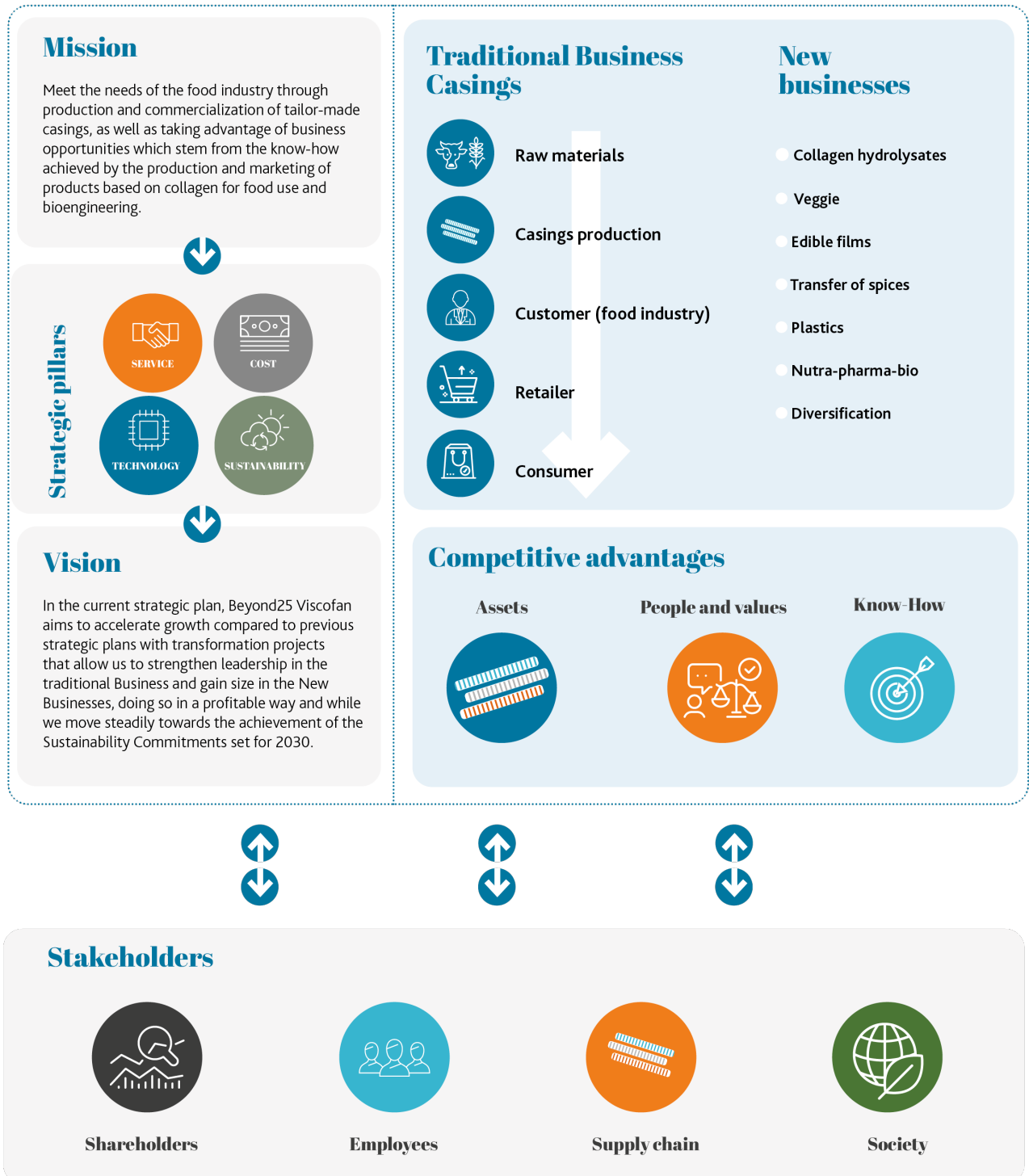


2.1.2 Business model

The Viscofan Group has a business model with a technological and geographical proposal that is unique in the market, based on the solid shared values of a team, aimed at creating value in a sustainable manner for all our stakeholders. As a result of this model, Viscofan is a leader in the casing market and offers growth propositions in the food and health sectors outside the traditional business.

Our business model outline:



Our purpose and mission

Purpose

From 2022, Viscofan has a new purpose with which it wants to go beyond traditional boundaries "Reshaping food and wellbeing. For many, for long", seeking to help to provide access to food and nutrition throughout the world, and to improve the well-being and health of people.

"Reshaping food and well-being" means that: our technology and our global presence enables us to be in a condition to shape a better world. We contribute to improve access to food throughout the world and we can also help, through nutrition and our knowledge, the well-being of human beings.

"For many" means that: if something characterises us, it is that we have always wanted to be important, to generate an impact; hence, our scope of action in the world is, "for many" - the more people that can enjoy our products, services or solutions, the better it is for our purpose.

"For long" means that: we generate an impact that remains, a future project, a project that intends to be forever, "for a long time". It is an impact for everyone, for life, for the well-being of everybody. It is our sustainable proposal.

Mission

Meet food industry needs through the production and sale of casings, and to seize the business opportunities that arise from know-how achieved by the company through the production and sales of collagen-based products for food use.



Strategy

The current Strategic Plan, called Beyond25, maintains the ambition to transform the Company in the same way as in the previous strategic plans. To this end, Viscofan expanded its business scope with a new purpose “Reshaping food and wellbeing. For many, for long”.

This means redefining our business model with a new approach to the market that combines our strong competitive advantages: the combination of the world's largest geographical presence, both productive and commercial, with a wide and unique catalogue of products, developed on the basis of its own technology and know-how, which continue to develop continuously thanks to a culture of excellence and continuous improvement, based on solid values and ethical principles shared by a highly committed team.

The new strategic plan has four leading management regions to have greater market proximity and flexibility: Europe, Middle East, and Africa (EMEA), North America (NAM), Asia Pacific (APAC) and South America (SAM), completed with a cross-cutting “New Business” division.

In addition, the strategy is based on an approach to the market that distinguishes between the Traditional Business (which includes cellulose, collagen and fibrous casings) where Viscofan is in a privileged position to continue to take advantage of growth opportunities; and the New Business (which includes tubular plastics, packaging and third parties, new edible casings, functional solutions, nutra-medical-pharma products, as well as diversification activities), where Viscofan wants to leverage its know-how as a catalyst for innovation to expand into new markets with attractive growth trends in the food, wellness and health sectors.

The strategy is based on four cross-cutting pillars: service, cost, technology, and sustainability, with the ambition to lead the market in each of these areas.

In line with this strategic plan, Viscofan has its 2022-2025 Sustainability Action Plan with specific projects to combat climate change, measures to reduce water consumption and improvements to transform our processes into a more circular economy and reinforce our commitments to the Sustainable Development Goals of the United Nations 2030 Agenda.

To drive change, the Digitalisation and People lever has been introduced, with people management and digital transformation initiatives to help streamline processes, boost career development, and improve work-life balance.



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maintains the ambition to transform the Company in the same way as in the previous strategic plans. To this end, Viscofan expanded its business scope with a new purpose “Reshaping food and wellbeing. For many, for long”.



Main strategic projects carried out in 2023 financial year

Decarbonisation

New tests with green hydrogen in a co-generation engine, installation of electric boilers, and a previous project for the implementation of a photovoltaic PPA at the Cáseda plant.

Energy efficiency

Commissioning of a new evaporation plant at the Cáseda factory (Navarre), making it possible to increase evaporation capacity and to reduce energy consumption and, consequently, CO2 emissions.

Technology

Completion of the technology renewal project for cellulose production in the United States.

Service

Start of construction work for a cellulose and collagen casings converting plant in Thailand.

Digitalisation

Viscofan is working on capturing data at converting plant level by building an Internet of Things model. In addition, at Cáseda work is being done on capturing energy data for the purposes of control, modelling, and prediction of consumption and generation, using artificial intelligence and data science techniques.

New businesses

Ingredient transfer production relocated from Canada to Mexico to boost its capacity and improve its cost structure.

Our markets

Traditional Business - Casings

Casing plays a key role in the food market. They are soft, cylindrical containers made from animal gut or from materials specially designed for stuffing meat or other food ingredients. They give sausages and cold meats their characteristic shape and are of great importance to our customers, who are looking for greater efficiency, increased production speed, reduced waste, and assured quality and consistency. That is why the use of casings is widespread throughout the world.

The casings are characterised by their ease of use and appearance, which contrasts with the high technological component underlying the manufacturing process and which only a few companies worldwide have developed. However, the food industry and, more specifically, the cold meat production sector, increasingly demands more products with greater features, more sustainable and at highly competitive costs, in order to enable their large-scale manufacture. Responding to this demand involves a huge technological and development challenge that Viscofan has successfully met as the largest casing producer, being the only one in the industry to provide solutions in the main casing families.

Diagram of the casing production process and value chain

INNOVATION PRESENT THROUGHOUT THE WHOLE

Development of new products and improvement of a proprietary technology



RAW MATERIALS	EXTRUSION	CONVERTING	COMMERCIAL	FOOD INDUSTRY	RETAILER	CONSUMER
Extremely pure cellulose, collagen skins, abaca paper,, etc. depending on the type of casing	In the mechanical and chemical process, the raw materials are extruded in a seamless tube and wrapped around reels (plain casing)	Plain casings are pleated to convert them into a sticks that are better adapted to the process used by our customers	Viscofan has a global sales and distribution network, and a team of technical advisors	Viscofan supplies a tailor-made product to meet customers requirements	The casings enable our customers to comply with high standards and quality for food products	Food for a growing population that exceeds 8,000 million people

Belonging to the food market carries with it a great responsibility: that of providing millions of people worldwide with access to basic nutrition. A population that continues to grow and whose expectations regarding flavour, formulation and consumer experience also transform and vary, with the maximum guarantee of quality and food safety.

The customised casing market has a historical growth range of around 2-4% in volume thanks to solid foundations based on:

Population growth

An average annual rate of 1%, with emerging areas driving this expansion.

Eating habits

Increased per capita demand for meat led by emerging areas thanks to the increased purchasing power of the middle classes, globalisation of eating habits and the population growth in cities. In developed areas, nutritional trends are evolving towards the search for greater convenience and products of higher nutritional quality and food safety.

Greater sophistication of meat processors

Increased search for productivity, food safety and hygiene, and the development of new products drive the replacement of animal casings with artificial casings (mainly collagen), as well as the development of new products.

In 2023, it is estimated that the casings market decreased by 4% in volumes, influenced by a process of inventory adjustment in the meat industry, and the decrease in consumption, particularly in the emerging markets of Asia and South America. This lower volume of casings was offset by price increases, so that the estimated decrease in the market in euros is around 1%.

Thus, in 2023 the casings market has an estimated value of €5 billion. In order to meet stuffing requirements, a meat processor must choose from among the different market alternatives, either with animal tripe (44% of the market) or customised casings (56% of the market), which, in turn, can be produced with different materials, depending on the desired production and product characteristics, combining a better range of casings with production savings.

New Business

The know-how and experience acquired in diversification with the use of collagen as an ingredient in different applications not related to the world of casings, our continuous dialogue with the market allowing us to identify needs not always associated with casings, together with the experience we have gained in our own production processes, have given rise to product solutions framed within the New Business division.

With this division, Viscofan goes beyond the traditional casing market and enters a market with a potential of more than €5 billion in which Viscofan has a small size, but it is undoubtedly a great opportunity with products and innovations that seek to provide solutions to trends in the areas of food and health that are becoming increasingly relevant.



The main growth catalysts identified are:



Population

- Growing population
- Population ageing



Eating habits

- Increased protein intake
- More vegans and vegetarians
- Convenience and variety
- Healthy and sustainable food

Food industry

- Circular economy



Health

- Search for wellness and personal care
- Development of biomedicine



Diversification

Within the New Business division Viscofan has a diversification-driven unit that actively pursues and develops growth opportunities and cutting-edge innovation in materials and new businesses beyond casings.

These opportunities are explored and developed directly by internal teams and through partnership agreements with third parties that stand out in specific areas (technological, industrial, medical, etc.)

Food, health, and sustainability activities are the main pillars of diversification activities.

Of these, Viscofan's ample knowledge in the processing, use and transformation of raw materials of a biopolymeric nature constitutes an innovation opportunity and, hence, a growth opportunity for Viscofan. A good example are the new solutions based on the technological knowledge of collagen.

Collagen is the most abundant protein in the human and animal body, but at the same time it is a unique and versatile material, and therefore finds applications in various fields beneficial to people's health such as regenerative medicine, nutrition, health, life sciences, etc. Viscofan applies technologies and extraction methods to process bovine skin collagen for the development and production on an industrial scale of new collagen biomatrices in the medical, nutraceutical and food fields.

In addition, Viscofan explores new business avenues by taking minority stakes in several disruptive start-ups, providing financing, and in some cases knowledge, resources, and access to markets to facilitate their growth. The investee companies are (ODS Protein, Feltwood, MOA Biotech, Insekt Label Biotech, Cocoon Bioscience, and Inmedical Therapeutics).

Viscofan also participates in alliances in which it shares knowledge for the development of innovative solutions in different fields. In this regard, the following stand out: The TriAnkle project, a consortium of companies led by Viscofan and funded by the EU to manufacture personalised 3D implants based on collagen and gelatin for the regeneration of injured tendons and cartilage; the European consortium Accelerating Research and Innovation for Advanced Therapies (ARDAT) for the development of advanced therapy medicines; and the European consortium projects "Brave" on cardiac regeneration and "Unloc" on 3D solutions for the field of "Organ on a Chip".

Finally, with the "Protection" and "Probonewfood" projects that seek to research new sources of protein and their impact on the immune system, and which are funded by the CDTI in Spain.



Viscofan explores new business avenues

by taking minority stakes in several disruptive start-ups, providing financing, and in some cases knowledge, resources, and access to markets to facilitate their growth.



Our competitive advantages

Viscofan's progress is understood from achieving sustainable competitive advantages, which are the result of the work and commitment of an exceptional team that has been offering the best of each one of them for more than 45 years, to turn Viscofan into the leading company in the casing sector and to expand its frontiers towards new businesses in the fields of food and wellness.

People and values

People are the differential value on which the future of Viscofan is built, the best team in the industry made up of more than 5,346 people and based on shared values:

We are resolute We strive for excellence in quality, we are customer and results oriented, we are committed to our work, and we carry it out in an agile manner.	We work as a team We perform our work with passion, we value know-how, agility, and excellence. We like to work as a team with a common purpose.	We are pioneers We look for new ways of doing things, taking the risk of going further, diversifying, innovating, and contributing to a better future.	We enjoy our work We are excited about life, we are eager to do things, make decisions and seize opportunities. We value responsibility and commitment to work.
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In parallel, these values are based on irrevocable ethical principles that arise from the fundamental rights of all human beings (integrity, loyalty, respect, and human rights).

The Viscofan Group understands that the creation of long-term sustainable value for all stakeholders can only be achieved through ethical behaviour that favours the development of a culture of best practice in social responsibility within the Group and by contributing to improving people's well-being through the economic, environmental, and social development of the communities in which the Viscofan Group is present.

R&D and Innovation. Technology and know-how

Viscofan's position in the constantly evolving, highly competitive world market is sustained by its constant cutting-edge efforts in research, development, and innovation (R&D&i), both in technology and products. Only this philosophy enables the company to advance the leadership of innovations in the casing industry worldwide and to drive and develop new business, thus benefiting the various stakeholders.

This activity is possible thanks to an innovation network and culture that extends to the whole organisation, and the corporate research and development centre in Spain coordinates, directs and supports the specific research and development activities and tasks conducted at each production plant and coordinates the multidisciplinary work teams. The corporate centre seeks to share the best practices, technological knowledge, and the ideas between the different production centres. This team consists of 153 people across the Group (160 in 2022) spread across all factories including the Diversification team.

Constant innovation required by our **globalised world** must be considered. Our products must be compatible and adapt to the food habits and uses of millions of world consumers, their preferences and evolution over time. Viscofan accompanies its growth as a company with the development of its innovative capacity to access, assimilate and improve the best technologies available in the market, as well as to develop its own technologies that provide competitive advantages, while promoting continuous improvement, seeking greater efficiency and greater **sustainability** in the improvement of processes and products.



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In this regard, Viscofan adapts a proactive approach in the search for sustainable solutions at technology and product level, boosting relevant aspects, such as the circular economy, the search for energy efficiency, the reduction of CO₂ emissions and the reduced need for water.

Progress in the field of **digitalisation** represents an innovation opportunity that Viscofan wants to take advantage of to lead the industry's digital transformation. In collaboration with third parties, Viscofan's 4.0 industry team wishes to apply the solutions offered by new IT technologies to our operations. We are seeking to improve the quality of our products, to obtain the best information possible to improve our production process and to perform predictive maintenance through solutions based on artificial vision, the development of technological solutions with the digitalisation of the movement of materials within the facilities, and the development and implementation of a smart 4.0 industry management system.

In this area, it should be noted that, in 2023, Viscofan joined IndesIA, an industrial association in Spain that seeks to promote the data economy and artificial intelligence.

Innovation is an on-going process with strategic product and technological development projects in all casing families (cellulose, collagen, fibrous, plastic and vegetable), and in its final product applications, also including other diversification products. Our innovation boosts the innovation of the food sector, enabling applications to be developed aimed at providing Viscofan with the range of products required to reinforce its presence on the global market.

Action projects

In this regard, the main current Research, Development, and Innovation projects under way are principally focused on the following areas:

- **The development of new products** according to the target markets defined in the expansion plan, and those required by our customers, and new generation executions, designed and oriented towards offering tubular alternatives with differential performance and features.
- **The development of films and casings that to confer functionalities** to the product they contain, gaining in efficiency and preventing food waste.
- **The development of production alternatives and technological solutions** that involve a major leap, through modernisation, streamlining and simplification, allow an increase in added value and efficiency levels and significantly reduced production costs for meat casings, thus improving the competitiveness of our products and processes.
- **A boost in the search for technological solutions** that allow us to improve the sustainability of our operations in energy efficiency and water consumption, efficiency in the use of raw materials and waste reduction and improvements in safety.
- **Research aimed at extending the range of adequate materials** to manufacture casings and their features, while also considering sustainability criteria such as their biodegradability or recyclability.
- **Technological support for improving existing products and processes**, and for the Company's international expansion, all this adhering to Viscofan's technological and quality standards and current regulations, as well as the optimisation of production costs.



Innovation is an on-going process with strategic product

and technological development projects in all casing families (cellulose, collagen, fibrous, plastic and vegetable), and in its final product.

Our assets. Wide product offer

Viscofan is the only company in the casing industry with the main technologies available and offers its customers a wide portfolio of casings that allows them to choose the one that best suits their needs in a context of globalisation in food habits and the need to adapt to changing consumer demands where the focus on health, convenience, experience, variety, and sustainability awareness are more relevant.

Our casings facilitate access to basic food for a growing world population, especially in emerging areas whose consumption habits increasingly demand more protein, whether of animal or vegetable origin.

In addition, with the new purpose “Reshaping food and wellbeing. For many, for long” Viscofan seeks to expand its frontiers beyond traditional casings into the food and health fields with New Business innovations.

Our broad casing product portfolio, the largest in the industry, allows the customer to choose the casing that best suits their needs with 13,673 products sold in 2022, while with the new Beyond25 vision and Strategic Plan we expand frontiers with innovative New Business solutions that go beyond traditional casings.

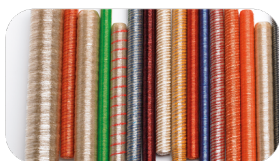


Our casings

facilitate access to basic food for a growing world population, especially in emerging areas whose consumption habits increasingly demand more protein, whether of animal or vegetable origin.



Traditional Business - casings



Cellulose casings

They are made using natural cellulose as raw material. They are used primarily in the production of industrially cooked sausages.

"Casing that provides competitiveness in an inflationary environment and sustainability due to its plant-based and biodegradable origin."

New Businesses



Collagen casings

They are produced using collagen as raw material, ideal for fresh or pre-cooked or raw/cured sausages.

"Attractive alternative to animal casings supporting customers in their automation challenges and cost savings."



Fibrous casings

Made from a mixture of cellulose and abaca paper, a vegetable-based paper that makes the casing highly resistant and homogeneous for the production of large-calibre sausages.

"The best solution for today's increasingly demanding industrial processes: speed, productivity and efficiency."



Plastics

Casings, films and bags obtained through the processing of plastic polymers also promoting the use of renewable and bio-based raw materials. There is a wide variety of types that allows us to offer the most suitable product for each type of application.

"Focus of growth on sustainability and added value."



Vegetable casings

Plant-based and specially developed for vegetarian and vegan recipes. Suitable for fresh and cooked applications, with good frying results and a tender bite.

"Viscofan has been a pioneer in developing a tubular product."



Transfer of spices

Functional spice transfer solution applicable to a wide range of foods such as fresh produce, processed meats, cheeses, and ready-to-eat products.

"New generation of solutions to help customers in their search for new products."



Edible films

Transparent, edible, soluble film made from plant-based polysaccharides that serves as a carrier for a wide variety of herbs, spices, sauces or marinades.

"Disruptive innovation to reach more markets."



Collagen hydrolysates

Collagen plays an important role in our body. It supports tendons, skin and cartilage, thus supporting the integrity, firmness and elasticity of the musculoskeletal system, soft tissues and skin.

"Premium product leveraged on Viscofan's experience with this raw material."



Nutra-farma-bio

Processed bovine skin collagen products for the development and industrial scale production of new medical and research grade collagen biomatrices.

Together with partners, Viscofan is developing projects in this field, such as Cardiomesh for infarcted hearts, TriAnkle to regenerate Achilles tendon injuries, among others.

"Leveraging our collagen know-how in the medical field."

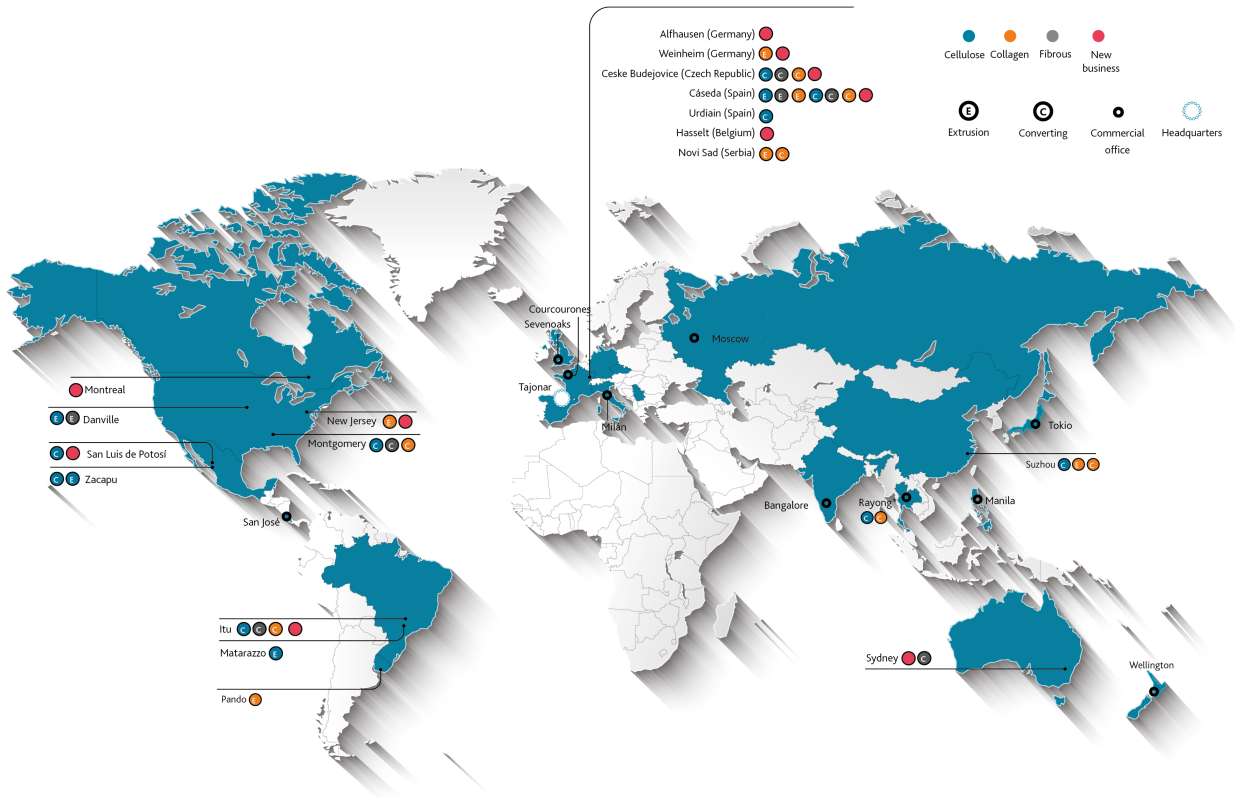
For more information on Viscofan's products, please consult the Products and Markets section of the corporate website.

Our assets. Geographical presence

The casing market is global. Our customers are in 113 countries around the world, so providing a quick response adapted to their needs is often a differential element of their purchase decision. To improve this response capacity, we have the largest production and sales network in the market, with a presence in 20 countries and 19 production plants.

Geographical expansion is a constant in the Viscofan Group. Between 2022 and 2023, we have opened representative offices in Italy and the Philippines to improve our service in these important markets and learn more about them. In addition, in 2023 work began on the construction of a cellulose and collagen casings converting plant in Thailand, with the aim of starting up production at the end of 2024.

This expansion joins that carried out in 2021 when the Viscofan Japan GK company was incorporated to have an own commercial presence in Japan, one of the main casings markets in the world.



Vision and strategic goals

In the current strategic plan Beyond25 Viscofan aims to accelerate growth compared to previous strategic plans with transformation projects that allow us to strengthen leadership in the traditional Business, and gain size in the New Business, doing so in a profitable way and while we move steadily towards the achievement of the Sustainability Commitments set for 2030.

The targets set are:



Revenue

€1,300-€1,450

million

**annual CAGR
growth rate
between 8% and
11%**

EBITDA margin

25%

Accumulated investment

€350

million



Climate change

-30%

reduction of CO₂ emissions in tonnes/million metres extruded vs 2018.

Water

-10%

reduction in water withdrawal in m³/million extruded metres compared to 2018.

Diversity

30%

of women in executive positions

Circular economy

-30%

reduction in tonnes of waste disposed/million metres extruded compared to 2018.

Accident rate

-50%

reduction in the rate of work-related accidents compared to 2018.

Supply chain

100%

verification of 100% of suppliers of the main raw materials committed to the code of ethics.

Key figures

Financial	Measurement unit	2023	2022	2021	2020	2019
Revenue	Millions of euros	1,225.8	1,201.0	969.2	912.2	849.7
EBITDA	Millions of euros	268.4	267.2	246.7	234.4	201
Margin EBITDA	%	21.9%	22.2%	25.4%	25.7%	23.7%
Net profit	Millions of euros	141.0	139.4	133.0	122.5	105.6
Investment	Millions of euros	77.5	125.6	92.0	56.9	62.1
Net bank debt	Millions of euros	138.0	101.3	1.8	38.2	42.5
Dividend	Euros per share	3.0	1.95	1.84	1.70	1.62
Stock market capitalisation. Year-end	Millions of euros	2,492	2,799	2,646	2,699	2,19

Environmental	Measurement unit	2023	2022	2021	2020	2019
CO ₂ emissions. Scope 1 and 2	Tonnes	473,187	498,626	547,981	563,188	540,801
Emissions/Metres of casing extruded	Base 100 year 2018	70	72	84	94	101
Energy consumption	GWh	2,393	2,526	2,465	2,371	2,294
Consumption/Income	GWh/€Mn	2.0	2.1	2.5	2.6	2.7
Water captured	Cubic metres	10,112,337	10,691,735	10,781,067	10,378,646	9,440,345
Water captured/Metres of casing extruded	Base 100 year 2018	86	89	95	100	101
Captured water - Discharged water	Cubic metres	1,271,898	1,770,905	2,348,446	2,107,470	1,679,531
Waste	Tonnes	63,716	68,837	63,41	57,344	49,307
Recycled	%	57%	54%	47%	0%	46%
Of which disposed	%	43%	46%	53%	100%	38%
Waste disposed of/Metres of casings extruded	Base 100 year 2018	80	89	102	100	91

Social	Measurement unit	2023	2022	2021	2020	2019
Average workforce	people	5,346	5,317	5,083	4,967	4,628
% women	%	29.0%	28.9%	28.9%	29.1%	28.7%
% women in executive posts	%	22.4%	19.6%	17.9%	14.8%	15.4%
Average number of training hours per employee	hours	15.3	12.7	11.2	21.7	28.2
Severity index	unit	0.18	0.32	0.25	0.33	0.43
equivalent days lost due to accident per thousand hours worked						
Hours of training on human rights	hours	2,585	3,539	4,933	4,056	2,163

Governance	Measurement unit	2023	2022	2021	2020	2019
Percentage of independent directors	%	55%	55%	45%	45%	40%
Percentage of female directors	%	36%	36%	27%	27%	20%

