019).

In the fourth quarter, the EBITDA grew by 13.4% to €65.5 million, giving rise to an EBITDA margin of 27.2% (+1.4 p.p. vs. 4Q19). In like-for-like terms, the EBITDA for the quarter increased 38.1% with an EBITDA margin of 29.1% (+5.6 p.p. vs. 4Q19).

[6] Cost of consumption = Net purchases +/- Changes in inventory of finished goods and work in progress.

[7] Gross margin = (Revenue – Cost of consumption) / Revenue.

The amortisation and depreciation costs in 2020 were €71.5 million, 1.2% higher than in 2019, and in 4Q20 amounted to €17.3 million, 0.5% higher than 4Q19. As a result, the Group obtained an accumulated annual operating profit of €162.9 million (+25.0% vs. 2019), with the fourth quarter contributing €48.2 million (+18.9% vs. 4Q19).

Net financial result

In the year to date at 2020, the net financial result was a negative -€3.3 million owing to the negative exchange differences of -€2.3 million, which compares with a negative net financial result of -€0.2 million in 2019, when exchange differences were positive in the amount of +€1.1 million.

In the fourth quarter of 2020, the net financial result was a negative -€5.1 million mainly due to the negative exchange differences of -€4.9 million, which compares with a negative net financial result of -€1.9 million in 4Q19, when exchange differences were negative in the amount of -€1.7 million.

Net profit

The accumulated profit before tax at December 2020 reached €159.7 million (+22.8% vs. 2019). From this figure, €37.1 million of corporate income tax is deducted, which increased by 51.7% compared to the same period of the previous year with an effective tax rate of 23.3% in 2020 compared to 18.8% in 2019.

The difference between the theoretical tax rate for 2020 (28%) and the effective tax rate (23.3%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in all countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances for investments by various Group subsidiaries.

Finally, Net profit stands at €122.5 million, up 16.0% vs. 2019. In the fourth quarter, the Net profit was €34.7 million, an increase of 5.3% vs. 4Q19.

Non-recurring results

In 2020, there were no recurring results, however for a better comparison of the information the non-recurring impacts of the business recognised in the previous year are detailed below:

- Combination of businesses: In 2019 a gain in operating profit of €10.9 million was recorded corresponding to the negative goodwill from the lower cost of business combination over the corresponding value of the identifiable assets less that for the liabilities assumed from the acquisition of the Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc. Also, the purchase of these companies involved non-recurring expenses for integration, advisors and lawyers amounting to €2.2 million.

- In 2019 an impairment of €3.5 million was recorded in Nanopack Technology & Packaging S.L. goodwill due to a delay in the growth plans expected in this Cash Generating Unit.

- An impact of €2.3 million in non-recurring costs related to the strike at the Danville plant (US) in June.

The net impact on non-recurring results after including the tax effect is a net profit of €4.1 million.

Investment

For the whole of the year, a total of €56.9 million have been invested, 8.4% less than the €62.1 million invested in 2019. The breakdown by type is as follows:

- 20% of the investment was earmarked for process improvements and new technology.

- 27% of the investment was earmarked for investments in capacity and machinery.
- 27% of the investment was earmarked for improvements in sustainability, including energy equipment and the optimisation of the installations in terms of security, hygiene, and environment.
- The remaining 26% was spent on ordinary investments.

Of the main projects, the most noteworthy are the initial works to increase the fibrous capacity in Cáseda and the installation of new co-generation engines prepared for the transition to green hydrogen as a main energy vector in Cáseda for 2030.

At the end of 2020, investment commitments amounted to €12.9 million (€1.6 million at the close of 2019).

Dividends and Shareholder remuneration

The Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.29 per share, with an amount of €13.4 million to be paid out on 3 June 2021.

Thus, total shareholder remuneration for the 2020 financial year stand at €1.70 per share, equivalent to a distribution of 64.3% of net profit. This can be broken down as follows:

- An interim dividend of €1.40 per share (paid on 22 December, 2020).
- A proposed final dividend of €0.29 per share (to be paid on 3 June, 2021).
- A bonus of €0.01 per share for attending the General Shareholders' Meeting.

This proposed remuneration is 4.9% higher than the ordinary remuneration of €1.62 per share approved in the previous financial year, implying a total distribution of €78.8 million.

Equity

The Group's net equity stood at €736.2 million at the end of 2020, down 6.1% year-on-year in spite of an increase in Net Profit. This change is due to a higher distribution of the interim dividend, €64.9 million in 2020 compared to €30.1 million in 2019, and to the increase in the negative translation differences from the consolidation of the subsidiaries whose currencies have depreciated significantly against the euro in 2020 (mainly Brazil and Mexico).

Treasury shares

During 2020, 10,558 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Thus, on 31 December 2020, the company had 139,442 treasury shares representing 0.30% of the voting rights acquired at a total price of 6,031 thousand euros.

At 31 December 2019, Viscofan, S.A. held a total of 150,000 treasury shares that represented 0.32% of the voting rights, acquired at a total price of 6,487 thousand euros. These shares were acquired within the framework of the Company's Incentives Plan under the authorisation granted by the General Shareholders' Meeting of 25 May 2018.

Financial liabilities

The net bank at the end of December 2020 stood at €38.2 million, a decrease of 10.2% compared to the €42.5 million as at December 2019. The results strength in the year has allowed us to continue reinforcing the balance sheet while the outflow of cash has increased due to dividends.

IFRS 16 update entered into force on 1 January of 2019, and stated that the majority of non-cancellable operating leases should be recorded in the balance sheet as a right-of-use asset and a liability for future payments to be made.

So, the breakdown for Net Financial Debt is as follows:

	`Dec 2020	`Dec 2019	*Change*
Net Bank Debt *	**38,212**	**42,546**	**-10.2%**
Debts related to right-of-use assets	*15,685*	*19,295*	*-18.7%*
*Other net financial liabilities***	*28,549*	*27,606*	*3.4%*
Net Financial Debt	**82,446**	**89,447**	**-7.8%**

* Net bank Debt= Non-current bank borrowings + Current bank borrowings - Cash and cash equivalents.
** Other net financial liabilities consisting mainly of loans with an interest rate subsidised by entities like the CDTI and the Ministry of Economy, as well as debt with fixed asset suppliers netted by other current financial assets.

The net financial debt is the equivalent of 11.2% of the equity, with a leverage level that is sufficient to be able to attend to all Viscofan's liquidity needs.

Outlook for 2021

In the MORE TO BE Plan, the group is making a significant leap in the areas of Service, Technology and Costs with a multitude of investment projects of an organic and inorganic nature, resulting in a greater leadership in a resilient market.

The persistence of the COVID-19 pandemic continues to generate an uncertain environment in which governments and other institutions may continue to adopt confinement measures, social distancing, mobility restrictions and others aimed at mitigating its spread while preparing vaccination plans with different schedules, all of which may affect the consumption habits in different countries. Meanwhile, our plants, customers and suppliers are still at risk of contagion.

Subsequently, the MORE TO BE Strategic Plan has been extended into 2021, to provide continuity to existing projects and as a driving force for others that continue to foster the company's growth and strength in the long term. Among these are projects; of particular significance is the increased fibrous capacity at the Cáseda plant using the new technology, and the termination of the process to update the technology at the collagen casings plant in the United States.

The Viscofan Group faces 2021 with growth prospects in the main financial figures, accompanying the expected growth of the market with the boost in volumes, commercial discipline, and improvements in profitability without the need for large additional investments.

As such, the Viscofan Group expects to increase revenue by between 3% and 4%, EBITDA by between 3% and 5%, and Net Profit by between 4% and 6%, based on an investment of €70 million and despite a worse forex scenario considering an average exchange rate of US$/€ 1.20 vs. 1.14 in 2020.

Changes in the consolidation scope

In 2020:

- Viscofan España S.L.U. which is wholly owned by Viscofan S.A., was incorporated on 24 November 2020, the date on which it formed part of the consolidation scope of the Group. The Board of Directors decided to establish Viscofan S.A.'s legal form as a holding company that grouped ownership interests in different group companies and facilitated a better internal organisation to carry on with its operations. Thus, the Board of Directors will propose to the

General Shareholders' Meeting, to be held in 2021, the segregation in which Viscofan S.A. will transfer effective on 1 January 2021 the industrial and operational activities in favour of the limited liability company known as Viscofan España S.L.U., with registered office in Tajonar (Navarre) and wholly owned by Viscofan S.A., which will acquire all rights and obligations inherent in said activity and will be incorporated as a result of the execution of the segregation.

- Effective January 1, 2020, the merger through absorption of Nanopack Technology and Packaging S.L.U. by Viscofan S.A. without impact on the consolidated annual accounts.

In 2019

- Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc.: On 19 December 2019, the Viscofan Group acquired 100% of Nitta Casings Inc. in the U.S. and 100% of Nitta Casings (Canada) Inc. in Canada from the Japanese Group Nitta Gelatin Inc. The companies acquired were included in the Viscofan Group consolidation perimeter from 31 December, 2019 under the full consolidation model.
- Nanopack Technology and Packaging S.L.U.: As of 31 December 2019, the Group holds 100% of the shares in Nanopack Technology and Packaging S.L.U.
- Transform Pack Inc: In August 2019, Transform Pack Inc. in Canada was wound up after the sale of its assets, liabilities, rights and obligations to Viscofan Canada Inc.
- Viscofan (Thailand) Co. Ltd.: In July 2019, this company was established in Thailand.
- Gamex, C.B. s.r.o.: With effect on 1 January 2019, Gamex C.B. s.r.o. was taken over by Viscofan CZ, s.r.o. in the Czech Republic.

Financial annexes

Viscofan Group profit and loss account. 2020 ('000 €)

	Jan-Dec' 20	Jan-Dec' 19	*Change*
Revenues	**912,160**	**849,697**	**7.4%**
Other operating income	7,713	5,400	42.8%
Self-constructed assets	297	958	-69.0%
Variation in stocks of finished products and work-in-progress	3,140	-9,041	c.s
Net purchases	-275,671	-262,623	5.0%
Personnel expenses	-222,731	-201,278	10.7%
Other operating expenses	-190,401	-190,023	0.2%
Capital grants	512	590	-13.2%
Impairments	-170	-192	-11.5%
Results coming from disposals of non-current assets	-416	100	c.s
Other results	0	7,369	n.s.
Recurring EBITDA	**234,433**	**198,046**	**18.4%**
Recurring EBITDA margin	*25.7%*	*23.3%*	*2.4 p.p.*
Non-recurring results	0	2,911	n.s.
EBITDA	**234,433**	**200,957**	**16.7%**
EBITDA margin	*25.7%*	*23.7%*	*2.0 p.p.*
Amortization and depreciation	-71,526	-70,674	1.2%
Operating profit	**162,907**	**130,283**	**25.0%**
Operating profit margin	*17.9%*	*15.3%*	*2.6 p.p.*
Financial incomes	524	597	-12.2%
Financial expenditures	-1,475	-1,966	-25.0%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-2,305	1,135	c.s
Impairment and results coming from disposals of financials assets	5	15	-66.7%
Financial results	**-3,251**	**-219**	**1384.5%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**159,656**	**130,064**	**22.8%**
Taxes	-37,143	-24,487	51.7%
Profit after taxes from continued operations	**122,513**	**105,577**	**16.0%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**122,513**	**105,577**	**16.0%**
a) Net profit attributable to the parent comany	122,513	105,577	16.0%
b) Net profit attributable to minority interests	0	0	n.s.

Viscofan Group Profit and loss account. 4Q20 ('000 €)

	Oct-Dec' 20	Oct-Dec' 19	*Change*
Revenues	**240,269**	**223,857**	**7.3%**
Other operating income	2,868	1,745	64.4%
Self-constructed assets	72	766	-90.6%
Variation in stocks of finished products and work-in-progress	-8,601	-10,119	-15.0%
Net purchases	-68,403	-66,226	3.3%
Personnel expenses	-55,088	-50,071	10.0%
Other operating expenses	-45,529	-49,555	-8.1%
Capital grants	125	141	-11.3%
Impairments	-148	-120	23.3%
Results coming from disposals of non-current assets	-100	-58	72.4%
Other results	0	7,369	n.s.
Recurring EBITDA	**65,465**	**52,497**	**24.7%**
Recurring EBITDA margin	*27.2%*	*23.5%*	*3.7 p.p.*
Non-recurring results	0	5,232	n.s.
EBITDA	**65,465**	**57,729**	**13.4%**
EBITDA margin	*27.2%*	*25.8%*	*1.4 p.p.*
Amortization and depreciation	-17,273	-17,191	0.5%
Operating profit	**48,192**	**40,538**	**18.9%**
Operating profit margin	*20.1%*	*18.1%*	*2.0 p.p.*
Financial incomes	64	399	-84.0%
Financial expenditures	-247	-535	-53.8%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-4,931	-1,744	182.7%
Impairment and results coming from disposals of financials assets	5	15	-66.7%
Financial results	**-5,109**	**-1,865**	**173.9%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**43,083**	**38,673**	**11.4%**
Taxes	-8,432	-5,767	46.2%
Profit after taxes from continued operations	**34,651**	**32,906**	**5.3%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**34,651**	**32,906**	**5.3%**
a) Net profit attributable to the parent comany	34,651	32,887	5.4%
b) Net profit attributable to minority interests	0	19	n.s.

Consolidated balance sheets ('000 €) - ASSETS

	Dec'20	Dec '19	*Change*
Intangible assets	19,268	19,635	-1.9%
Goodwill	2,638	2,671	-1.2%
Others intangible asset	16,630	16,964	-2.0%
Tangible assets	475,293	514,326	-7.6%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	1,940	2,376	-18.4%
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	1,307	1,743	-25.0%
Non-current derivatives	326	96	239.6%
Cash flow hedges	326	96	239.6%
Others	0	0	n.s.
Deferred tax assets	26,966	28,432	-5.2%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**523,793**	**564,865**	**-7.3%**
Non-current assets held for sale	0	0	n.s.
Inventories	273,193	277,390	-1.5%
Trade and other receivables	183,473	184,347	-0.5%
Trade debtors	166,079	167,341	-0.8%
Other debtors	16,629	15,484	7.4%
Current tax assets	765	1,522	-49.7%
Current financial assets	840	815	3.1%
a) At fair value through profit and loss	751	746	0.7%
Of which "Designated upon initial recognition"	751	746	0.7%
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	89	69	29.0%
Current derivatives	4,708	2,768	70.1%
Cash flow hedges	3,088	2,721	13.5%
Others	1,620	47	3346.8%
Other current assets	2,435	3,454	-29.5%
Cash and cash equivalents	51,990	51,370	1.2%
CURRENT ASSETS	**516,639**	**520,144**	**-0.7%**
TOTAL ASSETS	**1,040,432**	**1,085,009**	**-4.1%**

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

	Dec'20	Dec '19	Change
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	767,960	737,899	4.1%
Treasury shares	-6,031	-6,487	-7.0%
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	122,513	105,577	16.0%
Less: Interim dividend	-64,905	-30,127	115.4%
Other equity instruments	1,747	262	566.8%
SHAREHOLDER'S FUNDS	**853,846**	**839,686**	**1.7%**
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	-117,600	-55,320	112.6%
Hedge transactions	1,031	1,662	-38.0%
Currency translation differences	-118,631	-56,982	108.2%
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	**-117,600**	**-55,320**	112.6%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	**736,246**	**784,366**	**-6.1%**
Non-controlling interests	0	0	n.s.
EQUITY	**736,246**	**784,366**	**-6.1%**
Grants	1,189	1,551	-23.3%
Non-current provision	38,520	33,602	14.6%
Non-current financial liabilities	59,473	86,301	-31.1%
Bank debt	32,644	55,234	-40.9%
Other financial liabilities	26,829	31,067	-13.6%
Deferred tax liabilities	19,274	23,669	-18.6%
Non-current derivatives	107	0	n.s.
Cash flow hedges	107	0	n.s.
Others	0	0	n.s.
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**118,563**	**145,123**	**-18.3%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	11,204	8,959	25.1%
Current financial liabilities	75,803	55,331	37.0%
Bank debt	57,563	38,677	48.8%
Other financial liabilities	18,240	16,654	9.5%
Trade and other payable accounts	96,240	90,893	5.9%
Trade creditors	53,768	58,393	-7.9%
Other creditors	33,389	27,342	22.1%
Current tax liabilities	9,083	5,158	76.1%
Current derivatives	2,159	125	1627.2%
Cash flow hedges	2,159	40	5297.5%
Others	0	85	n.s.
Other current liabilities	217	212	2.4%
CURRENT LIABILITIES	**185,623**	**155,520**	**19.4%**
TOTAL EQUITY AND LIABILITIES	**1,040,432**	**1,085,009**	**-4.1%**

Cash flow statement ('000 €)

	Jan-Dec' 20	Jan-Dec' 19	Change
Cash flows from operating activities	**178,341**	**177,931**	**0.2%**
Profit for the year before tax	**159,656**	**130,064**	**22.8%**
Adjustments in results	**82,171**	**69,039**	**19.0%**
Amortisation and depreciation	71,526	70,674	1.2%
Others adjustments in results(net)	10,645	-1,635	c.s.
Changes in working capital	**-25,178**	**6,135**	**c.s.**
Other cash flows from operating activities	**-38,308**	**-27,307**	**40.3%**
Interest paid	0	0	n.s.
Dividend paid and other payments from others equity instruments	0	0	n.s.
Dividends received	0	0	n.s.
Interests received	0	0	n.s.
Proceeds/ (payments) from income tax	-35,893	-26,742	34.2%
Proceeds/(payments) from operating activities	-2,415	-565	327.4%
Cash flows from investing activities	**-53,576**	**-62,642**	**-14.5%**
Investment payments	**-55,320**	**-64,299**	**-14.0%**
Group companies, associated & business units	0	-1,544	n.s.
Acquisition of property, plant and equipment and intangible assets	-55,320	-62,755	-11.8%
Other financial assets	0	0	n.s.
Other assets	0	0	n.s.
Cash from disposals	**605**	**766**	**-21.0%**
Group companies, associated & business units	0	0	n.s.
Disposal of property, plant and equipment and intangible assets	605	766	-21.0%
Other financial assets	0	0	n.s.
Other assets	0	0	n.s.
Other cash flows from investing activities	**1,139**	**891**	**27.8%**
Dividends received	0	0	n.s.
Interest received	1,139	891	27.8%
Proceeds/(Payments) from interrupted operations	0	0	n.s.
Cash flows from financing activities	**-119,960**	**-95,325**	**25.8%**
Proceeds and payments from equity instruments	**0**	**-6,487**	**n.s.**
Proceeds from issue of stock	0	0	n.s.
Cancellation and payments	0	0	n.s.
Acquisition	0	-6,487	n.s.
Disposal	0	0	n.s.
Proceeds and payments from financial liabilities instruments	**-2,918**	**-16,989**	**-82.8%**
Proceeds from issue of financial liabilities instruments	35,345	49,366	-28.4%
Refund, cancellation and payments	-38,263	-66,355	-42.3%
Dividends paid and others payments from others equities instruments	**-109,411**	**-74,302**	**47.3%**
Others cash flows from financing activities	**-7,631**	**2,453**	**c.s.**
Interest paid	-1,800	-1,909	-5.7%
Others proceeds /(payments) from financing activities	-5,831	4,362	c.s.
Effect of foreign exchange rate changes on collections and payments	**-4,185**	**356**	**c.s.**
Net increase (decrease) in cash and cash equivalents	**620**	**20,320**	**-96.9%**
Cash and cash equivalents at the begining of the period	**51,370**	**31,050**	**65.4%**
Cash and cash equivalent at the end of the period	**51,990**	**51,370**	**1.2%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

	2020	2019	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.141	1.120	-1.9%
Canadian Dollar	1.529	1.486	-2.9%
Mexican Peso	24.514	21.555	-12.1%
Brazilian real	5.889	4.415	-25.0%
Czech crown	26.454	25.669	-3.0%
British Pound	0.889	0.877	-1.3%
Serbian Dinar	117.571	117.860	0.2%
Chinesse yuan remminbi	7.868	7.722	-1.9%
Uruguayan Peso	47.968	39.448	-17.8%
Australian Dollar	1.656	1.610	-2.7%
New Zealand Dollar	1.757	1.699	-3.3%

End year (Currency/€)

	Dec 20	Dec 19	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.227	1.123	-8.5%
Canadian Dollar	1.563	1.460	-6.6%
Mexican Peso	24.416	21.220	-13.1%
Brazilian real	6.381	4.528	-29.0%
Czech crown	26.245	25.408	-3.2%
British Pound	0.899	0.851	-5.4%
Serbian Dinar	117.580	117.593	0.0%
Chinesse yuan remminbi	8.025	7.816	-2.6%
Uruguayan Peso	51.955	41.912	-19.3%
Australian Dollar	1.593	1.603	0.6%
New Zealand Dollar	1.698	1.668	-1.8%

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All results information can be consulted on Viscofan Group website.

Disclaimer

This document is a free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

This document may contain additional non-compulsory forward-looking statements on intentions or expectations of the Company as of the date of its publication whose only purpose is to provide further information on perspectives on future performance.

Such forward-looking statements do not constitute any guarantee of future performance and involve risks and uncertainties as well as other important factors that could cause actual developments or results to differ essentially from those expressed in our forward-looking statements.

Analysts and investors in particular as well as any other persons or entities who must take decisions or give advise on investments in the Company should not place undue reliance on those forward-looking statements.

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited and, therefore, subject to potential future modifications.

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, the change in the scope of consolidation 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.