Annual Report 13

Viscofan
The casing company



VISCOFAN GROUP

02
KEY PERFORMANCE INDICATORS

04
LETTER FROM THE CHAIRMAN

08
VISCOFAN TODAY
08 Viscofan Worldwide
09 2013 highlights
10 History

12
CORPORATE GOVERNANCE
12 Shareholdings structure
13 Group structure
19 Good governance practices

32
STRATEGY
32 Strategic Pillars
33 "Be MORE" Strategy

88
DIRECTORY OF SITES

OUR STAKEHOLDERS

43
SHAREHOLDERS
43 Financial Highlights
44 Business performance
53 Viscofan in the stock market

60
MARKET: CUSTOMERS AND SUPPLIERS
60 Products
62 Brands
63 Quality, service and food safety

70
EMPLOYEES
70 A multicultural human group
74 Development of talent and a committed team

78
SOCIETY AND SUSTAINABILITY
78 Research, Development and Innovation
82 Sustainability

OUR FINANCIAL STATEMENTS

90
CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

190
VISCOFAN SA FINANCIAL STATEMENTS AND MANAGEMENT REPORT

258
ANNUAL CORPORATE GOVERNANCE REPORT

KEY PERFORMANCE **INDICATORS**

Viscofan understands Corporate responsibility as the way it relates to its stakeholders: shareholders, the market (from suppliers to customers), employees and society.

Commitment born in the mission of the company, "to meet the needs of the global food industry, using artificial casings, that create value for our stakeholders," and is performed through specific initiatives and tasks tracking.

For these reasons 2013 Annual Report is distributed in three parts that intend to demonstrate in an integrated and global way the value proposition of Viscofan Group: from the descriptive explanation of the Group to its relationship with each of our stakeholders, which are reflected in the end year financial statements.

Our corporate governance practices are, therefore, a dynamic activity which is led by the Board of Directors. It promotes necessary continuous dialogue with all stakeholders and let know their expectations and concerns.

MORE INFORMATION
http://www.viscofan.com/EN/responsabilidad/nuestraresponsabiliad/Pages/default.aspx



SHAREHOLDERS

MARKET CAPITALIZATION (MILLION OF €) -3.4%	1,927
PROPOSED REMUNERATION PER SHARE (€) +1.8%	1.12
REVENUE (MILLION OF €) +1.7%	765.3
EBITDA (MILLION OF €) -3.6%	178.3
EBITDA MARGIN -1.3 p.p.	23.3%
NET PROFIT (MILLION OF €) -3.4%	101.5
CAPEX (MILLION OF €) +37.3%	101.6
NET BANK DEBT (MILLION OF €) +30.8%	84.6
AVERAGE TSR (10 YEARS)	19%

SOCIETY AND ENVIRONMENT

WASTE AND SUB PRODUCTS ('000 OF TONS) +9%	39.6
CO_2/KM PRODUCED (BASE 2009) +8%	87.5
% OF VALUED SUBPRODUCT +6 p.p.	66%
PROTECTION AND ENVIRONMENTAL OPEX ON IMPROVEMENT (MILLION OF €) +111%	2

Corporate responsibility

MARKET:
SUPPLIERS AND CUSTOMERS

ESTIMATED SHARE IN THE CASINGS MARKET	28%
GLOBAL GROWTH OF THE CASINGS MARKET	6%
NUMBER OF COUNTRIES WITH PRODUCTIVE PRESENCE	9
NUMBER OF COUNTRIES WITH COMMERCIAL PRESENCE	>100
CASINGS PRODUCT RANGE	CELLULOSE, COLLAGEN, FIBROUS AND PLASTIC
VEGETABLE FOOD PRODUCT RANGE	ASPARAGUS, TOMATO SAUCE, OLIVE, CANNED VEGETABLES AND READY-COOKED MEALS

EMPLOYEES

AVERAGE WORKFORCE +6.5%	4,660
PERSONNEL EXPENSES (MILLION OF €) +3.0%	154.8
TRAINING HOURS +12.5%	130,000
% WOMEN OVER TOTAL WORKFORCE +1 p.p.	33%
TRAINING INVESTMENT (MILLION OF €) +26.0%	2.3
TRAINING HOURS IN HEALTH AND SAFETY +6.5 %	21,000

LETTER FROM **THE CHAIRMAN**



Dear shareholder,

In 2013, Viscofan Group faced some of the greatest challenges in the company's history. These challenges came both from external factors and our own iniciatives.

External factors were associated to a demanding environment. The growth rate for the global economy was slightly higher than in the previous year, but it is still heavily dependent on the intense activity of major economic actors in various countries, in the search for a complex balance to redress the economic and social evils brought about by the downturn of 2007. Market intervention translates into high volatility, making it difficult for companies to manage fixed asset or long-term investments in this highly variable environment.

To illustrate this, we can mention the strong devaluation of major trading currencies against the euro and its impact on a multinational group like Viscofan with a marked export business activity, or the rising costs of raw materials or energy.

Furthermore, against this background, Viscofan Group implemented its most ambitious investment plan in our history, budgeted at €102MM.

Our investment plan made it possible to manufacture collagen casings in China in Q1 2013 with the best technology in that market. Three years after beginning to operate in the country, we became the second manufacturer in the world's largest collagen casing market, tripling our market share and achieving positive operating profit.

Our investment plan also made us pioneers in our market, building the first collagen production plant in Latin America right from its foundations only 12 months after having done the same in Asia – an achievement no other company in the sector (and propable in any sector) have done before. Our facility in Uruguay began test-manufacturing in late 2013; in the first months of 2014, we delivered our first orders to customers in Latin America, which will help us to reinforce our leadership in this region.

Our projects in China and Uruguay are the most visible ones, but it has also been necessary to improve the operation in all our manufacturing facilities in response to extraordinary market growth, especially in the collagen sector. Examples of this improvement are the projects carried out in USA, the strengthening of upgraded technology in Spain and Germany, the replacement of energy sources in Germany, process automation in Brazil and the Czech Republic, increased production speed in Mexico, and many others.

However, the extraordinary growth in volumes and the progress made in operating profit were not enough to neutralise the devaluation of trading currencies mentioned above. To this we should add the adverse circumstances of raw material costs, especially for collagen hides, and the rising cost of energy, as well as the changes in the regulatory framework of cogeneration in Spain, which reduced our EBITDA by 6 p.p. in 2013.

The negative effect on income is not a faithful mirror of the real value of cogeneration to a business group like Viscofan. As a matter of fact, cogeneration continues to be the optimal way of meeting our energy demands. Cogeneration provides us efficiently with the heat that we need in our production process, optimize the use of hot water, and generate the electricity that can be used by third parties while reducing CO_2 equivalent levels by means of primary energy savings. Thus, cogeneration is the most efficient use of energy in our industry, which constantly requires reliable thermal energy sources – all day long, all year round. This led us to invest in the best cogeneration technology available in Spain, and also to keep studying the possibility of installing cogeneration equipment in all our plants. This requires a clear and stable regulatory framework that facilitates the investment in and management of this efficient source of energy.

In such a demanding scenario, our operational results were excellent. Today, Viscofan Group is a stronger, more diversified and more competitive company than it was a year ago.

We haven't done everything right, though: Our activity has been very dynamic, boosting our sales to a new record high but we have also recorded a poorer than expected performance in cellulose, where we, as leaders, must make greater efforts to improve our clients' perception of our value-added proposition, and we have failed to achieve the goals set for 2013.

I firmly believe that these hurdles are also an additional motivation for the 4,660 men and women who are part of Viscofan Group, driving us to work harder and to renew our commitment to ongoing struggle, rigorousness and excellence as the best ingredients to create value for all our stakeholders.

In such a demanding scenario, our operational results were excellent. Today, Viscofan Group is a stronger, more diversified and more competitive company than it was a year ago

I would not like to end this letter without a few words about the amazing team at Viscofan Group. Without them, we would have never achieved the excellent operational results we obtained

I would not like to end this letter without a few words about the amazing team at Viscofan Group. Without them, we would have never achieved the excellent operational results we obtained. They are the benchmark in our industry and the most sustainable competitive advantage of our global leadership. This year I was able to check for myself at our various facilities that, despite the multiculturalism that is concomitant with our production activities, we share a series of values and the same vision across the organisation. We should rely on them to achieve our goals in the next few years. I would like to express my gratitude to all the people who work, or have worked, for Viscofan, from the bottom of my heart.

We are halfway through our strategic plan 'Be MORE' (Market, Optimisation, Return, Excellence), designed for Viscofan to take advantage of this golden opportunity for growth in our sector.

Population growth, economic development and better standards of living, globalisation and the need for improved technology among meat processors to reduce costs and offer higher quality, safer products are challenges to face in the artificial casing sector, and Viscofan Group is ready to play an active role in facing them as a global leader.

The first stage (2012-2013), consisting of investments and new projects to lay the foundations to meet the demands of rapid growth, must be complemented by efforts to focus on continuous improvement and optimisation for higher return on investment in the next few years of this strategic period.

These initiatives should result in 2% to 4% growth in both revenue and EBITDA, despite the fact that we expect growth to be negatively affected by weak trading currencies. Also, heavier tax burden as expected and the depreciation resulting from the investments made will prevent internal improvements from translating into net profits, which will be 6% to 8% lower than in 2013.

Thanks to our strong balance sheet, we have been able to develop our main investment projects in advance, with no need to ask shareholders for extra efforts. In the past few years, Viscofan Group obtained a new size and the distribution of income to shareholders rose accordingly. As a result, the Board of Directors suggested paying shareholders a total €1.12 per share, distributing 51% of our net profits – a record high in absolute terms. Without a doubt, this remuneration policy has contributed positively to Viscofan being listed in IBEX Top Dividendo in 2014, a Spanish index for companies with remarkable dividend policies.

Viscofan Group is an industry-oriented group, whose activities are meant to create value in the long term in sustainable ways. Shareholders investing in Viscofan from the beginning of our strategic plan to December 2013 got an appreciation of their shares by 44.3% (51.7% including dividends). This is less volatile than the average for securities in Spain in the same period, even when capital market volatility in 2013 resulted in lower stock prices (-3.14% year-on-year 2013, or -0.8% including cash dividends, in contrast to the appreciation of the main stock market indices in 2013, bouncing after the heavy losses of the previous years).

In this economic and market environment, we believe that stronger companies, with stable projects aimed at creating long-term value and strong corporate governance, interacting with society and with the environment in respectful ways, are bound to be leaders. In line with this, our Board of Directors is working on initiatives to strengthen our value-added proposition with stakeholders – an effort requiring ongoing dialogue. The dialogue has already borne fruit in the form of changes made by our Board of Directors: a majority of independent directors in the Board, the creation of Lead Independent Director, the set-up of a new department in charge of environmental, health and safety activities, new Human resources policies to recruit and retain talent, and others.

I firmly believe that Viscofan has the potential to succeed again in 2014, working with enthusiasm and keeping our trend of long-term value creation. On behalf of our Board of Directors, let me thank you for your trust and support in all these years.



JOSÉ DOMINGO DE AMPUERO Y OSMA

VISCOFAN **WORLDWIDE**



EUROPA/ASIA
2,565 employees
Revenue: €354.9 million
Extrusion and converting of cellulose, collagen and plastic casings.
Converting of fibrous casings.
7 Manufacturing sites
8 Sales offices

NORTH AMERICA
874 employees
Revenue: €203.2 million
Extrusion and converting of cellulose and fibrous casings.
Converting of plastic casings.
4 Manufacturing sites
3 Sales offices

SOUTH AMERICA
516 employees
Revenue: €102.1 million
Extrusion and converting of Cellulose, collagen and plastic casings.
Converting of fibrous casings.
3 Manufacturing sites
2 Sales offices

IAN GROUP
705 employees
Revenue: €105.1 million
Production and sale of preserved vegetables
3 Manufacturing sites
1 Sales office

2013 HIGHLIGHTS

january

Viscofan becomes part of the Ibex 35, the principal reference index of the Spanish stock exchange.
Beginning of the second year of "Be MORE" strategy.

february

Ágatha Echevarría accepts her appointment as second vice chairwoman of the company.
Publication of results for 2012.

march

IAN Group, with its Carretilla Brand, expands its range of prepared dishes (risotto mushroom and risotto parmesan)

april

Viscofan 2013 General Shareholders' Meeting.
Publication of results for the first quarter of 2013.

may

Opening of the new collagen extrusion facility in China.
Viscofan attends IFFA, the big international exhibition for the meat industry, which is held every three years in Frankfurt (Germany).

june

Payment of a final dividend of €0.694 per share gross.

july

Publication of results for the first half of 2013.

august

Viscofan takes a step forward in its corporate image and positions itself as Viscofan, *The casing company*.

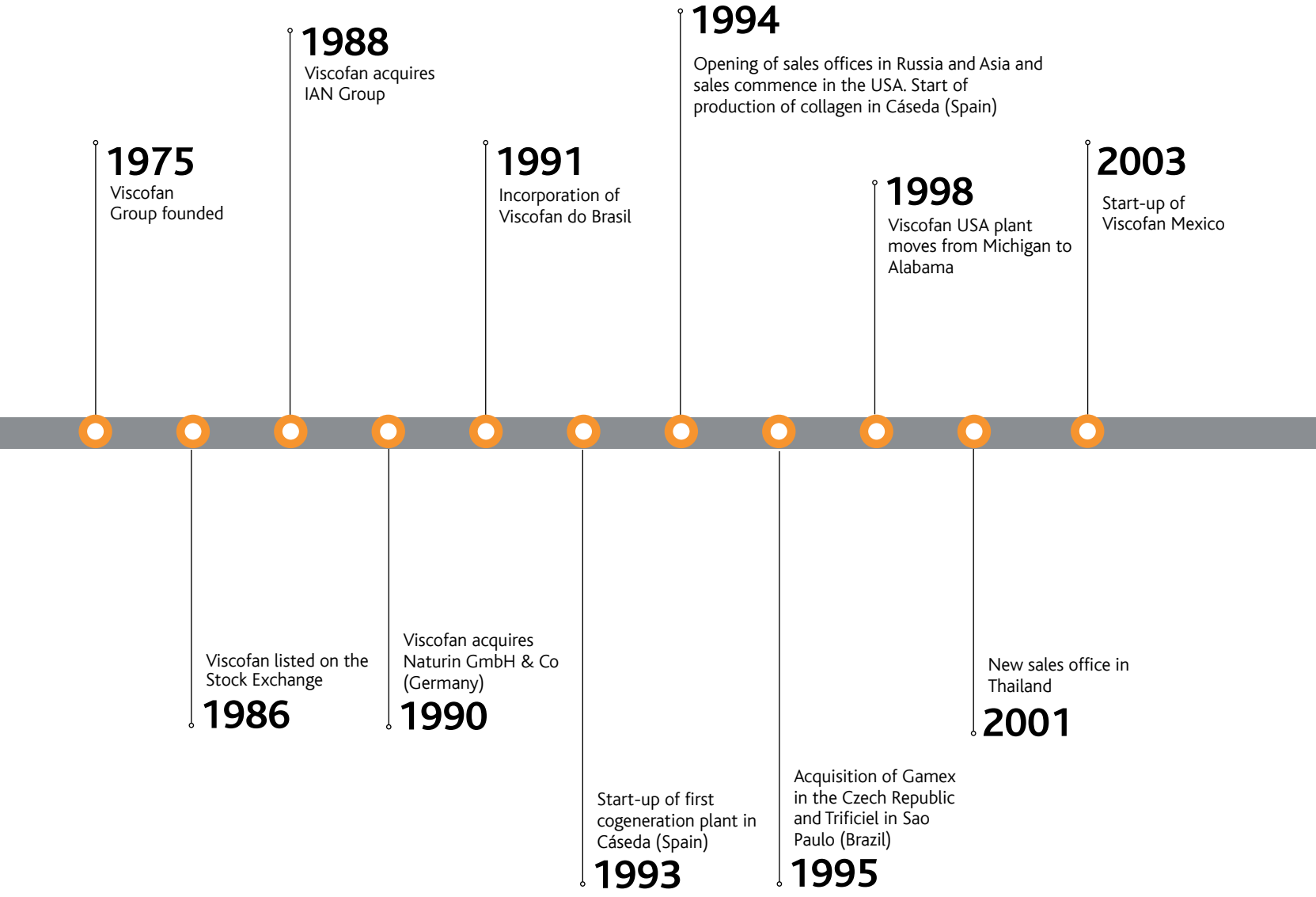
october

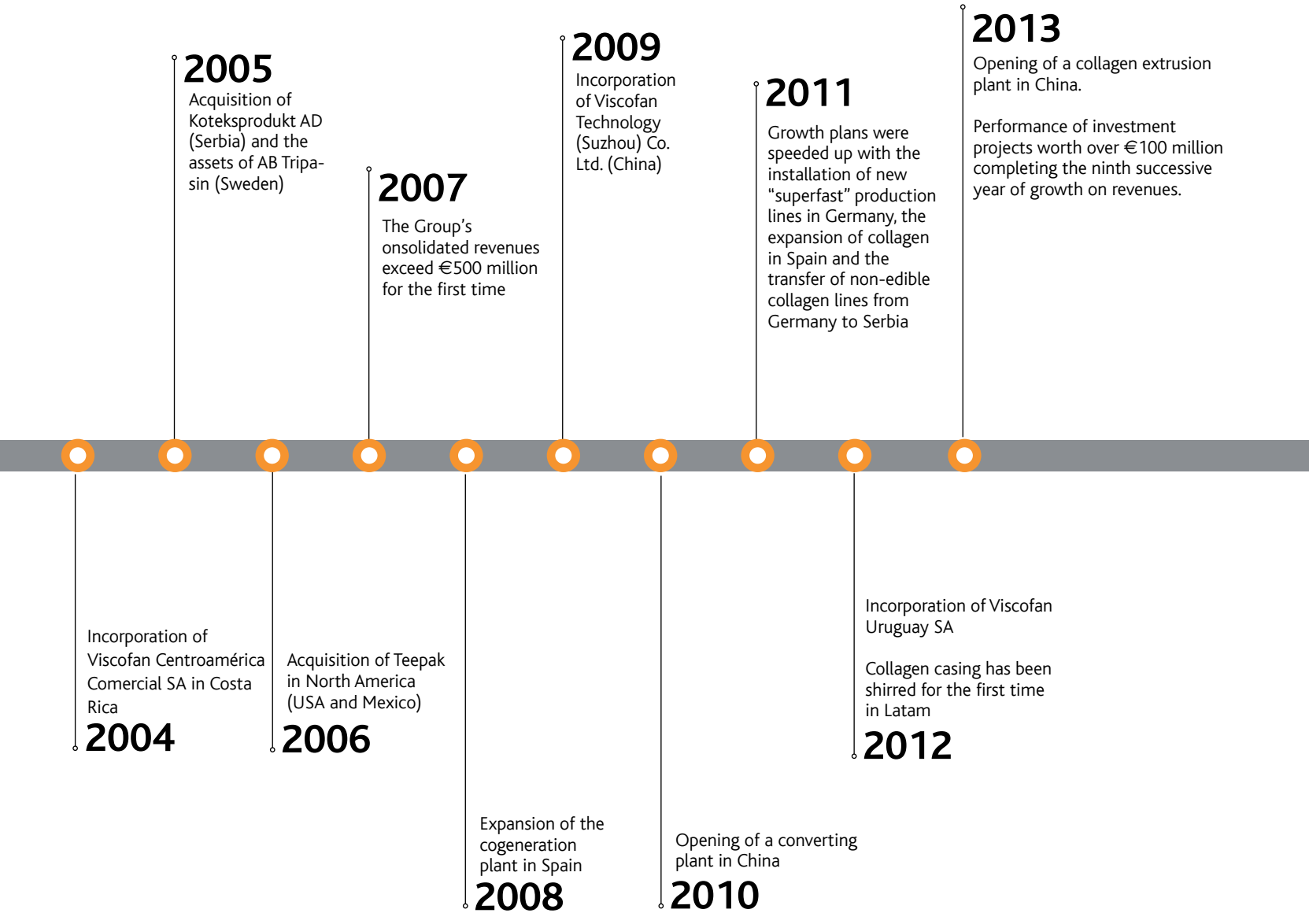
IAN Group, with its Carretilla Brand, launches three new rice recipes for garnish (round grain, basmati and brown).
Publication of results for the third quarter of 2013.

december

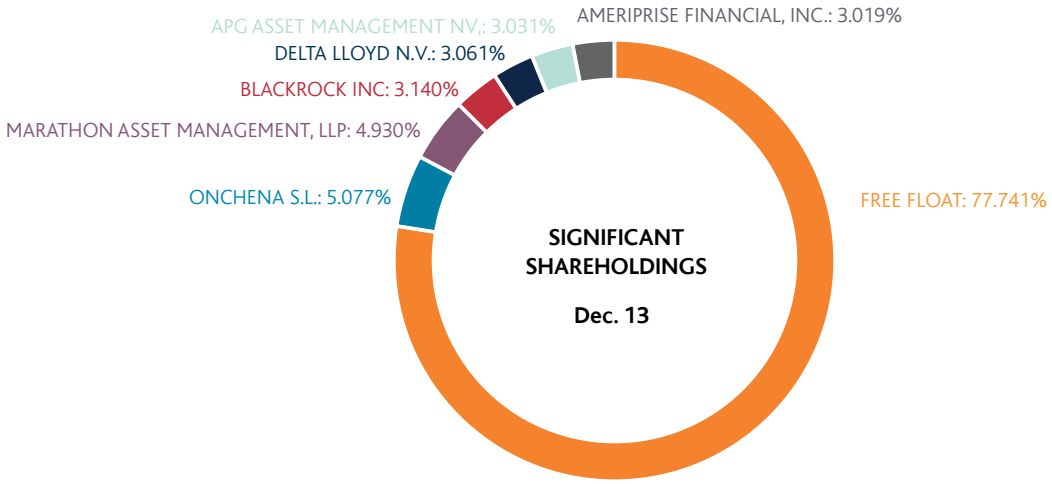
First production tests are performed in Uruguay.
Interim dividend paid out of profits for 2013 agreed by the Company's Board of Directors, in the sum of €0.41 per share, gross.

MILESTONES IN THE HISTORY OF **VISCOFAN**

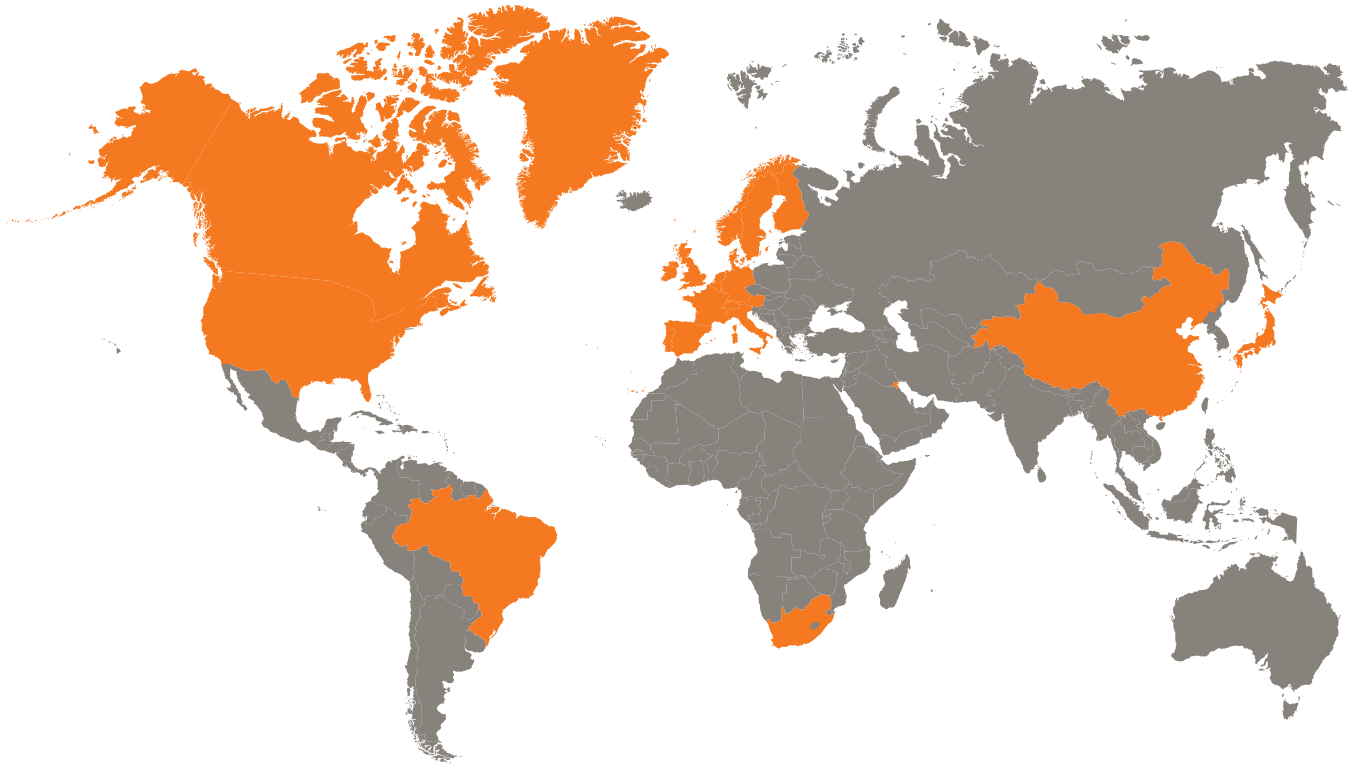



2004
Incorporation of Viscofan Centroamérica Comercial SA in Costa Rica
2005
Acquisition of Koteksprodukt AD (Serbia) and the assets of AB Tripa-sin (Sweden)
2006
Acquisition of Teepak in North America (USA and Mexico)
2007
The Group's onsolidated revenues exceed €500 million for the first time
2008
Expansion of the cogeneration plant in Spain
2009
Incorporation of Viscofan Technology (Suzhou) Co. Ltd. (China)
2010
Opening of a converting plant in 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
2012
Incorporation of Viscofan Uruguay SA
Collagen casing has been shirred for the first time in Latam
2013
Opening of a collagen extrusion plant in China.
Performance of investment projects worth over €100 million completing the ninth successive year of growth on revenues.

SHAREHOLDERS **STRUCTURE**



SHAREHOLDERS PRESENCE (OVER 20 COUNTRIES)



GROUP **STRUCTURE**

BOARD OF DIRECTORS



SECRETARY (NON-VOTING):
JUAN MARÍA ZUZA

JOSÉ DOMINGO DE AMPUERO
CHAIRMAN

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 President of Naviera Vizcaino, President of SA de Alimentación, Vice-President of BBVA Bancomer (Mexico), Chairman of Bodegas y Bebidas, Vice Chairman of Banco Bilbao Vizcaya Argentaria SA, Vice President of Iberdrola, and President of Cementos Lemona SA.

He is currently Chairman of Autopista Vasco-Aragonesa SA and Director of Corporacion Financiera Alba. 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.

He is Executive Chairman of Viscofan, S.A., and of its Executive Committee.

NESTOR BASTERRA
FIRST VICE CHAIRMAN

Law degree and Economics graduate from the University of Deusto.
MBA por 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 directors 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.

He is First Vice Chairman of the Board of Directors of Viscofan, S.A., and member of its Executive Committee.

AGATHA ECHEVARRIA
SECOND VICE CHAIRWOMAN

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.

She is Second Vice Chairwoman of the Board of Directors of Viscofan, S.A., member of its Executive Committee and member of its Audit Committee.

JOSE CRUZ PÉREZ
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 member of the various committees of the Congress. He is a recipient of the Gran Cruz del Mérito Agrario y Pesquero.

He is member of the Board of Directors of Viscofan, S.A, and member of its Appointments and Remuneration Committee.

GREGORIO MARAÑÓN
INDEPENDENT DIRECTOR

Marquess of Marañón.
Law graduate from the Universidad Complutense in Madrid and completed the Senior Executive Programme at the IESE.

He has broad experience working in the legal profession and in the financial sector, where he was Managing Director of Banco Urquijo, Chairman of Banif and Director of Argentaria and 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 directors 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, and adopted son of the city of Toledo.

He is member of the Board of Directors of Viscofan, S.A, and member of its Audit Committee.

ALEJANDRO LEGARDA
INDEPENDENT DIRECTOR

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona).

With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992. In 2013 he was appointed Independent Director of Pescanova, S.A.

In 2006 he joined the Board of Viscofan, S.A. as an independent Director and in 2007 became member of its Audit Committee.

IGNACIO MARCO-GARDOQUI
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 also has developed a wide experience in several industrial companies, belonging to multiples Board of Directors; currently he is Director of Scheider Electric España, Progénika Biopharma, Minerales y Productos Derivados, Tubacex 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 member of the Board of Directors of Viscofan, S.A, and chairman of its Appointments and Remuneration Committee.

LAURA GONZÁLEZ
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 of Merck in Latam and CEO of the Merck Group in Spain. Independent Director of the Leche Pascual Group.

Currently, she is leading the integration process of Milipore to the Merck Group, with experience in the integration process with the biotechnology company Serono, a company with which she has been linked, in different posts, since 1999, and in which she was Vice-Chair of Serono Iberia 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 is member of the Board of Directors of Viscofan, S.A, and member of its Appointments and Remuneration Committee.

JOSE MARÍA ALDECOA
INDEPENDENT DIRECTOR

Electronic engineering graduate from the Escuela Politécnica of Mondragón and MBA from IESE.

Throughout his long professional career, he has held various posts at Copreci (1971-1982).

He was Managing Director of Fagor Electrónica and member of the Board of Directors of Fagor, S. Coop. (1982-1991).

Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991.

Between 1992 and 2012, he held various positions at Mondragón Corporación and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012.

He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan, China and the opening of the (industrial Park) of Pune in India. He has sat on the Board of Directors of various automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, Paranoa-Cicautxo-Brazil, FPK, Fagor Ederlan-Slovakia), and director (1992-2006) and Chairman (2007-2012) of Mondragón Inversiones.

He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002).

He is currently an independent director and member of the Delegate Executive Committee of Gamesa Corporación Tecnológica, S.A.

He is member of the Board of Directors of Viscofan, S.A, and member of its Audit Committee.

JUAN MARIA ZUZA
SECRETARY NON-DIRECTOR

Law degree
from the Universidad de Navarra.

Practising lawyer with his own law office, working mainly in the area of civil and mercantile private litigation, and qualified in Navarre Local Law. He has been a faculty member of the two law schools, Escuelas de Práctica Jurídica, in Navarre since they were first created; and currently lectures at the EPJ at the Public University of Navarre.

He is on the list of arbitrators in mercantile law of the Arbitration Court of the Chamber of Commerce and Industry in Navarre and has been Treasurer for the governing committee of the professional association of lawyers (Colegio de Abogados) in Pamplona for ten years.

He has experience as a legal advisor to, and member of, many boards of directors in the business world.



GROUP **STRUCTURE**



TOP MANAGEMENT
Chief Executive Officer
José Antonio Canales

CORPORATE MANAGEMENT

DIVISIONS OF GROUP MANAGEMENT

Chief Operating Officer
Andrés Díaz

Chief Officer R&D and Quality
Iñaki Recalde

Chief Commercial Officer
Gabriel Larrea

Chief Financial Officer & IT
César Arraiza

GROUP SUPPORT DIVISIONS

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 and Fibrous Extrusion Officer
Pedro Eraso

Chief European Collagen Unit Officer
Ricardo Royo

Chief Supply Chain Officer
Óscar Ponz

REGIONAL AND BUSINESS UNIT MANAGEMENT

SPAIN
Viscofan, S.A.

GERMANY
General Manager:
Bertram Trauth
Naturin Viscofan GmbH

CZECH 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:
Domingo González
Viscofan USA Inc.

MEXICO
General Manager:
Eduardo Aguiñaga
Viscofan de MEXICO S.R.L. de C.V.

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

URUGUAY
General Manager:
Ángel Maestro
Viscofan Uruguay S.A.

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

SALES OFFICES
Canada
Costa Rica
United Kingdom
Russia
Thailand

IAN GROUP
General Manager:
Alejandro Martínez

GOOD GOVERNANCE PRACTICES

Viscofan places great importance on good corporate governance, namely the ethical code of the administrative and managerial bodies of listed companies. The main aim of corporate governance is to coordinate the current structure of the company and its business aims with the protection of shareholders' rights.

This generates a high degree of trust in shareholders who understand that the protection of their rights is compatible with the current structure of the company and its business aims, which is the main objective of the Good Corporate Governance Code applied, as a general rule, to listed Spanish companies.

As a result of this commitment to corporate governance and its continuous improvement, Viscofan has applied main recommendations on corporate governance, fulfilling a high level of compliance with recommendations of the Unified Good Corporate Governance Code, 100% of the recommendations that apply to Viscofan.

Viscofan has strengthened its monitoring and analysis of the evolution of both Spanish and international good corporate governance recommendations.

Viscofan has intensified dialogue and the dissemination of those aspects that raise awareness about the company, its evolution and its future corporate governance plans.

In this way, given the internationalisation of the company's shareholders, Viscofan is also incorporating good governance recommendations, taking into account international standards, even if are not implemented in Spain, in cases that could help develop the company and its business, while providing shareholders with better guarantees.

Also, as part of its dynamic policy of adaptating to best corporate governance practices, Viscofan has remained a step ahead of the evolution of the Spanish standards.

In 2013 its progress in different aspects was formally reflected in the amendments to the Board Regulations and in the amendments to the Articles of Association to be proposed at the 2014 General Shareholders' Meeting.

Viscofan places great importance on good corporate governance. The main aim of corporate governance is to coordinate the current structure of the company and its business aims with the protection of shareholders' rights

LINK TO CORPORATE GOVERNANCE REPORT
http://www.viscofan.com/EN/inversores/InformacionFinanciera/05IAGC2013_EN.pdf

LINK TO BOARD REGULATIONS
http://www.viscofan.com/EN/responsabilidad/gobiernocorporativo/reglamento/Documents/Reglamento_Consejo_Administracion_VIS_En-1_EN_27_02_2014.pdf

Viscofan believes that involving shareholders in good corporate governance is the best guarantee of reliability

Viscofan believes that involving shareholders in good corporate governance is the best guarantee of reliability it can offer them, and it therefore proposes including the following amendments to the Articles of Association, with the shareholders' prior approval being required for these inclusions or any subsequent changes:

- Reduction of the Board members' mandate from six to four years.

- Inclusion in the Articles of Association of the post of Coordinating Director, which has been governed by the Board Regulations since 2011, for cases where the Chairman is also an Executive Director. The post of Coordinating Director is currently held by independent Board member Mr José María Aldecoa Sagastasoloa.

- Inclusion in the Articles of Association of the annual evaluation of the Board and its Committees, which has been governed by the Board Regulations since 2008 and is conducted yearly.

- Inclusion of several requirements concerning members of the Audit Committee (with which Viscofan already complies although it has not actually formalised them until now), so that the regulations reflect the fact that they are non-executive Directors, being at least two independent and considering that at least one has been appointed in accordance with his or her training and experience in accounting and/or auditing. The chairman must also be an independent director.

- Inclusion in the Articles of Association of the Appointments and Remuneration Committee, currently governed by the Board Regulations, and the fact that its composition and functions comply with the recommendations on good corporate governance and that shareholders have been informed of its work at General Meetings, particularly that concerned with proposals for appointing independent directors, and its annual work in relation to the remuneration policy for Board members and senior management posts and application of the same. Requirements regarding member status are established to guarantee that all members are non-executive directors and at least two of them are independent, and their duties are regulated, these duties not significantly differing from those already included in the Board Regulations.

The Board Regulations have also been amended to limit the number of Boards of listed entities of which Board members may form part to three (in addition to the Viscofan Board), to facilitate compliance with their due diligence administration, although all Board members already fulfilled this condition.

Viscofan has several internal bodies that are necessary to guarantee operation in accordance with good governance recommendations:

SHAREHOLDERS AND 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. There are no voting restrictions or limits to the number of votes that may be cast by a single shareholder.

Viscofan allows split voting so that shareholders can delegate their vote to their financial intermediaries, with voting instructions.

In recent years, Viscofan has been promoting a series of initiatives to improve transparency, communication and shareholder participation. Among these initiatives, one highlight is the assistance premium paid to duly authorised shares present or represented at the General Meeting. For the 2014 financial year, a new premium of 0.006 euros per share was proposed. For the same purpose, Viscofan also provides its shareholders with an attendance card form, available on its website, and the possibility of using electronic means to vote remotely or, where the case may be, by proxy. This delegation of voting rights may involve giving voting instructions.

To aid understanding of the proposals put forward at the General Meeting, Viscofan has posted a summary of these proposals on its website and on that of the CNMV (National Securities Market Commission) as a significant event, and has released complementary reports in cases where it considers that these could contribute to extending or clarifying the shareholders' information, particularly in aspects requiring greater in-depth knowledge of more specific areas. This occurred in the case of the 2012 General Meeting, when a Briefing Note was posted, and in 2013 when additional information was posted on one of the points on the Agenda, concerning balance sheet revaluation.

Viscofan has also encouraged attendance at the General Meeting by the external experts who have provided advice on different aspects of the proposals included in the Agenda, so that they can contribute to providing shareholders with any information requested as rapidly as possible at the Meeting itself.

As a result of these measures, 77.7% of the Company's share capital participated of the last General Meeting, held on 30 April 2013, against 75.8% last year, reflecting the high percentage of General Meetings held in the last 5 years with a participation percentage greater than 75% of the share capital. This percentage is particularly significant taking into account the company has a free-float of 100%.

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

Viscofan has established the principle of "one share, one vote" which promotes equality among all of the company's shareholders



In addition, Viscofan has a web site www.viscofan.com that is used to provide instant and direct information, accessible to all shareholders, regardless of their geographical location. Viscofan publishes timely information on its website on financial reports, results and strategic plans, corporate governance structure with detailed information about its internal bodies and their members, the company's internal regulations, information on General Meetings, and any developments, changes or relevant events that may occur linked to the Group's activity, its corporate governance and structure.

On the Viscofan website homepage there is a shortcut link to all the information on the General Meeting, including the attendance card, delegation of voting rights and remote voting.

The same link also leads to an electronic forum to aid communication between the shareholders before the General Meeting, where they may post the following:

- Any supplementary proposals to the agenda announced in the notice of the General Meeting.
- Requests of support for such proposals.
- Initiatives to achieve the percentage needed to allow a minority right established by law to be exercised.
- Offers or requests to act as a voluntary proxy.

Finally, shareholders have a specific email address: info-inv@viscofan.com and telephone number for shareholder services: +34 948 198 436. There is also the Shareholders' Office, which aims to maintain shareholders informed and attend to any of their needs as shareholders.

LINK TO INFORMATION RELATED TO GENERAL MEETING
http://www.viscofan.com/EN/inversores/Pages/JuntaGeneraldeAccionistas.aspx

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, and following the recommendation of good governance, the Board of Viscofan must comprise a maximum of nine and a minimum of three Directors. After the appointment of Mr José Maria Aldecoa as an independent director in May 2012 following a proposal by the Appointments and Remuneration Committee, the Board presently consists of nine directors. Of these, one, the Chairman, is executive, and the remaining eight are independent, thereby complying with the current recommendations on good corporate governance, which state that the number of independent Board members must represent at least a third of the total number of members. The Secretary of the Board is not a Director.

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To carry out its duties with the necessary rigour, the Board of Directors of the company holds periodic meetings. Directors are provided with the necessary information sufficiently in advance including, where applicable, minutes or reports from the Board's various committees. During 2013, the Board met 12 times. Only there have been two absences, neither of these being the Chairman of the Board.

When the Board considered it appropriate, senior management or other employees of the company or its subsidiaries attended these meetings, to explain specific aspects of the business or other related matters. The Board and its different Committees have also conducted an evaluation process, as they do every year, coordinated by the Secretary and including the company's Executive Chairman, so that the Appointments and Remuneration Committee can draw up its report analysing formal and material aspects of their work and the performance of the Board members and Chairpersons of each of the Committees and that of the Board itself, including any observations that may be of use as regards improving their work.

The classification of the different Board members, which is reviewed on a yearly basis after verification by the Appointments and Remuneration Committee, their profiles of the different directors, their committee membership and shares in the company are also published on the company website, while details of their individual remuneration are included in the Remuneration Report submitted to the General Meeting for its approval by advisory vote, together with the remuneration policy in force each year.

BOARD COMMITTEES

To improve operation, the Board established three committees:

EXECUTIVE COMMITTEE

This committee consists of three directors, one of whom is an executive Director and two Deputy Chairmen. 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.



This Committee has carried out extensive work as a permanent delegation of the Board, and this work has increased as a result of the Viscofan Group's growing complexity (a recent example of this being its simultaneous expansion in China and launch in Uruguay), requiring a greater effort and closer monitoring by the Board of Directors and, consequently, by its Executive Committee.

The Executive Committee studies in further depth those areas that require closer analysis, monitoring and preparation, and helping to establish the aims, strategies, control and monitoring of these areas.

It also has more direct contact with senior management in the various industrial locations, providing the Board with more detailed information about the daily reality of Grupo Viscofan's activity and monitoring the duties entrusted to senior management by the Board.

The Executive Committee provides a copy of the Minutes of its meetings to the Board, to facilitate coordination.

The Executive committee met 12 times during 2013.

AUDIT COMMITTEE

The Audit Committee is made up of four non-Executive Directors appointed by the Board of Directors. At least two of these are Independent Directors and one is appointed taking into account his or her knowledge and experience in accounting, auditing or both. Its Chairman is independent Director Mr Alejandro Legarda. All this has been carried out in anticipation of the proposal drawn up by the Board of Directors for presentation at the 2014 General Shareholders' Meeting.

The Audit Committee's duties include supervising the process of preparing financial information on the Company and ensuring its integrity, including a review of the financial information internal control system (SCIIF), reviewing, analysing and commenting on financial statements and other relevant financial information with senior management and internal and external auditors, supervising the adaptation of the control policies and procedures implemented, reviewing the internal control and risk management systems, supervising the internal auditing services and checking that senior management is taking their recommendations into account, proposing an external auditor and ensuring independence of the same, reviewing the Audit Plan and its results, supervising compliance with the internal codes of conduct and the rules of corporate governance, being aware of and, where the case may be, responding to any initiatives, suggestions or complaints put forward by shareholders within the sphere of their duties, establishing and supervising a mechanism allowing employees to confidentially and, if considered appropriate, anonymously, notify their concern regarding any potentially relevant irregular practices within the company, particularly in the areas of accounting, finance or auditing. The Audit committee met 10 times during 2013.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is made up of three Directors, all are independents.

This Committee proposes the appointment of independent directors and provides information about the remaining directors, and senior management appointments and resignations. It informs the Board about matters related to gender equality and proposes the remuneration system for Directors and senior management to the Board, as well as the remuneration policy for shares and options, where applicable, and the long-term remuneration of directors and senior management.

In 2013, in anticipation of the end of mandate of four of the nine members of the Company's Board of Directors and the need to propose either re-election of these members or the appointment of new ones at the 2014 General Meeting, the Committee, counselled by Spencer Stuart as an external expert, has been studying the most suitable recommendation regarding whether or not the current Board members ending their mandate should be re-elected and a process for selecting possible candidates, all in accordance with the criteria established by the Committee itself and confirmed by Spencer Stuart in line with best corporate governance practice.

The Committee has informed the Board of Directors of the proposal to appoint an independent Director (Mr. Jaime Real de Asúa) and of the favourable reports on the proposals for re-election of two of the Board members, classified as "Other External Directors" (Mrs. Ágatha Echevarria and Mr. Nestor Basterra) , and the appointment of Mr. José Antonio Canales, Chief Executive Officer of the Viscofan Group, as an executive Director.

The aim of this proposal is to increase the number of executive Directors to facilitate management, in view of the Group's complexity, and for the majority of the Board to continue to be formed by Directors classified as independent.



Appointments and Remuneration committee met 7 times during 2013.

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. As already mentioned, its inclusion in the Company's Articles of Association will be proposed at the General Shareholders' Meeting.

All the information on the Committee and the aforementioned proposal are available for review at www.viscofan.com.

LINK TO INFORMATION RELATED TO APPOINTMENTS AND REMUNERATION COMMITTEE
http://www.viscofan.com/EN/responsabilidad/gobiernocorporativo/reglamento/Documents/Reglamento_Consejo_Administracion_VIS_En-1_EN_27_02_2014.pdf



INTERNAL REGULATIONS

The internal regulations that govern how the above bodies function, and which complement applicable regulations to guarantee a suitable system of corporate governance at Viscofan Group are available to shareholders and the general public on the company's website (www.viscofan.com), as well as the mandatory publications and registrations on the CNMV (www.cnmv.es) and Companies Register of Navarre (www.rmbmnavarra.com) websites respectively.

The internal regulations are principally comprised of:

- The Articles of Association: Basic rules that govern the company and all its bodies. They include the main characteristics and principles of action of the General Shareholders' Meeting, the Board of Directors, the Executive Committee and the Audit Committee.

- Regulations of the General Meeting: Basic principles that govern the General Shareholders' Meeting with a view to boosting transparency and guaranteeing the rights of shareholders and their access to company information. It governs how the General Shareholders' Meeting functions in terms of calls for meetings, attendance, procedure, minutes and access by shareholders to advance information and information about the General Meeting itself.

- Regulations of the Board of Directors: Determine the principles of action of the Board of Directors, including the assessment mechanism, its organisational and operational rules, rules of behaviour of members and the general principles that govern their activity. They also govern the committees that stem from the Board of Directors, their organisational and operational rules, mission and authority.

- Code of conduct: Contains the main ethics for action and behavioural guidelines that should be followed by directors and employees of Viscofan Group when carrying out their professional activity. The main general ethics of this code can be summarised as: Respect and Defence of Human Rights, Sustainability, Integrity, Responsibility and Transparency, Respect and Anti-discrimination, Efficiency, and Loyalty.

- Internal Regulation on Behaviour in Matters Related to the Securities Market: Behavioural guidelines necessary to ensure that institutional and personal activity by company directors and employees is carried out in strict compliance with current legislation, to boost transparency in the markets and to protect the interests of investors at all times.

LINK TO VISCOFAN WEBSITE
http://www.viscofan.com/EN/Pages/default.aspx

LINK TO CNMV WEBSITE
http://www.cnmv.es/portal/home.aspx?lang=en

LINK TO COMPANIES REGISTER OF NAVARRE WEBSITE
http://www.rmbmnavarra.com

RISK-MANAGEMENT, CONTROL AND SUPERVISION

The company's risk-management policy is reflected in its internal regulations, both in the process that governs this management and the various internal regulations of the bodies that are involved in risk, which are mainly the following:

The company's risk-management policy is reflected in its internal regulations, both in the process that governs this management and the various internal regulations of the bodies that are involved in risk

BOARD OF DIRECTORS

Powers exclusively reserved for the Board include the control and risk-management policy, and the periodic monitoring of internal information and control systems.

AUDIT COMMITTEE

The Audit Committee, through its duties on internal information and control systems, is responsible for supervising the preparation and control of financial information, in general, and all processes implemented for this purpose. It is also responsible for reviewing the internal control and risk management systems, in order for the main risks to be properly identified, managed and communicated.

INTERNAL AUDIT

The Internal Audit Department reports to the Audit Committee with its aims including the identification and assessment of any type of risk the organisation may face. For this purpose it is authorised to examine and assess the systems and procedures for the control and mitigation of all risks, as well as the methodologies used.

CORPORATE RESPONSIBILITY AND COMPLIANCE COMMITTEE

The Corporate Responsibility and Compliance Committee supervises specific risks to the company related to criminal liability or any other type of non-compliance (both, internal and external).

ETHICS COMMITTEE

The Ethics Committee is responsible for initiating, ex officio or at the request of a third party, investigations into any situation that may put Viscofan Group at risk, whether due to non-compliance with Viscofan Group internal regulations or any other circumstances. In 2013 the Ethics Committee met three times, receiving one report of irregular practice, which was resolved in February 2014 after investigation.





GLOBAL RISK COMMITTE

The Global Risk Committee is a collegiate body that conducts in-depth studies of exposure to and analysis of risks affecting the Company, evaluating its exposure to these risks and drawing up the recommendations and action required to manage them within reasonable limits. The Global Risk Committee can therefore be described as a body in charge of the analysis, counselling and coordination of risk and risk management related matters.

CREDIT RISK COMMITTEE

The Credit Risk Committee is a control and supervisory body that regularly and continuously controls risks connected with corporate customer collection management. The purpose of this Committee is to make an in-depth study of the prevention, monitoring and solution of such risks by creating and implementing the means deemed adequate for each specific case, including taking out insurance policies.

INVESTMENT COMMITTEE

The main objective of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors through regular monitoring of the correct application of the approved investment, and to control the efficiency of use of the Group's resources and investment.

SENIOR MANAGEMENT

Senior Management is responsible for identifying and assessing risks faced by the Group during the course of its activity, and undertaking the measures necessary to prevent the appearance of these risks, or, should they occur, reducing or eliminating their impact. Therefore, it is in charge of designing and implementing the control mechanisms, and for encouraging compliance throughout the organisation.

EMPLOYEES

Finally, Viscofan Group employees must comply with the measures established in the control and risk prevention systems and, where applicable, provide information about any behaviour they believe could pose a risk to Viscofan Group.

In order to prevent the possible appearance of risks, Viscofan has established a system of internal regulations that include a series of manuals, protocols and policies that refer to specific aspects of activity. They are all disseminated throughout the organisation and published on the Group intranet for access by employees.

It has also appointed local managers at its various locations who are responsible for training, interpreting and disseminating internal regulations.

Viscofan also has a complaints channel that can also be accessed by all employees and used by them to communicate any signs of behaviour that they consider a possible risk . It is available on Vinsite (the Viscofan Group's internal employee communication platform), or by emailing or writing to the Ethics Committee at Viscofan's head office in Navarre.

The Company's risk management system, the response and supervision plans for the main risks, the most significant risks identified by the Company that could affect business target achievement and the risks identified in 2013 are described in detail in section E) of the Annual Corporate Governance Report.

LINK TO CORPORATE GOVERNANCE REPORT
http://www.viscofan.com/EN/inversores/InformacionFinanciera/05IAGC2013_EN.pdf



SCHEME OF MAIN RISK MATERIALIZED DURING 2013 WITH IMPACT ON RESULTS AND IMPLEMENTED MITIGATION MEASURES

	Description	Materialization	Implemented measures
Strategic risks	NATURAL DISASTERS	Very adverse environmental conditions caused by the snow storm in United States	Contingency plans were activated with regard to power supply and a special plan was drawn up to address production processes in a context of isolation caused by weather. At the same time, the coverage conditions of our insurance policies were revised, introducing improvements in case of production interruptions.
			A study was conducted to detect the probability of a natural disaster occurring at different Viscofan Group facilities, taking into account geographical location and the properties of the land where the construction elements of the buildings are located. The results allowed the Company to identify the most exposed items and to confirm available coverage in case of an accident.
	COMPETITIVE SECTOR ENVIRONMENT	Improvement to production capacity in the cellulose sector introduced by one of the main competitors in this segment.	Viscofan continued implementing its global manufacturing strategy by consolidating its product range, especially in the collagen technology, with the intention of offering more added value across the entire range of its products, reinforcing its quality standards and maintaining its price policy in accordance with its higher service and quality levels than those present in the market.
Financial risks	EXCHANGE RATE RISK	The global economic situation and economic and monetary policies implemented by the competent authorities in different countries have led to exchange rate fluctuations in several currencies used by the Group, especially in the Brazilian real and US dollar, which have fallen an average of 13.8% and 3.3% in comparison with the euro in 2013.	Viscofan continues searching for opportunities to take out exchange rate coverage, when such options are considered reasonable given the circumstances, while taking care that such coverage should not be considered to be speculative transactions. At the same time, a production plan was launched in China to bring manufacturing closer to the end customer, thereby reducing exchange risk exposure, although this does not mean that this risk has been eliminated completely. The Company also plans to launch manufacturing in Uruguay. The Group's entities use foreign exchange forward contracts, negotiated with the Corporate Treasury Department, to control the exchange rate risk stemming from future commercial transactions, in addition to the natural hedging of business as the production centres draw closer to the main markets, from a commercial point of view, favouring sales and acquisitions in the same currency. To do this, exchange contracts are formalized during the process of preparation of the annual budget, taking as a basis the expected EBITDA for the coming year, the forecast net level of exposure and the level of risk that the Group is prepared to take on.
	TAXATION RISK	Regulatory changes in some countries where the Group operates, which are more protective of revenue generated in their territory, as well as the collection measures adopted in some companies, have contributed to the increased tax burden.	Follow-up and application of tax incentives, deductions and improved planning have contributed to the mitigation of such risk Taxation Viscofan carried out a review of applicable legislation in order to identify potential opportunities for tax optimisation, taking advantage of tax exemption and/or deduction opportunities offered by different countries for making investments in their territories. Production investment strategies in different countries allowed the Company to benefit from various tax optimisation strategies: • In Serbia, the reduction of corporate tax by 74.1% during the first 10 years (year 2012 being the first year), subject to the commitment of maintaining job positions and investments during this period. • In the Czech Republic, €3.8 million was obtained for the next ten years, as long as €17 million are invested during this period.

	Description	Materialization	Implemented measures
Operational risks	SUPPLY OF RAW MATERIALS AND ENERGY	Increase in collagen hides prices	Viscofan continues to consolidate the approval of new suppliers and the search for alternatives in different geographical locations has helped reduce the impact of this effect. In addition, it made adjustments to its processes in order to increase the possibilities of using different raw materials. The Group followed differentiated strategies for diversifiying and approving new suppliers for each product line, aimed at the approval of alternative suppliers, to reduce dependence and increase flexibility in the light of supply and demand variances. Furthermore, the Company appointed a corporate purchasing manager to increase the possibilities of trading with different providers. Moreover, with respect to energy supply, during last years Viscofan has arranged hedges to cover, in part, said volatility. Also, within an energy optimization plan in different Group plants, Viscofan has undertaken investments that facilitate tha maximum utilization and reduce dependence on the supply.
Regulatory risks	CHANGES IN THE LEGISLATION	Legislative amendments to the Spanish energy sector.	The measures that have been adopted have allowed Viscofan to carry out actions which, under current circumstances, may make it possible to reduce this risk. In addition, it continued working on optimizing co-generation engines and enhanced communication channels with the Authorities and associations that represent the interests of the companies that use co-generation, as well as assessment to make relevant legal remedies. Current Spanish economy circumstances have led to the approval of transitory measures which contribute to facilitate recovery and accelerate economic activity. It has been strengthened the monitoring of the changes that may occur, by consulting experts in each of the areas that may be affected, observing the behavior of others affected and coordinating the actions of the society, if any, with decisions to be determined as most appropiate given available information at each moment.

STRATEGIC PILLARS

MISSION

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

VALUES

Teamwork
Pioneers
Focus on Results
Quality
Service

GENERAL ETHICAL PRINCIPLES

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

STRATEGY 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 practises, 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 practises, a team that encompasses hard work and seamless collaboration between Group members.

Viscofan

Viscofan
The casing company

Be MORE STRATEGY (2012-2015)

THE MARKET AND ITS ENVIRONMENT

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 Viscofan Group is the world leader in casings for the meat industry

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, productivity standards and food safety.

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 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.

Collagen casings: These casings use collagen as their raw material. Collagen is obtained from cow and pig hides and processed using sophisticated technology so that it can be shaped into casings.

Collagen casings are of two kinds: small calibre or edible (e.g. fresh sausages, Bratwurst etc.) and large calibre or non edible (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.

Casing market share

28%

Viscofan is the only producer with the technology needed to be able to produce all the product categories

Plastic casings: 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.

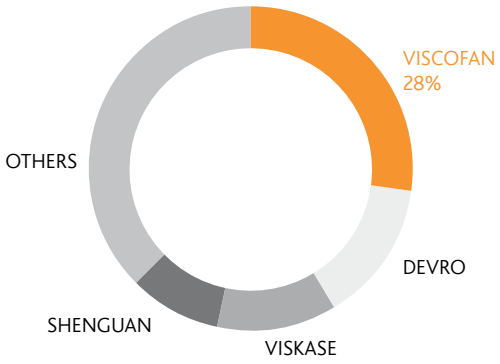
The estimated size of this market is more than €4.3 billion, approximately 49% of which are casings made from animal intestines, while 51% are casings made using cellulose, fibrous, plastic or collagen technologies.

Viscofan is the market leader in artificial casings with an estimated 28% share of the €2.2 billion artificial casings market, and it is the only producer with the technology needed to be able to produce all the product categories.

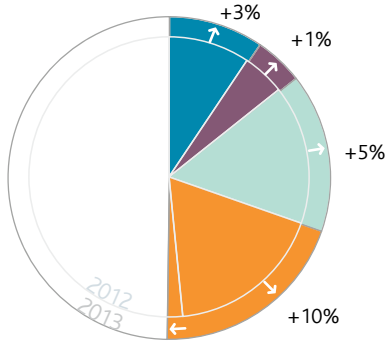
In 2013 and throughout last 7 years, the artificial casings market has shown sustainable growth at a rate above the historical average, between 5% and 6% in terms of compound annual growth rate, backed in a high proportion by collagen family which grew 10% in 2013.

The solid nature of this growth was sustained even during periods of global economic downturn. Therefore, on one hand, growth was driven by a population increase (1% in 2013), especially in urban areas, which rose from 48% in 2002 to approximately 53% in 2013, and the globalisation of consumption habits, which implies an increased level of animal protein consumption (global meat consumption increased by 2% in 2013). Moreover, the meat proces-

CASING MARKET SHARE (€)
Source:Viscofan



CASING MARKET COMPOSITION
Source:Viscofan



CELLULOSE
FIBROUS
PLASTIC
COLLAGEN
NATURAL CASING

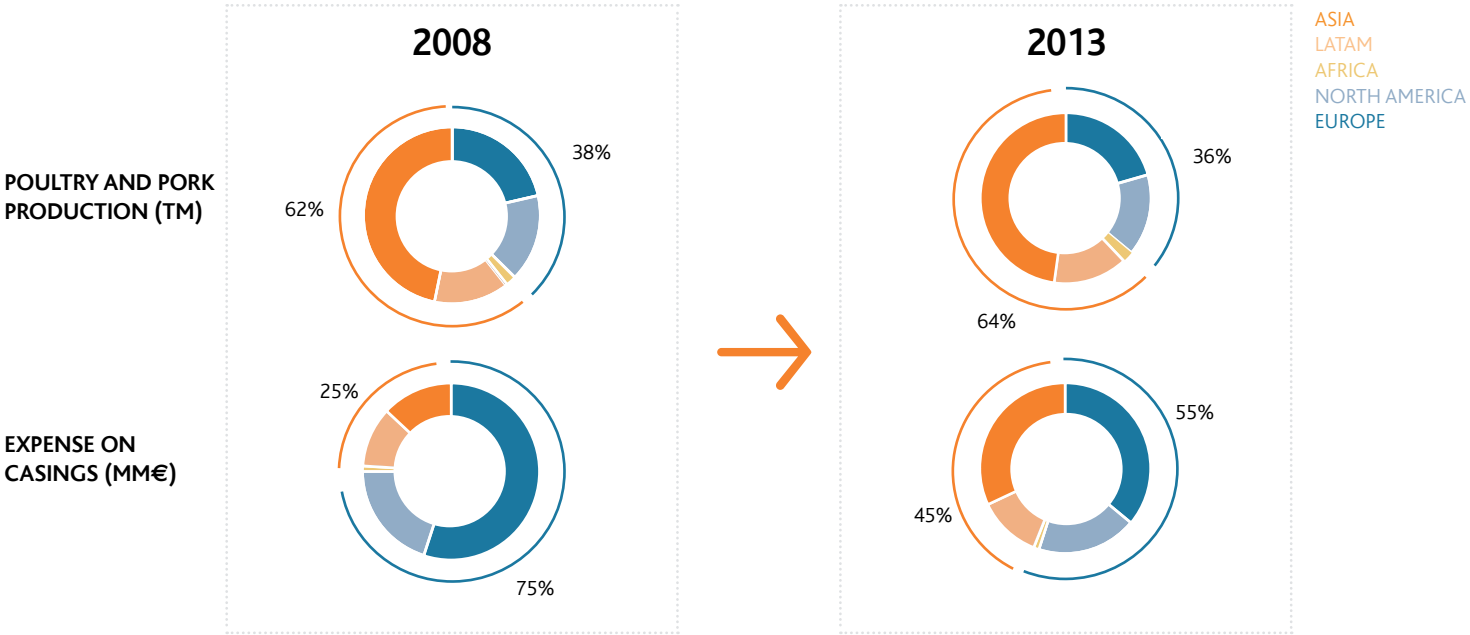
sing industry is becoming more sophisticated as it is transforming its processes incorporating cellulose, collagen, plastic or fibrous casings to achieve greater productivity, food safety and cost control, with increased product differentiation as the foundation for a sustainable competitive advantage.

It is thus easy to see sausages in practically every country on the planet supported by the greater 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.

Technological transformation processes have been accelerating in recent years, moving from animal intestines to casings, which offer greater stability, food safety, calibration accuracy, enhanced machine processing, etc. Additionally, the latter offer a significant advantage to meat processors, as they are not exposed to the volatility of natural gut prices.

In this context, the demand for casings is growing all over the world, as part of a process which is far from being complete due to a significant imbalance between population, eating habits and technology. This imbalance is clearly evident, since the global population has reached approximately 7 billion people, of whom 85% live in countries that are traditionally known as emerging countries. These countries produce 64% of global poultry and pork meat (62% just five years ago), while the casings market grew from 25% in 2008 to 45% in 2013, showing an unprecedented growth rate, but still being far from reaching its full potential.

Nonetheless, despite greater growth in emerging areas, the highly complex casings market in North America and Europe should not be forgotten, where per capita casings consumption is around €1 in comparison with the €0.32 global average.





"Be MORE" STRATEGY (2012-2015)

In this market, Viscofan wants to "be more", and as a consequence 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 core 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:

- **M**arket growth
- **O**ptimization
- **R**eturn to stakeholders
- **E**xcellence

The first half of the Be MORE strategic plan finished in 2013 and it was marked by intense investment and business activity that has transformed the Viscofan Group profile, it has become a more global and diversified company than it was in 2011.

From a qualitative perspective, Viscofan Group has a more solid position now than in 2011, and this is seen in its figures: from 2011 to 2013, the Group obtained an annual average growth of 7% in revenue, a 5% annual EBIDTA increase, it made investments totaling 176 million of euros and shared dividends and other remuneration between shareholders for a total amount of 101 million of euros, maintaining its net debt level under 0.5 times EBITDA. In other words, it underwent a substantial transformation without requiring its shareholders to make any additional sacrifices or affecting business profitability, which places Viscofan in a good position to take advantage of an exceptional growth opportunity in our market.

In 2014, in addition to consolidating already implemented capacity investments, Viscofan Group will put special emphasis on the initiatives listed under O for Optimisation, by implementing a large number of projects aimed at driving results.

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 replacement of natural casings by articifial casings, which provide improved productivity for meat processors, in both developed and emerging countries.

Since the start of the Be MORE plan, Viscofan Group has grown significantly in terms of comparable revenue, i.e. without including co-generation electricity sales and the impact of exchange rates, with 6.8% growth in 2011, 11.3% in 2012 and 6.9% in 2013.

VISCOFAN LIKE-FOR-LIKE GROWTH IN 2013

6.9%

11.3% in 2012
6.8% in 2011

In this context, the global casings market grew an average of 6% in the 2013 financial year, led by the collagen segment with increases in volume estimated at 10% in comparison with the previous year. This is because it combines the natural growth seen in all the casings families with the replacement of natural casings, essentially the replacement of sheep and pig intestines by edible collagen casings with similar properties.

This growth above the historical average has created the need to provide the market with hundreds of millions of metres in relative terms, pressurising the capacity of all the categories.

This historic opportunity has arisen in a changing environment, where the location of the target market and its growth made us change our outlook, moving from a regional perspective, especially in the collagen sector, to a global outlook that is more aligned with the current worldwide vision, where is the Pacific rather than the Atlantic axis that will shape the pace of growth and the final size of the casing market.

Viscofan has led this change during the first half of the Be MORE period (2012-2013). This involved significant levels of human effort and investment of 176 million of euros. It became the only global manufacturer of collagen, following the construction and start-up of collagen extrusion plants in China and Uruguay. At the same time, the Group has also increased its capacity concerning all other technologies in order to respond to a growing demand for volume.

In February of 2013, Viscofan launched its collagen extrusion production plant in Suzhou, located approximately 80 km from Shanghai, following investment of 29 million of euros. Moreover, Viscofan invested 23 million of euros in capacity expansion during 2013 to respond to the growing needs of the largest collagen casings market in the world, where Viscofan is one of the two principal suppliers of collagen casings in the country.

CHINA MARKET GROWTH

36% CAGR

in last 7 years

The evolution of business in China is confirmed by the excellent outlook of the market, which grew at 36% CAGR rate over the last seven years, exceeding 250 million of euros. Viscofan registered double-digit sales growth in this market in 2013.

Such a positive performance in terms of growth has allowed Viscofan Group to advance towards its objective of achieving a market share of between 15% and 20% by the end of 2015.

From an operational perspective, the learning curve at the collagen extrusion plant in Suzhou is on the right track to reach its maximum potential in 2015 and capture the growth in the

Viscofan is implementing investment and improvement plans that will increase production capacity in cellulose, fibrous and plastic casings to meet the expected growth in the use of these products, particularly in the emerging areas

Chinese market with greater profitability. This positive evolution has resulted in positive revenue at the end of 2013.

On the other hand, during this year the Group finalised the construction and start-up of a collagen extrusion plant in Uruguay, with a total investment of 28 million of euros in 2013, which has already initiated production in 2014. Production processes located in this country will allow the Group to improve the access to the expanding casings market in the Latin America, in expand its raw material supply areas, diversify operational risk and complement the collagen converting activity launched in Brazil in 2012.

This project is a new landmark in the history of Viscofan because it has become the first company in the sector to have a collagen production centre in Latin America, turning Viscofan into a truly global collagen producer with production centres in South America, Europe and Asia.

The "Be MORE" expansion plan is not just limited to the collagen segment; as a world leader of artificial casings, Viscofan Group is committed to responding to the needs of our clients in the other categories. To achieve this, investment and improvement plans are being implemented that will increase production capacity in cellulose, fibrous and plastic casings to meet the expected growth in the use of these products, particularly in the emerging areas.

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 is performing and 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
Europe	✓	✓	✓	✓
Asia	✓	✓	-	-
North America	✓	-	✓	✓
LATAM	✓	✓	✓	✓

✓ Converting ✓ Extrusion and Converting

Optimisation will become a key pillar of the second part of the "Be MORE" plan. This year, a variety of initiatives will be carried out that aim to consolidate the projects implemented in 2012 and 2013 and balance the efforts made to counteract a highly demanding environment:

- Firstly, one of the main objectives for this year consists of start-up of the Uruguay plant and production improvements during the year.

- From the perspective of raw materials management, Viscofan is performing an active search of new suppliers of raw materials in line with the group's quality standards. This also applies to the collagen sector, where the new plants in China and Uruguay will provide support to the rest of the group. This move would expand supply options and diversify inflation risks related to raw material prices.

- Practically all the Group's factories have undertaken activities aimed at eliminating production "waste". Great importance is placed on the management model based on excellence centres and production centres with highly competitive costs. Excellence centres will continue to lead technological improvement processes, which are justified by offering products with increased added value and technology transfer services to all other branches.

- This technology transfer also leads to the continuous improvement of process automation in centres with decreasing production advantages in salary costs, as a consequence of inflation rates. In 2014, the Group is going to launch projects in Brazil and in the US; the US project includes changes to organisation and processes with the aim of merging the Group's benchmark production techniques and services in the most important artificial casings market.

- Inside this integrated production model, the experience of the multidisciplinary and multicultural team sent to China and Uruguay led us to create a special Process Engineering team with the aim of improving coordination of technological advances and implementing the best solution from a more transversal standpoint.

- 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.

- Since production processes are highly energy-intensive, efficient energy use is a big challenge for Viscofan. Therefore, as part of its optimisation measures, the Group is implementing projects aimed at reducing costs, making conversions to establish its own power management systems and minimising the environmental impact of its activities. In this regard, special emphasis is placed on the investment made during 2012 and 2013 in Mexico, for the purposes of switching from fuel oil to gas as the energy input, and the installation of boilers in Germany during 2013.

  As a result of these energy efficient measures implemented during the first two years of Be MORE period (2012 and 2013), expenditure ratio of productive energy supply over sales has been reduced by approximately 1 percentage point, in a cost inflation environment.

  Moreover, as part of this continuous improvement process, the Group expects to invest over 5 MM€ in energy optimisation projects during 2014. This includes installation of co-generation turbines in Germany, exclusively for internal use, both from heat and power perspective, which would not yield additional revenues, but it would feature annual estimated savings of approximately 2,5MM€ starting from 2015.

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, i.e. efficient growth. This ambitious aim has been achieved during the first phase of Be MORE, where in comparable terms, the manufacturing launch in China and significant pressure on raw material costs have not precluded stable comparable margins of 24.6%.

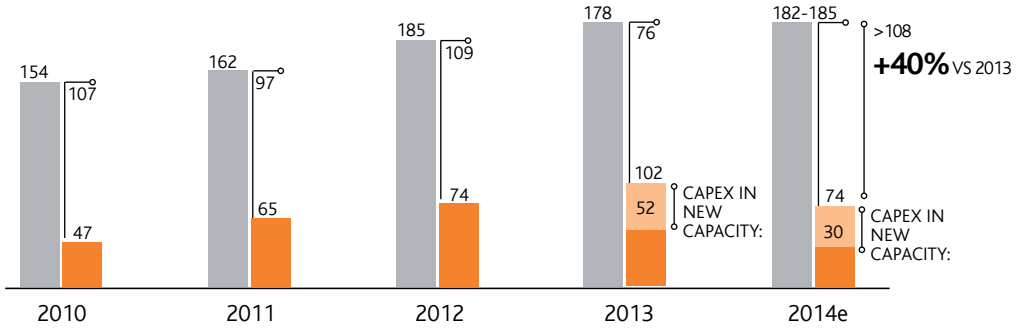
Moreover, on top of this internal context, it must be also included the impact of new energy regulations in Spain during 2013, as well as the depreciation of the major currencies in comparison with the euro, which has eroded EBITDA growth by 9 percentage points.

Revenues growth, austerity, cost control and a light structure allow the company to offset this pressure on the gross margin and to establish solid foundations for a greater competitive advantage, both in terms of technology as well as costs, to allow the company to face medium-term challenges with a certain degree of optimism.

The objectives remain the same in 2014: respond to a growing demand from our clients and implement optimisation measures, such as investments in process upgrade, maintenance, energy, safety and environment.

Cash flow from operations (understood as EBITDA - Capex) is expected to be 40% greater than in 2013, due to smaller investment requirements and a positive forecast for operational results, so once again returns are expected to exceed capital costs for the year.

OPCF = EBITDA – CAPEX (MM €)



EBITDA
CAPEX
OP CF.

2014 FORECASTED CAPEX BREAKDOWN



CAPACITY 40%
PROCESS UPDATE 22%
MAINTENANCE 18%
ENERGY, SAFETY AND ENVIRONMENT 20%

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.

In this regard, we will strive to improve our service indicators in 2014. At the same time, a special safety, hygiene and environment department has been created to assure the excellence of our activities is also maintained in these areas.



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.

GUIDANCE FOR 2014

In 2014, the third year of the "Be MORE" strategy, commitment from all participants in Viscofan Group is of key importance when carrying out multiple projects with different time horizons and facing what continues to be an adverse environment (depreciation of major trading currencies, regulations on co-generation, expected inflation in the cost of some raw materials).

This commitment will lead to the financial results forecast for 2014. Casings division will have a positive performance again backed by casings growth in volumes and margin improvements in a like-for-like basis.

Nevertheless, with higher depreciation and amortization charges, higher tax rate, cogeneration impact and currencies depreciation, net profit is expected to amount to between €93MM and €95MM, down between 6% and 8% year-on-year.

Even factoring in 2% depreciation of the dollar against the euro to 1.35 and a 12% decline in the real to 3.2, the group forecasts growth from 2% to 4% both, for revenue and EBITDA. That is, revenue of €781MM to €796MM and EBITDA of €182MM to €185MM.

These targets include as a condition an average US$/€ exchange rate of 1.35, due to the fact that 37% of the revenues of the Viscofan Group are in US$ while 22% of the expenses are in this currency.



FINANCIAL **HIGHLIGHTS**

	Two years of Be MORE strategy				Strategy Be One Period		
	2013	**2012**	**Dif. 13/12**	**TACC Be MORE**	**2011**	**2010**	**2009**
Million of euros							
Revenue	765.3	752.8	1.7%	7.1%	666.8	633.7	583.4
EBITDA	178.3	185.0	-3.6%	4.9%	162.1	154.1	129.0
% EBITDA margin	23.3%	24.6%	-1.3 p.p.	-1.0 p.p.	24.3%	24.3%	22.1%
EBIT	129.9	140.0	-7.2%	4.0%	120.1	110.4	91.3
% EBIT margin	17.0%	18.6%	-1.6 p.p.	-1.0 p.p.	18.0%	17.4%	15.6%
Profit before taxes	126.6	133.0	-4.8%	-0.5%	127.9	105.7	86.0
Net profit	101.5	105.1	-3.4%	0.1%	101.2	81.3	64.3
Capital expenditure	101.6	74.0	37.3%	25.3%	64.7	47.4	46.4
Total equity	521.6	498.6	4.6%	7.7%	449.4	406.4	345.2
Net bank debt	84.6	64.7	30.8%	17.3%	61.5	59.8	90.5
Market capitalisation at year-end	1,927.1	1,995.1	-3.4%	20.1%	1,335.7	1,321.7	827.7
Average headcount	4,660	4,377	6.5%	6.9%	4,081	3,816	3,899
Net bank debt/total equity (%)	16.2	13.0	3.2 p.p.	2.5 p.p.	13.7	14.7	26.2
ROE(*) (%)	19.9	22.2	-2.3 p.p.	-3.1 p.p.	23.0	21.6	19.8
Euros							
Year-end share price	41.35	42.8	-3.4%	20.1%	28.7	28.4	17.8
Earnings per share	2.178	2.254	-3.4%	0.1%	2.172	1.745	1.379
Proposed remuneration per share (**)	1.120	1.100	1.8%	5.8%	1.000	0.800	0.623

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

BUSINESS PERFORMANCE



KEY CONCLUSIONS ON THE JANUARY-DECEMBER 2013 RESULTS

- Growth of +1.7% in revenue, which amounts to 765.3 million euros, driven by the rise in casing sales volumes, and growth of 5.0% at constant exchange rates[1].
- Consolidated EBITDA falls -3.6% year on year[2] to 178.3 million euros, due to the impact of the cogeneration regulation. Stripping out that impact, EBITDA rose 1.9% against the previous year.
- Strong like-for-like margins[3], particularly in last quarter, despite higher raw materials prices and the start-up of new projects.
- Net profit fell -3.4% year on year to 101.5 million euros, and up +3.4% year-on-year excluding the impact of the changes in the cogeneration regulation in Spain.
- In 2013, the Group successfully completed the start-up and capacity increase in China and began production tests in Uruguay.

1 Constant exchange rate growth: For comparative purposes, growth stripping out 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 dollar fluctuations on trade transactions.
2 EBITDA = Operating profit (EBIT) + depreciation of property, plant and equipment and amortisation of intangible assets.
3 This amount does not include the impact on results of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013, and excludes the impact of the various exchange rates applied in the consolidation of financial statements, as well as the impact of US dollar fluctuations on trade transactions.

2013 RESULTS, CONSOLIDATED GROUP

Viscofan Group consolidated income statement ('000 €)			
	Jan-Dec' 13	**Jan-Dec' 12**	**Variation**
Revenue	**765,337**	**752,784**	**1.7%**
EBITDA	**178,316**	**185,033**	**-3.6%**
EBITDA margin	**23.3%**	**24.6%**	**-1.3 p.p.**
*Cogeneration regulation impact**	*-10,186*	*0*	*n.s.*
*EBITDA pre-regulation**	*188,502*	*185,033*	*1.9%*
*EBITDA margin pre-regulation**	*24.4%*	*24.6%*	*-0.1 p.p.*
EBIT	**129,941**	**140,023**	**-7.2%**
Net profit	**101,520**	**105,063**	**-3.4%**
Net Profit pre-regulation *	108,650	105,063	3.4%

* This amount does not include the impact on EBITDA and net profit of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013.

In 2013, following the first two years of implementation of the Be MORE 2012-2015 plan, the upturn in the casings market has continued from 2011. Market growth is above the historical average due to globalisation and its impact on changes in urban living and the introduction of more animal protein into people's diets. In addition to these key factors, the meat processors pursue productivity improvements and savings in both developed and emerging markets, particularly against a backdrop of shrinking competitiveness due to higher labour costs and inflated raw material prices.

Consequently, the first half of the Be MORE period has focused on projects aimed at adapting to this new growth environment. Accordingly, the Group has gone to great lengths in terms of investments in human resources and new assets, where the two new collagen extrusion plants built have been particularly important: one in China, which was started up in the first quarter of 2013 to serve the local market, and another in Uruguay, which began to operate in the first quarter of 2014 to provide coverage to Latin America.

Thanks to these efforts aimed to capture the growth in the market, the Viscofan Group has been able to grow and to offset part of the impacts caused by a highly adverse setting prompted by the depreciation of the main trading currencies, an increase in the prices of the main production inputs and the new energy regulation in Spain. This is all happening during a period of expansion during which new material and human resources are being channelled into building new production plants, with all the associated start-up expenses.

GROUP REVENUE

765.3

MILLION OF EUROS

9th

SUCCESIVE YEAR OF GROWTH

Revenue of the Viscofan Group reached a new high of 765.3 million euros in 2013, up 1.7% year on year, completing the ninth successive year of growth. This performance is particularly positive taking into account that the new energy regulation developed through 2013 and the first months of 2014 has had a negative impact of 5.8 million euros on 2013 revenue. Not including this impact, consolidated revenue for 2013 rises by 2.4%.

Throughout 2013, and particularly in the latter half of the year, the main trading currencies used by the Viscofan Group fell against the euro. Stripping out the exchange rate effect, consolidated revenue at December 2013 has increased 5.0% against 2012.

Despite the Viscofan Group's solid performance over the year as a whole, the regulatory changes in the energy sector and the currency depreciation against the euro reduced organic growth by 4.1 p.p. Without these changes in the environment, organic growth would be up 5.8%.

The growth in consolidated revenue is largely due to the upturn in casing sales, which, except for cellulose, reported significant growth in all families (collagen, fibrous and plastic), amounting to 660.2 million euros in this division, 1.7% up against the previous year. The positive performance of the vegetable foods division also stands out, where income climbed 1.5% to 105.1 million euros driven by the Carretilla brand strength and exports.

Also during 2013, continued the rises in the prices of certain raw materials, particularly collagen and cogeneration gas, bringing cost of consumption[4] in the year to 259.3 million euros, 6.5% higher than the same period of the previous year. This brought the gross margin[5] to 66.1% in 2013 compared with 67.7% for the same period last year.

AVERAGE WORKFORCE

4,660

EMPLOYEES

The average headcount for the year stood at 4,660 employees, 6.5% higher than in 2012, although the employee benefits expense for 2013 is up 3.0% against the previous year to 154.8 million euros. This increase in staff is mainly due to growth in China, both in the casings division where personnel has grown by 50% in the new Suzhou collagen extrusion plant, and in the vegetable foods plant of the IAN Group in Lingbao (where production has been expanded to include pepper for the first time). In Spain, the average headcount has also increased by 16 people (+2.6%), due to international expansion support and corporate coordination tasks.

In a year of expansion, with higher sales and production activity, an increase in average staff and the start-up of new plants, the Viscofan Group team's productive improvements and the higher level of competitiveness achieved, meant the productivity ratio[6] fell by only 0.2 p.p. against 2012.

Cost containment and austerity policies are apparent in the performance of other operating expenses at December 2013, which amounted to 180.6 million euros, only 0.6% higher than 2012. This performance is underpinned by key factors such as the savings from the use of natural gas in the Mexico cogeneration centre, and operating improvements, enabling a

4 Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.
5 Gross margin = (Income – Cost of consumption)/Income.
6 Productivity ratio = (Revenue – employee benefits expense)/revenue.

higher volume and absorption of fixed costs despite inefficiencies associated with the logical learning curve in the new plant in China, start-up expenses for new installations in Uruguay, and the 4.4 million-euro increase in new cogeneration taxes throughout the year.



Underpinned by strong volumes, productive efficiencies and cost containment, the Group has been able to report EBITDA of 178.3 million euros, 3.6% less than in 2012, in spite of the particularly adverse setting due to the factors mentioned above: the weakness of the most important trading currencies, regulatory changes in cogeneration in Spain, higher raw materials prices, and the expansion costs associated with the start-up of new collagen extrusion plants in China and Uruguay.

Stripping out the exchange rate effect, aggregate EBITDA at December 2013 is up 0.3% against the previous year. Meanwhile, changes to cogeneration regulations in Spain have driven down consolidated EBITDA by 10.2 million euros, equivalent to 5.5 p.p. of the year-on-year growth.

Growth in revenues and EBITDA at constant exchange rates would not have been possible if the Viscofan Group had not successfully anticipated the market's expected growth and rolled out the rapid expansion plan starting in late 2011 with the Be MORE strategic plan, which earmarked total investments of 175.6 million euros in the 2012-2013 period (101.6 million euros in 2013 and 74.0 million euros in 2012). Once the main projects are carried out, expected investments will fall in the 2014-2015 period.

These investments means also a higher volume of depreciation and amortisation charges, of 48.4 million euros in 2013 (+7.5% vs. 2012), bringing consolidated operating profit to 129.9 million euros in 2013 (7.2% lower than that reached in the previous year).

Net financial losses at the close of 2013 amounted to -3.3 million euros against losses of -7.0 million euros reported in 2012, due to the impact of lower exchange losses (-0.7 million euros in 2013 compared with -4.2 million euros registered in 2012).

Profit before tax stood at 126.6 million euros in 2013, with total taxes during the year of 25.1 million euros, with an effective tax rate of 19.8%.

The difference between the theoretical tax rate (30.0%) and the actual tax rate (19.8%) is largely due to the difference between the various tax rates of subsidiaries which do not have residency in Navarre (where Viscofan S.A. is registered for tax purposes) and pay tax in each of the countries in which they operate, applying the prevailing corporate income tax (or equivalent tax) rate to profits for the period in question and tax credits for investment in some of the Group subsidiaries.

Fiscal optimisation activities include the revaluation of the balance sheets at 31 December 2012 of Viscofan S.A. and Industrias Alimentarias de Navarra S.A.U. pursuant to laws applicable in Spanish territory. By applying the rates approved by the aforesaid laws, the Group has been able to reduce the corporate income tax expense by 2.8 million euros.

This leads to net profit of 101.5 million euros, 3.4% lower than in 2012.



A strong balance sheet and robust and improved operations have enabled the Group to successfully complete its core expansion projects. These projects include increases in Capex (101.6 million euros in 2013) and working capital (14.6 million euros of changes in working capital) without sacrificing higher shareholder remuneration, with the Viscofan Group paying out 51.5 million euros during 2013.

This brings net bank[7] borrowings to 84.6 million euros, up 30.8% against December 2012 due to the aforesaid pace of investment and increased dividend payments. Thus, the Viscofan Group's financial leverage stood at 16.2% vs. 13.0% in December 2012.

Having considered the strong balance sheet, the operating improvements achieved, and the expected growth outlook for the coming year, the Board of Directors resolved at its meeting of February 27, 2014 to propose an 1.8% increase in total shareholder remuneration of 1.12 euros per share to the General Shareholders' Meeting, vs. 1.10 euros per share for the previous year, made up of:

- An interim dividend of 0.410 euros per share paid on December 23, 2013.
- A proposed final dividend of 0.704 euros per share to be paid on June 4, 2014 pending approval by shareholders.
- A per diem for attending the General Shareholders' Meeting of 0.006 euros per share.

7. Net bank debt = long and short financial debt - cash and cash equivalents

2013 RESULTS: CASINGS

Casings income statement ('000 €)	Jan-Dec' 13	Jan-Dec' 12	Variation
Revenue	**660,201**	**649,176**	**1.7%**
EBITDA	**170,637**	**177,343**	**-3.8%**
EBITDA margin	**25.8%**	**27.3%**	**-1.5 p.p.**
*Cogeneration regulation impact**	*-10,186*	*0*	*n.s.*
*EBITDA pre-regulation**	*180,823*	*177,343*	*2.0%*
*EBITDA margin pre-regulation**	*27.2%*	*27.3%*	*-0.2 p.p.*
EBIT	**125,495**	**135,633**	**-7.5%**
Net profit	**96,845**	**101,200**	**-4.3%**
Net Profit pre-regulation *	103,975	101,200	2.7%

* This amount does not include the impact on EBITDA and net profit of lower revenues and higher taxes on the procurement of natural gas and energy sales arising from the successive energy reforms (Law 15/2012, Royal Decree 9/2013 and the publication of the proposal on the regulatory implementation of Royal Decree 9/2013 published on January 31, 2014) carried out by the Spanish Government throughout 2013 and January 2014 which have an impact in 2013.

The artificial casings market continues to grow above its historical average, with estimated growth of around 5% to 6%. This performance is underpinned by solid foundations of population growth, eating habits and the search for higher productivities in the meat sector.

Against this background of growth, the Viscofan Group, now in the second year of the Be MORE 2012-2015 strategic plan, is moving in the right direction towards consolidating its global leadership in the casings market. In 2013, a new record was reached in sales volumes, productive improvements and cost control.

With that object in mind, the Group increased its productive capacity in 2013 with new machinery and technological improvement in existing plants. One part of the expansion plan is the Suzhou extrusion plant (China), which began production in the first quarter of 2013. Over the year, it ramped up its capacity to meet Chinese market demand (China is the largest consumer of collagen casings worldwide), where Viscofan is the second-ranking market operator by turnover. It is also important to highlight the work that has been also carried out for the start-up of the Uruguay extrusion plant, which began production tests in the fourth quarter with the aim of producing collagen casings for the Latin American market as from the first quarter of 2014.

Thanks to its foresight and the excellent productive performance of new capacity, Viscofan has proved able of meeting market demands with double-digit growth in collagen volumes, and positive performances in the fibrous and plastic segments.

CASINGS DIVISION REVENUE

660.2

MILLION OF EUROS

+1.7%

vs. 2012

This growth in casings volumes has not been entirely translated into revenues due to the impact of the new energy regulation in Spain, which reduced revenue by 4.7 million euros during the last quarter and by 5.8 million euros over the year as a whole, as well as the weakness of the main trading currencies.

The casings division's revenue therefore shows a year-on-year increase of 1.7% and amounts to 660.2 million euros. Cogeneration accounts for 49.1 million euros of this amount (-9.8% vs. 2012) and casing sales for 611.1 million euros (+2.7% vs. 2012). This performance in casing sales was also affected by the significant depreciation in the US and Brazilian currencies. At constant exchange rates, casing sales not including cogeneration were up 6.9% against the previous year.

In terms of revenue by geographical areas[8], overall performance for the year is as follows:

- In Europe and Asia, revenue was up 4.5% against 2012 to 354.9 million euros, thus confirming Viscofan's healthy position in the European casings market, and also in the Chinese market, where Viscofan has achieved growth of over 10%.
- In North America, revenues have dropped 2.8% to 203.2 million euros, largely prompted by the 3.3% depreciation in the US dollar against the euro.
- In Latin America, revenues have increased 1.4% against the previous year to 102.1 million euros; a very significant rise taking into account the 13.8% depreciation of the Brazilian real against the euro.

Growth in volumes and revenues is coupled with significant pressure on raw materials costs, mainly collagen hides and gas for cogeneration in Spain. Costs of consumption during the year amount to 196.8 million euros, 7.3% higher than the previous year, reducing the gross margin by 1.6 p.p. to 70.2%.

It has been necessary to take on more employees due to the important strategic projects carried out, and the Group's organic expansion. The average headcount in the casings division stands at 3,955 people, 4.7% higher than in 2012, mainly due to the increase in staff in China and the corporate structure in Spain.

In spite of the increase in staff, the employee benefits expense rose 3.4% to 142.8 million euros in 2013.

Other operating expenses amount to 156.7 million euros for 2013 as a whole, 1.0% higher than the previous year, thanks to energy savings in Mexico, and to cost control, thus enabling the Group to offset the negative impact of the 4.4 million euros of new taxes on cogeneration.

8 Revenue by origin of sales.



Because of the changes to cogeneration regulations, EBITDA does not properly reflect the results obtained during the year. Annual EBITDA dropped 3.8% against the previous year to 170.6 million euros, and 7.6%. Without including the impact of the new regulation, EBITDA increased 2.0% in the year, with an EBITDA margin practically stable over the year in a very demanding setting of weak currencies, higher raw materials costs and the start-up of new operations.

At constant exchange rates, EBITDA for the casings division is up 0.4% against 2012 and 6.1% like-for-like growth.

The EBITDA margin for the year in the casings division stands at 25.8%, 1.5 p.p. down against the previous year. This fall is practically all due to the regulatory impact, and comes despite the internal improvement in the Group's operations in its core business.

The depreciation and amortisation charge stands at 45.1 million euros in 2013 (+8.2% vs. 2012), reflecting the investments made in recent years, and leading to 2013 EBIT of 125.5 million euros (-7.5% vs. 2012).

Internal operational improvements and growth in volumes, together with fiscal optimisation and the financial robustness of this division, have offset significantly the impacts stemming from the adverse environment. As a consequence, Net profit for 2013 amounts to 96.8 million euros, 4.3% down against the previous year.

2013 RESULTS: IAN GROUP

IAN Group income statement ('000 €)	Jan-Dec' 13	Jan-Dec' 12	Variation
Revenue	105,136	103,608	1.5%
EBITDA	7,679	7,690	-0.1%
EBITDA margin	*7.3%*	*7.4%*	*-0.1 p.p.*
EBIT	4,446	4,390	1.3%
Net profit	4,675	3,863	21.0%

IAN GROUP NET PROFIT

4.7

MILLION OF EUROS

+21%

vs. 2012

In 2013, the vegetable food product division displayed solid performance which contrasted with the difficult economic context in which its main market was positioned: Spain The weakness of consumer demand has led retail chains to push up prices as part of their sales strategy, making it very difficult to reflect raw material cost increases in sales prices.

Under these circumstances, the IAN Group has followed an on-going value and margin protection strategy, based on the strength of the Carretilla brand, the diversification of its business portfolio, the launching of new pre-cooked food products, and the search for new international markets.

In 2013 revenue grew 1.5% to 105.1 million euros, while the EBITDA margin stood at 7.3% for the whole year, a year-on-year decrease of 0.1%. EBITDA thus remained practically stable at 7.7 million euros.

The performance of operating results and tax optimization from revaluation of assets in Spain (+€0.9 million euros in May 2013) resulted in a net profit of 4.7 million euros, up 21.0% over the accumulated period to December 2012 in the vegetable food product division.



VISCOFAN IN THE **STOCK MARKET**

2013 brought an improvement in the global economic outlook and decreased pressure on the financial markets. As a result, these circumstances contributed to reach a turning point in the over-indebtedness crisis that started six years ago.

After several years of weak performance, major economies have started to show signs of financial recovery, thus contributing to the global growth acceleration. The IMF and the World Bank expect global GDP growth of 2.9% and 2.4% in 2013 and 3.7% and 3.2% in 2014 respectively.

In the United States, the Federal Reserve has started a progressive and moderate withdrawal of incentives in the light of stronger growth in the country, by injecting less money through the bonds repurchase programme. Additionally, in the last quarter of 2013, the US held a debate on the debt ceiling and this uncertainty created a degree of instability in the global financial markets due to the risk of the country defaulting.

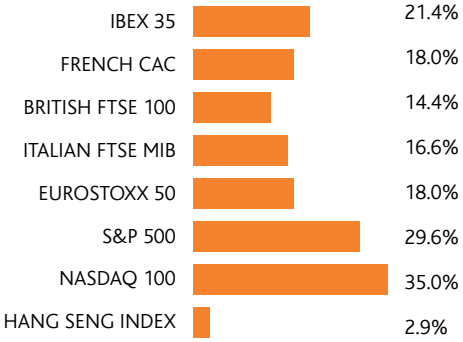
In Europe, the improved economic situation and the positive evolution of bank restructuring have led to the strengthening of the euro in comparison with other major currencies, although the European banking sector is still weak and the unemployment rate remains high (12%). The ECB implemented more active policies that clearly focused on defending the euro and fighting financial fragmentation, which resulted in, among other effects, improved economic conditions in the peripheral countries. Measures implemented by the ECB included reducing interest rates to 0.25% (historic minimum) and implementing policies aimed at reactivating bank lending.

Chinese growth has stabilised and, in the light of high investment and debt levels, the government has adopted a programme to restructure demand in the country and growth outside of investment, oriented towards internal consumption and the services sector.

In Spain, 2013 brought an improved economic outlook and confidence in the country, a process of internal reforms and the restructuring of the financial system.

This situation was backed by GDP in the third and the fourth quarters, with quarterly rate increases of +0.1% and +0.2% respectively, after several quarters with decreasing figures, and the IMF expects the Spanish economy to grow by 0.6% in 2014. Growth was caused by a slower decline in internal demand and increased external demand, as well as the im-

Indexes, year on year evolution.



proved competitiveness of Spanish companies due to the decrease in salary costs. At the same time, the employment market has started to grow, although the unemployment rate remains at over 26%, which is significantly higher than the 12% seen in the European Union. At the same time, the public debt risk premium decreased by 45% in 2013, standing at 220 points by the end of the year.

Stock markets experienced positive trends in 2013, mainly in the second half of the year, due to an improved performance by the developed economies, low profitability offered by public and private bonds as a result of monetary policies aimed at expansion, which made investors search for a higher return on assets in variable income, as well as an end to the risk of the euro breaking up, which caused a massive capital outflow in previous years, especially in the peripheral countries.

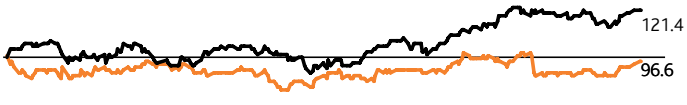
As a result, most worldwide markets have shown double-digit growth in 2013, continuing the recovery that started in 2012.

In the case of Spain, the Ibex 35 underwent two entirely different phases. Firstly, up to June 2013, it declined by 5.0%; nonetheless, starting at that point, a slight improvement in the country's outlook led to a 27.7% revaluation during the second half of the year, while its annual growth of 21.4% was above the major European stock exchange indicators.

In this context, Viscofan shares reached a maximum of €43.70 and finished 2013 at €41.35, a fall of 0.8% if dividend remuneration is included.

Starting from 2 January 2013, Viscofan was included in the Ibex 35, which is a benchmark index for companies traded on the Spanish stock exchange. This fact, combined with solid growth foundations and a transparent and fluid relationship with the financial community, have allowed Viscofan to sustain high levels of trading. Over the entire year, more than 63.2 million Viscofan shares were traded on the market, 135% of the total outstanding shares, with a turnover of 2.506,4 million euros, equal to a daily average of 9.8 million euros, a 76% increase in comparison with the previous year.

Share price performance vs. Ibex 35 (2013)



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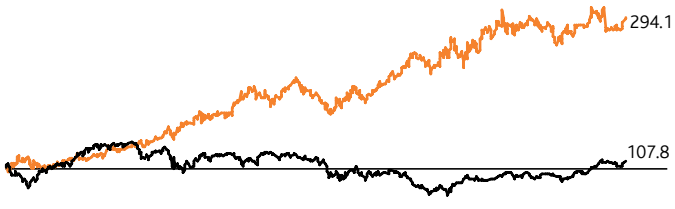
VISCOFAN
IBEX 35

Share price performance vs. Ibex 35 (5 years)



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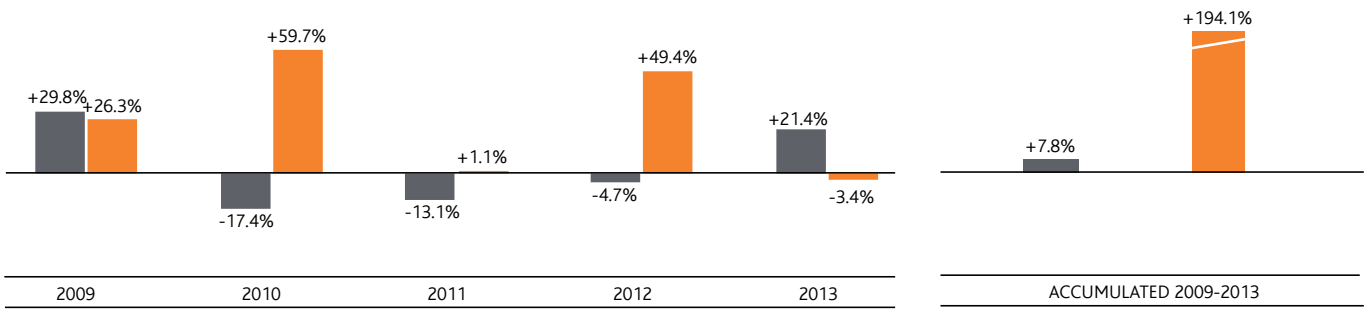
IBEX 35

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

Buying (31/12)		Selling (31/12)										
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TAE
2003	Viscofan	5.7%	31.6%	102.7%	105.4%	99.4%	151.9%	302.3%	306.5%	507.2%	486.5%	**19.4%**
2003	*Ibex 35*	*17.4%*	*38.7%*	*82.8%*	*96.2%*	*18.9%*	*54.3%*	*27.4%*	*10.7%*	*5.6%*	*28.2%*	*1.6%*
2004	Viscofan		24.6%	91.8%	94.4%	88.7%	138.4%	280.7%	284.7%	474.6%	455.0%	**21.0%**
2004	*Ibex 35*		*18.2%*	*55.8%*	*67.2%*	*1.3%*	*31.5%*	*8.6%*	*-5.7%*	*-10.1%*	*9.2%*	*1.9%*
2005	Viscofan			54.0%	56.0%	51.5%	91.4%	205.6%	208.8%	361.3%	345.6%	**20.5%**
2005	*Ibex 35*			*31.8%*	*41.4%*	*-14.3%*	*11.2%*	*-8.1%*	*-20.2%*	*-23.9%*	*-7.6%*	*3.5%*
2006	Viscofan				1.3%	-1.6%	24.3%	98.5%	100.6%	199.6%	189.4%	**16.4%**
2006	*Ibex 35*				*7.3%*	*-35.0%*	*-15.6%*	*-30.3%*	*-39.4%*	*-42.3%*	*-29.9%*	*1.0%*
2007	Viscofan					-2.9%	22.7%	95.9%	97.9%	195.6%	185.6%	**19.1%**
2007	*Ibex 35*					*-39.4%*	*-21.4%*	*-35.1%*	*-43.6%*	*-46.2%*	*-34.7%*	*-8.0%*
2008	Viscofan						26.3%	101.7%	103.8%	204.5%	194.1%	**24.1%**
2008	*Ibex 35*						*29.8%*	*7.2%*	*-6.8%*	*-11.2%*	*7.8%*	*5.4%*
2009	Viscofan							59.7%	61.4%	141.0%	132.8%	**23.5%**
2009	*Ibex 35*							*-17.4%*	*-28.3%*	*-31.6%*	*-16.9%*	*-4.7%*
2010	Viscofan								1.1%	51.0%	45.8%	**13.4%**
2010	*Ibex 35*								*-13.1%*	*-17.2%*	*0.6%*	*-4.6%*
2011	Viscofan									49.4%	44.3%	**20.1%**
2011	*Ibex 35*									*-4.7%*	*15.8%*	*-2.4%*
2012	Viscofan										-3.4%	**-3.4%**
2012	*Ibex 35*										*21.4%*	*21.4%*

Comparative performance. Viscofan vs. Ibex 35 (5 years)



VISCOFAN
IBEX 35

SHAREHOLDER REMUNERATION

Despite the share price evolution in 2013, Viscofan continued to be one of the companies that has created more added value for its shareholders over the last decade, with an average return of 19%, or 21% if the direct shareholder remuneration is included. Shareholders that invested at the end of 2003 and kept their shares until the close of 2013 have seen the value of their investment multiplied by 5.9, or 6.7 times counting shareholder remuneration during these years.

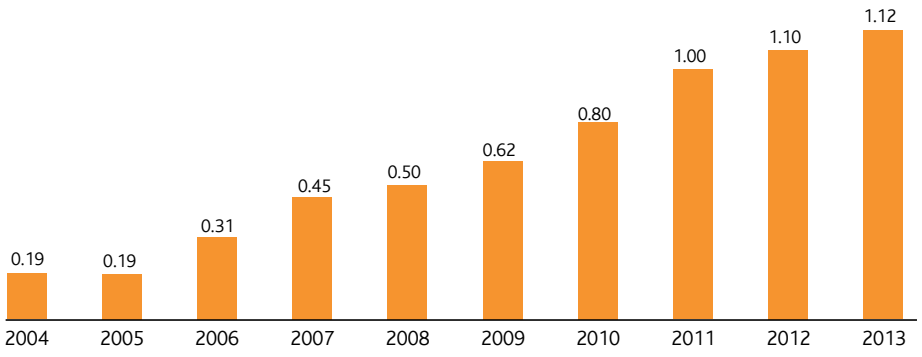
Direct remuneration through the payment of cash dividends, share premium refunds and reductions in capital have been a constant feature at Viscofan Group.

Viscofan aims to combine growth and shareholder return as part of the Be MORE strategic period. The Group intends to take advantage of this historic market growth opportunity, and of a strategy that has placed the Group in a good position to face future challenges.

Expansion was carried out without any new sacrifices required from shareholders, who have seen an improvement in returns. In this regard, the strong 2013 balance sheet, which reflected the robustness of the business model adopted by Viscofan Group, together with the implemented internal improvements and the growth outlook for 2014, have motivated the Board of Directors to submit a proposal of remuneration per share for approval by the 2014 General Shareholders Meeting, of €1.12 per share, 1.8% more than in the 2012 proposal, and it would consist of €0.41 from interim dividends, €0.704 from complementary dividends and €0.006 from the attendance premium. This sum means shareholder remuneration is equivalent to a pay-out of 51.4% of net profit.

Shareholder remuneration policies that were sustained over recent years have been recognised by the market. Viscofan has belonged to the Top Dividend index since February 2014, which is formed by outstanding Spanish companies in terms of shareholder remuneration.

Shareholder remuneration per share (€)



VISCOFAN, ITS SHAREHOLDERS AND INVESTORS

Through its Investor Relations department and the Shareholder's Office, Viscofan includes among its objectives the aim to create value for the investment community by improving information transparency and making relevant information available for better understanding of the company, its results, strategy and operations.

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).

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".



Viscofan is in constant contact with the financial markets, so in 2013 a total of 18 national and international analysis companies repeatedly covered the company. (Bekafinance, BBVA, BPI, Espítitu Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Interdin, JB Capital Markets, Kepler-Cheuvreux, la Caixa, Mirabaud, N+1 Equities, Renta 4, Sabadell, Santander, Societe Generale, UBS).

Joining the Ibex 35 has enabled the Viscofan Group to increase its resources and improve the services offered to the financial community. It had 293 face-to-face meetings in 2013, significantly more than the 207 and 212 meetings held in 2012 and 2011 respectively. These meetings were held in eleven major financial centres in different countries (similar to the previous year); this is also a result of the geographic diversification of the shareholder structure, with institutional investors from over 20 countries located around the world.

This commitment, and open dialogue, between Viscofan and the investment community is also in some way reflected in trading volume, with one of the highest turnover rates for shares in the continuous market. In 2013, a total of 63 million shares were traded, representing 135% of outstanding shares.



STOCK EXCHANGE HIGHLIGHTS

	Be MORE Strategy Period		Strategy Be ONE Period		
Share price €	**2013**	**2012**	**2011**	**2010**	**2009**
Year-end price	**41.35**	**42.81**	28.66	28.36	17.76
Year high	**43.70**	**42.81**	30.59	29.65	18.20
Year low	**35.65**	**28.45**	22.51	17.64	12.81

Viscofan in the stock market evolution	**Year end 2013**	**Year end 2012**	**Year end 2011**	**Year end 2010**	**Year end 2009**
% annual change Viscofan	**-3.4%**	**49.4%**	1.1%	59.7%	26.3%
% annual change IGBM	**22.7%**	**-3.8%**	-14.6%	-19.2%	27.2%
% annual change IBEX 35	**21.4%**	**-4.7%**	-13.1%	-17.4%	29.8%
% annual change Euro STOXX 600	**17.4%**	**14.4%**	-11.3%	8.6%	28.0%
% annual change Medium Cap	**52.0%**	**13.8%**	-20.7%	-5.6%	13.8%
% annual change Sub sector Food and beverages IGBM	**4.7%**	**25.0%**	-6.3%	25.3%	7.0%

Stock market trading data	**2013**	**2012**	**2011**	**2010**	**2009**
Market capitalization at year-end (millions of €)	**1,927.1**	**1,995.1**	1,335.7	1,321.7	827.7
Traded volume (million of €)	**2,506.4**	**1,426.9**	1,274.1	925.4	663.1
Daily average trading volume (million of €)	**9.8**	**5.6**	5.0	3.6	2.6
Traded shares	**63,212,344**	**41,360,939**	47,049,517	41,668,063	42,112,723
Daily average of traded shares	**247,891.6**	**161,566.2**	183,787.2	162,765.9	165,798.1

Share ratios	**Year end 2013**	**Year end 2012**	**Year end 2011**	**Year end 2010**	**Year end 2009**
Listed shares	**46,603,682**	**46,603,682**	46,603,682	46,603,682	46,603,682
Earnings per share[1]	**2.178**	**2.254**	2.172	1.745	1.379
Remuneration per share[2]	**1.120**	**1.100**	1.000	0.800	0.623

(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

DIVISIONS AND PRODUCT FAMILIES



CASINGS

CELLULOSE CASINGS

Cellulose casings are made from natural cellulose. They are used primarily in the manufacture of industrially cooked sausages (frankfurters, Vienna sausages or hot-dogs). 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 depolymerized and subsequently depolymerized 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.

MACHINERY SOLUTIONS

Specially designed to facilitate our customers the use of Viscofan's casings.

The machines sold by Viscofan have been developed thinking in special casings that cannot be applied by conventional meat machinery.

VEGETABLE FOOD

IAN GROUP

IAN Group distributes a wide range of preserved vegetables, including asparagus, tomato products, olives and vegetable-based ready-cooked meals, salads, chicken and pasta recipes.
Carretilla is the leader brand in Spain.

BRANDS

CASINGS

Viscofan Koko CoffiNet Naturin

Colfan Tripan Betan Coffi Viscofan Natur

VEGETABLE FOODS

CARRETILLA iAN COMARC

ALESVES RESTAURACIÓN MORENITA

A COMMITMENT **TO QUALITY, SERVICE AND FOOD SAFETY**

THE CUSTOMER AT THE CENTRE OF OPERATING DECISIONS

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.

As experts in artificial casings, we are the only company in the sector that offers a total, comprehensive service to our clients and are able to offer the casings solution that best adapts to their needs.

In its continuous improvement model, and via multidisciplinary teams from its sales, operations and R&D departments, Viscofan Group identifies those areas of most concern to the meat industry, developing and incorporating related improvements.

Maintaining our leadership position in the global market in an environment as dynamic as the current one would be impossible without Viscofan's excellent level of service and diversification; as a result of our presence in 14 countries we are able to provide suitable casing solutions to more than 2,000 customers in 100 countries around the globe.

Proof of this global exposure has been the recent Aster award for 2013 business trajectory, awarded to Viscofan by ESIC center (Business and Marketing School), which recognizes the achievements of those companies excelled throughout history. This award joins those received in past years: 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 Navarre Chamber of Commerce and Industry.

In recent years, aiming to offer the best service to our clients, important changes have been implemented to the order management system, including the creation of the Supply Chain department, in order to optimize working capital, improve and standardise management tools in the supply chain and strengthen the coordination of corporate teams. This simplifies the number of representatives between orders and claims, taking advantage of a scale that is unique to the casings market and helps accelerate processes and improving the service offered to our clients.

Proof of this global exposure has been the recent Aster award for 2013 business trajectory, awarded to Viscofan by ESIC center (Business and Marketing School)

To efficiently implement our proposal to create value for our clients, we maintain an open communication channel and fluid client relationships, mainly through:

1.- Seminars and events organised by Viscofan.

2.- A technical assistance and continuous service telephone number.

3.- Active attendance of industry fairs, particularly the IFFA in Germany, the largest food sector fair in the world held every three years in Frankfurt.

4.- Visits to clients.

5.- Local presence directly by the company or through agents and suppliers.

6.- Access to an own extranet (Visnet) accessible from www.viscofan.com

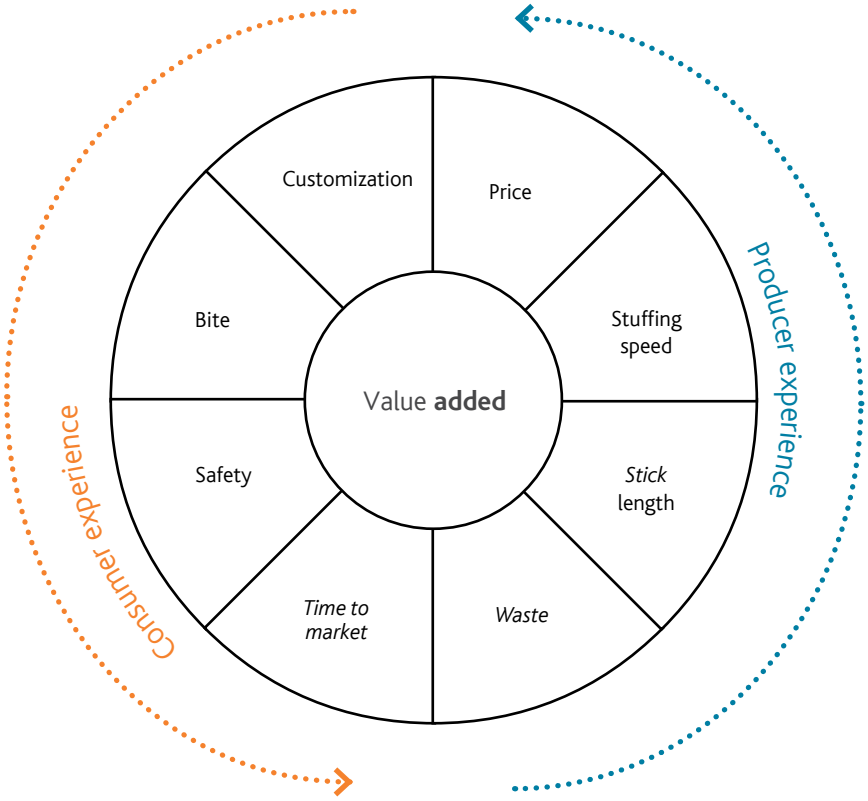
Based on that commitment, Viscofan Group companies have managed to renew each year their Quality certifications based on Quality Management Standard ISO 9001:2008. At present the Suzhou plant in China is in the process of implementing quality procedures and it is expected to obtain quality certification by 2014.



VALUE ADDED MATRIX

CONSUMER EXPERIENCE





PRODUCER EXPERIENCE



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

PRODUCT SAFETY AND FOOD HYGIENE FROM THE SUPPLIER TO THE CONSUMER

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.

This commitment begins with the selection of raw materials, from the principal inputs (cellulose, collagen hides, abaca paper, polyamides and natural gas) to auxiliary components used in the chemical and mechanical transformation of these raw materials during the production process.

To make this selection, Viscofan Group has established a supplier approval system, and suppliers need to comply with demanding quality, safety and cost criteria. This system establishes impartial and objective treatment in the supplier and contractor selection process.

Aware of the strategic importance of a suitable supply of raw materials and services, Viscofan Group is committed to its suppliers and establishes relationships founded on reciprocal contribution, mutual respect, trust and the quality of products and services.

In turn, to guarantee the excellence of its products and services at all times, as a guarantee for both its clients and the end consumer, Viscofan has a product and food hygiene safety system that covers every relevant aspect from its own production installations built in accordance with food safety regulations, to training programmes in food hygiene and product safety, quality control of raw materials, which must comply with specifications established with authorised suppliers, systems for detecting unsuitable materials during the production process, pest control, control of dangerous materials, staff hygiene and a visitors' policy.

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 (physical, chemical and microbiological contamination, including allergens), 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.

COMPLIANCE WITH THE APPLICABLE LEGISLATION

The Production technical scope in casings production is increasingly highly regulated in food safety area by different countries and supranational institutions, constituting a growing frame in constant update of requirements that cannot be eluded.

This regulatory framework directly affects the activity of production facilities, due to the legislation of origin countries, requirements of destination countries and globally accepted international standards.

Given the complexity of this situation, Viscofan Group has created Patents and Regulatory Affairs Department to strengthen the fulfillment of its products with different food safety regulations. The main functions of this department are:

- Follow-up of national and international regulatory frameworks of food industry, especially those that may affect casings industry, its implementation and internal compliance.
- Supervision of the fulfillment in every production facilities. Coordination and implementation of action plans.
- Dialogue with organisms, associations and lobbies related with the regulation of issues affecting food and casings industries.

Viscofan Group has created Patents and Regulatory Affairs Department to strengthen the fulfillment of its products with different food safety regulations



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.

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, effective for years in manufacturing sites of Spain, Germany and Czech Republic, has been expanded to other non-European factories, such as those in Mexico and the United States, and it is predicted to advance in China certification in the coming years.

Moreover, Viscofan has internationally accepted certifications to enable meat processors to homologate its suppliers, and thus be approved for sale in main world distribution chains:

- BRC - Global Standard for Food Safety: Global food safety protocol aims to ensure that every supplier comply with requirements that guarantee the safety of their food.
- BRC/IoP - Global Standard For Packaging and Packaging Materials. This certification is addressed to manufacturers of packaging and materials in contact with food.

The certification, through the audit of an authorized external entity, guarantees that group production plants have necessary systems to identify and control the risks that can negatively affect food safety through a system of Hazards Analysis and Critical Control Point (HACCP). Furthermore, counting on the strong commitment of management team.

Key factors on which is based:

- Guarantee food safety. Efficient and dynamic risks control.
- Compliance with applicable legislation in production countries, requirements of destination countries and globally accepted international standards.
- Cost reduction of possible errors in any production chain.
- Organized and effective communication with all stakeholders (internal, suppliers, clients, authorities).
- Provide confidence to customers/suppliers.

Furthermore, Viscofan Group has Halal and Kosher certification, so is able to supply these products in any market worldwide. These certifications for food products are key to break into different markets. Halal certification is specifically design for commercialized products in Muslim countries and Islamic communities, while Kosher certification is a consumption requirement for food products in Jewish community.

CERTIFICATIONS	ISO 9001:2008	BRC FOOD	BRC PACKAGING
Spain	✔	✔	✔
Germany	✔	✔	
Serbia	✔		✔
Czech Republic	✔	✔	✔
USA	✔		✔
Mexico	✔		✔
Brazil	✔	Itú (2015)	Itú ✔ Emelino (2015)
China	Exp. (2015)	Exp. (2015)	Exp. (2015)

✔ Certified
() Expected date

A **MULTICULTURAL** GROUP OF PEOPLE

The Viscofan Group's employees are its greatest value creation asset and the driving force behind the company's market leadership. The number of staff is increasing due to the Group's expansion plan. In 2013 the average number of employees grew by 6.5% in comparison to 2012, with a staff of 4,660 people, 3,955 of whom work in the casings division and 705 in the vegetable food division.

In this expansion highlights that the average workforce has doubled in China since last year, and in Spain it has seen a 2.6% increase as a result of the work being done to encourage international expansion and corporate coordination.

Its workforce is spread widely over various countries in which the company has a strategic presence: Spain, Germany, Brazil, Canada, China, Costa Rica, United States, Mexico, United Kingdom, Czech Republic, Russia, Serbia, Thailand and Uruguay, 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.



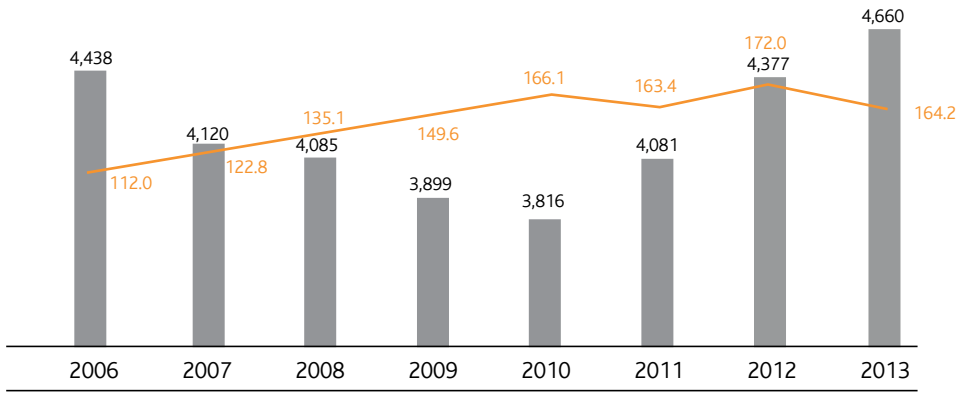
The long-term nature of the business project, the staff's stability and professional development clearly come out with the commitment of permanent contract recruitment, as over 95% of Group's employees have an open-ended contract.

The workers are a vital part of the Be MORE Plan 2012-2015, the staff increase has been accompanied by production improvements and greater competitiveness at the Viscofan Group which, combined with the outstanding know-how of this stakeholder, gives the Group a clear competitive advantage.

Personnel costs have increased by 3% and now stand at just over 154 million euros. As a result of the Group's expansion, in 2013, the average revenue per employee decreased 4.5%. However, workers' greater competitiveness can be clearly seen in the figures; for example, during the two years of the Be MORE Plan, the casings division has improved the personnel costs-to-sales ratio by almost 1%.

Greater productivity is particularly important in the current context, in which production capacity and volume have been increased in a pressurised environment of rising raw material and energy costs.

AVERAGE WORKFORCE AND PRODUCTIVITY



WORKFORCE EVOLUTION
REVENUE PER EMPLOYEE (THOUSAND €)

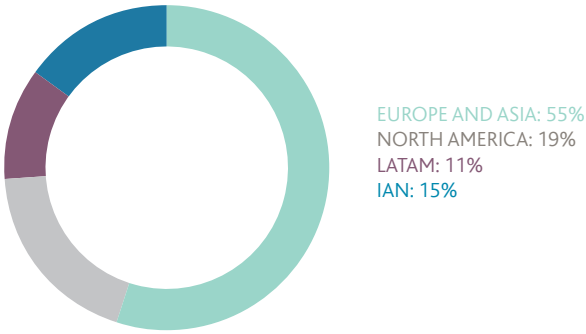
The multinational nature of the Viscofan Group's business makes necessary to implement local human resource policies which are coordinated through the corporate Human Resources department in order to provide the best possible identification, development and retention of talent based on its priority competences, both locally and in the Group as a whole, and a balanced demographic management that combines knowledge, an innovative attitude, development potential and the guaranteed transfer of know-how.

12% of employees are aged over 55 and 3% of these are over 60. At the other end of the scale, more than 36% of staff are under 34 years of age.

EMPLOYEES BREAKDOWN BY AGE GROUP



AVERAGE WORKFORCE BY REGION



In line with the Group's expansion and its growing workforce, worker mobility has also increased. In 2013 an average of 30 employees were involved in international projects as short-term expatriates, and there were also 27 long-term expatriates. Both the origin of these workers (Spain, Germany, Czech Republic, Serbia, USA, Brazil, Mexico, Uruguay and China) and the countries to which they were posted (mainly China and Uruguay, although there are movements in the rest of Group's plants) show the Group's strong commitment at a policy level to strengthening international mobility and knowledge transfer by sharing best practice at all its subsidiaries, particularly with regard to recently created processes.

The Viscofan Group seeks to improve the internationalisation of its employees, facilitating the transfer of knowledge among subsidiaries. As a result, 2013 saw the consolidation of the Corporate Policy for expatriate staff working on international projects, harmonising and guaranteeing conditions with regard to both salaries and social benefits.

In line with this improvement in coordination and continuous knowledge transfer, the Group has also made organisational changes, creating the Process Engineering Division and the Collagen Production Coordination Unit to back up the work done by the Operations Management Department. The Process Engineering Division will encourage on managing technical and technological knowledge in the Group's process area, leading the industrialisation processes connected with new developments at its different plants, while the Collagen Production Business Unit will focus on coordinating the Group's factories as regards the transfer of technological improvements and setting and monitoring production targets, with a view to optimising the production value chain for its products.

In 2013 the Group created a new EHS (environment, health and safety) department to improve the sustainability of Viscofan's activity at all its factories.

The Patents & Regulatory Affairs Division was also created in 2013 to ensure compliance with standards established by the food industry's different international regulatory frameworks. It will also monitor the Viscofan Group's patents and it will be the main contact for liaising with the sector's reference organisations and associations.



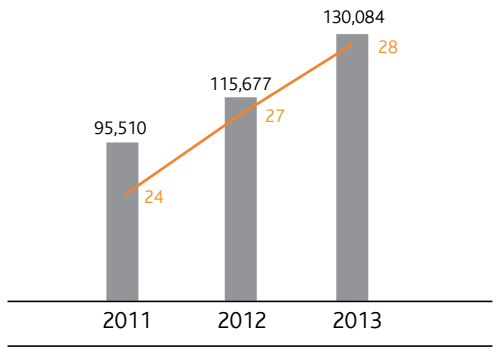
DEVELOPTMENT **OF TALENT** AND A **COMMITTED** TEAM

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 Resources departments of its various subsidiaries, promotes training of its employees throught internal and external courses to provide the skills necessary for the job.

The local corporate human resource team continues to increase its management of training hours, managing over 130,000 hours in 2013, 12% more than in 2012, with investment of 2.2 million euros as compared to the 1.8 million earmarked for this area in 2012.

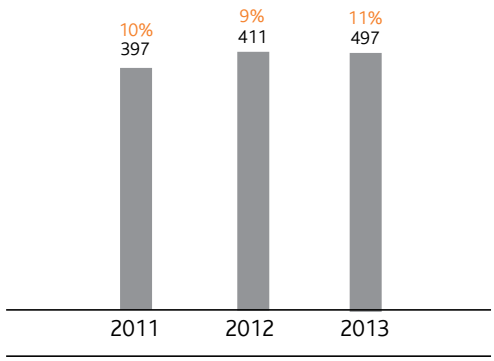
The industrial process is characterised by the high number of operatives and specialized personnel. Approximately 11% of the workforce has a university degree, 5% has a specialised Master's degree and 0.6% a Doctor's degree. The number of staff with a university degree at Viscofan Group increased by 20% compared to the previous year.

PROGRESS OF TRAINING HOURS



HOURS
HOURS PER EMPLOYEE

EMPLOYEES WITH BACHELOR'S DEGREE

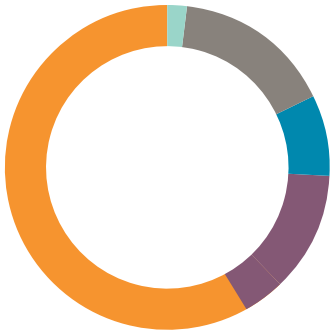


% OVER AVERAGE HEADCOUNT

To support the initiative to improve training, during 2013 Viscofan Group worked closer with university institutions and incorporated 57 members of staff through grants and end of course projects, in 2012 were 34 and in 2011, 18. This represents a clear commitment to encouraging university collaboration by hiring young graduates in the company's different departments.

At the close of 2013, the average number of employees per category was as follows:

AVERAGE NUMBER OF EMPLOYEES PER CATEGORY



MANAGERS: 2%
TECHNICIANS AND MIDDLE MANAGEMENT: 16%
ADMINISTRATIVE STAFF: 7%
SPECIALIZED PERSONNEL: 18%
OPERATIVES: 57%

Viscofan Group is committed to respecting and defending the human rights proclaimed in international agreements such as the International Bill of Human Rights or the United Nations Global Compact.

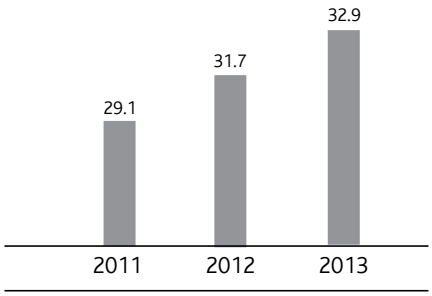
Within the code of conduct, Viscofan Group employees shall seek, within their area of action, to respect and protect human rights and shall oppose any conduct contravening them that they detect in the pursuit of their duties.

In particular, within their geographical and cultural diversity, Viscofan Group employees shall abstain from any conduct that involves discrimination on the grounds of race, sex, nationality, language, faith, ideology or any other individual, social o personal characteristic (disability, financial position, trade union membership, etc.) and shall pursue their duties within a work climate that prevents any form of exploitation.

In this connection, 62% of Group employees are covered by collective bargaining agreements that establish general conditions to regulate their work activity, thereby improving the minimum conditions established by employment law, and 12% are currently at the negotiation stage, which means that by the end of 2014 more than 70% of staff will be covered by collective bargaining agreements. Similarly, the salary paid to the direct workforce is higher than the guaranteed minimum wage in all the countries where the Group operates.

The Viscofan Group remains committed to its equal opportunities and diversity policy. As part of the Equality Plan initially implemented in Spain in 2010, with a clearly corporate vocation, in 2013 it has continued to hold awareness-raising sessions and adapt its recruitment processes, also working in the areas of language use and the streamlining of working hours to improve the work-life balance of its employees. An important point in this area is the fact that in 2013, 32.9% of the average workforce were women, as compared to 31.7% in 2012, with a 22% increase in recruitment of female workers.

% OF WOMEN OVER AVERAGE HEADCOUNT



Viscofan collaborates towards integrating disabled people into the employment market by signing agreements with special employment centres, integrating these employees into its own work centres as far as possible.

The human resources area, in collaboration with local production departments, encouraged measures and investment to improve the working conditions of our employees. The Viscofan Group also works to obtain reliable, uniform indicators that will be useful for measuring and comparing performance in the different countries where it operates, to be able to extend its best health and safety practices to all its production centres.

Viscofan firmly believes that all workplace accidents can be avoided. It therefore strives to make its facilities safer and raise all its staff's awareness of the fact that a safety-minded attitude is vital. The Viscofan Group continues to spare no effort in standardising its procedures and the company's communication policy in this area, providing specific training and information on its physical and virtual notice boards.

In this regard, last year Viscofan S.A. launched on the "Leadership in Safety" programme for company managers, with the aim of encouraging workers to prioritise their wellbeing. It also trains its employees in safe working habits, creating a strong safety culture covering all areas of the company.

As a result of these policies, the Viscofan Group has managed over 21,000 hours of health and safety training, 6% more than in 2012.

For many years now the Viscofan Group has also improved working conditions through suitable occupational risk prevention management. In 2013 it received the OHSAS 18001 certificate for the Viscofan S.A. Prevention Management system. The Group aims to gradually implement continuous improvement-based management systems in the rest of production centers, so that over 25% of staff will work under certified management systems by 2015.

EHS department is working to reduce the number of accidents in Group facilities. This work is not yet complete, and in 2014 are planned new initiatives related with this target.

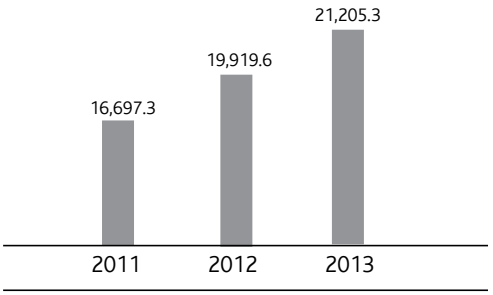
As a dynamic, globally-oriented group with the desire to improve staff and talent management, create and facilitate better information channels for its employees, the Human Resources Department is launching several measures and applications into practice, including the following:

- A global human resource tool available in Saas (Software as a Service) mode for improved management of the company's staff and organisational structures with a view to quicker and easier information access and exchange.

- The intranet "Employee Channel", which will provide direct, useful information to improve people's integration and involvement in the organisation, as regards internal promotion, corporate standards and other aspects.

- In July 2013 an international management tool was created to manage the areas of recruitment, contracting, in-house mobility and postings abroad. This tool has enabled more than 18 direct recruitment processes to be carried out for highly qualified posts in locations such as Spain, Uruguay, Russia and Serbia, among other areas in which the Group works. Today the Group has over 3,000 candidates registered on its website, and in 2014 it plans to increase its presence as a recruiter on social networks such as Linkedin.

TRAINING HOURS IN HEALTH AND SAFETY



RESEARCH, DEVELOPMENT AND INNOVATION

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

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

The small calibre sausage production industry requires products with extremely high quality features at competitive prices, in order to make the large scale production of sausages possible. Responding to this demand implicitly requires an enormous technological and developmental challenge that Viscofan successfully meets as the largest supplier of cellulose casings for hot-dog-style sausages and one of the main suppliers of edible collagen for a wide variety of regional specialities.

In the large calibre range, used in dry, boiled and delicatessen-style sausages, the company responds by developing customised solutions to meet demand from manufacturers around the world. An extensive variety of collagen films, reinforced fibrous casings and plastic structures make it possible to reach the demanding and diverse world market with its enormous variety of classic and innovative meat products: sliced, pre-smoked, boiled, cured, etc.

For this reason, 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, mainly in centres of excellence. The average staff headcount is 60. 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.

- 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.

IAN Group has 8 employees dedicated to R&D, whose main task is to continue the process of achieving greater diversification in the product portfolio through the launch of new products offering greater added value. This has resulted in the launch of new recipes for refrigerated and nonrefrigerated ready-cooked meals and salads, and activities to identify new ways to optimise production costs.

This division has a patented plate production system prepared under the "Exclusive and patented preservative-free "Carretilla" process" which is based on a 4 stage process: 1) Rapid steam cooking (HTST system -high temperature-short time); 2) Use of technologically advanced packaging developed by the "Carretilla" R&D&I Department together with a leading Technology Centre; 3) Low intensity stabilization technology to guarantee food safety during its useful life and avoid the organoleptic deterioration frequently caused by other packaging systems; 4) Quality control carried out on all products produced.

Grupo IAN's commitment to quality, health and food safety has led it to become a member of the Spanish Nutrition Foundation (FEN), the most important national body in the nutrition science sector.

IAN Group has a patented plate production system prepared under the "Exclusive and patented preservative-free "Carretilla" process"

SUPPORT FROM INTERNATIONAL RESEARCH CENTRES

Viscofan has a long track record of working with public and private research centers, Spanish and international among which CIFA (Center for Applied Pharmacobiology Research) in the University of Navarra (Spain), and CNTA (National center for food safety and technology) located in San Adrián (Spain), to foment specialization and gain access to cutting-edge technologies it needs to carry on its research and development activity.

Viscofan regularly collaborates with universities and research centres located in different countries, highlight: In Spain, Public University of Navarra, CEMITEC (Multidisciplinary center for industry Technology) and AINIA (Technology center for food industries); University of South Carolina in USA, Hochschule Mannheim in Germany and the University of Suzhou in China. Main issues based on the collaboration are: food safety, analysis and development of new materials, process and food industry engineering, advanced physical and chemical analysis, basic research into alternative materials and uses, new packaging systems.

Besides the aforementioned collaboration with research centers, Viscofan has significant support from local governments bodies of the countries in which the Group makes developments on R & D, both the center for technical industrial development (CDTI) in Spain, such others specific from local administration in Navarre, as in Germany (Federal Ministry of Education research), 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.
- ANICE. The Spanish Meat Industry Association is the largest meat association in Spain and advises, represents and defends the interests of the meat industry.

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. She 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.

In 2013 we have continued to work for 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.

LINK TO VISCOFAN BIOENGINEERING
http://www.viscofan-bioengineering.com

SUSTAINABILITY

To integrate sustainability into key activities of the organisation, the Viscofan Group created the EHS area (Environmental, Health and Safety)

Visofan is a company with a clearly defined global outlook, operating in a world that is growing in terms of population and consumption, with a greater use of natural resources and a growing social awareness about their efficient use. In this context, 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 commitment arises from the first description of Viscofan Group's vision, as defined in the Be MORE plan: we want to be a global leader in the casings market. This vision entails the sustainable creation of value for our shareholders.

The scale of the challenge is revealed taking into account Viscofan Group's production activity in 9 countries, sales offices in 14 countries, and sales in over 100, operating in heterogeneous cultures with significantly different regulations and legislations.

As part of its sustainability action principles, the Viscofan Group and its employees are committed to:

- Performing business activities in accordance with sustainable and economically viable principles and criteria, ensuring compliance with the legislation applicable to each geographic area in terms of environmental protection and occupational health and safety.
- Establishing and following performance measurement indexes, striving to achieve the established targets through continuous improvement and the implementation of available new technologies to minimise the potential environmental impact of its activities and guarantee the health of its employees.
- Using materials, water and energy effectively, to provide the company with sustainable growth.

To integrate sustainability into key activities of the organisation, the Viscofan Group created the EHS area (Environmental, Health and Safety) in 2013. Reporting to the Chief Operating Officer, it will focus on coordinating and unifying the action principles and existing policies related to health and safety and environment protection matters, aligning them with the company's commitments.

2013 was a year of intense activity, which was reflected in many initiatives that aimed to ensure expansion and growth are within the sustainable growth parameters. The new collagen extrusion plant in China was equipped with the best technology available for its production and waste processing areas. This initiative was very successful, as was the factory construction in Uruguay, energy improvements in Mexico and numerous projects carried out at all other existing installations.

This sustainability commitment also entails a financial aspect: the Group has identified a total of 32.3 million of euros of plant and equipment to environmental projects, representing 3% of the total gross tangible assets. These installations include steam boilers, water cooling circuits, treatment and purification plants, among others.

Furthermore, during 2013 the Group incurred expenses for protection and improvement of the environment amounting of €2 MM.

This commitment is closely linked to the monitoring of and dialogue with interest groups in environmental and regulatory areas, in order to obtain better awareness of their concerns and value creation proposals in environmental matters, as well as to reduce environmental and regulatory risks that can arise from our activities. In this regard, the Viscofan Group has developed policies that cover environmental contingencies.

This activity provides us with an opportunity to collaborate on environmental projects, such as the reforestation of 15,000 trees sponsored by Viscofan in the Zacapu mountain range (Mexico) or undertake compensation agreements, such as the one reached at our plant in Brazil, where 30 new trees are planted in exchange for each tree felled to create a new access route to our factory.

In its position as a leader, Viscofan Group is working on two basic cornerstones on which its environmental projects are based:

- Sustainable use of resources.
- Climate change prevention.



SUSTAINABLE USES OF RESOURCES

As the Group becomes able to use available resources, such as raw materials, energy or water resources, in a more efficient manner, Viscofan will draw closer to its sustainability targets.

a) Water management:

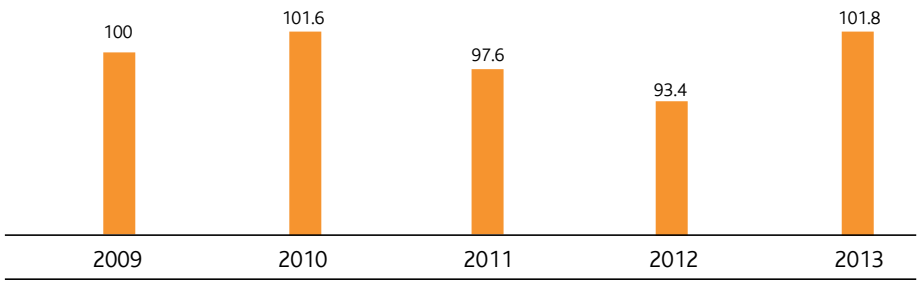


In the light of the growing demand for industrial water, optimisation and continuous improvement in water management is becoming one of the key environmental projects of the Viscofan Group in the medium term. It focuses on adequate management, reduction of consumption and improvements to purification processes to reduce the size of the contaminating load.

Among the projects in this area that were implemented in 2013, or that are currently in progress, the following are of particular note.

- In 2013 it has been installed a new wastewater treatment system in Serbia, completing the industrial transformation which, for Koteks, has meant the transfer of non-edible collagen to this country.
- In turn, a water management optimisation project was launched in Zacapu (Mexico) in 2013, which will be completed in 2015. It involves a significant reduction in consumption due to improved condensation technology and effluent quality, following investment in a new treatment plant.
- In 2014, installation of new steam technology in Brazil will lead to significant improvements in effluent quality, as well as other improvements, such as the reduced consumption of raw materials due to recycling.

WASTE AND SUBPRODUCTS (BASE 2009=100)



b) Raw materials and waste:

Reduction of waste quantity and recycling improvements have been one of the key aspects of the sustainability policies implemented by the Viscofan Group. Year after year, this approach has enabled us to significantly reduce the volume of generated waste, despite growing production intensity. Naturally, the extrusion plant launched in China in 2013, which led to increased production volumes, and the sub-product obtained from the new treatment of air emissions launched in mid-2012 at our Cáseda plant, have contributed to a short-term increase in production intensity indexes from both an absolute and relative perspective.

In 2013 the Group, generated 39.6 thousand tonnes of waste, compared to 36.4 thousand tonnes in 2012, 8.8% more as a consequence of productive expansion plans performed during the last years.

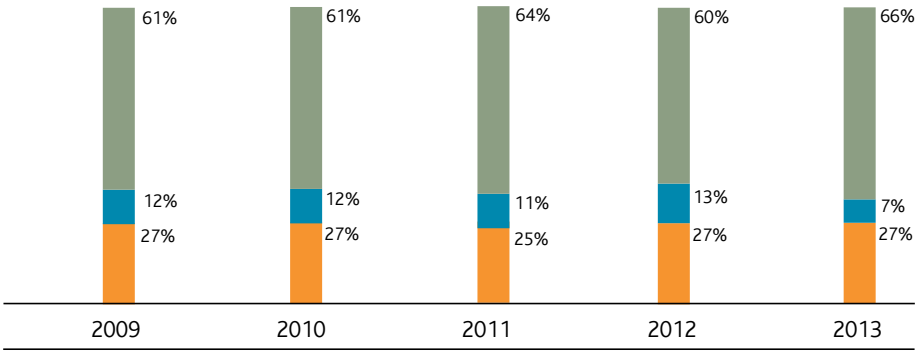
This increase is not incompatible with the implementation of waste processing projects carried out in 2013 in order to improve its recycling.

In 2013, the Group reused 66% of waste as recycling or raw materials for other industries, in comparison with 60% in 2012.

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 preregister.

In this regard and as part of the 2014 projects, the Group is working on minimizing the amount of waste from direct operations by establishing indicators that measure performance and help to improve the efficient use of raw materials.

WASTE AND SUBPRODUCTS MANAGEMENT



RECOVERY
DESTRUCTION
LANDFILL

c) Fluent communication channel in our societies:

Viscofan carry out it activity over 100 countries worldwide and keep an open and fluent dialogue with our stakeholders. As a consequence of them we do some recurring or discretional collaborations that help us to improve the conditions of our environment.

In this sense, in 2013 is important to highlight the voluntary contribution of 10,000 US$ to improve feeding conditions in Philipines after the hurricaine Yolanda. It is also remarkable the voluntary payment above 5,500 US$ made by Viscofan's employees in Spain.

Viscofan has also especific projects with students to facilitate them to find their first labour contract.

In 2013 Viscofan also collaborated with 8,000 euros that were devoted to the promotion of new start-up companies in Navarre

CLIMATE CHANGE

Following completion of the 2008-2012 period established in the National Plan for allocating emission rights, and after implementing the measures required to bring the Group's emissions below the assigned criteria, the 3_{rd} phase of the European emission trading scheme is scheduled for 2013-2020. It introduces new features, such the establishment of a common European ceiling and the elimination of National Plans for allocating emission rights. It also points to tenders as the main way of acquiring rights and the non-allocation of free emission rights to power generation.

Viscofan is working on adjusting its emissions to this new 2013-2020 plan and the new regulatory framework adopted in Spain, with the understanding that efficient energy use is of key importance in reaching its goal of contributing to climate change prevention. The use of heat, even in our production process effluents, or the substitution of equipment with high energy requirements by more efficient alternatives, form part of the Viscofan strategy aimed at reducing global CO_2 emissions: reducing our energy requirements and taking maximum advantage of the different ways in which it is present in our processes.

This continuous search for the best use of energy in all its forms is certified by standard ISO 50001 on energy efficiency for the management systems in Naturin Viscofan and Viscofan S.A., in early 2014.

Efficient energy use leads to a competitive advantage in the casings production process. In this regard, the Viscofan Group has co-generation plants in Cáseda (Spain) with a 48MW installed capacity, and another plant located in Zacapu (Mexico).

Co-generation plants have represented a significant change in our energy relations; power and heat are generated at the same time, making significant primary energy savings in the energy mix. At the same time, co-generation meets the thermal and electrical energy demands of the casings production plant in Cáseda (Navarre) and generates the power distributed through the network.

With cogeneration plants, 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.

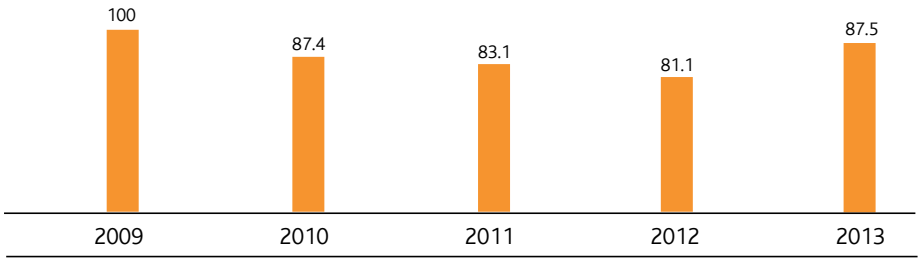
The reduction of greenhouse gases is a general line of action for all the Group's plants, where specific energy-saving projects are implemented, not only at the sites in the European Union, but also in Mexico, the United States and Serbia.

In this context, a project for the Weinheim (Germany) plant forms part of the transition process towards own energy management. In 2013, a high-performance steam boiler was installed and started up for heat self-sufficiency. Next, a gas turbine will be installed in 2014, which will provide power to the plant and generate heat in a far more efficient way. Co-generation installation will involve an initial investment of 5 million of euros. After it is launched at the end of 2014, it will enable the Group to produce more than half of its entire energy under the management systems certified in accordance with standard ISO 50001 on energy efficiency, with expected savings of 2.5 million of euros starting from 2015.

The result of this undertaking is the Viscofan Group energy consumption profile, and in 2013, after completion of the Mexico facilities that have been remodeled using liquid fuel gas or natural gas as clean alternatives to fuel oil, Viscofan Group has achieved that 100% of the Group factories use natural gas instead of other fossil fuels that are more harmful to the environment.

The implementation of these measures will reduce the level of emissions while the launch of the extrusion plant in China will increase emissions in absolute terms. At the same time, inefficiencies related to the launch will lead to a slight increase in CO_2 emissions per produced kilometer. If the impact of China is excluded, the Group would have reached its lowest level of emissions per produced kilometer in the last five years, which reflects its commitment and the fact that the implemented measures continue to yield positive results.

CO_2 EVOLUTION - TON/KM PRODUCED (BASE 2009 = 100)



DIRECTORY OF VISCOFAN SITES

REGISTERED OFFICE

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IAN GROUP REGISTERED OFFICE & HEAD OFFICE

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Grupo Alimentario IAN
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Cáceres (SPAIN)

Grupo Alimentario IAN
Yangjiawan. Xiyan. Lingbao.
Henan Province. P.R.China

AUDIT REPORT

VISCOFAN, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2013

(Translated from the original in Spanish)

Ernst & Young, S.L.
Avda. Pío XII, 22
31008 Pamplona

Tel.: 948 175 510
Fax: 948 178 085
ey.com

Building a better working world

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

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
VISCOFAN, S.A.

We have audited the consolidated financial statements of VISCOFAN, S.A. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As indicated in Note 3 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2013 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of VISCOFAN, S.A. and subsidiaries at December 31, 2013, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with IFRS, as adopted by the European Union, and other applicable provisions in the regulatory framework for financial information.

The accompanying 2013 consolidated management report contains such explanations as the directors of VISCOFAN, S.A. consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2013 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of VISCOFAN, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed on the original)

_____
Javier Ezcurra Zubeldía

February 27, 2014

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

VISCOFAN, S.A. AND

SUBSIDIARIES

Consolidated Financial Statements and Management Report

Prepared under International Financial Reporting Standards Endorsed by the European Union

December 31, 2013 and 2012

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

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of financial position
as at 31 December 2013 and 2012

[Thousands of euros]

Assets	Note	2013	2012
Property, plant, and equipment	6	380,607	344,536
Intangible assets	7	16,022	16,342
Deferred tax assets	18	14,554	11,023
Other non-current financial assets	10	780	1,360
Total non-current assets		**411,963**	**373,261**
Inventories	8	202,989	197,837
Trade and other receivables	9.1	127,144	136,942
Receivable from public administrations	9.2	22,057	16,632
Income tax receivable	18	1,197	2,323
Prepayments		2,649	2,299
Current financial assets	10	5,936	3,412
Cash and cash equivalents	11	16,739	44,863
Total current assets		**378,711**	**404,308**
Total assets		**790,674**	**777,569**

Equity and liabilities	Note	2013	2012
Share capital	12.1	32,623	32,623
Share premium	12.2	12	12
Other reserves	12.3	441,174	386,858
Profit for the year		101,520	105,064
Interim dividend	12.6	(19,108)	(18,641)
Translation differences		(34,821)	(8,471)
Hedge transaction reserves	12.4	217	1,125
Total equity		**521,617**	**498,570**
Grants	13	3,891	5,434
Provisions	14	20,632	26,772
Non-current financial liabilities	16	47,758	25,856
Deferred tax liabilities	18	22,549	25,315
Total non-current liabilities		**94,830**	**83,377**
Current financial liabilities	16	84,892	102,112
Trade and other payables	15.1	70,826	71,264
Payable to public administrations	15.2	8,569	8,977
Income tax payable	18	4,465	9,435
Provisions	14	5,475	3,834
Total current liabilities		**174,227**	**195,622**
Total equity and liabilities		**790,674**	**777,569**

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated income statements
for the years ended 31 December 2013 and 2012

(Thousands of euros)

	Note	2013	2012
Sales and services rendered	19.1	765,337	752,784
Other income	19.2	6,625	5,549
Changes in inventories of finished goods and work in progress		9,938	29,502
Work performed by the Group on non-current assets		955	428
Consumption of raw materials and other consumables		(269,202)	(272,943)
Employee benefits expense	20	(154,845)	(150,319)
Other operating expenses	21	(180,565)	(179,578)
Depreciation and amortization	6 and 7	(48,375)	(45,010)
Impairment and gains (losses) on disposal of non-current assets		73	(390)
Operating profit		**129,941**	**140,023**
Finance income	22	457	691
Finance costs	22	(3,080)	(3,518)
Exchange differences	22	(703)	(4,201)
Profit before tax		**126,615**	**132,995**
Income tax expense	18	(25,095)	(27,932)
Profit for the year		**101,520**	**105,063**
Diluted earnings per share (in euros)	23	2.1784	2.2544

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statement of other comprehensive income
for the years ended December 31, 2013 and 2012

[Thousands of euros]

	Note	2013	2012
Profit for the year		**101,520**	**105,063**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods.			
Exchange differences on translation of foreign operations		(26,350)	(7,727)
Income tax effect		-	-
Net movement on cash flow hedges		(1,296)	3,561
Income tax effect		388	(938)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(27,258)**	**(5,104)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined plans			
Germany		589	(2,702)
United States		(164)	(1,500)
Others		(60)	-
Income tax effect		(129)	1,564
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**14.1**	**236**	**(2,638)**
Other comprehensive income for the year, net of tax		**(27,022)**	**(7,742)**
Total comprehensive income for the year, net of tax attributable to equity holders of the parent		**74,498**	**97,321**

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statement of changes in equity
for the years ended 31 December 2013 and 2012
[Thousands of euros]

	Equity attributed to the parent							
	Share capital (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Interim dividend (Note 12.6)	Profit for the year attributable to equity holders of the parent	Hedge transaction reserves (Note 12.4)	Currency translation differences	Total equity
Balance at January 01, 2012	**32,623**	**12**	**334,575**	**(16,777)**	**101,245**	**(1,498)**	**(744)**	**449,436**
Total recognized income and expense	**-**	**-**	**(2,638)**	**-**	**105,063**	**2,623**	**(7,727)**	**97,321**
Profit for the year attributed to equity holders of the parent	-		-	-	105,063	-	-	105,063
Other comprehensive income	-		(2,638)	-	-	2,623	(7,727)	(7,742)
Transactions with shareholders and owners	**-**	**-**	**-**	**(1,864)**	**(46,324)**	**-**	**-**	**(48,188)**
Dividends paid	-	-	-	(1,864)	(46,324)	-	-	(48,188)
Other changes in equity	**-**	**-**	**54,921**	**-**	**(54,921)**	**-**	**-**	**-**
Transfers between equity accounts	-	-	54,921	-	(54,921)	-	-	-
Balance at December 31, 2012	**32,623**	**12**	**386,858**	**(18,641)**	**105,063**	**1,125**	**(8,471)**	**498,569**
Total recognized income and expense	**-**	**-**	**236**	**-**	**101,520**	**(908)**	**(26,350)**	**74,498**
Profit for the year attributed to equity holders of the parent	-		-	-	101,520	-	-	101,520
Other comprehensive income	-		236	-	-	(908)	(26,350)	(27,022)
Transactions with shareholders and owners	**-**	**-**	**-**	**(467)**	**(50,983)**	**-**	**-**	**(51,450)**
Dividends paid	-	-	-	(467)	(50,983)	-	-	(51,450)
Other changes in equity	**-**	**-**	**54,080**	**-**	**(54,080)**	**-**	**-**	**-**
Transfers between equity accounts	-	-	54,080	-	(54,080)	-	-	-
Balance at December 31, 2013	**32,623**	**12**	**441,174**	**(19,108)**	**101,520**	**217**	**(34,821)**	**521,617**

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of cash flows
for the years ended 31 December 2013 and 2012
[Thousands of euros]

	2013	2012
Profit for the year before tax	**126,615**	**132,995**
Depreciation and amortization (Notes 6 and 7)	48,375	45,010
Asset impairment (Note 6)	(102)	223
Changes in provisions	3,122	(38)
Capital grants (Note 13)	(962)	(843)
Gains/(losses) on disposal of non-current assets	29	167
Finance income	(457)	(691)
Finance costs	3,080	3,518
Foreign currency translation differences (net)	703	4,201
Adjustments to reconcile profits before tax with net cash flows	**53,788**	**51,547**
Inventories	(17,016)	(25,545)
Trade and other receivables	(371)	(22,674)
Trade and other payables	2,787	4,752
Changes in working capital	**(14,600)**	**(43,467)**
Income tax paid	(34,668)	(29,228)
Ordinary contributions to pension plans	(7,352)	(7,635)
Cash flow from operating activities	**123,783**	**104,212**
Payments for acquisition of property, plant, and equipment and intangible assets	(97,793)	(69,238)
Proceeds from/(payments on) acquisitions of financial assets	(4,818)	9,983
Proceeds from disposals of property, plant, and equipment	1,381	274
Interest received	457	691
Cash flows from investing activities	**(100,773)**	**(58,290)**
Proceeds from borrowings	81,864	93,210
Repayment of borrowings	(90,106)	(59,245)
Dividends paid to shareholders of the parent	(51,450)	(48,188)
Interest paid	(2,251)	(3,390)
Other financial liabilities (net)	9,792	1,595
Grants received (Note 13)	808	237
Cash flows from financing activities	**(51,343)**	**(15,781)**
Impact of changes in exchange rates on cash and cash equivalents	209	(26)
Net increase (decrease) in cash and cash equivalents	**(28,124)**	**30,115**
Cash and cash equivalents at January 1	44,863	14,748
Cash and cash equivalents at December 31	**16,739**	**44,863**

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2013 and 2012

1. Description and Principal Activities

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

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

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

Viscofan, S.A.'s shares are quoted on the Madrid, Barcelona, and Bilbao stock exchanges, and the Spanish electronic trading platform (continuous market). The Company has been listed on the IBEX 35 index as of January 2, 2013.

2. Viscofan group

There were no corporate transactions in the Viscofan Group during 2013.

In 2012, the Group initiated construction of a new production plant through its new subsidiary, Viscofan Uruguay S.A. The plant will produce casings and is located in the Pando municipality (Uruguay).

Details of the subsidiaries and associates comprising the Viscofan Group at December 31, 2013 and 2012, including certain additional information, is shown below:

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
Viscofan Group subsidiaries
December 31, 2013

Group company	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Gamex, C.B. s.r.o.	100.00%	-	Lease of an industrial warehouse (to the Group)/Other services	Ceske Budejovice (Czech Republic)
IAN Perú, S.A.	-	100.00%	Asparagus production (no activity)	Lima (Peru)
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Spain)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Lingbao Baolihao Food Industrial Co. Ltd.	-	100.00%	Asparagus production	Lingbao (China)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (México)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan Uruguay, S.A.	100.00%	-	Manufacture and marketing of artificial casings	Montevideo (Uruguay)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, Michoacán (Mexico)

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
Viscofan Group subsidiaries
December 31, 2012

Group company	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Gamex, C.B. s.r.o.	100.00%	-	Lease of an industrial warehouse (to the Group) / Other services	Ceske Budejovice (Czech Republic)
IAN Perú, S.A.	-	100.00%	Asparagus production (no activity)	Lima (Peru)
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Spain)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Lingbao Baolihao Food Industrial Co. Ltd.	-	100.00%	Asparagus production	Lingbao (China)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (México)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, Michoacán (Mexico)

3. Basis of Preparation

The consolidated financial statements have been prepared based on the accounting records of Viscofan, S.A. and the companies comprising the Group. The consolidated financial statements for 2013 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at December 31, 2013 and 2012, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognized income and expenses for the year then ended. The Group adopted EU-IFRS on January 1, 2004, and also applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

The parent's directors expect these 2013 consolidated financial statements, which were prepared on February 27, 2014, to be approved by the shareholders in general meeting without modification.

New and amended standards and interpretations

The accounting policies utilized are consistent with those applied in the previous year except for the following standards and interpretations, applicable for years beginning on January 1, 2012 inclusive:

The following new and amended standards and interpretations have affected the Group's financial statements:

- *IAS 19 Employee Benefits (amended 2011).* This standard, published by the IASB, came into effect on January 1, 2013, and included, amongst others, the following changes:

  - Past service cost is recognized as an expense at the earlier of the date when a plan amendment occurs and the date when an entity recognizes any related restructuring or retirement costs. Thus, past service costs that have not been consolidated can no longer be deferred and recognized during the remaining period in which the services are being received. Since the Group was already applying these criteria, the modification had no impact on the activity of the Group or its financial statements.

  - Interest cost and expected returns on plan assets utilized in the previous IAS have been replaced by net interest in the new IAS 19 (amended in 2011), which is calculated by multiplying the discount rate by the net asset or liability of the defined benefit plan at the beginning of each year. In light of this change, the result for the year ended December 31, 2012 would have been reduced by 534 thousand euros, with a corresponding gain in other comprehensive income and no effect on the Group's net equity. Given how insignificant the impact would have been on the financial statements for the year ended December 31, 2012, the Group decided not to restate the 2012 financial statements. (Note 14.1)

IAS 19 (amended 2011) also requires more extensive disclosure, included in Note 14.1.

No sensitivity analysis was provided for the defined benefit plans of the comparative year ended December 31, 2012, as the Group opted for one of the permitted exemptions in IAS 19 (amended 2011).

New and modified standards and interpretations without any impact on the Group's financial situation or results:

- *IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*: The modifications to IAS 1 introduce the grouping of balances presented in other comprehensive income. Items which may be reclassified (or "recycled") to the income statement at some point in the future (for example, the measurement of available-for-sale financial assets) shall be presented separately to those which will never be reclassified (for example, actuarial gains and losses). This amendment only affects the presentation of information, and has no impact on the Group's statement of financial position or activity.

- *IFRS 13 Fair Value Measurement: IFRS 13 provides a single IFRS framework for all measurements of fair value. IFRS 13 does not introduce any changes to when fair value must be used, but offers guidelines on how to measure an asset or a liability at fair value in accordance with IFRSs when this is stipulated or allowed. It defines fair value as a starting price. Based on these guidelines, the Group has reviewed its policies for determining fair value. IFRS 13 also has additional disclosure requirements.*

Its adoption has not had a significant impact on the Group's measurements. When required, disclosures are provided in each of the notes related to assets and liabilities for which fair value has been determined. A breakdown of fair value is presented in Notes 10 and 16.

In addition to the above, there are other amendments applied for the first time in 2013 which did not have a significant impact on the financial position, results, or information provided in the notes to the consolidated financial statements, including the amendments introduced in IAS 28 *Investments in Associates and Joint Ventures,* IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interest in Other Parties*.

Published standards which are not applicable

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

The Group is evaluating the impact that the following standards and interpretations, which have been published by the IASB and approved by the European Union but are not yet applicable, will have on its accounting policies, disclosures, financial position, and performance: The Group intends to adopt the following standards when they become effective:

- *IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32:* These amendments clarify when "an entity has a legally enforceable right to set off the amounts." These amendments also clarify the application of offsetting criteria for settlement systems (such as centralized cash register systems) which apply offsetting mechanisms for gross amounts in connection with balances that do not arise simultaneously. These amendments are not expected to have any impact on the Group's financial position or results and will become effective for years beginning on January 1, 2014.

- *IAS 36 Impairment of Financial Assets:* This amendment requires a breakdown of the recoverable amounts of CGUs for which impairment losses were recognized or reversed during the year. The scope of these disclosures is limited to the recoverable amount of impaired assets based on their fair value less costs to sell. This amendment will be applied retrospectively for annual periods commencing January 1, 2014.

- *Amendments to IAS 39 – Financial Instruments: Recognition and Measurement* The IASB proposed modification of paragraphs 91(a) and 101(a) to provide an exemption for hedge accounting discontinuation when a CPC is adapted to new regulations or laws complying with certain criteria. The amendment becomes effective for the years beginning January 1, 2014.

- *IFRS 9 - Financial Instruments:* This IFRS indicates how financial assets and liabilities must be classified and measured, and also specifies impairment methodology. It goes into effect retrospectively for the years commencing January 1, 2015.

Policies used by the Group when several options are permitted

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

- Capital grants can be recognized reducing the cost of the assets for which financing was granted or as deferred income (which was the Group's choice). They are recognized in the income statement under "Other income."

- Certain property, plant, and equipment may be measured at market value or historical cost less depreciation and impairment loss. Viscofan has chosen the latter criteria.

3.1 Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings on the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the consolidated figures for 2013 the corresponding figures for 2012.

3.2 Relevant accounting estimates, assumptions, and judgments

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

This section describes the main assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the Group and the corresponding tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country where the respective Group company is domiciled. The Group's policy, affecting all subsidiaries, is to apply conservative criteria when interpreting the different prevailing regulations in each of the countries where it operates.

Deferred tax assets are recognized for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon likely timing and future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 18.

(b) Pension benefits

The cost of defined benefit pension plans and other obligations and the present value of pension obligations are determined using actuarial valuations. Actuarial valuations involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation and its long-term nature, calculating the obligation is highly sensitive to changes in these assumptions.

To determine the discount rate, Management considers the interest rates on corporate bonds that have a minimum credit rating of AA established by a reputable rating agency and are denominated in the same currency as the defined benefit commitment, extrapolating the underlying yield curves that correspond to the expected maturities of the defined benefit obligations.

Mortality rates are based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective countries.

Details on the hypotheses used and a sensitivity analysis are provided in Note 14.1.

(c) Income from sale of cogenerated energy (Spain).

On July 12, 2013, Royal Decree Law 9/2013 of July 12 was approved, relating to the remuneration regime and establishing the adoption of urgent measures to guarantee the financial stability of the electricity sector. The most relevant factor with respect to this law is the disappearance of the traditional regime for premiums and its replacement with a remuneration model based on "reasonable profitability."

Thus, in January 2014, a draft Royal Decree was published, including the following proposal presented to the National Securities Market Commission by the Secretary of State for of Energy: "Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste."

The Group has estimated remuneration for energy sales from its cogeneration plant in Spain for the period from July 14, 2013 to December 31, 2013, basing the calculation on parameters established in the proposed Ministerial Order.

(d) Provisions for litigation and contingent assets and liabilities

Estimation of the amounts to provision with respect to potential assets and liabilities arising from ongoing litigation is carried out based on the professional opinion of the legal representatives hired to deal with such matters and the internal evaluation performed by the Group's Legal Department.

The breakdown of provisions for litigations is shown in Note 14.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities are described in Note 14.7.

(e) Other accounting estimates and hypotheses

– Assessment of possible impairment losses on certain assets: (Notes 4.6 and 6).
– Useful life of property, plant, and equipment and intangible assets: (Notes 4.6 and 4.8)
– Measurement of derivative financial instruments: (Note 4.12)

4. Significant accounting principles

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

A summary of the most significant principles is as follows:

4.1 Accruals principle

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

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

4.2 Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

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

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

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

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

The accounting policies of subsidiaries have been adapted to those of the Group.

The financial statements of consolidated subsidiaries reflect the same reporting date and period as that of the parent.

4.3 Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the parent.

Each Group entity determines their own functional currency and the balances included in the financial statements of each company are measured using this functional currency.

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

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

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

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

(b) Translation of foreign operations

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

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

- Income and expenses relating to foreign operations, including comparative balances, are translated at the exchange rates prevailing at each transaction date; and

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

The Group does not carry out any business activities in hyperinflationary countries.

Translation differences arising as a result of the sale of foreign businesses recognized in equity are recognized as a single line item in the consolidated income statement when such businesses are sold.

4.4 Classification of assets and liabilities as current and non-current

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

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

- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. The Group classifies the remainder of its liabilities as non-current.

- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.5 Impairment of non-financial assets subject to depreciation or amortization

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

(a) Calculation of recoverable amount

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

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

(b) Reversals of impairment

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

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

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

4.6 Property, plant, and equipment

(a) Initial recognition

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

The cost of assets which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalization requirements described above.

The Group opted to use the previous GAAP revaluation of property, plant, and equipment, as the cost recognized at January 1, 2004, as permitted by IFRS 1 First Time Adoption of IFRS.

(b) Amortization and depreciation

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

Depreciation of PP&E items is calculated using the straight-line method over their estimated useful lives, as follows:

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

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

(c) Subsequent recognition

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

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

4.7 Leases

(a) Finance leases

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

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

(b) Operating leases

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

4.8 Intangible assets

(a) Self-constructed assets

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

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

(b) Other intangible assets

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

Software maintenance costs are expensed as incurred.

(c) Emission rights

The Viscofan Group recognizes emission rights when it owns them. Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognized as a credit to "Grants" (Note 4.15) in the consolidated statement of financial position. Rights acquired from third parties are recognized at their acquisition cost.

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

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

(d) Useful lives and amortization rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At December 31, 2012 and 2011, the Group had no intangible assets with indefinite useful lives.

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

	Years of estimated useful life
Concessions, patents, and licenses	10
Concession rights	10 - 30
Software	4 - 6

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

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

4.9 Inventories

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

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

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

Indirect fixed costs distributed to each production unit are not increased as a result of a low level of production or idle production capacity. Indirect costs that are not distributed are recognized as expenses for the financial year in which they are incurred. In periods of abnormally high production, the amount of indirect costs distributed to each production unit is decreased so that inventories are not measured above cost. Variable indirect costs are distributed to each production unit on the basis of the actual use of the production facilities.

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

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

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

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

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

- Raw materials and other supplies: replacement cost: The Group only makes adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or lower;

- Goods for resale and finished products: estimated sale price, less selling costs.

- Work in progress: estimated sale price for corresponding finished products, less the estimated costs for completion of their production and selling costs.

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

4.10 Cash and cash equivalents

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

4.11 Financial instruments – Initial recognition and subsequent measurement

(a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in "effective hedges," as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Measurement after recognition

Subsequent measurement of financial assets depends on their classification, as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are remeasured at amortized cost using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. Interest accrued in accordance with the effective interest rate are included in "Finance income" in the consolidated income statement. The losses arising from impairment are recognized as "Finance costs" for loans and in "Other operating expenses" for receivables.

Held-to-maturity investments

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

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

Interest accrued in accordance with the effective interest rate are included in "Finance income" in the consolidated income statement. The losses arising from impairment are recognized under "Finance costs" in the consolidated income statement.

Available-for-sale financial assets

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group held no debt securities classified under this category during 2013 and 2012.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or if the investment is found to be impaired the cumulative loss is reclassified to "Financial expense" in the income statement. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and Management's intention to do so may significantly change in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the Group.

(b) Impairment and irrecoverability of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

4.12 Derivatives and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps, and forward commodity contracts, to hedge its foreign currency risks, interest rate risks, and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative under IAS 39 is recognized in the income statement as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

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

When arranging each hedge transaction the Viscofan Group formally documents each transaction for which hedge accounting will be applied. The documentation identifies the hedge instrument, the item hedged, the nature of the risk to be hedged, and how the effectiveness of the hedge will be measured. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges are recognized as follows:

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

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

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

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

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

Fair value hedges are recognized as follows:

- The change in fair value of a hedging derivative is recognized in the income statement under "Financial expenses." The change in fair value of the hedged item attributable to the hedged risk is recognized as part of the hedged item's carrying amount and in the income statement under "Financial expenses."

- In the case of fair value hedges related to items recognized at amortized cost, any adjustments to the carrying amounts are recognized in the income statement for the remaining life of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

- If the hedged item is derecognized, the unamortized fair value is recognized immediately in the consolidated income statement.

- All the hedging instruments used by the Viscofan Group in 2013 and 2012 were derivatives not traded in organized financial markets. Consequently, these are measured using assumptions based on market conditions at year end:

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

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

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

4.13 Income tax

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

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

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

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

(a) Taxable temporary differences

Taxable temporary differences are recognized in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or

- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

(b) Deductible temporary differences

Deductible temporary differences are recognized provided that:

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

- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

(c) Measurement

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

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized.

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

(d) Classification and offsetting

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

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

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

4.14 Dividends

The interim dividends approved by the Board of Directors in 2013 and 2012 are included as a reduction of the Viscofan Group's equity.

4.15 Movement grants

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

(a) Capital grants

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

Non-repayable grants related to emission rights are initially recognized at market value on the date granted under "Grants," and are recognized in the consolidated income statement as they are used. They are recognized in "Other income" on the consolidated income statement.

(b) Operating subsidies

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

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

(c) Interest rate subsidies

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

4.16 Employee benefits

(a) Liabilities for retirement benefits and other commitments

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

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

Defined benefit plan costs are recognized under "Employee benefits expense" in the consolidated income statement and comprise current service costs plus the effect of any reduction or liquidation of the plan.

Interest on the net liability/(asset) relating to the defined benefit plan is calculated by multiplying the net liability/(asset) by the discount rate and is recognized in financial results under "Financial expenses."

Subsequent to initial measurement, the reevaluation, which comprises actuarial gains and losses, the effect of the limit on the assets, excluding amounts included in net interest and performance of the plan assets are recognized immediately in the statement of financial position with a credit or debit to reserves, as appropriate, through other comprehensive income in the period in which they occur. These changes are not reclassified to profit or loss in subsequent periods.

A description of each of the Group's defined benefit pension plans is included in Note 14.1.

(b) Termination benefits

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

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

(c) Short-term employee benefits

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

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

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

4.17 Provisions

(a) General criteria

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

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

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

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

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

(b) Onerous contracts

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

(c) Restructuring expenses

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

(d) Emission rights provision

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

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

- Firstly, through emission rights transferred under a National Allocation Plan to the Company's account in the National Emission Rights Register, which are then used to cancel actual emissions in proportion to total forecast emissions for the entire period to which they have been allocated. The expense corresponding to this part of the obligation is determined based on the book value of the transferred emission rights.

- Secondly, through the remaining emission rights recorded. The expense corresponding to this part of the obligation is stated at the average weighted cost of the emission rights.

- If the emission of gases necessitates the acquisition of emission rights because actual emissions exceed those which can be cancelled through the transfer of emission rights under a National Allocation Plan, or through surplus emission rights, whether acquired or produced, provision is made for the shortfall in rights. The expense is determined using the best estimate of the amount necessary to cover the shortfall in emission rights.

4.18 Revenue recognition

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

(a) Goods sold

Revenue on the sale of goods is recognized when the following conditions have been satisfied:

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

(b) Services rendered

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

4.19 Earnings per share

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

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

In the case of the Viscofan Group's financial statements for the years ended December 31, 2013 and 2012, there is no difference in basic earnings per share and diluted earnings per share as there were no instruments potentially convertible into ordinary shares during those years.

4.20 Calculation of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company considers that its cash, trade and other receivables, trade and other payables, and balances of accounts payable to and receivable from public administrations, have a fair value very close to their carrying amounts mainly as a result of their coming due in the short term.

The fair values for the remaining financial assets and liabilities are disclosed in Notes 10 and 16, respectively.

4.21 Environment

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

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

Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognized in the consolidated balance sheet based on the criteria for recognition, measurement, and disclosure detailed in Note 4.6.

4.22 Related party transactions

Transactions with related parties are accounted for in accordance with the valuation criteria described in this Note. The only transactions that were carried out with related parties are described in Note 26 "Information relating to directors of the parent and key management personnel of the Group."

5. Segment reporting

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

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

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

c) for which discrete financial information is available.

Given the characteristics of the Viscofan Group's activities, its reported segments relate to strategic business units which are defined by the products manufactured and sold. Management oversees the operating results of its business units separately, so as to be able to make decisions regarding fund allocation and performance rating. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The Group did not group segments for the presentation of information.

The Viscofan Group's operating segments are as follows:

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

The Group also produces and sells electricity through its cogeneration plants in Spain and Mexico. Its cogeneration activities have three aims: to decrease the cost of electricity for the casings segment, while remaining self-sufficient and at the same time reducing CO2 emissions. These activities are not considered as business units to be reported on per se, but rather are included within the casings segment with the related financial information.

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

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

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

With respect to the total consolidated figures, to determine income, expenses, and results for the segments, the inter-segment transactions were included. These transactions are recorded at the market prices at which similar merchandise is invoiced to the Group's external clients. These transactions have been eliminated on consolidation.

The breakdown of financial information for 2013 and 2012 by operating and geographical segments is as follows:

Assets and acquisition of assets corresponding to the main operating segments :

	Thousands of euros							
	Casings		Tinned foods		Eliminations and others		Consolidated	
Assets	2013	2012	2013	2012	2013	2012	2013	2012
Property, plant, and equipment	359,082	322,867	21,525	21,669			380,607	344,536
Intangible assets	15,431	15,952	591	390			16,022	16,342
Deferred tax assets	13,434	10,972	1,120	51			14,554	11,023
Other non-current financial assets	16,054	19,387	328	378	(15,602)	(18,405)	780	1,360
Total non-current assets	**404,001**	**369,178**	**23,564**	**22,488**	**(15,602)**	**(18,405)**	**411,963**	**373,261**
Inventories	166,528	164,842	36,461	32,995			202,989	197,837
Trade and other receivables	127,410	133,141	23,017	22,769	(28)	(13)	150,399	155,897
Prepayments	2,396	2,154	253	145			2,649	2,299
Other current financial assets	7,409	4,836	5,581	108	(7,054)	(1,532)	5,936	3,412
Cash and cash equivalents	16,188	44,039	551	824			16,739	44,863
Total current assets	**319,931**	**349,012**	**65,863**	**56,841**	**(7,082)**	**(1,545)**	**378,712**	**404,308**
Total assets	**723,932**	**718,190**	**89,427**	**79,329**	**(22,684)**	**(19,950)**	**790,675**	**777,569**

	2013	2012	2013	2012	2013	2012	2013	2012
Property, plant, and equipment	93,364	68,184	3,381	2,960	-	-	96,745	71,144
Intangible assets	4,592	2,525	256	304	-	-	4,848	2,829
Acquisition of assets	**97,956**	**70,709**	**3,637**	**3,264**			**101,593**	**73,973**

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2013 and 2012

Liabilities and equity corresponding to the main operating segments

	Thousands of euros							
	Casings		Tinned foods		Eliminations and others		Consolidated	
Liabilities and equity	2013	2012	2013	2012	2013	2012	2013	2012
Total equity	**484,382**	**467,172**	**52,837**	**49,802**	**(15,602)**	**(18,405)**	**521,617**	**498,569**
Non-current financial liabilities	42,051	23,980	5,707	1,876			47,758	25,856
Provisions	20,491	26,562	141	210			20,632	26,772
Grants	2,544	3,684	1,347	1,750			3,891	5,434
Deferred tax liabilities	22,273	25,068	276	247			22,549	25,315
Total non-current liabilities	**87,359**	**79,294**	**7,471**	**4,083**			**94,830**	**83,377**
Current financial liabilities	80,297	95,520	11,649	8,124	(7,054)	(1,532)	84,892	102,112
Trade and other payables	65,872	72,417	17,435	17,273	(28)	(13)	83,279	89,677
Other current liabilities	6,022	3,787	35	47			6,057	3,834
Total current liabilities	**152,191**	**171,724**	**29,119**	**25,444**	**(7,082)**	**(1,545)**	**174,228**	**195,623**
Total liabilities and equity	**723,932**	**718,190**	**89,427**	**79,329**	**(22,684)**	**(19,950)**	**790,675**	**777,569**

Income statements corresponding to the main operating segments:

	Thousand of euros							
	Casings		Tinned foods		Eliminations and others		Consolidates	
	2013	2012	2013	2012	2013	2012	2013	2012
Sales and services rendered	660,201	649,400	105,143	103,617	(7)	(233)	765,337	752,784
Other income and operating expenses	(489,384)	(471,692)	(97,717)	(95,902)	7	233	(587,094)	(567,361)
Depreciation and amortization	(45,142)	(41,710)	(3,233)	(3,300)			(48,375)	(45,010)
Impairment and gains (losses) on disposal of non-current assets	(158)	(397)	231	7			73	(390)
Operating profit	**125,517**	**135,601**	**4,424**	**4,422**			**129,941**	**140,023**
Finance revenue	489	616	81	75	(113)		457	691
Finance costs	(2,973)	(3,293)	(220)	(225)	113		(3,080)	(3,518)
Exchange differences	(624)	(4,345)	(79)	144			(703)	(4,201)
Profit before tax	**122,409**	**128,579**	**4,206**	**4,416**			**126,615**	**132,995**
Income tax expense	(25,563)	(27,379)	468	(553)			(25,095)	(27,932)
Profit for the year	**96,846**	**101,200**	**4,674**	**3,863**			**101,520**	**105,063**

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2013 and 2012

Information corresponding to geographical segments:

	Thousands of euros											
	Spain		Other European and Asian countries		North America		South America		Eliminations and others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Ordinary income from external clients	209,909	216,513	250,138	226,587	203,168	208,992	102,122	100,692			765,337	752,784
Ordinary income from other segments	68,315	62,970	211,978	189,982	86,590	90,352	1,263	743	(368,146)	(344,047)	-	-
Total ordinary income	**278,224**	**279,483**	**462,116**	**416,569**	**289,758**	**299,344**	**103,385**	**101,435**	**(368,146)**	**(344,047)**	**765,337**	**752,784**
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total non-current assets	419,743	388,166	185,712	216,490	61,773	69,035	56,827	33,486	(312,092)	(333,916)	411,963	373,261
Total current assets	147,980	147,002	187,253	201,175	106,809	114,768	60,181	56,683	(123,511)	(115,320)	378,712	404,308
Total assets	**567,723**	**535,168**	**372,965**	**417,665**	**168,582**	**183,803**	**117,008**	**90,169**	**(435,603)**	**(449,236)**	**790,675**	**777,569**
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Property, plant, and equipment	10,968	9,802	43,078	46,766	6,229	7,878	36,470	6,698	-	-	96,745	71,144
Intangible assets	1,773	1,665	2,419	915	476	71	180	178	-	-	4,848	2,829
Acquisition of assets	**12,741**	**11,467**	**45,497**	**47,681**	**6,705**	**7,949**	**36,650**	**6,876**			**101,593**	**73,973**

6. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2013 and 2012 are as follows:

	Thousands of euros										
	1/1/2012	Translation differences	Additions	Disposals	Transfers	12/31/2012	Translation differences	Additions	Disposals	Transfers	12/31/2013
Land and buildings	195,283	(2,470)	1,091	-	1,029	194,933	(5,933)	4,930	(8)	15,754	209,676
Plant and machinery	545,312	(8,523)	16,498	(2,069)	19,887	571,105	(20,098)	22,748	(2,312)	40,448	611,891
Other installations, equipment, and furniture	80,491	27	2,203	(415)	(2,967)	79,339	(516)	3,994	(796)	1,100	83,121
Other property, plant, and equipment	22,305	(235)	1,291	(736)	781	23,406	(687)	2,328	(498)	1,202	25,751
Advances and assets under construction	12,852	(1,634)	50,061	-	(19,270)	42,009	(3,520)	62,744	(637)	(58,504)	42,092
Cost	**856,243**	**(12,835)**	**71,144**	**(3,220)**	**(540)**	**910,792**	**(30,754)**	**96,744**	**(4,251)**	**0**	**972,531**
Buildings	(87,327)	726	(4,864)	-	235	(91,230)	2,004	(5,149)	7	(2)	(94,370)
Plant and machinery	(368,809)	5,987	(31,487)	1,927	(907)	(393,289)	13,229	(34,266)	1,601	4	(412,721)
Other installations, equipment, and furniture	(59,951)	(31)	(3,939)	357	891	(62,673)	417	(3,787)	783	65	(65,195)
Other property, plant, and equipment	(17,373)	195	(1,408)	489	(219)	(18,316)	486	(1,583)	451	(67)	(19,029)
Accumulated differences	**(533,460)**	**6,877**	**(41,698)**	**2,773**	**-**	**(565,508)**	**16,136**	**(44,785)**	**2,842**	**-**	**(591,315)**
Provisions	(490)	(35)	(261)	38	-	(748)	37	(152)	254	-	(609)
	322,293	(5,993)	29,185	(409)	(540) (*)	344,536	(14,581)	51,807	(1,155)	0	380,607

(*)The amount of net transfers corresponds to other intangible assets (Note 7).

Investments totaling 93,364 thousand euros were made during 2013 in the casings segment, mainly focused on the construction and start-up of the plant in Uruguay and the expansion of production capacity at the plant in China. In addition, investments were made that will allow for cost savings, conversion to a self-managed energy system, and minimization of the activity's environmental impact.

Financial expenses capitalized during the period amount to 788 thousand euros.

The investment effort for the vegetables segment was directed to improvements in the production processes and automatization of the precooked foods and tomato processing lines. Total investment in this segment amounted to 3,381 thousand euros.

Details of fully depreciated property, plant, and equipment in use at December 31, 2013 and 2012 are as follows:

	Thousands of euros	
	2013	2012
Buildings	28,009	27,783
Plant and machinery	274,873	267,150
Other installations, tools, and furniture	45,191	37,882
Property, plant, and equipment	12,788	13,167
Fully depreciated property, plant, and equipment	**360,861**	**345,982**

The Group's buildings, plant, and equipment were partly financed by government grants of 808 and 237 thousand euros in 2013 and 2012, respectively (Note 13).

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

Firm commitments to purchase non-current property, plant, and equipment at year end 2013 and 2012 amounted to 9,613 thousand euros and 17,760 thousand euros, respectively. 2013 commitments basically relate to commencing operations in Uruguay, continuing the energy optimization plan in Germany, and increasing production capacity in the casings division. 2012 commitments basically related to expansion plans in China, commencing operations in Uruguay, the energy optimization plan in Germany, as well as growth in production capacity and improvements to production in all the casings divisions (cellulose, collagen, plastics, and fibrous).

Finance leases

The main item included under this caption is a vegetable foods warehouse. The lease agreement maturing in 2014 is dated March 8, 1999, and the related purchase option is 360 thousand euros.

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

	Cost	Amortization
At January 1, 2012	1,544	(986)
Net movement	970	(86)
At December 31, 2012	**2,514**	**(1,072)**
Net movement	(304)	(222)
At December 31, 2013	**2,210**	**(1,294)**

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

	Thousands of euros			
	2013		2012	
	Minimum payments (Note 16)	Interest	Minimum payments (Note 16)	Interests
Up to one year	504	31	243	47
Between one and five years	562	57	1,066	92
Total	**1,066**	**88**	**1,309**	**139**

Operating leases

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

	Thousands of euros	
	2013	2012
Up to one year	1,235	1,409
Between one and five years	1,710	2,871
More than five years	1,037	4,158
	3,982	8,438

This amount includes the rental agreement for the office building in Tajonar (Navarre), signed in December 2008, and expanded and modified in May 2013. As a consequence of the modification, the Company is obliged to maintain the lease until at least May 1, 2015. From said date the Company can decide to terminate the contract unilaterally before the 20 years stipulated in the initial contract have elapsed.

Impairment test

As the cash-generating units are generally performing well, the Group considered no impairment tests were necessary.

Notwithstanding the above, and subsequent to publication of the Royal Decree draft and the proposed "*Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste*" which the Secretary of State for Energy has sent to the National Securities Market Commission, the parent performed an analysis based on the parameters established in said Order without detecting any need to allocate any impairment provision for assets related to energy production in Spain.

7. Intangible assets

The breakdown and movements in other intangible assets during 2013 and 2012 are as follows:

	Thousands of euros										
	1/1/2012	Translation differences	Additions	Disposals	Transfers	12/31/2012	Translation differences	Additions	Disposals	Transfers	12/31/2013
Software	22,411	(276)	2,371	-	780	25,286	(831)	2,146	(24)	671	27,248
Concessions, patents, licenses, and use rights	15,493	(159)	4	-	-	15,338	(366)	-	-	1,911	16,883
Emission rights	4,340	-	1,485	(2,533)	-	3,292	-	690	(1,906)	-	2,076
Prepayments	388	(25)	454	-	(240)	577	(34)	2,703	-	(2,582)	664
Cost	**42,632**	**(460)**	**4,314**	**(2,533)**	**540**	**44,493**	**(1,231)**	**5,539**	**(1,930)**	**0**	**46,871**
Software	(14,972)	140	(2,369)	-	-	(17,201)	619	(2,637)	24	-	(19,195)
Concessions, patents, licenses, and use rights	(10,115)	108	(943)	-	-	(10,950)	249	(953)	-	-	(11,654)
Accumulated depreciation	**(25,087)**	**248**	**(3,312)**	**-**	**-**	**(28,151)**	**868**	**(3,590)**	**-**	**-**	**(30,849)**
	17,545	(212)	1,002	(2,533)	540 (*)	16,342	(363)	1,949	(1,906)	0	16.022

(*)The amount of net transfers recognized corresponds to PP&E items (Note 6)

"Software" reflects the ownership and right to use software acquired from third parties. No amounts related to the internal development of IT programs are included.

The movements in "Emission rights" correspond to the valuation of emission rights received free in accordance with the 2013-2020 National Allocation Plan for 2013 after applying the inter-sector adjustment factors, and the 2008-2012 National Allocation Plan for 2012. In addition, the Group purchased 86,227 rights in the market in the course of 2013. Both the rights received free and their consumption are broken down in Note 24, related to environmental information.

Details of the cost of fully amortized intangible assets in use at December 31, 2012 and 2011 are as follows:

	Thousands of euros	
	2013	2012
Software	11,680	11,803
Concessions, patents, licenses, and use rights	5,119	5,135
	16,799	16,938

Impairment tests

No impairment tests were carried out in 2013 as no goodwill or other intangible assets with indefinite useful lives had been recognized. The entirety of advances were for new software.

8. Inventories

Details of inventories at December 31, 2013 and 2012 are as follows:

	Thousands of euros	
	2013	2012
Goods for resale	1,750	137
Raw materials and other supplies	53,649	54,321
Semi-finished products	43,690	42,342
Finished products	101,534	99,728
Prepayments to suppliers	2,366	1,309
Total Inventories	202,989	197,837

At December 31, 2013 and 2012 there are no inventories with a reimbursement period greater than 12 months recognized in the consolidated statement of financial position.

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

9. Trade and other receivables

9.1 Trade and other receivables:

The breakdown for "Trade and other receivables" at December 31, 2013 and 2012 is as follows:

	Thousands of euros	
	2013	2012
Trade receivables	125,239	135,459
Other receivables	3,819	3,612
Advances to employees	178	290
Provisions for bad debts	(2,091)	(2,419)
Total trade and other receivables	**127,145**	**136,942**

At December 31, 2013 and 2012, the age of accounts receivable on sales, by maturity, is as follows:

	Thousands of euros					
	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
2013	125,239	110,255	11,043	1,800	494	1,647
2012	135,459	116,494	12,004	2,348	1,319	3,294

The movement in provisions for irrecoverable debt from trade receivables and other receivables is as follows:

	Thousands of euros	
	2013	2012
Balance at January 1,	(2,419)	(1,498)
Translation differences	173	52
Amounts provisioned	(522)	(1,105)
Amounts applied	677	132
Balance at December 31,	**(2,091)**	**(2,419)**

Trade receivables do not carry interest, and generally payment conditions range from 45 to 90 days.

The breakdown by currency for "Trade and other receivables" is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
2013	53,053	52,397	700	13,123	1,670	3,520	2,682	127,145
2012	61,836	52,221	108	15,896	1,318	1,984	3,579	136,942

9.2 Receivables from public administrations:

At December 31, 2013 and 2012, the balances receivable from public administrations are as follows:

	Thousands of euros	
	2013	2012
VAT receivable from the Treasury	20,736	15,850
Receivable from the Treasury in respect of grants	49	117
Withholdings and payments on account receivable from the Treasury	820	192
Other public bodies	452	473
Balance at December 31,	**22,057**	**16,632**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2013	8,943	362	421	5,707	393	3,930	2,301	22,057
2012	9,637	419	738	2,733	247	1,918	940	16,632

10. Current and non-current financial assets

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

	Thousands of euros				
	Loans and receivables	Available-for-sale	Hedges	Carrying amount	Fair value
Financial investments		85		85	85
Guarantees and deposits	368			368	368
Other loans	327			327	327
Non-current financial assets	**695**	**85**	**-**	**780**	**780**
Current deposits	5,278			5,278	5,278
Guarantees and deposits	190			190	190
Cash flow hedges			658	658	658
Current financial assets	**5,468**	**-**	**658**	**6,126**	**6,126**
Total at December 31, 2013	**6,163**	**85**	**658**	**6,906**	**6,906**

	Thousands of euros				
	Loans and receivables	Available-for-sale	Hedges	Carrying amount	Fair value
Financial investments		85		85	85
Guarantees and deposits	898			898	898
Other loans	377			377	377
Non-current financial assets	**1,275**	**85**	**-**	**1,360**	**1,360**
Current deposits		437		437	437
Guarantees and deposits	201			201	201
Cash flow hedges			2,774	2,774	2,774
Current financial assets	**201**	**437**	**2,774**	**3,412**	**3,412**
Total at December 31, 2012	**1,476**	**522**	**2,774**	**4,772**	**4,772**

All financial instruments active at December 31, 2013 and 2012 are included in level 2: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

The section on short-term deposits includes time deposits with maturities exceeding three months from their contract date, at a nominal fixed interest rate of 2.9%.

A breakdown of the undiscounted values of financial instruments by maturity is as follows:

	Thousands of euros						
	Less than1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
Cash flow hedges	658	-	-	-	-	-	658
Other financial assets	5,278	132	50	198	63	336	6,057
Total at December 31, 2013	**5,936**	**132**	**50**	**198**	**63**	**336**	**6,715**

	Thousands of euros						
	Less than1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
Cash flow hedges	2,774	-	-	-	-	-	2,774
Other financial assets	638	635	49	218	57	401	1,998
Total at December 31, 2012	**3,412**	**635**	**49**	**218**	**57**	**401**	**4,772**

A breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2013	5,746	81	151	184	458	86	10	6,716
2012	1,090	665	563	631	1,627	23	173	4,772

11. Cash and cash equivalents

Cash and cash equivalents at December 31, 2013 and 2012, comprise cash balances with Group companies and banks. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

A breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2013	1,261	9,067	330	749	1,069	3,051	1,212	16,739
2012	26,144	9,210	174	314	1,188	6,392	1,441	44,863

12. Equity

12.1 Share capital

At year end 2013 and 2012, the parent's share capital consisted of 46,603,682 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The total value of capital amounts to 32,623 thousand euros.

All shares bear the same voting and dividend rights and obligations, and are listed on the official Stock Exchanges of Madrid, Barcelona, and Bilbao under the automatic quotation system (continuous market). All shares are freely distributable.

At December 31, 2013 and 2012, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of investment	
	2013	2012
María del Carmen Careaga Salazar (*)	5.08	5.08
Marathon Asset Management, LLP.	4.93	4.93
Blackrock Inc.	3.14	3.14
Delta Lloyd NV.	3.06	-
Apg almegene pensioen groep NV.	3.03	-
Ameriprise financial, Inc.	3.02	-
Governance for owners LLP.	-	4.80
William Blair & Company LLC.	-	3.65
BNP Paribas, S.A.	-	3.03

(*) Indirect ownership interest held through Onchena, S.L.

Capital management

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

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

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

The Viscofan Group's primary objective is to maintain a healthy capital position. The leverage ratios at December 31, 2013 and 2012 were as follows:

	Thousands of euros	
	2013	2012
Financial liabilities (Note 16)	132,650	127,968
Cash and cash equivalents	(16,739)	(44,863)
Other financial assets (Note 10)	(5,936)	(3,412)
Total net financial debt	**109,975**	**79,693**
Total equity	**521,617**	**498,569**
Leverage ratio	**0.21**	**0.16**

12.2 Share premium

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

12.3 Reserves

The breakdown and movements of reserves are as follows:

	Thousands of euros				
	Legal reserve	Revaluation reserves	Merger reserve	Retained earnings and other reserves	Total
Balance at January 1, 2012	**2,935**	**8,567**	**119**	**322,954**	**334,575**
Actuarial gains (losses)	-	-	-	(2,638)	(2,638)
Appropriation of prior year results	-	-	-	54,921	54,921
Balance at December 31, 2012	**2,935**	**8,567**	**119**	**375,237**	**386,858**
Actuarial gains (losses)	-	-	-	236	236
Appropriation of prior year results	-	-	-	54,080	54,080
Transfers	-	7,329	-	(7,329)	-
Balance at December 31, 2013	**2,935**	**15,896**	**119**	**422,224**	**441,174**

(a) Legal reserve

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount equal to 20% of the share capital. This reserve cannot be distributed to shareholders.

(b) Revaluation reserve Navarra Regional Law 23/1996

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

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

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

(c) Revaluation reserve Navarra Regional Law 21/2012

Group companies domiciled in Spain have opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to items recorded in the balance sheet for the year ended December 31, 2012, with the resulting reserve, net of 5% tax, amounting to 7,329 thousand euros for the parent. The effect of said revaluation was not recognized in the consolidated financial statements of the Group.

The balance of the revaluation reserve of Navarre Regional Law 21/2012 will not be distributable until it has been verified and accepted by the tax authorities. Said verification, which had not been carried out at December 31, 2013, must be performed within three years from the date of presentation of the corporate tax return for 2012. Once the verification has been performed or the time stipulated for said verification has elapsed, the balance recognized can be utilized to:

- Offset prior years' losses.
- Increase share capital.
- Increase freely distributable reserves once ten years have elapsed from the closing date of the balance sheet for the year in which the revaluation was recognized. However, said balance can only be distributed, directly or indirectly, when the revalued equity items have been fully depreciated, transferred, or derecognized.

12.4 Unrealized gains/(losses) reserve

Movements in the years ended December 31, 2013 and 2012 were as follows:

	Thousands of euros			
	Interest rate swaps	Exchange rate insurance	Raw material derivatives	Total
Balance at January 01, 2012	**(257)**	**(1,510)**	**269**	**(1,498)**
Gains/(losses), net of tax effects	-	1,246	138	1,384
Reclassification of gains to the income statement, net of tax	(27)	1,535	(269)	1,239
Balance at December 31, 2012	**(284)**	**1,271**	**138**	**1,125**
Gains/(losses), net of tax effects	5	327	25	357
Reclassification of gains to the income statement, net of tax	157	(1,284)	(138)	(1,265)

Balance at December 31, 2013	**(122)**	**314**	**25**	**217**

12.5 Movement in treasury shares

No transactions were carried out with treasury shares in 2013 and 2012.

The shareholders at their ordinary general meeting on April 30, 2013 agreed to renew the authorization, for the maximum legal period, granted to the Board of Directors to buy and sell Company shares on the stock market at the price quoted on the transaction date, up to the legal maximum number of shares permitted by Article 146 of the revised text of the Corporation Tax Law, and at a minimum price of the nominal value and a maximum 15% greater than the quoted share price in the stock exchange system at the moment of acquisition.

12.6 Appropriation of profit and other remuneration paid to the shareholders

Parent profits for the year ended December 31, 2012 were distributed as approved by the shareholders at their annual general meeting held on April 30, 2013, as follows:

	Thousands of euros
Dividends	50,983
Voluntary reserves	11,696
Distributable profits attributable to the parent	**62,679**

The distribution of profit represented a per-share dividend of 1.094 euros for all the shares comprising share capital.

In exchange for attending the 2013 general shareholders' meeting, a premium of 0.006 euros was paid per share.

Total shareholder remuneration amounted to 1.100 euros per share.

Details of the distribution of the parent's 2013 dividends proposed by the directors of the parent, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Dividends	51,916
Voluntary reserves	20,773
Distributable profits attributable to the parent	**72,689**

On December 17, 2013, based on projected profit for the year, the Board of Directors approved an interim dividend for 2013 of 19,108 thousand euros, equal to 0.41 euros per share. This dividend was paid on December 23, 2013. The amount of the dividend is less than the maximum limit permitted by prevailing legislation on distributable profit after the previous year end.

The statement required by current legislation and prepared by the parent's Board of Directors in respect of the distribution of the interim dividend for 2013 is as follows:

	Thousands of euros
I. Cash available at December 11, 2013	**24,974**
Trade and other receivables	178,987
Other income	127
Trade and other payables	(121,452)
Payments to employees	(37,625)
Interest expense	(1,609)
Other payments	(5,800)
II. Cash flow from operating activities	**12,628**
Dividends received	55,098
Purchases of property, plant, and equipment	(25,000)
III. Cash flow from investment activities	**30,098**
Variations in bank borrowings	3,729
Dividends paid	(52,196)
IV. Cash flows from financing activities	**(48,467)**
V. Projected liquidity at December 11, 2014	**19,233**

13. Grants

The movements under this heading in 2013 and 2012 were as follows:

	Thousands of euros								
	1/1/2012	Currency translation differences	Additions	Taken to profit	12/31/2012	Currency translation differences	Additions	Taken to profit	12/31/2013
Capital grants	4,638	(24)	237	(843)	4,008	(37)	808	(962)	3,817
Grants for emission rights of greenhouse gases	1,806	-	1,478	(1,858)	1,426	-	420	(1,772)	74
	6,444	**(24)**	**1,715**	**(2,701)**	**5,434**	**(37)**	**1,228**	**(2,734)**	**3,891**

Details of capital grants in 2013 and 2012 are as follows:

	Thousands of euros	
	2013	2012
Navarra regional government	2,295	2,059
FEOGA	484	662
Ministry of Science and Technology	81	116
Spanish Autonomous Communities	172	236
International organizations	785	935
Balance at December 31	**3,817**	**4,008**

14. Current and non-current provisions

Details at December 31, 2013 and 2012 are as follows:

	Note	Thousands of euros	
		2013	2012
Defined benefit	14.1	15,645	20,677
Other employee benefits	14.2	4,401	5,310
Provisions for other litigation	14.3	354	515
Others		232	270
Total non-current provisions		**20,632**	**26,772**
Provisions for warranties/repayments	14.4	1,571	340
Provisions for safety in the workplace	14.5	1,575	1,502
Provisions for emission rights	14.6	1,734	1,864
Others		595	128
Total current provisions		**5,475**	**3,834**

14.1 Provisions for defined benefit plans

As stated in Note 3, application of IAS 19 (amended 2011) was effective from January 1, 2013. Since no past service costs were pending recognition, there was no impact on net pension obligations, deferred tax assets or equity.

The effect of the Group applying IAS 19 (amended 2011) in 2012 would have been a decrease in the net result of 534 thousand euros, with the following breakdown of the effect on the different balance sheet and income statement items:

- Financial expenses: increase of 854 thousand euros due to lower finance income. The expected rate of returns on assets was 6.5% during 2012. If the annual discount rate utilized to determine the obligation had been applied, as indicated in IAS 19 (amended 2011), the rates used would have ranged from 3.5% to 4.25% for the different plans.

- Corporate tax expense: decrease of 320 thousand euros. Consolidated statement of comprehensive income: Increase in "Other reserves" by 534 thousand euros, net of tax, due to the recognition, under this heading, of the difference between the expected rate of return on assets recognized in the income statement and the real return obtained on same assets.

a) The Group makes contributions to various different defined benefit plans. The most relevant plans are located in Germany and the United States of America, and independent actuarial valuations are used for all of them.

This note discloses the most relevant plans.

- Pension plans in Germany

A contribution is made through the Naturin Viscofan GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At December 31, 2013, there were 480 employees, 443 retirees, and ex-employees. At December 31, 2012, there were 541 employees and 496 retirees and ex-employees.

The number of beneficiaries indicated above does not include retired employees who have been receiving payments from the insurance company since December 31, 2010. Likewise, it does not reflect retirees who were included in the aforementioned insurance company in 2013. Naturin Viscofan GmbH contributed 2,689 thousand euros to the insurance company in the present period. This contribution served to acquire the assets related to the life plan described in the previous paragraph, to cover obligations for retirees younger than 80 at December 31, 2012 (a group of 67 employees at year end). The obligation recognized in the consolidated financial statements amounted to 2,247 thousand euros when the contribution was made. The agreement does not imply cutting back or canceling the policy, as the obligation ultimately lies with Naturin Viscofan GmbH. However, the characteristics of the plan make the value of the assets and liabilities constant for the duration of the contract, so that both the assets and the liabilities offset each other, resulting in a current value of zero for the obligation.

The net obligation corresponding to pension plans amounts to 11,779 thousand euros at December 31, 2013, and 14,855 thousand euros at December 31, 2012.

- Pension plans in the United States of America

Contributions are made to six defined benefit plans through the Viscofan USA Inc. subsidiary. Historically, the company makes contributions to pension plans to maintain a capitalization rate greater than 90% of the value of the obligation.

The net obligations of the pension plans in the USA are as follows:

	Thousands of euros	
	2013	2012
Pension for Hourly Employees [1]	1,228	2,691
Salaried Employees Pension Plan [2]	824	1,226
Pension for Hourly Employees Service Center [3]	136	183
Non qualified pension plans [4]	1,502	1,722
	3,690	5,822

(1) The life pension for employees and ex-employees of the Danville plant covered 566 beneficiaries at December 31, 2013 (65 of them active employees), and 574 in the prior year (85 of them active employees). An agreement was reached with employees during this period to freeze the plan from January 1, 2014. At year end the documentation for the definitive cancellation of this plan was being prepared for presentation to the Internal Revenue Service to obtain authorization.

(2) Life pension with 246 participants at December 31, 2013 (the same as in the previous year). This plan was frozen in September 2005. The only costs recognized in the income statement relate to finance costs.

(3) Life pension for the employees of Teepak USA's NQC Service Center. Since this center was closed in 2006, no active employees are affected. At 2013 year end authorization was still pending from the Internal Revenue Service for its termination. The request was presented during 2012. The number of beneficiaries in 2012 stands at 150, divided amongst retirees and ex-employees (151 in the previous year)

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

b) The following table provides information relating to the amounts recognized in the consolidated income statement. Current service costs for the period are included in employee benefits expenses.

	Thousands of euros	
	2013	2012
Current service cost	**465**	**443**
Plans in Germany	280	230
Plans in the USA	162	213
Plans in other countries	23	-
Net financial cost	**682**	**(180)**
Interest expense for German plans	525	580
Interest expense for US plans	1,657	1,778
Interest expense for plans in other countries	11	-
Expected return on US plan assets	(1,511)	(2,538)
Expense (income) recognized for the year	**1,147**	**263**

c) The following table provides information relating to the amounts recognized in the consolidated statement of comprehensive income.

	Thousands of euros	
	2013	2012
Actuarial losses and gains of	**1,950**	**(7,594)**
Plans in Germany	589	(2,702)
Plans in the USA	1,421	(4,892)
Plans in other countries	(60)	-
Returns, deviating from expected returns, of assets associated with	**(1,585)**	**3,392**
Plans in the USA	(1,585)	3,392
Tax effect	**(129)**	**1,564**
Net results recognized in the consolidated statement of comprehensive income	**236**	**(2,638)**

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

	Thousands of euros					
	Germany		USA		Total	
	2013	2012	2013	2012	2013	2012
Obligations at January 1	**14,855**	**12,141**	**47,330**	**44,357**	**62,185**	**56,498**
Service cost for the current period (Note 20)	280	230	162	213	442	443
Interest cost	525	580	1,657	1,778	2,182	2,358
Payments made	(602)	(620)	(3,068)	(2,951)	(3,670)	(3,571)
Actuarial gains/(losses)	(1,031)	2,524	(1,422)	4,891	(2,453)	7,415
Arising from changes in demographic assumptions	*(967)*	*0*	*1,566*	*1,892*	*599*	*1,892*
Arising from changes in financial assumptions	*(208)*	*2,774*	*(3,222)*	*3,272*	*(3,430)*	*6,046*
Arising from experience	*144*	*(250)*	*234*	*(273)*	*378*	*(523)*
Net value of obligation contributed to the insurance company	*(2,247)*	-	-	-	(2,247)	-
Translation differences	-	-	(1,949)	(958)	(1,949)	(958)
Obligation at December 31	**11,780**	**14,855**	**42,710**	**47,330**	**54,490**	**62,185**
Amount corresponding to active beneficiaries	*6,516*	*7,669*	*9,580*	*12,817*	*16,096*	*20,486*
Amount corresponding to ex-employee beneficiaries	*2,096*	*2,067*	*3,911*	*4,627*	*6,007*	*6,694*
Amount corresponding to retired beneficiaries	*3,168*	*5,119*	*29,219*	*29,886*	*32,387*	*35,005*

e) The changes in the fair value of plan assets in the USA are as follows:

	Thousands of euros	
	2013	2012
Fair value of assets at January 1	**41,508**	**35,787**
Return on assets	(74)	4,243
Contribution by the company	2,259	5,118
Payments made	(2,903)	(2,780)
Translation differences	(1,770)	(860)
Value of assets at December 31	**39,020**	**41,508**
Cash	*233*	*241*
Domestic fixed-income securities (USA)	*35,154*	*32,649*
Domestic equity securities (USA)	*2,337*	*5,543*
International equity securities	*1,180*	*2,971*
Other investments	*116*	*104*

The Group does not expect to contribute cash to the US pension plan assets in 2014.

f) The following table presents the status of funds and amounts recognized in the statement of financial position for the respective plans:

	(Thousands of euros)	
	2013	2012
Present value of the obligation	**(54,665)**	**(62,185)**
Plans in Germany	(11,779)	(14,855)
Plans in the USA	(42,710)	(47,330)
Plans in other countries	(176)	-
Present value of plan assets	**39,020**	**41,508**
Plans in the USA	39,020	41,508
Net obligation recognized	**(15,645)**	**(20,677)**

g) The average duration of the defined benefit plans is estimated to be 17 years for the plan corresponding to Germany and as follows for those corresponding to the USA: 8.4 years for the "Pension for Hourly Employees;" 12 years for the "Salaried Employees Pension Plan;" 15.7 years for the "Pension for Hourly Employees Service Center;" and 6.9 years for the "Non-qualified pension plan."

Future payments expected for coming periods are shown in the following table, in the corresponding currency:

	Thousands of euros		
	Germany	USA	Total
Payable within the next 12 months	508	3,008	3,516
Payable within 1 and 2 years	539	3,063	3,602
Payable within 2 and 3 years	556	3,081	3,637
Payable within 3 and 4 years	568	3,064	3,632
Payable within 4 and 5 years	585	3,054	3,639
Payable within 5 and 10 years	3,376	14,538	17,914
Payable within more than 10 years	21,899	41,938	63,837

h) The principal actuarial assumptions used are as follows:

	2013	2012
Germany		
Annual discount rate	3.7%	4.9%
Expected rate of salary increases	2.0%	2.0%
Expected age of retirement for employees	65-67	60-65
United States		
Annual discount rate	4.25%-5%	4.25%-4.5%
Expected rate of return on assets	4.25%-5%	6.5%
Expected age of retirement for employees	62-65	60-65

The following mortality tables were used to quantify the defined benefit obligation:

Germany: Heubeck *Richttafeln 2005 G*

United States: Year 2013: *RP 2000 Blue Collar Helthy Fully Generational w/ Projections Scale AA*
Year 2012: *RP 2000 Combined Healthy Mortality Table*
(updated with the 2012 static mortality table).

The following table shows the sensitivity analysis for each of the main hypotheses on how a possible reasonable change in each hypothesis would affect the obligation at year end.

	Thousands of euros		
	Germany	United States	Total
Discount rate			
Increase of 50 basic points	(963)	(2,011)	(2,974)
Decrease of 50 basic points	1,101	2,191	3,292
Increase in pensions			
Increase of 50 basic points	676	-	676
Decrease of 50 basic points	(619)	-	(619)
Life expectancy			
Increase of 1 additional year	657	1,460	2,117

The sensitivity analysis is based on a change in one hypothesis while considering the remaining hypotheses as unchanged.

14.2 Other employee benefits and long-term remuneration

The movement in this heading at December 31, 2013 and 2012, is as follows:

	Thousands of euros	
	2013	2012
Balance at January 1	5,310	6,739
Translation differences	(26)	0
Allowances	748	204
Payments	(1,631)	(1,633)
Balance at December 31	**4,401**	**5,310**

(a) Seniority bonus in Germany

The subsidiary Naturin Viscofan GmbH has established seniority bonuses for when its employees complete 10 years of service (1,000 euros), 25 and 40 years of service (both amounting to 1,000 euros plus the gross monthly salary multiplied by 1.6 and one day of holidays), and, if applicable, 50 years of service (one day of holidays), settled in one-off payments at the date the employees complete the respective periods. The hypotheses used for calculating the obligations were the same as those used for the pension plan of the same subsidiary as described in the previous point.

The number of beneficiaries amounts to 480 employees (541 in the previous period), while the obligation amounts to 2,589 and 2,518 thousand euros at December 31, 2013 and 2012, respectively. The beneficiaries received 290 thousand euros in payments during 2013 (2012: 163 thousand euros). The payable amount expected for 2014 totals 277 thousand euros.

Recognized service costs and financial expenses for the current period amounted to 276 thousand and 85 thousand euros, respectively (2012: 274 thousand and 109 thousand euros, respectively).

(b) Other employee benefits

Of the other obligations assumed by the Group, the one established in the German Collective Labor Agreement for the Chemical Industry is noteworthy. As a result of this obligation, Naturin Viscofan GmbH is required to offer a certain number of employees partial retirement when they reach the age of 60 in addition to assuming part of the cost until final retirement is reached. At December 31, the amount pending payment corresponding to 22 employees is included (2012: 36). At December 31, 2013, the obligation amounts to 1,069 thousand euros (2012: 2,265 thousand euros).

14.3 Provisions for other litigations

The movements at December 31, 2013 and 2012, are as follows:

	Thousands of euros	
	2013	2012
Balance at January 1	515	623
Translation differences	(76)	(59)
Allowances	-	70
Amounts applied	(85)	(119)
Balance at December 31	**354**	**515**

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at December 31, 2013.

14.4 Provision for guarantees/refunds

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

14.5 Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom are based in the US, related to workplace accidents. These claims did not arise as a result of a specific incident, but are customary practice in many companies. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at December 31, 2013.

14.6 Emission rights provision.

Gas emission expenses were 1,734 thousand euros in 2013 (2012: 1,864 thousand euros).

14.7 Contingent assets and liabilities

At year end diverse proceedings were underway against the Brazilian subsidiary, amounting to 4.3 million euros (2012: 4.5 million euros). As indicated in note 14.3, at December 31, 2013, a 0.4 million euro provision was recognized (2012: 0.5 million euros). None of the unresolved litigation is for significant amounts. All the litigation cases which have not been recognized as liabilities are cases which the Group's legal advisor in Brazil classifies as an improbable risk or are for amounts which, if settled, cannot be quantified at the present date. Historical experience indicates that the probable amount resulting from these claims is less than 5%.

In addition, at year end there was an ongoing claim against Griffith Colombia, S.A., a company which had the exclusive sales rights for Viscofan Group products in Colombia since 2006. Considering Griffith Colombia, S.A.'s performance was unable to take full advantage of the Colombian market's opportunities, the company was substituted in May 2012, six months prior to the agreement termination date of November 2012. As a result of the business relationship's termination, Griffith stopped paying invoices, totaling approximately 1.2 million euros, to two Viscofan Group companies, arguing a right to retention because of the indemnity it considered due. Most of the outstanding balances for these invoices are covered by provisions set aside by the affected subsidiaries. In addition, Griffith has filed indemnity claims, though the calculations and arguments presented in the claims do not suggest that the risk exceeds the amounts retained by Griffith.

With respect to contingent assets, the only significant amount at December 31, 2013 corresponds to the claim presented by Industrias Alimentarias de Navarra, S.A.U. (IAN) against Mivisa Envases, S.A. in connection with what it considers to be infringement of its two patents that protect the system known commercially as Abre-ras. Mivisa filed a counterclaim requesting cancellation of the two patents. On December 12, 2012, the Mercantile Court 1 of Murcia handed down a sentence which canceled one of the IAN, S.A.U. patents and confirmed infringement by Mivisa of the other, ordering them to cease related operations; embargoing the cans produced with use of the infringed patent; and ordering payment to IAN, S.A.U. of 15% of the profit from the sales of those cans during the five years prior to the filing of the claim. In addition, the ruling obliged Mivisa to publish the operative part of the sentence in a canning sector journal and notify their clients. On July 10, 2013, after a request issued by IAN, S.A.U., said court issued a provisional execution order for the sentence in connection with a 5,354 thousand euro payment. This amount is provisional to the extent the sentence does not constitute a final ruling until the related appeals filed have been considered. Thus, in 2013, Mivisa filed an appeal against the sentence before the Provincial Court of Justice in Murcia, which submitted it to a vote and a ruling on December 12, 2013. At the date of preparing these financial statements, IAN, S.A. had not received any notification regarding the result of this appeal.

15. Trade and other payables

15.1 Trade and other payables

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

	Thousands of euros	
	2013	2012
Suppliers	36,520	35,405
Amounts owed for services received	24,127	26,107
Customer advances	1,303	946
Remuneration pending payment	8,877	8,807
Balance at December 31	**70,827**	**71,265**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
2013	40,979	13,067	2,336	3,501	3,972	3,532	3,440	70,827
2012	40,679	11,469	2,588	7,168	2,789	4,431	2,141	71,265

15.2 Payable to public administrations

The breakdown for this heading is as follows:

	Thousands of euros	
	2013	2012
VAT payable to Treasury	1,317	920
Amounts payable to the Treasury for withholdings	4,381	6,695
Payable to social security agencies	1,170	1,281
Other public bodies	1,701	81
Balance at December 31	**8,569**	**8,977**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
2013	5,782	89	391	838	391	756	322	8,569

2012	7,130	281	438	-	811	7	310	8,977

15.3 Information on late payments to suppliers resident in Spain in commercial transactions

In compliance with Law 15/2010 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions between companies resident in Spain, below we include a breakdown of the total amount of payments made to suppliers during the year, disclosing those that exceeded the legal payment deadlines; the weighted average period of time exceeded for payments; and the balance pending payment to suppliers exceeding the legal deadline at year end:

	2013		2012	
	Thousands of euros	%	Thousands of euros	%
Within the maximum legal deadline	147,202	74.72%	137,231	75.66%
Other	49,797	25.28%	44,148	24.34%
Total payments in the year	**196,999**	**100.00%**	**181,379**	**100.00%**
Overdue payments exceeding the legal payment period at the closing date	6,570		1,812	
Weighted average period of time for payments exceeding the legal deadline	**27.08 days**		**16.92 days**	

16. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2013, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than five years	Total carrying amount	Total fair value
Bank borrowings	33,103	31,744	31,107	4,000	99,954	99,954
Accrued interest payable	95	211	-	-	306	306
Finance lease payables	412	92	562	-	1,066	1,066
Derivative financial instruments	8	49	432	-	489	489
Other financial liabilities	14,064	5,115	6,742	4,914	30,835	30,835
Total at December 31, 2013	**47,682**	**37,211**	**38,843**	**8,914**	**132,650**	**132,650**

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at Monday, December 31, 2012, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than five years	Total carrying amount	Total fair value
Bank borrowings	43,774	46,333	17,934	-	108,041	108,041
Accrued interest payable	54	112	-	-	166	166
Finance lease payables	68	175	906	160	1,309	1,309
Derivative financial instruments	60	336	-	-	396	396
Other financial liabilities	5,719	5,481	6,163	693	18,056	18,056
Total at December 31, 2012	**49,675**	**52,437**	**25,003**	**853**	**127,968**	**127,968**

All current and non-current financial instruments are included in level 2: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

As can be seen in the previous table, the carrying amount of financial liabilities agrees with the fair value as the long-term debt corresponds to financing obtained in recent years under similar conditions to those currently obtainable in the market.

The classification was determined based on actual maturities of balances drawn down from credit lines. Thus, the balance drawn down from credit lines whose annual renewal has already been agreed upon subsequent to year end are included in the 3-month period.

The discount lines and customer advances include the maturity of discounted bills at December 31 and not the maturity of the credit facilities that are always later.

The financial liabilities corresponding to bank borrowings that accrue interest at variable rates are linked to Euribor or Libor plus a spread ranging from 1.1% to 3%.

"Other financial liabilities" at December 31, 2013, both current and non-current, mainly includes the loan received by the parent amounting to 5,000 thousand euros from COFIDES (Compañía Española de Financiación del Desarrollo) to finance activities carried out by the subsidiary Viscofan Uruguay, S.A. and accruing a market interest rate.

- Amount received by the subsidiary Industrias Alimentarias de Navarra, S.A.U. (IAN) for the provisional execution of a claim totaling 5,454 thousand euros. (Note 14.7)
- Loans with interest rates subsidized by entities such as the Government of Navarre, CDTI (Center for Industrial Technological Development), and the Ministry of Science and Technology, amounting to 8,031 thousand euros.
- Suppliers, amounting to 9,346 thousand euros.

At December 31, 2013, mainly the loans with interest rates subsidized by entities such as the Government of Navarre, CDTI, and the Ministry of Science and Technology, amounting to 8,543 thousand euros, and 6,293 thousand euros from suppliers were included.

The Group recognizes the implicit interest on these loans using market interest rates.

The undiscounted value of financial liabilities classified by maturity at December 31, 2013 is as follows:

	Thousands of euros						
	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
Borrowings - debt principal	64,847	9,795	8,494	7,594	5,224	4,000	99,954
Interest	2,499	878	633	420	231	100	4,761
Financial liabilities - borrowings	**67,346**	**10,673**	**9,127**	**8,014**	**5,455**	**4,100**	**104,715**
Debt principal	19,179	1,189	1,832	1,874	1,847	4,914	30,835
Interest	771	291	262	216	169	123	1,832
Other financial liabilities	**19,950**	**1,480**	**2,094**	**2,090**	**2,016**	**5,037**	**32,667**
At December 31, 2013	**87,296**	**12,153**	**11,221**	**10,104**	**7,471**	**9,137**	**137,382**

The undiscounted value of financial liabilities classified by maturity at December 31, 2012 is as follows:

	Thousands of euros						
	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
Borrowings - debt principal	90,106	6,687	4,916	3,616	2,716	-	108,041
Interest	2,701	448	281	158	68	-	3,656
Financial liabilities - borrowings	**92,807**	**7,135**	**5,197**	**3,774**	**2,784**	**-**	**111,697**
Debt principal	11,201	2,419	2,044	1,380	319	693	18,056
Interest	451	171	111	60	25	17	835
Other financial liabilities	**11,652**	**2,590**	**2,155**	**1,440**	**344**	**710**	**18,891**
At December 31, 2012	**104,459**	**9,725**	**7,352**	**5,214**	**3,128**	**710**	**130,588**

The limits, the amount drawn down, and the drawable amount under credit and discount lines, as well as customer invoice advances at December 31 are as follows:

	Thousands of euros			
	2013		2012	
	Credit lines	Discount lines	Credit lines	Discount lines
Limit	111,827	9,175	102,513	10,500
Amount drawn down	36,307	147	59,410	111
Drawable amount	75,520	9,028	43,103	10,389

At December 31, 2013, the Group had contracted reverse factoring agreements with an aggregate limit of 6,100 thousand euros (2012: 600 thousand euros). In addition, the Group holds multi-risk insurance policies amounting to a total of 11,000 thousand euros (2012: 8,000 thousand euros).

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total Carrying amount
2013	93,947	21,057	93	8,510	-	7,052	1,991	132,650
2012	96,338	22,988	434	684	-	5,527	1,997	127,968

17. Derivatives

The breakdown of balances which include the values of derivatives at December 31, 2013 and 2012 is as follows:

	Thousands of euros			
	2013		2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	622	-	2,577	-
Interest rate hedges	-	489	-	396
Raw materials hedges	36	-	197	-
Total	658	489	2,774	396

Part of the fair value of the exchange rate insurances at year end was recognized as finance income or expense on the consolidated income statements for 2013 and 2012. The amount recognized directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable recognized in the consolidated statements of financial position at the exchange rate at year end. No significant inefficiencies were noted in 2013 and 2012 in any derivative financial instruments contracted.

17.1 Exchange rate insurance

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

The nominal value of the main exchange rate insurances in effect at December 31, 2013 and 2012, is as follows:

	In thousands of currency	
	2013	2012
US dollar	31,600	103,410
Pounds sterling	-	1,770

17.2 Interest rate hedges

The Group has arranged several interest rate hedges, the details of which are given below:

	2013				
	IRS (I)	IRS (II)	IRS (III)	IRS (IV)	IRS (V)
Notional contract amount[a]	6,000	4,000	4,000	3,000	7,251
Notional pending amount[a]	2,700	2,000	3,000	2,400	5,801
Effective start date	4/1/2011	5/2/2011	9/15/2012	9/30/2012	12/12/2012
Expiry date	4/1/2016	5/3/2016	9/15/2017	9/30/2017	11/27/2017
Fixed interest rate	3.07%	3.23%	1.56%	1.69%	2.40%

	2012							
	IRS (I)	IRS (II)	IRS (III)	IRS (IV)	IRS (V)	IRS (VI)	IRS (VII)	IRS (VIII)
Notional contract amount [1]	4,688	5,000	5,000	6,000	4,000	4,000	3,000	7,579
Notional pending amount[1]	625	1,250	625	3,900	2,800	3,800	3,000	7,579
Effective start date	8/20/2009	9/18/2009	6/1/2009	4/1/2011	5/2/2011	9/15/2012	9/30/2012	12/12/2012
Expiry date	2/20/2013	9/18/2013	6/1/2013	4/1/2016	5/3/2016	9/15/2017	9/30/2017	11/27/2017
Fixed interest rate	2.07%	2.29%	2.95%	3.07%	3.23%	1.56%	1.69%	2.40%

[a] Thousands of euros

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

Year	2013	2014	2015	2016	2017 onwards
2013	-	4,850	4,850	3,550	2,651
2012	7,416	4,158	4,158	4,916	2,931

17.3 Raw material hedges

A significant amount of the Group's production costs is linked to energy costs. Accordingly, to mitigate the adverse effect of varying energy prices, the parent contracts hedges for the gas price, which are netted out:

- In 2013 the parent signed hedge contracts covering the cost for a total notional amount of 710,000 Mwh of gas. Said contracts cover gas purchases for the period from July 2013 to January 2015. The prices contracted range between 2.900 and 2.940 euro cents per KWh. These contracts were arranged in accordance with the parent's hedging policy to cover up to 80% of expected gas consumption it its casings production plant in Spain.

- In 2012 hedge contracts were signed covering the cost for a notional amount of 270,000 Mwh of gas. This hedge covers the period from August 2012 to April 2013 (30,000 Mwh per month), with a cost per Kwh amounting to 2.738 euro cents.

The valuation formula used included, among other variables, Brent forward prices.

18. Income tax

The breakdown for deferred tax assets and liabilities, by type, is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Non-current assets	4,199	838	20,414	23,885	(16,215)	(23,047)
Current assets	4,650	3,983	256	964	4,394	3,019
Non-current liabilities	4,174	4,300	78	-	4,096	4,300
Current liabilities	1,531	1,902	1,801	466	(270)	1,436
Temporary differences	**14,554**	**11,023**	**22,549**	**25,315**	**(7,995)**	**(14,292)**
Total at December 31	**14,554**	**11,023**	**22,549**	**25,315**	**(7,995)**	**(14,292)**

In 2013, the companies located in Spain, Viscofan, S.A. and Industrias Alimentarias de Navarra, S.A.U, opted for the voluntary revaluation of balances affecting PP&E items in accordance with Navarre Regional Law 21/2013.

As a result, the tax value of the PP&E items increased and a deferred tax asset amounting to 2,834 thousand euros was recognized with a credit to corporate tax expenses.

The non-current deferred tax assets mainly correspond to the amounts arising from the aforementioned revaluation at December 31, 2013.

The deferred tax assets on current assets are basically generated by provisions in respect of inventories which are not tax deductible in certain countries. The tax effect of eliminating the margin on inventory stock acquired between Group companies is likewise included. Deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 14 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended December 31, 2013 and 2012, mainly relate to the application of different amortization rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealized gains on PP&E items acquired in different business combinations (Germany and Serbia).

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

	Thousands of euros	
	2013	2012
Non-current assets	(6,140)	(6,836)
Current assets	(1,576)	4,560
Non-current liabilities	401	1,447
Current liabilities	1,999	115
Consolidated income statement	**(5,316)**	**(714)**
Non-current assets	(692)	(111)
Current assets	201	11
Non-current liabilities	(197)	(1,534)
Current liabilities	(293)	802
"Other comprehensive income" on the consolidated statement of comprehensive income	**(981)**	**(832)**
Total changes in taxes and deferred tax liabilities arising from temporary differences	**(6,297)**	**(1,546)**

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

	Thousands of euros	
	2013	2012
Actuarial gains/(losses) on pension plans		
United States	(144)	(837)
Germany	289	(727)
Other countries	(16)	-
Unrealized gains/(losses) on cash flow hedges	(388)	938
Changes due to translation differences	(722)	(206)
Charged directly against "Other comprehensive income" on the consolidated income statement	**(981)**	**(832)**

The major components of income tax expense for the years ended December 31, 2013 and 2012, are as follows:

	Thousands of euros	
	2013	2012
Income tax expense for the year	30,635	28,682
Adjustment to income tax from prior years	(224)	(337)
Current income tax	30,411	28,345
Change in unused tax credits	-	301
Origination and reversal of temporary differences	(5,316)	(714)
Deferred income tax	(5,316)	(413)
Income tax expense	25,095	27,932

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

	Thousands of euros	
	2013	2012
Profit before tax for the year	**126,615**	**132,995**
30% tax rate	37,985	39,899
Effect of application of tax rates in each country	(3,689)	(3,342)
Deductions generated	(4,530)	(7,144)
Adjustment to income tax from prior years	(224)	(337)
Revaluation of assets in Spanish companies	(2,834)	-
Impact of permanent differences	(1,613)	(1,144)
Tax on income expense	25,095	27,932

Income tax payable was calculated as follows:

	Thousands of euros	
	2013	2012
Current tax	30,635	28,682
Withholdings and payments on account	(27,367)	(21,570)
Total at December 31	**3,268**	**7,112**

This amount is broken down in the consolidated statement of financial position as follows:

	Thousands of euros	
	2013	2012
Tax assets receivable	1,197	2,323
Tax liabilities payable	(4,465)	(9,435)
Total at December 31	**(3,268)**	**(7,112)**

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

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

19. Revenue

19.3 Sales and rendered services:

The breakdown is as follows:

	Thousands of euros	
	2013	2012
Casings	611,105	594,990
Energy	49,096	54,210
Casings segment	**660,201**	**649,400**
Tinned foods segment	**105,143**	**103,617**
Elimination between segments	(7)	(233)

Total sales and rendered services	**765,337**	**752,784**

As indicated in Note 3.2.c, the parent calculated its revenue from its cogeneration plant energy sales from July 14 through December 31, 2013 based on the computation method proposed by "Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste" which the Secretary of State for Energy sent to the National Markets and Competition Commission (NMCC).

However, the order is not final and considering the many regulatory changes which have taken place in the recent years in the energy sector, it is possible that the amount calculated for revenue from energy sales for the period from July 14 through December 31, 2013 could be revised upwards or downwards.

19.4 Other income:

The breakdown of "Other income" is as follows:

	Thousands of euros	
	2013	2012
Capital grants	2,325	1,779
Emission rights	1,772	1,858
Other income	2,528	1,912
Total other income	**6,625**	**5,549**

20. Personnel Expenses

The breakdown of "Personnel expenses" in 2013 and 2012 is as follows:

	Thousands of euros	
	2013	2012
Wages and salaries	120,027	115,215
Indemnity payments	1,273	785
Current service cost of defined benefits and other benefits. (Notes 14.1 and 14.2)	539	514
Restructuring provision	-	29
Company social security contributions	22,295	23,340
Other welfare benefits and taxes	10,711	10,436
Total personnel expenses	**154,845**	**150,319**

Group employees in 2013 and 2012, by professional category and gender, were as follows:

	Average headcount at 2013 year end			Average number of employees in 2013
	Men	Women	Total	
Executives	74	12	86	91
Technicians and middle management	629	170	799	757
Administrative personnel	129	219	348	337
Specialized personnel	469	130	599	832
Unskilled workers	1,724	784	2,508	2,643
	3,025	**1,315**	**4,340**	**4,660**

	Average headcount at 2012 year end			Average number of employees in 2012
	Men	Women	Total	
Executives	64	13	77	75
Technicians and middle management	562	124	686	688
Administrative personnel	127	222	349	342
Specialized personnel	429	107	536	552
Unskilled workers	1,720	715	2,435	2,720
	2,902	**1,181**	**4,083**	**4,377**

21. Other operating expenses.

The breakdown of "Other operating expenses" is as follows:

	Thousands of euros	
	2013	2012
Research and development costs	1,151	1,121
Repair and maintenance	23,770	25,145
Environment	2,043	967
CO2 emission rights	1,734	1,864
Utilities and external services	70,486	74,647
Insurance premium	3,853	3,734
Other taxes	4,352	1,281
Administrative and selling costs	63,811	63,283
Other expenses	9,365	7,536
Other operating expenses	**180,565**	**179,578**

22. Financial income and expense

The breakdown of "Financial income and expenses" is as follows:

	Thousands of euros	
	2013	2012
Financial income	**457**	**691**
Bank borrowings and other financial liabilities	(2,398)	(3,409)
Net finance cost of pension plans	(682)	(109)
Financial expense	**(3,080)**	**(3,518)**
Exchange gains	16,337	13,944
Exchange losses	(17,040)	(18,145)
Exchange gains (losses)	**(703)**	**(4,201)**
Financial income (expenses) total	(3,326)	(7,028)

23. Earnings per Share

23.1 Basic

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

The breakdown of the calculation of basic earnings per share is as follows:

	Thousands of euros	
	2013	2012
Profit attributable to ordinary equity holders of the parent	101,520	105,063
Weighted average number of ordinary shares in circulation	46,603,682	46,603,682
Basic earnings per share (in euros)	2.1784	2.2544

23.2 Diluted

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

	2013	2012
Weighted average number of ordinary shares in circulation	46,603,682	46,603,682
Effect of treasury shares	-	-
Average number of ordinary shares in circulation at 31 December	**46,603,682**	**46,603,682**

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

24. Environmental Information

At December 31, 2013, the cost of intangible assets from environmental projects maintained by the Group amounted to 32,380 thousand euros (2012: 30,406 thousand euros) and accumulated depreciation amounted to 22,954 thousand euros (2012: 23,119 thousand euros).

In 2013, the Group was allocated emission rights equivalent to 356,915 tons, as per the 2013-2020 National Allocation Plan after applying the intersectorial correction factors established in Appendix II of Decision 2013/448/EU to non electricity generators and the annual reduction factor of 1.74% to electricity generators in accordance with articles 9 and 9 bis of Directive 2003/87/EC.

In 2012, the Group received free emission rights equivalent to 236,339 tons per year, as per the 2008-12 National Allocation Plan approved by Royal Decree 1370/2006

The emission rights consumed by the Company during 2013 and 2012 amounted to 211,993 and 210,065 tons, respectively.

In addition, in 2013, the Group incurred environmental protection and improvement costs amounting to 2,043 thousand euros.

In 2012, the parent incurred 967 thousand euros in environmental protection and improvement costs. .

The Group arranged civil liability insurance coverage for damages to third parties caused by accidental and unintentional contamination; the insurance coverage refers to any possible risk involved and to date no significant claims in environmental matters have been filed.

The parent's directors do not deem it necessary to make any provisions to cover environmental contingencies and expenses.

25. Risk management

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The risk control system is described in section *E. Risk management and control systems* of the Annual Corporate Governance Report, listing those that might affect the achievement of objectives, their materiality in 2013, and response and supervision plans. We will now focus on the financial risks described below.

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and interest rate risk in cash flows. The Group's global risk management programme focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability. Certain risks are hedged by derivative instruments.

25.1 Exchange rate risk

As the Group operates internationally, it is exposed to variations in exchange rates, particularly the US Dollar. The exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments abroad.

The risk management policy of the Group is to cover the net balance between collections and payments in currencies other than the functional currency with the most net risk. Therefore, forward currency contracts were formalized at the time the yearly budget was prepared; EBITDA forecasts were used as the basis for the following year, the degree of exposure, and the degree of risk the Group is willing to assume.

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

	Thousands of euros							
	US Dollar		Czech Crown		Brazilian Real		Chinese Yuan Renmimbi	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
+ 5%	7,603	8,101	(301)	(1,042)	1,746	1,887	850	727
- 5%	(6,878)	(7,330)	273	943	(1,580)	(1,707)	(769)	(658)

The following table shows the impact on consolidated equity of changes in the exchange rates of certain currencies of countries where the Group conducts business:

	Thousands of euros							
	US Dollar		Czech Crown		Brazilian Real		Chinese Yuan Renmimbi	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
5%	4,655	5,114	2,700	2,861	3,217	3,538	3,766	2,588
- 5%	(4,211)	(4,973)	(2,443)	(2,588)	(2,910)	(3,201)	(3,407)	(2,341)

25.2 Credit risk

A significant number of bank loans are hedged by financial derivatives to mitigate the volatility of interest rates paid by the Group.

For some non-current loans the Group must meet with a series of conditions defined by ratios based on the consolidated financial statements. Noncompliance would involve cost increases and, if applicable, early termination of the agreement. At December 31, 2013, all the main ratios had been satisfactorily complied with and neither Viscofan, S.A. nor any of its material subsidiaries were in breach of their financial commitments or any kinds of obligation that could trigger their early redemption.

At December 31, 2012, the loans received did not contain covenants which, if not met, could have led to the early repayment of the debt, with the exception of those received from the Industrial Technological Development Center. The latter were subject to the disposal of the total amount loaned by the recipient company, and to total compliance with the project in question, under the conditions foreseen in the corresponding contract.

In 2013 and 2012 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2014.

25.3 Liquidity risk

The Group has a prudent policy to cover its liquidity risks which is focused on having sufficient cash and marketable securities as well as the ability to draw down sufficient financing through its existing borrowing facilities to settle the market positions of its short-term investments. Given the dynamic nature of its underlying business, the Group aims to be flexible with regard to financing through drawdowns on its contracted credit lines.

The Group adequately monitors each month expected collections and payments to be made in the coming months and analyzes any deviations from expected cash flows in the previous month to identify any possible deviations which might affect liquidity.

The following ratios show the level of liquidity at December 31, 2013 and 2012:

	Thousands of euros	
	2013	2012
Current assets	378,712	404,308
Current liabilities	(147,227)	(195,623)
Emission rights provision (Note 14.6)	1,734	1,864
Working capital	**206,219**	**210,549**
Current liabilities net emission rights provision	172,493	193,759
% working capital/current liabilities without emission rights provision	**119.55%**	**108.67%**
Cash and cash equivalents	16,739	44,863
Available borrowing facilities (Note 16)	75,520	43,103
Available discount rates (Note 16)	9,028	10,389
Cash and available on credit and discount lines	**101,287**	**98,355**
% cash and cash equivalents+ available on credit and discount lines /Current liabilities without emission rights provision	**58.72%**	**50.76%**

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 16.

25.4 Interest rate risks in cash flows and fair value

The Group has no significant assets which earn income other than the financial assets linked to pension plans in the US and their impact on the income statement is determined by the expected future gains thereon (see Note 14.1).

The Company's exposure to interest rate risk is mainly due to the loans and credit facilities received from financial entities at variable interest rates. Note 17 provides a breakdown of the hedging contracts entered into for partial mitigation of the risk represented by a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

At December 31, 2013 and 2012 the structure of financial liabilities once hedges through the derivatives arranged have been taken into account is as follows:

	Thousands of euros	
	2013	2012
Bank borrowings	101,326	109,516
Other financial debt (*)	21,488	11,763
Financial debt total (*)	**122,814**	**121,279**
Fixed interest rate (**)	77,223	35,342
Variable interest rate	45,591	85,937

(*) Excludes hedge derivatives and asset suppliers.
(**)Includes the notional amount for interest rate hedges and subsidized loans.

Financing at floating interest rates is for the most part linked to Euribor and Libor dollar. The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in US and Germany (Note 14.1).

The following table shows the sensitivity of profit (loss) for the year to a possible 1% variation in discount and/or interest rates:

	Thousands of euros							
	Pension plans commitments				Financial debt			
	USA		Germany		Euribor		Libor dollar - USA	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
+ 1%	(459)	(441)	(128)	(188)	(811)	(668)	-	(40)
- 1%	441	442	139	188	813	663	-	40

26. Transactions and balances with related parties.

Transactions with directors and senior management are disclosed in Note 27. There are no transactions with, receivables from, or payables to related parties.

27. Information on the Board of Directors of the Parent and Key Group Personnel

In 2013, changes were made to the directors' remuneration under article 27 ter of the statutes and in the remuneration policy of the new compensation approved by the shareholders in general meeting.

The most significant changes are:

- Fixed remuneration: The non-executive directors' duties were separated from their responsibility for Company profits.
- Remuneration linked to commitment: The allocation of allowances, remuneration to members of the different committees in keeping with their requirements, and higher remuneration to their chair people.
- Remuneration to the CEO: Remuneration as CEO is separate from that of general director, the latter being linked to current and non-current profits.

Total remuneration and commission paid to the Board of Directors may not exceed 1.5% of the Viscofan Group's net income. Remuneration received from different posts derived from employment or professional relationships is not to be computed for the effects of the established limit.

The Board of Directors will agree on the distribution of remuneration between the directors.

The executive chairman will receive a fixed remuneration and an annually variable remuneration. The variable annual remuneration will be up to 40% of the fixed remuneration and another variable three-yearly remuneration will be up to 40%. Both will be established in keeping with the same criteria which are determined for the Group's senior management: a combination of parameters based on the achievement of Group objectives which are linked to profit, share value, and personal performance.

The breakdown of remunerations for 2013 was as follows:

	Thousands of euros							
	Salaries	Fixed remune-ration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: seniority and commission	Boards of other Group companies	Total
Mr. José Domingo de Ampuero y Osma	350	314	-	116	-	-	-	780
Mr. Nestor Basterra Larroudé	-	296	32	-	-	90	45	463
Ms. Agatha Echevarría Canales	-	228	32	-	-	117	-	377
Mr. José Cruz Pérez Lapazarán	-	72	29	-	-	18	-	119
Mr. Gregorio Marañón Bertrán de Lis	-	72	29	-	-	27	-	128
Mr. Alejandro Legarda Zaragüeta	-	72	32	-	-	40	-	144
Mr. Ignacio Marco-Gardoqui Ibáñez	-	72	32	-	-	27	-	131
Dª. Ms. Laura González Molero	-	72	32	-	-	18	-	122
Mr. José María Aldecoa Sagastasoloa	-	72	32	-	-	27	-	131
Total 2013	**350**	**1,270**	**250**	**116**	**-**	**364**	**45**	**2,395**

The only director with executive duties in the Group is Mr. José Domingo de Ampuero y Osma, who obtained a fixed salary of 350 thousand euros and variable remuneration of 116 thousand euros (both amounts are included in the table above). The variable remuneration was calculated based on an established maximum of 140 thousand euros, as a result of the application of parameters determined in accordance with the annual plan and personal performance, relating to EBITDA, net profit, sales, and share value.

In prior years, the parent's Board of Directors received the remuneration stipulated in Articles 27 and 30 of Company bylaws: 1.5% of the parent's pre-tax profit for the Board of Directors and 1.5% of the parent's pre-tax profit for the Executive Committee.

The Board of Directors and the Executive Committee, in accordance with the aforementioned bylaw articles, decided the respective share that the members of each body were to receive.

The breakdown of remunerations for 2012 was as follows:

	Thousands of euros							
	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: seniority and commission	Boards of other Group companies	Total
Mr. José Domingo de Ampuero y Osma	-	-	12	106	-	370	216	704
Mr. Nestor Basterra Larroudé	-	-	12	106	-	328	108	554
Ms. Agatha Echevarría Canales	-	-	32	106	-	286	-	424
Mr. José Cruz Pérez Lapazarán	-	-	21	106	-	-	-	127
Mr. Gregorio Marañón Bertrán de Lis	-	-	29	106	-	-	-	135
Mr. Alejandro Legarda Zaragüeta	-	-	32	106	-	-	-	138
Mr. Ignacio Marco-Gardoqui Ibáñez	-	-	12	106	-	-	-	118
Ms. Laura González Molero	-	-	8	106	-	-	-	114
Mr. José María Aldecoa Sagastasoloa	-		15	50	-	-		65
Total 2012	**-**	**-**	**173**	**898**	**-**	**984**	**324**	**2,379**

At December 31, 2013 and 2012, no advances or loans had been granted to the Viscofan Group, nor did the Group have any pension commitments or other non-current savings plans. Likewise, no type of guarantee was granted on behalf of any present or former members of the Board of Directors, related individuals or entities. In addition, no remuneration was based on shares or share options.

In 2013 and 2012 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

Pursuant to articles 229 and 230 of the Spanish Corporate Enterprises Act, the Vicofan, S.A. directors have informed that they are not involved in any situation that may involve a conflict with the Group's interests; they do not own stock in, or hold office or perform duties at entities outside the Group which have the same, a similar, or a related purpose to that of the Group.

The remuneration policy of senior management established for 2013 and subsequent years maintains a system based on the same principles as those maintained up to 2012, although in 2013 several changes were made to adapt them to the best practices of corporate governance. A system has therefore been established which combines fixed and variable remuneration. Remuneration consists of annual as well as three-year compensation, calculated applying a combination of parameters based on the achievement of Group objectives, linked to profit, share value, and personal performance.

Two senior managers hold contracts containing safeguard clauses with the Viscofan Group If the employment relationship is terminated due to a breach not attributable to the manager, he or she will be entitled to compensation. The total average compensation is twice the annual salary.

Remuneration paid to key management personnel amounted to 4,305 and 4,126 thousand euros in 2013 and 2012, respectively.

The key management personnel in 2013 was as follows:

Name	Position	Company
Mr. José Antonio Canales	Managing Director	Viscofan Group
Mr. Andrés Díaz	Director of Operations	Viscofan Group
Mr. Armando Ares	Director of Investor Relations and Communication	Viscofan Group
Mr. César Arraiza	Financial Director	Viscofan Group
Ms. Elena Ciordia	Legal Director	Viscofan Group
Mr. Gabriel Larrea	Commercial Director	Viscofan Group
Mr. José Ignacio Recalde	Research and Development Director	Viscofan Group
Mr. José Vicente Sendin	Director of Strategic Projects	Viscofan Group
Mr. Juan José Rota	Human Resources Director	Viscofan Group
Mr. Pedro Eraso	Director of Extrusion, Cellulose and Fibrous	Viscofan Group
Mr. Ricardo Royo	Division Director for Europe Collagen	Viscofan Group
Mr. Wilfried Schobel	Director for Collagen Extrusion	Viscofan Group
Mr. Jesús Calavia	Industrial Director	Viscofan, S.A.
Mr. Manuel Nadal	IT Director	Viscofan, S.A.
Ms. Mª Carmen Peña	Financial Director	Viscofan, S.A.
Mr. Miloslav Kamis	Managing Director	Gamex CB s.r.o, Viscofan CZ, s.r.o.
Mr. Alejandro Martínez	Managing Director	Industrias Alimentarias de Navarra, S.A.U.
Mr. Andrej Filip	Managing Director	Koteks Viscofan d.o.o.
Mr. Bertram Trauth	Managing Director	Naturin Viscofan GmbH
Mr. Yunny Soto	Managing Director	Viscofan Centroamérica Comercial, S.A.
Mr. Óscar Ponz	Managing Director	Viscofan de México S.R.L. De C.V,
Mr. Luis Bertoli	Managing Director	Viscofan do Brasil, soc. com. e ind. Ltda.
Mr. Juan Negri	Managing Director	Viscofan Technology (Suzhou) Co. Ltd.
Mr. Alfred Bruinekool	Managing Director	Viscofan UK Ltd.
	Commercial Director	Naturin Viscofan GmbH
Mr. Angel Maestro	Managing Director	Viscofan Uruguay, S.A.
Mr. José Maria Fernández	Managing Director (Until September 2013)	Viscofan Usa Inc.

Mr. Domingo González	Managing Director (from September 2013)	Viscofan Usa Inc.

From January 2014, Mr. Eduardo Aguiñaga, Finance Director of Viscofan de Mexico S.R.L. of C.V., will become the General Director of this company. Mr. Óscar Ponz, who is currently the General Director of this company, returns to Spain as the Supply Chain Director.

28. Audit fees

The auditors of the consolidated Financial Statements of the Group and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services for the years ended 31 December 2013 and 2012 as follows:

	Thousands of euros		
	In the parent´s Company	In other companies	Total
Audit services	100	533	633
Other related audit services	42	-	42
Other services	5	110	115
Total at December 31, 2013	**147**	**643**	**790**

	Thousands of euros		
	In the parent´s Company	In other companies	Total
Audit services	87	520	607
Other services	17	109	126
Total at December 31, 2012	**104**	**629**	**733**

Audit services detailed in the above table include the total fees for services rendered in 2013 and 2012, irrespective of the date of invoice.

29. Events after the balance sheet date

In addition to the circumstance described in Note 2.3 on the January 2014 publication of the Royal Decree draft and the proposed "Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste" which the Secretary of State for Energy sent to the National Markets and Competition Commission (NMCC), no other significant events took place after the balance sheet date which would have had a significant effect on the financial statements at December 31, 2012.

In its meeting on February 27, 2014 the Board of Directors agreed to propose remuneration for shareholders totaling 1.120 euros per share. This included the abovementioned 0.41 per share interim dividend and a complementary 0.704 euros per share dividend, plus the attendance per diem amounting to 0.006 euros per share.

VISCOFAN, S.A. AND SUBSIDIARIES

Management report to the consolidated financial statements
as at December 31, 2013

2014 MANAGEMENT REPORT

Business performance and situation of Viscofan Group companies

2013 results, consolidated Group

Viscofan Group consolidated income statement ('000 €)

	Jan-Dec' 13	Jan-Dec' 12	*Change*	Oct-Dec' 13	Oct-Dec' 12	*Change*
Revenue	**765,337**	**752,784**	**1.7%**	**186,560**	**189,985**	**-1.8%**
EBITDA	**178,316**	**185,033**	**-3.6%**	**42,227**	**45,513**	**-7.2%**
EBITDA margin	***23.3%***	***24.6%***	**-1.3 p.p.**	***22.6%***	***24.0%***	**-1.4 p.p.**
Cogeneration regulation impact[1]	-10,186	0	n.s.	-5,664	0	n.s
EBITDA pre-regulation[1]	188,502	185,033	1.9%	47,891	45,513	5.2%
EBITDA margin pre-regulation[1]	*24.4%*	*24.6%*	-0.2 p.p.	*25.0%*	*24.0%*	1.0 p.p.
EBIT	**129,941**	**140,023**	**-7.2%**	**30,106**	**34,734**	**-13.3%**
Net profit	**101,520**	**105,063**	**-3.4%**	**24,105**	**27,114**	**-11.1%**
Net Profit pre-regulation [1]	**108,650**	**105,063**	**3.4%**	**28,070**	**27,114**	**3.5%**

[1] The figure excludes the impact in EBITDA and net profit which resulted from lower revenue and higher natural gas purchase rates and energy sales arising from successive energy reforms (Law 15/2012, RD 9/2013 and the publication of the proposal relating to the development policy of RD 9/2013 on January 31 2014) by the Government of Spain throughout 2013 and which affect 2013.

In 2013, two years after the introduction of its strategic plan BE MORE 2012-2015, the casing market continued its upward trend. Globalization and its impact in both urban development and the introduction of more animal protein has triggered growth in the market above its long-run average. The loss of competitiveness and the higher cost of labor and raw materials has also led to a quest for new productivities and savings in developed and emerging markets.

The first half of the Be MORE period has therefore been characterized by projects aimed at adapting to this scope for leverage. Notable examples of significant human and financial investment efforts are the construction of two new collagen extrusion plants: one in China, which began in the first quarter of 2013 for the local market, and the other in Uruguay, which commenced operations in the first quarter of 2014, to provide service to Latin America.

With its market growth, and continuously optimized efforts the Viscofan Group has successfully grown and partially offset the impact of a highly adverse situation triggered by the depreciation of its main commercial currencies, inflation in main production input and different modifications to energy regulation in Spain. This expansion period has also seen investment in new material and human resources for the construction of new productive plants and all their start-up costs involved.

Viscofan Group revenue showed record growth, generating 765.3 million euros in 2013, closing its ninth consecutive year of growth with an annual variation of 1.7%. This performance is particularly positive if we consider that the new energy

regulation developed in 2013 and early 2014 had a negative impact of 5.8 million euros on 2013 revenue. Excluding this impact, the consolidated revenue for the year increased by 2.4%.

The main commercial currencies of the Viscofan Group depreciated against the euro in 2013 and particularly during the second half of the year. If the impact of exchange rate fluctuations is factored out, consolidated income at year end 2013 shows a 5.0% increase over 2012.

Despite the Viscofan Group's solid performance, the energy regulatory changes and the depreciation of currencies against the euro eroded by 4.1 % the organic growth, which would have risen by 5.8% had it not been affected by these changes.

Consolidated income mainly increased due to the 660.2 million euro rise in casings sales volumes, up 1.7% on last year, which, with the exception of cellulose, demonstrated significant growth in all of its divisions (collagen, fibrous and plastics). Positive performance in the vegetable food product division was also notable, where revenue rose 1.5% to 105.1 million euros, driven by the strength of the brand Cerretilla and its exports.

The price of certain raw materials continued to rise in 2013, particularly in collagen skins and gas cogeneration, leading to accumulated consumption costs of [1] 259.3 million euros, 6.5% more than the same period the previous year. Thus, gross margin[2] stood at 66.1% in 2013, as compared to 67.7% during the same period last year.

The average annual workforce is 4,660 people, 6.5% above 2012, but the 2013 personnel costs increased by 3.0% to 154.8 million euros, compared with the previous year. This increase in the workforce is principally due to growth in China, both in the casings division where the workforce increased 50% in the new collagen extrusion factory in Suzhou, and in the IAN Group vegetable food production plant in Lingbao where the production campaign was extended with the manufacture of peppers for the first time. In Spain the average workforce also increased by 16 people (+2.6%) as a consequence of international expansion support and corporative coordination activities.

A year of expansion, with greater commercial and productive activity, an increase in the average workforce and start-up costs for new plants; improvements in production, and greater competitiveness of the Viscofan Group team, has resulted in a mere 0.2% drop[3] in the productivity margin compared with 2012.

The results of cost control and austerity policies are reflected under "Other operating expenses" recognized at year end 2013, which amount to 180.6 million euros, just 0.6% above 2012. This trend is significantly affected by savings from the use of natural gas in the cogeneration plant in Mexico, operational improvements, which resulted in greater volume, and the absorption of fixed costs, despite the inefficiency associated with the logical learning curve in the new plant in China, the start-up costs of the new facilities in Uruguay, and the 4.4 million euro increase in new cogeneration taxes over the year.

The strength of sales, productive efficiency, and cost control have resulted in an EBITDA[4] of 178.3 million euros, down 3.6% in 2012, in spite of a particularly adverse environment characterized by the abovementioned factors: the weakness of the main commercial currencies, regulatory changes in cogeneration in Spain, inflation of raw materials, and expansion costs associated with the start-up of the new collagen extrusion plants in China and Uruguay.
Excluding the impact of exchange rate fluctuations, accumulated EBITDA at year end 2013 grew 0.3%. The regulatory changes on cogeneration in Spain eroded consolidated EBITDA by 10.2 million euros, equivalent to 5.5% of growth.

Growth in revenue and EBITDA in constant currency would not have been possible without the Viscofan Group's anticipation of market growth and the rollout of its rapid expansion plan which commenced at the end of 2011 with the Be MORE strategic plan. The plan resulted in accumulated investments of 175 million euros in 2012-2013 (101.6 million euros in 2013 and 74.0 million euros in 2012) Once the main projects are completed, foreseeable investment demands will fall in the 2014-2015 period.

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[1] Consumption costs = changes in inventories of finished goods and work in progress

[2] Gross margin = (Revenue - Consumption costs) / Revenue

[3] Productivity margin = (Revenue - Personnel expenses)/Revenue

[4] EBITDA = operating profit before depreciation and amortization

These investments are associated with a higher volume of depreciation and amortization which rose 7.5% to 48.4 million euros in 2013 bringing "Consolidated profit" to 129.9 million euros (7.2% lower than the preceding year).

2013 net financial loss stood at 3.3 million euros (2012: 7.0 million euros), as a consequence of the impact of lower exchange differences (-0.7 euros in 2013 compared with 4.2 million euros recognized in 2012).

Profit before tax stood at 126.6 million euros in 2013, with accumulated taxes totaling 25.1 million euros, resulting in an effective income tax rate of 19.8%.

The difference between the theoretical tax rate (30%) and the effective tax rate (19.8%) basically corresponds to the difference between the different tax rates for non-resident subsidies in Navarre (tax address for Viscofan S.A.) that pay taxes in each of the countries in which they operate, applying the prevailing corporate income tax rate (or equivalent tax) for the period and the consideration of tax deductions for investments in some Group subsidies.

Optimization of tax activities includes the updating of Viscofan, S.A. and Industrias Alimentarias de Navarra S.A.U.'s December 31, 2012 balance sheets, pursuant to prevailing Spanish legislation. The application of rates approved by said legislation reduced the income tax expense by 2.8 million euros.

As a result, net profit amounted to 101.5 million euros, 3.4% lower than 2012 although the net profit grew by 3.4%, excluding the changes to energy regulations.

Balance sheet strength, together with robustness and improved operations, resulted in successfully completed projects of expansion with related rises in investment (101.6 million euros in 2013) and working capital (14.6 million of changes in working capital) without jeopardizing Viscofan Group shareholders' remuneration, which amounted to 51.5 million euros in 2013.

Net bank borrowings[5] stand at 84.6 million euros, a year-on-year increase of 30.8% as a result of the rate of investment described and increase in dividend payment. The Viscofan Group's financial leverage thus stands at 16.2% compared to 13.0% in December 2012.

The solidity of the balance sheet, operational improvements, and foreseeable expected growth in upcoming years led the Board of Directors at their meeting on February 27, 2014, to propose a 1.8% increase in total shareholder remuneration of 1.12 euros per share vs. 1.10 euros from the previous year composed of:

- an interim dividend of 0.410 euros per share paid on December 23, 2013.
- a proposed complementary dividend of 0.704 per share to be approved by the shareholders paid on June 4, 2014.
- a per diem for meeting attendance of 0.006 euros per share.

[5] Net Bank borrowings = Non-current bank borrowings and Current bank borrowings - Cash and cash equivalents

VISCOFAN, S.A. AND SUBSIDIARIES

Management report to the consolidated financial statements
as at December 31, 2013

2013 results Casings

Casings income statement ('000€)

	Jan-Dec' 13	Jan-Dec' 12	*Change*	Oct-Dec' 13	Oct-Dec' 12	*Change*
Revenue	**660,201**	**649,176**	**1.7%**	**160,658**	**163,353**	**-1.6%**
EBITDA	**170,637**	**177,343**	**-3.8%**	**40,145**	**43,439**	**-7.6%**
EBITDA margin	***25.8%***	***27.3%***	**-1.5 p.p.**	***25.0%***	***26.6%***	**-1.6 p.p.**
Cogeneration regulation impact[1]	-10,186	0	n.s.	-5,664	0	n.s
EBITDA pre-regulation[1]	180,823	177,343	2.0%	45,809	43,439	5.5%
EBITDA margin pre-regulation[1]	*27.2%*	*27.3%*	-0.1 p.p.	*27.7%*	*26.6%*	1.1 p.p.
EBIT	**125,495**	**135,633**	**-7.5%**	**28,684**	**33,464**	**-14.3%**
Net profit	**96,845**	**101,200**	**-4.3%**	**22,723**	**25,827**	**-12.0%**
Net Profit pre-regulation [1]	**103,975**	**101,200**	**2.7%**	**26,688**	**25,827**	**3.3%**

[1] The figure excludes the impact in EBITDA and net profit which resulted from lower revenue and higher natural gas purchase rates and energy sales arising from successive energy reforms (Law 15/2012, RD 9/2013 and the publication of the proposal relating to the development policy of RD 9/2013 on January 31 2014) by the Government of Spain throughout 2013 and which affect 2013.

The artificial casings market continues to grow above its record production levels with an estimated 5% to 6% increase. This performance is solidly underpinned by a population, certain nutritional habits, and the search for increased productivity in the meat sector.

Within this context of growth, the Viscofan Group, already in its second year of the strategic 2012-2015 Be MORE plan, is successfully approaching its goal of consolidating its global leadership in the casings market. In 2013 the Group achieved a new record in sales volume, production, and cost control.

In 2013 the productive capacity increased with new machinery and technological improvement in the current plants. Furthermore, its expansion plan saw the beginning of production in the extrusion plant in Suzhou (China) in the first quarter of 2013 and increased its capacity to satisfy the needs of the Chinese market (the largest collagen casing consumer in the world); Viscofan is currently the second largest market operator in business volume. Also notable were the start-up activities for the extrusion plant in Uruguay, which began production tests in the last quarter of the year aimed at producing collagen casings for the Latin American market in the first quarter of 2014.

Thanks to its ability to anticipate growth and the excellent productive performance of its new capacity, Viscofan was able to meet market demands with double digit growth in collagen volumes and positive performance in the fibrous and plastic divisions.

This growth in casings volume has not had a total effect on revenue, due to the impact of the new energy regulation in Spain, with a drop in income of 4.7 million euros in the last quarter of the year and of 5.8 million euros in the aggregate during the year. The weakness of the main commercial currencies also took their toll.

The casings division's revenue therefore shows a year-on-year increase of 1.7% and amounts to 660.2 million euros. Of this amount, cogeneration stood at 49.1 million euros (-9.8% compared with 2012) and casings sales at 611.1 million euros (+2.7% vs. 2012) Casings sales' performance has been affected by the significant depreciation in the North American and Brazilian currencies. At constant exchange rates, the casings sales without cogeneration grew 6.9% compared with the previous year.

Regarding revenue per geographic area, [6] accumulated development is:

- In Europe and Asia revenue was up by 4.5% to 354.9 million euros from 2012, confirming Viscofan's excellent position in the European casings market, and likewise the Chinese market with growth of over 10%.
- In North America income fell by 2.8% to 203.2 million euros, principally as a result of the 3.3% depreciation of the US dollar against the euro.
- In Latin America revenue rose by 1.4% compared with the previous year to 102.1 million euros. Growth was sharp considering the 13.8% depreciation of the Brazilian real against the euro.

Growth in volume and income was accompanied by significant pressure from the cost of raw materials and principally collagen casings and gas for cogeneration in Spain. Accumulated consumption costs during the year rose to 196.8 million euros, a 7.3% rise on the previous year, eroding the gross margin by 1.6% to 70.2%. The Group is still working towards mitigating the significant price increase in raw materials, searching to develop new suppliers both in new geographic areas and countries where its presence is more consolidated.

Major strategic projects and the Group's organic expansion led to an increase in the number of employees. As a result, the average headcount in the casings division rose to 3,955 people, 4.7% higher than in 2012, thanks principally to the increase in the workforce in China and the corporate structure in Spain.

Despite this growth in the workforce, personnel costs rose by 3.4% to 142.8 million euros in 2013.

Other operating expenses stood at 156.7 million euros in 2013, 1.0% up from the previous year, due to the energy savings obtained in Mexico and cost controls, which offset the negative impact of 4.4 million euros in new cogeneration taxes.

Regulatory changes in cogeneration prevented EBITDA from reflecting the strength of results obtained over the year. Annual EBITDA was down 3.8% over the previous, standing at 170.6 million euros. Excluding the impact of the new regulations, EBITDA rose by 2.0% in the year with a virtually unchanged margin. The environment was highly demanding with weak currencies, high raw material costs, and the start-up of new operations.

EBITDA of the casings division in constant currency increased 0.4% up on 2012.

The accumulated EBITDA margin of the casings division stood at 25.8%, a drop of 1.5% compared with the previous year. This drop is almost exclusively due to the impact of regulatory changes, despite the improvements made to of the Group's internal operational processes in its main business.

Depreciation and amortization stood at 45.1 million euros in 2013 (+8.2% vs. 2012), reflecting investments of these most recent years, and resulting in accumulated operating profit of 125 million euros (-7.5% vs. 2012).

Internal operating improvements and growth in volume, tax optimization, and the financial robustness of this division largely offset any impact from the adverse environment. The 2013 net profit of 96.8 million euros therefore fell by 4.3% compared with the previous year.

[6] Sales revenue

VISCOFAN, S.A. AND SUBSIDIARIES

Management report to the consolidated financial statements
as at December 31, 2013

2013 results IAN Group

IAN Group income statement ('000€)

	Jan-Dec' 13	Jan-Dec' 12	*Change*	Oct-Dec' 13	Oct-Dec' 12	*Change*
Revenue	**105,136**	**103,608**	**1.5%**	**25,902**	**26,632**	**-2.7%**
EBITDA	**7,679**	**7,690**	**-0.1%**	**2,082**	**2,074**	**0.4%**
EBITDA margin	***7.3%***	***7.4%***	**-0.1 p.p.**	***8.0%***	***7.8%***	**0.2 p.p.**
EBIT	**4,446**	**4,390**	**1,3%**	**1,422**	**1,270**	**12.0%**
Net profit	**4,675**	**3,863**	**21,0%**	**1,382**	**1,287**	**7.4%**

In 2013, the vegetable food product division displayed solid performance which contrasted with the difficult economic context in which its main market was positioned: Spain The weakness of consumer demand has led retail chains to push up prices as part of their sales strategy, making it very difficult to reflect raw material cost increases in sales prices.

Under these circumstances, the IAN Group has followed an on-going value and margin protection strategy, based on the strength of the Carretilla brand, the diversification of its business portfolio, the launching of new pre-cooked food products, and the search for new international markets.

In 2013 revenue grew 1.5% to 105.1 million euros, while the EBITDA margin stood at 7.3% for the whole year, a year-on-year decrease of 0.1%. EBITDA thus remained practically stable at 7.7 million euros.

The performance of operating results and tax optimization from revaluation of assets in Spain (+€0.9 million euros in May 2013) resulted in a net profit of 4.7 million euros, up 21.0% over the accumulated period to December 2012 in the vegetable food product division.

Expected performance of the Group

In 2013, the Viscofan Group successfully completed two of its major projects from the strategic 2012-2015 Be MORE plan, with the start-up of the new plant in China, its expansion in 2013, and the initial testing phase production in Uruguay

Following this expansion, principal initiatives in 2014 aim to improve and optimize the industrial park in continued response to sector needs, in terms of sales volume, and productive quality and efficacy.

The foreseeable rise in revenue and growth of operational improvements in 2014 will once again coexist in an adverse environment of weak trading currencies, particularly the US dollar and BRL, and pressure in several raw materials and energy resulting from Spanish energy regulations and tax increases on the consolidated Group as a whole.

a) Casings

In 2014 the casings division will be poised to capture market growth in a stable environment, particularly in the emerging areas of Asia, Latin America and Eastern Europe.

In 2012 and 2013, the Group invested highly in the construction and start up of the collagen extrusion plants in China and Uruguay. Both plants are offering their clients improved service in the collagen markets with the highest potential for growth.

An improved learning curve in the collagen extrusion plant in Suzhou is expected in 2014, with maximum potential to be achieved in 2015. In addition, the start-up of operations in the Uruguay plant, supported by operational improvements in the different Group plants will result in the casings division profiting from the highest flying market.

b) Vegetable food products

The IAN Group managed to deliver excellent results despite the economic crisis in its main market: Spain The improvement in macroeconomic expectations in Spain should encourage internal consumption of basic foods, leading to a greater demand for Group products.

The IAN Group will therefore try to boost the marketing of products under the Carretilla brand and expand their range of products under the banner of convenience and health, while maintaining policies with respect to austerity, cost controls, and financial discipline that protect margins in a very competitive environment during a market contraction.

The Group's Principal investments

Investment during the year totaled 101.6 million euros, up 37.3% compared to 74.0 million euros in 2012.

This high investment level is due to the decision to respond to evolving market needs. In addition to investing in the extension of existing plant capacity, the Group also put 28 million euros towards the construction and start-up of a collagen extrusion factor in Uruguay, which is to begin operations in the first quarter of 2014. Production in Uruguay will increase access to the Latin American casing market, which is expanding, and will also diversify operational risks, and complement collagen converting activity, which was introduced into Brazil in 2012.

Furthermore, the growth of the Chinese artificial casing market, currently the highest consumer of collagen casings worldwide, led the Group to invest 23 million euros in China in 2013. This investment was principally aimed at capacity extension in the collagen extrusion plant. This investment marks Viscofan down as the second major producer in the Chinese market.

In addition, Viscofan's optimization measures included investments in 2013 aimed at cutting costs, converting to its own energy management system, and minimizing its environmental impact. Notable 2012 and 2013 investments were the change from fuel to gas in Mexico, and the installation of boilers in Germany in 2013.

The main investments in the vegetable foods sector were production improvements and the automation of the precooked foods line and tomato processing.

Environmental issues

Viscofan understands that business management must adopt criteria that are consistent with both productive and economic efficacy, and sustainable development.

The Viscofan Group and its employees are committed to developing their business in line with sustainable and economically viable criteria and principles, with respect for prevailing legislation on the environment, and voluntarily acquired commitments to optimize available resources, promote the introduction of available technological improvements, and minimize environmental impact derived from their activity.

There is a key challenge behind this commitment since the Viscofan Group is productively present in 9 countries, in different continents, and has business offices in 14 countries. This expansion spans a wide array of cultures in the different countries, all of which have their own standards and legislation. A new corporate department was created in 2013 to improve coordination and Group efforts with regard to environmental matters in both health and safely. This department reports directly to General Operations Management, which is responsible for the improvement and follow-up of environmental initiatives within the Viscofan Group.

As leader, the Viscofan Group works in two main dimensions providing structure and guidance for environmental projects to:

• Provide sustainability in resource usage.
• Contribute towards preventing climate change.

Note 24 of the accompanying financial statements provides a breakdown of investments and costs relating to the environment in 2013 and 2012.

Research and development activities

Viscofan has a proactive R&D policy for both business lines, supported by technological and research centers in various countries:

- The Group's efforts in the casings division are focused on both the product (development of new products, enhancement of available products to increase market share in the principal meat casing families, etc.) and the process (innovation and improvement of production processes for their industrial optimization, introduction of technological improvements and development of advanced engineering solutions to maximize productive output, etc.).

- In the vegetable food products division, the Group continues to push forward with the development of new products, increasing the ready meals' range, which is the business line with the best prospects from both a growth and added value standpoint.

- Furthermore, Viscofan's R&D activity has likewise been aimed at diversification in business lines where its present knowledge will enable it to obtain future profits. Research continues while the Group collaborates with centers specialized in the use of collagen derivatives as a matrix for growing cells "in vitro" for both research and tissue regeneration purposes.

Acquisition of treasury shares

At December 31, 2013 the Company owned no treasury shares.

Description of risks and uncertainties

The Viscofan Group has shown improved results in a time of great volatility and uncertainty, and is well placed to capture market growth in its main business activities. Nevertheless, it should be underscored that due to the nature of its operations, the Group's activities are exposed to various operational, financial, strategic and legal risks, described in section E*) Risk Control Systems* in the Annual Corporate Governance Report. The Group manages risk based on policies approved by the Board of Directors, which is supervised by the Audit Committee.

The Company's risk map includes the following headings:

1. Strategic risks: Natural catastrophes; country risk; competitive sector environment Reputation; company property

2. Financial and systems risks: IT contingencies, preparation and integrity of the financial information; financing and lack of liquidity; exchange rate; interest rate; budget control; pension plans; tax.

3. Operational risks: Material damage; business continuity; energy market; customer satisfaction; transport; raw materials; civil liability; know how; human capital; team consolidation.

4. Environmental risks, safety and hygiene: Environment, accidents in the workplace; safety and hygiene at work and for food products; sabotage.

5. Regulatory risk: Development of the regulatory framework; multinational food legislation compliance; compliance of obligations derived from business transactions; corporate risk; LOPD.

Transactions carried out by directors or persons acting on their behalf, during the year to which the financial statements refer, with the listed company or any other company of the same group, when the transactions are unrelated to the ordinary activities of the company or are not carried out in normal market conditions.

In 2013, the directors did not carry out any transactions with the Company or other group companies that were unrelated to the companies' normal course of business or were not carried out in normal market conditions.

Events after the balance sheet date

In their meeting held on February 27, 2014, the Board of Directors agreed to propose a final dividend payment amounting to 0.704 euros per share, to be paid from June 4, 2014, for approval by the shareholders at the annual general meeting. Thus, total remuneration for shareholders amounted to 1.12 euros per share, including the interim dividend of 0.410 euros per share paid on December 23, 2013, the abovementioned complementary dividend of 0.704 euros per share, and the per diem payment for attendance at the General Shareholders' Meeting of 0.006 euros per share. This proposal increased total remuneration by 1.8% as compared to the total remuneration of 1.1 euros approved for the previous year.

In January 2014, the Spanish Government took further steps in enacting Royal Decree Law 9/2013 of July 12, "on the adoption of urgent measures to guarantee the financial stability of the electricity system," and published the "Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste" within the legal development of said Royal Decree Law.

VISCOFAN, S.A. AND SUBSIDIARIES

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT: The Secretary of the Board of Directors, Mr. Juan Mª Zuza Lanz hereby certifies that the Board of Directors, at its meeting on February 27, 2014, approved the consolidated financial statements for the year ended December 31, 2013, and duly signs all the pages thereof for identification purposes. The consolidated financial statements comprise the attached documents preceding this certificate.

Mr. José Domingo de Ampuero y Osma

Mr. Nestor Basterra Larroudé

Ms. Ms. Agatha Echevarría Canales

Mr. Ignacio Marco-Gardoqui Ibáñez

Mr. Alejandro Legarda Zaragüeta

Mr. José Cruz Pérez Lapazarán

Mr. Gregorio Marañón Bertrán de Lis

Ms. Laura González Molero

Mr. José María Aldecoa Sagastasoloa

Secretary to the Board of Directors
Mr. Juan Mª Zuza Lanz

Audit Report

VISCOFAN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2013

(Translated from the original in Spanish)

Building a better working world

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

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

We have audited the financial statements of VISCOFAN, S.A., which comprise the balance sheet at December 31, 2013, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended. The Company's directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity in Spain (identified in Note 2 to the accompanying financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based upon work performed in accordance with the regulatory audit standards prevailing in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2013 financial statements give a true and fair view, in all material respects, of the equity and financial position of VISCOFAN, S.A. at December 31, 2013, and the results of operations and cash flow for the year then ended, in conformity with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

The accompanying 2013 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2013 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original)

Javier Ezcurra Zubeldía

February 27, 2014

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

VISCOFAN, S.A.

Financial Statements
for the year ended
December 31, 2013

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

CONTENTS

- Balance sheet at December 31, 2013
- Income statement for the year ended December 31, 2013
- Statement of changes in equity for the year ended December 31, 2013
- Cash flow statement for the year ended December 31, 2013
- Notes to the financial statements for the year ended December 31, 2013

VISCOFAN, S.A.
Balance sheet at December 31, 2013
(Thousands of euros)

ASSETS	Notes	2013	2012
NON-CURRENT ASSETS		**403,604**	**365,061**
Intangible assets	**5**	**7,874**	**8,739**
Concession rights		1,295	1,520
Software		4,530	3,900
Other intangible assets		2,049	3,319
Property, plant, and equipment	**6**	**65,005**	**60,127**
Land and buildings		14,230	11,703
Plant and other PP&E items		50,572	48,381
Property, plant, and equipment under construction and prepayments		203	43
Investment in group companies and associates	**7**	**329,838**	**295,914**
Equity instruments		329,838	295,914
Financial investments	**8**	**132**	**132**
Equity instruments		84	84
Other financial assets		48	48
Deferred tax assets	**16**	**755**	**149**
CURRENT ASSETS		**80,380**	**88,250**
Inventories	**9**	**21,516**	**20,220**
Commercial inventories		2,178	1,793
Raw materials and other consumables		6,957	9,325
Work in progress		8,882	4,020
Finished products		3,499	5,082
Trade and other receivables		**35,783**	**41,285**
Trade receivables	8	18,547	24,246
Trade receivables from group companies and associates	8	11,845	11,571
Other receivables	8	55	65
Receivable from employees	8	56	95
Current income tax assets	16	593	-
Other receivables from public administrations	16	4,687	5,308
Investments in group companies and associates	**8**	**17,119**	**786**
Loans to companies		16,956	616
Other financial assets		163	170
Investments	**8**	**5,059**	**589**
Derivatives		55	589
Other financial assets		5,004	-
Accruals		**105**	**102**
Cash and cash equivalents	**10**	**798**	**25,268**
Cash		798	25,268
TOTAL ASSETS		**483,984**	**453,311**

VISCOFAN, S,A,
Balance sheet at December 31, 2013
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2013	2012
EQUITY		**373,916**	**346,226**
CAPITAL AND RESERVES		**372,660**	**344,093**
Share capital	**11.1**	**32,623**	**32,623**
Issued capital		32,623	32,623
Share Premium	**11.2**	**12**	**12**
Reserves	**11.3**	**286,444**	**267,420**
Legal and statutory reserves		6,525	6,525
Other reserves		279,919	260,895
Profit for the year	**3**	**72,689**	**62,679**
Interim dividend	**3.1**	**(19,108)**	**(18,641)**
UNREALIZED GAINS (LOSSES) RESERVE	**12**	**25**	**209**
Hedging instruments		25	209
GRANTS, DONATIONS, AND LEGACIES	**13**	**1,231**	**1,924**
NON-CURRENT LIABILITIES		**35,092**	**8,047**
Borrowings	**15**	**30,005**	**7,132**
Payable to credit institutions		20,000	1,771
Other financial liabilities		10,005	5,361
Borrowings from group companies and associates		**4,500**	**-**
Deferred tax liabilities	**16**	**587**	**915**
CURRENT LIABILITIES		**74,976**	**99,038**
Provisions	**14**	**1,699**	**1,817**
Borrowings	**15**	**17,065**	**33,148**
Bank borrowings		**12,307**	29,150
Finance leases		1	44
Derivatives	13	-	21
Other financial liabilities		4,757	3,933
Payables to group companies and associates	**15**	**32,648**	**36,022**
Trade and other payables		**23,564**	**28,051**
Suppliers	15	7,098	5,182
Suppliers, group companies, and associates	15	2,628	2,042
Other payables	15	6,504	6,968
Employee benefits payable	15	1,179	1,377
Current tax liabilities	16	-	4,548
Other payables to public administrations	16	5,391	6,808
Customer advances	15	764	1,126
TOTAL EQUITY AND LIABILITIES		**483,984**	**453,311**

VISCOFAN, S,A,
Income statement for the year ended December 31, 2013
(Thousands of euros)

	Notes	2013	2012
CONTINUING OPERATIONS			
Revenue	**17.1**	**162,889**	**169,891**
Sale of goods		162,518	169,392
Rendering of services		371	499
Changes in inventory of finished goods and work in progress		**3,279**	**2,416**
Work performed by the entity and capitalized		**251**	**250**
Cost of sales		**(76,564)**	**(75,565)**
Consumption of goods for resale	17.2	(14,536)	(15,081)
Consumption of raw materials and other consumables	17.2	(61,908)	(60,476)
Impairment of goods for resale, raw materials, and other consumables	9	(120)	(8)
Other operating income		**10,910**	**7,999**
Ancillary income		10,520	7,297
Grants related to income	13	390	702
Employee benefits expense		**(35,455)**	**(34,187)**
Wages, salaries, et al		(27,623)	(26,702)
Social security costs, et al	17.3	(7,832)	(7,485)
Other operating expenses		**(41,397)**	**(40,277)**
External services	17.4	(36,805)	(38,234)
Taxes		(2,820)	(183)
Losses on, impairment of, and change in trade provisions	8.1	(73)	(43)
Other operating expenses	14	(1,699)	(1,817)
Depreciation and amortization	**5 and 6**	**(12,320)**	**(9,584)**
Grants related to non-financial assets and other grants	**13**	**238**	**224**
Impairment gains (losses) on disposal of non-current assets		**5**	**(6)**
Impairment gains and losses	6	2	2
Gains (losses) on disposals		3	(8)
OPERATING PROFIT		**11,836**	**21,161**
Finance income		**63,150**	**47,061**
From equity investments	7.1	62,828	46,637
In group companies and associates		62,828	46,637
From marketable securities and other financial instruments		322	424
Of group companies and associates		141	14
Of third parties		181	410
Finance costs	**17.5**	**(1,273)**	**(1,146)**
On borrowings from group companies and associates		(446)	(146)
Third-party borrowings		(827)	(1,000)
Exchange gains (losses)		**(616)**	**(716)**
FINANCE INCOME		**61,261**	**45,199**
PROFIT BEFORE TAX		**73,097**	**66,360**
Income tax	**16.1**	**(408)**	**(3,681)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**72,689**	**62,679**
DISCONTINUED OPERATIONS			
Profit (loss) after tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**72,689**	**62,679**

VISCOFAN, S,A,
Statement of changes in equity for the year ended December 31, 2013
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2013

	Notes	2013	2012
PROFIT FOR THE PERIOD		**72,689**	**62,679**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/expense		**-**	**-**
From cash flow hedges	**12**	**36**	**319**
Grants, donations, and bequests received	**13**	**987**	**1,553**
Tax effect		**(307)**	**(562)**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**716**	**1,310**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/expense		**-**	**-**
From cash flow hedges	**12**	**(298)**	**391**
Grants, donations, and bequests received	**13**	**(1,977)**	**(2,041)**
Tax effect		**682**	**495**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**(1,593)**	**(1,155)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**71,812**	**62,834**

VISCOFAN, S,A,
Statement of changes in equity for the year ended December 31, 2013
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2013

	Issued capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 12)	Grants, donations, and bequests received (Note 13)	TOTAL
BALANCE AT DECEMBER 31, 2011	**32,623**	**12**	**257,639**	**56,105**	**(16,777)**	**(288)**	**2,266**	**331,580**
Total recognized income and expense	-	-	-	62,679	-	497	(342)	62,834
Transactions with shareholders and owners								
Dividends paid	-	-	-	(46,324)	(1,864)	-	-	(48,188)
Other changes in equity	-	-	9,781	(9,781)	-	-	-	-
BALANCE AT DECEMBER 31, 2012	**32,623**	**12**	**267,420**	**62,679**	**(18,641)**	**209**	**1,924**	**346,226**
Total recognized income and expense	-	-	-	72,689	-	(184)	(693)	71,812
Transactions with shareholders and owners								
Dividends paid	-	-	-	(50,984)	(467)	-	-	(51,451)
Other changes in equity								
Transfers between equity accounts	-	-	11,695	(11,695)	-	-	-	-
Balance sheet revaluation - Navarre Regional Law 21/2012	-	-	7,329	-	-	-	-	7,329
BALANCE AT DECEMBER 31, 2013	**32,623**	**12**	**286,444**	**72,689**	**(19,108)**	**25**	**1,231**	**373,916**

VISCOFAN, S,A,
Cash flow statement for the year ended December 31, 2013
(Thousands of euros)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**73,097**	**66,360**
Adjustments to profit			**(35,759)**
Depreciation and amortization	5 & 6	**(48,787)**	9,584
Impairment losses	6	12,320	(2)
Changes in provisions	8.1 & 9	(2)	74
Grants released to income	13	412	(224)
Results on disposal of property, plant, and equipment		(238)	8
Finance income		(18)	(47,061)
Finance costs	17.5	(63,150)	1,146
Exchange gains (losses)		1,273	716
		616	
Change in working capital			**(5,651)**
Inventories		**3,475**	(5,580)
Trade and other receivables		(1,635)	(1,126)
Other current assets		5,208	33
Trade and other payables		(3)	1,014
Other current liabilities		45	8
		(140)	
Other cash flows from operating activities			**41,933**
Interest paid		**56,558**	(737)
Dividends received		(479)	46,702
Interest received		62,835	410
Income tax receipts (payments)		305	(4,442)
		(6,103)	
CASH FLOW FROM OPERATING ACTIVITIES			**66,883**
		84,343	
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments			**(33,228)**
Group and associates	7	**(65,073)**	(24,403)
Intangible assets	5	(50,748)	(1,626)
Property, plant, and equipment		(1,941)	(7,181)
Other financial assets		(7,380)	(18)
		(5,004)	
Proceeds from disposals			**11,009**
Group companies and associates		**518**	-
Property, plant, and equipment		500	3
Other financial assets		15	11,006
		3	
CASH FLOWS FROM INVESTING ACTIVITIES		-	**(22,219)**
CASH FLOWS FROM FINANCING ACTIVITIES		**(64,555)**	
Proceeds from/(payments on) equity instruments			**117**
Redemption of equity instruments			-
Grants, donations, and bequests received	13	**600**	117
		600	
Proceeds from and payments of financial liabilities			**28,599**
Issues		**6,593**	
Bank borrowings			17,615
Accounts payable to group companies and associates		22,000	35,900
Other borrowings		31,000	2,627
Repayment and redemption of		5,935	
Bank borrowings			(19,511)
Borrowings from group companies and associates		(20,792)	(7,000)
Other borrowings		(30,000)	(1,032)
		(1,550)	
Dividends paid and payments on other equity instruments			**(48,188)**
Dividends			(48,188)
		(51,451)	
CASH FLOWS FROM FINANCING ACTIVITIES		(51,451)	**(19,472)**
NET FOREIGN EXCHANGE DIFFERENCE		**(44,258)**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**-**	**25,192**
Cash and cash equivalents at January 1		**(24,470)**	**76**
Cash and cash equivalents at December 31		**25,268**	**25,268**

VISCOFAN, S.A.
Notes to the financial statements for the year ended December 31, 2013

1. ACTIVITY

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

Its statutory and principal activity consists of the manufacture of cellulose, plastic, and collagen casings, mainly for use in the meat industry, as well as the generation of electricity by any technical means, both for own consumption and for sale to third parties.

Its industrial installations are located in Cáseda and Urdiáin (Navarre). The current registered address is that of the central offices in Tajonar (Navarre).

The Company is the parent of a group of companies which operate mainly in the food and cellulose, plastic, and collagen casing sectors. The directors prepared the Group's 2013 consolidated financial statements on February 27, 2014.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the new accounting principles approved by Royal Decree 1514/2007 of November 16, amended by Royal Decree 1159/2010, of September 17, and prevailing mercantile law.

These financial statements have been prepared by the directors of the company and will be submitted for approval by the shareholders in general meeting within the periods established by prevailing legislation. The directors of the Company consider that no significant changes will be made to the 2013 financial statements as a result of these meetings.

The directors have prepared the 2013 financial statements separately, applying the international financial reporting standards adopted by the European Union (IFRS-EU).

The figures shown in these financial statements are presented in thousands of euros unless otherwise indicated.

2.1 True and fair view

The accompanying financial statements have been prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position, and results. The cash flow statement has been prepared to present fairly the origin and usage of monetary assets such as cash and cash equivalents.

2.2 Comparison of information

In compliance with Spanish mercantile law, for comparative purposes for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and in the Notes thereto, in addition to the figures for 2013, those of 2012 have been included. The Notes likewise contain quantitative information from 2012, unless an accounting standard specifically states that this is not required.

2.3 Critical issues concerning the assessment of uncertainty

The directors have prepared the financial statements using estimates to determine the carrying amount of certain assets, liabilities, income and expenses, and for the breakdown of contingent liabilities. These estimates were made based on the best information available at year end. However, given the uncertainty inherent in them, events may occur in the future which require prospective adjustments.

Income from sale of cogenerated energy

On July 12, 2013, Royal Decree Law 9/2013 of July 12 was approved, relating to the remuneration regime and establishing the adoption of urgent measures to guarantee the financial stability of the electricity sector. The most relevant factor with respect to this law is the disappearance of the traditional regime for premiums and its replacement with a remuneration model based on "reasonable profitability."

Thus, in January 2014, a draft *Royal Decree* was published, including the following proposal presented to the National Securities Market Commission by the Secretary of State for Energy: *"Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste."*

The Company has estimated remuneration for energy sales for the period from July 14, 2013 to December 31, 2013, basing the calculation on parameters established in the proposed Ministerial Order.

3. APPROPRIATION OF PROFIT

The appropriation of 2013 profit proposed by the directors is expected to be approved by the shareholders in general meeting and is broken down as follows:

(Thousands of euros)	2013
Proposed appropriation	
Profit for the year	72,689
	72,689
Appropriation to	
Other reserves	20,773
Dividends (*)	51,916
	72,689

(*) This figure includes the interim dividend paid at December 23, 2013, amounting to 19,108 thousand euros (Note 3.1).

3.1 Interim dividend

On December 17, 2013, the Board of Directors approved an interim dividend against 2013 profit of 19,108 thousand euros based on profit projections for the period. This dividend was paid on December 23, 2013. The amount paid is less than the maximum limit established by prevailing legislation relating to distributable prior year profit.

The following table shows the provisional statement issued by the directors to substantiate that the Company has sufficient liquidity to distribute this dividend:

(Thousands of euros)	
Available cash at December 11, 2013	24,974
Cash flows from/(used in) operating activities	
Trade and other receivables	178,987
Other income	127
Accounts payable and suppliers	(121,452)
Payments made to employees	(37,625)
Interest paid	(1,609)
Other payments	(5,800)
Cash flow related to investment activities	
Dividends	55,098
Purchases of property, plant, and equipment	(25,000)
Cash flow related to financing activities	
Repayment of non-current borrowings	3,729
Dividends paid	(52,196)
Projected liquidity at December 11, 2014	**19,233**

3.2 Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders but can only be utilized to offset losses should there not be any corresponding reserves available. This reserve can equally be used to increase capital by the amount exceeding 10% of the new capital after the increase. The legal reserve had been fully set aside at December 31, 2013 (Note 11.3).

Once the legal and company bylaw requirements have been met, dividends may only be distributed against profit for the year or freely distributable reserves, if the value of equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

The main recognition and measurement accounting policies applied in the preparation of these financial statements are the following:

4.1 Intangible assets

Intangible assets are initially measured at either acquisition or production cost.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment loss.

The Company assesses the intangible asset's useful life to be either finite or indefinite. At December 31, 2013 all the Company's assets had a finite useful life.

Intangible assets having finite useful lives are amortized on a straight-line basis over their remaining estimated useful lives and residual value. Amortization methods and periods are reviewed at year end and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at year end and are written down where applicable.

Concession rights

Concession rights are recognized at the cost incurred, and are amortized over the ten-year period during which they are put to use.

Software

"Software" is recorded at the costs incurred and amortized on a straight-line basis over the useful life of the asset (five years).

Expenses for repairs which do not prolong the useful life of the assets, as well as expenses for maintenance, are taken to the income statement in the year incurred.

CO_2 emission rights

Greenhouse gas emission rights assigned or acquired for consumption during the Company's production process are initially recognized at acquisition cost as a non-amortizable intangible asset. When rights are acquired without payment of any consideration or at an amount substantially lower than their market value, income is directly recognized in equity at the beginning of the natural year to which the rights correspond. Subsequently, these amounts recognized in equity will be taken to the income statement as expenses recognized for the emissions associated with the rights received accrue.

Emission rights are subject to any impairment loss adjustments that may be necessary. These emission rights are eliminated from the balance sheet when they are sold or delivered to third parties, or have expired.

Emission rights acquired with the intention of reselling them are accounted for in accordance with the criteria established in the accounting and measurement standard on inventories in the Spanish GAAP.

4.2 Property, plant, and equipment

Property, plant, and equipment are initially measured at either acquisition or production cost, revalued up to 2013, in accordance with prevailing legislation, net of the corresponding accumulated depreciation.

Following initial measurement, PP&E items are stated at cost less accumulated depreciation and any recognized impairment loss.

The cost of assets acquired or produced subsequent to January 1, 2008, with installation periods exceeding one year, includes financial expenses accrued prior to putting the assets to use when these expenses meet capitalization requirements.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized as an increase in the value of the item.

When available for use, PP&E items are depreciated on a straight-line basis over their estimated useful lives.

The estimated useful lives of PP&E items at year end 2013 and 2012 are as follows:

	Useful lives
Buildings	30 years
Plant and machinery	10 years
Furniture	10 years
Other PP&E items	5-15 years

The Company reviews the assets' residual value, useful lives, and depreciation methods at year end and adjusts them prospectively where applicable.

4.3 Impairment of non-financial assets

The Company assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication of impairment exists, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of the cash-generating unit's (CGU) fair value less cost to sell and value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. To assess value in use, expected future cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized.

4.4 Leases

Leases are considered to be financial leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred to the Company. All other lease arrangements are classified as operating leases.

Assets acquired under financial lease arrangements are recognized, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the income statement when accrued.

4.5 Financial assets

Recognition and measurement

Loans and receivables

The Company recognizes trade and non-trade receivables in this category, which includes financial assets with fixed or determinable payments not quoted on active markets and for which the Company expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Following initial recognition, these financial assets are measured at amortized cost.

Nevertheless, non-trade receivables which mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, receivable dividends and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting cash flows is not significant.

Investments in group companies, joint ventures, and associates

This category includes investments in companies in which the entity exercises control, joint control via company bylaw requirements or contractual arrangement, or has significant influence.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Investments in group companies are recognized, where applicable, based on accounting principles for transactions with group companies and those used for determining the cost of the business combination in accordance with the accounting policy governing business combinations (Note 4.20).

When an investment is newly classified as a Group company, joint venture or associate, the carrying amount of that investment immediately prior to its new classification is taken as the cost of that investment. If applicable, any unrealized value adjustments to the investment which have been previously recognized directly in equity are left in equity until the investment is either sold or impaired.

The initial value includes preferential subscription and similar rights acquired.

Following initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Available-for-sale financial assets

This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. For equity instruments, initial value includes preferential subscription and similar rights.

After initial recognition, these assets are stated at fair value including any transaction costs which could be incurred when sold. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is taken to the income statement. However, foreign exchange gains and losses on monetary assets denominated in foreign currency are recognized in the income statement.

Equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Hedging derivatives

This category includes derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.8.

Cancelation

Financial assets are derecognized when the contractual rights to related cash flows have expired or when the assets are transferred, provided that related risks and rewards are substantially transferred.

If the Company has not substantially transferred or retained the risks and rewards incidental to ownership of the financial asset, it is derecognized if control over the asset has not been retained. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e., due to its continuing involvement, recognizing the associated liability as well.

The difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, plus any cumulative gain or loss directly recognized in equity, determines the gain or loss generated upon derecognition, and is included in the income statement in the year to which it relates.

Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income. Interest must be recognized using the effective interest rate method; dividends are recognized when the right to receive them is established.

Financial assets are recognized separately on initial measurement based on maturity, accrued explicit interest receivable at that date, and the proposed dividends up to the date the assets are acquired. Explicit interest refers to the contract interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since acquisition, the dividends are not recognized as income and decrease the cost of the investment.

4.6 Impairment of financial assets

The carrying amount of financial assets is adjusted against the income statement when there is objective evidence of actual impairment.

To determine impairment loss, the Company assesses the potential loss of individual as well as groups of assets with similar risk characteristics.

Debt instruments

There is objective evidence that debt instruments (trade receivables, loans and debt securities) are impaired when an event has occurred after initial recognition of the instrument that has a negative impact on related estimated future cash flows.

The Company classifies as impaired assets (doubtful exposures) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidences the possible irrecoverability of total agreed-upon future cash flows or collection delays.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash

flows, discounted at the current market rate upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the balance sheet date is used. For trade and other receivables, the Company considers balances including items more than six months past due for which collection is uncertain, as well as balances of companies having declared a payment's moratorium, to be doubtful assets. The fair value is used instead of the present value of estimated future cash flows in the case of quoted instruments provided that it is considered sufficiently reliable.

When there is objective evidence of a decline in the fair value of "Available-for-sale financial assets" due to impairment, the underlying capital losses recognized as "Unrealized gains (losses) reserve" in equity are taken to the income statement.

The reversal of an impairment loss is recognized in the income statement. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

Equity instruments

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in fair value.

In the case of equity instruments included in "Available-for-sale financial assets" and "Investments in group companies, joint ventures and associates," impairment loss is measured as the difference between the carrying amount of the financial asset and the recoverable amount, which is the greater of the asset's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment of this type of asset is estimated taking into account the equity of the subsidiary, adjusted by any unrealized capital gain existing on the measurement date. Such losses are recorded in the income statement as a direct decline in value of the equity instrument.

For investments in group companies, joint ventures and associates, the reversal of an impairment loss is recognized in the income statement and is limited to the carrying value of the investment that would have been recognized on the reversal date had the original impairment not occurred.

4.7 Financial liabilities

Recognition and measurement

Trade and other payables

This category includes financial liabilities generated by the purchase of goods and services arising from trade transactions, and non-trade payables that are not derivative instruments.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Following initial recognition, these financial liabilities are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables which mature within less than one year with no contractual

interest rate, as well as called-up payments on shares, the amount of which is expected in the short term, are carried at the nominal value when the effect of not discounting cash flows is not significant.

Hedging derivatives

This category includes derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.8.

Cancellation

The Company derecognizes a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged, provided that their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of the derecognized financial asset (or part of it) and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

When debt instruments are exchanged whose contractual terms are not substantially different, the original financial liability is not derecognized, and the commissions paid are recognized as an adjustment to the carrying amount. The new amortized cost of a financial liability is determined by applying the effective interest rate, which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

4.8 Hedge accounting

The Company uses fair value hedges for trade receivables denominated in foreign currency, cash flow hedges on floating-rate loans, and cash flow hedges attributable to the price of certain raw materials.

Transactions are only deemed hedges when they eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position (retrospective effectiveness).

The Company adequately documents the hedge, including how it intends to achieve and measure its effectiveness under its current risk management policy.

The hedge effectiveness is measured by testing to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the remaining term to maturity, and comply with forecasts established at the related contract dates.

If at any time financial derivatives do not qualify to be treated as hedges, they are reclassified as held-for-trading derivatives, in which case any gain or loss arising from changes in fair value on derivatives are directly recognized in the income statement.

For the purpose of hedge accounting, hedges are classified as *cash flow hedges.* Thus, cash flow hedges are designed to hedge exposure to variability in cash flows attributable to the changes in the exchange rates for purchases and sales carried out in foreign currency, the variability in cash flows attributable to changes in interest rates on loans taken out and the changes in prices of raw materials. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; gains or losses are taken to the income statement in the year or years in which the hedged item affects profit or loss.

4.9 Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancelation. Expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.10 Inventories

Stocks are valued at acquisition price or production cost. Costs of purchase include the invoice price after deducting any trade discounts, rebates and other similar items, plus all other costs incurred until the goods are available for sale, such as transport, customs, insurance, and others directly attributable to the acquisition of inventory items. Production cost is determined by adding the costs directly attributable to the product to the purchase price of raw materials and other consumables. The portion of indirectly attributable costs incurred in preparing the tools for sale that can reasonably be allocated to the products in question are also included, to the extent that such costs are related to the manufacturing or construction process and are based on normal working conditions for the means of production.

Given that Company inventory is available-for-sale in less than one year, finance costs are not included in the acquisition or production cost.

The Company measures inventory at weighted average cost.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement. No provision is set aside for raw materials and other consumables used in production, if the finished products in which they are incorporated are sold above cost.

4.11 Cash and cash equivalents

This heading includes cash and current accounts, as well as deposits which meet the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.12 Grants

Grants are recognized as non-repayable when the requirements established for receiving them are met and are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities until they meet the criterion for being considered non-repayable. No income is recorded until this criterion is met.

Grants received to finance specific expenses are released to the income statement in the year in which the expenses which they are intended to compensate are incurred. Grants received to acquire property, plant, and equipment are released to income in proportion to the depreciation charged for the related assets.

4.13 Provisions

Provisions are recognized in the balance sheet when the Company has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law) as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, recognizing provision discount adjustments as a finance cost as they accrue. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for CO_2 emission rights

As of 2006, companies included in the National Assignment Plan that emit CO_2 in their operating activities, must submit the corresponding amount of CO_2 emission rights in the early months of the year subsequent to the year in which they occurred.

The obligation to submit CO_2 emission rights for CO_2 emissions during the year is recorded in "Current provisions" on the balance sheet, while the related cost is recognized under "Other operating expenses". This obligation is measured at the same amount as the CO_2 emission rights submitted to cover CO_2 emissions, which are recognized under "Other intangible assets."

4.14 Provisions for long-term employee benefits

The Company has no pension commitments whereby it is obliged to make contributions to a separate entity, such as an insurance company or a pension plan.

However, the Company does have early retirement and seniority bonus commitments with employees. The Company has externalized these commitments through insurance policies and has recognized the amounts paid under "Employee benefits expense."

4.15 Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity.

Deferred income tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the balance sheet, as applicable.

Deferred tax liabilities are recognized for all temporary differences, except where disallowed by prevailing tax legislation.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

At each financial year end, the Company assesses the deferred tax assets recognized and those that have not yet been recognized. Based on this analysis, the Company derecognizes the asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset that had not been recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

4.16 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; and are expected to mature, to be sold or settled within one year; and when they are held for trading or correspond to cash and cash equivalents the use of which is not restricted to more than one year.

4.17 Income and expenses

In accordance with the accruals principle, income and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Income

Income is recognized when it is probable that the profit or economic benefits from the transaction will flow to the entity and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any discounts, rebates, and other similar items given by the Company, and any interest included in the nominal amount of loans. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

4.18 Transactions in foreign currency

The Company's functional and presentation currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognized in the income statement.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the income statement.

4.19 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are expensed in the year to which they relate, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

4.20 Related-party transactions

Related-party transactions are measured as described above, except for the following:

- Non-monetary contributions from a business to a Group company are generally measured at the carrying amount of the assets delivered in the consolidated financial statements at the transaction date.
- In mergers and spin-offs the acquired assets are generally valued at their carrying amount in the consolidated financial statements after the transaction. Any differences are recognized in reserves.

The prices of related-party transactions are adequately documented; hence the Company's directors consider there to be no risk of significant liabilities arising from these.

4.21 Termination benefits

In accordance with prevailing mercantile legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

4.22 Applicable regulations for future periods

At the date these financial statements were prepared, the ICAC (Institute of Accounting and Auditors of Accounts) resolution of September 18, 2013 had been published, regulating recognition, measurement, and information to be included in the notes to the financial statements with respect to impairment of assets. This regulation introduces modifications to estimating impairment and is applicable for years starting on January 1, 2014, or beyond.

The Company has not finalized its analysis of the potential effect this new regulation could have on the 2014 financial statements. Nevertheless, the analysis performed to date points to the potential effects, if any, being of scant importance.

5. INTANGIBLE ASSETS

The movements in this heading are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
2013					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	10,839	1,666	-	76	12,581
Greenhouse gas emission rights	3,243	655	(1,857)	-	2,041
Payments on account for non-current intangible assets	76	8	-	(76)	8
	16,821	2,329	(1,857)	-	17,293
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(1,107)	(225)	-	-	(1,332)
Software	(6,939)	(1,112)	-	-	(8,051)
	(8,082)	(1,337)	-	-	(9,419)
Net carrying amount	**8,739**				**7,874**
2012					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	9,027	1,605	-	207	10,839
Greenhouse gas emission rights	4,248	1,437	(2,442)	-	3,243
Payments on account for non-current intangible assets	262	21	-	(207)	76
	16,200	3,063	(2,442)	-	16,821
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(882)	(225)	-	-	(1,107)
Software	(6,132)	(807)	-	-	(6,939)
	(7,050)	(1,032)	-	-	(8,082)
Net carrying amount	**9,150**				**8,739**

At December 31, 2013 and 2012, the cost value of fully amortized intangible assets amounted to 5,522 thousand and 5,202 thousand euros, respectively.

5.1 Information on greenhouse gas emission rights

The Company received 229,913 free emission rights in 2012 corresponding to the 2008 - 2012 National Allocation Plan, approved by Royal Decree 1370/2006, and separate allocations from the Ministry of the Environment and Rural and Marine Affairs in 2009 and 2010.

In 2013, the Company received 62,367 free emission rights as a result of the agreement reached by the Council of Ministers dated November 15, 2013, which approved the final free allocation of emission rights for installations subject to the emission rights allowances trading scheme for the 2013-2020 period.

The movements in emission rights during 2013 and 2012 were as follows:

(number of rights)	Balance at January 1	Purchases	Free allocation	Sales	Consumption	Balance at December 31
2013						
Greenhouse gas emission rights	363,024	86,227	62,367	(4,496)	(203,421)	303,701
2012						
Greenhouse gas emission rights	313,091	-	229,913	-	(179,980)	363,024

The expense for greenhouse gas emissions recognized under "Other operating expenses" at December 31, 2013 and 2012, amounts to 1,699 thousand and 1,817 thousand euros, respectively (Note 14).

Further, income relating to the transfer of subsidized greenhouse gas emission rights recognized under "Ancillary income" amounts to 1,739 thousand and 1,817 thousand euros at December 31, 2013 and 2012, respectively (Note 12.2.).

5.2 Other information

The breakdown of intangible assets acquired from Group companies at December 31 is as follows:

(Thousands of euros)	2013	2012
Software		
Cost	256	256
Accumulated amortization	(76)	(25)
	180	**231**

At December 31, 2013 and 2012, the Company did not have any intangible assets located outside Spain.

At December 31, 2013 and 2012, there were firm purchase commitments for the acquisition of intangible assets amounting to 17 thousand and 145 thousand euros respectively.

6. PROPERTY, PLANT, AND EQUIPMENT

The movements in the items composing "Property, plant, and equipment" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Balance sheet revaluation - Navarre Regional Law 21/2012 (Note 6.2)	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2013						
Cost						
Land	206	-	59	-	-	265
Buildings	24,390	-	3,748	-	-	28,138
Plant and other PP&E items	222,069	7,941	3,908	(77)	43	233,884
Property, plant, and equipment under construction and payments on account	43	203	-	-	(43)	203
	246,708	8,144	7,715	(77)	-	262,490
Accumulated depreciation						
Buildings	(12,859)	(1,282)	-	-	-	(14,141)
Plant and other PP&E items	(173,688)	(9,701)	-	77	-	(183,312)
	(186,547)	(10,983)	-	77	-	(197,453)
Impairment losses						
Buildings	(34)	-	-	2	-	(32)
	(34)	-	-	2	-	(32)
Net carrying amount	**60,127**					**65,005**
2012						
Cost						
Land	206	-	-	-	-	206
Buildings	24,390	-	-	-	-	24,390
Plant and other PP&E items	214,060	6,800	-	(82)	1,291	222,069
Property, plant, and equipment under construction and payments on account	1,291	43	-	-	(1,291)	43
	239,947	6,843	-	(82)	-	246,708
Accumulated depreciation						
Buildings	(12,073)	(786)	-	-	-	(12,859)
Plant and other PP&E items	(165,993)	(7,766)	-	71	-	(173,688)
	(178,066)	(8,552)	-	71	-	(186,547)
Impairment losses						
Buildings	(36)	-	-	2	-	(34)
	(36)	-	-	2	-	(34)
Net carrying amount	**61,845**					**60,127**

6.1 Significant movements

Additions in 2013 and 2012 mainly relate to machinery and installations acquired to improve productivity and increase capacity at the Company's manufacturing plants.

In addition, in 2013 the Company opted to restate balances as regulated by Navarre Regional Law 21/2012, which had an impact amounting to 7,715 thousand euros (Note 6.2).

6.2 Revaluation of assets

The Company opted for the possibility established in Navarre Regional Law 21/2012 of December 26, allowing the revaluation of PP&E items. The breakdown for net gains, tax paid, and impact on reserves in 2013, is as follows:

(Thousands of euros)	Restated net carrying amount	Initial net carrying amount	Restated amount
Land	265	(206)	59
Buildings	15,789	(12,041)	3,748
Plant	18,719	(17,465)	1,254
Machinery	25,006	(23,353)	1,653
Tools	-	-	-
Other installations	7,121	(6,159)	962
Furniture	609	(581)	28
Other PP&E items	77	(66)	11
	67,586	**59,871**	**7,715**
Tax paid (5%)			(386)
Revaluation Reserve Regional Navarre Law 21/2012 (Nol 11.4)			**7,329**

At December 31, 2013, depreciation expenses for assets subjected to revaluations under the Navarre Regional Law 21/2012 total 2,017 thousand euros.

In addition, in 1996 the Company opted for the Navarre Regional Law 23/1996, carrying out a revaluation of assets by virtue of which the cost and accumulated depreciation of its PP&E increased, resulting in net gains of 9,282 thousand euros (Note 11.4). The net carrying amount of these restated assets at December 31, 2013 and 2012, amounts to 383 thousand and 453 thousand euros, respectively, while depreciation for these years amounts to 70 thousand and 74 thousand euros, respectively.

6.3 Finance leases

The net carrying amount of property, plant, and equipment held under finance leases at December 31 is as follows:

(Thousands of euros)	2013	2012
Other PP&E		
Cost	8	210
Accumulated depreciation	(3)	(57)
	5	**153**

The initially recognized cost value for assets held under finance leases was the present value of future minimum lease payments on the date the lease agreement was signed.

The reconciliation between the total future minimum lease payments and the present value at December 31 is as follows:

(Thousands of euros)	2013		2012	
	Future minimum payments	Present value (Note 15.1)	Future minimum payments	Present value (Note 15.1)
Within one year	1	1	44	44
Between one and four years	-	-	-	-
	1	**1**	**44**	**44**

The principal terms of finance lease agreements are as follows:

- The lease is for a term between 2 and 4 years.
- The interest rate is floating and is linked to 12-month Euribor plus a fixed spread of between 1.1 and 1.5 percentage points.
- Repair and maintenance expenses are assumed by the lessor.
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

6.4 Operating leases

The Company rents the building in Urdiain (Navarre) where it carries out its activity and a commercial office in Moscow at an annual cost of 110 thousand and 108 thousand euros in 2013 and 2012, respectively. In both cases the duration of the leases is one year, and is renewable. No purchase option is exercised in either.

In addition, the Company signed a lease agreement for the office building in Tajonar (Navarre) in December 2008, expanded and modified in May 2013. As a consequence of the modification, the Company is obliged to maintain the lease until at least May 1, 2015. From said date the Company can decide to terminate the contract unilaterally before the 20 years stipulated in the initial contract have elapsed.

The future minimum payments under non-cancelable operating leases at December 31 are as follows:

(Thousands of euros)	2013	2012
Within one year	271	264
Between one and five years	90	1,057
More than five years	-	2,907
	361	**4,228**

6.5 Other disclosures

The Company has acquired the following property, plant, and equipment from group companies at December 31:

(Thousands of euros)	2013	2012
Plant and machinery		
Cost	2,506	2,500
Accumulated depreciation	(2,201)	(2,140)
Other PP&E items		
Cost	34	34
Accumulated depreciation	(34)	(34)
	305	**360**

At December 31, 2013 and 2012, there were PP&E items located outside Spain, recognized at 36 thousand and 21 thousand euros, respectively.

At December 31 of 2013 and 2012, the Company had firm purchase commitments for property, plant, and equipment totaling 83 thousand and 140 thousand euros, respectively, in connection with investments under construction or prepayments made which will be financed with Company capital or undrawn credit facilities.

The breakdown for fully depreciated property, plant, and equipment is as follows:

(Thousands of euros)	2013	2012
Buildings	2,324	2,053
Plant and machinery	118,952	114,845
Plant and other PP&E items	22,901	19,700
Property, plant, and equipment	6,339	6,151
	150,516	**142,749**

The Company has arranged insurance policies to cover the carrying amount of these assets.

PP&E items for environmental activity are described in Note 21.3.

Subsequent to publication of the Royal Decree draft and the proposed *"Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste"* which the Secretary of State for Energy has sent to the National Securities Market Commission, the Company performed a test, basing income on the parameters established in said Order without detecting any need to allocate an impairment provision.

7. INVESTMENTS IN GROUP COMPANIES, JOINT VENTURES, AND ASSOCIATES

The movements in the items composing "Investments in group companies, joint ventures, and associates" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
2013					
Equity instruments	295,914	33,924	-	-	329,838
	295,914				**329,838**
2012					
Equity instruments	271,511	24,403	-	-	295,914
	271,511				**295,914**

In 2013 the Company carried out the following transactions:

- A payment of 18.8 million euros was made in connection with capital increases in Viscofan Technology (Suzhou) Co. Ltd. Of this amount, 2.8 million euros correspond to the remaining 20% of the capital increase agreed upon in 2012, while the other 16 million euros correspond to the increase agreed upon in 2013.

- In addition, 15.1 million euros were paid out for capital increases carried out in Viscofan Uruguay, S.A.

Said capital increases were carried out with a view to financing the investments made by said subsidiaries.

Further, in 2012 the Company carried out the following transactions:

- An 11.6 million euro payment was made, corresponding to the remaining 80% of the capital increase agreed upon in 2011 in Viscofan Technology (Suzhou) Co. Ltd. The Company also paid out 11.2 million euros corresponding to 80% of the 14 million euro capital increase agreed upon in 2012.

- Another 1.6 million euros were paid out to finance investments planned for Viscofan Uruguay, S.A. to initiate its activities.

7.1 Description of investments in group companies, joint ventures, and associates

The information relating to group companies, joint ventures, and associates at December 31 is as follows:

	Thousands of euros			Local currency (thousands)					
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2013									
Industrias Alimentarias de Navarra, S.A.U.	15,602	1,000	100%	EUR	10,938	36,909	3,685	51,532	4,076
Naturin Viscofan, GMBH	90,570	8,000	100%	EUR	29,604	26,854	11,696	68,154	16,138
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	15,467	100%	BRL	86,868	38,549	51,718	177,135	76,619
Gamex CB Sro	7,498	165	100%	CZK	250,000	25,000	3,588	278,588	3,445
Viscofan USA Inc.	34,729	-	100%	USD	35,587	67,290	4,465	107,342	6,986
Viscofan UK LTD	1,841	-	100%	GBP	10	2,244	373	2,627	308
Viscofan CZ, S.r.o	10,503	20,000	100%	CZK	345,200	1,000,468	655,748	2,001,416	777,050
Viscofan de México S.R.L. de C.V.(1)	13,741	18,196	99.99%	MXP	219,777	184,406	227,059	631,242	316,065
Viscofan Centroamérica Comercial, S.A.(1)	166	-	99.50%	USD	200	726	241	1,167	353
Koteks Viscofan, d.o.o.	33,307	-	100%	RSD	3,028,896	578,965	953,251	4,561,112	1,015,632
Viscofan de México Servicios, S.R.L. de C.V.(1)	16	-	99.99%	MXP	103	10,791	9,714	20,608	12,026
Viscofan Technology (Suzhou) Co. Ltd	52,000	-	100%	CNY	431,021	(790)	23,115	453,346	35,750
Viscofan Uruguay, S.A.	16,727	-	100%	UYU	457,310	(5,888)	(46,941)	404,481	(48,673)
	329,838	**62,828**							
2012									
Industrias Alimentarias de Navarra, S.A.U.	15,602	3,500	100%	EUR	10,938	34,289	3,801	49,028	4,262
Naturin Viscofan, GMBH	90,570	7,000	100%	EUR	29,604	25,259	9,595	64,458	14,120
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	18,604	100%	BRL	86,868	34,701	48,848	170,417	70,199
Gamex CB Sro	7,498	1,849	100%	CZK	250,000	25,000	4,253	279,253	2,911
Viscofan USA Inc.	34,729	-	100%	USD	35,587	59,390	7,900	102,877	12,748
Viscofan UK LTD	1,841	-	100%	GBP	10	1,893	351	2,254	480
Viscofan CZ, S.r.o	10,503	6,091	100%	CZK	345,200	808,023	708,345	1,861,568	785,621
Viscofan de México S.R.L. de C.V.(1)	13,741	9,593	99.99%	MXP	219,777	277,348	207,790	704,915	314,952
Viscofan Centroamérica Comercial, S.A.(1)	166	-	99.50%	USD	200	669	57	926	77
Koteks Viscofan, d.o.o.	33,307	-	100%	RSD	3,028,896	(183,726)	762,692	3,607,862	964,274
Viscofan de México Servicios, S.R.L. de C.V.(1)	16	-	99.99%	MXP	103	7,696	3,095	10,894	5,468
Viscofan Technology (Suzhou) Co. Ltd	33,200	-	100%	CNY	278,936	(11,400)	10,611	278,147	15,092
Viscofan Uruguay, S.A.	1,603		100%	UYU	42,753	-	(5,888)	36,865	(4,250)
	295,914	**46,637**							

(1) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies.

The operating profit (loss) of the group companies, joint ventures, and associates shown in the above table correspond entirely to continuing operations. None of the companies is listed on the stock exchange.

The description of the main activity and registered address of each of the companies listed above at December 31, 2013 is as follows:

Company	Activity	Registered office
Industrias Alimentarias de Navarra, S.A.U.	Manufacture and sale of preserved vegetables	Villafranca (Navarra)
Naturin Viscofan GMBH	Manufacture and sale of artificial casings	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda	Manufacture and sale of artificial casings	Sao Paulo (Brazil)
Gamex CB Sro	Renting of an industrial warehouse where Viscofan CZ, S.r.o carries out activities/Other services	Ceske Budejovice (Czech Republic)
Viscofan USA Inc	Manufacture and sale of artificial casings	Montgomery (USA)
Viscofan UK LTD	Commercial office	Seven Oaks (UK)
Viscofan CZ, S.r.o	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	Manufacture and sale of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	Commercial office	San José (Costa Rica)
Koteks Viscofan, d.o.o.	Manufacture and sale of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	Service company	Zacapu Michoacán (Mexico)
Viscofan Technology (Suzhou) Co. Ltd.	Manufacture and sale of artificial casings	Suzhou (China)
Viscofan Uruguay, S.A.	Manufacture and sale of artificial casings	Montevideo (Uruguay)

All companies performed favorably, achieving positive results. The only company with losses in 2013 was Viscofan Uruguay, S.A., a newly created company. Construction of productive plants was underway in 2013 at the company, which initiated the trial phase of its activities at year end. Thus, given the positive performance and prospects for all companies, there are no indications of any impairment and no related provision was recognized at December 31, 2013.

The breakdown for indirect investments in group companies and associates at December 31, 2013 is as follows:

Company	Indirect investment	Activity	Registered office
IAN Perú, S.A.	100%	Asparagus production	Cañete (Peru)
Lingbao Baolihao Food	100%	Asparagus production	Lingbao (China)
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial office	St, Laurent, Québec (Canada)

8 FINANCIAL ASSETS

The breakdown of financial assets, except for investments in group companies, joint ventures, and associates (Note 7), at December 31 is as follows:

	Equity instruments		Loans, derivatives, and other financial assets		Total	
(Thousands of euros)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Non-current financial assets						
Loans and receivables	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	84	84	-	-	84	84
	84	84	48	48	132	132
Current financial assets						
Loans and receivables	-	-	52,626	36,763	52,626	36,763
Hedging derivatives	-	-	55	589	55	589
	-	-	52,681	37,352	52,681	37,352
	84	**84**	**52,729**	**37,400**	**52,813**	**37,484**

These amounts are disclosed in the balance sheet as follows:

	Equity instruments		Loans, derivatives, and other financial assets		Total	
(Thousands of euros)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Non-current financial assets						
Investments	84	84	48	48	132	132
	84	84	48	48	132	132
Current financial assets						
Trade and other receivables (Note 8.1)	-	-	30,503	35,977	30,503	35,977
Investments in group companies and associates						
Loans to companies (Note 19.1)	-	-	16,956	616	16,956	616
Loans and receivables (Note 19.1)	-	-	163	170	163	170
Investments						
Hedging derivatives (Note 13)	-	-	55	589	55	589
Current financial investments (Note 8.2)	-	-	5,004	-	5,004	-
	-	-	52,681	37,352	52,681	37,352
	84	**84**	**52,729**	**37,400**	**52,813**	**37,484**

8.1 Trade and other receivables

The breakdown of "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2013	2012
Trade receivables	18,547	24,246
Receivable from group companies and associate (Note 19.1)	11,845	11,571
Other receivables	55	65
Receivables from employees	56	95
	30,503	**35,977**

The breakdown of "Trade and other receivables" denominated in foreign currency at December 31 is as follows:

(Thousands of euros)	2013	2012
US Dollar	11,099	10,873
Canadian Dollar	-	197
Japanese Yen	434	331
Pounds Sterling	851	1,181
	12,384	**12,582**

Impairment losses

The balance of "Trade receivables" is presented net of impairment. The movements in said impairment losses are as follows:

(Thousands of euros)	2013	2012
Balance at January 1	56	21
Allowance for the year	73	43
Transfer to irrecoverable debts	(13)	(8)
Balance at December 31	**116**	**56**

8.2 Current financial investments

At December 31, 2013, the Company recognized 5 million euros corresponding to a time deposit maturing in January 2014. The deposit accrues interest at 3% APR. At December 31, 2012, the Company had no time deposits.

9. INVENTORIES

The movements in "Impairment losses" are as follows:

(Thousands of euros)	Goods for resale, raw material, and other consumables	Work in progress and finished products	Total
2013			
Balance at January 1	812	652	1,464
Impairment losses	120	219	339
Recoveries in value	-	-	-
Balance at December 31	**932**	**871**	**1,803**
2012			
Balance at January 1	804	629	1,433
Impairment losses	120	23	143
Recoveries in value	(112)	-	(112)
Balance at December 31	**812**	**652**	**1,464**

The impairment losses on inventories are mainly due to the fall in market prices of certain lines of semi-finished and finished products, as well as slow moving product lines.

At December 31, 2013 and 2012, there were no firm purchase commitments for raw materials or for the sale of finished goods other than those related to purchase and sales orders from the Company's normal business activity.

The Company has arranged insurance policies which guarantee recovery of the carrying amount of inventories in the event of possible damage affecting their use or sale.

10. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" at December 31 is as follows:

(Thousands of euros)	2013	2012
Cash	27	20
Current accounts	771	25,248
	798	**25,268**

Current accounts were at market interest rates.

Cash and cash equivalents are unrestricted.

11. EQUITY – CAPITAL AND RESERVES

11.1 Issued capital

At December 31, 2013 and 2012, the Company's share capital consisted of 46,603,682 bearer shares with a par value of 0.70 euros each. The shares were fully subscribed and paid in.

All shares bear the same voting and dividend rights and obligations.

At December 31, 2013 and 2012, the Company had no shareholders whose ownership interest was more than 10%.

At December 31, 2013 and 2012, the Company did not own any treasury shares.

All of the Company's shares are listed on the Spanish Stock Exchange.

11.2 Share premium

There were no movements in the share premium in 2013 and 2012.

This reserve is freely distributable, subject to the same restrictions as those for the voluntary reserves.

11.3 Reserves

The movements in the items composing "Reserves" are as follows:

(Thousands of euros)	Balance at January 1	Balance sheet revaluation (Note 6.2)	Appropriation of results	Balance at December 31
2013				
Legal reserve	6,525	-	-	6,525
Revaluation reserve Navarre Regional Law 23/1996	8,567	-	-	8,567
Revaluation reserve Navarre Regional Law 21/2012	-	7,329	-	7,329
Merger reserves	119	-	-	119
Voluntary reserves	252,209	-	11,695	263,904
	267,420	**7,329**	**11,695**	**286,444**
2012				
Legal reserve	2,935	-	3,590	6,525
Revaluation reserve Navarre Regional Law 23/1996	8,567	-	-	8,567
Merger reserves	119	-	-	119
Voluntary reserves	246,018	-	6,191	252,209
	257,639	**-**	**9,781**	**267,420**

11.4 Balance sheet revaluation reserve

Revaluation reserve Navarre Regional Law 23/1996

As permitted by legislation prevailing at that time, at December 31, 1996, the Company revalued its PP&E by 9,282 thousands of euros (Note 6.2). The resulting revaluation reserve, which comprises the revaluation of PP&E, net of a 3% tax charge, amounts to 9,003 thousands of euros.

This restatement was inspected by the tax authorities during 1999 and can, accordingly, be applied free of tax to:

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

Revaluation reserve Navarre Regional Law 21/2012

The Company has opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to allowed items recorded in the balance sheet for the year ended December 31, 2012, with the resulting reserve, net of 5% tax, amounting to 7,329 thousand euros.

The balance of the revaluation reserve of Navarre Regional Law 21/2012 will not be distributable until it has been verified and accepted by the tax authorities. Said verification, which had not been carried out at December 31, 2013, must be performed within three years from the date of presentation of the corporate tax return for 2012. Once the verification has been performed or the time stipulated for said verification has elapsed, the balance recognized can be utilized to:

- Offset prior years' losses.
- Increase share capital.
- Increase freely distributable reserves once ten years have elapsed from the closing date of the balance sheet for the year in which the revaluation was recognized. However, said balance can only be distributed, directly or indirectly, when the restated equity items have been fully depreciated, transferred, or derecognized.

11.5 Voluntary reserves and merger reserves

These reserves are freely distributable.

12. OTHER EQUITY ITEMS

12.1 Unrealized gains (losses) reserve

The movements in the items composing "Unrealized gains (losses) reserve" are as follows:

(Thousands of euros)	Balance at January 1	Income/(expenses)	Tax effect of income/(expense)	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2013						
Cash flow hedges						
Exchange rate hedges	86	-	-	(122)	36	-
Interest rate hedges	(15)	-	-	21	(6)	-
Raw materials (gas)	138	36	(11)	(197)	59	25
	209	**36**	**(11)**	**(298)**	**89**	**25**
2012						
Cash flow hedges						
Exchange rate hedges	(523)	123	(37)	747	(224)	86
Interest rate hedges	(34)	-	-	28	(9)	(15)
Raw materials (gas)	269	196	(59)	(384)	116	138
	(288)	**319**	**(96)**	**391**	**(117)**	**209**

12.2. Grants received

The movements in the items composing "Non-repayable grants" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2013						
Non-repayable grants	926	600	(180)	(238)	71	1,179
Grants for greenhouse gas emission rights	998	387	(116)	(1,739)	522	52
	1,924	**987**	**(296)**	**(1,977)**	**593**	**1,231**
2012						
Non-repayable grants	1,001	117	(35)	(224)	67	926
Grants for greenhouse gas emission rights	1,265	1,436	(431)	(1,817)	545	998
	2,266	**1,553**	**(466)**	**(2,041)**	**612**	**1,924**

"Grants for greenhouse gas emissions" includes the amount of those rights which the Company has not yet consumed (Notes 5 and 14). At December 31, 2013 and 2012, the Company had 98,024 and 159,603 unused emission rights, respectively.

Throughout 2012 and 2012, the Company received grants related to income totaling 390 thousand and 702 thousand euros, respectively. These grants basically financed R&D expenses during both years, as well as training given to Company staff.

13. DERIVATIVE FINANCIAL INSTRUMENTS

All Visofan, S.A.'s derivatives at December 31, 2013 and 2012, were designated as hedging instruments.

The breakdown of the balances at December 31, 2013 and 2012, including the values of derivatives at those dates, is as follows:

	2013		2012	
(Thousands of euros)	Current financial assets (Note 8)	Current financial liabilities	Current financial assets (Note 8)	Current financial liabilities (Note 15.2)
Interest rate hedges	-	-	-	21
Exchange rate hedges	19	-	393	-
Raw material hedges	36	-	196	-
	55	**-**	**589**	**21**

Part of the fair value of the exchange rate insurances at year end was recognized as finance income or expense on the income statements for 2013 and 2012. The amount recognized directly in the statement of recognized income and expense relates to exchange rate insurances designated as hedges to cover amounts payable or receivable, which are recognized in the financial statements at the exchange rate at year end.

Exchange rate hedges

Viscofan, S.A. uses derivatives to hedge exchange rates in order to mitigate the possible adverse effects that exchange rate fluctuations might have on transactions in currencies other than the functional currency.

At December 31, 2013 and 2012, the fair value of exchange rate hedges amounted to 19 thousand and 393 thousand euros, respectively. Of this amount, 19 thousand and 270 thousand euros have already been recognized in the income statement for the corresponding year since they are linked to sales transactions already carried out whose related trade receivables denominated in foreign currency were recognized at the year-end exchange rate. The remaining amount at December 31, 2012, i.e., 123 thousand euros, was recognized directly in equity net of the related tax effect as it corresponds to exchange rate hedges covering sales that were carried out in 2013 and for which there were no related amounts receivable at December 31. At December 31, 2013, the Company did not recognize any exchange rate hedges in equity.

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

Thousands of euros	2013	2012
US dollar	1,000	12,000
Pounds sterling	-	800

Raw material hedges

A significant amount of the Company's production costs is linked to energy costs. The Company mitigated any negative effects of varying energy prices by carrying out the following transactions:

- In 2013 the parent signed hedge contracts covering the cost for a total notional amount of 710,000 Mwh of gas. Said contracts cover gas purchases for the period from July 2013 to January 2015. The prices contracted range between 2.900 and 2.940 euro cents per KWh. These contracts were arranged in accordance with the Company's hedging policy to cover up to 80% of expected gas consumption.

- In 2012 hedge contracts were signed covering the cost for a notional amount of 270,000 Mwh of gas. These hedges covered the period from August 2012 to April 2013 (30,000 Mwh per month), with a cost per Kwh amounting to 2.738 euro cents. The Company thus covered 1/3 of the expected consumption for this period.

Interest rate swap

During 2009, the Company signed two swap agreements for which it pays a fixed interest of 2.07% (swap 1) and 2.29% (swap 2), at a three-month floating Euribor rate. Both swaps were designated as cash flow hedges of the interest rate risk inherent in the loans. Both matured in 2013.

At December 31, 2013, the Company had not contracted any interest rate swaps.

14. PROVISIONS AND CONTINGENCIES

The breakdown of "Provisions" at December 31 is as follows:

(Thousands of euros)	Current	Total
2013		
Provision for greenhouse gas emission rights (Note 5.1)	1,699	1,699
	1,699	**1,699**
2012		
Provision for greenhouse gas emission rights (Note 5.1)	1,817	1,817
	1,817	**1,817**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized and payments	Balance at December 31
2013				
Provision for greenhouse gas emission rights	1,817	1,699	(1,817)	1,699
	1,817	**1,699**	**(1,817)**	**1,699**
2012				
Provision for greenhouse gas emission rights	2,442	1,817	(2,442)	1,817
	2,442	**1,817**	**(2,442)**	**1,817**

15. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" at December 31 is as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2013	2012	2013	2012	2013	2012
Non-current financial liabilities						
Trade and other payables	20,000	1,771	14,505	5,361	34,505	7,132
	20,000	1,771	14,505	5,361	34,505	7,132
Current financial liabilities						
Trade and other payables	12,308	29,194	55,578	56,650	67,886	85,844
Hedging derivatives	-	-	-	21	-	21
	12,308	29,194	55,578	56,671	67,886	85,865
	32,308	**30,965**	**70,083**	**62,032**	**102,391**	**92,997**

These amounts are disclosed in the balance sheet as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2013	2012	2013	2012	2013	2012
Non-current financial liabilities						
Borrowings	20,000	1,771	14,505	5,361	34,505	7,132
	20,000	1,771	14,505	5,361	34,505	7,132
Current financial liabilities						
Borrowings	12,308	29,194	4,757	3,954	17,065	33,148
Borrowings from group companies and associates	-	-	32,648	36,022	32,648	36,022
Trade and other payables	-	-	18,173	16,695	18,173	16,695
	12,308	29,194	55,578	56,671	67,886	85,865
	32,308	**30,965**	**70,083**	**62,032**	**102,391**	**92,997**

15.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31 was the following:

(Thousands of euros)	2013	2012
Non-current		
Loans and borrowings	20,000	1,771
	20,000	1,771
Current		
Loans and borrowings	12,096	29,116
Obligations under finance leases (Note 6.3)	1	44
Accrued interest payable	211	34
	12,308	29,194
	32,308	**30,965**

Loans and borrowings

The breakdown of "Loans and borrowings" at December 31 is as follows:

	2013		2012	
(Thousands of euros)	Amount pending payment	Accrued finance cost (Note 17.5)	Amount pending payment	Accrued finance cost (Note 17.5)
Loans	23,771	290	8,023	284
Borrowings	8,325	350	22,864	467
	32,096	**640**	**30,887**	**751**

The loans and borrowings accrue floating interest at market rates.

At December 31, 2013 and 2012, the Company had been granted credit facilities up to a total limit of 32,000 thousand and 30,000 thousand euros, respectively.

The breakdown by maturities of loans and borrowings at December 31 is as follows:

(Thousands of euros)	2013	2012
1 - 2 years	4.000	1,771
2 - 3 years	4.000	-
3 - 4 years	4.000	-
4 - 5 years	4.000	-
Over 5 years	4.000	-
	20,000	**1,771**

At December 31, 2013, the Company had contracted reverse factoring agreements with an aggregate limit of 6,100 thousand euros (at December 31, 2012 amounted to 600 thousand euros). In addition, the Company holds multi-risk insurance policies amounting to a total of 11,000 thousand euros (at December 31, 2012 amounted to 8,000 thousand euros).

15.2 Derivatives and other financial liabilities

The breakdown of "Financial liabilities" as classified at December 31 is as follows:

(Thousands of euros)	2013	2012
Non-current		
Loans at a subsidized interest rate	5,005	5,361
Other non-current debts	5,000	-
Borrowings from group companies and associates (Note 19.1)	4,500	-
	14,505	**5,361**
Current		
Borrowings from group companies and associates (Note 19.1)	32,648	36,022
Trade and other payables	18,173	16,695
Loans at a subsidized interest rate	1,087	1,179
Payable to shareholders and directors	1,660	1,879
Payable to suppliers of non-current assets	1,995	869
Other borrowings	15	6
Hedging derivatives (Note 13)	-	21
	55,578	**56,671**

Loans at a subsidized interest rate

At December 31, 2013 and 2012, the Company had obtained loans at a subsidized interest rate from entities reporting to the Navarre Regional Government, the CDTI (Industrial Technological Development Center), and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the related implicit interest accrued by these as a result of discounting the cash flows based on market interest rates at the date obtained.

	2013		2012	
(Thousands of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	5,769	5,005	6,078	5,361
Current				
Loans at a subsidized interest rate	1,105	1,087	1,204	1,179
	6,874	**6,092**	**7,282**	**6,540**

The totals recognized under finance costs in 2013 and 2012 corresponding to these loans amount to 170 thousand and 240 thousand euros, respectively (Note 17.5).

The breakdown by maturity of the non-current loans with a subsidized interest rate at December 31 is as follows:

(Thousands of euros)	2013	2012
1 - 2 years	928	1,481
2 - 3 years	813	891
3 - 4 years	805	628
4 - 5 years	784	557

Over 5 years	1,675	1,804
	5,005	**5,361**

Other non-current debts

The Company received a loan amounting to 5,000 thousand euros from COFIDES (Compañía Española de Financiación del Desarrollo) to finance the investments made in Viscofan Uruguay, S.A.

This loan accrues interest at market rates.

The detail by maturity of the long-term loan at December 31 is as follows:

(Thousands of euros)	**2013**
1 - 2 years	-
2 - 3 years	833
3 - 4 years	833
4 - 5 years	833
Over 5 years	2,501
	5,000

Trade and other payables

The breakdown of "Trade and other payables" at December 31 is as follows:

(Thousands of euros)	**2013**	**2012**
Suppliers	7,098	5,182
Suppliers, group companies, and associates (Note 19.1)	2,628	2,042
Other payables	6,504	6,968
Employee benefits payable	1,179	1,377
Customer advances	764	1,126
	18,173	**16,695**

16. TAXES

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	**2013**	**2012**
Deferred tax assets		
Temporary differences	755	149
Current income tax assets	593	-
Other payables to public administrations		
VAT	4,636	5,191
Grants received	51	117
	6,035	**5,457**
Deferred tax liabilities	(587)	(915)
Current income tax liabilities	-	(4,548)
Other payables to public administrations		
Personal income tax withholdings	(4,305)	(6,130)
Social security	(603)	(678)

Electricity tax	(483)	-
	(5,978)	**(12,271)**

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years. The Company's directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

16.1 Income tax

The reconciliation of income and expenses for the year with tax results is as follows:

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	**Increase**	**Decrease**	**Total**	**Increase**	**Decrease**	**Total**
2013						
Income and expenses for the year						
Continuing operations			72,689			(877)
Discontinued operations			-			-
			72,689			(877)
Income tax						
Continuing operations			408			(375)
Discontinued operations			-			-
			408			(375)
Income and expenses for the year before tax			73,097			(1,252)
Permanent differences	258	(63,433)	(63,175)	-	-	-
Temporary differences						
Arising in 2012	2,300	-	2,300	-	(1,023)	(1,023)
Arising in prior years	-	(465)	(465)	2,275	-	2,275
Tax result			**11,757**			**-**
2012						
Income and expenses for the year						
Continuing operations			62,679			155
Discontinued operations			-			-
			62,679			155
Income tax						
Continuing operations			3,681			67
Discontinued operations			-			-
			3,681			67
Income and expenses for the year before tax			66,360			222
Permanent differences	261	(44,058)	(43,797)	-	-	-
Temporary differences						
Arising in 2012	242	-	242	-	(1,872)	(1,872)
Arising in prior years	3,708	(48)	3,660	1,650	-	1,650
Tax result			**26,465**			**-**

Increases from permanent differences are due to non-deductible expenses relating to the per diems paid to shareholders for attending general meetings. The decreases are due to the 50% reduction in taxable profit generated by royalties collected from subsidiaries located abroad as well as international double taxation relief in relation to dividends from entities not resident in Spain.

The increase of temporary differences during 2013 is mainly due to the deprecation of restated assets at January 1, the accounting expense of which is not deductible until 2015. At December31, 2012, the Company recognized an increase in temporary differences due to reversal of an impairment loss relating to the subsidiaries Koteks Viscofan, d.o.o. and Viscofan Technology (Suzhou) Co. Ltd.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates is as follows:

	2013		2012	
(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**	**Income statement**	**Income and expense recognized directly in equity**
Income and expenses for the year before tax	73,097	(1,252)	66,360	222
Tax charge (tax rate: 30%)	21,929	(375)	19,908	67
Deduction for double taxation on dividends	(300)	-	(1,050)	-
Deduction for international double taxation (royalties and other services)	(467)	-	(355)	-
Deductions for research and development	(1,523)	-	(1,773)	-
Investment tax credits	(1,137)	-	(650)	-
Impact of permanent differences	(18,953)	-	(13,139)	-
Tax expense (income)	**(451)**	**(375)**	**2,941**	**67**
Tax paid abroad (*)	859		740	
Tax expense (income)	**408**	**(375)**	**3,681**	**67**

(*) Amounts prepaid abroad for services, royalties, and other items.

The breakdown of income tax expense/(income) is as follows:

	2013		2012	
(Thousands of euros)	**Income statement**	**Recognized directly in equity**	**Income statement**	**Recognized directly in equity**
Current income tax	1.844	-	6,329	-
Changes in deferred taxes				
From cash flow hedges (Note 12.1)	-	(78)	-	213
Grants, donations, and bequests received (Note 12.2)	-	(297)	-	(146)
Other temporary differences	(559)	-	(908)	-
Deductions generated	(3,427)	-	(3,828)	-
Deductions applied	1.691	-	1,348	-
	(451)	**(375)**	**2,941**	**67**

Refundable income tax was calculated as follows:

(Thousands of euros)	**2013**	**2012**
Current income tax	1,844	6,329
Withholdings	(2,437)	(1,781)
Income tax payable	**(593)**	**4,548**

16.2 Deferred tax assets and liabilities

The movements in the items composing "Deferred tax assets and liabilities" are as follows:

(Thousands of euros)	Balance at January 1	Change in Income statement	Change in Equity	Balance at January 1
2013				
Deferred tax assets				
Trade receivables	43	42	-	85
Depreciation and amortization	76	(11)	-	65
Balance sheet restatement	-	605	-	605
Payables	30	(30)	-	-
	149	606	-	755
Deferred tax liabilities				
Non-current investments in group companies	-	(47)	-	(47)
Cash flow hedges	(90)	-	78	(12)
Non-repayable grants	(825)	-	297	(528)
	(915)	(47)	375	(587)
	(766)	**559**	**375**	**168**
2012				
Deferred tax assets				
Trade receivables	-	43	-	43
Inventories	72	(72)	-	-
Depreciation and amortization	87	(11)	-	76
Other financial assets	216	(216)	-	-
Payables	-	30	-	30
	375	(226)	-	149
Deferred tax liabilities				
Non-current investments in group companies	(1,134)	1,134	-	-
Cash flow hedges	123	-	(213)	(90)
Non-repayable grants	(971)	-	146	(825)
	(1,982)	1,134	(67)	(915)
	(1,607)	**908**	**(67)**	**(766)**

17. INCOME AND EXPENSES

17.1 Revenue

The distribution of revenue corresponding to the Company's ordinary activity by market segment is as follows:

(Thousands of euros)	2013	2012
By business segment		
Sale of meat, cellulose, plastic, and collagen casings	116,724	121,537
Sale of spare parts and machinery	7,091	5,275
Sale of energy	38,594	42,470
Other sales	109	110
Services provided	371	499
	162,889	**169,891**
By market segments		
Domestic market	51,261	54,757
Foreign market	111,628	115,134
	162,889	**169,891**

Given that a significant percentage of exports were to group companies, the sales to third parties were not significant enough to warrant a breakdown by geographical area.

Energy sales

As indicated in Note 2.3, the Company estimated taxes for energy sales from its cogeneration plant for the period from July 14, 2013 to December 31, 2013, basing the calculation on parameters established in the proposed Ministerial Order *("Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste,"* which the Secretary of State for Energy has sent to the National Securities Market Commission), considering that this is the best possible estimate.

However, given that the Ministerial Order is not definitive, and taking into account the numerous regulatory changes in recent years in the energy sector, it is quite possible that the estimated amount for revenue from energy sales corresponding to the period from July 14, 2013 to December 31, 2013 could be adjusted upwards or downwards.

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2013	2012
Consumption of raw materials and other consumables		
Purchases in Spain	44,324	42,639
EU acquisitions	11,542	16,369
Imports	3,794	4,914
Changes in raw materials and other consumables	2,248	(3,446)
	61,908	**60,476**

The breakdown of "Consumption of goods" is as follows:

(Thousands of euros)	2013	2012
Purchases of goods for resale		
Purchases in Spain	2,430	5,114
EU acquisitions	7,751	6,756
Imports	4,740	2,905
Change in goods for resale	(385)	306
	14,536	**15,081**

17.3 Social security costs, et al

The breakdown of "Social security costs, et al" is as follows:

(Thousands of euros)	2013	2012
Social security	6,685	6,371
Other employee welfare expenses	1,147	1,114
	7,832	**7,485**

17.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2013	2012
Research expenses	817	810
Lease payments	1,040	1,156
Repairs and maintenance	11,427	12,041
Independent professional services	3,798	3,634
Transportation services	1,967	1,725
Insurance premiums	589	722
Bank services	165	108
Publicity, advertising, and public relations	1,305	622
Utilities	9,017	10,127
Other services	6,680	7,289
	36,805	**38,234**

17.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2013	2012
Loans (Note 15.1)	290	284
Loans to group companies (Note 19.1)	446	146
Credit facilities (Note 15.1)	350	467
Loans with subsidized interest rates (Note 15.2)	170	240
Other financial liabilities	17	9
	1,273	**1,146**

18. FOREIGN CURRENCY

The breakdown of transactions carried out in currencies other than the euro is as follows:

(Thousands of euros)	2013	2012
Revenue		
Sales	57,958	65,105
Goods for consumption		
Purchases of raw materials and other consumables	(8,101)	(14,948)
Purchases of goods for resale	(1,544)	(1,126)
Other operating income		
Ancillary income	1,690	256
Employee benefits expense		
Wages and salaries	(141)	(98)
Social security costs, et al	(10)	(9)
Other operating expenses		
External services	(2,205)	(2,534)

19. RELATED PARTY DISCLOSURES

All the related-party transactions correspond to normal Company trading activity and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

19.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2013		
Customers (Note 8.1)	11,804	41
Current loans (Note 8)	16,956	-
Current dividends receivable (Note 8)	163	-
Suppliers (Note 15.2)	(2,628)	-
Current accounts payable (Note 15.2)	(37,148)	-
2012		
Customers (Note 8.1)	11,293	278
Current loans (Note 8)	616	-
Current dividends receivable	170	-
Suppliers (Note 15.2)	(2,042)	-
Current accounts payable (Note 15.2)	(36,022)	-

Loans to group companies

At December 31, 2013, the Company had granted loans to Viscofan Technology (Suzhou) Co. Ltd. and Viscofan Uruguay, S.A.

The loan of 5,000 thousand euros granted to the Chinese subsidiary was signed on October 14, 2013, and matures on December 31, 2014. The loan bears interest equivalent to one-year Euribor plus 2 percentage points. At December 31, 2012, the Company recognized a 500 thousand euro loan it had granted to Viscofan Technology (Suzhou) Co. Ltd., which was subsequently canceled in 2013.

In addition, on May 15, 2013, the Company signed a financing contract with Viscofan Uruguary, S.A., which matures at December 31, 2014. The amount drawn down at December 31, 2013, totaled 11,823 thousand euros. This credit facility bears interest equivalent to 90-day Euribor plus 2 percentage points.

Borrowings from group companies

At December 31, 2013 and 2012, the Company had drawn down credit lines with various subsidiaries, regulated in accordance with the following conditions:

	Amount pending payment at December 31			Accrued finance cost	
(Thousands of euros)	2013	2012	Interest rate	2013	2012
Naturin Viscofan, GMBH	4,000	8,000	1.99%	88	64
Viscofan CZ, S.r.o.	22,900	27,900	One-month Euribor + 1.15%	233	82
Industrias Alimentarias de Navarra, S.A.U.	5,500	-	Three-month Euribor + 1.90%	51	-
	32,400	**35,900**		**372**	**146**

In addition, in 2013 the Company signed a loan agreement with Gamex CB, S.r.o., amounting to 4,500 thousand euros and accruing interest at 90-day Euribor plus 1.15%. This loan matures on April 17, 2017, with a single payment, provided the contracting parties do not agree to other conditions beforehand. The finance expense relating to this loan amounted to 58 thousand euros in 2013.

Transactions entered into with related parties were as follows:

(Thousands of euros)	2013		2012	
	Direct parent	Companies with an indirect investment	Direct parent	Companies with an indirect investment
Revenue				
Sale of casings	49,108	1,587	49,508	1,726
Sale of spare parts and machinery	7,036	14	5,230	23
Services provided	371	-	499	-
Goods for consumption				
Purchases of casings and other	(6,858)	5	(7,364)	-
Other income				
Other operating income	8,201	172	4,918	130
Employee benefits expense				
Other employee benefits expense	(6)	-	(7)	-
Other operating expenses				
External services received			(891)	(1)
External services re-invoiced	(2,005)	(15)	2,032	101
	2,072	54		
Net finance income (expense)				
Finance income - dividends			46,637	-
Finance income - interest	62,828	-	14	-
Finance expense - interest	141	-	(146)	-
	(446)	-		
Profit from the sale of intangible assets	-	-	1	-

19.2 Directors and senior executives

Directors

Remuneration for directors was modified during 2013, as established in article 27 of the bylaws and in the new remuneration policy approved by the general shareholders meeting.

The most significant changes are the following:

- Fixed remuneration. The non-executive directors' duties were separated from their responsibility for Company profits.
- Remuneration linked to commitment. The allocation of allowances, remuneration to members of the different committees in keeping with their requirements, and higher remuneration to their chair people.
- Remuneration for the CEO. Remuneration as CEO is separate from that of general director, the latter being linked to current and non-current profits.

Total remuneration for the Board of Directors and its commissions cannot exceed 1.5% of the Viscofan Group's liquid profits. Remuneration received from different posts derived from employment or professional relationships is not to be computed for the effects of the established limit.

The Board of Directors will agree upon the distribution of remuneration amongst its members.

Remuneration for the CEO will consist in a mixed system, including both a fixed and variable annual component. The latter will be up to 40% of the fixed component plus another variable amount every three years, also up to 40% of the fixed component. Both will be established in keeping with the same criteria which are determined for the Group's senior management: a combination of parameters based on the achievement of Group objectives which are linked to profit, share value, and personal performance.

The breakdown for remuneration in 2013 is as follows:

	Thousands of euros							
	Salaries	Fixed remuneration	Per diems	Variable remuneration - short term	Variable remuneration - long term	Remuneration from membership in other commissions	Boards of other group companies	Total
2013								
Mr. José Domingo de Ampuero y Osma	350	314	-	116	-	-	-	780
Mr. Nestor Basterra Larroudé	-	296	32	-	-	90	45	463
Ms. Agatha Echevarría Canales	-	228	32	-	-	117	-	377
Mr. José Cruz Pérez Lapazarán	-	72	29	-	-	18	-	119
Mr. Gregorio Marañón Bertrán de Lis	-	72	29	-	-	27	-	128
Mr. Alejandro Legarda Zaragüeta	-	72	32	-	-	40	-	144
Mr. Ignacio Marco-Gardoqui Ibáñez	-	72	32	-	-	27	-	131
Ms. Laura González Molero	-	72	32	-	-	18	-	122
Mr. José María Aldecoa Sagastasoloa	-	72	32	-	-	27	-	131
	350	1,270	250	116	-	364	45	2,395

The only Board member who holds executive functions in the Group, Mr. José Domingo de Ampuero y Osma, obtained fixed remuneration corresponding to his salary in the amount of 350 thousand euros and variable remuneration amounting to 116 thousand euros (both amounts are included in the previous table). The variable remuneration was calculated based on an established maximum of 140 thousand euros, as a result of the application of parameters determined in accordance with the annual plan and personal performance, relating to EBITDA, net profit, sales, and share value.

In previous years, the Company's Board of Directors received remuneration as stipulated in Articles 27 and 30 of Company bylaws, that is, the Board and Executive Committee each received 1.5% of the parent's pre-tax profits.

The Board of Directors and the Executive Committee, in accordance with the aforementioned bylaw articles, decided the respective share that the members of each body were to receive.

The breakdown for remuneration in 2012 is as follows:

	Thousands of euros							
	Salaries	Fixed remuneration	Per diems	Variable remuneration - short term	Variable remuneration - long term	Remuneration from membership in other commissions	Boards of other group companies	Total
2012								
Mr. José Domingo de Ampuero y Osma	-	-	12	106	-	370	216	704
Mr. Nestor Basterra Larroudé	-	-	12	106	-	328	108	554
Ms. Agatha Echevarría Canales	-	-	32	106	-	286	-	424
Mr. José Cruz Pérez Lapazarán	-	-	21	106	-	-	-	127
Mr. Gregorio Marañón Bertrán de Lis	-	-	29	106	-	-	-	135
Mr. Alejandro Legarda Zaragüeta	-	-	32	106	-	-	-	138
Mr. Ignacio Marco-Gardoqui Ibáñez	-	-	12	106	-	-	-	118
Ms. Laura González Molero	-	-	8	106	-	-	-	114
Mr. José María Aldecoa Sagastasoloa	-	-	15	50	-	-	-	65
	-	-	173	898	-	984	324	2,379

At December 31, 2013 and 2012, the Viscofan Group had not granted any advances or loans; nor had it committed to any pension obligations or any other long-term savings systems; or any type of guarantee in connection with current or former Board members or any persons or entities related to them. In addition, no remuneration was based on shares or share options.

In 2013 and 2012 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

Viscofan's directors have communicated that insofar as articles 229 and 230 of the Corporate Enterprise Act are concerned, they do not have any conflicts of interest with the Company. They have stated that they do not have equity interests, hold positions or carry out duties in companies with identical, similar or complementary activities to those of the company, other than those described below.

Name	Company	Position
Mr. José Domingo de Ampuero y Osma	Naturin Viscofan, GMBH	Chairman, Board of directors
	Viscofan UK Limited	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ, s.r.o.	Chairman, Board of directors
	Viscofan USA, Inc.	Chairman, Board of directors
	Viscofan Technology Suzhou, Co. Ltd.	Chairman, Board of directors
	Viscofan Centroamérica Comercial, S.A.	Chairman, Board of directors
	Viscofan Canada, Inc.	Chairman, Board of directors
	Viscofan Do Brasil S. Com. E Ind. Ltda.	Member, Consultative Council
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan, d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Vocal
	Viscofan Uruguay, S.A.	Chairman, Board of directors
Mr. Nestor Basterra Larroudé	Naturin Viscofan, GMBH	Vice-Chairman
	Gamex, CB, s.r.o.	Vice-Chairman
	Viscofan USA, Inc.	Vice-Chairman
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
	Koteks Viscofan, d.o.o.	Vice-Chairman
	Viscofan CZ, s.r.o.	Vice-Chairman
	Viscofan Technology Suzhou, Co. Ltd.	Vice-Chairman
	Viscofan Do Brasil S. Com. E Ind. Ltda.	Member, Consultative Council
	Viscofan Uruguay, S.A.	Vice-Chairman

Senior management

The remuneration policy of senior management established for 2013 and subsequent years maintains a system based on the same principles as those maintained up to 2012, although in 2013 several changes were made to adapt them to the best practices of corporate governance. A system has therefore been established which combines fixed and variable remuneration. Remuneration consists of annual as well as three-year compensation, both calculated applying a combination of parameters based on the achievement of Group objectives linked to profit, share price, and personal performance.

The Viscofan Group has signed contracts with two of its senior executives which include safeguard clauses. If the employment relationship is terminated due to a breach not attributable to the executive, he or she will be entitled to compensation. The average total indemnity that may be paid out amounts to double the annual salary.

With respect to the Company's senior management, the salaries paid in 2013 and 2012 amounted to 2,260 thousand and 2,189 thousand euros, respectively.

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Company's risk management policies are established by the Example Group's financial risk committee, having been approved by the Group's directors. Based on these policies, the Company's finance department has established a series of procedures and controls which make it possible to identify, measure, and manage the risks arising from financial instrument activity. These policies establish that no trading in derivatives for speculative purposes will be undertaken by the Company.

Financial instrument activity exposes the Company to credit, market, and liquidity risk.

20.1 Credit risk

Credit risk exists when a potential loss may arise from the Company's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The maximum exposure to credit risk at December 31 was as follows:

(Thousands of euros)	2013	2012
Non-current financial investments	132	132
Trade and other receivables	35,783	41,285
Current loans to group companies	17,119	616
Current financial investments	5,059	589
	58,093	**42,622**

For the purposes of credit risk management the Company differentiates between financial assets arising from operations and investments.

Operating activities

The Sales Department and Finance Department set credit limits for each customer, which are based on information obtained from an entity specializing in solvency analysis of companies.

Each month a breakdown giving the age of each of the accounts receivable is prepared which serves as a base to control collection. The Finance Department requests settlement of past due accounts on a monthly basis until they are more than 90 days old, at which point they are submitted to the insurer to arrange recovery. In addition, the Legal Department is notified so it can monitor collection and if necessary, subsequently, claim the debt through courts.

Each month customers incurring in late payments have their credit status reviewed, with measures taken in respect of credit limit and payment terms.

The breakdown, by counterparty, of the concentration of credit risk related to "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2013	2012
Not due	16,741	21,834
Past due, not impaired		
Less than 3 months	1,390	2,052
3 – 6 months	400	259
6 – 12 months	71	166
More than 12 months	-	-
	18,602	24,311
Doubtful (over 6 months)	116	56
Impairment allowances (Note 8.1)	(116)	(56)
Total	**18,602**	**24,311**

Investing activities

Loans and borrowing facilities to group companies and third parties, as well as the acquisition of unlisted companies' securities must be approved by Management.

20.2 Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises interest rate risk, currency risk, and other price risks.

Foreign currency risk

Foreign currency risk is the risk of possible loss caused by changes in the fair value or future cash flows of a financial instrument because of fluctuations in exchange rates. The Company's exposure to the risk of exchange rate fluctuations is mainly related to sales carried out in currencies other than the functional currency.

As described in Note 18, the Company carries out major transactions in foreign currencies, in particular, US dollars. The Viscofan Group's policy is to arrange exchange rate hedges to cover the net cash flows from these transactions. Maximum exposure to foreign currency risk for accounts receivable is as follows:

	2013		2012	
(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	11,099	2,900	10,873	2,921
In Canadian dollars	-	-	197	-
In pounds sterling	851	-	1,181	-
Other	435	-	333	-
	12,385	**2,900**	**12,584**	**2,921**

Interest rate risk

Interest rate risk arises when there is a possible loss due to fluctuations in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The Company's exposure to the risk of changes in interest rates is mainly related to non-current loans and credit facilities received at floating interest rates.

The Company manages its interest rate risk by distributing financing received between fixed and floating rates. Company policy consisted in maintaining a percentage of non-current net loans (net of non-current investments) received from third parties at a fixed interest rate. To manage this, the Company entered into interest rate swaps which were designated as hedges of the respective loans.

20.3 Liquidity risk

Liquidity risk is the possibility that the Company will have insufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Company's objective is to maintain sufficient available funds. Company policies establish the minimum liquidity levels required. Each month, the Company adequately monitors expected collections and payments to be made in the coming months, and analyzes any deviations from expected cash flows in the previous month to identify any possible changes which might affect liquidity.

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

(Thousands of euros)	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total
2013					
Bank borrowings					
Loans	313	3,458	16,000	4,000	23,771
Borrowings (*)	-	8,325	-	-	8,325
Accrued interest payable	211	-	-	-	211
Liabilities from capital leases	1	-	-	-	1
Other financial liabilities	2,363	2,394	5,831	4,174	14,762
Payable to group companies	-	32,648	4,500	-	37,148
Trade and other payables	18,173	-	-	-	18,173
	21,061	**46,825**	**26,331**	**8,174**	**102,391**
2012					
Bank borrowings					
Loans	953	5,299	1,771	-	8,023
Borrowings (*)	4,902	17,962	-	-	22,864
Accrued interest payable	34	-	-	-	34
Liabilities from capital leases	19	25	-	-	44
Derivatives	7	14	-	-	21
Other financial liabilities	334	845	3,557	1,804	6,540
Payable to group companies	-	36,022	-	-	36,022
Trade and other payables	28,051	-	-	-	28,051
	34,300	**60,167**	**5,328**	**1,804**	**101,599**

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

21. OTHER INFORMATION

21.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average Headcount during the Year
	Men	Women	Total	
2013				
Senior executives	17	2	19	19
Engineers and technicians	145	25	170	163
Administrative personnel	2	34	36	34
Specialized personnel	85	17	102	98
Laborers	243	85	328	306
	492	**163**	**655**	**620**
2012				
Senior executives	14	2	16	16
Engineers and technicians	122	16	138	131
Administrative personnel	9	32	41	38
Specialized personnel	78	15	93	93
Laborers	263	76	339	326
	486	**141**	**627**	**604**

21.2 Audit fees

Ernst & Young, S.L., the auditor of the Company's financial statements and all other companies with which it has any of the relationships referred to in Additional Provision Fourteen of the Measures to Reform the Financial System Law, agreed the following fees with the Company for the years ended December 31, 2013 and 2012:

(Thousands of euros)	2013	2012
Fees for audit of the financial statements	100	87
Other audit services	42	-
Other services	5	17
	147	**104**

The above amounts include all 2013 and 2012 related fees, irrespective of when they were actually billed.

21.3 Information on environmental issues

Plant and equipment included in "Property, plant, and equipment" used for protecting and improving the environment at December 31 is broken down as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
2013				
Cost	11,012	326	-	11,338
Accumulated depreciation	(8,862)	(471)	-	(9,333)
	2,150			**2,005**
2012				
Cost	10,163	849	-	11,012
Accumulated depreciation	(8,339)	(523)	-	(8,862)
	1,824			**2,150**

The expenses to protect and improve the environment during 2013 and 2012 were ordinary and amounted to 968 thousand and 967 thousand euros, respectively.

Since the Company's directors consider that no significant contingencies exist with respect to environmental protection and improvement, no provision has been recognized in that respect.

21.4 Information on late payment to suppliers in commercial transactions.

In compliance with Law 15/2010 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions, below we include a breakdown of the total amount of payments made to suppliers during the year, disclosing those that exceeded the legal payment deadlines; the weighted average period of time exceeded for payments; and the balance pending payment to suppliers exceeding the legal deadline at year end:

	Payments made and payments pending settlement at the balance sheet date			
	2013		2012	
(Thousands of euros)	Amount	%	Amount	%
Within the maximum legal deadline	119,532	99.95%	107,608	99.96%
Other	55	0.05%	45	0.04%
Total payments in the year	**119,587**	**100.00%**	**107,653**	**100.00%**
Weighted average period of time exceeded for overdue payments (days)	16.42		1.25	
Overdue payments exceeding the legal payment deadline at the closing date	83		45	

22. EVENTS AFTER THE BALANCE SHEET DATE

Apart from the content of Note 2.3 on the publication of the draft Royal Decree and proposed Ministerial Order, *"Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste,"* which the Secretary of State for Energy has sent to the National Securities Market Commission (CNMC), there are no other events subsequent to year end that have a relevant impact on the financial statements for the year ended December 31, 2013.

Management report 2013 (Viscofan S.A.)

Business performance and situation of the Viscofan, S.A.

Viscofan, S.A. recognized net turnover in 2013 at 162.9 million euros, a 4.1% decrease compared to the same period in the previous year. The decrease in income was caused mainly by regulatory changes in Spain, which arbitrarily eliminated certain revenue items while increasing the tax burden on energy consumption at the same time. These changes affected sales for the year in the amount of 5.8 million euros, decreasing growth by 3.4%. In addition, the pronounced exporting nature of Viscofan S.A. meant that the depreciation of the US dollar against the Euro was also a contributive factor to the decrease in casings sales.

This decrease in income was accompanied by consumption expenses[1] that increased by 0.2% with respect to the previous year up to a total of 73.3 million euros, and resulting in a gross sales margin of 55.0% (1.9% less than in 2012). This decrease was mainly caused by the inflation of bulk prices for collagen and the natural gas utilized in the cogeneration plant.

Employee benefits expenses amounted to 35.5 million euros, 3.7% greater than for the previous period, while the average number of employees increased year on year by 2.6%, reaching a total of 620, as a consequence of strengthening corporate activities in light of the Viscofan Group's expansion.

"Other operating expenses" at December 31, 2013, amounted to 41.4 million euros, 2.8% more than in 2012, mainly due to the increase in taxes for the purchase of gas used at the cogeneration plant, which did not outweigh the savings sought after in the remaining operating expenses.

Regulatory changes with respect to cogeneration, an environment of increasing unit costs for raw materials, depreciation of the USD against the Euro, and corporate structure costs resulting from the Group's expansion, led to a 3.3% decrease in EBITDA margin[1] with respect to the 2012 tax year. At 2013 year end EBIDTA margin reached 14.8% and EBIDTA amounted to 24.2 million euros, 21.4% less than that obtained in 2012. However, disregarding the impact of the regulatory changes for cogeneration (Law 15/2012, Royal Decree Law 9/2013, and the publication of the proposal relating to the development of Royal Decree Law 9/2013 on January 31, 2014, with a negative impact amounting to 10.2 million euros recognized in the financial statements of Viscofan, S.A. in 2013), EBIDTA grew by 11.7% with respect to the prior year.

Amortization/depreciation amounted to 12.3 million euros, representing a 28.5% increase, of which 2.0 million euros can be traced to the balance sheet revaluation approved by the shareholders in general meeting. Operating profit amounted to 11.8 million euros, 44.1% less than for the previous year.

Finance income increased by 35.5% to 61.3 million euros as a result of more dividend distribution from group companies.

Results before taxes reached 73.1 million euros, 10.2% more than in the prior year. Corporate income tax expense amounted to 0.4 million euros, less than the 3.7 million euros recognized in 2012, mainly due to the tax optimization associated with the balance sheet revaluation at December 31, 2013, approved by the shareholders in general meeting.

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[1] Consumption costs = Supplies +/- Changes in inventories.

[1] EBITDA = Earnings before interest, tax, depreciation, and amortization

Accordingly, net profit for 2013 amounted to 72.7 million euros, 16.0% higher than the 62.7 million euros obtained the year before.

The strength of operations and soundness of the balance sheet have allowed the financing of an expansion, in both PP&E items and interest held in group companies, without foregoing increased remuneration for the shareholders.

Net bank bank borrowings amounted to 31.5 million euros, while only 5.7 million euros were recognized at 2012 year end. Financial leverage recognized in 2013 stood at 8.4%, compared to 1.6% for 2012. This increase in net debt is justified by the participation in capital increases carried out at subsidiaries engaged in expanding their businesses, as well as an increase in dividends paid. Working capital decreased by 3.5 million euros.

Company outlook

In a market that continues growing in volume internationally, Viscofan S.A. finds itself in a unique competitive position to support the Group's growth.

During the next period, the Company will orient its activity towards consolidating the production improvements achieved, improving production efficiency to the extent possible and boosting technological development as a center of excellence for cellulose, thus establishing new reference goals for the remaining Viscofan Group production centers through greater know-how.

In addition to the expected inflation in raw materials prices and the weakness of the main commercial currency, the USD against the Euro, the results of Viscofan, S.A. will be negatively affected in 2014 by regulatory changes affecting remuneration for cogeneration, modified by Royal Decree 9/2013 and the draft law published on January 31, 2014.

Main investments of Viscofan S.A.

Viscofan S.A. invested 9.8 million euros during 2013 in connection with improving production and energy efficiency, compared to 8.5 million euros invested in 2012. Investments made to reduce the impact of corporate productive activity on the environment amounted to 0.3 million euros for the year.

Environmental issues

Viscofan S.A. believes that corporate management must adopt criteria to make productive and economic efficacy compatible with the criteria that contribute to sustainable development.
Viscofan S.A. and its employees are committed to carrying out corporate activities following sustainable and economically viable principles and criteria, respecting environmental legislation and commitments voluntarily acquired to optimize available resources, promote implementation of better available technologies, and minimize the environmental impact arising from their activity.

Viscofan S.A.'s work is based on two fundamental principles, defined at a corporate level for all its subsidiaries and which inform and guide environmentally inspired projects:

- Sustainability in the use of resources
- Contributing to avoid climate change

Investments made and expenses incurred during 2013 and 2012 in connection with the environment are disclosed in Note 21.3 to the accompanying financial statements.

Research and development activities

Viscofan S.A., via its R&D department located in Navarre, centralizes the coordination of its R&D activities for the rest of the Viscofan Group, further establishing itself as a specialized R&D center in the area of cellulose casings.

Specifically, the efforts made in these activities are centered on the search for improvements in production efficiency and the creation of new products in the processed meat sector in which the Company carries out its activities.

The collaboration between private companies, public administrations, and specialized research centers is a key factor for advances in R&D activities. Thus, it is worth noting that the Company has managed to gain important institutional support, both from the Government of Navarre, the CDTI, and research centers that have in turn been supported or sponsored by Viscofan S.A. in their activities.

The advances achieved in these areas are defended via the use of patents to the extent that the technicians and experts consider appropriate.

Acquisition of treasury shares

At December 31, 2013, the Company owned no treasury shares.

Description of risks and uncertainties

Viscofan S.A. has strengthened its results in a time of great volatility and uncertainty, and is well placed to capture market growth in its main business activities. Nevertheless, it should be underscored that due to the nature of its operations, the Company's activities are exposed to various operational, financial, strategic, and legal risks, described in section *E) Risk control and management systems* in the Annual Corporate Governance Report. Risk management is controlled by the Group based on policies approved by the Board of Directors, and is further supervised by the Audit Committee.

The Company's risk map includes the following headings:

1. Strategic risks: Natural catastrophes, country risk, competitive sector environment, reputational, company property.

2. Financial and systems risks: IT contingencies, preparation and integrity of the financial information, financing and lack of liquidity, exchange rate, interest rate, budgetary control, pension plans, tax.

3. Operational risks: Material damage, business continuity, energy market, customer satisfaction, transport, raw materials, civil liability, know how, human capital, team consolidation.

4. Environmental risks, safety, and hygiene: Environment, accidents in the workplace, safety and hygiene at work and for food products, sabotage.

5. Regulatory risks: Development of the regulatory framework, multinational food legislation compliance, compliance with obligations arising from commercial transactions, corporate risk, LOPD.

Transactions carried out by directors, or persons acting on their behalf, during the year to which the financial statements refer to, with the listed company or any other company of the same group,

when the transactions are unrelated to the ordinary activities of the Company or are not carried out in normal market conditions.

In 2013, the directors did not carry out any transactions with the Company or its group companies that were unrelated to the ordinary activity of the Company or were not carried out in normal market conditions.

Events after the balance sheet date

In their meeting of February 27, 2014, the Board of Directors agreed upon proposing to the general shareholders meeting a complementary dividend payment, amounting to 0.704 euros per share, to be paid from June 04, 2014. Thus, total remuneration for shareholders amounts to 1.12 euros per share, including the interim dividend of 0.410 euros per share paid on December 23, 2013, the aforementioned complementary dividend of 0.704 euros per share, and the per diem payment for attendance at the general shareholders' meeting of 0.006 euros per share. This proposal increases total remuneration by 1.8% as compared to the 1.10 euros approved for the previous year.

In January 2014, the Spanish Government took further steps in enacting Royal Decree Law 9/2013 of July 12, "on the adoption of urgent measures to guarantee the financial stability of the electricity system," and published the "Ministerial Order approving the remuneration parameters of certain electricity generation installations based on renewable energy, cogeneration, and waste" within the legal development of said Royal Decree Law.



ANNUAL CORPORATE GOVERNANCE REPORT 2013

Viscofan S.A

Year end: 31/12/2013

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

A,- OWNERSHIP STRUCTURE OF THE COMPANY

A.1- Complete the following table about the share capital of the company

Date of last rights	Share capital (euros)	Number of shares	Number of vote change
14/04/2011	32,622,577.40	46,603,682	46,603,682

State whether there are different classes of shares with different rights attached thereto

NO

A.2- Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the fiscal year, excluding directors:

Name or company name of the Shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name or company name of the direct holder of the stake	Number voting rights	
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	0	ONCHENA S.L.	2,366,000	5.077
MARATHON ASSET MANAGEMENT, LLP	0		2,297,473	4.930
AMERIPRISE FINANCIAL Inc	0		1,407,174	3.019
APG Algemene Pensioen Groep NV, Inc.	1,412,528		0	3.031
BLACKROCK, INC.	0		1,463,530	3.140
DELTA LLOYD N.V.	0		1,426,704	3.061

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

Name or company name of the shareholder	Date of transaction	Description of the transaction
GOVERNANCE FOR OWNERS LLP	05/07/2013	Down from 3% of the share capital
BNP PARIBAS, SOCIETE ANONYE	05/07/2013	Grupo BNP did not aggregate shares held in SCIICS, ESIS portfolio management and custody services
AMERIPRISE FINANCIAL, INC	10/09/2013	Exceeded 3% of the share capital
APG ALGEMENE PENSIOEN GROEP N.V.	13/12/2013	Exceeded 3% of the share capital
DELTA LLOYD N.V.	23/12/2013	Exceeded 3% of the share capita

A.3- Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

Name or company	Number of direct	Number of indirect voting rights	% of total voting

name of the Shareholder	voting rights	Name or company name of the direct holder of the stake	Number voting rights	rights
MR JOSE DOMINGO DE AMPUERO Y OSMA	50,000		0	0.107
MR NESTOR BASTERRA LARROUDÉ	212,452		0	0.456
MS AGATHA ECHEVARRÍA CANALES	16,809		0	0.036
MR ALEJANDRO LEGARDA ZARAGÜETA	8,250		0	0.018
MR GREGORIO MARAÑÓN BERTRAN DE LIS	0		0	0.000
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	30,276		0	0.065
MR JOSE CRUZ PÉREZ LAPAZARÁN	210		0	0.000
MR JOSÉ MARÍA ALDECOA SAGASTOSOLA	0		0	0.000
MS LAURA GONZÁLEZ MOLERO	5		0	0.000

Total % of voting rights of the Board of Directors:	0.682

Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

Name or company name of the Shareholder	Number of direct rights	indirect rights		Equivalent number of shares	% of total voting rights
		Name or company name of the direct holder	Number voting rights		

A.4- Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business:

No applicable

A.5- Describe, if applicable, the commercial, contractual or corporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

No applicable

A.6- Indicate whether if any para-corporate shareholders 'agreements affecting the Company pursuant to the provisions of art 530 and 531 of the Capital Companies Act have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

NO

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year:

A.7- Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:

NO

A.8- Complete the following tables about the Company's treasury stock

At financial year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0

(*) Through:

Name or company name of the direct holder of the stake	Number of direct shares
Total:	0

Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year

Notification date	Total number of direct shares acquired	Total number of indirect shares acquired	% of total share capital
	0	0	0

A.9- Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

Extract of the Minutes of the General Shareholders Meeting held on 30 April 2013 on second call:

The following resolution was adopted by majority:

"The proposal is to cancel the authorization for acquiring own shares that was given to the Board of Directors at the Company's General Shareholders Meeting of 23rd May 2012.

The proposal is to authorise the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Spanish Public Limited Companies Act (Ley de Sociedades de Capital) and related provisions, with the minimum price not being below the nominal value or more than 15% higher than the share price listed on the Spanish Automated Quotation System at the time of the acquisition.

The proposed authorisation is for the maximum term envisaged by law and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions prescribed by Articles 146 and 509 of the Spanish Capital Companies Act (Ley de Sociedades de Capital).

In the event the Board of Directors should need to exercise the authorisation conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 148 of the Spanish Capital Companies Act.

A.10 - State whether there are any restrictions on share transfer and/or any restrictions on voting rights. In particular, report on restrictions of any type that may impede the takeover of the company by means of the acquisition of its shares in the market.

NO

Description of restrictions

A.11- Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

NO

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective

A.12 - State whether or not the Company has issued securities that are not traded in an EU-regulated market.

NO

If so, describe the different classes of shares and, for each class of shares, the inherent rights and obligations.

B.- GENERAL SHAREHOLDER'S MEETING

B.1- Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the LSC (Capital Companies Act) in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

	% Quorum differing from that set forth in art 193 of LSC (Capital Companies Act) for general circumstances	% Quorum differing from that set forth in art 194 of LSC (Capital Companies Act) for the special circumstances set forth in art 194
Quorum required on first call		
Quorum required on second call		

Describe de differences:

B.2- Indicate and, if applicable, explain whether there are differences with the rules provided by the Spanish Public Limited Companies Act for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Spanish Public Limited Companies Act.

	Reinforced majority different to that set forth by Article 201.2 of LSC (Capital Companies Act) for the purposes of Article 194.1 of LSC	**Other instances of reinforced majority**
% set forth by the Company for adoption of resolutions		
	Describe the differences	

B.3- State the regulations applicable to the amendment of the Company's bylaws. In particular, indicate the majority required for the amendment of the bylaws and, where applicable, the regulations set forth for protecting shareholders' rights when amending the bylaws.

There is no specific regulation for amending the articles of association other than that provided for by applicable regulations concerning the requirements established by art. 194 of the Capital Companies Act for a reinforced quorum and by the remaining provisions of section VIII of the aforementioned act.

The requirements for passing resolutions set forth in Article 21 of the Bylaws and Article 18 of the Regulations of the General Shareholders Meeting match those stated above.

B.4- Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report and prior years.

Attendance information					
Date of the General Shareholders Meeting	% physical attendance	% represented	% voting remotely		Total
			Electronic voting	Other	
23/05/2012	6.740	46.131	0.000	22.879	75.750
30/04/2013	1-490	31.500	0.000	44.710	77.700

B.5- Indicate whether there are any restrictions in the Articles of Association requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' meeting:	1,000

B.6- Indicate whether or not any decisions have been made that entail a structural amendment of the Company ("subsidiarization", sale or purchase of essential operating assets, transactions equivalent to Company's liquidation, etc.) which must be submitted for approval by the General Shareholders Meeting, even if it is not expressly stipulated under commercial law.

YES

B.7- State the address and the access path to the Company's website with regard to information about corporate governance and information about general meetings that has to be made available to the shareholders on the Company's website.

This content is available via the company's website (www.viscofan.com) and can be accessed through the Corporate Responsibility section or through the Investor Relations section, subsequently clicking on the Corporate Governance tab. The information also forms part of the documentation relating to the General Meeting and is similarly included in the Annual Report, both of which can also be accessed directly from the home page

C.- OWNERSHIP STRUCTURE OF THE COMPANY

C.1- Board of Directors

C.1.1- Describe the maximum and minimum number of Directors set forth in the Articles of Association:

Maximum number of Directors	9
Minimum number of Directors	3

C.1.2 Complete the following table identifying the members of the Board of Directors:

Name or company name of Director	Representing	Director position on the board	Date first elected	Date last elected	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA		CHAIRMAN	27/02/2009	03/06/2009	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRALARROUDE		1st VICE-CHAIRMAN	29/07/1997	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	2nd VICE CHAIRWOMAN	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR GREGORIO MARAÑÓN BERTRAN DE LIS	-	DIRECTOR	29/01/1999	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	-	DIRECTOR	01/01/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSE CRUZ PÉREZ LAPAZARÁN	-	DIRECTOR	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	-	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS LAURA GONZALEZ MOLERO	-	DIRECTOR	22/04/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER'S MEETING

Total number of Directors	9

Indicate any separations from the Board of Directors during the period: Any separation

C.1.3- Complete the following table about the members of the Board and each member's status:

EXECUTIVE DIRECTORS

Name or company name of the Committee	Committee that proposed the nomination	Position on the Company's organizational chart
MR JOSE DOMINGO DE AMPUERO Y OSMA	Appointments and remuneration Committee	Chairman

Total number of Executive Directors	1
% of the entire Board	11.111

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

Name or company name of the Committee	Committee that proposed the nomination	Position on the Company's organizational chart
Total number of Executive Directors	0	
% of the entire Board	0	

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR. NESTOR BASTERRA LARROUDÉ

Profile:

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 at management level in capital market and corporate departments in Bank of America and Banco Santander.

He is currently Vice-Chairman of Iberpapel Gestion SA, partner and member of the Board of Directors of Amistra SGIIC, S.A.

Name or company name of the Director

MS AGATHA ECHEVARRÍA CANALES

Profile:

Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.

Born in San Sebastián. 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.

Name or company name of the Director

MR ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona)

With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992.

He joined the Board of Directors of Viscofan,S.A. as an Independent Director in 2006, became a member of the Audit Committee in 2007 and is now its Chairman, and was appointed an Independent Director of Pescanova, S.A. in 2013.

Name or company name of the Director

MR GREGORIO MARAÑÓN BERTRAN DE LIS

Profile

Marquis of Marañón. Law graduate from the Universidad Complutense in Madrid and completed the Senior Executive Programme at the IESE.

He has broad experience working in the legal profession and in the financial sector, where he was Managing Director of Banco Urquijo, Chairman of Banif and Director of Argentaria and 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, Chairman of its appointments and remuneration committee and member of its corporate governance committee; member of the Board of Directors of Prisa TV, and of its Audit Committee and Chairman of its Appointments and Remuneration Committee; member of the board of Altadis; chairman of Advisory Board of Spencer Stuart; and member of the advisory board of Vodafone and Aguirre & Newman.

In the cultural sphere he is President of the Teatro Real and the Foundation Greco 2014 and the Royal Tapestry Factory; Vice-president and president of the Executive committee of the Ortega-Marañon Foundation, Director of Santillana Foundation, Altadis Foundation, Real Fundación de Toledo, the Armed Forces Museum and Toledo International Centre for 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 is an officer of the French legion of honour and honorary citizen of Toledo.

Name or company name of the Director

MR IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

Economics degree from Deusto University.

Mr. Marco Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and the press world, where he has a strong reputation for his active contribution as economic expert and columnist; he belongs to the Publishing Committee of Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several 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, amongst others, to the Board of Directors of Técnicas Reunidas, Banco de Comercio, IBV, and Banco de Crédito Local, and was Chairman of Naturgás.

Name or company name of the Director

MR JOSÉ CRUZ PÉREZ LAPAZARÁN

Profile

Agricultural Engineering graduate from the Universidad Politécnica of Madrid.

Born in 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, 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 MP, he sits on various parliamentary committees. He holds the Grand Cross for Merit in Agriculture.

Name or company name of the Director

MR JOSÉMARÍA ALDECOA SAGASTASOLOA

Profile

Graduate in Technical Electronic Engineering from the Polytechnic School of Mondragón. PADE Graduate from the Executive Management Programme at IESE

Throughout his long professional career, he has held various posts at COPRECI (1971-1982). He was Managing Director of FAGOR ELECTRÓNICA and member of the Board of Directors of Fagor, S. Coop. (1982-1991). Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991. Between 1992 and 2012, he held various positions at MONDRAGÓN CORPORACION and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012. He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan, China and the opening of the (industrial Park) of Pune in India. He has sat on the Board of Directors of various automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, ParanoaCicautxo-Brazil, FPK, Fagor Ederlan-Slovakia), and director (1992-2006) and Chairman (2007-2012) of MONDRAGÓN INVERSIONES.

He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002).

He is currently an independent director and member of the Delegate Executive Committee of Gamesa Corporación Tecnológica, S.A.

Name or company name of the Director

MRS. LAURA GONZALEZ MOLERO

Profile

Graduate in Pharmaceuticals from the "Universidad Complutense de Madrid", Executive MBA from the "Instituto de Empresa", advanced course of management at IMD- Switzerland.

Chairman of the Merck Group in Latin America and CEO of the Merck Group in Spain and independent Director of the Leche Pascual Group. She currently leads the project for integrating Milipore in the Merck Group. She previously led the integration process between the Merck Group and the biotechnology company Serono, a company with which she has been linked, in different posts, since 1999, and in which she was Vice-Chair of Serono Iberia y Paises Nordicos and Nordic countries when purchased by the Merck group. She was previously Managing Director of Farmacéutica Essex from the Schering-Plough Group, and Laboratorios Farmacéuticos Guerbert, S.A, as well as sales director for Roche, S.A. Currently she is member

of the Board of Directors of the Circulo de Empresarios, APD, and Adecco. Her career has also been recognised by numerous prizes and awards in recognition of her work as a notable director.

Total number of Independent Directors	8
% of the entire Board	88.889

State whether any Director classified as "Independent" receives from the Company, or from its Group, any funds or benefits for any concept other than Director's remuneration or maintains, or has maintained during the last year, a business relationship with the Company or any company in the Group, on their own behalf or as a major shareholder, Board Member or senior executive of the company that maintains or has maintained such a relationship.

If so, include a justified statement made by the Board of Directors outlining the reasons why this member of the Board of Directors can continue to fulfill his or her duties as an Independent Director.

Name or company name of the Director	Description of the relationship	Justified statement

OTHER EXTERNAL DIRECTORS

Name or company name of the Director	Committee that proposed the nomination	Position on the Company's organizational chart
Total number of Executive Directors		
% of the entire Board		

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company or its management or with its shareholders

Name or company name of the Director	Reasons	Related-party company, executive or shareholder

Indicate the changes, if any, in the type of director during the period:

Name or company name of the Director	Change date	Prior condition	Actual condition

C.1.4- Complete the following schedule with information corresponding to the number of Board Members during the last four years, as well as the nature of these Board Members:

	Number of Board Members				% of total Board Members per each type			
	Period 2013	Period 2012	Period 2011	Period t-3	Period 2013	Period 2012	Period 2011	Period 2010
Executive	0	0	0	0	0	0	0	0
Representing controlling shareholders	0	0	0	0	0	0	0	0
Independent	2	2	2	2	22,22	22,22	25	25
Other external								
TOTAL	2	2	2	2	22,22	22,22	25	25

C.1.5- Explain the measures, if any, that have been taken to include a sufficient number of women on the Board of Directors in order to reach a balanced number of men and women.

In recent years, through the Appointments and Remuneration Committee, the company has implemented internal initiatives in the search for possible women candidates who, in line with their experience and training, could be proposed to cover any vacancies arising in the future.

In particular, the company positively values economic and financial training, experience in auditing, knowledge of industry and, more specifically, of the sectors in which the Viscofan Group operates, and experience as a director.

In each case, the Appointments and Remuneration Committee analyses the profile of the possible candidates and forwards their proposals, taking the greater benefit of the Company into account and applying criteria based on objectivity, training and equal opportunities.

Meanwhile, the Appointments and Remuneration Committee analyses the best alternatives for guaranteeing the presence of the current female directors on all the Board's Committees, making proposals in each case as it considers most appropriate to guarantee their presence.

In 2013 female members of the Board of Directors were represented in all Committees.

Additionally, for the 2014 General Shareholders Meeting when the mandate of four members of the Board will draw to an end, the Committee, with the advice of an external expert, has made the decision to open a candidate selection process and to include the following among the requirements:

"With regard to the total number of reviewed candidates, equal consideration will be given to men and women, so that the selection process favourably reflects gender diversity".

C.1.6- Explain the measures, if any, adopted by the Appointments and Remuneration Committee to ensure that selection procedures do not have an implied bias that hinders the selection of female directors and that the Company deliberately looks for women with the target professional profile and includes them among potential candidates:

For the 2014 General Shareholders Meeting, when the mandate of four members of the Board will draw to an end, the Committee, with the advice of an external expert, has made the decision to open a candidate selection process and to include the following among the requirements:

"With regard to the total number of reviewed candidates, equal consideration will be given to men and women, so that the selection process favourably reflects gender diversity".

If, despite the adopted measures, if applicable, there are few or no women directors, describe the reasons that justify this situation:

C.1.7 - Describe the way major shareholders are represented on the Board of Directors.

Shareholders that have major stakes reported to the CNMV are not represented on the Board of Directors.

C.1.8 - Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

Name or company name of the Shareholder	Justification

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

Name or company name of the shareholder	Justification

C.1.9- State whether any director has withdrawn from his/her position before the end of his/her term of office, whether or not the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

NO

Name of the Director	Reason for the removal:

C.1.10 - Describe the powers delegated to the Chief Executive Officer(s), if any:

Name or company name of the Director	Short description

C.1.11- Identify the directors who are managers or directors of companies within the listed

company's group, if any:

Name or company name of the Director	Company name of the Group entity	Title
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	DIRECTOR
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICECHAIRMAN

C.1.12- Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:

Name or company name of the Director	Company name of the Group entity	Title

MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION ALBA SA	DIRECTOR
MR NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	PESCANOVA SA	DIRECTOR
MR GREGORIO MARAÑÓN BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES SA	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	TUBACEX. S.A.	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS, S.A.	DIRECTOR
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	GAMESA CORPORACIÓN TECNOLÓGICA. S.A.	DIRECTOR

C.1.13- Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

YES

Explanation of the Regulations:

Article 23 of the Regulations of the Board of Directors, with an amendment approved by the Board of Directors at the meeting held on 27 February, 2014, sets forth:

Company directors may not sit on more than three Boards of Directors of listed companies, in addition to the Board of Viscofan, S.A.

Directors shall inform the Appointments and Remuneration Committee of any other professional duties that could interfere with the levels of dedication required of them".

C.1.14- Indicate the Company's general policies and strategies reserved for approval by the full Board:

	Yes	No
The investment and financing policy	Yes	
The definition of the structure of the group of companies	Yes	
The corporate governance policy	Yes	
The corporate social responsibility policy	Yes	
The strategic or business plan, as well as management objectives and annual budgets	Yes	
The policy regarding remuneration and evaluation of performance of senior management	Yes	
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	Yes	
The dividend policy, as well the treasury stock policy and, especially, the limits thereto	Yes	

C.1.15- Indicate the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (Thousand Euros)	2,395
The amount of total remuneration corresponding to pension-related rights accumulated by the Directors (thousands of euros)	0
Global remuneration of the Board of Directors (Thousand euros)	2,395

C.1.16- Identify the members of the Company's senior management who are not executive directors and state the total remuneration accruing to them during the fiscal year:

Name or company name	Title
MR JOSE ANTONIO CANALES GARCIA	MANAGING DIRECTOR VISCOFAN GROUP
MS ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR PEDRO ERASO ZABALZA	HEAD OF CELLULOSE AND FIBROUS EXTRUSION VISCOFAN GROUP
MR JOSE VICENTE SENDIN AZANZA	HEAD OF STRATEGIC PROJECTS VISCOFAN GROUP
MR JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR ANDRES DÍAZ ECHEVARRÍA	HEAD OF OPERATIONS VISCOFAN GROUP
MR JUAN JOSÉ ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN GROUP
MR MANUEL NADAL MACHÍN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN SA
MR RICARDO ROYO RUIZ	DIRECTOR OF THE COLLAGEN DIVISION FOR EUROPE
MR MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR WILFRIED SCHOEBEL	DIRECTOR OF COLLAGEN EXTRUSION VISCOFAN GROUP
MR ALFRED BRUINEKOOL	COMMERCIAL DIRECTOR NATURIN VISCOFAN GmbH.& MANAGING DIRECTOR VISCOFAN UK, LTD.
MR YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL SA
MR OSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR JOSE MARÍA FERNÁNDEZ MARTÍN	MANAGING DIRECTOR VISCOFAN USA INC. (UNTIL Sept. 2013)
MR DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC. (FROM Sept. 2013)
MR ALEJANDRO MARTÍNEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA SAU
MR JESUS CALAVIA COLLAZOS	PRODUCT MANAGER VISCOFAN S.A.
MS MARÍA DEL CARMEN PEÑA RUIZ	FINANCIAL MANAGER VISCOFAN S.A.
MR JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC
MR ANDREJ FILIP	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
MR ANGEL MAESTRO ACOSTA	MANAGING DIRECTOR URUGUAY S.A.

Total executive management remuneration	4,305

(thousand euros)	

C.1.17. State the identity of the members of the Board of Directors, if any, who are also members of the Board of Directors of major shareholder companies and/or of the companies within their Group:

Name or company name of the Director	Company name of the major shareholder	Title

Describe, if applicable, any significant relationships, other than those covered in the previous section, of the members of the Board of Directors that link them to major shareholders and/or at companies within the Group:

Name or company name of the related Board member	Name or company name of the major related shareholder	Description of the relationship

C.1.18- State whether the Regulations of the Board of Directors have been amended during the fiscal year:

SI

Description of amendments:

At the meeting held on 27 February 2014, the Board of Directors approved the following amendments to the Regulations of the Board of Directors, all of which were made as part of the dynamic policy of adapting to corporate governance best practice.

Article 13 was amended to include the status of Directors serving on the Audit Committee and their minimum educational requirements, as well as the status of its Chairman:

"The Audit Committee will be exclusively comprised of non-Executive Directors appointed by the Board of Directors, of which at least two must be Independent Directors and one will be appointed taking into account his or her background knowledge and experience in accounting, auditing, or both".

Article 14 was amended to include the status of Directors serving on the Appointments and Remuneration Committee and to amend the description of their functions as proposed to shareholders for inclusion in the Company's bylaws:

"The Appointments and Remuneration Committee will be exclusively comprised of non-executive Directors appointed by the Board of Directors, of which at least two must be Independent Directors".

"Committee members will appoint a Chairman selected from the Independent Directors that form part of the Committee".

Article 23 was amended in the section concerning the number of Boards on which the Company's Directors may sit, so that Directors may not sit on more than three Boards of

Directors of listed companies, in addition to the Board of Viscofan, S.A.

C.1.19- Indicate the procedures for the appointment, reelection, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.

Pursuant to Article 26 of the Articles of Association:

The representation and administration of the Company will be commissioned to a Board of Directors, made up of a minimum of three members and a maximum of nine.

Their appointment will correspond to the General Shareholders meeting in accordance with article 243 of the Capital Companies Act.

And Article 27 sets forth that:

To be appointed to the position of director, the status of shareholder is not a requirement. The term of office for Directors is six years from the date they are appointed.

The appointment of Directors will cease when their term of office has ended and the next General Shareholders Meeting has been held or the period stipulated by law for holding the Shareholders Meeting to resolve on the approval of the prior year's accounts has passed.

Article 27 ter establishes limits on the re-election of Independent Directors:

Independent Directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years counted from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years described in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

In this respect, Article 6 of the Board Rules sets forth:

´The Board of Directors shall comprise the number of Directors determined by the shareholders at the General Shareholders Meeting within the limits set forth in the Articles of Association.

The Board will propose to the shareholders at the General Shareholders Meeting the most appropriate number to ensure due representation and the effective operation of the Board based.

And Article 8 provides that:

Article 8. Appointment of Directors

The shareholders at the General Shareholders Meeting or the Board of Directors itself will elect the Directors in the circumstances provided in law.

The proposals submitted to the shareholders by the Board at the General Shareholders Meeting with respect to elections or re-elections with the limits set down in the company bylaws will rely on proposals by the Appointments and Remunerations Committee for independent Directors and will be based on a prior report by the Appointments and

Remunerations Committee for all other Directors. A reasonable number of independent Directors will be included on the Board and there will generally be a majority of external Directors.

The Directors will hold their posts for the term provided in the company bylaws.

Independent directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years as from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

Furthermore, Article 14 of the Board of Directors' Rules includes the Nominating and Compensation Committee and sets forth:

The mission of the Appointments and Remunerations Committee will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.

b) Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of such Directors.

c) Provide information on proposals for the appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.

d) Provide information about proposals for appointing and dismissing senior management and the main conditions of their contracts.

e) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, where applicable, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.

f) Provide the Board of Directors with a proposal for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors and oversee adherence to this policy.

Pursuant to Article 16 of the Board Regulations, relating to the Appraisal of the Board of Directors and the Committees:

Each year the Board of Directors will evaluate:

a) the quality and efficiency of the operation of the Board itself;

b) the performance of their functions by the Chairman of the Board and the company's chief executive, based on the report raised by the Appointments and Remunerations Committee;

c) the operation of the Board's Committees, based on the report raised by each committee.

In accordance with this article of its Regulations, led by the Appointments and Remunerations Committee and coordinated by the Secretary of the Board, the Board assesses the Board itself and all its Committees on an annual basis, analysing various formal and material issues of the activities carried out by each one, together with the content of the meetings, access to business knowledge, information about issues that are necessary for the development of their functions, the presence of executives at Board meetings and the various Committees, the quality of the discussions and the taking of decisions, the performance of the directors and Chairmen of each committee and the Board itself, the qualification of the directors and the Secretary of the Board, the quality applied to achieve targets, among others. Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors

Article 27. Separation of Directors.

Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

a) When they become subject to any of the disqualifications or prohibitions set down in law.

b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

c) Directors representing a controlling shareholder will tender their resignations when the shareholder they represent sells a substantial part of its stake.

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board considers there is due cause following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be

sent to all other members of the company's Board of Directors.

The departure will be reported to the CNMV (National Securities Market Commission) as a material event, and the reason for the departure will be reported in the Annual Corporate Governance Report.

Article 28. Directors' Duties after Separation.

After separation upon completion of the period for which they were elected or for any other reason, the Directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

C.1.20- State whether the Board of Directors has performed a self-assessment during this year:

SI

If so, describe whether such self-assessment has led to significant changes in its internal organisation and the procedures applicable to its activities.

Description of amendments:

Assessment results did not suggest that significant changes should be implemented

C.1.21- Indicate the circumstances under which the resignation of Directors is mandatory.

Pursuant to Article 22 of the Regulations of the Board of Directors, relating to the duty of loyalty:

Company directors, in fulfilling their duty of loyalty, must report to the Board, prior to the occurrence, or as soon as they become aware of any conflict of interest with the company or its business group. This includes the obligation to step down immediately should the same conflict persist or if their presence on the Board could negatively affect the company's interests.

Furthermore, directors shall abstain from voting on matters in which they have an interest

Any conflicts of interest in which directors find themselves shall be reported in the Annual Corporate Governance Report.

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.

Directors may not hold any kind of office or post, either on their own or through a representative, in companies that compete with Viscofan and its business group, nor may

they represent such companies or offer them advisory services.

In its various facets, this duty of loyalty of directors also encompasses activities engaged in by related parties, as defined in these regulations.

Pursuant to Article 27 of the Board of Directors' Regulations on the separation of Directors:

´Directors shall remain at the disposal of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.´

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.

The departure shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

C.1.22- Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

YES

Measures to mitigate risks:
The Company has created the figure of lead director and awarded said position specific functions to limit the accumulation of powers in one single person.

In particular, in accordance with article 9 bis of the internal Regulations of the Board of Directors

If the post of Chairman of the Board of Directors and Chief Executive of the company correspond to the same person, one of the independent directors will be authorized to perform the following functions:

a) request a Board Meeting or the inclusion of new items on the agenda,
b) coordinate the external directors and communicate their concerns,
c) direct the Board's assessment of its Chairman.

Moreover, both the Chairman and the CEO will be assessed by the Board of Directors in accordance with Article 16 of the Regulations of the Board of Directors.

Each year, the Board of Directors will assess:
b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Appointments and Remunerations Committee;

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

YES

Explanation of the rules:

See Article 9 bis (above mentioned)

C.1.23- Are qualified majorities, other than the statutory majorities, required to adopt any type of decision?

NO

C.1.24- Explain whether there are specific requirements, other than the requirements relating to Directors, in order to be appointed Chairman.

NO

C.1.25- Indicate whether the Chairman has the casting vote.

YES

Matters on which a casting vote may be made
Pursuant to Article 28 of the Articles of Association:

Resolutions shall be adopted by absolute majority vote of the Directors attending the meeting and the Chairman shall have the casting vote.
Article 7 of the Board Rules sets forth the same thing.

C.1.26- Indicate whether the Articles of Association or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the chairman (no age)

Age limit for the CEO (no age)
Age limit for Directors (no age)

C.1.27- Indicate whether the Articles of Association or the Regulations of the Board of Directors establish any limit on the term of office for independent directors, other than that stipulated in the legislation.

NO

Maximum number of years in office	12

C.1.28- State whether or not the bylaws or the regulations of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the procedure for doing so and, in particular, the maximum number of delegations that may be entrusted to a Director, as well as whether or not it is obligatory to delegate a vote to a Director of the same type. If so, provide a brief description of these rules.

The Board Regulations cover proxy voting at the Board of Directors or delegation in any of its members:

Article 33. Use of Delegated Voting
If the Board of Directors or any of its members request representation for himself/herself or for another individual and, in general, when the request is made in public, the document describing the empowerment must contain or have attached the agenda, as well as the applications for instructions to exercise the right to vote and the indication of how the representative is to vote if no precise instructions are given.

The delegations of votes received by the Board of Directors or any of its members will be executed in full accordance with the instructions received accordingly and the minutes will record the exercise and identification of the voting instructions received when they include a vote against the Board's proposals in order to protect the rights that may correspond to the delegating shareholder, where applicable.

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

a) His/her appointment, ratification, removal or resignation as a Director.
b) The bringing of an action for liability against him/her.
c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

C.1.29- Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance. Proxies granted with specific instructions shall be counted as attendance.

Number of Board Meetings	12
Number of Board Meetings the Chairman did not attend	0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of Executive or Delegate Committee Meetings	12
Number of Audit Committee Meetings	10

Number of Appointments and Remuneration Committee Meetings	7
Number of Appointments Committee Meetings	
Number of Remuneration Committee Meetings	

C.1.30- Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Attendances of the directors	10
Failures to attend as a percentage of total votes during the fiscal year	98.15

C.1.31- Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

YES

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for their preparation by the Board:

Name	**Title**
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MS MARÍA DEL CARMEN PEÑA RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

C.1.32- Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, other functions, as provided in article 13 of the Board Regulations:

'D) With respect to the external auditor:

Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report

For practical purposes, the Audit Committee will ensure compliance with the necessary mechanisms established to perform continuous control over the preparation of financial

information at every level, from its start to its consolidation in the Viscofan Group companies.

Both the corporate financial department and the internal audit department have collaborated closely with the Audit Committee to establish, put in place and monitor the most appropriate controls for guaranteeing the truthfulness of the financial information to ensure that it gives a true and fair view of the Group's financial situation.

The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

Both the internal audit department and the corporate financial department have collaborated actively with the Audit Committee to coordinate and monitor the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness.

The Audit Committee, internal audit and corporate financial departments have also held informative and follow-up meetings with external auditors to give them the characteristics of the internal control system and its implantation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to allow better monitoring of the improvements that have been put in place. All with the aim of continuing to guarantee the operation of the Group's financial information with greater control at all levels.

Furthermore, the company has maintained a policy of pre-closing the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.

C.1.33- Is the Secretary of the Board of Directors a Director?

NO

C.1.34- Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Appointments Committee and approved by the full Board.

Procedure for election and separation

Pursuant to Article 11 of the Board Regulations:

> 'The election and removal of the Secretary of the Board and, as appropriate, of the Assistant Secretary, shall be approved by the full Board, based on a report by the Appointments and Remuneration Committee"

Does the Appointments Committee report the election?	YES
Does the Appointments Committee report the separation?	YES
Does the full Board approve the election?	YES
Does the full Board approve the removal?	YES

Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?

YES

C.1.35- Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

Article 13 of the Regulations of the Board of Directors confers upon the Audit Committee the following duties relating to the external auditor:

D) With respect to the internal auditor
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) The Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes.
ii) The Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:
d) Definition of the information policy relating to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 34 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 34 - Communications with shareholders and with the Securities Markets.

The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the company's Articles of Association, as well as any information deemed by the Board to be in the interest of the public.

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant Committee.

The Board shall also immediately provide information to the public on:

a) Relevant facts that could materially influence the formation of stock market prices.
b) Substantial amendments to the Company governance rules.
c) Treasury share policies that Company may propose to carry out exercising the authorizations conferred by the shareholders at the General Shareholders Meeting.

To such end the Board of Directors shall use all means at its disposal to keep the information on the Company's web page up to date and to coordinate its content with the documents filed with and recorded at public registries.

C.1.36- Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

NO

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

NO

C.1.37- Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group.

YES

	Company	Group	Total
Amount for work other than audit work (thousands of euros)	47	109	156
Amount for work other than audit work (thousands of euros)	31,845	17,042	19,783

C.1.38- State whether the audit report on the Annual Financial Statements for the previous fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

NO

C.1.39- Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited.

	Company	Group
Number of consecutive years	7	7

	Company	Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	28	32

C.1.40- Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

YES

Description of procedure:

According to article 18 of the Board Regulations,
´Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item´.

C.1.41- Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:

YES

Description of procedure
Article 17 of the Board of Directors' Rules sets forth the following:

The Board members will receive the information required to carry out their work in due time and detail with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors.

Before each meeting of the Board of Directors or the respective committees, the Board members will receive the most relevant information about the agenda items to be discussed,

as far in advance as necessary for correct analysis and studying of that information.

C.1.42- State whether the Company has established any rules requiring Directors to inform the Company and, if applicable, resign from their position- in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

YES

Description of rules:
Said rules are included in article 22 of the Board Regulations as part of the directors' duty to loyalty:

Directors will report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should such a situation arise, the Board of Directors shall examine and monitor it closely, before deciding on whether the director in question should stand down.

C.1.43- State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in art 213 of the Capital Companies Act.

NO

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office, or, where applicable, describe the actions performed or scheduled to be performed by the Board of Directors up to the date of this report.

NO

Decision made	Substantiated explanation

C.1.44- Provide details about significant agreements that the Company has made and are coming into force or being amended or terminated, in the event of a change of control of the company as a result of a takeover bid and their effects.

No significant agreements have been made with these characteristics.

C.1.45- Identify, on an aggregate basis, and describe in detail the agreements between the Company and the members of the Board of Directors, management or employees which contain indemnity or "golden parachute" provisions in case of resignation or wrongful dismissal or if the contractual relationship is terminated due to a public offer of acquisition or other transaction type.

Number of beneficiaries	3
Beneficiary type	**Description of the agreement**
Chief Executive Officer	Indemnity of two years salary in the event of irregular termination, with three years of non competition.

Senior Management	Indemnity of two years salary in the event of irregular termination.

Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

	Board of directors	General shareholders Meeting
Body that authorizes the clauses	YES	NO

Is information about these provisions given to the shareholders at the General Shareholders Meeting? NO

C.2 - Committees of the Board of Directors

C.2.1- List all the committees of the Board of Directors and the members thereof and the proportion of proprietary and independent directors that form part thereof:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Title	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

% Executive Directors	33.33%
% Proprietary Directors	
% Independent Directors	66.66%
% Other External Directors	

AUDIT COMMITTEE

Name	Title	Category
MR ALEJANDRO LEGARDA ZARAGÜETA	CHAIRMAN	INDEPENDENT
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR GREGORIO MARAÑÓN BERTRÁN LIS	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	DIRECTOR	INDEPENDENT

% Executive Directors	
% Proprietary Directors	
% Independent Directors	100%
% Other External Directors	

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	CHAIRMAN	INDEPENDENT
MR JOSÉ CRUZ PÉREZ LAPAZARÁN	DIRECTOR	INDEPENDENT
MS LAURA GONZÁLEZ MOLERO	DIRECTOR	INDEPENDENT

% Executive Directors	
% Proprietary Directors	
% Independent Directors	100%
% Other External Directors	

C.2.2-Complete the following schedule by providing information about the number of Directors who formed part of the Committees under the Board of Directors during the last four years:

	Number of Board Members			
	Year 2013 **Number%**	**Year 2012** **Number%**	**Year 2011** **Number%**	**Year 2010** **Number%**
Executive Committee	1 33.33%	1 33.33%	1 33.33%	1 33,33%
Audit committee	1 25%	1 25%	1 25%	1 25%
Appointements and Remuneration Committee	1 33.33%	1 33.33%	1 33.33%	1 33,33%

C.2.3-State whether the Audit Committee has the following duties:

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.

YES

Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

YES

Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.

YES

Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.

YES

Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.

YES

Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.

YES

Ensure the independence of the external auditor.

YES

C.2.4- Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description:

Governed by the Board Regulations:

Article 14, - Appointments and Remuneration Committee.

The Appointments and Remuneration Committee shall be exclusively comprised of non-executive Directors appointed by the Board of Directors; at least two must be Independent Directors.

The members of the Committee will automatically cease to sit on the Committee when they cease to sit as Directors or based on a decision of the Board of Directors.

Committee members will appoint a Chairman selected from the Independent Directors that form part of the Committee.

The mission of the Appointments and Remuneration Committee will be as follows:

Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.

Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of these Directors.

Provide information about proposals for appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.

Provide information about proposals for appointing and dismissing of senior management and the principal conditions of their contracts.

Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, where applicable, submit proposals to the Board of Directors to ensure that this succession is handled in an ordered and planned manner.

Provide the Board of Directors with a proposal for remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors and oversee adherence to such policy.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description:

Company Articles of Association: Article 30:

1.- The Executive Committee shall comprise a minimum of three and a maximum of five members. The following will be members of the Executive Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Executive Committee will exercise all the powers of the Board, except for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Board Regulations: Article 12, - Executive Committee.

The Executive Committee will comprise the number and type of members set down in the company bylaws.

The Secretary of the Board of Directors will also serve as secretary of the Executive Committee.

The Board of Directors is empowered to appoint and separate its members based on a report by the Appointments and Remunerations Committee. The members of the Executive Committee will automatically cease to sit on the Committee when they cease to serve as Directors of the Company.

The Executive Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Committee name

AUDIT COMMITTEE

Short description

According to article 30 of the Company Bylaws, the Audit Committee will be made up of a minimum of three members appointed by the Board of Directors, who will be automatically removed when they are no longer Company directors or when so resolved by the Board of Directors. One of the members will be elected as Chairman, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

The Audit Committee will meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members. The meeting will be considered quorate when it is attended by the majority of the directors in person or by proxy. Resolutions will be adopted by simple majority vote of the members attending the meeting and the Chairman will have the casting vote.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable.

Notwithstanding other functions assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

a)To report to the shareholders at the General Shareholders Meeting on business brought forth by the shareholders with respect to matters within its competence.

b)To propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 264 of the Capital Companies Act.

c) To supervise, when appropriate, the internal audit services

d)To become familiar with the Company's financial reporting process and its internal control systems.

e)To maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Regulations:

Article 13,- Audit Committee.

There will be an Audit Committee of the Board of Directors.

The Audit Committee will be exclusively comprised of non-Executive Directors appointed by the Board of Directors, of which at least two must be Independent Directors and one will be appointed taking into account his or her background knowledge and experience in accounting, auditing, or both.

The members of the Audit Committee will be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Remunerations Committee, and they will automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

The members of the Committee will automatically cease to sit on the Committee when they cease to sit as Directors or following a decision by the Board of Directors.

The Audit Committee will elect one of its Independent Director members as Chairman, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All the aforementioned persons will be bound to cooperate and provide access to any information they may have.

The Audit Committee will report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and will furnish all Board members with the minutes of its meetings. Notwithstanding the above, and if the Chairman of the Committee deems it necessary based on the urgency and importance of the business in question, the information will be passed to the Board at the first meeting to be held after the Committee meeting.

Notwithstanding other functions stipulated in the applicable legislation, Company's Bylaws or those delegated to it by the Board of Directors, the Audit Committee's mission will include the following:

A)To report to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.

B)Proposing the appointment of the financial auditor to the Board of Directors, which will then be passed on to the General Meeting.

C)With respect to internal control and reporting systems:

(a)Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles, and the correct application of accounting standards.

(b)Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(c)Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

(d)Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks can be correctly identified, managed and reported.

(e)Overseeing the internal auditing services, including, in particular:

(i)proposing the selection, appointment, re-election and separation of the head of internal auditing;

(ii)approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving regular information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(iii)ensuring the independence and efficiency of the internal audit function;

iv) proposing the budget for this same internal function;

(v)receiving periodic information on its activities; and

(vi)verifying that the senior management takes into account the conclusions and recommendations set down in its reports.

D)With respect to the external auditor:

(1)Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2)Overseeing compliance with the audit agreement, ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

(3)Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.

(4)Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i)the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor and, where applicable, the content thereof, and, in the event that the financial auditor has resigned, it will investigate the circumstances that may have given rise thereto.

(ii)the Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

(5)Attempting to ensure that the group's auditor also audits each component group company.

E)Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:

(a)The regular financial information the company has to publish, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

(b)The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

(c)Associate transactions.

F)Address and, where appropriate, respond to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's remit, as referred to the committee by the Company's General Secretary.

G)Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.

H)Supervision of compliance with internal codes of conduct and rules on corporate governance.

C.2.5- Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and the amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description:

It is governed by the Regulations of the Board of Directors, which are available on the company's website and have been duly filed with the Spanish CNMV and with the Commercial Registry.

Its regulations have been changed pursuant to the resolution of the Board of Directors of 27 February 2014, which amended its Regulation. The current wording is provided in section C.2.4. above.

The Committee draws up an annual business report including, among other activities, the preparation and monitoring of the annual assessment of the Board and the Committees, the coordination of the evaluation of senior management, the proposed application of the remunerations policy for the Board and senior management, the preparation of the proposal for the Board on the remunerations policy for the current year, the preparation of the proposed annual remunerations report for subsequent submission to the Company's General Shareholders Meeting, reports and proposals for the appointment of directors, where applicable.

Furthermore, the Committee raises proposals to the Board on activities designed to improve knowledge of the attributions, duties and responsibilities of the various members of the Group's senior management at Viscofan S.A. and the other companies in the Group. It fosters the organisation of training courses on particular business issues for the Board of Directors and analyses any requests for participation in the Company's governing bodies.

Moreover, in 2012 the Appointments and Remuneration Committee worked, with assessment and close collaboration from Mr. Spencer Stuart, to draw up a Remuneration Policy proposal, which was in line with his expert recommendations and included international corporate governance best practice while also adhering to the principles and foundations of the Grupo Viscofan remuneration system.

Lastly, the Appointments and Remuneration Committee will report to the Board on the business it addresses and submit customized reports on the most significant matters.

All the aforementioned will be performed notwithstanding its subsequent inclusion in the annual activities report.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description:

The Executive Committee is governed by Article 30 of the company's Articles of Association, as filed with the pertinent Commercial Registry and published on the company's website as a consolidated text encompassing all current provisions.

It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available from the company's website and have been duly filed with the Spanish CNMV and with the Companies Registry.

There have been no changes in 2013.

The Executive committee regularly reports to the Board of Directors on all the matters discussed at its meetings and provides the minutes thereof.

Committee name

AUDIT COMMITTEE

Short description:

The Audit Committee is governed by Article 30 of the company's Articles of Association, as posted on the company's website, and by Article 13 of the Regulations of the Board of Directors, which is similarly available from the company's website and has likewise been duly filed with the Spanish CNMV and with the Companies Registry.

The amendment of the Regulations of the Board of Directors approved by the Board on 27 February 2014 included requirements regarding the status of its members and the Chairman, as stipulated in section C.2.4 above.

The Audit Committee draws up an annual activity report that describes the targets set by the Committee, the activities carried out during the year and the results obtained from said activities.

An extract of said report is submitted to the General Shareholders Meeting on an annual basis for information purposes.

C.2.6- Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category:

YES

Otherwise, describe the composition of the Delegated or the Executive Committee

D.- RELATED-PARTY TRANSACTIONS

D.1 - Identify the competent body and describe, where applicable, the approval procedure for associate and intra-Group transactions.

Competent body for approval of associate transactions

Approval corresponds to the Board of Directors as one of the matters reserved exclusively for the Board by virtue of Article 5 of the Board Regulations:

c) Transactions made by the company with directors, major shareholders or shareholders with Board representation, or with other persons related thereto ("associate transactions").

However, the Board's authorisation shall not be required for associate transactions that simultaneously meet the following three conditions:

1. They are governed by standard agreements applied across the board to a large number of clients;

2. They are arranged at prices or rates set on a general basis by the party acting as supplier of the goods or services in question;

3. The amount thereof is no more than 1% of the Company's annual revenue.

The Board will approve associate transactions following a favourable report from the Audit Committee.

Procedure for the approval of associate transactions

In accordance with the provisions stated in the above section, associate transactions have to be analysed by the Audit Committee and the report will be submitted to the Board, which will decide on its approval.

Describe whether or not the approval of associate transactions has been delegated, stating the body or individuals entrusted with these powers, if any.

Powers were delegated exclusively to the highest-level legal representatives of Grupo Viscofan for the purposes of enabling them to engage in operations related to their regular business activity. In view of the special structure of the Group, whereby all subsidiary companies are 100% owned by the parent company Viscofan, S.A., this risk is eliminated in the consolidation of financial statements due to the application of various policies and internal controls, especially the system of internal control over financial information that is in place.

D.2. Describe transactions that are considered significant based on their amount or important due to their nature carried out between the Company or entities within its Group and the Company's significant shareholders:

Name or company name of the major shareholder	Name or company name of the shareholder or a company of its Group	Nature of the relationship	Transaction type	Amount (in thousands of Euros)
NONE				

D.3- Describe the transactions that are considered significant based on their amount or important due to their nature carried out between the Company or entities within its Group and the Company's Board members or senior management:

Name or company name of the major shareholder	Name or company name of the shareholder or a company of its Group	Relationship	Transaction type	Amount (in thousands of Euros)
NONE				

D.4 - Describe the significant transactions carried out by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company in terms of its purpose and conditions.

Under all circumstances, report on intra-group transactions carried out with entities registered in countries or territories that are considered tax havens:

Company name of the Group entity	Short description of the transaction	Amount (in thousands of Euros)
NONE		

D.5- Describe the amount of transactions carried out with related parties.

NONE

D.6- Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders.

Board Rules in the Article 22, related to the duty of loyalty:

In fulfilling their duty of loyalty, the Company's Directors will be bound to report to the Board, prior to occurrence or as soon as they aware of the existence of any situation of conflict of interests with the Company and its group of companies. This includes the obligation to resign immediately in the event of the persistence of such conflict or if their presence on the Board is contrary to the Company's interests.

Furthermore, Directors will abstain from voting on matters in which they have an interest.

Any situations of conflict of interests in which Directors find themselves will be included in the annual corporate governance report.

Directors will report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. In this case, the Board will examine the situation. It will monitor the situation closely, before deciding on whether the director in question should stand down.

Directors may not hold positions either on their own or through a representative, positions of any type in companies that are competitors of Viscofan and its group of companies, nor may they render representation or advisory services to such companies.

The various facets of the Director's duty to loyalty also encompasses activities carried out by associates, as defined in these rules.

Furthermore, Article 33 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows:

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

a)His/her appointment, ratification, removal or resignation as a Director.

b)The bringing of an action for liability against him/her.

c)The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

D.7- Is more than one company of the Group listed in Spain?

NO

Identify the subsidiaries listed in Spain:

Listed subsidiary companies

Describe whether a detailed description has been made available to the public regarding their respective areas of activity and any business dealings between them, as well as between the listed subsidiary company and other companies belonging to the group:

Describe any business dealings between the parent company and the listed subsidiary company, as well as between this company and other companies belonging to the group:

Describe the mechanisms established to resolve any eventual conflicts of interest between the listed subsidiary company and other companies in the group:

Mechanisms in place to resolve any conflicts of interest

E. - RISK CONTROL SYSTEMS

E.1 - Describe the scope of the Risk Management System of the Company.

The Company's risk management policy is a dynamic system that applies to all companies in the Group of which the Company forms part. It includes all activity areas of this Group and is promoted by the Board of Director of the Company; it involves, to varying degrees, all employees, including senior management and the Board of Directors of the Company.

The Risk Management System starts by analysing and periodically identifying the main risks that could affect Viscofan Group.

Grupo Viscofan considers relevant all risks that could affect the profitability of business operations, their continuity and its corporate reputation. In this regard, the Company places importance on any event that has a negative impact on the creation of value for different interest groups related to Viscofan (shareholders, the market, employees and the company).

Currently, the main risks identified by Viscofan Group are as follows:

1. Strategic risks
Natural disasters

Country risk

Competitive environment of the sector

Reputation risk

Company ownership

2. Financial and system risks
IT contingencies

Integrity of the preparation of the financial information

Financing and liquidity

Exchange rate

Interest rate

Budget control

Pension plans

Taxation

3. Operational risks
Material damages

Continuity of business

Energy market

Customer satisfaction

Transportation

Raw materials

Civil responsibility

Knowledge (know how)

Human capital

Cohesion

4. Environmental, safety and hygiene risks
   Environment
   Occupational accidents
   Occupational health and safety
   Food
   Sabotage

5. Regulatory risks
   Changes in the regulatory framework
   Compliance with multinational food legislation
   Compliance with obligations arising from commercial transactions
   Corporate risk
   Personal Data Protection Act
   Criminal responsibility of companies

   Following this identification, risks are evaluated with regard to the severity of their impact and the probability of their occurrence, at the same time as the admitted degree of tolerance, if any.

   The aforementioned procedures allow the company to create a risk map and to establish preventive and corrective measures in case the risk should occur. This leads to the creation of the risk prevention and control system, which includes internal procedures put in place and checks performed periodically to ensure fulfilment at Group level, as well as preventive actions across the entire range of business activities.

   The Company has prepared specific guidelines, naming the functions corresponding to different bodies involved in risk management, as described in section E.2 below, which includes participation from staff members at subsidiary companies (at a local level) and corporate staff in the risk control and prevention system.

E.2- Describe the corporate bodies responsible for preparing and implementing the Risk Management System.

Name of the committee or body

BOARD OF DIRECTORS

Description of functions

In accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to "Exclusive powers", the risk control and management policy and the periodic monitoring of internal information and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

Name of the committee or body

INTERNAL AUDIT

Description of functions

The Audit Committee, by virtue of the duties conferred on it in relation to internal information and control systems, is responsible for overseeing the preparation and control of financial information in general and all procedures implemented for this purpose. It also oversees internal audit operations and relations with the external auditor in order to safeguard its independence and help ensure that it issues an unqualified audit report, among other duties.

The Audit Committee is also specifically responsible for monitoring the suitability of the control policies and procedures in place, and for reviewing the internal control and risk management systems, so as to ensure that the main risks are identified, managed and communicated accordingly.

Name of the committee or body

AUDIT COMMITTEE

Description of functions

The Audit Committee, by virtue of the duties conferred on it in relation to internal information and control systems, is responsible for overseeing the preparation and control of financial information in general and all procedures implemented for this purpose. It also oversees internal audit operations and relations with the external auditor in order to safeguard its independence and help ensure that it issues an unqualified audit report, among other duties.

The Audit Committee is also specifically responsible for monitoring the suitability of the control policies and procedures in place, and for reviewing the internal control and risk management systems, so as to ensure that the main risks are identified, managed and communicated accordingly.

Name of the committee or body

AUDIT COMMITTEE

Description of functions

The aims of the Internal Audit Department include the assessment and control of any type of risk that the Organization may face and for this purpose it is authorized to examine and assess the systems and procedures for controlling and mitigating all risks, as well as the methods used. In order assist these operations, the Internal Audit Department is represented in all Committees that involve participation from senior management: Corporate Responsibility and Regulatory Compliance Committee, Ethics Committee, Global Risk Committee, Credit Risk Committee and Investments Committee.

Name of the committee or body

CORPORATE RESPONSIBILITY AND REGULATORY COMPLIANCE COMMITTEE

Description of functions

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

Name of the committee or body

ETHICS COMMITTEE

Description of functions

The Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group as a result of a breach of the Viscofan Group's internal regulations or any other circumstance.

Name of the committee or body

GLOBAL RISK COMMITTEE

Description of functions

The Global Risk Committee is a collegiate body whose purpose consists of studying in-depth exposure and risk analysis in relation to the Company, evaluating its exposure to these risks and creating recommendations and relevant actions required for the management of these risks from a reasonable perspective. Therefore, the Global Risk Committee is a body in charge of analysis, assessment and coordination of matters related to risk and their management. The Global Risk Committee met three times in 2013.

Name of the committee or body

CREDIT RISK COMMITTEE

Description of functions

The Credit Risk Committee is a control and supervisory body for risks related to customer collections management. The purpose of this Committee is to handle matters related to

prevention, follow-up and resolution of the aforementioned risks by creating and introducing the instruments deemed adequate for each specific case, including taking out insurance policies. Therefore, the control of financial risks arising from dealing with different clients of the Group is handled not only at a local level, but also at a corporate level on an ongoing and continuous basis. This Committee had four meetings in 2013.

Name of the committee or body

INVESTMENTS COMMITTEE

Description of functions

The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets on a quarterly basis for the purposes of performing periodic follow-up checks on the correct application of approved investments and controlling the efficient use of Group resources and investments.

Name of the committee or body

SENIOR MANAGEMENT

Description of functions

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. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

Name of the committee or body

Employees

Description of functions

Finally, the remaining Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems and, where applicable, report any behaviour they consider may be a possible risk to the Viscofan Group.

In order to facilitate coordination tasks, better identifiy risks and risk prevention and control actions, certain individuals were identified at local levels who will coordinate their actions with the competent bodies at the corporate level.

E.3- State the main risks that may interfere with achieving business targets

A. Strategic risks

Natural disasters. As a source of its competitive advantage, Viscofan Group has made significant investments in fixed assets and in the development of its own technologies. Although the chances of such an event are low, the occurrence of a natural disaster can have a significant impact on the impairment of these assets and prevent the company from achieving its aims. Natural disasters that have occurred all over the world in recent years (earthquakes, hurricanes, tsunamis, floods, tornadoes, etc) serve to highlight the importance and magnitude of this type of risk, should it occur.

Country risk. Viscofan has wrapper production centres in nine countries and vegetable food production centres under the IAN Group brands in Spain and China, together with 14 sales offices. Viscofan also sells its products in more than 100 countries.
Political or social instability, economic cycles, currency devaluations, regulations affecting free markets, the risk from terrorism, etc. in the countries with whom Viscofan has production or commercial relations is a country risk that may affect Viscofan's commercial relations and lead to a loss of direct investment.
Nonetheless, such geographic diversification is itself a tool that mitigates the risk of an elevated exposure to a country-specific risk.

Competitors and sector-specific environment. The strategies adopted by new competitors can affect our position and therefore whether or not we successfully achieve our goals. Measures such as increases in production capacity, the launch of new products, expansion to other countries and price fluctuations can have a direct impact on supply, thereby affecting our sales.

Moreover, global changes in eating habits and alternative technologies could have a negative impact on the demand for artificial casing, as could the ownership changes of our clients.

B. Financial and systems risks
Exchange rate. Currency exchange fluctuations in countries where the Group operates can have an impact on the results obtained from such activities, such as dividends, capital contributions or returns, intra-group loans, cash flow of foreign branches and supplier payments in foreign currencies, thereby leading to deviations in the investments made by Viscofan in different countries through its subsidiary companies. This volatility can also affect the purchasing power of clients who import Viscofan products and, as a result, their buying volumes. Even though Viscofan has adopted a strategy that brings manufacturing closer to the end customer and ensures that commercial transactions are carried out in the same currency as production costs, the vast variety of countries where the company sells its goods and the existence of production centres located exclusively in one or two countries of the Group contribute to the fact that the exchange rate impact does not entirely disappear.

Customer credit. The risk of customer debts pending collection is characterised by the geographical diversity of the customer base due to the fact that the Company's business activities are carried out in over 100 countries. This makes it more difficult to chase up payments in the event of delays, especially in markets with lower levels of financial or regulatory development. In any case, the Group monitors the situation to ensure that it does not have any significant concentrations of credit risk.

In an unfavourable economic climate this situation becomes worse, although it is lessened by the slight probability that adverse financial circumstances are prevalent simultaneously in all geographical areas in which the Viscofan Group markets its products. As described above, the Risk Control Committee performs monitoring activities and establishes measures aimed at preventing potential risk exposure and mitigating its effects should it occur.

Pension plans. Pension plans are included in the future payment obligations of the Group and they are based on actuary calculations for two of its subsidiaries. Changes

related to valuation assumptions, life expectancy, and the deterioration of assets involved in the plan, among other factors, can have an impact on the valuation of pension plans or contributions that have to be made by the Company in order to fund the pension plans. Over the past few years, the strong balance sheet position of the Company has enabled it to make contributions that increase the coverage rate of assets over liabilities and to outsource pension plans, mitigating the exposure of the Group to this type of risk.

Financing and liquidity shortage. The artificial casings industry is a business that requires high levels of investment for maintenance, capacity increases and ongoing technological improvements. Therefore, depending on the use of own resources, access to third-party financing can become of key importance. Viscofan has a solid balance sheet and mitigates the risk related to short-term and long-term debt maturity.

Taxation. Amendments to domestic or foreign tax laws in the countries where Viscofan generates its principal revenue may have a financial impact on its results. This risk has increased during 2013 due to the unstable economic situation and the collection policies in some countries, although in the case of Viscofan, this risk is reduced by the adoption of measures for stimulating investment in other countries.

IT contingencies. The risk of power supply failure, hacker attacks, computer systems failure, human error of individuals involved in the production and management of equipment and systems, third-party experts, along with a continuous development of information and technology systems and dependence on such systems can have an impact on the Group's business. Investments have been made to mitigate the consequences of potential IT contingencies in order to minimize their potential impact.

C. Operational risks

Casing manufacturing for the meat industry is a highly complex process from a technological and operational perspective, which is carried out continuously 24 hours a day and almost all year-round. This process involves many factors that can affect production output, due to the significant "production loss of the process" or due to the high production costs or the superior quality of the end product that is needed to meet the demands of the meat processing industry.

These factors include the following:
- Availability of raw materials, where the particularity of raw materials used in casing production can lead to increased demand and a consequential price increase, or the lack of sufficient quantity or quality for meeting the requirements of the production process.

Production continuity. The Viscofan Group has to guarantee business continuity at times when exceptional circumstances may arise concerning the Group's assets and its production capacity.

- Skills and staff knowledge, which requires continuous training and specific talent search and retention programs. Moreover, Viscofan Group provides employment to over 4,500 people all around the world and has manufacturing facilities in nine countries, therefore the situation could give rise to differences between the interests of the employer and the employees.

- Customer satisfaction. Failure to meet clients' expectations related to an adequate

provision of value, excessive concentration of the client portfolio which can affect the competitive position and the capacity for generating future income.

Energy market. Energy market volatility and the growing globalisation of energy supply and demand increases the dependency of certain countries on others and causes significant fluctuations in the availability of energy sources and their prices, which can have an impact on reaching the Group's targets. Additionally, this trend is aggravated by the Company's positioning in a highly regulated sector with significant differences between different countries. In 2013, Spain underwent several regulatory changes that had an adverse effect on the taxation of the energy sector and also substantially modified the remuneration system for the energy sector, decreasing it, which had consequences for Viscofan. Delays in notifying the public of regulatory developments regarding approved legislation have largely prevented the adoption of preventive measures aimed at reducing such a risk.

D. Environmental, safety and hygiene risks

Environmental risk

As a result of its production process and the use of its installations, the Viscofan Group's business generates waste, discharges and emissions that may affect the environment and lead to claims for damages, disciplinary procedures and damages that affect its image and reputation.

Occupational health and safety.

Viscofan Group carries out its business activities in the food sector and its products either enter into contact with food or are directly consumed by people. In this context, Viscofan uses a product safety and food hygiene system that applies to all aspects of the company's activity: manufacturing facilities, training programmes, control over raw materials, systems used for detecting inadequate materials during the manufacturing process, pest control, dangerous substances, personal hygiene and visitor policies. Moreover, the company undergoes external audits to ensure compliance with the implemented systems.

A complex manufacturing process, such as the one used by Viscofan, requires the adoption of preventive occupational health and safety measures aimed at mitigating the risks of workplace accidents by company and subcontracted staff during the performance of their activities.

E. Regulatory risks

Changes in the regulatory framework. Changes in the regulatory framework applicable to the Group's activities may have a direct impact on the profitability of its operations, putting achieving its objectives at risk. In some countries, the provisional nature of some measures and their clearly defined focus on offering immediate, partial solutions for a specific environment, as well as a lack of subsequent regulatory development aimed at facilitating their interpretation and application, impede their fulfilment and, where applicable, the possibility of taking advantage of these measures when they could be beneficial for the Company. Moreover, the foregoing contributes to the creation of an environment with legal uncertainty and volatility, which can impede strategic decision-making.

On the other hand, the adoption of measures focused on increasing private contributions to re-establishing the economic balance, mainly in the area of tax and grants offered to entrepreneurial activities, may have an impact on the Company's results.

E.4- Describe whether the company has a risk tolerance level

For each type of identified risk, before establishing preventive and corrective measures, the company and its different bodies entrusted with the aforementioned functions debate the probability of each type of risk occurring, the consequences of different scenarios in the event of each occurrence and the impact of such occurrence on the Group, its activities and its financial statements, as well as the recovery capacity for each particular case. Admitted tolerance levels are determined based on this data for the purposes of adjusting the implementation of preventive and corrective measures.

E.5- Describe the risks that occurred during the year

Risks occurred during the year

Strategic risk, natural disasters

Causes of risks

Extremely low temperatures and storms occurred in the northern part of the US, temporarily affecting our manufacturing in this country.

Operation of control systems

Contingency plans were activated with regard to power supply and a special plan was drawn up to address production processes in a context of isolation caused by weather. At the same time, the coverage conditions of our insurance policies were revised, introducing improvements in case of production interruptions.

Risks occurred during the year

Strategic risks: competitive environment of the sector

Causes of risks

Improvement to production capacity in the cellulose sector introduced by one of the main competitors in this segment.

Operation of control systems

Viscofan continued implementing its global manufacturing strategy by consolidating its product range, especially in the collagen area, with the intention of offering more added value across the entire range of its products, reinforcing its quality standards and maintaining its price policy in accordance with its higher service and quality levels than those present in the market.

Risks occurred during the year

Financial risk: exchange rate risk

Causes of risks

The global economic situation and economic and monetary policies implemented by the competent authorities in different countries have led to exchange rate fluctuations in several currencies used by the Group, especially in the Brazilian real and US dollar, which have fallen an average of 13.8% and 3.3% in comparison with the euro in 2013.

Operation of control systems

Viscofan continues searching for opportunities to take out exchange rate coverage, when such options are considered reasonable given the circumstances, while taking care that such coverage should not be considered to be speculative transactions.

At the same time, a production plan was launched in China to bring manufacturing closer to the end customer, thereby reducing exchange risk exposure, although this does not mean that this risk has been eliminated completely. The Company also plans to launch manufacturing in Uruguay.

Risks occurred during the year

Financial risk: taxation

Causes of risks

Regulatory changes in some countries where the Group operates, which are more protective of revenue generated in their territory, as well as the collection measures adopted in some companies, have contributed to the increased tax burden.

Operation of control systems

Follow-up and application of tax incentives, deductions and improved planning have contributed to the mitigation of such risk, as described in section E.6.

Risks occurred during the year

Operational risks: raw materials

Causes of risks

Increase in collagen prices

Operation of control systems

Viscofan continues to consolidate the approval of new suppliers and the search for alternatives in different geographical locations has helped reduce the impact of this effect. In addition, it made adjustments to its processes in order to increase the possibilities of using different raw materials.

Risks occurred during the year

Regulatory risks. development of regulatory framework

Causes of risks

Legislative amendments to the Spanish energy sector.

Operation of control systems

The measures that have been adopted have allowed Viscofan to carry out actions which, under current circumstances, may make it possible to reduce this risk. In addition, it continued working on optimizing co-generation engines and enhanced communication channels with the Authorities and associations that represent the interests of the companies that use co-generation. At present, the final impact of these measures cannot be known as some of them are still pending.

Risks occurred during the year

Regulatory risk: compliance with obligations arising from contractual relations.

Causes of risks

Termination of a business relationship with one of the companies that sold Viscofan products in a foreign country gave rise to claims for different amounts from various Group companies.

Operation of control systems

Preventive measures implemented with regard to regulations on commercial relationships, supply structure and manufacturing in different countries have contributed to the decrease of the potential impact.

E.6- Describe response and control plans for the main risks faced by the Company

1. Strategic risks

Natural disasters

A study was conducted to detect the probability of a natural disaster occurring at different Viscofan Group facilities, taking into account geographical location and the properties of the land where the construction elements of the buildings are located. The results allowed the Company to identify the most exposed items and to confirm available coverage in case of an accident.

Country risk

The Credit Risk Committee met periodically in order to analyse the actual risk to customers of the entire Group, analyse potential delays, review compliance with established procedures, verify the status of insurance policy coverage and conditions, review the risk in different countries, especially the current political and financial instability in certain countries, including Spain, and adopt the measures required in each case to ensure, or, where applicable, decrease, this exposure by changing sales conditions, requesting collection assurance measures, etc. The Credit Risk Committee met four times in 2013. Although the economic situation is unfavourable, the Committee's monitoring process has made it possible to stabilise the amount of debt covered at 73%. In 2013, the loss rate remained below 1 per thousand.

Competitive environment of the sector: Competitors

Viscofan increased surveillance of its competitors' activities, performing continuous monitoring of their investment plans, communications and financial results, as well as projects undertaken. In addition, it actively participates in various forums corresponding to the industrial sectors of its interest.

2. Financial and systems risks

Financing and lack of liquidity risk

Although Viscofan Group does not currently face risks from a lack of financing, it explored financing options in 2013 as a preventive measure in the light of the uncertain situation of the Spanish financial system and a potential decrease in financing opportunities in the near future. It has taken advantage of such opportunities in order to carry out long-term financing transactions to replace other short-term financing transactions on their termination, so as to avoid potential problems in the future.

Exchange rate

Viscofan is open to business and exchange coverage opportunities that are appropriate in each specific case and aim to decrease the impact of this risk.

Taxation

Viscofan carried out a review of applicable legislation in order to identify potential opportunities for tax optimisation, taking advantage of tax exemption and/or deduction opportunities offered by different countries for making investments in their territories. Production investment strategies in different countries allowed the Company to benefit from various tax optimisation strategies:

- In Serbia, the reduction of corporate tax by 74.1% during the first 10 years (year 2012 being the first year), subject to the commitment of maintaining job positions and investments during this period.

- In the Czech Republic, €3.8bn was obtained for the next ten years, as long as €17bn are invested during this period.

IT contingencies

In order to reduce the impact of this risk, should it occur, a contingency plan has been defined with a leading provider at the international level, including the placement of servers in different cities, which guarantees system functionality for at least twenty-four hours after any incident, to guarantee continuity of activities in case of emergencies.

3. Operational risks

Energy market

In 2013, the Company ended its dependency on an external provider in Naturin for vapour supply and initiated a self-supply project by installing a boiler and subsequently, a co-generation turbine. At the same time, in Mexico, it completed the process of replacing combustible oil with LP gas as an alternative energy source that provides far greater independence and profitability. In general, the Group continues to work on energy source replacement.

Scarcity of raw materials

The Group followed differentiated strategies for diversifiying and approving new suppliers for each product line, aimed at the approval of alternative suppliers, to reduce dependence and increase flexibility in the light of supply and demand variances.

Internal projects were also carried out to adjust various processes to different raw materials.

Moreover, the Company appointed a corporate purchasing manager to increase the possibilities of trading with different providers.

Environmental, safety and hygiene risks

The company increased the amount of resources allocated to improving and coordinating environmental, safety and hygiene risks by creating a new corporate position in the organisational structure of the Group, directly reporting to the Chief Operating Officer, in order to strengthen the Group's activity in the EHS area (Environmental, Health and Safety).

4. Regulatory risks

Changes to the regulatory framework

The Group increased its monitoring of regulatory changes, especially in Spain where continuous regulatory changes have been occurring in various aspects that affect the Company. Preventive actions were carried out with regard to the potential impact of these changes whenever possible.

Moreover, the internal audit, the Audit Committee, the Corporate Responsibility and Regulatory Compliance Committee, the Global Risk Committee, the Credit Risk Committee and the Investment Committee, as part of the functions of each, have increased monitoring measures in different risk areas in order to control their possible occurrence and impact, established the necessary prevention and control measures and ensured their fulfilment. All this was done through follow-up meetings on action plans established for each body, with controls arising from these plans and recommendations regarding such controls.

F.- INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS (SCIIF)

Describe the mechanisms that make up internal control and risk management systems for the financial reporting process (SCIIF) of the Company.

F.1 Control environment of the institution

Provide information, indicating the main characteristics, about at least:

F.1.1- Bodies and/or functions responsible for: (i) The existence and maintenance of an appropriate and effective financial information internal control system (FIICS); (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"vii) Risk control and management policy, as well as the periodic monitoring of internal information and control systems."

Furthermore, article 13 of the Regulations of the Viscofan Board of Directors lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

"Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles or instrumental entities, and the correct application of accounting standards".

In turn, the Internal Audit Division has assigned the general function of examining and assessing the systems and procedures for the control and mitigation of all risks, and the methodologies used.

Specifically, with respect to the control of financial information, it examines and assesses the reliability of the financial information, both accounting and management information, checking that it is complete and correct. It also reviews the procedures for recording it and the information, accounting and data processing systems.

In addition, the Internal Audit Division liaises with the Audit Committee and, where applicable, also with the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter, FIICS).

- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.

- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.

- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.

- Supervision of the appropriate design and use of the financial information systems and of the Financial Departments of each of the companies in the Group:

- Compliance with the common accounting principles and policies.

- Dissemination of the FIICS among the local organisation, identifying those responsible for the execution of each control activity.

- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.

- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc).

Finally, all other Group Departments are to cooperate in the dissemination of the FIICS within their area of responsibility.

Furthermore, each Department shall be responsible for the application of the controls corresponding to its area and coordination with other departments in the application of the FIICS, with the supervision of the corporate departments, and for correcting any deficiencies identified by the Internal Audit Department in its duty of supervision of the system.

F.1.2- If they exist, especially regarding the process of preparing financial information, the following elements:

- Departments and/or mechanisms responsible: (i) for the design and review of the organisational structure; (ii) for clearly defining the lines of responsibility and authority, with appropriate distribution of tasks and roles; and (iii) for there being sufficient procedures for their correct dissemination within the company.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination takes place via the corporate Intranet, with publication of the current organisational flowcharts of each company and the most relevant changes that take place in them.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the FIICS at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approving body, level of dissemination and instruction, principles and values included (indicating whether there are specific mentions in the register of operations and preparation of financial information), body responsible for analysing non-compliance and for proposing corrective actions and disciplinary measures.

The body that approves the Code of Conduct is the Board of Directors, at the proposal of the Corporate Responsibility and Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The Code of Conduct that applies in the Viscofan Group was approved by the Board of Directors at their meeting held on 29 February 2012. This Code of Conduct's principles and guidelines cover regulatory compliance, integrity, responsibility, transparency and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

This Policy has been widely disseminated and is available to employees on the Group Intranet.

- A reporting channel is used to notify the Audit Committee of financial and accounting irregularities, any eventual breaches of the Code of Conduct and irregular activities in the organisation, stating whether or not they are confidential in nature, where applicable.

Article 13 of the Board Regulations allocates the following role to the Audit Committee:

"Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing."

The Ethics Office has been created for this purpose, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of

the Viscofan Group's internal regulations, especially when there are signs of non- compliance.

This Ethics Office makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this Ethics Office to the Ethics Committee, which is made up of the corporate areas of Internal Audit, Legal, Investor Relations and Communication, and the Board Secretary.

- Regular training and refresher programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of the FIICS, to cover at least accounting standards, audit, internal control and risk management.

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal controls included in the FIICS.

F.2- Financial information risk assessment

Provide information on, at least, the following:

F.2.1- The main characteristics of the risk identification process, including those of error or fraud, in terms of:

Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the FIICS is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently the Internal Audit Division, in its quarterly report, informs the Audit Committee of the main risks identified in the period, and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.

- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:

    - Validity: All transactions generated in the period are valid.
    - Integrity: All transactions have been recorded correctly.
    - Registry: All transactions have been accurately entered into the accounts.
    - Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
    - Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
    - Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information complied.

- The existence of a process for identifying the scope of consolidation, taking into account, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

In accordance with the Board Regulations, the definition of the structure of the group of companies is the exclusive remit of the Board of Directors, and in turn the Audit Committee's role is to supervise the appropriate delimitation of the scope of consolidation, considering, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. Corporate operations that could affect the scope are reported appropriately by the General Management and Legal Divisions.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

Accordingly, at present the Group's parent company, Viscofan, S.A. is the owner of all of the capital in Group companies, either directly or indirectly, and in this latter case, the holding in all cases is through other Group companies.

In addition, it is the exclusive power of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded

as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 13 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

In this respect, the Viscofan Group does not currently own or have an interest in any company in the territories listed by the OECD or by the Spanish Government that could be defined as tax havens.

- If the process takes account of the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) in so far as they affect the financial statements.

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group, in accordance with the description given in section D of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at the Audit Committee's proposal and representing the Group's General Management and other divisions (Production, Financial, Legal and Commercial) and Internal Audits.

Specifically, control of risks covers three risk categories:

1. Concerning the risks of reliability of the financial information, as described above.

2. Concerning criminal risks. The Corporate Responsibility and Regulatory Compliance Committee is responsible for monitoring all matters related to risk prevention and the identification of measures for detecting possible crimes, fraud or conduct contrary to Group policy in relation to the criminal liability of companies.

3. Concerning general risks. The responsibility is shared between the General Risks Committee, which identifies the risks map and implements the control policies that are designed to reduce them, and the Audit Committee, which supervises the adaptation of the control policies and procedures in place and reviews the risk management systems so that the main risks are identified, reported and suitably managed.

Among these, in addition to those of a financial nature, the risk map that is monitored takes account of operational, technological, legal, reputational and environmental risks, etc.

- Which governing body of the company supervises the process

Article 13 of the Regulations of the Viscofan Board of Directors assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks are properly identified, managed and reported".

Furthermore, one of the objectives of the Internal Audit Division is the identification and assessment of any type of risk faced by the Organisation, and to this effect, it is authorised to

examine and evaluate the systems and procedures in place for the control and mitigation of all risks, as well as the methodologies used.

F.3- Control activities

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1- Procedures for the review and authorisation of financial information and the description of the FIICS, to be published in the securities markets, listing those responsible for them and the documentation describing the flow of activities and controls (including those related to fraud risk) of the different types of transactions that could materially affect the financial statements, including the book closing procedure and the specific review of the relevant opinions, estimates, appraisals and forecasts.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the FIICS, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in defining the FIICS.

Based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

A tool has been developed on Viscofan's intranet to implement the FIICS controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits.

At local level, each subsidiary has a person responsible for the FIICS, who coordinates the launch, execution and supervision of the monthly controls.

The main control targets for each department focused on the following:

- Production/Inventories: actual manufacturing costs, inventory valuation, validation of productions on SAP, consumption of materials on SAP, validation of the inventory information on SAP, obsoletes policy.
- Commercial/ Accounts Receivable: computer profiles and accesses, customer risk coverage procedure, approval of commercial payments, approval of claims, approval of changes to price lists, monitoring of samples sent.
- Purchasing/ Accounts Payable: computer profiles and accesses, hiring of suppliers, approval of purchase orders, payment authorisations, fulfilment of payment terms with suppliers, identification of stocks in transit.
- Wages/ Personnel expenses: computer profiles and accesses, master data, employee recruitment and dismissals, salary calculations.
- Financial Statements closure process: coordination of the monthly close, validation of the information sent for consolidation, analysis of the monthly evolution of financial statements, exchange rates applied.
- Treasury: bank balances, cash balances, impact on coverage instruments, approval of financial agreements, authorisation of bank transactions, fulfilment of payment terms for salaries and related taxes.
- Tangible and intangible assets: registration of asset acquisitions and disposals, assets under construction.
- Taxation: application of transfer pricing, balances and VAT.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The procedure for validation of the financial information reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board Regulations.

"*Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.*

Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to

ensure the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed."

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the audit team to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts.

All this complies with the following roles allocated by the Board Regulations (art. 13) to the Audit Committee in relation to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Commission pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2- Policies and procedures for internal control over the information systems (amongst others, secure access, monitoring of changes, their implementation, operational continuity and separation of roles) that support the relevant company processes in relation to the preparation and publication of financial information.

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with Password Policy.
- Management of access to any computer system or network shall comply with the provisions of Authorisation policy on computer access and profiles. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer

systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.

- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data as at the start.

- The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

In 2013 the internal audit department principally reviewed the segregation of duties and the access profile of users in the IT systems giving support to key processes regarding the preparation and publication of financial information

F.3.3-Internal control policies and procedures intended for supervising the management of activities sub-contracted to third parties, as well as aspects of assessment, calculation or valuation assigned to independent experts, which could materially affect the financial statements.

The most relevant services that the Viscofan Group sub-contracts to third parties are actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

F.4- Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1- A specific role responsible for defining and reviewing accounting policies (accounting policies area or department) and resolving any queries or conflicts derived from their interpretation, maintaining smooth communication with those responsible for the organisation's operations, as well as an accounting policy manual that is updated and sent to all units through which the company operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the FIICS and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2- Mechanisms for capturing and preparing the financial information with standard formats for application and use by all units of the institution or group, which support the main financial statements and the notes, as well as the information detailed about the FIICS.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the data from the financial modules of each subsidiary and from the consolidation system are exported to a data analysis module in order to check consistency between the original and the final information.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report, the first draft of which is prepared directly in this system.

F.5- Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1- Activities for supervising the FIICS carried out by the Audit Committee, and whether the institution has an internal audit system whose responsibilities include supporting the committee in its task of supervising the internal control system, including the FIICS.

Furthermore, information is provided about the scope of the evaluation of the FIICS made during the financial year and the procedure used by the person responsible for carrying out the evaluation to report their findings, whether the institution has an action plan containing details of any corrective measures and whether their impact on the financial information has been considered.

In accordance with Board Regulations. The Audit Committee is responsible for the following:

"Overseeing the internal auditing services, including in particular:

(i) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(ii) ensuring the independence and efficiency of the internal audit function;

(iii) proposing the budget for this same internal function;

(iv) receiving periodic information on its activities, and

(v) verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Statute are:

1. Guaranteeing there is a suitable and adequate risk control system;

2. Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities

3. Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;

4. Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures

5. Identifying and assessing all types of risks faced by the Organisation;

6. Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;

7. Overseeing compliance with the law

The Internal Audit Division prepares Audit Plans, broken down into two classes, according to the time they are in force:

a) Multi-annual plans.

b) Annual plans.

Annual plans are considered the materialisation in a more limited timeframe of the generic work defined in the multi-annual plan. The latter is considered a declaration of measurable objectives for a longer period.

In addition, the Internal Audit Division carries out the following reporting work:

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also regularly reports to the Audit Committee on the application of audit plans and other relevant activities;

It drafts the results of the work and subsequently discusses them with the managers of the Divisions concerned before the reports are finally issued;

It assesses the level of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this to the Audit Commission."

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During 2013, the Internal Audit work plan concentrated especially on:

- Monitoring the activity of the Investment Committee, and in particular the proper supervision of the Annual Investment Plan in China and Uruguay as the Viscofan Group's main expansion projects.

In 2013 the Investment Committee has met four times at the same time as quarterly financial closures.

The investments in all the subsidiaries are monitored very closely. A report is issued each fortnight and sent to the members of the Committee to enable the rapid detection of deviations so that the group can proceed accordingly.

- Monitoring the activity of the Credit Risk Committee, particularly concerning the levels of cover of credit risk and the main balances to be collected.

The Credit Risk Committee has met four times over the year. Its main aim is to report on the agreements signed with credit insurers, compliance with the procedures that are in place and the added risk resulting from selling in certain countries. It also makes a detailed analysis of actual customer risk, especially for those with high amounts due.

Although the economic situation is not healthy, the Committee's monitoring process has made it possible to stabilise the amount of debt covered at 73%. In 2013, the loss rate remained below 1 per thousand.

The consolidation of the FIICS platform for the execution and supervision of the controls in place, monitoring their implementation in all the Group's subsidiaries.

- The review of the controls that were carried out and the quality of the evidence found. In particular, a random review of the most significant controls is performed at each quarterly closure and a summary report is submitted to the Audit Committee prior to the release of financial information to the public.

- In-situ review of the accounting and the invoice, purchase, and inventory procedures in four Group subsidiaries.

- The review of the processes carried out by the Human Resources Department of the same four branches to check compliance with employee selection, welcome, training and dismissal policies in place at the Viscofan Group for the purposes of adopting the Crime Detection and Prevention System.

- Checking the effectiveness of the corrective measures established after each action.

The Internal Audit activity is considered satisfactory, mainly due to the high level of application of the improvements and recommendations made to deal with the incidents detected.

The Internal Audit Department prepares action reports, which contain a list of incidents detected during the performance of work, as well as suggestions for improvement. These reports are initially discussed with the individuals in charge of the corresponding branches or departments.

Once discussed with the individuals in charge, and after establishing the measures to be adopted, the report is transferred to the Audit Committee. If the identified incidents may have a quantifiable impact on the financial information, notification is provided to the Corporate Finance Department, as well as to the local Finance Departments affected, in order to rectify them.

F.5.2- Whether there is a procedure for discussion through which the account auditor (in accordance with what is stated in NTA), the internal audit team and other experts can report to Senior Management and the Audit Committee or administrators of the institution any significant weaknesses in internal control identified during the annual account review processes or any others assigned to them.

Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

In addition to the roles of the Internal Audit Division described in the previous point, the Board Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

"The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have."

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit. In particular, four meetings were held with the auditors in 2013.

At said meetings, the auditors report any weaknesses in internal control that may have been detected. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

F.6 - Other relevant information

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

F.7 - External audit report

Provide information about the following:

F.7.1. Whether or not SCIIF information released to the markets has been reviewed by an external auditor. If so, the company should attach the corresponding report as an appendix. If it has not, provide information about the reasons why.

SCIIF information has been submitted for review by our external auditors EY, in accordance with the Professional Action Guidelines and the Audit Report form concerning SCIIF-related information on listed companies in July 2013. A report with the conclusions of this review is attached hereto.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Unified Good Governance Code.

If any recommendation was not followed, or was only partially followed, a detailed explanation for the reasons thereof should be attached, so that the shareholders, investors and the market in general have sufficient information to be able to evaluate the impact on the company. Explanations of a general nature are not acceptable.

1.-The Articles of Association of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.10, B.1, B.2, C.1.23, and C.1.24

Complies

2. When both the parent company and a subsidiary company are listed companies, they both provide detailed public disclosure on:

a)Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

b)The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: D.4 and D.7

Not Applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

a)The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b)The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c)Transactions whose effect is tantamount to the liquidation of the company.

See section: B.6

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 27 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;
b) In the event of amendments to the Articles of Association, to each article or group of articles that are substantially independent of one another.

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act on behalf of different clients can divide their votes in accordance with the instructions given by such clients.

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:

a)The company's policies and general lines of strategy, and in particular:
i)The strategic or business plan as well as the management objectives and annual budgets;
ii)The investment and financing policy;
iii)The definition of the structure of the corporate group;
iv)The corporate governance policy;
v)The corporate social responsibility policy;
vi)The policy for remuneration and assessment of the performance of senior managers;
vii)The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
viii)The dividend policy, as well the treasury stock policy and, especially, the limits thereto.

See paragraphs: C.1.14, C.1.16 and E.2

b)The following decisions:

i)At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.
ii)The remuneration of directors and, in the case of executive directors, the additional remuneration for their executive duties and other terms and conditions that must be included in their contracts.
iii)The financial information that the Company must periodically make public due to its status as listed company.
iv)Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
v)The creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

c)Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1st They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;

2nd They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;

3rd The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favourable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.
See sections: D.1 and D.6
Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

See section: C.1.2

Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.3 and C.1.3

Complies

11. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1º- In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2º-Companies where there is more than one shareholder represented on the Board and these are not linked between themselves.
See section: A.2, A.3 and C.1.3

Complies

12. The number of independent directors represents at least one third of the total number of directors.

See section: C.1.3

Complies

13. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. This report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: C.1.3 and C.1.8

Complies

14. When women directors are few or non-existent the Appointments Committee takes steps to ensure that when new vacancies are filled:

a)Selection procedures do not have an implied bias that hinders the selection of women directors.
b)The company deliberately looks for women with the target professional profile and includes them among the potential candidates.
See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies

15. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

See section: C.1.19 and C.1.41

Complies

16. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: C.1.22

Complies

17. The Secretary of the Board takes particular care to ensure that the Board's actions:

a)Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;
b)Comply with the company's Articles of Association and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;
c)Are informed by those good governance recommendations included in this Unified Code that the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Appointments Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: C.1.34

Complies

18. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: C.1.29

Complies

19. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: C.1.28 and C.1.29 and C.1.30.

Complies

20. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

21. The full Board evaluates the following on a yearly basis:

a)The quality and efficiency of the Board's operation;

b)On the basis of a report submitted to it by the Appointments Committee, how well the Chairman and chief executive of the company have carried out their duties;

c)The performance of its Committees, on the basis of the reports furnished by them.

See section: C.1.19 and C.1.20

Complies

22. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: C.1.41

Complies

23. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: C.1.40

Complies

24. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Complies

25. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

a)Directors apprise the Appointments Committee of their other professional duties, in case they might detract from the necessary dedication;

b)Companies lay down rules about the number of boards on which their directors may sit.
See sections: C.1.12, C.1.13 and C.1.17

Complies

26. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

a)On the proposal of the Appointments Committee, in the case of independent directors.
b)Subject to a prior report from the Appointments Committee, in the case of other directors.
See section: C.1.3

Complies

27. Companies post the following director information on their websites, and keep such information updated:

a)Professional and biographical profile;
b)Other Boards of Directors of listed or unlisted companies on which they sit;
c)Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
d)Date of their first and subsequent appointments as a company director; and
e)Shares held in the company and options thereon held by them.
Complies

28. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See paragraphs: A.2, A.3 and C.1.2

Complies

29. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the Articles of Association, for which he was appointed, except for good cause is found by the Board upon a prior report of the Appointments Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described ECC/461/2013 order.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 11.

See paragraphs: C.1.2, C.1.9, C.1.19 and C.1.27

Complies

30. Companies establish regulations obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in art. 213 of the Spanish Public Limited Companies Act, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See paragraphs: C.1.42 and C.1.43

Complies

31. All directors may clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, this director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies

32. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See paragraph: C.1.9

Not Applicable

33. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable remuneration linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

Complies

34. The remuneration of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

35. The remuneration linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies

36. In the case of variable remuneration, remuneration policies include technical safeguards to ensure that such remuneration reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies

37. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See paragraphs: C.2.1 and C.2.6

Complies

38. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Appointments and Remuneration Committee as a separate committee of the Board, or a Appointments Committee and a Remuneration Committee.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or committees are set forth in the Regulations of the Board, and include the following:

a)The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work carried out.

b)These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.

c)Committee Chairmen are independent directors.

d)They may receive external advice, whenever they feel this is necessary for the discharge of their duties.

e)Minutes are prepared of their meetings, and a copy is sent to all Board members.
See paragraphs: C.2.1 and C.2.4

Complies

40.Overseeing compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Appointments Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

See paragraphs: C.2.3 and C.2.4

Complies

41. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

Complies

42. Listed companies have an internal audit function which, under the supervision of the Audit Committee, ensures the smooth operation of the information and internal control systems.

See paragraphs: C.2.3

Complies

43.The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activity report to it at the end of each fiscal year.

Complies

44. Risk control and management policy specifies at least:
a)The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
b)The determination of the risk level the company sees as acceptable;
c)Measures in place designed to mitigate the impact of the risks identified, should they materialize;
d)The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.
See paragraph: E

Complies

45. The Audit Committee's role is:

1.With respect to internal control and reporting systems:
a) To ensure that the main risks identified as a result of supervising the efficiency of the Company's internal control and, where applicable, internal audit, are adequately managed and reported.
b)To ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.
c) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2.With respect to the external auditor:
a)To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
b)To monitor the independence of the external auditor, to which end:
i)The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
ii)In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

See paragraphs: C.1.36, C.2.3, C.2.4 and E.2

Complies

46. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

47. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:
a)The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
b)The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
c)Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See paragraphs: C.2.3 and C.2.4

Complies

48. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See paragraph: C.1.38

Complies

49. The majority of the members of the Appointments Committee – or of the Appointments and Remuneration Committee, if one and the same– are independent directors.

See paragraph: C.2.1

Complies

50. The Appointments Committee has the following duties, in addition to those stated in the earlier Recommendations:

a)To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
b)To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
c)To report on senior manager appointments and removals that the chief executive proposes to the Board.
d)To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See paragraph: C.2.4

Complies

51. The Appointments Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And any board member may request that the Appointments Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies

52. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:
a)To propose to the Board of Directors:
i)The remuneration policy for directors and senior managers;
ii)The individual remuneration of executive directors and other terms of their contracts.
iii)The basic terms and conditions of the contracts with senior managers.
b)To ensure compliance with the remuneration policy set by the company.
See paragraphs: C.2.4

Complies

53. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

H. OTHER INFORMATION OF INTEREST

1.- Provide a brief description of any relevant aspect, if any, of issues related to the corporate governance of the Company or the companies of the Group that have not been listed in the other sections of this report, but that should be included for the purposes of gathering more complete and reasoned information about the structure and governance policies of the Company or its Group .

2.-In this section, you may include any other information, clarification or comment relating to the earlier sections of this report as long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this Report.

3.- The Company can also indicate whether it has voluntarily adhered to any other Code of Ethics or Good Practice, whether international, sectorial or of any other nature. If so, name the corresponding Code and the adoption date.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of

February 27, 2014

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO

Name or company name of director who has not voted in favor of the adoption of this report	Reasons (counter, abstention, no assistance)	Explain the reasons

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2013

VISCOFAN, S.A.

(Translated from the original in Spanish)



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(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of VISCOFAN, S.A. for 2013

To the Directors,

At the request of the Board of VISCOFAN, S.A. (hereinafter the Company), and in accordance with our proposal dated August 1, 2013, we applied certain procedures to the accompanying "ICSFR-related information" included in the 2013 Corporate Governance Report for VISCOFAN, S.A. and subsidiaries (hereinafter the Group), which summarizes the Group's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Group's internal control system as far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Group's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Group's 2013 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section X, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 5/2013 dated June 12, 2013.

2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.

3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the the Audit Committee.

4. Compare the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.

5. Read the minutes of the Board Meetings, Audit Committees, and other Group committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.

6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of Securities Market Law 24/1988 of July 28, amended by the Sustainable Economy Law 2/2011 of March 4, 2011, and by Circular 5/2013 of the Spanish National Security Market, dated June 12, 2013, related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Javier Ezcurra Zubeldía

February 27, 2014

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