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Viscofan **today**

GLOBAL LEADER

Geographical diversification + Diversification of production

DISTRIBUTORS IN + 100 COUNTRIES

ACROSS 5 CONTINENTS OF ARTIFICIAL CASINGS



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



IAN GROUP, LEADING SPANISH

DISTRIBUTOR OF ASPARAGUS AND VEGETABLE FOOD



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Viscofan **today**

	2011	2010	
Market Capitalization (Millions of €)	1,335.7	1,321.7	
Capital expenditure (Millions of €)	64.7	47.4	+36.5%
Earning per share (EPS) (€)	2.172	1.745	
Revenue (Millions of €)	666.8	633.7	+5.2%
Net bank debt (Millions of €)	61.5	59.8	
Remuneration per share (RPS) (€)	1.000	0.800	
EBITDA (Millions of €)	162.1	154.1	+5.2%
EBITDA Margin (%)	24.3%	24.3%	

+25% Remuneration per share (RPS)

+24.5% Net Profit

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Letter from **the Chairman**



Dear Shareholder,

Last year saw the end of the 2009 to 2011 strategic period, which we called "Be ONE" and which had a clear objective: to strengthen our leadership, mainly by making use of the economies of scale that the Viscofan Group had acquired through its active role in the acquisition and consolidation of companies that further promoted our international profile. Today, Viscofan products are present in more than 100 countries worldwide.

During these years the Viscofan Group underwent a major transformation, significantly improving our production technologies and achieving greater solidity in our international operations.

Proof of the success of this plan is shown in the accumulated earnings. At end of this period, 2011 revenues reached €667 million, 21% more than the revenues obtained in 2008, EBITDA was €162 million, 1.5 times the 2008 figure and, for the first time, net profit was in excess of €100 million, doubling the net profit obtained in 2008 despite being in a globally adverse economic situation, both due to the weakness of the world economy and the strong upward pressure on raw materials and energy resources.

Specifically during 2011, growth in consolidated profit benefited from the positive contribution from both the casings division and vegetable foods. Casings grew by 5% in terms of revenue and 25% in net profit for the year while the IAN Group saw a 7% increase in sales and 7% increase in net profit, in particularly complex circumstances.

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In recent years we have kept up intensive activity with major challenges for our workforce and in this respect it is useful to highlight some examples carried in 2011:

- Collagen capacity in continental Europe was increased in our centres in Germany with new "superfast" technology machinery and in Spain where start-up of the production capacity went ahead before schedule, reflecting the Viscofan Group's commitment and capacity for meeting an increase in demand.

- Furthermore, in 2011 we completed the transfer of non-edible collagen capacity from Germany to Serbia, a double challenge if we consider the fact that it took place in a period of high demand, with the resulting pressure on deadlines and start-up. This transfer of production capacity was the culmination of a long term industrial redevelopment process, which began in 2005 with the acquisition of Koteks, and which has been significantly accelerated over the last two years, with investments in facilities, training and machinery which enable the Viscofan Group to have the best non-edible collagen technology in Serbia today.

- It is a great satisfaction that, one year after opening the converting plant, in China we are already working with new shifts to increase the production capacity of this plant, and also carrying out activities for the opening of a new collagen extrusion plant in 2013.

- We have also increased fibrous capacity in the United States, a product family where we have a smaller market share but in which we are also exploiting growth opportunities.

- Also, in the IAN Group, the acquisition of the remaining 50% of our China subsidiary has been completed, which will allow us improved access to raw materials and greater flexibility in decision-making.

These are the most visible examples, but alongside them are general improvements in the industrial facilities. A work of great intangible value which has led us to be better prepared today to rise up to the growth challenges in the coming years.

This preparation is key because our sector is immersed in a historic opportunity for growth, promoted by the impetus of increased globalisation in consumption patterns and the industrialisation of meat processors. Our customers have seen artificial casings as a means to improve productivity and consumer satisfaction in a period marked by major competitive difficulties.

This is why we have set up the "Be MORE" strategy for 2012-2015. A strategy that involves a natural development of the successes achieved in "Be ONE" to move forward in our global leadership of the casings market. "Be MORE" means **M**arket growth, **O**ptimisation, **R**eturn for stakeholders and **E**xcellence.

It is a strategy that places our customers at the heart of our activities and includes ambitious expansion projects, such as the new edible collagen casing extrusion centres in China and Latin America, areas where we expect major market growth in the next few years. We also have increased capacity in cellulose, fibrous and plastic, which help consolidate our position as global leaders.

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Our plans are not risk free. They coexist with a harsh economic climate, characterised by weak GDP performance in the world's main economies and the difficulties our customers are experiencing in accessing financing. Particularly in this context, we have to be a source of solutions for our customers in their challenges to reduce production costs, while at the same time dealing with the pressure of the rising costs of our main raw materials and energy.

We are talking about intense activity over the next few years, which will require the knowledge and commitment of the excellent workforce of the Viscofan Group. At present there are more than 4,000 of us working in our establishments in 13 countries, split between sales offices and production centres; a multicultural richness that is bearing fruit thanks to continuous communication and interaction, our ability to improve and through commitment to competitiveness and customer service. This formidable workforce is undoubtedly the best guarantee for the future success of Viscofan; this is why we continue to develop policies for managing and encouraging talent to allow us to maintain this great competitive advantage.

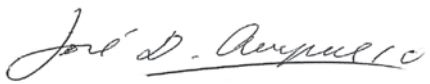
Together we are working towards a more leading and sustainable Viscofan Group, with safer working environments and focus on reducing the impact of our activities on the environment.

We are faced with a future we can look forward to, reflected in the profit forecasts communicated to the market for 2012, where we expect, with regard to 2011, a 9% to 11% increase in revenues, a 9% to 12% increase in EBITDA and a 4% to 7% increase in net profit.

These plans would not be possible without a solid financial position that allows us to accelerate investment plans and set up in new countries, with a level of debt that does not jeopardise the sustainability of the future growth of Viscofan in a highly restricted market, as well as the flexibility required to make the most of the opportunities for inorganic growth that could arise during this period of expansion.

The strength of our operations allows us to look to the future with hope and pay our shareholders according to our profit growth. For this reason, the Board of Directors has proposed for approval by the General Shareholders' Meeting a total payout of €1.00 per share as an interim dividend, additional dividend and meeting attendance bonus. This remuneration is 25% higher than that approved the previous year and it is double the payout to shareholders in 2008, just before we started the "Be ONE" period. During the same period the share price also doubled.

As usual, I would like to end this letter by thanking you for your support and trust, reiterating my commitment to growth and long term creation of value, as well as that of the Board of Directors, the management and the rest of the Viscofan workers.



José Domingo de Ampuero y Osma

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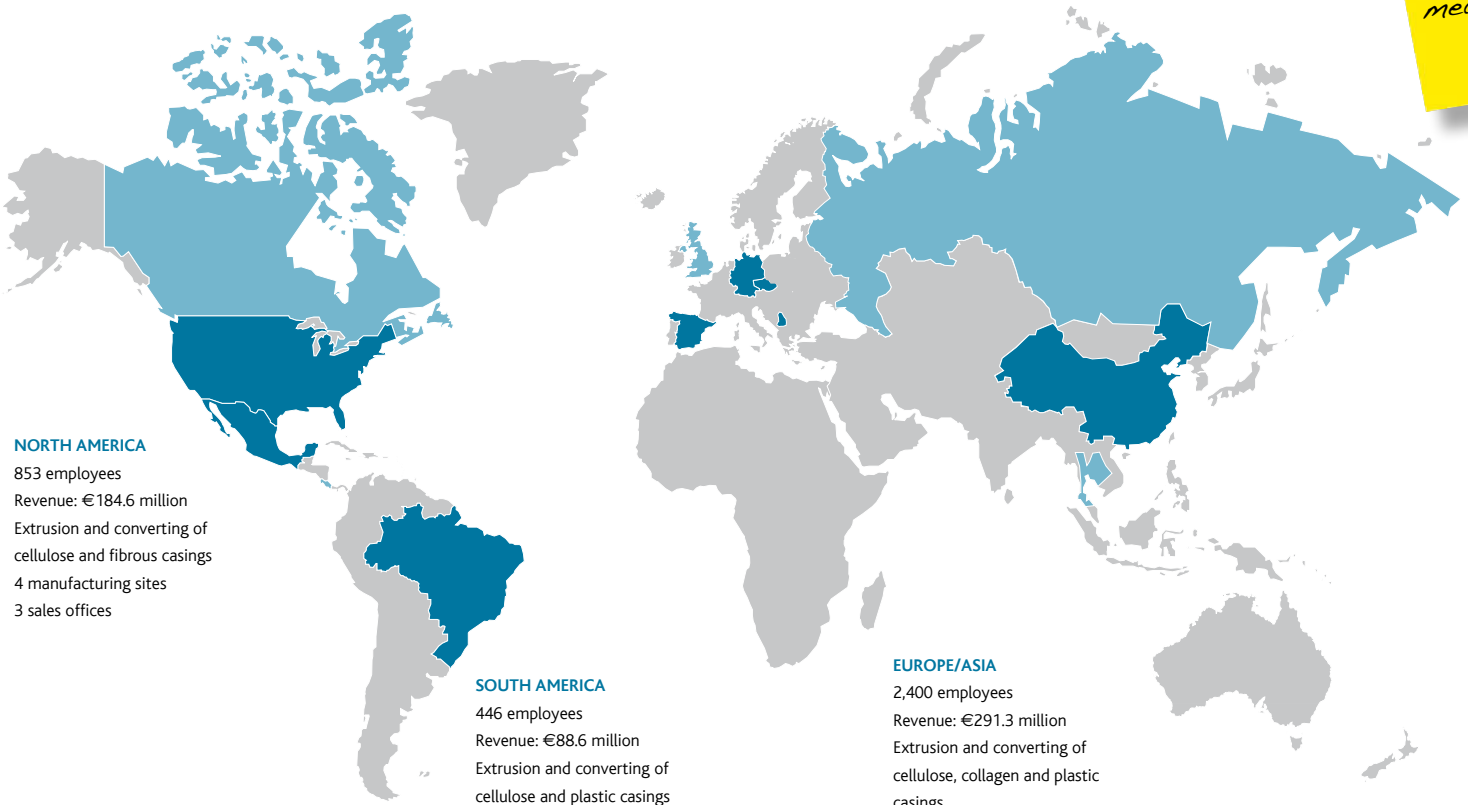
Viscofan **Worldwide**

Viscofan is the world's leading producer and distributor of artificial casings for the meat industry.



NORTH AMERICA
853 employees
Revenue: €184.6 million
Extrusion and converting of cellulose and fibrous casings
4 manufacturing sites
3 sales offices

SOUTH AMERICA
446 employees
Revenue: €88.6 million
Extrusion and converting of cellulose and plastic casings
2 manufacturing sites
2 sales offices

EUROPE/ASIA
2,400 employees
Revenue: €291.3 million
Extrusion and converting of cellulose, collagen and plastic casings
7 manufacturing sites (one is under construction)
8 sales offices

IAN Group
382 employees
Revenue: €102.3 million
Production and sale of preserved vegetables
3 manufacturing sites
1 sales office

Manufacturing sites
Sales offices

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Milestones in the **history of Viscofan**

1975
Viscofan Group founded

1986
Viscofan listed on the Stock Exchange



1988
Viscofan acquires IAN Group

1990
Viscofan acquires Naturin GmbH & Co (Germany)



1991
Incorporation of Viscofan do Brasil



1993
Start-up of first cogeneration plant in Cáseda (Spain)



1994
Opening of sales offices in Russia and Asia and sales commence in the USA. Start of production of collagen in Cáseda (Spain)



1995
Acquisition of Gamex in the Czech Republic and Trificiel in Sao Paulo (Brazil)



1998
Viscofan USA plant moves from Michigan to Alabama



2001
New sales office in Thailand



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2004

Incorporation of Viscofan Centroamérica Comercial SA in Costa Rica



2006

Acquisition of Teepak in North America (USA and Mexico)



2008

Expansion of the cogeneration plant in Spain



2010

Opening of a converting plant in China

<<

2005

Acquisition of Koteks-produkt AD (Serbia) and the assets of AB Tripasin (Sweden)



2007

The Group's consolidated revenues exceed €500 million for the first time

Viscofan

2009

Incorporation of Viscofan Technology (Suzhou) Co. Ltd. (China)



2011

Growth plans were speeded up with the installation of new "superfast" production lines in Germany, the expansion of collagen in Spain and the transfer of non-edible collagen lines from Germany to Serbia



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A wide range of **solutions and products**
A guide to Viscofan products

Viscofan is the only supplier in the world to make artificial casings in the four technologies: cellulose, collagen, fibrous and plastic.



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.).



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.



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.



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, salads, chicken and pasta recipes.

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Main Brands
Viscofan Group

Casings

Viscofan Koko CoffiNet Naturin

Colfan Tripan Betan Coffi

Vegetable Food

CARRETILLA DESDE 1873 iAN COMARC

ALESVES RESTAURACIÓN MORENITA

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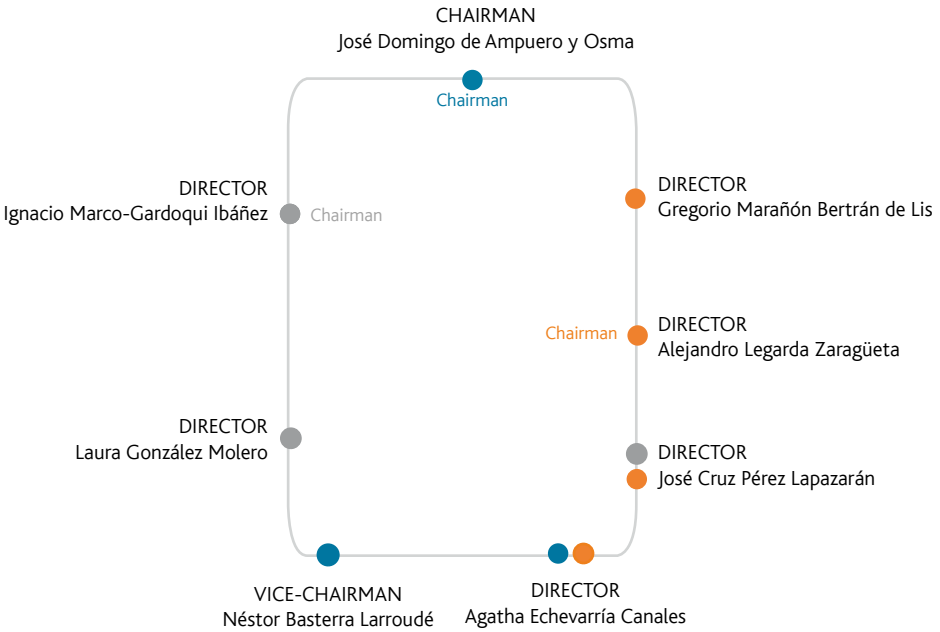
Group **Structure**

Significant shareholdings at December 2011



FREE FLOAT: 80.062%
ONCHENA S.L.: 5.077%
MARATHON ASSET MANAGEMENT. LLP: 5.019%
WILLIAM BLAIR & COMPANY. LLC: 3.648%
BLACKROCK INC 3.140%
GOVERNANCE FOR OWNERS LLP 3.054%

Board of Directors



SECRETARY (non-voting): Juan María Zuza Lanz

Executive Committee
Audit Committee
Appointments and Remuneration Committee

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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.	His long professional career has led him to occupy various positions such as Vice chairman of Naviera Vizcaina, Chairman of SA de Alimentación, Vice chairman of BBVA Bancomer (Mexico), Chairman of Bodegas y Bebidas, Vice chairman of Banco Bilbao Vizcaya Argentaria SA, Vice Chairman of Iberdrola, and Chairman of Cementos Lemona SA. He is currently Chairman of Autopista Vasco-Aragonesa SA. He is also member of the board of directors of the "Círculo de Empresarios Vascos" (Basque businessmen 's association) which he formerly chaired. Mr. Ampuero is member of the Board of Directors of the "Asociación para el progreso de la dirección" (Association for the Advancement of Management) and chairman of the Board of Santa y Real Casa de Misericordia de Bilbao.

Nestor Basterra Larroudé	
Vice-chairman **Independent director** Law degree and 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-chairman 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.

Agatha Echevarría Canales	
Director **Independent director** 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 and Audit Committee.

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José Cruz Pérez Lapazarán	
Director **Independent director** Agricultural Engineering graduate from the Universidad Politécnica of Madrid.	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. Former senator and currently deputy of the congress he has been very active as Chairman or member of the various Agricultural, Fisheries and Food committees of the Congress. He is a recipient of the Gran Cruz del Merito Agrario y Pesquero. He is member of the Board of Directors of Viscofan, S.A, and member of its Appointments and Remuneration Committee and of the Audit Committee.

Gregorio Marañón Bertrán de Lis	
Director **Independent director** Marquess of Marañón. Law graduate from the Universidad Complutense in Madrid, financial training in USA, 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 appointments and remuneration committee and member of its corporate government committee; member of the board of director of Prisa TV, and of its Audit Committee and president of its Appointments and Remuneration 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 culture sphere he is President of the Teatro Real, the Foundation Greco 2014, and Real Fábrica de Tapices; Vice-president and president of the Executive committee of the Ortega-Marañon Foundation; director of Santillana Foundation, Altadis Foundation, Real Fundación de Toledo, Army Museum 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. He is member of the Board of Directors of Viscofan SA, and member of the Audit Committee.

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Alejandro Legarda Zaragüeta	
Director **Independent director** Industrial engineering graduates 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 in 1992. In 2006 he joined the Board of Viscofan, S.A. as an independent Director and he is chairman of the Audit Committee.

Ignacio Marco-Gardoqui Ibáñez	
Director **Independent director** 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 Schneider Electric España, Progénika Biopharma, Minerales y Productos Derivados, Tubacex Tubos Inoxidables SA and Iberdrola Ingeniería y construcción (Iberinco) SA. Previously, he has belonged, among others, to the Board of Director of Técnicas Reunidas, Banco de Comercio, IBV, and Banco de Crédito Local, and chairman of Naturgás. He is chairman of the Appointments and Remuneration Committee of Viscofan.

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Laura González Molero	
Director **Independent director** Graduate in Pharmaceuticals from the "Universidad Complutense de Madrid", Executive MBA from the "Instituto de Empresas", she holds several graduate degrees at prestigious Universities such as Harvard Business School, Insead, IMD, and Kellog Business School.	Chairman and CEO of the Merck Group in Spain and independent Director of the Leche Pascual Group. 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. She was the first woman who received the award "Executive of the Year" in 2007 by the Madrid Chamber of Commerce. She is a member of the he Appointments and Remuneration Committee of Viscofan

Juan María Zuza Lanz	
Secretary Non-Director Law degree 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, in Navarra 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.

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José Antonio Canales

Corporate Management

Divisions of Group Management

Chief Operating Officer
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

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Strategic Pillars

MISSION

To meet the needs of the worldwide food industry with artificial casing, generating value for our stakeholders.

STRATEGIC PLAN 2012-2015



Be

M Market growth

O Optimization

R Returns

E Excellence

VISION

We want to be THE GLOBAL LEADER in the artificial casing market.

This vision means...

→ The global leader focuses its efforts to create value to our shareholders in a sustainable way.
→ The global leader is a benchmark in efficiency and productivity in all the artificial casing technologies.
→ The global leader is the reference for our customers for our good practices, quality and service.
→ The global leader attracts and keep talented people and develops their capacities: A leader that build up a team that is committed with Group goals and vision, a team that foster innovation and best practices, a team that encompasses hard work and seamless collaboration between Group members

VALUES

Teamwork
Pioneers
Focus on Results
Quality
Service

GENERAL ETHICAL PRINCIPLES

Human Rights
Sustainability
Respect and non-discrimination
Efficiency
Loyalty
Integrity, responsibility and transparency

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Creating value: **Market and Strategy**

Market:

The Viscofan Group is the world leader in casings for the meat industry, also known as artificial casings due to the fact that this type of product has been traditionally replacing the natural casings (mainly intestines and bladders) that meat processors use for stuffing meat.

The casings industry dates back to the early 20th century when, due to of the difficulties of obtaining natural casings, price volatility and the difficulties this involved for the industrialization of sausage production, alternatives arose in different countries based on different materials that could be used in the production of sausages and other meats as an alternative to natural casings. This change was a highly significant, qualitative leap for meat processors, helping them achieve higher quality and productivity standards.

Today meat producers have a wide range of technological alternatives for sausage production according to their production characteristics and the product itself, combining an improved range of casings with major production savings.

At present, the main casings technologies are:

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 off the casing before sale to the end consumer. Using a complex manufacturing process, the cellulose molecules are chemically and mechanically depolymerised and subsequently repolymerised in either cylindrical or tubular form, according to the customer's requirements.

Fibrous: 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.

Collagen casings: These casings use collagen as their raw material. Collagen is obtained from cow 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.

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

Natural casings: Animal intestines are used following a cleaning process; they may be from different animals, mainly sheep, pigs and cows.

The estimated size of this market is around €4 billion, approximately 50% of which are casings made from animal intestines, while 50% are casings made using cellulose, fibrous, plastic or collagen technologies.

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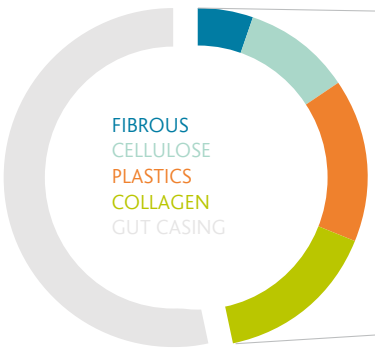
Considering the €2 billion market for artificial casings, Viscofan leads the market with an estimated 26% share and is the only producer with the technology necessary for producing all product categories.

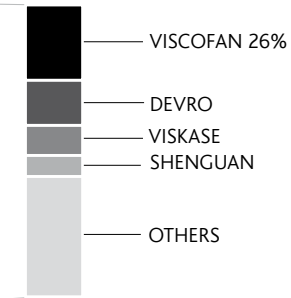
Over the last 5 years the market has been growing steadily above its historic range, 5.2% in terms of constant compound annual growth rate. Growth in 2011 was 6% compared to 2010, which demonstrates the acceleration tendency in growth seen in recent years.

Viscofan leads the market with an estimated 26% share

Gut and artificial casing market 2011
>4 Bn €



Artificial casing market 2011
2 Bn €



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This growth rate is due, on the one hand, to the increase in population and the globalisation of consumption patterns and, on the other, to the sophistication of meat processors, who are transforming their processes by incorporating cellulose, collagen, plastic or fibrous casings to obtain improved productivity levels, food safety and cost control; as well as greater product differentiation for a sustainable competitive advantage.

It is thus easy to see sausages in practically every country on the planet supported by the improved economy of sausage meat (fresh and processed), which allows access to animal protein for disadvantaged population segments, especially in countries with emerging economies or in developed economies that are undergoing an economic downturn, and also enables new, increasingly widespread convenience eating habits, such as ready meals or takeaways.

Furthermore, natural casing prices are highly volatile and have become more expensive in the short term due to their scarcity in the market as a result of the decline in the quality sheep population due to natural catastrophes or industrialisation in developed countries where the production economy is abandoning the primary sector.

In this context, the demand for artificial casings is growing all over the world. A clear example of this trend is the increase in the average per capita global spending on artificial casings, with a total 20% increase in the last three years to €0.28, and a wide disparity between the average spending in developed countries (around €1 per capita) compared to emerging countries where both Latin America and Asia and Africa are below their potential.



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Be MORE Strategy (2012-2015)

In this market, Viscofan has a clear commitment to global leadership, with its ambition to be the industry reference in terms of production efficiency and quality, placing the customer at the heart of our decisions.

This is why we have designed a new strategic plan for 2012-2015 known as "Be MORE" which is based on these four strategic cornerstones:

- Market growth
- Optimization
- Returns
- Excellence

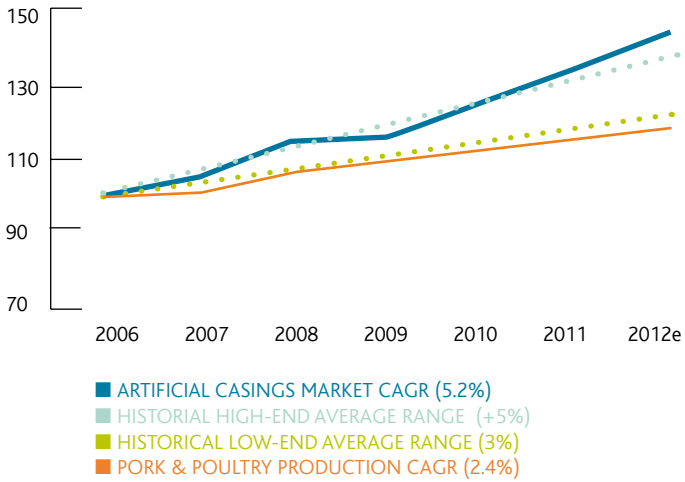


Market growth

The casings market has been experiencing solid growth in recent years, mainly as a result of the incorporation of artificial casings in the preparation of sausages in emerging markets, and an increase in the use of collagen casings, which provide improved productivity for meat processors.

In this context the global casings market saw a 6% increase in sales volumes in 2011, led by the collagen segment with a growth of approximately 10% compared to the previous year.

Artificial casings market growth (Base 2006=100)



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This is why at present Viscofan has a major growth opportunity and is therefore working hard on internal improvement which, coupled with increased investment effort, it aims to supply the market with volumes to meet the rise in demand, increasing production capacity in all technologies, although with special emphasis on the collagen segment where the Viscofan Group is focusing on changing over from a regional production model in Europe to a global production model with production also taking place in Asia and Latin America.

As a result of this expansion plan, Viscofan is carrying out the activities required for setting up a new collagen extrusion centre in Suzhou, 80 km from Shanghai. With this plant the Viscofan Group will complement the current production centre for the converting phase, which started operating in 2010 with notable success, doubling its sales volume in 2011 with respect to the previous year.

Elsewhere, the first collagen converting centre in Brazil was opened, in a bid to improve the service in Latin America, and the intention is to subsequently set up a new collagen extrusion centre in the region.

The Be MORE expansion plan is not only limited to the collagen segment; as a global leader in artificial casings the Viscofan Group has a commitment to meeting our customers' needs in the rest of the product families too. To do this, internal improvement plans are being implemented that provide increased production capacity in cellulose, fibrous and plastics, to cope with the expected rise in applications in these product families, especially in the emerging areas of Southeast Asia, Latin America and Africa.



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Optimization

In such a dynamic and demanding environment as the casings sector, with customers in more than 100 countries on all the inhabited continents of the planet, Viscofan has new initiatives planned that involve an additional effort to strike a balance between technological leadership and costs, implementing production and service.

Production capacity by technology

	Cellulose	Collagen	Plastics	Fibrous
	✔	✔	✔	✔ *
	✔ *	✔ Extrusion capacity in 2013		
	✔		✔ *	✔
	✔	✔ * Extrusion capacity during BeMORE	✔	✔ *

* Converting

Therefore, by the end of the Be MORE period, Viscofan will be a group with global production in all families, with special emphasis on the globalisation of collagen.

To achieve this balance, Viscofan will further develop its ongoing product improvement model based on different roles in the production centres.

On the one hand, centres of excellence will continue to lead the technological improvements that are justified by offering higher value-added products and technology transfer services to other subsidiaries. This technology transfer in turn involves automation plans in countries such as the Czech Republic and Brazil, where inflation rates are gradually causing a drop in their productivity advantage due to labour costs, while the largest increases in production capacity will continue in the lower labour cost countries such as Serbia, which has gained greater critical mass with the transfer of non-edible collagen production, and China, where the new plant will serve the largest world market for collagen casings, but with very competitive labour costs.

On the other hand, the globalisation of Viscofan also corresponds to the strong increase in demand in emerging areas, with a more personalised offer which will require better management of the supply chain to capture synergies. To do this, we have enhanced the operations area in order to be more efficient in our working capital needs, although the expansion of demand, and the setting up of new factories logically entail the need for working capital in the short term.

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Returns

Viscofan is facing a historic opportunity for growth and is shifting its major initiatives towards this goal. However, this commitment to growth is not incompatible with commercial discipline and cost control to ensure sustainable value creation in the long term.

It is true that this growth plan will probably exert increased pressure on the gross margin, with an unfavourable environment in the early years of the Be MORE in terms of inflation of raw materials and energy prices, which coexist with expansion in less affluent countries and which would probably affect the gross margin.

To counter this trend, the Viscofan Group is developing initiatives aimed at expanding the supplier base of its principal raw materials, as well as energy optimisation and cogeneration. Austerity, cost control and a light structure will counter this pressure on the gross margin and allow the increase in revenues to be passed on as an increase in EBITDA, as well as establishing in the medium term the bases for a higher level of competitive advantage, both in technology and cost, to meet with some degree of optimism the challenges in the medium term.

Proof of this ambition to create value are our investment plans. In 2012 we want to invest €75 million, significantly more than the average for previous years, which includes the €25 million initial investment in China. However, operational cash flow (otherwise known as the EBITDA - Capex) will be solid (around €100 million), providing once again returns in excess of the capital cost.

Excellence

With the pillar of excellence the Viscofan Group wishes to summarise a method in its relations with all of its stakeholders: shareholders, employees, suppliers, customers and other players in the market and society.

Artificial casings are apparently simple products that conceal a great complexity of technical properties that require a specific know-how that is difficult to access, which makes this sector especially competitive and dynamic, while also offering our customers high added value.

We are talking about a product that in general terms reaches the end consumer either as an edible casing or as a casing that gives the sausage its appearance, and their decision to purchase will be influenced by this appearance, but at the same time, it has to satisfy the meat producers whose main decision-making parameters are easily measurable and very different to the consumer's experience: we are combining productivity and savings for our customers with a perfect, safe finish for our consumers.

This attitude includes a very proactive R&D activity, which seeks solutions, either technological or applications-based, which allow us to maintain, as a competitive advantage, a proprietary and constantly evolving technology.

All this is supported by an exceptional workforce, with a spirit of constant improvement, aware of the challenges brought by Viscofan's leadership and the need for further improvement in competitiveness every day. Excellence involves a constant flow of people and ideas in all centres with initiatives aimed at supporting and promoting the development of talent among our people.

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Be MORE: Results expected in 2012

The Be MORE strategy is made up of multiple projects with different time horizons, and represents a significant commitment from all members of the Viscofan Group.

The result of this commitment are the guideline financial results expected for 2012. The company expects to obtain consolidated revenues of between €730 and €740 million (equivalent to a y-o-y growth of of between 9% and 11%), with an EBITDA of between €177 and €182 million (9% to 12% growth), and a net profit of between €102 and €105 million (an increase from 4% to 7% with respect to the 2011 adjusted net profit).

These targets include as a condition an average US$/€ exchange rate of 1.35, due to the fact that 38% of the revenues of the Viscofan Group are in US$ while 21% of the expenses are in this currency.





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2011 **highlights**

February

Publication of results for 2010.

March

The IAN Group launched the first range of chicken ready meals.

April

Viscofan General Shareholders' Meeting.

May

Publication of results for the first quarter of 2011.

Payment of a complementary dividend of €0.204 per share gross.

June

Reduction of share capital due to a decrease in the nominal value of the shares from €0.30 per share to €0.01 per share and return to the shareholders of the capital contribution in the sum of €0.29 per share.

An extrajudicial agreement was reached in relation to the lawsuit between Koteks Viscofan doo and Vojvodjanska Banka ad.

July

Publication of results for the first half of 2011.

August

Increase in share capital by raising the nominal value of the shares to €0.70 per share, charged to reserves. The new share capital is now €32,622,577.40.

The Viscofan Group acquired the remaining 50% of the Lingbao Baolihao Food Industrial Co., Ltd company, which is mainly focused on asparagus processing.

October

Capital increase of €14.5 million in Viscofan Technology Suzhou Ltd, (China) to set up a new collagen extrusion plant in the country.

Publication of results for the third quarter of 2011.

November

New launch of Carretilla pasta dishes.

December

Interim dividend paid out of profits for 2011 agreed by the Company's Board of Directors, in the sum of €0.36per share, gross.

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2011 Financial results

Strategy Be One Period

Millions of euros	2011	2010	2009	2008	Var. 11/10	TACC 2008-11
Revenue	666.8	633.7	583.4	551.8	5.2%	6.5%
EBITDA	162.1	154.1	129.0	105.3	5.2%	15.5%
% EBITDA margin	24.3%	24.3%	22.1%	19.1 %	0.0 p.p.	5.2 pp
EBIT	120.1	110.4	91.3	67.9	8.8%	21.0%
% EBIT margin	18.0%	17.4%	15.6%	12.3 %	0.6 pp	5.7 pp
Profit before taxes	127.9	105.7	86.0	60.3	21.0%	23.5%
Net profit	101.2	81.3	64.3	51.4	24.5%	25.4%
Adjusted Net Profit(*)	98.4	81.3	64.3	51.4	21.0%	24.2%
Capital expenditure	64.7	47.4	46.3	48.4	36.5%	10.2%
Total equity	449.4	406.4	345.2	303.3	10.6%	14.0%
Net bank debt	61.5	59.8	90.5	122.4	2.8%	-20.5%
Market capitalisation at year-end	1,335.7	1,321.7	827.7	657.1	1.1%	26.7%
Average headcount	4,081	3,816	3,899	4,085	7.0%	0.0%
Net bank debt/total equity (%)	13.7	14.7	26.2	40.4	-1.0 p.p.	-26.7 p.p.
ROE (**) (%)	23.0	21.6	19.8	17.2	1.4 p.p.	5.8 p.p.
Euros						
Year-end share price	28.7	28.4	17.8	14.1	1.1%	26.8%
Earnings per share	2.172	1.745	1.379	1.101	24.5%	25.4%
Proposed remuneration per share (***)	1.000	0.800	0.623	0.500	25.0%	26.0%

(*)Adjusted net profit excludes a one-off gain of €2.84 million, recognised in June 2011, related to an out-of-court settlement in Serbia in connection with the financial liability with Vojvodanska banka a.d.
(**) Net profit / Average total equity
(***) Includes dividends, capital reimbursement, refund of issue premium and bonus for attending General Meeting of Shareholders

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Key conclusions of the January-December 2011 results

- +24% year-on-year growth in net profit to €101.2million; +21% excluding non-recurring gains[1].

- +5% year-on-year growth in consolidated EBITDA[2] to €162.1 million, in a year marked by pressure on unit raw material and energy costs.

- EBITDA[3] margin stable at 24.3% year-on-year, despite the pressure on costs and weakness in the company's main trading currencies against the euro. Excluding the exchange rate effect[4], the EBITDA margin would stand at 25.2% (+0.9 p.p. vs. 2010).

- +5% year-over-year growth in consolidated revenue to €666.8 million, driven by volume strength in the casings division and the robust performance of the vegetable food division.

- The higher demand in its market has prompted the Viscofan Group to step up its growth strategy, investing €64.7 million in 2011 (+36.6% vs. 2010).

- The Viscofan Group has exceeded its revenue guidance for the year (€660 – €665 million) thanks to the strong volumes in emerging markets. However, the decision to step up its growth plans, mainly in these areas, kept the EBITDA margin in line year-on-year, with EBITDA falling short of full-year guidance (€166 - €168 million). However, net profit excluding non-recurring gains amply outstripped the forecast for the year at €98.4 million (vs. guidance of €89 - €91 million).

- At its meeting of 29 February 2012 the Board of Directors resolved to propose at the Shareholders' Meeting the payment of a final dividend of €0.634 per share. This would imply total shareholder remuneration of €1.00 per share, 25% higher than the figure of €0.80 approved last year.



1 Adjusted net profit excludes a one-off gain of €2.84 million, recognised in June 2011, related to an out-of-court settlement in Serbia in connection with the financial liability with Vojvodanska banka a.d.
2 EBITDA = Earnings before interest, taxes, depreciation and amortisation
3 EBITDA margin = EBITDA / revenue
4 Constant exchange rate growth: 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

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Consolidated FY11 Results

Viscofan Group consolidated income statement

'000 euros	Jan-Dec' 11	Jan-Dec' 10	Variation
Revenue	666,812	633,726	5.2%
EBITDA	162,142	154,143	5.2%
EBITDA margin	*24.3%*	*24.3%*	*0.0 p.p.*
EBIT	120,092	110,386	8.8%
Net profit	101,245	81,346	24.5%
Adjusted Net Profit [1]	98,402	81,346	21.0%

1. Adjusted net profit excludes a one-off gain of €2.84 million, recognised in June 2011, related to an out-of-court settlement in Serbia in connection with the financial liability with Vojvodanska banka a.d.

Net revenue increased for the seventh consecutive year, standing at €666.8 million, a rise of 5.2% on 2010. This performance is predicated on the strong volumes achieved in both divisions. Revenue climbed 4.8% to €564.5million and 7.3% to €102.3 million in the casings and vegetable food division respectively.

Full year revenue growth reported by the Viscofan Group was eroded by weakness in the company's main trading currencies against the euro, particularly the US dollar (4.9% vs. 2010). Excluding the exchange rate effect, consolidated revenue growth was 6.8% vs. 2010.

Cost of consumption[5] climbed 6.7% year-on-year in 2011, to €180.8 million, driven by strong volume growth (notably in the second half of the year) and the higher unit raw material costs, particularly costs of cellulose derivatives and other auxiliary raw materials such as caustic soda, glycerine and polyamides.

The company's clear focus on growing in emerging markets boosted revenue, although the higher cost of raw materials and an unfavourable price mix held back the gross margin[6] down 0.4p.p. in 2011 vs. 2010 to 72.9%.

5 Cost of consumption = Change in inventories + net purchases
6 Gross margin = (Revenue – cost of consumption) / revenue

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Other operating costs rose 7.2% year-on-year to €196.9 million in FY11. Under this heading, the increase in gas, electricity and petrol derivatives prices should be noted as this caused energy costs to rise by 9.2% on 2010.

Production capacity was raised over the year, production at the converting plant in China is more robust and volumes increased at most of the company's manufacturing plants due to higher market demand. In response to this growth, the company's average workforce increased by 7.0% to 4,081 employees, of which 3,699 belong to the casings division and 382 to the vegetable food division (including staff from the Lingbao Baolihao Food Industrial Co. Ltd.[7], an investment that has been fully consolidated since August 2011). These growth initiatives were partially offset by downsizing the workforce in the Czech Republic, Germany, the US and Mexico.

In this context, personnel costs to December 2011 stood at €137.6 million, up 1.0% year-on-year, thanks to the optimisation of resources and improved productivity and competitiveness. As a result of these improvements, personnel costs accounted for 20.6% of consolidated revenue in the year vs. 21.5% in 2010.

FY11 EBITDA rose 5.2% to €162.1 million. Stripping out the exchange rate effect, FY11 EBITDA climbed 10.6% compared to 2010.

In a particularly adverse environment for raw materials and energy and volatile currency markets, the FY11 EBITDA margin remained stable at 24.3% on the back of productivity improvements and the austerity and cost control measures introduced. It is particularly noteworthy that excluding the exchange rate effect, the EBITDA margin would have grown +0.9 p.p. to 25.2%.

Consolidated EBIT totalled €120.1 million (+8.8% vs. 2010), putting the consolidated FY11 EBIT margin at 18.0% (+0.6 p.p. vs. 2010)

Profit before tax was €127.9 million, 21.0% higher year-on-year.

This increase in profit before tax was due mainly to the rise in EBIT (+8.8% vs. 2010), positive exchange differences (€6.6 million gain vs. a loss of €2.8 million in 2010), and the agreement between Koteks Viscofan d.o.o. (the Viscofan S.A. subsidiary headquartered in Serbia) and Vojvodjanska Banka a.d. that extinguished its financial liability with this entity producing a non-recurring consolidated financial gain for the Viscofan Group of €3.3 million.

The effective tax rate was 20.8% in 2011, compared to 23.1% in 2010. The difference between the theoretical tax rate and the effective tax rate is basically due to the different taxes paid by subsidiaries that are not resident in Navarre (Viscofan S.A's. tax domicile) which pay taxes in all countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and the application of tax allowances in various Group subsidiaries.

Profit for the year hit a new record high, at over €101.2 million, up 24.5% vs. 2010 (+21.0% excluding non-recurring gains), significantly higher than the increase of +10% to +12% provided for in 2011 guidance.

7 In August 2011, the Viscofan Group acquired the 50% of Lingbao Baolihao Food Industrial Co. Ltd. that it did not already own. The core business of this company, headquartered in Henan (China) is asparagus processing

The Viscofan Group had net bank debt of €61.5 million in FY11, 2.8% higher than the figure seen at the close of the previous year, putting the company's gearing at 13.7% vs. 14.7% in December 2010.

The strong operating cash flow allowed the company to raise investment in 2011 (€64.7 million vs. €47.4 million in 2010 largely used to increase production capacity), to meet working capital requirements arising from the Group's expansion, and to cover the higher shareholder remuneration paid.

At its meeting of 29 February 2012 the Board of Directors submitted to shareholders a proposal to pay a final dividend of €0.634 per share.

This would put total shareholder remuneration at €1.00 per share, including the interim dividend of €0.360 per share paid on 22 December 2011, the afore-mentioned final dividend of €0.634 per share and €0.006 per share as a bonus for attending the Shareholders' Meeting. The remuneration proposed is 25.0% higher than the total remuneration of €0.80 approved last year.

It is also important to highlight the progress made in the Be ONE strategy (2009-2011) when the Viscofan Group increased revenue by 21%, consolidated EBITDA rose 54% (with margins improving by 5 p.p) and net profit climbed to over €100 million, practically doubling the figure reported in 2008.

The Be ONE strategy has required a great deal of internal effort and has one clear objective: to strengthen the company's leadership position in the market and improve the profitability of its operations. Therefore, measures have been implemented to improve economies of scale: better alignment of the organisation, efficiency and production improvements at current plants, and the development of a management model supported by product families' centres of excellence.

At year-end 2011 the Viscofan Group is in a stronger position to face the new challenges affecting medium-term growth in the casings market in all the segments in which it operates: skinless, collagen, fibrous and plastic casings

The company has developed its Be MORE strategic plan for 2012-2015 in this growth context, focusing on initiatives to drive Market growth, Optimisation of resources, Returns to stakeholders, and Excellence in its operations.

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FY11 results: casings

Casings income statement

'000 euros	Jan-Dec' 11	Jan-Dec' 10	Variation
Revenue	564,544	538,455	4.8%
EBITDA	153,597	146,260	5.0%
EBITDA margin	*27.2%*	*27.2%*	*0.0 p.p.*
EBIT	114,646	105,479	8.7%
Net profit	97,068	77,457	25.3%
Adjusted Net Profit [1]	94,225	77,457	21.6%

1 Adjusted net profit excludes a one-off gain of €2.84 million, recognised in June 2011, related to an out-of-court settlement in Serbia in connection with the financial liability with Vojvodanska banka a.d.

2011 was a year marked by demand increases that outstripped the historic average for the sector.

In response to this growth, the Viscofan Group made capacity increases throughout the year, especially in the collagen segment, with new installations in Spain and "superfast" equipment in Germany. As a result of these capacity increases and the company's focus on areas with higher growth potential, sales volume and revenue reached new record levels.

FY11 revenue from the casings division climbed 4.8% year-on-year to €564.5 million:

- 45.2 million of this balance came from cogeneration in Spain and Mexico (+5.3% vs. FY10).
- Casings sales stood at €519.3 million, up 4.8% vs. FY10, with higher volumes across the entire product range (skinless, collagen, fibrous and plastic casings).

Despite the recovery staged by the US dollar against the euro in the last quarter of the year, over the year as a whole revenue was negatively impacted by the performance of the main trading currencies, especially the US dollar (4.9% depreciation vs. 2010). Stripping out the impact of the exchange rates applied in consolidation, revenue in the casings division increased 6.7% year-on-year in FY11.

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The geographical breakdown of revenue[8] for 2011 was as follows:

- In Europe and Asia, revenue rose 11.6% on FY10 to €291.3 million.
- In North America, revenue declined 2.0% to €184.6 million.
- In Latin America, revenue eased 0.6% year-on-year to €88.6 million.

Raw material prices rose steadily over the year, partly offset by measures to optimise purchasing, reduce production waste and technological improvements taking the cost of consumption for the year to €120.5million, 6.3% higher than in 2010.

The expansion projects implemented by the Viscofan Group require a significant human capital effort and a resizing of the workforce to meet its new global requirements. Therefore, the average workforce in the casings division in 2011 was 3,699, 5.0% higher than in 2010, due mainly to new hires related to the expansion programme in Spain, Brazil, Serbia and China which were partly offset by headcount reductions in the Czech Republic, Germany and North America.

Despite the company's larger size, personnel expenses in FY11 remained in line with FY10 figures at €126.6million, accounting for 22.4% full-year revenue, vs. 23.5% in the previous year.

Other operating costs in this division grew 7.3% in FY11 to €173.4million, and energy costs rose 9.2% year-on-year.

FY11 EBITDA marked a positive trend, up 5.0% year-on-year to €153.6 million, with the margin stable at 27.2%.

The stability of the EBITDA margin in FY11 was due mainly to unfavourable currency trends, which reduced the consolidated margin by 1.0 p.p. Stripping out the exchange rate effect, full-year EBITDA in the casings division grew 10.6% vs. 2010.

EBIT stood at €114.6 million in FY11, an improvement of 8.7% year-on-year.

The growth in operating profit, in addition to the positive exchange differences and the company's financial strenght, filtered through to the net profit line in this business segment. Net profit rose 25.3% in FY11 vs. FY10 to €97.1 million.

8 Revenue by origin of sales

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FY11 results: IAN Group

IAN Group income statement

'000 euros	Jan-Dec' 11	Jan-Dec' 10	Variation
Revenue	102,268	95,271	7.3%
EBITDA	8,545	7,883	8.4%
EBITDA margin	*8.4%*	*8.3%*	*0.1 p.p.*
EBIT	5,446	4,907	11.0%
Net profit	4,177	3,889	7.4%

In a context of severe economic slowdown in Spain, which is hitting consumption particularly hard, 2011 was an enormously challenging year for the vegetable food division. IAN Group succeeded in strengthening its position of leadership in the sector, establishing itself as a sound and reliable benchmark for consumers and distributors alike, and gaining market share, especially in the tomato and ready-meals segment.

Higher volumes in the tomato, olive and ready-cooked meals segments have pushed revenue up by 7.3% to €102.3 million, offsetting the drop in asparagus sales.

In 2011, Carretilla expanded its ready-meals portfolio, most notably with the launch of new ready-meals pasta dishes during last quarter.

The launch of new products comes in response to the success of ready-meals, a segment where Carretilla is cementing its position as a leading player, due to the quality of its products and the scale and availability of its product range (with more than 40 varieties). This leadership is evident in the sales growth registered in ready-meals in the year: +40.3%.

The increase in volumes has allowed the company to improve its production capacity utilisation rate offsetting the decline in gross margins caused by the higher unit cost of raw materials. FY11 EBITDA rose 8.4% year-on-year to €8.5 million.

The EBITDA margin was 8.3% in FY11 (+0.1 p.p. vs. 2010).

This growth filtered through to net profit which stood at €4.2 million (+7.4% vs. 2010).

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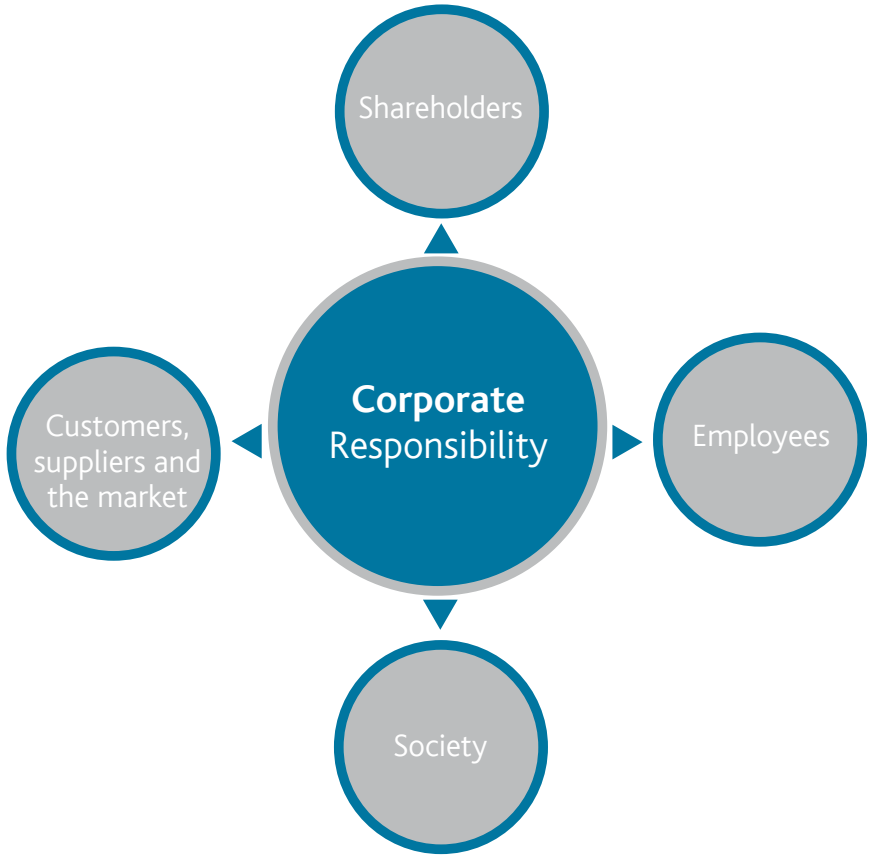
Corporate Responsibility

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.



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Shareholders. Good governance practices

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. Of the 58 good governance recommendations identified in the unified Code of Good Corporate Governance, the Viscofan Group complied with 87.9%; complied partially with 3.4%; 6.9% did not apply and it explained the remaining 1.7%.

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.
- Code of conduct: this contains the ethical principles of action and guidelines to be followed by the directors, senior management and employees of the Viscofan Group in the performance of their professional activities. The general ethical principles contained in this Code are summarised as Respect for and defence of Human Rights; Sustainability; Integrity, accountability and transparency; Respect and non-discrimination; Efficiency; and Loyalty.
- 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.

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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.

In 2011 the Viscofan Group set up the Corporate Responsibility and Regulatory Compliance Committee and the Ethics Committee, made up of members of the company that do not belong to the Board of Directors whose purpose is to oversee compliance with the internal regulations and applicable legislation, as well as generating a communication channel to facilitate the interpretation of regulations and channel for flagging up any non-compliance.

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 2012 a proposal was submitted for a bonus per share of €0.006. 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, 76.28% of the Company's share capital participated at the last General Meeting, held on 14th April 2011, against 75.58% last year. Of this percentage, 4.75% attended in person and 71.53% 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, 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 e-mail 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.

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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 2011, 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 2010, which were put to a consultative vote at the General Meeting held on 14th April 2011.

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 11 occasions in 2011, must in timely fashion report to the Board on its discussions and resolutions.

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Audit Committee

This committee currently consists of four directors and is chaired by an independent director. 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 interim 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 2011.



Appointments and Remuneration Committee

The Appointments and Remuneration Committee is made up of three Directors, all are independents. 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 of individual executive Directors and senior managers as well as the conditions of their contracts.

Appointments and Remuneration committee met 3 times during 2011.

The composition, duties, rules for organisation and operation, as well as the responsibilities allocated to each of the Committees of the Board of Directors are detailed in the company regulations and articles of association and in the Annual Corporate Governance Report that is available for review at www.viscofan.com.

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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 2011, 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 €2,300 thousand, 0.7% less than the total remuneration received the previous year.

The company has made available to the shareholders the annual report on the remuneration of directors and senior management of the Viscofan Group, explaining the board's remuneration policy in 2011 and the remuneration of senior management, which in 2011 came to €3,681,000.

To adapt to good corporate governance practices, the Appointments and Remuneration Committee has proposed to the Board of Directors that the policy on remuneration of the Board of Directors and the Committees and Commissions resulting from it should be reviewed by an external consultant and that the results of this review should be presented at the 2013 General Shareholders' Meeting.

Risk control

The Viscofan Group risk management policy is reflected in its internal regulations, both in the procedure regulating this control and in the different internal regulations of the bodies involved in it.

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

Risk management policies are a priority for the Audit Committee, whose specific role is to monitor the suitability of the policies and control procedures in place and review the internal control and risk management systems so that the main risks are properly identified, managed and reported.

The Viscofan Group has an internal Audit Division that reports directly to the Audit Committee. It has the authority to examine and evaluate the systems and procedures for the control and mitigation of risks, and the methodologies used.

Senior Management is responsible for identifying and assessing the risks to which the Group is exposed in the course of its business and for taking appropriate measures to prevent the appearance of these risks or, if they do appear, to reduce or eliminate their impact.

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During 2011 the Corporate Responsibility and Regulatory Compliance Committee was created, which includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company regulations.

To facilitate communication of risks or breaches the Ethics Office has been created, where people who work for the Viscofan Group can notify any regulatory breaches or behavioural patterns that do not comply with ethical principles of action. An Ethics Committee has also been set up to assist with the interpretation of the Code of Conduct in the event of doubt, propose areas for improvement and follow up any violations.

The general description of the Viscofan Group risk policy is detailed in paragraph D) of the annual corporate governance report, from which we extract the following summary:

Main risks identified

In the exercising of its respective duties, the company has continued to make progress in the identification, classification, organization and update of the risks that exist and in the introduction of control systems and preventive measures to avoid them appearing, as well as in the incorporation of systems that make it possible to reduce their impact as far as possible in the event of them occurring.

Independently of all of the risks that could affect the Company and without aiming to give an exhaustive description of them, we have concentrated on describing the risks that the Company has identified as having the highest possibility of occurring or having an impact during 2011, which correspond to those in which we have increased the adoption of measures for their prevention or for the reduction of their consequences in the event that they do actually occur:

FINANCIAL RISKS:

A) Integrity of the preparation of the financial information

The company has introduced a system for internal control of the financial information in which, in addition to the bodies responsible for risk management described above, the Corporate Finance Division was responsible for its design, start-up and dissemination, with support from the Finance Departments of each of the Viscofan Group companies and the Internal Audit Division.

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B) Profitability and success of the investments undertaken

The company has consolidated the decision-making procedure and monitoring of investments through the committee created for this purpose. The procedure regulates the following aspects: Approval and inclusion of new projects, Authorization and Periodic control and Quarterly monitoring by the Investment Committee.

In addition, taking into account the plans for expansion in countries such as Serbia and China, the corporate organizational structure in the Operations Division has been reinforced in order to be able to guarantee completion of key tasks within the set deadlines, keeping as far as possible to the set budgets.

C) Exchange rate risk

The Group has large production centres in the United States, Brazil, Mexico and the European Union, four of the areas where most sales are generated. The Group is also increasing its production capacity in China, another market with high commercial potential. This partly allows natural hedging of the business.

As a complement to this natural business hedging, in order to control the exchange rate risk that arises from future commercial transactions, the Group companies use forward exchange contracts, negotiated under the coordination of the corporate Cash Management Division.

The Group's risk management policy is to hedge a part of the net balance between collections and payments in currencies other than the functional currency that present the most net exposure based on expectations of future operating flows and the level of risk that the Group is prepared to take on.

D) Credit risk

The Group does not have any significant concentrations of credit risk.

The Group has credit risk cover policies that cover most of the balances receivable from customers. The internal procedure includes a credit risk check for all new customers that the Group begins to work with.

The Risk Committee provides regular monitoring of customer risks and of compliance with the policies implemented to reduce them.

It has policies to ensure that products are sold to customers with a suitable credit history, as well as insurance policies over a wide customer base. Furthermore, Group policies lead to sales being paid for in cash due to lack of credit history or to reasonable doubt that they could prove problematic. Operations with derivatives are only formalised with financial institutions with a high credit rating.

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E) Liquidity risk

Control of financial leverage in recent years and maintenance of streamlined financial statements accompanied by favourable operating results have helped to reduce this risk and its impact in the event of it occurring and have made it possible to carry out careful management of the liquidity risk, based on the maintenance of sufficient cash and negotiable securities, the availability of financing through sufficient committed credit facilities and sufficient capacity for settling market positions.

In view of the dynamic nature of the underlying business, the Group's objective is to maintain flexibility in financing through availability of contracted lines of credit.

Monthly monitoring takes place of the collections and payments to be made in the coming months as well as analysis of any deviations in the forecast cash flow during the month that has ended in order to identify possible deviations that could affect liquidity.

F) Interest rate risk in cash flow hedge and fair value hedge

The Group does not hold any significant paid assets. The Group formalizes hedging agreements to mitigate part of the risk of a possible rise in interest rates. In any case, the Viscofan Group's leverage percentage is low, which makes the impact of a possible rise in interest rates irrelevant.

Financing at variable interest rates is mainly referenced to the Euribor and the Libor-dollar.



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OPERATING RISKS

G) Supply of raw materials

During 2011, the Viscofan Group has continued to investigate identification and selection of raw materials suppliers of various origins who are located in different geographical areas.

The Viscofan Group continues to promote the approval of new suppliers and the search for suitable technology solutions for the incorporation of alternative raw materials to guarantee continuity of the production level required by the market at times when it is most difficult to obtain supplies.

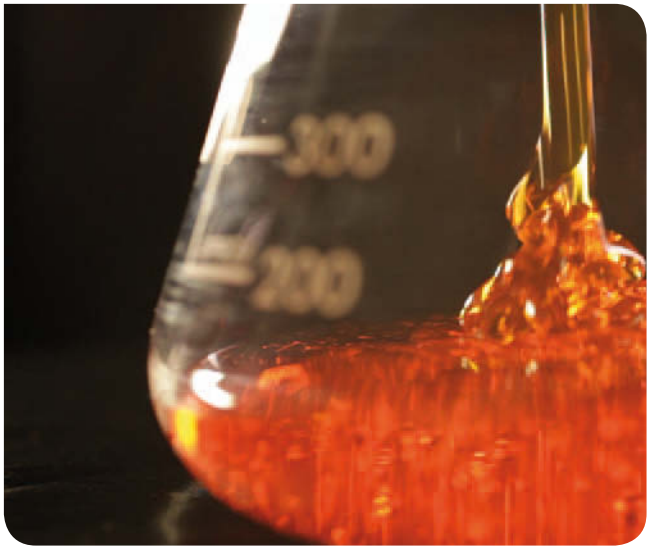
These measures are also favoured by Viscofan's decision to base its entire manufacturing process in China.

In addition, with respect to the energy supply, during this year and the previous one, cover was arranged to partially cover the above-mentioned volatility. Investments have also been made to allow optimum energy use and reduce dependence on the supply. Viscofan has also intensified monitoring of price changes and flexibility of supply by searching for suppliers that enable it to adapt more quickly to changing market circumstances.

H) Risk of material damage and continuity of production

The Viscofan Group has completed the identification of possible improvements in the various Group plants which began in 2010, through the inclusion in its annual investment plan of an item specifically dedicated to this question and the allocation of specific resources for monitoring and supervision of its application.

The Viscofan Group is continuing its strategy of implementation in different countries, which favours diversification and the subsequent reduction of risk by increasing production alternatives in the hypothetical case of material damage that affects continuity of production.



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STRATEGIC RISKS

I) Criminal liability of companies

Viscofan has continued with its strategy as a global producer in the casings sector, consolidating its offer throughout the range of products currently existing on the market and increasing its operations with production plants to guarantee supply from all geographical areas to customers worldwide with a criterion of closer proximity that encourages a more local service and better adaptation to the needs of each market.

In the canned vegetable and vegetable food sectors, Viscofan has consolidated its operations in China with the acquisition of 100% of Lingbao Baolihao for the production of tinned asparagus, which has allowed it to confirm the implementation of quality standards in accordance with the requirements of the Spanish market in a setting of cost control and maximization of resources to guarantee its leadership in Spain.

In addition, IAN, S.A.U. has continued its expansion in the ready meal sector through development of new products prepared using natural methods to conserve their organoleptic properties in accordance with the new requirements for quality products. At the same time, it maintains active promotion policies that enhance recognition of the Carretilla brand and the leadership of the IAN Group in its sector.

LEGAL RISKS

J) Criminal liability of companies

The Viscofan Group has introduced a system of measures for prevention and detection of criminal liability in all of the companies that make it up, which establish measures for controlling activities in the work environment through the incorporation of a set of policies, manuals and procedures that determine the principles and behaviour to be followed in the performance of our activities and that cover all areas: information technology, sales, production, finance, legal, research and development and human resources.

In addition, the Viscofan group has allocated responsibility for monitoring the system to the Corporate Responsibility and Regulatory Compliance Committee, which includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company relation.

An Ethics Committee has also been created to deal with any breaches that may be detected in the event of practices that could be contrary to the Viscofan Code of Conduct and other regulations.

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Shareholders. Viscofan in the stock market

Stock market performance

Since the outbreak of tensions in 2007 that would ultimately lead to an especially severe economic and financial crisis, after four years, instability is as rife as ever.

The economic tensions of recent months, financial difficulties, slowdown in the economy and the spread of the sovereign debt crisis to other countries led to 2011 being a year of great uncertainty in the stock market, where volatility has once again taken over the market and has been the predominant factor with levels reaching 60% at critical moments.

The euro zone has been the main focus of tension during this year. The rescue of Portugal in spring 2011, following the footsteps of Ireland and Greece in 2010, caused a risk of default in Greece, to which was added the increased risk premium in larger European economies, Spain and Italy, which also led to uncertainty in other countries like Belgium and even France.

In this context, and inevitably, the global stock market has seen a slowdown in its expectations of a recovery that seemed to be on the way with significant gains in 2009 continuing in 2010, but which instead fell away in 2011 with the major global indices showing negative figures.

In Europe the indices were below this reference with losses ranging from 52% on the Athens Composite in Greece, -17% on CAC 40 in France, to -17.5% on the German DAX, -19% on the Belgian Bel-20, 20% on the Portuguese PSI or -25% on the FTSE MIB in Italy. In Spain, the IBEX 35 was down 13%, a figure somewhat lower than the rest of the European stock markets but it has suffered two consecutive years of losses, losing more than 40% its value.

In this environment Viscofan ended 2011 with a revaluation of 1.1%, which is well above the average of the returns obtained during the year for the securities traded on the Spanish market. Viscofan ended the year with €28.66 per share and in some sessions reached a maximum of €30.59.

This performance by Viscofan is supported by results that once again marked record highs and show the strength of the Viscofan Group in meeting expectations in sales and profits and maintaining its margins at a time when it is accelerating its growth plans. In addition, the broad geographical diversification of its operations, as one of the most internationalised Spanish companies, reduces its exposure to the Spanish market which has given it support for increasing investor interest.

In relation to the different markets on which Viscofan is listed, its growth also compares favourably. The IGBM dropped 14.6%, the IBEX Medium Cap 20.7% and Europe STOXX 600 11.3%, and the food power sub-sector also showed a negative figure dropping 6.3%.

It is therefore not surprising that Viscofan with a capitalisation of €1,335.66 millions at year-end is among the 40 companies by market capitalisation in the Spanish continuous market, rising 14 places since 2009 and moving up to second place among those that make up the IBEX Medium Cap with a weighting of 10% on this index.

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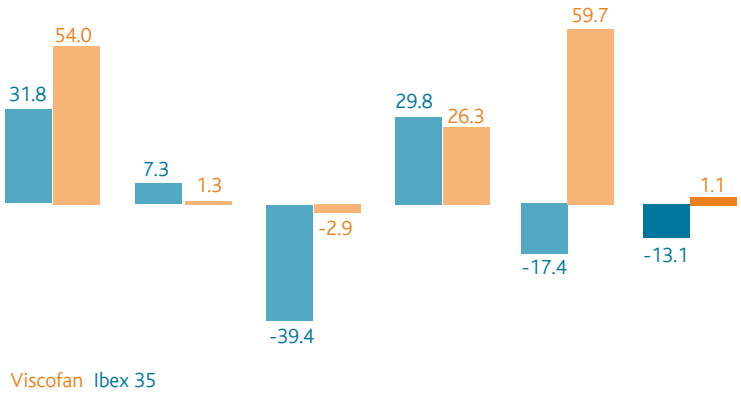
This good share price performance has been accompanied by an increase in shareholder returns. The General Meeting of Shareholders held in June 2011 approved the payment of remunerations for shareholders for a gross value of €0.800 per share, of which €0.504 per share corresponded to interim and complementary dividend, €0.29 was for return of capital and €0.006 corresponded to the bonus for attending the General Meeting of Shareholders, which was an increase of 28% compared to the same items for the previous year.



Share performance Viscofan vs.IBEX 35 (2006-2011) (%)



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

		Selling 31/12										
Buying 31/12		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2000	Viscofan	7.3%	42.2%	54.9%	63.7%	104.0%	214.1%	218.2%	209.0%	290.3%	523.3%	529.9%
	IBEX 35	-7.8%	-33.7%	-15.1%	-0.3%	17.8%	55.3%	66.7%	0.9%	31.1%	8.2%	-6.0%
2001	Viscofan		32.6%	44.5%	52.7%	90.2%	192.8%	196.7%	188.1%	263.9%	481.1%	487.3%
	IBEX 35		-28.1%	-7.9%	8.1%	27.8%	68.5%	80.8%	9.5%	42.2%	17.4%	2.0%
2002	Viscofan			9.0%	15.1%	43.4%	120.9%	123.8%	117.3%	174.5%	338.3%	343.0%
	IBEX 35			28.2%	50.4%	77.8%	134.3%	151.5%	52.3%	97.8%	63.3%	41.9%
2003	Viscofan				5.7%	31.6%	102.7%	105.4%	99.4%	151.9%	302.3%	306.5%
	IBEX 35				17.4%	38.7%	82.8%	96.2%	18.9%	54.3%	27.4%	10.7%
2004	Viscofan					24.6%	91.8%	94.4%	88.7%	138.4%	280.7%	284.7%
	IBEX 35					18.2%	55.8%	67.2%	1.3%	31.5%	8.6%	-5.7%
2005	Viscofan						54.0%	56.0%	51.5%	91.4%	205.6%	208.8%
	IBEX 35						31.8%	41.4%	-14.3%	11.2%	-8.1%	-20.2%
2006	Viscofan							1.3%	-1.6%	24.3%	98.5%	100.6%
	IBEX 35							7.3%	-35.0%	-15.6%	-30.3%	-39.4%
2007	Viscofan								-2.9%	22.7%	95.9%	97.9%
	IBEX 35								-39.4%	-21.4%	-35.1%	-43.6%
2008	Viscofan									26.3%	101.7%	103.8%
	IBEX 35									29.8%	7.2%	-6.8%
2009	Viscofan										59.7%	61.4%
	IBEX 35										-17.4%	-28.3%
2010	Viscofan											1.1%
	IBEX 35											-13.1%

Viscofan continues to be one of the companies that has created the most value for its shareholders over the last decade, multiplying by more than 6 the value of the shares for those who invested at year-end 2000 and held them until year-end 2011, compared to 6% losses for those who followed the IBEX 35 during this same period.

Viscofan has a long history of dividend payments to shareholders, with a clear intention of returning to investors the results of a steady increase in the remuneration per share in recent years, which is currently 7 times greater than the remuneration offered in 2000 (€0.144/share). During the Be ONE strategic period Viscofan doubled the remuneration per share with a proposal of €1.00 per share compared to €0.50 in 2008 and 25% more than what was offered the previous year.

The strength of the foundations of Viscofan and the smooth transparent relationship with the financial community has allowed Viscofan to continue to improve its negotiation levels: during 2011 more than 47 million shares were negotiated in the year as a whole, with a 100% rotation i.e. 13% above 2010 levels and with an effective total of €1.27 billion, 37% higher than the effective total negotiated in 2010, which puts Viscofan in 35th position in terms of trading volume among companies listed on the Spanish continuous market.

Shareholder remuneration

At the meeting of the Board of Directors held on 29 February 2012 it was agreed to propose a complementary dividend to the Shareholders' Meeting for payment from 5 June 2012 of €0.634 per share. This complementary dividend, together with the interim dividend of €0.360 per share paid on 22 December 2011 and the bonus for attending the meeting of 0.6 cents per share give a total remuneration per share of €1. This is 25% more than the previous year and twice the remuneration per share paid in 2008 at the start of the Be ONE plan. With a pay-out of 46% of the profits.

This increase in the dividend took place without waiving the expansion plans that guarantee the future of the company and without jeopardising the financial strength that the Viscofan Group requires in a sector as demanding as ours and in the current economic situation with continued difficulties in accessing liquidity.

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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, with a trading volume on the increase, which is reflected in the obtaining of one of the best rotation rates in small and medium capitalisation. 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 rotation that increased from 79% during 2010 to 100% of the total number of shares admitted for negotiation during 2011) and in the average daily cash, which came to almost €5 million, compared to the previous year's €3.6 million.

In 2011, 17 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis 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.

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 2011, as a result of these communication efforts, 212 face-to-face meetings were held with investors (170 in 2010 in 11 financial markets in various countries (10 in 2010).

The communication effort in recent years was recently acknowledged by the financial community and Viscofan was awarded the prize for "Best IR Professional" for the "sell-side" of the European food sector, by Institutional Investor at its "All European Executive team 2012 awards".

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Stock exchange highlights

Strategy Be One Period

Share price €	2011	2010	2009	2008
Year-end price	28.66	28.36	17.76	14.06
Year high	30.59	29.65	18.20	15.94
Year low	22.51	17.64	12.81	9.85

Viscofan in the stock market evolution	Year end 2011	Year end 2010	Year end 2009	Year end 2008
% annual change Viscofan.	1.1%	59.7%	26.3%	-2.9%
% annual change IGBM	-14.6%	-19.2%	27.2%	-40.6%
% annual change IBEX 35	-13.1%	-17.4%	29.8%	-39.4%
% annual change Euro STOXX 600	-11.3%	8.6%	28.0%	-45.6%
% annual change Medium Cap	-20.7%	-5.6%	13.8%	-46.5%
% annual change Sub sector Food and beverages IGBM	-6.3%	25.3%	7.0%	-25.7%

Stock market trading data	2011	2010	2009	2008
Market capitalization at year-end (millions of €)	1,335.66	1,321.68	827.68	657.09
Traded volume (million of €)	1,274.1	925.4	663.1	493.7
Daily average trading volume (million of €)	5.0	3.6	2.6	1.9
Traded shares	47,049,517	41,668,063	42,112,723	36,199,693
Daily average of traded shares	183,072.1	162,765.9	165,798.1	142,518.5

Share ratios	Year end 2011	Year end 2010	Year end 2009	Year end 2008
Listed shares	46,603,682	46,603,682	46,603,682	46,734,879
Earnings per share (1)	2.172	1.745	1.379	1.101
Remuneration per share (2)	1.000	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.

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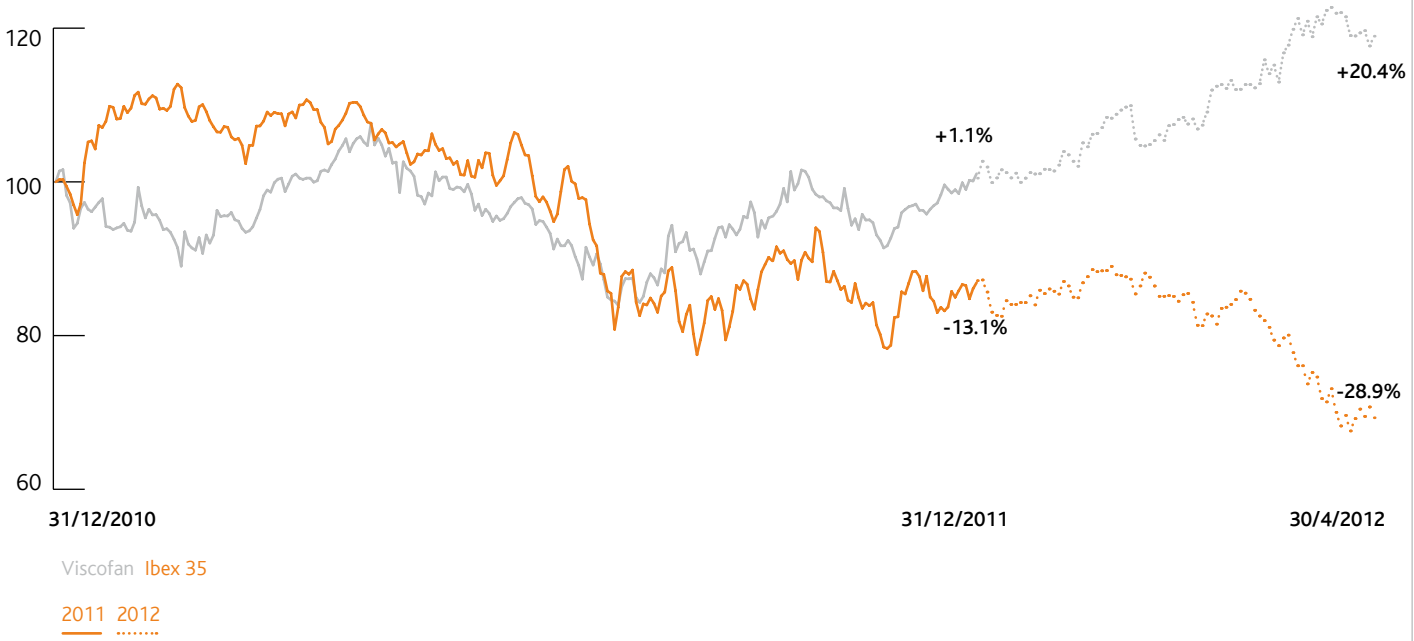
Share price performance VS. IBEX 35 (2011- april 2012)



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Employees. Human Resources and talent

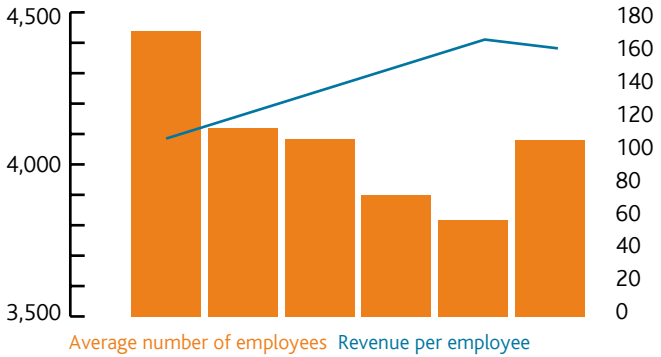
In 2011 the Viscofan Group had an average workforce of 4,081 people, 3,699 of whom belonged to the casings division and 382 to the plant food division. It is precisely the people who make up Viscofan that constitute its best asset for creating value for the company and are the main reason for its leadership.

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.

In a situation like the current one, with increases in production capacity and volume, the average workforce increased by 7%, and personnel expenses by 1% to €138 million. This has been possible due to improved competitiveness and improvements in productivity and optimisation of resources.

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.

Evolution revenue per employee (Thousands euros) / Average number of employees



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.

For this, there are programmes that search for talent and export of know-how. Their aim is to facilitate and benefit from mutual enrichment, growth, motivation and development of talent among the people who make up the Viscofan Group.

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Breakdown of workforce by region

Europe and Asia, 59%
North America, 21%
Latam, 11%
IAN, 9%



Breakdown of workforce by category

Management, 2%
Technicians and Department Heads, 23%
Administrative staff, 8%
Specialized personnel, 10%
Operatives, 57%



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 throught internal and external courses to provide the skills necessary for the job.

At year-end 2011, the average number of employees by category was as follows.

Breakdown of workforce by category

The Viscofan Group continues to be committed to a policy of equal opportunities and diversity. Against this backdrop, 30% of the 4,081 people in the average workforce were women, as were 14% of the senior management team. Both percentages were slightly up on the previous year.

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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 13 countries we are able to provide suitable casing solutions to more than 2,000 customers in 100 countries around the globe.

Proof of this was the recent award for progress in Internationalisation given to Viscofan by the Business Circle, together with the Wharton University of Pennsylvania, which follows the export award received previously from the Navarra Chamber of Commerce and Industry.

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.



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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. During 2011 the Montgomery plant in the United States was awarded certification. At present the Suzhou plant in China is in the process of implementing quality procedures and it is expected to obtain quality certification by 2013.

Added value matrix



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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:

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. Furthermore, the production facilities are continuously audited by the health authorities, numerous customers and, when applicable, by the certifying bodies, as is the case with all of the European plants, which are successfully certified each year in accordance with the strictest market standards (British Retail Consortium Standards). This certification has been extended to other non-European plants, such as Mexico and the Montgomery plant in the United States; it is expected that in 2012 they will be joined by the plants in Brazil, Danville, in the United States, and later by Suzhou in China.

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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 55. 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.

There is a technological spin-off from the centres with technology development units, both for products and processes, to the rest of the group's plants. The aim is to harmonise and standardise production standards at world level, based on the most advanced concepts and processes both in terms of manufacturing technologies and in the philosophies of control, quality and product characteristics 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:

- Development of various products, new agreements with the target markets defined in the expansion plan, and new generation creations designed and aimed at offering customers products that stand out due to their performance and characteristics.

- Development of active and functional casings capable of transferring properties or functionalities to the meat product processed in them.

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- 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.

- Research into raw materials, focused on the development of technological processes that make it possible to expand the range of materials suitable for manufacturing casings.

- Technological support for improving existing products and processes, and the international expansion of the company; all compliant with Viscofan technological and quality standards and current regulations, as well as for optimisation of production costs.

The IAN Group has 5 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 nonrefrigerated ready-cooked meals and salads, and activities to identify new ways to optimise production costs.

As a result of this research and development that the R+D+i team has been carrying out in recent years, 2011 has been a very busy year for new releases of ready meals, new dishes on top of those already offered, thus expanding the range of products manufactured under the "exclusive patented Carretilla process without preservatives", 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.

The efforts of the IAN Group in quality, health and food safety have led to it becoming a member of the Fundación Española de Nutrición (FEN), the most representative national organisation of the scientific sector of nutrition.

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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, basic research into alternative materials and uses, etc.

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 Brazil.

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. Among these associations are:

- 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.

- AICE. The Spanish Meat Industry Association is the largest meat association in Spain and advises, represents and defends the interests of the meat industry.



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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.

2011 saw important advances in the optimisation, development, manufacture and use of collagen moulds for cells (CCC) and biocompatible collagen membranes. Good results have continued in concept tests in various experimental areas of regenerative medicine, which definitively confirm the real technical potential of our collagen membranes in the area of tissue and organ repair. At the same time, new collagen-based products have been developed as solid bases of interest in cosmetic experimentation.

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.



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Viscofan understands that business management should adopt criteria that make the efficiency of the production and economic activity compatible with criteria that contribute to sustainable development.

This is why, in its position as a leader, it is working on two basic cornerstones on which its environmental projects are based:

• Sustainable use 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 2011 the Group, generated 37.6 thousand tonnes of waste, compared to 38.5 thousand tonnes in 2010, 2.3% less despite the increase in activity that took place during the year.

Of the waste generated in the period, 64% was recovered for new uses and transactions; 11% was destroyed; and 25% 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.

The Viscofan Group's European plants, in compliance with current legislation and as part of its commitment to the environment, are entered in the European Register of chemical substances (REACH, 1907/2006/ec), in which we have also asked our suppliers to pre-register.

Effort to reduce VISCOFAN Group waste (thousand tons)

	2010	2011
Landfill	27%	25%
Destruction	12%	11%
Recovery	61%	64%

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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.

The start-up of the extension to the cogeneration plant in Cáseda (Spain) in two different stages in 2008 and 2009, and the later replacement in 2010 and 2011 of two old motors with two semi-new ones have allowed it to reach a generating capacity of 46MW.

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.

With this new 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 tons of CO_2 per MW exported and emitted to the atmosphere, although increasing in 2011 by 2%, were reduced by 43% with respect to the tons of CO_2/MW emitted 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.

The result of this commitment is the energy consumption profile of the Viscofan Group, where 85% of plants from the Group as a whole use natural gas over other environmentally harmful fossil fuel alternatives.

Evolution of CO_2/ MWh exported



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