



OUR BUSINESS MODEL

MISSION

Meet global food industry needs

VALUES



QUALITY

ETHICAL PRINCIPLES



Loyalty



PIONEERS

Transparency



Efficiency



SERVICE



Respect and non-discrimination



TEAM WORK



Integrity



FOCUS ON RESULTS



Responsibility

Sustainability



STRATEGIC AXES



COST



SERVICE



TECHNOLOGY

SDG



VISION

In 2020 we want to be and authentic global leader



SHAREHOLDERS



TEAM



MARKETS



CUSTOMERS



BENCHMARK

Mission, vision and values

MISSION

Meet global food industry needs

The Viscofan Group aims to meet food industry needs through the production and sale of customized 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 and bioengineering uses.

VISION

To become an authentic global leader in 2020

Viscofan aims to become The Casing Company in 2020, continuing to grow with the goal of achieving triple leadership in service, cost and technology in all casings markets. This vision means giving a value proposal for each of the stakeholders identified by Viscofan:

The Casing Company means:

- Being the global leader in all families of customized casings and actively promoting the development of **new markets**.
- Being the preferred option of **our customers** pursued by competitors.
- Being the **benchmark of the sector** in efficiency and productivity in all its casing technologies.
- Being the **best market team**, attracting and maintaining talent and developing its capacities.
- Focusing effort on creating value for **shareholders** sustainably.

The Casing Company means being the leader in service, leader in technology and leader in cost.

VALUES

We rely on shared values and inalienable ethical principles

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.

To achieve this, we have designed and implemented a "MORE TO BE" strategic plan for the 2016-2020 period that deploys the main initiatives. To successfully realise this vision, our team relies on shared values (service, quality, team work, learning and focus on results) and on the non-negotiable ethical principles that arise from the fundamental of all human beings (respect and non-discrimination, responsibility, efficiency, loyalty, integrity and sustainability).

Competitive advantages

Viscofan’s progress is viewed from the perspective of achieving sustainable competitive advantages, which are the result of the work and commitment of an exceptional team that has offered the best of each individual for over 40 years, making Viscofan the leader in the sector.

R&D and innovation

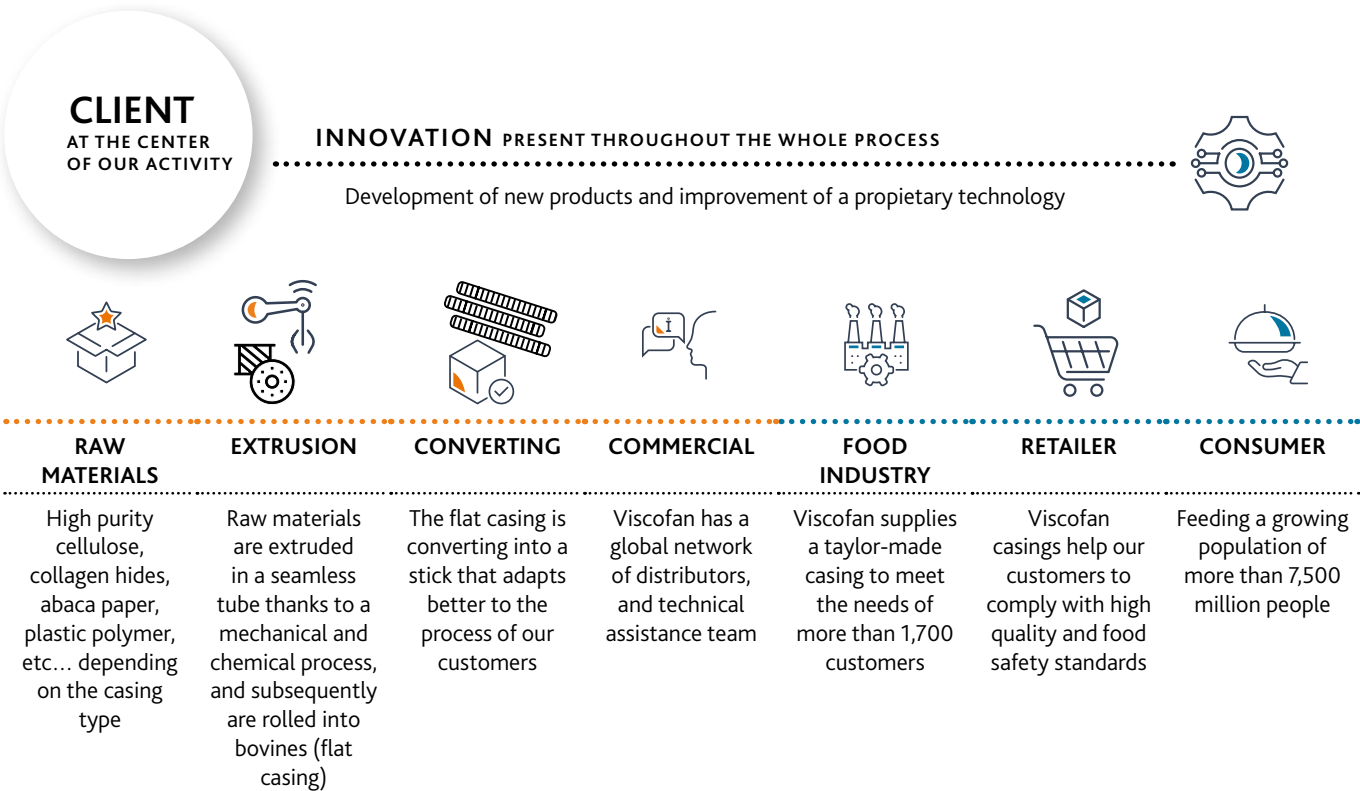
Viscofan’s products look simple and are simple to use. This belies the sophisticated technology underlying the manufacturing process which only a few companies worldwide have developed.

The cold meat production sector requires high performance products at very competitive costs, in order to enable large scale production. Meeting this demand implies a huge technological and development challenge that Viscofan performs successfully as the largest casings supplier, and the only one with the technological capacity to offer the four main families of casings: cellulose, collagen, fibrous and plastic casings.

Viscofan’s position in the constantly-evolving, highly competitive world market is sustained by cutting-edge efforts in research, development and investigation of its technology and products. Only through the application of this philosophy will the company be able to continue advancing in its leadership of innovation in the global customized casings market, benefiting all of its stakeholders.

Constant innovation required by our globalised world must be taken into account. 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 couples its growth as

Diagram of the Viscofan Group’s production process and value chain





At present, there are strategic product and technology development projects across the entire casings range in progress (cellulose, collagen, fibrous, plastic and vegetable casings), as well as other diversification products aimed at developing applications that provide Viscofan with the product range required to reinforce its presence in the world market.

a business with the development of its innovation capability so that it can access the best technologies available on the market, implement them and improve them, and develop its own technologies to create an enduring competitive edge.

At present, there are strategic product and technology development projects across the entire casings range in progress (cellulose, collagen, fibrous, plastic and vegetable casings), as well as other diversification products aimed at developing applications that provide Viscofan with the product range required to reinforce its presence in the world market. On-going and completed Research, Development and Innovation projects focus mainly on:

- The development of new products according to the target markets defined in the expansion plan, and new generation implementations, designed and oriented towards offering products with differential performance and features.
- The development of active casings that are able to confer functionalities to the product they contain, gaining in efficiency and preventing food waste.
- The development of production alternatives and technological solutions through breakthroughs which allow an increase in added value or significantly reduce production costs for meat casings through modernisation, streamlining and simplification, improving Viscofan's competitiveness.

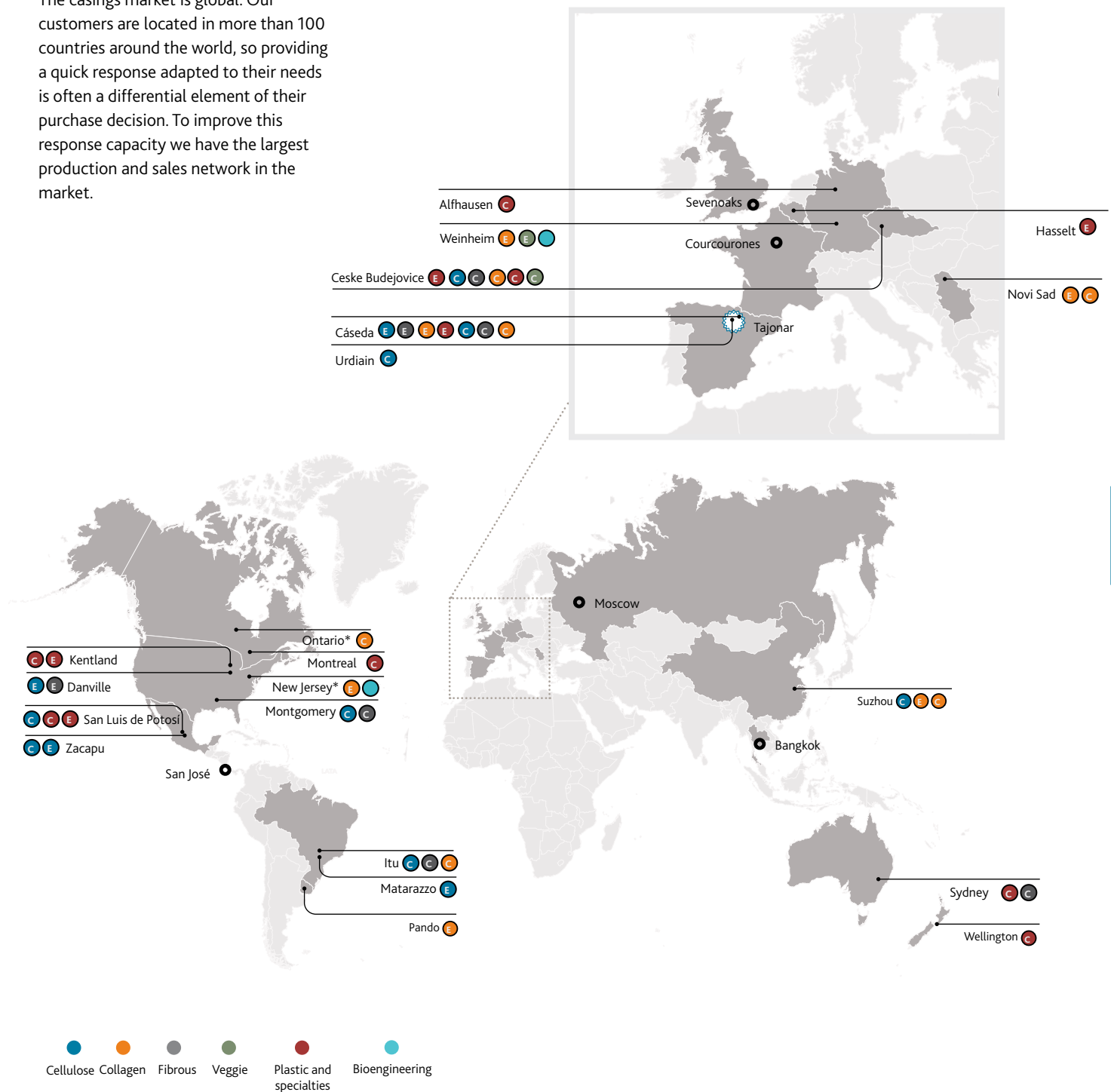
- Research in the area of raw materials aimed at developing technological processes that enable an adequate range of materials to manufacture casings, while also taking into account sustainability criteria like their biodegradability or recyclability.

- 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.

This activity is supported by the R&D team, which during 2019 on average had 135 people in the whole Group (133 in 2018) throughout all the factories. The corporate research and development centre coordinates, directs and supports the specific research and development activities conducted at each production plant, and coordinates the multidisciplinary teams which exchange best practices, technological knowledge and ideas across product sites.

Geographical presence

The casings market is global. Our customers are located in more than 100 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.



*Includes the plants of Nitta Casings Inc. and Nitta Casings (Canada) Inc. acquired in December 2019. The corporate name of these companies has been changed to "Viscofan Collagen USA Inc." and "Viscofan Collagen Canada Inc.", respectively.

Diversification

Innovation in the use of the raw materials we employ also generates growth opportunities beyond the customized casings itself. One example is the new solutions based on the technological knowledge of collagen.

Collagen is the most abundant protein in the human body and therefore there are numerous applications and uses that can be given to this material in people's benefit. Thus, at Viscofan we are increasingly developing activities around collagen, ranging from medical applications to recent business in advanced nutrition.

In 2019, the Bioengineering Unit made significant progress in the medical and nutraceutical areas, increasing the source of income thanks to the size of the sales network, and also making significant progress in the product research phase.

In the medical field, the Cardiomesh project - based on the regeneration of heart tissue through the implantation of a medical device made from our collagen membrane - is in the clinical trial phase and reached a major milestone in July 2019. Specifically, the first implantation of this device in Spain was successfully carried out in the Gregorio Marañón Hospital in Madrid in a patient with heart failure due to a myocardial infarction. This is the first of ten interventions planned in this initial phase, the objective of which is to evaluate the safety and tolerance of this new regenerative therapy.

In parallel, in the nutrition market we have made progress with the commercial expansion of COLLinstant®, a high quality collagen hydrolysate that has been quite successful in the market. These collagen hydrolysates are used as a component of nutritional supplements that improve the health of skin, bones

and articulations. In the launch year of COLLinstant®, Viscofan has managed to sell its full capacity.

In addition, we have our own Diversification Division that actively seeks new growth opportunities and collaboration agreements with companies that have outstanding results in this field, such as functional casings with antimicrobials or the possibility of extruding collagen with other techniques and forms.



Sector trends

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 in terms of taste, formulation and consumer experience are also changing and diversifying, while providing the maximum guarantee of quality and food safety.

Casings play a key role in this 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 market exceeds 57 billion meters and has an estimated value of €4.2 billion. In order to meet the sausage filling needs, a meat processor must choose among the different alternatives on the market, either with animal casings (a 47% of the market), or if he prefers customized casings which can be produced with different materials depending on the desired production and product characteristics, combining a better range of casings with production savings. Thus, the greater the production requirement and the sophistication of the meat processors, the greater the tendency to adopt customized casings as opposed to animal casings, and for this they have four main types of technology, cellulosic casings (13% of the total market), fibrous casings (7%), collagen (21%) and plastic casings and others (16%).

Growth in the customized casings market lies within the historical average range of 2-4% in volumes thanks to strong fundamentals 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 growth of the population 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 drives the replacement of animal casings with customized casings (mainly collagen) as well as the development of new products.

At Viscofan we feel the responsibility to adapt and create value in this market. This is reflected in the fact that 18% of the market (including casings and animal gut) trust our customized casings, compared to 15% at the beginning of the strategic period (2016). Moreover, if we take into account only market players with production of customized casings, the market share stands at 34% (30% at the end of 2015).

As with other basic food products, food crises or shortages can act as a brake on this growth trend.



18%

of the market (including casings and animal gut) trust our customized casings

15% in 2015



34%

Market share in the customized casings market

30% in 2015

MORE TO BE strategy

From this position of leadership, the development of the Viscofan Group is not unconnected with the changes in today's world, which has also affected the needs of our customers, market possibilities and the new world cost and funding structure.

In such a demanding environment, the Viscofan Group bolstered its position of leadership in the sector while developing the activities included in its MORE TO BE 2016-2020 strategic plan, with the objective of leading in all the main casings markets in terms of service, cost, and technology.

The current strategy means a step further in the track record that began with the Be ONE (2009-2011) strategic plan. Under the plan and after these acquisitions, it was decided to restructure operations and draw up management plan to improve economies of scale that the Viscofan Group did not previously

VISION

To become an authentic global leader in 2020

THE CASING COMPANY puts all its efforts in creating value for SHAREHOLDERS sustainably.



SHAREHOLDERS

THE CASING COMPANY is the preferred option of our CUSTOMERS and desired by competitors.



CUSTOMERS

THE CASING COMPANY has THE BEST MARKET TEAM, attracts and maintains talent and develops its capacities.



TEAM



MARKETS

THE CASING COMPANY is the global leader in all families of meat casings and actively promotes the development of NEW MARKETS.



BENCHMARK

THE CASING COMPANY is BENCHMARK of the sector in efficiency and productivity in all its casing technologies.



LEADERSHIP 2020

Ultimately, THE CASING COMPANY leads in SERVICE, COSTS and TECHNOLOGY.

have. This approach made Viscofan become a very efficient company, which gave cost optimisation the greater weight of management.

Once that goal was accomplished, Be MORE (2012-2015) strategic plan committed to greater development. The best technological improvements introduced, without giving up competitive cost advantage, gave us a more global presence in collagen and in other families, enabling us to reach other markets and a new scale.

But to be a global leader, we have to lead our key markets. In order to reach our objective, we have to continue to make progress in costs, technology and, of course, step up our level of service. And that is exactly what guided the Viscofan Group towards its new vision: Become an authentic global leader: "THE CASING COMPANY".

Such leadership cannot be achieved without a strong commitment to sustainability. For this reason Viscofan is the first company in the sector to join the United Nations Global Compact for the achievement of Sustainable Development Goals.

Sustainability Action Plan

In 2016, the Company's Board of Directors signed the Corporate Social Responsibility Policy of the Viscofan Group and specific sustainability metrics were incorporated into the bonuses of Viscofan's senior management and key personnel.

Subsequently, an internal work team was set up with external assistance to carry out a sustainability maturity analysis in the Viscofan Group and the materiality analysis.

The growing importance of sustainability within the Viscofan Group is once again reflected in the 2019 financial year with the modification of the Board Regulations and the approval of new regulations for the Audit Committee and the Appointments and Remuneration Committee with specific distribution on the tasks of supervision in matters of sustainability.

Lastly, also in 2019 the Group drew up a Sustainability Action Plan approved by the Board of Directors with the aim of meeting expectations and improving service levels with all our stakeholders: our shareholders, our customers, our employees and, of course, the society in which we operate. Based on continuous dialogue with stakeholders, we have identified the most significant aspects of sustainability and incorporated them within a materiality matrix. In parallel, the dimensions of sustainable value creation (economic, governance, human-social and environmental) have been applied in the performance of our activity, and those Sustainable Development Goals (SDGs) where Viscofan can make a greater contribution have been analysed. The SDGs in place are as follows: SDG 2 Zero Hunger; SDG 6 Clean Water and Sanitation; SDG 8 Decent Work and Economic Growth; SDG 12 Responsible Production and Consumption; SDG 13 Climate Action.

As a result of this process, the Viscofan Group has made specific and measurable commitments in the area of sustainability and in January 2020 created a Sustainability Committee to promote and monitor the Action Plan.



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Strategic initiatives

As part of the MORE TO BE Strategic Plan, in 2019 the Viscofan Group carried out various projects with the aim of being a leader in service, cost and technology in its main markets:



SERVICE

This area groups all initiatives aimed at offering solutions to meet needs, and addressable with a greater range of products, greater proximity, better assistance, greater adaptability, etc.

An example of initiatives aimed at improving the service axis is the wide variety of new products launched on the market, including Natur collagen casing for fresh sausages; Marathon Line, extra-long sticks to improve the profitability of our customers; Veggie casing, an edible option for vegans, vegetarians and flexitarians; Vispice, providing spices and aromas to meat products; Plastic transferable casings, among others.

Also with the new plant in Spain started up in 2018, where new cellulose and fibrous technology has been developed and installed. This project allows us to develop new products for the market, as well as gain proximity with European fibrous customers. In this sense, sales in 2018 and 2019 show a high degree of customer satisfaction.

Since December 2019, the acquisition of the collagen casings division from the Japanese group Nitta Gelatin Inc. allows the Viscofan Group to complete its productive presence of

this technology in North America, improving service and proximity to the customers in one of the largest casings markets in the world.

Also, in 2019, Viscofan improved its service and product range in Oceania thanks to the acquisition of Globus companies in Australia and New Zealand, a geographic complement to improve proximity in the region. With this acquisition, Viscofan incorporated its main distributor in these countries, which has a long history as a supplier of casings, films and bags, among others, as well as a great knowledge in the sale of equipment for the food industry.



TECHNOLOGY

Our productive process of continuous improvement is based on proprietary technology where know-how of people is essential. As a result of this model of continuous improvement, from 2018 the Group has had new casings production technology based on viscose (cellulose and fibrous) in Caseda, Spain. It is a production plant with the most advanced technology in the market for producing these types of casings, and which is an advance for Viscofan in terms of efficiency and productive speed. This project progressed in 2019 as planned, and new cellulose modules have been put into operation, thus lowering production costs from the second half of the year.

Since 2019 Viscofan has a new technological family, Veggie edible casing and whose raw material is of vegetable origin, a raw material different from the four traditional technologies

Here we can also include the 4.0 industry projects undertaken in the Czech Republic and Spain, and the development of new, large-calibre collagen technology in Serbia.



COST

In 2019, the company continued to promote projects focused on improving costs by seeking savings through the certification of new suppliers and the development of more efficient production technologies.

Further, in 2019 the Viscofan Group has faced an environment of inflation in the cost of energy and of CO₂ emission allowances as well as wage inflation in certain countries. The production improvements achieved in 2019, including the new Cáteda plant, have partially offset this increase in production input costs. In addition, in line with this cost context, commercial activity has sought to increase prices in a wide customer base.