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

V. Notes to the financial statements of the Viscofan Group in the period from January to June 2012.

1. Basis of preparation

The consolidated financial statements were prepared based on the accounting records of Viscofan, S.A. and the companies included in the Group.

The consolidated accounts for the first half of 2012, were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in order to give a true and fair view of the consolidated net assets and financial position of Viscofan, S.A. and its subsidiaries as at 30 June 2012, as well as the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the period then ended.

The accounting policies applied are consistent with those for the year ended 31 December 2011. However, the preparation of consolidated financial statements in accordance with IFRS-EU requires management to make significant judgements, estimates and assumptions in applying the Group's accounting policies. Note 9.2 details the most significant changes in estimates in 2012.

Standards and interpretations issued by the corresponding bodies but still not effective have not been applied.

Preparation basis for the individual accounts of Viscofan S.A.

The individual accounts for first half of 2012 were prepared in accordance with the new Chart of Accounts approved by RD 1514/2007, in order to give a true and fair view of the consolidated net assets and financial situation of Viscofan, S.A. and its subsidiaries at 30 June 2011, as well as the results of its operations, cash flows and changes in equity for the period then ended.

2. Seasonality or cyclicality of interim period transactions

The business of the various Viscofan Group companies engaged in the Casings activity valued overall and for a six-month period, is not subject to significant seasonality or cyclicality and therefore operating profits have had a consistent performance during such time frame.

The business of companies that form part of the IAN food Group, engaged in vegetable-based foodstuffs, are affected by cyclical factors relating to production seasons, mainly tomatoes and asparagus, with the second half-year's main effects seen mostly in the value of inventories and so in the gross sales margin, as well as the working capital situation (due to the volume of inventories built up). In addition, the Christmas season in the second half of the year is traditionally linked to specific commercial activities focused on increasing sales.

3. Type and amount of unusual items due to their nature, amount or incidence

3.1 Inventory write-downs

There were no significant inventory write-downs during the first half of the year.

3.2 Writedowns to property, plant and equipment, intangible assets and other non-current assets

There were no significant write-downs to property, plant and equipment, intangible assets or other non-current assets in the current period.

3.3 Provisions (or changes to provisions) for restructuring costs

There were not provisions or changes to provisions for restructuring cost linked with restructuring costs

3.4 Acquisition, disposals or other uses of property, plant and equipment

There were no significant acquisitions, disposals or other uses of property, plant and equipment in the interim reporting period.

3.5 Litigation payments or settlements

No significant litigation payments or settlements were made in the reporting period.

In June 2011, Koteks Viscofan d.o.o., headquartered in Novi Sad (Serbia) and wholly-owned by Viscofan S.A., reached an out-of-court settlement with Vojvodjanska Banka a.d. with respect to a lawsuit concerning a loan dating back to 1984 and accordingly granted before the company was acquired by Viscofan S.A. in 2005.

The agreement reached stipulated a total payment (principal and interest) by Koteks to Vojvodjanska Banka a.d. of €3.2 million, thereby definitively extinguishing the financial liability with this entity and giving rise to a gain of €3,327 thousand on the derecognition of financial instruments.

3.6 Prior-period error corrections

There were no corrections recorded for prior-period errors.

3.7 Default or other loan agreement non-compliance not yet cured on the balance sheet date.

The Viscofan Group has fully paid off all financial liabilities due before that date; therefore, as at 30 June 2012 no past due amounts were included under financial liabilities. In addition, none of the companies in the Viscofan Group had failed to comply with any financial obligations as of that date.

3.8 Capital increases by Group companies

To June 2012, Viscofan Technology (Suzhou) Co. Ltd. (a wholly owned subsidiary of Viscofan S.A. with headquarters in Suzhou, China) increased capital by €11,600 thousand to provide the company with the appropriate capital structure to carry out the work necessary to build a new collagen extrusion plant in Suzhou (China).

4. Type and amount of changes in prior-period item estimates

Since 2012, the "Net purchases" figure has included energy consumption associated with electricity production from the cogeneration plants in Spain and Mexico, formerly recognised under "Other operating expenses".

The impact of this reclassification in 1H11 is €13.7 million of higher "Net purchases" and a lower figure in "Other operating expenses".

The impact of this reclassification in 2011 is €28.8 million of higher "Net purchases" and a lower figure in "Other operating expenses"

5. Changes in the scope of consolidation

In May 2012, Misow, S.A. (now Viscofan Uruguay, S.A.), a 100%-owned subsidiary of Viscofan S.A. with headquarters in Uruguay, was included in the Viscofan Group's scope of consolidation.

In July 2011, Viscofan acquired the 50% of Lingbao Baolihao Food Industrial Co., Ltd. (China) it did not already own, giving it 100% control of the company, which has been consolidated using the full consolidation method.

These transactions did not have a material effect on either the Group's consolidated income statement or its equity.

6. Issues, buybacks and redemptions of the Company's debt or equity securities

The companies in the Viscofan Group have not issued, bought back or redeemed any debt securities.

Viscofan S.A. has a direct treasury share management policy. It has not signed any market-making agreement with any financial institution and is not in the process of formalising any agreement of this kind.

At 30 June 2012, Viscofan did not hold any treasury shares.

7. Dividends paid

In December 2011, the Company paid a gross interim dividend against 2011 profits of €0.360 per share, for a total outlay of €16,777 thousand. Then, in June 2012, it paid a gross final dividend of €0.634 per share for an outlay of €29,547 thousand.

Other shareholder remuneration:

The Company paid out a bonus of €0.006 per share for attending the General Shareholders' Meeting held in May 2012.

Total shareholder remuneration amounted to €1 per share, for a payment of €46,604 thousand.

8. Net revenues and segment income

This information has been set out in the present half-yearly financial report in part IV, Selected Financial Information, section 15.

9. Cambios en la composición de la entidad

9.1 Long-term investments

9.1.1. Acquisitions and disposals of non-current financial assets

In the period under review, the Company made no material acquisitions or disposals of non-current financial assets.

9.1.2. Investments in property, plant and equipment and intangible assets.

During the period January-June 2012, investments in property, plant and equipment, and intangible assets totalled €33,872 thousand. Of this amount, the main investment projects pertain to:

- Investments for the start-up of the new collagen extrusion plant in China.

- Investments to upgrade and adapt the Novi Sad (Serbia) plant for the production of non-edible collagen casings.
- Investments to maintain and upgrade production technology and capacity at casings production plants.
- Investments in production improvements for the companies belonging to the Industrias Alimentarias de Navarra Group.
- Investments in IT system adaptation and integration.

9.2. Current and non-current provisions

The Group makes contributions to defined benefit plans in the US and Germany through its Viscofan USA Inc. and Naturin Viscofan GmbH subsidiaries.

The actuarial assumptions used were updated in the first half of 2012:

	2012	2011
US		
Annual discount rate	3.75% - 4.50%	4.25% - 4.50%
Expected rate of return on assets	6.50%	7.50%
Expected rate of salary increases	2.5%	2.5%
Mortality table	RP 2000 fully generational w/projection scale AA	RP 2000 Annultant
Germany		
Annual discount rate	4.90%	4.90%
Expected rate of salary increases	2.5%	2.5%
Expected age of retirement for employees	60-65	60-65

The estimated impact of the update of actuarial assumptions on equity was a negative €1.9 million.

10. Contingent assets and liabilities

Viscofan and its Group companies are parties in various litigation cases or proceedings currently being heard in jurisdictional, administrative or arbitration bodies in the various countries where the Viscofan Group is present.

It is reasonable to consider that these litigation cases shall have no material effect on the financial and economic situation or solvency of the Viscofan Group even in the event of an unfavourable outcome to any of them.

11. Related-party transactions

The aggregate information on transactions with related parties has been set out in the present interim financial report in part IV, Selected Financial Information, sections 17 (Remuneration received by Directors and top management) and 18 (Related-party transactions).

12. Events after the interim balance sheet date

Independent director José María Aldecoa Sagastasoloa became a member of the Audit Committee in July 2012 to replace José Cruz Pérez Lapazarán.