1. Description and principal activities

Viscofan, S.A. (hereinafter the Company or the Parent) was incorporated in Spain as a limited liability company for an indefinite period on 17 October 1975 under the name Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At the Annual General Meeting held on 17 June 2002 the shareholders agreed to change the name of the Company to the current one.

Under articles 73 and subsequent, in relation to article 71, of Law 3/2009, of 3 April on the structural amendments of companies, the Board of Directors of Viscofan, S.A. and the Board of Directors of Viscofan España, S.L.U., on 25 February 2021, proceeded to draft and sign a common unbundling project whereby the Company unbundles a part of its assets that constitute an autonomous economic unit and it transfers it en bloc by universal succession to Viscofan España S.L.U.

Until the proposed spin-off and contribution of the business line described above, the core business consisted on the manufacture and commercialization of all types of casings and films for food use; collagen-based products for food use and bioengineering; and the production of electricity for sale to third parties obtained through cogeneration systems. As a consequence of the spin-off project, the main activity corresponds to the acquisition, holding, enjoyment, administration in general and disposal of all kinds of securities.

The head offices and registered office are located in Polígono Industrial Berroa, Calle Berroa, 15 - 4ª Planta, 31192 Tajonar - Navarra (Spain) and its main activity is carried out in the centres of Cáseda and Urdiain (Navarra).

The Company is in turn the parent company of a group of companies (the Viscofan Group or the Group) which are mainly active in the manufacture, distribution and commercialization of all types of casings and films for food use; collagen-based products for food use and bioengineering; and the production of electrical energy for sale to third parties obtained through cogeneration systems.

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

The 2022 Consolidated Financial Statements were approved at the Annual General Meeting held on 27 April 2023.

The Parent Company's Board of Directors expects these 2023 Consolidated Financial Statements, prepared on 29 February 2024, to be approved by the shareholders in Annual General Meeting without modification.

2. Viscofan Group

2.1. Business combinations

• In 2023

On 14 February 2023, the legal liquidation of the company Vector USA Inc. was registered.

The change of name of German subsidiary Naturin Viscofan GmbH to Viscofan DE GmbH is effective as of 16 March 2023.

The change of name of the French subsidiary Supralon France SARL to Viscofan France SARL is effective as of 16 June 2023.

Two capital increases were carried out at Viscofan (Thailand) Co. Ltd. in financial year 2023, amounting to THB 298,975 thousand (EUR 8,209 thousand), to cover approved investments.

A capital increase of USD 21,000 thousand (EUR 19,488 thousand) was carried out by Viscofan USA Inc. in 2023 to strengthen the financial structure of the company after investments made in previous years.

• In 2022

Effective 1 January 2022, Viscofan Collagen USA Inc., domiciled in Bridgewater, New Jersey (USA), was merged into Viscofan USA Inc., domiciled in Montgomery, Alabama (USA), effective 1 January 2022.

On 14 June 2022, the company Supralon International AG with its registered office in Schaan (Liechtenstein) was wound up.

2.2. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2023

Group companies	% of equity interest		Activity	Registered address
	Direct	Indirect		
Jupiter PTY Ltd	100	0	Services rendered	Bankstown (Australia)
Koteks Viscofan, d.o.o.	100	0	Manufacture, marketing and distribution of casings and films	Novi Sad (Serbia)
Viscofan DE GmbH	100	0	Manufacture, marketing and distribution of casings and films	Weinheim (Germany)
Supralon Verpackungs AG	0	100	Rental of industrial machinery (to the group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	0	100	Manufacture, marketing and distribution of casings and films	Alfhausen (Germany)
Viscofan France SARL	0	100	Marketing and distribution of casings and films	Courcouronnes (France)
Vector Europe NV.	100	0	Marketing and distribution of casings and films	Hasselt (Belgium)
Vector Packaging Europe NV.	0	100	Manufacture, marketing and distribution of casings and films	Hasselt (Belgium)
Viscofan Canada Inc.	0	100	Marketing and distribution of casings and films	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99,5	0,5	Marketing and distribution of casings and films	San José (Costa Rica)
Viscofan CZ, s.r.o.	100	0	Manufacture, marketing and distribution of casings and films	Ceske Budejovice (Czech Republic)
Viscofan España SLU	100	0	Manufacture, marketing and distribution of casings and films	Tajonar, Navarre (Spain)
Viscofan Globus Australia PTY Ltd	100	0	Marketing and distribution of casings and films	Bankstown (Australia)
Viscofan Globus New Zealand Ltd	100	0	Marketing and distribution of casings and films	Lower Hutt (New Zealand)
Viscofan Japan GK	100	0	Marketing and distribution of casings and films	Tokyo (Japan)
Viscofan de México S.R.L. de C.V.	99,99	0,01	Manufacture, marketing and distribution of casings and films	San Luis Potosí (Mexico)
Viscofan do Brasil, soc, Ltda.	100	0	Manufacture, marketing and distribution of casings and films	Sao Paulo (Brazil)
Viscofan (Thailand) Co. Ltd.	100	0	Marketing and distribution of casings and films	Bangkok (Thailand)
Viscofan Technology (Suzhou) Co. Ltd.	100	0	Manufacture, marketing and distribution of casings and films	Suzhou (China)
Viscofan UK Ltd.	100	0	Marketing and distribution of casings and films	Seven Oaks (UK)
Viscofan Uruguay, S.A.	100	0	Manufacture, marketing and distribution of casings and films	Montevideo (Uruguay)
Viscofan USA Inc.	100	0	Manufacture, marketing and distribution of casings and films	Montgomery (USA)
Zacapu Power S.R.L. de C.V.	0	100	Electricity distribution	Zacapu, Michoacán (Mexico)

2.3. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2022

Group companies	% of equity interest		Activity	Registered address
	Direct	Indirect		
Jupiter PTY Ltd	100	0	Services rendered	Bankstown (Australia)
Koteks Viscofan, d.o.o.	100	0	Manufacture, marketing and distribution of casings and films	Novi Sad (Serbia)
Naturin Viscofan GmbH	100	0	Manufacture, marketing and distribution of casings and films	Weinheim (Germany)
Supralon Verpackungs AG	0	100	Rental of industrial machinery (to the group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	0	100	Manufacture, marketing and distribution of casings and films	Alfhausen (Germany)
Supralon France SARL	0	100	Marketing and distribution of casings and films	Courcouronnes (France)
Vector Europe NV.	100	0	Marketing and distribution of casings and films	Hasselt (Belgium)
Vector Packaging Europe NV.	0	100	Manufacture, marketing and distribution of casings and films	Hasselt (Belgium)
Vector USA Inc.	0	100	In the process of liquidation	Oak brook, Illinois (USA)
Viscofan Canada Inc.	0	100	Marketing and distribution of casings and films	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99,5	0,5	Marketing and distribution of casings and films	San José (Costa Rica)
Viscofan CZ, s.r.o.	100	0	Manufacture, marketing and distribution of casings and films	Ceske Budejovice (Czech Republic)
Viscofan España SLU	100	0	Manufacture, marketing and distribution of casings and films	Tajonar, Navarre (Spain)
Viscofan Globus Australia PTY Ltd	100	0	Marketing and distribution of casings and films	Bankstown (Australia)
Viscofan Globus New Zealand Ltd	100	0	Marketing and distribution of casings and films	Lower Hutt (New Zealand)
Viscofan Japan GK	100	0	Marketing and distribution of casings and films	Tokyo (Japan)
Viscofan de México S.R.L. de C.V.	99,99	0,01	Manufacture, marketing and distribution of casings and films	San Luis Potosí (Mexico)
Viscofan do Brasil, soc, Ltda.	100	0	Manufacture, marketing and distribution of casings and films	Sao Paulo (Brazil)
Viscofan (Thailand) Co. Ltd.	100	0	Marketing and distribution of casings and films	Bangkok (Thailand)
Viscofan Technology (Suzhou) Co. Ltd.	100	0	Manufacture, marketing and distribution of casings and films	Suzhou (China)
Viscofan UK Ltd.	100	0	Marketing and distribution of casings and films	Seven Oaks (UK)
Viscofan Uruguay, S.A.	100	0	Manufacture, marketing and distribution of casings and films	Montevideo (Uruguay)
Viscofan USA Inc.	100	0	Manufacture, marketing and distribution of casings and films	Montgomery (USA)
Zacapu Power S.R.L. de C.V.	0	100	Electricity distribution	Zacapu, Michoacán (Mexico)

3. Basis of preparation

The consolidated financial statements for 2023 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at 31 December 2023 and 2022, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognised income and expenses for the year then ended.

The consolidated financial statements have been prepared based on the accounting records of Viscofan, S.A. and the companies comprising the Group. However, given that the accounting polices and measurement bases applied in these consolidated financial statements differ from those used by the companies forming the Group (where the prevailing regulations of each country apply), the consolidation process has taken into consideration the adjustments and reclassifications required to adapt such principles and criteria to the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The Group adopted EU-IFRS as of 1 January 2004 and applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" at that date.

3.1. New and amended standards and interpretations

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended 31 December 2022.

The following amendments came into force in the financial year 2023:

• IAS 1 (Amendment) "Disclosure of Accounting Policies"

• IAS 8 (Amendment) "Definition of Accounting Estimates"

• IAS 12 (Amended) "Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction"

• IAS 12 (Amended) "International Tax Reform: Pillar Two Model Rules"

The amendment introduced by IAS 12 for deferred taxes requires a restatement of the opening balance sheet figures for deferred tax assets and liabilities (Note 18).

3.2. Published standards which are not applicable

The Group intends to adopt these standards, interpretations, and amendments thereof published by the IASB and considered mandatory in the European Union at the date these consolidated financial statements were prepared, applying them as they come into force.

3.3. Policies used by the Group when several options are permitted

International Financial Reporting Standards occasionally allow for more than one alternative accounting treatment for a transaction. The criteria adopted by the Group for its most relevant transactions are the following:

Capital grants can be recognised reducing the cost of the assets for which financing was granted or as deferred income (which was the Group's choice). They are recognised in the income statement under "Other income."

Certain property, plant, and equipment may be measured at market value or historical cost less depreciation and impairment loss. Viscofan has chosen the latter criteria.

3.4. Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings in the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, as well as the consolidated figures for 2023 and those for the previous year, except when an accounting standard specifically establishes that this is unnecessary.

Due to the amendment of IAS 12 and its impact on the recording of deferred taxation of leases under IFRS 16, and in order enable comparisons between the figures for the year 2023 and those for 2022, the accounts for the year 2022 have been restated.

3.5. Relevant accounting estimates, assumptions and judgments

The preparation of 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.

This section describes the main assumptions advanced about the future and other key sources of uncertainty in estimations made at the reporting date that have a significant risk of requiring a material adjustments to the carrying amounts of assets and liabilities within the next financial year. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are duly reflected in assumptions when and as they occur.

(a) Taxes

The subsidiaries comprising the Group are individually responsible for their tax obligations in their respective countries.

The two Navarre companies have filed consolidated tax returns since 1 January 2021.

The Group analyses the possible inspections by the tax authorities of the respective countries and establishes provisions based on its best estimates. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the Group and the corresponding tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country where the respective Group company is domiciled. The Group's policy, affecting all subsidiaries, is to apply conservative criteria when interpreting the different prevailing regulations in each of the countries where it operates.

Deferred tax assets are recognised for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and future taxable profits, together with future tax planning strategies.

The years open for review by tax authorities vary depending on each country's tax legislation, and returns are not considered definitive until the corresponding inspection period has elapsed or until they have been inspected and accepted by tax authorities.

The Company’s management considers that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying financial statements.

Further details on taxes are disclosed in Note 18.

(b) Pension benefits

The cost of defined benefit pension plans and other obligations and the present value of pension obligations are determined using actuarial measurements. Actuarial measurements involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future pension increases. Owing to the complexity and long-term scope of estimates, these are sensitive to any changes in assumptions.

Mortality rates are based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective countries.

A sensitivity analysis and details on the hypotheses used are provided in Note 14.1.

(c) Provisions for litigation and contingent assets and liabilities

Estimating provision amounts with respect to potential assets and liabilities derived from ongoing litigation is carried out on the basis of the professional opinion of the legal representatives hired to deal with such matters, as well as on the basis of internal evaluations performed by the Group's Legal Department.

The breakdown of provisions for litigations is shown in Note 14.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities are described in Note 14.4.

(d) Fair value of share-based remuneration

Fair value is determined by a third party using an adjusted form of the Black-Scholes model that includes a Monte Carlo simulation model that takes into account the price of the share during the year, the option period, the effect of dilution (where material), the share price at the grant date and the expected volatility of the underlying share price, the expected dividend yield, the risk-free interest rate for the option period and the correlations and volatilities of the reference Group companies.

(e) Other accounting estimates and hypotheses

- Assessment of possible impairment losses on certain assets and goodwill: Notes 4.7, 4.13, 4.14 and 4.16.

- Useful life of property, plant, and equipment and intangible assets: See Notes 4.13 and 4.14.

- Measurement of derivative financial instruments: (Note 4.24)

3.6. Ukraine - Russia conflict

Beyond the loss of life and destruction of resources it has caused, Russia's invasion of Ukraine has altered the dynamics of energy markets and trade sanctions put in place prevent the sale of casings from Europe. Consequently, the Board of Directors of Viscofan S.A. adopted the decision to interrupt the export activity of casings with Russia in 2022, a situation that has continued during 2023.

In view of the situation, Viscofan's risk control and management system continues to work on commercial and operational mitigation measures to offset its impact, such as energy hedging through supply contracts with the main energy suppliers, and searching for energy diversification in operations.

The Group has at no time disposed of any fixed assets owned in either Ukraine or Russia.

3.7. Regulation of energy generating companies

The Group company Viscofan España, S.L.U. operates an electricity cogeneration facility. The Group is careful to comply with the regulation published since 2013 in this area, the most significant aspects of which are expressed below.

On 14 July 2013, Royal Decree-Law 9/2013 entered into force, drawing the bases of a new legal and economic system for existing electricity facilities using renewable energy, cogeneration and waste sources, establishing a remuneration system based on standard parameters in line with those of the various standard facilities defined. The RD eliminates the regulated renewable energy and cogeneration tariffs, creates the Electricity Self-Consumption Register and launches a new economic system whose main characteristic guarantees that the renewable energy facilities obtain an equivalent return to the interest rates on the 10-year State bonds, plus 300 basis points in reference to costs and investments of a standard facility, during its entire regulatory life. The RD also eliminates the efficiency and reactive energy complements existing in the regime that precedes it. Furthermore, the RD does not set new bonuses. The specification of the definitive remuneration has been postponed to the subsequent publication of a ministerial order and the latest existing rates remain as a reference, valid during the provisional term stretching from the publication of the RD to the publication of the subsequent order.

Electricity Law 24/2013, of 26 December, was published on 27 December 2013 to set out a regulation for the electricity sector that guarantees electricity supply with the necessary quality levels at the minimum possible cost, ensuring the economic and financial sustainability of the system and enabling an effective level of competition within it, respecting at all times the environmental protection principles proper to a modern society.

The expected enactment of this Law is defined in Royal Decree 413/2014, of 6 June, regulating the electricity production activity based on renewable, cogeneration and waste sources. The above RD organises the bases of the remuneration framework that enables electricity production facilities assigned to this system to cover the necessary costs in order to be able to compete on the market on an equal footing with the remaining technologies and obtain a reasonable return, establishing a remuneration system based on standard parameters and standard facilities. Towards this end, both article 14.4 of the Electricity Law and article 20 of the above Royal Decree, define an system to update the remuneration parameters of standard facilities. For facilities whose operating costs depend essentially on the price of fuel, Order IET/1345/2015, of 2 July, enacts the aforementioned articles and implements an update methodology on remuneration, to be applied weekly.

The above regulation contemplates the revision of market price estimates for the first three years of the regulatory period corresponding to fiscal years 2014, 2015 and 2016, adjusting them to real market prices. Section 3 of art. 22 of Royal Decree 413/2014 on market price estimates and deviation adjustments indicates that when the annual average price of the daily and intra-daily market is outside the limits set by the regulation, a positive or negative balance will be generated. This balance, accumulated on an annual basis, will be understood as the adjustment value for deviations in market price estimates. The adjustment value due to differences in market price and its estimates will therefore be calculated annually.

In the context of the COVID-19 international pandemic, Order TED/260/2021, of 18 March, was published on 22 March 2021, adopting measures to support facilities whose operating costs depend essentially on the price of fuel. The Order reviews the remuneration of standard facilities whose operating costs depend essentially on the fuel market.

Order TED/1232/2022, dated 2 December 2022, was published on 14 December 2022, updating the remuneration parameters for standard facilities applicable to those using renewable energy sources, cogeneration and waste treatment, with the aim of having the new parameters applied to fiscal year 2022, and setting the remuneration corresponding to the first half of 2022 for these facilities.

Finally, on 28 December 2022, Order TED/1295/2022 of 22 December 2022 is published, setting the remuneration corresponding to the second semester of 2022, applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste treatment, for the purpose of its application to the 2022 financial year.

In relation to the adjustment for pool deviations affecting RECORE installations, the following regulations have been published during 2023:

Royal Decree-Law 6/2022, of 29 March, establishes that by 2023 a new methodology for determining the remuneration for the operation (Ro) of standard installations must be published, and, furthermore, that in this new methodology, the banding adjustments for pool deviations must cease to be applied for installations whose costs depend essentially on the cost of fuel (cogeneration, waste treatment and biomass).

Royal Decree-Law 10/2022 of 13 May requires that the market price for the adjustment for deviations in the pool price cease to be the average of the daily and intra-day market (OMIE) and become the average of a basket of electricity price products (spot and futures).

Royal Decree-Law 20/2022 of 27 December provides that, as it has not been possible to publish a proposal for a new methodology in time, the current methodology will be applicable for the first half of 2023, modifying the provisions of RDL 6/2022.

In December 2022, the Draft Order for the first half of 2023 is published, continuing with the current regulation as set out in RDL 20/2022.

In April 2023 the Draft Order for the second half of 2023 is published, establishing a new Ro calculation methodology, and a new pool deviation adjustment methodology for cogeneration, treatments, and biomass, proposing to replace the banding adjustments with a settlement at the end of each year.

Royal Decree-Law 5/2023, of 28 June, establishes a series of changes for the year 2023, with respect to the previously published regulations and proposals:

• It considers ad hoc commodity prices (electricity, natural gas and CO2 prices) for 2023, awaiting the new methodology, but resulting in a reduction of the Ro value of the plants.

• For the year 2023 the applicable price for the adjustment for pool deviations will be the smallest between the RDL 10/2022 basket average and the minimum daily market price (OMIE). Given that the average OMIE price was lower than the basket price in 2023, the OMIE price is taken as the adjustment price for 2023.

The value of the Ro for the first half of 2023 is officially set by Order TED/741/2023, of June 30. The Order proposes two alternative Ro values, with the higher value being applicable. This is because one of the alternatives is calculated according to the commodity prices determined by the usual methodology, while the other alternative is calculated according to the prices set by Royal Decree-Law 5/2023. The order also specifies that for the calculation of the adjustment for pool deviations for the 2023-2025 half-period, the targeting coefficient must be applied not only to the actual pool, but also to the adjustment bands.

On 30 June 2023, a new Draft Order is published for the second half of 2023, replacing the one previously published in April 2023. The new proposal removes all mention of setting up a new methodology for calculating Ro or adjustments, maintaining the previous methodology in force, but considering, this time, the prices and parameters set out in RDL 5/2023.

The Draft Order on parameters for the first half of 2024 was published on 22 November 2023. This Order finally sets the new Ro methodology, which will apply from 1 January 2024 and will establish the calculation of Ro on a quarterly basis for cogeneration and waste treatment, and annually for biomasses, and ceases to apply pool adjustments of any kind for cogeneration and waste treatment. The order therefore confirms that adjustments for pool deviations cease to apply from 2024, implying that in 2023 the banding adjustment for cogeneration and waste treatment continues to apply.

4. Significant accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as endorsed by the European Union (EU-IFRS).

A summary of the most significant principles is as follows:

4.1. Changes in accounting policies

As a result of the publication of IAS 12 amendment "Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction", the accounts for the year ended 31 December 2022 had to be restated. However, these changes do not affect the result for said year.

The Group intends to adopt these standards, interpretations and amendments mandatory in the European Union when they enter into force if they are applicable. Based on the analyses performed to date, the Group considers that there were no significant impacts on the consolidated financial statements.

4.2. Going concern basis

Once the financial situation has been assessed, together with the liquidity and obligations undertaken, the directors conclude that no events or conditions exist that cast doubt over the Group's ability to continue as a going concern, hence the consolidated financial statements have been prepared using this principle.

4.3. Method of consolidation

Control is obtained when the Group is exposed, or has the rights attached to variable interest rates arising from its involvement in a subsidiary, and is able to influence them as a result of the exercise of power over the subsidiary. Specifically, the Group has control of a subsidiary if, and only if it has:

- Power over the subsidiary (existing rights allowing it to manage relevant subsidiary's activities)

- Exposure, or rights, to variable returns from its involvement with the other company

- The ability to use its power over the other company to affect the amount of the company's return

Generally, it is presumed that the majority of voting rights grants control.

The Group has applied the exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards regarding business combinations. Consequently, only business combinations which occurred subsequent to 1 January 2004, the date of transition to EU-IFRS, have been recognised using the purchase method. Entities acquired prior to that date were recognised under the former Spanish general chart of accounts, once the necessary transition date adjustments and corrections were considered.

Subsidiaries were fully consolidated; hence all the assets, liabilities, equity, income, expenses and cash flow arising from transactions between Group companies are totally eliminated during the consolidation process.

The financial statements of the subsidiaries used in the consolidation process reflect the same reporting date as that of the Parent and are adapted to the Group's accounting policies.

4.4. Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the Parent.

Each Group entity determines its own functional currency and the balances included in the financial statements of each company are measured using this functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities expressed in foreign currencies have been translated into the functional currency at the year-end exchange rate, whereas non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets denominated in foreign currencies measured at fair value are translated to the functional currency at the foreign currency exchange rate prevailing at the date the value was determined.

Differences arising on settlement of transactions in foreign currency and on translation of monetary assets and liabilities expressed in foreign currency to the functional currency are taken to the income statement. Exchange differences arising from the translation of monetary items forming part of the net investment in foreign operations are recognised as translation differences in equity.

Translation gains or losses related to monetary financial assets or liabilities expressed in foreign currency are also recognised in the income statement.

b) Translation of foreign operations

Translation differences are recognised in the Group's equity. Translation of foreign operations, excluding foreign operations in hyperinflationary economies, is based on the following criteria:

- Assets and liabilities, including goodwill and adjustments to net assets arising from the acquisition of businesses, including comparative balances, are translated at the year-end exchange rate at each balance sheet date.

- Income and expenses relating to foreign operations, including comparative balances, are translated at the exchange rates prevailing at each transaction date; and

- Foreign exchange differences arising from application of the above criteria are recognised under translation differences in equity.

The Group does not carry out any business activities in hyperinflationary countries.

Translation differences arising as a result of the sale of foreign businesses recognised in equity are recognised as a single line item in the consolidated income statement when there is a loss of control of such businesses.

4.5. Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current or non-current based on the following criteria: For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date. The Group classifies the remainder of its assets as non-current.

- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. The Group classifies the remainder of its liabilities as non-current.

- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.6. Calculation of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Measurement techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Measurement techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company considers that its cash, trade and other receivables, trade and other payables, and balances of accounts payable to and receivable from public administrations, have a fair value very close to their carrying amounts mainly as a result of their coming due in the short term.

The fair values for the remaining financial assets and liabilities are disclosed in Notes 10 and 16, respectively.

4.7. Financial instruments - Initial recognition and subsequent measurement

(a) Classification

The Group has classified its financial assets in the following measurement categories:

- those valued subsequently at fair value (whether through profit or loss or through other comprehensive income), and

- those valued at amortised cost.

The classification depends on the business model at the entity to manage financial assets and the contractual terms of cash flows.

For assets valued at fair value, gains or losses are recognised through profit or loss or through other comprehensive income. For investments in equity instruments that are not held for sale, this will depend on whether the Group made an irrevocable choice at the time of the initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group only reclassifies investments in debt when the business model is changed to manage these assets.

(b) Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to buying or selling the asset. Financial assets are derecognised when the rights to cash flows relating to the financial assets expire and the Group has substantially transferred all risks and rewards inherent to ownership.

(c) Measurement

Upon initial recognition, the Group measures a financial asset at its fair value, plus, in the case of financial assets other than at fair value through profit or loss (FVTPL), the costs of the transaction directly attributable to the acquisition of the financial asset. The costs of the financial asset transaction recognised at fair value through profit or loss are recognised as expenses on the income statement.

Financial assets with implicit derivatives are considered as a whole when establishing whether their cash flows are exclusively for the payment of the principal and interest.

- ***Debt instruments***

The subsequent measurement of debt instruments depends on the Group's business model to manage the asset and the cash flow characteristics of the asset. There are three measurement categories under which the Group classifies its debt instruments:

- Amortised cost: Assets held for the collection of contractual cash flows when those cash flows represent only payments of principal and interest are measured at amortised cost.

Interest income from these financial assets is recorded as financial income in accordance with the effective interest rate method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Losses from impairment on the other hand are recorded as a separate line item in the income statement.

- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and for sale, where the cash flows from the assets represent only payments of principal and interest, are carried at fair value through other comprehensive income.

Changes in the carrying amount are taken to other comprehensive income, except for the recognition of impairment gains or losses, ordinary interest income and foreign exchange gains or losses which are recognised in other gains/(losses).

When such financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income on these financial assets is included in finance income in accordance with the effective interest method.

Foreign exchange gains and losses are presented in other gains and losses and impairment expense is presented as a separate line item in the income statement.

- Fair value through other profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are recognised at fair value through profit or loss.

A gain or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the income statement within other gains/(losses) in the period in which it arises.

- ***Equity instruments***

The Group subsequently measures all equity investments at fair value. When the Group's management has decided to present gains or losses at the fair value of equity investments through other comprehensive income, there is no subsequent reclassification of gains and losses at fair value through profit or loss following the derecognition of the investment in accounts. Dividends from these investments are recognised in profit or loss for the year as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the income statement when applicable. Impairment losses (and reversals of impairment losses) on equity investments measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

(d) Impairment

The Group measures against a prospective base of expected credit losses associated with its assets at amortised cost and fair value through other comprehensive income. The methodology applied for impairments depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group takes the simplified approach permitted under IFRS 9, which requires that expected losses during their useful life are recognised from the initial recognition of the receivables. See Note 9 for further details.

4.8. Impairment of non-financial assets subject to depreciation or amortisation

The Group periodically evaluates whether there are indications of possible impairment losses on assets other than financial assets, inventories, deferred tax assets and non-current assets held for sale, to determine whether their carrying amount exceeds their recoverable value (impairment loss).

(a) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling value and value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Recoverable amounts are calculated for individual assets, unless the asset does not generate cash inflows that are largely independent from those corresponding to other assets or groups of assets. In this case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

(b) Reversal of impairment

Impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses on goodwill are not reversible.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

The amount of the reversal of the impairment of a CGU is allocated to its assets, except goodwill, pro rata on the basis of the carrying amount of the assets, to the limit referred to in the previous paragraph.

4.9. Revenue recognition

Revenue from the sale of goods or services is recognised at the fair value of the consideration received or receivable. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recorded as a reduction in revenue if considered probable at the time of revenue recognition.

Before recognising revenue, the Group:

- identifies the customer contracts

- identifies the separate performance obligation

- establishes the transaction price of the contract

- allocates the transaction price between the separate performance obligations

- recognises the revenue when each performance obligation is satisfied

(a) Sale of casings and film

The Group manufactures and sells casings and film for food use and other applications. Sales are recognised when control of the products is transferred, i.e., when the products are delivered to the customer, this party has full discretion over the product and no obligations have been unfulfilled that may affect the customer's acceptance of the products. The delivery takes place based on agreements with customers (Incoterm) and it is at this time when risks of obsolescence and loss are transferred to the customer, and the Group has proof that all acceptance criteria have been met.

The products are often sold subject to volume discounts over a 12-month period. Income from these sales is recognised based on the price specified in the contract, net of estimated volume discounts. Accumulated experience is used to estimate and provide discounts, using the expected value method and ordinary income are only recognised insofar as it is highly likely that there is no significant reversal. No element of financing is considered to exist, as sales are completed with a credit term of 45-90 days, which is consistent with market practice.

An account receivable is recognised when the assets are delivered, as this is the time at which the consideration is unconditional, as only the passing of time is required for the payment to mature.

(b) Sale of energy

Energy sales are recognised as energy is produced and made available to the customer. At this time, it is understood that there are no unfulfilled obligations. These sales are made at regulated tariffs in each location. No element of financing is considered to exist, as sales are completed with a credit term of 60 days.

The Viscofan Group recognises the electricity revenue generated from cogeneration, including the perceived market tariff, together with the energy generation premiums, in line with the regulations, as the energy is generated and commercialised.

In terms of the sales of electricity produced, they are recognised as the energy generated by cogeneration systems is produced and delivered, applying the tariffs in force.

4.10. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the ordinary shares of the Parent by the weighted number of ordinary shares outstanding during that year, excluding the average number of shares of the Parent, Viscofan, S.A. held by any of the Group companies.

Diluted earnings per share are calculated by dividing net profit for the year attributable to the ordinary shareholders of the parent by the weighted average number of ordinary shares which would be in issue if all potential ordinary shares were converted into ordinary shares of Viscofan, S.A.

4.11. Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred

- liabilities incurred with former owners of the acquired business

- equity investments issued by the group

- the fair value of any asset or liability resulting from a contingent consideration arrangement, and

- the fair value of any previous equity interest in the subsidiary.

Identifiable assets acquired and contingent liabilities and liabilities assumed in a business combination, with limited exceptions, are initially measured at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-to-acquisition basis at fair value or by the proportionate share of the non-controlling interest in the acquiree's net identifiable assets.

Acquisition-related costs are recognised as an expense when incurred.

Goodwill is recognised as the excess of

- the consideration transferred, the amount of any non-controlling interest at the acquired entity and the fair value at the acquisition date of any equity interest

- on the fair value of the identifiable net assets acquired and the liabilities assumed.

If the amounts of the fair value of the net assets acquired and the liabilities assumed is higher, the difference is recognised directly in profit or loss as a purchase on very advantageous terms.

When the settlement of any part of the cash consideration is deferred, future amounts payable are discounted to their present value at the exchange date. The discount rate used is the entity's incremental borrowing interest rate, the rate at which a similar loan could be obtained from an independent lender under comparable terms and conditions.

The contingent consideration is classified as equity or financial liability. The amounts classified as a financial liability are subsequently restated to fair value with changes in fair value recognised in profit or loss.

If the business combination is carried out in stages, the carrying amount at the acquisition date of the acquiree's equity interest in the previously-held acquiree is measured again at its fair value at the acquisition date, recognising any resulting gain or loss in profit or loss.

4.12. Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 4.12. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but tested annually for impairment, or more frequently if events or changes in circumstances indicate that it may be impaired, and is recognised at cost less any accumulated impairment losses. A gain or loss on the sale of an entity includes the carrying amount of goodwill related to the entity sold.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units. The allocation is made among cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 5).

b) Development costs

Development costs incurred on a project are recognised as intangible assets if the project is technically and commercially viable, sufficient technical and financial resources are available to complete it, the costs incurred can be reliably determined and profit is probable.

The Group has not capitalised any development costs. Capitalised development costs are amortised on a straight-line basis over the estimated useful life of each project, never exceeding 5 years.

When there are reasonable doubts as to the technical success or economic and commercial profitability of capitalised projects, the amounts recognised in assets are charged directly to the profit and loss account for the year.

Expenditure on research activities is recognised in the consolidated income statement as an expense as it is incurred.

(c) Other tangible assets

Other intangible assets are stated at cost, less accumulated amortisation and impairment losses.

Software maintenance costs are expensed as incurred.

(d) Useful lives and amortisation rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At 31 December 2023 and 2022, the Group had no intangible assets with indefinite useful lives, except for Goodwill discussed in Note 5.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount systematically on a straight-line basis over the useful lives of the assets in accordance with the following criteria:

	Estimate useful life (years)
Development costs	5
Industrial property and Rights of use	5-10
Concession land rights in China	50
Software	5

The depreciable amount of intangible asset items is the cost of acquisition or deemed cost less the residual value.

The Group reassesses residual values, useful lives, and amortisation methods at the end of each financial year. Changes to initially established criteria are recognised as a change in accounting estimates.

4.13. Property, plant, and equipment

(a) Initial recognition

Property, plant, and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalised through the credit of the costs attributable to the assets in accounts under "Other income" in the consolidated income statement.

The cost of assets which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalisation requirements described above.

The Group availed itself at 1 January 2004 of the exemption related to the restated values pursuant to the corresponding legislation, as an attributed cost of IFRS 1 "First Time Adoption of International Financial Reporting Standards".

(b) Amortisation and depreciation

Property, plant, and equipment is depreciated systematically over the useful life of the asset. The depreciable amount of PP&E items is the cost of acquisition less the residual value. Each part of a PP&E item with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of PP&E items is calculated using the straight-line method over their estimated useful lives, as follows:

	Estimate useful life (years)
Buildings	30
Plant and equipment	10
Other installations, tools and furniture	5 - 10
Property, plant, and equipment	3 - 15

The Group reassesses residual values, useful lives, and depreciation methods at the end of each financial year. Changes to initially established criteria are recognised as a change in accounting estimates.

(c) Subsequent recognition

Subsequent to initial recognition of the asset, only costs that will probably generate future economic benefits and which may be measured reliably are capitalised. Ordinary maintenance costs are expensed as they are incurred.

Replacements of property, plant, and equipment which meet the requirements for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it has not been practical to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

4.14. Right-of-use

From 1 January 2019, leases are recognised as a right-of-use asset and the corresponding liability on the date on which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use liabilities include the net present value of the following right-of-use payments:

- fixed payments (including fixed payments in substance), less any right-of-use incentive to collect

- variable right-of-use payments that depend on an index or rate, initially measured according to the index or rate at the start date

- amounts expected to be paid by the Group as residual value guarantees

- the exercise price of a call option if the Group is reasonably certain that it will exercise that option, and

- penalty payments on termination of the rights-of-use, if the term of the right-of-use reflects the Group's exercise of that option.

Right-of-use payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use payments are discounted using the interest rate implied in the right-of-use.

The Group is exposed to potential future increases in variable right-of-use payments based on an index or rate, which are not included in the right-of-use liability until they take effect. When adjustments to index or rate-based right-of-use payments take effect, the right-of-use liability is reassessed and adjusted against the right-to-use asset.

Right-of-use payments are apportioned between principal and finance cost. The finance cost is charged to income over the right-of-use period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, comprising:

- the amount of the initial measurement of the right-of-use liability

- any right-of-use payments made on or before the start date, less any right-of-use incentives received

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally amortised on a straight-line basis over the shorter of the asset's useful life or the end of the lease term.

The Group applies the exemption of recognising leases that have a period equal to or lower than 12 months from the date of commencement, and that do not contain a purchase option, and the leases in which the underlying asset has a scant value. The payment for these leases is recognised as an expense during the lease period.

4.15. Inventories

Inventories comprise non-financial assets which are held for sale by the consolidated entities in the ordinary course of business.

Cost comprises all costs of acquisition, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Inventory conversion costs comprise the costs directly related with the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred in the conversion process. Indirect fixed costs are distributed on the basis of the normal production capacity or actual production.

Indirect fixed costs distributed to each production unit are not increased as a result of a low level of production or idle production capacity. Indirect costs that are not distributed are recognised as expenses for the financial year in which they are incurred. In periods of abnormally high production, the amount of indirect costs distributed to each production unit is decreased so that inventories are not measured above cost. Variable indirect costs are distributed to each production unit on the basis of the actual use of the production facilities.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials, other materials consumed, and goods for resale: at weighted average cost.

- Finished and semi-finished products: at weighted average cost of raw and other materials and includes direct and indirect labour, plus other manufacturing overheads.

Volume discounts from suppliers are recognised when it is probable that the discount conditions will be met. Prompt payment discounts are recognised as a reduction in the cost of inventories acquired.

The cost of inventories is adjusted against profit or loss in cases where cost exceeds net realizable value. Net realizable value is considered as the following:

- Raw materials and other consumables: the Group only makes adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or lower;

- Goods for resale and finished products: estimated sale price, less selling costs.

- Work in progress: estimated sale price for corresponding finished products, less the estimated costs for completion of their production and selling costs.

Write-downs and reversals of write-downs are recognized in the consolidated income statement for the year. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed against the following headings: “Changes in inventories of finished products” and “Work in progress and consumption of materials and other supplies.” The reversal of write-downs in the value of inventories is recognised with a credit to the "Changes in inventories of finished goods and work in progress" and "Consumption of raw materials and other consumables" headings.

4.16. Emission rights

The Viscofan Group records emission rights when it owns them, under the "Inventories" heading.

Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognised as a credit to "Grants" (Note 4.21) in the consolidated statement of financial position. Rights acquired from third parties are recognised at their acquisition cost.

These assets are measured using the cost method. At each year end they are analysed for any indications of impairment of their carrying amounts.

These emission rights are eliminated from the statement of financial position when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognized from the provision made when the CO2 emissions take place applying the FIFO method (first in, first out).

4.17. Non-current assets held for sale and discontinued operations

The Group classifies assets whose carrying amount is expected to be realised through a sale transaction, rather than through continuing use, as “Non-current assets held for sale” when the following criteria are met:

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and

- When it is highly probable that they will be sold.

Non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less cost to sell, except deferred tax assets, assets arising from employee benefits, and financial assets which do not correspond to investments in Group companies, joint ventures and associates, which are measured according to specific standards. These assets are not depreciated and, where necessary, the corresponding impairment loss is recognised to ensure that the carrying amount does not exceed fair value less costs to sell.

Disposal groups held for sale are measured using the same criteria described above. The disposal group as a whole is then remeasured at the lower of the carrying amount and fair value less costs to sell.

Related liabilities are classified as “Liabilities held for sale and discontinued activities".

A disposal group of assets is considered a discontinued operation if it is a component of an entity which either has been disposed of or is classified as held for sale and:

- Represents a significant and separate major line of business or geographical area of operations.

- Is part of a single coordinated plan to dispose of a significant and separate major line of business or geographical area of operations.

Discontinued operations are presented in the consolidated income statement separately from income and expenses from continuing operations, on a single line under "Profit from discontinued operations."

4.18. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions. Other short-term, highly-liquid investments are also included under this heading, provided that they were readily convertible into specified amounts of cash and had an original maturity of close to or not exceeding three months.

4.19. Dividend

The interim dividends approved by the Board of Directors in 2023 and 2022 are included as a reduction of the Viscofan Group's equity.

4.20. Government grants

Government grants are recognised on the face of the balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(a) Capital grants

Government grants in the form of non-monetary assets are recognised at fair value, with a credit to "Grants" in the consolidated statement of financial position and they are transferred to “Other income” in the consolidated income statement in line with the depreciation of the subsidised asset.

Non-refundable grants related to emission rights are initially recognised at market value on the date provided under "Grants," and are recognised in the consolidated income statement as they are used. They are recognised in "Other income" on the consolidated income statement.

(b) Operating subsidies

Operating subsidies are recognised with a credit to “Other income” in the consolidated income statement.

Grants received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support not related to future expenses, are recognised as a credit to "Other income" in the consolidated income statement.

(c) Interest rate subsidies

Financial liabilities with implicit interest rate subsidies in the form of below-market rates of interest are initially recognised at fair value. The difference between this value, adjusted where applicable by the costs of issue of the financial liability and the amount received, is recorded as an official grant based on the nature of the grant.

4.21. Employee benefits

(a) Liabilities for retirement benefits and other commitments

Defined benefit plans include those financed by insurance premium payments for which a legal and implicit obligation exists to settle commitments directly with employees when they fall due or pay additional amounts in the event the insurer does not pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit plans at year end, less the fair value of the assets related to those benefits.

Defined benefit plan costs are recognised under "Staff costs" in the consolidated income statement and are obtained as a result of the addition of the net amount of the current service costs, plus the effect of any reduction or liquidation of the plan.

Interest on the net liability/(asset) relating to the defined benefit plan is calculated by multiplying the net liability/(asset) by the discount rate and is recognised in financial results under "Financial expenses".

Subsequent to initial measurement, the re-evaluation, which comprises actuarial gains and losses, the effect of the limit on the assets, excluding amounts included in net interest and performance of the plan assets are recognised immediately in the statement of financial position with a credit or debit to reserves, as appropriate, through other comprehensive income in the period in which they occur. These changes are not reclassified to profit or loss in subsequent periods.

A description of each of the Group's defined benefit pension plans is included in Note 14.1.

b) Termination benefits

The Group recognises termination benefits unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and those affected have valid expectations that the process will be carried out, and there is no possibility of withdrawing or changing the decisions made. Indemnities payable in over 12 months are discounted at interest rates based on market rates of quality bonds and debentures.

c) Short-term employee benefits

Short-term benefits accrued by Group personnel are recorded in line with the employees' period of service. The amount is recorded as an employee benefit expense and as a liability net of settled amounts. If the contribution already paid exceeds the accrued expense, an asset is recorded to the extent that it will reduce future payments or a cash refund.

The Group recognizes the expected cost of short-term benefits in the form of accumulated compensated absences, when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur.

The Group recognizes the expected cost of profit-sharing and bonus payments when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

d) Share-based payment

Certain classes of employees are provided with share-based remuneration benefits through the Long Term Employee Incentive Plan, an employee share ownership plan. Note 23.3 provides information on these plans.

The fair value of shares granted under the long-term employee incentive plan that are settled through the delivery of shares is recognised as employee benefit expense against equity. The total amount to be recognised as an expense is determined by reference to the fair value at the grant date of the shares granted:

- including market performance conditions (for example, the entity's share price)

- excluding the impact of non-market related service or performance targets for the vesting of the shares (e.g. accident rate, waste reduction targets)

The total expense is recognised during the vesting period, which is the period during which all the specified terms for vesting have to be satisfied. At the end of each year, the entity reviews its estimates of the number of shares it expects to become vested, based on non-market service targets for vesting. The impact, if any, of the review of the original estimates is recognised in profit or loss, with a corresponding adjustment to equity.

If the long-term employee incentive plan is settled in cash, it is recognised as employee benefit expense against a liability. The total amount to be recognised as an expense is determined by reference to fair value at each close.

4.22. Provisions

(a) General criteria

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision in the consolidated statements of financial position are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related to the provision and, where significant, financial effect of the discount, provided that the expenditures required in each period can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The financial effect of provisions is recognised under finance costs in the consolidated income statement.

Reimbursement rights from third parties are recognised as a separate asset where it is practically certain that these will be collected. The income reimbursed, where applicable, is recognised in the consolidated income statement as a reduction in the associated expense and is limited to the amount of the provision.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against income. The provision is reversed against the consolidated income statement where the corresponding expense was recorded.

(b) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(c) Restructuring expenses

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions for restructuring only include payments directly related to the restructuring which are not associated to continuing activities of the Group.

(d) Emission rights provision

Provision is made systematically for expenses related to the emission of greenhouse gases. This provision is cancelled once the corresponding free-of-charge and market-acquired rights granted by public entities have been transferred.

4.23. Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is signed and subsequently restated to fair value at each balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The group designates certain derivatives as:

- fair value hedges of recognised assets or liabilities or a firm commitment (fair value hedges)

- hedges of a specific risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

- hedges of a net investment in a foreign operation (net investment hedges).

At the start of the hedging relationship, the Group documents the economic relationship between hedging instruments and the hedged items, including whether it is expected that changes in the cash flows of hedging instruments offset changes in the cash flows of the hedged items. The Group documents its risk management target and strategy to undertake its hedging transactions.

The fair values of the derivative financial instruments designated in hedging ratios are broken down in Note 17. The movements in the hedge reserve included in the equity of shareholders are shown in Note 12.

The total fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item exceeds 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

The effective portion of changes in the fair value of derivatives designated and classified as cash flow hedges is recognised under cash flow hedge reserves in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement for the year within other gains/(losses).

When option contracts are used to cover expected transactions, the Group only designates the intrinsic value of the option contract as the hedging instrument.

The gains or losses corresponding to the effective portion of changes in the intrinsic value of option contracts are recognised under cash flow hedge reserves in equity. Changes in the time value of option contracts related to the hedged item ("aligned time value") are recognised through other comprehensive income under hedge cost reserves in equity.

When forward contracts are used to cover expected transactions, the Group generally only designates the change in fair value of the forward contract relating to the cash component as the hedging instrument. The gains or losses relating to the effective portion of changes in the cash component of forward contracts are recognised under cash flow hedge reserves in equity. Changes in the forward element of the contract related to the hedged item ("aligned forward element") are recognised through other comprehensive income under hedge cost reserves in equity. In some cases, the gains or losses corresponding to the effective portion of changes in the fair value of the entire forward contract are recognised under cash flow hedge reserves in equity.

Accumulated amounts in equity are reclassified in the years when the hedged item affects profit or loss for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both deferred hedge gains and losses and the deferred time value or deferred forward points, as applicable, are included in the initial cost of the asset. Deferred amounts are ultimately recognised in profit for the year, as the hedged item affects profit or loss for the year (for example, via the cost of sales).

- Gains or losses corresponding to the effective portion of interest rate swaps covering floating rate loans are recognised in profit or loss under finance cost at the time as the interest cost on hedged loans.

4.24. Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. Current tax assets or liabilities are measured for amounts payable to or recoverable from tax authorities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carry-forward of unused tax losses, and the carry-forward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the year except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(a) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or

- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

(b) Deductible temporary differences

Deductible temporary differences are recognised provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be used.

(c) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilised.

Deferred tax assets which do not comply with the aforementioned conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses unrecognised deferred tax assets.

(d) Classification and offsetting

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets tax assets and liabilities where it has a legally enforceable right, where these relate to taxes levied by the same tax authority and on the same entity and where the tax authorities permit the entity to settle on a net basis, or to realize the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the date of realisation or settlement.

(e) Investment tax credits

The group has investment tax credits in certain subsidiaries. These tax credits are recorded by reducing the corporate income tax expense for the year in which they are applied.

4.25. Environment and climate change

(a) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Costs incurred from environmental activities are recognised under "Other operating costs" in the year in which they are incurred.

Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet based on the criteria for recognition, measurement, and disclosure detailed in Note 25.

(b) Climate change

Climate change is a significant aspect identified in the materiality analysis and, as such, is included in the Group's long-term operating management processes. It forms an integral part of our risk mitigation policy and an essential part of our Sustainability Action Plan.

Climate change management is regulated in the Climate Change Policy, approved by the Board of Directors, and which demonstrates the Group's commitment to this huge environmental problem, establishing its undertaking to control atmospheric emissions, energy efficiency and to a business strategy related with the development of alternative energy sources.

Furthermore, the internal climate change regulations complemented by the Environmental Policy, approved by the Board of Directors, stipulate that the Group's measures must be adopted with respect for the environment, which means incorporating sustainable development criteria in all areas of activity, guaranteeing the efficient management of natural resources and minimising the undesirable effects of the Group's activities.

The main risks and the opportunities and resources allocated are detailed in Note 25.

4.26. Related party transactions

Transactions with related parties are accounted for in accordance with the measurement criteria detailed throughout this Note 4. The only transactions with related parties are detailed in Note 24 "Information relating to directors of the Parent company and key management personnel of the Group".

5. Intangible assets and goodwill

5.1. Intangible assets other than goodwill

The breakdown and movements in other intangible assets during 2023 and 2022 are as follows:

	Thousands of euros						
	Customer portfolio	Software	Industrial property	Implem entation	Advances	Amortisation and depreciation	*Total*
Opening balance as at 1 January 2022	**621**	**48,753**	**23,156**	**2,455**	**111**	**-57,917**	**17,179**
Exchange gains (losses)	0	823	420	0	5	-1,217	31
Additions	0	4,739	0	0	506	-4,782	463
Disposals	0	-53	0	0	0	53	0
Transfers	0	216	0	0	-240	0	-24
Closing balance as at 31 December 2022	**621**	**54,478**	**23,576**	**2,455**	**382**	**-63,863**	**17,649**
Exchange gains (losses)	0	-155	-519	0	0	508	-166
Additions	0	3,179	0	1,013	48	-4,792	-552
Disposals	0	-537	0	0	0	537	0
Transfers	0	59	0	0	-33	0	26
Closing balance as at 31 December 2023	**621**	**57,024**	**23,057**	**3,468**	**397**	**-67,610**	**16,957**

The balances of this heading at 31 December 2023 and 2022 are the following:

	Thousands of euros					
	31.12.2023			31.12.2022		
	Cost	Amortisation and depreciation	*Total*	Cost	Amortisation and depreciation	*Total*
Customer portfolio	621	-621	*0*	621	-621	0
Software	57,024	-45,036	*11,988*	54,478	-41,893	12,585
Industrial property	23,057	-19,636	*3,421*	23,576	-19,459	4,117
Implementation	3,468	-2,317	*1,151*	2,455	-1,890	565
Advances	397	0	*397*	382	0	382
TOTAL	**84,567**	**-67,610**	*16,957*	**81,512**	**-63,863**	**17,649**

Details of the cost of fully amortised intangible assets in use at 31 December 2023 and 2022 are as follows:

	Thousands of euros	
	2023	2022
Software	37,197	32,317
Industrial property	13,427	14,116
Fully depreciated assets	**50,624**	**46,433**

5.2. Goodwill

The changes during 2023 and 2022 are detailed below:

	Thousand euros
Opening balance as at 1 January 2022	**2,959**
Exchange gains (losses)	278
Closing balance as at 31 December 2022	**3,237**
Exchange gains (losses)	368
Closing balance as at 31 December 2023	**3,605**

These amounts correspond to the Supralon Group CGU (2,717 thousand euros) in the "Rest of Europe and Asia" geographical region, and to the CGU transfer of ingredients (888 thousand euros) in the North America geographical region.

Impairment test

Below, we provide details of the calculation used in the impairment test for the different goodwill recognised at 31 December 2023.

(a) CGU Supralon Group

Goodwill for the sum of 2,717 thousand euros, recognised on the Group's consolidated balance sheet corresponds to the Supralon Group, whose CGU corresponds to the legal company or subgroup, dedicated to the production and distribution of casings for the meat industry.

5-year projections were done, in which Management established forecasted business figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), market, competition scenarios, information on new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

As a result of this analysis, the Directors consider that at 31 December 2023, there were no indications that any impairment losses should be recorded.

(b) Transfer of ingredients

Goodwill recognised in the Group's consolidated balance sheet at 31 December 2023 amounted to 888 thousand euros.

The transfer of ingredients CGU is a pioneer in the industry, having developed innovative products with value-added technology, such as casings capable of transferring ingredients: spices, flavours, aromas and colours to cold meats and other meat products in natura. The products thus obtained significantly facilitate certain production processes of our customers and improve consumer experience.

The assumptions include an increasing volume of sales during the first year's activity. 5-year projections were done, in which Management established forecasted business figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), market, competition scenarios, information on new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

As a result of this analysis, the Directors consider that at 31 December 2023, there were no indications that any impairment losses should be recorded.

6. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2023 and 2022 are as follows:

	Thousands of euros							
	Land and buildings	Plant and equipment.	Other installations, tools and furniture	Property, plant, and equipment	Property, plant, and equipment under construction and payments on account	Amortisation and depreciation	Impairment	*Total*
Opening balance as at 1 January 2022	**274,833**	**912,362**	**118,542**	**45,220**	**49,079**	**-901,021**	**-748,000**	*498,267*
Exchange gains (losses)	4,161	22,764	466	1,008	1,756	-19,053	-6	*11,096*
Additions	16,855	67,109	1,912	4,891	29,595	-68,076	-45	*52,241*
Disposals	-29	-4,818	-273	-691	-62	5,443	47	*-383*
Transfers	10,561	55,739	3,349	1,112	-70,738	0	0	*23*
Closing balance as at 31 December 2022	**306,381**	**1,053,156**	**123,996**	**51,540**	**9,630**	**-982,707**	**-752**	*561,244*
Exchange gains (losses)	-3,269	-1,164	-1,164	-762	-164	3,409	2	*-3,112*
Additions	3,342	26,728	2,88	2,263	38,093	-73,628	-308	*-630*
Disposals	-109	-2,497	-602	-1,756	-9	3,638	0	*-1,335*
Transfers	3,217	18,73	723	856	-23,552	0	0	*-26*
Closing balance as at 31 December 2023	**309,562**	**1,094,953**	**125,833**	**52,141**	**23,998**	**-1,049,288**	**-1,058**	*556,141*

The balances of this heading at 31 December 2023 and 2022 are the following:

	Thousands of euros					
	31.12.2023			31.12.2022		
	Cost	Amortisation and depreciation	*Total*	Cost	Amortisation and depreciation	*Total*
Land and buildings	309,562	-145,176	*164,386*	306,381	-137,971	*168,41*
Plant and equipment	1,094,953	-772,812	*322,141*	1,053,156	-720,617	*332,539*
Other installations, tools and furniture	125,833	-95,366	*30,467*	123,996	-90,414	*33,582*
Property, plant, and equipment	52,141	-36,992	*15,149*	51,54	-34,457	*17,083*
Property, plant, and equipment under construction and payments on account	23,998	0	*23,998*	9,63	0	*9,63*
TOTAL	**1,606,487**	**-1,050,346**	*556,141*	**1,544,703**	**-983,459**	*561,244*

In 2023, investments in property, plant and equipment in the Group totalled 73,306 thousand euros. Projects during the year included recurring maintenance investments, progress on the construction of a new cellulosic and collagen converting plant in Thailand, and investments in the converting phase in the Czech Republic.

Investments in property, plant and equipment amounting to 120,362 thousand euros were made in 2022. The main projects, launched in the first months of 2023, were focused on increasing collagen casing capacity in Spain, Germany, Serbia, China and the United States. In addition, investment has been made in new cellulose technology for the Danville plant in the United States, and the new collagen hydrolysates plant in Germany has been started up to boost the development of New Businesses, as well as new initiatives aimed at strengthening competitive advantages, especially in the energy field.

Details of the cost of fully depreciated property, plant, and equipment in use at 31 December 2023 and 2022 are as follows:

	Thousands of euros	
	2023	**2022**
Buildings	67,135	63,631
Plant and equipment	526,828	459,769
Other installations, tools and furniture	69,062	64,497
Property, plant, and equipment	27,200 €	24,148
Fully depreciated assets	**690,225**	**612,045**

As a result of the annual investment plan, at year-end 2023 there are commitments to acquire fixed assets amounting to 28,936 thousand euros, including the installation of a new converting centre in Thailand, an increase in plastics capacity in Mexico and environment-related investments in Spain and Brazil.

At 2022 year-end, non-current asset purchase commitments amounted to 4,233 thousand euros, related to the converting facilities in Thailand.

The Group has insurance policies covering the various risks to which its items of property, plant, and equipment are exposed. The coverage of these policies is considered sufficient.

Impairment test

During the last two years, no signs of impairment have been identified in any of the Group's cash-generating units.

However, investment in the US has generated negative results in recent years. During 2022, the Company's management decided to make certain investments in the American subsidiary in order to modernise the production assets and to improve the situation of this subsidiary. As a result of these investments (and an optimisation of their operation during the financial year 2023), management considers that there is no reason to impair the investment.

In order to carry out the impairment analysis, the main assumptions considered were as follows:

• investments of approximately USD 75 million have been made in the US plants, which have reached optimal operation in 2023 (these investments are almost entirely incorporated in Viscofan USA's assets at the end of 2022).

• the sales envisaged in the plan are expected to grow in the following years in line with installed capacity increases.

• the current circumstances of raw material and production costs have been considered, adapted to the current market circumstances and the new materialised investments.

• the EBITDA to sales projection is increasing as new investments materialise, reaching reasonable margins within the context of the group.

• the impact on working capital as a result of the projections made.

• the pre-tax discount rate is 10.10%.

After performing the above analysis, the present value of future cash flows is significantly higher than the present value of the investment. However, a sensitivity analysis has been performed on the main variables, identifying a more conservative scenario in the estimates, in which the slack in the analysis remains significant, as well as an increase in the discount rate to a value of 10.4%, without identifying any impairment. Finally, a more aggressive scenario has been considered in which both flow and discount rate sensitivities are considered, and in this scenario a deterioration of the US investment is not identified either.

7. Right-of-use

This note provides information on the rights of use under which the Group is a lessee.

7.1. Right-of-use assets

The balance sheet shows the following amounts related to rights of use:

	Thousands of euros					
	Buildings	**Plant and equipment**	**Other installations, tools and furniture**	**Property, plant, and equipment**	**Amortisation and depreciation**	*Total*
Opening balance as at 1 January 2022	**18,114**	**1,624**	**0**	**5,758**	**-11,528**	*13,968*
Exchange gains (losses)	246	7	0	70	-123	*200*
Additions	188	173	0	1,272	-5,289	*-3,656*
Disposals	-2,517	-82	0	-961	3,628	*68*
Transfers	0	0	0	0	0	*0*
Opening balance as at 1 January 2023	**16,031**	**1,722**	**0**	**6,139**	**-13,312**	*10,58*
Exchange gains (losses)	-160	-8	0	-31	136	*-63*
Additions	3,432	844	0	2,278	-5,293	*1,261*
Disposals	-1,254	-1,177	0	-1,045	3,275	*-201*
Transfers	250	0	0	-783	533	*0*
Closing balance as at 31 December 2023	**18,299**	**1,381**	**0**	**6,558**	**-14,661**	*11,577*

The balances of this heading at 31 December 2023 and 2022 are the following:

	Thousands of euros					
	31.12.2023			31.12.2022		
	Cost	**Amortisation and depreciation**	*Total*	**Cost**	**Amortisation and depreciation**	*Total*
Buildings	18,299	-10,674	*7,625*	16,031	-8,702	*7,329*
Plant and equipment	1,381	-576	*805*	1,722	-1,333	*389*
Property, plant, and equipment	6,558	-3,411	*3,147*	6,139	-3,277	*2,862*
TOTAL	**26,238**	**-14,661**	*11,577*	**23,892**	**-13,312**	*10,580*

Additions to right-of-use assets in 2023 amounted to 6,554 thousand euros; 1,633 thousand euros in 2022.

7.2. Right-of-use liabilities

The balance sheet shows the following amounts related to rights of use:

	Thousands of euros	
	2023	**2022**
Up to 3 months	442	598
3 months – 1 year	4,245	2,380
Current	**4,687**	**2,978**
Between 1 and 5 years	6,418	6,452
More than 5 years	436	1,060
Non-current	**6,854**	**7,512**
Total as at 31 December	**11,541**	**10,490**

The Group leases warehouses, offices and vehicles. Leases are usually for fixed periods, but may have options for extension.

Some property leases contain payment terms generally linked to inflation. There are no other variable payments.

Extension and termination options are included in a number of warehouse and office leases throughout the Group. The lease term incorporates options for extension or termination, with a maximum term generally of 10 years unless the extension term is shorter. No other assets have been identified within leased items whose useful life exceeds the term of the lease.

As a result of the changes in IAS 12 (Note 3.1), deferred tax assets and liabilities associated with these items have been recognised (Note 18) during the year, bearing no effect on the income statement.

8. Inventories

Details of inventories at 31 December 2023 and 2022 are as follows:

	Thousands of euros	
	2023	**2022**
Raw materials and other consumables	101,979	112,784
Semi-finished products	102,053	86,037
Finished products	195,552	158,255
Commercial inventories	13,293	9,415
Greenhouse gas emission rights	25,301	11,404
Advances to suppliers	4,714	3,893
Total Inventories	**442,892**	**381,788**

The valuation adjustments in 2023, corresponding to inventory impairment and obsolescence, entailed an expense of 6,409 thousand euros (an expense of 2,829 thousand euros in 2022), and they are recognised under "Consumption of raw materials and other consumables" and "Changes in inventories of finished goods and work in progress" in the consolidated income statement.

The emission rights consumed by the Company during 2023 and 2022 amounted to 294,406 and 317,106 tonnes, respectively.

The amount of the expense related to greenhouse gas emissions in 2023 was recognised under "Consumption of raw materials and other consumables" in the amount of 22,605 thousand euros (21,492 thousand euros in 2022).

Group companies have contracted various insurance policies to cover the risk of damage to inventories. The coverage of these policies is considered sufficient.

9. Trade and other receivables

The breakdown for "Trade and other receivables" at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Trade receivables	223,014	236,483
Other trade debtors	8,021	9,603
Advances to employees	102	64
Impairment	-2,228	-2,925
Total trade debtors	**228,909**	**243,225**
Receivables from public administrations	27,327	29,654
Accruals	4,009	3,42
Total other receivables	**31,336**	**33,074**
Total trade and other receivables	**260,245**	**276,299**

At 31 December 2023 and 2022, the age of trade receivables by maturity was as follows:

	Thousands of euros					
	Not due	Due				
		Up to 30 days	31-60 days	61-90 days	More than 90 days	*Total*
2023	200,937	20,136	4,078	1,98	1,778	*228,909*
2022	221,393	16,268	2,998	1,805	761	*243,225*

The Group has credit insurance contracts which cover the collection of the greater portion of its customer balances.

Trade receivables do not carry interest, and generally payment conditions range from 45 to 120 days.

The breakdown by currency of trade receivables is as follows:

	Thousands of euros							
	Euros	US Dollar	Czech Koruna	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	*Total book value*
2023	73,186	84,05	1,538	38,329	333	15,715	15,758	*228,909*
2022	82,211	89,107	1,722	38,837	1,679	11,301	18,368	*243,225*

The movement in impairment of customers for sales and services as well as other trade receivables is as follows:

	Thousands of euros	
	2023	2022
Opening balance as at 1 January	**-2,925**	**-2,684**
Exchange gains (losses)	-47	-129
Allowances	-160	-67
Utilised and payments	904	-45
Closing balance as at 31 December	**-2,228**	**-2,925**

At 31 December 2023 and 2022, balances receivable from public administrations are as follows:

	Thousands of euros	
	2023	2022
VAT receivable from Public Treasury	20,299	27,781
Receivable from Public Treasury for withholdings and payments on account	5,764	3
Other public bodies	1,264	1,87
Closing balance as at 31 December	**27,327**	**29,654**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US Dollar	Czech Koruna	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	*Total book value*
2023	7,63	1,82	592	10,686	5,66	39	900	*27,327*
2022	7,844	2,041	1,047	10,587	6,513	720	902	*29,654*

Impairment

Trade and other receivables are subject to the expected credit loss model. However, the impairment identified is immaterial.

Cash and cash equivalents is also subject to the impairment requirements under IFRS 9, although the impairment identified is also immaterial.

To establish the expected credit loss, the Group applies the simplified approach set out under IFRS 9.

To measure expected credit loss, trade receivables have been grouped together based on the characteristics of the shared credit risk and the days past due.

The expected loss rates are based on the payment profiles of sales during a 36-month period prior to 1 January 2023 and the corresponding historic credit losses experienced during this period. Historic loss rates are adjusted to reflect annual, forward-looking information about macroeconomic factors that affect the ability of customers to repay accounts receivable.

Furthermore, the Group impairs these accounts receivable by assessing the specific risks of non-recoverability, as was the case in the previous year, to establish whether there is objective evidence that an impairment has occurred. The Group considers that an impairment occurs when the debtor experiences significant financial difficulties or when there is a non-payment or delay in payments of more than 180 days.

Receivables for which an impairment was recognised are written off against the impairment amount when there is no expectation of recovering additional cash.

The change in the collection of flows in 2023 and that forecast for future years has not changed with regard to that of previous financial years.

10. Current and non-current financial assets

All derivative financial instruments at 31 December 2023 and 2022 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.

The breakdown at 31 December 2023 and 2022 of current and non-current financial assets not including trade and other receivables is as follows:

	Thousands of euros			
	Valued at			
	Amortised cost	**Fair value through P&L**	*Total book value*	*Fair value*
Financial investments	5,41	0	*5,41*	*5,41*
Deposits and guarantees lodged	2,151	0	*2,151*	*2,151*
Non-current financial assets	**7,561**	**0**	*7,561*	*7,561*
Equity instruments	0	759	*759*	*759*
Loans and other receivables	152	0	*152*	*152*
Short-term deposits	0	0	*0*	*0*
Current financial assets	**152**	**759**	*911*	*911*
Total as at 31 December 2023	**7,713**	**759**	*8,472*	*8,472*

	Thousands of euros			
	Valued at			
	Amortised cost	**Fair value through P&L**	*Total book value*	*Fair value*
Financial investments	1,108	1,521	*2,629*	*2,629*
Deposits and guarantees lodged	1,715	0	*1,715*	*1,715*
Non-current financial assets	**2,823**	**1,521**	*4,344*	*4,344*
Equity instruments	0	736	*736*	*736*
Loans and other receivables	846	0	*846*	*846*
Short-term deposits	0	0	*0*	*0*
Current financial assets	**846**	**736**	*1,582*	*1,582*
Total as at 31 December 2022	**3,669**	**2,257**	*5,926*	*5,926*

A breakdown of financial assets by maturity is as follows:

	Thousands of euros						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	*Total*
2023	911	608	25	—	913	6,015	*8,472*
2022	1,582	256	38	1	761	3,288	*5,926*

A breakdown by currency is as follows:

	Thousands of euros						
	Euros	US Dollar	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	*Total book value*
2023	5,501	111	2,06	538	133	129	*8,472*
2022	2,648	160	2,089	29	147	853	*5,926*

The Group has not recognised any impairment in relation to these assets at 31 December 2023 (or 31 December 2022).

11. Cash and cash equivalents

"Cash and cash equivalents" at 31 December 2023 and 2022 correspond entirely to the balances held by the Group in cash and at credit entities, with some accounts earning interest at market rates. The Group had no banking overdrafts during the periods, with all its balances freely distributable.

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US Dollar	Czech Koruna	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	*Total book value*
2023	15,811	13,036	9	6,826	2,203	9,282	4,829	*51,996*
2022	7,726	22,198	21	5,039	2,293	10,933	2,983	*51,193*

12. Equity

12.1. Share capital

At 31 December 2023, the Parent's share capital consisted of 46,500,000 bearer shares of 0.70 euros par value each. Total capital value was 32,550 thousand euros. The same as at 31 December 2022.

In both years, shares were fully subscribed for and paid up.

All shares bear the same voting and dividend rights and obligations, and are listed on the official Stock Exchanges of Madrid, Barcelona, and Bilbao under the automatic quotation system (continuous market). All shares are freely distributable.

At 31 December 2023 and 2022, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% stake	
	2023	**2022**
Corporación Financiera Alba, S.A.	14.25	14.25
APG Asset Management N.V.	9.997	9.997
Angustias y Sol, S.L.	5.02	5.02
Setanta Asset Management Limited	3.96	3.96

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of 19 October, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, no notification was received at year-end 2023 and 2022.

Capital management

The primary objective of the Viscofan Group's capital management is to safeguard its capital ratios to ensure the continuity of its business and maximize performance.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, increase capital or cancel treasury shares.

The Group monitors capital by analysing trends in its leverage ratio, in line with common practice in Spain. This ratio is calculated as net financial debt divided by total equity. Net financial debt includes total borrowings in the consolidated financial statements less cash and cash equivalents, and excluding liquid financial assets.

The Viscofan Group's primary objective is to maintain a healthy capital position. The leverage ratios as well as the analysis of net debt, at 31 December 2023 and 2022, were as follows:

	Thousands of euros	
	2023	**2022**
Cash and cash equivalents (Note 11)	51,996	51,193
Other current financial assets (Note 10)	911	1,582
Financial liabilities (Note 16)	-222,027	-183,899
Liabilities for right-of-use assets (Note 7.2)	-11,541	-10,49
Total net financial debt	**-180,661**	**-141,614**
Total equity	**-957,772**	**-906,87**
Leverage ratio	**18.9 %**	**15.6 %**

	Thousands of euros	
	2023	**2022**
Cash and cash equivalents (Note 11)	51,996	51,193
Other current financial assets (Note 10)	911	1,582
Financial debt repayable in one year (Notes 16 and 7.2)	-182,735	-139,897
Financial debt repayable over one year (Notes 16 and 7.2)	-50,833	-54,492
Net debt	**-180,661**	**-141,614**

	Thousands of euros	
	2023	**2022**
Cash and cash equivalents (Note 11)	51,996	51,193
Other current financial assets (Note 10)	911	1,582
Gross debt at fixed interest rates	-32,069	-31,441
Gross debt at variable interest rates (Note 22.4)	-201,499	-162,948
Net debt	**-180,661**	**-141,614**

The change in net debt, at 31 December 2023 and 2022, is as follows:

	Thousands of euros					
	Opening balance as at 1 January 2023	**Cash flows**	**Acquisitions and other non-cash changes**	**Change in fair value**	**Exchange gains (losses)**	*Closing balance as at 31 December 2023*
Cash and cash equivalents	**51,193**	-128			931	*51,996*
Other current financial assets	**1,582**	-652			-19	*911*
Liabilities included in financing activities	**0**					*0*
Current financial debt	**-117,826**	-38,408	-3,207		975	*-158,466*
Non-current financial debt	**-34,5**		3,207		175	*-31,118*
Interest	**-132**	6,275	-6,518			*-375*
Payable to suppliers of non-current assets	**-15,725**	-203			48	*-15,88*
Other current financial liabilities	**-3,236**	563	-654			*-3,327*
Other non-current financial liabilities	**-12,48**	-1,781	2,04		-640	*-12,861*
Current liabilities for right-of-use assets	**-2,978**	5,296	-6,983		-22	*-4,687*
Non-current liabilities for right-of-use assets	**-7,512**		759		-101	*-6,854*
Total net debt	**-141,614**	**-29,038**	**-11,356**	**0**	**1,347**	*-180,661*

	Thousands of euros					
	Opening balance as at 1 January 2022	**Cash flows**	**Acquisitions and other non-cash changes**	**Change in fair value**	**Exchange gains (losses)**	*Closing balance as at 31 December 2022*
Cash and cash equivalents	**91,352**	-41,675	0	0	1,516	*51,193*
Other current financial assets	**837**	741	0	0	4	*1,582*
Liabilities included in financing activities	**0**	0	0	0	0	*0*
Current financial debt	**-39,252**	-58,902	-19,19	0	-482	*-117,826*
Non-current financial debt	**-53,69**	0	19,19	0	0	*-34,5*
Interest	**-166**	1,569	-1,534	0	-1	*-132*
Payable to suppliers of non-current assets	**-5,791**	-9,979	0	0	45	*-15,725*
Other current financial liabilities	**-3,545**	1,165	-662	-194	0	*-3,236*
Other non-current financial liabilities	**-14,307**	1,845	662	-3	-677	*-12,48*
Current liabilities for right-of-use assets	**-4,528**	5,289	-3,628	0	-111	*-2,978*
Non-current liabilities for right-of-use assets	**-9,363**	0	1,912	0	-61	*-7,512*
Total net debt	**-38,453**	**-99,947**	**-3,25**	**-197**	**233**	*-141,614*

12.2. Share premium

The revised text of the Spanish Corporate Enterprises Act expressly permits companies to use the balance of the share premium account to increase capital and does not place any limit on the amount of the balance which may be used for this purpose.

The amount at 31 December 2023 and 12 thousand euros, the same as at 31 December 2022.

12.3. Reserves

Changes in this item are as follows:

	Thousands of euros			
	Other reserves	Exchange gains (losses)	Share-based payment (Note 23.3)	*Total*
Opening balance as at 1 January 2022	**815,034**	**-85,843**	**2,912**	*732,103*
Recognised income and (expense)	6,596	32,115	0	*38,711*
Dividends paid	-19,873	0	0	*-19,873*
Transfers between equity accounts	68,117	0	0	*68,117*
Movement in treasury shares	-4,389	0	-3,105	*-7,494*
Transactions with non-controlling interests	0	0	0	*0*
Share-based payment	0	0	1,581	*1,581*
Closing balance as at 31 December 2022	**865,485**	**-53,728**	**1,388**	*813,145*
Capital reduction	0	0	0	*0*
Recognised income and (expense)	-299	2,532	0	*2,233*
Dividends paid	-24,945	0	0	*-24,945*
Transfers between equity accounts	74,786	0	0	*74,786*
Movement in treasury shares	0	0	0	*0*
Transactions with non-controlling interests	0	0	0	*0*
Share-based payment	118	92	3,027	*3,237*
Closing balance as at 31 December 2023	**915,145**	**-51,104**	**4,415**	*868,456*

(a) Other reserves

• Legal reserves

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount of at least an amount equivalent to 20% of share capital. This reserve is not distributable to shareholders and its value at 31 December 2023 and 2022 amounts to 6,510 thousand euros.

• Revaluation reserve

The parent opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to items likely to be updated recorded in the balance sheet on 31 December 2012. The effect of this revaluation was not recognised in the Group's consolidated financial statements.

• Treasury share reserves

Pursuant to Article 148 of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Spanish Corporate Enterprises Act, the Parent Company must establish an unavailable reserve equivalent to the value of treasury shares in its possession (see Note 12.4). These reserves must be held for both stakes and shares that have not been disposed of.

b) Exchange gains (losses)

The detail of the most significant translation differences by company for the years ended 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Viscofan CZ sro	7,138	12,491
Viscofan Technology (Suzhou) Co. Ltd.	216	6,983
Viscofan USA Inc	8,358	11,629
Viscofan de México S.R.L. de C.V.	3,796	-7,063
Viscofan do Brasil, soc, Ltda.	-73,181	-78,156
Viscofan Uruguay, S.A.	-16,501	-15,434
Other Group companies	19,07	15,822
Closing balance as at 31 December	**-51,104**	**-53,728**

12.4. Movement in treasury shares

At the Annual General Meeting held on 27 April 2023, the Board of Directors was authorised for a period of 5 years to derivatively acquire shares in the Company, either directly or through Viscofan Group companies, within the limits and up to the maximum amount permitted by the Spanish Corporate Enterprises Act (articles 146 and 509) and at a price that may not be less than the nominal value of the share nor 15% higher than the listed price of the share on the Spanish Stock Exchange Interconnection System (SIBE) at the time the purchase order is entered.

During 2023, the Company acquired 112,800 treasury shares for an amount of 6,264 thousand euros under the authorisation granted by the Annual General Meeting of 27 April 2023. In addition, 15,389 treasury shares were delivered as part of the variable remuneration plan.

In 2022, 129,811 treasury shares were delivered to Viscofan, S.A. staff within the framework of the Company's variable remuneration plans. Also in 2022, the Company acquired 234,500 treasury shares, amounting to 12,231 thousand euros, under the current authorisation granted by the Annual General Meeting of 25 May 2018.

Thus, at 31 December 2023, Viscofan, S.A. held a total of 419,095 treasury shares representing 0.9% of its voting rights, for a value of 21,671 thousand euros.

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

12.5. Valuation adjustments

Movements in the years ended 31 December 2023 and 2022 were as follows:

	Thousands of euros		
	Exchange rate insurance	**Commodity derivatives**	*Total*
Opening balance as at 1 January 2022	**-592**	**1,059**	*467*
Profit/(Loss), net of tax effect	2,252	0	*2,252*
Reclassifications of (losses) or gains to the income statement, net of tax effect	592	-753	*-161*
Closing balance as at 31 December 2022	**2,252**	**306**	*2,558*
Profit/(Loss), net of tax effect	2,052	0	*2,052*
Reclassifications of (losses) or gains to the income statement, net of tax effect	-694	-1,89	*-2,584*
Closing balance as at 31 December 2023	**3,61**	**-1,584**	*2,026*

12.6. Distribution of Profits and other Shareholder Remunerations

The Board of Directors of VISCOFAN has resolved to propose to the Annual General Meeting the payment (out of 2023 results and voluntary reserves) of a dividend with an aggregate gross amount equal to the sum of the amounts indicated below (the "Dividend"). The

Board proposes to:

(a) ratify the payment of 64,562,967 euros as an Interim Dividend distributed on 20 December 2023 (the "2023 Interim Dividend") and which corresponds to 1.40 euros per share multiplied by the number of shares that did not have the status of direct treasury stock on the corresponding dates as approved by the Board of Directors; and

(b) the amount resulting from multiplying:

- The gross amount per share that will be paid by the Company as a Final Dividend for fiscal year 2023 in the first exercise of the "Viscofan Flexible Remuneration" optional dividend system for fiscal year 2024 (the "Final Dividend"), as follows:

- The total number of shares with respect to which their holders have chosen to receive the cash dividend within the framework of the first exercise of the "Viscofan Flexible Remuneration" optional dividend system for fiscal year 2024.

At the date of preparation of these consolidated financial statements, it is not possible to specify the amount of the Final Dividend or, consequently, the amount of the dividend to be charged to profits for the year 2023.

The payment of the Final Dividend shall be carried out jointly with the share capital increase that the Board of Directors submits to the approval of the 2024 Annual General Meeting, with the purpose of offering the Company's shareholders the possibility of receiving their remuneration in cash (in the Final Dividend) or in newly issued paid-up shares of the Company (through the increase in share capital). The collection of the Final Dividend will be one of the alternatives available to shareholders when receiving their remuneration within the framework of the first exercise of the "Viscofan Flexible Remuneration" optional dividend system corresponding to fiscal year 2024, to be carried out by means of the capital increase referred to above.

The Board of Directors also plans to reduce the Company's share capital by redeeming treasury shares, thus avoiding any dilution for shareholders who choose to receive their dividend in cash.

The Board of Directors estimates that the gross amount of the Final Dividend shall be 1.59 euros per share. Consequently, taking into consideration the amount of the 2023 Interim Dividend of 1.40 euros per share and the 0.01 euros per share bonus for attendance to the Annual General Meeting, the total remuneration for shareholders is 3.00 euros per share. Out of the aforementioned estimated amount of 3.00 euros per share, 2.00 euros correspond to the increasing ordinary remuneration that the Board of Directors has been proposing to the Annual General Meeting in recent years (1.95 euros per share charged to fiscal year 2022), while the 1.00 euro per share above this amount is extraordinary in light of the current market and Company conditions.

The proposed ordinary remuneration (2.00 euros per share) is equivalent to the distribution of 65.6% of the net profit.

The proposed total and ordinary distribution are, respectively, 53.8% and 2.6% higher than the previous year's remuneration of 1.95 euros per share.

The definite amount of the Final Dividend will be communicated as soon as it is determined by the Board of Directors (or the body delegated by it) in accordance with the terms of the dividend distribution and capital increase resolutions that the Board submits to the Annual General Meeting regarding the "Viscofan Flexible Remuneration" optional dividend system for fiscal year 2024. Once the first exercise of the "Viscofan Flexible Remuneration" for fiscal year 2024 has been completed, the Board of Directors (with full power of substitution) will produce a distribution proposal, determining the final amount of the dividend and the amount to allocated to carry-over.

In 2022, the total remuneration for shareholders amounted to 1.95 euros per share, of which the distribution of earnings represented a dividend of 1.94 euros per share (1.40 euros per share paid on 22 December 2022 as an Interim Dividend and 0.54 euros per share paid on 2 June 2023 as a Final Dividend) and 0.01 euros per share corresponding to the payment of fees to attend the 2023 Annual General Meeting (this later payment was recorded as an expense for the year).

Parent profits for the year ended 31 December 2022 were distributed as approved by the shareholders at the Annual General Meeting held on 27 April 2023.

On 23 November 2023, the Board of Directors approved an Interim Dividend out of the profit for the year 2023 of 64,563 thousand euros, equivalent to a dividend per share of 1.4 euros. This dividend was paid on 20 December 2023.

The value of this dividend is inferior to the maximum limit permitted by prevailing legislation on distributable profit once the year has ended.

The statement required by current legislation and prepared by the Parent's Board of Directors in respect of the distribution of the 2023 Interim Dividend is as follows:

	Thousands of euros
Available cash at 31 December 2023	**4,858**
Receipts from customers and debtors	33,13
Other income	538
Accounts payable and suppliers	-13,892
Payments made to employees	-23,925
Interest paid	-120
Other payments	-13,679
Operating cash flows	**-17,948**
Dividends	126,799
Purchases of property, plant, and equipment	-4,415
Investment in group companies	-12
Cash flow related to investment activities	**110,384**
Repayment of non-current borrowings	0
Dividends paid	-92,387
Purchase of treasury shares	0
Cash flow related to financing activities	**-92,387**
Projected liquidity at 31 December 2024	**4,907**

The Company had sufficient liquidity to pay the interim dividend through dividends already received from subsidiaries plus the use of available credit lines.

13. Deferred income

Regulatory changes in 2023 (Note 3.7) led to a restatement of amounts recorded and to a series of regularisations of amounts pending final confirmation. Considering regulatory changes for future periods, prospective amounts have been recorded so that they reflect fair values for each period.

14. Non-current employee benefits and other provisions

The breakdown of this heading in the Consolidated Statement of Financial Position is as follows:

		Thousands of euros	
	Note	**2023**	**2022**
Defined benefit		17,266	16,278
Other staff remuneration		8,65	6,03
Non-current employee benefits	**14.1**	**25,916**	**22,308**
Provisions for other litigations		0	0
Other		43	0
Other non-current provisions		**43**	**0**
Provisions for guarantees / Returns		3,742	2,752
Safety in the workplace provision		534	1,407
Provisions for emission allowances		21,934	21,489
Other		18	553
Current provisions	**14.2**	**26,228**	**26,201**

14.1. Non-current employee benefits

The Group makes contributions to various different defined benefit plans. The most relevant plans are located in Germany, United States and Canada.

Actuarial valuations are used for all.

• ***Pension plans in Germany***

A contribution is made through the Viscofan DE GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At 31 December 2023, there were 268 employees, 481 retirees, and ex-employees. At 31 December 2022, there were 293 employees and 475 retirees and former employees.

The number of the above beneficiaries does not included retirees who, from 2010 and 2013, are paid by the insurance company. The agreement does not imply cutting back or cancelling the policy, as the obligation ultimately lies with Viscofan DE GmbH. However, the characteristics of the plan make the value of the assets and liabilities constant for the duration of the contract, so that both the assets and the liabilities offset each other, resulting in a current value of zero for the obligation.

The net obligation corresponding to pension plans amounts to 14,400 thousand euros at 31 December 2023 and 12,293 thousand euros at 31 December 2022.

• ***Pension plans in the United States of America***

The subsidiary Viscofan USA Inc., following its merger with Viscofan Collagen USA Inc, contributes to two defined benefit plans.

1) Retirement Plan for Hourly Employees. This plan provides a life annuity for employees and former employees of the company and has a total of 168 beneficiaries (22 of them serving and 146 of them retired and former employees).

The net obligation amounts to -189 thousand euros at 31 December 2023 due to the fact that the value of the fund is higher than the obligation. The plan's capitalisation rate is 101.96% of the value of the obligation.

At 31 December 2022 the net obligation amounted to 357 thousand euros with a capitalisation rate of 96.48 % of the value of the obligation and 175 beneficiaries (26 active and 149 retired and former employees).

This plan has been frozen as of 1 December 2010.

2) Retirement Plan for Salaried Employees. The plan provides an annuity for 126 participants (12 active, 114 retired and former employees),

with a net obligation amounting to 976 thousand euros at 31 December 2023, and a capitalisation rate of 91.19 % of the value of the obligation.
At 31 December 2022 the net obligation amounted to 1,620 thousand euros with a funding rate of 87.23 % of the value of the obligation and 128 participants (14 active and 114 retired and former employees).
This plan has been frozen as of 31 January 2008.

• ***Pension plans in Canada***

In fiscal year 2023, the pension plan registered by Viscofan Canada Inc. was outsourced. To this end, the Company has met the fund's needs in 100% by contributing CAD 139 thousand (equivalent to EUR 95 thousand) and subsequently transferring all the assets of the fund, CAD 5,265 thousand (equivalent to EUR 3,605 thousand), to an external insurance company.

In fiscal year 2022, there were 38 beneficiaries of the fund, including 16 active and 22 retired and former employees.

At 31 December 2022, the capitalisation rate was 100%, and the obligation equal to the fair value of the related assets.

This plan has been frozen as of 31 March 2011.

The most significant information regarding the pension plans was as follows:

a) Amounts recognised in the Statement of financial position:

	Thousands of euros	
	2023	**2022**
Present value of the obligation	**-38,215**	**-40,756**
Plans in Germany	-14,4	-12,293
Plans in the United States and Canada	-21,736	-26,457
Plans in other countries	-2,079	-2,006
Present value of assets	**20,949**	**24,478**
Plans in the United States and Canada	20,949	24,478
Net obligation at 31 December	**-17,266**	**-16,278**

b) Changes in the present value of net obligations:

	Thousands of euros							
	Germany		Plans in the United States and Canada		Plans in other countries		*Total*	
	2023	2022	2023	2022	2023	2022	*2023*	*2022*
Obligation at 1 January	**12,293**	**18,957**	**26,457**	**32,884**	**2,006**	**2,341**	*40,756*	*54,182*
Current service cost (Note 20)	143	278	0	0	72	62	*215*	*340*
Interest cost	509	245	1,163	885	121	86	*1,793*	*1.216*
Payments made	-397	-332	-1,981	-2,166	-219	-155	*-2,597*	*-2.653*
Actuarial loss (gain)	1,852	-6,855	530	-7,019	65	-492	*2,447*	*-14.366*
Exchange gains (losses)	0	0	-826	1,873	34	164	*-792*	*2.037*
Pension fund outsourcing	0	0	-3,607	0	0	0	*-3,607*	*0*
Present value of the obligation as at 31 December	**14,4**	**12,293**	**21,736**	**26,457**	**2,079**	**2,006**	*38,215*	*40,756*
Active	*5,489*	*5,096*	*2,416*	*3,524*	*973*	*818*	*8,878*	*9.438*
Former employees	*1,887*	*1,785*	*4,448*	*4,851*	*0*	*0*	*6,335*	*6,636*
Retirees	*7,024*	*5,412*	*14,872*	*18,082*	*1,106*	*1,188*	*23,002*	*24,682*

c) Changes in the fair value of plan assets in the USA and the Canada:

	Thousands of euros	
	2023	2022
Fair value of assets at 1 January	**24,478**	**29,403**
Return on assets	2,62	-4,395
Company contribution	95	0
Payments made	-5,463	-2,166
Exchange gains (losses)	-781	1,636
Acquired in business combinations	0	0
Fair value of assets at 31 December	**20,949**	**24,478**
Cash	*0*	*0*
National investment funds	*20,148*	*22,287*
International investment funds	*801*	*2,192*

d) Information relating to the amounts recognised in the consolidated income statement.

Current service costs for the period are included in employee benefits expenses.

	Thousands of euros	
	2023	2022
Current service cost	**215**	**340**
Plans in Germany	143	278
Plans in other countries	72	62
Net financial cost	**628**	**-163**
Interest cost of plans in Germany	509	245
Interest cost of plans in the United States and Canada	-2	-494
Interest cost of plans in other countries	121	86
Expense (income) recognised in the year	**843**	**177**

e) Information relating to the amounts recognised in the consolidated statement of comprehensive income:

	Thousands of euros	
	2023	**2022**
Actuarial loss and gain	**-992**	**8,593**
Derived from changes in demographic assumptions	-1,977	14,741
Derived from changes in financial assumptions	0	0
Derived from experience	-470	-375
Return, other than expected return, on plan assets	1,455	-5,773
Tax effect	**693**	**-1,997**
Net profit or loss recognised in the Consolidated Statement of Comprehensive Income (Note 12.3)	**-299**	**6,596**

f) Principal actuarial assumptions used in the plans:

• Pension plans in Germany

	2023	**2022**
Annual discount rate	3.5%	4.2%
Expected rate of pension increases	2.3%	2.3%
Expected age of retirement for employees	65-67	65-67

The mortality tables used to quantify the defined benefit obligation were those corresponding to Heubeck Richttafeln 2005 G.

• Pension plans in the United States and Canada

	2023	**2022**
USA		
Annual discount rate	5.1%	5.1%
Expected rate of return on assets	5.3%	5.3%
Canada		
Annual discount rate	0%	5.2%
Expected rate of return on assets	0%	5.2%

The mortality tables used to determine the defined benefit obligation were those for Pri-2012 Private Retirement Plans Mortality Tables (in the USA) and the Canadian Private Sector Pensioners' Mortality Table combined with the mortality improvement scale MI-2017 (in Canada).

g) Future payments expected for coming periods:

	Thousands of euros	
	2023	**2022**
Payments to be made within the next 12 months	2,377	2,666
Payments to be made between 1 and 2 years	2,342	2,623
Payments to be made between 2 and 3 years	2,382	2,635
Payments to be made between 3 and 4 years	2,392	2,685
Payments to be made between 4 and 5 years	2,37	2,698
Payments to be made between 5 and 10 years	11,54	13,141
Payments to be made over 10 years	22,289	24,836

h) Sensitivity analysis for each of the main assumptions.

How would the obligation affect a possible reasonable change in each assumption at year-end.

	Thousands of euros	
	2023	**2022**
Discount rate		
50 basis point increase	-1,949	-2
Decrease by 50 basis points	2,145	2,178
Pension increases		
50 basis point increase	923	760
Decrease by 50 basis points	-845	-698
Life expectancy		
Increase by 1 additional year	1,236	1,212

The sensitivity analysis is based on a change in one hypothesis while considering the remaining hypotheses as unchanged.

• ***Other employee benefits and long-term remuneration***

The movements at 31 December 2023 and 2022 are as follows:

	Thousands of euros	
	2023	**2022**
Balance as at 1 January	**6,03**	**4,354**
Exchange gains (losses)	-37	19
Transfer to outstanding remuneration	-48	-179
Allowances	2,853	3,27
Payments	-148	-1,434
Balance as at 31 December	**8,65**	**6,03**

In the 2023 financial year, 6,042 thousand euros corresponding to the Long-Term Incentive Plan are included. In 2022, 2,539 thousand euros were transferred to "Remuneration payable" under this heading for this item.

The features of the Long-Term Incentive Plan are detailed in Note 23.

Included under this heading are prizes that the subsidiary Viscofan DE GmbH has established for its employees. This loyalty bonus is received when its employees complete 25 years of service. Employees receive a payment of 1,000 euros and a month's gross salary multiplied by 0.8 plus one day of holidays; when reaching 40 years of service, a payment of 1,000 euros and a month's gross salary multiplied by 1.1 plus one day of holidays; when reaching 50 years of service, one day of holidays.

The number of beneficiaries amounts to 532 employees (543 in the previous period), while the obligation amounts to 1,431 thousand euros and 1,378 thousand euros at 31 December 2023 and 2022, respectively. The beneficiaries received 154 thousand euros in payments during 2023 (2022: 162 thousand euros). The payable amount expected for 2024 totals 155 thousand euros.

recognised service costs and financial expenses for the current period amounted to 77 thousand and 55 thousand euros, respectively (2022: 114 thousand and 21 thousand euros, respectively).

The hypotheses used for calculating the obligations were the same as those used for the pension plan of the same subsidiary as described in the previous point.

14.2. Current provisions

(a) Provision for guarantees / refunds

A provision is recognised for warranty claims anticipated for products sold during the last year, based on past experience regarding the volume of returns. Most of these costs are expected to be incurred in the following year.

(b) Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom work for the Brazil subsidiary, in relation to resignations or terminations. These claims did not arise as a result of a specific incident, but are customary practice in Brazil. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2023.

(c) Emission rights provision

The emission rights provision includes the estimated consumption of emission rights during 2023 and 2022 valued in accordance with the measurement standard described in Note 4.17.

14.3. Contingent assets and liabilities

(a) Contingent liabilities

Legal claims of various kinds have been filed against Brazilian subsidiary Viscofan do Brasil, amounting to BRL 40,400 thousand (EUR 7.7 million), of which only EUR 175 thousand are classified as probable. There are sufficient provisions to cover the probable risk.

In April 2023, Sayer Technologies filed a lawsuit against the US subsidiary Viscofan USA Inc. in the state of New Jersey claiming USD 137,309 for unpaid invoices. Viscofan USA Inc. has opposed this claim on the grounds of prior breach of contract and has filed a counterclaim in July. It is currently awaiting a decision from the court.

b) Contingent assets

American subsidiary Viscofan USA Inc. has filed a lawsuit against Ameren Corporation claiming damages of USD 6 million for negligent maintenance of the electrical substation, which has caused several plant shutdowns in the last year. A court decision is currently pending on the motion filed by Ameren Corporation to dismiss the lawsuit.

15. Trade and other payables

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

	Thousands of euros	
	2023	**2022**
Suppliers	43,578	55,363
Accounts payable for services rendered and other accounts payable	36,461	42,851
Customer advances	3,613	2,036
Wages and salaries payable	18,058	21,154
Trade payables	**101,71**	**121,404**
Payable to public administrations	23,81	21,577
Other accounts payable	**23,81**	**21,577**
Closing balance as at 31 December	**125,52**	**142,981**

The breakdown by currency of trade payables is as follows:

	Thousands of euros							
	Euros	**US Dollar**	**Czech Koruna**	**Brazilian Real**	**Mexican Peso**	**Chinese Yuan**	**Other currencies**	*Total book value*
2023	47,622	22,664	4,087	5,374	5,928	3,822	12,213	*101,71*
2022	52,727	35,291	4,977	5,597	6,733	4,671	11,408	*121,404*

At 31 December 2023 and 2022, balances payable to public administrations were as follows:

	Thousands of euros	
	2023	2022
VAT payable to Public Treasury	6,617	7,01
Payable to Public Treasury for withholdings	13,261	11,587
Creditor social security bodies	3,438	2,58
Other public bodies	494	400
Closing balance as at 31 December	**23,81**	**21,577**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US Dollar	Czech Koruna	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	*Total book value*
2023	16,038	122	504	2,766	3,18	438	762	*23,81*
2022	14,536	82	542	1,501	2,838	1,367	711	*21,577*

Information on late payments to suppliers in Spain in commercial transactions

In accordance with the third additional provision "Disclosure requirements" of Law 15/2010, dated 5 July, information on the average payment period to Spanish Group suppliers of the Spanish entities included in the consolidated group was as follows:

	Days	
	2023	2022
Average supplier payment period	21.2	23.7
Ratio of paid transactions	20.7	23.8
Ratio of transactions pending payment	26.1	22.5

	Thousands of euros	
	2023	2022
Total payments made	229,909	256,59
Total future payments	21,319	12,243
Monetary volume paid in a period shorter than the maximum period laid down in the late payment regulations	229,475	268,264

	2023
Invoices paid in a period shorter than the maximum period established in the late payment regulations	16,338
Percentage share of total monetary payments to their suppliers	99.81 %
Percentage share of total number of invoices	99.66 %

16. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at 31 December 2023 and 2022, is as follows:

	Thousands of euros				
	Up to 1 year	Between 1 and 5 years	More than 5 years	*Total book value*	*Fair value*
Payable to credit institutions	158,465	31,118	0	*189,583*	*189,583*
Accrued interest payable	375	0	0	*375*	*375*
Other financial liabilities	19,208	7,373	5,488	*32,069*	*32,069*
Valued at amortised cost	*19,208*	*7,373*	*5,488*	*32,069*	*32,069*
Total as at 31 December 2023	*178,048*	*38,491*	*5,488*	*222,027*	*222,027*

	Thousands of euros				
	Up to 1 year	**Between 1 and 5 years**	**More than 5 years**	*Total book value*	*Fair value*
Payable to credit institutions	117,826	34,5	0	*152,326*	*152,326*
Accrued interest payable	132	0	0	*132*	*132*
Other financial liabilities	18,961	6,579	5,901	*31,441*	*31,441*
Valued at amortised cost	*18,961*	*6,579*	*5,901*	*31,441*	*31,441*
Total as at 31 December 2022	*136,919*	*41,079*	*5,901*	*183,899*	*183,899*

At 31 December 2023, the amount in "Amounts owed to credit institutions" in December 2023 included loans signed to transform part of its traditional financing into sustainable financing, amounting to 44.5 million euros (42.2 million euros in 2022). In addition, sustainable credit lines with a limit of 57,000 thousand euros have been contracted in the year 2023, of which 16,779 thousand euros have been drawn down. Interest is linked to the trend of indicators with an annual review period. This process started in the 2021 financial year.

The sustainability parameters established are the reduction of CO2 emissions, the reduction of m3 of water withdrawal and the tonnes of waste sent to the landfill, all of them tied to km of casing 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 can be seen 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 classification was determined based on actual maturities of balances drawn down from credit lines. Thus, the balance drawn down from credit lines whose annual renewal has already been agreed upon subsequent to year end are included in the 1-year period.

These credit lines will be renewed as they mature.

Financial liabilities for debts with credit institutions accrue interest, both in this and the previous fiscal year, at variable rates referenced to Euribor or Libor plus a differential in accordance with market conditions.

"Other financial liabilities" at 31 December 2023, both current and non-current, mainly includes:

- Loans with interest rates sponsored by entities such as the CDTI and the Ministry of Economy and Competitiveness amounting to 13,750 thousand euros.

- Non-current assets suppliers, amounting to 15,880 thousand euros.

31 December 2022 mainly includes:

- Loans with interest rates sponsored by entities such as the CDTI and the Ministry of Economy and Competitiveness amounting to 12,246 thousand euros.

- Non-current assets suppliers, amounting to 15,725 thousand euros.

The Group recognizes the implicit interest on these loans using market interest rates.

A breakdown by currency is as follows:

	Thousands of euros				
	Euros	**US Dollar**	**Czech Koruna**	**Other currencies**	*Total book value*
2023	197,914	6,059	1,059	16,995	*222,027*
2022	165,53	6,274	2,636	9,459	*183,899*

The limits, the amount drawn down, and the drawable amount under credit and discount lines as at 31 December are as follows:

	Thousands of euros	
	2023	**2022**
Limit	235,743	149,767
Outstanding	129,799	96,636
Available	105,944	53,131

The undiscounted value of financial liabilities classified by maturity without taking into account derivative financial instruments at 31 December 2023 and 2022 is as follows:

	Thousands of euros						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	*Total*
Principal of the debt	158,464	14,452	12,667	4	0	0	*189,583*
Interest	467	78	62	16	0	0	*623*
Financial liabilities to credit institutions	**158,931**	**14,53**	**12,729**	**4,016**	**0**	**0**	**190,206**
Principal of the debt	19,208	2,576	1,701	1,521	1,575	5,488	*32,069*
Interest	250	100	80	67	55	43	*595*
Other financial liabilities	**19,458**	**2,676**	**1,781**	**1,588**	**1,63**	**5,531**	*32,664*
Total as at 31 December 2023	**178,389**	**17,206**	**14,51**	**5,604**	**1,63**	**5,531**	*222,87*

	Thousands of euros						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	*Total*
Principal of the debt	117,826	22,667	5,167	6,666	—	—	*152,326*
Interest	416	149	43	27	—	—	*635*
Financial liabilities to credit institutions	**118,242**	**22,816**	**5,21**	**6,693**	**—**	**—**	*152,961*
Principal of the debt	18,961	2,195	1,563	1,529	1,292	5,901	*31,441*
Interest	235	93	77	65	54	44	*568*
Other financial liabilities	**19,196**	**2,288**	**1,64**	**1,594**	**1,346**	**5,945**	*32,009*
Total as at 31 December 2022	**137,438**	**25,104**	**6,85**	**8,287**	**1,346**	**5,945**	*184,97*

At 31 December 2023, the Group had reverse factoring facilities with a joint limit of 4,000 thousand euros (4,000 thousand as at 31 December 2022), as well as multi-risk policies totalling 13,000 thousand euros, (13,000 thousand as at 31 December 2022).

17. Derivative financial instruments

The breakdown of balances, which include the values of the derivative financial instruments at 31 December 2023 and 2022, is as follows:

	Thousands of euros							
	2023				2022			
	Valued at fair value through P&L		Valued at fair value through P&L		Valued at fair value through P&L		Valued at fair value through P&L	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	0	0	0	0	292	0	50	3
Raw material hedges	0	0	0	0	0	0	0	0
Non-current financial instruments	**0**	**0**	**0**	**0**	**292**	**0**	**50**	**3**
Exchange rate insurance	1,348	0	782	43	2,789	0	262	450
Raw material hedges	2,2	0	0	0	425	0	0	0
Interest rate hedges	0	0	0	0	0	0	0	0
Current financial instruments	**3,548**	**0**	**782**	**43**	**3,214**	**0**	**262**	**450**
Total	**3,548**	**0**	**782**	**43**	**3,506**	**0**	**312**	**453**

Derivatives are only used for 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 reporting period.

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in P&L	*Total book value*	*Fair value*
Non-current derivatives	0	0	*0*	*0*
Current derivatives	782	3,548	*4,33*	*4,33*
Total Financial Assets as at 31 December 2023	**782**	**3,548**	*4,33*	*4,33*
Non-current derivatives	0	0	*0*	*0*
Current derivatives	43	0	*43*	*43*
Total Financial Liabilities as at 31 December 2023	**43**	**0**	*43*	*43*

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in P&L	*Total book value*	*Fair value*
Non-current derivatives	50	292	*342*	*342*
Current derivatives	262	3,214	*3,476*	*3,476*
Total Financial Assets as at 31 December 2022	**312**	**3,506**	*3,818*	*3,818*
Non-current derivatives	3	0	*3*	*3*
Current derivatives	450	0	*450*	*450*
Total Financial Liabilities as at 31 December 2022	**453**	**0**	*453*	*453*

17.1. Electricity and gas coverage

Certain production costs of the Company are linked to the cost of electricity. For this reason, and in order to combat the negative effect of the current volatility of the electricity market, in 2022 the Company, through its subsidiary Viscofan España, S.L.U., entered into a long-term contract with its electricity supplier, which covers 33% of its annual consumption. The duration of the contract covers the periods from 2023 to 2027 in which a pool price has been fixed to which the Power Term as well as the Energy Term will be added.

At the end of 2023 the Company, through Viscofan España, S.L.U., signed an agreement with an energy supplier to purchase all the energy generated by a photovoltaic plant to be built in the vicinity of its facilities for a period of 30 years. The supplier is currently in the process of obtaining permits for the construction of such a plant.

The entire operation is carried out towards securing own consumption, not incorporating speculative elements, and with the sole objective of locking in a reasonable energy cost under the current market conditions.

During fiscal year 2023, the Company entered into gas hedging contracts for the period from February 2024 to January 2025 for a total of 285,000 MWh.

The Group did not enter into any gas hedging contracts in 2022.

17.2. Exchange rate insurance

Part of the fair value of the exchange rate insurances at year end was recognised as income or expense on the consolidated income statements for 2023 and 2022. The amount recognised directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable recognised in the consolidated statements of financial position at the exchange rate at year end. No significant inefficiencies were noted in 2023 and 2022 in any derivative financial instruments contracted.

The Viscofan Group uses derivatives to hedge exchange rates in order to mitigate the possible adverse effects that exchange rate fluctuations might have on transactions in currencies other than the functional currency of certain Group companies.

The nominal value of the main exchange rate insurances in effect at 31 December 2023 and 2022, is as follows:

	Thousands of euros	
	2023	2022
US dollar	49,5	104,25
Pounds Sterling	—	750
Canadian Dollar	—	3
Brazilian Real	—	5,25

18. Income tax

The breakdown for deferred tax assets and liabilities, by type, is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Non-Current assets	24,264	12,045	-29,051	-18,31	-4,787	-6,265
Current assets	11,346	9,835	-536	-252	10,81	9,583
Non-current liabilities	8,993	4,237	-1,21	-541	7,783	3,696
Current liabilities	3,042	3,402	-2,033	-776	1,009	2,626
Total as at 31 December	**47,645**	**29,519**	**-32,83**	**-19,879**	**14,815**	**9,64**

The main changes seen in 2023 relate Viscofan USA, Inc. recording temporary differences in assets and liabilities related to investments made and their accounting effects.

Deferred tax assets, on current assets, are mainly due to the effect on tax of the elimination of the margin in inventory acquired between Group companies, as well as provisions on inventories that are not tax-deductible in some countries. With respect to the deferred tax asset from non-current assets, this relates mainly to the activation of tax credits for tax losses (of 7,577 thousand euros). In addition, deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 18 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended 31 December 2023 and 2022, mainly relate to the application of different amortisation rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealised gains on PP&E items acquired in different business combinations.

The breakdown of deferred tax assets and liabilities recognised in the balance sheet, according to the items giving rise to them, is as follows:

	2023	
Deferred taxes	**Assets**	**Liabilities**
Tax losses (pending allocation)	7,577	—
Differences between accounting and tax depreciations	6,796	20,389
Staff and other provisions	5,587	149
Provisions for impairments	7,825	—
Originating from IFRS 16	2,802	2,798
Limitation of financial expenses	2,873	—
Other deferred taxes	14,185	9,494
Total as at 31 December	**47,645**	**32,83**

Assets within item "Other deferred tax" mainly include the temporary differences generated in Viscofan USA, corresponding to the deferral of the deductibility of certain expenses related to investments made.

The 2022 statements have been restated as a result of the amendment to IAS 12 "Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction". The impact of this restatement has been an increase of +2,726 thousand euros in deferred tax assets and liabilities, with no impact on the 2022 results.

The tax assets recognised in respect of tax loss carry-forwards (pending application), amounting to 7,577 thousand euros, correspond to:

Jurisdiction	Thousands of euros
Australia	172
USA	7,405
Total as at 31 December	**7,577**

The following is a breakdown of the deferred tax assets not recorded at year-end 2023:

		Breakdown by item		
Jurisdiction	**Thousands of euros**	**Tax losses**	**Tax assets (Note 4.24 e)**	**Other deferred taxes**
Germany	1,081	1,081	—	—
Australia	2,07	2,07	—	—
Belgium	3,102	3,102	—	—
Brazil	1,869	—	1,869	—
Spain	9,642	—	8,947	695
USA	32,194	24,714	7,48	—
New Zealand	310	224	—	85
Switzerland	165	—	—	165
Uruguay	14,614	—	13,506	1,109
Total as at 31 December	**65,047**	**31,191**	**31,802**	**2,054**

In addition, a tax incentive derived from investments in the country is available in the Republic of Serbia, reducing corporate income tax liability by 42% on tax returns filed from 2022 until 2031.

In Thailand, in February 2023, the Thailand Board of Investment granted the Group a corporate tax incentive for investments made in the country, reducing corporate tax rate by 60% until 2034.

During 2022 the Chinese subsidiary Viscofan Technology (Suzhou) Co. Ltd.'s rating was again deemed as "High Tech" for 3 years and, therefore, its tax rate dropped from 25% to 15%.

In the US, tax loss carry-forwards have been generated between 2008 and 2023. Those generated between 2008 and 2017 have a legal expiry of 20 years from generation, with no allocation limit. Those generated from 2018 onwards have no legal expiry or application limit until 2020 and are capped at 80% of the tax base as from the year beginning 1 January 2021.

The tax assets were generated between 2015 and 2023, have a legal expiry date of 20 years from their generation and their allocation is capped at 75% of the tax liability they are allocated to.

In relation to the temporary taxable differences of the subsidiaries, as at 31 December 2023 and 2022, the Group did not recognise any amount in this regard based on its dividend distribution policy, according to which it unlikely that the results accumulated by the subsidiaries as at 31 December 2023 will be distributed in the foreseeable future. This unrecognised deferred tax liability would total approximately 8.2 million euros at 31 December 2023 (11.1 million euros at 31 December 2022).

The breakdown of changes during the year in recognised deferred tax assets and liabilities arising from temporary differences recognised as income tax expense/(income) on the consolidated statement of recognised income and expense and as "Other income and expenses" on the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2023	**2022**
Non-current assets	-1,421	2.070
Current assets	1,074	1.884
Non-current liabilities	5,358	-509
Current liabilities	-800	778
Consolidated income statement	**4,211**	**4,223**
Non-current assets	173	-71
Current assets	152	301
Non-current liabilities	675	-1.696
Current liabilities	-37	-480
Other results of the Consolidated Statement of Comprehensive Income	**963**	**-1,946**
Total change in deferred taxes and deferred tax liabilities	**5,174**	**2,277**

The breakdown of deferred taxes charged directly against "Other comprehensive income" on the Consolidated Statement of Comprehensive Income is as follows:

	Thousands of euros	
	2023	**2022**
Actuarial gains or losses on pension plans	693	-1,997
Adjustments for changes in value cash flow hedges	54	-666
Other items	216	717
Charged directly to other comprehensive income in the Consolidated Statement of Comprehensive Income	**963**	**-1,946**

The major components of income tax expense for the years ended 31 December 2023 and 2022, are as follows:

	Thousands of euros	
	2023	**2022**
Corporate income tax expense for the year	32,342	48,966
Adjustments to prior years' income taxes	-187	-384
Current income tax	**32,155**	**48,582**
Origination and reversal of temporary differences	-4,211	-4,223
Deferred taxes	**-4,211**	**-4,223**
Income tax expense on income from continuing operations	**27,944**	**44,359**

A reconciliation between tax expense/(income) on continued operations and the product of profit before tax multiplied by the tax rate prevailing in Spain (Navarre) on 31 December, is as follows:

	Thousands of euros	
	2023	**2022**
Profit for the year before tax from continuing operations	**168,906**	**183,789**
Permanent differences	15,276	4,023
Preliminary tax base	184,182	187,812
Tax rate at 28%	51,571	52,587
Impact of the application of the rates in force in each country	-3,353	-4,543
Deductions generated/applied in the year	-12,259	-6,125
Adjustments to prior years' income taxes and other adjustments	-6,602	-1,7
Non-recoverable withholdings on dividends from Group companies	-1,413	4,14
Income tax expense	**27,944**	**44,359**

In 2023, the Brazilian subsidiary took advantage of the corporate tax deduction for ICMS subsidies recognised under Brazilian law.

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2023	**2022**
Current income tax	-32,155	-48,582
Exchange gains (losses)	216	717
Withholdings and payments on account made	30,805	37,795
Total as at 31 December	**-1,134**	**-10,07**

This amount is broken down in the Consolidated Statement of Comprehensive Income as follows:

	Thousands of euros	
	2023	**2022**
Income tax assets receivable	3,649	6,14
Income tax liabilities payable	-4,783	-16,21
Total as at 31 December	**-1,134**	**-10,07**

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. At 31 December 2023, the Parent and subsidiaries in Spain are open to inspection for all the main 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, parent management considers that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

Pillar Two legislation has been implemented, or substantially implemented, in a series of jurisdictions where the Group operates. The legislation will affect the Group's fiscal years beginning on or after 1 January 2024. The Group has performed an assessment to determine whether it is exposed to Pillar Two taxes.

The assessment is made on the basis of the most recent tax returns, country-by-country reports and financial statements of the entities forming the Group. Based on this assessment, Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. Pillar Two safe harbour provisions do not apply in a limited number of jurisdictions where the Group operates, however, material exposures to Pillar Two taxes are not expected in these jurisdictions.

19. 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, and sells electricity 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 CO2 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, cellulosic 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 income 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:

	Thousands of euros						
FY 2023	**Spain**	**Rest of Europe, Middle East and Africa**	**Asia Pacific**	**North America**	**South America**	**Disposal and other**	*Consolidated*
Revenue from external customers	171,003	360,315	158,466	369,324	166,679	0	*1,225,787*
Ordinary income of other group companies	171,709	321,702	2,27	106,484	43,38	-645,545	*0*
Total ordinary income	342,712	682,017	160,736	475,808	210,059	-645,545	*1,225,787*
Depreciation charges							*-83,713*
Finance income							*846*
Finance costs							*-6,9*
Exchange gains (losses)							*-9,748*
Segment profit before tax							*168,906*
Total assets	**460,529**	**442,323**	**157,185**	**436,332**	**201,907**	**-290,767**	*1,407,509*
Total liabilities	**270,345**	**159,79**	**46,157**	**241,693**	**33,278**	**-301,526**	*449,737*
Asset acquisitions	**25,253**	**16,26**	**10,967**	**17,406**	**7,661**	**0**	*77,547*

	Thousands of euros						
FY 2022	**Spain**	**Rest of Europe, Middle East and Africa**	**Asia Pacific**	**North America**	**South America**	**Disposal and other**	*Consolidated*
Revenue from external customers	175,209	332,195	168,837	369,815	154,972	0	*1,201,028*
Ordinary income of other group companies	178,827	330,612	3,171	109,495	48,239	-670,344	*0*
Total ordinary income	354,036	662,807	172,008	479,31	203,211	-670,344	*1,201,028*
Depreciation charges							*-78,147*
Finance income							*1,194*
Finance costs							*-1,37*
Exchange gains (losses)							*-5,044*
Segment profit before tax							*183,789*
Total assets	**406,795**	**433,755**	**151,048**	**431,383**	**203,708**	**-279,296**	*1,347,393*
Total liabilities	**239,744**	**170,308**	**44,686**	**234,703**	**36,423**	**-285,341**	*440,523*
Asset acquisitions	**26,248**	**35,661**	**3,421**	**51,534**	**8,743**	**0**	*125,607*

20. Revenue and operating expenses

20.1. Sales and rendered services

The sales and services provided in the consolidated income statement include the delivery of goods to customers, services rendered in the course of the Group's ordinary activities and the sale of energy, net of sales-related taxes.

The detail of this heading for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Turnover corresponding to Traditional Business	985,305	963,089
Turnover corresponding to New Business	151,521	144,465
Turnover corresponding to energy	88,961	93,474
Total	**1,225,787**	**1,201,028**

Ordinary income from external customers can be traced to the sale of casings and film for food use and other applications, generally made to manufacturers of cold meats, as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems.

In terms of the sale of casings and film, the Group considers that there is only one type of customer contract: sales correspond to a single performance obligation and are made at a moment in time.

In terms of the sales of electricity produced, they are recognised as the energy generated by cogeneration systems is produced and delivered.

20.2. Other income

The breakdown of "Other Operating Income" for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Work carried out by the Group on non-current assets	1,366	386
Capital grants (Note 13)	131	200
Other operating income	13,555	7,978
Total other income	**15,052**	**8,564**

There is no breach of the conditions or contingencies associated to grants received.

20.3. Staff costs

The breakdown of "Staff costs" in 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Wages, salaries, and assimilated	210,861	203,984
Penalties	1,037	1,676
Current service cost of defined benefit plans (Note 14.1)	215	340
Social Security charged to the company	39,158	38,541
Other social charges and taxes	18,815	17,647
Total staff costs	**270,086**	**262,188**

Group employees during 2023 and 2022, by professional category and gender, were as follows:

	Headcount at the end of the period					
	Men	Women	*Total 2023*	Men	Women	*Total 2022*
Senior executives	101	29	*130*	109	27	*136*
Technicians and department heads	945	373	*1,318*	958	368	*1,326*
Administrative personnel	62	192	*254*	53	190	*243*
Specialised personnel	686	238	*924*	720	239	*959*
Workers	1,967	739	*2,706*	2,059	787	*2,846*
Total	**3,761**	**1,571**	*5,332*	**3,899**	**1,611**	*5,51*

	Average headcount					
	Men	Women	*Total 2023*	Men	Women	*Total 2022*
Senior executives	101	29	*130*	107	26	*133*
Technicians and department heads	944	360	*1,304*	932	357	*1,289*
Administrative personnel	54	187	*241*	54	178	*232*
Specialised personnel	692	224	*916*	699	230	*929*
Workers	2,006	749	*2,755*	1,991	743	*2,734*
Total	**3,797**	**1,549**	*5,346*	**3,783**	**1,534**	*5,317*

Due to the circumstances of the production process, since 3 May 2017, and renewed on 13 November 2023, Viscofan S.A. has reported, through Resolution 313/2023 of the Directorate of the Navarre Employment Service, the recognition of exceptionality that justifies adopting alternative measures to comply with the reserve quota in favour of disabled workers and authorises, as an alternative measure, the signing of civil or commercial contracts with Special Employment Centres, for a period of three years.

Employees, in companies located in Spain, with a recognised level of disability equal to or higher than 33%, reported in accordance with Royal Decree 602/2016 of 2 December, amount to 5 workers (4 operators and 1 administrative); the figures for 2022 include 4 workers (3 operators and 1 administrative).

The Group works with special employment centres in Spain and in other countries to perform certain tasks that contribute to the development of our production activity.

The Group had a total number of 66 disabled employees (60 men and 6 women). In 2022, the Group had a total number of 71 disabled employees (65 men and 6 women).

20.4. Other operating expenses

The detail of "Other operating expenses" for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Research and development expenditure	3,6	3,35
Repairs and maintenance	33,665	34,705
Environment	10,352	9,438
Utilities	97,418	99,146
Plant costs (security, cleaning and others)	38,508	38,953
Leases	8,009	5,637
Insurance premiums	8,419	8,391
Taxes	4,202	3,924
Business and administrative expenses	68,668	75,63
Other operating expenses	8,06	11,792
Total other operating expenses	**280,901**	**290,966**

"Lease" expenses include fees as well as short-term rentals not affected by IFRS 16 Leases.

20.5. Financial income and expense

The breakdown of financial income and expenses for 2023 and 2022, according to the origin of the items making it up, is as follows:

	Thousands of euros	
	2023	2022
Finance income	**846**	**1,194**
Amounts owed to credit institutions and other financial liabilities	-6,272	-1,533
Net financial cost of pension plans and long-term remuneration	-628	163
Finance costs	**-6,9**	**-1,37**
Fair value adjustment to financial investments	**22**	**-17**
Exchange gains	24,42	30,751
Exchange losses	-34,168	-35,795
Exchange gains (losses)	**-9,748**	**-5,044**
Total financial income (expenses)	**-15,78**	**-5,237**

21. Earnings per share

21.1. Basic

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the parent and a weighted average number of ordinary shares in circulation throughout the year, excluding treasury shares.

The breakdown of the calculation of basic earnings per share is as follows:

	Thousands of euros	
	2023	2022
Weighted average number of ordinary shares in issue	46,184,195	46,186,656
Profit for the year from continuing operations attributable to equity holders of the parent company	140,962	139,43
Basic earnings per share (in euros)	**3.05**	**3.02**

	2023	2022
Average number of ordinary shares outstanding	46,500,000	46,500,000
Effect of treasury shares	-315,805	-313,344
Weighted average number of ordinary shares in issue at 31 December	**46,184,195**	**46,186,656**

21.2. Diluted

Diluted earnings per share are calculated by dividing profit attributable to equity holders of the parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.
The diluted earnings per share include the effect of the group's share plan, detailed in note 23.3. It includes the ordinary shares that will be put into circulation, based on the degree of compliance with the conditions established at 31 December 2024, the planned deadline for these conditions to be fulfilled.

	Thousands of euros	
	2023	2022
The actions that are planned to be delivered in the Triennial Plan are added, as they will be in place once they have been delivered.	46,340,895	46,421,656
Profit for the year from continuing operations attributable to equity holders of the parent company	140,962	139,43
Basic earnings per share (in euros)	**3.04**	**3.00**

Given the Company's plan to reduce its share capital by redeeming treasury shares (Note 12.6), no dilution effect will occur as a result of the capital increase devised for the payment of the Final Dividend within the framework of the Company's flexible remuneration programme.

22. Risk management

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 Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, their materiality in 2023, and response and supervision plans. We will now focus on the financial risks described below.

The Group's activities are exposed to various financial risks: exchange rate risk, credit risk, liquidity risk, cash flow interest rate risk and fair value risk, as well as fuel price risk and emission allowance price risk. The Group’s global risk management program focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group’s profitability. Certain risks are hedged by derivative instruments.

22.1. 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, recognised assets and liabilities and net investments abroad.

The risk management policy of the Group is to cover the net balance between collections and payments in currencies other than the functional currency with the most net risk. Therefore, forward currency contracts were formalised at the time the yearly budget was prepared; EBITDA forecasts were 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 a possible exchange rate variation on net results for the year arising from certain currencies in the countries in which the Group carries out its activities, while maintaining the other variables constant:

	Thousands of euros			
	2023		2022	
	5%	-5%	5%	-5%
US Dollar	10,062	-10,945	13,467	-12,94
Czech Koruna	-1,589	1,438	-2,25	2,036
Brazilian Real	-1,676	1,517	-1,512	1,369
Chinese Yuan Renmimbi	1,476	-1,335	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			
	2023		2022	
	5%	-5%	5%	-5%
US Dollar	10,695	-8,847	14,259	-12,778
Czech Koruna	3,903	-3,531	3,209	-2,904
Brazilian Real	3,367	-3,047	3,929	-3,555
Chinese Yuan Renmimbi	5,274	-4,772	5,354	-4,844

22.2. 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 reflected on the consolidated balance sheet, net 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 a large number of counterparties and customers. No clients 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 clients is performed in all cases where amounts exceed a set limit. It is habitual practice of Group companies to partially cover non-payment risk through contracting loan guarantee and sureties covering approximately 90% of each client's debt. 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 31 December 2023 there were no significant assets that could be impaired with respect to their net carrying amount.

22.3. Liquidity risk

The Group has a prudent policy to cover its liquidity risks which is focused on having sufficient cash and marketable securities as well as the ability to draw down sufficient financing through its existing borrowing facilities to settle the market positions of its short-term investments. Given the dynamic nature of its underlying business, the Group aims to be flexible with regard to financing through drawdowns on its contracted credit lines.

The Group adequately monitors each month expected collections and payments to be made in the coming months and analyses any deviations from expected cash flows in the previous month to identify any possible deviations which might affect liquidity.

The following ratios show the level of liquidity at 31 December 2023 and 2022:

	Thousands of euros	
	2023	**2022**
Current assets	764,023	720,478
Current liabilities	-339,309	-325,739
Working capital	**424,714**	**394,739**
Current liabilities	339,309	325,739
Working capital/current liabilities ratio	**125.17 %**	**121.18 %**
Cash and cash equivalents	51,996	51,193
Available on line of credit (Note 16)	105,944	53,131
Treasury + credit availability and discounting	**157,94**	**104,324**
Cash + credit availability and discounting/current liabilities ratio	**46.55 %**	**32.03 %**

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 16.

For certain long-term loans amounting to 15 million euros, the Group must comply with a number of ratios calculated on the basis of the consolidated financial statements. Failure to comply with them would entail increases in financial costs and, depending on the case, would require the granting of guarantees. At 31 December 2023 and 2022, all the main ratios have been satisfactorily met and neither Viscofan, S. A. nor any of its material subsidiaries were in breach of their financial commitments or of any kind of obligation that could trigger their early redemption.

In 2023 and 2022 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2023.

22.4. 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 interest rates at fixed rate. At 31 December 2023, approximately 33% of the Group's loans accrued interest at a fixed rate (2022: 50 %).

The Group does not own significant remunerated assets.

At 31 December 2023 and 2022, the structure of financial liabilities subject to interest rate risk, once hedges through the derivatives arranged have been taken into account, is as follows:

	Thousands of euros	
	2023	**2022**
Payable to credit institutions	189,959	152,458
Other financial liabilities (*)	16,188	15,716
Total financial debt	**206,147**	**168,174**
Fixed interest rate	56,688	71,406
Variable interest rate	149,459	96,768
(*) Excluding fixed asset suppliers and lease liabilities		

In 2023 and 2022, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations (Note 14.1).

The following table shows the sensitivity of profit (loss) for the year to a possible 1% variation in discount and/or interest rates:

	Thousands of euros			
	2023		**2022**	
	1%	**-1%**	**1%**	**-1%**
Pension plan obligations				
Germany	-132	135	-162	151
United States and Canada	-246	236	-288	305
Plans in other countries	-21	20	-22	21
Financial debt				
Euribor	-1,902	1,728	-752	749

22.5. Fuel price risk (gas and other oil derivatives)

Viscofan Group is exposed to fluctuations in the gas price and other fuels used in the casing production process.

The Group policy is to set the prices for main fuels through the arrangement of year-long contracts with suppliers, or by using hedging policies (Note 17.1). It thus attempts to mitigate the impact of price variations on the consolidated income statement.

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

	Thousands of euros	
	2023	**2022**
10%	-8,461	-5,891
-10%	8,461	5,891

22.6. Emission rights price risk

In accordance with the 2013-2020 National Emission Allowance Assignment Plan, and after applying the inter-sectoral adjustment factors outlined in Appendix II to EU Decision 2013/448/EU to non-electricity generators, and the annual 1.74% annual reduction in electricity generators, in accordance with Articles 9 and 9 bis of EC Directive 2003/87/EC, the Group was assigned emission allowances equivalent to 356,915 tones.

In accordance with that described in Note 8, the consumption of emission rights for 2023 amounted to 294,406 tonnes (317,106 tonnes in 2022), generating an expense of 22,605 thousand euros (21,492 thousand euros in 2022).

The sensitivity faced with a possible variation in the average price of the consumption of emission rights of 10% of operating results, would be as follows:

	Thousands of euros	
	2023	2022
10%	-2,26	-2,184
-10%	2,26	2,184

23. Information on the Board of Directors of the Parent and Senior Management

23.1. Directors

Directors' remuneration is outlined in article 29.3 of the articles of association and remuneration policies approved by the Annual General Meeting.

The breakdown for Board remuneration in 2023 and 2022 is as follows:

	Thousands of euros							
	Salary	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for committee membership	Other items	*Total*
José Domingo de Ampuero y Osma	656	160		188			26	*1,03*
José Antonio Canales García	506	80		145			55	*786*
José María Aldecoa Sagastasoloa (*)		105	30			25		*160*
Jaime Real de Asúa Arteche		80	30			38		*148*
Agatha Echevarría Canales		80	30			30		*140*
Santiago Domecq Bohórquez		80	30			25		*135*
Laura González Molero		80	28			45		*153*
Carmen de Pablo Redondo		80	27			30		*137*
Cristina Henríquez de Luna Basagoiti		80	30			30		*140*
Andrés Arizcorreta García		80	30			25		*135*
Javier Fernández Alonso		80	30			30		*140*
Verónica Pascual Boé		7	3					*10*
Total 2023	**1,162**	**992**	**268**	**333**	**0**	**278**	**81**	*3,114*

(*) The fixed remuneration of the director Mr José María Aldecoa includes 80,000 euros as fixed remuneration for membership on the Board and 25,000 euros for remuneration corresponding to its function as Coordinating Director, as established in the Board of Directors' Remuneration Policy.

	Thousands of euros							
	Salary	**Fixed remuneration**	**Attendance fees**	**Short-term variable remuneration**	**Long-term variable remuneration**	**Remuneration for committee membership**	**Other items**	*Total*
José Domingo de Ampuero y Osma	656	160	—	364	—	—	22	*1,202*
José Antonio Canales García	506	80	—	281	—	—	56	*923*
José María Aldecoa Sagastasoloa (*)	—	105	30	—	—	52	—	*187*
Jaime Real de Asúa Arteche	—	80	30	—	—	38	—	*148*
Agatha Echevarría Canales	—	80	30	—	—	30	—	*140*
Santiago Domecq Bohórquez	—	80	30	—	—	28	—	*138*
Laura González Molero	—	80	28	—	—	45	—	*153*
Carmen de Pablo Redondo	—	80	28	—	—	30	—	*138*
Cristina Henríquez de Luna Basagoiti	—	53	21	—	—	3	—	*77*
Andrés Arizcorreta García	—	53	21	—	—	17	—	*91*
Javier Fernández Alonso	—	40	12	—	—	15	—	*67*
Néstor Basterra Larroudé	—	27	12	—	—	8	—	*47*
Ignacio Marco-Gardoqui Ibáñez	—	27	12	—	—	8	—	*47*
Juan March de la Lastra	—	40	18	—	—	12	—	*70*
Total 2022	*1,162*	*985*	*272*	*645*	—	*286*	*78*	*3,428*

(*) The fixed remuneration of the director Mr José María Aldecoa includes 80,000 euros as fixed remuneration for membership on the Board and 25,000 euros for remuneration corresponding to its function as Coordinating Director, as established in the Board of Directors' Remuneration Policy.

At the meeting of the Board of Directors of Viscofan S.A. held on 20 December 2023, Carmen de Pablo Redondo, independent external director, resigned as a member of the Company's Board of Directors and its Audit Committee.

To fill the vacancies left by Carmen de Pablo Redondo, and at the proposal of the Appointments, Remuneration and Sustainability Committee, the Board of Directors appointed Verónica Pascual Boé as an external independent director, a position she accepted, and Andrés Arizkorreta García as a member of the Audit Committee.

At the same meeting of the Board of Directors on 20 December, the model shift from an executive chairmanship to a non-executive chairmanship, including the appointment of a Chief Executive Officer, took effect.

Consequently:

José Domingo de Ampuero y Osma, with effect from 1 January 2024, ceases to hold his executive functions in the Company and the Group, continuing his tenure as non-executive Chair of the Board of Directors and, consequently, moving to the category of "other external directors".

José Antonio Canales García, current Director-Managing Director, has been appointed CEO of Viscofan, also with effect from 1 January 2024.

Ignacio Marco-Gardoqui Ibáñez completed 12 uninterrupted years in the post of director of Viscofan on 1 January 2022, hence he ceased to be considered an independent external director and acquired the status of other external directors. For this reason, Marco Gardoqui, formally communicated his irrevocable resignation as director of the Company by letter addressed to the Chairman and the entire Board and with effect from the date of the Annual General Meeting in 2022 so that the shareholders can fill the vacancy created and appoint a new director who, in addition to meeting the appropriate perfil, has the status of independent external director.

Néstor Basterra Larroudé, whose term of office expired on 25 May 2022, considering that the Annual General Meeting had been called for 28 and 29 April 2022, a few days before the expiry of the term of office he also tendered his resignation as a director of the Company by letter addressed to the Chairman and the entire Board irrevocably and with effect from the date of the Annual General Meeting of Shareholders in 2022.

At the General Meeting held on 29 April 2022, Cristina Henríquez de Luna Basagoiti was appointed as independent director and Andrés Arizcorreta García as independent director, both from the parent company.

By resolution of the Board of Directors of 23 June 2022, Javier Fernandez Alonso was co-opted onto the Board as proprietary director representing Corporación Financiera Alba, replacing Juan March de la Lastra, who resigned effective that date for professional reasons.

The two Executive directors, José Domingo de Ampuero y Osma and José Antonio Canales García earned a variable compensation totalling 333 thousand euros in the short-term (2022: 645 thousand euros in the short-term). These were calculated based on EBIDTA, net profit, sales, and share price values which were determined in accordance with the annual plan as well as personal performance.

In relation to the Long Term Incentive Plan for the 2022-2024 period (Note 23.3), a liability of 661 thousand euros was recognised in 2023 (320 thousand euros in 2022).

"Other items" includes 81 thousand euros (78 thousand euros in 2022) in respect of life and accident insurance premiums, health care policies and company cars.

The Company has arranged civil liability insurance for both executive and non-executive directors, as well as for executives of the Company and the Group's subsidiaries. In this insurance, the directors will be considered as the insured parties, due to the liabilities that may arise as a consequence of the performance of their activities. During 2023, amounts were paid for insurance premiums covering the civil liability of its directors and executives for damage caused in the exercise of their functions, amounting to 63 thousand euros (66 thousand euros in 2022).

At 31 December 2023 and 2022, no advances or loans had been granted to the Viscofan Group, nor did the Group have any pension commitments or other non-current savings plans. Likewise, no type of guarantee was granted on behalf of any present or former members of the Board of Directors, related individuals or entities. In 2023 and 2022, the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

Viscofan's directors have communicated that insofar as article 229 of the Spanish Corporate Enterprises Act is concerned they do not have any conflicts of interest with the Company.

In 2023, no Group companies had legal persons as administrators.

Viscofan Group has contracts with its two executive directors which include golden parachute clauses. The termination of these contracts in certain objective circumstances not attributable to these board members, may entitle them to indemnification worth twice their fixed remuneration, comprising two years of non-competition.

23.2. Senior management

The breakdown of parties holding executive positions during 2023 follows:

Luis Bertoli	SAM Geographical Area General Manager (South America)
Andrés Díaz	EMEA (Europe, Middle East and Africa) Geographical Area General Manager
Gabriel Larrea	NAM Geographical Area General Manager (North America)
Juan Negri	General Manager Geographical Area Asia Pacific
Oscar Ponz	General Manager New Business Division
María Carmen Peña	Chief Financial Officer
Jesús Calavia	Chief Operating Officer
Ignacio Goñi	Chief Commercial Officer
José Angel Arrarás	Director General for R&D and Quality
Armando Ares	Investor Relations and Communications Director
César Arraiza	Head of Strategy, Organisation and Systems
Alejandro Bergaz	Head of Internal Audit
José Antonio Cortajarena	Secretary to the Board of Directors and Head of Legal
José Ignacio Recalde	Head of Diversification and Technology
Beatriz Sesma	Human Resources Director

In 2023, remuneration received by key management personnel totalled 4,021 thousand euros. In 2022 remuneration amounted to 4,234 thousand euros. In relation to the Long Term Incentive Plan for the 2022-2024 period (Note 23.3), a liability of 1,186 thousand euros was recognised in 2023 (593 thousand euros in 2022).

This amount does not include the abovementioned payments made to José Antonio Canales García and José Domingo de Ampuero y Osma, which is reflected further on.

The Company has arranged civil liability insurance for both executive and non-executive directors, as well as for executives of the Company and the Group's subsidiaries, as mentioned in point 23.1.

23.3. Long-term Incentive Plan

The Board of Directors of Viscofan, in a meeting held on 24 February 2022, at the proposal of the Appointments, Remuneration and Sustainability Committee, approved a Long-Term Incentive Plan for 2022-2024 intended for the Company's executive directors, managers and other key staff of the Viscofan Group which, subject to compliance with its objectives, will result in a cash payment and a payment in Company shares. In accordance with article 219 of the consolidated Spanish Corporate Enterprises Act approved by Legislative Royal Decree 1/2010, of 2 July, and article 29.2 of Viscofan's Articles of Association, the Plan will be submitted, with regard to the Company's executive directors, for approval by the Annual General Meeting, under the terms provided for in the current legislation and in the Directors' Remuneration Policy.

The Plan consists of an extraordinary, multi-year and mixed incentive, payable in cash and in Company shares which, after the application of certain ratios, based on the degree of attainment of certain targets in the evaluation period (2022-2024), determines in favour of the beneficiaries: (i) the payment of a cash amount and, (ii) on the basis of an initial number of assigned shares, the effective delivery of shares in Viscofan S.A. on the scheduled payment date.

The parameters to be taken into account during the measurement period were:

- Total shareholder return

- Creating sustainable environmental value

- Creating sustainable social value

Based on 152 initial beneficiaries, due to the new recruits and employment mobility, the final number of Plan beneficiaries was 160, with respect to the maximum authorised limit both in terms of cash and shares.

The Plan will be due and paid within one month of the approval by the Company's Annual General Meeting of the financial statements for 2024 ("Settlement Date"), i.e. within the first half of 2025. Beneficiaries who voluntarily withdraw before the Settlement Date will lose all rights arising from it.

The Plan has the following limits:

- With regard to the part to be paid in cash, the Plan anticipates a maximum cost or payment of 11.5 million euros in the event of 100% attainment of the target, and 17.3 million euros if the target is exceeded.

- With regard to the part to be paid in shares, the Plan provides for a maximum of 235,000 shares for all beneficiaries if the target is achieved and 350,000 shares if the target is exceeded.

The amounts and maximum number of shares initially considered for executive directors are as follows:

- For the Executive Chairman a maximum of 413,280 euros and 17,287 shares for achieving the target (619,920 euros and 25,931 shares if the target is exceeded).

- A maximum of 318,780 euros for the Group's Chief Executive Officer and 13,334 shares for the target (478,170 euros and 20,002 shares in the event of exceeding the target).

With effect from 1 January 2024, the Executive Chairman has been removed from his executive duties as decided by the Company. Consequently, as of that date, no economic rights accrue to the Chairman for the Triennial Plan and the Board of Directors, at the Committee's proposal, has recognised the right to receive the economic rights of the Chairman for amounts proportional to his permanence in the Plan, i.e: a) For the Target Incentive, a maximum of 11,524 shares and 275,520 euros in cash; b) For the Maximum Incentive for exceeding the targets, 17,287 shares and 413,280 euros. The determination of the specific amount will be based on the degree of achievement of the objectives set out in the Plan, which will be assessed and determined by the Board of Directors on a proposal from the Committee.

The liability recorded by the Group for this plan at 31 December 2023 totals 9,946 thousand euros, of which 3,904 thousand euros are included in the "Other reserves" item (Note 12.3) and 6,042 thousand euros in the "Non-current provisions for employee benefits" item (Note 14).

24. Transactions and balances with related parties

The operations with directors and members of senior management are detailed in Note 23. No material transactions have been carried out with the Company or its group of companies that were outside the ordinary course of business of the company or were not carried out under normal market conditions.

Pursuant to article 231 of the Spanish Corporate Enterprises Act, none of the companies forming part of the Viscofan Group have performed transactions with related parties. However, in 2023, the Group had dealings with Banca March, S.A., a financial institution linked to Corporación Financiera Alba, S.A., which held 14.25% of the Company's shares at 31 December 2023 (14.25% at 31 December 2022). In January 2023, a credit account was entered into with a limit of 10 million euros, extendable annually until January 2026. Also in 2023, the company has closed a gas hedging contract for 100,000 MWh, with 25,000 MWh still open at the end of the year. In 2022, the loan of 10 million euros and the exchange rate hedges that the Group had entered into with Banca March S.A. ended. During 2023 and 2022, no additional services were provided by companies related to the shareholder: All transactions took place in normal market conditions.

25. Environmental information and climate change

Climate change is a specific risk identified in Viscofan's current risk management system, since climate change and the measures for its adaptation or mitigation may have implications that hinder the attainment of long-term objectives and the creation of value for the stakeholders.

To analyse climate change risk, the Task Force on Climate related Financial Disclosure (TCFD) is taken as a reference to conduct the analysis of risks and opportunities at short, medium and long term; the impact of risks and opportunities in the business lines, the organisation's financial planning and strategy and the measures implemented and envisaged for each type of risk and opportunity.

In the preliminary analysis, the most significant risks were identified as the following:

- Transitional - Regulatory changes Viscofan's production process is energy intensive, so legislative proposals related to this resource and aimed at mitigating climate change may have a particular impact on the business. This is the case of the increase in the price of CO2, carbon taxes or emission restrictions, which may affect the industrial and other energy-intensive sectors.

- Physical - Chronic Shortage of water: The increase in the planet's average temperatures can increase the risk of water stress, causing a lack of supply at production plants. Based on this risk, Viscofan has identified plants located in regions of high or extremely high water stress, in line with the list of the World Resources Institute. Said plants are located in Brazil, Mexico, Belgium and China and, as a whole, represented 22% of the Group's total water collection in 2023. In 2023, these plants did not have water supply problems.

- Transitional - Low emission technology: accelerated transition to low-emission technology in the company's production lines and facilities, e.g. by switching from natural gas equipment to equipment that uses renewable energy sources or generates less carbon emissions. If the speed of this transition is faster than the amortisation period of the equipment or requires non-mature energy technologies to be adopted, it can lead to associated costs and investments, as well as loss of overall product competitiveness.

- Transitional - Market Rising raw material prices. The physical consequences of global warming or climate change regulation itself may lead to higher prices for raw materials, affecting the company's procurement, transport and distribution worldwide. Increases in the price of raw materials may be caused by their reduced access or availability, or by their carbon footprint.

Viscofan's integral risk management system assesses and monitors the risks and their tendency, taking the necessary management measures which, aside from mitigating the risk, may generate opportunities.

The measures to manage climate risk and their implications are defined in the Sustainability Action Plan approved by the Board of Directors, which includes specific decarbonisation initiatives, initiatives to reduce water collection during the manufacture of collagen, to reduce landfill waste and the circular economy, among others.

From the preliminary analysis performed, no impairment was identified on the current assets and no significant investments were envisaged to comply with the commitments established in our 2022-2025 Sustainability Action Plan, nor were any contingencies or liabilities identified or impacts on financial assets or others.

The cost of PP&E related to the Group’s environmental projects maintained at 31 December 2023 was 94,323 thousand euros (December 2022: 78,023 thousand euros), with an accumulated depreciation of 34,185 thousand euros (December 2022: 28,751 thousand euros).

The main investment projects, amounting to 16,299 thousand euros, have been made in energy equipment that contribute to the reduction of CO2 emissions, such as electric boilers, energy recovery or solar panels, as well as in facilities for processing waste from the production process. Investments in environmental management in 2022 amounted to 12,605 thousand euros.

In 2023, the Group incurred in environmental protection and improvement costs amounting to 10,553 thousand euros. In 2022 this amount totalled 9,438 thousand euros.

The Group arranged civil liability insurance coverage for damages to third parties caused by accidental and unintentional contamination; the insurance coverage refers to any possible risk involved and to date no significant claims in environmental matters have been filed.

The Parent's Directors do not deem it necessary to make any provisions to cover environmental contingencies and expenses.

In 2023 and 2022, Viscofan Group had not received any significant environmental penalties.

26. Audit fees

In the years ended 31 December 2023 and 2022, the auditors of the Group's consolidated Financial Statements, PricewaterhouseCoopers Auditores, S.L. and other companies with which the company has one of the links defined in the fourteenth additional disposition of the Law on Measures to Reform the Financial System, have accrued net fees for professional services, with the exception of "Other Services", which are based on their billing date, as follows:

	Thousands of euros		
FY 2023	**In the parent company**	**In the rest of the companies**	*Total*
PwC Auditores, S.L.	127	151	*278*
PwC Network	0	548	*548*
Audit services	**127**	**699**	*826*
PwC Auditores, S.L.	4	11	*15*
PwC Network	0	38	*38*
Other audit-related services	**4**	**49**	*53*
Total as at 31 December 2023	**131**	**748**	*879*

FY 2022	Thousands of euros		
	In the parent company	In the rest of the companies	*Total*
PwC Auditores, S.L.	125	150	*275*
PwC Network	0	479	*479*
Audit services	**125**	**629**	*754*
PwC Auditores, S.L.	7	1	*8*
PwC Network	0	36	*36*
Other audit-related services	**7**	**37**	*44*
Total as at 31 December 2022	**132**	**666**	*798*

The amount of the audit fees with firms other than the main auditor totalled 130 thousand euros (139 thousand euros in 2022).

27. Events after the balance sheet date

On 25 January 2024, the Board of Directors of Viscofan, S.A. resolved to implement a share buyback programme (the "Buyback Programme") in accordance with the powers granted by the Annual General Meeting held on 27 April 2023 under item eleven of the agenda.

The Buyback Programme is conducted under the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("Regulation 596/2014") and the Commission's Delegated Regulation (EU) 2016/1052 of 8 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council as regards regulatory technical standards on conditions for buyback programmes and stabilisation measures ("Regulation 2016/1052").

The Buyback Program will be carried out under the terms indicated below:

Purpose of the Buyback Program. The purpose of the Buyback Programme is to reduce the Company's share capital through the redemption of treasury shares.

The Buyback Programme is approved and launched according to the proposal that the Board of Directors intends to submit for approval at the next Annual General Meeting regarding the establishment of a flexible remuneration programme that will allow shareholders to choose between receiving their remuneration in cash (in the payment of the corresponding dividend) or in newly issued bonus shares of the Company (through the corresponding bonus share capital increases to be submitted for approval at the aforementioned General Meeting) (the "Flexible Remuneration Programme").

The Board of Directors also plans to reduce the Company's share capital by redeeming treasury shares, thus avoiding any dilution for shareholders who choose to receive their dividend in cash.

In the event that in the exercise of the Buyback Programme the Company acquires more shares than those needed to avoid the aforementioned dilution, excess shares would remain as treasury shares on a transitory basis and would be redeemed in the next window of the Flexible Remuneration Programme. Should the Annual General Meeting not approve the Flexible Remuneration Programme, the shares acquired under the Buyback Programme would be redeemed in accordance with the terms set forth in the regulations in force.

Maximum monetary amount and maximum number of shares to be acquired. Up to 76 million euros. In no event may the number of shares to be acquired under the Buyback Programme exceed 1,400,000, or approximately 3% of the Company's share capital as at today's date.

Pricing and volume conditions of the Buyback Programme. Shares will be acquired at market price, in accordance with the conditions set out in article 3 of Delegated Regulation (EU) 2016/1052. In particular, Viscofan will not acquire shares at a price higher than the highest of the following: (a) the price of the last independent transaction; or (b) the highest independent bid at that time on the trading venue where the purchase is made. With regard to trading volume, the Company will not purchase more than 25% of the average daily volume of Viscofan shares on the floor of the trading venue where the purchase takes place, this limit applying to the entire Buyback Programme. The average daily volume of the Company's shares for the purposes of the above calculation will be based on the average daily volume traded in the twenty (20) business days prior to the date of each purchase.

Duration of the Buyback Program. The Buyback Program will begin on 26 January 2024 and will remain in effect until 31 December 2024 (both included). However, Viscofan reserves the right to terminate the Buyback Programme if, prior to its expiry date, it has acquired shares under the Programme for an acquisition price that reaches the maximum investment amount or the maximum number of shares authorised, or if other circumstances make it advisable to do so.

The interruption, termination or modification of the Buyback Program, as well as the share purchase operations carried out under it, will be communicated to the Spanish National Securities Market Commission in accordance with the provisions of Regulation 596/2014 and Regulation 2016/ 1052. Said operations will also be published on the Company's website in accordance with said regulations.

The main administrator of the Buyback Programme will be NORBOLSA, S.V., S.A., which will carry out the share acquisitions on behalf of Viscofan and will make all purchase decisions independently and without being influenced by Viscofan, always within the parameters described above. Purchases under the Buyback Programme may be made on the Spanish Continuous Market (BME), as well as on other trading venues where securities are traded.

The Board of Directors, at its meeting of 29 February 2024, has resolved to propose to the Annual General Meeting a gross Final Dividend of 1.59 euros per share. Consequently, taking into consideration the amount of the 2023 Interim Dividend of 1.40 euros per share and the 0.01 euros per share bonus for attendance to the Annual General Meeting, the total remuneration for shareholders is 3.00 euros per share. Out of the aforementioned estimated amount of 3.00 euros per share, 2.00 euros correspond to the increasing ordinary remuneration that the Board of Directors has been proposing to the Annual General Meeting in recent years (1.95 euros per share charged to fiscal year 2022), while the 1.00 euro per share above this amount is extraordinary in light of the current market and Company conditions.

The proposed total and ordinary distribution are, respectively, 53.8% and 2.6% higher than the previous year's remuneration of 1.95 euros per share.

The Final Dividend is expected to be paid in June 2024.

There are no significant events other than those mentioned above, from year-end to the date of preparation of these financial statements.