

Viscofan

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Viscofan **today**

DISTRIBUTORS OF ARTIFICIAL CASINGS IN MORE THAN 120 COUNTRIES

ACROSS 5 CONTINENTS.



THE WORLD LEADER

IN THE MANUFACTURE AND SALE OF ARTIFICIAL CASINGS



THE ONLY GLOBAL PRODUCER

OF ALL TYPES OF ARTIFICIAL CASINGS: CELLULOSE, COLLAGEN, FIBROUS AND PLASTIC USING PROPRIETARY TECHNOLOGY



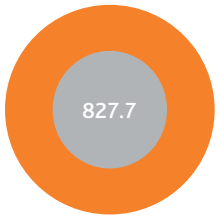
Vegetable food

IAN GROUP, LEADING SPANISH

DISTRIBUTOR OF ASPARAGUS AND VEGETABLE FOOD

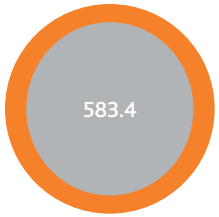


2010 figures 2009 figures

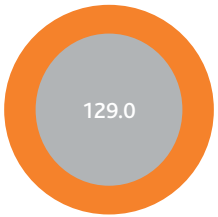


1,321.7
Millions of euros
Market capitalization

+59.7%!
MARKET CAPITALIZATION

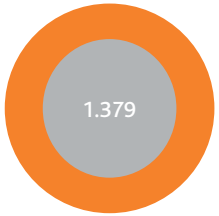


633.7
Millions of euros
Revenue

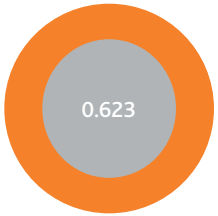


154.1
Millions of euros
Ebitda

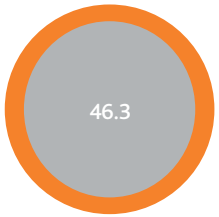
24.3%
EBITDA MARGIN
+2.2P.P!



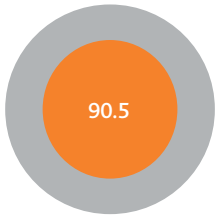
1.745
Euros
Earning per share



0.800
Euros
Remuneration per share
+28%



47.4
Millions of euros
Capital expenditure



59.8
Millions of euros
Net bank debt
(-34%)

Letter from the **Chairman**



José Domingo de Ampuero y Osma

Dear Shareholder,

It is a pleasure for me to present our 2010 annual report. 2010 was an exceptional year for the Viscofan Group, not just in economic terms, where our results clearly demonstrate the health of the Group's position, but also from an operational point of view, with historic landmarks achieved and many growth opportunities open to us.

Whilst it has been an excellent year, this does not mean that it has been by any means easy in today's complex global financial situation. The signs of growth are still very weak in the most advanced economies, and the imbalances which have still not been redressed in the financial system may cause difficulties for our customers' expansion plans; as a result, we are continuing our policy of cost control and taking all the precautions we can to offset the risks inherent in the current economic volatility and lack of a clear outlook.

As I said in my letter last year, the Viscofan Group is involved in exciting projects for all of its operations, the success of which would to a great extent depend on volumes recovering in 2010. This recovery in volumes materialised in the second half of the year for all our families of casings; these growth rates have continued into 2011 and we expect them to continue in the coming years.

This growth has enabled us to exceed our 2010 targets: revenues increased by 9% to €634 million; EBITDA increased by 20% to €154 million; and net profit increased to a record of over €81 million, 27% up on 2009.

These results have been accompanied by intensive work within the Viscofan Group, where we have continued to drive forward key initiatives to improve our competitive position and our ability to generate value for our shareholders. Of these initiatives, I would like to highlight the following:

- The opening of a converting plant in China. This is an excellent example of Viscofan's capacity to take on new challenges and carry them out successfully. Starting a new operation from scratch and getting it to the production testing stage in just 14 months is a historic achievement. This achievement was made possible by the dedication of the whole company, not just those who travelled to China, but also everyone who contributed in any way to the launch of Viscofan's first production centre in Asia.
- Profits in our Serbia operation. Our Novi Sad production centre is being resized to achieve greater critical mass for non-edible collagen and to open up access to countries in the east of Europe and contribute to higher returns on the Group's operations.
- In October we externalised one of our German pension fund with a value of nearly €15 million; whilst this represents a cash outflow, it will reduce the risks associated with the volatility of such liabilities.

These are just a few examples; however, our continuing efforts to improve our activities every day are even more significant. I would like to thank all members of the Viscofan Group's team for their commitment to continuous improvement and achieving excellence. This has contributed to the Group

being able to achieve historic levels of productive capacity just as demand is speeding up, and to undertake new improvement challenges, not only in terms of production and expansion of capacity, but also in innovation, in our systems, processes, products, commercial initiatives, cultural integration, attraction and retention of talent and in many other areas.

This acknowledgment to the Viscofan team would not be complete if I do not make a special mention of Juan Carlos García de la Rasilla, our General manager in Serbia who sadly passed away last year, and also to our other colleagues who are no longer with us.

The improvement in our activities was not just in our casings division; we also achieved new advances in our vegetable food division. In a market made particularly difficult by the contraction of consumption in Spain, and given the strong competition in the retail market, the IAN Group and, in particular, its Carretilla brand, has strengthened its competitive position gaining market share, increasing exports and boosting margins.

We are now facing an exciting future with many improvement projects underway and rapid growth in markets all over the world, particularly in China, but also in other emerging economies where the use of artificial casings are not yet more commonly used than natural gut.

This has led us to set ourselves financial targets for 2011 which once again exceed our results in the previous year, and also to accelerate investment projects which will enable growth and value creation over the coming years. Nevertheless, 2011 will not be an easy year either; there are still no clear signs of improvement in the economic and geopolitical situation, and the first consequences are starting to be seen in increases in commodity and energy prices this year.

A promising future which we are facing from a solid financial position, with the flexibility required to take advantage of the growth opportunities which arise in this market, and which at the same time enables us to offer remuneration to shareholders so that they can participate in the improvement in results. For this reason, the Board of Directors has agreed to submit a proposal for an additional dividend of €0.204 per share and a capital reimbursement of €0.29 per share for approval at the company's shareholder meeting. These two shareholder payments plus the €0.30 per share interim dividend paid against 2010 profits and the AGM attendance bonus imply total shareholder remuneration of €0.80 per share, 28% more than the year before.

This remuneration is additional to the 59.7% increase in the share price in 2010. This growth is backed by a significant improvement in all of Viscofan's operations and the confidence which you, our shareholders, have placed in us.

As a result, I would like to personally thank you for your support and encourage you to continue to trust in this company, which is at an exciting point, with significant opportunities for growth and value creation.

Viscofan **Worldwide**

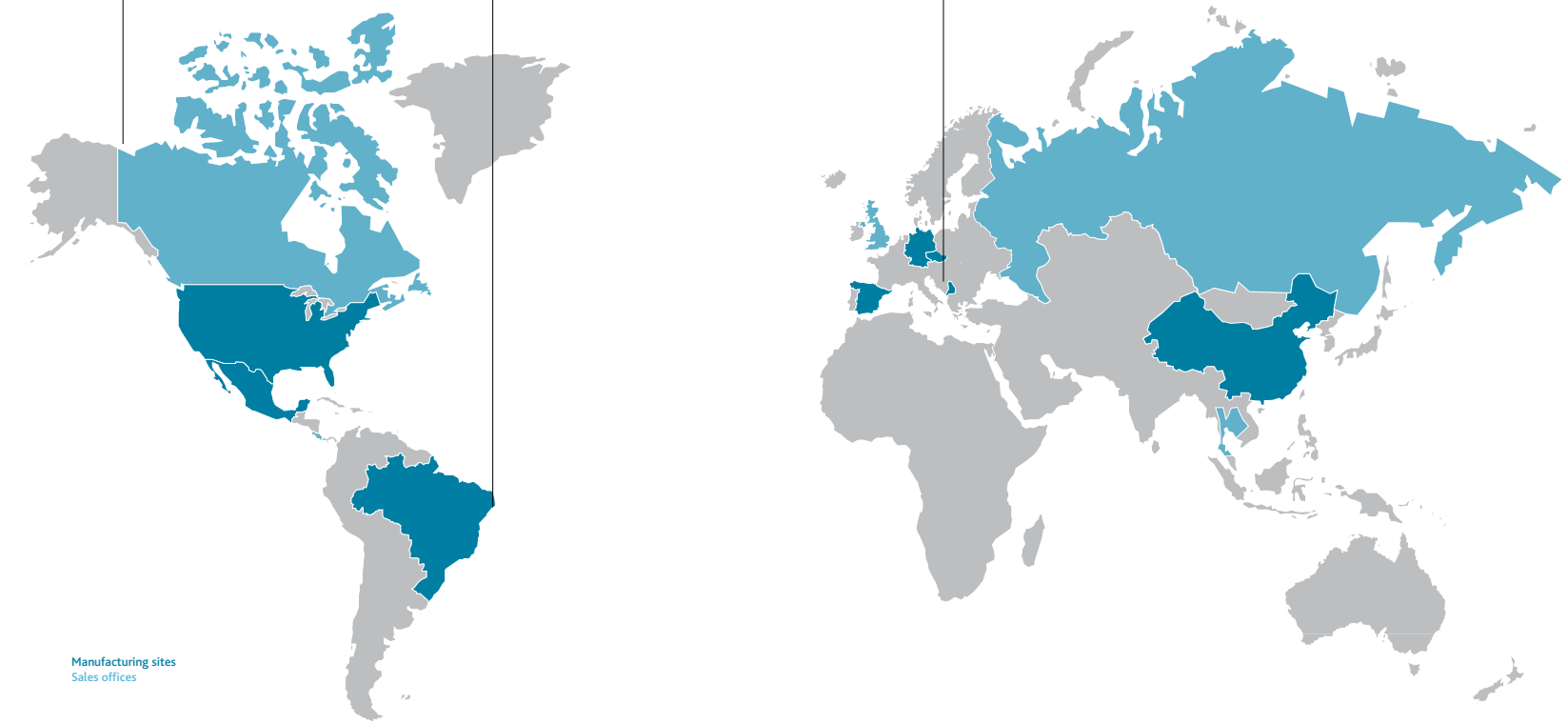
WORLDWIDE LEADER IN MANUFACTURING AND DISTRIBUTING ARTIFICIAL CASINGS FOR THE MEAT INDUSTRY.

NORTH AMERICA
867 employees
Revenue: €188.4 million
Extrusion and converting of cellulose and fibrous casings
4 manufacturing sites
3 sales offices

SOUTH AMERICA
424 employees
Revenue: €89.1 million
Extrusion and converting of cellulose and plastic casings
2 manufacturing sites
2 sales offices

EUROPE/ASIA
2,232 employees
Revenue: €261.01 million
Extrusion and converting of cellulose, collagen and plastic casings
6 manufacturing sites
8 sales offices

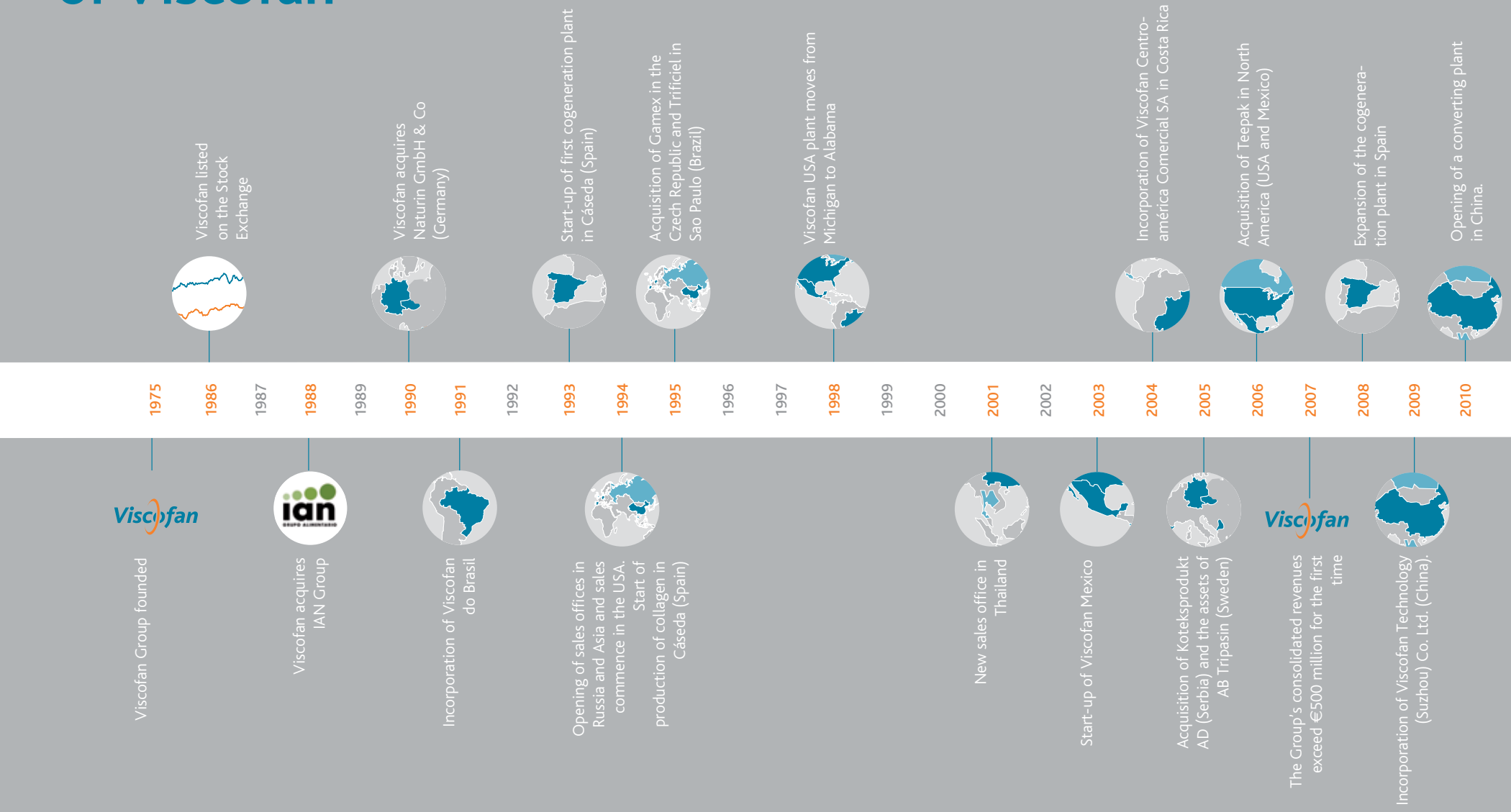
IAN Group
293 employees
Revenue: €95.3 million
Production and sale of preserved vegetables
3 manufacturing sites
1 sales office



Manufacturing sites
Sales offices

14
SALES OFFICES

Milestones in the **history of Viscofan**



A wide range of solutions and products

A guide to Viscofan products

A WIDE AND VARIED RANGE OF SOLUTIONS FOR EACH MARKET AND END-CONSUMER APPLICATION



Cellulose casings

Cellulose casings are made from natural cellulose. They are used primarily in the manufacture of industrially cooked sausages (frankfurters, Vienna sausages, hot-dogs, etc). The casing is generally used only as a cooking mould, and the manufacturer peels it off before sale to the end-consumer. Using a complex manufacturing process, the cellulose molecules are chemically and mechanically depolymerised and subsequently repolymerised in cylindrical or tubular form according to the customer's requirements.



Collagen casings

These casings use collagen as their raw material. Collagen is obtained from cow and hog hides and processed using sophisticated technology so that it can be shaped into casings. Collagen casings are of two kinds: small calibre (e.g. fresh sausages, Bratwurst, etc.) and large calibre (e.g. salami, Bierwurst, etc.). The key difference lies in the thickness of the casing wall and the way the collagen is processed to withstand a given degree of stress when filled and holding in the weight of the meat. Viscofan also uses collagen to make edible film wrap to encase various meat products (hams, roulades, etc.).



Fibrous casings

Fibrous casings are cellulose casings reinforced with manila hemp, which makes for high strength and highly uniform calibre. Fibrous casings are primarily used for large sausages and slicing meats such as mortadella, ham and pepperoni.



Plastic casings

Plastic casings are made from a range of polymers. Viscofan makes a wide variety of plastic cases for different product applications. Viscofan's plastic casings offer highly effective barrier properties, mechanical strength, thermal shrinkage, Peeling, slicing and heat resistance.



IAN GROUP

Vegetable food

Through the IAN Group, Viscofan distributes a wide range of preserved vegetables, including asparagus, tomato products, olives and vegetable-based ready-cooked meals and salads.

Main Brands
Viscofan Group

Casings

Viscofan Koko CoffiNet Naturin

Colfan Tripan Betan Coffi

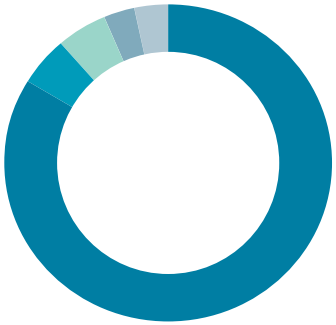
Vegetable food

CARRETILLA iAn COMARC

ALESVES RESTAURACIÓN MORENITA

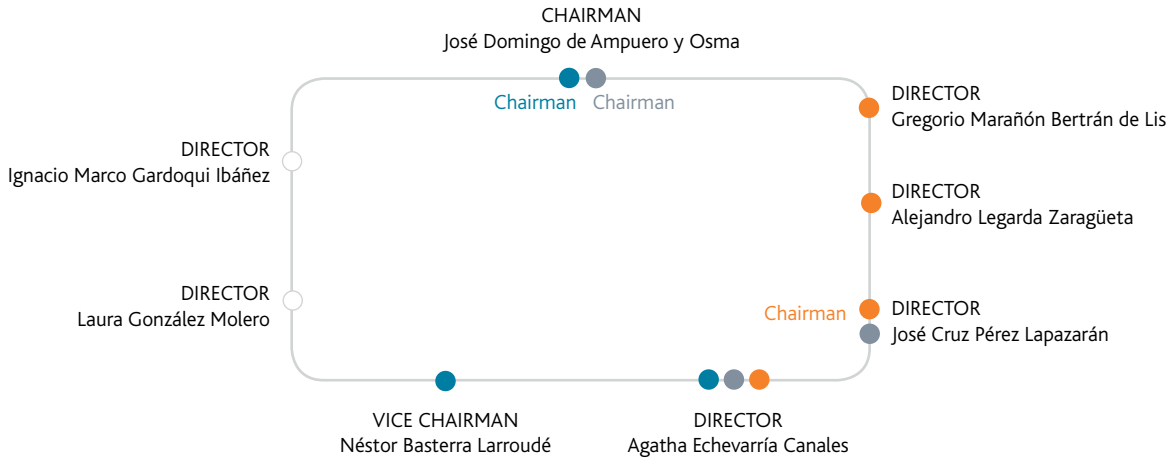
Group Structure

Significant shareholdings at December 2010



- Free Float: 83.681%
- Onchena S.L.: 5.077%
- Marathon Asset Management, LLP: 5.019%
- Blackrock Inc 3.140%
- BNP Paribas SA 3.083%

Board of Directors



Secretary (non-voting): Juan María Zuza Lanz

Executive Committee
Audit Committee
Appointments and Remuneration Committee

José Domingo de Ampuero y Osma
Chairman
Executive director
Industrial Engineering and Master of Business Administration. University of Southern California. Los Angeles. U.S.A.

First appointment
27 feb 2009
Last appointment
03 jun 2009

His long professional career has led him to occupy various positions such as Vice President of Naviera Vizcaino, President of SA Power, Vice-President of BBVA Bancomer (Mexico), Chairman of Bodegas y Bebidas, Vice Chairman of Banco Bilbao Vizcaya Argentaria SA, Vice President of Iberdrola, and President of Cementos Lemona SA.

He is currently Chairman of Autopista Vasco-Aragonesa SA. He is also Chairman of the Board of Santa y Real Casa de Misericordia de Bilbao, a member of the Board of Directors of the Association for the Advancement of Management, President of the Círculo de Empresarios Vascos and its board of Directors.

Nestor Basterra Larroudé
Vice President
Independent director
Law degree and is an Economics graduate from the University of Deusto. He also has an MBA from IESE
First appointment
29 jul 1997
Last appointment
03 jun 2008

He spent most of his career working in corporate banking both internationally and in Spain as responsible in capital market and corporate department in Bank of America and Banco Santander.
He is currently Vice-president of Iberpapel Gestion SA, partner and member of the board oDirector of Amistra SGC, S.A. and member of the Executive Committee of Viscofan, S.A., Director of Naturin Viscofan GmbH , and Industrias Alimentarias de Navarra, S.A.U.

Agatha Echevarría Canales
Director
Independent director
Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.

First appointment
28 jan 1999
Last appointment
03 jun 2008

She has broad professional experience in a number of multi-nationals, including the audit firm Touche & Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A.
She currently acts as a business strategy adviser to family firms
Member of the Board of Directors of Viscofan, S.A., of its Executive Committee, Audit Committee and Appointments and Remuneration Committee.

José Cruz Pérez Lapazarán
Director
Independent director
Agricultural Engineering graduate from the Madrid Polytechnic.

First appointment
24 jun 1998
Last appointment
03 jun 2008

With broad experience in government service at the Ministry of Agriculture, with postings in Spain and abroad, and deputy in the general courts of the spanish state.
He has held the positions of General Manager of Agri-food Organization and Industry in the Government of La Rioja, Minister for Agriculture, Livestock and Forestry in the Government of Navarre, was Chairman of the Boards of various listed companies and professor in the Food Technology and Projects Departments of the University of Saragossa and the Public University of Navarre.
He is currently Parliamentary senator and has been very active as Chairman or member of the various Agricultural, Fisheries and Food committees of the Congress and Senate and in the latter of the European Union, Labour and Defence committees. He is a recipient of the Gran Cruz del Merito Agrario y Pesquero and is member of the Board of Directors of Viscofan, S.A. He is also a member of its Appointments and Remuneration Committee and Chairman of the Audit Committee.

Gregorio Marañón Bertrán de Lis
Director
Independent director
Law graduate from the Universidad Complutense in Madrid and completed the Senior Executive Programme at the IESE.

First appointment
28 jan 1999
Last appointment
03 jun 2008

Marques of Marañón.
He has broad experience working in the legal profession and in the financial sector, where he was Managing Director of Banco Urquijo, Chairman of Banif and Director of Argentaria and of BBVA.
He is currently Chairman of Roche Farma, of Universal Music Spain, of Logista, S.A; Director of Prisa and member of its Executive Committee, president of its corporate governement committee, and appointments and remuneration Committee; member of the board of director of Prisa TV, and of its Audit Committee and Appointments and Remuneraton Committee; member of the board of Altadis; Chairman of Advisory Board of Spencer Stuar; and member of the advisory board of Vodafone and Aguirre & Newman.
In the cultura sphere he is Presidente of the Teatro Real and the Foundation Greco 2014; Vice-president and president of the Executive committee of the Ortega-Marañon Foundation, director of Santillana Foundation, Altadis Foundation, Real Fundación de Toledo and Toledo International center for the peace. He is a permanent member of the San Fernando Real Academia de Bellas Artes, and has been member of the International Council of the Tate Gallery.
He holds the grand cross of Alfonso X el Sabio and officer of the french legion of honor.

Alejandro Legarda Zaragüeta Director Independent director Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona). First appointment 22 may 2006 Last appointment 22 may 2006	With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992. In 2006 he joined the Board of Viscofan, S.A. as an independent Director and in 2007 became an observer on its Audit Committee.
Ignacio Marco Gardoqui Ibáñez Director Independent director Economics degree from Deusto University. First appointment 15 dec 2009 Last appointment 01 jun 2010	Mr. Marco Gardoqui has a long professional career, he has worked for financial entities, and his activities have covered teaching, consulting, and the press world ,where he has a strong reputation for his actively contribution as economic expert and columnist, he belongs to the Publishing Committee of Vocento Group. He also has developed a wide experience in several industrial companies, belonging to multiples Board of Directors; currently he is Director of Scheider Electric España, Progénika Biopharma, Minerales y Productos Derivados and Tubacex Tubos Inoxidables SA. Previously, he has belonged, among others, to the Board of Director of Técnicas Reunidas, IBV, and Banco de Crédito Local, and chairman of Naturgás.
Laura González Molero Director Independent director Graduate in Pharmaceuticals from the "Universidad Complutense de Madrid", Executive MBA from the "Instituto de Empresas", advanced course of innovation and leadership in Harvard and IMD Universities. First appointment 22 apr 2010 Last appointment 01 jun 2010	Chairman and CEO of the Merck Group in Spain and independent Director of the Leche Pascual Group. Currently, she is leading the integration process of Milipore to the Merck Group, with experience in the integration process with the biotechnology company Serono, a company with which she has been linked, in different posts, since 1999, and in which she was Vice-Chair of Serono Iberia y Paises Nordicos and Nordic countries when purchased by the Merck group. She was previously Managing Director of Farmacéutica Essex from the Schering-Plough Group, and Laboratorios Farmacéuticos Guerbert, S.A, as well as sales director for Roche, S.A. Currently she is member of the Board of Directors of the Circulo de Empresarios, APD, and Adecco. Her career has also been recognised by numerous prizes and awards in recognition of her work as a notable director.
SECRETARY NON-DIRECTOR **Juan María Zuza Lanz** Secretary Non-Director Graduate in Law, from the University of Navarra.	Practising lawyer with his own law office, working mainly in the area of civil and mercantile private litigation, and qualified in Navarre Local Law. He has been a faculty member of the two law schools, Escuelas de Práctica Jurídica, in Navarre since they were first created; and currently lectures at the EPJ at the Public University of Navarre. He is on the list of arbitrators in mercantile law of the Arbitration Court of the Chamber of Commerce and Industry in Navarre and has been Treasurer for the governing committee of the professional association of lawyers (Colegio de Abogados) in Pamplona for ten years. He has experience as a legal advisor to, and member of, many boards of directors in the business world,

Organisational Chart of the Viscofan Group

Board of Directors

Chief Executive Officer
José Antonio Canales

Corporate Management

Divisions of Group Management

Chief Operating Management
Andrés Díaz

Chief R&D Officer
Iñaki Recalde

Chief Commercial Officer
Gabriel Larrea

Chief Financial Officer
César Arraiza

Divisions of Group Services

Chief Human Resources Officer
Juan José Rota

Chief Legal Officer
Elena Ciordia

Chief IR & Corporate Communication Officer
Armando Ares

Chief Strategic projects Officer
José Vicente Sendín

Chief Skinless extrusion Officer
Pedro Eraso

Chief Collagen unit Officer
Ricardo Royo

Regional Management

SPAIN
Viscofan S.A.

GERMANY
General Manager: Bertram Trauth
Naturin Viscofan GmbH

CEZCH REPUBLIC
General Manager: Miloslav Kamis
Viscofan CZ s.r.o
& Gamex CB s.r.o.

SERBIA
General Manager:
Andrej Filip
Koteks Viscofan d.o.o

USA
General Manager:
José María Fernández
Viscofan USA Inc.

MEXICO
General Manager: Óscar Ponz
Viscofan de México S.R.L. de C.V.

BRAZIL
General Manager: Luis Bertoli
Viscofan do Brasil, soc.
come. E ind. Ltda

CHINA
General Manager: Juan Negri
Viscofan Technology
Suzhou Co. Ltd.

UNITED KINGDOM
Commercial Office

RUSSIA
Commercial Office

CANADA
Commercial Office

COSTA RICA
Commercial Office

THAILAND
Commercial Office

Strategic Pillars

MISSION	**To meet the needs of the worldwide food industry with artificial casings, generating value for our stakeholders.**
VISION:	**Our vision is to be a Group where our people work together to build a stronger leader in the artificial casing market, through innovative products and excellence in service. We want to bring to the industry the best solutions and practices.**

STRATEGIC PILLARS	CONSOLIDATION	GLOBALISATION	SERVICE	EFFICIENCY	R+D+I
STRATEGIC INITIATIVES FOR 2009-2011	B BE ALIGNED WITH THE REST OF THE GROUP	e ENHANCE ADDED VALUE	O ORGANIC GROWTH	N NEW BUSINESS	E EXCELLENCE CENTRES BY FAMILLY
VALUES	TEAMWORK	PIONEERS	FOCUS ON RESULTS	QUALITY	SERVICE

Value creation, the heart of our corporate strategy

THE MARKET FOR ARTIFICIAL CASINGS, INCLUDING CELLULOSE, COLLAGEN, FIBROUS AND PLASTIC CASINGS IS ESTIMATED TO HAVE GROWN BY BETWEEN 6% AND 7% IN 2010

Market

The incorporation of artificial casings into production processes represents a highly significant qualitative leap for meat processors, enabling them to improve both their quality and productivity and to combine a better range of products with substantial production savings.

Our casings provide a clear value proposition for the activities of our customers, making a positive contribution to increasing production speeds, reducing process losses, automating tasks and ensuring consistency and supply, quality and hygiene factors. As a result, our casings represent a clear and important differentiating element for each of our customers.

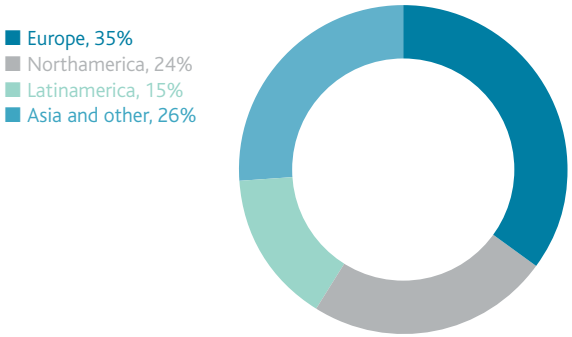
The advantages of artificial casings, growing populations and the globalisation of eating habits all remain solid driving factors behind the growth in our market.

The inclusion of animal protein in the daily diet of the world's population is a strong trend that has been observed in recent years as a result of the globalisation of eating habits. This trend has kept the growth prospects of the artificial casings market practically intact despite the backdrop of global economic crisis. The performance of the artificial casings market is especially significant in certain emerging areas, such as Asia and Latin America. There, in addition to having populations that are growing at a faster rate than other, more developed regions, eating habits are rapidly changing as a result of globalisation, industrialisation and the economic development of said regions, which continue to show significantly lower penetration levels for artificial casings than other, more industrialised countries.

This process of change was even more significant in 2010, when the technological renovation of industrial equipment was carried out by meat processors both in more developed countries (searching for new sources of savings and higher performance, in the face of sector-based competition arising out of the economic crisis) and also in emerging markets, notably in China (where economic development is encouraging sophistication in production processes and the incorporation of artificial casings in the manufacture of sausages). This has allowed the food industry to produce sausages and cold meats with greater hygiene and safety, productivity and versatility than with traditional animal gut. The market for artificial casings, including cellulose, collagen, fibrous and plastic casings, is estimated to have grown by around 6% to 7% in 2010, compared to historic growth rates of between 3% and 5%. There is therefore a need to increase the industry's capacity in order to satisfy this demand which has increased in nearly all regions.

Against this backdrop, the large-scale production of artificial casings continues to be a considerable technological challenge. This challenge is coupled with the wide variety of meat products, the versatility and tradition of which allow a large number of variations depending on the country and the style of production, from the most basic cooked sausages to exclusive products with long periods of maturing.

Chart of composition of artificial casings market by area



Share of artificial casings market (2010)



Includes the cellulose, collagen, fibrous, tubular plastic and bag segments

Source: Viscofan Group.

On the other hand, every year there are new demands and new developments as a consequence of more sophisticated production process, products and consumer's requirements, which mean for us that we have to adapt ourselves to these changes and even anticipate new casing properties in order to match the perfect casing with the need of our customers.

Viscofan's aim is to lead the way in this market: it specialises in artificial casings and has invested in a wide-range of technology (both in capacity and technological diversity) and has created the biggest global reach in the sector, placing its customers at the very heart of its operating decisions in order to provide the best possible solutions to meet their production needs and the characteristics of their products.

Be ONE: Strategy (2009-2011)

In 2009, the Viscofan Group announced its "Be ONE" strategy for 2009-2011 which, based on the strategic cornerstones of Consolidation, Globalisation, Service, Efficiency and R&D&i, develops new strategic initiatives to take advantage of our economies of scale and our unique technological, geographic and competitive position in the market, through which we aim to strengthen our leadership position in the sector.

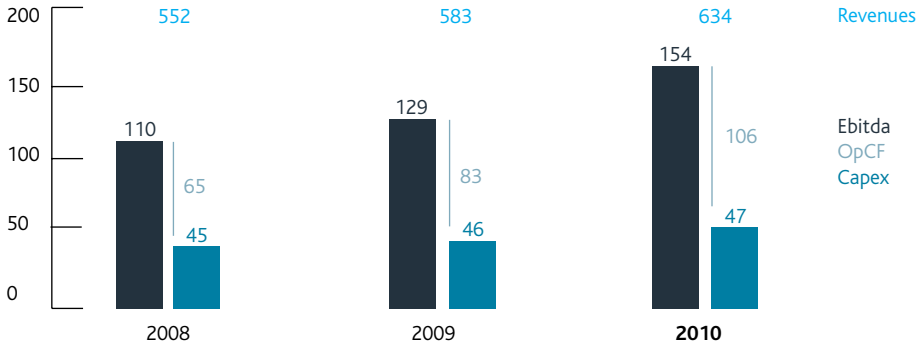
The strategic initiatives for 2009-2011 can be summarised as:

- Be aligned with the rest of the organisation
- Enhance added value
- Organic growth
- New businesses
- Excellence centres by family

Rather than causing us to carry out a strategic review of our operations, the global economic crisis and new geopolitical backdrop resulting from it have led us to push ahead even more firmly with our original objectives, with a special focus on value protection and creation as opposed to other growth alternatives.

As a result of this value focus, in 2010 we exceeded the financial objectives established for the Be ONE strategy as a whole, although several operational initiatives are underway that should continue to bring improvements, which will undoubtedly generate increased value for our shareholders, as demonstrated by the new objectives published at the time of the results.

Improvements to revenue, EBITDA and OpCF to 2010 (millions of Euros)



Alignment with the rest of the organisation

The Viscofan Group has experienced strong growth in recent years, both through its own organic growth and through selective acquisitions that have created value for shareholders.

As a result of this consolidation process, the Group has grown in size. However, to achieve further economies of scale, more integration between the various Group companies is necessary.

Progress in centralising activities:

- The Group has continued to progress in its centralised management of the purchasing of raw materials, which has made it easier to accredit new suppliers of strategic raw materials and therefore to have access to a wider range of suppliers with the aim of diversifying risks and minimising the impact of price increases.

- The development of new collagen suppliers has been especially significant and has permitted the Group to ensure production capacity at times of scarcity, particularly in 2009.

- Viscofan is a multinational group with sales in more than 120 countries from all the continents, to which it distributes casings produced at its 12 production plants in 8 countries. To achieve this, the Group has redesigned the production, commercial distribution, technical assistance and

logistic processes that enhance the service we offer our customers around the world. Thus, not only has a suitable balance been found between transport costs and customer service, but it has also facilitated the management of working capital and inventories.

- In 2010 great progress was made in the integration of computer systems and in the implementation of new logistic and financial consolidation management systems, which have enabled even quicker decision-making. In barely three years, the Group has gone from having eleven ERP (Enterprise Resource Planning) systems to having four and intends to end 2011 with two major ERP systems that adapt to the different characteristics and sizes of the subsidiaries of the Viscofan Group.

Enhancing added value

The current economic situation has significantly changed the guidelines of behaviour in the worldwide food industry. Our customers want a greater value proposition in our products, once most of their production processes have been adjusted in order to maximise cost savings and productivity at their facilities.

In this context, the benefits of introducing artificial casings into the production process become even more visible, contributing positively to improving production speeds, automating the production process, giving more continuous production, reducing loss of raw materials for our customers, as well as improving the standardisation of their quality and hygiene controls. This is coupled with the development of new products, in mutual collaboration, which allow them to offer new types of sausages and to diversify their product range.



Viscofan offers its customers a clear value proposition: new growth opportunities with an important source of production savings in an environment where production optimisation and excellence is pursued. This value proposition is widely acknowledged by our customers and is the basis of our current leadership position. Maintaining suitable commercial discipline, this translates into a recovery in prices to adapt to the real situation of the market and of the added value that artificial casings provide.

Organic growth

Against a backdrop of deep economic crisis, the casings market has once again demonstrated its robust growth base, which allows it to forecast market growth in coming years based on population growth, the increase in animal protein in the daily diet and the progressive inclusion of artificial casings in the production processes for sausages, either as a replacement for natural gut or as a result of more sophistication on the part of meat processors and the opening of new markets.

This growth potential is particularly significant in the emerging markets of Asia and Latin America, where the consumption of artificial casings is considerably lower than that of other, more developed regions and where there is a wide gap between meat consumption and the use of artificial casings in production.

USING THIS NEW CENTRE, VISCOFAN WILL ACCELERATE THE DEVELOPMENT OF THE ARTIFICIAL CASINGS MARKET IN THE COUNTRY, WHICH IS SET TO BECOME ONE OF THE WORLD'S LARGEST GEOGRAPHICAL MARKETS



Viscofan possesses a combination of a multinational presence and unique technological solutions in the market, which allows it to tap growth in practically all the countries in the world.

With this aim, Viscofan has created a new company in Suzhou (China) which already has production capacity for the finishing phase in the production of artificial casings. Using this new centre, Viscofan will accelerate the development of the artificial casings market in the country, which is set to become one of the world's largest geographical markets. The proximity of our customers allows us to improve our service and create relationships based on trust, secure supplies and develop specific solutions for our customers. This will without doubt help to augment our market share in China.

New businesses

In the course of 2010, Viscofan incorporated additional sources of revenues to its main business.

In this regard, the cogeneration plant in Spain performed well following the investment in new capacity in 2009 and the renovation of two engines, which helped to continue improvement in production efficiency ratios, to achieve greater savings in energy production and to increase electricity output that was sold to the electricity network.

In addition, in Bioengineering, two considerable potential markets were identified: "Life sciences", relating to research into and cultivation of cells based on collagen, and "Health care" where, based on tissue engineering and regenerative medicine, our collagen could provide positive results in the medium and long term.

Development and innovation in this area are supported by collaboration agreements with prestigious Spanish and German organisations, among others, thereby optimising the use of resources associated with the research and development of this new application.

Excellence centres by family

To strengthen its market leadership position, the Viscofan Group is implementing a new management model to leverage all the competitive advantages it possesses. This management model is based on the development of centres of excellence, i.e. sites that stand out due to their management, proactivity, service, knowledge, production innovation and quality, and on their contribution to the Group's other production plants.

Viscofan has implemented a continuous improvement process at its operations and our production plants possess a structure that balances cost competitiveness and technological expertise.

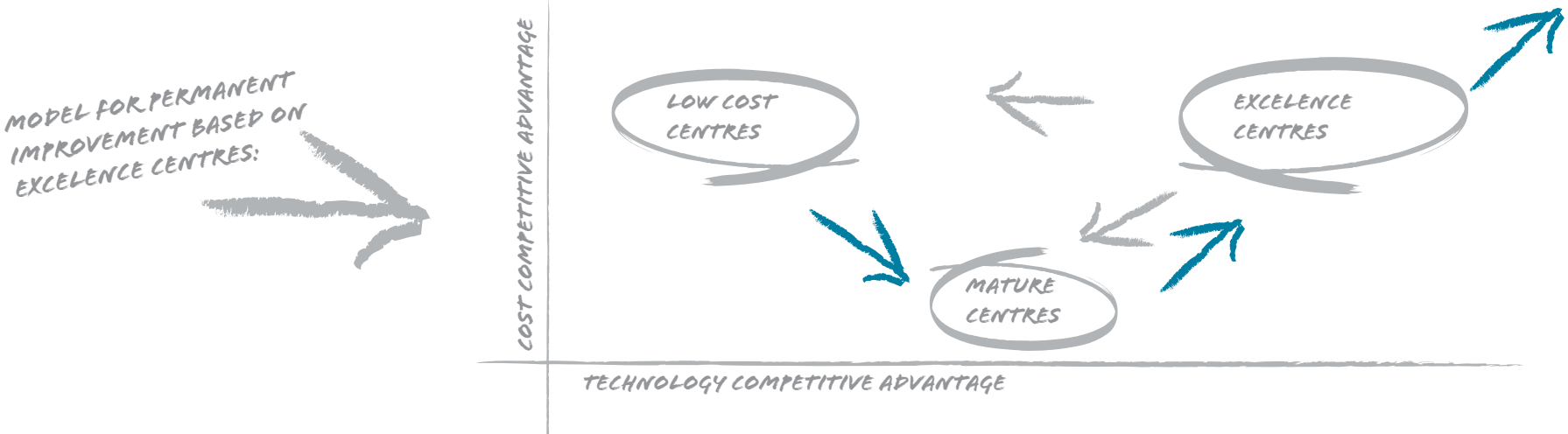
Thanks to this model, new records were set for speed and efficiency in the production of cellulose and collagen in Spain and Germany that, without any doubt, mean new direct cost savings for 2011.

Low-cost sites lose cost competitiveness as their structures grow or their inflationary environment increases in comparison with other, more developed economies. This is offset by the technological improvements that they receive via the best practices and process automation from the centres of excellence, which in turn feed back into the system of transferring non-competitive capacity to low-cost sites due to their lower technological content or lower value as perceived by customers. One example in this regard is the transfer of non-edible collagen from Germany to Serbia, and also the converting centre in China which, in addition to allowing Viscofan to develop further in China, has very competitive associated labour costs.

By freeing up non-competitive capacity at its centres of excellence, Viscofan also frees up resources earmarked for striving for new levels of excellence, via technological breakthroughs that involve new best practice benchmarks and benefit the continuous improvement model.

This model includes the initiatives that have already been tested at the centres of excellence, in the search for greater automation and the elimination of tasks with scarce added value, at production plants that, due to the development of local economies and other factors of the environment, are losing competitive capacity in labour costs and are progressing towards a more technological model that will allow them to continue to have competitive costs and the possibility of continuing to contribute positively to the Group's results.

The Cáseda plant in Spain is the centre of excellence for cellulose casings and the Weinhein plant in Germany is the centre of excellence for collagen. The Danville plant in the United States specialises in the production of fibrous casings and the production of plastics is carried out at the Ceske Budejovice site in the Czech Republic and the Sao Paulo site in Brazil.



highlights 2010

JANUARY

Appointment of Mr. Ignacio Marco Gadoqui Ibáñez to the Board of Directors.

FEBRUARY

Publication of results for 2009

APRIL

Publication of results for the first quarter of 2010

Appointment of Mrs. Laura González Molero to the Board of Directors

JUNE

Viscofan General Shareholders' Meeting.

The Company refunds part of the share premium in the sum of €0.357 per share.

JULY

Publication of results for the first half of 2010.

SEPTEMBER

Inauguration of Viscofan Technology, the converting plant (final phase) for artificial casing in the Suzhou region of China.

OCTOBER

Publication of results for the third quarter of 2010.

DECEMBER

Agreement with Allianz-Pensions-Management e.V. to externalise the pension fund of Naturin Viscofan GmbH.

Breakeven on net income in the Serbia operation.

Interim dividend paid out of profits for 2010 agreed by the Company's Board of Directors, in the sum of €0.300 per share, gross.

2010 financial results

Millions of euros	2010	2009	2008	y-o-y 10/09	CAGR 2008-10
Revenue	633.7	583.4	551.8	8.6%	4.7%
EBITDA	154.1	129.0	105.3	19.5%	13.5%
% EBITDA margin	24.3%	22.1%	19.1%	2.2 pp	1.7 pp
EBIT	110.4	91.3	67.9	21.0%	17.6%
% EBIT margin	17.4%	15.6%	12.3%	1.8 p.p.	1.7 p.p
Profit before taxes	105.7	86.0	60.3	23.0%	20.6%
Net profit	81.3	64.3	51.4	26.6%	16.5%
Capital expenditure	47.4	46.3	48.4	2.3%	-0.7%
Total equity	406.4	345.2	303.3	17.7%	10.2%
Net bank debt	59.8	90.5	122.4	-33.9%	-21.2%
Market capitalisation at year-end	1,321.7	827.7	657.1	59.7%	26.2%
Average headcount	3,816	3,899	4,085	-2.1%	-2.2%
Net bank debt/total equity	14.7%	26.2%	40.4%	-11.5 pp	-8.6 pp
ROE (*) %	21.6%	19.8%	17.2%	1.8 pp	1.5 pp
Euros					
Year-end share price	28.4	17.8	14.1	59.7%	26.3%
Earnings per share	1.745	1.379	1.101	26.6%	16.6%
Proposed remuneration per share (**)	0.800	0.623	0.500	28.4%	17.0%

(*) Net profit / Average total equity
(**) Includes dividend, reimbursement of capital, refund of issue premium and bonus for attending General Meeting of Shareholders

Key conclusions of the January-December 2010 results

- 27% year-on-year net profit growth to €81.3 million.
- 20% year-on-year consolidated EBITDA[1] growth to €154.1 million.
- 2.2 p.p. year-on-year increase in the consolidated EBITDA margin to 24.3%, with improvement in both the casings (+1.8 p.p.) and vegetable food (+3.0 p.p.) divisions.
- 9% increase in consolidated revenue to €633.7 million, driven by higher volumes across the entire casings range, most notably in the second half of the year.
- The strength of our operations enabled a further reduction in net bank debt[2], which decreased by 33.9% on December 2009 to €59.8 million.
- With these results, the Viscofan Group exceeded the objectives for its main financial variables, which it had only increased the previous June: revenues (€625 million to €635 million), EBITDA (€148 million to €152 million) and net profit (€76 million to €78 million).
- The Board of Directors has agreed to submit an interim dividend of €0.30, an additional dividend of €0.204 per share and a capital reimbursement of €0.29 per share for approval at the company's shareholder meeting. As a result, at a combined €0.80 per share, total shareholder remuneration will increase by 28% year-on-year.

THE VISCOFAN GROUP EXCEEDED THE OBJECTIVES

TOTAL SHAREHOLDER REMUNERATION +28%

1 EBITDA = Earnings before interest, taxes, depreciation and amortisation
2 Net bank debt = Short and long-term bank debt – cash and cash equivalents.

Consolidated 2010 Results

Viscofan Group consolidated income statement

'000 euros	Jan-Dec' 10	Jan-Dec' 09	Variation
Revenues	633,726	583,414	8.6%
EBITDA	154,142	129,000	19.5%
EBITDA Margin	24.3%	22.1%	2.2 p.p.
EBIT	110,385	91,265	20.9%
Net Profit	81,346	64,259	26.6%

2010 was characterised by a solid recovery in sales, particularly in the second half of the year, resulting in revenues for the tax year 2010 as a whole increasing for the sixth year in a row to €633.7 million, 8.6% up on the same period in the previous year. This growth was driven by a 9.9% increase on 2009 in the casings business, and a positive contribution from sales in the vegetable food division (+2.1% on 2009).

Stripping out the exchange rate effect[1], consolidated revenue growth grew by 3.6% compared to 2009.



In parallel, containment of unit costs for raw materials and improvements in productivity enabled the Group to continue to improve its gross margins[2], which increased 1.4 p.p. on 2009 to 73.3%, with improvements in both the casings (+0.3 p.p. on 2009) and vegetable foods divisions (+4.8 p.p. on 2009). This improvement in margins was achieved with a cost of consumption[3] which was 3.4% higher in 2010 than 2009, at €169.5 million.

It should be noted that the cost of consumption was 10.7% higher year-on-year in the last quarter of the year, at €41.7 million, adversely affected by the start-up of pilot testing at the converting plant in China, which generated significantly higher volumes of waste as the facility moved along the learning curve.

1 Growth at constant exchange rates: for comparative purposes, growth excluding foreign exchange differences excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US$ fluctuations on trade transactions
2 Gross Margin = (Revenue – cost of consumption)/Revenue
3 Cost of consumption = Change in inventories + net purchases

EBIT

+20.9%

The technological and efficiency improvements achieved under the Be ONE programme have resulted in greater automation and elimination of tasks which added little value; this has made it possible to reduce the average workforce whilst at the same time continuing to increase output and installing new capacity by bringing the converting centre in China into production.

The cumulative personnel expense to December 2010 amounted to €136.2 million, 1.6% higher than recorded in the same period one year earlier, as a result of the combination of the aforementioned reduction in the average workforce (-2.1% on 2009 to a total of 3,816) with increased production and revenue. As a result, the personnel expense accounted for 21.5% of consolidated 2010 revenue, compared to 23.0% in 2009.
Over 2010 as a whole, Other operating expenses amounted to €183.7 million, up 12.1% on the previous year as a result of higher energy costs (+17.5% on 2009) as a result increased cogeneration capacity in Spain and higher fuel prices in North America, together with costs deriving from the start up of production in China in the last quarter of the year.

The Viscofan Group managed to tap the growth in the casings market while improving its competitive positioning in the vegetable food sector. This growth resulted in a year-on-year increase in the consolidated EBITDA margin to 24.3% in 2010 compared to 22.1% in 2009, taking the Viscofan Group's consolidated EBITDA to €154.1 million, 19.5% more than in 2009.

Stripping out the exchange rate effect, EBITDA growth was 14.6% compared to 2009.

Accumulated depreciation and amortisation to December 2010 amounted to €43.8 million (+16.0% on 2009), which included depreciation and amortisation of new productive capacity.

As a result, EBIT rose 20.9% in 2010 to €110.4 million.



Net bank debt narrowed 33.9% over the course of 2010 to €59.8 million thanks to strong cash flows from operations, which enabled the Group to maintain its healthy pace of capital expenditure (€47.4 million) and shareholder remuneration (€30.6 million). The Group also externalised €14.7 million of pension funds in Germany, thereby reducing the risks related to the underlying payment obligations and the impact of market volatility on the valuation of this class of financial liabilities. As a result, the financial leverage[4] of the Viscofan Group was 14.7% compared to 26.2% in December 2009.

The net finance cost narrowed 10.2% to €4.7 million in 2010 (compared to -€5.3 million in 2009). The reduction in financial expenses (-29.2% on 2009), together with the increase in financial revenues (+119.0%), offset the net negative impact of exchange rate differences, which increased by 150.4% compared to 2009 as a result of currency volatility in the second half of the year.

Profit before tax climbed 23.0% to €105.7 million compared to the previous year driven by profit growth and the company's financial health; with an effective tax rate for the year of 23.1% (2.2 p.p. lower than in 2009), the tax expense totalled €24.4 million (+12.3% on 2009).

In all, 2010 cumulative net profit was 26.6% higher year-on-year, hitting a new record high of more than €81.3 million.

4 Financial leverage = Net debt / equity



2010 results: Casings

Casings income statement

'000 euros	Jan-Dec' 10	Jan-Dec' 09	Variation
Revenues	538,456	490,125	9.9%
EBITDA	146,260	124,118	17.8%
EBITDA Margin	27.2%	25.3%	1.8 p.p.
EBIT	105,479	89,093	18.4%
Net Profit	77,458	62,439	24.1%

EUROPE & ASIA
+8.3%

NORTH AMERICA
+7.8%

LATIN AMERICA
+19.8%

2010 was shaped by the recovery in casings sales volumes in all product families, most notably in the collagen casings segment, and in all geographic areas, particularly in the second half of the year.

All of Viscofan's productive facilities returned to working at full capacity utilisation rates, as is evidenced by sales volumes in 2010 and indeed revenue in the casings division, which amounted to €538.5 million, compared to €490.1 million in 2009 (+9.9%).

The geographical breakdown of revenue[5] in the casings business shows positive performances by all regions in both current and constant exchange rates:

- In Europe and Asia, revenue rose 8.3% on 2009 to €261.0 million.
- In North America, revenue was 7.8% higher, at €188.4 million.
- In Latin America, revenue rose 19.8% year-on-year to €89.0 million driven by the strength of the Brazilian Real and the robust performance of volumes in the region.

5 Revenue by origin of sales

In order to better respond to the buoyancy in volumes in all regions and provide our customers optimal service standards, the Viscofan Group has already set in motion capacity expansion plans in Spain and Germany valued at €10 million which will come on stream in 2H11. Also, since February 2011, the new converting capacity at the Chinese factory is on stream, following successful completion of pilot testing during 4Q10.

For the full-year, the gross margin increased by 0.2 p.p. to 78.9%, thanks to expense control as a result of productivity enhancements and stable unit raw material costs. Accordingly, cost of consumption rose 8.5% in 2010 to €113.3 million. It is worth mentioning that cost of consumption was in fact significantly affected by the start-up of trial production in China in the 4Q10 as a result of a substantial increase in waste levels as the facility moved along the learning curve.

The technological and productivity enhancements achieved as part of the BeONE program enabled a higher degree of automation and the elimination of non value-added activities, facilitating a reduction in average headcount in 2010 (-2.8% vs. 2009) to 3,523 employees against the backdrop of sustained growth in output and the installation of new capacity following start-up of the converting centre in China, which entailed new hires in this country.

In the full-year, personnel expenses in the casings division grew by 1.4% year-on-year to €126.5 million, accounting for 23.5% of division revenue, compared to 25.4% in 2009, thanks to the significant productivity gains achieved across all the Group's facilities.

Other operating expenses rose 12.3% vs. 2009 to €161.8 million, on the back of higher energy costs (+17.7% vs. 2009) deriving from higher gas consumption following the capacity addition at the cogeneration plant in Spain (since July 2009) and higher fuel costs in North America.



For the full-year, the operational leverage in the Viscofan Group's casings division enabled further EBITDA margin expansion of 1.8 p.p. year-on-year. As a result, EBITDA rose 17.8% to €146.3 million in 2010.

The Viscofan Group achieved a new record in the casings division, posting net profit of €77.5 million, 24.1% more than in 2009.



2010 results: IAN Group

IAN Group income statement

'000 euros	Jan-Dec' 10	Jan-Dec' 09	Variation
Revenues	95,271	93,289	2.1%
EBITDA	7,883	4,883	61.4%
EBITDA Margin	8.3%	5.2%	3.0 p.p.
EBIT	4,907	2,173	125.8%
Net Profit	3,889	1,820	113.6%

In 2010, the vegetable food market was characterised by intensifying price competition in as the market players attempted to garner larger chunks of shoppers' grocery spend.

Against this backdrop, the diversified nature of IAN's product range, coupled with its leadership position, enabled it to post a solid topline performance: full-year revenue rose 2.1% to €95.2 million.

This growth was driven by higher sales volumes in the tomato and olive segments, and above all by the growth of 40.8% in revenue from vegetable ready-meals, where the Carretilla brand has emerged as one of the segment leaders thanks to innovation in recent years which has enabled the Group to develop recipes very welcome by consumers.

Spending austerity and cost control by the IAN Group, together with successful campaigns in tomato and olive products, drove a 5.6% reduction in cost of consumption in 2010 vs. 2009 to €56.2 million.

As a result, EBITDA margin in 2010 achieved 8.3%, a 3.0 p.p. year-on-year increase. EBITDA totalled €7.9 million (+61.4% vs. 2009).

Growth in cash flow thanks to the positive operating performance allowed the IAN Group to continue to reduce net bank debt and finance cost, which fell 59.8% compared to 2009.

Growth from the operating activities coupled with lower finance costs translated into net profit of €3.9 million in 2010, growth of 113.6% compared with the same period a year ago.

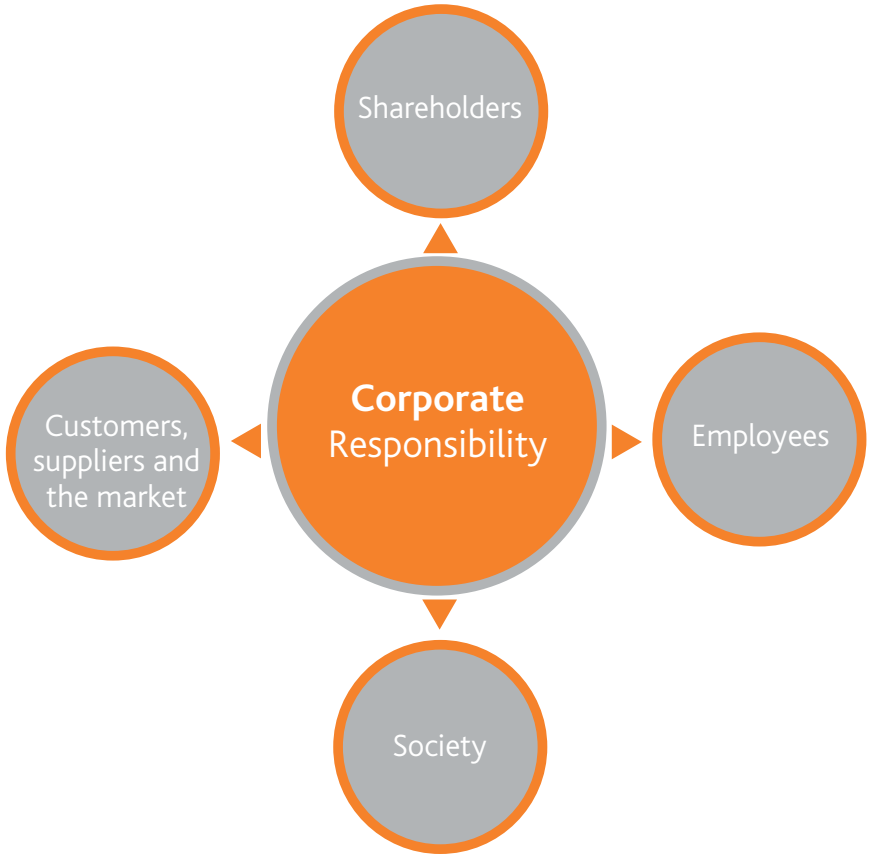
Corporate Responsibility

Viscofan understands Corporate Responsibility as affecting the way in which it relates to all its stakeholders: shareholders, customers, suppliers, employees and society.

The Viscofan Group is firmly committed to all of its stakeholders, with which it maintains continuous dialogue, creating value in a way which is both ethical and sustainable.

This commitment is rooted in the Company's mission "To meet the artificial casing needs of the worldwide food industry, generating value for our stakeholders". It implements this commitment through specific initiatives and monitoring tasks.

FIRMLY COMMITTED TO ALL OF ITS STAKEHOLDERS, WITH WHICH IT MAINTAINS CONTINUOUS DIALOGUE, CREATING VALUE IN A WAY WHICH IS BOTH ETHICAL AND SUSTAINABLE.



Shareholders

Good governance practices

VISCOFAN HAS ADOPTED MOST OF THE RECOMMENDATIONS OF THE CODE OF GOOD CORPORATE GOVERNANCE

Viscofan attaches great importance to good corporate governance and to this end has adopted most of the recommendations of the Code of Good Corporate Governance for listed companies in Spain; in any instances where it departs from the Code, it states its reasons for doing so.

The 'Código de Buen Gobierno Corporativo' (Code of Good Corporate Governance) is the code of ethics of the governing bodies of listed companies. Its main purpose is to make a company's structure and business goals compatible with the protection of shareholders' interests.

The Company prepares an Annual Corporate Governance Report that ensures compliance by the Company's various governing bodies with the code and with the internal regulations, and that compliance is reviewed on a regular basis.

The Viscofan Group makes available to the public its main internal regulations to ensure good corporate governance, which complement applicable regulations.

The internal regulations are principally made up of:

- Articles of Association: these are the basic rules governing the Company and all its bodies. The articles set out the main features and operating principles of the General Shareholders' Meeting, the Board of Directors, the Executive Committee and the Audit Committee.

- Regulations of the General Meeting: this text lays down the regulations governing the General Meeting to ensure transparency and safeguard shareholders' rights, and their access to Company information. The rules stipulate the formalities of calling, attending, holding and recording General Meetings and of access to prior and General Meeting information by shareholders.

- Regulations of the Board of Directors: these set down the principles of action of the Board of Directors, including an appraisal mechanism, and its organisational and operating rules, the standards of conduct of Directors and the overarching principles that should guide their decisions. They also govern committees existing within the Board of Directors, their organisational and operational rules, and their remit and powers.

- Internal Code of Conduct on Matters Relating to the Securities Market: this Code lays down rules of conduct to ensure that the institutional and personal actions of Company Directors and employees strictly comply with current laws and regulations on transparency in the markets and to protect investors' interests at all times.

All these internal rules are available to shareholders and the general public on the Company's website (www.viscofan.com), on the CNMV (Spanish securities market regulator) website, and from the Registro Mercantil de Navarra (Register of Companies of Navarre), where the Company is registered.

Shareholders and the General Meeting

The General Meeting of Shareholders is the supreme governing body of the Company in which shareholders decide by a majority vote on the affairs within the scope of their authority.

Viscofan has established the principle of "one share, one vote" which promotes equality among all of the company's shareholders. Furthermore, there is only one class of shares, giving the same rights and obligations to all of the Company's shareholders.

Over recent years, Viscofan has taken a number of steps to facilitate transparency, fluid communications and shareholder involvement in the Company, particularly through the General Meeting of Shareholders which meets annually to deal with the most important issues affecting the Company.

A particularly noteworthy initiative is the bonus for attendance payable to the shares present or represented at the General Shareholders' Meeting that have duly evidenced their attendance or representation thereat. In 2011 a proposal was submitted for a bonus per share of €0.006, thus consolidating the increase in bonus established for attending the 2010 Meeting. For the same purpose, Viscofan also grants shareholders the option of absentee voting or, where appropriate, of granting proxies electronically.

As a result of these measures, 75.58% of the Company's share capital participated at the last General Meeting, held on 1 June 2010. Of this percentage, 4.68% attended in person and 70.90% attended by proxy.



These figures firmly establish a high rate of shareholder participation at Viscofan General Meetings over recent years, above the average for listed companies.

In addition, since the calling of the Meeting for 2011, the Company has placed an online forum at the disposal of its shareholders (available on its website, www.viscofan.com) which aims to facilitate communication between shareholders involving:

- Any supplementary proposals to the agenda announced in the notice of the General Meeting.
- Requests of support for such proposals.
- Initiatives to reach the percentage required to exercise statutory non-controlling shareholder rights.
- Offers or requests to act as a voluntary proxy.

We have made a specific email address info-inv@viscofan.com, and telephone number, +34 948 198 436, available to shareholders, together with a team dedicated to keeping them informed and helping them with their needs and requests.

Board of Directors

The Board of Directors is the body in charge of representing and managing the Company.

The Board's key function is to supervise all aspects of Viscofan and its group of companies.

Pursuant to the Company's articles, the Board of Viscofan must comprise a maximum of nine and a minimum of three Directors. It currently comprises eight Directors, of which one, the Chairman, is executive and seven are independent, thus complying with the current good corporate governance recommendations, as 87.5% of its Directors are independent. The secretary to the Board is not a Director.

The plenary Board is solely responsible for, among others, the following general policies and strategies of the Company in particular, in addition to those reserved by law: the strategic or business plan, the investment and financing policy, corporate governance policy and social corporate responsibility policy; the remuneration policy, senior management appointments and appraisal; the risk control and management policy, and the regular monitoring of internal information and control systems, including financial information; the Group structure; related party transactions; the policy regarding information to shareholders, markets and public opinion; and the powers of organisation of the Board of Directors.

To perform the functions to the required standards of diligence, the Board holds regular meetings. Over the course of 2010, the Board met 11 times.
The Company's articles place no restrictions on the appointment of Directors by the General Meeting or on reappointment for successive terms.
As reported in the Annual Corporate Governance Report, the Board of Directors followed the proposals made by the Appointments and Remuneration Committee for appointing independent Directors and kept the information on the profile of all its Directors, their voting rights at the Company and the remuneration policy adopted, including all remuneration components paid in 2009, which were put to a consultative vote at the General Meeting held on 1 June 2010.

11
BOARD OF DIRECTORS MEETINGS

Board committees

The Board has created three committees in support of its functions:

Executive Committee

This committee consists of three directors, one of whom is an executive Director and the other two are independent Directors.

This Committee is entrusted with all the decision-making powers of the Board, except those which cannot be delegated, and the sale, exchange and encumbrance of real property and industrial facilities.

The Executive Committee, which met on 16 occasions in 2010, must in timely fashion report to the Board on its discussions and resolutions.

16
EXECUTIVE COMMITTEE MEETINGS

Audit Committee

This committee currently consists of four directors, all of whom are independent.
The functions of the Audit Committee include: to supervise the internal audit service; to supervise the Company's financial reporting process and its internal control processes; to propose the external auditor; to review the audit plan and its results and to check that senior management takes its recommendations into account; to report on the Annual Accounts and intermediary reports, commenting on internal control systems, the control of their supervision and compliance through the internal audit, as appropriate, and the accounting criteria applied. It must also report to the Board on any change in accounting criteria and balance sheet and off-balance sheet risks.

Audit committee met 8 times during 2010.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is made up of three Directors: one executive Director and two independent Directors.
Its role is to propose the appointment of independent Directors and to report on the remaining Directors and on the appointments and separations of senior management; to report to the Board on matters of gender diversity; and to propose to the Board the remuneration policy for Directors and senior management and the remuneration policy in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Appointments and Remuneration committee met 6 times during 2010.

Directors' pay

The articles of association of Viscofan S.A. approved by the General Meeting lay down that Directors' pay is 1.5% of net pre-tax earnings, to be apportioned to Directors as decided by the Board. The remuneration of the Executive Committee is likewise 1.5% of net pre-tax earnings, to be distributed among members as decided by the Committee.

In 2010, the Board of Directors received total remuneration from the Company and its group of subsidiaries for the attendance allowances and payments as per the articles of association of €2,318 thousand.

Risk control

Viscofan has established risk management procedures to identify, classify and organise risks and to establish measures that eliminate or mitigate their possible impact.

Risk control policies are a priority for the Audit Committee and are continually reviewed and monitored, and are the reason for special actions led by the Group's internal audit department.

In 2010 actions in this area focused on two fronts:

I.- The Audit Committee commissioned the internal audit area to review and improve procedures for minimising the main financial, operational and strategic risks identified in the Annual Corporate Governance Report, in section D) Risk control systems.

II.- The Company, in the course of its operations, included and improved the measures identified and implemented previously.



Some of the measures introduced were:

- Establishing an improvement plan for the financial information internal control system.
- Consolidating and improving the duties of the Investment Committee to guarantee the best possible earmarking and suitability of resources and funds of the Group.
- Consolidating the corporate procurements process and the accreditation of new suppliers of strategic raw materials.
- Carrying out an external analysis of the possibility of the risk of material damage and the continuity of operations at each of its production plants in the area of cellulose casings, with an improvement and action plan to reduce that risk.
- Contracting financial products that enable the Company to better hedge against foreign currency and interest rate risks in the market.
- Futures contracts to ensure operating margins in the commercialisation of the energy produced at the Cáseda cogeneration plant together with the improvement in energy cost analyses per production plant in order to facilitate decision-making focusing on saving energy.
- The Company also strengthened internal resources in order to establish a system of effective measures for preventing and detecting criminal liability, minimising as much as possible both the risk of its occurrence and its impact should it eventually materialise.

Shareholders

Viscofan in the **stock market**

Stock market performance

In 2010 the performance of world stock markets reflected the consequences and uncertainty associated with the economic and financial crisis which began in 2007 and which, even in 2010, forced monetary and political authorities to take new decisions that would drive or reduce the impact of the high leveraging of advanced economies.

Against this backdrop, the situation of the Spanish stock market was determined by the episodes of sovereign debt crisis in the so-called peripheral nations of Europe, which experienced their most critical moment with the bail-out, firstly, of Greece and, subsequently, of Ireland by the European Union.

These circumstances gave rise to the consequent fear of the contagion of other European Union countries such as Portugal, Italy and Spain, whose risk premium hit a record high since the introduction of the single currency, and scared investors away from Spanish equities, consequently causing serious losses in the Spanish stock market.

The IBEX 35 was penalised by the country risk and the weakness of the financial sector, showing considerable volatility over the year, with differences of over 40% between its yearly maximum and minimum levels, and which finally registered a fall of 17.4%, the sharpest fall of the major stock markets, when compared to the 2.2% fall in the French CAC and the 5.3% drop in the Euro Stoxx 50. This trend in the Spanish market contrasted with the rally in Germany's DAX, which appreciated 16.1%, and the FTSE 100, which rose 10.3%.

Against such a backdrop, in which only eight IBEX-listed securities managed to finish the year up, Viscofan achieved the second largest increase in value on the Spanish stock exchange, increasing its share price by 59.7% to €28.36 per share, a record high which reflects the performance of the Company's other main financial variables in the year.

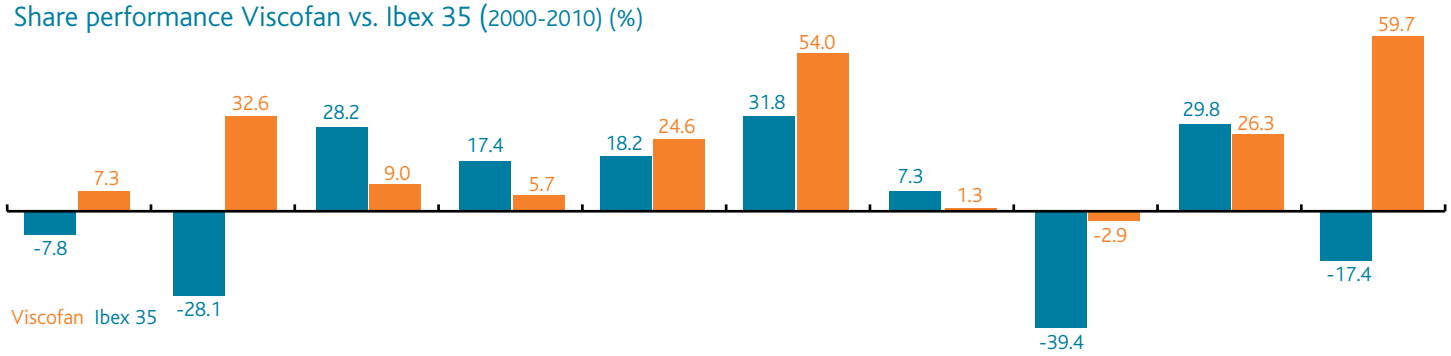
The strength and visibility of the Viscofan Group's results, the improvements to its operations and its margins, its ability to meet expectations, together with the geographical diversification of its business which reduces Viscofan's exposure to "peripheral" markets, and particularly Spain, attracted the interest of investors in the face of uncertainty and volatility in markets from the start of the year. In 2010 Viscofan shares closed every session above the €17.64 registered at the end of 2009.

Viscofan's performance also compares favourably with that of the IBEX Medium Cap, of which Viscofan forms part and which lost 5.6% over the year, and was much better than the IGBM, which fell by 19.2%.

This excellent share price performance has also been accompanied by increased shareholder remuneration. The General Meeting of Shareholders held in June 2010 approved a gross payment €0.623 per share, of which €0.006 related to the bonus for attending the meeting; this was an increase of 24.6% compared to the previous year.

As a result -including the dividends paid, the bonus for attending the meeting and the return of the issue premium made in the year- any shareholder who bought shares at the price at year-end 2009 and sold them at the price at year-end 2010 would have achieved a return of 63.4%.

Share performance Viscofan vs. Ibex 35 (2000-2010) (%)



Comparative returns on investments in Viscofan vs. Ibex 35 (%)

Buying (31/12)	Selling (31/12)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2000	7.3 -7.8	42.2 -33.7	54.9 -15.1	63.7 -0.3	104.0 17.8	214.1 55.3	218.2 66.7	209.0 0.9	290.3 31.1	523.3 8.2
2001		32.6 -28.1	44.5 -7.9	52.7 8.1	90.2 27.8	192.8 68.5	196.7 80.8	188.1 9.5	263.9 42.2	481.1 17.4
2002			9.0 28.2	15.1 50.4	43.4 77.8	120.9 134.3	123.8 151.5	117.3 52.3	174.5 97.8	338.3 63.3
2003				5.7 17.4	31.6 38.7	102.7 82.8	105.4 96.2	99.4 18.9	151.9 54.3	302.3 27.4
2004					24.6 18.2	91.8 55.8	94.4 67.2	88.7 1.3	138.4 31.5	280.7 8.6
2005						54.0 31.8	56.0 41.4	51.5 -14.3	91.4 11.2	205.6 -8.1
2006							1.3 7.3	-1.6 -35.0	24.3 -15.6	98.5 -30.3
2007								-2.9 -39.4	22.7 -21.4	95.9 -35.1
2008									26.3 29.8	101.7 7.2
2009										59.7 -17.4

Viscofan Ibex 35

Viscofan is one of the companies that have created most shareholder value in the last decade, multiplying the value of its shares by six for those shareholders who invested at the close of 2000 and held their shares until the end of 2010, compared with an 8.2% increase for those with shares that mirrored the performance of the IBEX 35. This value creation has also been reflected in a consistent shareholder remuneration policy, which has followed an upward trend throughout Viscofan's history, enabling shareholders to share in the profits achieved by the Company. The remuneration per share proposed for 2010 has risen to €0.80 per share, 28% up on the previous year, and more than 5.5 times higher than the remuneration proposed in 2000 (€0.144 per share).

This solid performance has not gone unnoticed by the investing community, which – against a background like the current one, with high volatility and stalling in value recovery – has situated Viscofan among its preferences with a trading volume over the year of 36.9 million shares, equal to 79.2% of share capital, and allocating to this more than €925 million (up 39.5% compared to total traded volume in 2009), which ranks Viscofan 45th by traded volume out of the companies listed on the Spanish stock market (continuous market).

Viscofan ended 2010 with a market capitalisation of €1,321.68 million, compared with its €222.2 million market capitalisation at 2000 year-end. It was the 37th company by market capitalisation in the whole of the Spanish continuous market (54th at the end of 2009) and reached fifth place out of the companies making up the IBEX Medium Cap.

This strong performance is explained by the Company's sound results, its meeting and even surpassing expectations, its favourable prospects for growth and value creation in the mid-term, together with a clearer understanding of the Company on the part of the investment community.

VISCOFAN IS PART OF THE IBEX TOP DIVIDEND INDEX, WHICH INCLUDES THE 25 LISTED COMPANIES ON THE CONTINUOUS MARKET WITH THE BEST SHAREHOLDER REMUNERATION.

Shareholder remuneration

During 2010, the Company paid its shareholders, via dividends, the return of the issue premium and a bonus for attending the General Shareholders' Meeting, a gross amount of €0.623 per share, i.e. an increase of 24.6% over the previous year, representing a disbursement of over €29 million.

Thanks to the dividend policy and dividend growth, Viscofan is part of the Ibex Top Dividend index, which includes the 25 listed companies on the continuous market with the best shareholder remuneration.

At its meeting of 28 February 2011, the Board of Directors resolved to propose a final dividend of €0.20 per share and a capital reimbursement of €0.29 per share for approval at the General Shareholders' Meeting. These two components of shareholder remuneration plus the €0.30 per share interim dividend paid in December 2010 and the attendance bonus imply total shareholder remuneration of €0.80 per share, 28% more than the previous year.

The Company shares the rewards of the favourable performance of Viscofan with its shareholders, increasing the visibility for the shareholders of the cash flow generated in a period of on-going difficulties with regard to accessing liquidity.

Viscofan, its shareholders and investors

One of Viscofan's objectives, through its Investor Relations Department and the Shareholder Desk, is to create value for investors, improving the transparency of information and providing shareholders with relevant information in order to gain a better understanding of the Company itself and its results, strategy and operations.

Viscofan maintains an open dialogue with the financial markets and its agents. Its shares, with a growing trading volume, have one of the highest turnover rates among small and medium-sized capitalisation shares. In an environment of low liquidity, Viscofan's shares continued to improve their daily average trading ratios, both in the physical trading volume (with a turnover of 79% of all shares admitted to trading) and in the daily average trading value, which amounted to €3.6 million, against €2.6 million the previous year.

In 2010, 18 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis, of which 78% held a positive recommendation on the share throughout the year. Viscofan, through its Investor Relations Department and Shareholder Desk, makes available to the financial community and individual investors various communication channels in order to provide a clearer understanding of the Company's performance and to attend to any information needs that either group may have.



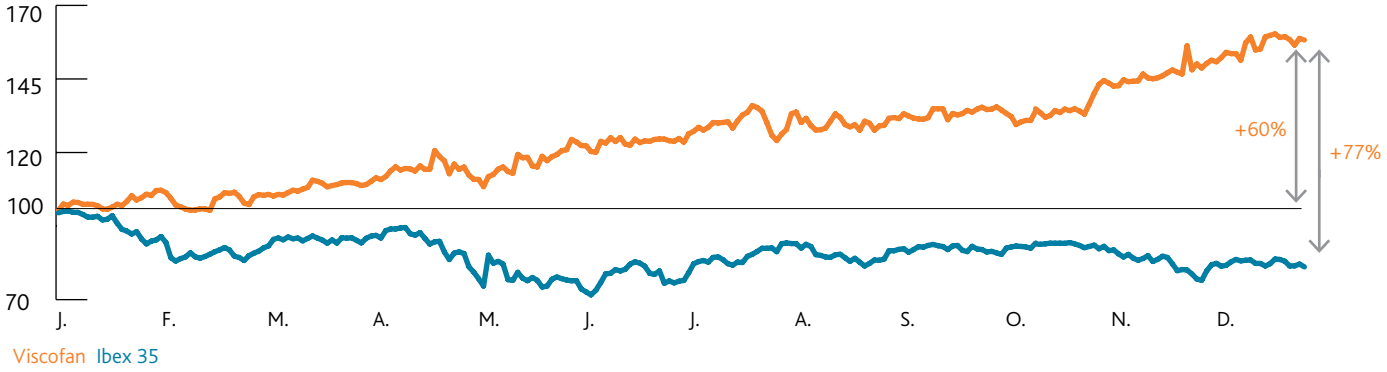
Stock exchange highlights

Share price €	2010	2009	2008
Year-end price	28.36	17.76	14.06
Year high	29.65	18.20	15.94
Year low	17.64	12.81	9.85
Viscofan in the stock market	**Year end 2010**	**Year end 2009**	**Year end 2008**
% annual change Viscofan	59.7%	26.3%	-2.9%
% annual change IGBM (Madrid all-share)	-19.2%	27.2%	-40.6%
% annual change IBEX 35	-17.4%	29.8%	-39.4%
% annual change IBEX Medium Cap	-5.6%	13.8%	-46.5%
% annual change IBEX Small Cap	-18.3%	17.6%	-57.3%
% annual change sub sector Food and beverages IGBM	25.3%	7.0%	-25.7%
Stock market trading data	**2010**	**2009**	**2008**
Market capitalisation at year-end (millions of Euros)	1,321.9	827.9	657.1
Traded volume (millions of Euros)	925.4	663.1	493.7
Daily average trading volume (millions of Euros)	3.6	2.6	1.9
Traded shares	36,893,655	42,112,723	36,199,693
Daily average of traded shares	144,115.8	165,798.1	142,518.5
Share ratios	**Year end 2010**	**Year end 2009**	**Year end 2008**
Listed shares	46,603,682	46,603,682	46,734,879
Earnings per share (1)	1.745	1.379	1.101
Remuneration per share (2)	0.800	0.623	0.500

(1) Net earnings per share is calculated by dividing net profit by the average weighted number of ordinary shares in circulation during the year, excluding treasury stock.
(2) Includes dividends, capital reimbursement, refund of issue premium and bonus for attending the General Meeting..

+60%!!

Share price performance VS. IBEX 35 (2010)



The main communication channels consisted of the company presentations at seminars and events organised by the financial community, road shows with institutional investors promoted by the company or by brokers, earnings presentations, the General Shareholders' Meeting, organised visits to Viscofan's head office, telephone calls to a dedicated investor and shareholder helpline (+34 948 198 436), a special e-mail address (info_inv@viscofan.com), information published on the website www.viscofan.com, and the notifications and regular public information submitted to the CNMV (Spanish National Securities Market Commission).

In the course of 2010, as a result of these communication efforts, 170 face-to-face meetings were held with investors (170 in 2009 and 171 in 2008) in 10 financial markets in various countries (12 in 2009 and 7 in 2008).

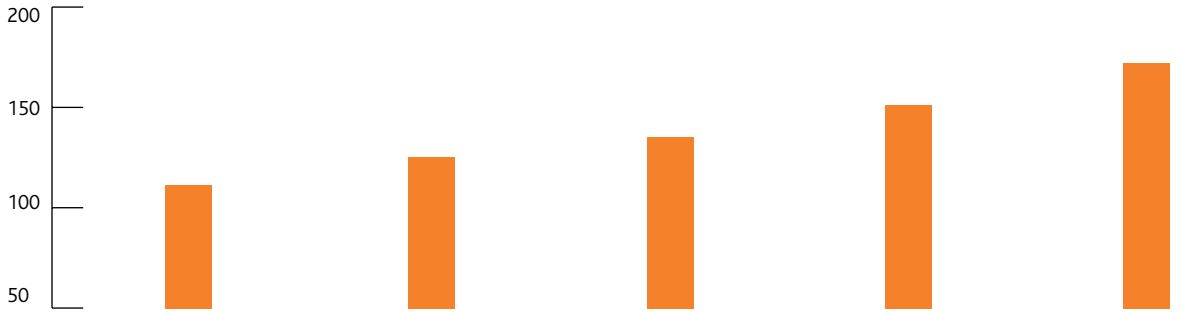
Employees
Human Resources

With an average of 3,816 employees during the year, the main value creation asset of the Viscofan Group is its workforce; in 2010 the Company's personnel expenses exceeded €136 million, 1.6% up on 2009.

Its workforce is spread widely over various countries in which the company has a strategic presence -Spain, Germany, Brazil, Canada, China, Costa Rica, the United States, Mexico, the United Kingdom, the Czech Republic, Russia, Serbia and Thailand- and this represents a rich and complex multicultural environment and also presents a challenge and an opportunity for international development for the Group's employees, with numerous projects to transfer knowledge between the different production plants and the development of specific global training seminars for Group employees.

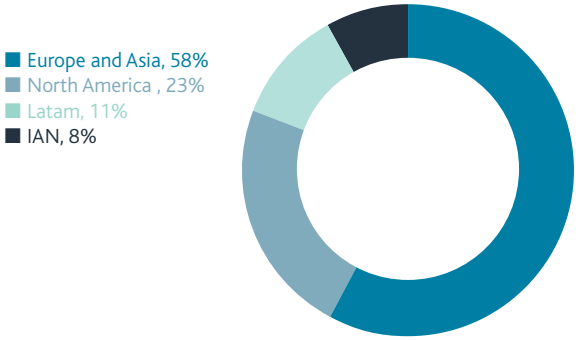
As a result of its policy to increase productivity and to improve productive processes through automation and elimination of tasks which add little value, the Viscofan Group reduced its average workforce needs by 2.1% in 2010 compared to 2009.

Evolution revenue per employee (Thousands euros)

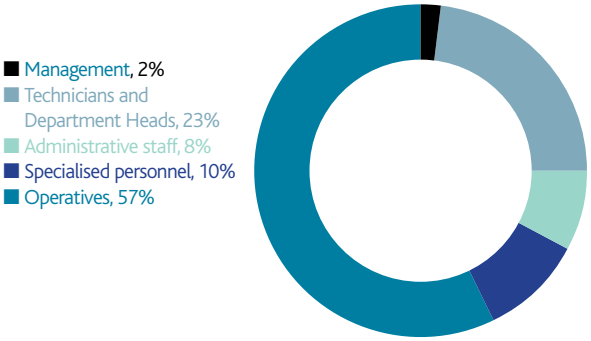


	2006	2007	2008	2009	**2010**
Revenue per employee	112.0	122.8	135.1	149.6	166.1
Average number of employees	4,438	4,120	4,085	3,899	3,816

Breakdown of workforce by region



Breakdown of staff by category



The multinational nature of the Viscofan Group's business means that it needs to implement local human resource policies which are coordinated through the corporate Human Resources department in order to provide the best possible identification, development and retention of talent based on its priority competences, both locally and in the Group as a whole.

The Viscofan Group seeks to improve the internationalisation of its employees, facilitating the transfer of knowledge among subsidiaries through international meetings and by developing new posts for people of different nationalities within the Group.

In order to achieve its objectives -in which its people are a source of competitive advantage for maintaining leadership and creating value- the Viscofan Group, through the Human Resource departments of its various subsidiaries, promotes training of its employees through internal and external courses to provide the skills necessary for the job.

Breakdown of workforce by gender

The Viscofan Group continues to be committed to a policy of equal opportunities and diversity. Against this backdrop, 29% of the 3,816 people in the in the average workforce were women, as were 13% of the senior management team. Both of these percentages were unchanged on the previous year.

Customers, suppliers and the market:

A commitment to quality, service and food safety

The Viscofan Group places the customer at the centre of its operational decisions, continuously trying to provide them with the best value proposition in order to strengthen their competitive advantages and help them to improve the efficiency and productivity of their operations.
In this respect, Viscofan is able to boast the largest commercial network in the industry and a level of service by its technicians that is widely recognised throughout the market. In its continuous improvement model, and via multidisciplinary teams from its sales, operations and R&D departments, the Viscofan Group identifies those areas of most concern to the meat industry, developing and incorporating related improvements.

Maintaining our leadership position in the global market in an environment as dynamic as the current one would be impossible without Viscofan's excellent level of service and diversification; as a result of our presence in 14 countries we are able to provide suitable casing solutions to more than 2,000 customers in 120 countries around the globe. The confidence placed in us by our customers is a reason to be proud, but it is also a challenge.

In the search to provide our customers with a better service, we have introduced important modifications in order management over the last few years in an attempt to simplify the number of contacts in the orders and claims processes, taking advantage of a unique scale in the casings market, which helps to speed up management and improve our customer service.

Quality

The Viscofan Group's commitment to quality is undeniable. Based on that commitment, Viscofan Group companies have managed to renew each year their Quality certifications based on Quality Management Standard ISO 9001:2008. The Group expects to achieve a new quality certification in Montgomery (USA) in 2011.

Product safety and food hygiene

As a manufacturer related to the food sector, Viscofan is highly aware of industry requirements to ensure that the production process and the end-product strictly comply with legal specifications and have passed suitable controls to achieve optimal quality and offer customers guaranteed safety and hygiene.

The Company's commitment to quality and food hygiene takes the form of our mandatory processes applied throughout the production process and involves stringent working practices that are audited both internally and externally.

These protocols configuring our product safety and quality system are based on the following core principles:

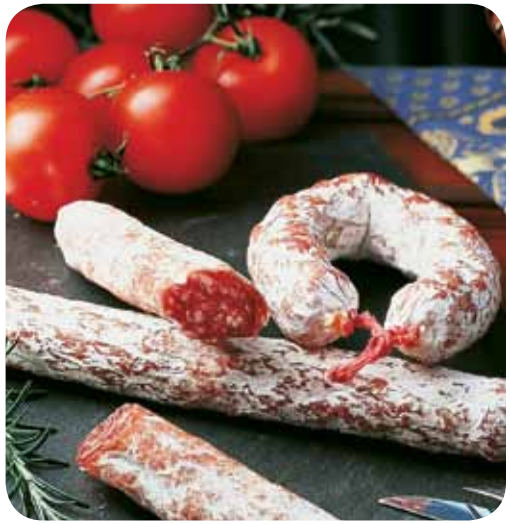


MARKET POSITION!!!

1 CELLULOSE
2 COLLAGEN
4 FIBROUS

GLOBAL LEADER: THE ONLY GLOBAL PRODUCER OF ALL TECHNOLOGIES IN THE ARTIFICIAL CASING MARKET.

VISCOFAN'S PRODUCT SAFETY AND FOOD HYGIENE SYSTEM COVERS ALL ASPECTS.



Hazard analysis and critical control point

Viscofan has a hazard analysis and critical control point (HACCP) system in place. The Company formed an inter-disciplinary team that assesses every step of the production process to detect possible hazards, identify critical control points, establish relevant controls and take any required corrective action. The system is updated annually in line with any changes in the production process.

Viscofan's product safety and food hygiene system covers all aspects. Manufacturing facilities are built to food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested for compliance with specifications previously agreed with certified suppliers, systems are in place to detect defective materials in the production system, pest control is implemented and policies are in place to monitor hazardous substances, personal hygiene and visitors.

Product traceability and identification

Viscofan operates a product traceability system that enables us to identify, at any time and in full detail, the history of every unit and even sub-unit sold, from receipt of raw materials to product use by our customers. In Europe, Viscofan fully implements a food traceability system under European Community Directive 178/2002 and its related legislation.

The Viscofan Group also has Halal and Kosher certifications for its entire product range and so it is able to supply products to any market in the world.

Audit and certification

To ensure that our product safety and food hygiene systems comply with requirements, our production processes are audited internally on a regular basis. Our production facilities are also continuously audited by the health authorities, numerous customers and, as appropriate, certification authorities, as is the case for the European facilities annually certified in accordance with the most stringent standards on the market (British Retail Consortium Standards), a certification which we want to extend to other, non-European plants: Brazil, Mexico and the United States, or in the case of the North American facilities, under AIB.

Society

Research, Development 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.

Viscofan takes the view that its leading position in the highly competitive world market can only be sustained by cutting-edge efforts in research, development and investigation of its technology and products. Only through the application of this philosophy will Viscofan be able to continue advancing in its leadership of innovation in the global artificial casings market, creating value for all of its stakeholders.

Viscofan couples its growth as 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 on them, and develop its own technologies to create an enduring competitive edge.

The complexity of Viscofan's production process and the sophisticated technology underlying its products means that research and development units are structured into teams that specialise in each process and casing type. The average staff headcount is 50. The corporate research and development centre in Spain coordinates 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.

The Cáseda site in Spain is a centre of excellence for cellulose and is the main research and development centre for this technology; the Weinheim site in Germany is the main research and development centre for collagen technology; the Danville site in the USA directs its efforts at fibrous technology; whilst plastics production technology is concentrated in both the Czech Republic and Brazil.

Technology is transferred from centres with technology development units for both products and processes to all the Group's other facilities. The goal is to harmonise and standardise production standards worldwide, based on the most advanced concepts and processes relating to both manufacturing technologies and philosophies of control, quality and product features that have made Viscofan what it is today.

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

- Developing new products (range, portfolio), especially new generation implementations, designed for meat-related applications in markets of strategic interest to the Company, requested by customers or adapted to the most stringent manufacturing conditions of the meat industry.

- New casing concepts: functional casings that go beyond the classic 'mould' concept to become active containers that confer properties or functionalities to the meat product they contain.

- The development of production alternatives through technological breakthroughs which allow an increase in added value or significantly reduce production costs for artificial casings through modernisation, streamlining and simplification, improving Viscofan's competitiveness.

- 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.

- Diversification projects, based on traditional raw materials widely used in the Group and aimed at potential alternative businesses, such as biomedical and cosmetic applications of collagen or research tools for life sciences.

The IAN Group has 8 employees dedicated to R&D, whose main task is to continue the process of achieving greater diversification in the product portfolio through the launch of new products offering greater added value. This has resulted in the launch of new recipes for refrigerated and non-refrigerated ready-cooked meals and salads, and activities to identify new ways to optimise production costs. The main objective of the Research and Development team in 2010 was the development of new ready-cooked meals in order to round out the product range, particularly through the launch of the "Exclusive, patented, preservative-free Carretilla process", which is based on a 4-stage process: 1) Steaming for a short time (HTST, a high temperature-short time system); 2) Use of technologically advanced casings developed by the R+D+i Department at Carretilla together with a top level technological centre; 3) Low intensity stabilising technology to guarantee food safety for the entire length of its useful life and prevent organoleptic deterioration that other casings systems habitually undergo; 4) Quality control carried out on 100% of the products produced.



Support from international research centres

Viscofan has a long track record of working with public and private research centres, Spanish and international, to foment specialisation and gain access to the cutting-edge technologies it needs to carry on its research and development activity.

Viscofan regularly collaborates with universities and research centres in Spain, the United States, and Germany on food safety, analysis of materials, process and food industry engineering, advanced physical and chemical analysis and other fields.

In addition, the group has significant support in Spain from CDTI (the centre for technical industrial development) and local government bodies in Navarre (Spain), and also in Germany, USA, and Czech Republic. Viscofan plays an active role in the artificial casings industry and is therefore involved in several industry associations and groups that seek to cooperate towards enhancing the industry's contribution to the community.

These institutions include:

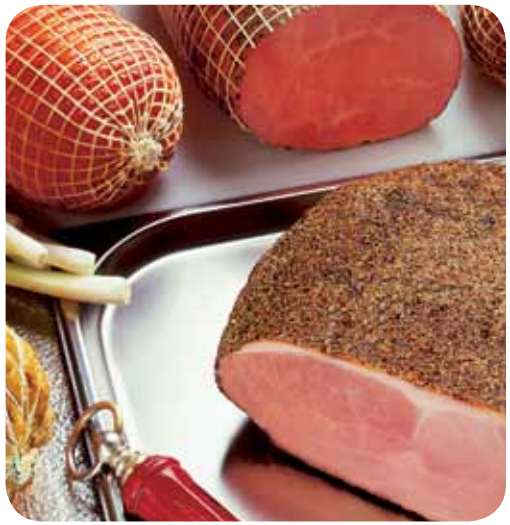
- Comité Internationale de la Peliculle Cellulosique (CIPCEL). Based in Brussels, CIPCEL comprises the leading producers of regenerated cellulose film products.

- Collagen Casing Trade Association (CCTA). Also based in Brussels, CCTA comprises the leading producers of collagen casings.

- Centro Español de Plásticos (CEP). This is the Spanish association of entities relating to the manufacture and processing of plastics.

- Gelatin Manufacturers of Germany (GMG). An organisation of German gelatin producers.

- AINIA. Food technology centre based in Spain that provides support for the research and development carried out by its members, mainly in the areas of quality, food safety, sustainability, environment and design and industrial production.



Viscofan Bioengineering, our technology at the service of research and medicine

Viscofan Bioengineering combines natural sciences and engineering to provide innovative products based on collaged as new solutions for cellular biology, tissue engineering and regenerative medicine.

Collagen is animal protein which can be extracted from different tissues with different morphologies. The versatility of this product means that it has enormous possibilities for manufacturing and use. This, combined with the excellent biocompatibility inherent in collagen, makes this biopolymer a very versatile material for customised solutions in the fields of biomedical research and development.

2010 saw important advances in the optimisation, development, manufacture and use of collagen moulds for cells (CCC) and biocompatible collagen membranes. Excellent results have been obtained in a range of biomedical specialities which confirm the excellent properties and potential for the use of such membranes for therapeutic and research purposes. At the same time, new products have been developed based on collagen, such as solid freeze-dried formats, soluble collagen and membranes which are highly compatible with cellular growth.

These advances have been accompanied by renewed commercial, promotional and marketing activity, resulting in the first commercial transactions for this business. In addition, biomedical research contracts have also been renewed.

More information on Viscofan-bioengineering can be found at www.viscofan-bioengineering.com.



WWW.VISCOFAN-BIOENGINEERING.COM

Society

Viscofan and Sustainability

From its leading position in the market, Viscofan understands that its business management must adopt criteria which combine the efficiency of our productive and economic activities with sustainable development

The strategic building blocks on which the Group's environmental projects are built are:
- Sustainable uses or resources
- Climate change

Sustainable uses or resources

Viscofan is continuing to progress in its environmental and management policies, in which production excellence and economic development must continue to respect the environment; to this end, the Group analyses the environmental impact of its production activities and implements solutions wherever possible to avoid or minimise their environmental impact.

In 2010 the Group, including the artificial casings and the vegetable foods divisions, generated 38.5 thousand tonnes of waste, compared to 37.8 thousand tonnes in 2009, despite the increase in output.

Of the waste generated in the period, 61% was recovered for new uses and transactions; 12% was destroyed; and 27% went to landfill management. Investment over recent years has improved waste management, finding new forms of recovery and implementing systems which reduce the environmental impact of each tonne of waste.

As part of the Viscofan Group's commitment to the environment, and in compliance with current legislation, the European plants of the Viscofan Group have joined the European register of chemical substances (REACH, 1907/2006/EC), and our suppliers have also been requested to pre-register with it.

As a part of efforts to improve the integration of data from all Group companies, from 2010 the figures include information on the vegetable food division aggregated with that for the casings division to produce aggregate waste figures for the consolidated Viscofan Group.

	2009	2010
Landfill	25%	27%
Destruction	8%	12%
Recovery	67%	61%



Climate change

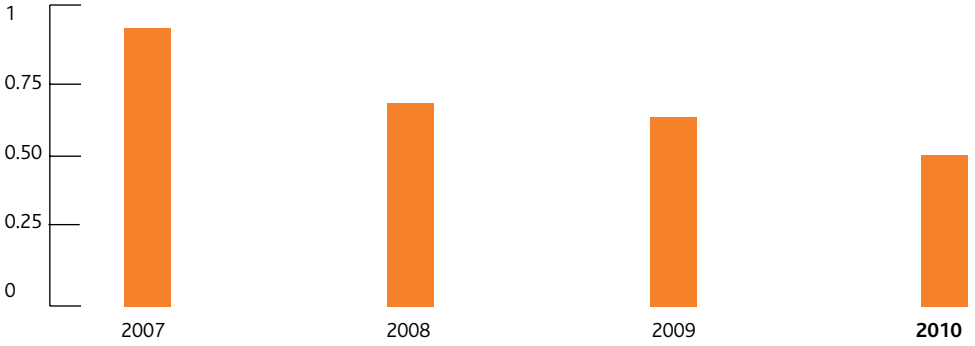
In Spain, the new National Allocation Plan for greenhouse gas emission rights laid down more stringent requirements for the period 2008-2012 than in the previous phase. Concerning these requirements, Viscofan is making significant investments with the purpose of improving the energy yield at its facilities and reducing CO_2 emissions.

In the fight against climate change, it is worth highlighting the start-up of the extension to the cogeneration plant in Cáseda (Spain) in two different stages in 2008 and 2009, and the replacement of two old engines for another two semi-new engines in 2010 which should result in total capacity of 45.7MWh. This new cogeneration plant has changed our relation with energy: by generating our electricity and heat at the same time, we are making a significant contribution to primary energy savings in the energy mix while at the same time meeting the thermal and electric energy demands of the casings production plant at Cáseda (Navarra) and generating electricity to be distributed through the grid.

In addition, having completed the cogeneration plant, the Viscofan Group contributes to reducing the volume of CO_2 released to the atmosphere in comparison to other valid thermo-electric generation alternatives of equivalent power. The tonnage of CO_2 per MW exported released into the atmosphere in 2010 decreased by 15% compared to the previous year and by 43% with respect to the CO_2/MW tonnage released in 2007, before the installation of the new cogeneration plant in Spain.

The reduction of greenhouse gases is a general line of action for all the Group's plants, where specific energy-saving projects are implemented, not only at the sites in the European Union, but also in Mexico, the United States and Serbia. Seeking new savings on energy is a must for the Viscofan Group in all manufacturing centres. In 2010 the Group has invested around 1 million euros aiming energy savings in Europe and North America. The Viscofan Group's energy consumption profile bears testament to our commitment: 85% of the Group's sites use natural gas instead of other fossil fuel options that are more detrimental to the environment.

Evolution of CO_2/Mwh exported



Directory of **Viscofan** sites

Registered office

VISCOFAN SA
C/ Iturrama 23. Entreplanta
31007 Pamplona · Spain
www.viscofan.com

Head office

VISCOFAN SA
Polígono Industrial Berroa
C/ Berroa nº 15 - 4ª planta
31192 Tajonar · Navarra · Spain
Tel.: +34 948 198 444
e-mail: info@viscofan.com

Sales offices

Spain
VISCOFAN SA
Polígono Industrial Berroa
C/ Berroa nº 15 - 4ª planta
31192 Tajonar
Spain

Germany
NATURIN VISCOFAN GmbH.
Badeniastrasse 13
D- 69469 Weinheim
Germany

Brazil
VISCOFAN DO BRASIL, SOCIEDAD COMERCIAL E INDUSTRIAL Ltda.
Avda. Roque Petroni Jr, 999-1º
Andar Cjtos 11 e 12
CEP 04707-000 SAO PAULO SP
Brazil

Canada
VISCOFAN CANADA Inc.
290 Benjamin Hudon
Ville St, Laurent
Quebec H4N 1J4
Canada

Costa Rica
VISCOFAN DE CENTROÁMERICA COMERCIAL, S.A.
700 MTS Oeste y 100MTS
Norte de Jardines del Recuerdo.
Lagunilla, Heredia. 1000 San José
Costa Rica

China
VISCOFAN TECHNOLOGY SUZHOU CO. LTD. (VISCOFAN CHINA)
Zhao Feng World Trade Building,
Unit 20G369 Jiangsu Road.
200.050 Changning District
Shanghai P.R. China.

USA
VISCOFAN USA Inc.
50 County Court
MONTGOMERY, AL 36105
USA

Mexico
VISCOFAN DE MÉXICO S. de RL. de CV
Av. del Siglo nº 150
Parque Industrial Millennium
Zona Industrial del Potosí
E-78395 San Luis Potosí SLP
Mexico

United Kingdom
NATURIN ltd
Unit 5 Plant Industrial State
Maidstone Road Platt
Sevenoaks-Kent TN15 8jl
United Kingdom

Czech Republic
GAMEX CB, s.r.o. / VISCOFAN CZ s.r.o.
Prumyslova 2
37021 Ceske Budejovice
Czech Republic

Russia
VISCOFAN MOSCOW
Krasnopresnenskaya Nab, 12
Mezhdunarodnaja, 2
Suite 1126 123610. Moscú
Russia

Serbia
KOTEKS VISCOFAN DOO
Primorska 92
21 000 Novi Sad
Serbia

Thailand
VISCOFAN THAILAND CO. Ltd.
59/377 Ramkhamhaeng Rd.
Soi 140, Kwaeng Sapansoong
Sapansoong District
Bangkok 10240 Thailand

Manufacturing sites

Spain
VISCOFAN SA
Ctra Aibar a Cáseda Km 5
31490 Caseda (Navarra)
Spain

VISCOFAN SA
C/ Bentalde 4
31810 Urdiain (Navarra)
Spain

Germany
NATURIN VISCOFAN GmbH.
Badeniastrasse 13
D- 69469 Weinheim
Germany

Brazil
VISCOFAN DO BRASIL
Estaçao Comendador Ermelino
Matarazzo s/n
CEP 03806-000 Sao Paulo SP
Brazil

VISCOFAN DO BRASIL
Rod, Waldomiro C Camargo Km 52,8
CEP 133000-000 ITU-SAO PAULO SP
Brazil

China
VISCOFAN TECHNOLOGY SUZHOU CO. LTD.
8 Shuilang Steet, Weiting
District Suzhou Industrial Park
215.122 Jiangsu
China

USA
VISCOFAN USA Inc.
50 County Court
Montgomery, AL 36105
USA

VISCOFAN USA Inc.
915 Michigan Avenue
Danville, IL 61832
USA

Mexico
VISCOFAN DE MÉXICO S. de RL. de CV
Av. del Siglo nº 150
Parque Industrial Millennium
Zona Industrial del Potosí
E-78395 San Luis Potosí SLP
Mexico

Mexico
VISCOFAN DE MÉXICO S. de RL. de CV
Carretera Kilometro 3,5
Zacapu Panindicuaro
Zapacu Michoacan
58600 Mexico

Czech Republic
GAMEX CB, s.r.o. / VISCOFAN CZ s.r.o.
Prumyslova 2
37021 Ceske Budejovice
Czech Republic

Serbia
KOTEKS VISCOFAN DOO.
Primorska 92
21 000 Novi Sad
Serbia

IAN GROUP

Registered office & Head office

IAN GROUP
Industrias Alimentarias de Navarra, SAU
Polígono Peñalfons s/n
31330 Villafranca. Navarra
Spain
Tel.: +34 948 843360
IAN Customer Service:
902 36 20 05
e-mail: info@grupoian.com
www.grupoian.com

Manufacturing sites and sales offices

IAN GROUP
Industrias Alimentarias de Navarra, SAU
Polígono Peñalfons s/n
31330 Villafranca. Navarra
Spain

IAN GROUP
Barrio de la Estación s/n
10730 Casas del Monte
Cáceres (Spain)

IAN GROUP
Yangjiawan, Xiyan, Lingbao,
Henan Province, P.R.China

Annual Report 2010

This report is also available at internet: **www.viscofan.com**

General public and shareholders may request copies of this report from Viscofan´s shareholder attention service by calling +34 948 198 436 (in Spain), or via email to: info-inv@viscofan.com

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Viscofan

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www.ey.com/es

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
VISCOFAN, S.A.

We have audited the consolidated financial statements of VISCOFAN, S.A. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As indicated in Note 3 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2010 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of VISCOFAN, S.A. and subsidiaries at December 31, 2010, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with IFRS, as adopted by the European Union, and other applicable provisions in the regulatory framework for financial information.

The accompanying 2010 consolidated management report contains such explanations as the directors of VISCOFAN, S.A. consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2010 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of VISCOFAN, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed on the original)

_____
Javier Ezcurra Zubeldía

March 1, 2011

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12749, Libro 0, Folio 215, Sección 8ª,
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Management Report

Prepared under International Financial Reporting Standards Endorsed by the European Union

31 December 2010 and 2009

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of financial position
as at 31 December 2010 and 2009
[Thousands of euros]

Assets	Note	2010	2009
Property, plant and equipment	6	300,301	289,105
Intangible assets	7	16,918	14,342
Deferred tax assets	9	14,459	8,051
Investments in associates	8	1,565	1,333
Other financial assets	8	1,178	507
Total non-current assets		334,421	313,338
Inventory	10	159,258	150,045
Trade and other receivables	11	129,268	123,796
Prepayments		2,193	47
Other financial assets	8	6,730	3,000
Cash and cash equivalents	12	57,301	25,763
Total current assets		354,750	302,651
Total assets		689,171	615,989

Equity and liabilities	Note	2010	2009
Share capital	13.1	13,981	13,981
Share premium	13.2	12	16,650
Other reserves	13.3	312,050	267,319
Profit for the year		81,346	64,259
Interim dividend	13.6	(13,981)	(12,117)
Currency translation differences		10,684	(5,673)
Hedge transaction reserves	13.4	2,277	788
Total equity		406,369	345,207
Deferred income	14	4,386	2,998
Borrowings	15.a	32,928	46,241
Other financial liabilities	15.a	5,842	5,007
Deferred tax liabilities	9	30,509	25,252
Provisions	16	27,606	37,213
Total non-current liabilities		101,271	116,711
Borrowings	15.a	84,191	70,042
Other financial liabilities	15.a	8,739	3,442
Trade and other payables	15.b	60,816	55,764
Provisions	16	7,639	7,855
Other current liabilities	15.b	18,671	16,428
Current tax liabilities	9	1,475	540
Total current liabilities		181,531	154,071
Total equity and liabilities		689,171	615,989

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated income statements
for the years ended 31 December 2010 and 2009
[Thousands of euros]

	Note	2010	2009
Sales and services rendered	20	633,726	583,414
Other income	21	8,853	7,756
Changes in inventories of finished goods and work	20	(8,298)	12,702
Work performed by the Group on non-current assets		998	253
Consumption of raw material and other consumables	20	(161,201)	(176,631)
Employee benefits expense	23	(136,213)	(134,047)
Depreciation and amortization	6 & 7	(43,757)	(37,735)
Other operating expenses	22	(183,701)	(163,825)
Impairment and gains (losses) on disposal of non-current assets		(22)	(621)
Operating profit		110,385	91,266
Share of results from associates - net of tax	8 & 24	77	(17)
Finance revenue	24	15,371	15,610
Finance costs	24	(20,120)	(20,897)
Profit before tax		105,713	85,962
Income tax expense	9	(24,367)	(21,703)
Profit for the year		81,346	64,259
Basic earnings per share (in euros)	25	1.7455	1.3788
Diluted earnings per share (in euros)	25	1.7455	1.3788

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of comprehensive income
for the years ended December 31, 2010 and 2009
[Thousands of euros]

	2010	2009
Net profit for the year	81,346	64,259
Profit (loss) recognized directly in equity		
In other reserves		
Actuarial gains (losses) on pension plans		
Germany	(7,003)	(1,539)
United States	(1,877)	(1,312)
Tax effect	1,470	938
	(7,410)	(1,913)
Hedges taken to reserves		
Remeasurement of hedge derivatives	2,677	1,262
Tax effect	(777)	(474)
	1,900	788
Translation differences	16,357	13,944
Total profit (loss) recognized directly in equity	10,847	12,819
Transfers to the consolidated income statement		
From cash flow hedges	(728)	103
Tax effect	317	(65)
	(411)	38
Total recognized income and expenses for the year	91,782	77,116

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of changes in equity
for the years ended 31 December 2010 and 2009
[Thousands of euros]

	Equity attributed to the parent								
	Equity								
	Share capital	Share premium	Reserves	Treasury shares and participations	Interim dividend	Profit (loss) attributable to the parent	Unrealized gains (losses) reserve	Translation differences	Total equity
Balance at January 01, 2009	**14,020**	**30,165**	**229,041**	**(1,699)**	**-**	**51,403**	**(38)**	**(19,617)**	**303,275**
Total recognized income and expense	**-**	**-**	**(1,913)**	**-**	**-**	**64,259**	**826**	**13,944**	**77,116**
Transactions with shareholders and owners	**(39)**	**(13,515)**	**(1,660)**	**1,699**	**(12,117)**	**(9,552)**	**-**	**-**	**(35,184)**
Capital increases /(decreases)	(39)	-	(1,660)	-	-	-	-	-	(1,699)
Dividends paid	-	(13,515)	-	-	(12,117)	(9,552)	-	-	(35,184)
Transactions with treasury shares	-	-	-	1,699	-	-	-	-	1,699
Other changes in equity	**-**	**-**	**41,851**	**-**	**-**	**(41,851)**	**-**	**-**	**-**
Transfers between equity accounts	-	-	41,851	-	-	(41,851)	-	-	-
Balance at December 31, 2009	**13,981**	**16,650**	**267,319**	**-**	**(12,117)**	**64,259**	**788**	**(5,673)**	**345,207**
Total recognized income and expense	**-**	**-**	**(7,410)**	**-**	**-**	**81,346**	**1,489**	**16,357**	**91,782**
Transactions with shareholders and owners	**-**	**(16,638)**	**-**	**-**	**(1,864)**	**(12,117)**	**-**	**-**	**(30,619)**
Dividends paid	-	(16,638)	-	-	(1,864)	(12,117)	-	-	(30,619)
Other changes in equity	**-**	**-**	**52,141**	**-**	**-**	**(52,142)**	**-**	**-**	**(1)**
Transfers between equity accounts	-	-	52,141	-	-	(52,142)	-	-	(1)
Balance at December 31, 2010	**13,981**	**12**	**312,050**	**-**	**(13,981)**	**81,346**	**2,277**	**10,684**	**406,369**

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of cash flows
for the years ended 31 December 2010 and 2009
[Thousands of euros]

	2010	2009
Cash flows from operating activities		
Profit before tax	105,713	85,962
Adjustments for:		
Depreciation and amortization	43,757	37,735
Changes in provisions	(2,074)	3,805
Capital grants	(469)	(456)
Gain (loss) on disposal of non-current assets	22	663
Interest income	(1,566)	(680)
Interest expenses	3,431	4,845
Foreign currency translation differences (net)	2,807	1,122
	151,621	132,996
Changes in working capital, net of the impact of acquisitions and currency translation differences		
Inventory	(1,296)	10,881
Trade and other receivables	314	(444)
Trade and other payables	(1,791)	(1,627)
Funds obtained from operations	148,848	141,806
Income tax receipts (payment)	(24,311)	(17,814)
Cash flows from operating activities	124,537	123,992
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(43,606)	(47,321)
Payments for the acquisition of financial assets	(7,549)	(26)
Proceeds from disposals of property, plant and equipment	1,596	1,764
Proceeds from other assets	3,148	3
Contributions to pension plans in Germany	(14,736)	-
Contribution to US pension plan	(3,067)	(1,611)
Cash flows from investing activities	(64,214)	(47,191)
Cash flows from financing activities		
Interest-bearing loans and borrowings		
Issuance	25,461	20,005
Repayment and redemption	(27,811)	(40,539)
Compensation to shareholders		
Dividends	(13,981)	(21,671)
Return of share premium	(16,638)	(13,515)
Interest received	1,566	680
Interest paid	(3,083)	(4,877)
Other payments from financing activities	6,638	(3,303)
Foreign currency translation differences (net)	(2,807)	(1,122)
Cash flows from financing activities	(30,655)	(64,342)
Impact of changes in exchange rates on cash and cash equivalents	1,870	(710)
Net increase (decrease) in cash and cash equivalents	31,538	11,749
Cash and cash equivalents	25,763	14,014
Cash and cash equivalents at December 31	57,301	25,763

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated comprehensive income statement
for the years ended
December 31, 2009 and 2008

(Thousands of euros)

(1) Nature and Principal Activities

Viscofan, S.A. (hereinafter the Company or the Parent) was incorporated with limited liability on 17 October 1975 as Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At a meeting held on 17 June 2002 the shareholders agreed to change the name of the Company to the current one.

Its statutory and principal activity consists of the manufacture of cellulose or artificial casings, mainly for use in the meat industry, as well as, to a lesser extent, the generation of electricity by any technical means, both for own consumption and for sale to third parties. Its industrial installations are located in Cáseda and Urdiain (Navarra). During 2009, its main office was moved to Tajonar (Navarra). However, the registered address continues to be in Pamplona.

Viscofan, S.A. is the Parent of a group of companies (the Viscofan Group or the Group) which carry out their activities mainly in the food, plastic and collagen casing sectors, as explained in more detail in Note 2.

Viscofan, S.A.'s shares are quoted on the Madrid, Barcelona and Bilbao stock exchanges.

(2) Viscofan Group

During 2010, a series of transactions took place with the aim of reducing and simplifying the Viscofan Group structure:

-In July 2010 the Company purchased all the shares of Stephan & Hoffmann AG (Germany) from Naturin Inc. Delaware (USA), a wholly-owned subsidiary.

-After acquiring the shares of Stephan & Hoffmann AG, Naturin Inc. was liquidated, as it was solely devoted to holding shares of the Germany company, which were its main asset.

-During August, the merger between Naturin Viscofan, GmbH, and Stephan & Hoffmann AG was initiated, and in September, Naturin Viscofan, GmbH was merged with Naturin Verwaltung GmbH; therefore, the only company still active in Germany is Naturin Viscofan GmbH.

-In December 2010, Viscofan Poland Sp.z.o.o. underwent definitive dissolution (the process began in September 2009). This Company's activity was strictly commercial, and was transferred to the other group companies.

These transactions had no effect on the equity or results of the Group, as they are all wholly-owned subsidiaries, except for the tax returns filed in their respective countries. This also had no effect on the Group's activity.

In 2010, the construction of the new Viscofan Technology (Suzhou) Co. Ltd. production plant located in China was completed; this company had been incorporated the year before. During the final weeks of 2010, samples produced have proven to be quite satisfactory. The Company will start up production and commercial activities during the first weeks of 2011.

In 2009, the only transaction modifying the Viscofan Group's structure was the incorporation of Viscofan Technology (Suzhou) Co. Ltd. (China). The subsidiary's activity focused on obtaining commercial

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

Year 2010 Group companies	Percentage interest Direct	 Indirect	Activity	Registered offices
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Viscofan Canadá Inc	-	100.00%	Commercial activity	Quebec (Canada)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu Michoacán (Mexico)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Gamex, C.B. s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Naturin Ltd.	100.00%	-	Commercial activity	Sevenoaks (United Kingdom)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
IAN Perú, S.A.	-	100.00%	Asparagus production	Lima (Peru)
Lingbao Baolihao Food	-	50.00%	Asparagus production	Lingbao (China)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Commercial activity	San José (Costa Rica)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luís de Potosí (Mexico)

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

Year 2009	Percentage interest			
Group companies	Direct	Indirect	Activity	Registered offices
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware	100.00%	-	Financial activity	Dover (USA)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o., in liquidation	100.00%	-	Commercial activity	Krakow (Poland)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Gamex, C.B. s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Naturin LTD	100.00%	-	Commercial activity	Sevenoaks (United Kingdom)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
IAN Perú, S.A.	-	100.00%	Asparagus production	Lima (Peru)
Lingbao Baolihao Food	-	50.00%	Asparagus production	Lingbao (China)
Stephan & Hoffmann AG	-	100.00%	Financial activity	Weinheim (Germany)
Naturin Verwaltung GmbH	-	100.00%	Financial activity	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Commercial activity	San José (Costa Rica)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luís de Potosí (Mexico)

Group companies	Percentage interest		Activity	Registered offices
	Direct	Indirect		
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc	-	100.00%	Commercial activity	Quebec (Canada)

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

(3) Basis of Preparation

The consolidated Financial Statements have been prepared on the basis of the accounting records of Viscofan, S.A. and the companies forming the Group. The consolidated Financial Statements for 2010 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at 31 December 2010 and 2009, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognized income and expenses for the year then ended. The Group adopted EU-IFRS on 1 January 2004 and applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

The accounting policies used in the preparation of the consolidated financial statements for the year ended December 31, 2010 are the same applied to the consolidated financial statements for the year ended December 31, 2009, except for the following standards and interpretations, which are applicable to the years beginning January 1, 2010:

- Revised IFRS 2 "Share-based Payments"
- Revised IFRS 3 "Business combinations" and amendment to IAS 27 "Separate and Consolidated Financial Statements"
- IAS 39 - "Financial Instruments": "Recognition and Measurement" – Eligible hedged items"
- IFRIC 12 - “Service Concession Arrangements”
- IFRIC 15 - "Agreements for the construction of real estate":
- IFRIC 16 - "Hedges of Net Investments in Foreign Operations"
- IFRIC 17 - "Distributions of non-cash assets to owners"
- IFRIC 18 - "Customer loyalty programs"
- Amendments to IFRS 5 "Non-current assets held for sale and discontinued operations" (including the IFRS improvements made in May 2008)
- Improvements to the IFRS issued in April 2009

Adopting these standards, interpretations, and modifications had no impact on the Group’s financial position or results.

The Group has not early adopted any standard, interpretation or amendment issued but not effective.

The Group is evaluating the effect that the following standards and interpretations issued by the IASB and adopted by the European Union but not applicable might have on the accounting policies, financial position or performance of the Group:

- IAS 32 "Classification of rights issues": Effective from years beginning February 1, 2010;
- IAS 24 "Related party disclosures:" Effective from years beginning January 1, 2011.
- IFRIC 19 “Extinguishing financial liabilities with equity instruments”: Effective from years beginning July 1, 2010;
- IFRIC 14 “Prepayments of a minimum funding requirement”: Effective from years beginning January 1, 2011.

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At the date of publication of these consolidated financial statements, the following IFRSs and amendments had been issued by the IASB but not were neither mandatory nor approved by the EU:

- IFRS 9 "Financial Instruments": Effective from years beginning January 1, 2013.

- Improvements to IFRS (May 2010): Effective from years beginning January 1, 2011 (except the amendments to IFRS 3 (2008) regarding the measurement of non-controlling interests and share-based remuneration plans, as well as the amendments to IAS 27 (2008) and IFRS 3 (2008) regarding contingent payments arising during business combinations with acquisition dates prior to the date the amendments became effective, which come into effect for years beginning July 1, 2010).

- Amendment to IFRS 7 "Disclosures – Transfers of financial assets:" Effective from years beginning July 1, 2011.

- Amendment to IFRS 12 "Deferred taxes – Recovery of underlying assets": effective for annual periods beginning on or after January 1, 2012.

The Group is currently analysing the impact of the application of these standards and amendments.

Based on the analyses conducted to date, the Group estimates that their application will not have a significant impact on the consolidated financial statements in the initial period of application. However, the changes introduced by IFRS 9 will affect financial instruments as well as their related future transactions beginning January 1, 2013.

International Financial Reporting Standards occasionally contemplate more than one alternative accounting treatment for a transaction. The criteria adopted by the Group for its most relevant transactions are the following:

- Shares in jointly controlled entities may be consolidated using either the proportional consolidation method or the equity method; the Group used the latter.
- Capital grants can be recognized reducing the cost of the assets for which financing was granted or as deferred income, which was the Group's choice.
- Pension plan actuarial gains and losses can be deferred under certain conditions. The Group recognizes them during the year they are produced directly in equity.
- Certain property, plant, and equipment may be measured at market value or historical cost less amortizations and impairment loss. Viscofan has chosen the latter criteria.

The Parent's directors expect these 2010 consolidated financial statements, which were prepared on February 28, 2011, to be approved by the shareholders in general meeting without modification.

(3.1) Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings on the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the consolidated figures for 2010 the corresponding figures for 2009 included in the consolidated financial statements approved by the shareholders at their general meeting on June 01, 2010.

(3.2) Relevant accounting estimates, assumptions and judgments

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The preparation of Financial Statements in conformity with EU-IFRS requires Group management to make judgments, estimates and assumptions and to apply relevant accounting estimates in the process of applying Group accounting policies.

Aspects which involves a greater degree of judgment or complexity in preparation of these consolidated Financial Statements are detailed below.

(a) Relevant accounting estimates and assumptions

- Pension plans: Note 4.16
- Provisions: Note 4.17
- Useful lives of property, plant and equipment and intangible assets: Notes 4.4 and 4.5
- Assessment of impairment of assets: Note 6
- Recoverability of deferred tax assets: Note 9
- Measurement of derivatives: Note 4.8

(b) Changes in accounting estimates

Although estimates were based on the best information available at 31 December 2010, future events may require these estimates to be modified in subsequent years. The effects on the preliminary Financial Statements of any adjustment which may arise in subsequent years would be recognized prospectively.

(c) Sources of uncertainty

The main sources of uncertainty which could affect profit (loss) for the year in the future are due to contingent assets and liabilities (Note 16.7).

No uncertainties due to the current global economic climate were perceived which would have required special analysis or the solution of which would significantly have affected the Group's consolidated financial statements.

(3.3) Business combinations

All business combinations are accounted for by applying the purchase method. This consists of identification of the acquirer (the entity which obtains control over the other entities comprising the business combination), measurement of cost of the business combination and allocation, on the acquisition date, of the business combination's costs to the assets acquired and the liabilities and contingent liabilities assumed.

The cost of the business combination is measured as the agregate of the fair values at the date of exchange, assets contributed, liabilities incurred or assumed (including contingent liabilities if these can be measured reliably) and net equity instruments issued by the acquirer, in exchange for control over the acquired; plus any costs directly attributable to the business combination. Adjustments to the cost of a business combination contingent on future events are included in the cost of the combination provided that the amount of this adjustment is probable and can be measured reliably.

The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the acquirer's interest in the net fair value of assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference remaining after reassessment is recognized by the acquirer in profit or loss.

(4) Significant Accounting Principles

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The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations endorsed by the European Union (EU-IFRS).

A summary of the most significant principles is as follows:

(4.1) Going concern and accruals basis

The consolidated financial statements have been prepared on a going concern basis.

Income and expenses are recognized on an accruals basis, irrespective of collections and payments.

(4.2) Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

Subsidiaries are entities controlled by the Company directly or indirectly through other subsidiaries. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights held by the Group or third parties that are presently exercisable or convertible are taken into account in assessing control.

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Subsidiaries are excluded from the consolidation scope from the moment control is lost. Note 2 breaks down the nature of the relationships between the parent and its subsidiaries.

The Group has applied the exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards regarding business combinations. Consequently, only business combinations which occurred subsequent to 1 January 2004, the date of transition to EU-IFRS, have been recognized using the purchase method. Entities acquired prior to that date were recognized under the former Spanish general chart of accounts, once the necessary transition date adjustments and corrections were considered.

Intragroup balances and transactions and any unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated on consolidation. Nevertheless, unrealized losses are considered as indicative of impairment of the transferred assets.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The Financial Statements of consolidated subsidiaries reflect the same reporting date and period as that of the Parent.

Business combinations

Jointly controlled companies which by virtue of a contractual agreement are managed and controlled by more than two partners are consolidated by the equity method.

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Under the equity method, investments in jointly controlled companies are recognized on the consolidated statement of financial position at cost plus any post-acquisition changes in the Group's investment based on its share of the investee's net assets, less any impairment losses. The result of measuring investments in associates using the equity method (after eliminating intra-group transactions) is recognized under "Other reserves" and "Share of results from associates -net of tax" on the consolidated statement of financial position and consolidated income statement, respectively.

(4.3) Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated Financial Statements are presented in thousands of euros, which is the functional and presentation currency of the Parent.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities expressed in foreign currencies have been translated into euros at the year-end exchange rate, whereas non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets denominated in foreign currencies measured at fair value are translated to euros at the foreign currency exchange rate prevailing at the date the value was determined.

Differences arising on settlement of transactions in foreign currency and on the translation to euros of monetary assets and liabilities expressed in foreign currency are taken to the income statement. Exchange differences arising from the translation of monetary items forming part of the net investment in foreign operations are recognized as translation differences in equity.

Translation gains or losses related with monetary financial assets or liabilities expressed in foreign currency are also recognized in the income statement.

(b) Translation of foreign operations

Translation differences are recognized in the Group's equity. The translation to euros of foreign operations, excluding foreign operations in hyperinflationary economies, is based on the following criteria:

- Assets and liabilities, including goodwill and adjustments to net assets deriving from the acquisition of businesses, including comparative balances, are translated at the year-end exchange rate at each balance sheet date.

- The revenues and expenses of foreign operations, including comparative balances, are translated at the exchange rates ruling at each transaction date; and

- Foreign exchange differences arising from application of the above criteria are recognized under translation differences in equity.

The Group does not carry out business in hyperinflationary countries.

In the consolidated cash flow statement, the cash flows, including comparative balances, from subsidiaries and jointly-controlled foreign businesses are translated to euros applying the exchange rates prevailing at the date of the cash flows.

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Translation differences related to foreign businesses recognized in equity are recognized on one line in the consolidated income statement when these are recognized in profit (loss) at the time such businesses are sold.

(4.4) Property, plant and equipment

(a) Initial recognition

Property, plant and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalized with a charge to work performed by the Group on non-current assets in the consolidated income statement.

The cost of assets acquired or produced subsequent to January 01, 2009 which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalization requirements described above.

The Group elected to use previous GAAP revaluation of property, plant and equipment as deemed cost at 1 January 2004, as permitted by IFRS 1 First time Adoption of IFRS.

(b) Amortization and depreciation

Property, plant and equipment is depreciated systematically over the useful life of the asset. The depreciable amount of tangible asset items is the cost of acquisition less the residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of items of property, plant and equipment is calculated using the straight-line basis over their estimated useful lives, as follows:

	Estimated useful life (years)
Buildings	30-50
Plant and equipment	10
Other installations, equipment and furniture	5-15
Other property, plant and equipment	4-15

The Group reassesses residual values, useful lives and depreciation methods at the end of each financial year. Changes to the initially established criteria are recognized as a change in accounting estimates.

(c) Subsequent recognition

Subsequent to initial recognition of the asset, only costs that will probably generate future economic benefits and which may be measured reliably are capitalized. Ordinary maintenance costs are expensed as they are incurred.

Replacements of property, plant and equipment which meet the requirements for capitalisation are recognized as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it has not been practical to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

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(d) Investment property

At 2010 and 2009 year end the VISCOFAN Group had no assets which by their nature must be classified as investment property.

(4.5) Intangible assets

(a) Goodwill

Goodwill on business combinations carried out from the transition date (1 January 2004) is recognized as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or the jointly controlled business acquired.

Goodwill is not amortized but is subject to annual impairment testing or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognized as an asset.

(b) Self-constructed assets

Expenditure on research activities is recognized in the consolidated income statement as an expense as incurred.

Expenditure on activities which cannot be clearly distinguished from costs attributable to the development of intangible assets is recognized in the consolidated income statement. Expenditure on development that was recognized initially as an expense is not recognized subsequently as part of the cost of an intangible asset.

(c) Intangible assets acquired through business combinations

From 1 January 2004 the cost of identifiable intangible assets acquired in business combinations, including research and development projects in progress, is their fair value at the date of acquisition, provided that this value can reliably be determined. Subsequent costs related to research and development projects are recognized as for self-constructed assets.

(d) Other intangible assets

Other intangible assets are stated at cost, less accumulated amortization and impairment losses.

Software maintenance costs are expensed as incurred.

(e) Emission rights

The Viscofan Group recognizes emission rights when it owns them. Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognized as a credit to "Deferred income" (*Note 4.14*) on the consolidated statement of financial position. Rights acquired from third parties are recognized at their acquisition cost.

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These assets are measured using the cost method. At each year end they are analyzed for any indications of impairment of their carrying amounts.

These emission rights are eliminated from the statement of financial position when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognized from the provision made when the CO2 emissions take place.

Emission rights are not amortized. However, any differences from market value are provisioned.

(f) Useful lives and amortization rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows.

Intangible assets with finite useful lives are amortized by allocating the depreciable amount systematically on a straight-line basis over the useful lives of the assets in accordance with the following criteria:

	Estimated useful life (years)
Concessions, patents and licences	10
Software	5

The depreciable amount of intangible asset items is the cost of acquisition or deemed cost less the residual value.

The Group reassesses residual values, useful lives and amortization methods at the end of each financial year. Changes to initially established criteria are recognized as a change in accounting estimates.

(4.6) Leases

(a) Finance leases

The Viscofan Group classifies as finance leases all lease agreements in which the lessor substantially transfers to the lessee all the risks and rewards incidental to ownership of the asset. All other leases are classified as operating leases.

Assets acquired under finance leases are recognized as non-current assets according to their nature and purpose. Each asset is depreciated/amortized over its useful life when the Group considers there to be no doubt that it will acquire ownership of the assets at the end of the lease term. The assets are recognized at the lower of the fair value of the leased item and the present value of future lease payments.

(b) Operating leases

Lease payments under an operating lease, net of any incentives received are recognized as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit.

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(4.7) Financial instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

Conventional purchases and sales of financial assets are accounted for at the trade date, when the Group undertakes to purchase or sell the asset.

(a) Financial assets at fair value with changes in fair value through profit and loss

These are assets classified as held for trading, as the Group expects to obtain gains from their price fluctuations and they have been recognized in this category since their initial recognition.

Assets included in this category are recorded in the consolidated statement of financial position at fair value and fluctuations in their value are recognized under "Finance costs" and "Finance revenue," as applicable, on the consolidated statement of income.

The Viscofan Group classifies derivatives in this category when they do not meet the conditions necessary to be recognized as hedges as per the requirements of IAS 39 "Financial Instruments" (Note 4.8).

At December 31, 2010 and 2009 no assets have been classified in this category on the consolidated statement of financial position.

(b) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, when maturity is within 12 months of the balance sheet date.

Loans are initially recognized at fair value, including transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity and which are recognized at amortized cost.

Held-to-maturity investments are initially recognized at fair value, including transaction costs that are directly attributable to the acquisition and are subsequently carried at amortized cost using the effective interest method.

(d) Available-for-sale financial assets

Are all those which do not fall within the above categories. These are recognized at their fair value at year end. Changes in fair value are charged or credited to equity until divested or impaired, at which time the cumulative amount up to that date is transferred to the consolidated income statement.

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(e) Impairment and default of financial assets

A financial asset or group of financial assets is impaired and has generated an impairment loss if there is objective evidence of impairment as a result of an event or events which have occurred subsequent to initial recognition of the asset, and where the event or events causing the loss have an impact on the estimated future cash flows from the asset or group of financial assets which can be reliably estimated.

The Group recognizes impairment losses and defaults on loans and other receivables and debt instruments through recognition of a corrective provision for financial assets. When impairment and default are considered irreversible, the carrying amount is written off against the amount of the provision. Reversals of impairment losses are also recognized against the amount of the provision.

(f) Derecognition of financial assets

The Group applies the criteria for derecognition of financial assets either to part of a financial asset or a part of a group of similar financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investment have matured and the Group has substantially transferred the risks and rewards of ownership. In circumstances in which the Group retains the contractual rights to receive cash flows financial assets are derecognized only where contractual obligations over payment of cash to one or more recipients exist and certain requirements are fulfilled.

On derecognition of a financial asset the difference between its carrying amount and the total amount received is taken to the income statement, net of transaction costs and including the assets obtained and liabilities assumed and any deferred profit or loss of income or expense recognized in equity.

(g) Financial liabilities

Financial liabilities, including trade and other payables, the fluctuations of which are not charged or credited to the consolidated income statement, are initially recognized at fair value, less, as applicable, directly attributable transaction costs. Subsequent to initial recognition, the liabilities classified in this category are measured at amortized cost using the effective interest method.

(4.8) Derivatives and hedge accounting

Under the Group's finance policies derivatives may not be acquired or held for trading. If any derivative does not qualify fulfill the requirements to be considered a hedge it is recognized as a financial instrument held for trading.

Derivatives are recognized initially at cost. Subsequent to initial recognition derivatives are stated at fair value. Any gains or losses arising from such changes in value are recognized in the consolidated income statement unless the derivative has been designated as a cash flow hedge.

For accounting purposes, hedges are classified as:

- Fair value hedges and hedges of net investment in a foreign entity: At December 31, 2010 and 2009, as well as throughout both years, the Viscofan Group did not use this type of hedges.

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- Cash flow hedges: when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or to the foreign currency risk in a firm commitment.

When arranging each hedge transaction the Viscofan Group formally documents each transaction for which hedge accounting will be applied. The documentation identifies the hedge instrument, the item hedged, the nature of the risk to be hedged and how the effectiveness of the hedge will be measured. In addition, hedges are assessed on an ongoing basis to determine that they are highly effective (80%-125%).

Cash flow hedges are recognized as follows:

- Changes in the market value of hedging derivatives are recognized, in the case of the ineffective portion of the hedges in the consolidated income statement. Those related to the effective portion are recognized under "Unrealized gains (loss) reserve" and "Translation differences" in the consolidated statement of financial position. The cumulative gain or loss recognized in these headings is transferred to the related consolidated income statement heading (i.e. the heading affected by the hedged item) as it impacts profit or loss in the year in which the item is sold.

- When hedging of futures transactions gives rise to a non-financial asset or non-financial liability, their amount is taken into account when determining the initial carrying amount of the asset or liability which gives rise to the transaction hedged.

- When hedging futures transactions gives rise to a financial asset or liability, this balance is recognized under "Unrealized gains (loss) reserve" until the risk hedged in relation to the futures transaction impacts the consolidated income statement.

- If the hedged transaction does not give rise to an asset or liability, the amounts debited or credited to "Unrealized gains (loss) reserve" in the consolidated statement of financial position are taken to the consolidated income statement in the same period as the hedged transaction.

- When the hedge is discontinued, the cumulative gain or loss recognized in "Unrealized gains (loss) reserve" is held under this heading until the hedged transaction is carried out, at which time the gain or loss on the transaction is adjusted by the cumulative gain or loss. If the forecast transaction is no longer expected to occur, the gain or loss previously recognized in this heading is taken to the consolidated income statement.

All the hedging instruments used by the Viscofan Group in 2010 and 2009 were derivatives not traded in organized financial markets. Consequently, these are measured using assumptions based on market conditions at year end:

- The fair value of interest rate swaps is measured as the value of the rate swap spreads discounted to present value at market interest rate.

- Exchange rate futures contracts are measured by discounting to present value future cash flows based on forward exchange rates at year end.

- The market value of purchase-sale agreements of non-financial items to which IAS 39 is applicable, is calculated from the best estimate of the future price curves of these items available at year end.

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(4.9) Parent treasury shares

Treasury shares acquired by the Group have been presented separately as a reduction in equity in the consolidated statement of financial position, irrespective of the purpose of their acquisition, and no gains or losses have been recorded as a result of transactions carried out with treasury shares.

The subsequent redemption of treasury shares results in a decrease in share capital for the par value of these shares and positive or negative differences between the acquisition price and the par value of the shares are debited or credited to Reserves, with no recognition in the consolidated income statement.

The Group also applies the following criteria when accounting for operations with its own equity instruments:

- Transaction costs related with own equity instruments, including issue costs related with a business combination, are recorded as a reduction in equity, once any tax effect has been considered.
- Dividends are recognized as a reduction in equity when approved at the general meeting of shareholders.

(4.10) Inventories

Inventories comprise non-financial assets which are held for sale by the consolidated entities in the ordinary course of business.

Cost comprises all costs of acquisition, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventory conversion costs comprise the costs directly related with the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred in the conversion process. Indirect fixed costs are distributed on the basis of the higher of normal production capacity or actual production.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials, other materials consumed and goods for resale: at weighted average cost.

- Finished and semi-finished products are stated at weighted average cost of raw and other materials and includes direct and indirect labor, other manufacturing overheads.

Volume discounts from suppliers are recognized when it is probable that the discount conditions will be met. Prompt payment discounts are recognized as a reduction in the cost of inventories acquired.

The cost of inventories is adjusted against profit or loss in cases where cost exceeds net realizable value. Net realizable value is considered as the following:

- Raw materials and other supplies: replacement cost: The Group only makes adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or lower;
- Goods for resale and finished products: estimated sale price, less selling costs.
- Work in progress: estimated sale price for corresponding finished products, less the estimated costs for completion of their production and selling costs.

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Write-downs and reversals of write-downs are recognized in the consolidated income statement for the year. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances the amount of the write-down is reversed against the captions "changes in inventories of finished products" and "work in progress and consumption of materials and other supplies". Write-downs may be reversed to the limit of the lower of cost and the new net realizable value.

(4.11) Trade and other receivables

Trade receivables are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest method, less the provision for impairment losses.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This provision is recognized in the consolidated income statement.

(4.12) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly-liquid investments with original maturities of three months or less, providing these are readily convertible to known amounts of cash.

Bank overdrafts which are recognized as financial liabilities on the consolidated statement of financial position are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

The Group recognizes interest and dividends received and paid under cash flow from operating activities, financing activities and investments.

(4.13) Impairment of non-financial assets subject to depreciation or amortization

The Group periodically evaluates whether there are indications of possible impairment losses on assets other than financial assets, inventories, deferred tax assets and non-current assets held for sale to determine whether their carrying amount exceeds their recoverable value (impairment loss). The criteria applied by the Group to verify impairment of the assets described in this section is shown in prior sections.

(a) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling value and value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Recoverable amounts are calculated for individual assets, unless the asset does not generate cash inflows that are largely independent from those corresponding to other assets or groups of assets. In this case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

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(b) Reversals of impairment

Impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses on goodwill are not reversible.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment had been recognized.

The amount of the reversal of the impairment of a CGU is allocated to its assets, except goodwill, pro rata on the basis of the carrying amount of the assets, to the limit referred to in the previous paragraph.

(4.14) Government grants

Government grants are recognized on the face of the balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(a) Capital grants

Government grants in the form of non-monetary assets are recognized at fair value in the same way, with a debit to deferred income. They are transferred to "Other income" in the consolidated income statement in line with the depreciation of the related asset.

Non-repayable grants related to emission rights are recognized in the consolidated income statement as they are used, under "Other income" on the consolidated income statement.

(b) Operating subsidies

Operating subsidies are recognized as "Other income" in the consolidated income statement.

Operating subsidies received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support unrelated with future expenses, are recognized as "Other income" in the consolidated income statement.

(c) Interest rate subsidies

Financial liabilities with implicit interest rate subsidies in the form of below-market rates of interest are initially recognized at fair value. The difference between this value, adjusted where applicable by the costs of issue of the financial liability and the amount received, is recorded as an official grant based on the nature of the grant.

(4.15) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the loan obtained (net of attributable costs) and redemption value being recognized in the income statement over the period of the borrowings on an effective-interest basis.

The Group derecognizes the whole or part of a financial liability when the obligations included in the contract have been satisfied, cancelled or have expired.

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(4.16) Employee benefits

(a) Liabilities for retirement benefits and other commitments

The Group has assumed commitments with personnel that comply with classification conditions for defined benefit and defined contribution plans.

(i) Defined benefit plans

Defined benefit plans include those financed by insurance premium payments for which a legal and implicit obligation exists to settle commitments with employees when they fall due or pay additional amounts in the event the insurer does not pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognized in the consolidated statement of financial position reflect the present value of defined benefit plans at year end, less the fair value of the assets related to those benefits.

Defined benefit plan costs are recognized under employee benefits in the consolidated income statement and comprise current service costs plus the effect of any reduction or liquidation of the plan. Interest costs arising due to the commitment and finance income earned on plan assets are recognized in finance income (cost).

Actuarial gains and losses are recognized directly in equity as set out in IAS 19.93A.

A description of each of the Group's defined benefit pension plans is included in Note 16.1.

Liabilities for retirement benefits and other obligations correspond to a Group company in Germany and another in the United States.

(ii) Other benefits

The Parent has commitments with its employees for early retirement and seniority bonuses. To cover these commitments the Parent externalized these commitments through insurance policies.

(b) Termination benefits

The Group recognizes benefits for termination unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and there is no possibility of withdrawing or changing the decisions made.

Indemnities payable in over 12 months are discounted at interest rates based on market rates of quality bonds and debentures.

(c) Short-term employee benefits

Short-term benefits accrued by Group personnel are recorded in line with the employees' period of service. The amount is recorded as an employee benefit expense and as a liability net of settled amounts. If the contribution already paid exceeds the accrued expense, an asset is recorded to the extent that it will reduce future payments or a cash refund.

The Group recognizes the expected cost of short-term benefits in the form of accumulated compensated absences, when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur.

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The Group recognizes the expected cost of profit-sharing and bonus payments when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(d) Equity-settled transactions

The Viscofan Group does not have any share option plans or any programs which would lead to equity-settled payments with Board members, senior executives or employees.

(4.17) Provisions

(a) General criteria

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation.

The amounts recognized as a provision in the consolidated statements of financial position are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related with the provision and, where significant, financial effect of the discount, provided that the expenditures required in each period can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The financial effect of provisions is recognized under finance costs in the consolidated income statement.

Reimbursement rights from third parties are recognized as a separate asset where it is practically certain that these will be collected. The income reimbursed, where applicable, is recognized in consolidated income statement as a reduction in the associated expense and is limited to the amount of the provision.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement where the corresponding expense was recorded, and any excess is recognized as other income.

(b) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(c) Restructuring expenses

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions for restructuring only include payments directly related to the restructuring which are not associated to continuing activities of the Group.

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(d) Emission rights provision

Provision is made systematically for expenses related to the emission of greenhouse gases. This provision is cancelled once the corresponding free-of-charge and market-acquired rights granted by public entities have been transferred.

Provision is made under the assumption that these obligations will be cancelled:

- Firstly, through emission rights transferred under a National Allocation Plan to the Company's account in the National Emission Rights Register, which are then used to cancel actual emissions in proportion to total forecast emissions for the entire period to which they have been allocated. The expense corresponding to this part of the obligation is determined based on the book value of the transferred emission rights.
- Secondly, through the remaining emission rights recorded. The expense corresponding to this part of the obligation is stated at the average weighted cost of the emission rights.
- If the emission of gases necessitates the acquisition or production of emission rights because actual emissions exceed those which can be cancelled through the transfer of emission rights under a National Allocation Plan, or through surplus emission rights, whether acquired or produced, provision is made for the shortfall in rights. The expense is determined using the best estimate of the amount necessary to cover the shortfall in emission rights.

(4.18) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recorded as a reduction in revenues if considered probable at the time of revenue recognition.

(a) Goods sold

Revenues on the sale of goods are recognized when the following conditions have been satisfied:

- The Group has transferred the significant risks and rewards of ownership of the goods to the buyer.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and incurred costs or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Services rendered

When the outcome of a transaction involving the rendering of services can be estimated reliably revenues associated with the transaction are recognized in the income statement by reference to the stage of completion of the transaction at the balance sheet date.

(4.19) Income tax

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Income tax on the profit for the year comprises current and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. Current tax assets or liabilities are measured for amounts payable to or recoverable from tax authorities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognized as income or an expense and included in profit or loss for the year except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity, or from a business combination.

(a) Taxable temporary differences

Taxable temporary differences are recognized in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or
- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

(b) Deductible temporary differences

Deductible temporary differences are recognized provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be used.

(c) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable

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profit will be available to allow the benefit of the deferred tax assets to be utilized.

Deferred tax assets which do not comply with the aforementioned conditions are not recognized in the consolidated statement of financial position. At year end the Group reassesses unrecognized deferred tax assets.

(d) Classification and offsetting

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets tax assets and liabilities where it has a legally enforceable right, where these relate to taxes levied by the same tax authority and on the same entity and where the tax authorities permit the entity to settle on a net basis, or to realize the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the date of realization or settlement.

(4.20) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the parent by the weighted number of ordinary shares outstanding during that year, excluding the average number of shares of the Parent, Viscofan, S.A. held by any of the Group companies.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares which would be in issue if all potential ordinary shares were converted into ordinary shares of Viscofan, S.A.

In the case of the Viscofan Group's financial statements for the years ended December 31, 2010 and 2009 there is no difference in basic earnings per share and diluted earnings per share as there were no instruments potentially convertible into ordinary shares during those years.

(4.21) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current or non-current based on the following criteria:

- Assets are classified as current when they are expected to be realized, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date.

- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.
- Current liabilities such as trade creditors, personnel expenses and other operating costs are classified as current, even if maturing more than 12 months from the balance sheet date.

- Financial liabilities which must be settled within the 12 months following the balance sheet

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date are classified as current, even if the original maturity exceeded 12 months and a refinancing or restructuring agreement for long-term payments exists which has been finalized subsequent to the close and before the consolidated Financial Statements have been prepared.

(4.22) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Costs incurred from these activities are recognized under "Other operating costs" in the year in which they are incurred.

Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognized in the consolidated balance sheet based on the criteria for recognition, measurement and disclosure detailed in Note 4.4.

(4.23) Non-current assets and disposal groups held for sale

The Group classifies as "Non-current assets held for sale" assets whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, when the following criteria are met:

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and

- When it is highly probable that they will be sold.

Non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less costs to sell, except deferred tax assets, assets arising from employee benefits and financial assets which do not correspond to investments in group companies, joint ventures and associates, which are measured according to specific criteria. These assets are not depreciated/amortized and, where necessary, the corresponding impairment loss is recognized to ensure that the carrying amount does not exceed fair value less costs to sell.

Disposal groups held for sale are accounted for using the same criteria described above. The disposal group as a whole is then remeasured at the lower of the carrying amount and fair value less costs to sell.

Related liabilities are classified as "Liabilities associated with non-current assets held for sale."

At 2010 and 2009 year end the Group had no assets or liabilities which must be classified in these categories.

(4.24) Discontinued operations

In the last two years the Group has not discontinued or disposed of any business area or significant geographic area.

(4.25) Related-party disclosures

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Related-party transactions are recognized according to the measurement bases described within this Note 4. The only transactions with related parties are described in Note 26 of "Information on the Board of Directors of the Parent and Key Group Personnel".

(4.26) Dividends

The interim dividends approved by the Board of Directors in 2010 and 2009 are included as a reduction of the Viscofan Group's equity.

(5) Segment Reporting

IFRS 8: "Operating segments" establishes that an operating segment is a component of an entity:

a) when it engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) when its operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

c) for which discrete financial information is available.

Given the characteristics of the Viscofan Group's activities, its reported segments relate to strategic business units which are defined by the products manufactured and sold.

The Viscofan Group's operating segments are as follows:

- Casings: manufacture and sale of all types of artificial casings for meat products and other uses.
- Preserves: production and marketing of food products.

The Group also produces and sells electrical energy through a cogeneration plant located at its Parent installations. The Group aims to achieve three objectives from the installation of this plant: reduce energy costs, attain self-sufficiency, and reduce CO_2 emissions into the atmosphere. These activities are not organized as business segments nor do they constitute segments on which the Group is obliged to provide disclosures.

Inter-segment pricing is determined on an arm's length basis.

The casings segment is managed internationally and operates basically in three geographic areas; Europe and Asia, North America and South America. The vegetable products segment mainly operates in Europe, chiefly in Spain.

In presenting information on the basis of geographical segments, segment revenue, expense, assets and liabilities are based on the geographical location of production and of assets.

Details of financial information by business and geographical segments for 2010 and 2009 are included in Note 20.

(6) Property, Plant and Equipment

The breakdown and movements in property, plant, and equipment during 2010 and 2009 are as follows:

	1/1/2009	Translation differences	Additions	Disposals	Transfers	12/31/2009	Translation differences	Additions	Disposals	Transfers	12/31/2010
Revalued cost											
Land and buildings	166,860	1,726	3,375	(432)	5,350	176,879	3,155	304	(206)	5,028	185,160
Plant and machinery	437,904	10,582	16,718	(8,613)	17,895	474,486	14,045	15,262	(8,716)	4,857	499,934
Other installations, equipment and furniture	65,565	-	2,232	(873)	3,009	69,933	339	2,970	(563)	4,988	77,667
Other property, plant and equipment	18,707	31	721	(638)	3,284	22,105	668	894	(1,107)	1,023	23,583
Advances and assets under construction Revalued cost	24,063	1,665	19,121	(332)	(30,441)	14,076	795	26,491	(245)	(19,946)	21,171
	713,099	14,004	42,167	(10,888)	(903)	757,479	19,002	45,921	(10,837)	(4,050)	807,515
Restated accumulated depreciation											
Buildings	(69,167)	(835)	(4,203)	253	15	(73,937)	(1,004)	(7,761)	174	-	(82,528)
Plant and machinery	(304,682)	(7,417)	(24,478)	7,872	1,652	(327,053)	(7,809)	(26,981)	8,329	5,258	(348,256)
Other installations, equipment and furniture	(45,441)	(34)	(4,233)	734	(793)	(49,767)	(203)	(4,385)	496	(2,767)	(56,626)
Other property, plant and equipment	(15,787)	(73)	(1,202)	581	(870)	(17,351)	(512)	(1,098)	1,096	(1,387)	(19,252)
	(435,077)	(8,359)	(34,116)	9,440	4	(468,108)	(9,528)	(40,225)	10,095	1,104	(506,662)
Provisions	(82)	-	(226)	42	-	(266)	(11)	(277)	187	(185)	(552)
	277,940	5,645	7,825	(1,406)	(899) (*)	289,105	9,463	5,419	(555)	(3,131) (*)	300,301

(*) The amount of net transfers corresponds to property, plant, and equipment (Note 7).

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Details of fully depreciated property, plant and equipment in use at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Buildings	22,612	5,894
Plant and machinery	266,817	187,799
Other installations, equipment and furniture	35,389	26,981
Other property, plant and equipment	15,722	8,218
	340,540	228,892

The Group's buildings, plant and equipment were partly financed by government grants of 894 and 242 thousand euros in 2010 and 2009, respectively (see Note 14).

The Group has contracted various insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

Firm commitments to purchase non-current property, plant and equipment at year end 2010 and 2009 amounted to 7,420 thousand euros and 3,604 thousand euros, respectively. 2010 commitments basically relate to the expansion of the production plants in both Weinheim (Germany) and Cáseda (Spain); 2009 commitments are mainly related to the construction of a warehouse in China for Viscofan Technology (Suzhou) Co. Ltd. recognized that year.

The Group did not have any investment property at the end of 2010 and 2009. The Group did not capitalize any borrowing costs in 2010 and 2009.

Finance leases

The Group has buildings and other items contracted under finance leases, as follows:

	Thousands of euros	
	Cost	Depreciation
At 1 January 2009	1,505	(483)
Depreciation	-	(73)
At 31 December 2009	1,505	(556)
Depreciation	39	(430)
At 31 December 2010	1,544	(986)

The main item included under "Property, plant and equipment" is a warehouse corresponding to the vegetable preserves division. The lease agreement is dated March 8, 1999, has a duration of 180 months and the purchase option is 360 thousand euros.

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Details of minimum payments and current finance lease liabilities, by maturity date, are as follows:

	Thousands of euros			
	2010		2009	
	Minimum payments (note 15)	Interest	Minimum payments (note 15)	Interest
Up to 1 year	148	19	111	33
Between 1 and 5 years	636	31	655	89
Total	784	50	766	122

Operating leases

The Group leases various warehouses and other PP&E items in various countries. The future minimum payments for these operating leases at year end are as follows:

	Thousands of euros	
	2010	2009
Up to 1 year	852	261
Between 1 and 5 years	2,881	1,044
More than 5 years	3,548	3,654
	7,281	4,959

Nevertheless, the only lease agreement which entails significant future minimum payments relates to its headquarters in Tajonar (Navarra), signed in December 2009 and in effect until December 15, 2028. The lease may be extended when both parties agree to this in writing at least six months before it expires.

Impairment test

In 2010 no impairment tests were conducted, as all of the Group's cash-generating units are performing well. In recent years, the Group performed tests of its subsidiary Koteks Viscofan, d.o.o., which had been accumulating losses in prior years. Investments made as well as measures implemented in recent years have helped it reap a profit, however. Forecasts regarding its future are much more positive than those resulting from the last test carried out the year before, and therefore, it was not considered necessary to perform another this year.

(7) Other Intangible Assets

The breakdown and movements in other intangible assets during 2010 and 2009 are as follows:

	1/1/2009	Translation differences	Additions	Disposals	Transfers	12/31/2009	Translation differences	Additions	Disposals	Transfers	12/31/2010
Cost											
Technology and contracts	6,822	(232)	-	-	-	6,590	566	-	-	(7,156)	-
Software	11,330	158	1,490	(12)	1,299	14,265	333	949	-	4,304	19,851
Concessions, patents and licenses	5,933	3	2,678	-	696	9,310	198	20	-	5,668	15,196
Issue rights	1,824	-	2,539	(1,668)	-	2,695	-	3,409	(2,433)	(152)	3,519
Prepayments	1,155	-	92	-	(1,093)	154	7	500	-	(111)	550
	27,064	(71)	6,799	(1,680)	902	33,014	1,104	4,878	(2,433)	2,553	39,116
Accumulated amortization											
Technology and contracts	(2,447)	102	(568)	-	-	(2,913)	(250)	-	-	3,163	-
Software	(8,231)	(83)	(801)	12	-	(9,103)	(167)	(1,707)	-	(664)	(11,641)
Concessions, patents and licenses	(4,410)	7	(2,250)	-	(3)	(6,656)	(155)	(1,825)	-	(1,921)	(10,557)
	(15,088)	26	(3,619)	12	(3)	(18,672)	(572)	(3,532)	-	578	(22,198)
	11,976	(45)	3,180	(1,668)	899(*)	14,342	532	1,346	(2,433)	3,131 (*)	16,918

(*) Transfers recognized under "Intangible assets" were made from "Property, plant and equipment".

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In 2010 the Group received free emission rights equivalent to 430,722 tons (2009: 206,370 tons) as per the 2008-2012 National Allocation Plan approved by Royal Decree 1370/2006. The Group consumed 358,116 tons in 2010 and 163,026 tons of emission rights in 2009.

Details of the cost of fully amortized intangible assets in use at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Software	9,649	5,115
Concessions, patents and licences	5,119	1,360
	14,768	6,475

(8) Investments in associates and Other Financial Assets under Current and Non-current Assets

The breakdown of these headings is as follows:

	(Thousands of euros)	
	2010	2009
Investments in associates	1,565	1,333
Total	1,565	1,333
Non-current assets - Other financial assets		
Held-to-maturity investments	1,111	445
Loans and receivables	-	20
Available-for-sale financial assets	67	42
	1,178	507
Total, non-current	2,743	1,840
Loans and receivables	24	442
Held-to-maturity investments	3,066	-
Financial assets at fair value from hedging transactions (Note 17)		
	3,640	2,558
Total, current	6,730	3,000

Investments in associates

The Group owns 50% of Lingbao Baolihao Food. This company is domiciled in Lingbao (China) and produces asparagus. In 2009 capital was increased by 567 thousand euros, which entailed a contribution of 284 thousand euros by the Group to commence activity.

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The movement in the carrying amount of this investment in an associate is as follows:

	Thousands of euros	
	2010	2009
Ligbhao Baolihao Food:		
Balance at January 1	1,333	998
Increase in investment	-	284
Profit for the year	77	(17)
Translation differences	155	68
Balance at December 31	1,565	1,333

The following table provides all the significant financial information regarding this investment:

	Thousands of euros	
	2010	2009
Current assets	426	1,048
Non-current assets	3,028	2,812
Current liabilities	(356)	(1,194)
Net assets	3,098	2,666
Ordinary revenues	7,402	2,872
Operating profit (EBIT)	315	6
Profit for the year	154	(34)

Details of current and non-current financial assets held in foreign currencies are shown in Note 18.

Lingbao Baolihao Food's total ordinary income corresponds to the sale of asparagus to Industrias Alimentarias de Navarra, S.A.U., and is therefore considered Group purchases. In 2010 and 2009, payables to this company amounted to 147 and 0 thousand euros, respectively. No other transactions took place with this subsidiary, and it has no other outstanding receivables and payables.

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(9) Income tax

Details of deferred tax assets and liabilities, by type, are as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Temporary differences						
Non-current assets	235	136	27,991	23,970	(27,756)	(23,834)
Current assets	4,885	2,192	2,514	525	2,371	1,667
Non-current liabilities	4,594	2,547	-	498	4,594	2,049
Current liabilities	3,410	551	4	259	3,406	292
	13,124	5,426	30,509	25,252	(17,385)	(19,826)
Other borrowings						
Tax credits for loss carryforwards	1,068	1,169	-	-	1,068	1,169
Unused tax credits	267	1,456	-	-	267	1,456
	1,335	2,625	-	-	1,335	2,625
	14,459	8,051	30,509	25,252	(16,050)	(17,201)

Non-current deferred tax liabilities for the years ended December 31, 2010 and 2009 mainly relate to the application of different amortization rates by certain Group subsidiaries than those used for tax purposes. Also included is the tax effect of net unrealized gains on assets acquired in several business combinations that still exist at the balance sheet date.

The deferred tax assets on current assets are basically generated by provisions in respect of inventories which are not tax deductible in certain countries. The tax effect of eliminating the margin on inventory stock acquired between Group companies is likewise included. Finally, this also includes temporary differences which arise in certain countries, basically the US, as a result of applying different measurement bases for stock bought from Group companies.

Deferred tax assets on non-current deferred tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 16 have led to adjustments in tax assessment basis in the different countries.

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The breakdown of changes during the year in recognized deferred tax assets and liabilities arising from temporary differences recognized as income tax expense/(income) on the consolidated statement of recognized income and expenses and as "Other income and expenses" on the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2010	2009
Consolidated income statement		
Non-current assets	3,184	(2,900)
Current assets	(1,164)	3,269
Non-current liabilities	(1,076)	3,697
Current liabilities	(3,114)	(367)
	(2,170)	3,699
"Other comprehensive income" on the consolidated statement of comprehensive income		
Non-current assets	737	(404)
Current assets	460	213
Non-current liabilities	(1,470)	(1,150)
Current liabilities	1	558
	(272)	(783)
Total changes in taxes and deferred tax liabilities due to temporary differences	(2,442)	2,916

The breakdown of deferred taxes charged directly against "Other comprehensive income" on the consolidated income statement is as follows:

	Thousands of euros	
	2010	2009
Actuarial gains (losses) on pension plans		
United States	(694)	(433)
Germany	(776)	(505)
Unrealized gains (losses) on cash flow hedges	460	539
Changes due to translation differences	738	(384)
	(272)	(783)

The major components of income tax expense for the years ended December 31, 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Current income tax		
Income tax expense for the year	25,247	17,407
	25,247	17,407
Deferred income tax		
Change in deductions pending application	1,189	773
Change in unused tax credits	101	(176)
Origination and reversal of temporary differences	(2,170)	3,699
	(880)	4,296
	24,367	21,703

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A reconciliation between tax expense (income) and the product of profit before tax multiplied by the tax rate prevailing in Spain at December 31, is as follows:

	Thousands of euros	
	2010	2009
Profit before tax for the year	105,713	85,962
30% tax rate	31,714	25,788
Effect of application of tax rates in each country	(17)	1,038
Deductions generated in 2010	(6,528)	(5,422)
Impact of permanent differences	(802)	299
	24,367	21,703

At December 31, 2010 the breakdown of unused tax loss carryforwards from the Serbian subsidiary, Koteks Viscofan, d.o.o., is as follows:

Arising in	Last year for utilization	Thousands of euros
2006 and earlier	2013	4,151
2007	2017	2,110
2008	2018	2,661
2009	2019	1,758
		10,680

Income tax payable was calculated as follows:

	Thousands of euros	
	2010	2009
Current tax	25,247	17,407
Withholdings and payments on account	(23,772)	(16,867)
	1,475	540

The Group has estimated the taxable profit it expects to obtain in the coming years at Koteks Viscofan, d.o.o. and has analyzed the reversal of taxable temporary differences, identifying those that reverse in years in which they can be used. Based on this analysis, the Group recognized deferred tax assets amounting to 1,068 thousand euros in respect of tax loss carryforwards still to be offset, as it considers probable that sufficient future taxable profit will be generated to offset this amount, applying the prevailing tax rate of 10% in Serbia (2009: 1,169 thousand euros).

In addition the Group has recognized 267 thousand euros in deductions still pending application: (31 December 2009: 1,456 thousand euros) corresponding to the parent Viscofan, S.A. All were generated in 2010, and are applicable for a 10-year period.

The Group has tax incentives of 7.1 million euros in the Czech Republic. (December 31, 2009: 8.3 million euros). These amounts have not yet been inspected nor have they been recognized, as doubts remain as to their recoverability, due to the uncertainty regarding certain interpretations of the total compliance with formal requirements which might affect their recoverability.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2010 the Parent and subsidiaries in Spain have open to inspection by the tax authorities all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

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Due to the different possible interpretations of prevailing legislation, additional liabilities could be identified in the event of inspection. Nonetheless, Parent management considers that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

(10) Inventories

Details of inventories at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Goods for resale	35,725	32,612
Raw materials and other supplies	53,215	40,593
Semi-finished products	23,347	25,497
Finished products	46,029	51,343
Prepayments to suppliers	942	-
	159,258	150,045

At 31 December 2010 and 2009 there are no inventories with a reimbursement period greater than 12 months from the consolidated statement of financial position.

Group companies have contracted various insurance policies to cover the risk of damage to inventories. The coverage of these policies is considered sufficient.

(11) Trade and other receivables

Details at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Trade receivables	116,591	107,154
Other receivables	4,765	7,377
Advances to employees	146	148
Public entities	9,943	10,690
Others	-	143
Provisions for bad debts	(2,177)	(1,716)
	129,268	123,796

At December 31, 2010 and 2009, the age of accounts receivable on sales by maturity is as follows:

	Thousands of euros					
	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
2010	116,591	101,918	10,505	1,973	647	1,548
2009	107,154	89,739	13,797	1,781	486	1,351

All the provisions for bad debts relate to debt shown in the last two columns of the above table.

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(12) Cash and cash equivalents

Cash and cash equivalents at 31 December 2010 and 2009 comprise cash balances with Group companies and banks. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

The Group had bank deposits amounting to 8,381 thousand euros at year end 2010. They all mature prior to March 31, 2011, and earn 2.8% interest.

(13) Equity

(13.1) Share capital

Movements in shares in circulation during 2010 and 2009 were as follows:

	Shares		Thousands of euros	
	2010	2009	2010	2009
At 1 January	46,603,682	46,734,879	13,981	14,020
Capital decrease	-	(131,197)	-	(39)
At 31 December	46,603,682	46,603,682	13,981	13,981

The capital reduction during 2009 was carried out through the cancellation of treasury shares.

At 31 December 2010 the share capital of the Parent is represented by 46,603,682 bearer shares of euros 0.30 par value each, subscribed and fully paid. All shares have the same voting and profit sharing rights, except own shares.

All of the Parent's shares are listed on the official Stock Exchanges of Madrid, Barcelona and Bilbao under the automatic quotation system (continuous market). All shares are freely distributable.

At December 31, 2010 and 2009, the Parent is aware of the following shareholders with shareholdings greater than 3%:

Entity	%	
	2010	2009
Marathon Asset Management, LLP	5.019	5.019
Onchena, S.L.	5.077	5.077
Blackrock Inc.	3.140	-
BNP Paribas, S.A.	3.083	-

Capital management

The primary objective of the Viscofan Group's capital management is to safeguard its capital ratios to ensure the continuity of its business and maximize performance.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, increase capital or cancel treasury shares.

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The Group monitors capital by analyzing trends in its gearing ratio, in line with common practice in Spain. This ratio is calculated as net financial debt divided by total equity. Net financial debt includes total borrowings in the consolidated Financial Statements less cash and cash equivalents, and excluding current financial assets.

The Viscofan Group's primary objective is to maintain a healthy capital position. The gearing ratios at December 31, 2010 and 2009 were as follows:

	Thousands of euros	
	2010	2009
Net financial debt		
Borrowings and finance leases (Note 15)	131,700	124,732
Cash and cash equivalents	(57,301)	(25,763)
Other financial assets (Note 8)	(6,730)	(3,000)
Total financial debt	67,669	95,969
Equity		
Total equity	406,369	345,207
Gearing ratio	0,17	0.28

(13.2) Share premium

The revised text of the Spanish Capital Companies Law expressly permits companies to use the balance of the share premium account to increase capital and does not place any limit on the amount of the balance which may be used for this purpose.

In 2010 and 2009, a portion of the share premium was returned to shareholders, for a total amount of 16,638 and 13,515 thousand euros, respectively.

(13.3) Reserves

The breakdown and movements of reserves are as follows:

	Thousands of euros				
	Legal reserve	Revaluation reserves	Merger reserve	Retained earnings and other reserves	Total
Balance at January 1, 2009	**2,935**	**8,988**	**119**	**216,999**	**229,041**
Capital decreases	-	-	-	(1,660)	(1,660)
Actuarial gains (losses)	-	-	-	(1,913)	(1,913)
Transfers	-	(83)	-	83	-
Appropriation of 2008 results	-	-	-	41,851	41,851
Balance at December 31, 2009	**2,935**	**8,905**	**119**	**255,360**	**267,319**
Actuarial gains (losses)	-	-	-	(7,410)	(7,410)
Transfers	-	(235)	-	235	-
Appropriation of 2009 results	-	-	-	52,141	52,141
Balance at December 31, 2010	**2,935**	**8,670**	**119**	**300,326**	**312,050**

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(a) Legal reserve

Companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital, according to the Capital Companies Law. This reserve may only be used to offset losses if no other reserves are available. At 31 December 2010 and 2009 the Parent had appropriated to this reserve the minimum amount required by law.

(b) Revaluation reserve Navarra Regional Law 23/1996

As permitted by legislation prevailing at that time, in 1996 the Parent revalued its property, plant and equipment by 9,282,000 euros. The resulting revaluation reserve, which comprises the revaluation of items of property, plant and equipment, net of a 3% tax charge, amounts to 9,003,000 euros.

During 1999 this revaluation was inspected by the tax authorities and, accordingly, can be applied, free of tax, to:

- Offset prior years' losses.
- Increase share capital.
- Increase distributable reserves after 31 December 2006 to the extent that gains have been realized, that is, when the related assets have been depreciated, disposed of or otherwise written off.

(13.4) Unrealized gains (losses) reserve

Movements in the years ended December 31, 2010 and 2009 were as follows:

	Thousands of euros			
	Interest rate swaps	Exchange rate insurance	Raw material derivatives	Total
Balance at January 01, 2009	-	(38)	-	(38)
Changes in market value	(55)	(43)	886	788
Taken to profit and loss	-	38	-	38
Balance at December 31, 2009	(55)	(43)	886	788
Changes in market value	(45)	488	1,454	1,897
Taken to profit and loss	3	43	(454)	(408)
Balance at December 31, 2010	(97)	488	1,886	2,277

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(13.5) Movement in treasury shares

No transactions with treasury shares were carried out in 2010.

The movement in treasury shares during 2009 was as follows:

	2009	
	Number of shares	Thousands of euros
Balance at 1 January	131,197	1,699
Acquisitions	-	-
Cancellation	(131,197)	(1,699)
Balance at 31 December	-	-

The shareholders at their Ordinary General Meeting on June 1, 2010 agreed to renew, up to a maximum of 18 months, the authorization granted to the Board of Directors to buy and sell Company shares on the stock market at the quoted price on the day of the transaction, up to the legal maximum number of shares permitted by Article 75 of the revised text of the Spanish Corporation Laws (in compliance with Article 146 of the revised text of Spanish Capital Companies Law) and related provisions, at a minimum nominal value price and a maximum which is 125 times the nominal value.

(13.6) Distribution of Dividends

Parent profits for the year ended 31 December 2009 were distributed, as approved by the shareholders at their annual general meeting held on 1 June 2010, as follows:

	Thousands of euros
Dividends	12,117
Voluntary reserves	27,179
Distributable profits attributable to the parent	39,296

The proposed distribution of dividends is equivalent to euros 0.260 per share for all the shares comprising share capital,

Part of the balance of the share premium account was returned (0.357 euros per share), a total of 16,638 thousand euros, which was paid to the shareholders on June 23, 2010.

Details of the distribution of the Parent's 2010 dividends proposed by the directors of the Parent, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Interim dividend	13.981
Final dividend	9,507
Other reserves	39,491
Distributable profits	62,979

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On November 25, 2010, based on projected profit for the year, the Board of Directors approved an interim dividend for 2010 of 13,981 thousand euros, equal to 0.30 euros per share. This dividend was paid on December 22, 2010. The amount of the dividend is less than the maximum limit permitted by prevailing legislation on distributable profit after the previous year end.

The statement required by current legislation and prepared by the Parent's Board of Directors in respect of the distribution of the interim dividend for 2010, which takes into account treasury shares, is as follows:

	(Thousands of euros)	
I. Balance at November 25, 2010		45,626
II. Cash flows from/(used in) operating activities		
- Trade and other receivables	137,306	
- Other income	530	
- Payments to suppliers and other payables	(86,350)	
- Payments to employees	(29,173)	
- Interest expense	(732)	
- Other payments	(1,000)	
		20,581
III. Cash flows from/(used in) investing activities		
- Dividends received	45,000	
- Purchases of property, plant and equipment	(21,600)	
		23,400
IV. Cash flows from/(used in) financing activities		
- Proceeds from non-current borrowings	(6,068)	
- Dividends paid	(36,351)	
		(42,419)
V. Balance at November 25, 2011		47,188

(14) Deferred Income

Movement in deferred income during 2010 and 2009 was as follows:

	Thousands of euros							
	01.01.09	Additions	Taken to income	31.12.09	Currency translation differences	Additions	Taken to income	31.12.10
Capital grants	3,111	242	(457)	2,896	(3)	894	(469)	3,318
Grants for emission rights of greenhouse gases	-	2,539	(2,437)	102	-	3,407	(2,441)	1,068
	3,111	2,781	(2,894)	2,998	(3)	4,301	(2,910)	4,386

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Details of capital grants in 2010 and 2009 are as follows:

Granting entity	Thousands of euros 2010	2009
Navarra regional government	1,174	1,151
FEOGA	1,137	1,210
Ministry of Science and Technology	61	466
Spanish Autonomous Communities	379	69
International organizations	567	-
	3,318	2,896

(15) Current and Non-Current Financial Liabilities Trade and other payables

a) Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities is as follows:

	Thousands of euros 2010	2009
Non-current		
Borrowings	32,292	45,586
Finance lease liabilities (Note 6)	636	655
Other financial liabilities	5,842	5,007
Total non-current	38,770	51,248
Current		
Borrowings	84,043	69,931
Finance lease liabilities (Note 6)	148	111
Financial assets at fair value from hedging transactions (Note 17)	405	533
Other financial liabilities	8,334	2,909
Total current	92,930	73,484

Details of the carrying amount of financial liabilities in foreign currency, their classification by maturity and effective interest rates are shown in Note 18. Loans and other borrowing facilities accrue interest at variable market rates, generally linked to Euribor and Libor plus a 0.5 - 1.5 point market spread.

At 31 December 2010 the Group has a limit on its borrowing facilities and discount lines of euros 114,787 thousand (euros 122,788 thousand in 2009) of which euros 60,375 thousand has been drawn down at 31 December 2010 (euros 47,287 thousand in 2009).

Current and non-current "Other financial liabilities" includes mainly loans with subsidized interest rates from entities such as the Navarra government, CDTI, and the Ministry of Science and Technology. The Group recognizes the implicit interest on these loans using market interest rates. Current - Other financial liabilities includes 3,148 thousand euros corresponding to the amount owed to PP&E suppliers.

The loans received do not contain covenants which, if not met, could lead to the early repayment of the debt, apart from those from the CDTI, which is subject to utilizing the entirety of the amount loaned by the receiver, as well as total compliance with the project receiving assistance under the conditions foreseen in the corresponding contract.

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b) Current and non-current financial liabilities

The breakdown of "Trade and other payables" is as follows:

	Thousands of euros	
	2010	2009
Trade payables	42,815	36,910
Amounts owed for services received	18,001	18,854
	60,816	55,764
Other current liabilities		
Remuneration pending payment	8,237	7,039
Payable to Public Administrations	10,366	9,389
Accruals	68	-
	18,671	16,428

(16) Current and Non-Current Provisions

Details at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Non- Current		
Provisions for employee benefits		
Defined benefit	25,217	35,559
Provisions for other litigation	1,195	1,294
Others	1,194	360
Total non-current	27,606	37,213
Current		
Restructuring provision	2,115	2,835
Guarantees / Refunds	541	710
Safety in the workplace provision	2,396	1,873
Emission rights	2,448	2,432
Others	139	5
Total current	7,639	7,855

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(16.1) Provisions for defined benefit plans

The Group made contributions to nine defined benefit plans, six in the US and three in Germany through its subsidiaries, Viscofan USA Inc and Naturin Gmbh & Co KG.

The net commitment related to pension plans in the US is as follows:

	Thousands of euros	
	2010	2009
Pension for Hourly Employees [1]	4,012	4,888
Salaried Employees Pension Plan [2]	1,291	1,129
Pension for Hourly Employees Service Center [3]	189	220
Non qualified pension plans [4]	1,633	1,480
	7,125	7,717

[1] Life pension for employees and ex-employees of the Danville plant (of the absorbed company, Teepak USA), has 593 beneficiaries (599 in prior year), currently in force; there is no expense for unrecognized past service.

[2] Life pension with 247 participants (248 in 2009) likewise from the absorbed company, Teepak USA. This plan was frozen in September 2005. There are no unrecognized costs for past services and the only costs recognized in the income statement relate to finance costs arising from the commitment and from expected income from the plan assets.

[3] Although not officially frozen this plan has not been in force since 2006 given that it applied to Teepak USA's NQC Service Center which was closed that year. In 2010 and 2009 there were a total of 165 beneficiaries including retired employees and ex-employees. As with the above plan there are no unrecognized costs for past services.

[4] Three different pension plans are included, with a total of eight beneficiaries who receive a monthly income for life and who are all ex-senior management of the subsidiary. These plans have no assets nor unrecognized costs for past services, hence the only cost recognized in the income statement is the finance cost of the commitment.

Of the three plans in Germany, one consists of life-pension provision to employees upon retirement, another current employees' right to seniority bonuses and the third is the legal obligation established under the German Chemical Industry labor agreement, whereby a company must offer semi-retirement to 5% of its employees on reaching 60 and assume part of the cost of their pension.

In 2010, Naturin Viscofan, GmbH paid 14,743 thousand euros to a life insurance company. This contribution was used for the acquisition of the assets linked to the aforementioned plan. Specifically, with this plan, assets were acquired to cover current obligations with the retirees it covered under the age of 80 (640 employees). The agreement does not imply cutting back or canceling the policy, as the obligation ultimately lies with Naturin Viscofan GmbH. Nonetheless, due to the plan's characteristics, the value of assets and liabilities remains unchanged for its duration, and thus the related assets and liabilities net each other, rendering the current value of the obligation nil.

The difference between the amount paid and the obligation prior to signing the contract was considered an actuarial loss, and was recognized directly in equity, in keeping with the accounting treatment of the remaining actuarial gains and losses.

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The commitment related to each of the above plans is as follows:

	Thousands of euros	
	2010	2009
Life pension	11,343	19,625
Seniority bonuses	2,352	2,411
Semi-retirement	4,397	5,435
	18,092	27,471

The number of beneficiaries of each plan is as follows:

	2010		2009	
	Employees	Retired and ex-employees	Employees	Retired and ex-employees
Life pension	601	1,094	622	1,153
Seniority bonuses	601	-	622	-
Semi-retirement	59	-	72	-

The following table summarizes the components of the net benefit expense recognized in the 2010 and 2009 income statements for the pension plans, except those classified as "Non-qualified":

	Thousands of euros		
Net benefit expense 2010	United States	Germany	Total
Current service cost	220	1,021	1,241
Interest cost	2,070	1,287	3,357
Expected return on plan assets	(2,263)	-	(2,263)
Recognized expense (net income)	27	2,308	2,335

Net benefit expense 2009	United States	Germany	Total
Current service cost	236	1,077	1,313
Interest cost	2,071	1,406	3,477
Expected return on plan assets	(1,950)	-	(1,950)
Recognized expense (net income)	357	2,483	2,840

The "non-qualified" plans bore interest costs of 113 thousand euros in 2009 and 92 thousand euros in 2010. There are no costs for current services as all the plans are linked to former employees of the US subsidiary.

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The following table presents the funded status and amounts recognized in the balance sheet for the respective plans:

	Thousands of euros		
Benefit asset/(liability) 2010	United States	Germany	Total
Present value of the obligation	(38,747)	(32,834)	(71,581)
Present value of plan assets	33,255	14,742	47,997
	(5,492)	(18,092)	(23,584)
"Non-qualified" plans	(1,633)	-	(1,633)
Liability recognized in the consolidated statement of financial position	(7,125)	(18,092)	(25,217)

	Thousands of euros		
Benefit asset/(liability) 2009	United States	Germany	Total
Present value of the obligation	(33,698)	(27,471)	(61,169)
Present value of plan assets	27,460	-	27,460
	(6,238)	(27,471)	(33,709)
"Non-qualified" plans	(1,479)	-	(1,479)
Others	-	-	(371)
Liability recognized in the consolidated statement of financial position	(7,717)	(27,471)	(33,559)

Changes in the present value of the obligations are as follows:

	Thousands of euros		
	United States	Germany	Total
Obligation at January 1, 2009	32,637	25,327	57,964
Current service cost	236	1,078	1,314
Interest cost	2,071	1,406	3,477
Benefits paid	(2,381)	(1,879)	(4,260)
Actuarial (gains)/losses	2,316	1,539	3,855
Translation differences	(1,181)	-	(1,181)
Obligation at December 31, 2009	33,698	27,471	61,169
Current service cost	220	1,021	1,241
Interest cost	2,070	1,287	3,357
Benefits paid	(2,584)	(3,948)	(6,532)
Actuarial (gains)/losses	2,727	7,003(*)	9,730
Translation differences	2,616	-	2,616
Obligation at December 31, 2010	38,747	32,834	71,581

(*) Includes 4,418 thousand euros related to a contract signed for the acquisition of an assets plan for retirees under the age of 80.

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The changes in the fair value of plan assets in the US are as follows:

	Thousands of euros
Fair value of plan assets at January 1, 2009	26,363
Return on plan assets	2,829
Contribution by the Company	1,611
Benefits paid	(2,381)
Translation differences	(962)
Fair value of plan assets at December 31, 2009	27,460
Actual return on plan assets	3,192
Contribution by the Company	3,067
Benefits paid	(2,584)
Translation differences	2,120
Fair value of plan assets at December 31, 2010	33,255

The Group expects to contribute 2,316 thousand euros to eligible assets of pension plans in the US in 2011.

The percentage weight of plan assets by category in 2010 and 2009 is similar, as follows:

Monetary assets	0-5%
Equities	28-38%
Fixed-income investments	62-72%

The principal actuarial assumptions used are as follows:

United States	2010	2009
Annual discount rate	5%	5.75%
Expected rate of return on assets	7.5%	7.5%
Expected rate of salary increases	2.5%	2.5%
Germany		
Annual discount rate	5.15%	5.25%
Expected rate of salary increases	2%	2%
Expected age of retirement for employees	60-65	60-65

The mortality tables used to quantify the defined benefit obligation was as follows:

Germany: *Richttafeln 2005 G*

United States: *RP 2000 Annultant*

The Group has three pension plans in the US classified as "Non-qualified," whose main feature is the different consideration for tax purposes. Beneficiaries of these plans are retired former managers who receive life-long income. Beneficiaries of these plans were paid 220 thousand euros in 2010 (2009: 153 thousand euros). The actuarial assumptions used in these plans are the same as those for the other plans in the US. None of these plans has assets.

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(16.2) Provisions for other litigation

Movement at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Balance at 1 January	1,294	1,520
Translation differences	133	457
Allowances	-	20
Applications	(232)	(703)
Balance at 31 December	1,195	1,294

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. These claims are expected to be resolved after 2011. According to the directors' opinion and corresponding legal assessment, the result of this litigation is not expected to differ significantly from the amounts provided for at 31 December 2010.

(16.3) Restructuring provision

The movement in this heading at December 31, 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Balance at 1 January	2,835	563
Charge	327	2,742
Utilized (payments made)	(1,047)	(470)
Balance at 31 December	2,115	2,835

In line with Group policy to reduce costs, in 2009 and 2010 decisions were focused on restructuring certain activities to improve efficiency in certain production processes. These decisions led to the elimination of employee positions in certain of the subsidiaries. Consequently, most of the provision set aside in 2010 relates to termination benefits for 20 employees of the Group's subsidiary in Germany and the Czech Republic; these redundancies took place as a result of moving collagen production to Serbia, beginning in 2010 and finalizing sometime in 2011.

The majority of the assets affected by this restructuring have been transferred to Serbia, while the items which either due to their nature or for other reasons were not transferred have been derecognized or written down to their recoverable amount, with little or no effect on the income statement. These transactions are not considered discontinued operations.

(16.4) Provision for guarantees / refunds

This provision is mainly related to sales in Europe. Its estimate is based on the Group's historical information.

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(16.5) Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom are based in the US, related to workplace accidents. These claims did not arise as a result of a specific incident, but are customary practice in many companies. These claims should be resolved in 2011. Based on conversations with its legal counsel, the Company's directors consider that the result of these litigations will not differ significantly from the amounts provisioned during 2010.

(16.6) Emission rights provision

Gas emission expenses were 2,448 thousand euros in 2010 (2009: 2,432 thousand euros).

The criterion for estimating these expenses consists of a market price valuation of the Company's emission rights in 2010.

(16.7) Contingent assets and liabilities

At year end there were tax and labor-related legal proceedings underway against the Brazilian subsidiary amounting to 9.2 million euros (2009: 5'9 million euros). As stated in Note 16.2, at December 31, 2010 a provision of 1.2 million euros was set aside (December 31, 2009: 1.3 million euros). None of the unresolved litigation is for significant amounts. All the litigation cases which have not been recognized as liabilities are cases which the Group's legal advisor in Brazil classifies as an improbable risk or are for amounts which, if settled, cannot be quantified at the present date. Historical experience indicates that the probable amount resulting from these claims is less than 5%.

At year end, ongoing commercial claims amount to 1.1 million euros. At year end 2010, there was a provision amounting to 0.5 million euros (2009: 0 million euros). This amount corresponds to the probable risk calculated by the Group's legal team. The risk related to the remaining amount is considered possible, rather than probable.

The most significant contingent assets at December 31, 2010 are as follows:

- 6,677 thousand euros are included under "Financial liabilities" related to provisions for debts and interest related to third-party claims (2009: 6,307 thousand euros). The litigation underway in respect of these claims might give rise to no obligation to pay all or part of the claims and, therefore, this would have a positive impact in future years.

- As stated in Note 9, in the Czech Republic there are tax credits which have not been recognized due to uncertainties regarding their recoverability.

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(17) Derivatives

All the Group's derivatives at December 31, 2010 and 2009 were designated as cash flow hedges.

The breakdown of the balances at December 31, 2010 and 2009 which include the values of derivatives at those dates is as follows:

	2010		2009	
	Current financial assets	Current financial liabilities	Current financial assets	Current financial liabilities
Interest rate hedges	-	137	-	79
Exchange rate insurance	946	268	1,293	454
Raw material hedges	2,694	-	1,265	-
	3,640	405	2,558	533

Part of the fair value of the exchange rate insurances at year end was recognized as finance income or expense on the consolidated income statements for 2010 and 2009. The amount recognized directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable which are recognized in the consolidated statements of financial position at the exchange rate at year end.

(17.1) Interest rate hedges

In 2010, the Group had the following three interest rate hedges (which were also in existence in 2009):

	2010			2009		
	I.R.S (I)	I.R.S (II)	I.R.S.(III)	I.R.S (I)	I.R.S (II)	I.R.S.(III)
Notional contract amount[(1)]	4,688	5,000	5,000	4,688	5,000	5,000
Notional contract amount[(1)]	3,125	3,750	3,125	4,375	5,000	4,350
Effective start date	8/20/2009	9/18/2009	6/1/2009	8/20/2009	9/18/2009	6/1/2009
Expiry date	5/20/2013	9/18/2013	6/1/2013	5/20/2013	9/18/2013	6/1/2013
Fixed interest rate	2.07%	2.29%	2.45%	2.07%	2.29%	2.45%

Thousands of euros

The expiry dates of the notional amounts of these financial instruments at year end is as follows:

Year	2010	2011	2012	2013
2010	-	3,750	3,750	2,500
2009	3,725	3,750	3,750	2,500

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(17.2) Exchange rate insurance

The Viscofan Group uses derivatives to hedge exchange rates in order to mitigate the possible adverse effects that exchange rate fluctuations might have on transactions in currencies other than the functional currency of certain Group companies.

The nominal value of the main exchange rate insurances in effect at December 31, 2010 and 2009 is as follows:

	Thousands	
Currency	2010	2009
US dollar	71,310	82,413
Canadian dollar	175	1,160
Japanese yen	14,927	23,343
Sterling pounds	-	500
	86,412	107,416

(17.3) Raw material hedges

A significant amount of the Group's production costs is linked to energy costs. Accordingly, to mitigate the adverse effect of varying energy prices, in 2009 the Group arranges hedges for some of its casings plants.

During 2009, the Company signed swap agreements for the cost of gas for a notional value of 666,666 MWh for both 2010 and 2011, respectively, with monthly payments of 1/12 of the notional value for which it will pay a fixed amount of 1,7270 and 1,7915 euro cents per kilowatt/hour during 2010 and 2011, respectively. Thus, the Group is covering 2/3 of the expected gas consumption in Spain for both years. This is based on a formula which includes other variables, such as Brent forward prices. In this manner, the Group plans to mitigate the adverse impact of fluctuating energy prices. The effectiveness of the hedge is measured comparing the price of these swap agreements as well as kw/hour spot listing of natural gas in Spain.

(18) Risk Management

(18.1) Financial risks

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and interest rate risk in cash flows. The Group's global risk management programme 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.

Risk is managed by the Group in accordance with policies approved by the board of directors.

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(a) Market risks

- Exchange rate risks

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, recognized assets and liabilities and net investments abroad.

Group entities use forward currency contracts negotiated with the Treasury Department of several Group companies to control exchange rate risks which arise from future commercial transactions, recognized assets and liabilities. Exchange rate risks arise where future commercial transactions, recognized assets and liabilities are denominated in a currency which is not the functional currency of the Company.

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 formalized 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 main exposure arises from the difference between sales and purchases in foreign currency at several Group companies. In this respect, the main risk arises from the difference between sales and expenses in US dollars. Approximately 39% and 21% of the Group's total sales and expenses, respectively, are in this currency.

The following table shows the sensitivity of consolidated profit to a possible change in the exchange rate of certain currencies of countries where the Group conducts business:

	Thousands of euros							
	US Dollar		Czech Crown		Brazilian Real		Other	
	31.12.10	12.31.2009	12.31.2010	12.31.2009	12.31/2010	12.31.2009	12.31.2010	12.31.2009
+5%	7,004	6,035	(797)	(610)	707	1,188	(1,007)	(265)
- 5%	(6,337)	(5,461)	721	552	(639)	(1,075)	911	240

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							
	US Dollar		Czech Crown		Brazilian Real		Other	
	31.12.10	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12/31/2010	12.31.2009
+5%	4,559	3,921	2,181	1,687	4,272	3,614	3,239	2,813
- 5%	(4,125)	(3,548)	(1,973)	(1,527)	(3,865)	(3,270)	(2,931)	(2,545)

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Details of the Group's exposure to exchange rate risks at 31 December 2010 and 2009 are shown below. The tables reflect the carrying amount of financial instruments or classes of financial instruments of the Group which are denominated in foreign currency.

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	Thousands of euros						
	US Dollar	Czech Crone	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
At 31 December 2010							
Assets							
Non-current financial assets	79	-	-	22	206	768	1,075
Total non-current assets	79	-	-	22	206	768	1,075
Trade and other receivables	39,038	1,390	2,321	2,727	23,391	2,545	71,412
Other financial assets	2	369	-	-	-	-	371
Cash and cash equivalents	7,657	1,526	442	688	3,385	1,457	15,155
Total current assets	46,697	3,285	2,763	3,415	26,776	4,002	86,938
Total assets	46,776	3,285	2,763	3,437	26,982	4,770	88,013
Liabilities							
Borrowings	10,916	-	-	-	206	2,627	13,749
Other liabilities	557	9	-	-	-	-	566
Total non-current liabilities	11,473	9	-	-	206	2,627	14,315
Borrowings	8,886	12,992	6,677	-	-	-	28,555
Trade and other payables	9,404	3,229	2,952	5,082	6,317	1,642	28,626
Total current liabilities	18,290	16,221	9,629	5,082	6,317	1,642	57,181
Total liabilities	29,763	16,230	9,629	5,082	6,523	4,269	71,496

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	Thousands of euros						
	US Dollar	Czech Crone	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
At 31 December 2009							
Assets							
Non-current financial assets	73	-	20	6	307	6	412
Other financial assets	-	-	-	-	-	-	-
Total non-current assets	73	-	20	6	307	6	412
Trade and other receivables	39,893	4.615	755	5,297	13,947	3,118	67,625
Other financial assets	-	-	17	-	-	-	17
Cash and cash equivalents	5,365	481	131	1,389	5,150	4,290	16,806
Total current assets	45,258	5,096	903	6,686	19,097	7,408	84,448
Total assets	45,331	5,096	923	6,692	19,404	7,414	84,860
Liabilities							
Borrowings	18,784	-	-	-	-	-	18,784
Other financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total non-current liabilities	18,784	-	-	-	-	-	18,784
Borrowings	12,815	8,730	-	-	-	2,313	23,858
Trade and other payables	7,523	3,027	723	4,456	4,791	1,792	22,312
Other financial liabilities	-	314	-	-	-	-	314
Total current liabilities	20,338	12,071	723	4,456	4,791	4,105	46,484
Total liabilities	39,122	12,071	723	4,456	4,791	4,105	65,268

(b) Price risks

The Group is exposed to price risks relating to its main financial instruments.

(c) Credit risk

The Group does not have a significant concentration of credit risk. It is Group policy to ensure that products are sold to customers with an appropriate credit history. Sales to problematic customers are made in cash. Derivative operations are only entered into with banks with high credit ratings.

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(d) 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 analyzes 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 December 31, 2010 and 2009:

	Thousands of Euros	
	2010	2009
Current assets	354,750	302,651
Current liabilities	(181,531)	(154,071)
Provision for gas emission rights	2,448	2,432
Working capital	**175,667**	**151,012**
Current liabilities for emission rights, net of provision	179,083	151,639
% working capital/current liabilities without emission rights provision	**98.09%**	**99.59%**
Cash and cash equivalents	57,301	25,763
Available borrowing facilities	45,022	66,621
Available discount lines	9,390	8,879
Cash and available on credit and discount lines	**111,713**	**101,263**
% cash and cash equivalents+ available on credit and discount lines /Current liabilities without emission rights provision	**62,38%**	**66.78%**

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The undiscounted contractual maturity dates of financial liabilities at December 31 were as follows:

(Thousands of euros)	Up to 3 months	3 months - 1 year	1 year - 5 years	More than	Total
2010					
Bank borrowings	39,680	42,545	29,665	2,627	114,517
Loans	*7,668*	*16,809*	*29,665*	-	*54,142*
Borrowings (*)	*31,650*	*25,736*	-	*2,627*	*60,013*
Advances on invoices and discount lines (**)	*362*	-	-	-	*362*
Accrued interest payable	1,819	-	-	-	1,819
Finance leases	36	111	636	-	783
Other financial liabilities	4,831	3,908	5,547	295	14,581
Other current liabilities	18,671	6,310	-	-	24,981
Trade and other payables	55,981	-	-	-	55,981
	121,018	**52,874**	**35,848**	**2,922**	**212,662**
2009					
Bank borrowings	14,127	54,333	45,585	-	114,046
Loans	*6,845*	*14,824*	*45,090*	-	*66,759*
Borrowings (*)	*5,493*	*39,509*	*496*	-	*45,498*
Advances on invoices and discount lines (**)	*1,789*	-	-	-	*1,789*
Accrued interest payable	1,471	-	-	-	1,471
Finance leases	29	82	655	-	766
Other financial liabilities	1,616	1,826	4,452	555	8,449
Other current liabilities	16,428	540	-	-	16,428
Trade and other payables	55,764	-	-	-	55,764
	89,435	**56,781**	**50,693**	**555**	**197,464**

(1) The classification of the maturities of "Borrowings" was determined according to current maturities of the amounts drawn down on the credit accounts. Thus "Up to 3 months" includes the balance drawn down on credit lines which are renewed annually and the renewal of which was agreed after year end.

(2) Advances on invoices and discount lines" includes all discounted bills which had matured at December 31; however, no policies maturing after that date are included.

(e) Interest rate risks in cash flows and fair value

The Group has no significant assets which earn income other than the financial assets linked to pension plans in the US and their impact on the income statement is determined by the expected future gains thereon (see Note 16.1).

The Company's exposure to interest rate risk is mainly related to loans and borrowing facilities received from financial entities at floating interest rates. As explained in Note 17, in 2009 the Group arranged hedges to partially mitigate the risk of a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

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At December 31, 2010 and 2009 the structure of financial liabilities (excluding hedging derivatives) once hedges through the derivatives arranged have been taken into account is as follows:

	Thousands of euros	
	2010	2009
Bank borrowings	117,119	116,283
Other financial liabilities (excluding hedging derivatives)	14,176	7,916
Total financial liabilities	131,295	124,199
Fixed interest rate	24,176	21,641
Variable interest rate	107,119	110,474

Financing at floating interest rates is for the most part linked to Euribor and Libor dollar. The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in US and Germany (Note 16.1).

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							
	Pension plan commitments				Financial debt			
	USA		Germany		Euribor		Libor dólar –USA	
	31.12.10	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
+1%	(364)	(332)	(228)	(264)	(800)	(843)	(258)	(340)
- 1%	360	332	228	264	793	811	256	334

(f) Gas and electricity price risk

The Group is affected by fluctuating energy prices. In the past and recently, hedges were arranged to provide coverage for this volatility.

+/- 10% oscillations would have had a 7,314 and 6,225 thousand euro impact on 2010 and 2009 results, respectively (a price surge would negatively affect results, and vice versa).

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(18.2) Measurement and maturities of financial instruments

Below is a breakdown of the undiscounted values of financial instruments or types of financial instruments by maturity:

	Thousands of euros						
	Less than 1 year	1 –2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
At 31 December 2010							
Assets							
Trade and other receivables	129,268	-	-	-	-	-	129,268
Other financial assets	6,730	1,178	-	-	-	-	7,908
Total assets	135,998	1,178	-	-	-	-	137,176
Liabilities							
Borrowings							
Debt principal	82,224	19,334	7,999	2,332	-	2,627	114,516
Interest	2,863	807	258	58	-	-	3,986
Trade and other payables	60,816	-	-	-	-	-	60,816
Other current liabilities	24,981	-	-	-	-	-	24,981
Other financial liabilities							
Debt principal	8,739	1,740	1,633	1,193	981	295	14,581
Interest	365	146	103	62	32	7	715
Total Liabilities	179,988	22,027	9,993	3,645	1,013	2,929	219,595
At 31 December 2009							
Assets							
Trade and other receivables	123,796	-	-	-	-	-	123,796
Other financial assets	3,000	507	-	-	-	-	3,507
Total assets	126,796	507	-	-	-	-	127,303
Liabilities							
Borrowings							
Debt principal	68,571	17,792	17,408	8,371	2,670	-	114,812
Interest	4,341	1,156	711	276	67	-	6,551
Trade and other payables	55,764	-	-	-	-	-	55,764
Other current liabilities	16,968	-	-	-	-	-	16,968
Other financial liabilities							
Debt principal	3,442	1,234	1,168	1,326	724	555	8,449
Interest	211	125	94	65	32	14	541
Total Liabilities	149,297	20,307	19,381	10,038	3,493	569	203,085

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The comparison between the carrying amounts and fair values of the Viscofan Group's financial instruments at December 31, 2010 and 2009 is as follows:

	2010		2009	
(Thousands of euros)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Derivatives	3,640	3,640	2,558	2,558
Other financial assets	4,268	4,268	949	949
Trade and other receivables	129,268	129,268	123,796	123,796
Cash and cash equivalents	57,301	57,301	25,763	25,763
	194,477	**194,477**	**153,066**	**153,066**
Financial liabilities				
Bank borrowings	117,119	117,119	116,283	116,283
Derivatives	405	405	533	533
Other financial liabilities	14,176	14,176	7,916	7,916
Other current liabilities	20,146	20,146	16,968	16,968
Trade and other payables	60,816	60,816	55,764	55,764
	212,662	**212,662**	**197,464**	**197,464**

As shown in the above table, the Viscofan Group recognizes all financial assets and liabilities at fair value, which it classifies using a three-level hierarchy:

- Level 1: Assets and liabilities listed on liquid markets. The Group does not have nor has had assets or liabilities listed in liquid markets either in 2010 or 2009.
- Level 2: Assets and liabilities whose fair values are determined via valuation techniques which use market assumptions. All the asset and liability derivatives at December 31, 2010 and 2009 are included in this level.
- Level 3: Assets and liabilities whose fair value is determined using valuation techniques which do not use observable market assumptions. In 2010 and 2009 the Group does not have nor has had assets or liabilities which it had to classify in this level.

(19) Environmental Information

The breakdownof costs and accumulated depreciation of property, plant and equipment in respect of the Group's environmental activities at 31 December 2010 and 2009 are as follows:

	Thousands of euros			
	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Vapour boiler				
Water-cooler circuit	5,454	(1,082)	4,840	(1,119)
Waste management plant	3,603	(2,047)	3,436	(1,982)
Gas washers	4,441	(2,253)	3,983	(2,412)
Purifier	3,830	(2,926)	3,419	(2,767)
Others	4,718	(2,372)	4,252	(1,994)
	24,990	(12,013)	22,146	(11,376)

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During 2010 and 2009 the Parent incurred expenses for protection and improvement of the environment amounting of 986 y 908 thousand of euros, respectively.

The directors of the Parent consider that no additional provisions are required to cover the possible expenses or risks derived from environmental activities.

(20) Ordinary Income

Business Segments	Thousands of euros							
	Casings		Tinned Food		Eliminations and others		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Income and expenses								
Sales and services rendered	538,675	490,493	95,271	93,289	(220)	(368)	633,726	583,414
Material consumed	(113,348)	(104,467)	(56,151)	(59,462)	-	-	(169,499)	(163,929)
Other operating income	9,240	7,687	611	643	-	-	9,851	8,330
Other operating expenses	(328,869)	(304,252)	(35,044)	(32,665)	220	368	(363,693)	(336,549)
	105,698	89.461	4,687	1.805	-	-	110,385	91.266
Financial loss	(4,622)	(4,970)	(50)	(334)	-	-	(4,672)	(5,304)
Income tax expense	(23,398)	(21,684)	(969)	(19)	-	-	(24,367)	(21,703)
Profit for the year	77,678	62,807	3,668	1,452	-	-	81,346	64,259
Assets and Liabilities								
Total segment assets	610,734	539,398	78,437	76,591	-	-	689,171	615,989
Total segment liabilities	250,746	237,835	32,056	32,947	-	-	282,802	270,782
Other segment information								
Capital expenditure								
- Property, plant and equipment	45,140	41,404	781	763	-	-	45,921	42,167
- Intangible assets	1,446	4,163	23	97	-	-	1,469	4,260
Depreciation and amortization								
- Property, plant and equipment	(37,294)	(31,465)	(2,931)	(2,651)	-	-	(40,225)	(34,116)
- Intangible assets	(3,488)	(3,561)	(44)	(58)	-	-	(3,532)	(3,619)
Cash Flows								
Cash flows from operating activities	118,618	110,312	5,919	13,680	-	-	124,537	123,992
Cash flows from investing activities	(63,574)	(46,303)	(640)	(888)	-	-	(64,214)	(47,191)
Cash flows from financing activities	(26,899)	(51,106)	(3,756)	(13,236)	-	-	(30,655)	(64,342)

Geographical segments	Spain		Other European countries and Asia		North America		South America		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Ordinary income from external clients	195,353	201,461	160,928	132,881	188,354	174,727	89,091	74,345	633,726	583,414
Segment assets	225,579	190,516	215,856	197,747	157,484	144,855	90,252	82,871	689,171	615,989
Other segment information										
Capital expenditure										
- Property, plant and equipment	7,637	15,376	26,386	15,479	8,994	7,532	2,904	3,780	45,921	42,167
- Intangible assets	910	2,919	387	1,271	58	70	114	-	1,469	4,260
Cash flows										
Cash flows from operating activities	72,095	64,295	26,772	22,388	24,663	28,465	1,007	8,844	124,537	123,992
Cash flows from investing activities	(7,278)	(18,466)	(43,782)	(14,158)	(9,509)	(10,802)	(3,645)	(3,765)	(64,214)	(47,191)
Cash flows from financing activities	(27,189)	(46,332)	11,639	(3,088)	(15,432)	(12,554)	327	(2,368)	(30,655)	(64,342)

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(21) Other Income

Details of other income are as follows:

	Thousands of euros	
	2010	2009
Government grants	999	916
Gains on sale of fixed assets	2,442	2,324
Other income	5,412	4,516
	8,853	7,756

(22) Other Operating Expenses

Details of other expenses are as follows:

	Thousands of euros	
	2010	2009
Research and development costs	1,044	1,048
Repairs and maintenance	23,795	23,629
Supplies	88,307	75,189
Administrative and selling costs	60,147	55,327
Other expenses	10,408	8,632
Administrative and selling costs		
	183,701	163,825

(23) Personnel Expenses

Details of personnel expenses during 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Wages and salaries	103,109	101,306
Indemnity payments	1,417	1,259
Current service cost of defined benefits (Note 16.1)	1,241	1,314
Provisions for other benefits (Note 16.3)	327	2,742
Company social security contributions	21,281	24,561
Other welfare benefits and taxes	8,838	2,865
	136,213	134,047

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

Group employees in 2010 and 2009, by professional category and gender, were as follows:

	Average headcount at 2010 year end			Average number of employees in 2010
	Men	Women	Total	
Executives	62	10	72	75
Technicians and middle management	763	124	887	594
Administrative personnel	133	195	328	614
Specialized personnel	284	110	394	400
Unskilled workers	1,419	676	2,095	2,133
	2,661	1,115	3,776	3.816

	Average headcount at 2009 year end			Average number of employees in 2009
	Men	Women	Total	
Executives	65	8	73	72
Technicians and middle management	509	138	647	631
Administrative personnel	140	178	318	328
Specialized personnel	538	113	651	644
Unskilled workers	1,418	673	2,091	2,224
	2,670	1,110	3,780	3.899

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

(24) Financial Income and Expense

Details of financial income and expense are as follows:

	Thousands of euros	
	2010	2009
Financial income		
Other financial income	1,489	680
Exchange gains	13,882	14,930
Results of companies consolidated using the equity method	77	-
Total financial income	15,448	15,610
Financial expenses		
Other financial expenses	3,431	4,845
Exchange losses	16,689	16,052
Results of associates	-	17
Total financial expenses	20,120	20,914

The breakdown of "Other finance costs" is the following:

	Thousands of euros	
	2010	2009
Bank borrowings and other financial liabilities	2,245	3,318
Net finance cost of pension plans	1,186	1,527
	3,431	4,845

(25) Earnings per Share

(25.1) Basic

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the Parent and a weighted average number of ordinary shares in circulation throughout the year, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	Thousands of euros	
	2010	2009
Profit attributable to ordinary equity holders of the Parent	81,346	64,259
Weighted average number of ordinary shares in circulation	46,603,682	46,603,682
Basic earning per share (in euros)	1.7455	1.3788

The weighted average number of ordinary shares issued is determined as follows:

	2010	2009
Weighted average number of ordinary shares in circulation	46,603,682	46,603,682
Effect of treasury shares	-	-
Average number of ordinary shares in circulation at 31 December	46,603,682	46,603,682

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

(25.2) Diluted

Diluted earnings per share are calculated by dividing profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. As there are no potential ordinary shares, diluted earnings per share does not differ from basic earnings per share.

(26) Information on the Board of Directors of the Parent and Key Group Personnel

The Board of Directors of the Company only accrue remuneration established in articles 27 and 30 of the Company's bylaws, equivalent to 1.5% of the parent's profit before income tax for the parent's Board of Directors and another 1.5% of the parent's profit before income tax of the parent's Executive Committee. The Board of Directors and the Executive Committee, in accordance with the aforementioned bylaw articles, decide the respective share that the members of each body shall receive.

Details of remuneration are as follows:

	Euros					
			Per diems			
Year	Committee	Board	Audit Committee:	Board of Directors	Boards of other Group companies	Total
2010	1,001,342	921,342	70,000	80,000	244,800	2,317,484
2009	628,740	550,743	56,000	78,000	238,620	1,552,103

The Company has not given any advances or loans to the members of the board of directors and has no pension or life insurance commitments with the directors. The Group has extended no guarantees to any of the directors. Remuneration is not linked to the performance of Parent shares on the stock exchange.

In 2010 and 2009, members of the Board of Directors had not carried out any transactions with the Company or Group companies.

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

In compliance with articles 229 and 230 of the Spanish Capital Companies Law, the directors of Viscofan, S.A. have provided notification that there are no situations representing a conflict with any other Group companies. They have informed the Company that, apart from the following, they hold no equity investments in companies having identical, similar or complementary activities to those of the parent or the Group.

Name	Company	Position
D. José Domingo de Ampuero y Osma	Naturin Viscofan GmbH	Chairman to the Board of Directors
	Naturin Limited	Chairman to the Board of Directors
	Gamex CB, s.r.o.	Chairman to the Board of Directors
	Viscofan CZ, s.r.o.	Chairman to the Board of Directors
	Viscofan USA Inc.	Chairman to the Board of Directors
	Viscofan Technology Suzhou Co. Ltd	Chairman to the Board of Directors
	Viscofan Centroamérica Comercial, S.A.	Chairman to the Board of Directors
	Viscofan Canada, Inc.	Chairman to the Board of Directors
	Viscofan Do Brasil S. Com. E Ind. Ltda.	Member of Consultant Board
	Viscofan de México, S. de R.L. de C.V.	Chairman to the Board of Directors
	Koteks Viscofan d.o.o.	Chairman to the Board of Directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman to the Board of Directors
D. Nestor Basterra Larroudé	Naturin Viscofan GmbH	Vice Chairman
	Gamex CB, s.r.o.	Vice Chairman
	Koteks Viscofan d.o.o.	Vice Chairman
	Naturin Limited	Vice Chairman
	Viscofan USA Inc	Vice Chairman
	Viscofan Canada, Inc.	Vice Chairman
	Viscofan Centroamérica Comercial, S.A.	Vice Chairman
	Viscofan CZ, s.r.o.	Vice Chairman
	Viscofan de México, S. de R.L. de C.V.	Vice Chairman
	Industrias Alimentarias de Navarra, S.A.U.	Vice Chairman
	Viscofan Technology Suzhou Co. Ltd	Vice Chairman

Remuneration paid to key management personnel listed below amount to 3,244 and 3,177 thousand euros in 2010 and 2009, respectively. The total amount of remuneration relates to short-term employment benefits paid to these employees. No post-employment, long-term services, or dismissal indemnities are provided, nor do any other share-based payments exist.

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

Name	Position	Company
Mr. José Antonio Canales	Managing Director	Viscofan Group
Ms. Elena Ciordia	Legal Director	Viscofan Group
Mr. Gabriel Larrea	Commercial Director	Viscofan Group
Mr. César Arraiza	Financial Director	Viscofan Group
Mr. Armando Ares	Director of Investor Relations and Communication	Viscofan Group
Mr. Pedro Eraso	Director of Extrusion, Cellulose and Fibrous	Viscofan Group
Mr. José Vicente Sendin	Director Strategic Projects	Viscofan Group
Mr. José Ignacio Recalde	Research and Development Director	Viscofan Group
Mr. Andrés Díaz	Director of Operations	Viscofan Group
Mr. Juan José Rota	Director of Human Resources	Viscofan Group
Mr. Jesús Calavia	Director of Production	Viscofan, S.A.
Mr. Manuel Nadal	IT Director	Viscofan, S.A.
Mr. Ricardo Royo	Financial Director	Viscofan, S.A.
Mr. Miloslav Kamis	Managing Director	Gamex Cb S.R.O, Viscofan Cz, S.R.O.
Mr. Bertram Trauth	Managing Director	Naturin Viscofan Gmbh
Mr. Wilfried Schobel	Director of Production	Naturin Viscofan Gmbh
Mr. Alfred Bruinekool	Managing Director	Naturin, Ltd
	Commercial Director	Naturin Viscofan Gmbh
Mr. Yunny Soto	Managing Director	Viscofan Centroamérica Comercial, S.A.
Mr. Juan Negri	Managing Director	Viscofan Technology (Suzhou) Co. Ltd
Mr. Óscar Ponz	Managing Director	Viscofan De México S.R.L. De C.V,
Mr. Luis Bertoli	Managing Director	Viscofan Do Brasil S. Com. E Ind. Ltda.
Mr. José Maria Fernández	Managing Director	Viscofan Usa Inc..
Mr. Juan Carlos García De La Rasilla	Managing Director	Koteks Viscofan, D.O.O. (until August 2010)
Mr. Alejandro Martínez Campo	Managing Director	Industrias Alimentarias de Navarra, S.A.U.

(27) Audit Fees

The auditors of the consolidated Financial Statements of the Group and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services for the years ended 31 December 2010 and 2009 as follows:

	Thousands of euros	
	2010	2009
Principal auditor		
Audit services	118	116
Other services	58	25
	176	141

Audit services detailed in the above table include the total fees for services rendered in 2010 and 2009, irrespective of the date of invoice.

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2010 and 2009

Other companies related to the auditors have invoiced the Company and its subsidiaries as follows:

	Thousands of euros	
	2010	2009
Audit services	456	421
Other services	77	98
	533	519

(28) Information on late payments to suppliers. Third additional provision. "Disclosure requirements" of Law 15/2010 of July 5.

In compliance with the resolution of the Spanish Accounting and Auditing Institute of December 29, 2010 and as established in its second transitory provision, the overdue balance payable to suppliers at December 31, 2010 which exceeds the legal payment deadline (transitorily, 85 days up to December 31, 2010) totals 4,032 thousand euros, of which 3,997 thousand euros correspond to contracts signed before Law 15/2010 went into effect on July 5.

For purposes of the disclosure requirement pertaining to this note, the financial statements are considered first-time financial statements exclusively for this item in terms of uniformity and comparability.

(29) Transactions and balances with related parties

The only balances and transactions with related parties are with Lingbao Baolihao Food (Note 8).

Transactions with management and directors and are discussed in Note 26. There are no transactions or receivables and payables with related parties.

(30) Events after the balance sheet date

In the first part of 2011 there were no significant movements.

VISCOFAN, S.A. AND SUBSIDIARIES

Management Report
December 31, 2010

2010 Consolidated management report

Business performance and financial position of Viscofan Group companies

2010 was characterized by a solid recovery of income, especially during the second half of the year: revenue grew during 2010 for the sixth consecutive year, reaching 633.7 million euros, which is 8.6% more than the year before. This growth was bolstered by the 9.9% increase in the casings business as compared to 2009, as well as the positive contribution of the vegetable foods division to sales: +2.1% as compared to 2009.

Excluding the impact of exchange rate fluctuations, consolidated income at year end 2010 show a 3.6% increase over 2009.

The per-unit cost containment of raw materials and improvements in production have assisted in improving the gross margin: overall during the year this went up 1.4% over 2009 to 73.3%, showing improvement in the casings division (+0.3% over 2009) as well as the vegetable foods division (+4,8% over 2009). These improved margins were accompanied by increased consumer expenses during 2010: 3.4% higher in 2009, totaling 160.2 million euros.

Consumption of raw materials during the last quarter grew 10.7% as compared to the same period the prior year, reaching 41.7 million euros; these were negatively affected by the commissioning of the Chinese finishing plant, which created a higher volume of waste resulting from the period of adaptation inherent to learning the production process.

Technological efficiency improved thanks to the BeONE program, providing for increased automatic production and the elimination of tasks which add little value, leading to a staff reduction and increased production output, with additional capacity provided by the converting plant located in China.

Accumulated employee benefits expenses during 2010 amounted to 136.2 million euros, which is 1.6% higher than the same period the year before. This is the result of the average number of employees (-2.1% as compared to 2009, totaling 3,816), and increased production output and income. 2010 employee benefits expenses represented 21.5% of consolidated income as compared to 23.0% the year before.

"Other operating expenses" during 2010 amounted to 183.7 million euros, 12.1% over the year before, mainly due to increased energy costs (+17.5% higher than last year), increased cogeneration capacity in Spain compared to the year before, higher fuel prices in North America, as well as the costs of setting up production in China the final quarter of the year.

The Viscofan Group grew within the casings market and improved its competitive position within the vegetable food sector. This increase took place with an inter-annual improvement of the consolidated EBITDA margin, which stood at 24.3% in 2010 as compared to 22.1% in 2009. The Viscofan Group's EBITDA is 154.1 million euros, up 19.5% over 2009.

Excluding the impact of exchange rate fluctuations, the accumulated EBITDA at year end 2010 grew 14.6%. as compared to prior year.

Accumulated depreciation at December 2010 totaled 43.8 million euros (16.0% as compared to 2009), including the depreciation of new assets located in China, due to setting up production in the testing phase, as well as the incorporation of the assets of the German production plant.

Thus, 2010 EBITDA reached 110.4 million euros, 20.9% higher than the same period the year before.

During the year, net bank debt was reduced 33.9% to 59.8 million euros, thanks to strong operational flow which helped sustain heavy investment (47.4 million euros), and dividends paid (30.6 million euros), as well as the externalization of German pension funds totaling 14.7 million euros, therefore reducing the risk of future estimated payment commitments and market volatility when valuing these types of financial assets. The Viscofan Group's financial leverage was 14.7% as compared to 26.2% in December 2009.

VISCOFAN, S.A. AND SUBSIDIARIES

Management Report
December 31, 2010

2010 net financial loss was reduced by 10.2% as compared to the year before, totaling -4.7 million euros as compared to -5.3 million euros in 2009. Reduced finance costs (-29.2% compared with 2009) along with increased finance income (+119.0%) balanced the net negative impact of exchange rate differences, which grew 150.4% as compared to 2009, due to the fluctuating exchange rates during the last quarter of the year.

Profit before tax amounted to 105.7 million euros, and also grew with respect to 2009, thanks to the Company's improved operations and sound financial base: its effective income tax rate during the year was 23.1% (2.2% below 2009). Thus, income tax expense amounted to 24.4 million euros (+12.3% over 2009).

Accumulated net profit in 2010 grew 26.6% as compared to the year before, reaching a new historical maximum of over 81.3 million euros.

Outlook for the Group

a) Casings

Demand, which had stabilized in 2009, resumed its natural volume growth, with a notable acceleration in the collagen casings segment.

This brisk trend should continue through 2011 across the entire casing business line, especially in the collagen segment.

Growth in emerging areas should benefit the development of the demand of artificial casings; this is also creating inflationary tension in some of our main raw materials and in energy.

Against this backdrop, the Viscofan Group' BeOne strategy continues unabated, with a clear vision: consolidate its leading position within the market while improving the profitability of its operations.

Measures are therefore being implemented to improve economies of scale, with a clearer alignment of the organization, improving tmhe efficiency and productivity of its current initiatives thanks to the management model supported by product segment excellence centers, and adherence to disciplined commercial policies.

Record production output is expected thanks to investments carried out in 2010 and the first quarter of 2011 in Germany and Spain, and the new Viscofan plant in China.

Projects are also underway to improve technology as well as the efficiency of the areas of production and energy. This should balance the per-unit price of energy raw materials in 2011, as well as help finalize the transfer of curved inedible collagen production from Germany to Serbia.

b) Vegetable foods

The environment has been an especially adverse one, due to the deteriorating Spanish economy and stagnated consumption. The IAN Group will forge ahead with its current strategy: in the attempt to preserve its income, it will emphasize the sale of its Carretilla brand, while increasing its product line based on their convenience and healthy attributes, while continuing to rationalize costs.

Viscofan S.A.'s main R&D investments

The group has invested 47.7 million euros during 2010, as compared to 46.3 million in 2009.

VISCOFAN, S.A. AND SUBSIDIARIES

Management Report
December 31, 2010

2011 investments include boosting the Group's production in the face of increasing demand, improving the technological aspects of the Spanish and German production sites, as well optimizing energy consumption in North America.

Investments were made in the area of canned products to adapt to environmental and safety regulations, as well as to develop a new line of pre-cooked meals.

Viscofan has a proactive R&D policy for both business lines, supported by technological and research centers in various countries:

- Efforts in the casings division are focused on the product (the development of new products and perfecting those already available in order to increase market share of the main meat casing families), as well as processes (innovation and improvement of the industrial production process, while introducing new technologies and developing advanced engineering solutions to optimize production).

- In the vegetable foods division, the Group continues to promote the development of new products, while increasing the variety of ready-cooked meals, which is the area with the brightest perspective growth-wise and as far as added value is concerned, thanks to the patented exclusive CARRETILLA WITH NO CONSERVATIVES prepared foods line.

- Viscofan R&D has been focused on diversification into other areas, where its know-how might permit it to be more profitable in the future. These efforts have materialized in a new bio-engineering application: the use of products which are derived from collagen as breeding ground for cells for research.

Acquisition of treasury shares

At year-end 2010, the Company had no treasury shares.

Risks and uncertainties

The Viscofan Group has shown improved results in volatile and uncertain times, and is well-prepared to gain market share in the main areas in which it competes. Due to the nature of its operations, the Group's activities are exposed to operational, financial, and strategic risk. The Group manages risk using policies approved by the Board of Directors, which is supervised by the Audit Committee.

To this end, the Group has carried out improvements in internal auditing, extending internal control to different areas: investments (committee and procedures).

A plan has been established to set up a system to control financial information internally, based on recommendations from the CNMV, which have contributed to the improvement and consolidation of implemented processes.

Measures designed to prevent and detect crime are currently being devised, which should improve all manner of internal control and limit the risk of criminal liability for corporate persons arising from regulatory changes.

Among the specific risks for the Viscofan Group and its subsidiaries are a less-than-favorable exchange rate, increased costs of production-related factors, such as raw materials and energy, and worsening market conditions due to the global economy.

VISCOFAN, S.A. AND SUBSIDIARIES

Management Report
December 31, 2010

Risk management policy

The control and management of financial risk is based on measuring Value at Risk (VaR) to reply to the following question: What is the most pessimistic scenario based on a certain confidence level? This is a statistical estimation of risk which includes a specific time frame (hours, days, months, years), an estimated confidence level of between 95-99%, and a maximum loss expressed as a percentage. Viscofan uses the Montecarlo simulation method to calculate VaR.

These analyses quantify Viscofan's exposure to changes in foreign currency and interest rates. There are two types of foreign currency risk. The first is related to balance sheet items including certain assets (building and machinery...) and liabilities (bank debt, payables...) reflected in foreign currency, which might lose value based on fluctuating exchange rates. The second is related to cash flow exposure due to type of currency. Viscofan covers the latter using EBITDA for the following year to carry out its simulations.

Decisions regarding the amount to hedge for each currency are made based on the result of analyses for currencies in which a relevant net risk has been detected, depending on the degree of risk the company is willing to assume.

In order to mitigate interest rate risk, the Viscofan Group has arranged various interest rate swaps.

The increased activity of the co-generation plant in Cáseda has increased the Group's exposure to energy markets, due to income from from sales of electricity as well as expenses from its gas supply. This has created the need to monitor and intervene in the futures markets to ensure uninterrupted operations, and to sign up for the tariff plan for the next year in order to guarantee positive operating margins.

Counterparty risk materializes in the possibility that the Company's clients might not comply with payment commitments. The Group has an insurance policy to cover its client risk; additional risk coverage was added (where necessary) in countries not traditionally covered. Due to the current economy in general, however, hedges provided by suppliers have deteriorated; consequently, procedures have been tightened and internal controls have been intensified to avoid increased delinquency; a inter-departmental Risk Committee has been created to ensure compliance.

The degree to which the Group is leveraged, as well as the availability of credit facilities indicate that it will be able to comfortably meet its financial needs; therefore, its liquidity risk is not relevant, despite 2010 financial restrictions which may continue into 2011.

The members of the Board of Directors or persons acting on their behalf have not carried out transactions with the Company or with Group companies, provided that they do not form part of the ordinary business and are not carried out under normal market conditions.

During 2010, no transactions with the Company or other Group companies that do not correspond to the normal course of business or were not carried out in keeping with prevailing market conditions took place.

EVENTS AFTER THE BALANCE SHEET DATE

In the first part of 2011 there were no significant movements.

Annual Accounts Viscofan S.A. | 10

Viscofan

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Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

We have audited the financial statements of VISCOFAN, S.A., which comprise the balance sheet at December 31, 2010, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended. The Company's directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity in Spain (identified in Note 2 to the accompanying financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based upon work performed in accordance with the regulatory audit standards prevailing in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2010 financial statements give a true and fair view, in all material respects, of the equity and financial position of VISCOFAN, S.A. at December 31, 2010, and the results of operations and cash flow for the year then ended, in conformity with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

The accompanying 2010 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2010 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original)

_____
Javier Ezcurra Zubeldía

March 1, 2011

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
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VISCOFAN, S.A.
Balance sheet at December 31, 2010
(Thousands of euros)

ASSETS	Notes	2010	2009
NON-CURRENT ASSETS		**325,648**	**321,589**
Intangible assets	**5**	**7,969**	**7,120**
Concession rights		1,971	2,496
Software		2,362	1,876
Other intangible assets		3,636	2,748
Property, plant and equipment	**6**	**57,435**	**58,554**
Land and buildings		12,048	12,810
Plant and other PP&E items		43,396	45,258
Property, plant and equipment under construction and prepayments		1,991	486
Investment in group companies and associates	**7**	**259,611**	**254,752**
Equity instruments		259,611	254,752
Financial investments	**8**	**115**	**90**
Equity instruments		67	42
Other financial assets		48	48
Deferred tax assets	**16**	**518**	**1,073**
CURRENT ASSETS		**93,677**	**65,610**
Inventories	**9**	**15,261**	**17,246**
Commercial inventories		2,218	1,757
Raw materials and other consumables		6,045	5,918
Work in progress		3,518	4,808
Finished products		3,480	4,763
Trade and other receivables	**8**	**33,436**	**43,237**
Trade receivables		21,604	26,721
Trade receivables from group companies and associates		8,871	14,590
Other receivables		342	43
Receivable from employees		66	13
Other receivables from public administrations	16	2,553	1,870
Investments in group companies and associates	**8**	**2,364**	**2,338**
Loans to companies		2,085	2,059
Other financial assets		279	279
Investments	**8**	**6,275**	**2,540**
Derivatives		3,271	2,527
Other financial assets		3,004	13
Accruals		**94**	**107**
Cash and cash equivalents	**10**	**36,247**	**142**
Cash		31,247	142
Cash equivalents		5,000	-
TOTAL ASSETS		**419,325**	**387,199**

VISCOFAN, S.A.
Balance sheet at December 31, 2010
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2010	2009
EQUITY		**316,361**	**282,271**
CAPITAL AND RESERVES		**313,296**	**280,936**
Share capital	**11.1**	**13,981**	**13,981**
Issued capital		13,981	13,981
Share Premium	**11.2**	**12**	**16,650**
Reserves	**11.3**	**250,305**	**223,126**
Legal and statutory reserves		2,935	2,935
Other reserves		247,370	220,191
Profit for the year	**3**	**62,979**	**39,296**
Interim dividend	**3.1**	**(13,981)**	**(12,117)**
UNREALIZED GAINS (LOSSES) RESERVE	**12**	**2,212**	**1,147**
Hedging instruments		2,212	1,147
GRANTS, DONATIONS AND LEGACIES	**13**	**853**	**188**
NON-CURRENT LIABILITIES		**25,410**	**32,176**
Borrowings	**15**	**20,298**	**28,274**
Payable to credit institutions		15,874	24,306
Liabilities from capital leases		91	30
Other financial liabilities		4,333	3,938
Deferred tax liabilities	**16**	**5,112**	**3,902**
CURRENT LIABILITIES		**77,554**	**72,752**
Provisions	**14**	**2,360**	**2,943**
Borrowings	**15**	**48,382**	**34,392**
Bank borrowings		42,749	30,076
Finance leases		68	33
Derivatives		87	79
Other financial liabilities		5,478	4,204
Payables to group companies and associates	**15**	**6,968**	**10,052**
Trade and other payables	**15**	**19,844**	**25,365**
Suppliers		3,711	2,328
Suppliers, group companies and associates		1,279	7,305
Other payables		7,127	9,955
Employee benefits payable		1,274	880
Current tax liabilities	16	2,143	712
Other payables to public administrations	16	4,053	3,795
Customer advances		257	390
TOTAL EQUITY AND LIABILITIES		**419,325**	**387,199**

VISCOFAN, S.A.
Income statement for the year ended December 31, 2010
(Thousands of euros)

	Notes	2010	2009
CONTINUING OPERATIONS			
Revenue	**17.1**	**147,059**	**168,766**
Sale of goods		146,541	167,102
Rendering of services		518	1,664
Changes in inventory of finished goods and work in progress		**(2,573)**	**1,667**
Cost of sales		**(36,408)**	**(69,624)**
Consumption of goods for resale	17.2	(17,159)	(46,404)
Consumption of raw materials and other consumables	17.2	(18,813)	(23,176)
Impairment of goods for resale, raw materials and other consumables	9	(436)	(44)
Other operating income		**9,457**	**8,583**
Ancillary income		9,003	8,231
Grants related to income	13	454	352
Employee benefits expense		**(29,513)**	**(31,054)**
Wages, salaries, et al		(23,025)	(24,574)
Social security costs, et al	17.3	(6,488)	(6,480)
Other operating expenses		**(55,339)**	**(50,310)**
External services	17.4	(52,876)	(47,646)
Taxes		(161)	(141)
Losses on, impairment of and change in trade provisions	8.1	58	(294)
Other operating expenses	14	(2,360)	(2,229)
Depreciation and amortization	**5 y 6**	**(8,985)**	**(7,843)**
Grants related to non-financial assets and other grants	**13**	**31**	**29**
Impairment gains (losses) on disposal of non-current assets		**223**	**(90)**
Impairment gains and losses	5 y 6	2	40
Gains (losses) on disposals	5 y 6	221	(130)
OPERATING PROFIT		**23,952**	**20,124**
Finance income		**45,758**	**23,167**
From equity investments	7.1	45,199	23,101
In group companies and associates		45,199	23,101
From marketable securities and other financial instruments		559	66
Of group companies and associates		25	63
Of third parties		534	3
Finance costs	**17.5**	**(1,446)**	**(1,475)**
On borrowings from group companies and associates		(161)	-
Third-party borrowings		(1,285)	(1,475)
Exchange gains (losses)		**(966)**	**653**
Impairment and gains (losses) on disposal of financial instruments		**(282)**	**-**
FINANCE INCOME		**43,064**	**22,345**
PROFIT BEFORE TAX		**67,016**	**42,469**
Income tax	**16**	**(4,037)**	**(3,173)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**62,979**	**39,296**
DISCONTINUED OPERATIONS			
Profit (Loss) alter tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**62,979**	**39,296**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2010
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2010

	Notes	2010	2009
PROFIT FOR THE PERIOD		**62,979**	**39,296**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/expense		**-**	**-**
From cash flow hedges	**12**	**2,590**	**1,638**
Grants, donations and bequests received	**13**	**3,340**	**2,444**
Tax effect		**(1,779)**	**(1,224)**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**4,151**	**2,858**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/expense		**-**	**-**
From cash flow hedges	**12**	**(1,069)**	**494**
Grants, donations and bequests received	**13**	**(2,390)**	**(2,371)**
Tax effect		**1,038**	**563**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**(2,421)**	**(1,314)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**64,709**	**40,840**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2010
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2010

	Issued capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3)	Treasury shares and equity investments (Note 11.7)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 12)	Grants, donations and bequests received (Note 13)	TOTAL
ADJUSTED BALANCE AT JANUARY 1, 2009	**14,020**	**30,165**	**202,145**	**(1,699)**	**32,195**	**-**	**(346)**	**137**	**276,617**
Total recognized income and expense	-	-	-	-	39,296	-	1,493	51	40,840
Transactions with shareholders and owners									
Capital decreases	(39)	-	(1,660)	-	-	-	-	-	(1,699)
Dividends paid	-	(13,515)	-	-	(9,554)	(12,117)	-	-	(35,186)
Transactions with treasury shares or own equity instruments (net)	-	-	-	1,699	-	-	-	-	1,699
Other changes in equity	-	-	22,641	-	(22,641)	-	-	-	-
BALANCE AT DECEMBER 31, 2009	**13,981**	**16,650**	**223,126**	**-**	**39,296**	**(12,117)**	**1,147**	**188**	**282,271**
Total recognized income and expense	-	-	-	-	62,979	-	1,065	665	64,709
Transactions with shareholders and owners									
Dividends paid	-	(16,638)	-	-	(12,117)	(1,864)	-	-	(30,619)
Other changes in equity	-	-	27,179	-	(27,179)	-	-	-	-
BALANCE AT DECEMBER 31, 2010	**13,981**	**12**	**250,305**	**-**	**62,979**	**(13,981)**	**2,212**	**853**	**316,361**

VISCOFAN, S.A.
Cash flow statement for the year ended December 31, 2010
(Thousands of euros)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**67,016**	**42,469**
Adjustments to profit		**(35,056)**	**(11,061)**
Depreciation and amortization	5 y 6	8,985	7,843
Impairment losses	6	(2)	(40)
Changes in provisions		(269)	3,506
Grants released to income	13	(485)	(381)
Results on disposal of property, plant and equipment		(221)	129
Gains (losses) from retirement and disposal of financial instruments		282	-
Finance income		(45,758)	(23,167)
Finance costs	17.5	1,446	1,475
Exchange gains (losses)		966	(653)
Other income and expenses		-	227
Change in working capital		**4,607**	**1,244**
Inventories		2,195	(1,361)
Trade and other receivables		9,386	5,461
Other current assets		13	35
Trade and other payables		(5,779)	(1,812)
Other current liabilities		(1,208)	(1,079)
Other cash flows from operating activities		**34,618**	**12,513**
Interest paid		(1,186)	(1,260)
Dividends received		35,577	14,989
Interest received		534	76
Income tax receipts (payments)		(773)	(1,725)
Other payments (receipts)		466	433
CASH FLOW FROM OPERATING ACTIVITIES		**71,185**	**45,165**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(16,962)**	**(26,730)**
Group and associates	7	(7,069)	(8,550)
Intangible assets	5	(887)	(3,161)
Property, plant and equipment		(5,986)	(15,014)
Other financial assets	8	(3,004)	(5)
Non-current assets held for sale		(16)	-
Proceeds from disposals		**2,449**	**2,102**
Group companies and associates		2,210	1,500
Property, plant, and equipment		236	599
Other financial assets		3	3
CASH FLOWS FROM INVESTING ACTIVITIES		**(14,513)**	**(24,628)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments of financial liabilities		**10,052**	**14,595**
Issues			
Bank borrowings		11,396	15,705
Accounts payable to Group and associated companies		6,000	10,000
Other borrowings		1,431	1,214
Repayment and redemption of			
Bank borrowings		(7,433)	(11,075)
Other borrowings		(1,342)	(1,249)
Dividends paid and payments on other equity instruments		**(30,619)**	**(35,186)**
Dividends	3 y 11.2	(30,619)	(35,186)
CASH FLOWS FROM FINANCING ACTIVITIES		**(20,567)**	**(20,591)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**36,105**	**(54)**
Cash and cash equivalents at January 1		**142**	**196**
Cash and cash equivalents at December 31		**36,247**	**142**

VISCOFAN, S.A.
Notes to the financial statements for the year ended December 31, 2010

1. ACTIVITY

Viscofan, S.A. (hereinafter the Company) was incorporated with limited liability on October 17, 1975 under the name of Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At their general meeting held on 17 June 2002, the shareholders agreed to change the name of the Company to the current one.

Its statutory and principal activity consists of the manufacture of cellulose, plastic and collagen casings, mainly for use in the meat industry, as well as the generation of electricity by any technical means, both for own consumption and for sale to third parties.

Its industrial installations are located in Cáseda and Urdiáin (Navarra). During 2009, its main office was moved to Tajonar (Navarra). Its registered address is still in Pamplona.

The Company is the parent of a group of companies which operate mainly in the food and cellulose, plastic and collagen casing sectors.

At the same date the Group's corresponding consolidated financial statements for 2010 have been also prepared.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the new accounting principles approved by Royal Decree 1514/2007 of November 16, amended by Royal Decree 1159/2010, of September 17, and prevailing mercantile law.

These financial statements have been prepared by the directors of the company and will be submitted for approval by the shareholders in general meeting within the periods established by prevailing legislation. The directors of the Company consider that no significant changes will be made to the 2010 financial statements as a result of these meetings.

The directors have prepared the 2010 financial statements separately, applying the international financial reporting standards adopted by the European Union (IFRS-EU).

The figures shown in these financial statements are presented in thousands of euros unless otherwise indicated.

2.1 True and fair view

The accompanying financial statements have been prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and results. The cash flow statement has been prepared to present fairly the origin and usage of monetary assets such as cash and cash equivalents.

2.2 Comparison of information

In compliance with Spanish mercantile law, for comparative purposes for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and in the Notes thereto, in addition to the figures for 2010, those of 2009 have been included. The Notes likewise contain quantitative information from 2009, unless an accounting standard specifically states that this is not required.

Application of new accounting standards

This is the first year the Company has applied the following amendments to standards or new standards; therefore, this should be borne in mind when making comparisons with the prior year.

Amendments to Spanish GAAP (2007) introduced by Royal Decree 1159/2010

These financial statements are the first prepared by the Company's directors in which they apply the amendments introduced to Spanish GAAP (2007) by Royal Decree 1159/2010, of 17 September. Transitional Provision Five section a) of this Royal Decree stipulates that comparative information should be presented without any changes to adapt it to the new criteria. Consequently, the financial statements are classified as first time in terms of the application of the accounting uniformity principle and the comparability requirement.

Information on late payment to suppliers in commercial transactions.

This is the first year in which the Resolution of December 29, 2010 passed by the Spanish Institute of Accounting and Auditors of Accounts (ICAC) is applicable to the information concerning late payment to suppliers in commercial transactions to be included in the Notes to the financial statements. By virtue of the stipulations in Transitional Provision Two, for first-time application, the Company only provides information related to the overdue amounts payable to suppliers which at year end exceed the legal payment deadline. Exclusively for this item, the financial statements are considered first-time financial statements in terms of uniformity and comparability and thus comparative information with respect to this new obligation is not presented.

2.3 Critical issues concerning the assessment of uncertainty

The directors have prepared the financial statements using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, was established on the basis of these estimates. The Company periodically reviews these estimates. However, given the uncertainty inherent in them, the need may arise to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods should changes occur in the hypotheses or circumstances on which the resulting values were based.

Impairment of investments in group companies

When measuring investments in group companies estimates must be made to determine their fair value to assess if there is any impairment. To determine their fair value the Company's directors estimate expected future cash flows from the ordinary activities of the investees as well as from their disposal.

3. APPROPRIATION OF PROFIT

The appropriation of 2010 profit proposed by the directors, which is expected to be approved by the shareholders in general meeting, is as follows:

(Thousands of euros)	2010
Proposed appropriation	
Profit for the year	62,979
	62,979
Appropriation to	
Other reserves	39,491
Final dividend	9,507
Dividends	13,981
	62,979

3.1 Interim dividend

On November 25, 2010, the Board of Directors approved an interim dividend against 2010 profit of 13,981 thousand euros based on profit projections for the period. This dividend was paid on December 22, 2010. The amount of the dividend is less than the maximum limit established by prevailing legislation relating to distributable profit from the previous year end.

The following table shows the provisional statement issued by the directors to substantiate that the Company has sufficient liquidity to distribute this dividend:

(Thousands of euros)	
Available cash at November 25, 2010	45,626
Cash flows from/(used in) operating activities	
Trade and other receivables	137,306
Other income	530
Accounts payable and suppliers	(86,350)
Payments made to employees	(29,173)
Interest paid	(732)
Other payments	(1,000)
Cash flow related to investment activities	
Dividends	45,000
Purchases of property, plant and equipment	(21,600)
Cash flow related to financing activities	
Repayment of non-current borrowings	(6,068)
Dividends paid	(36,351)

Projected liquidity at November 25, 2011	**47,188**

3.2 Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 11.3).

Once the legal and company bylaw requirements have been met, dividends may only be distributed against profit for the year or freely distributable reserves, if the value of equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

The main recognition and measurement accounting policies applied in the preparation of these financial statements are the following:

4.1 Intangible assets

Intangible assets are initially measured at either acquisition or production cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment loss.

The Company assesses the intangible asset's useful life to be either finite or indefinite. At December 31, 2010 all the Company's assets had a finite useful life.

Intangible assets having finite useful lives are amortized on a straight-line basis over their remaining estimated useful lives and residual value. Amortization methods and periods are reviewed at year end and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at year end and are written down where applicable.

Concession rights

Concession rights are recognized at the cost incurred, and are amortized over the ten-year period during which they are put to use.

Software

"Software" includes the costs incurred by the Company to develop its own software, which meets the development expenses capitalization criteria defined above, in addition to the cost of acquiring software from third parties. These expenses are amortized on a straight-line basis over the useful life of the asset (five years).

Expenses for repairs which do not prolong the useful life of the assets, as well as expenses for maintenance, are taken to the income statement in the year incurred.

CO_2 emission rights

It is Company policy to recognize CO_2 emission rights as a non-amortizable intangible asset. The rights allocated free of charge under the National Assignment Plan are measured at the prevailing market price at the date received, recognizing deferred income for the same amount.

During 2008, emission rights equivalent to 430,315 tons were received for the 2008-2012 period, as per the 2008-12 National Allocation Plan approved by Royal Decree 1370/2006.

During 2009 and 2010, in compliance with Article 19.4 of Law 1/2005, dated March 9, the Company obtained an individual new entry assignment of emission rights from the Ministry of the Environment and Rural and Marine Affairs. These assignments are equivalent to 329,656 tons and 245,744 tons, respectively. For 2008-2012: 41,956 emission rights were assigned in respect of 2008, 101,894 rights for 2009 and 143,850 rights for each year thereafter.

Thus in 2010 the Company received 86,063 tons corresponding to the first plan and 71,925 tons for each of the new assignments in 2009 and 2010 related to new entries. The rights are recognized at their market price at January 1 each year, recording deferred income for the same amount.

These emission rights are eliminated from the balance sheet when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognized from the provision made when the CO_2 emissions take place.

4.2 Property, plant and equipment

Property, plant and equipment are initially measured at either acquisition or production cost. The cost of property, plant and equipment acquired in a business combination is its fair value as of the date of acquisition.

Following initial measurement, they are stated at cost less accumulated depreciation and any recognized impairment loss.

The cost of assets acquired or produced subsequent to January 1, 2008 with installation periods exceeding one year includes financial expenses accrued prior to putting the assets to use when these expenses meet capitalization requirements.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized as an increase in the value of the item.

When available for use, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The estimated useful lives of property, plant, and equipment at year end 2010 and 2009 are as follows:

	Useful lives
Buildings	30 years
Plant and machinery	10 years
Furniture	10 years
Other property, plant and equipment	5-15 years

The Company reviews the assets' residual value, useful lives and depreciation methods at year end and adjusts them prospectively where applicable.

4.3 Impairment of non-financial assets

The Company assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication of impairment exists, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of the cash-generating unit's (CGU) fair value less cost to sell and value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. To assess value in use, expected future cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized.

4.4 Leases

Leases are considered to be financial leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred to the Company. All other lease arrangements are classified as operating leases.

Assets acquired under financial lease arrangements are recognized, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the income statement when accrued.

4.5 Financial assets

Recognition and measurement

Loans and receivables

The Company recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Company expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Following initial recognition, these financial assets are measured at amortized cost.

Nevertheless, non-trade receivables which mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, receivable dividends and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting cash flows is not significant.

Investments in group companies, joint ventures and associates

This category includes investments in companies in which the entity exercises control, joint control via company bylaw requirements or contractual arrangement, or has significant influence.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Investments in group companies are recognized, where applicable, based on accounting principles for transactions with group companies and those used for determining the cost of the business combination in accordance with the accounting policy governing business combinations (Note 4.20).

When an investment is newly classified as a Group company, joint venture or associate, the carrying amount of that investment immediately prior to its new classification is taken as the cost of that investment. If applicable, any unrealized value adjustments to the investment which have been previously recognized directly in equity are left in equity until the investment is either sold or impaired.

The initial value includes preferential subscription and similar rights acquired.

Following initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Available-for-sale financial assets

This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. For equity instruments, initial value includes preferential subscription and similar rights.

After initial recognition, these assets are stated at fair value including any transaction costs which could be incurred when sold. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is taken to the income statement. However, foreign exchange gains and losses on monetary assets denominated in foreign currency are recognized in the income statement.

Equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Hedging derivatives

This category includes derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.8.

Cancelation

Financial assets are derecognized when the contractual rights to related cash flows have expired or when the assets are transferred, provided that related risks and rewards are substantially transferred.

If the Company has not substantially transferred or retained the risks and rewards incidental to ownership of the financial asset, it is derecognized if control over the asset has not been retained. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e., due to its continuing involvement, recognizing as well the associated liability.

The difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, plus any cumulative gain or loss directly recognized in equity, determines the gain or loss generated upon derecognition, and is included in the income statement in the year to which it relates.

Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income. Interest must be recognized using the effective interest rate method; dividends

are recognized when the right to receive them is established.

Financial assets are recognized separately on initial measurement based on maturity, accrued explicit interest receivable at that date, and the proposed dividends up to the date the assets are acquired. Explicit interest refers to the contract interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since acquisition, the dividends are not recognized as income and decrease the cost of the investment.

4.6 Impairment of financial assets

The carrying amount of financial assets is adjusted against the income statement when there is objective evidence of actual impairment.

To determine impairment loss, the Company assesses the potential loss of individual as well as groups of assets with similar risk characteristics.

Debt instruments

There is objective evidence that debt instruments (trade receivables, loans and debt securities) are impaired when an event has occurred after the initial recognition of the instrument that has a negative impact on related estimated future cash flows.

The Company classifies as impaired assets (doubtful exposures) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidences the possible irrecoverability of total agreed-upon future cash flows or collection delays.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the balance sheet date is used. For trade and other receivables, the Company considers balances including items more than six months past due for which collection is uncertain, as well as balances of companies having declared a payment's moratorium, to be doubtful assets. The fair value is used instead of the present value of estimated future cash flows in the case of quoted instruments provided that it is considered sufficiently reliable.

When there is objective evidence of a decline in the fair value of "Available-for-sale financial assets" due to impairment, the underlying capital losses recognized as "Unrealized gains (losses) reserve" in equity are taken to the income statement.

The reversal of an impairment loss is recognized in the income statement. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

Equity instruments

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in fair value.

In the case of equity instruments included in "Available-for-sale financial assets" and "Investments in group companies, joint ventures and associates," impairment loss is measured as the difference between the carrying amount of the financial asset and the recoverable amount, which is the greater of the asset's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment of this type of asset is estimated taking into account the equity of the subsidiary, adjusted by any unrealized capital gain existing on the measurement date. Such losses are recorded in the income statement as a direct decline in value of the equity instrument.

For investments in group companies, joint ventures and associates, the reversal of an impairment loss is recognized in the income statement and is limited to the carrying value of the investment that would have been recognized on the reversal date had the original impairment not occurred.

4.7 Financial liabilities

Recognition and measurement

Trade and other payables

This category includes financial liabilities generated by the purchase of goods and services arising from trade transactions, and non-trade payables that are not derivative instruments.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Following initial recognition, these financial liabilities are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables which mature within less than one year with no contractual interest rate, as well as called-up payments on shares, the amount of which is expected in the short term, are carried at the nominal value when the effect of not discounting cash flows is not significant.

Hedging derivatives

This category includes derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.8.

Cancellation

The Company derecognizes a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged, provided that their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is

recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of the derecognized financial asset (or part of it) and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

When debt instruments are exchanged whose contractual terms are not substantially different, the original financial liability is not derecognized, and the commissions paid are recognized as an adjustment to the carrying amount. The new amortized cost of a financial liability is determined by applying the effective interest rate, which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

4.8 Hedge accounting

The Company uses fair value hedges for trade receivables denominated in foreign currency, cash flow hedges on floating-rate loans and cash flow hedges attributable to the price of certain raw materials.

Transactions are only deemed hedges when they eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position (retrospective effectiveness).

The Company adequately documents the hedge, including how it intends to achieve and measure its effectiveness under its current risk management policy.

The hedge effectiveness is measured by testing to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the remaining term to maturity, and comply with forecasts established at the related contract dates.

If at any time financial derivatives do not qualify to be treated as hedges, they are reclassified as held-for-trading derivatives.

For the purpose of hedge accounting, hedges are classified as *cash flow hedges.* Thus, cash flow hedges are designed to hedge exposure to variability in cash flows attributable to the changes in the exchange rates for purchases and sales carried out in foreign currency, the variability in cash flows attributable to changes in interest rates on loans taken out and the changes in prices of raw materials. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; gains or losses are taken to the income statement in the year or years in which the hedged item affects profit or loss.

4.9 Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancelation. Expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.10 Inventories

Stocks are valued at acquisition price or production cost. Costs of purchase include the invoice price after deducting any trade discounts, rebates and other similar items, plus all other costs incurred until the goods are available for sale, such as transport, customs, insurance, and others directly attributable to the acquisition of inventory items. Production cost is determined by adding the costs directly attributable to the product to the purchase price of raw materials and other consumables. The portion of indirectly attributable costs incurred in preparing the tools for sale that can reasonably be allocated to the products in question are also included, to the extent that such costs are related to the manufacturing or construction process and are based on normal working conditions for the means of production.

Given that Company inventory is available-for-sale in less than one year, finance costs are not included in the acquisition or production cost.

The Company measures inventory at weighted average cost.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement. No provision is set aside for raw materials and other consumables used in production, if the finished products in which they are incorporated are sold above cost.

4.11 Cash and cash equivalents

This heading includes cash and current accounts, as well as deposits which meet the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.12 Grants

Grants are recognized as non-repayable when the requirements established for receiving them are met and are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities until they meet the criterion for being considered non-repayable. No income is recorded until this criterion is met.

Grants received to finance specific expenses are released to the income statement in the year in which the expenses which they are intended to compensate are incurred. Grants received to acquire property, plant and equipment are released to income in proportion to the depreciation charged for the related assets.

4.13 Provisions

Provisions are recognized in the balance sheet when the Company has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law) as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, recognizing provision discount adjustments as a finance cost as they accrue. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for CO_2 emission rights

As of 2006, the companies included in the National Assignment Plan that emit CO_2 in their operating activities, in the early months of the subsequent year must submit CO_2 emission rights equivalent to their CO_2 emissions in that year.

The obligation to submit CO_2 emission rights for CO_2 emissions during the year is recorded in "Current provisions" on the balance sheet, while the related cost is recognized under "Other operating expenses". This obligation is measured at the same amount as the CO_2 emission rights submitted to cover CO_2 emissions, which are recognized under "Other intangible assets".

4.14 Provisions for long-term employee benefits

The Company has no pension commitments whereby it is obliged to make contributions to a separate entity, such as an insurance company or a pension plan.

However, the Company does have early retirement and seniority bonus commitments with employees. The Company has externalized these commitments through insurance policies and has recognized the amounts paid under "Employee benefits expense".

4.15 Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity.

Deferred income tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the balance sheet, as applicable.

Deferred tax liabilities are recognized for all temporary differences, except where disallowed by prevailing tax legislation.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

At each financial year end, the Company assesses the deferred tax assets recognized and those that have not yet been recognized. Based on this analysis, the Company derecognizes the asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset that had not been recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

4.16 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted to more than one year.

4.17 Income and expenses

In accordance with the accruals principle, income and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Trade receivables

Income is recognized when it is probable that the profit or economic benefits from the transaction will flow to the entity and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any discounts, rebates, and other similar items given by the Company, and any interest included in the nominal amount of loans. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

4.18 Transactions in foreign currency

The Company's functional and presentation currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognized in the income statement.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the income statement.

4.19 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are expensed in the year to which they relate, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

4.20 Related-party transactions

Related-party transactions are measured as described above, except for the following:

- Non-monetary contributions from a business to a Group company are generally measured at the carrying amount of the assets delivered in the consolidated financial statements at the transaction date.
- In mergers and spin-offs the acquired assets are generally valued at their carrying amount in the consolidated financial statements after the transaction. Any differences are recognized in reserves.

The prices of related-party transactions are adequately documented; hence the Company's directors consider there to be no risk of significant liabilities arising from these.

4.21 Termination benefits

In accordance with prevailing mercantile legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

5. INTANGIBLE ASSETS

The movements in the items composing "Intangible assets" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
2010					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	6,926	679	(2)	304	7,907
Greenhouse gas emission rights	2,444	3,326	(2,342)	-	3,428
Payments on account for non-current intangible assets	304	208	-	(304)	208
	12,337	4,213	(2,344)	-	14,206
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(131)	(525)	-	-	(656)
Software	(5,050)	(497)	2	-	(5,545)
	(5,217)	(1,022)	2	-	(6,237)
Net carrying amount	**7,120**				**7,969**
2009					
Cost					
Patents	36	-	-	-	36
Concession rights	-	1,935	-	692	2,627
Software	5,543	982	-	401	6,926
Greenhouse gas emission rights	1,697	2,444	(1,697)	-	2,444
Payments on account for non-current intangible assets	1,154	243	-	(1,093)	304
	8,430	5,604	(1,697)	-	12,337
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	-	(131)	-	-	(131)
Software	(4,836)	(214)	-	-	(5,050)
	(4,872)	(345)	-	-	(5,217)
Net carrying amount	**3,558**				**7,120**

At December 31, 2010 and 2009, the cost value of fully amortized intangible assets amounted to 4,791 and 4,448 thousand euros, respectively.

"Greenhouse gas emission rights" include free of charge rights allocated by the National Assignment Plan (see notes 13 and 14).

5.1 Other information

The Company has no intangible assets located outside Spain, nor has it made any acquisitions from group companies at December 31, 2010 and 2009.

At December 31, 2010, there were no firm purchase commitments for the acquisition of intangible assets. However, at December 31, 2009 there were firm purchase commitments of 222 thousand euros for software, which were financed using the Company's capital and credit facilities.

6. PROPERTY, PLANT AND EQUIPMENT

The movements in the items composing "Property, plant and equipment" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2010					
Cost					
Land	206	-	-	-	206
Buildings	23,185	-	(4)	-	23,181
Plant and other PP&E items	201,641	4,933	(3,329)	418	203,663
Property, plant, and equipment under construction and payments on account	486	1,923	-	(418)	1,991
	225,518	6,856	(3,333)	-	229,041
Accumulated depreciation					
Buildings	(10,541)	(761)	1	-	(11,301)
Plant and other PP&E items	(156,383)	(7,202)	3,318	-	(160,267)
	(166,924)	(7,963)	3,319		(171,568)
Impairment losses					
Buildings	(40)	-	2	-	(38)
	(40)	-	2	-	(38)
Net carrying amount	**58,554**				**57,435**
2009					
Cost					
Land	206	-	-	-	206
Buildings	21,604	1,154	(285)	712	23,185
Plant and other PP&E items	186,387	12,863	(2,828)	5,219	201,641
Property, plant, and equipment under construction and payments on account	5,825	592	-	(5,931)	486
	214,022	14,609	(3,113)	-	225,518
Accumulated depreciation					
Buildings	(9,940)	(709)	108	-	(10,541)
Plant and other PP&E items	(151,619)	(6,789)	2,025	-	(156,383)
	(161,559)	(7,498)	2,133		(166,924)
Impairment losses					
Buildings	(42)	-	2	-	(40)
Plant and other PP&E items	(38)	-	38	-	-
	(80)	-	40	-	(40)
Net carrying amount	**52,383**				**58,554**

6.1 Significant movements

Additions in 2010 mainly relate to machinery acquired to improve productivity and increase capacity at the Company's manufacturing plants. "Property, plant and equipment under construction and prepayments" under non-current assets at December 31, 2010 relates mainly to prepayments for machinery (Note 6.4)

Additions recognized in 2009 were related mainly to the second phase of construction to increase the co-generation plant's capacity, which amounted to 13,4 million euros.

In 2010 and 2009 items of property, plant and equipment carried at 14 thousand euros and 980 thousand euros, respectively, were either retired or disposed of, generating gains of 221 thousand euros in 2010 and an accounting loss of 130 thousand euros in 2009.

All transfers in 2010 and 2009 are due to the inclusion of assets which were under construction.

The Company took advantage of the tax provisions included in Regional Law 23/1996 regarding the remeasurement of assets and that year increased the cost and cumulative depreciation of its property, plant and equipment, which gave rise to net unrealized gains of 9,282 thousand euros (Note 11.4). The net carrying amount of these assets at year end 2010 and 2009 is 608 thousand and 689 thousand euros, respectively, while depreciation for these years amounted to 81 thousand euros each.

6.2 Finance leases

The net carrying amount of property, plant and equipment held under finance leases at December 31 is as follows:

(Thousands of euros)	**2010**	**2009**
Plant		
Cost	222	183
Accumulated depreciation	(21)	(82)
	201	**101**

The initially recognized cost value for assets held under finance leases was the present value of future minimum lease payments on the date the lease agreement was signed.

The reconciliation between the total future minimum lease payments and the present value at December 31 is as follows:

	2010		2009	
(Thousands of euros)	**Future minimum payments**	**Present value (Note 15.1)**	**Future minimum payments**	**Present value (Note 15.1)**
Within one year	73	68	44	33
Between one and four years	92	91	31	30
	165	**159**	**75**	**63**

The principal terms of finance lease agreements are as follows:

- The lease is for a term between 2 and 4 years.
- The interest rate is floating and is linked to 12-month Euribor plus a fixed spread of between 0,6 and 1,25 percentage points.
- Repair and maintenance expenses are assumed by the lessor.
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

6.3 Operating leases

The Company rents the building in Urdiáin (Navarra) where it carries out its activity and a commercial office in Moscow at an annual total cost of 95 thousand euros during 2010 and 2009 each. The Company rents the Urdiáin building under a lease agreement which is tacitly renewed each year. The agreement signed in respect of the commercial office is likewise for one year, renewable annually. Neither includes a purchase option.

In addition, the Company signed a lease agreement for the office building in Tajonar (Navarra) in 2008 that expires on December 15, 2028. Thereafter the agreement may be extended provided that both parties express their agreement in writing at least six months before it expires.

The future minimum payments under non-cancelable operating leases at December 31 are as follows:

(Thousands of euros)	**2010**	**2009**
Within one year	264	261
Between one and five years	1,057	1,044
More than five years	3,435	3,654
	4,756	**4,959**

6.4 Other disclosures

The Company has acquired the following property, plant and equipment from group companies at December 31:

(Thousands of euros)	2010	2009
Plant and machinery		
Cost	2,310	2,282
Accumulated depreciation	(2,057)	(2,010)
Other property, plant and equipment		
Cost	34	34
Accumulated depreciation	(34)	(34)
Property, plant, and equipment under construction	-	28
	253	**300**

At December 31, 2010 the company has property, plant and equipment measured at 29 thousand euros located abroad. At December 31, 2009 the Company had no assets located outside Spain.

At December 31 of 2010 and 2009, the Company had firm purchase commitments for property, plant, and equipment totaling 3,020 and 103 thousand euros, from investments under construction or prepayments made (Note 6.1) which will be financed with Company capital or undrawn credit facilities.

The breakdown of fully depreciated property, plant and equipment is as follows:

(Thousands of euros)	2010	2009
Buildings	1,701	1,701
Plant and machinery	110,128	106,933
Plant and other PP&E items	16,630	15,028
Other property, plant and equipment	5,088	5,095
	133,547	**128,757**

The Company has arranged insurance policies to cover the carrying amount of these assets.

Property, plant and equipment items for environmental activity are described in Note 21.3.

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7. INVESTMENTS IN GROUP COMPANIES, JOINT VENTURES, AND ASSOCIATES

The movements in the items composing "Investments in group companies, joint ventures and associates" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
2010					
Equity instruments	260,208	7,069	(7,666)	-	259,611
Impairment losses	(5,456)	-	5,456	-	-
	254,752				**259,611**
2009					
Equity instruments	246,679	13,550	(21)	-	260,208
Impairment losses	(5,456)	-	-	-	(5,456)
	241,223				**254,752**

In 2010 the Company carried out the following transactions:

- It paid 3.95 million euros which were pending at December 31, 2009 to fully pay in the capital of Viscofan Technology (Suzhou) Co. Ltd. (China).
- It fully subscribed a capital increase of 1.98 million euros carried out at Koteks Viscofan, d.o.o.
- It has carried out a restructuring to reduce and simplify the Group's company structure:
  - a. In July 2010 the Company purchased all the shares of Stephan & Hoffmann AG (Germany) at a cost of 1.13 million euros from Naturin Inc. Delaware (USA), a wholly owned subsidiary.
  - b. After the purchase-sale of the Stephan & Horrmaann AG shares, Naturin Inc. Delaware was liquidated since its sole activity was as a holding company for the shares in the German company, which were its main asset.
  - c. Stephan & Hoffmann AG and Naturin Viscofan, Gmbh, both German companies, wholly owned by Viscofan, S.A. were merged.
- In December 2010 Viscofan Poland Sp.z.o.o. was liquidated. As a result of this company's liquidation, 447 thousand euros related to the cost of the investment at December 31, 2009 were derecognized. The company's activity was merely commercial and this has been transferred to other Group companies.

In 2009 the Company carried out the following transactions:

- It fully subscribed the capital increases carried out by Viscofan de México S.R.L. de C.V. (6 million euros) and Koteks Viscofan, d.o.o. (4 million euros).
- The Company transferred 100% of its ownership interest in Naturin Verwaltung, Gmbh to its subsidiary, Naturin Viscofan Gmbh. The companies merged in 2010 without any involvement of the parent.

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Notes to the financial statements
December 31, 2010

7.1 Description of investments in group companies, joint ventures and associates

The information relating to group companies, joint ventures and associates at December 31 is as follows:

	Thousands of euros			Local currency (thousands)					
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2010									
Industrias Alimentarias de Navarra, S.A.U.	15,602	1,000	100%	EUR	10,938	31,525	3,814	46,277	4,907
Naturin Viscofan, GMBH	90,570	9,061	100%	EUR	29,604	20,678	8,628	58,910	11,047
Viscofan do Brasil, soc. Com. e ind. Ltda	53,138	23,162	100%	BRL	86,868	41,722	47,392	175,983	66,341
Gamex CB Sro	7,498	2,146	100%	CZK	250,000	25,022	5,542	280,564	10,943
Viscofan USA Inc.	34,729	-	100%	USD	35,587	34,056	12,846	82,489	19,283
Naturin LTD	1,841	-	100%	GBP	10	1,772	72	1,854	113
Viscofan CZ, S.r.o	10,503	5,932	100%	CZK	345,200	309,999	393,330	1,048,529	467,062
Viscofan de México S.R.L. de C.V.(2)	13,741	3,664	99,99%	MXP	219,777	139,005	135,925	494,707	211,770
Viscofan Centroamérica Comercial, S.A.(2)	166	-	99,50%	USD	200	514	74	788	52
Koteks Viscofan, d.o.o.	24,307	-	100%	RSD	2,156,842	(1,121,801)	28,018	1,063,059	212,747
Viscofan de México Servicios, S.R.L. de C.V.(2)	16	234	99,99%	MXP	103	3,482	(253)	3,332	532
Viscofan Technology (Suzhou) Co. Ltd	7,500	-	100%	CNY	69,098	(1,343)	(11,157)	56,598	(10,992)
	259,611	**45,199**							
2009									
Industrias Alimentarias de Navarra, S.A.U.	15,602	-	100%	EUR	10,938	30,685	1,841	43,463	2,173
Naturin Viscofan, GMBH	89,436	10,756	100%	EUR	29,604	20,686	8,490	58,780	12,832
Naturin Inc. Delaware (1)	1,763	-	100%	USD	10	964	(12)	962	(12)
Viscofan do Brasil, soc. Com. e ind. Ltda	53,138	10,623	100%	BRL	86,868	55,726	42,738	185,331	62,635
Viscofan Poland Sp.z.o.o.	447	-	100%	PLN	2,000	598	1,166	3,765	991
Gamex CB Sro	7,498	1,722	100%	CZK	250,000	24,247	55,044	329,291	72,525
Viscofan USA Inc.	34,729	-	100%	USD	35,587	24,248	9,808	69,643	16,103
Naturin LTD	1,841	-	100%	GBP	10	1,658	113	1,782	162
Viscofan CZ, S.r.o	10,503	-	100%	CZK	345,200	282,333	177,666	805,199	192,774
Viscofan de México S.R.L. de C.V.(2)	13,741	-	99,99%	MXP	219,777	33,238	168,273	421,287	237,986
Viscofan Centroamérica Comercial, S.A.(2)	166	-	99,50%	USD	200	259	254	714	378
Koteks Viscofan, d.o.o.	22,322	-	100%	RSD	1,946,372	(879,317)	(242,484)	824,571	(102,993)
Viscofan de México Servicios, S.R.L. de C.V.(2)	16	-	99,99%	MXP	103	6,453	1,029	7,585	355
Viscofan Technology (Suzhou) Co. Ltd	3,550	-	100%	CNY	35,206	-	(1,343)	33,863	(975)
	254,752	**23,101**							

(1) The acquisition cost of the investment was 7,219 thousand euros and the related impairment provision amounted to 5,456 thousand euros. In 2010, as previously disclosed, this company was liquidated.
(2) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies.

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The operating profit (loss) of the group companies, joint ventures and associates shown in the above table correspond entirely to continuing operations. None of the companies is listed on the stock exchange.

The description of the main activity and registered address of each of the companies listed above at December 31 2010 is as follows:

Company	Activity	Registered office
Industrias Alimentarias de Navarra, S.A.U.	Manufacture and sale of preserved vegetables	Villafranca (Navarra)
Naturin Viscofan GMBH	Manufacture and sale of artificial casings	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda	Manufacture and sale of artificial casings	Sao Paulo (Brazil)
Gamex CB Sro	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc	Manufacture and sale of artificial casings	Montgomery (USA)
Naturin LTD	Commercial office	Seven Oaks (UK)
Viscofan CZ, S.r.o	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	Manufacture and sale of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	Commercial office	San José (Costa Rica)
Koteks Viscofan, d.o.o.	Manufacture and sale of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	Service company	Zacapu Michoacán (Mexico)
Viscofan Technology (Suzhou) Co. Ltd. (*)	Manufacture and sale of artificial casings	Suzhou (China)

(*) During 2009, the Company's main activity consisted in obtaining the necessary permits and carrying out the administrative procedures to set up the Company, as well as acquiring the rights to use the site of the manufacturing plant. In 2010 construction of the manufacturing plant was completed. In the last weeks of the year manufacturing tests were performed which produced satisfactory results. Consequently, the company will commence its commercial activity and production in the first weeks of 2011.

The business activity and registered addresses of companies that were liquidated and, therefore, ceased to be part of the Group in 2010 are as follows:

Company	Business activity	Registered address
Naturin Inc.. Delaware	Finance company	Dover (USA)
Viscofan Poland Sp.z.o.o.	Commercial activity	Krakow (Poland)

In 2010 no impairment testing was performed as the Group's fine performance was general to all cash-generating units. In recent years, the Group has carried out an impairment test on the subsidiary, Koteks Viscofan, d.o.o, which had accumulated losses in prior years. However, the subsidiary has made a profit as a result of the investment received and the measures implemented in recent years. Forecasts regarding its future performance are much more positive than those in the last test performed, therefore, it was not considered necessary this year.

Information on indirect investments in group companies and associates at December 31, 2010 is as follows:

Company	Indirect investment	Activity	Registered office
IAN Perú, S.A.	100%	Asparagus production	Cañete (Peru)
Lingbao Baolihao Food	50%	Asparagus production	Lingbao (China)
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial office	St, Laurent, Québec (Canada)

The business activity and registered addresses of the companies that disappeared in 2010 due to their merger with Naturin Viscofan GMBH are as follows:

Company	Indirect investment	Business activity	Registered address
Stephan & Hoffmann AG	100%	Finance company	Weinheim (Germany)
Naturin Verwaltung, GMBH	100%	Finance company	Weinheim (Germany)

8 FINANCIAL ASSETS

The breakdown of financial assets, except for the investments in group companies, joint ventures and associates (Note 7), at December 31 is as follows:

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Non-current financial assets						
Held-to-maturity investments	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	67	42	-	-	67	42
	67	42	48	48	115	90
Current financial assets						
Held-to-maturity investments	-	-	3,004	4	3,004	4
Loans and receivables	-	-	35,800	45,575	35,800	45,575
Available-for-sale financial assets						
Measured at fair value	-	-	-	9	-	9
Hedging derivatives (Note 15)	-	-	3,271	2,527	3,271	2,527
	-	-	42,075	48,115	42,075	48,115
	67	**42**	**42,123**	**48,163**	**42,190**	**48,205**

These amounts are disclosed in the balance sheet as follows:

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Non-current financial assets						
Investments	67	42	48	48	115	90
	67	42	48	48	115	90
Current financial assets						
Trade and other receivables	-	-	33,436	43,237	33,436	43,237
Investments in group companies and associates						
Loans to companies	-	-	2,085	2,059	2,085	2,059
Loans and receivables	-	-	279	279	279	279
Investments						
Hedging derivatives	-	-	3,271	2,527	3,271	2,527
Current financial investments	-	-	3,004	13	3,004	13
	-	-	42,075	48,115	42,075	48,115
	67	**42**	**42,123**	**48,163**	**42,190**	**48,205**

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8.1 Loans and receivables

The breakdown of financial assets included in this category at December 31 is as follows:

(Thousands of euros)	2010	2009
Non-current financial assets		
Deposits given and prepayments	48	48
	48	**48**
Current financial assets		
Trade and other receivables	33,436	43,237
Loans to group companies (Note 19.1)	2,000	2,000
Short-term interest on loans granted to group companies (Note 19.1)	85	59
Dividends receivable from group companies (Note 19.1)	279	279
	35,800	**45,575**

Trade and other receivables

The breakdown of "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2010	2009
Trade receivables	21,604	26,721
Receivable from group companies and associate (Note 19.1)	8,871	14,590
Other receivables	342	43
Receivables from employees	66	13
Other receivables from public administrations (Note 16)	2,553	1,870
	33,436	**43,237**

The breakdown of "Trade and other receivables" denominated in foreign currency at December 31 is as follows:

(Thousands of euros)	2010	2009
US Dollar	13,118	12,766
Canadian Dollar	510	911
Australian Dollar	-	532
Japanese Yen	137	284
Pounds Sterling	786	1,060
Polish Zloty	26	-
	14,577	**15,553**

Impairment losses

The balance of "Trade receivables" is presented net of impairment. The movements in said impairment losses are as follows:

(Thousands of euros)	2010	2009
Balance at January 1	278	10
Allowance for the year	25	294
Amounts applied during the year	(84)	-
Transfer to irrecoverable debts	(25)	(26)
Balance at December 31	**194**	**278**

Loans to Group companies

At year end 2010 and 2009, loans to Group companies corresponded to the loan granted to Koteks Viscofan, d.o.o., which matured after the latest renewal on March 31, 2011. This loan bears interest at a 90-day Euribor plus a spread of 0,5.

8.2 Hedging derivatives

The breakdown of "Hedging derivatives" at December 31 is as follows:

	2010		2009	
(Thousands of euros)	Notional in euros	Fair value	Notional in euros	Fair value
Exchange rate hedges	31,114	577	65,416	1,262
Raw materials interest rate swap	-	2,694	-	1,265
	31,114	**3,271**	**65,416**	**2,527**

Commodity swaps

The Company arranged two commodity swaps in 2009 with respect to the notional cost of 666.666Kwh of gas. Each of these had monthly maturities of 1/12 of the notional amount each month throughout 2010 and 2011. The Group is thus hedging 2/3 of its expected gas consumption in Spain for both years; it is paying 1.7270 euro cents per KWh in 2010 and 1.7915 euro cents per KWh in 2011. The valuation formula used includes, among other variables, Brent forward prices. Through the commodity swaps, the Company aims to mitigate any negative effects of varying energy prices. The hedge's efficiency is measured by comparing the price of the swaps and the spot price for KWh of natural gas in Spain.

Exchange rate hedges

At December 31, 2010 the fair value of exchange rate hedges amounted to 577 thousand (2009: 1,262 thousand euros). Of this amount 24 thousand euros (2009: 810 thousand euros) were recognized as exchange gains in the income statement, due to the fact that they were linked to trade receivables denominated in foreign currency recognized at the prevailing year-end exchange rate. The remaining amount, i.e., 550 thousand euros (2009: 452 thousand euros) were recognized directly in equity, net of the related tax effect, as this was related to exchange rate hedges which were sold in the subsequent year; therefore, there were no related receivables.

In 2010 the Company transferred 1,638 thousand euros (exchange gains) from equity to the income statement, (2009: 494 thousand euros of exchange losses) as a result of the exchange rate hedges.

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9. INVENTORIES

The movements in "Impairment losses" are as follows:

(Thousands of euros)	Goods for resale, raw material and other consumables	Work in progress and finished products	Total
2010			
Balance at January 1	406	1,109	1,515
Impairment losses	436	-	436
Recoveries in value	-	(646)	(646)
Balance at December 31	**842**	**463**	**1,305**
2009			
Balance at January 1	362	745	1,107
Impairment losses	120	364	484
Recoveries in value	(76)	-	(76)
Balance at December 31	**406**	**1,109**	**1,515**

The impairment losses on inventories are due mainly to the fall in market price of certain lines of semi-finished products and finished products, as well as slow moving product lines.

At December 31, 2010 and 2009 there were no firm purchase commitments for raw materials or for the sale of finished goods other than those related to purchase and sales orders from the Company's normal business activity.

The company has arranged insurance policies which guarantee recovery of the carrying amount of inventories in the event of possible damage affecting their use or sale.

10. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" at December 31 is as follows:

(Thousands of euros)	2010	2009
Cash	24	114
Current accounts	31,223	28
Bank deposits	5,000	-
	36,247	**142**

Current accounts were at market interest rates.

The bank deposits at December 31, 2010 mature on March 23, 2011 and earn interest at 2.8%.

Cash and cash equivalents are unrestricted.

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11. EQUITY – CAPITAL AND RESERVES

11.1 Issued capital

The Company's share capital consisted of 46,603,682 shares with a par value of 0,30 euros each. The shares were fully subscribed and paid in. All shares are of the same class, bear the same rights, except for own shares.

At December 31, 2010 and 2009 the Company had no shareholders whose ownership interest was more than 10%.

At December 31, 2010 and 2009, the Company did not own any treasury shares.

All of the Company's shares are listed on the Spanish Stock Exchange.

11.2 Share premium

The movements in the items composing "Share Premium" are as follows:

(Thousands of euros)	2010	2009
Balance at January 1	16,650	30,165
Partial repayment of share premium	(16,638)	(13,515)
Balance at December 31	**12**	**16,650**

On June 01, 2010 the shareholders at their general meeting agreed to partial repayment of share premium of 0,357 euros per share, which was paid to shareholders on June 23, 2010.

This reserve is freely distributable, subject to the same restrictions as those for the voluntary reserves.

11.3 Reserves

The movements in the items composing "Reserves" are as follows:

(Thousands of euros)	Balance at January 1	Capital decrease	Appropriation of results	Transfers	Balance at December 31
2010					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,905	-	-	(235)	8,670
Merger reserves	119	-	-	-	119
Voluntary reserves	211,167	-	27,179	235	238,581
	223,126	**-**	**27,179**	**-**	**250,305**
2009					

Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,962	-	-	(57)	8,905
Merger reserves	119	-	-	-	119
Voluntary reserves	190,129	(1,660)	22,641	57	211,167
	202,145	**(1,660)**	**22,641**	**-**	**223,126**

In accordance with the Capital Companies Law, until the balance of the legal reserve is equivalent to at least 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

At December 31, 2010 and 2009 this reserve is higher than the legally stipulated minimum.

11.4 Revaluation reserve Navarra Regional Law 23/1996

As permitted by legislation prevailing at that time, at December 31, 1996 the Company revalued its tangible assets by 9,282 thousands of euros (see note 6.1). The resulting revaluation reserve, which comprises the revaluation of fixed assets, net of a 3% tax charge, amounts to 9,003 thousands of euros.

During 1999 this revaluation was inspected by the tax authorities and, accordingly, can be applied, free of tax, to:

- Offset prior years' losses.
- Increase share capital.
- Increase distributable reserves after December 31, 2006 to the extent that gains have been realized, that is, when the related assets have been depreciated, disposed of or otherwise written off.

11.5 Voluntary reserves and merger reserves

These reserves are freely distributable.

12. EQUITY – NET UNREALIZED GAINS (LOSSES) RESERVE

The movements in the items composing "Unrealized gains (losses) reserve" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2010						
Hedging derivatives (Note 15.2)	1,147	2,590	(777)	(1,069)	321	2,212
	1,147	**2,590**	**(777)**	**(1,069)**	**321**	**2,212**
2009						
Hedging derivatives (Note 15.2)	(346)	1,638	(491)	494	(148)	1,147
	(346)	**1,638**	**(491)**	**494**	**(148)**	**1,147**

13. EQUITY – GRANTS RECEIVED

The movements in the items composing "Non-repayable grants" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2010						
Non-repayable grants	117	14	(4)	(31)	9	105
Grants for greenhouse gas emission rights	71	3,326	(998)	(2,359)	708	748
	188	**3,340**	**(1,002)**	**(2,390)**	**717**	**853**
2009						
Non-repayable grants	137	-	-	(29)	9	117
Grants for greenhouse gas emission rights	-	2,444	(733)	(2,342)	702	71
	137	**2,444**	**(733)**	**(2,371)**	**711**	**188**

"Grants for greenhouse gas emissions" includes the amount of those rights which the Company has not yet consumed (Notes 5 and 14). At December 31, 2010 and 2009, the Company had 83,178 and 37,009 unused emission rights, respectively.

Throughout 2010 and 2009, the Company received grants related to income totaling 454 and 352 thousand euros, respectively. These grants basically financed R&D expenses during both years, as well as training given to Company staff.

14. PROVISIONS AND CONTINGENCIES

The breakdown of "Provisions" at December 31 is as follows:

(Thousands of euros)	Current	Total
2010		
Provision for greenhouse gas emission rights	2,360	2,360
	2,360	**2,360**
2009		
Provisions for termination benefits and commitments with personnel	601	601
Provision for greenhouse gas emission rights	2,342	2,342
	2,943	**2,943**

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The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized and payments	Balance at December 31
2010				
Provisions for termination benefits and commitments with personnel	601	-	(601)	-
Provision for greenhouse gas emission rights	2,342	2,360	(2,342)	2,360
	2,943	**2,360**	**(2,943)**	**2,360**
2009				
Provisions for termination benefits and commitments with personnel	-	601	-	601
Provision for greenhouse gas emission rights	1,697	2,229	(1,584)	2,342
	1,697	**2,830**	**(1,584)**	**2,943**

15. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" at December 31 is as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2010	2009	2010	2009	2010	2009
Non-current financial liabilities						
Trade and other payables	15,965	24,336	4,333	3,938	20,298	28,274
	15,965	24,336	4,333	3,938	20,298	28,274
Current financial liabilities						
Trade and other payables	42,817	30,109	32,290	39,621	75,107	69,730
Hedging derivatives	-	-	87	79	87	79
	42,817	30,109	32,377	39,700	75,194	69,809
	58,782	**54,445**	**36,710**	**43,638**	**95,492**	**98,083**

These amounts are disclosed in the balance sheet as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2010	2009	2010	2009	2010	2009
Non-current financial liabilities						
Borrowings	15,965	24,336	4,333	3,938	20,298	28,274
	15,965	24,336	4,333	3,938	20,298	28,274
Current financial liabilities						
Borrowings	42,817	30,109	5,565	4,283	48,382	34,392
Borrowings from group companies and associates	-	-	6,968	10,052	6,968	10,052

Trade and other payables	-	-	19,844	25,365	19,844	25,365
	42,817	30,109	32,377	39,700	75,194	69,809
	58,782	**54,445**	**36,710**	**43,638**	**95,492**	**98,083**

15.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31 was the following:

(Thousands of euros)	2010	2009
Non-current		
Loans and borrowings	15,874	24,306
Obligations under finance leases (Note 6.2)	91	30
	15,965	24,336
Current		
Loans and borrowings	42,681	30,024
Obligations under finance leases (Note 6.2)	68	33
Accrued interest payable	68	52
	42,817	30,109
	58,782	**54,445**

Loans and borrowings

The breakdown of "Loans and borrowings" at December 31 is as follows:

	2010		2009	
(Thousands of euros)	Amount pending payment	Accrued finance cost (Note 17,6)	Amount pending payment	Accrued finance cost (Note 17,6)
Loans	24,307	580	31,740	715
Borrowings	34,248	464	22,590	490
	58,555	**1,044**	**54,330**	**1,205**

The loans and borrowings accrue floating interest at market rates.

At December 31 2010 and 2009, the Company has been granted credit facilities up to a total limit of 35,005 and 34,005 thousand euros, respectively.

The breakdown by maturities of loans and borrowings at December 31 is as follows:

(Thousands of euros)	2010	2009
1 - 2 years	7,852	8,440
2 - 3 years	6,251	7,850
3 - 4 years	1,771	6,245
4 - 5 years	-	1,771
	15,874	**24,306**

At December 31 2010 and 2009, the Company has undrawn discount facilities amounting to 4,000 and 2,000 thousand euros, respectively.

15.2 Derivatives and other financial liabilities

The breakdown of "Financial liabilities" thus classified at December 31 is as follows:

(Thousands of euros)	2010	2009
Non-current		
Loans at a subsidized interest rate	4,333	3,938
	4,333	**3,938**
Current		
Borrowings from group companies and associates (Note 19.1)	6,968	10,052
Trade and other payables	19,844	25,365
Loans at a subsidized interest rate	974	1,311
Payable to shareholders and directors (Note 19.2)	2,073	1,313
Payable to suppliers of non-current assets	2,425	1,562
Security deposits received and other financial liabilities	-	12
Other borrowings	6	6
Hedging derivatives	87	79
	32,377	**39,700**

Loans at a subsidized interest rate

At December 31, 2010 and 2009 the Company has obtained loans at a subsidized interest rate from entities reporting to the Navarre Regional Government, the CDTI (Industrial Technological Development Center) and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the related implicit interest accrued by these as a result of discounting the cash flows on the basis of market interest rates at the date obtained.

	2010		2009	
(Thousand of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	5,075	4,333	4,619	3,938
Current				
Loans at a subsidized interest rate	974	974	1,331	1,311
	6,049	**5,307**	**5,950**	**5,249**

The total amount recognized under finance costs in during 2010 and 2009 corresponding to these loans are 239 and 221 thousand euros, respectively (Note 17.5).

The breakdown by maturity of the non-current loans with a subsidized interest rate at December 31 is as follows:

(Thousand of euros)	2010	2009
1 - 2 years	952	908
2 - 5 years	1,042	869
3 - 5 years	724	887
4 - 5 years	554	532
More than 5 years	1,061	742

	4,333	**3,938**

Payable to suppliers of non-current assets

"Suppliers of non-current assets" basically includes suppliers of machinery acquired by the Company.

Hedging derivatives

The breakdown of "Hedging derivatives" at December 31 is as follows:

	2010		2009	
(Thousands of euros)	**Notional value**	**Fair value**	**Notional value**	**Fair value**
Interest rate swap	6,875	(87)	9,375	(79)
		(79)		**(79)**

Interest rate swap

During 2009, the Company signed two swap agreements for which it pays a fixed interest of 2,07% (swap 1) and 2,29% (swap 2), at a three-month floating Euribor rate. Both swaps were designated as cash flow hedges of the interest rate risk inherent in the loans.

The breakdown by maturity of notional amount of these contracts is the following:

	2010		2009	
(Thousands of euros)	**Swap 1**	**Swap 2**	**Swap 1**	**Swap 2**
2010	-	-	1,250	1,250
2011	1,250	1,250	1,250	1,250
2012	1,250	1,250	1,250	1,250
2013	625	1,250	625	1,250
	3,125	**3,750**	**4,375**	**5,000**

Trade and other payables

The breakdown of "Trade and other payables" at December 31 is as follows:

(Thousands of euros)	**2010**	**2009**
Suppliers	3,711	2,328
Suppliers, group companies and associates (Note 19.1)	1,279	7,305
Other payables	7,127	9,955
Employee benefits payable	1,274	880
Current deferred tax liabilities (Note 16)	2,143	712
Other payables to public administrations (Note 16)	4,053	3,795
Customer advances	257	390
	19,844	**25,365**

16. TAXES

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	2010	2009
Deferred tax assets		
Temporary differences	251	332
Unused tax credits and rebates	267	741
Other payables to public administrations		
VAT	2,217	1,240
Grants received	241	630
Withholdings and payments on account	95	-
	3,071	**2,943**
Deferred tax liabilities	(5,112)	(3,902)
Current income tax liabilities (Note 15.2)	(2,143)	(712)
Other payables to public administrations (Note 15.2)		
Personal income tax withholdings	(3,395)	(3,084)
Social security	(658)	(711)
	(11,308)	**(8,409)**

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years. The Company's directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

16.1 Income tax

The reconciliation of income and expenses for the year with tax results is the following:

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	**Increase**	**Decrease**	**Total**	**Decrease**	**Increase**	**Total**
2010						
Income and expenses for the year						
Continuing operations			62,979			1,730
Discontinuing operations			-			-
			62,979			1,730
Income tax						
Continuing operations			4,037			741
Discontinuing operations			-			-
			4,037			741
Income and expenses for the year before tax			67,016			2,471
Permanent differences	226	(48,513)	(48,287)	-	-	-
Temporary differences						
Arising in 2010	837	(1,560)	(723)	-	(5,930)	(5,930)
Arising in prior years	-	(1,108)	(1,108)	3,459	-	3,459
Tax result			**16,898**			**-**
2009						
Income and expenses for the year						
Continuing operations			39,296			1,544
Discontinuing operations			-			-
			39,296			1,544
Income tax						
Continuing operations			3,173			661
Discontinuing operations			-			-
			3,173			661
Income and expenses for the year before tax			42,469			2,205
Permanent differences	187	(545)	(358)	-	-	-
Temporary differences						
Arising in 2009	1,108	(2,755)	(1,647)	-	(4,082)	(4,082)
Arising in prior years	-	(781)	(781)	2,371	(494)	1,877
Tax result			**39,683**			**-**

Increases from permanent differences are due to non-deductible expenses relating to the per diems paid to shareholders for attending general meetings. The decreases are due to the 50% reduction in taxable profit generated by royalties collected from subsidiaries located abroad, international double taxation relief in relation to dividends from entities not resident in Spain, as well as tax losses arising in 2010 as a result of liquidating Naturin Inc.

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The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates is as follows:

	2010		2009	
(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**	**Income statement**	**Income and expense recognized directly in equity**
Income and expenses for the year before tax	67,016	2,472	42,469	2,205
Tax charge (tax rate: 30%)	20,104	742	12,741	661
Deduction for double taxation on dividends	(300)	-	(6,930)	-
Deduction for international double taxation (royalties and other services)	(165)	-	(404)	-
Deductions for research and development	(841)	-	(1,287)	-
Investment tax credits	(862)	-	(1,210)	-
Deductions from foreign investments	(197)	-	(593)	-
Impact of permanent differences	(14,487)	-	(107)	-
Tax expense (income)	**3,252**	**742**	**2,210**	**661**
Tax paid abroad (*)	785		963	
Tax expense (income)	**4,037**	**742**	**3,173**	**661**

(*) Amounts prepaid abroad for services, royalties and other items.

The breakdown of income tax expense / (income) is as follows:

	2010		2009	
(Thousands of euros)	**Income statement**	**Recognized directly in equity**	**Income statement**	**Recognized directly in equity**
Current income tax	2,248	-	367	-
Changes in deferred taxes				
From cash flow hedges	-	457	-	640
Grants, donations and bequests received	-	285	-	21
Other temporary differences	549	-	729	-
Deductions generated	(2,365)	-	(3,494)	-
Deductions applied	2,820	-	4,608	-
	3,252	**742**	**2,210**	**661**

Refundable income tax was calculated as follows:

(Thousands of euros)	**2010**	**2009**
Current income tax	2,248	367
Withholdings	(105)	-
Income tax payable(*)	**2,143**	**367**

(*) "Income tax payable" at December 31, 2009 includes 345 thousand euros corresponding to Naturin GmbH & Co's 2008 income tax (the subsidiary is currently known as Naturim Viscofan GMBH).

16.2 Deferred tax assets and liabilities

The movements in the items composing "Deferred tax assets and liabilities" are as follows:

(Thousands of euros)	Balance at January 1	Change in Income statement	Change in Equity	Balance at January 1
2010				
Deferred tax assets				
Trade receivables	111	(46)	-	65
Inventories	36	-	-	36
Deductions pending application	741	(474)	-	267
Other financial assets	185	(35)	-	150
	1,073	(555)	-	518
Deferred tax liabilities				
Non-current investments in group companies	(3,330)	(468)	-	(3,798)
Cash flow hedges	(492)	-	(457)	(949)
Non-repayable grants	(80)	-	(285)	(365)
	(3,902)	(468)	(742)	(5,112)
	(2,829)	**(1,023)**	**(742)**	**(4,594)**
2009				
Deferred tax assets				
Trade receivables	180	(69)	-	111
Inventories	54	(18)	-	36
Deductions pending application	2,102	(1,361)	-	741
Other financial assets	-	185	-	185
	2,336	(1,263)	-	1,073
Deferred tax liabilities				
Non-current investments in group companies	(2,508)	(822)	-	(3,330)
Cash flow hedges	148	-	(640)	(492)
Non-repayable grants	(59)	-	(21)	(80)
Other financial liabilities	(241)	241	-	-
	(2,660)	(581)	(661)	(3,902)
	(324)	**(1,844)**	**(661)**	**(2,829)**

The Company has unused deductions of 267 thousand euros, recognized under "Deferred tax assets", the breakdown of which is as follows:

(Thousands of euros) Arising in	Last year for utilization	Deductions
2010	2020	267
		267

17. INCOME AND EXPENSES

17.1 Revenue

The distribution of revenue corresponding to the company's ordinary activity by market segment is as follows:

(Thousands of euros)	2010	2009
By business segment		
Sale of meat, cellulose, plastic and collagen casings	108,485	141,259
Sale of replacement parts and machinery	5,161	4,989
Sale of energy	32,805	20,787
Other sales	90	67
Services provided	518	1,664
	147,059	**168,766**
By market segments		
National market	43,143	30,385
Foreign market	103,916	138,381
	147,059	**168,766**

Given that a significant percentage of exports were to group companies, the sales to third parties were not significant enough to warrant a breakdown by geographical area.

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2010	2009
Consumption of raw materials and other consumables		
Purchases in Spain	6,604	9,214
EU acquisitions	10,394	10,210
Imports	2,193	3,348
Changes in raw material and other consumables	(378)	404
	18,813	**23,176**

The breakdown of "Consumption of goods" is as follows:

(Thousands of euros)	2010	2009
Purchases of goods for resale		
Purchases in Spain	5,969	6,736
EU acquisitions	10,027	37,970
Imports	1,809	1,432
Change in goods for resale	(646)	266
	17,159	**46,404**

17.3 Social security costs, et al

The breakdown of "Social security costs, et al" is as follows:

(Thousands of euros)	2010	2009
Social security	5,487	5,852
Other employee welfare expenses	1,001	628
	6,488	**6,480**

17.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2010	2009
Research expenses	882	588
Lease payments	785	730
Repairs and maintenance	11,324	10,289
Independent professional services	4,220	4,177
Transportation services	1,891	2,507
Insurance premiums	2,249	1,873
Bank services	138	220
Publicity, advertising, and public relations	711	720
Utilities	25,674	22,294
Other services	5,002	4,248
	52,876	**47,646**

17.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2010	2009
Loans	741	715
Credits	464	490
Loans with subsidized interest rates	239	221
Other financial liabilities	2	49
	1,446	**1,475**

18. FOREIGN CURRENCY

The Company makes sales in currencies other than its functional currency. The breakdown of transactions carried out in currencies other than the euro is as follows:

(Thousands of euros)	2010	2009
Revenue		
Sales	65,353	65,817
Goods for consumption		
Purchases of raw materials and other consumables	(7,599)	(8,172)
Purchases of goods for resale	(697)	(505)
Other operating income		
Ancillary income	164	146
Employee benefits expense		
Wages and salaries	(74)	(77)
Social security costs, et al,	(7)	(14)
Other operating expenses		
External services	(2,370)	(1,756)
Taxes (other than income tax)		(297)
Losses on, impairment of and change in trade provisions	(187)	-

19. RELATED PARTY DISCLOSURES

All the related-party transactions relate to normal Company trading activity and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

19.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2010		
Customers (Note 8.1)	8,215	656
Current loans (Note 8.1)	2,085	-
Current dividends receivable	279	-
Suppliers (Note 15.2)	1,279	-
Current accounts payable (Note 15.2)	6,968	-
2009		
Customers (Note 8.1)	13,536	1,054
Current loans (Note 8.1)	2,059	-
Current dividends receivable	279	-
Suppliers (Note 15.2)	7,305	-
Current accounts payable (Note 15.2)	10,052	-

Transactions entered into with related parties were as follows:

	2010		2009	
(Thousands of euros)	Direct parent	Companies with an indirect investment	Direct parent	Companies with an indirect investment
Revenue				
Sale of casings	39,699	1,884	50,432	3,540
Sale of replacement parts and machinery	4,836	41	4,877	81
Services provided	518	-	1,664	-
Goods for consumption				
Purchases of casings and other	14,020	-	43,708	-
Sale of replacement parts – machinery	-	-	28	-
Other income				
Other operating income	4,967	169	4,098	101
Employee benefits expense				
Other employee benefits expense	3	-	7	-
Other operating expenses				
External services	1,129	-	1,128	-
Net finance income (expense)				
Finance income - dividends	45,199	-	23,101	-
Finance income - interest	25	-	63	-
Finance expenditures - interest	161	-	45	-

19.2 Directors and senior executives

Members of the Board of Directors only receive the remuneration stipulated in Articles 27 and 30 of Company bylaws: 1,5% of the Company's pre-tax profit for the Board, and 1,5% of the Company's pre-tax profit for the Executive Committee. Based on the abovementioned Articles and Statutes, the Board of Directors and Executive Committee decide on the distribution among the respective members of these bodies.

The breakdown of the remuneration is as follows:

			Per diems			
Name	Committee	Board	Audit committee	Board of directors	Boards of other group companies	Total
2010	1,001,34[illegible]	921,342	70,000	80,000	244,800	2,317,483
2009	628,740	550,743	56,000	78,000	238,620	1,552,103

VISCOFAN, S.A.

Notes to the financial statements
December 31, 2010

At December 31, 2010 and 2009, the Company had no pension plans or life insurance policies for former or current members of the Board of Directors nor had it given any guarantees on their behalf. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2010 and 2009 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

Viscofan's directors have communicated that insofar as articles 229 and 230 of the Capital Companies Law are concerned they do not have any conflicts of interest with the Company. They have stated that they do not have equity interests, hold positions or carry out duties in companies with identical, similar or complementary activities to those of the company, other than those described below.

Name	Company	Position
D. José Domingo de Ampuero y Osma	Naturin Viscofan GMBH	Chairman, Board of directors
	Naturin Limited	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ, s.r.o.	Chairman, Board of directors
	Viscofan USA Inc.	Chairman, Board of directors
	Viscofan Technology Suzhou Co. Ltd.	Chairman, Board of directors
	Viscofan Centroamérica Comercial, S.A.	Chairman, Board of directors
	Viscofan Canada, Inc.	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
D. Nestor Basterra Larroudé	Naturin Viscofan GMBH	Vice-Chairman
	Gamex, CB, s.r.o.	Vice-Chairman
	Viscofan USA Inc.	Vice-Chairman
	Industrias Alimentarias de Navarra, S.A.U.	Vice-Chairman
	Koteks Viscofan d.o.o.	Vice-Chairman
	Viscofan CZ, s.r.o.	Vice-Chairman
	Viscofan Technology Suzhou Co. Ltd.	Vice-Chairman
	Viscofan Centroamérica Comercial, S.A.	Vice-Chairman
	Viscofan Canada, Inc.	Vice-Chairman
	Viscofan de México, S. de R.L. de C.V.	Vice-Chairman
	Naturin Limited	Vice-Chairman

During 2010 and 2009, senior management received remuneration amounting to 1,637 and 1,749, respectively. The Company does not have any commitments with Board members in respect of pension, life insurance, or stock option plans. No loans or advances have been granted to current or former Board members, neither have any guarantees been assumed on their behalf.

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Company's risk management policies are established by the Example Group's financial risk committee, having been approved by the Group's directors. Based on these policies, the Company's finance department has established a series of procedures and controls which make it possible to identify, measure, and manage the risks arising from financial instrument activity. These policies establish that no trading in derivatives for speculative purposes will be undertaken by the Company.

Financial instrument activity exposes the Company to credit, market and liquidity risk.

20.1 Credit risk

Credit risk exists when a potential loss may arise from the Company's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The maximum exposure to credit risk at December 31 was as follows:

(Thousands of euros)	2010	2009
Non-current financial investments	115	90
Trade and other receivables	33,436	43,237
Current loans to group companies	2,085	2,059
Current financial investments	6,275	2,540
	41,910	**47,926**

For the purposes of credit risk management the Company differentiates between financial assets arising from operations and investments.

Operating activities

The Sales Department and Finance Department set credit limits for each customer, which are based on information obtained from an entity specializing in solvency analysis of companies.

Each month a breakdown giving the age of each of the accounts receivable is prepared which serves as a base to control collection. The Finance Department requests settlement of past due accounts on a monthly basis until they are more than 90 days old, at which point they are submitted to the insurer to arrange recovery. In addition the Legal Department is notified so it can monitor collection and if necessary, subsequently, claim the debt through the courts.

Each month customers incurring in late payments have their credit status reviewed, with measures taken in respect of credit limit and payment terms.

The breakdown, by counterparty, of the concentration of credit risk related to "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2010	2009
Not due	20,236	22,496
Past due, not impaired		
Less than 3 months	1,699	4,151
3 – 6 months	21	117
6 – 12 months	(25)	-
More than 12 months	15	-
	21,946	26,764
Doubtful (more than 6 months)	194	278
Impairment allowances	(194)	(278)
Total	**21,946**	**26,764**

Investing activities

Loans and borrowing facilities to group companies and third parties, as well as the acquisition of unlisted companies' securities must be approved by Management.

20.2 Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises interest rate risk, currency risk and other price risks.

Foreign currency risk

Foreign currency risk is the risk of possible loss caused by changes in the fair value or future cash flows of a financial instrument because of fluctuations in exchange rates. The Company's exposure to the risk of exchange rate fluctuations is mainly related to sales carried out in currencies other than the functional currency.

As described in Note 18, the Company carries out major transactions in foreign currencies, in particular, dollars. The Viscofan Group's policy is to arrange exchange rate hedges to cover the net cash flows from these transactions. All income in dollars included in the dollar accounts receivable at December 31, 2009 were hedged at that date.

Maximum exposure to foreign currency risk for accounts receivable at December 31, 2009 was as follows:

	2010		2009	
(Thousands of euros)	**Receivables**	**Payables**	**Receivables**	**Payables**
In US dollars	13,118	1,271	12,461	619
In Canadian dollars	510	-	886	-
In pounds sterling	786	-	1,041	-
Rest	163	-	784	-
	14,577	**1,271**	**15,172**	**619**

Interest rate risk

Interest rate risk arises when there is a possible loss due to fluctuations in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The Company's exposure to the risk of changes in interest rates is mainly related to non-current loans and credit facilities received at floating interest rates.

The Company manages its interest rate risk by distributing financing received between fixed and floating rates. Company policy consists in maintaining a percentage of non-current net loans (net of non-current investments) received from third parties at a fixed interest rate. To manage this, the Company enters into interest rate swaps which are designated as hedges of the respective loans. At December 31, 2010, after taking into account interest rate swaps, 28,54% of non-current net financing was at a fixed rate (December 31, 2009: 30%).

20.3 Liquidity risk

Liquidity risk is the possibility that the Company will have insufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Company's objective is to maintain sufficient available funds. Company policies establish the minimum liquidity levels required. The Company adequately monitors each month expected collections and payments to be made in the coming months and analyzes any deviations from expected cash flows in the previous month to identify any possible deviations which might affect liquidity.

The undiscounted contractual maturity dates of financial liabilities were as follows:

(Thousands of euros)	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total
2010					
Bank borrowings					
Loans	929	7,504	15,874	-	24,307
Borrowings (*)	8,600	25,648	-	-	34,248
Accrued interest payable	68	-	-	-	68
Liabilities from capital leases	16	52	91	-	159
Derivatives	-	87	-	-	87
Other financial liabilities	2,623	2,855	3,272	1,061	9,811
Payable to group companies	6,968	-	-	-	6,968
Trade and other payables	19,809	35	-	-	19,844
	39,013	**36,181**	**19,237**	**1,061**	**95,492**
2009					
Bank borrowings					
Loans	1,010	6,424	24,306	-	31,740
Borrowings (*)	5,301	17,289	-	-	22,590
Accrued interest payable	52	-	-	-	52
Liabilities from capital leases	10	23	30	-	63
Derivatives	-	79	-	-	79
Other financial liabilities	179	4,025	3,197	741	8,142
Payable to group companies	10,052	-	-	-	10,052
Trade and other payables	25,365	-	-	-	25,365
	41,969	**27,840**	**27,533**	**741**	**98,083**

(*) The classification of the maturities of "Borrowings" was determined according to current maturities of the amounts drawn down on the credit accounts. Thus "Up to 3 months" includes the balance drawn down on credit lines which are renewed annually and the renewal of which was agreed after year end.

21. OTHER INFORMATION

21.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average headcount during the year
	Men	Women	Total	
2010				
Senior executives	11	1	12	13
Engineers and technicians	98	12	110	108
Administrative personnel	7	33	40	37
Specialized personnel	74	16	90	91
Laborers	246	79	325	310
	436	**141**	**577**	**559**
2009				
Senior executives	13	1	14	14
Engineers and technicians	95	11	106	104
Administrative personnel	7	31	38	38
Specialized personnel	75	17	92	96
Laborers	259	70	329	335
	449	**130**	**579**	**587**

21.2 Audit fees

Ernst & Young, S.L., the auditor of the Company's financial statements and all other companies with which it has any of the relationships referred to in Additional Provision Fourteen of the Measures to Reform the Financial System Law, agreed with the Company the following fees for the years ended December 31, 2010 and 2009:

(Thousands of euros)	2010	2009
Fees for audit of the financial statements	84	82
Other services	22	17
	106	**99**

The above amounts include all 2010 and 2009-related fees, irrespective of when they were actually billed.

21.3 Information on environmental issues

Plant and equipment included in "Property, plant and equipment" used for protecting and improving the environment at December 31 are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
2010				
Cost	10,167	-	(4)	10,163
Accumulated depreciation	(7,030)	(697)	1	(7,726)
	3,137			**2,437**
2009				
Cost	9,917	408	(158)	10,167
Accumulated depreciation	(6,268)	(831)	69	(7,030)
	3,649			**3,137**

The expenses to protect and improve the environment during 2010 and 2009 were ordinary and amounted to 986 and 908 thousand euros, respectively.

The Company's directors consider that no significant contingencies exist with respect to environmental protection and improvement and therefore, no provision has been made in that respect.

21.4 Information on late payment to suppliers in commercial transactions.

In accordance with the ICAC resolution of December 29, 2010 and Transitional Provision Two thereof, the Company discloses that at December 31, 2010 it had a balance of 35 thousand euros payable to suppliers which had not been paid within the legal payment deadline (85 days during the transition period until December 31, 2011).

With regards to the obligation to disclose the information given in this Note, exclusively for this item these financial statements are considered first-time financial statements in terms of uniformity and comparability.

22. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place subsequent to year end which would have an effect on the financial statements at year-end 2010.

VISCOFAN, S.A.

Management Report
December 31, 2010

Management report 2010

Business performance and situation of the Viscofan Group

In 2010 Viscofan, S,A, posted revenue of 147.1 million euros, 12.9% down on 2009.

The decrease in revenue is due to the fact that in 2010 local subsidiaries served a significant number of customers served by Viscofan S.A. in 2009 as the Group seeks closer proximity to the end customer.

This change is in line with the Viscofan Group's BeONE strategy for 2009-2011. As part of this strategy the Viscofan Group has redesigned its commercial activity and production to maximize the operating and scale synergies of the worldwide leader in artificial casings and at the same time improve the level of service to existing customers in 120 countries worldwide.

The reduction in Viscofan, S.A.'s commercial and productive activity together with improved production efficiency in Spain and savings obtained from purchasing raw materials for the Viscofan Group's requirements centrally, have led to a 42.6% reduction in consumption costs[11], which totaled 39 million euros, compared to the same period last year.

Personnel expenses were 29.5 million euros, 5.0% lower than in 2009. In 2010 the average headcount went from 587 to 559 employees as a result of the reorganization of production at the Viscofan Group and the production improvements achieved in Spain.

The 5.8% year-on-year increase in EBITDA reflects the savings in consumption and the reduction in personnel expenses. In 2010 the EBITDA margin was 22.4% and EBITDA for the year was 32.9 million euros, up 17.8% on 2009.

Depreciation and amortization increased by 14.6% due mainly to the major investments at the production centers in Spain, at the new cogeneration plant in 2009 and technological improvements and machinery introduced in 2009 and 2010.

All the above has led to an operating profit of 24.0 million euros in 2010, up 19.0% on 2009.

There was also a marked increase in the operating margin in 2010; at 16.3% it was 4.4 percentage points above the 11.9% achieved in 2009.

The sharp increase in finance income, up 92.7% to 43.1 million euros, is mainly due to the distribution of dividends from Group companies.

Profit before tax was 67.0 million euros, up 57.8% on 2009 profit. After deducting tax of 4.0 million euros, net profit for 2010 was 63.0 million euros, up 60.3% on the 39.3 million euros obtained in 2009.

Outlook for the Company

In a market with volumes rising worldwide, Viscofan S.A. is in a unique competitive position to continue capturing growth, while taking the necessary steps to bolster its operating efficiency and profitability in an environment in which growth recovery is uncertain.

[1] Consumption costs = Supplies +/- Changes in inventory.

In 2011, the Company will reap the benefits of its increased collagen production capacity. In addition, it will seek to further automate the production process and speed up the production of cellulose and collagen casings to take more advantage of economies of scale and greater production efficiency. It will continue to be a center of excellence which through its more extensive know-how will set new benchmarks as targets to be used by the other Viscofan Group production centers.

Viscofan SA's main R&D investments

In 2010 Viscofan S.A. has invested 7.7 million euros in R&D, mainly on technology and capacity improvements. In 2009 it invested 20.2 million euros, most of which was spent on enlarging the cogeneration plant in Cáseda.

Viscofan S.A., through its R&D department in Navarre, centralizes coordination of the R&D activities of the rest of the Viscofan Group and this center has established itself as the specialist center in the cellulose casing segment. Efforts in the area of R&D activities are focused on improving production efficiency as well as developing innovative processed meat products, the Company's business segment.

In the field of research and development the Company has obtained important institutional support both from the Regional Government of Navarre and the Spanish Ministry of Industry (CDTI).

Patents are applied for where considered relevant by technicians and experts.

Acquisition of own shares

At year-end 2010, the Company did not possess own shares.

Risks and uncertainty

Viscofan S.A. has produced higher revenues in a period of high volatility and uncertainty and is well placed to take advantage of market increases in its main businesses. However, it must be remembered that due to the nature of its transactions, the Group's activities are exposed to various operational, financial and strategic risks. The group manages risk according to the policies approved by the Board of Directors, who have tasked the Audit Committee with supervision of this area.

Accordingly, internal audit has been improved and its internal control responsibilities have been extended to various additional areas: investments (Committee and procedures).

In addition, a plan has been implemented to establish an internal control system for financial information, based on the Spanish Securities Exchange Commission's (CNMV) recommendations which has led to the improvement and consolidation of the processes already implemented.

At the same time, crime prevention and detection measures are being introduced to improve internal control in all areas in order to limit the risk of criminal responsibility that could fall on the corporate entities due to the legislative changes introduced.

Among the specific risks affecting Viscofan, S.A., worthy of particular note are less favorable exchange rates, increases in production costs, such as energy and raw material prices, or worse market conditions due to the global economic crisis.

Risk management policy

Improvement of internal audit, extending its internal control to various areas: investments (Committee and procedures).

A plan has been implemented to establish an internal control system for financial information, responding in advance to the requirements of the Spanish Securities Exchange Commission, (CNMV) which has led to the improvement and consolidation of the processes already implemented.

Crime prevention and detection measures are being developed to improve internal control in all its areas.

The control and management of financial risk is based on measuring *Value at Risk (VaR)* to reply to the following question: What is the most pessimistic scenario based on a certain confidence level? This is a statistical estimation of risk which includes a specific time frame (hours, days, months, years), an estimated confidence level of between 95-99%, and a maximum loss expressed as a percentage, Viscofan uses the Montecarlo simulation method to calculate VaR.

These analyses quantify Viscofan's exposure to changes in foreign currency and interest rates. There are two types of foreign currency risk. The first is related to balance sheet items including certain assets (building and machinery,,,) and liabilities (bank debt, payables,,,) reflected in foreign currency, which might lose value based on fluctuating exchange rates.

The second is related to cash flow exposure due to type of currency, Viscofan covers the latter using EBITDA for the following year to carry out its simulations.

Decisions regarding the amount to hedge for each currency are made based on the result of analyses for currencies in which a relevant net risk has been detected, depending on the degree of risk the company is willing to assume.

In order to mitigate interest rate risk, Viscofan SA has obtained hedge agreements.

The increased activity of the co-generation plant in Cáseda has increased the Company's exposure to energy markets, due to income from sales of electricity as well as expenses from its gas supply. This has created the need to monitor and intervene in the futures markets to ensure uninterrupted operations, and to sign up for the tariff plan for the next year in order to guarantee positive operating margins.

Counterparty risk materializes in the possibility that the Company's clients might not comply with payment commitments. The Company has an insurance policy to cover its client risk, Due to the current economy in general, however, hedges provided by suppliers have deteriorated; consequently, procedures have been tightened and internal controls have been intensified to avoid increased delinquency.

The Company's gearing level and available credit facilities suggest that its financial needs can be met on favorable terms; therefore, liquidity risk is not relevant, despite the financial restrictions which continue to mark 2010 and are expected to continue into 2011.

Operations with the board of directors or persons acting on their behalf, carried out during 2010, with the quoted company or a Group company when operations are different to the Company's ordinary activity or are not carried out in normal market.

In 2010 the directors have not participated in any operations other than the ordinary activity of the Company or Group companies or carried out in abnormal market conditions.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 2010 year end.

VISCOFAN, S.A.

Management Report
December 31, 2010

Information to be included in the management report according to art, 116 bis of the securities market law.

The current explanatory report was prepared by the Board in its meeting held on February 28, 2011 as part of the Management Report included in the Company's Annual Report and was incorporated as part of the Management Report as established by Article 116 bis of the Securities Market Law.

A) The structure of capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attached thereto and the percentage of total share capital that it represents;

Share capital stands at 13,981,104.60 euros and consists of 46,603,682 shares of 0,30 euros par value each. Share capital is fully subscribed and paid in.

All shares have the same voting and dividend rights, are renegotiated on OTC markets in Spain, and are represented by book entries.

Regarding this point, the following are the Company's bylaws:

"Article 5: Share capital stands at 13,981,104.60 euros (thirteen million nine hundred and eighty-one thousand one hundred and four euros and 60 euro cents) and consists of 46,603,682 shares (forty-six million six hundred and three thousand six hundred and eighty-two) of 0,30 euros (30 euro cents) par value each".

Share capital is fully subscribed and paid in.

"Article 6: All the shares are represented by book entries in accordance with the provisions of Royal Decree 116/1992 dated February 22, Iberclear (the Spanish clearing house) is in charge of keeping the accounting records"

"Article 8: Each share confers the status of shareholder on its lawful owner and confers, at the very least, the right to participate in the distribution of earnings and any assets if the Company were liquidated, to exercise pre-emptive subscription rights in the issuance of new shares or convertible bonds, to attend and vote at the General Shareholders' Meetings and challenge the resolutions adopted, the right to receive information, and any other right which might be recognized by Law".

B) Any restrictions on the transfer of securities;

There are no legal restrictions or restrictions under the Company's articles of association on the transfer of securities.

C) Significant direct and indirect shareholdings;

At December 31, 2010, direct or indirect shareholdings exceeding 3% of share capital that the Company was aware of are as follows:

Marathon Asset Management, LLP: 2,338,952 shares which are indirectly distributed in direct holding, all under 3%, equivalent to 5,019% of Viscofan's share capital calculated based on a total of 46,603,582 shares.

Onchena S.L.: 2,366,000 direct shares. These represent 5.077% of Viscofan's share capital, based on a total of 47,296,842 shares.

Blackrock Inc.: 1.463.530 indirect shares held via direct holdings which all represent less than 3%. Together they represent 3.140% of the share capital calculated on a total of 46,603,682 shares.

BNP Paribas, Societé Anonyme: 1,436,592 direct shares. Together they represent 3.083% of the share capital calculated on a total of 46,603,682 shares.

D) Any restrictions on voting rights;

There are no legal restrictions or restrictions in the articles of association on the exercise of voting rights, except the restrictions relating to treasury shares.

In this respect, the bylaws regulate the voting rights as expressed in Article 8 (Section A).

E) Agreements between shareholders;

The Company has no knowledge of any agreements between shareholders.

F) The rules governing the appointment and replacement of board members and the amendment of the articles of association

The abovementioned are internally regulated by the Company bylaws and the Board of Directors Regulations.

According to the bylaws, Articles 26 and 27 determine the following, among other aspects:

"The appointment of the Board of Directors shall rest with the General Meeting, in pursuance of article 137 of the Companies Act".

A Director need not be a shareholder to be appointed.

The term of office of Directors shall be six years from the date of appointment.

The appointment of board members expires when, after expiry of their tenure, the next General Meeting has been held or the legal period for holding the Meeting to approve the accounts of the preceding year has elapsed.

Directors shall step down and tender their resignation in the following cases:

a) When their circumstances render them incompatible or prohibited from serving on the board for one of the reasons specified under Spanish law.

b) Their permanence on the board places the company's interests at risk.

c) The reasons for which they were appointed cease to apply.

d) Proprietary directors should resign when the shareholders they represent dispose of a substantial portion of their ownership interest.

Article 8 of the Board of Directors' Regulations states that Directors shall be appointed by the General Meeting or by the Board itself in those events stipulated by law.

The Board shall lay before the General Meeting its nominations for appointment or re-election of Directors, within the limits set forth in the articles of association, on the basis of a proposal by the Appointments and Remuneration Committee for independent directors and a report by this committee for all other directors. Such nominations shall include a reasonable number of independent Directors and shall seek to maintain a majority of non-executive Directors.

The Directors shall discharge their duties during the term foreseen in the articles of association.

Regarding the removal of directors, article 27 of the Board regulations states:

Directors shall step down and tender their resignation in the following cases:

a) When their circumstances render them incompatible or prohibited from serving on the board for one of the reasons specified under Spanish law.

b) When their continued presence on the Board could jeopardize the interests of the Company or when the reasons for which they were appointed cease to apply.

c) Proprietary directors should resign when the shareholder they represent disposes of a substantial portion of their ownership interest.

The Board of Directors shall not propose the removal of independent directors before the end of the term for which they were appointed unless the Board considers there is just cause, based on a report from the Nomination Committee.

Directors who resign or for whatever reason give up their place on the board before their tenure expires, should state their reasons in a letter to be sent to all members of the board.

The CNMV must be informed of a director's departure as a significant event and the reason for that departure must be stated in the Corporate Governance Report for the year.

In addition, in compliance with art. 22 of the Board regulations on the duty of loyalty:

"Directors must inform the company and, if necessary, resign in cases that might affect the Company's credit or reputation. In particular, they must inform of any criminal charges brought against them and any developments in this respect. In this case, the Board shall examine each case. It shall monitor developments and decide whether the Director is to continue or not in light of these."

The Company has no specific regulations for changing its by-laws other than those set out in the applicable legislation. Article 194 of the Capital Companies Law sets out the requirements of a strengthened quorum and Title VIII of the same law establishes other regulations.

Requirements regarding the adoption of agreements set out in Article 21 of the Company bylaws and Article 18 of the Board of Directors' Regulations are the same as those stated.

G) The powers of board members and in particular the power to issue or buy back shares;

According to article 29 of the articles of association:

"The Board of Directors is vested with the broadest powers to manage, administer and represent the Company in all areas regarding its normal business including, but not limited to, the following:

To represent the Company in or out of court.

To sign or delegate the power to sign on behalf of the company.

To open and make withdrawals from current and credit accounts at any bank, including the Bank of Spain and its branches, to carry out all kinds of banking and credit transactions, including at the Bank of Spain and its branches, or any other Spanish or foreign bank.

To purchase, sell, swap, lease and assign movable goods and property, industrial or mercantile installations and businesses of any kind.

To constitute, modify and cancel real rights to these.

To participate in tenders and auctions of all kinds and enter into supply, work execution and services contracts.

To set up and cancel provisional or definitive guarantees, receive and pay any and all amounts receivable or payable by the Company, even at the central, regional or local tax authorities, payments organisms or other governmental offices.

To carry out all kinds of proceedings and enter into contracts to manage, sell, disburse, own and encumber movable goods and property, to grant all kinds of general or special, mercantile, judicial or administrative powers and, in general, to perform any duty required for the development and progress of the Company.

To acquire, via any legal means, all types of machinery, tools and equipment for: public works, constructions of all kind, industrial and commercial operations.

To lease or assign the use of this machinery or business, with or without purchase options, to any Spanish or foreign, public or private, natural or corporate person.

To intermediate in the sale or acquisition of these assets.

To import, export, promote and participate in this activity in respect of the assets mentioned in the preceding paragraphs.

To finance, in general, any transaction designed for the aforementioned purposes.

To conduct studies and prepare reports on all types of legal, economic and financial issues, as well as provide advisory on them.

To sign financial, industrial or commercial projects and, in general, all types of similar transactions, as well as participate in them.

To purchase all types of credits and bills for trading.

To provide any type of civil or mercantile guarantee to natural or corporate persons deemed appropriate and before any individuals or entities in transactions or commitments made or assumed, signing such public or private documents as may be necessary, including bills of exchange.

In addition, the latest version of the Regulations of the Board of Directors approved at the Board Meeting held on January 27, 2011 provides:

"Article 5.- Powers of exclusive knowledge,

In addition to those reserved by law, the following matters are of exclusive competence of the Board of Directors in full:

a) The Company's general policies and strategies, and in particular:
- *i) The strategic or business plan, management targets and annual budgets;*
- *ii) Investment and financing policy;*
- *iii) Design of the structure of the corporate Group;*
- *iv) Corporate governance policy;*
- *v) Corporate social responsibility policy;*
- *vi) Remuneration and evaluation of senior officers;*
- *vii) Risk control and management, and the periodic monitoring of internal information and control systems;*
- *viii) Dividend policy, as well as the policies and limits applying to treasury stock.*

b) The following decisions:

- *i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses;*
- *ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions;*
- *iii) The financial information listed companies must periodically disclose;*
- *iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;*
- *v) The creation or acquisition of shares in special purpose entities or resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group;*

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions)".

However, board authorization may not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across the-board basis to a large number of clients;
2. They go through at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

Related-party transactions should only be approved on the basis of a favorable report from the Audit Committee.

d) Setting of policies regarding information to shareholders, markets and public opinion.

e) Powers of organization of the Board of Directors and amendments to the Regulations of the Board of Directors.

f) Determining the contents of the corporate website.

g) Delegating and revoking authority to any members under the terms established by Law and the statutes.

h) Appointing a director to cover a vacancy, following the recommendations of the Nomination and Remuneration Committee, until such time as the next General Shareholders Meeting is held.

i) Accepting directors' resignations.

j) Any other duties assigned to them by applicable legislation, the prevailing by-laws or this regulation."

Finally, at the General Shareholders' Meeting of the Company held on June 1, 2010, the following resolution was adopted:

"Annul the authorization to acquire treasury shares granted to the Board of Directors at the General Shareholders' Meeting held on June 3, 2009.

To authorize the Board of Directors so that, though the individual, company or entity deemed appropriate, it may purchase and sell on the market shares of the Company itself, at the price quoted on the day of such transaction, up to the maximum number of shares permitted by Spanish Corporation Law and related provisions, at a price of no less than 100% and no more than 12500% of their nominal value.

The proposed authorization is for the legally established maximum period from the agreement date and is granted to the Board of Directors subject to the legal restrictions on the acquisition of treasury shares and, more specifically, the contents of art. 75 of the Revised Text of the Spanish Corporation Law.

Should the Board of Directors be required to make use of the authorization granted at the General Shareholders' Meeting, the treasury shares of the Company would be subject to the restrictions provided for under Article 79 of said law".

VISCOFAN, S.A.

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December 31, 2010

H) Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company. This exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;

The Company is not party to any agreements of this kind.

I) Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

There are agreements of this kind between the company and two managers.

Madrid, February 28, 2011

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Annual Corporate Governance Report
2010
LISTED STOCK COMPANIES
IDENTIFICATION OF ISSUER
FISCAL YEAREND: 12/31/2010
TAX IDENTIFICATION CODE: A-31065501
Company name: Viscofan, S.A.

SAMPLE ANNUAL CORPORATE GOVERNANCE FORM FOR LISTED STOCK COMPANIES

For a better understanding of the model and subsequent preparation of the form, one must read the instruction for filling it out at the end of this report.

A.OWNERSHIP STRUCTURE OF THE COMPANY

A.1. Complete the following table about the share capital of the company:

Date of last change
Share capital (€)
Number of shares
Number of voting rights

03/06/2009 13,981,104.60 46,603,682 46,603,682

Fecha de última modificación	Capital Social (euros)	Número de acciones	Número de derechos de voto
03/06/2009	13.981.104,60	46.603.682	46.603.682

State whether there are different classes of shares with different rights attaching thereto
NO

A.2. Breakdown of direct and indirect holders of significantshareholdings in the company as of the end of the fiscal year, excluding directors:

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	0	2.366.000	5,077
MARATHON ASSET MANAGEMENT, LLP	0	2.338.952	5,019
BLACKROCK, INC.	0	1.463.530	3,140
BNP PARIBAS, SOCIETE ANONYME	1.436.592	0	3,083

(*) Through:

Name or company name of the indirect holder of the stake	Throught: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total viting rights
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	2.366.000	5,077

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

Name or company name of the shareholder	Date of transaction	Description of the transaction
BLACKROCK, INC.	22/01/2010	Exceeded 3% of the share capital
BNP PARIBAS, SOCIETE ANONYME	10/05/2010	Exceeded 3% of the share capital

A.3. Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

(*) Through:

Name or comapany name of the indirect holder of the stake	Throught:Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
DON NESTOR BASTERRA LARROUDÉ	DON IGNACIO BASTERRA MARTINEZ	6.118	0,013

Name of company name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
DON JOSE DOMINGO DE AMPUERO Y OSMA	40.000	0	0,086
DON NESTOR BASTERRA LARROUDÉ	87.694	6.118	0,201
DOÑA AGATHA ECHEVARRIA CANALES	16.749	0	0,036
DON ALEJANDRO LEGARDA ZARAGÜETA	8.250	0	0,018
DON IGNACIO MARCO-GARDOQUI IBAÑEZ	30.276	0	0,065
DON JOSE CRUZ PEREZ LAPAZARAN	210	0	0,000
DOÑA LAURA GONZALEZ MOLERO	5	0	0,000

A.4. Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business:

A.5. Describe, if applicable, the commercial, contractual orcorporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

A.6. Indicate whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law *[Ley del Mercado de Valores – LMV]* have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:
NO

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year.

A.7. Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:

NO

A.8. Complete the following tables about the Company's treasury stock:

At financial year end

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0.000

(*) Throgh:

Total	0

Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Capital gain/(loss) on treasury shares disposed of during the period	0

A.9. Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

Extract of the Minutes of the General Shareholders Meeting held on June 01, 2010 on second call:
It was resolved to revoke the authorization to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on June 03, 2009.
It was resolved to authorize the Board of Directors to buy and sell on the market, through the person, Company or entity that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*) and related provisions, at a minimum price nominal value and a maximum of 125 (one hundred and twenty five) times par value.

The proposed authorisation is for the maximum term envisaged by law and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions prescribed by Article 75 of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas).

In the event the Board of Directors should need to exercise the authorization conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 79 of the Consolidated Spanish Public Limited Companies Act´.

A.10. Indicate, if applicable, any restrictions imposed by law or the Articles of Association on the exercise of voting rights, and any legal restrictions on the acquisition or transfer of interests in share capital.

Indicate whether there are legal restrictions on the exercise of voting rights:
NO
Maximum percentage of voting rights that a shareholder may exercise due to legal restriction 0

Indicate whether there are by-law restrictions on the exercise of voting rights:
NO
Maximum percentage of voting rights that a shareholder may exercise due to a by-laws restriction 0

Indicate if there are legal restrictions against the acquisition or transfer of interests in the share capital:
NO

A.11. Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:
NO
If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

B. STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1. Board of Directors

B.1.1. Describe the maximum and minimum number of Directors set forth in the By-Laws:
Maximum number of Directors 9
Minimum number of Directors 3

B.1.2. Complete the following table identifying the members of the Board of Directors:
Name or company name of the Director
Representing
Director Position on the Board
Date first elected
Date last elected
Election procedure

Nombre o denominación social del consejero	Representante	Cargo en el consejo	F. Primer nombram	F. Ultimo nombram	Procedimiento de elección
DON JOSE DOMINGO DE AMPUERO Y OSMA	-	PRESIDENTE	27/02/2009	03/06/2009	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON NESTOR BASTERRA LARROUDÉ	-	VICEPRESIDENTE 1º	27/07/1997	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DOÑA AGATHA ECHEVARRÍA CANALES	-	CONSEJERO	24/06/1998	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON ALEJANDRO LEGARDA ZARAGÜETA	-	CONSEJERO	22/05/2006	22/05/2006	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON GREGORIO MARAÑÓN BERTRAN DE LIS	-	CONSEJERO	29/01/1999	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON IGNACIO MARCO-GARDOQUI IBAÑEZ	-	CONSEJERO	01/01/2010	01/06/2010	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON JOSE CRUZ PEREZ LAPAZARAN	-	CONSEJERO	24/06/1998	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DOÑA LAURA GONZALEZ MOLERO	-	CONSEJERO	22/04/2010	01/06/2010	VOTACIÓN EN JUNTA DE ACCIONISTAS

Total number of Directors 8
Indicate any separations from the Board of Directors during the period:

Name or company name of the director.	Director type at time of removal	Effective date of removal
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	independent	31/12/2009
MR JAIME ECHEVARRIA ABONA	executive	31/12/2009

B.1.3. Complete the following table about the members of the Board and each member's status:

EXECUTIVE DIRECTORS
Name or company name of the Committee
MR. JOSE DOMINGO DE AMPUERO Y OSMA

Committee who has proposed the nomination
Nominating Committee

Position on the Company's organizational chart
Chairman

Total number of executive Directors 1
% of the entire Board 12.500

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR. NESTOR BASTERRA LARROUDÉ
Profile

Law degree and is an Economics graduate from the University of Deusto. He also has an MBA from IESE	He spent most of his career working in corporate banking both internationally and in Spain as responsible in capital market and corporate department in Bank of America and Banco Santander. He is currently Vice-president of Iberpapel Gestion SA, partner and member of the board of Director of Amistra SGC, S.A. and member of the Executive Committee of Viscofan, S.A., Director of Naturin Viscofan GmbH , and Industrias Alimentarias de Navarra, S.A.U.

Name or company name of the Director
MS. AGATHA ECHEVARRIA CANALES
Profile

Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.	She has broad professional experience in a number of multi-nationals, including the audit firm Touche & Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A. She currently acts as a business strategy adviser to family firms Member of the Board of Directors of Viscofan, S.A., of its Executive Committee, Audit Committee and Nominating and Remeneration Committee.

Name or company name of the Director
MR. ALEJANDRO LEGARDA ZARAGÜETA
Profile

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona).	With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992. In 2006 he joined the Board of Viscofan, S.A. as an independent Director and in 2007 became an observer on its Audit Committee.

Name or company name of the Director
MR. GREGORIO MARAÑÓN BERTRAN DE LIS
Profile

Complutense in Madrid and completed the Senior Executive Programme at the IESE.	He has broad experience working in the legal profession and in the financial sector, where he was Managing Director of Banco Urquijo, Chairman of Banif and Director of Argentaria and of BBVA. He is currently Chairman of Roche Farma, of Universal Music Spain, of Logista, S.A; Director of Prisa and member of its Executive Committee, president of its corporate government committee, and Nominating and Compensation Committee; member of the Board of Directors of Prisa TV, and of its Audit Committee and Nominating and Compensation Committee; member of the board of Altadis; Chairman of Advisory Board of Spencer Stuar; and member of the advisory board of Vodafone and Aguirre & Newman. In the cultura sphere he is Presidente of the Teatro Real and the Foundation Greco 2014; Vice-president and president of the Executive committee of the Ortega-Marañon Foundation, director of Santillana Foundation, Altadis Foundation, Real Fundación de Toledo and Toledo International center for the peace. He is a permanent member of the San Fernando Real Academia de Bellas Artes, and has been member of the International Council of the Tate Gallery. He holds the grand cross of Alfonso X el Sabio and officer of the french legion of honor.

Name or company name of the Director
MR. IGNACIO MARCO-GARDOQUI IBAÑEZ
Profile

Economics degree from Deusto University.	Mr. Marco Gardoqui has a long professional career, he has worked for financial entities, and his activities have covered teaching, consulting, and the press world ,where he has a strong reputation for his actively contribution as economic expert and columnist, he belongs to the Publishing Committee of Vocento Group. He also has developed a wide experience in several industrial companies, belonging to multiples Board of Directors; currently he is Director of Scheider Electric España, Progénika Biopharma, Minerales y Productos Derivados and Tubacex Tubos Inoxidables SA. Previously, he has belonged, among others, to the Board of Director of Técnicas Reunidas, IBV, and Banco de Crédito Local, and chairman of Naturgás

Name or company name of the Director
MR. JOSE CRUZ PEREZ LAPAZARAN
Profile

Agricultural Engineering graduate from the Madrid Polytechnic.	With broad experience in government service at the Ministry of Agriculture, with postings in Spain and abroad, and deputy in the general courts of the spanish state. He has held the positions of Director General of Agri-food Organization and Industry in the Government of La Rioja, Minister for Agriculture, Livestock and Forestry in the Government of Navarre, was Chairman of the Boards of various listed companies and professor in the Food Technology and Projects Departments of the University of Saragossa and the Public University of Navarre. He is currently Parliamentary senator and has been very active as Chairman or member of the various Agricultural, Fisheries and Food committees of the Congress and Senate and in the latter of the European Union, Labour and Defence committees. He is a recipient of the Gran Cruz del Merito Agrario y Pesquero and is member of the Board of Directors of Viscofan, S.A. He is also a member of its Nominating and Compensation Committee and Chairman of the Audit Committee

]

Name or company name of the Director
MS. LAURA GONZALEZ MOLERO
Profile

Graduate in Pharmaceuticals from the “Universidad Complutense de Madrid”, Executive MBA from the “Instituto de Empresas”, advanced course of innovation and leadership in Harvard and IMD Universities.	Chairman and CEO of the Merck Group in Spain and independent Director of the Leche Pascual Group. Currently, she is leading the integration process of Milipore to the Merck Group, with experience in the integration process with the biotechnology company Serono, a company with which she has been linked, in different posts, since 1999, and in which she was Vice-Chair of Serono Iberia y Paises Nordicos and Nordic countries when purchased by the Merck group. She was previously Managing Director of Farmacéutica Essex from the Schering-Plough Group, and Laboratorios Farmacéuticos

	Guerbert, S.A, as well as sales director for Roche, S.A. Currently she is member of the Board of Directors of the Circulo de Empresarios, APD, and Adecco. Her career has also been recognised by numerous prizes and awards in recognition of her work as a notable director.

Total number of independent Directors 7

% of total Directors 87.700

OTHER EXTERNAL DIRECTORS

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company or its management or with its shareholders.

Name or company name of teh Director	Date	Before conditon	Actual condition
MR. JOSE DOMINGO DE AMPUERO Y OSMA	01/01/2010	INDEPENDENT	EXECUTIVE
MS. AGATHA ECHEVARRÍA CANALES	01/01/2010	OTHER EXTERNAL	INDEPENDENT

Indicate the changes, if any, in the type of director during the period:

B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.
NO

B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:
YES

Name of the Director
Mr. IÑIGO SOLAUN GARTEIZ-GOXEASCOA

Reason for the removal: to allow time for personal commitments after many years of loyal service on the Board

Name of the Director
Mr. JAIME ECHEVARRIA ABONA

Reason for the removal: to allow time for personal commitments following a long stint as Chairman of the Viscofan Board of Directors and a loyal and much-valued career with the company since its inception in 1975.

B.1.6. Indicate the powers delegated to the CEO(s), if any:

B.1.7. Identify the directors who are managers or directors of companies within the listed company's group, if any:
Name or company name of the Director
Company name of the Group entity
Title

Name or company name of teh Director	Denominación social de la entidad del grupo	Cargo
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN LIMITED	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICE-CHAIRMAN

Nombre o denominación social consejero	Denominación social de la entidad del grupo	Cargo
MR. NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	VICECHAIRMAN
MR. NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	NATURIN LIMITED	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CANADA. INC	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN

B.1.8. Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:
Name or company name of the Director
Company name of the Group entity
Title
MR. NESTOR BASTERRA LARROUDÉ IBERPAPEL GESTION. S.A. DIRECTOR
MR. ALEJANDRO LEGARDA ZARAGÜETA CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES. S.A. DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS PROMOTORA DE INFORMACIONES S.A. DIRECTOR

B.1.9. Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:
YES

Explanation of the rules

Article 23 of the Regulations of the Board of Directors states that: Company directors may not sit on more than ten Boards of Directors, in addition to the Board of Viscofan, S.A.
The following are expressly excluded from the calculation:
- Posts on boards of companies in which Viscofan, S.A. directly or indirectly holds a controlling interest.
- Posts held on the boards of holding companies owned by the director or his/her close relatives.
Directors shall inform the Appointments and Remuneration Committee of any other professional duties that could interfere with the levels of dedication required of them.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

The investment and financing policy: YES
The definition of the structure of the group of companies: YES
The corporate governance policy: YES
The corporate social responsibility policy: YES
The strategic or business plan, as well as management objectives and annual budgets: YES
The policy regarding compensation and evaluation of performance of senior management: YES
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems
YES
The dividend policy, as well the treasury stock policy and, especially, the limits thereto: SI

B.1.11. Complete the following tables regarding the aggregate compensation of Directors accrued during the fiscal year:

a) In the Company which is the subject matter of this report:

Compensation
in thousands of euros
Fixed Compensation 0
Variable Compensation 0

Per diems 150
Payments as per Articles of Association 1,923
Options on shares and/or other financial instruments 0
Other 0
Total 2,073

Other Benefits	**in thousands of euros**
Advances 0	
Loans extended 0	
Pension Funds and Plans: Contributions 0	
Pension Funds and Plans: Obligations undertaken 0	
Life insurance premiums 0	
Guarantees established by the company in favor of Directors 0	

b) On account of membership by the Company's directors on other boards of directors and/or in the top management of Group companies:

Compensation	**in thousands of euros**
Fixed Compensation 0	
Variable Compensation 0	
Per diems 0	
Payments as per Articles of Association 245	
Options on shares and/or other financial instruments 0	
Other 0	
Total 245	

Other Benefits	**in thousands of euros**
Advances 0	
Loans extended 0	
Pension Funds and Plans: Contributions 0	
Pension Funds and Plans: Obligations undertaken 0	
Life insurance premiums 0	
Guarantees established by the company in favor of Directors 0	

c) Total compensation by type of director:

Breakdown of Directors	**By company**	**By group**
EXECUTIVE	470	163
EXTERNAL REPRESENTING A CONTROLLING SHAREHOLDER 0 0		
EXTERNAL INDEPENDENT	1,603	82
OTHER EXTERNAL	0	0
Total	2,073	245

d) As a percentage of the profits attributable to the controlling company:
Total Director compensation (in thousands of euros) 2,318
Total Director compensation/earnings attributed to parent company equity holders (stated as a %) 3,0

B.1.12. Identify the members of the Company's senior management who are not executive directors and state the total compensation accruing to them during the fiscal year:

Name or company name	**Title**

MR. JOSE ANTONIO CANALES GARCIA	MANAGING DIRECTOR VISCOFAN GROUP
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR. CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR. PEDRO ERASO ZABALZA	HEAD OF CELLULOSE AND FIBROUS EXTRUSION VISCOFAN GROUP
MR. JOSE VICENTE SENDIN AZANZA	HEAD OF STRATEGIC PROJECTS VISCOFAN GROUP
MR. JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
R. ANDRES DIAZ ECHEVARRIA	HEAD OF OPERATIONS VISCOFAN GROUP
MR. JUAN JOSE ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN GROUP
MR. MANUEL NADAL MACHIN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN S.A.
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.
MR. MILOSLAV KAMIS MANAGING	MANAGIN DIRECTOR GAMEX CB SRO., VISCOFAN CZ, S.R.O.
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN VISCOFAN GMBH. & MANAGING DIRECTOR NATURIN UK, LTD.
MR. YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL S.A.
MR. OSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO S.R.L. DE C.V.
MR. LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S. COM. E IND. LTDA.
MR. JOSE MARIA FERNANDEZ MARTIN	MANAGING DIRECTOR VISCOFAN USA INC.
MR. ALEJANDRO MARTINEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.
MR. JESÚS CALAVIA COLLAZOS	HEAD OF PRODUCTION VISCOFAN SA.
MR. JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC.
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH.
MR. WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN VISCOFAN GMBH.
MR. JUAN CARLOS GARCIA DE LA RASILLA PINEDA	MANAGING DIRECTOR KOTEKS VISCOFAN D.O.O.(Until August 2010)

Total executive management compensation (in thousands of euros) 3,244

B.1.13. Identify, on an aggregate basis, if there are indemnity or "golden parachute" provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control.
Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:
Number of beneficiaries 2
Board of Directors
General Shareholders Meeting
Body that authorizes the provisions YES NO

Is the General Shareholders Meeting informed of the provisions? NO

B.1.14. Describe the process to set the compensation of the members of the Board of Directors and the relevant provisions of the Articles of Association with regard thereto.

Process to set the compensation of the members of the Board of Directors and provisions of the Articles of Association

Pursuant to Article 27 of the Articles of Association:
´Board compensation shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Article 130 of the Spanish Public Limited Companies Act. The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case´.

In addition, Article 30 sets forth the following on the compensation of the Executive Committee:

´Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act. The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case´.

Moreover, an Nominating and Compensation Committee operates within the Board of Directors; one of its missions consists of:

´f) Proposing to the Board of Directors:
i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
ii.-executive Directors' individual compensation and all other terms of their contracts.
iii.- the basic terms of executives' contracts.´
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies. Over the course of 2010, remuneration was distributed equally among Board and committee members.

In fiscal year 2010, the distribution of compensation for the Board and the Committee has been governed by the principle of equal distribution among its members.

State whether the full Board has reserved the right to approve the following decisions:

At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions. YES.

The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts.
YES

B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:
YES

Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom
YES
Variable compensation items YES

Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.
YES

Terms and conditions that must be included in the contracts with executive directors performing senior management duties, which will include
YES

B.1.16. State whether the Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes. If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Compensation Committee and, if external advice has been provided, state the name of the external advisors that have given such advice:
YES

Matters covered by the report on compensation policy
The Report submitted to the General Shareholders' Meeting of 1 June 2010 explains the functions of the various corporate bodies and the internal rules governing the remuneration policy.

POWERS IN RELATION TO THE REMUNERATION POLICY
In accordance with Article 14 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is charged with the following duties, among others: f) To forward proposals to the Board of Directors on:
i. The remuneration policy for Board members and senior executive officers of the group, and the proposed apportionment of remuneration payable to Board members.
ii. The individual remuneration of executive Board members and other terms of their contracts of employment.
iii. The basic terms and conditions of contracts of employment with senior executives of the group.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Moreover, in accordance with Article 5 of the Regulations of the Board of Directors: In addition to those matters reserved solely for the Board by law, the following matters are the sole province of the Board of Directors sitting in full session:
b) The following decisions:
ii) The remuneration of Board members, and, in the case of executive members, additional pay for their executive duties and other conditions envisaged in their contracts of employment.

Furthermore, the company's Articles of Association state:
Article 27 of the Articles of Association
"Board remuneration shall amount to 1.5% of net earnings before tax, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act. It shall be distributed among Board members in accordance with the resolution adopted in this respect by the Board on a case-by-case basis".

Article 30 of the Articles of Association

"Executive Committee remuneration shall amount to 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act. The distribution of

this percentage among members of the committee shall be carried out pursuant to the resolution in this respect adopted by the committee in each case".

REMUNERATION POLICY PAY ITEMS

The remuneration policy of Board members has not changed since it was first adopted by the company's Board of Directors at a meeting held on 18 April 2008, and embraces the following pay items:
1. Payments to the Board and Executive Committee under Articles 27 and 30 of the company's Articles of Association:

a) Board of Directors: 1.5% of net earnings before taxes, subject to the limitations prescribed by Art. 130 of the Spanish Public Limited Companies Act. Allocation: to be decided by the Board of Directors.
b) Executive Committee: 1.5% of net earnings before taxes, subject to the limitations prescribed by Art. 130 of the Spanish Public Limited Companies Act.

Allocation: to be decided by the Executive Committee.

2. Remuneration of executive Board members.
Executive directors receive the same remuneration as non-executive directors for the their seat on the Board.
3. Remuneration of members of the Audit Committee and Appointments and Remuneration Committee.

Board members that sit on the Audit Committee or Appointments and Remuneration Committee do not receive any remuneration for their seat on such committees.

4. Remuneration of the Chairmen and Vice-Chairmen of the Board of Directors and its component committees. The Chairmen and, where applicable, the Vice-Chairmen of the company's Board of Directors, Executive Committee, Audit Committee and Appointments and Remuneration Committee do not receive any additional remuneration by virtue of their position.
5. Other items
There are no further pay items other than those described in the preceding points.

Any amendment, extension, reduction or alteration of the aforementioned pay items or their allocation must be approved beforehand by the company's Board of Directors sitting in full session, upon a proposal submitted by the Appointments and Remuneration Committee, except when approval by the company's General Shareholders' Meeting is required.

REMUNERATION 2009. ALLOCATION.
Net pre-tax earnings of Viscofan, S.A. and subsidiaries for 2009 and 2008 totalled 85,961,669.97 and 60,281,170.48 euros, respectively, while net pre-tax earnings of Viscofan, S.A. for 2009 and 2008 amounted to 42,469,170 and 33,599,556 euros, respectively. The Board of Directors shall receive 1.5% of the parent company's pre-tax profit, which for 2009 and 2008 stood at 656,739.74 and 519,582 euros, respectively, while the Executive Committee shall also receive 1.5% of the parent company's pre-tax profit for 2009 and 2008, specifically 656,739.74 and 519,582 euros, respectively.
Furthermore, the sum of 238,620 euros was paid in accordance with the Articles of Association of subsidiary companies.

The total remuneration paid to Board members in 2009 is detailed in the company's Annual Report for 2010. The company did not award any type of advance or loan to Board members, nor has it assumed any obligations in terms of pension schemes or life assurance. The group did not post any kind of guarantee or security in favour of any member of its Board of Directors, nor is there any

system of remuneration pegged to the company's share price. No other remuneration was paid other than that envisaged in the company's Articles of Association.

Role of the Compensation Committee
Pursuant to Article 14 of the Board Rules, the following shall be among the missions of the Nominating and Compensation Committee:
´f) Proposing to the Board of Directors:
i.-the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
ii.-executive Directors' individual compensation and all other terms of their contracts.´
iii. The basic terms and conditions set forth in the contracts of employment of the group's senior executive officers.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Has external advice been provided?
NO
Name of external advisors

B.1.17. Indicate the identity of the members of the Board of Directors, if any, who are also members of the board of directors, managers or employees of companies that hold a significant interest in the listed company and/or in companies within its Group:

Describe, if applicable, any significant relationships other than the ones contemplated in the prior item, of the members of the Board of Directors linking them to significant shareholders and/or at companies within the Group:

B.1.18. State whether the Regulations of the Board of Directors have been amended during the fiscal year:
si
Description of amendments

The Board of Directors, at a meeting held on 27 January 2011, approved a number of amendments to the Regulations of the Board of Directors, which can be summarised as follows:

The exclusive powers vested in the Board of Directors sitting in full session have been extended to encompass the following:
f) Deciding on the contents of the company's website.
g) Delegating powers to any of its members pursuant to applicable law and the Articles of Association, and revocation of such powers.
h) Appointing directors should vacancies arise, following a proposal to such effect from the Appointments and Remuneration Committee, and until such time as the next General Meeting is held.
i) Accepting resignations tendered by Board members.
j) Any other exclusive powers conferred by applicable law, the current Articles of Association or these Regulations.

The Regulations also envisage that if the posts of Chairman to the Board and CEO of the company are vested in the same person, one of the independent directors will be charged with the following duties:
a) to request that a Board meeting be convened, or for new items to be added to the agenda;
b) to act as coordinator for the non-executive directors and to voice their concerns;
c) to head the process whereby the Board assesses the performance of the Chairman.

The duties of the Secretary to the Board have also been extended to encompass the following:
g) Ensuring that the good governance recommendations assumed by the company are implemented.
h) Ensuring that the actions of Board members:
- abide by the letter and the spirit of applicable laws and regulations;
- comply with the company's Articles of Association and internal regulations;
- reflect recommendations on good corporate governance.

The Executive Committee and Audit Committee are now required to furnish the minutes for their meetings to all Board members, while the Appointments and Remuneration Committee must now report on any business it addresses and all resolutions carried.

Information has also been added in relation to the qualifications that members of the Audit Committee should possess, and the make-up of the committee in terms of director type (independent, executive, etc.).

The Regulations now include an improved framework for and definition of the duties of the Audit Committee, which now include:
- coordination and supervision of the internal control and reporting systems;
- supervision of internal audit services

- coordinating, supervising and safeguarding the independence of the external auditor;
- reporting to the Board of Directors before it decides upon:
(a) The periodic financial information that the company is required to disclose publicly;
b) the creation or acquisition of holdings in special-purpose entities or those domiciled in countries or territories classified as tax havens;
(c) related-party transactions.

- supervision of the internal codes of conduct and rules on corporate governance.

The duties of the Appointments and Remuneration Committee have also been refined and extended.

The Regulations now envisage a confidential whistle-blowing channel whereby employees may report possible irregular and potentially significant practices to the Audit Committee, particularly those relating to accounting, finances and auditing.

The Regulations now address the steps to be taken in the case of directors that could damage the company's image and reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof.

The Regulations now impose a limit on the number of boards on which the company's directors may sit, following a Board resolution to such effect.

The Regulations now dictate that the Board of Directors may not propose the removal of independent Board members before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.

Further information has been added on the situations in which directors may be removed from office, including limitations and transparent disclosure of the grounds for the removal.

The Regulations also usher in the electronic shareholders' forum.

B.1.19. Indicate the procedures for the appointment, reelection, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.

Pursuant to Article 26 of the Articles of Association:
´The representation and management of the Company shall be vested in the Board of Directors, which shall comprise a minimum of three and a maximum of nine members.
The Board shall be elected by the shareholders at the General Shareholders Meeting, in compliance with the provisions set forth in Article 137 of the Spanish Public Limited Companies Act.´
And Article 27 sets forth that:
´Directors need not be shareholders. The term of office for Directors is six years from the date they are elected.
The appointment of Directors shall cease when their term of office has ended and the next General Shareholders Meeting has been held or the period stipulated by law for holding the Shareholders Meeting to resolve on the approval of the prior year's accounts has elapsed.
The General Shareholders Meeting, or in its stead the Board of Directors itself, may appoint from among the Directors a Chairman, a First Vice Chairman, a Second Vice Chairman, a Third Vice Chairman and a Secretary (who need not be a Director) of the Board of Directors; they shall also serve as such at the General Shareholders Meeting. The appointment of the Chairman and any of the Vice Chairmen by the Board of Directors itself shall comply with the requirements set forth in Article 141.2 of the Spanish Public Limited Companies Act for the purposes of Article 30 of these Articles of Association.´

In this respect, Article 6 of the Board Rules sets forth:
´The Board of Directors shall comprise the number of Directors determined by the shareholders at the General Shareholders Meeting within the limits set forth in the Articles of Association.
The Board shall propose to the shareholders at the General Shareholders Meeting the number that based on the changing circumstances of the Company is the most appropriate to ensure due representativity and effective functioning of the Board.´

And Article 8 sets forth that:
´The shareholders at the General Shareholders Meeting or the Board of Directors itself shall elect the Directors in the circumstances set forth in the law. The proposals submitted to the shareholders at the General Shareholders Meeting by the Board with respect to elections or reelections with the limits set forth in the Articles of Association shall rely on proposals by the Nominating and Compensation Committee for independent Directors and be based on a prior report by the Nominating and Compensation Committee for all other Directors. A reasonable number of independent Directors shall be included on the Board and there shall generally be a majority of external Directors. Directors shall serve for the terms of office set forth in the Articles of Association.´

Furthermore, Article 14 of the Board of Directors' Rules includes the Nominating and Compensation Committee and sets forth:
The mission of the Nominating and Compensation Committee shall be as follows:
a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
b) Propose to the Board of Directors the election or reelection of independent Directors.

b) Report to the Board of Directors on the election or reelection of all other Directors.
d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board.
e) Report to the Board of Directors on matters of gender diversity.
f) Propose to the Board of Directors:
i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
ii.-executive Directors' individual compensation as all other terms of their contracts,
iii.- the basic terms of executives' contracts.´
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Pursuant to Article 16 of the Board Rules, relating to the Appraisal of the Board of Directors and the Committees:
Each year the Board of Directors shall appraise:
a) the quality and effectiveness of the functioning of the Board itself;
b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Nominating and Compensation Committee; and
c) the operation of the Board Committees, based on the report forwarded to it by each of these.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors, pursuant to the drafting thereof approved at a Board meeting held on 27 January 2011.

Pursuant to Article 27 of the Board of Directors' Rules on the separation of Directors:
´Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:
a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.´
The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.
When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, , he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.
The departure shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

Article 28, - Duties of Directors after separation.
After separation upon completion of the period for which they were elected or for any other reason, the Directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

B.1.20. Indicate the circumstances under which the resignation of Directors is mandatory.

Pursuant to Article 22 of the Regulations of the Board of Directors, relating to the duty of loyalty:
Company directors, in fulfilling their duty of loyalty, must report to the Board, prior to the occurrence, or as soon as they become aware of any conflict of interest with the company or its business group. This includes the obligation to step down immediately should the same conflict persist or if their presence on the Board could negatively affect the company's interests.
Furthermore, directors shall abstain from voting on matters in which they have an interest.
Any conflicts of interest in which directors find themselves shall be reported in the Annual Corporate Governance Report.
Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.
Directors may not hold any kind of office or post, either on their own or through a representative, in companies that compete with Viscofan and its business group, nor may they represent such companies or offer them advisory services.
In its various facets, this duty of loyalty of directors also encompasses activities engaged in by related parties, as defined in these regulations.

Pursuant to Article 27 of the Board of Directors' Rules on the separation of Directors:
´Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:
a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.´

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.
When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.
The departure shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

B.1.21. Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:
YES
Measures to mitigate risks
The company's Board of Directors, at a meeting held on 27 January 2011, approved and introduced a new measure into its internal regulations to limit the risk of concentration of powers, in the form of the following paragraph added to Art. 9 (Chairman of the Board):

If the posts of Chairman to the Board and CEO of the company are vested in the same person, one of the independent directors will be charged with the following duties:
a) to request that a Board meeting be convened, or for new items to be added to the agenda;
b) to act as coordinator for the non-executive directors and to voice their concerns;
c) to head the process whereby the Board assesses the performance of the Chairman. Moreover, both the Chairman and the CEO will be assessed by the Board of Directors in accordance with Article 16 of the Regulations of the Board of Directors.

Pursuant to Article 16 of the Board of Directors' Rules:
´Each year the Board of Directors shall evaluate:
b) the Chairman's and Chief Executive Officer's performance based on the report submitted to it by the Nominating and Compensation Committee.´

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.
YES

See article 9 (above mentioned)

B.1.22. Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?
NO
Describe the method used by the Board of Directors to adopt resolutions, including at least the minimum quorum required to hold a valid meeting and the majorities required to adopt resolutions:
Description of the resolution:
ALL
Quorum %
The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors.
62.50
Percentage required for majority
Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.
51.00

B.1.23. Explain whether there are specific requirements, other than the requirements relating to Directors, to be appointed Chairman.
NO

B.1.24. Does the Chairman have a tie-breaking vote?
YES
Matters on which a tie-breaking vote may be cast
Pursuant to Article 28 of the Articles of Association:
Resolutions shall be adopted by absolute majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.
Article 7 of the Board Rules sets forth the same thing.

B.1.25 Indicate whether the Articles of Association or the Regulations of the Board of Directors set forth any age limit for directors:
NO
Age limit for the Chairman
Age limit for the CEO
Age limit for Directors
0 0 0

B.1.26. Indicate whether the Articles of Association or the Regulations of the Board of Directors establish any limit on the term of office for independent directors:

NO
Maximum number of years in office 0

B.1.27. If the number of women directors is scant or nil, describe the reasons therefore as well as the initiatives adopted to correct such situation.
Description of reasons and initiatives
The company has been steadily increasing the number of women directors and has also been actively looking for opportunities to recruit more female directors, provided the profile of the candidates allows for this.

Furthermore, the company has increased the proportion of female directors sitting on the various committees attached to the Board of Directors, thus increasing their involvement in and contributions to such committees and, as a result, in and to the Board of Directors. The following qualifications required to carry out such functions are invariably taken into account: economic and financial track record, knowledge of the sector, know-how and experience in corporate governance, internal and external auditing and control of financial information.

In particular, state whether the Nominating and Compensation Committee has established procedures which ensure that selection processes are free from any implied bias hindering the selection of women directors and which allow for the free search for women candidates that meet the required profile:
NO

B.1.28. Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

The company's Articles of Association set forth the following:
Art. 23: All shareholders with the right to attend may be represented at the General Meeting by another person.
Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising the voting rights.
Such proxy authority shall be conferred specially for each Shareholders' Meeting.

Art. 24: Resolutions shall be adopted by majority vote and recorded in the minute book of the Company.

Shareholders may delegate voting on proposals for items on the agenda or exercise their vote via postal or electronic correspondence or any other remote means of communication that duly ensure the identity of the individual exercising the voting rights.

Each share entitles to one vote.

Shareholders voting remotely must be considered as present for the purposes of the constitution of Meeting.

Pursuant to Article 16 of the Regulations of the General Meeting:

All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, on a separate basis for each Meeting.

In addition, Article 22 of the same Regulations establishes the main rules for absentee voting.

Furthermore, at its meeting on May 9, 2005, the Company's Board of Directors approved the Rules on Remote Voting and Proxy; these include the detailed procedures for delegating votes to the Board of Directors, all in accordance with the company's Articles of Association and Regulations of the General Meeting.

The procedure contemplates the possibility of exercising the delegation of authority:

a) By means of electronic communication through the Company's website. The guarantees of authenticity and identification of the shareholder exercising the vote that, under Article 22 of the Regulations of the General Meeting, the Board of Directors considers appropriate for ensuring the authenticity and identification of the shareholder exercising their vote are the advanced recognised electronic signature in accordance with Spain's Electronic Signature Act 59/2003 of December 19, 2003 (Ley de Firma Electrónica), provided it is based on a valid recognised electronic certificate issued by the Spanish Certification Authority (Autoridad Pública de Certificación Española, hereinafter "CERES") reporting to the Spanish Currency and Stamp Mint (Fábrica Nacional de Moneda y Timbre).

b) By post, completing and signing the section relating to delegating the attendance card issued in paper form by the corresponding member institution in la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). The proxy shall accept the proxy authority, to such end signing the attendance card and proxy form sent to it by the shareholder. The proxy may only exercise it by attending the Shareholders' Meeting in person.

In order for it to be valid and comply with the provisions of the General Shareholders' Meeting Rules, the Company must receive both the remote delegation of authority and remote votes — whether electronic or by post — 24 hours before the day and time planned for the Meeting to be held on first call. Otherwise, the delegation of authority shall not be considered granted, unless it is received afterwards but before the General Meeting is held and it does not raise significant problems for the computations and verifications that are necessary in preparing and holding the Meeting.

B.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:
Number of Board Meetings 11
Number of Board Meetings the Chairman did not attend 0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:
Number of Executive or Delegate Committee Meetings 16
Number of Audit Committee Meetings 8
Number of Nominating and Compensation Committee Meetings 6
Number of Nominating Committee Meetings 0
Number of Compensation Committee Meetings 0

B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:
Number of Directors' failures to attend during the fiscal year 4
Failures to attend as a percentage of total votes during the fiscal year 4.760

B.1.31. Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

SI

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for their preparation by the Board:

Name	Title
DON JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
DON CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
DON RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

B.1.32. Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

With a view to ensuring that the accounts prepared by the Board of Directors are put before the General Meeting without any qualification in the audit report, the Board has implemented a process of reviewing, analysing and internally controlling the financial information (which also extends to subsidiary companies), following to such effect the recommendations formulated by the expert working group. This new system improves upon, standardises and systemises the various measures previously in place.

The following duties, among others, have also been entrusted to the Audit Committee (Art. 14 of the Regulations of the Board of Directors):

C) With respect to internal control and reporting systems:
(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.
(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.
(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.
(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.
(e) Overseeing the internal auditing services, including, in particular:
(i) proposing the selection, appointment, re-election and removal of the head of internal auditing;
(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee shall likewise receive an annual activities report and action plan to correct any deficiencies detected;
(iii) ensuring the independence and efficiency of the internal audit function;
(iv) proposing the budget for this same internal function;
(v) receiving periodic information on its activities, and;
(vi) verifying that the senior management takes into account the conclusions and recommendations set forth in its reports.
D) With respect to the external auditor:
(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Meeting without qualifications in the associated audit report.
(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.
(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) the Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee shall explore the underlying causes;
ii) the Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
(5) Attempting to ensure that the group's auditor also audits each component group company.
(E) To report to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:
(a) the periodic financial information that the company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.
The company also pre-closes the year on 31 October so as to anticipate and correct any incidents that may have arisen over the year.

B.1.33. Is the Secretary of the Board of Directors a Director?
NO

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nominating Committee and approved by the full Board.
Procedure for election and separation
Pursuant to Article 11 of the Board Rules:
´The election and separation of the Secretary of the Board and, as appropriate, of the Assistant Secretary, shall be approved by the full Board, based on a report by the Nominating and Compensation Committee.´

Does the Nominating Committee report the election? YES
Does the Nominating Committee report the separation? YES
¿Does the full Board approve the election? YES
¿Does the full Board approve the separation? YES

Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?
YES

B.1.35. Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

Article 13 of the Regulations of the Board of Directors confers upon the Audit Committee the following duties relating to the external auditor:
D) With respect with to internal auditor
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) the Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee shall explore the underlying causes;
ii) the Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:
d) Definition of the information policy relating to shareholders, markets and public opinion.

In relation to dialogue with shareholders, Article 32 of the Regulations of the Board of Directors reads as follows:

The Board of Directors shall adopt such measures as it deems appropriate to ensure that the General Meeting exercises the functions attributed to it. At the time the notice of meeting is published, the company shall make available to shareholders documentation on all items to be addressed at the General Shareholders' Meeting as included on the agenda. This documentation shall be available in hard copy from the company's registered office and in digital copy from the company's website. In addition, the company shall send such information to interested shareholders at no cost.

It shall also set up an Electronic Shareholders' Forum on the company's website. This forum will be available to individual shareholders and to any voluntary associations that may be set up and is intended to facilitate communication and dialogue ahead of the General Meeting.
Furthermore, up to seven days prior to the scheduled date for the General Shareholders' Meeting, and during the meeting itself, shareholders may ask directors for information or further clarifications, and may likewise pose questions on the information provided, as well as any other information accessible to the public and provided by the company since the date of the last General Meeting. Company directors shall provide such information immediately or in writing, unless such disclosure could harm the company's interests.
With regard to analysts and investment banks, the mechanisms envisaged under Article 34 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 34,-Communications with shareholders and with the Securities Markets.
The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the company's Articles of Association, as well as any information deemed by the Board to be in the interest of the public.

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant Committee.

The Board shall also immediately provide information to public on:
a) Relevant facts that could materially influence the formation of stock market prices.
b) Substantial amendments to the Company governance rules.
c) Treasury share policies that Company may propose to carry out exercising the authorizations conferred by the shareholders at the General Shareholders Meeting.

To such end the Board of Directors shall use all means at its disposal to keep the information on the Company's web page up to date and to coordinate its content with the documents filed with and recorded at public registries.

B.1.36. Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:
NO
Outgoing auditor **Incoming auditor**

If there has been any disagreement with the outgoing auditor, describe the content thereof:
YES

B.1.37. Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group.
SI

Company
Group
Total

Amount for work other than audit work (thousands of euros)

24 113 137
Amount for work other than audit work/Total amount invoices by the audit firm (as a %)
21.910 18.720 19.210

B.1.38. State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.
NO

B.1.39. Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited:
Company
Group
Number of consecutive years 4 4
Company
Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)
16 25.0

B.1.40. Indicate the interests of members of the Board of Directors in the share capital of companies that engage in the same, similar or complementary activities, both with respect to the company and its group, and which have been reported to the company. In addition, state the position or duties of such Directors in such companies:

B.1.41. Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:
YES

Description of procedure
Pursuant to Article 18 of Viscofan's Board Rules:
´Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item´.
B.1.42. Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:
YES
Description of procedure
Article 17 of the Board of Directors' Rules sets forth the following:

The Board members shall receive the information required to carry out their work in due time and depth with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors.

The usual practice will be that, before each meeting of the Board of Directors or the respective committees, the Board members will receive the most relevant information about the agenda items to be discussed, as far in advance as necessary for correct analysis and studying of that information.

B.1.43. State whether the Company has established any rules requiring Directors to inform the Company -and, if applicable, resign from their position- in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:
YES

Description of rules
Board Rules:
Pursuant to Art. 22 of the Regulations of the Board of Directors, relating to the duty of loyalty: Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should such a situation arise, the Board of Directors shall examine and monitor it closely, before deciding on whether the director in question should stand down.

B.1.44. State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Companies Law:
NO
Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.
NO
Decision made
Substantiated explanation

B.2. Committees of the Board of Directors
B.2.1. List all the committees of the Board of Directors and the members thereof:

NOMINATING AND COMPENSATION COMMITTEE

Name	**Title**	**Category**
MR. JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MR. AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR. JOSE CRUZ PEREZ LAPAZARÁN	DIRECTOR	INDEPENDENT

EXECUTIVE OR DELEGATE COMMITTEE

Name	**Title**	**Category**
MR. JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MR. AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR. NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

Name	**Title**	**Category**
MR. JOSE CRUZ PEREZ LAPAZARAN	CHAIRMAN	INDEPENDENT
MS. AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR. ALEJANDRO LEGARDA ZARAGÜETA	DIRECTOR	INDEPENDENT
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	DIRECTOR	INDEPENDENT

B.2.2. State whether the Audit Committee has the following duties:
Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group,monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.
YES
Periodically review the internal control and riskmanagement systems, in order for themain risks to be properly identified, managed and made known.
YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior rmanagement takes into account the conclusions and recommendations contained in its reports.
YES
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.
YES
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.
YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.
YES
Ensure the independence of the external auditor.
YES
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.
YES

B.2.3. Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.
Committee name
NOMINATING AND COMPENSATION COMMITTEE
Short description
Governed by the Board Rules:
Article 14,- Nominating and Compensation Committee.
There shall be an Nominating and Compensation Committee of the Board of Directors.

The Board of Directors sitting in full session is responsible for appointing and removing the members of the committee. Members of the committee shall automatically step down when they cease to serve as company Board members.

The mission of the Nominating and Compensation Committee shall be as follows:
a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
b) Propose to the Board of Directors the election or reelection of independent Directors.
c) Report to the Board of Directors on the election or reelection of all other Directors.
d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board,
e) Report to the Board of Directors on matters of gender diversity.

f) Propose to the Board of Directors:
i.- the compensation policy for Directors and executives, as well as the distribution of Directors' compensation,
ii.-executive Directors' individual compensation as all as other terms of their contracts.
iii.- the basic terms of executives' contracts.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.
The Appointments and Remuneration Committee shall report to the Board of Directors on the business it addresses and all resolutions it adopts.

Committee name
EXECUTIVE OR DELEGATE COMMITTEE
Short description
Company Articles of Association:
Article 30:
1.- The Executive Committee shall comprise a minimum of three and a maximum of five members. The following shall be members of the Executive Committee: the Chairman, the First Vice Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee shall adopt its resolutions by majority vote and the Chairman shall have the tie-breaking vote. The Chairman of the Board shall chair the Committee. All powers except the following shall be vested in the Executive Committee as a permanent delegation by the Board of Directors: Sale, swap and encumbrance of real property, industrial or commercial premises and businesses of all kinds, establishment and modification of interests on such real property, premises and businesses, transfer, disposal, ownership and encumbrance of real property, establishment and modification of real estate mortgages, submitting issues to private arbitration and such powers as cannot legally be delegated.

Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act.

The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case.

Board Rules:
Article 12,- Executive Committee.
The Executive Committee shall comprise the number and type of members set forth in the Articles of Association.

The Secretary to the Board of Directors will also serve as secretary to the Executive Committee.

The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Nominating and Compensation Committee. The members of the Executive Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

The Executive Committee shall have the authorities and powers conferred upon it by the Articles of Association and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee shall exercise its powers with the utmost transparency vis-a-vis the Board, informing it of the matters discussed and any resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Committee name
AUDIT COMMITTEE
Short description

Company Articles of Association:
Article 30:
2- The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors or based on a decision by the Board of Directors.

The members of the Audit Committee shall elect from among their number a Chairman, who shall be replaced every four years; the Chairman may be reelected one year after he/she ceases to serve as Chairman.

The Audit Committee shall meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee shall have a quorum with the presence or representation of the majority of its members.

Resolutions shall be adopted by simple majority vote of the members attending the meeting and the Chairman shall have the tie-breaking vote.

Resolutions shall be recorded in the Audit Committee's Minutes Book, and shall be signed by the Chairman of the Committee, as shall any certifications of resolutions adopted that may be issued.

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:
a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
b) Propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 204 of the Spanish Public Limited Companies Act.
c) Supervise, when appropriate, the internal audit services.
d) Become familiar with the Company's financial reporting process and its internal control systems.
e) Maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Rules:
Article 13,- Audit Committee.
There shall be an Audit Committee of the Board of Directors.

The composition of the Audit Committee and its functioning shall be as set forth in the Company's Articles of Association. The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Nominating and Compensation

Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

All members of the Audit Committee will be non-executive directors, and the Chairman must necessarily be an independent director.

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable.
All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.
The Audit Committee shall report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and shall furnish all Board members with the minutes of its meetings. Notwithstanding the above, and if the Chairman of the committee deems it necessary based on the urgency and importance of the business in question, the information will be passed to the Board at the first meeting to be held after the committee meeting.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors, is as follows:

A) To report to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.
B) Proposing the appointment of the financial auditor to the Board of Directors, which will then be passed on to the General Meeting.
C) With respect to internal control and reporting systems:
(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.
(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.
(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.
(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.
(e) Overseeing the internal auditing services, including, in particular:
(i) proposing the selection, appointment, re-election and removal of the head of internal auditing;
(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee shall likewise receive an annual activities report and action plan to correct any deficiencies detected;
(iii) ensuring the independence and efficiency of the internal audit function;
(iv) proposing the budget for this same internal function;
(v) receiving periodic information on its activities, and;
(vi) verifying that the senior management takes into account the conclusions and recommendations set forth in its reports.
D) With respect to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Meeting without qualifications in the associated audit report.
(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.
(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) the Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee shall explore the underlying causes;
ii) the Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
(5) Attempting to ensure that the group's auditor also audits each component group company.
(E) To report to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:
(a) the periodic financial information that the company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.
The company also pre-closes the year on 31 October so as to anticipate and correct any incidents that may have arisen over the year.
(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.
(c) Related-party transactions
(F) Address and, where appropriate, respond to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's remit and referred to it by the Company's General Secretary.
(G) Set up and oversee a whistle-blowing mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding p [sic - incomplete].

B.2.4. Indicate the advisory and consulting powers as well as the delegated powers, if any, of each of the committees:
Committee name
NOMINATING AND COMPENSATION COMMITTEE
Short description
Board Rules:
Article 14,- Apppointments and Compensation Committee.
There shall be a Nominating and Compensation Committee of the Board of Directors.
The committee is primarily charged with making proposals and providing information to the Board of Directors in relation to appointments of managers and Board members and the remuneration policy. Duties in these areas are purely advisory in nature.
Duties of the Appointments and Remuneration Committee include:

b) Propose to the Board of Directors the election or reelection of independent Directors,
c) Report to the Board of Directors the election or reelection of all other Directors.
d) Report on the appointment and separation of executives that the Chief Executive Officer proposes to the Board.

e) Report to the Board of Directors on matters of gender diversity.
f) Propose to the Board of Directors:
i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
ii.-executive Directors' individual compensation as all other terms of their contracts,
iii.- the basic terms of executives' contracts.
The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Article 18 of the Regulations of the Board of Directors envisages the general right of all directors to procure external advice in order to help them discharge their duties:
Acting through the Chairman, directors may request the engagement of any such external advisors as deemed necessary for the proper performance of their work as directors.

The Board sitting in full session is entitled to adopt any resolutions as to whether or not such external advisory services shall be engaged, and if so, what person or entity shall provide them. The Board shall also address any possible limitations on the chosen advisor's access to the company's confidential information, and shall likewise approve, where applicable, the relevant expense entry.

Committee name
EXECUTIVE OR DELEGATE COMMITTEE
Short description

The Executive Committee is governed by Article 30 of the Articles of Association and by Article 12 of the Regulations of the Board of Directors.
Its advisory role to the Board of Directors stems from its advisory nature and from the powers conferred by the Articles of Association and the Regulations of the Board of Directors.
Articles of Association
Article 30
As a permanent delegation of the Board of Directors, the Executive Committee shall exercise all the powers of the Board, save for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.
Article 12 of the Regulations of the Board of Directors
The Executive Committee shall possess such authority and powers as are conferred on it by the Articles of Association and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Meeting.
The Executive Committee shall perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.
Article 30 of the Articles of Association has the following to say on the creation of delegated bodies attached to the different committees:
In addition to the Executive Committee and the Audit Committee, the Board of Directors may appoint other commissions or committees whose powers and obligations shall be established by the Board on a case-by-case basis.

Committee name
AUDIT COMMITTEE
Short description

As regards the advisory and consultative powers vested in the Audit Committee, as set forth in the Regulations of the Board of Directors, the following are of particular note, and specifically concern the committee's advisory role before the Board of Directors and its duties to resolve issues raised by shareholders:
B) Proposing the appointment of the financial auditor to the Board of Directors, which will then pass the matter on to the General Meeting.
(E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:
(a) The periodic financial information that the company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.
(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.
(c) Related-party transactions
(F) Addressing and, where appropriate, responding to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's remit, as referred to the committee by the Company's General Secretary.
Article 13 of the Board Regulations relating to the Audit Committee envisages the possibility of seeking external advice or external information in order to help the committee discharge its functions.
The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All of the aforementioned persons shall be bound to cooperate and provide access to any information they may have.

B.2.5. Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and the amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.
Committee name
NOMINATING AND COMPENSATION COMMITTEE
Short description
It is governed by the Board Rules available on the Company's web page and which has been submitted to the CNMV. The committee is currently being registered with the Commercial Registry following the recent modifications approved by the Board of Directors at its meeting held on 27 January 2011.
The main change to the committee is essentially that it must now report to the Board on all business addressed and all resolutions adopted.

In accordance with Article 16 of the Regulations, relating to assessment of the Board and the committees:
Each year the Board of Directors shall evaluate: c) the functioning of the Board's committees, based on a report drawn up by each committee."

Committee name
EXECUTIVE OR DELEGATE COMMITTEE
Short description

The Executive Committee is governed by Article 30 of the company's Articles of Association, as filed with the pertinent Commercial Registry and published on the company's website as a consolidated text encompassing all current provisions.
It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available from the company's website and have been duly filed with the Spanish CNMV. The

committee is currently being filed with the Commercial Registry following the latest modifications thereto approved by the Board of Directors at its meeting held on 27 January 2011.
The main modification made to the Executive Committee is essentially that it must now furnish all Board members with copies of the minutes of its meetings.

Committee name
AUDIT COMMITTEE
Short description
The Audit Committee is governed by Article 30 of the company's Articles of Association, as posted on the company's website, and by Article 13 of the Regulations of the Board of Directors, which is similarly available from the company's website and has likewise been duly filed with the Spanish CNMV, although it is yet to be recorded with the pertinent Commercial Registry following the latest modifications approved at the Board meeting held on 27 January 2011.
The modifications made to the committee mainly involved improving the functioning and definition of the duties of the Audit Committee, particularly in relation to:
- coordination and supervision of the internal control and reporting systems;
- supervision in relation to internal audit services;
- coordination, supervision and safeguarding the independence of the external auditor:
Reporting to the Board of Directors before the latter decides upon:
(a) The periodic financial information that the company is required to disclose publicly.
b) The creation or acquisition of holdings in special-purpose entities or those domiciled in countries or territories classified as tax havens.
(c) Related-party transactions.
Supervision of the internal codes of conduct and rules on corporate governance.
A whistle-blowing mechanism has also been set up, enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices with the company, particularly those relating to accounting, finances and auditing.

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category:
yes
If not, explain the composition of your Executive Committee

C. RELATED-PARTY TRANSACTIONS

C.1. State whether the Board as a full body has reserved for itself the power to approve, after a favourable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:
YES

C.2. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:

C.3. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the directors or managers of the Company:

C.4. Describe the relevant transactions made by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company as to their purpose and conditions:

C.5. State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Article 127 ter of the Companies Law.
NO

C.6. Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders.
Board Rules in the Article 22, related to the duty of loyalty, sets forth the following:

The Company's Directors, in fulfilling their duty of loyalty, shall be bound to report to the Board, prior to occurrence or as soon as they aware of the existence, of any situation of conflict of interest with the Company and its group of companies. This includes the obligation to resign immediately in the event of the persistence of such conflict or if their presence on the Board is contrary to the Company's interests.

Furthermore, Directors shall abstain from voting on matters in which they have an interest.

Any situations of conflict of interest in which Directors find themselves shall be included in the annual corporate governance report.

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.

Directors may not hold positions either on their own or through a representative, positions of any type in companies that are competitors of Viscofan and its group of companies, nor may they render to such companies representation or advisory services.

In its various facets this Director's duty of loyalty also encompasses activities engaged in by related persons, as defined in these rules.
Furthermore, Article 33 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows: Directors who have formulated public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to those items on the agenda in which they have a conflict of interest and, in all cases, in relation to:

a) their appointment, ratification or removal as director;
b) the decision on whether to pursue derivative suits against the director in question;
c) approval or ratification of transactions with the company in relation to which the director has a conflict of interest.

C.7. Is more than one company of the Group listed in Spain?
NO
Identify the subsidiaries listed in Spain:

D. RISK CONTROL SYSTEMS

D.1. General description of the risk control policy adopted by the Company and/or its Group, describing and assessing the risks covered by the system and a justification for the adjustment of such system to the profile of each kind of risk.

In accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to

“Exclusive powers”, the risk-control and management policy and the periodic monitoring of internal information and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors sitting in full session.
Likewise, the Audit Committee, by virtue of the duties conferred on it in relation to internal information and control systems, is responsible for overseeing the preparation and control of financial information in general and all procedures implemented for such purposes, and overseeing the internal audit function and relations with the external auditor in order to safeguard its independence and help ensure that it issues an unqualified audit report, among other duties.

The Audit Committee is also specifically charged with monitoring the suitability of the control policies and procedures in place, and with reviewing the internal control and risk management systems, so as to ensure that the main risks are identified, managed and communicated accordingly.

In furtherance of these duties, the Audit Committee has pressed on with the process of identifying, classifying, ordering and updating existing risks by incorporating the new risks that the company has identified. It is likewise monitoring the suitability of the various measures proposed to mitigate such risks, and is also implementing, communicating and overseeing such measures.

Over the course of 2010, the company identified and sought to mitigate the following risks:

FINANCIAL RISKS:

A) INTEGRITY OF THE PREPARATION OF THE FINANCIAL INFORMATION

The Group's financial information is generated locally by each subsidiary's financial team. Following the acquisitions undertaken, it was necessary to guarantee the integrity of the financial information to be reported by the new subsidiaries to the parent company, where the information presented to the financial markets is consolidated.

Measures taken:

The company, following the recommendations of the group of experts entrusted with the internal control of financial information for listed companies, has commissioned a diagnostic with a view to establishing an improvement plan and implementing the financial information internal control system (FIICS), which is currently being carried out and is intended to bolster the measures that the company has already been implementing over recent years, encompassing its training policy, information standardisation, enhancement, monitoring and control, and the implementation of a consolidation tool.

B) PROFITABILITY AND SUCCESS OF THE INVESTMENTS UNDERTAKEN

The choice of projects in which the company's financial resources are invested should be based on criteria that generate an increase in the value of the company. In addition, the investments undertaken must be appropriately monitored.

Measures taken:

Following on from the measures already adopted in 2009, the company has consolidated the role of the Investment Committee by improving and extending its duties. It has also finished communicating and implementing the investment authorisation and follow-up procedure, the aim being to ensure the best possible allocation and application of resources and funds.

C) CUSTOMER ARREARS

The risk of outstanding customer debts is rising within the Viscofan Group due to the geographic relocation of customers, making it more difficult to pursue payment in the event of arrears.

Although an unfavourable economic climate exacerbates this situation, it is eased by the unlikelihood of adverse financial circumstances occurring simultaneously in all the geographic regions in which the Viscofan Group markets its products.

Measures taken:

Default risk improved in 2010, thanks to an improved perception of the state of the global economy following the economic fall-out of 2009.
Despite this improvement, Viscofan continued to apply its existing default policy through its Risk Committee, and continued to follow existing internal procedures.

The company has also been seeking out the best ways of hedging risk on the insurance market, with a view to cushioning the effects of the risk should it arise.

OPERATIONAL RISKS:

D) SHORTAGE OF RAW MATERIALS

Access to raw materials such as cellulose, manila hemp and hides may be temporarily affected as they are also used by other larger industrial sectors which process them differently to our sector. A shortage of these raw materials could lead to an excessive increase in prices or a limitation of supply, which would affect the Group's production rate.

Moreover, the growth of the market makes greater availability of raw materials necessary.

In particular, the vegetable food division depends on seasonal factors related to asparagus and tomato harvests.

Measures taken:

Over 2010, the company consolidated its corporate procurement procedure and made further progress in endorsing suppliers for some of the most important raw materials for the group’s productive processes.
Viscofan also implemented general terms and conditions of procurement throughout the entire group so as to ensure the terms and conditions under which products are purchased.

E) RISKS OF PROPERTY DAMAGE AND CONTINUITY OF PRODUCTION

The economic protection of the Group's assets, as well as the capacity to continue production in the event of damage or production stoppages due to accidents, negligence or unforeseen circumstances.

Measures taken:

Over the course of 2010, the group pressed on with the global risk-engineering service first contracted in 2009, enabling it to identify the most significant risks for each of its production centres in the field of cellulose casings. It similarly prepared an improvement and action plan to mitigate such risks, which is currently being implemented and is scheduled for completion in 2011. The engineering service is allowing the company to analyse the centres that produce collagen casings and other products.

STRATEGIC RISKS:

F) COMPETITIVE ENVIRONMENT OF THE SECTOR

Current and potential players in the competitive environment and their competitive strategies can affect the success of the Group.

In addition, certain conditions of the competitive environment can be conducive the appearance of substitute products. Periods of economic crisis or a context of rising prices can increase the attractiveness of substitute products, both within and outside of the sector.

Measures taken:

The company has made significant progress with its cost-analysis process and in establishing an information standardisation and control system, which will enable it to optimise its information.
The company is complementing this process by making immediate improvements to any areas it considers necessary.

G) MEDIA RISK IN THE EVENT OF EPIDEMICS AND OTHER HEALTH DISASTERS

The media effect of global epidemics is difficult to control and constitutes a risk that cannot be insured by the market. Bearing in mind that part of the products marketed by the Group are of animal origin, mainly bovine, this risk exists and has materialised on several occasions over the years.

In the case of local epidemics, the risk is smaller, thanks to the Group's global presence and the versatility and flexibility of its production centres.

This risk is increasing in the case of IAN, S.A.U., whose products go straight to the end consumers without any further processing.

Measures taken:

As part of its commitment to improving product-removal processes, the company has been working to standardise them throughout each of its main areas of activity: vegetable foodstuffs and casings.
The company has also started to implement a coordinated drill system within the group, which will enable it to control and monitor the procedures that involve various companies during different stages of the production and marketing process.

H) EXCHANGE RATE / INTEREST RATE

The Group has unmatched currency positions, therefore, significant exchange rate variations in relation to the Group's currency, the euro, can affect not only the Group results, but also the recoverability of assets and bond ratings.

In addition, the Group has an external debt, the cost of which is indexed to changes in the interest rates of international markets.

Measures taken:

Thanks to the continuous risk analysis undertaken through the Value at Risk technique, which aims to monitor exposure to the risk at all times, the company has been entering into the hedge agreements best suited to this kind of risk, provided that prevailing circumstances dictate the need for such agreements.

I) ENERGY MARKET

Since the expansion activities carried out in 2008 and 2009, there has been an increase in the Group's dependence on the supply price of gas and the sale price per kilowatt in the electricity market. Moreover, the weight of energy in the extrusion process is quite significant.

Measures taken:

. The Group went to the futures market to secure its operating margins in the sale of the energy produced at the Cáseda cogeneration plant.

. The company has enhanced the process of measuring energy costs by production centre in order to improve decision-making processes regarding investments geared towards energy savings, by prioritising those that will have the greatest impact. As a result of this, investments to date in group facilities are expected to provide immediate returns.

LEGAL RISKS

J) COMPLIANCE WITH EXISTING REGULATIONS
The group’s presence in different countries and the fact that its products are sold in over one hundred countries worldwide poses certain problems, in that the group must familiarise itself with each of the different legal systems and their own unique peculiarities.
In light of the group’s production and marketing activities, legal risk is most apparent when it comes to compliance with environmental, food-safety and health-and-safety legislation.
The sheer diversity of existing international laws and regulations is often exacerbated further by the fact that different countries react differently to similar events, which can lead to different restrictions among countries.

Measures adopted
The company has increased the internal resources assigned to the group’s Legal Department in order to step up its roles of internal advice, training and legal-risk awareness, in order to help pinpoint and mitigate such risks.
The company has likewise started to seek out internal experts specialising in specific areas of law, irrespective of training, in order to raise awareness of these areas and support the creation of a benchmarking process that will enable the company to meet the most demanding regulatory requirements.

H) CRIMINAL LIABILITY FOR BODIES CORPORATE
The legislative changes that often occur in countries in which the group operates can either improve or worsen the environment in which the group conducts its business.

For the most part, these changes are immaterial and have no major impact, and are not even tagged as a risk for the company or the group.
Yet in exceptional situations, these changes may increase the company or group's exposure to factors that entail a greater associated risk.
In 2010, the Spanish government ushered in a raft of amendments to the Criminal Code (Código Penal), with the main change being that bodies corporate can now be held criminally liable, whereas before only natural persons could incur criminal liability.

Measures adopted
In line with legal recommendations, the company has sought external expert advice in order to conduct a diagnostic of the situation and identify the measures that can be adopted to mitigate the risk.
The company has also strengthened internal resources on the path to establishing a system of effective measures for preventing and detecting criminal liability, reducing the risk of it arising and cushioning its impact should it eventually materialise.

D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.
NO
If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

D.3. Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.
YES
If so, describe its duties:
Name of the committee or body
AUDIT COMMITTEE
Description of functions
Ultimate responsibility for the risk control and management policy lies with the Board of Directors, as established in Article 5 of the Board Rules.
The Audit Committee is similarly charged with the following functions relating to the control of financial information in particular, and to internal control and risk-management systems in general, pursuant to Art. 13 of the Regulations of the Board of Directors:

C) With respect to internal control and reporting systems:
(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.
(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.
(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.
(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

The Audit Committee is likewise responsible for overseeing the internal audit function and relations with the external auditor, the aim being to safeguard its independence and ensure that an unqualified audit report is issued.

D.4. Identification and description of the procedures for compliance with the various regulations that affect the Company and/or its Group.

LEGAL RISKS
J) COMPLIANCE WITH EXISTING REGULATIONS

The group's presence in different countries and the fact that its products are sold in over one hundred countries worldwide poses certain problems, in that the group must familiarise itself with each of the different legal systems and their own unique peculiarities.
In light of the group's production and marketing activities, legal risk is most apparent when it comes to compliance with environmental, food-safety and health-and-safety legislation.
The sheer diversity of existing international laws and regulations is often exacerbated further by the fact that different countries react differently to similar events, which can lead to different restrictions among countries.
Measures adopted
The company has increased the internal resources assigned to the group's Legal Department in order to step up its roles of internal advice, training and legal-risk awareness, in order to help pinpoint and mitigate such risks.
The company has likewise started to seek out internal experts specialising in specific areas of law, irrespective of training, in order to raise awareness of these areas and support the creation of a benchmarking process that will enable the company to meet the most demanding regulatory requirements.
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Yet in exceptional situations, these changes may increase the company or group's exposure to factors that entail a greater associated risk.
In 2010, the Spanish government ushered in a raft of amendments to the Criminal Code (Código Penal), with the main change being that bodies corporate can now be held criminally liable, whereas before only natural persons could incur criminal liability.

Measures adopted

In line with legal recommendations, the company has sought external expert advice in order to conduct a diagnostic of the situation and identify the measures that can be adopted to mitigate the risk.

The company has also strengthened internal resources on the path to establishing a system of effective measures for preventing and detecting criminal liability, reducing the risk of it arising and cushioning its impact should it eventually materialise.

For the most part, these changes are immaterial and have no major impact, and are not even tagged as a risk for the company or the group.

Yet in exceptional situations, these changes may increase the company or group's exposure to factors that entail a greater associated risk.

In 2010, the Spanish government ushered in a raft of amendments to the Criminal Code (Código Penal), with the main change being that bodies corporate can now be held criminally liable, whereas previously only natural persons could incur criminal liability.

E. GENERAL SHAREHOLDERS' MEETING

E.1. Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Law in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

%Quorum differing from that set forth in Article 102 of the Spanish Public Limited Companies Act for general circumstances

%Quorum differing from that set forth in Article 103 of the Spanish Public Limited Companies Act for the special circumstances set forth in Article 103

Quorum required on first call 0 0

Quorum required on second call 0 0

E.2. Indicate and, if applicable, explain whether there are differences with the rules provided by the Companies Law for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Companies Law.

E.3. Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Companies Law.

Shareholder rights relating to attendance, proxies, voting, delegation, information, dissent, procedure, approval of minutes, and all other issues relating to the General Meeting, are set forth in the company's Articles of Association (Articles 22 to 25) and in the Regulations of the General Meeting of Viscofan, S.A.. Any matters not expressly envisaged in these internal documents will be governed by the Spanish Enterprise Act (Ley de Sociedades de Capital) and other applicable law.

The aforementioned provisions of the company's Articles of Association read as follows:

Article 22: Shareholders holding shares with a total par value of at least €450 and who have them registered in the pertinent stock ledger at least five days before the General Meeting will have the right to attend. The securities clearing and liquidation office or member entities of the same must provide to shareholders the pertinent certificates to allow the exercise of rights inherent to the condition of shareholders. Shareholders that do not hold the number of shares required to attend may pool their shares for such purpose.

Art. 23: All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person. Such proxy shall be conferred in writing or by remote means of communication, provided that the identity of the individual exercising voting rights is duly verifiable.

Such proxy must be conferred specially for each General Meeting.

Art. 24: Resolutions shall be carried by majority vote and will be recorded in the company's minutes book. Shareholders may vote directly or by proxy on motions included on the agenda for the meeting by post, electronic channels, or any other means of remote communication, provided that the identity of the individual exercising their voting rights is duly verifiable.

Each share confers one vote. Shareholders that cast their votes remotely must be treated as present when calculating the quorum for the meeting.

The minutes will be signed by the chairman and the secretary and any certificates that may be issued of such minutes must bear the signatures of both persons.

Art. 25: Shareholders rights relating to information, dissent, procedure, approval of minutes and other matters related to the General Meeting shall be governed by the provisions of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas).
The Regulations of the General Shareholders' Meetings specifically govern the following shareholder rights:

CHAPTER IV

Article 11.- Right to access to information.
The Company shall use all means at its disposal to ensure access to information for the Company's shareholders.
Article 12.- Shareholders Meeting documentation.
At the time to Notice of Meeting is published, the Company shall make available to the shareholders the documentation on the times to be discusses at the General Shareholders Meeting included on the Agenda. This documentation shall be available in hard copy at the corporate domicile as well as in digital form on the Company's web page. In addition, the Company shall send at no cost such information to the shareholders so requesting,.
Article 13.- Request for information.
Up to seven days prior to the date set for the holding of the General Shareholders Meeting, and during the Meeting, with respect to the items included on the Agenda, shareholders may also ask Management for information or clarifications and may ask questions about the information provided, as well as any other information accessible to the public provided by the Company since the last General Shareholders Meeting. Management shall provide such information immediately or in writing unless it is prejudicial to the Company's interests.
CHAPTER V
Article 14.- Right to attend.
Shareholders holding shares with a total par value of at least €450 who at least five days before the Shareholders Meeting have them registered in the pertinent stock ledger shall have the right to attend (pursuant to Article 22 of the Articles of Association). Shareholders who do not hold the number of shares required to attend may form groups for such purpose.
Article 15.- Shareholder accreditation.
Sociedad de Gestion de los Sistemas de Registro, Compensacion y Liquidacion de Valores, S.A. (Iberclear) or, as appropriate, the entity or entities competent to perform such function or Iberclear member entities shall provide to the shareholders the pertinent certificates or any other document evidencing ownership of the shares after publication of the Notice of Meeting.
Article 16.- Proxy Voting.
All shareholders with the right to attend by proxy at the General Shareholders Meeting .
Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.

E.4. Indicate, if applicable, the measures adopted to encourage the participation of shareholders at General Shareholders' Meetings.
As has been the practice for Notices of General Shareholders Meetings in recent years, in order to encourage shareholders participation, the Board resolved to distribute an attendance fee of 0.006 euros per share to all shares present or represented by proxy at the General Shareholders Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders Meeting held on June 1, 2010.

E.5. Indicate whether the chairman of the General Shareholders' Meeting is also the chairman of the Board of Directors. Describe, if applicable, the measures adopted to ensure independence and proper operation of the General Shareholders' Meeting:
YES

Description of measures

The General Shareholders' Meeting is chaired by the Chair of the Board of Directors.

In addition to the existing regulations to guarantee the rights of shareholders during the General Meeting, Article 23 of the Rules for General Shareholders' Meetings specifically establishes detailed measures to ensure independence and proper functioning during the General Meeting and ensure that any shareholders that so wish are given the opportunity to take part in the discussions and receive any information requested.

´´B,-) Interventions and information
1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so dictated, the Chair may set a maximum duration for interventions of less than five minutes, in all cases treating all shareholders requesting interventions equally and respecting the principle of non-discrimination.
2. Directors shall be bound to provide the information requested, except under the circumstances set forth in Article 13 above or when the information requested is not available at the Shareholders Meeting. In such case, such information shall be provided in writing within seven days following the adjournment of the Shareholders Meeting, to which end the shareholder shall indicate the domicile or address to which to send the information.

3. The information or clarification requested shall be provided by the Chair or, as appropriate and at the Chair's request, by the chairman of the Audit Committee, the Secretary, a Director or, if appropriate, any employee or expert in the matter who is present.

4. In exercising his/her powers of running the Shareholders Meeting and notwithstanding other actions the Chair may:
(i) ask those wishing to take the floor to clarify issues that were not understood or were not sufficiently explained during the intervention;
(ii) call to order shareholders who take the floor so that they limit their intervention to matters that may properly come before the Shareholders Meeting and refrain from making improper statements or from exercising their rights in any way that may be deemed abusive;
(iii) announce to shareholders taking the floor that their time limit is about to run out so that they can adjust their interventional accordingly. When the time allotted for their intervention has run out or if they persist in the behaviors described in sub-paragraph (ii) above, the floor may be taken from them.´´

Furthermore, the presence of a notary was required for the General Meeting held on 1 June 2010 for the purpose of drawing up the minutes and ensuring that the meeting was held in compliance with applicable law and internal regulations to protect all shareholder rights.

E.6. Indicate the amendments, if any, made to the Regulations for the General Shareholders' Meeting during the fiscal year.
No changes have been made

E.7. Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report:
Attendance information
Date of the General Shareholders Meeting
% of physical presence
% represented
% voting remotely
Total
Electronic voting
Other

Datos de asistencia						
Fecha Junta General	% de presencia física	% en representación	% voto a distancia		Total	
			Voto electrónico			Otros
01/06/2010	4,680	49,600	0,000	21,300	75,580	

E.8. Briefly describe the resolutions adopted by the shareholders acting at the general shareholders' meetings held during the fiscal year referred to in this report and the percentage of votes by which each resolution was passed.
On second call, the shareholders at Viscofan, S.A.'s General Shareholders Meeting held on June 01, 2010, adopted the following resolutions:

1.- The Balance Sheet, Income Statement, Notes, Management Report and the corporate management performed during the fiscal year ended December 31, 2009, of the company Viscofan, S.A. as well as the Balance Sheet, Income Statement, Notes, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders Equity, the consolidated Management Report and corporate management performed during the fiscal year ended December 31, 2009, for the companies of which Viscofan is the parent company were approved.

In relation to the non-consolidated balance sheet of Viscofan, shareholders agreed to allocate €12,116,957.32 of earnings for 2009 to dividend payouts, and €27,179,019.57 to voluntary reserves. It was therefore agreed to declare the €0.260 per share dividend paid on 22 December 2009 as the sole dividend to be charged against 2009 profit.

The company likewise agreed to effect a partial return of the share premium in the amount of €0.357 per share, representing a total of €16,637,514.47, effective for shareholders from 23 June 2010.

Votes in favour totalled thirty-five million one hundred thousand, six hundred and seventeen (35,100,617) shares. Shareholders representing one hundred and five thousand, four hundred and twenty (105,420) shares abstained from voting. Votes against totalled fourteen thousand four hundred and forty-five (14,445) shares.

2. Shareholders were presented with the following explanatory reports by the Board of Directors, for information purposes:
a) Explanatory report prepared pursuant to Art. 116 bis of the Spanish Securities Market Law (Ley del Mercado de Valores).
b) Annual Corporate Governance Report.
3. The meeting agreed to appoint Ernst & Young, S.L. as auditors to review the financial statements of Viscofan, S.A. and the consolidated annual accounts of the business group of which Viscofan is the parent, for the fiscal year closing on 31 December 2011.

Votes in favour totalled thirty five million one hundred and five thousand, four hundred and fifty-eight (35,105,458) shares. Shareholders representing eighty-two thousand, seven hundred and ninety-eight (82,798) shares abstained from voting. Votes against totalled thirty-two thousand, two hundred and twenty-six (32,226) shares.

4. The meeting agreed to appoint Ignacio Marco-Gardoqui Ibáñez and Laura González Molero as independent directors for a six-year term of office running from the date of the resolution, in substitution of Jaime Echevarría Abona and Iñigo Solaun Garteiz-Goxeascoa, respectively, who tendered their resignations with effect from 31 December 2009.
As regards the appointment of Mr. Marco-Gardoqui, shareholders representing thirty-four million fifty-seven thousand, six hundred and fifty-three (34,057,653) shares voted in favour. Shareholders representing eighty-three thousand, two hundred and twenty (83,220) shares abstained from voting. Votes against totalled one million seventy-nine thousand, six hundred and nine (1,079,609) shares.

In relation to the appointment of Ms. Laura González Molero, votes in favour totalled thirty-four million thirty thousand, one hundred and fifty-three (34,030,153) shares. Shareholders representing eighty-three thousand, two hundred and twenty (83,220) shares abstained from voting. Votes against totalled one million one hundred and seven thousand, one hundred and nine (1,107,109) shares.

5. The meeting agreed to renew, for the maximum term envisaged by law, and running from the date of the resolution, the authorisation for the Board of Directors to buy and sell treasury shares on the market at the listed share price for the day of the transaction, subject to the maximum number of shares permitted by the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas) and related legal provisions, with the minimum price being the par value and the maximum being 125 times the par value.

Votes in favour totalled twenty-five million two hundred and ninety-one thousand, six hundred and thirty-two (25,291,632) shares. Shareholders representing three hundred and forty-six thousand, five hundred and thirty (346,530) shares abstained from voting. Votes against totalled nine million five hundred and eighty-two thousand, three hundred and twenty (9,582,320) shares.

6. The meeting approved, by advisory vote, the report on directors' remuneration policy pursuant to recommendation 40 of the Unified Good Governance Code.
Votes in favour totalled thirty-four million five hundred and forty thousand, one hundred and eighty-nine (34,540,189) shares. Shareholders representing one hundred and forty thousand, six hundred and thirty-nine (140,639) shares abstained from voting. Votes against totalled five hundred and thirty-nine thousand, six hundred and fifty-four (539,654) shares.

7. Lastly, it was agreed to vest powers in the Board of Directors to interpret, rectify, apply, expand upon, develop and execute the resolutions adopted, and to vest powers in José Domingo de Ampuero y Osma and José Antonio Canales García, authorising them, jointly, severally and indistinctly, to notarise in public instrument those resolutions that require notarisation, and to file the accounts and request registration of those documents prescribed by law.

Votes in favour totalled thirty five million one hundred and nineteen thousand, four hundred and sixty-nine (35,119,469) shares. Shareholders representing ninety-six thousand, two hundred and thirteen (96,213) shares abstained from voting. Votes against totalled four thousand eight hundred (4,800) shares.

E.9. Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.
YES
Number of shares required to attend the General Shareholders' meeting 1,500

E.10. Indicate and justify the policies followed by the company with respect to proxy-voting at the General Shareholders' Meeting.
Chapter V - Article 16 of the Rules for the General Shareholders Meeting sets forth:

´Proxy Voting. Any shareholder entitlted to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.'

Article 23 of the Company's Articles of Association is worded along the same lines:

'Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, provided that the identity of the individual exercising voting rights is duly ensured.
Such proxy shall be conferred specially for each Shareholders Meeting´.

Moreover, when it publishes notice of the General Shareholders' Meeting, the company provides the relevant forms and the rules for appointing a proxy and voting remotely, either electronically or by post, for any shareholders wishing to exercise this option:

2.1. Procedure for granting proxies
The following remote channels of communication may be used to confer proxies:
(I) Electronic channels:
In order to confer proxies electronically, company shareholders must visit the company's website and access the on-line section set up for such purpose. In accordance with the Articles of Association and the Regulations of the General Meeting, the procedure for granting proxies electronically must have the requisite security measures in place to guarantee the authenticity and identity of the shareholder conferring the proxy. Pursuant to Article 16 of the Regulations of the General Meeting, the Board of Directors, for the purpose of ensuring the authenticity and identity of the shareholder granting the proxy, has implemented a sophisticated and widely recognised electronic signature system in accordance with the provisions of the Spanish Electronic Signatures Act of 19 December 2003 (Ley 59/2003), which dictates that such system must be based on a recognised and valid and current electronic certificate issued by the Spanish Public Certification Authority (Autoridad Pública de Certificación Española, CERES) attached to the Spanish National Mint and Stamp Factory (Fábrica Nacional de Moneda y Timbre).
All shareholders with electronic signature that meet the aforementioned requirements and identify themselves accordingly through their signature may grant proxies through the company's website by following the procedure in effect at the relevant time. Shareholders wishing to confer a proxy electronically undertake to notify their chosen representative of the proxy in question. The representative must accept the proxy by signing a print out of the electronic form available from the company's website, which the principal shareholder must have previously completed and signed with his/her recognised electronic signature and duly sent to both the representative and the company, at the address designated by the latter. The representative shall make a copy of the completed and signed electronic form and deliver it to the company at the shareholder reception desk on the date and at the venue of the General Meeting in question.
When the proxy is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, this communication will take effect from the time the company receives the electronic proxy.
Representatives may only exercise their principal's voting rights by attending the meeting in person.
(II) By post:
In order to grant proxies by regular post, shareholders shall fill out and sign the proxy box on the attendance card issued in hard copy by the corresponding member entity of the Spanish Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). The representative must accept the proxy, to this end signing the attendance and proxy card sent to it by the shareholder. The person to whom the vote is delegated may only exercise such voting rights by attending the General Meeting in person.
On the date of the General Meeting, representatives must bring their national identity document or passport to the meeting so that the company can verify the conferred proxy, along with a copy of the proxy where appropriate.

When representation is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, receipt by the company of said delegation shall suffice.
In the event that the attendance card does not include the name of the representative, it shall be understood that the representation is conferred upon the Board of Directors or the person designated by the Board.
3. BASIC RULES ON PROXIES AND ABSENTEE VOTING
3.1. Timeframe in which to send the company proxies and absentee voting requests
In order to be held valid, and in accordance with the Regulations of the General Meeting, the company must receive proxies and absentee voting requests (whether electronic or by post) twenty-four hours before the scheduled date and start time of the meeting on first call. Otherwise, proxies will be deemed ineffective and votes as not cast, unless receipt by the company after this cut-off point but before the date and time of the General meeting does not cause the company any significant problems in carrying out the necessary checks and calculations ahead of the meting.
3.2 Rules governing preference between proxies, absentee voting and personal attendance at the General Meeting
3.2.1 Priorities among proxies, absentee voting and personal attendance
Shareholders casting their votes remotely as set forth in this article shall be deemed present for the purpose of achieving a quorum at the General Meeting in question. Accordingly, any proxies they may have previously conferred shall be deemed revoked and those that they subsequently confer shall be deemed not to have been conferred.
Votes cast remotely may only be cancelled: By subsequent express revocation effected via the same channel used to cast the vote, within the deadline set for this purpose.
If the shareholder who cast the vote attends the meeting in person.
Through the sale of the shares whose holding confers the voting right, provided the company is informed of this at least five days prior to the scheduled date of the General Meeting.
3.2.2 Priorities between proxies
In the event that a shareholder confers several valid proxies, the last one received by the company shall take precedence.

E.11. Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:
NO

E.12. Indicate the address and manner for accessing corporate governance content on your website.
This content is available to the general public and shareholders alike via the company's website (www.viscofan.com) and can be accessed through the Corporate Responsibility section or through the Investor Relations section, subsequently clicking on the Corporate Governance tab. The information also forms part of the documentation relating to the General Meeting and is similarly included in the Annual Report, both of which can also be accessed directly from the home page.

F. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of conformance to the recommendations of the Unified Good Governance Code.

If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The Articles of Association of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.
See sections: A.9, B.1.22, B.1.23, E.1 and E.2
Complies

2.When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:
a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
b) The mechanisms in place to resolve any conflicts of interest that may arise.
See sections: C.4 and C.7
Not Applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:
a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;
c) Transactions whose effect is tantamount to the liquidation of the company.
Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.
Complies

5.Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:
a) To the appointment or ratification of directors, which shall be voted on individually;
b) In the event of amendments of the Articles of Association, to each article or group of articles that are substantially independent of one another.
See section: E.8
Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.
See section: E.4
Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.
Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:
a) The company's policies and general lines of strategy, and in particular:
i) The strategic or business Plan as well as the management targets and annual budgets;
ii) The investment and financing policy;
iii) The design of the structure of the corporate group;
iv) The corporate governance policy;
v) The corporate social responsibility policy;
vi) The policy for compensation and assessment of the performance of senior managers;
vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.
See paragraphs: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:
i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.
See section: B.1.14
ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.
See section: B.1.14
iii) The financial information that the Company must periodically make public due to its status as listed company.
iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
v) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.
c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").
However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:
1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.
It is recommended that related-party transactions only be approved by the Board upon the prior favorable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.
It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for

urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.
See sections: C.1 and C.6
Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.
See section: B.1.1
Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.
See sections: A.2, A.3, B.1.3 and B.1.14.
Complies

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.
See section: B.1.3
Complies

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.
This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:
1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2. Companies where there is more than one shareholder represented on the Board and these are not linked between themselves

See section: B.1.3, A.2 and A.3
Complies

13. The number of independent directors represents at least one-third of the total number of directors.
See section: B.1.3,
Complies

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nominating Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.
See sections: B.1.3 and B.1.4
Complies

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:
a) Selection procedures do not have an implied bias that hinders the selection of women directors; proprietary directors and the rest of its capital.
b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.
See sections: B.1.2, B.1.27 and B.2.3.
Comlies

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.
See section: B.1.42
Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.
See section: B.1.21
Complies

18. The Secretary of the Board takes particular care to ensure that the Board's actions:
a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;
b) Comply with the company's Articles of Association and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;
c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.
And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.
See section: B.1.34
Complies

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.
See section: B.1.29
Complies

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.
See sections: B.1.28 and B.1.30
Complies

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved

at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.
Complies

22. The full Board evaluates the following on a yearly basis:
a) The quality and efficiency of the Board's operation;
b) On the basis of a report submitted to it by the Nominating Committee, how well the Chairman and chief executive of the company have carried out their duties;
c) The performance of its Committees, on the basis of the reports furnished by them.
See section: B.1.19
Complies

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.
See section: B.1.42
Complies

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.
See section: B.1.41
Complies

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules.
Directors are also offered refresher training programs when circumstances so advise.
Complies

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:
a) Directors apprise the Nominating Committee of their other professional duties, in case they might detract from the necessary dedication;
b) Companies lay down rules about the number of boards on which their directors may sit.
See sections: B.1.8, B.1.9 and B.1.17
Complies

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:
a) On the proposal of the Nominating Committee, in the case of independent directors.
b) Subject to a prior report from the Nominating Committee, in the case of other directors.
See section: B.1.2
Complies

28. Companies post the following director information on their websites, and keep such information updated:
a) Professional and biographical profile;
b) Other Boards of Directors of listed or unlisted companies on which they sit;
c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
d) Date of their first and subsequent appointments as a company director; and
e) Shares held in the company and options thereon held by them.
Complies

29. Independent directors do not hold office as such for a continuous period of more than 12 years.
See section: B.1.2
Complies.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.
See paragraphs: A.2, A.3 and B.1.2
Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the Articles of Association, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.
The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.
See paragraphs: B.1.2, B.1.5 and B.1.26
Complies

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.
If a director is indicted or tried for any of the crimes described in Section 124 of the Companies Law, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.
See paragraphs: B.1.43 and B.1.44
Complies

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.
When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.
This Recommendation also applies to the Secretary of the Board, even if he is not a director.
Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board.
Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.
See paragraph: B.1.5
Complies

35. The compensation policy approved by the Board specifies at least the following points:

a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;
b) Variable compensation items, including, in particular:
i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.
ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;
iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.
c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
i) Duration;
ii) Notice periods; and
iii) Any other provisions relating to hiring bonuses, as well as indemnity or "golden parachute" provisions in the event of early or other termination of the contractual relationship between the company and the executive director.
See paragraph: B.1.15
Complies

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.
This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.
See paragraphs: A.3 and B.1.3
Complies

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.
Complies

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.
Not Applicable

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.
Not Applicable

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.
The Board also reports on the role played by the Compensation Committee in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.
See paragraph: B.1.16
Complies

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:
a) A breakdown of the compensation of each director, to include where appropriate:
i) Attendance fees or other fixed compensation received as a director;
ii) The additional compensation received as chairman or member of a Board committee;
iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
iv) Contributions on the director's behalf to defined contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
v) Any severance package agreed or paid;
vi) Any compensation received as a director of othercompanies in the group;
vii) Compensation for the performance of senior management duties by executive directors;
viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.
b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
iv) Any change during the year in the terms for the exercise of previously-awarded options.
c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.
Complies in part

Partially compliant
Both the Annual Report and the report on compensation policy submitted to the advisory vote of shareholders at the company's General Shareholders' Meeting contain detailed information on all pay items received by directors, along with the total amount of remuneration paid out in accordance with Articles 27 and 30 of the Articles of Association, and the distribution of remuneration among those members of the Board and the committees that are entitled to such pay.
Total remuneration payable to directors amounts solely to 1.5% of net earnings before tax for the Board, and the same amount for the Executive Committee.

42. **When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.**
See paragraphs: B.2.1 and B.2.6
Complies

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.
Complies

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Nominating and Compensation Committee as a separate committee of the Board, or a Nominating Committee and a Compensation Committee.
The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Committee or committees are set forth in the Regulations of the Board, and include the following:
a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.
b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
c) Committee Chairmen are independent directors.
d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
e) Minutes are prepared of their meetings, and a copy sent to all Board members.
See paragraphs: B.2.1 and B.2.3
Compiles in part
The Chairman of the Nominating and Compensation Committee is the Chairman of the Board and is executive director.

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.
Complies

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.
Complies

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.
Complies

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.
Complies

49. Risk control and management policy specifies at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
b) The determination of the risk level the company sees as acceptable;
c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
e) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.
See paragraphs :D
Complies

50. The Audit Committee's role is:
1. With respect to the internal control and reporting systems:
a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.
c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.
2. With respect to the external auditor:
a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
c) To monitor the independence of the external auditor, to which end:
i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
d) In the case of groups, the Committee favors the auditor of the group assuming responsibility for the audits of the companies that form part thereof.
See paragraphs: B.1.35, B.2.2, B.2.3 and D.3
Complies

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.
Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:
a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements

are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
b) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.
See paragraphs: B.2.2 and B.2.3
Complies.

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.
See paragraph: B.1.38
Complies

54. The majority of the members of the Nominating Committee –or of the Nominating and Compensation Committee, if one and the same– are independent directors.
See paragraph: B.2.1
Complies

55. The Nominating Committee has the following duties, in addition to those stated in the earlier Recommendations:
a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.
See paragraph: B.2.3
Partially Complies
The Articles of Association envisage the appointment of a First Vice-Chairman, a Second Vice-Chairman and also a Third Vice-Chairman to prepare the company for any possible absences that may arise.
Art. 10 of the Regulations of the Board of Directors, on the Chairmanship, states that:

The First Vice-Chairman shall replace the Chairman in the event of illness, absence or death affecting the latter. In such cases, and for as long as the circumstances in question persist, the Vice-Chairman will be entitled to convene Board meetings and chair proceedings.

The Second Vice-Chairman and Third Vice-Chairman, if indeed such offices exist, shall exercise the same functions in relation to the First Chairman and the Second Vice-Chairman, respectively.
The First Vice-Chairman has likewise been authorised, in his/her capacity as independent director, to exercise the following functions in accordance with Art. 9 of the Regulations of the Board of Directors:
a) to request that a Board meeting be convened, or for new items to be added to the agenda;
b) to act as coordinator for the non-executive directors and to voice their concerns;
c) to head the process whereby the Board assesses the performance of the Chairman.

Moreover, the Appointments and Remuneration Committee is responsible for ensuring suitability and integrity when selecting directors and senior executives, and for proposing or reporting on the appointment of directors, both such duties as set forth in Art. 14 of the Regulations of the Board of Directors.

As a result, existing internal rules and regulations allow the company to organise the rotation of directors accordingly, including in cases of sudden or unforeseen absences.

56. The Nominating Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And that any board member may request that the Nominating Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.
Complies

57. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:
a) To propose to the Board of Directors:
i) The compensation policy for directors and senior managers;
ii) The individual compensation of executive directors and other terms of their contracts.
iii) The basic terms and conditions of the contracts with senior managers.
b) To ensure compliance with the compensation policy set by the company.
See paragraphs: B.1.14 and B.2.3
Complies

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.
Complies

G. OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

In this section, you may include any other information, clarification or comment relating to the prior sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this Report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in subsection 5 of the Unified Good Governance Code:

NO

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of

02/28/2011

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO