V. Notes to the financial statements of the Viscofan Group in the period from January to June 2013.

1. Basis of preparation

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

The consolidated accounts for the first half of 2013, were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in order to give a true and fair view of the consolidated net assets and financial position of Viscofan, S.A. and its subsidiaries as at 30 June 2013, as well as the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the period then ended.

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

In this regard, recall that since 1st January, 2013, came into force Amendment to IAS 19 - Employee Benefits: The IASB has published many amendments to IAS 19, ranging from basic changes such as eliminating the corridor approach and the concept of expected return on plan assets, to simple clarifications and rewording. The Group does not employ the corridor approach, but rather, recognizes the entirety of actuarial gains and losses under other comprehensive income. However, this amendment affects net expenses incurred for benefits since the expected returns on plan assets is calculated utilizing the same interest rate as that applied when calculating net interest on the defined benefit liability. These amendments become effective for the years starting January 1, 2013. The details of new hypotheses are developed in point 9.2.

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

Preparation basis for the individual accounts of Viscofan S.A

The individual accounts for first half of 2013 were prepared in accordance with the new Chart of Accounts approved by RD 1514/2007, in order to give a true and fair view of the consolidated net assets and financial situation of Viscofan, S.A. and its subsidiaries at 30 June 2013, as well as the results of its operations, cash flows and changes in equity for the period then ended.

2. Seasonality or cyclicality of interim period transactions

The business of the various Viscofan Group companies engaged in the Casings activity, valued overall and for a six-month period, is not subject to significant seasonality or cyclicality and therefore operating profits perform consistently in that time frame with the exception of sporadical increases in capacity that may occur in some interim period.

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

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

3.1 Inventory write-downs

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

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

There were no significant write-downs to property, plant and equipment, intangible assets or other non-current assets in the current period (January – June 2013)

3.3 Provisions (or changes to provisions) for restructuring costs

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

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

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

3.5 Litigation payments or settlements

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

3.6 Prior-period error corrections

There were no corrections recorded for prior-period errors.

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

The Viscofan Group has fully paid off all financial liabilities due before that date; therefore, as at 30 June 2013 no past due amounts were included under financial liabilities. In addition, none of the companies in the Viscofan Group had failed to comply with any financial obligations as of that date.

3.8 Capital increases by Group companies

In the first half of 2013 there were capital increases at the following Group companies (all wholly-owned by Group companies):

- Viscofan Technology (Suzhou) Co. Ltd., a capital increase of €13,200 thousand, to provide the company with the necessary capital structure to continue developing the new collagen extrusion plant in China.
- Viscofan Uruguay S.A., a capital increase of €8,670 thousand, to provide the Latin American subsidiary with the necessary capital structure to set up the new collagen extrusion centre in Uruguay.
- Lingbao Baolihao Food Industrial Co. Ltd., a capital increase of €1,245 thousand to finance operating enhancements and increased capacity.

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

There were no changes in prior-period item estimates with a material effect on the accounting period from January to June 2013.

5. Changes in the scope of consolidation

In May 2012 Misow, S.A. (subsequently Viscofan Uruguay, S.A.), a wholly-owned subsidiary of Viscofan S.A. based in Uruguay, was included in the scope of consolidation of the Viscofan Group. The company had no material transactions in the first half of 2012, but it increased its investments in the first half of 2013 as a result of the project to install a new collagen plant in Uruguay.

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

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

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

At 30 June 2013, Viscofan did not hold any treasury shares.

7. Dividends paid

In December 2012, the Company paid a gross interim dividend against 2012 profits of €0.400 per share, for a total outlay of €18,641 thousand. Then, in June 2013, it paid a gross final dividend of €0.694 per share for an outlay of €32,343 thousand.

Other shareholder remuneration:

The Company paid out a bonus of €0.006 per share for attending the General Shareholders' Meeting held in May 2013.

Total shareholder remuneration amounted to €1.1 per share, for a payment of €51,264 thousand.

8. Net revenues and segment income

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

9. Changes in the company's composition

9.1 Long-term investments

9.1.1. Acquisitions and disposals of non-current financial assets

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

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

In the first half of 2013 investments were made in property, plant and equipment and intangible assets for a total of €51,399 thousand. Of this amount, the main investment projects related to:

- Investments for the start-up of the new collagen extrusion plant in Uruguay.
- Investments to maintain and upgrade production technology and capacity at casings production plants.
- Investments in energy optimisation improvements, most notably the investments in new boilers in Germany.
- Investments at a number of Group plants to improve the safety conditions of the facilities.
- Investments in production improvements for the companies belonging to the Industrias Alimentarias de Navarra Group.
- Investments in IT system adaptation and integration.

9.2. Current and non-current provisions

The breakdown of this caption of the Consolidated Statement of Financial Position is as follows:

	Thousands of euros	
	30/06/2013	31/12/2012
Non- Current		
Defined benefit	21,253	25,460
Provisions for other litigation	457	515
Others	569	797
Total Non- current	22,279	26,772
Current		
Emission rights	954	1,864
Guarantees, safety in the workplace and others	4,213	1,970
Total current	5,167	3,834

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

The amount paid to pension plan beneficiaries in the first half of 2013 totalled €1,421 thousand in the United States and €1,327 thousand in Germany.

The actuarial gains at June 2013 as a result of adopting the new discount rate for recalculating the value of the net defined liability benefits amounted to €3,057 thousand.

In addition, the Group contributed €3,064 thousand to the assets allocated to the pension plans in the United States in the first half of 2013, raising the "qualified plans" coverage to 98.1%.

The actuarial assumptions used in the first half of 2013 after the entry into force of IAS 19 were as follows:

	June 2013	**June 2012**
US		
Expected rate of return on assets	3.50% - 4.25%	6.50%
Annual discount rate on the liability, updated to 30 June 2013	4.25% - 5.00%	3.50% - 4.25%
Mortality table	RP 2000 fully generational w/projection scale AA	RP 2000 fully generational w/projection scale AA
Germany		
Annual discount rate	4.90%	4.90%
Expected rate of salary increases	2.5%	2.5%
Expected age of retirement for employees	60-65	60-65

9.3. Financial risks

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

Group's global risk management programme focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability. Certain risks are hedged by derivative instruments.

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

Specifically to exchange rate risk should be noted:

As the Group operates internationally, it is exposed to variations in exchange rates, particularly the US Dollar. The exchange rate risk arises from future comercial 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.

At June 30, the Group had arranged hedged worth 24.000 thousand US$ maturing in 2013.

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 30/06/2013	Czech Crown 30/06/2013	Brazilian Real 30/06/2013	Other 30/06/2013
+5%	4,099	371	795	486
-5%	-3,709	-336	-720	-441

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 30/06/2013	Czech Crown 30/06/2013	Brazilian Real 30/06/2013	Other 30/06/2013
+5%	5,674	2,528	3,931	8,255
-5%	-5,133	-2,286	-3,556	-7,468

10. Contingent assets and liabilities

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

At year end diverse proceedings were underway against the Brazilian subsidiary although 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%.

Also, at the end of the interim period there were legal claims of a commercial nature outstanding with Griffith Colombia S.A.

Griffith Colombia, S.A. sold Viscofan Group products in Colombia on an exclusive basis from 2006. In May 2012, on the grounds that the company was underperforming and failing to make the most of all the opportunities of the Colombian market, it was replaced six months before the scheduled contract

termination date in November 2012. As a result of the termination of the commercial relationship Griffith has not paid the invoices of two Viscofan Group companies that were guaranteed by bills of exchange, for a total amount of approximately 1.2 million dollars, claiming that it is entitled to withhold payment in lieu of the compensation it considers is due to it. Most of the balance of these invoices is covered by provisions booked by the subsidiaries concerned. Griffith also filed for prior conciliation proceedings to be held in Colombia to claim such compensation. However, the company provided no basis on which to calculate an amount. The two Group companies concerned have started legal proceedings against Griffith in their respective countries seeking to enforce the bills of exchange.

With regard to contingent assets, the only material contingent asset at 30 June 2013 relates to the claim filed by IAN, S.A.U. against Mivisa Envases, S.A. on the grounds that the company was infringing two of its patents that protect the can-opening system known commercially as 'Abre-ras'. Mivisa responded by filing a counterclaim seeking the invalidation of the two patents. On 12 December 2012, Murcia Commercial Court no. 1 gave a judgement invalidating one of the IAN, S.A.U. patents and confirming Mivisa's infringement of the other. The Court gave an order for Mivisa to cease using the device and for the cans fitted with it to be seized. It also ordered Mivisa to compensate IAN, S.A.U. by paying the company 15% of the profit from the sale of the tins in the five years prior to the filing of the claim, and to publish the judgement in a canning sector trade magazine and to notify its customers. Both companies have filed appeals against the judgement. At 30 June 2013 it was not possible to determine the result of the appeals, and no provision for future revenues connected with them had been booked.

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

11. Related-party transactions

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

12. 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, legal and environmental risks. The Group manages risk based on policies approved by the Board of Directors, and developed in the Corporate Governance Annual Report, which is supervised by the Audit Committee.

Among the specific risks the Group faces are reduced profitability and a lower investment success rate; a worsening of exchange rates, increased credit risk, risks related to the reliability of financial information; liquidity risk, interest rate risk in connection with cash flows and fair value; operating risk in the supply of raw materials, material damage, and production continuity; strategic risks inherent in the competitive environment of the sector, as well as legal risks which include criminal liability for legal entities. In addition, the Group manages its operations from commercial offices and production centers in 14 countries, marketing its products in a total of 100 countries throughout the world. As a result, political decisions and natural disasters that occur in these countries, as well as food supply or food safety crises, whether caused by the Group itself or by a third party, can affect our operations.

A more detailed description of risk management is carried out in the 2012 Corporate Governance Annual Report, available on the website www.viscofan.com

13. Events after the interim balance sheet date

In July 2013 IAN applied for the provisional partial enforcement of the judgement given by Murcia Commercial Court no. 1, in relation to the compensation to be paid by Envases Mivisa, S.A. After the Court accepted the application, Mivisa Envases, S.A. made €5.5 million available to IAN pending the result of the appeal.

In July 2013 Royal Decree-Law 9/2013 was published adopting urgent measures to ensure the financial stability of the electricity system which affects the system of tariffs and remuneration of cogeneration in Spain, the ultimate impact of which on the Group's accounts will depend on the implementing regulations enacted under this Royal Decree in upcoming months.