

## 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
<b>Working capital</b>	<b>424,714</b>	<b>394,739</b>
Current liabilities	339,309	325,739
<b>Working capital/current liabilities ratio</b>	<b>125.17 %</b>	<b>121.18 %</b>
Cash and cash equivalents	51,996	51,193
Available on line of credit (Note 16)	105,944	53,131
<b>Treasury + credit availability and discounting</b>	<b>157,94</b>	<b>104,324</b>
<b>Cash + credit availability and discounting/current liabilities ratio</b>	<b>46.55 %</b>	<b>32.03 %</b>

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
<b>Total financial debt</b>	<b>206,147</b>	<b>168,174</b>
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%
<b>Pension plan obligations</b>				
Germany	-132	135	-162	151
United States and Canada	-246	236	-288	305
Plans in other countries	-21	20	-22	21
<b>Financial debt</b>				
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