Viscofan

Reshaping food and wellbeing.
For many, for long.

Results
January-June 2023

27 July 2023



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

Interim Management Report

Main conclusions January-June 2023 results:

- Revenue is €628.6 million, 10.7% higher than in the previous year.
- EBITDA[1] is €129.4 million, up 5.6% on the previous year.
- €62.9 million in Net profit, down 3.1% year-on-year, where operating profit growth is completely eroded by €8.1 million of negative exchange differences.
- €144.2 million of net bank debt[2] as of June 2023, up from €101.3 million as of December 2022.
- Payment on 8 June 2023 of a total final dividend of €24.9 million, representing €0.54 per share, bringing the total shareholder remuneration to €1.95 per share, 6.0% more than the equivalent remuneration in the previous year.
- José Domingo de Ampuero y Osma, Chairman of the Viscofan Group: "The Group has once again shown significant year-on-year growth in the main operating figures, reflecting commercial discipline and production efficiency. It should be noted that the transformation projects of our Beyond 25 strategic plan have obtained, in some cases, results even higher than initially expected. We have built a stronger Group that has been able to offset the most adverse cost environment in recent decades and is able to accelerate margin improvement in the second half of the year.

  Thus, given the current average cumulative exchange rates, we expect to achieve the low-end of the guidance, except for the net profit, where exchange differences are lowering our growth expectations for the year to the range of 4% to 6% from the 10% to 15% initially planned. These results imply to reach all-time highs in revenue, EBITDA, and Net profit".

[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 evolution

Viscofan Group income statement ('000 €)

	First Half				Second Quarter			
	Jan-Jun' 23	Jan-Jun' 22	*Change*	*Like-for-like**	Apr-Jun' 23	Apr-Jun' 22	*Change*	*Like-for-like**
Revenue	**628,590**	**568,025**	**10.7%**	**11.2%**	**320,246**	**305,158**	**4.9%**	**7.4%**
EBITDA	**129,383**	**122,579**	**5.6%**	**9.8%**	**67,641**	**64,795**	**4.4%**	**12.9%**
EBITDA margin	***20.6%***	***21.6%***	**-1.0 p.p.**	**-0.3 p.p.**	***21.1%***	***21.2%***	**-0.1 p.p.**	**1.1 p.p.**
Operating profit	**88,119**	**84,364**	**4.5%**		**46,977**	**45,492**	**3.3%**	
Net profit	**62,881**	**64,894**	**-3.1%**		**37,080**	**37,412**	**-0.9%**	

Revenue breakdown ('000 €)

	Jan-Jun' 23	Jan-Jun' 22	*Change*	Apr-Jun' 23	Apr-Jun' 22	*Change*
Traditional Business	506,824	459,543	10.3%	259,667	244,972	6.0%
New Business	79,917	68,449	16.8%	39,451	36,953	6.8%
Other revene from energy	41,849	40,033	4.5%	21,128	23,233	-9.1%
Revenue	**628,590**	**568,025**	**10.7%**	**320,246**	**305,158**	**4.9%**

By geographical area	Jan-Jun' 23	Jan-Jun' 22	*Change*	Apr-Jun' 23	Apr-Jun' 22	*Change*
Europe, Middle East and Africa (EMEA)	273,972	239,342	14.5%	142,415	133,837	6.4%
Asia Pacific (APAC)	73,453	75,912	-3.2%	38,349	37,741	1.6%
North America	189,703	180,979	4.8%	94,588	94,909	-0.3%
South America	91,462	71,792	27.4%	44,894	38,671	16.1%
Revenue	**628,590**	**568,025**	**10.7%**	**320,246**	**305,158**	**4.9%**

*Comparable results exclude the impact of exchange rate variation in 2023

In the first half of 2023, Viscofan achieved a double-digit growth rate in revenue driven by the improvement in the price mix and volumes, with a positive performance in both the Traditional business and the New business.

By geographical areas, the evolution of revenue remains very solid in EMEA and South America, compared with a weaker performance in both, Asia Pacific driven by the adjustment of inventories in the region, and in North America, a region impacted by the reduction of inventories in the market after the expansion process of 2022 together with greater competitive activity, particularly in this last quarter.

By nature of revenue, both the Traditional Business and the New Business continue to achieve year-on-year growth, where the versatility and diversification of our product portfolio stands out. However, high added value products, as well as the vegetable casings that had a sound growth in 2022, are showing a weaker behavior in this market context. On the other hand, electricity sales associated with co-generation in Spain declined in the second quarter and are expected to fall by around €23 million in the year due to the drop in electricity pool prices and the lower remuneration for the operation in accordance with the latest legislative developments on remuneration for co-generation.

In the context of global macroeconomic adjustment, which has had a special impact on fiscal and monetary policies aimed at controlling inflation, the price of some of the main production inputs such as raw materials is declining. This is particularly true in some auxiliary raw materials with high dependence on energy, as well as in transport costs and energy expenses, where the results of the energy saving and efficiency project implemented in Cáseda (Spain) stand out, in addition to the decrease in prices.

Moreover, the production results obtained in the new machines in the United States, both in Danville and New Jersey, are even above the initial forecasts. Although it has not yet been possible to take full advantage of the potential operating savings due to the slowdown of the American market, the results achieved in these technologies allow us to be optimistic about achieving savings in the second half of the year, and Viscofan's ability to react in the event of new demand growth in the region.

Revenue growth and the operational evolution has allowed Viscofan to achieve new year-on-year increases in operating results, both in terms of EBITDA and EBIT, in a context of high operating cost pressure. Margin in the first half has been eroded, but Viscofan has experienced a significant recovery in this last quarter, and with a favorable outlook for the second half of the year.

In the year, the main operational project is the implementation of the new converting center in Thailand, where we already have availability of the land, and it is planned to start the civil works in the coming months. The improvement in global supply chains, the temporary slowdown in volumes in Asia Pacific and North America, and the favorable operating result achieved in this half, even in the new operations, will lead us to focus on reducing working capital in the second half of the year.

All of this, and with the current accumulated average exchange rates, the results are in line to achieve the low range of guidance provided to the market last March. At the moment, the evolution of exchange rates is the greatest risk to fulfill these targets, as has happened with the evolution of exchange differences, where the combination of strength of the € against commercial currencies (mainly US$) and the weakness of the € against productive currencies (mainly the Czech koruna and the Mexican peso) is causing a significant impact in terms of negative exchange differences in the year, and if maintained in the coming months it would place the net result at around €145-148 million, that is, 4% to 6% growth compared to the previous year.

Revenue

Revenue for the second quarter amounted to €320.2 million, an increase of 4.9% vs. 2Q22 and 7.4% excluding the negative impact of the variation in average exchange rates for the quarter, especially due to the depreciation of the US$ and CNY against the Euro.

In the Traditional Business, revenues grew by 6.0% to €259.7 million, driven by the increase in the price mix and the strength in EMEA and South America, in contrast to the decline in volumes in the United States and the weakness of growth in China mainly and the erosion in growth caused by the exchange rates variation.

In New Business, revenues grew by 6.8% to €39.5 million, highlighting the good performance of functional solutions and plastic casings in contrast to the decrease in revenues from vegetable casings.

On the other hand, energy sales with €21.1 million declined 9.1% versus 2Q22 due to lower electricity prices in the Spanish market and the shutdowns required in co-generation engines by the regulator of the Spanish electricity management system at specific times when there was an excess electricity production in the country.

The geographical[3] breakdown of revenue in 2Q23 is as follows:

- EMEA (44.5% of total): Reported revenue reached €142.4 million, up 6.4% from 2Q22 and 6.7% on a like-for-like basis. This figure is impacted by the 12.3% decrease in co-generation electricity sales in Spain.
- APAC (12.0% of total): Reported revenue of €38.3 million, up 1.6% on 2Q22 and 7.5% on a like-for-like basis.
- North America (29.5% of total): Revenue amounted to €94.6 million, down 0.3% and up 2.1% on a like-for-like basis.

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

- South America (14.0% of total): Revenue stood at €44.9 million, up 16.1% on 2Q22 and 22.4% on a like-for-like basis.

In the first half of the year, revenue grew by 10.7% to €628.6 million. Of this, revenue from the Traditional Business contributed €506.8 million (+10.3% vs. 1H22), revenue from New Business with €79.9 million (+16.8% vs. 1H22), and energy sales with €41.8 million (+4.5% vs. 1H22).

In like-for-like terms, revenue grew by 11.2% vs. 1H22, i.e., excluding the negative contribution of 0.5 p.p. from currencies change.

The geographical breakdown of revenue in 1H23 is as follows:

- EMEA (43.6% of total): Reported revenue reached €274.0 million, a growth of 14.5% and of 14.4% on a like-for-like basis.
- APAC: (11.7% of total): Reported revenue were €73.5 million, down 3.2% from 1H22, while excluding the impact of currency variations, like-for-like revenue in the region grew by 0.4%.
- North America (30.2% of total): Revenue amounted to €189.7 million, an increase of 4.8% and 4.3% on a like-for-like basis.
- South America (14.6% of total): Revenue stood at €91.5 million, up 27.4% on 1H22 and 29.3% on a like-for-like basis.

Operating expenses

Consumption cost[4] in 2Q23 grew by 5.0% to €108.0 million, placing gross margin[5] in 2Q23 at 66.3%, the same level as in 2Q22. In recent months the cost of some raw materials saw a decreasing trend, highlighting polyamides, caustic soda, energy costs driven by spot prices, and other auxiliary raw materials. In addition, operational improvements and cost control measures are enabling savings and the recovery of year-on-year gross margin.

With this, consumption costs in the first half increased by 12.6% to €205.9 million with a gross margin of 67.2% (67.8% in 1H22).

The average cumulative workforce to June 2023 grew by 3.9% to 5,423 people driven mainly by the hiring of personnel for capacity increases carried out last year. This increase in the workforce coexists with higher wage costs in an environment of generalized inflation. Thus, personnel expenses grew by 6.0% in 2Q23 vs. 2Q22 to €69.6 million, and in the half-year 10.2% vs. 1H22 to €140.7 million.

On a quarterly basis, other operating expenses in 2Q23 amounted to €77.1 million, 4.2% above 2Q22. Of these, energy supply costs are 10.6% higher than in 2Q22, in contrast to the 31.6% decrease in transport costs vs. 2Q22.

In cumulative terms, other operating expenses in 1H23 amounted to €157.5 million, an increase of 11.4% compared to 1H22, with energy supply expenses increasing by +15.1% vs. 1H22 while transport expenses decreased by 13.9%.

Operating result

The improvement in the sales price mix, cost control, and savings from technological improvements have offset the strong inflation of costs, the lower sales from cogeneration energy and the negative impact of

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

currency variations. Thus, the reported EBITDA for the second quarter of 2023 stood at €67.6 million, a growth of 4.4% vs. 2Q22 and of 12.9% in like-for-like[6] terms.

With this, the reported EBITDA margin for 2Q23 is 21.1% (-0.1 p.p. vs. 2Q22) and the comparable EBITDA margin is 22.3% (+1.1 p.p. vs. 2Q22), a margin recovery higher than expected in constant currency.

In the first half, reported EBITDA amounted to €129.4 million, a growth of 5.6% vs. 1H22 and 9.8% in comparable terms. Thus, the EBITDA margin stood at 20.6% (-1.0 p.p. vs. 1H22) and the like-for-like EBITDA margin at 21.3% (-0.3 p.p. vs. 1H22)

Amortization expense in 2Q23 increased by 7.1% vs. 2Q22 to €20.7 million and in 1H23 by 8.0% to €41.3 million due to the increase of tangible assets that have been commissioned in the last quarters.

With this, the Operating Result for the second quarter increased by 3.3% to €47.0 million, bringing the Operating Result for the first half to €88.1 million (+4.5% vs. 1H22).

Financial result

In the first half of 2023 the net financial result was negative at -€10.7 million with negative exchange differences of -€8.1 million due to the impact of exchange rate variations on balance sheet balances, mainly due to the depreciation in recent months of US$ against the Euro, the Mexican peso, and the Czech koruna. This compares with a positive net financial result of +€4.2 million in 1H22, a period in which exchange differences were positive at +€4.0 million.

Net profit

Profit before tax for the first half of 2023 was €77.4 million and corporate income tax expense was €14.5 million, placing the effective tax rate at 18.8%, lower than the 26.7% in the same period of the previous year because of the special tax deductions associated with the impact of COVID19 in China and the tax change in Brazil that entails advantages in tax quota to exporting companies.

All in all, the reported Net profit reported in the second quarter is €37.1 million (-0.9% vs. 2Q22) and in the first half €62.9 million (-3.1% vs. 1H22).

Investment

In the first half of 2023, a total of €19.4 million (€40.7 million in 1H22) were invested, in line with the target of investing €75 million in 2023. In a year with lower investment needs compared to the previous one (Capex 2022: €125.6 million), it is worth highlighting the progress made in the construction of a new cellulose and collagen casings converting plant in Thailand to improve the service to Southeast Asia, one of the markets with the greatest future growth expectations, and the investments in converting in the Czech Republic to improve service and response time, as well as increased capacity in plastic to meet the growth in volumes recorded in these years.

Financial liabilities

Net bank debt[7] as of June 2023 was €144.2 million, higher than €101.3 million on December 2022 due to the higher working capital because of the increase in safety inventory in a context of start-up of investment projects, and the payment of €24.9 million in June 2023 as a final dividend.

Once the global supply chains have stabilized, and it has been possible to check that the new machines are working in line or even with higher efficiency and productive output than expected, in the coming months

[6] Comparable results exclude the impact of exchange rate variation in 2023
[7] Net bank debt= Current and non-current bank debt - Cash and cash equivalents.

Viscofan will reinforce inventory reduction projects. The target is to reduce by around 2 p.p. the inventories on revenues ratio.

Dividend payments in 2023

On 8 June 2023 in accordance with the distribution of results for the financial year 2022 approved at the General Shareholders' Meeting, the payment of a final dividend of €0.54 gross per share was made. This final dividend, together with the interim dividend paid in December 2022 and the bonus for attending the Shareholders' Meeting, represent a total distribution of €1.95 per share, 6.0% more than in the previous year.

Outlook

Last June, the Government of Spain published RD 5/2023 and the ministerial order updating the regulatory price of energy and the remuneration parameters applicable to renewable energy generation plants. Based on this new remuneration framework, Viscofan expects to reduce electricity sales by €23 million as compared with initial expectations. Nevertheless, the impact of lower revenue will be offset by the reduction in energy costs in the Group, especially natural gas and electricity.

Thus, Viscofan expects to reach an all-time high in revenue, EBITDA, and net profit in the year. However, given the current average cumulative exchange rates, these results expectations are in line to achieve the low-end of the guidance announced to the market in March. Current exchange rates context is the higher risk to fulfil the guidance, as has been the case with the evolution of exchange differences, where the combination of the strength of the € against commercial currencies (mainly US$) and the weakness of the € against productive currencies (mainly the Czech crown and the Mexican peso) is causing a significant impact in terms of exchange differences in the year. In fact, if these exchange differences are maintained in the coming months the expected net profit will be in the range of 145 to 148 million €, a growth of 4% to 6% versus the previous year.

Annex 1. Financial tables

Viscofan Group profit and loss account. 1H23 ('000 €)

	Jan-Jun' 23	Jan-Jun' 22	*Change*
Revenues	**628,590**	**568,025**	**10.7%**
Other operating income	4,738	6,237	-24.0%
Self-constructed assets	207	130	59.2%
Variation in stocks of finished products and work-in-progress	48,404	19,164	152.6%
Net purchases	-254,325	-202,011	25.9%
Personnel expenses	-140,696	-127,651	10.2%
Other operating expenses	-157,527	-141,392	11.4%
Capital grants	66	105	-37.1%
Impairments	-14	-14	0.0%
Results coming from disposals of non-current assets	-60	-14	328.6%
Other results	0	0	n.s.
EBITDA	**129,383**	**122,579**	**5.6%**
EBITDA margin	*20.6%*	*21.6%*	*-1.0 p.p.*
Amortization and depreciation	-41,264	-38,215	8.0%
Operating profit	**88,119**	**84,364**	**4.5%**
Operating profit margin	*14.0%*	*14.9%*	*-0.9 p.p.*
Financial incomes	310	699	-55.7%
Financial expenditures	-2,940	-497	491.5%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-8,089	3,970	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.
Result from disposal of financial instruments	0	0	n.s.
Financial results	**-10,719**	**4,172**	**c.s**
Profit from associated companies	0	0	n.s.
Profit before taxes	**77,400**	**88,536**	**-12.6%**
Taxes	-14,519	-23,642	-38.6%
Profit after taxes from continued operations	**62,881**	**64,894**	**-3.1%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**62,881**	**64,894**	**-3.1%**
a) Net profit attributable to the parent comany	62,881	64,894	-3.1%
b) Net profit attributable to minority interests	0	0	n.s.

Viscofan Group profit and loss account. 2Q23 ('000 €)

	Apr-Jun' 23	Apr-Jun' 22	*Change*
Revenues	**320,246**	**305,158**	**4.9%**
Other operating income	2,896	1,976	46.6%
Self-constructed assets	-830	65	c.s
Variation in stocks of finished products and work-in-progress	16,952	8,662	95.7%
Net purchases	-124,936	-111,478	12.1%
Personnel expenses	-69,587	-65,648	6.0%
Other operating expenses	-77,073	-73,959	4.2%
Capital grants	33	52	-36.5%
Impairments	-7	-7	0.0%
Results coming from disposals of non-current assets	-53	-26	103.8%
Other results	0	0	n.s.
EBITDA	**67,641**	**64,795**	**4.4%**
EBITDA margin	*21.1%*	*21.2%*	*-0.1 p.p.*
Amortization and depreciation	-20,664	-19,303	7.1%
Operating profit	**46,977**	**45,492**	**3.3%**
Operating profit margin	*14.7%*	*14.9%*	*-0.2 p.p.*
Financial incomes	188	301	-37.5%
Financial expenditures	-1,858	-300	519.3%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-1,153	4,979	c.s
Impairment and results coming from disposals of financials assets	0	0	n.s.
Result from disposal of financial instruments	0	0	n.s.
Financial results	**-2,823**	**4,980**	**c.s**
Profit from associated companies	0	0	n.s.
Profit before taxes	**44,154**	**50,472**	**-12.5%**
Taxes	-7,074	-13,060	-45.8%
Profit after taxes from continued operations	**37,080**	**37,412**	**-0.9%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**37,080**	**37,412**	**-0.9%**
a) Net profit attributable to the parent comany	37,080	37,412	-0.9%
b) Net profit attributable to minority interests	0	0	n.s.

Consolidated balance sheets ('000 €) - ASSETS

	Jun'23	Dec '22	*Change*
Intangible assets	19,233	20,886	-7.9%
Goodwill	3,275	3,237	1.2%
Others intangible asset	15,958	17,649	-9.6%
Tangible assets	555,699	571,824	-2.8%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	0	0	n.s.
Non-current financial assets	5,588	4,344	28.6%
a) At fair value through profit and loss	2,649	1,521	74.2%
Of which "Designated upon initial recognition"	2,649	1,521	74.2%
b) At fair value with changes in other comprehensive income	0	0	n.s.
Of which "Designated upon initial recognition"	0	0	n.s.
c) At amortized cost	2,939	2,823	4.1%
Non-current derivatives	0	342	n.s.
Cash flow hedges	0	342	n.s.
Others	0	0	n.s.
Deferred tax assets	27,754	26,793	3.6%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**608,274**	**624,189**	**-2.5%**
Non-current assets held for sale	0	0	n.s.
Inventories	437,313	381,788	14.5%
Trade and other receivables	306,965	282,439	8.7%
Trade debtors	250,270	233,558	7.2%
Other debtors	47,306	42,741	10.7%
Current tax assets	9,389	6,140	52.9%
Current financial assets	827	1,582	-47.7%
a) At fair value through profit and loss	736	736	0.0%
Of which "Designated upon initial recognition"	736	736	0.0%
b) At fair value with changes in other comprehensive income	0	0	n.s.
Of which "Designated upon initial recognition"	0	0	n.s.
c) At amortized cost	91	846	-89.2%
Current derivatives	4,249	3,476	22.2%
Cash flow hedges	4,249	3,214	32.2%
Others	0	262	n.s.
Other current assets	0	0	n.s.
Cash and cash equivalents	60,826	51,193	18.8%
CURRENT ASSETS	**810,180**	**720,478**	**12.5%**
TOTAL ASSETS	**1,418,454**	**1,344,667**	**5.5%**

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

	Jun'23	Dec '22	*Change*
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	916,044	865,485	5.8%
Treasury shares	-15,407	-16,181	-4.8%
Profit for previous years	0	0	n.s.
Received from associates	0	0	n.s.
Net profit of the period attributable to the parent company	62,881	139,430	-54.9%
Less: Interim dividend	0	-64,644	n.s.
Other equity instruments	1,572	1,388	13.3%
SHAREHOLDER´S FUNDS	**997,652**	**958,040**	**4.1%**
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	-37,801	-51,170	-26.1%
Hedge transactions	1,736	2,558	-32.1%
Currency translation differences	-39,537	-53,728	-26.4%
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	**-37,801**	**-51,170**	-26.1%
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	**959,851**	**906,870**	**5.8%**
Non-controlling interests	0	0	n.s.
EQUITY	**959,851**	**906,870**	**5.8%**
Grants	871	800	8.9%
Non-current provision	25,162	22,308	12.8%
Non-current financial liabilities	65,997	54,492	21.1%
Bank debt	44,500	34,500	29.0%
Other financial liabilities	21,497	19,992	7.5%
Deferred tax liabilities	15,492	17,153	-9.7%
Non-current derivatives	0	3	n.s.
Cash flow hedges	0	0	n.s.
Others	0	3	n.s.
Other non-current liabilities	17,302	17,302	0.0%
NON-CURRENT LIABILITIES	**124,824**	**112,058**	**11.4%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	19,534	26,201	-25.4%
Current financial liabilities	169,524	139,897	21.2%
Bank debt	160,517	117,957	36.1%
Other financial liabilities	9,007	21,940	-58.9%
Trade and other payable accounts	144,721	159,191	-9.1%
Trade creditors	90,510	99,698	-9.2%
Other creditors	39,688	43,283	-8.3%
Current tax liabilities	14,523	16,210	-10.4%
Current derivatives	0	450	n.s.
Cash flow hedges	0	450	n.s.
Others	0	0	n.s.
Other current liabilities	0	0	n.s.
CURRENT LIABILITIES	**333,779**	**325,739**	**2.5%**
TOTAL EQUITY AND LIABILITIES	**1,418,454**	**1,344,667**	**5.5%**

Cash flow statement ('000 €)

	Jan-Jun' 23	Jan-Jun' 22	*Change*
Cash flows from operating activities	**14,904**	**45,279**	**-67.1%**
Profit for the year before tax	**77,400**	**88,536**	**-12.6%**
Adjustments in results	**47,705**	**40,283**	**18.4%**
Amortisation and depreciation	41,264	38,215	8.0%
Others adjustments in results(net)	6,441	2,068	211.5%
Changes in working capital	**-92,352**	**-59,744**	**54.6%**
Other cash flows from operating activities	**-17,849**	**-23,796**	**-25.0%**
Interest paid	2,940	-699	c.s.
Dividend paid and other payments from others equity instruments	0	0	n.s.
Dividends received	0	0	n.s.
Interests received	-310	497	c.s.
Proceeds/ (payments) from income tax	-20,398	-22,169	-8.0%
Proceeds/(payments) from operating activities	-81	-1,425	-94.3%
Cash flows from investing activities	**-30,963**	**-34,636**	**-10.6%**
Investment payments	**-31,622**	**-35,562**	**-11.1%**
Group companies, associated & business units	0	0	n.s.
Acquisition of property, plant and equipment and intangible assets	-31,622	-35,562	-11.1%
Other financial assets	0	0	n.s.
Other assets	0	0	n.s.
Cash from disposals	**349**	**227**	**53.7%**
Group companies, associated & business units	0	0	n.s.
Disposal of property, plant and equipment and intangible assets	349	227	53.7%
Other financial assets	0	0	n.s.
Other assets	0	0	n.s.
Other cash flows from investing activities	**310**	**699**	**-55.7%**
Dividends received	0	0	n.s.
Interest received	310	699	-55.7%
Proceeds/(Payments) from interrupted operations	0	0	n.s.
Cash flows from financing activities	**21,607**	**-24,446**	**c.s.**
Proceeds and payments from equity instruments	**0**	**-12,221**	**n.s.**
Proceeds from issue of stock	0	0	n.s.
Cancellation and payments	0	0	n.s.
Acquisition	0	-12,221	n.s.
Disposal	0	0	n.s.
Proceeds and payments from financial liabilities instruments	**52,221**	**13,077**	**299.3%**
Proceeds from issue of financial liabilities instruments	148,392	52,329	183.6%
Refund, cancellation and payments	-96,171	-39,252	145.0%
Dividends paid and others payments from others equities instruments	**-24,945**	**-19,902**	**25.3%**
Others cash flows from financing activities	**-5,669**	**-5,400**	**5.0%**
Interest paid	-2,275	-490	364.3%
Others proceeds /(payments) from financing activities	-3,394	-4,910	-30.9%
Effect of foreign exchange rate changes on collections and payments	**4,085**	**-4,968**	**c.s.**
Net increase (decrease) in cash and cash equivalents	**9,633**	**-18,771**	**c.s.**
Cash and cash equivalents at the begining of the period	**51,193**	**91,352**	**-44.0%**
Cash and cash equivalent at the end of the period	**60,826**	**72,581**	**-16.2%**

Reporting exchange rates (Currency/€)

Average exchange rates (Currency/€)

End period (Currency/€)

	1H23	1H22	% Change	Jun 23	Dec 22	% Change
Euro	1.000	1.000	0.0%	1.000	1.000	0.0%
US Dollar	1.081	1.094	1.2%	1.087	1.067	-1.8%
Canadian Dollar	1.457	1.391	-4.6%	1.442	1.444	0.2%
Mexican Peso	19.661	22.173	12.8%	18.561	20.856	12.4%
Brazilian real	5.485	5.553	1.2%	5.237	5.565	6.3%
Czech crown	23.679	24.636	4.0%	23.730	24.115	1.6%
British Pound	0.877	0.842	-3.9%	0.858	0.887	3.3%
Serbian Dinar	117.299	117.595	0.3%	117.230	117.322	0.1%
Chinesse yuan remminbi	7.483	7.081	-5.4%	7.877	7.423	-5.8%
Uruguayan Peso	42.040	45.936	9.3%	40.648	42.740	5.1%
Australian Dollar	1.598	1.520	-4.9%	1.639	1.574	-3.9%
New Zealand Dollar	1.730	1.649	-4.7%	1.789	1.684	-5.9%
Thai baht	36.963	36.859	-0.3%	38.482	36.835	-4.3%

Annex 2. Alternative Performance Measures

The Viscofan Group includes in this report several Alternative Performance Measures (MARs), as established in the Guidelines on MARs published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the CNMV.

These are a series of measures prepared based on the financial information of Viscofan S.A. and its subsidiaries, being complementary to the financial information prepared in accordance with International Financial Reporting Standards (IFRS). In no case should they be evaluated separately or considered a substitute.

These are measures used internally for decision-making and which the Board of Directors decides to report externally as it considers that they provide additional information useful for analysing and assessing the results of the Viscofan Group and its financial situation.

The MARs included in this report are the following:

- EBITDA, or Operating Profit Before Amortization, is calculated by excluding amortization expense from Operating Income. EBITDA is a commonly reported and widespread measure among analysts, investors and other stakeholders within the casings industry. The Viscofan Group uses this measure to follow the evolution of the business and establish operational and strategic objectives in the Group's companies. However, it is not a defined indicator in IFRS and may, therefore, not be comparable with other similar indicators used by other companies in their reports.

- Consumption Expenses: It is calculated as the net number of supplies and the variation of finished and current products. Management tracks consumption expenses as one of the main cost components for Viscofan. The weight of the net income of this cost component on the revenues or gross margin is also analyzed to study the evolution of the operating margin. However, it is not a defined indicator in IFRS and consumption expenses should not be considered as a substitute for the various items in the profit and loss account that comprise it. It may also not be comparable with other similar indicators used by other companies in their reports.

- Net bank debt: Calculated as debts to non-current credit institutions plus debts to current credit institutions net of cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders because it provides an analysis of the Group's solvency. However, net bank debt should not be considered as a substitute for gross bank debt on the consolidated balance sheet, or other items of liabilities and assets that may affect the solvency of the Group.

- Revenues and comparable EBITDA: This measure excludes the impact of the variation of the different exchange rates with respect to the previous comparable period and the non-recurring results of the business to present a homogeneous comparison of the evolution of the Viscofan Group. However, revenue and comparable EBITDA are not indicators defined in IFRS and may, therefore, not be comparable with other similar indicators used by other companies in their reports, nor should they be considered a substitute for the business performance indicators defined in IFRS.

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You can consult all the information corresponding to the results on the Viscofan Group website.

Legal notice

This document may contain forward-looking statements about the Company's intentions, expectations, or forecasts as of the date of realization in addition to the mandatory financial information whose sole purpose is to provide more detailed information about future performance prospects.

Such intentions, expectations or forecasts do not constitute guarantees of performance and involve risks, uncertainties and other relevant factors that could cause actual developments and results to differ materially from those set forth in these intentions, expectations, or forecasts.

This circumstance must be considered mainly by all those persons or entities that may have to adopt decisions or prepare or disseminate opinions regarding securities issued by the Company and by the analysts and investors who handle this document.

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information 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 2023

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).

For the purposes of the provisions of Articles 73 et seq. in relation to Article 71 of Law 3/2009, of April 3, on structural modifications of companies, the Board of Directors of Viscofan, S.A. and the Board of Directors of Viscofan España, S.L.U., on February 25, 2021, proceeded to draw up and sign a joint spin-off plan by virtue of which the Company spun off a portion of its equity that constitutes an autonomous economic unit and transferred it en bloc, by universal succession, to Viscofan España S.L.U.

Until the spin-off project and contribution of the branch of activity described above, the principal activity consisted in the manufacture, distribution and selling of all type of casings and films for food and bioengineering uses and the production of electric energy for sale to third parties through cogeneration systems. As of the main segregation project, the following corresponds to the adquisition, trend, enjoyment, general administration and disposal of all kinds of marketable securities and securities.

The Company is also the parent company of a group of companies that carry out their core business in the fabrication, distribution and selling of all types of casings and films for food applications; products based on collagen for food and bioengineering use; and the production of electric energy for sale to third parties through cogeneration systems.

All the shares of Viscofan, S.A. have been listed since 1986 and are traded on the continuous market.

The Group's Consolidated Financial Statements for 2022 were prepared on February 28, 2023 and approved by the General Shareholders' Meeting held on April 27, 2023.

The interim condensed consolidated financial statements for the first half of 2023 have not been audited.

2. Basis of presentation

The individual accounts for first half of 2023 were prepared in accordance with the 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 2023, 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 2022. 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 2022.

The consolidated accounts for the first half of 2023, 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 2023.

The accountable criteria have been applied consistently for the year ended December 31, 2022.

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, 2023 and 2022, except for the consolidated statement of financial position which compares information at June 30, 2023 and at December 31, 2022.

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 directors 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 Consolidated Financial Statements for the year ended 31 December 2022. 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 2023

During the interim period, the company Vector USA Inc. was dissolved.

Realized in 2022

Effective January 1, 2022, the merger by absorption of Viscofan Collagen USA Inc. domiciled in Bridgewater, New Jersey (USA) into Viscofan USA Inc. domiciled in Montgomery, Alabama (USA) took place.

On June 14, 2022, the liquidation of Supralon International AG (domiciled in Schaan - Liechtenstein) was registered.

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 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

As indicated in note 1, the Group is engaged in the manufacture, distribution, and marketing of all types of casings and films for food use. Additionally, the Group also carries out production-related activities through its cogeneration plants in Spain and Germany with the objectives of: decreasing the cost of electricity while remaining self-sufficient, and at the same time reducing CO_2 emissions, and, where appropriate, sell surplus electricity.

With the new Beyond25 strategic plan, the commercial and operational strategies have been reoriented, distinguishing sales of what has been called Traditional Business, which includes casings based on collagen, cellulose and fibrous technology, and sales of New Business, which includes plastic casings and the rest of the products and services, although the latter currently have a very small relative weight.

Therefore, the revenues obtained by the Viscofan Group can be grouped by nature into Traditional Business, New Businesses and Energy, although from a management information point of view, the activity is considered a mono-segment, being mainly casing sales.

Furthermore, Viscofan's business model is global, understood as products and services sold in a multitude of markets around the world that are generated by the assets held by the Group in different locations. In this way, each production centre produces goods with a final destination in different countries and markets. Sometimes, manufacturing sites produce semi-finished products, which are completed in other countries for subsequent sale to a third party, and this process often involves several geographic management regions.

To facilitate management and monitoring, four geographical regions have been established within the Beyond25 Plan: EMEA (comprising assets in Spain, Germany, Czech Republic, Serbia, Belgium, United Kingdom, France and Russia), North America (incorporating assets in Canada, Costa Rica, Mexico and the United States), APAC (comprising assets in Australia, China, Japan, New Zealand, and Thailand), and South America (comprising assets in Brazil and Uruguay).

Considering this business and management scheme, sales are analysed by geographic region and, in any case, specific returns are analysed in a more concrete manner based on companies or assets analysed on a more individualised basis.

Given the Group's current organisational, production and management structure, the new Beyond25 strategic plan, and the information taken into account in decision-making by the highest decision-making body, the Group's management considers that, in accordance with IFRS 8, the segment that carries out business activities that may generate revenue and incur expenses is unique: the sale of casings and films for food use.

However, from a commercial point of view, emphasis is placed on geographic areas and sales by type of casing, as broken down below:

	Thousand euros						
30/06/2023	**Spain**	**Rest of e EMEA**	**Asia Pacific**	**North America**	**South America**	**Eliminations and others**	**Consolidated**
Ordinary revenue from external customer	88,195	185,777	73,453	189,703	91,462	-	628,590
Ordinary revenue from other segments	99,748	189,980	1,337	56,333	26,712	-374,110	-
Total ordinary revenue	**187,943**	**375,757**	**74,790**	**246,036**	**118,174**	**-374,110**	**628,590**
Amortizaion expenses							**-41,264**
Financial income							**310**
Financial expenses							**-2,940**
Exchange differentes							**-8,089**
Profit before taxes							**77,400**
Total assets	**432,402**	**489,016**	**150,913**	**468,595**	**233,950**	**-356,422**	**1,418,454**
Total liabilities	**257,192**	**203,437**	**43,785**	**270,125**	**42,460**	**-358,396**	**458,603**
Assets acquisitions	**4,193**	**5,611**	**3,061**	**4,444**	**2,045**	**-**	**19,354**

	Thousand euros						
30/06/2022	**Spain**	**Rest of e EMEA**	**Asia Pacific**	**North America**	**South America**	**Eliminations and others**	**Consolidated**
Ordinary revenue from external customer	74,003	165,338	75,913	180,979	71,792	-	568,025
Ordinary revenue from other segments	85,823	160,353	1,442	41,535	21,993	-311,146	-
Total ordinary revenue	**159,826**	**325,691**	**77,355**	**222,514**	**93,785**	**-311,146**	**568,025**
Amortizaion expenses							**-38,215**
Financial income							**699**
Financial expenses							**-497**
Exchange differentes							**3,970**
Profit before taxes							**88,536**
Total assets	**318,160**	**407,137**	**163,680**	**360,688**	**194,831**	**-175,828**	**1,268,668**
Total liabilities	**151,881**	**152,168**	**46,778**	**175,158**	**34,212**	**-186,180**	**374,017**
Assets acquisitions	**7,239**	**13,737**	**1,022**	**15,582**	**3,071**	**-**	**40,651**

Revenue breakdown by nature

	30.06.23	30.06.22
Traditional business	506,824	459,543
New business	79,917	68,449
Energy	41,849	40,033
Consolidated	**628,590**	**568,025**

7. Capital changes by group companies

In the period from January to June 2023, the Company has increased the Share Capital of Viscofan (Thailand) Co. Ltd. for an amount of 4.7 million de euros with the aim of providing the subsidiary with the necessary capital structure to make the construction of a new cellulose and collagen converting plant in Thailand with the objective of improving the service in the Southeast Asia, one of the markets with the highest future growth prospects.

During this period, a capital increase was carried out in the company Viscofan USA Inc. amounting to 21 million US$ in a context of investments in new technology at the Danville and New Jersey plants in the US.

8. Property, plant and equipment and intangible assets

In the first half of 2023 investments were made in property, plant and equipment and intangible assets for a total of 19,354 thousand euros (40,651 thousand euros in the first half of 2022).

Of this amount, the main investment projects related to:

- Construction of a cellulose and collagen converting plant in Thailand to improve service to Southeast Asia.
- The investments related with the installation of a new cellulose casing technology in Danville (USA) and of collagen casings in New Jersey (USA).
- Sustainability investments based on improving facilities in terms of energy efficiency and diversification, environment, and safety.

As a result of the investment plan, at the end of June 2023, there are commitments to acquire property, plant, and equipment for an amount of 13,679 thousand euros (4,233 thousand euros on 31 December 2022).

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, 2023 and December 31, 2022, 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*
30/06/2023	11,540	25,591	31	5,311	1,454	8,887	8,012	***60,826***
31/12/2022	7,726	22,198	21	5,039	2,293	10,933	2,983	***51,193***

12. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2023 and 2022 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2023 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 2023, 15,389 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Thus, as of June 30 2023, the Company had 306,295 treasury shares, which represents the 0.66% of voting rights for a value of 15,407 thousand euros.

At 31 December 2022, Viscofan, S.A. held 321,684 treasury shares representing 0.69% of the voting rights for a value of 16,181 thousand euros.

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 2023

In June 2023, in accordance with the distribution of 2022 results approved at the General Shareholders' Meeting, a final dividend of €0.54 gross per share was paid-out, equivalent to a total of 24,945 thousand euros.

In addition, the company distributed €0.01 as a premium for attendance at the General Shareholders' Meeting celebrated in April 2023.

13. Current and non-current provisions

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

	Thousands of euros	
	30/06/2023	31/12/2022
Defined benefit	16,480	16,278
Other employee benefits	8,682	6,030
Total non-current provisiones	**25,162**	**22,308**
Provisions for guarantees / returns	3,645	2,752
Provisiones for labour risks	255	1,025
Provisions for emission rights	10,739	21,489
Others	4,895	935
Total current provisions	**19,534**	**26,201**

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

The actuarial assumptions used in the interim period have not changed with respect to December 31, 2022 and are described in note 14 of the consolidated annual report. In addition, during the interim period ended June 30, 2023, 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 2023 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 Annual Report as of December 31, 2022.

In the current period there were not relevant 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	
	30/06/2023	31/12/2022
Suppliers	38,350	55,363
Amounts owed for services received	51,238	42,851
Customer advances	1,214	2,036
Remuneration pending payment	21,879	21,154
Public Administration	17,517	21,577
Final balance	**130,198**	**142,981**

The breakdown by currency is as follows:

	Euros	US dollar	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
30/06/2023	68,612	24,265	4,745	6,526	10,524	3,679	11,847	***130,198***
31/12/2022	67,263	35,373	5,519	7,098	9,571	6,038	12,119	***142,981***

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, 2023, 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	120,154	39,924	44,500	0	*204,578*	*204,578*
Accrued interest payable	436	3	0	0	*439*	*439*
Lease payments	464	3,300	7,472	755	*11,991*	*11,991*
Other financial liabilities	4,330	913	7,106	6,164	*18,513*	*18,513*
Measured at amortization cost	*4,330*	*913*	*7,106*	*6,164*	*18,513*	*18,513*
Total at June 30, 2023	**125,384**	**44,140**	**59,078**	**6,919**	***235,521***	***235,521***

The breakdown of non-current and current financial liabilities, taking into account discounted contractual maturities at December 31, 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	85,344	32,482	34,500	0	*152,326*	*152,326*
Accrued interest payable	130	2	0	0	*132*	*132*
Lease payments	598	2,380	6,452	1,060	*10,490*	*10,490*
Other financial liabilities	14,527	4,434	6,579	5,901	*31,441*	*31,441*
Measured at amortization cost	*14,527*	*4,434*	*6,579*	*5,901*	*31,441*	*31,441*
Total at December 31, 2022	**100,599**	**39,298**	**47,531**	**6,961**	***194,389***	***194,389***

As of June 30, 2023, 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 elimination, 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*
30/06/2023	206,893	7,243	4,187	188	111	594	16,305	***235,521***
31/12/2022	170,309	7,598	3,115	857	142	1,387	10,981	***194,389***

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, 2023 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 2023 and at 31 December 2022 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	0	*0*	*0*
Current derivatives	0	4,249	*4,249*	*4,249*
Total financial assets at June 30, 2023	**0**	**4,249**	***4,249***	***4,249***
Non-current derivatives	0	0	*0*	*0*
Current derivatives	0	0	*0*	*0*
Total financial liabilities at June 30, 2023	**0**	**0**	***0***	***0***

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carrying amount*	*Total fair value*
Non-current derivatives	50	292	*342*	*342*
Current derivatives	262	3,214	*3,476*	*3,476*
Total financial assets at December 31, 2022	**312**	**3,506**	***3,818***	***3,818***
Non-current derivatives	-3	0	*-3*	*-3*
Current derivatives	0	-450	*-450*	*-450*
Total financial assets at December 31, 2022	**-3**	**-450**	***-453***	***-453***

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 18.8%, compared with 26.7% in the same period of the previous year.

The difference between the theoretical tax rate for 2023 (28%) and the effective tax rate (18.8%) 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. As of June 30, 2023, the Parent Company and the subsidiaries located in Spain have open to inspection all the main taxes that are applicable to them for the years that have not expired. The situation in the rest of the foreign subsidiaries is based on the law in force in their respective countries.

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, 2022) 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 6.8 million euros (6.2 million euros at December 31, 2022) classified as possible and 225 thousand euros as probable (275 thousand euros at December 31, 2022). Based on historical experience, materialization does not normally exceed 5% of this amount. There are sufficient provisions to cover this risk.
- In relation to the accident at the production center in Cáseda (Navarre) which occurred in September 2019, in one of the two proceedings being pursued in the social order for surcharge of social security benefits, a judgment declaring the existence of said surcharge has been issued in court, a ruling which has been appealed in appeal before the High Court of Justice of Navarre, an appeal which is pending resolution. There are enough provisions to cover the risks.
- In relation to the litigation of the subsidiary Zacapu Power, S.A. de C.V. (Zacapu Power) and Neomexicana de GNC, S.A.P.I. de C.V. (Neomexicana) of March 9th, the arbitration award was communicated, estimating the claims of Neomexicana and rejecting those of Zacapu Power, and on April 13, 2023 a Transaction Agreement was signed between the parties, which settles all the disputed amounts. The existing provisions covering the risk have been applied.

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 2022) except for the following:

- In relation to the lawsuit filed by Viscofan S.A. before the Commercial Court against Sayer Technologies S.L. for unfair competition, (disclosure of confidential information), the Supreme

Court has rejected the appeal for cassation and procedural infringement filed by the Company, so the process must be considered concluded.

- In relation to the material damage caused in March 2021 at the facilities of Viscofan USA Inc. in Danville by the explosion of a valve, a settlement agreement has been signed with the defendants by virtue of which compensation has been recognized and paid to Viscofan USA Inc. in the amount of 1 million US dollars (US$).

19. Related-party transacions

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 2022 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.

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 for the following year are used as a basis, in addition to 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:

	30/06/2023		31/12/2022	
	+ 5%	- 5%	+ 5%	- 5%
US Dollar	8,158	-5,458	13,467	-12,940
Czech Crown	-898	813	-2,250	2,036
Brazilian Real	-2,021	1,828	-1,512	1,369
Chinese Yuan Renmibi	752	-680	1,697	-1,536

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			
	30/06/2023		31/12/2022	
	+ 5%	- 5%	+ 5%	- 5%
US Dollar	13,263	-12,433	14,259	-12,778
Czech Crown	5,492	-4,969	3,209	-2,904
Brazilian Real	4,716	-4,267	3,929	-3,555
Chinese Yuan Renmibi	5,350	-4,840	5,354	-4,844

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 2023 there were no significant assets that could be impaired with respect to their net carrying amount.

Liquidity risk:

The Group manages liquidity risk prudently, based on the maintenance of sufficient cash and marketable securities, the availability of financing through enough 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 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, 2023, 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 2023 and fiscal year 2022, 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 2023 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.

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 2023 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 2022).

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 plans		Financial debt Euribor	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
+ 1%	-206	-472	-662	-752
- 1%	208	477	666	749

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 2022). It thus attempts to mitigate the impact on the Consolidated Income Statement of the variations in the price of the main fuels:

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

	Thousands of euros	
	30/06/2023	31/12/2022
+ 10%	-2,135	-5,891
- 10%	2,135	5,891

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	
	30/06/2023	31/12/2022
+ 10%	-1,046	-2,184
- 10%	1,046	2,184

21. Ukraine-Russia conflict

Russia's invasion of Ukraine, in addition to the loss of life and the destruction of resources, caused an unprecedented energy crisis in Europe, in addition to the increase in the cost of raw materials. The main impacts for the Viscofan Group have been:

1. Ban on sales to Russia as a result of the sanctions imposed by 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 compared to the traditional alternative of animal casings. The Board of Directors of Viscofan S.A. adopted the decision to stop exporting casings to Russia. To mitigate its effect, the Group has worked on commercial and operational measures that have allowed it to maintain its growth prospects for the year.

2. Increase in energy costs and risk of lack of availability of natural gas in Germany due to the cut in supply from Russia that may lead to a halt in production. The energy cost of both gas and electricity has increased in 2022 and in the first half of 2023. The Group has mitigated part of the effect of these increases by making purchase agreements with a fixed price for part of the consumption of natural gas for European production centers, with the search for energy diversification in operations and with the rise in selling price to customers.

3. Rising cost of raw materials: Disruptions in manufacturing and consumption activities, transportation disruptions, and the war in Ukraine have led to shortages of raw materials and commodities worldwide. In this context, the price of some critical raw materials for the Viscofan Group has increased. To offset the impact of inflation on operating costs, the Group has implemented price increases to customers. In addition, other measures have been taken, such as detailed monitoring of needs and the risk of non-availability, the search for alternative suppliers, and a consumption reduction plan.

4. Disruptions in the supply chain: The imbalances between supply and demand in some sectors, traffic jams in ports, the military conflict in Ukraine and mobility restrictions caused by the COVID-19 pandemic, among other aspects, caused delays in the transport of some goods and may pose a risk of production stoppages. As a result, the Viscofan Group increased safety inventories ensuring purchase volumes. There have been no stoppages of production plants caused by this risk.

The Group does not own any fixed assets in either Ukraine or Russia.

22. 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.