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LETTER FROM THE CHAIRMAN

**José Domingo de
Ampuero y Osma**



2020 was an exceptional year for the whole world and also for Viscofan. Hence, before commenting on the achievements attained in this year, I wish to highlight the work performed by an extraordinary human team. In a climate of uncertainty and insecurity, the 5,000 people that work at Viscofan have demonstrated a level of commitment and responsibility on a par with the challenge facing us. Each with their set of circumstances: at the factory, at their home, at their office, they have continued working to ensure that the food chain was not broken. I would like to thank all of them for the work performed.

Our management is based on the prioritisation of three axes: guaranteeing the health and safety of our employees and collaborators, ensuring the food chain and production and combating the spread of COVID-19 and its effects.

The pandemic caused by COVID has been lived with special intensity from the first day due to our global presence, first in China, where very soon we had to improvise the first protocols to guarantee the health of our people, which were subsequently implemented in Europe, America and Oceania as the virus has spread throughout the whole world.

To avoid breaking the food chain it was essential that Viscofan did not interrupt its production. We were declared to be an

essential industry in the countries in which we operate and we have not suffered any restrictions preventing us from working. A correct decision because we have had to reinforce our production and logistical activity to guarantee a global supply to all our customers, especially in the months of tough lockdown. Circumstances that have been acknowledged through the payment of extraordinary premiums to our employees. Having responded to this demanding environment is one of the greatest motives of professional pride.

It has also been a very complicated year from a human standpoint. I do not want to overlook the fire at the office area of our facilities in Serbia, a fatal accident in which two of our colleagues died, and also the loss of other employees and their family members that have died from COVID. Among all of us we need to continue working to avoid any human loss.

In this year, we progressed in the deployment of our Sustainability Action Plan and our commitments to obtain the Sustainable Development Goals on the 2030 Agenda as signatories of the United Nations Global Compact. Policies have been approved and updated with greater details of the Viscofan Group's performance patterns, especially in relation with the sustainability area, and the number of directors on the Carmen de Pablo who, in turn, was included on the

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Audit Committee to take advantage of her experience in this field. The Appointments, Remuneration and Sustainability Committee was reappointed, together with new Committee regulations, onto which Mr Ignacio Marco-Gardoqui was included, and significant investments were made to fight against climate change, such as the installation of new cogeneration engines, with green hydrogen capacity, as well as other efficiency, safety and sustainability improvements.

From a financial standpoint, the results obtained in 2020 were due, to a large extent, to the work performed over all these years, especially in the implementation of the MORE TO BE strategy.

We currently have 22 production plants and our own presence in 19 countries, from where we sell to more than 100 countries throughout the world. The acquisitions of Vector, Supralon, Transform Pack, Globus and Nitta Casings in recent years reinforce our business model. A global presence that combines our production presence on the most significant markets with a sufficient scale to attend to a multitude of countries with homogeneous quality requirements. This combination of flexibility and proximity has been decisive when restricting movements, both of people and goods, enabling Viscofan to be a guaranteed provider of supply needs such as those that have arisen this year.

Furthermore, the pandemic has shaken up consumer habits in many countries. We have continued to eat, but we have had to adapt to a context of restrictions and less social interaction. Our diversified product portfolio has given us sufficient flexibility to adapt to this change. Perhaps there has been a slowdown in the marketing of new products but, on the other hand, others, in which our proposal is the market benchmark, have accelerated.

During the strategic plan MORE TO BE we have earmarked €384 million to investments which, among other improvements, have increased capacity and renewed our industrial park, including the new cellulose and fibrous technology. Accordingly, we are enjoying the best

conditions to meet demand peaks, offer high-quality products and attend to our customers in these times of need.

The combination of these factors is what enables us to have such accelerated growth this year, undoubtedly higher than that of the previous years and that of market growth itself, thereby managing to reinforce our market share in casings.

We have grown and this growth is accompanied by increased operating returns and net earnings, achieving aggregates that are in line with or above the expectations that we shared with the market at the beginning of the year.

Growth and financial soundness is reflected in increased shareholder remuneration. We decided to substantially increase interim dividends, with the payment of €1.40 per share in December 2020, to contribute liquidity to our shareholders, especially minority interests, in a year in which savings deteriorated significantly. This dividend will be complemented with the payment of 29 cents per share on 3 June which, together with the cent that we traditionally distribute as a fee for attending the shareholders' meeting, is equivalent to a remuneration of €1.70 per share, up 5% on the previous year, 26% more than the distribution prior to the MORE TO BE strategic plan, triggering over 15 years of increased remuneration, with a cash distribution of over 64% of the earnings obtained.

Lastly, in 2020 -just like many other people and institutions- we made donations of protection materials that we were able to obtain in moments of great scarcity, together with increased monetary contributions and contributions of food and in kind to different charity associations particularly affected by the pandemic.

This year, the market growth rate was exceptional, but that does not limit the market growth capacity at long term. In 2021, the inter-annual growth comparison will be more demanding, but the need to feed a growing population or to do so in

a more personalised, safe and efficient manner, continues to boost volumes of casings as a fundamental ingredient for this challenge.

Additionally, in this new year, we expect to legally organise ourselves as a holding company. Hence, we will propose to the General Shareholders' Meeting the unbundling plan in Spain for which Viscofan Spain S.L.U. was created.

We have significant investment projects because our objective is to continue building a more sustainable Viscofan in the long term. Only companies guided by this objective are capable of adapting to the risks that may always arise at long term. Today Viscofan is a better, more solid and sustainable company and on this basis, we believe that it is possible to attain the ambitious financial targets that we have set for 2021.

Thank you very much for placing your trust in us.

**Jose Domingo de Ampuero y Osma
Chairman**