Viscofan

Reshaping food and wellbeing.
For many, for long.

January - June 2022
Results



28 July 2022

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

Interim Management Report

Main highlights of the April-June 2022 results:

- Revenue was €305.2 million, 28.5% up year-on-year reaching a new all-time in quarterly terms.
- EBITDA[1] was €64.8 million, 1.5% up year-on-year in a context of high pressure on energy costs and raw materials.
- Net profit was €37.4 million, up 10.2% year-on-year.
- Capex amounted to €40.7 million, reflecting the progress on capacity investment and transformation plans set out in the Strategic Plan Beyond25.
- €34.2 million of net bank debt[2] in June 2022 compared to €1.8 million at December 2021.
- Payment of a final dividend of €0.43 per share on June 2, 2022, raising the total shareholder remuneration to €1.84 per share, 8.2% higher than the equivalent remuneration in the previous year.
- José Domingo de Ampuero y Osma, Chairman of the Viscofan Group:

  "Viscofan has launched the Beyond25 strategy plan within one of the most adverse environments in recent history, that is causing the increase in the prices of production inputs and, and the greater need for our products as an essential ingredient in the basic diet of millions of people.

  Viscofan´s responsiveness to increase production volumes, the success of the launch of new products of the New Business division, the commercial discipline aimed at protecting the value of our stakeholders, the commitment of the human team, and our balance sheet strength has allowed us to obtain all-time high in revenue and EBITDA in the semester.

  With these results we can face the future with optimism, maintain our roadmap outlined in the strategic plan, including our transformation projects, and to progress to achieve the results expected for the year".

[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 €)

	First Half				Second Quarter			
	Jan-Jun' 22	Jan-Jun' 21	*Change*	*Like-for-like**	Apr-Jun' 22	Apr-Jun' 21	*Change*	*Like-for-like**
Revenue	**568,025**	**465,838**	**21.9%**	**15.2%**	**305,158**	**237,466**	**28.5%**	**20.2%**
EBITDA	**122,579**	**121,419**	**1.0%**	**-9.2%**	**64,795**	**63,810**	**1.5%**	**-10.1%**
EBITDA margin	***21.6%***	***26.1%***	**-4.5 p.p.**	**-5.6 p.p.**	***21.2%***	***26.9%***	**-5.7 p.p.**	**-6.8 p.p.**
Operating profit	**84,364**	**85,050**	**-0.8%**		**45,492**	**45,663**	**-0.4%**	
Net profit	**64,894**	**64,128**	**1.2%**		**37,412**	**33,949**	**10.2%**	

Revenue breakdown ('000 €)

By division	Jan-Jun' 22	Jan-Jun' 21	*Change*	Apr-Jun' 22	Apr-Jun' 21	*Change*
Traditional Business	459,543	391,031	17.5%	244,972	199,363	22.9%
New Business	68,449	55,086	24.3%	36,953	28,203	31.0%
Total business divisions	**527,992**	**446,117**	**18.4%**	**281,925**	**227,566**	**23.9%**
Other revene from energy	40,033	19,721	103.0%	23,233	9,900	134.7%
Revenue	**568,025**	**465,838**	**21.9%**	**305,158**	**237,466**	**28.5%**

By geographical area	Jan-Jun' 22	Jan-Jun' 21	*Change*	Apr-Jun' 22	Apr-Jun' 21	*Change*
Europe, Middle East and Africa (EMEA)	239,342	193,262	23.8%	133,837	101,652	31.7%
Asia Pacific (APAC)	75,912	65,307	16.2%	37,741	32,759	15.2%
North America	180,979	145,419	24.5%	94,909	74,080	28.1%
South America	71,792	61,850	16.1%	38,671	28,975	33.5%
Revenue	**568,025**	**465,838**	**21.9%**	**305,158**	**237,466**	**28.5%**

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

Viscofan has started the Beyond25 strategic period inspired by a new purpose "Reshaping food and wellbeing. For many, for long", which foresees an acceleration in the revenue growth, driven by a differentiated strategy that allows Viscofan to capture the growth opportunity in the Traditional Business together with the promotion of the activities encompassed in the New Business division.

In this sense, investments within the Beyond25 strategy plan evolve as expected. Capacity expansion projects have started in collagen casings in Spain, Germany, Serbia, USA, and China to capture volumes from the market growth in a context of replacement of animal gut that is taking place in the global in the food industry. In addition, new converting machines are being installed in China and in the USA, and progress continues in the construction and assembly of the plant with the new cellulose casing technology in Danville (USA). Within the target to drive up the development of the New Businesses, a project to increase capacity of collagen hydrolysates is being made at the Weinheim (Germany) facility, which start-up is scheduled for the end of this year.

This intense transformation activity coexists with a very adverse environment characterized by levels of inflation in production inputs not seen in decades, geopolitical tensions in Europe -including sanctions that prohibit the sale of casings to Russia-, the COVID-19 pandemic, disruptions in global supply chains, and the risks of economic recession in different countries.

Within this context, the Board of Directors of Viscofan S.A. adopted the decision to discontinue commercial relations with Russia due to the prohibition of the European Commission on April 8, 2022 -motivated by Russia's actions that destabilize the situation in Ukraine- justified in that the use of these casings improves the capabilities of the industry in Russia against the traditional alternative of animal guts.

Against this backdrop, the casings market posted a strong growth in the first half of 2022. This evolution yet again proof that casings are an essential ingredient to produce sausages, -a basic food in the household diet-, while allowing meat processors to improve in their search for greater productivity.

In parallel to the operational activity, Viscofan is strengthening its commercial activity to guarantee service to customers in a context of high global demand. At the same time, a commercial discipline strategy is maintained combining support for customers in an environment of adverse costs with the necessary increases in sales prices that partially offset the impact of the higher cost of the main raw materials and energy. In this sense, after a first increase in sales prices at the beginning of the year, a new price increase has been carried out in the second half of the year to counteract the rise in inflation above initial expectations in energy, raw materials -where collagen hides and caustic soda stand out among others-, and wages.

Thus, the first half results reflect the strength of Viscofan's business model against one of the most adverse environments in decades, and lead Viscofan to maintain its results outlook for the year 2022.

Corporate Governance and Sustainability

At the Shareholders' Meeting held on April 29, 2022, among other agreements, changes were made in the composition of the company's Board of Directors. Ms. Cristina Henríquez de Luna Basagoiti and Mr. Andrés Arizkorreta García were appointed as directors, both with the category of external independent directors, and Mr. Néstor Basterra Larroudé and Mr. Ignacio Marco-Gardoqui Ibáñez resigned as directors, who during his mandate contributed significantly to the development of Viscofan from their different functions, including the vice-presidency of the Board of Directors.

At the meeting that the Board of Directors of Viscofan S.A. held after the General Shareholders' Meeting, in accordance with the new composition of the Board derived from the re-election and appointment of directors, it was agreed to appoint Mr. Jaime Real de Asúa Arteche as Vice-Chairman of the Board of Directors and to re-elect Mr. José María Aldecoa Sagastasoloa as Lead Director.

Subsequently, in June 2022, Mr. Juan March de la Lastra made effective his resignation as a member of the Company's Board of Directors and of its Appointments, Remuneration and Sustainability Committee. Likewise, and at the request of Corporación Financiera Alba S.A., a significant shareholder of the Company, the Board of Directors, following a favorable report from the Appointments, Remuneration and Sustainability Committee, has appointed by co-optation to Mr. Javier Fernández Alonso as external nominee director.

With these changes, the Viscofan Board of Directors currently has a greater number of independent directors and a greater presence of the female gender, which currently represents 36% of the members of the Board.

Likewise, the Committees of the Board of Directors are made up as follows:

Audit Committee:

Chairwoman: Ms. Laura González Molero.
Director: Mr. José María Aldecoa Sagastasoloa
Director: Ms. Agatha Echevarría Canales
Director: Ms. Carmen de Pablo Redondo
Director: Mr. Javier Fernández Alonso
Secretary: Mr. José Antonio Cortajarena Manchado

Appointments, Remuneration, and Sustainability Committee

Chairman: Mr. Jaime Real de Asúa Arteche
Director: Mr. José María Aldecoa Sagastasoloa
Director: Mr. Santiago Domecq Bohórquez
Director: Mr. Andrés Arizkorreta García
Secretary: Mr José Antonio Cortajarena Manchado.

The Sustainability Action Plan progress in line with the goals set for 2030. The most significant advance is being made in the initiatives to combat climate change and decarbonisation.

This year, Viscofan is increasing the supply of electricity from renewable sources, and the Alfhausen plant (Germany) has managed to be the Group's first location without greenhouse gas emissions (Scope 1 and 2), replacing the use of natural gas by biofuel.

In Cáseda (Spain), permits have been obtained for the installation of an energy production center that uses biomass from our cellulose waste as fuel, contributing not only to a reduction in greenhouse gas emissions, but also to improve the circular economy by obtaining renewable energy from our production processes.

Additionally, the high-efficiency co-generation center in Spain is expected to be framed within the eligible activities for the mitigation and adaptation of climate change in accordance with the latest description of the EU taxonomy available.

In water management, even though the production process is not particularly intensive in water consumption, initiatives are still being sought to reduce the water withdrawal that is used in the process. In this sense, investments in collagen expansion in technology called dry-tech will contribute to a lower need for water per kilometre of casing produced.

Revenue:

Revenue in the second quarter once again set a new-all-time high with €305.2 million, 28.5% above 2Q21 with double-digit growth in both divisions, in the Traditional Business and in the New Business.

In like-for-like terms, revenue was up 20.2% in 2Q22 vs. 2Q21, i.e. stripping out the +8.3 p.p. positive contribution from forex, mainly due to the appreciation of the US$.

In the Traditional Business revenue rose by 22.9% to €245.0 million, driven by the better volume evolution in all technologies highlighting the performance in collagen casings helped by the replacement of animal gut, 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, and by the price mix increase of above 3%.

In the New Business revenue was up 31.0% to €37.0 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.

On the other hand, energy sales amounted to €23.2 million, a growth of 134.7% mainly due to the fact that the cogeneration plant in Spain - being the most efficient way to generate electricity and heat necessary for the production of casings - is offsetting the sharp rise in gas costs and CO_2 emission rights in Spain with the higher electricity prices in the Spanish market.

In the second quarter all geographic reporting areas[3] grew:

- EMEA (43.8% of the total): Reported revenue came to €133.8 million, up 31.7% on 2Q21 and 29.0% in like-for-like terms thanks to the sound growth in all technologies in the Traditional Business, the boost of the New Business, and the increase in energy sales in Spain.

- APAC: (12.4% of the total): Reported revenue was €37.7 million, 15.2% above 2Q21 and 7.9% in like-for-like terms.

- North America (31.1% of the total): Revenue amounted to €94.9 million, a growth of 28.1%. In like-for-like terms, revenue grew 14.1% 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 was €38.7 million, up 33.5% on 2Q21 and 18.7% in like-for-like terms in a context of increased demand.

In the first half of 2022 revenue was up 21.9% to €568.0 million. Of the same, revenue of the Traditional Business contributed with €459.5 million (+17.5% vs. 1H21), revenue of the New Business with €68.4 million (+24.3% vs. 1H21), and energy sales with €40.0 million (+103.0% vs. 1H21).

In like-for-like terms, revenue was up 15.2% in 1S22 vs. 1S21, i.e. stripping out the +6.7 p.p. positive contribution from forex, mainly due to the appreciation of the US$.

The geographical breakdown of revenue in 1H22 was as follows:

- EMEA (42.1% of the total): Reported revenue came to €239.3 million, up 23.8% on 1H21 and 21.6% in like-for-like terms.

- APAC: (13.4% of the total): Reported revenue was €75.9 million, a growth of 16.2% and of 9.5% in like-for-like terms.

- North America (31.9% of the total): Revenue amounted to €181.0 million, 24.5% above 1H21 and 13.2% in like-for-like terms.

- South America (12.6% of the total): Revenue was €71.8 million, up 16,1% on 1H21 and 5.8% in like-for-like terms.

Operating expenses

Consumption costs[4] in the second quarter rose by 56.7% vs. 2Q21 to €102.8 million mainly due to the inflation of the price of raw materials - highlighting the acceleration in the cost of collagen hides and auxiliary raw materials such as caustic soda -, the increased costs of co-generation energy and CO_2 emission allowances. In the first half, consumption costs were up by 41.1% vs. 1H21 to €182.8 million.

Gross margin[5] in 2Q22 declined to 66.3% vs. 72.4% in 2Q21 and in 1H22 to 67.8% vs. 72.2% in 1H21. In line with its long-term service vocation, Viscofan is transferring part of the inflation of production costs to customers while maintaining the necessary commercial discipline to help them in their challenges of improving productivity and cost savings in a context of robust demand.

[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.

Accumulated average workforce as of June 2022 grew by 2.3% to 5,220 people due to personnel recruitment needs for capacity expansion projects. This increase in the workforce coexists with higher salary costs in an environment of generalized inflation and with the appreciation of the main currencies against the Euro, especially the US$. Thus, personnel costs rose 13.7% in 2Q22 vs. 2Q21 to €65.6 million and 9.9% in 1H22 vs. 1H21 to €127.7 million.

Other operating expenses in 2Q22 of €74.0 million, a growth of 39.9% from 2Q21 driven mainly by higher energy supply expenses (+59.8% vs. 2Q21), transport expenses (+62.4% vs. 2Q21), travel expenses as there are lower mobility restrictions that prevent commercial visits and to promote international projects, and also due to the increase in advertising expenses coming from Viscofan's participation in the IFFA fair in May 2022 -the largest meat and alternative protein fair- with the promotion and launch of new products both in the Traditional Business and in the New Businesses.

Other operating expenses in 1H22 totalled €141.4 million, up 36.9% on 1H21 due mainly to increased energy supply expenses (+63.7% vs. 1H21), transport expenses (+50.5% vs. 1H21), and travel expenses.

Operating profit

Volume growth above expectations, higher selling prices, co-generation in Spain and the favourable forex evolution offset the increased cost inflation driving EBITDA in 2Q22 to €64.8 million, up 1.5% year-on-year. Thus, EBITDA margin in the quarter was 21.2% as compared to 26.9% in 2Q21.

Reported EBITDA in the first half amounted to €122.6 million, a growth of 1.0% vs. 1H21 leading EBITDA margin to 21.6%, below 26.1% in 1H21.

Stripping out the impact of foreign exchange differences, like-for-like EBITDA in 2Q22 was down by 10.1% and in 1H22 by 9.2%.

Amortization expense for 2Q22 increased 6.4% vs. 2Q21 up to €19.3 million and in 1H22 5.1% up to €38.2 million due to the larger base of industrial assets associated with the investment plan.

Thus, EBIT in the second quarter was €45.5 million (-0.4% vs. 2Q21) driving EBIT in the first half to €84.4 million (-0.8%. vs. 1H21).

Net financial result

In the first half of 2022, the Net Financial Result was positive with +€4.2 million with positive Exchange differences of +€4.0 million, as compared with a negative net financial result of -€1.1 million in 1H21, period in which exchange differences were negative with -€0.9 million.

Net profit

Profit before tax in the first half of 2022 was €88.5 million with a corporate income tax expense of €23.6 million (a growth of 19.2% versus 1H21) placing the cumulative effective tax rate at 26.7% (23.6% in the same period of the previous year).

As a result, Net profit in the second quarter grew by 10.2% to €37.4 million and in the first half by 1.0% to €64.9 million.

Investment

In the first half of 2022, a total of €40.7 million has been invested (€24.4 million in 1H21) in line with the objective of investing €100 million in 2022.

Financial liabilities

Net bank debt[6] as of June 2022 was €34.2 million, above €1.8 million in December 2021 due to the increase in working capital as a result of the acceleration in revenues in the last quarter, the higher level of procurement of raw materials, and increases in safety inventory in a context of tighter supply chains, and also due to the payment of €19.9 million in June 2022 as a final dividend.

Dividends paid in 2022

On June 2, 2022, in accordance with the distribution of 2021 results approved at the General Shareholders' Meeting, a final gross dividend of €0.43 per share was paid. This final dividend, together with the interim dividend paid in December 2021 and the attendance bonus to the Shareholders´ meeting, represents a total distribution of €1.84 per share, 8.2% more than in the previous year.

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

Appendix 1. Financial tables

Viscofan Group profit and loss account. 2Q22 ('000 €)

	Apr-Jun' 22	Apr-Jun' 21	*Change*
Revenues	**305,158**	**237,466**	**28.5%**
Other operating income	1,976	2,584	-23.5%
Self-constructed assets	65	63	3.2%
Variation in stocks of finished products and work-in-progress	8,662	4,786	81.0%
Net purchases	-111,478	-70,415	58.3%
Personnel expenses	-65,648	-57,753	13.7%
Other operating expenses	-73,959	-52,863	39.9%
Capital grants	52	93	-44.1%
Impairments	-7	-7	0.0%
Results coming from disposals of non-current assets	-26	-144	-81.9%
Other results	0	0	n.s.
EBITDA	**64,795**	**63,810**	**1.5%**
EBITDA margin	*21.2%*	*26.9%*	*-5.7 p.p.*
Amortization and depreciation	-19,303	-18,147	6.4%
Operating profit	**45,492**	**45,663**	**-0.4%**
Operating profit margin	*14.9%*	*19.2%*	*-4.3 p.p.*
Financial incomes	301	102	195.1%
Financial expenditures	-300	-193	55.4%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	4,979	-1,844	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	**4,980**	**-1,935**	**c.s**
Profit from associated companies	0	0	n.s.
Profit before taxes	**50,472**	**43,728**	**15.4%**
Taxes	-13,060	-9,779	33.6%
Profit after taxes from continued operations	**37,412**	**33,949**	**10.2%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**37,412**	**33,949**	**10.2%**
a) Net profit attributable to the parent comany	37,412	33,949	10.2%
b) Net profit attributable to minority interests	0	0	n.s.

Viscofan Group profit and loss account. 1H22 ('000 €)

	Jan-Jun' 22	Jan-Jun' 21	*Change*
Revenues	**568,025**	**465,838**	**21.9%**
Other operating income	6,237	4,482	39.2%
Self-constructed assets	130	125	4.0%
Variation in stocks of finished products and work-in-progress	19,164	7,800	145.7%
Net purchases	-202,011	-137,357	47.1%
Personnel expenses	-127,651	-116,185	9.9%
Other operating expenses	-141,392	-103,275	36.9%
Capital grants	105	193	-45.6%
Impairments	-14	-14	0.0%
Results coming from disposals of non-current assets	-14	-188	-92.6%
Other results	0	0	n.s.
EBITDA	**122,579**	**121,419**	**1.0%**
EBITDA margin	*21.6%*	*26.1%*	*-4.5 p.p.*
Amortization and depreciation	-38,215	-36,369	5.1%
Operating profit	**84,364**	**85,050**	**-0.8%**
Operating profit margin	*14.9%*	*18.3%*	*-3.4 p.p.*
Financial incomes	699	173	304.0%
Financial expenditures	-497	-400	24.3%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	3,970	-861	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.
Financial results	**4,172**	**-1,088**	**c.s**
Profit from associated companies	0	0	n.s.
Profit before taxes	**88,536**	**83,962**	**5.4%**
Taxes	-23,642	-19,834	19.2%
Profit after taxes from continued operations	**64,894**	**64,128**	**1.2%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**64,894**	**64,128**	**1.2%**
a) Net profit attributable to the parent comany	64,894	64,128	1.2%
b) Net profit attributable to minority interests	0	0	n.s.

Consolidated balance sheets ('000 €) - ASSETS

	Jun'22	Dec '21	*Change*
Intangible assets	19,811	20,138	-1.6%
Goodwill	3,237	2,959	9.4%
Others intangible asset	16,574	17,179	-3.5%
Tangible assets	533,116	512,235	4.1%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	4,330	3,272	32.3%
a) At fair value through profit and loss	1,521	1,121	35.7%
Of which "Designated upon initial recognition"	1,521	1,121	35.7%
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	2,809	2,151	30.6%
Non-current derivatives	459	51	800.0%
Cash flow hedges	459	51	800.0%
Others	0	0	n.s.
Deferred tax assets	28,152	26,639	5.7%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**585,868**	**562,335**	**4.2%**
Non-current assets held for sale	0	0	n.s.
Inventories	350,227	303,380	15.4%
Trade and other receivables	256,881	205,449	25.0%
Trade debtors	200,195	174,578	14.7%
Other debtors	54,574	28,215	93.4%
Current tax assets	2,112	2,656	-20.5%
Current financial assets	1,177	837	40.6%
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	424	84	404.8%
Current derivatives	1,934	2,258	-14.3%
Cash flow hedges	1,934	204	848.0%
Others	0	2,054	n.s.
Other current assets	0	3,183	n.s.
Cash and cash equivalents	72,581	91,352	-20.5%
CURRENT ASSETS	**682,800**	**606,459**	**12.6%**
TOTAL ASSETS	**1,268,668**	**1,168,794**	**8.5%**

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

	Jun'22	Dec '21	*Change*
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	859,256	815,033	5.4%
Treasury shares	-17,867	-10,473	70.6%
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	64,894	132,997	-51.2%
Less: Interim dividend	0	-64,880	n.s.
Other equity instruments	0	2,912	n.s.
SHAREHOLDER´S FUNDS	**938,845**	**908,151**	**3.4%**
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	-44,194	-85,375	-48.2%
Hedge transactions	191	467	-59.1%
Currency translation differences	-44,385	-85,842	-48.3%
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	**-44,194**	**-85,375**	-48.2%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	**894,651**	**822,776**	**8.7%**
Non-controlling interests	0	0	n.s.
EQUITY	**894,651**	**822,776**	**8.7%**
Grants	896	942	-4.9%
Non-current provision	29,429	29,369	0.2%
Non-current financial liabilities	76,908	77,360	-0.6%
Bank debt	53,690	53,690	0.0%
Other financial liabilities	23,218	23,670	-1.9%
Deferred tax liabilities	19,288	19,276	0.1%
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	**126,521**	**126,947**	**-0.3%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	16,949	12,321	37.6%
Current financial liabilities	69,969	53,282	31.3%
Bank debt	53,131	39,418	34.8%
Other financial liabilities	16,838	13,864	21.5%
Trade and other payable accounts	156,378	147,866	5.8%
Trade creditors	95,077	90,379	5.2%
Other creditors	48,946	46,844	4.5%
Current tax liabilities	12,355	10,643	16.1%
Current derivatives	4,200	1,342	213.0%
Cash flow hedges	4,200	1,342	213.0%
Others	0	0	n.s.
Other current liabilities	0	4,260	n.s.
CURRENT LIABILITIES	**247,496**	**219,071**	**13.0%**
TOTAL EQUITY AND LIABILITIES	**1,268,668**	**1,168,794**	**8.5%**

Cash flow statement ('000 €)

	Jan-Jun 22	Jan-Jun' 21	*Change*
Cash flows from operating activities	**45,279**	**87,132**	**-48.0%**
Profit for the year before tax	**88,536**	**83,962**	**5.4%**
Adjustments in results	**40,283**	**40,993**	**-1.7%**
Amortisation and depreciation	38,215	36,369	5.1%
Others adjustments in results(net)	2,068	4,624	-55.3%
Changes in working capital	**-59,744**	**-15,129**	**294.9%**
Other cash flows from operating activities	**-23,796**	**-22,694**	**4.9%**
Interest paid	-699	0	n.s.
Dividend paid and other payments from others equity instruments	0	0	n.s.
Dividends received	0	0	n.s.
Interests received	497	0	n.s.
Proceeds/ (payments) from income tax	-22,169	-21,957	1.0%
Proceeds/(payments) from operating activities	-1,425	-376	279.0%
Cash flows from investing activities	**-34,636**	**-29,104**	**19.0%**
Investment payments	**-35,562**	**-28,891**	**23.1%**
Group companies, associated & business units	0	0	n.s.
Acquisition of property, plant and equipment and intangible assets	-35,562	-28,891	23.1%
Other financial assets	0	0	n.s.
Non-current assets and liabilities classified as held-for-sale	0	0	n.s.
Other assets	0	0	n.s.
Cash from disposals	**227**	**-386**	**c.s.**
Group companies, associated & business units	0	0	n.s.
Disposal of property, plant and equipment and intangible assets	227	-386	c.s.
Other financial assets	0	0	n.s.
Non-current assets and liabilities classified as held-for-sale	0	0	n.s.
Other assets	0	0	n.s.
Other cash flows from investing activities	**699**	**173**	**304.0%**
Dividends received	0	0	n.s.
Interest received	699	173	304.0%
Proceeds/(Payments) from interrupted operations	0	0	n.s.
Cash flows from financing activities	**-24,446**	**-17,647**	**38.5%**
Proceeds and payments from equity instruments	**-12,221**	**0**	**n.s.**
Proceeds from issue of stock	0	0	n.s.
Cancellation and payments	0	0	n.s.
Acquisition	-12,221	0	n.s.
Disposal	0	0	n.s.
Proceeds and payments from financial liabilities instruments	**13,077**	**10,003**	**30.7%**
Proceeds from issue of financial liabilities instruments	52,329	67,426	-22.4%
Refund, cancellation and payments	-39,252	-57,423	-31.6%
Dividends paid and others payments from others equities instruments	**-19,902**	**-13,448**	**48.0%**
Others cash flows from financing activities	**-5,400**	**-14,202**	**-62.0%**
Interest paid	-490	-470	4.3%
Others proceeds /(payments) from financing activities	-4,910	-13,732	-64.2%
Effect of foreign exchange rate changes on collections and payments	**-4,968**	**2,568**	**c.s.**
Net increase (decrease) in cash and cash equivalents	**-18,771**	**42,949**	**c.s.**
Cash and cash equivalents at the beginning of the period	**91,352**	**51,990**	**75.7%**
Cash and cash equivalent at the end of the period	**72,581**	**94,939**	**-23.5%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

End period (Currency/€)

	1H22	1H21	% Change	Jun 22	Dec 21	% Change
Euro	1.000	1.000	0.0%	1.000	1.000	0.0%
US Dollar	1.094	1.205	10.2%	1.039	1.133	9.0%
Canadian Dollar	1.391	1.504	8.1%	1.343	1.439	7.2%
Mexican Peso	22.173	24.319	9.7%	20.964	23.144	10.4%
Brazilian real	5.553	6.490	16.9%	5.441	6.321	16.2%
Czech crown	24.636	25.857	5.0%	24.740	24.860	0.5%
British Pound	0.842	0.868	3.1%	0.858	0.840	-2.1%
Serbian Dinar	117.595	117.576	0.0%	117.406	117.582	0.2%
Chinesse yuan remminbi	7.081	7.801	10.2%	7.008	7.220	3.0%
Uruguayan Peso	45.936	52.421	14.1%	41.406	50.622	22.3%
Australian Dollar	1.520	1.563	2.8%	1.508	1.561	3.5%
New Zealand Dollar	1.649	1.703	3.3%	1.672	1.658	-0.8%
Thai baht	36.859	37.135	0.7%	36.754	37.653	2.4%

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 in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like revenue and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.

- Working Capital: This is calculated as the difference between Current Assets and Current Liabilities. Management considers this measure to be relevant for shareholders and other stakeholders because it provides an analysis of the Group's liquidity position in the short term. However, working capital is not an indicator defined in IFRS and therefore may not be comparable with other similar indicators used by other companies in their reporting, nor should it be considered a substitute for the business performance indicators defined in IFRS.

For further information, please contact:
Investor Relations and Corporate Communications Department
Tel: + 34 948 198 436
e-mail: aresa@viscofan.com; beguiristainf@viscofan.com

You can consult all the information corresponding to the results on the web page of the Viscofan Group.

Disclaimer

This document may include statements about intentions, expectations, or forecasts of the Company additional to the mandatory financial reporting whose sole purpose is to provide information more accurately about the perspectives of future behaviors.

Such intentions, expectations or forecasts do not constitute any guaranties of compliance and involve risks, uncertainties and other relevant factors that could cause actual developments and results to differ materially from those states in such forward-looking statements.

This circumstance must be taken into account mainly for all persons or entities that may have to take decision, develop or spread opinions relative to values issued by the Company and particularly by analysts and investors that handle this document.

The financial statements contained in this document have been prepared under International Financial Reporting Standards (IFRS). This financial statement has not been audited and consequently is susceptible to potential future modifications.

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

V. Notes to the financial statements of the Viscofan Group in the period from January to June 2022

1. Description and main activities

Viscofan, S.A. (hereinafter the Company or the parent) was incorporated with limited liability on October 17, 1975 as Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At a meeting held on June 17, 2002 the shareholders agreed to change the name of the Company to the current one. Its central offices and registered address are located in Polígono Industrial Berroa, Calle Berroa nr. 15, 4ª planta, 31192 - Tajonar (Navarre).

The General Shareholders' Meeting held on April 23, 2021 approved the spin-off by virtue of which Viscofan S.A. transfers with effect from January 1, 2021 the industrial and operational assets to a Limited Liability Company called Viscofan España S.L.U., based in Tajonar (Navarre), 100% owned by Viscofan S.A., which acquires all the rights and obligations inherent to said activity.

On October 1, 2021, once the legally established procedures had been completed, the spin-off of the business activity in Spain from Viscofan S.A. became effective in favor of Viscofan España S.L.U., under the terms set forth in the Common Segregation Project approved by the Board of Directors and the General Shareholders' Meeting.

Viscofan S.A. had already been operating under a corporate division structure that gatherer together the management and control of the group's holdings throughout the world, and a local division that carried out its own activity of production, selling and distribution of casings. With the approved change, the successful management model in Navarre is maintained, consolidated thanks to an organizational structure with two companies, one focused on corporate activity (Viscofan S.A.) and the other on local operations (Viscofan España S.L.U.).

The entirety of Viscofan S.A.'s shares have been listed since 1986 and are quoted on the Spanish electronic trading platform (mercado continuo).

The Group's 2021 consolidated financial statements were drawn up on February 24, 2022 and approved at the General Shareholders' Meeting held on April 29, 2022.

The consolidated interim financial statements for the first half of 2021 have not been audited.

2. Basis of presentation

The individual accounts for first half of 2022 were prepared in accordance with the new Chart of Accounts approved by RD 1514/2007, to give a true and fair view of the equity and financial situation of Viscofan, S.A. as well as the results of its operations, cash flows and changes in equity for the period then ended.

The consolidated interim financial statements, corresponding to the six-month period ended 30 June 2022, were prepared based on the Viscofan, S.A. accounting records and on the companies included in the Group and are presented in accordance with IAS 34 on Interim Financial Reporting.

In accordance with the provisions of IAS 34, the interim financial report is prepared solely with the intention of updating the content of the Group's latest consolidated annual accounts, highlighting new activities, events and circumstances occurring during the half-year and not duplicating the information previously published in the consolidated annual accounts for financial year 2021. In this sense, to properly understand the information included in these interim consolidated financial statements, the latter must be read in conjunction with the consolidated annual accounts for the Group for the year ended 31 December 2021.

The consolidated accounts for the first half of 2022, were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in order to give a true and fair view of the consolidated equity and financial position of Viscofan, S.A and dependent societies and their consolidated operation results, consolidated cash flows and the changes in the equity for the period ended 30 June 2022.

The accountable criteria have been applied consistently for the year ended December 31, 2021.

New and modified accounting standards

In the interim period, no regulations have come into force that have an impact on the financial statements of the Viscofan Group.

Comparison of information

Comparative information in the interim financial statements refers to the six-month periods ended June 30, 2022 and 2021, except for the consolidated statement of financial position which compares information at June 30, 2022 and at December 31, 2021.

Prior-period error corrections

There were no corrections recorded for prior-period errors.

Relevant accounting estimates, assumptions, and judgements used when applying accounting policies

The preparation of interim financial statements in conformity with EU-IFRS requires Group management to make judgments, estimates, and assumptions, and to apply relevant accounting estimates in the process of applying Group accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under current circumstances. These estimates are indicated in the notes, 3 and 4 of the Notes to the Financial Statements for the year ended 31 December 2021. The main items are referred to:

- Taxes.
- Pension benefits.
- Provisions for litigation and contingent assets and liabilities.
- Fair value of share-based remuneration.
- Assessment of possible impairment losses on certain assets and goodwill.
- Useful life of property, plant, and equipment and intangible assets
- Measurement of derivative financial instruments

Reporting currency

Interim financial statements have been expressed, unless otherwise indicated, in thousand euros.

3. Changes in the scope of consolidation

Realized in 2022

On June 14, 2022, the liquidation of the company Supralon International AG with registered office in Schaan (Liechtenstein) has been made effective.

Realized in 2021

With effect on 1 January 2021, the merger by absorption of Viscofan de Mexico Servicios, S.R.L. de C.V. by Viscofan de Mexico, S.R.L. de C.V. took place, both with registered office in San Luis de Potosí (Mexico).

In June 2021, Viscofan Japan GK in Tokyo (Japan) was formed with a share capital of 6 million JPY and wholly owned by Viscofan S.A. on a direct basis.

On 31 December 2021, Viscofan Collagen Canada Inc (with registered office in Markham – Canada) had been liquidated.

4. Materiality

When determining the information to be disclosed in the notes to the interim financial statements regarding the various headings in the financial statements or other matters, the Group has considered their materiality with respect to the summarized interim consolidated financial statements, in accordance with IAS 34.

5. Seasonality or cyclicality of interim period transactions

The activity of the different companies integrated in the Viscofan Group dedicated to the business of casings and films for food use; collagen-based products for food use and bioengineering, valued overall and for a six-month period, is not subject to significant seasonality or cyclicality and therefore operating profits perform consistently in that time frame with the exception of increases in capacity that may occur in some interim period.

6. Segment reporting

Decisions to allocate resources and evaluation of performance by the Group's management are based on the profitability of operations in the different markets in which the company is active, monitoring the operational evolution of the different production and commercial centers that are within the scope of consolidation of the Group.

With the new strategic plan Beyond25, the commercial and operational strategies have been reoriented, distinguishing the sales of what has been called Traditional Business, which includes casings based on

collagen, cellulose and fibrous technology, and the sales of New Businesses, which includes the rest of the products. and services.

On the other hand, the Group carries out electricity production activities through the co-generation plants located at the facilities in Spain and Germany. These co-generation activities aim to achieve a triple objective: reduce the impact of energy costs, be self-sufficient and reduce CO_2 emissions into the atmosphere. Although the plant in Spain sells part of the electricity produced to third parties, this activity is not organized as a business segment, nor does it constitute a segment that should be reported.

The business model has a global commercial scope, understood as products and services sold in many countries around the world that are generated in the different assets that the company has in different geographical locations. Each production center can produce products for various countries and markets, and sometimes the production centers carry out production of semi-finished products that are completed in other countries for subsequent sale to a third party.

In this way, the evolution of the result cannot be assigned to specific operating segments, and the revision of the operating segments is based fundamentally on the revenue generated by sales to external customers while the global performance is evaluated based on the results of the consolidated financial statements.

To facilitate this commercial review and the allocation of resources with the new Beyond25 Strategic Plan, the organization has focused on four geographic management regions: EMEA (which includes the resources of Spain, Germany, the Czech Republic, Serbia, Belgium, the United Kingdom, France and Russia), North America (incorporating the resources of Canada, Costa Rica, Mexico, and the United States), APAC (comprising the resources in Australia, China, Japan, New Zealand, and Thailand), and South America (comprising the resources of Brazil and Uruguay). This organization modifies the reporting segments until December 31, 2021.

Below is the information by segments as of June 30, 2022 and 2021 based on the new segmentation established in the Beyond25 strategic plan:

Geographic breakdown

30/06/2022	EMEA	APAC	North America	South America	Eliminations and others	Consolidated
Revenue from external customer	239,342	75,913	180,979	71,792	-	568,025
Revenue from inter-segment	246,176	1,442	41,535	21,993	-311,146	-
Total revenue	**485,518**	**77,355**	**222,514**	**93,785**	**-311,146**	**568,025**
Segment profit before taxes	**-**	**-**	**-**	**-**	**-**	**88,536**
Total assets	**725,297**	**163,680**	**360,688**	**194,831**	**-175,828**	**1,268,668**
Total liabilities	**304,049**	**46,778**	**175,158**	**34,212**	**-186,180**	**374,017**
Acquisition of assets	**20,975**	**1,022**	**15,582**	**3,071**	**-**	**40,651**

30/06/2021	EMEA	APAC	North America	South America	Eliminations and others	Consolidated
Revenue from external customer	193,263	65,306	145,419	61,850	-	465,838
Revenue from inter-segment	208,839	1,070	19,440	18,431	-247,781	-
Total revenue	**402,102**	**66,377**	**164,859**	**80,281**	**-247,781**	**465,838**
Segment profit before taxes	**-**	**-**	**-**	**-**	**-**	**83,962**
Total assets	**666,530**	**157,679**	**247,605**	**166,278**	**-107,443**	**1,130,650**
Total liabilities	**261,486**	**38,102**	**117,359**	**29,621**	**-126,071**	**320,497**
Acquisition of assets	**16,069**	**2,279**	**4,752**	**1,333**	**-**	**24,433**

Revenue breakdown by type

	30.06.22	30.06.21
Traditional business	459,543	391,031
New business	68,449	55,086
Energy	40,033	19,721
Consolidated	**568,025**	**465,838**

7. Capital changes by group companies

In the period from January to June 2022, the Company has increased the Share Capital of Viscofan USA Inc. for an amount of US$15.0 million with the aim of providing the subsidiary with the necessary capital structure to make the investment in a new cellulose casing technology within the framework of the Beyond25 strategic plan.

8. Property, plant and equipment and intangible assets

In the first half of 2022 investments were made in property, plant and equipment and intangible assets for a total of €40,651 thousand (€24,433 thousand in the first half of 2021).

Of this amount, the main investment projects related to:

- The upgrade of the cellulose casings technology at the Danville plant in the United States to improve the production efficiencies of the operation.
- The expansion of capacity in collagen casings to respond to the expected growth of the market.
- The installation of a new production capacity for collagen hydrolysates at the Weinheim plant in Germany.
- Investments in sustainability based on the improvement of the facilities in terms of safety, hygiene, and environment.

As a result of the investment plan, at the end of June 2022, there are commitments to acquire property, plant, and equipment for an amount of 23,975 thousand euros (43,833 thousand euros on 31 December 2021).

The consolidated Group has taken out insurance policies to cover the risks to which property, plant and equipment are subject. The coverage of these policies is considered sufficient.

Acquisitions, disposals or other uses of property, plant, and equipment

There were no significant acquisitions, sale, or disposals through other uses of property, plant and equipment in the interim reporting period.

11. Cash and cash equivalents

The heading "Cash and cash equivalents" at June 30, 2022 and December 31, 2021, comprise with balances in cash and in banks, with some interest-bearing market interest rate account. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

A breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
30/06/2022	21,379	21,307	18	12,210	1,826	12,849	2,992	***72,581***
31/12/2021	16,547	17,388	11	13,445	2,829	37,521	3,611	***91,352***

12. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2022 and 2021 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2022 the parent's share capital consisted of 46,500,000 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The total value of capital amounts to 32,550 thousand euros.

All shares bear the same political and economic rights and are admitted to official listing on the Spanish Stock Exchange Interconnection System (SIBE). There are no restrictions on the free transferability of these.

Issues, buybacks and redemptions of the Company's debt securities or equity securities

During the interim period of 2022, 96,283 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Subsequently and also during 2022, the Company has proceeded to acquire 234,500 treasury shares under the current authorization granted by the General Shareholders' Meeting on May 25, 2018.

Thus, at 30 June 2022, Viscofan, S.A. had 355,212 treasury shares representing 0.76% of the voting rights amounting to €17,867 thousand.

At 31 December 2021, Viscofan, S.A. held 216,995 treasury shares representing 0.47% of the voting rights amounting to €10,473 thousand.

Viscofan S.A. has a direct treasury share management policy. It has not signed any liquidity agreement with any financial institution and is not in the process of formalizing any agreement of this kind.

The companies in the Viscofan Group have not issued, bought back or redeemed any debt securities.

Dividends paid in the January-June period 2022

In June 2022, in accordance with the distribution of 2021 results approved at the General Shareholders' Meeting, a final dividend of €0.43 gross per share, equivalent to a total of 19,902 thousand euros, was paid in June 2022

In addition, the company distributed €0.01 as a premium for attendance at the General Shareholders' Meeting celebrated in April 2022.

13. Current and non-current provisions

The breakdown of these headings of the Consolidated Statement of Financial Position is as follows:

	Thosands of euros	
	30/06/2022	31/12/2021
Defined benefit	25,266	24,779
Other employee benefits	4,163	4,354
Provisions for other litigation	0	236
Total non-current provisions	**29,429**	**29,369**
Provisions for guarantees / Returns	2,452	2,222
Provisions for labor risks	1,556	1,876
Provisions for emission rights	10,803	7,785
Others	2,138	438
Total current provisions	**16,949**	**12,321**

The Group has several defined benefit plans. The most relevant plans are in the United States and Canada.

The actuarial assumptions used in the interim period have not changed with respect to December 31, 2021 and are described in note 14 of the consolidated annual report. In addition, during the interim period ended June 30, 2022, there have been no significant changes in the assets allocated to the USA and Canada plans. In the case of Germany there are no plan assets.

Conversely, during the first half of 2022 no significant litigation involved the Group, see Section 18. Contingent assets and liabilities included in these Notes to the financial statements.

The provision corresponding to emission rights includes the estimated consumption of emission rights valued in accordance with the valuation standard described in Note 4.17 of the Consolidated Report as of December 31, 2021.

In the current period there were not relevant provisions or changes to provisions linked with restructuring costs.

14. Trade, other payables and other current liabilities

The breakdown of "Trade, other payables and other current liabilities" is as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Suppliers	53,351	42,394
Amounts owed for services received	40,566	49,438
Customer advances	1,558	2,807
Remuneration pending payment	23,477	30,007
Public Administration	25,071	16,837
Final balance	**144,023**	**141,483**

The breakdown by currency is as follows:

	Euros	US dollar	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
30/06/2022	67,149	33,985	5,756	9,564	10,879	5,408	11,282	***144,023***
31/12/2021	64,208	37,604	4,804	6,377	10,633	7,042	10,815	***141,483***

15. Non-current and current financial liabilities

The breakdown of non-current and current financial liabilities, taking into account discounted contractual maturities at June 30, 2022, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	*Total carrying amount*	*Total fair value*
Bank borrowings	40,917	12,086	53,690	0	*106,693*	*106,693*
Accrued interest payable	132	2	0	0	*134*	*134*
Lease payments	723	3,114	7,157	1,358	*12,352*	*12,352*
Other financial liabilities measured at amortization cost	4,641	8,354	9,119	5,584	*27,698*	*27,698*
Total at June 30, 2022	**46,413**	**23,556**	**69,966**	**6,942**	***146,877***	***146,877***

The breakdown of non-current and current financial liabilities, taking into account discounted contractual maturities at December 31, 2021, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	*Total carrying amount*	*Total fair value*
Bank borrowings	26,250	13,002	49,690	4,000	*92,942*	*92,942*
Accrued interest payable	164	2	0	0	*166*	*166*
Lease payments	981	3,547	7,636	1,727	*13,891*	*13,891*
Other financial liabilities easured at amortization cost	7,797	1,539	8,841	5,466	*23,643*	*23,643*
Total at December 31, 2021	**35,192**	**18,090**	**66,167**	**11,193**	***130,642***	***130,642***

As of June 30, 2022, the amount in "Debts with credit institutions" includes the loans signed to change part of its traditional financing into sustainable financing, whose interests are linked to the evolution of indicators with an annual period review.

The established sustainability parameters are the reduction of CO_2 emissions, the reduction of m^3 of water withdrawal and the reduction of tons of waste sent to landfill, all of them referenced to km of casings produced.

All current and non-current financial liabilities are included in Level 2 within the valuation hierarchies: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

As we see in the previous table, the carrying amount of financial liabilities agrees with the fair value as the long-term debt corresponds to financing obtained in recent years under similar conditions to those currently obtainable in the market.

The carrying amounts of the Group's Financial Liabilities are denominated in the following currencies:

	Euros	US dollar	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total fair value*
30/06/2022	120,420	8,114	4,593	90	189	1,278	12,193	***146,877***
31/12/2021	109,305	4,652	2,620	103	216	446	13,300	***130,642***

Default or other loan agreement non-compliance not yet corrected on the balance sheet

The Viscofan Group has satisfactorily paid all the amounts of its financial debt already due, so that as of June 30, 2022 there was no amount included in the composition of the financial debt balance whose contractual maturity had taken place prior to the aforementioned date. In addition, none of the companies in the Viscofan Group had failed to comply with any financial obligations as of that date

16. Derivative financial instruments

The detail of the balances at 30 June 2022 and at 31 December 2021 comprising the valuation of the derivative financial instruments is as follows:

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carrying amount*	*Total fair value*
Non-current derivatives	0	459	*459*	*459*
Current derivatives	0	1,934	*1,934*	*1,934*
Total financial assets at June 30, 2022	**0**	**2,393**	***2,393***	***2,393***
Current derivatives	0	-4,200	*-4,200*	*-4,200*
Total financial liabilities at June 30, 2022	**0**	**-4,200**	***-4,200***	***-4,200***

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carrying amount*	*Total fair value*
Non-current derivatives	0	51	*51*	*51*
Current derivatives	0	2,258	*2,258*	*2,258*
Total financial assets at December 31, 2021	**0**	**2,309**	***2,309***	***2,309***
Current derivatives	0	-1,342	*-1,342*	*-1,342*
Total financial liabilities at December 31, 2021	**0**	**-1,342**	***-1,342***	***-1,342***

Derivatives are only used for economic hedging purposes and not as speculative investments. However, when derivatives do not meet the test to be treated as accounting hedges, they are classified as "held for trading" for accounting purposes and are carried at fair value through profit and loss. They are presented as

current assets or liabilities to the extent that they are expected to be settled within 12 months after the end of the reporting period.

17. Tax situation

The effective tax rate from the consolidated income statement for the interim period stood at 26.7%, compared with 23.6% in the same period of the previous year.

The difference between the theoretical tax rate for 20221 (28%) and the effective tax rate (26.7%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in all of the countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances or tax credits associated with investments in Group companies.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed, that in Spain is four years, nowadays. At June 30, 2022 the parent and subsidiaries in Spain are open to inspection of all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

Due to the different possible interpretations of prevailing legislation, additional liabilities could be identified in the event of inspection. Nonetheless, directors of the parent company consider that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

18. Contingent assets and liabilities

Viscofan S.A. and its Group companies are parties in various litigation cases or proceedings currently being heard in jurisdictional, administrative or arbitration bodies in the various countries where the Viscofan Group is present.

a) Contingent liabilities

As of June 30, there have been no significant changes in legal claims against Group companies (Note 14.4 of the consolidated report of the annual accounts for the year ended December 31, 2021) except for the following:

- In relation to the Brazilian subsidiary Viscofan do Brasil, there are legal claims of various kinds presented for an amount of 5.8 million euros (5.1 million as of December 31, 2021). Based on historical experience, the materialization does not usually exceed 5% of said amount. There provisions accrued by the company are enough to cover this risk.
- In relation to the accident at the Viscofan S.A. production centre in Cáseda (Navarre) that occurred in September 2019, without prejudice to the fact that the derived criminal investigation continues its course, the Social Security Institute has declared that the benefits of Social Security derived from the aforementioned work accident are increased by 50%, charged to the Company, a declaration against which a claim and lawsuit have been filed in the social order. There provisions accrued by the company are enough to cover this risk.

b) Contingent assets

In relation to contingent assets, at June 30 there have been no significant variations in the legal claims made by the Group companies against third parties (Note 14.4 of the consolidated report of the annual accounts for the year ended 31 December 2021).

19. Related-party transactions

The aggregate information on transactions with related parties has been set out in the present interim financial report in part IV, Selected Financial Information, sections 13 (Remuneration accrued by Directors and board members) and 14 (Related-party transactions).

20. Description of risks and uncertainties

Risk management is controlled by the Group in keeping with policies approved by the Board of Directors. The risk control system is described in section E. Risk management and control systems of the 2021 Annual Corporate Governance Report from the parent company, listing those risks that might affect the achievement of objectives, and response and supervision plans.

The Group's activities are exposed to various financial risks: exchange rate risk, credit risk, liquidity risk, interest rate risk in cash flows and fair value, as well as fuel price risk and emissions rights price risk. The Group's global risk management program focuses on the uncertainty of the financial markets and tries to minimize the potential adverse effects on the Group's financial profitability. The Group uses derivatives to hedge some of the above risks.

Risk is managed by the Group in accordance with policies approved by the Board of Directors, with Audit Committee supervision, and is supported by several Committees composed by Viscofan Group employees.

In addition to the information included in section E. Risk control and management systems of the aforementioned Annual Corporate Governance Report, on April 8, 2022, Regulation (EU) 2022/576 of the Council of the European Union has established restrictive measures motivated by Russian actions that destabilize the situation in Ukraine. In this regulation, it establishes a wide list of products that cannot be sold in Russia, and includes artificial casings made of hardened proteins or cellulosic plastic.

The situation of geopolitical tension derived from the war between Russia and Ukraine may influence the cost and availability of energy, and raw materials or changes in competitive positioning within the casing industry or new limitations on the marketing of products in different countries.

Within Viscofan's risk control and management system - considering the current dynamism of the market - work is being done on commercial and operational mitigation measures that maintain the objective of achieving growth prospects for this year.

Credit risk

The Viscofan Group's main financial assets are cash balances, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk.

The Group's credit risk relates mainly to trade receivables. Amounts are reflected on the consolidated balance sheet net of insolvency provisions, estimated based on experiences gleaned from prior years, age, and valuation in the current economic environment. This would be the maximum amount of exposure to this type of risk.

There is no significant concentration of credit risk within the Group; its exposure is spread among different countries, many counterparties and customers. No customers or associated group companies represented sales and amounts receivable higher than 10% of total risk.

The Group has a credit policy, with exposure risk managed as part of its normal course of business. Credit evaluation of customers is performed in all cases where amounts exceed a set limit. It is habitual practice by Group companies to partially cover non-payment risk through contracting loan guarantee and sureties covering approximately 90% of each customer's balances. For countries at risk, coverage is reduced to 80%. In countries without insurance coverage, guarantees such as advances and deposits on account are mandatory.

Credit risk arising from liquid funds and derivative financial instruments is limited due to the fact that counterparties are banking institutions with high credit ratings assigned by international agencies.

The Directors consider that at 30 June 2022 there were no significant assets that could be impaired with respect to their net carrying amount.

Exchange rate risk

As the Group operates internationally, it is exposed to variations in exchange rates, particularly the US Dollar. The exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments abroad.

The risk management policy of the Group is to cover assets and liabilities in currencies other than the functional currency with the most risk. Therefore, forward currency contracts are formalized at the time the yearly budget is prepared; EBITDA forecasts are used as the basis for the following year, the degree of exposure, and the degree of risk the Group is willing to assume.

The following table shows the sensitivity of interim consolidated net profit to a possible change in the exchange rate of certain currencies of countries where the Group conducts business, keeping the rest of variables constant:

	Thousands of euros			
	30/06/2022		31/12/2021	
	+ 5%	- 5%	+ 5%	- 5%
US Dollar	7,986	-6,466	9,739	-7,693
Czech Crown	-954	864	-2,080	1,477
Brazilian Real	-1,421	1,286	1,378	-1,247
Chinese Yuan Renmibi	794	-718	1,648	-1,491

The following table shows the impact on consolidated equity of changes in the exchange rates of certain currencies of countries where the Group conducts business:

	Thousands of euros			
	30/06/2022		31/12/2021	
	+ 5%	- 5%	+ 5%	- 5%
US Dollar	14,288	-12,926	10,888	-9,851
Czech Crown	4,268	-3,861	2,619	-2,370
Brazilian Real	4,375	-3,958	5,441	-4,923
Chinese Yuan Renmibi	5,910	-5,347	7,025	-6,356

Liquidity risk:

The Group manages liquidity risk prudently, based on the maintenance of sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities and sufficient capacity to liquidate market positions. Given the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in financing through the availability of contracted credit lines.

In this regard, an adequate monthly monitoring of expected collections and payments to be made in the coming months is carried out, and any deviations from the cash flows expected in the closed month are analyzed in order to identify possible deviations that could affect liquidity.

For certain long-term loans, the Group must comply with a series of ratios calculated on the basis of the consolidated financial statements. The failure to comply with these ratios would result in an increase in the financial cost and, as the case may be, in the event of early maturity of the contract. As of June 30, 2022, all the main ratios have been satisfactorily met and neither Viscofan, S.A. nor any of its significant subsidiaries is in default of its financial obligations or any type of obligation that could give rise to a situation of early maturity of its financial commitments.

During the interim period 2022 and fiscal year 2021, there have been no defaults or other non-payments of principal, interest or amortization related to debt with credit institutions. Likewise, no defaults are expected for the remainder of the 2022 financial year.

Interest rate risks in cash flows and fair value

The Group manages interest rate risk by maintaining a balanced portfolio of fixed and floating rate loans and credits. The Group's policy is to hold between 50% and 85% of its loans at a fixed interest rate. To manage it, the Group receives fixed-interest loans.

The Group does not have significant remunerated assets.

The Company's exposure to interest rate risk change is mainly due to the loans and credit facilities received from financial entities at variable interest rates. In any case, the Viscofan Group's leverage is low.

In the period January-June 2022 the floating interest rates on loans are mainly linked to Euribor.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations (Note 14 of the Notes to the Consolidated Financial Statements for the year 2021).

The following table shows the sensitivity to results for the year to a possible 1% variation in discount and/or interest rates.

	Thousands of euros			
	Pension plan commitments		Financial debt Euribor	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
+ 1%	-274	-542	-257	-425
- 1%	274	541	259	423

Fuel Price risk (gas and other oil derivatives)

The Viscofan Group is exposed to variations in Brent prices, which is the main indicator affecting the price of gas and other fuels used in producing its casings.

The Group policy is to set the prices for main fuels, through the arrangement of one-year-long contracts with suppliers, or by using hedging policies (Note 17.1 of the Notes to the Consolidated Financial

Statements for the year 2021). It thus attempts to mitigate the impact of Brent variations on the consolidated income statement.

The following table reflects the sensitivity to a possible Brent price fluctuation on 10% of operating results.

	Thousands of euros	
	30/06/2022	31/12/2021
+ 10%	-2,135	-2,739
- 10%	2,135	2,739

Emission rights price risk

The sensitivity to a possible variation in the average price of consumption of emission rights by 10% in the operating profit would be:

	Thousands of euros	
	30/06/2022	31/12/2021
+ 10%	-1,081	-786
- 10%	1,081	786

21. Events after the interim balance sheet date

There are no significant events since the end of the interim period up to the date of approval of this report.