

Chairman letter

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Chairman's letter

Thanks to the transformation that we are undergoing through this Beyond25 strategic plan and a coherent trajectory of continuous improvement, we have been able to confidently face one of the most difficult years in recent decades caused by the decline in the casing market.



This year, we have continued to transform the company in accordance with the inspiring purpose of our Beyond25 strategic plan. We want to strengthen Viscofan in the traditional casings market and go further in diversifying opportunities that new businesses represent, relying on the four pillars that are the hallmark of the Viscofan Group: leadership in service, costs, technology, and sustainability.

Among all the projects carried out in 2023, I would like to highlight the launch of new lines in the United States at the Danville and New Jersey plants. They both have new cellulose and collagen technology that will allow us to become competitive in the American market again. The first productions using the new technologies have been very satisfactory, with some results exceeding our expectations. The United States is the main market for casings, and the technology we currently have places us in a privileged position to reinforce our leadership in the country and improve our profitability.

In terms of sustainability, we are carrying our very significant work in our decarbonisation and energy diversification plans. This is a fundamental challenge for all industries, not just ours. Although there is currently no viable technological solution that allows us to do without fossil fuels, Viscofan has been a pioneer in green hydrogen testing in Cáseda, both in boilers and in co-generation engines. We are also making significant investments that enable us to electrify more of our industrial process and have a more versatile energy supply.

In the field of geographical positioning, we started working on installing a converting centre in Thailand, which is expected to be ready in 2024 and will become the reference centre to meet the needs of the Southeast Asian markets. As we often say, the Asian continent has great potential growth. It is an extensive territory with more than half of the world's population and a multitude of cultures, and the development of the food industry is not always sufficient to meet the continent's most basic needs. All in all, it is a continent with great dynamism that is improving its infrastructure and capabilities, and Viscofan wants to support this evolution from the continent itself. Our local productive presence in the region is a great opportunity as a source of future competitive advantage.

Thanks to the transformation that we are undergoing through this Beyond25 strategic plan and a coherent trajectory of continuous improvement, we have been able to confidently face one of the most difficult years in recent decades caused by the decline in the casing market.

Average workforce

5,300

people who currently work at Viscofan



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It is undeniable that the market adjustment in 2023 surprised us. It was the most significant decline in recent decades, and it occurred in all reporting areas without exception. It is framed within a context of inventory adjustment, but it is extending over time due to economic weakness and the consequent lower consumption in some markets, mainly emerging markets.

Once again, we must highlight the excellent work of the 5,300 people who work at Viscofan. In a more adverse context than expected, the strength of our business model and the adaptability of our people has allowed us to reach new historical highs with year-on-year growth in terms of revenue (2% compared to the previous year), EBITDA (1% compared to the previous year) and net result (1% compared to the previous year), while maintaining the financial strength of the Group with a net bank debt of 138 million euros.

Improving the main financial figures in a market that has declined in absolute terms is a significant milestone made possible by the commercial effort to improve the price mix to counteract the increase in production input costs, mainly energy and wage costs, and the focus on cost control and margin protection.

Having implemented the major organic transformation projects envisaged in the Beyond25 plan, we are well positioned to grow significantly in revenue, EBITDA, and net profit in 2024, while we expect the market to return to historical growth rates.

Given the prospect of operating cash flows higher than those anticipated in the Beyond25 strategic plan, the Board of Directors has resolved to submit the approval of an extraordinary shareholder remuneration to the General Shareholders' Meeting. This means the total remuneration per share expected for the 2023 financial year is €3.00, of which €2.00 is ordinary and €1.00 is extraordinary, maintaining a growing dividend that has led us to double the ordinary dividend without compromising the strength of the balance sheet in the last ten years. Unlike previous years, this year we plan to make the dividend payment using a flexible remuneration scheme, so that a choice is made between receiving cash or freed-up shares of the company based on the shareholders' preferences. At the same time, to avoid the dilution of the rights of shareholders who have preferred cash remuneration, the equivalent number of the new shares issued will be amortised with treasury stock.

Viscofan's transformation also represents a determined commitment to a more sustainable world, consistent with our explicit commitment to adhere to the United Nations Global Compact and the development of our Sustainability Action Plan. In 2023, some of the goals planned for 2030 have already been achieved, such as the reduction of CO₂ per km produced and the reduction of water, while the rest of the initiatives are in line with the established objectives.

Remuneration per share

€3.0

€2.00 is of an ordinary nature, and €1.00 is of an extraordinary nature

Within this process of change, new developments in governance towards a non-executive presidency model have also been incorporated since last 1 January. When I assumed the executive presidency of this group in 2010, I did so with all the enthusiasm and responsibility that came with the commitment to reinforce Viscofan's leadership and growth trajectory. Looking back over all these years, I must admit that the results have been even better than what I imagined before getting to know this company in depth. In this period, we have more than doubled our size in revenue, results, dividends, and value. We have expanded our geographical presence, reinforced our industrial park, and strengthened our balance sheet. We have a well-defined strategic plan and sufficient strength to continue creating future value for all stakeholders. This is a future that I have also approached with optimism and enthusiasm since I took up my position as non-executive chairman on 1 January, and I and the Board of Directors are confident in the executive work of José Antonio Canales, who was appointed First Executive at the beginning of this year.

I would like to personally thank the work of an exceptional team of people, from the 3,800 we were when I started my mandate as chairman, to the more than 5,300 people who currently work at Viscofan, as well as the customers and you shareholders, whose trust has enabled a company with a market capitalisation of more than 1,300 million euros in 2010 to end 2023 with a market capitalisation of close to 2,500 million euros after distributing more than 900 million euros in dividends. A fabulous present that still has a long way to go to continue growing and creating sustainable value for all its stakeholders.

Thank you very much.

José Domingo de Ampuero y Osma

