Annual Report 14

Viscofan 40 YEARS
The casing company



VISCOFAN GROUP

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Letter from **the chairman**



Dear shareholder,

It is a great pleasure to present this annual report summarising the chief milestones reached and initiatives implemented in 2014 which helped us on the way to record profit for the Viscofan Group, outperforming the ambitious financial objectives which we set ourselves.

Such a degree of success, however, means it is all too easy to overlook the difficulties encountered along the way, difficulties which we have only been able to overcome through the hard work we have put in over the strategic period we refer to as Be MORE 2012-2015.

This strategic period, which comes to an end in 2015, has reshaped Viscofan forever. The last three years mark the most intense phase of investment in Viscofan's history, more than €230MM, without demanding any additional sacrifice from shareholders, who have received more than €154MM in dividends. At the same time, the company has continued to cut its financial liabilities, both in terms of bank debt and pension obligations, thereby strengthening the balance sheet. In short, Viscofan is now a better company: a stronger leader with more assets and less indebtedness, delivering greater value for shareholders.

The intense business and operational work performed in 2014 and summed up in this report, of which I would like to highlight certain projects and achievements, has contributed to this leading position.

I should like to start with the new Uruguay plant, which is now up and running. Viscofan is currently the only company in the world manufacturing collagen casings in Latin America and it achieved this status only one year on from launching its collagen extrusion plant in China. Meanwhile, in China itself, the market has received us very well and 2014 saw us notch up our objective of securing more than 15% of the market share a full year before the target date set in our Be MORE plan. These undoubtedly historic milestones are a clear reflection of our efforts to strengthen our collagen technology.

I would also like to underscore the improvements we are achieving in plastic casings, an area in which, despite a weaker competitive position, but thanks to the development and acquisition

of new technology, we are now opening up a new channel for future growth, a clear illustration being the investment planned for 2015 to set up a new plastic casing plant in Mexico, an ideal base from which to serve the North American market.

Our focus is not simply growth, but rather growth while maintaining great operational and financial discipline. In 2014, the initiatives stemming from the Optimisation pillar generated savings of more than €10MM, allowing once again for year-on-year growth in operating margins.

A combination of revenue growth and improved margins meant that the Viscofan Group hit the highest net profit it has ever reported, more than €106MM, in 2014. 52% of this profit is to be shared out among the company's shareholders through a dividend of €1.18 per share, making 2014 the thirteenth year running of growing remuneration for shareholders.

Viscofan Group hit the highest net profit it has ever reported, more than €106MM, in 2014

These figures have been welcomed by the stock market and Viscofan shares rose by 6.6% in 2014, 9.4% if dividends paid out to shareholders are taken into account. This represents a combined return of 66% for those who chose to invest in Viscofan at the start of the Be MORE strategy, bolstering our profile as a company which seeks to create value for long-term investors.

As you know, in 2014 we held talks with a view to finding a value-creating alternative for the IAN Group, which encompassed the business of our vegetable food division. These negotiations culminated in the sale of the division to Portobello Capital Gestión in March 2015 for €55.8MM. The IAN Group is a first-rate company which, over the 27 years that it formed part of the Viscofan project, grew on the basis of its Carretilla brand to become one of Spain's leading companies in the vegetable and ready-made meal sector. To a large extent, its success is due to the outstanding work, commitment and professionalism of a remarkable team. I would like to thank them all for all their help over so many years, particularly in 2014, where they surprised everyone once again by turning out extremely solid results despite such a complex environment.

Over the last three years, we have quite literally worked our way through the letters of the Be MORE strategy; in 2012, Market initiatives led change in the company; in 2013, we focused on Optimisation; and in 2014, we saw Returns. It should be no surprise, therefore, that in 2015, far from easing off the pressure, we intend to place special emphasis on our Excellence-based initiatives and that means strengthening our value proposal for our stakeholders.

So, coming to the end of a strategic period does not mean slacking off; quite the contrary. In 2015, we have to capitalise on the competitive position we have gained in order to face up to new challenges: consolidate the new collagen plant in Uruguay, enhance our cellulose converting capacity in China to gear ourselves for a potential increase in demand in the country and improve our cellulose service in the Asian region, set up the new plastic casing plant in Mexico, increase production speed at centres of excellence, seek to approve new suppliers and new materials created thanks to achievements in R&D, improve our fibrous casing output in the United States, and many, many more things.

Following on from a period of accelerated growth, 2015 is an ideal year to fortify our leading position by improving our levels of service and quality in an extremely exacting market, one in which we sold more than 10,000 different types of item in 2014. But our aim is not solely that of underpinning our market position or engaging shareholder interest; we also wish to expand the scope of our exigencies to satisfy our other stakeholders and, in this regard, the Board of Directors approved a new Environmental, Health and Safety policy embracing new managerial and supervisory criteria in 2014 which, I am sure, will help us progress in that direction as well.

I firmly believe that in a world as competitive and changing as the current one, the market will be led in the long term by companies capable not only of showing solid balance sheets, but also of developing stable projects which aim to create value, demonstrating responsible Corporate Governance and interacting respectfully with the environment and societies within which they exist. My conviction is supported by our code of ethics, which is conveyed to the entire organisation and all of those who work with Viscofan, and is backed by the company's internal rules and both its Corporate Responsibility and Compliance, and its Ethics Committees.

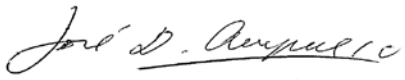
As part of our Corporate Responsibility, I would like to mention the headway made in the sphere of bioengineering based on our collagen know-how in collaboration with research centres in Spain, German and the United States, where the allocation of R&D resources has led to true breakthroughs in the field of cardiology and tissue regeneration.

It is hard to envisage so many projects or such good results without the splendid team which is responsible for our day-to-day accomplishments and allows us to break new technological frontiers year in, year out. 2015 is the Viscofan Group's 40th anniversary and we enter it as a world leader thanks to the incomparable sacrifice and daily commitment not only of the over 4,000 people who now work in the company, but also everyone who went before them. Without doubt, they all deserve a special mention when we look back on a history like this Group's.

It is thanks both to such human commitment and to the achievements marked up over the last few years that we are now able to face 2015 with optimism within a market which continues to show sure signs of worldwide growth. We hope to see double digit growth in revenue, EBITDA and net profit from our continued operations while sustaining the investment requirements at our plants.

These are ambitious objectives and we would be unable to achieve them without the dependability and support of our shareholders, both those who backed us 40 years ago and those who have recently decided to give this project a lift. In the name of the Board of Directors, I would therefore like to thank you, this year once again, for all the trust you place in us.

It is hard to envisage so many projects or such good results without the splendid team which is responsible for our day-to-day accomplishments and allows us to break new technological frontiers year in, year out



JOSÉ DOMINGO DE AMPUERO Y OSMA

About this report

Viscofan understands corporate responsibility and 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.

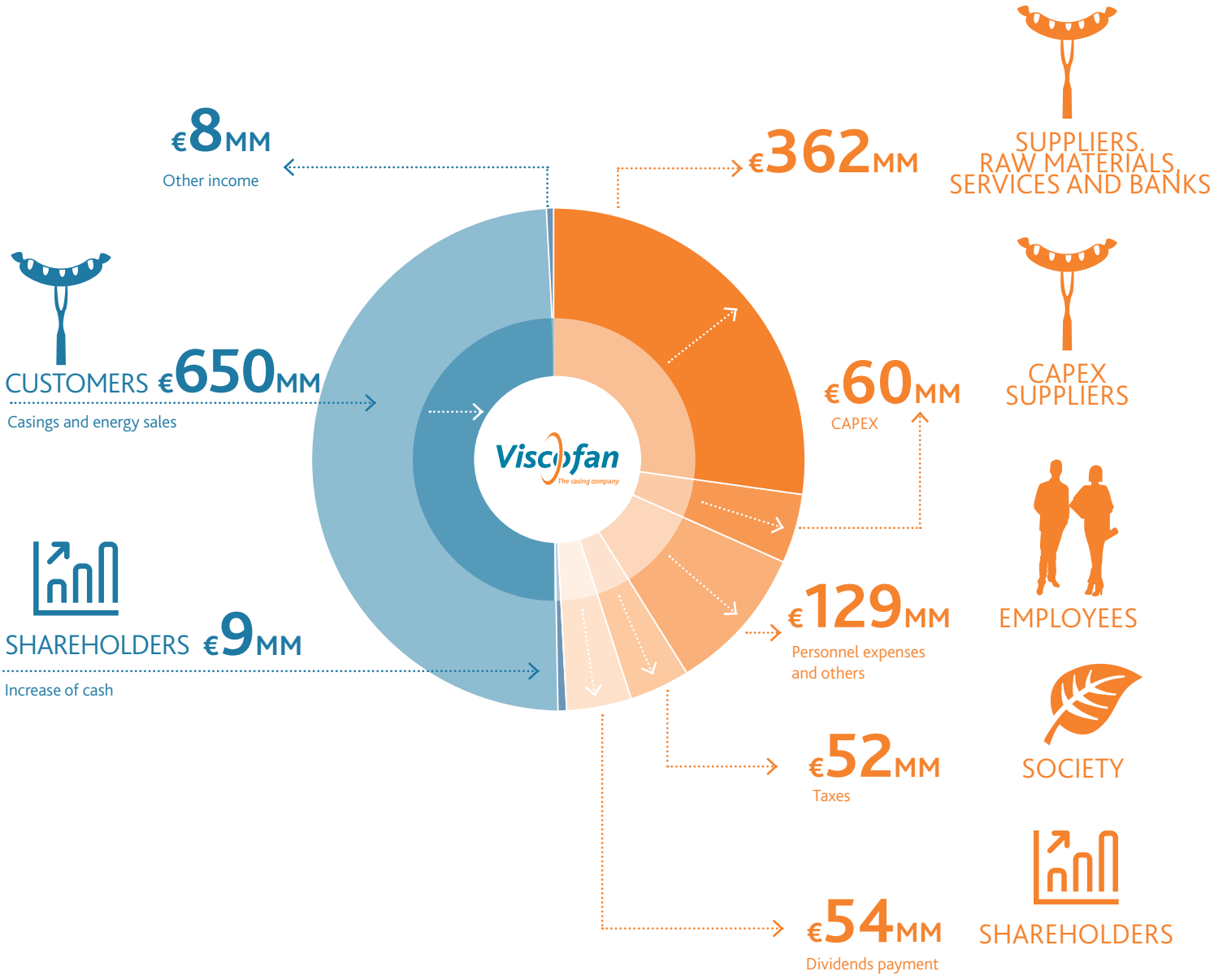
In the course of our reporting activity over the last few years, we've come to realise that the annual report has become a summary of activities that are not only of interest to our shareholders, but also to other people, institutions, in short, all "stakeholders" interacting with Viscofan use this report to seek comprehensive information on the Group's activity in 2014.

The annual report has become a recommended reference document for all those wishing to either get to know or to establish relations with Viscofan. Having said this, we'd like to explain that we've divided this annual report into three large blocks for ease of reading. The first block comprises a description of the Viscofan Group, with details on who we are and how we've reached our current market position. The second block groups together that information considered to be most relevant as a value proposition for our Stakeholders. The third block contains the consolidated financial statements of the Viscofan Group, the financial statements of Viscofan S.A, the annual Corporate Governance report, and the annual remuneration report.

What's more, taking full advantage of the improvements in service provided by new technologies, this year we've revamped our online 2014 annual report, in an endeavour to improve accessibility, the search for information, and to offer a personalised download of those chapters that are of most interest, confident that all relevant information will be made available to each shareholder and stakeholder alike. We're sure that these new features will prove highly useful and will make it possible to gain a better understanding and knowledge of the Viscofan Group.

ECONOMIC VALUE GENERATED

ECONOMIC VALUE DISTRIBUTED



SHAREHOLDERS

+6.6%
2,053.6
MARKET CAPITALIZATION 31 DEC. 2014 (MILLION OF €)

+5.4%
1.18
PROPOSED REMUNERATION PER SHARE (€)

+4.1%
687.1
REVENUE (MILLION OF €)

+8.7%
185.4
EBITDA (MILLION OF €)

+1.2 p.p.
27.0%
EBITDA MARGIN

+4.9%
106.5
NET PROFIT (MILLION OF €)

-37.8%
61.0
CAPEX (MILLION OF €)

-11.8%
74.6
NET BANK DEBT (MILLION OF €)

19.5%
MEDIUM TSR (10 YEARS)



SOCIETY AND ENVIRONMENT

35.7 +6%

WASTE AND SUB PRODUCTS (THOUSANDS OF TONS)

89.8 -7%

CO_2/KM PRODUCED (BASE 2009)

64%

% OF VALUED SUBPRODUCT

2.5 +25%

PROTECTION AND ENVIRONMENTAL IMPROVEMENT CURRENT EXPENSE (MILLION OF €)



MARKET: SUPPLIERS AND CUSTOMERS

15%

ESTIMATED SHARE IN THE CASINGS MARKET

>100

NUMBER OF COUNTRIES WITH COMMERCIAL PRESENCE



9

NUMBER OF COUNTRIES WITH PRODUCTIVE PRESENCE

CASINGS PRODUCT RANGE

cellulose, collagen, fibrous and plastic

>10,000

PRODUCED REFERENCES



EMPLOYEES



+3.4%

4,089

AVERAGE WORKFORCE

+3.0%

147.0

PERSONNEL EXPENSES (MILLION OF €)

-4.3%

119,000

TRAINING HOURS

30%

% WOMEN OVER TOTAL WORKFORCE

+7.3%

2.3

TRAINING INVESTMENT (MILLION OF €)

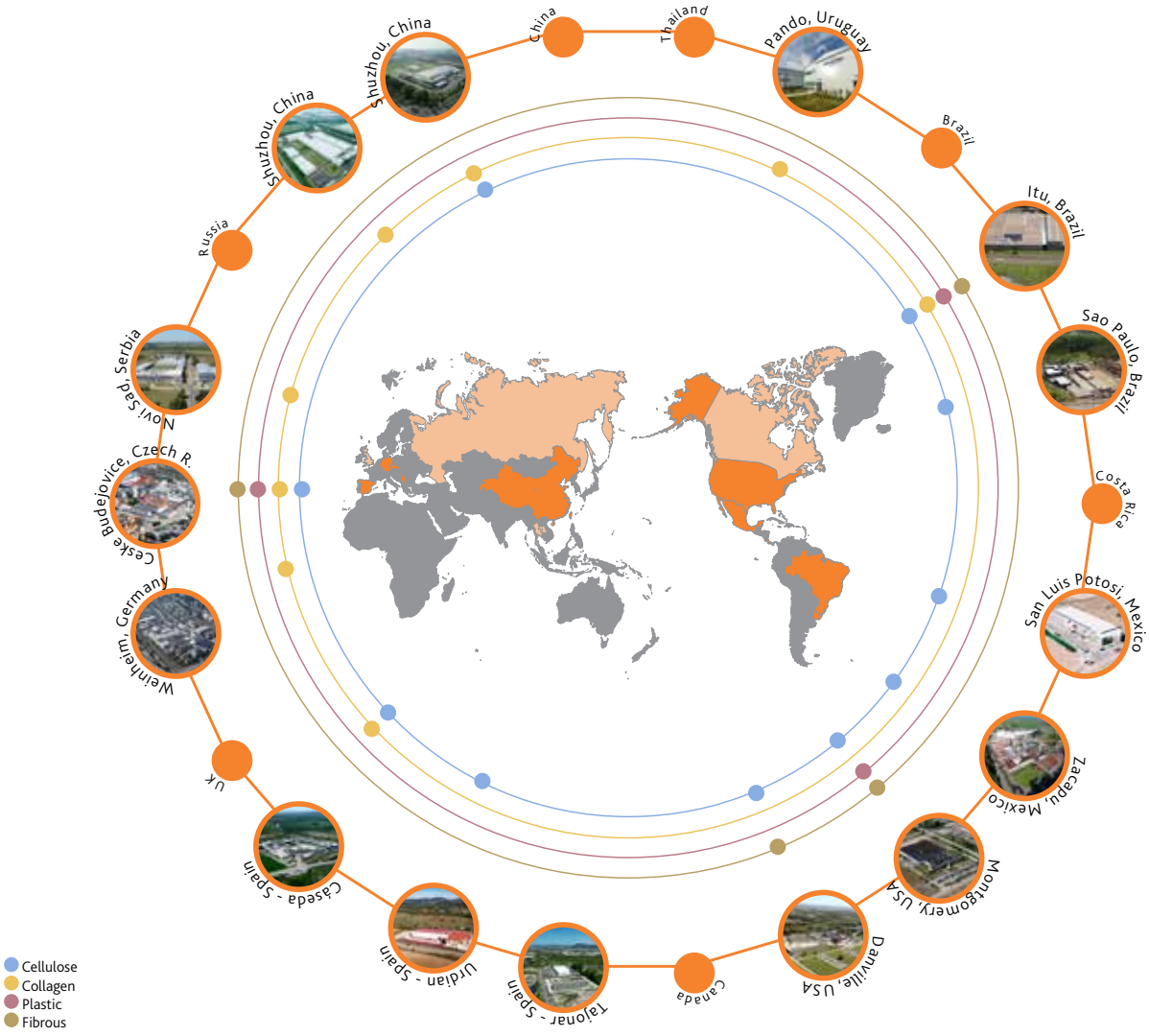


+13.7%

24,000

TRAINING HOURS IN HEALTH AND SAFETY

Viscofan worldwide



EUROPE/ASIA
2,639 employees
Revenue: €381.2 million
7 Manufacturing sites
8 Sales offices

NORTH AMERICA
908 employees
Revenue: €198.3 million
4 Manufacturing sites
3 Sales offices

SOUTH AMERICA
542 employees
Revenue: €107.6 million
3 Manufacturing sites
2 Sales offices

Highlights

January
— Beginning of the third year of "Be MORE" strategy.

February
— Publication of results for 2013. Nine years in a row revenue growth

March
— Opening of the new collagen extrusion facility in Uruguay.

April
— Viscofan 2014 General Shareholders' Meeting.

May
— Publication of results for the first quarter of 2014.

June
— Payment of a final dividend of €0.704 per share gross.

July
— Publication of results for the first half of 2014.

September
— 1st Employee Opinion Survey to Viscofan Group employees aiming to identify areas of improvement within the organization.

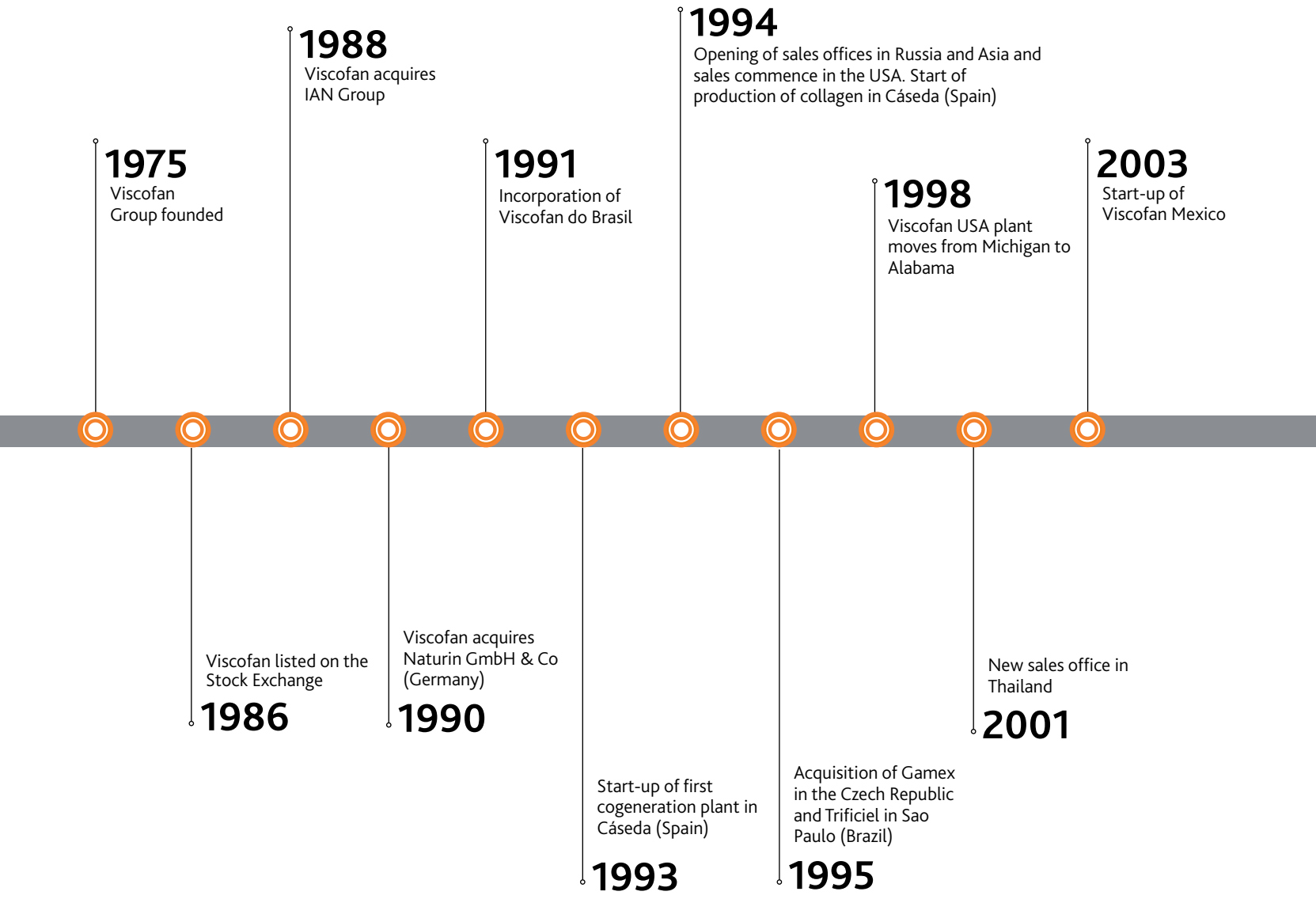
October
— Publication of results for the third quarter of 2014.

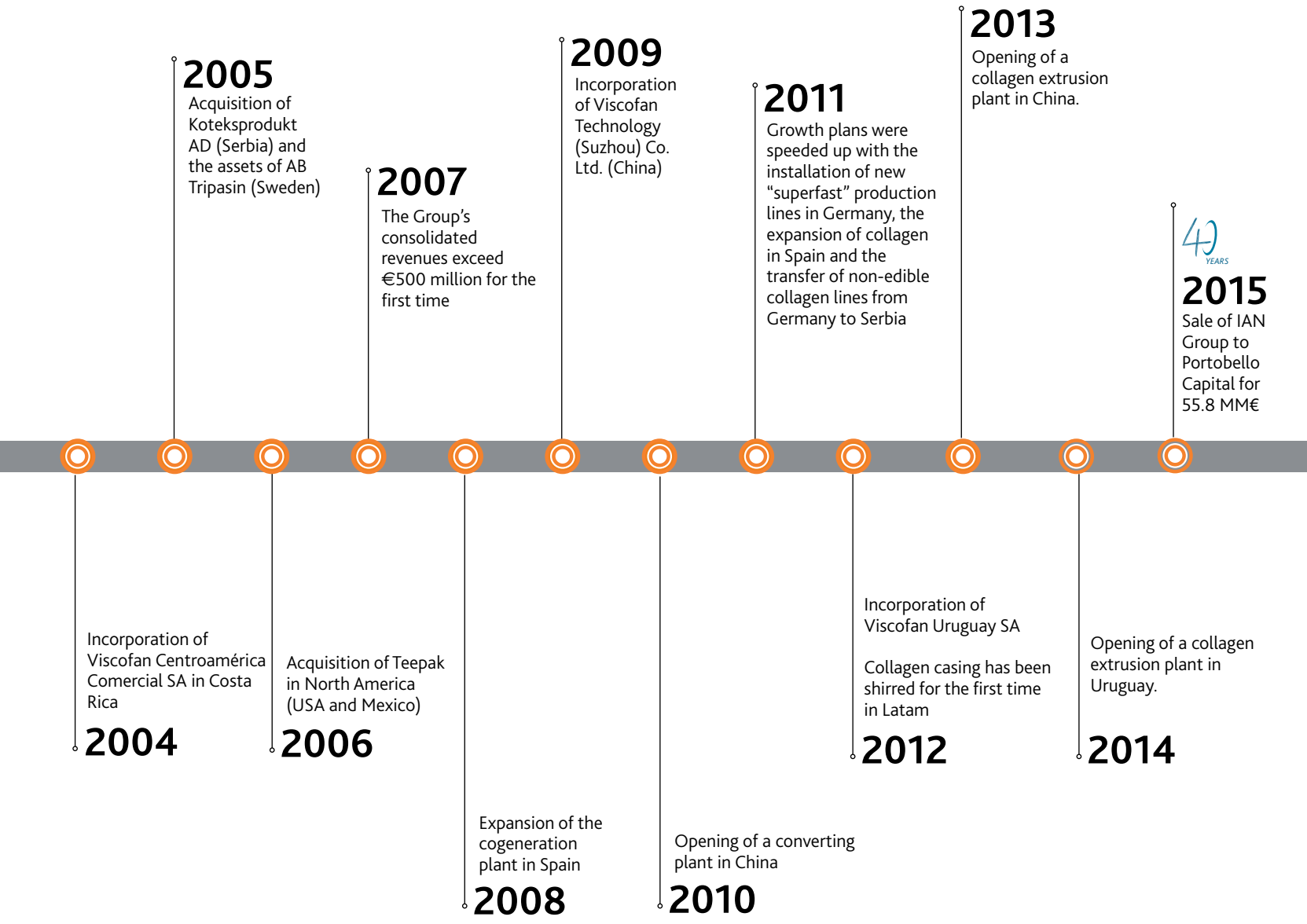
November
— The Board of Directors accepted a binding offer to acquire 100% of the issued capital of IAN Group.

December
— Viscofan share ceases to belong to Ibex35 index.
— Interim dividend paid out of profits for 2014 agreed by the Company's Board of Directors, in the sum of €0.45 per share, gross.

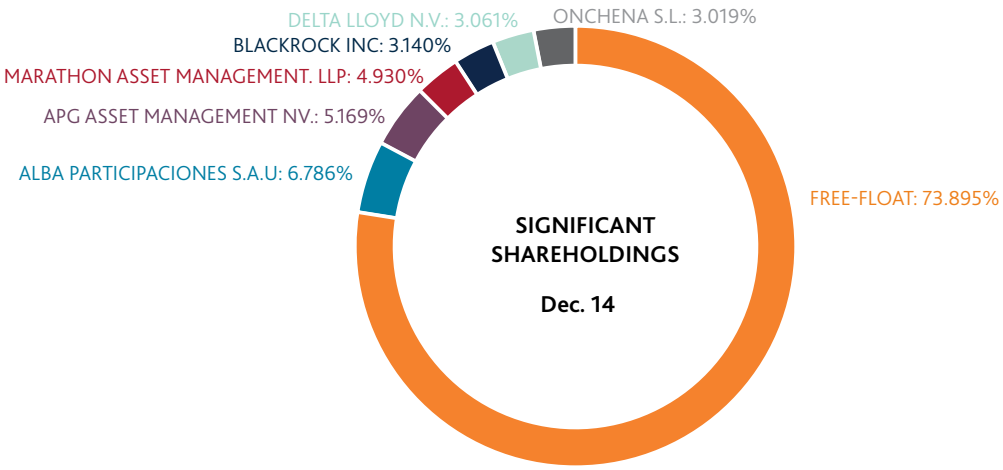
March 2015
— Sale of IAN Group to Portobello Capital for 55.8 MM€

Milestones in the history of Viscofan

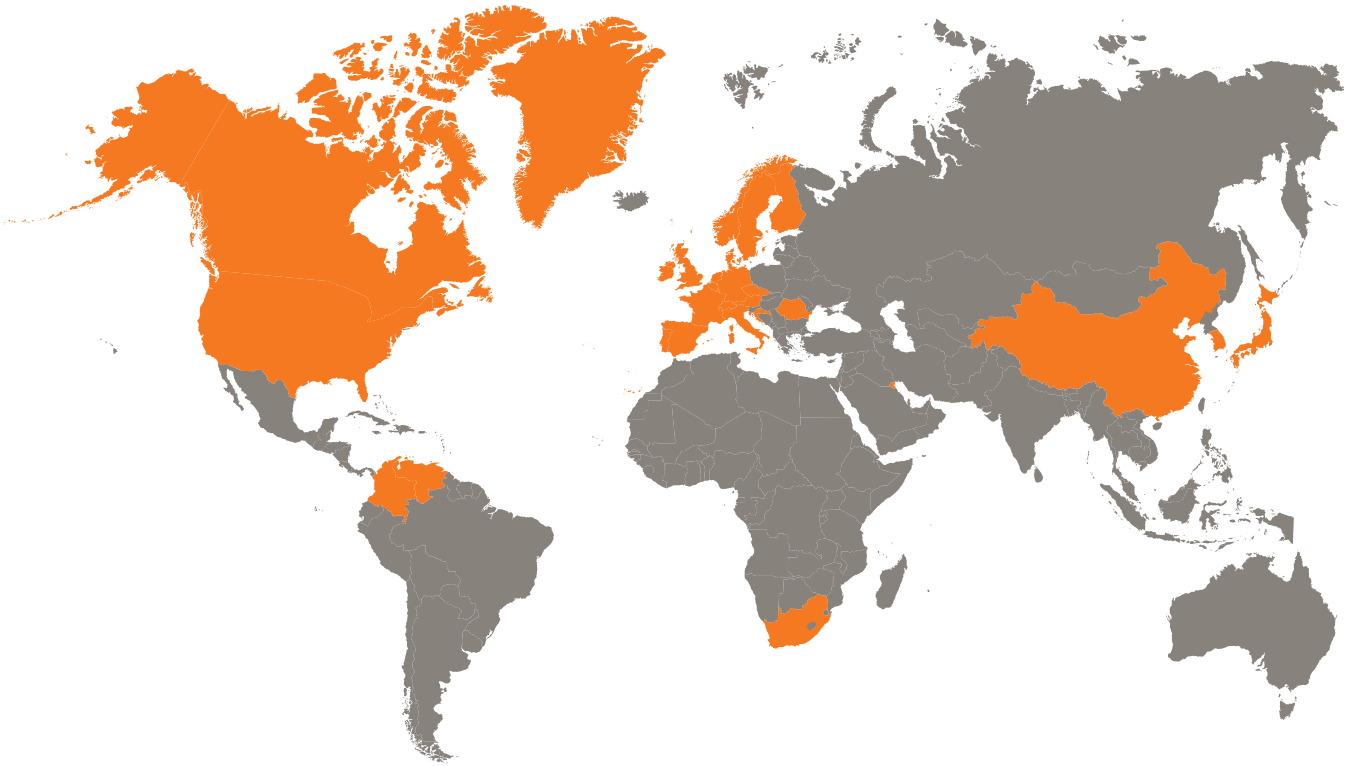



2004
Incorporation of Viscofan Centroamérica Comercial SA in Costa Rica
2005
Acquisition of Koteksprodukt AD (Serbia) and the assets of AB Tripasin (Sweden)
2006
Acquisition of Teepak in North America (USA and Mexico)
2007
The Group's consolidated revenues exceed €500 million for the first time
2008
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.
2014
Opening of a collagen extrusion plant in Uruguay.
40 YEARS
2015
Sale of IAN Group to Portobello Capital for 55.8 MM€

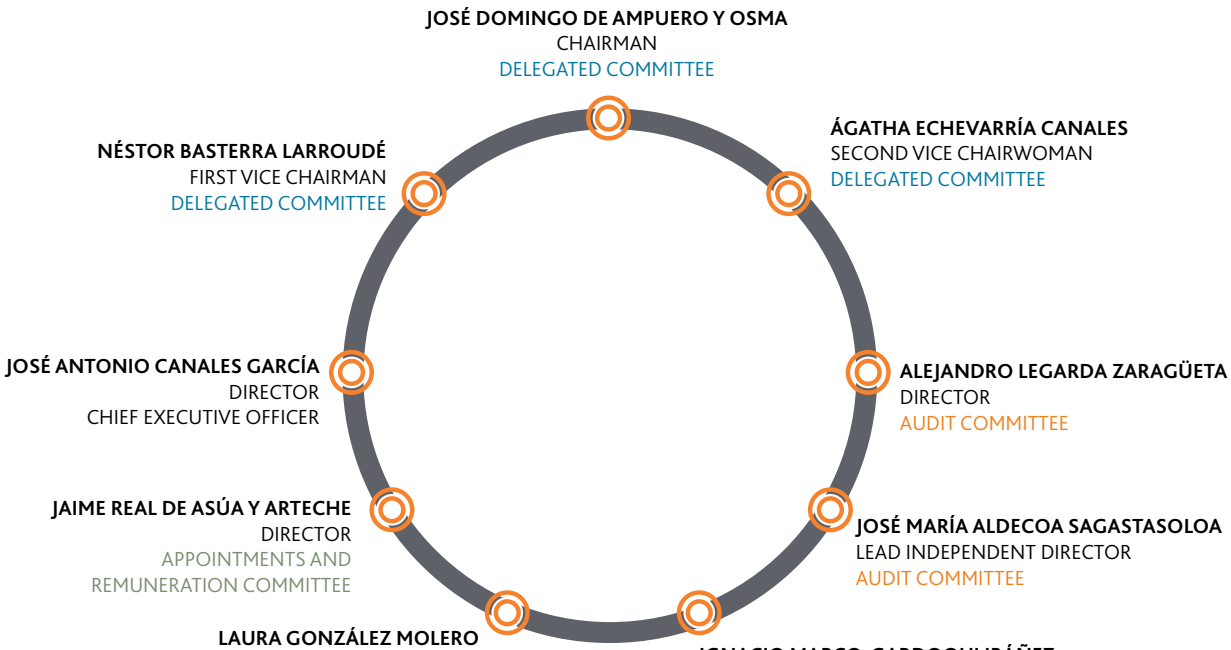
Shareholders structure



SHAREHOLDERS PRESENCE (OVER 20 COUNTRIES)



Board of directors



SECRETARY (NON-VOTING):
JUAN MARÍA ZUZA LANZ

JOSÉ DOMINGO DE AMPUERO Y OSMA
CHAIRMAN
Executive director

Industrial Engineering from the Bilbao's Higher School of Industrial Engineers and Master of Business Administration. University of Southern California. Los Angeles. U.S.A.

His extensive professional career has led him to occupy various positions of responsibility, such as deputy Chairman of Naviera Vizcaino, Chairman of S.A Foods, deputy Chairman of BBVA Bancomer (Mexico), Chairman of Bodegas y Bebidas, Vice Chairman of Banco Bilbao Vizcaya Argentaria SA, Deputy Chairman of Iberdrola, and Chairman of Cementos Lemona SA.

He is currently Chairman of Viscofan S.A., and of Autopista Vasco-Aragonesa and director of Corporación Financiera Alba.

He is member of the Executive Board of Directors of the Basque Business Circle, and its former chairman, member of the Board of "Santa y Real Casa de Misericordia" of Bilbao, and member of the Association for the Advancement of Management.

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

NÉSTOR BASTERRA LARROUDÉ
FIRST VICE CHAIRMAN
Other External Director

Law degree and Economics graduate from the University of Deusto. He also has an MBA from IESE.

He spent most of his career working in corporate banking both internationally and in Spain as responsible in capital market and corporate department in Bank of America and Banco Santander.

He is currently Vice-president of Iberpapel Gestion SA, partner and member of the board of Director of Amistra SGC, S.A.

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

ÁGATHA ECHEVARRÍA CANALES
SECOND VICE CHAIRWOMAN
Other External Director

Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.

She has broad professional experience in a number of multi-nationals, including the audit firm Touche & Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A.

She has acted as a business strategy adviser to family firms.

Member of the Board of Directors of Viscofan, S.A., of its Delegated Committee.

JOSE ANTONIO CANALES GARCÍA
Executive Director
CEO

Degree in Economics and Business from Deusto Business School (Bilbao) and has completed an advanced course of studies in International Transport & Distribution at the London School of Foreign Trade.

Mr. José Antonio Canales García has acquired an in-depth knowledge of the casing business as a result of his experience obtained in the Group which he joined in 1996 as General Manager of Viscofan do Brazil, leading the expansion of Viscofan Group in South America until his appointment in 2006 as General Manager of Viscofan S.A and its subsidiary companies. He continues to hold this position today and he has been a key contributor to reinforce Viscofan leadership worldwide and international expansion.

He is also a member of the Board of Directors of Maxam Corporation Holding, S.L.

In 2014 he joined the Board of Directors of Viscofan S.A. as Executive Director

ALEJANDRO LEGARDA ZARAGüETA
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). Doctor in innovation economics from the Universidad Politécnica de Madrid.

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 until 2014, and board member from then onwards, and was appointed an Independent Director of Pescanova, S.A. in 2013.

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.

IGNACIO MARCO-GARDOQUI IBAÑEZ
Independent Director

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.

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

LAURA GONZÁLEZ MOLERO
Independent Director

Chairman of Bayer Healthcare Latin America and Independent Director of the Leche Pascual Group.

Since June 2014, and based in the USA, she has directed the operations of the Bayer Healthcare Group Division. Before joining this company, she chaired Merck's pharmaceutical division, based in Brazil, from January 2012 onwards. Likewise, she headed the project to integrate Milipore in the Merck Chemical group. Prior to this, she headed the process to merge the Merck Group with the biotech company Serono in 2007, an entity in which she had held a number of executive positions since 1999 and, at the time of the merger with the Merck group, she held the post of Vice-Chair of Serono Iberia and Scandinavian Countries.

She was the Managing Director of Essex Pharmaceuticals of the Schering-Plough Group and of the Pharmaceuticals Laboratory Guerbert S.A, as well as the sales director of Roche Iberia S.A.

She is currently a member of the National Board of Directors of ApD and Director of the Adecco Foundation.

In the course of her career, she has received a number of prizes and awards, in recognition of her work as an outstanding director.

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

JOSE MARÍA ALDECOA SAGASTASOLOA
Lead Independent Director

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 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. In 2014 he was appointed as Lead Independent Director.

JAIME REAL DE ASÚA Y ARTECHE

Independent Director

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He currently holds the post of Vice-chairman of the Board and member of the Appointments and Remuneration Committee of Directors of Elecnor, S.A. He is also Chairman and director of Adhorna Prefabricación S.A., director of Enerfin Sociedad de Energía S.A. and of Enerfin Enervento S.A., director of Celeo Concesiones e Inversiones, and director of Deimos, all part of the Elecnor Group. Likewise, from 1987 to 2012, he was director of Internacional de Desarrollo Energético, S.A. (IDDE).

Furthermore, from 1981 to 2011, he was associated with the Cementos Portland Valderrivas Group, holding a number of management posts and was on the Board of a number of its companies.

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

JUAN MARÍA ZUZA LANZ
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 memeber of the two law schools, Escuelas de Práctica Jurídica, in Navarra since they were first created; and currently lectures at the EPJ at the Public University of Navarre.

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

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

Group structure



José Antonio Canales – General Manager Director

CORPORATE MANAGEMENT DIVISION

ANDRÉS DÍAZ
Chief Operations Officer

IÑAKI RECALDE
R&D and Quality Chief Officer

GABRIEL LARREA
Chief Commercial Officer

CÉSAR ARRAIZA
Chief Financial Officer & IT

CORPORATE SERVICE DIVISION

JUAN JOSÉ ROTA
Chief Human Resources Officer

ELENA CIORDIA
Chief Legal Officer

ARMANDO ARES
Chief IR & Corporate Communication Officer

JOSÉ VICENTE SENDÍN
Chief Strategic Projects Officer

PEDRO ERASO
Chief Skinless and Fibrous Extrusion Officer

RICARDO ROYO
Chief European Collagen Unit Officer

OSCAR PONZ
Chief Supply Chain Officer

MANUEL DÍAZ
Chief Officer of the Plastics Business Unit

REGIONAL UNIT MANAGEMENT

BERTRAM TRAUTH
General Manager of Naturin Viscofan GmbH (Germany)

MILOSLAV KAMIS
General Manager of Viscofan CZ s.r.o. and Gamex CB s.r.o. (Czech Republic)

ANDREJ FILIP
General Manager of Koteks Viscofan d.o.o.(Serbia)
Until December 2014

IÑIGO MARTÍNEZ
General Manager of Koteks Viscofan d.o.o. (Serbia)
From January 2015

DOMINGO GONZALEZ
General Manager of Viscofan USA Inc (USA)

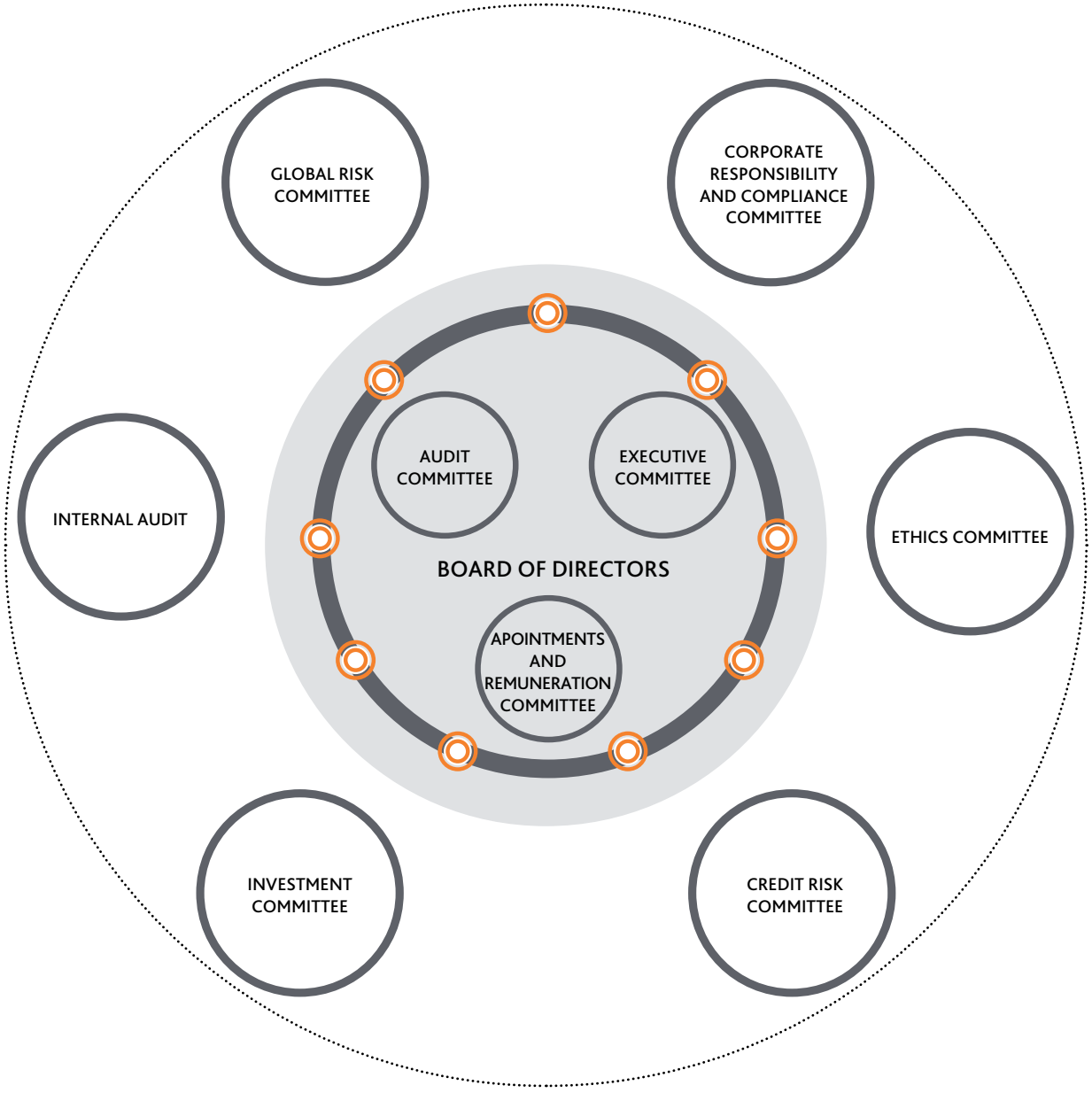
EDUARDO AGUIÑAGA
General Manager of Viscofan de México S.R.L. de C.V. (Mexico)

ANGEL MAESTRO
General Manager of Viscofan Uruguay S.A. (Uruguay)

LUIS BERTOLI
General Manager of Viscofan Do Brasil soc. com. e Ind. Ltda. (Brazil)

JUAN NEGRI
General Manager of Viscofan Technology Suzhou Co. Ltd. (China)

Control and Supervision bodies



Good Governance Practices

Viscofan considers that good corporate governance is a key factor in the creation of value, improving the company's economic efficiency and strengthening its investors' confidence. This is done through the right distribution of functions, duties and responsibilities among the company's governing and administrative bodies.

As a result, Viscofan attaches great importance to good corporate governance, understood as the Code of Ethics for its administration and management bodies of listed companies. The main aim is to coordinate the current structure of the company and its business objectives with the protection of shareholders' rights, providing a high level of trust in that the protection of these rights is compatible with the present structure of the company and its business objectives, as the main aim of the Code of Good Corporate Governance.

Given the international nature of the company's shareholder base, Viscofan carries out detailed monitoring and analysis of international recommendations on good governance, incorporating them where they can contribute to the development of the company

Viscofan's commitment to corporate governance, and continuously improving it, has been a constant feature that has led us to incorporate the main recommendations of corporate governance, regardless of their scope of application at any given time, adapting them to the company's circumstances until the highest possible level of compliance is reached. Viscofan has gradually strengthened its structure to ensure ongoing monitoring of the evolution of good corporate governance recommendations, both in Spain and internationally, and also the analysis of this evolution.

Viscofan has also increased its efforts in terms of dialogue and information on aspects that contribute to better knowledge of the company, its functioning and evolution, and its future plans in the area of corporate governance.

In this respect, and given the international nature of the company's shareholder base, Viscofan carries out detailed monitoring and analysis of international recommendations on good governance, incorporating them where they can contribute to the development of the company and its business with greater guarantees for its shareholders.

Furthermore, and within the framework of its dynamic adaptation to best corporate governance practice, Viscofan got ahead of Spanish legislation by incorporating corporate governance improvements into its internal regulations, thanks to the initiative of the Board of Directors and the involvement of the shareholders through the Annual General Meeting (AGM), considering that this involvement is the best guarantee that Viscofan can offer them.

The AGM held on 11 April 2014 approved the following modifications to the Articles of Association:

- The duration of the directors' term of office was reduced from six to four years.

- The figure of 'Lead Independent director' was incorporated. This had been envisaged in the Board's Rules since 2011, in the event of the Chairperson having the status of an executive director. The post of Coordinator Director is currently held by the independent board member José María Aldecoa Sagastasoloa.

- The Annual Assessment of the Board and its Committees was incorporated into the Articles of Association. This had been stated in the Bylaws of Board od Directors since 2008 and its practice has been consolidated within the Board.

- A number of requirements related to the composition of the Audit Committee and its members were formalized through their incorporation into the Articles of Association, specifically their status as non-executive directors, with a majority of independents and bearing in mind that at least one of them would be appointed on the basis of his/her background and experience in accounting and/or auditing. It is also required that the Chairperson should be an independent director.

- The Appointments and Remuneration Committee was also incorporated into the Articles of Association. It had previously been regulated in the Bylaws of the Board of Directors. Both its composition and its functions already complied with the recommendations for good corporate governance. The shareholders had already been informed on its activities in the AGM, mainly in relation to proposals for appointments of independent directors, and annually in relation to remuneration policy for the Board and Senior Management, and its application. Other requirements regarding the status of its members were also incorporated, ensuring they are all non-executive members and that at least two of them should be independent. Their functions were also regulated; these do not differ substantially from those already contained in the Bylaws of the Board of Directors.

A modification was also made to the Bylaws of the Board of Directors to limit the number of Directors from other listed companies to three, to facilitate compliance with their duty of diligent administration, even though all the directors already complied with this.

Finally, the approval of Act 31/2014 on improving corporate governance in companies has meant a new boost to the incorporation of some aspects of good governance into Viscofan's internal rules. The company was already compliant, as regularly reported in the Annual Report, the Remuneration Report, or in this same document:

- Separate vote on agreements proposed to the AGM regarding the appointment, re-election or removal of each administrator, and the modification of the Articles of Association.

- Minimum number of meetings of the Board of Directors

- Establishment of a remuneration system for administrators in the Articles of Association

- Approval by the AGM of the maximum sum of remuneration of the Board of Directors as a whole

- Delegation, without any restrictions on the number and split vote of intermediate bodies

Viscofan has a number of internal bodies that it considers necessary to ensure its operation in line with recommendations for good governance:

SHAREHOLDERS ANNUAL GENERAL MEETING

The Annual General Meeting is the supreme body of the company, the area in which its shareholders take majority decisions on questions within their area of responsibility. Viscofan works on the principle of "one share, one vote", which favours equal treatment among the company's different shareholders.

There is only one type of share, granting the same rights and obligations to all the company's shareholders. There are no voting restrictions, nor on the number of votes that a single shareholder can cast.

Furthermore, as reported in previous years, Viscofan has allowed split votes to facilitate the participation of shareholders through delegation of votes with instructions through its financial intermediaries, even before Draft Act 31/2014 was published (it includes this obligation). As a result, Viscofan proposes the incorporation of this obligation to its shareholders in the Rules governing the AGM.

In recent years Viscofan has launched a series of initiatives designed to facilitate transparency, good communication and the participation of its shareholders

In recent years Viscofan has launched a series of initiatives designed to facilitate transparency, good communication and the participation of its shareholders. Among them, we would highlight the attendance premium for duly accredited shares present or represented in the AGM. In the current 2015 financial year we have once again proposed a premium per share of 0.006 euros. Viscofan also facilitates electronic long-distance voting or, as the case may be, delegated votes, including the possibility of this delegation with voting instructions.

Viscofan has also published a document of questions and answers on its website, containing the most common formal and material questions it receives from its shareholders, custodian banks or other intermediaries regarding the evolution of the AGM and the points included on the Agenda.

To facilitate the understanding of the proposals presented to the AGM, Viscofan publishes a summary of them on its website and also in the CNMV (Spanish National Securities Market Commission) as a relevant fact, and has published complementary reports when it considers they can help to extend or clarify information to shareholders, particularly on points that require more in-depth knowledge of specific issues. It did so with the publication of an information memo for the 2012 AGM, and did so again in 2013 through the publication of additional information on one of the points on the Agenda (related to balance sheet revaluation).

For the 2015 AGM, the Board of Directors has included in its reports the definitive text of the articles of the Articles of Association and that of the Rules governing the AGM that it proposes to modify, with the aim of facilitating the understanding of these proposals to the shareholders.

It has also published the reports drawn up by the Appointments and Remuneration Committee on the appointment of board members (directors).

Viscofan continues to encourage the presence of external experts in the AGM. It has received advice from these experts on different aspects of the proposals included in the Agenda to help them provide information to the shareholders in the most immediate manner possible during the AGM.

As a result of all these measures, 76.4% of the company's capital (cf. 77.7% the previous year) was represented in the AGM held on 10 April 2014. This maintains the high percentage of participation in the AGMs over the last 5 years (above 75%), higher than the average for listed companies. This is particularly significant if we take into account the company's high free float.

Viscofan has a website (www.viscofan.com) to provide information in an immediate, direct and accessible manner to all its shareholders, regardless of their geographical location. Viscofan publishes information on its website on financial reports, results and strategic programs and its corporate governance structure, with detailed information on its internal bodies and the people in them. This includes the type of director, curriculum vitae, dates of the first and latest appointment, number of shares and stake in the company, the company's internal rules, information on the AGMs, and any news, modifications or important events that may occur, both on the Group's activities and on its corporate governance and structure.

Viscofan includes a link on its website to all the information related to the AGM (1), including electronic means for the delegation of votes and distance voting.

The same link provides an electronic forum to facilitate communication among shareholders with reference to the AGM, in which they can publish:

- Proposals of a complementary nature to the Agenda announced in the call for the AGM

- Request for support these proposals

- Initiatives to reach a sufficient percentage to exercise a minority right envisaged under the Law

- Voluntary representation offers or requests.

Finally, the shareholders also have a specific e-mail address (info-inv@viscofan.com) and a specific telephone number (+34 948 198 436). They can contact the company there, or through the shareholder's office, whose mission is to keep them informed and deal with any needs that may arise as a result of their status as shareholders.



(1) LINK TO AGM INFORMATION

BOARD OF DIRECTORS

The Board of Directors (1) is the body charged with the representation and administration of the company. Its basic role is the general supervision of the operations of Viscofan S.A. and, as required, the companies that make up the Group.

Following the appointments approved by the AGM, the Board of Directors now consists of nine members, of which two are executive, two others external and the other five independent, thus complying with the most recent recommendations for good corporate governance in that the number of independent directors should represent at least half the total. The Secretary to the Board is not a director.

In order to perform its functions rigorously and efficiently, the Board of Directors holds meetings on a regular basis. The information for these meetings is sent to the directors with sufficient advance notice, including, as the case may be, the Minutes or Reports of the different Board Committees. The Board met on 11 occasions in 2014, and absences were only recorded in one of those meetings, with an attendance percentage above 95%. The Chairman attended all the meetings.

When the Board considered it appropriate, senior managers or other employees of the company or its subsidiaries took part in the meetings to explain specific business aspects or other related matters. As they do every year, the Board and its Committees have carried out a process of evaluation, coordinated by the Secretary and headed by the Lead Independent Director in the case of the Chairman, for whom the Appointments and Remuneration Committees issues its report, analysing formal and material aspects of its activity and the performance of the directors and Chairs of each Committee and the Board itself, making comments that may help to improve the work done. The result of the evaluation for 2014 has not led to a need to make major changes.

The status of the directors, which is reviewed every year following verification by the Appointments and Remuneration Committee, their presence on the different Committees and the key information on them are also published on the Viscofan´s Group website, as previously indicated in this report. Details of individual remuneration are included in the Remuneration Report presented to the AGM for approval in an advisory vote as part of the application of the remuneration policy approved by the AGM.



(1) LINK TO BYLAWS OF BOARD OF DIRECTORS

BOARD COMMITTEES

With a view to ensuring its efficient operation, the Board has three committees attached to it:

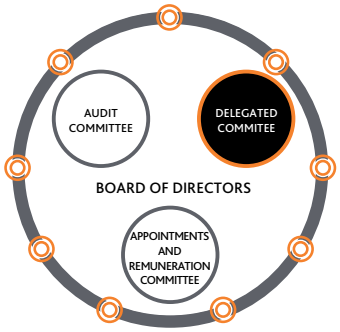
DELEGATED COMMITTEE

This committee is made up by three board members, the Chairman and the two Vice-Presidents. This Committee has all the decision-making powers of the Board delegated to it expect those cannot be delegated. It has done a considerable amount of work as the permanent delegation of the Board, due to the increasing complexity of the Viscofan Group (e.g. the recent expansion in China and its simultaneous implementation in Uruguay), which require a greater effort and more follow-up by the Board of Directors and, by extension, its Delegated Committee.

The Delegated Committee goes into depth on matters that require more analysis, monitoring and preparation, and it contributes to the setting of objectives, strategies, supervision and follow-up.

It also has close contacts with Senior Management at the different manufacturing sites, enabling the Board to have more detailed knowledge of the day-to-day activity of the Viscofan Group, and the monitoring of the tasks that the Board charges Senior Management with.

The Delegate Committee sends a copy of the Minutes of its meetings to the Board to ensure better coordination. It met on 10 occasions in 2014.

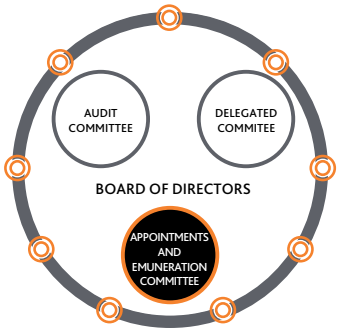


10 MEETINGS IN 2014





10 MEETINGS IN 2014



4 MEETINGS IN 2014

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors appointed by the Board of Directors, based on a report by the Appointments and Remuneration Committee, taking into account knowledge, skills and experience in the fields of accounting, auditing or risk management. Most of them are independent. The Chairperson is the independent director Mr. Alejandro Legarda.

The functions of the Audit Committee include, among others, supervising the process of preparation and completeness of financial information on the company, including the review of its internal control and risk management systems and the review, analysis and comments on the financial statements and other financial information with Senior Management, internal and external auditors, supervising the adaptation of control policies and procedures, reviewing internal control and risk management systems, supervising the internal audit services and ensuring that Senior Management takes its recommendations into account, proposing an external auditor, ensuring his/her independence, reviewing the audit plan and the results of its execution, supervising compliance with internal behaviour codes and rules of corporate governance, learning about and – as the case may be – responding to initiatives, suggestions or complaints from shareholders regarding the scope of their functions, establishing and supervising a mechanism that allows employees to communicate confidentially and, if considered appropriate, anonymously, their concerns on possible irregular practices within the company that could have major effects, particularly in the areas of accounting, finance or auditing. The Audit Committee met 10 times in 2014.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee consists of three directors, all non-executive, appointed by the Board of Directors with a majority of independents. Its Chairman is the independent director Mr. Ignacio Marco-Gardoqui.

It proposes the appointment of independent directors' positions and reviews the balance and effectiveness of the other members, plus appointments and removals of senior managers. It also advises the Board on gender issues and proposes a remuneration policy for Board members and senior posts, together with a policy for payment in shares and stock options when appropriate, and for the long-term remuneration of directors and senior managers.

The Appointments and Remuneration Committees met on 4 occasions in 2014.

The composition, functions, rules for organisation and functioning, as well as the duties that each of the Board Committees is assigned, are described in detail in the internal rules of the company (see below), and also in the Annual Report on Corporate Governance. As previously mentioned, the 2014 AGM approved its inclusion in the Articles of Association of the company.

All the information related to the Committee and the above proposal (1) are available for consultation on the company's website (www.viscofan.com).



(1) LINK TO REMUNERATIONS REPORT

INTERNAL RULES

The internal rules (1) that govern the functioning of the bodies (see above) and complement applicable regulations with the aim of guaranteeing a good corporate governance system in the Viscofan Group is available to the shareholders and the general public on the company's website (www.viscofan.com), as well as required publications and inscription in the website of the Spanish National Securities Market Commission (2) (www.cnmv.es) and in the Mercantile Register of Navarre (3) (www.rmbmnavarra.com).

These internal rules mainly consist of the following:

- **Articles of Association:** The basic rules that govern the company and its constituent bodies. These describe the main characteristics and principles of the AGM, the Board of Directors, the Executive Committee and the Audit Committee.

- **Bylaws of AGM:** The basis principles that govern the AGM with a view to encouraging transparency, guaranteeing shareholders' right and their access to company information. It regulates the functioning of the AGM with regard to calls for meetings, attendance, holding, Minutes and access to prior information on the AGM by the shareholders.

- **Bylaws of Board of Directors:** determines the principles whereby the Board of Directors acts, including an evaluation mechanism, the rules for its organisation and functioning, the code of conduct of its members and the general principles that should govern its operations. It also regulates the committees of the Board of Directors, together with their rules for organisation and functioning and their missions and powers.

- **Code of Conduct:** It contains the ethical principles for actions and behaviour guidelines to be followed by the administrators, managers and employees of the Viscofan Group in the course of their professional activity. The general ethical principles contained in the Code can be summarised as: Respect for, and Defence of, Human Rights; Sustainability; Integrity, Responsibility and Transparency; Respect and Non-discrimination; Efficiency and Loyalty.

- **Internal Code of Conduct in Areas Related to the Stock Market:** behavioural guidelines to ensure that the institutional and personal actions of the directors and personnel of the company are carried out in strict compliance with current legislation, to encourage transparency in markets and to preserve the interests of its investors at all times.

(1) LINK TO INTERNAL RULES

(2) LINK TO CNMV WEBSITE

(3) LINK TO MERCANTILE REGISTER OF NAVARRE

Viscofan provides a whistleblowing channel that is accessible to all employees, in which they can report any signs of potentially inappropriate conduct

The Viscofan Group has specific committees to ensure and supervise the correct implementation and monitoring of legislation, and also the management and maintenance of the internal complaints channel:

- **CORPORATE RESPONSIBILITY AND LEGISLATIVE COMPLIANCE COMMITTEE:** Among its functions, the Corporate Responsibility and Legislative Compliance Committee supervises the specific risks of the company in relation to criminal liability or any other non-compliance with legislation (both internal or external).

- **ETHICS COMMITTEE:** The Ethics Committee is responsible for initiating, either ex officio or at the request of a third party, the investigation of any situation that could lead to a situation of risk for the Viscofan Group, either through non-compliance with an internal rule of the Viscofan Group or for any other reason. To do this, Viscofan has a **whistleblowing channel** that is accessible to all employees, in which they can notify any behaviour they consider to have a potential risk. It is available on Vinsite (international communication platform for employees of the Viscofan Group), e-mail or ordinary mail to the Ethics Committee at the central office of Viscofan in Navarra. In 2014 the Ethics Committee met on 6 occasions, during which it updated its information protocols and completed an investigation on a reported incident.



Risk management system

The company's risk management system, response and supervision plans for main risks, and the main risks identified by the company that could affect the achievement of the business and risk objectives that emerged in 2014 are described in section E) of the Annual Corporate Governance Report. (1)

It is a priority for Viscofan to ensure a controlled risk management policy balancing the goal of creating value for our interest groups with the risks associated to entrepreneurial, commercial, operational, industrial, financial and social initiatives.

Underpinned by the ethics code of society and its values, this priority is present in the good corporate governance practices, ensuring an adequate distribution of functions, rights and responsibilities.

The company's risk management system is founded on an ethics code establishing the ethical principles and behavioural guidelines complemented by internal regulations that can be divided into: general policies, specific policies and local policies. This risk-management system and its derived policies are framed within the limitations established by the applicable legislation of the Viscofan Group's business activity.

Mentioned policies have to be applied in all group companies over which effective control is exercised by Viscofan and concerns the Company employees, including senior direction and board of directors itself.

Viscofan Group accounts with different internal bodies undertaking supervision and control of the different risks that may arise from the activity of Viscofan with more or less probability or materiality:

- **Board of Directors:** The control and risk-management policy as well as the periodic monitoring of the internal communication and control systems constitute one of the matters which are reserved for the full board's hearing. The Audit Committee, part of the Board of Directors, is responsible for supervising the preparation and control of financial information in general, and of all processes implemented for this purpose. It is also responsible for supervising the internal audit function, the relations with external auditor and besides, it is a specific function of the Audit Committee to supervise the adequacy of the control policies and processes implemented and review the internal control and risk management system, in order for the main risks to be properly identified, managed and communicated.

- **Internal Audit Department** includes among its objectives 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.

- **The Global Risk Committee** is a collegiate body aimed at conducting in-depth studies of exposure to and analysis of risks affecting the Company, evaluating its exposure to these risks

The company's risk management system is founded on an ethics code establishing the ethical principles and behavioural guidelines complemented by internal regulations



(1) LINK TO ANNUAL CORPORATE GOVERNANCE REPORT

and drawing up the recommendations and actions required to manage them within reasonable limits. This Committee can therefore be described as a body in charge of the analysis, counselling and coordination of risk and risk management related matters.

- **The Corporate Responsibility and Compliance Committee** includes amongst its goals the supervision of specific risks to the company related to criminal liability or any other type of non-compliance.

- **The Ethics Committee** is responsible for initiating, ex officio or at the request of a third party, investigations into any situation or practice that may put Viscofan Group at risk, whether due to non-compliance with Viscofan Group internal regulations or any other circumstances.

- **The Credit Risk Committee** is a control and supervisory body that controls risks connected with corporate collection management. In this way, the supervision of the financial risk incurred when dealing with the group's different customers is performed not only at locally but also at corporate level regularly and continuously.

- **Investment Committee:** The main objetive is to control and supervise compliance with the Investment Plan approved by the Board of Directors.

During the current fiscal year, the existing risks map established by the Global Risk Committee in conformity with the ethics code, internal regulation, and "Be MORE" Strategic Plan has been



reviewed for the period 2014-2015. COSO methodology has been adopted as a result of this review, reclassifying the identified risks into four categories:



1.- Strategic risks: These are defined as those risks affecting goals at high level, in line with the company's mission. The following have been identified as specific risks within this category:

- Natural disasters
- Country risk
- Risks resulting from competitive environment
- Reputational risk
- Intellectual property risk
- Obsolescence risk due to innovation



2.- Information risks: Risks affecting the reliability of the information provided and objectives related to the availability of sufficient capital and resources to carry on with the company's activity to achieve financial targets. The following have been identified as specific risks within this category:

- Computing contingences
- Preparation and integrity of the financial information
- Financing policy and liquidity constrains
- Exchange rate
- Prime rate
- Budgetary control
- Pension plan



3.- Operational risks: Risks affecting those goals directly associated with the efficient use of resources and long-term continuous activity. The following have been identified as specific risks within this category:

- Material damage
- Business continuity
- Energy market
- Customer satisfaction
- Risk of transportation
- Shortage of raw materials
- Public liability
- Knowledge and know-how development
- Labour force
- Group cohesion
- Food risk
- Sabotage



4.- Compliance risks: These risks affect the objectives confirming compliance with applicable rules and regulations, including internal legislation, as well as protection of employees and society.

- Environment
- Occupational accidents
- Safety and hygiene in the workplace
- Evolution of regulatory framework
- Compliance with current multinational food legislation
- Compliance with obligations arising from business transactions
- Societal risks
- Criminal liability of legal persons
- Taxation

Set out objectives by the Global Risks Committee in the revision of the risks map:

- To update the assessment of the risks identified in the inherent risks map,
- To update the assessment of the residual risk map, taking into consideration the mitigation measures implemented,
- To integrate the risks to the four main goals of the "Be MORE" Strategic Plan on force,
- To add new risks.

Viscofan Group deems relevant any risk that could compromise the Group's implementation of the objectives of MORE initiative:

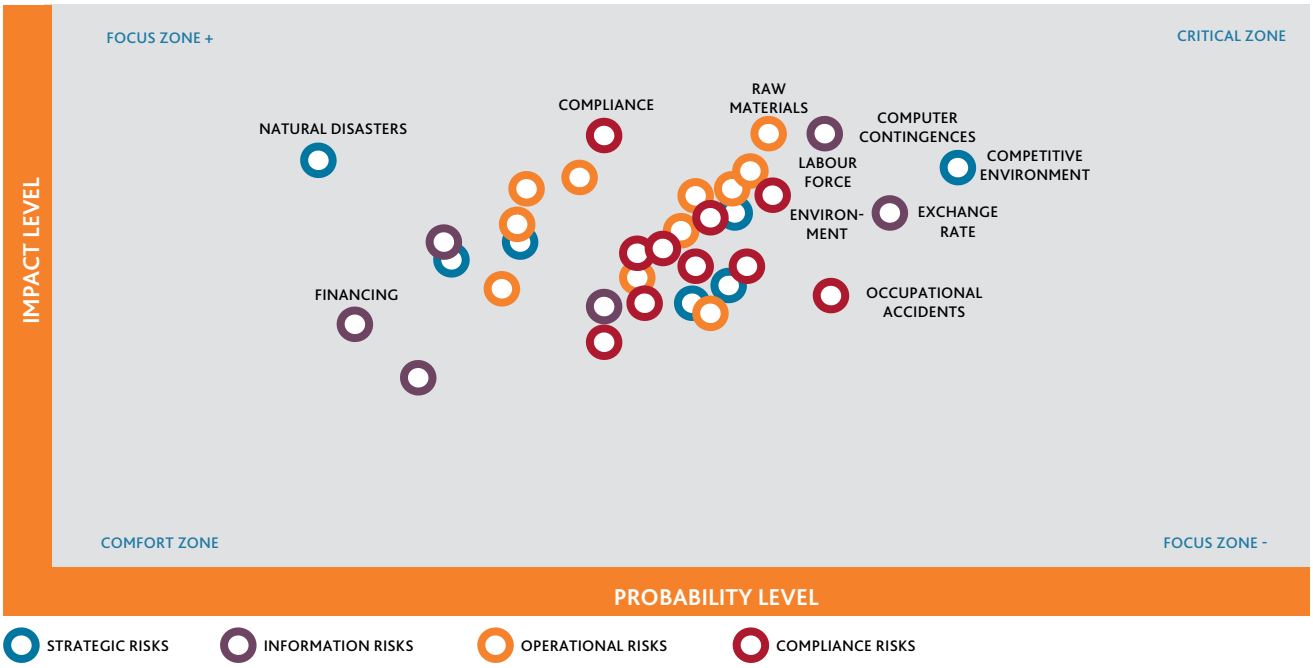
- Market growth: Viscofan's positioning as global market leader
- Optimization: cost reduction and efficiency
- Return creation of value for stakeholders, with respect to the objectives set out by annual budget.
- Excellence: protection of Viscofan's culture and values, improvement of service, quality, commitment to the protection of human rights, safety and environment.

Identifying the location of each risk within both the inherent and residual maps, allows the organisation to quantify the mitigation scale of adopted measures and fully invest in those risks still out of the comfort zone, by adding new corrective and preventive measures which reduce the impact and/or probability of occurrence of a risk.

Corporative risk management is not a serial process where each component affects only the following, but a multidirectional and iterative process in which a component may impact any other.

All these measures are reflected in the internal regulations, in the process that governs the internal financial information and in the code of conduct implemented throughout the Group.

INHERENT RISK MAP DECEMBER 2014



Strategic pillars

STRATEGIC PLAN 2012-2015

2012 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

Viscofan

Be
M arket growth
O ptimization
R eturns
E xcellence

2015 VISION

We want to be THE GLOBAL LEADER in the CUSTOMIZED 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
The casing company

Be MORE STRATEGY

THE MARKET AND ITS ENVIRONMENT

1. CASINGS MARKET INTRODUCTION

Casings are soft cylindrical receptacles into which fresh or processed meat mixtures are stuffed. Casings can either be natural or customised.

The Viscofan Group is the world's leading producer of customised casings for the meat industry, also known as artificial casings given that products of this kind have gradually replaced the natural casings (mainly intestines and bladders) into which meat processors traditionally stuffed meat.

Customized casings can be made of different materials according to the desired production and porduct characteristics, combining a wider range of casings to make the most significant production savings.

Man has stuffed meat into animal intestines since antiquity, but customised casings arrived on the scene in the 20th century, when, given the difficulty of finding natural casings, the volatility of prices and the problems involved in industrialising stuffed meat processes, alternatives were advanced in a number of countries based on different materials which could be used to produce sausages and other similar products instead of natural casings. This change represented a qualitative leap for meat processors and greater standards of quality, productivity and food safety were achieved.

Meat processors now have a wide range of technological alternatives for the production of sausages depending on their production and product characteristics, combining a superior range of casings with significant savings in the cost of production.

The casing market is estimated to be worth €4,300MM and meat processors can decide whether they wish to use animal casings (approximately half the market) or customised casings which, in turn, can be made of different materials according to the desired production and product characteristics, combining a wider range of casings to make the most of significant production savings.

Casings contribute to the final product in a number of ways, lending it shape and appearance, but a good casing also helps lengthen the life span of the product and improve food safety conditions, allowing processors to enhance productivity and automation, lower fixed production costs and offer a broader range of customisation alternatives at a truly competitive cost, casing accounting for between 5 and 20% of the cost of cased-meat products, depending on cost structures and the quality of the materials used by meat processors. So, the more demanding the production process and the greater the sophistication of the meat processor, the more inclined they are to use customised casings instead of animal intestine.

Production scheme, customised casings vs. animal casings.

Customised casings can be of natural origin or synthetic:

- **Natural customised casings:**

Cellulose: Approximately 11-12% of the total casings market.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: Representing 5% over total market. 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: 24-25% of the total market. These casings use collagen as their raw material. Collagen is obtained mainly 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.

- **Casings of synthetic origin**

Plastics: 11-12% of the total market. 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.

2. ANALYSIS OF THE CASINGS INDUSTRY GROWTH DRIVERS

Over its history, the market has shown itself to be positively correlated to population, its growth, the development of the population's eating habits and the degree of sophistication of meat processors, who can decide whether they wish to use animal casings or customised casings in their production processes. These factors lie behind a historical average annual growth rate of between 3 and 5% in the casing market.

The growth figures recorded for 2014 were chiefly down to population surges in Asia, which accounted for more than 60% of the total, and Africa, which was responsible for more than 30%

2.1. Population

The population of the world is growing at an average of 1% a year. It has been estimated that more than 7,200 million people inhabited the planet in 2014, a year in which growth stood at 1.1%, a trend which the FAO expects to continue over coming years, leading to a world population of around 7,700 million by 2020.

The growth figures recorded for 2014 were chiefly down to population surges in Asia, which accounted for more than 60% of the total, and Africa, which was responsible for more than 30%. By geographical area Asia grew by 1.0%, Africa by 2.5%, Latin America by 1.1%, North America by 0.9% and Europe remained stable, registering practically no variation at all. This means that 83% of the world's population lives in emerging areas on the Asian, African and South American continents.

2.2. Feeding habits

In overall terms, the world demand for meat is growing at a sustained rhythm of 2% a year, albeit at different speeds by region. In Europe and the USA, the largest meat producers of the 20th century, growth in consumption has moderated and it is the world's emerging areas which are responsible for global growth.

Animal protein, particularly meat, is an increasingly important part of the world's daily diet, especially in developing countries. This increase in consumption has been favoured by a certain degree of globalisation in eating habits, the greater purchasing power of the middle classes and population growth in towns and cities, spurred on by rural-urban migration. In 2014, almost 54% of the world's population lived in major urban centres, a figure which the FAO expects to rise to 56% by 2020.

2.3. Technological development and sophistication of meat processors

Over recent years, consumer requirements have developed considerably. The access to information and the wide range of products on offer mean that consumers are faced with more choices when it comes to buying cased-meat products and, consequently, they have become more demanding in terms of characteristics, particularly regarding food safety and convenience.

Meat processors, meanwhile, need to customise to a higher degree and be more flexible in order to adjust to new tastes and the dynamism of the environment, which involves input cost volatility, higher labour requirements, greater quality/price demands imposed by distribution chains, regulatory development and both the globalisation and scales of meat processing companies themselves, making it ever more necessary to produce more quickly, while maintaining quality and seeking greater automation and less production waste.

In this regard, the development of customised casings has greatly aided companies which wish to be competitive, particularly in Europe and North America, where the use of casings is more widespread, with an annual expenditure per capita of around €1, as opposed to €0.5 in Latin America and €0.1 in Asia.

The Viscofan Group is the world leader in casings with an estimated market share of 15% and 29% of the customised casing market

VISCOFAN´S FOOTHOLD IN CASINGS MARKET

The Viscofan Group is the world leader in casings with an estimated market share of 15% and 29% of the customised casing market. This leading position is in line with the Group's vision of being "the world leader in the casing market" and, consequently, means that it needs to offer its stakeholders a unique value proposal which sets it apart from the rest.

Our global vocation calls, among other things, for a pronounced international outlook, with sales in more than 100 countries worldwide, served from our production facilities and sales offices in Spain, Germany, the Czech Republic, Serbia, the UK, China, Thailand, the USA, Mexico, Canada, Brazil, Uruguay and Costa Rica. Viscofan's production and commercial presence is chiefly guided by proximity to the main markets and a fine balance between the costs of implantation and service.

We are global not only because we are present in so many geographical markets, but also because we are the only producer capable of offering all our customers a comprehensive customised casing solution thanks to our own cellulose, fibrous, plastic and collagen technologies. It is worth highlighting both the important differences between each type of technology in terms of know-how, making it difficult to secure significant economies of scope (different raw materials, machinery, qualified staff, etc.), and the high degree of customisation of casings, apparently simple products, but of which Viscofan sold more than 10,000 different types in 2014.

It is features such as these which make Viscofan "The Casing Company", the industry leader with a market share of 15%, and place it in an ideal position to make the most of growth opportunities arising in the market in a highly efficient manner.

Be MORE STRATEGY

The artificial casing industry has very solid bases for growth and Viscofan has designed a strategy to harness this growth by creating value for its stakeholders in a sustainable fashion. Viscofan, with a clear vocation to serve the world market, wants "to be more". That is why more than three years ago it launched its Be MORE strategy for the period 2012-2015, consisting of initiatives within the strategic pillars.

- **M**arket
- **O**ptimisation
- **R**eturns
- **E**xcellence

Three years into the Be MORE strategy, the Viscofan Group is now more solid than it was in 2011 and its newfound strength is mirrored in its figures: from 2011 to 2014, the Group saw its revenue grow at an average of 6.8% a year, improved its EBITDA by 6.5% a year, ,made accumulated investments to the sum of €230MM and paid out dividends and others types of remuneration to shareholders worth €161MM, while maintaining net indebtedness at under 0.5 times EBITDA. All this means that the Group has undergone a substantial transformation without having to ask for additional sacrifices from its shareholders or affecting the profitability of its business, paving the way for the Viscofan Group to make the most of the historic opportunities for growth to be had in the market.

In 2015, the last year of the Be MORE strategic period, far from drawing projects to a close, the Viscofan Group is fully engaged in a wide range of initiatives to consolidate and strengthen the advantage it has gained, with a special emphasis on Excellence-based initiatives.

MORE

MARKET

The customised casing segment is estimated to be worth €2,200MM and, historically, has grown at between 3 and 5% a year, although the rhythm of growth rose sharply in the first half of the 2012-2015 strategic period, standing at around 7-8%. In response to this reality, Viscofan initiated an intense period of commercial and investment activity which has markedly changed the profile of the company. Since the start of the strategic plan, Viscofan has invested €230MM in the casing business. Thanks to these investments, the Viscofan Group has, among other achievements, become a world collagen producer, with new production facilities in China and Uruguay, and improved its process technology in all the technologies it works with (cellulose, fibrous, plastic and collagen).

In the second half of the strategic plan, the rhythm of market growth returned to the kind of levels to which we are more accustomed and growth is expected to range from 3 to 5%.

The Viscofan Group has grown significantly since the start of the Be MORE plan, comparable revenues, i.e. excluding the sale of electricity from cogeneration and the impact of exchange rates, rising by 6.8% in 2011, 11.3% in 2012, 6.9% in 2013 and 5.8% in 2014, and with a CAGR of 6.8%, to €687MM as opposed to the €565MM of 2011.

This growth was registered within a global casing market which grew between 5% and 6% in 2014, led by the collagen segment, which saw increases in volume which almost ran into double figures.

In the Europe and Asia region, China is the country which stood out above the rest, becoming the largest collagen market in the world over the period, Viscofan´s production prensence has permitted to be the second option in the market with a share of more than 15%, a full year before the date set in the Be MORE strategy.

In the Europe and Asia region, China is the country which stood out above the rest, becoming the largest collagen market in the world over the period, Viscofan's production facility there making it the second option in the market with a share of more than 15%



The company's positioning strategy in the Chinese market illustrates the need to take a long-term perspective in the casing market. The Viscofan Group set up its sales office in China in 2006 with a view to developing trade relations and grasping a better understanding of the market. Then, in 2010, it invested €8MM in the construction of its collagen converting factory in Suzhou, 80 km from Shanghai, and nearly €30MM more in 2012 in the collagen extrusion factory which it opened in the first quarter of 2013, making it the first non-Chinese company with collagen production facilities in the country. The dynamism of the market and the degree of acceptance the Group enjoyed among customers meant that it was necessary to make further investments in capacity in 2013 and 2014 in line with the double-figure growth registered in the country.



Our production presence in Europe allows us to provide the kind of service which the second largest customised casing market in the world, still a highly attractive proposition thanks to the replacement of natural casing, deserves and also means we can run centres of excellence, develop higher value-added products and guarantee supplies.

The most important market in North America is the USA, probably the most sophisticated and complex market in the world. Despite the drop witnessed in 2014, this market still offers an attractive combination of growth and added-value opportunities. Worthy of mention is Viscofan's new plastic casing factory in San Luis Potosi (Mexico), adjoining the cellulose

converting plant, which will help improve its plastic casing service throughout the North American region. This project will be receiving an investment of €10MM in 2015 and the aim is to start production in the last quarter of the year.

The opening of the collagen extrusion plant in Pando (Uruguay) in the first quarter of 2014 was the highlight of the year in Latin America and made Viscofan the only company in the world which extrudes collagen casings on the South American continent. With a total investment of €34MM in 2012-2014, the plant has now been producing for several of quarters and is scaling the learning curve in a region with very good prospects for growth thanks to customer proximity and service improvements.

From a production technology perspective, the Market initiatives have significantly strengthened the Viscofan Group's position in collagen, although its 2015 objective is to improve the service in its plastic and fibrous casing technologies, which, despite being of less importance in terms of revenue for Viscofan, account for 11% and 6% of the overall casing market.

In this regard, it should be pointed out that over recent years Viscofan has been improving and optimising plastic casing production at its Czech Republic and Brazil plants, the technology acquired and developed led to double-figure growth in its plastic casing sales in 2014.

Following exceptional market growth in the period 2012-2014, Viscofan expects the market to return to more normalized growth rates in 2015, in line with historical growth of 3 to 5%. This positive trend makes it necessary to continue developing a multitude of projects belonging to the M for Market pillar in 2015 in order to consolidate and continue to improve the way in which the Group serves the market. The most notable of these are:

- The construction of the plastic extrusion plant in Mexico.

- Consolidation of production at the collagen extrusion plant in Uruguay.

- Increasing the Group's cellulose converting capacity at its converting plant in Suzhou, China, dimensioning the factory in two (collagen and cellulose) in preparation for a potential increase in demand in the country, while also allowing the Group to improve its cellulose service in the rest of Asia.

- Investment in Spain to produce large-calibre cellulose casings, a product which calls for a high degree of sophistication and will allow the Group to cater to a high added-value market.





Official openning of the plan in Uruguay

MORE

OPTIMISATION

In an environment as dynamic and demanding as the casing sector, with customers in more than 100 countries on every inhabited continent in the world, Viscofan is implementing initiatives which represent a further attempt at finding a balance between technological leadership and costs, production implantation and service. It is not enough simply to capture growth; the objective is to capture it efficiently and, therefore, it is necessary to implement a large number of productivity and cost-control initiatives which, together with a long-term view, should strengthen the company's leading position and counteract the effects of an adverse environment.

Optimisation is the Group's key pillar in the second part of the Be MORE plan. In 2014, our Optimisation initiatives produced savings of more than €10MM, the active search for new suppliers of raw materials within the Group's quality standards proving particularly successful, especially in collagen hides, with the new manufacturing facilities in China and Uruguay, and R&D developments enhancing supply possibilities and cutting the cost of casings.

The management model based on centres of excellence and production facilities with extremely competitive costs plays an important role in the development of the Group's Optimisation initiatives. Viscofan's centres of excellence will continue to lead technological improvements, justified by the ability to offer higher added-value products and transfer technology to other subsidiaries. Such technology transfer leads to continuous improvement in process automation at centres which are losing their production advantage through wage costs as a result of inflation rates.



Within this integrated production model, the experience of the multicultural, multidisciplinary team which went to China and Uruguay led us to create a special Process Engineering team in 2014 to enhance the coordination of technological developments and implement the best solutions from a more cross-cutting perspective.

Meanwhile, given that the production process is extremely energy intensive, the efficient use of energy is a great challenge for Viscofan. Consequently, as part of its optimisation measures, the Group is carrying out projects to save on costs, convert to its own energy management system and minimise the environmental impact of its activity.

Viscofan's globalisation is also due to strong growth in demand in emerging regions, which calls for more customised products, better supply chain management to harness synergies and greater efficiency in working capital requirements without compromising the service given to customers.

Under Optimisation initiatives implemented over the Be MORE period it is worthy to mention the involved focusing management on the casing business. To this end, the Viscofan Group decided to sell its vegetable food division. Negotiations held throughout 2014 finally bore fruit in March 2015 with the sale of all the IAN Group's shares to a company managed by Portobello Capital Gestión in exchange for €55.8MM paid up front.

It should not be forgotten that the Group recently concluded a period in which it expanded production, which logically entailed hiring staff and being exposed to initial inefficiencies in terms of production and costs. Despite this, however, the Viscofan Group plans to carry out a great many projects in 2015 in line with its desire to improve its operations continuously in order to further strengthen the strategic focus O for Optimisation. The most noteworthy of these are:

- To improve production speed at its centres of excellence

- To approve new raw material suppliers

- To set up the advanced converting production process in Brazil and the Czech Republic

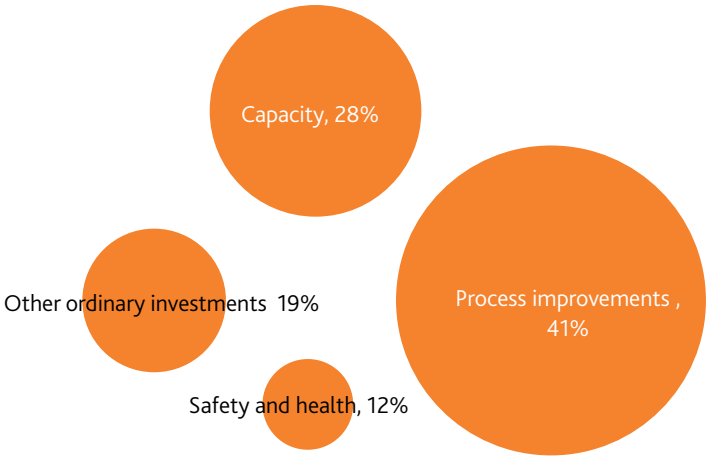
- To cut fibrous casing production waste in the United States

- To carry out an energy efficiency project in the United States.

MORE
RETURNS

The significant investments made and the Group's intense commercial activity bore fruit in 2014. Lower cost of consumption in 2014 thanks to both the diversification of suppliers and the intense R&D work put in over recent years, improvements in production at the China and Uruguay plants as they scale the learning curve, and Optimisation projects at older plants have allowed the Group to capture market growth efficiently with an improvement of 1.2 pp in the EBITDA margin to 27.0%, leading to growth in EBITDA of 8.7% to €185.4MM. Deducting the investments made in the year from this operating result, Viscofan obtained an Operating Cash Flow of €124MM, €52MM more than it did in 2013.

The projects being carried out by the Group in 2015 involve investments of €60-61 MM and can be broken down as follows:



This level of investment means balancing effort in the short term with returns in the medium term, although the production improvements applied in recent years allow Viscofan to envisage investment plans in line with those of 2014, even with a stronger US$, the Group's chief trading currency. Such optimisation of investments, together with the expected growth in EBITDA, contributes to an Operating Cash Flow which we expect to see rise by more than 15% on the 2014 figure.

These improvements in profitability have also been passed on to the company's shareholders, who have seen dividends grow throughout the strategic period, driven both by increased net profit and a greater pay-out, 52% of the profit obtained in 2014.

MORE

EXCELLENCE

Through the Excellence pillar, the Viscofan Group aims to condense an approach to its relations with all its stakeholders: shareholders, employees, suppliers, customers and other market players and society.

Artificial casing is an apparently simple product which belies highly complex technical properties that require very specific know-how which is hard to access, making the sector particularly competitive, dynamic and with significant added value for our customers.

We are speaking about a product which generally reaches the end consumer as either edible casing or as the wrapping which lends sausages their appearance, and the consumer's purchasing decision is influenced by this appearance. However, the product also has to satisfy meat processors, whose chief decision-making criteria are highly measurable and very different from those of the end consumer. We are bringing together productivity and savings for our customers, while ensuring a perfect, safe finish for our consumers.

After reporting record Net Profit of €106.5MM in 2014 in a fast-developing industry and a changing and, at times, adverse environment, it is necessary to combine our M for market and O for optimisation projects with very exacting standards and a clear desire to continue improving in terms of quality and service in the market.



So, in 2015 the Group is engaged in career development and talent recruitment and retention programmes in line with the plan's E for Excellence, which need to be joined by efforts to improve quality and service in the market, particularly in collagen, and develop a new Group policy regarding the Environment, Health and Safety (EHS), an area in which new EHS and Corporate Responsibility initiatives with specific objectives have been launched which have been included as performance indicators for the variable remuneration received by senior management.

Excellence also means highly proactive R&D activity seeking solutions, both technological and in terms of applications, in order to maintain the competitive advantage of our constantly developing in-house technology.

All this depends on an exceptional team eager to improve constantly and aware of the challenge which Viscofan's leading position supposes and the need to improve in terms of competitiveness on a day-to-day basis. Excellence means a constant flow of people and ideas at all our centres with initiatives which aim to support and develop the talent of our people.



GUIDANCE FOR 2015

In 2015, the last year of the "Be MORE" period, the commitment of everyone in the Viscofan Group when it comes to implementing so many projects with different time horizons is crucial.

As a result of this commitment, Viscofan's key position in a market growing in the range of 3-5%, together with all the projects planned for 2015, leads the Group to expect growth in revenue of between +9 and +10% to €750-755MM, growth in EBITDA of between 11 and 12% to €204-206MM, +13% in recurrent terms, and growth in Net Profit of between +10 and +11% to €114-115MM, maintaining the level of investment at around €60-61MM.

The baseline scenario for these objectives considers US$/€ at 1.20 and BRL/€ at 3.10.



SHAREHOLDERS

Financial highlights

	Three years of BeMORE strategy					Strategy Be One Period		
	2014	2013	2012	Var. 14/13	CAGR Be MORE	2011	2010	2009
Millions of Euros								
Revenue	687.1	660.2	649.2	4.1%	6.8%	564.5	538.5	490.1
EBITDA	185.4	170.6	177.3	8.7%	6.5%	153.6	146.3	124.1
% EBITDA margin	27.0%	25.8%	27.3%	1.1 p,p,	-0.2 p,p,	27.2%	27.2%	25.3%
EBIT	136.3	125.5	135.6	8.6%	5.9%	114.6	105.5	89.1
% EBIT margin	19.8%	19.0%	20.9%	0.8 p,p,	-0.5 p,p,	20.3%	19.6%	0.2%
Profit before taxes	134.2	122.4	128.6	9.7%	3.0%	122.8	100.9	84.1
Net profit from continued operations	103.6	96.8	101.2	7.0%	2.2%	97.1	77.5	62.4
Net profit from interrupted operations *	2.8	4.7	3.9	-39.6%	-12.2%	4.2	3.9	1.8
Net Profit	106.5	101.5	105.1	4.9%	1.7%	101.2	81.3	64.3
Capital expenditure	61.0	98.0	70.7	-37.8%	-0.7%	62.3	46.6	45.2
Total equity	575.9	521.6	498.6	10.4%	8.6%	449.4	406.4	345.2
Net bank debt	74.6	84.6	64.7	-11.8%	6.7%	61.5	59.8	90.5
Market capitalisation at year-end	2,053.6	1,927.1	1,995.1	6.6%	15.4%	1,335.7	1,321.7	827.7
Average headcount *	4,089	3,955	3,776	3.4%	3.4%	3,699	3,523	3,625
Net bank debt/total equity (%)	13.0%	16.2%	13.0%	-3.3 p,p,	-0.7 p,p,	13.7%	14.7%	26.2%
ROE(**) (%)	19.4%	19.9%	22.2%	-0.5 p,p,	-3.6 p,p,	23.0%	21.6%	19.8%
Euros								
Year-end share price	44.07	41.35	42.8	6.6%	15.4%	28.7	28.4	17.8
Earnings per share	2.284	2.178	2.254	4.9%	1.7%	2.172	1.745	1.379
Proposed remuneration per share (***)	1.180	1.120	1.100	5.4%	5.7%	1.000	0.800	0.623

(*) In accordance with International Financial Reporting Standard IFRS 5, net profit for the IAN Group for 2014 and 2013 has been booked under the "Profit of discontinued operations" heading of the consolidated income statement. The IAN Group's assets and liabilities at the end of December 2014 have been classified as "Held for sale" on the Viscofan Group's consolidated balance sheet.
(**) Net profit / Average total equity.
(***) Includes dividends, capital reimbursement, refund of issue premium and bonus for attending General Meeting of Shareholders.

Management report

KEY CONCLUSIONS ON THE JANUARY-DECEMBER 2014 RESULTS[1]

- +4.9% growth in the year to reach €106.5 million, a new record for the Viscofan Group.
- +0.9 p.p. improvement in the recurring[2] EBITDA[3] to 26,7%.
- 8.7% increase in accumulated EBITDA year on year, which stood at 185.4 million (+7.1% in recurring terms2).
- +4.1% growth in consolidated revenue for the year to €687.1MM thanks to volume growth.
- As a consequence of the negotiation process with Portobello Capital Gestión, S.G.E.C.R., S.A to acquire 100% of the IAN Group, this division has been reported as a discontinued operation in accordance with the relevant International Financial Reporting Standard1. Finally, on 10th march 2015 Viscofan sold 100% of IAN Group shares to Portobello Capital Gestión, S.G.E.C.R., S.A. for 55.8 million Euros.
- Net bank debt[4] was down 11.8% to €74.6 million at the end of December 2014.
- According to José Domingo de Ampuero y Osma, Viscofan's Chairman: "Despite the widespread uncertainty at the start of 2014, it is a pleasure to present a set of full-year results that further enhance Viscofan's status as the sector leader, having topped all the main financial targets outlined in our guidance for revenue, EBITDA and net profit. On the basis of these results, the Board of Directors has agreed to propose to the General Shareholders' Meeting a final dividend of €0.724 per share, implying total shareholder remuneration of €1.18 an increase of 5.4% compared with 2013.".

+4.9%
growth in the year
€106.5MM

+5.4%
shareholder remuneration
1.18€ per share

1 In accordance with International Financial Reporting Standard IFRS 5, net profit for the IAN Group for 2014 and 2013 has been booked under the "Profit of discontinued operations" heading of the consolidated income statement. The IAN Group's assets and liabilities at the end of December 2014 have been classified as "Held for sale" on the Viscofan Group's consolidated balance sheet.
2 These figures exclude the non-recurring additional impact booked in 2014 on revenue, EBITDA, EBIT and net profit of the amendment to remuneration parameters for cogeneration facilities published in the Ministerial Order of June 2014 compared to those provisions in 2013 by virtue of the proposed Order submitted to the CNMC by the Secretary of State. In 2013, recurring net profit excluded the positive tax benefit of €2.8 million following the revaluation of the balance sheet approved in Spain in 2Q13.
3 EBITDA = Operating Profit (EBIT) + depreciation of property, plant and equipment and amortization of intangible assets.
4 Net bank debt = long and short bank financial debt - cash and cash equivalents

IAN GOUP SALE

In November 2014 the Board of Directors of Viscofan accepted an offer made by Portobello Capital Gestión, S.G.E.C.R., S.A. to acquire 100% of the issued capital of IAN S.A.U. and subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A. The purchase price was worth 55.5 million Euros for 100% of the Equity.

Since then, the IAN Group has been considered a non-current asset held for sale, and the consolidated accounts for 2014 and their comparison with 2013 have been drawn up in accordance with International Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" for the vegetable foods division.

Finally, Portobello Capital Gestión, S.G.E.C.R., S.A. made a new offer to acquire 100% of the issued capital for a cash value of 55.8 million Euros. As of 10th March 2015 Viscofan S.A. sucessfully concluded the sale process of IAN S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A for an Equity value of 55.8 million Euros to Servicios Compartidos de Industrias Alimentarias S.L., a company managed by Portobello Capital Gestión, S.G.E.C.R., S.A., having been made the full payment.

The operation is part of Viscofan´s strategy to focus its management in the casing business, an industry in which is the world leader and has strong growth prospects in the short and medium term.

2014 RESULTS

Viscofan Group 2014FY consolidated income statement ('000 €)

				Recurring*			
	Jan-Dec 14	Jan-Dec 13	Change	Jan-Dec 14	Jan-Dec 13	Change	ex-forex change
Revenue	**687,063**	**660,201**	**4.1%**	**684,114**	**660,201**	**3.6%**	**4.8%**
EBITDA	**185,423**	**170,637**	**8.7%**	**182,681**	**170,637**	**7.1%**	**6.0%**
EBITDA margin	**27.0%**	**25.8%**	**1.2 p,p,**	**26.7%**	**25.8%**	**0.9 p,p,**	**0.3 p,p,**
EBIT	**136,260**	**125,495**	**8.6%**	**133,518**	**125,495**	**6.4%**	
Net profit from continuing operations	**103,629**	**96,846**	**7.0%**	**101,709**	**94,917**	**7.2%**	
Net profit from discontinued operations	2,823	4,674	-39.6%	2,823	3,769	-25.1%	
Ner attributable profit	**106,452**	**101,520**	**4.9%**	**104,532**	**98,686**	**5.9%**	

* These figures exclude the non-recurring additional impact booked in 2014 on revenue, EBITDA, EBIT and net profit of the amendment to remuneration parameters for cogeneration facilities published in the Ministerial Order of June 2014 compared to those provisions in 2013 by virtue of the proposed Order submitted to the CNMC by the Secretary of State. In 2013, like-for-like profit excluded the positive tax benefit of €2.8 million following the revaluation of the balance sheet approved in Spain in 2Q13

Revenue in 2014 stood at €687.1 million, up 4.1% year-on-year, driven by Viscofan's strong volume growth for the casings division, with co-generation revenues down year-on-year. Excluding the non-recurring[3] impact of co-generation and exchange rate fluctuations[5], net consolidated revenue advanced 4.8%, the tenth consecutive year of growth.

Throughout the year Viscofan captured growth in the market, especially in the second half, when this growth was accompanied by more favourable exchange rates.

In year-on-year terms, the breakdown of revenues by geographic region [6] is as follows:

- In Europe and Asia, revenue grew by 7.4% year-on-year in 2014 to €381.2 million, mainly driven by higher sales in Asia, and account for 55.5% of consolidated revenue.
- In North America revenue stood at €198.3 million, accounting for 28.9% of the consolidated figure. Revenue fell 2.4% vs. 2013, partly due to the negative impact on the market of the PED virus and increased commercial activity.
- In Latin America, which accounts for 15.6% of the total, revenue grew 5.3% year-on-year to €107.6 million. This is a very good performance bearing in mind the impact of the 9.3% fall of the Brazilian real against the euro.

+7.4%
revenue in Europe and Asia
€381.2MM

5 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.
6 Revenue per origin of sales

+4.5%
Casing sales
€638.7MM



By category of revenue, casing sales advanced 4.5% to €638.7 million, driven by higher sales volumes in all casings families: cellulose, fibrous, and, in particular, collagen and plastics, while co-generation revenue, in contrast, declined by 1.6% in 2014 to €48.3 million.

The organic growth in casing sales volumes was maintained throughout 2014. However, there was an especially marked rise in the final quarter due to the rally of the commercial currencies against the euro and the changes in the remuneration of co-generation reflected in the final quarter of 2013.

OPERATING EXPENSES

From an operational standpoint, 2014 was marked by the start-up of the new collagen extrusion plant in Uruguay and the Optimisation initiatives under the Be MORE plan, which were rolled out across the Group's production facilities and yielded savings of around €10 million in the year.

The production improvements achieved included efficiency gains and a reduction in production waste, along with cost savings in raw materials. Especially noteworthy are supply cost savings, especially on cow hides, which had posted double-digit increases in previous years. These savings were achieved thanks to the drive to diversify supply sources in tandem with intense R&D in recent years.

This cost reduction, along with commercial discipline, meant revenue growth in the quarter was accompanied by an improvement in the gross margin[7] of +2.0 p.p. in the year vs 2013 to reach 72.2%

The strength of volume growth, contrasting the 3.1% decline in costs of consumption[8] in 2014 vs. 2013 to €190.7 million.

In 2014, the average headcount for continuing operations[9] again grew, rising 3.4% compared with December 2013 to 4.089 mainly as a result of the expansion of production into new geographic regions and the hiring of additional personnel to enhance service levels, thereby cementing our global leadership. Personnel costs grew 3.0% to reach €147.0 million in the full year as a result of this increase in human capital.

In cumulative terms, other operating expenses rose 7.6% to €168.6 million, mainly as a result of the increase in energy supply costs, which were up 8.8% year-on-year.

7 Gross margin = (Income – Cost of consumption)/Income.
8 Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.
9 The average number of employees in 2014 and 2013 excludes the average headcount of discontinued operations in the vegetable foods division.

OPERATING INCOME

The strong volume growth was accompanied by production efficiencies and cost savings, resulting in a +1.2 p.p. improvement in the 2014 EBITDA margin vs. 2013 to 27.0%.

EBITDA grew by 8.7% year-on-year in 2014 to €185.4 million.

Excluding the impact of non-recurring results stemming from the regulatory changes2 in co-generation in Spain and the effect of currency fluctuations2, EBITDA grew by 6.0% in 2014 vs. 2013.

The international expansion of the Viscofan Group, with two new production plants in China and Uruguay, as well as the improvements to existing industrial facilities, have pushed up depreciation costs, which amounted to €49.2million for 2014 (+8.9% vs. 2013).

Despite the increased depreciation costs, the above-mentioned improvement in operational profitability led to the 8.6% year-on-year increase in Operating Income (EBIT) in 2014 to €136.3MM.

+1.2pp

EBITDA margin

27%

Volumes growth strength together with production efficiencies and cost savings dive to EBITDA margin improvement

FINANCIAL RESULT

Net finance loss for 2014 amounted to €2.0 million, 34.6% lower than the losses reported in 2013. This performance is due to recorded positive exchange differences (€1.9 million), compared with the €0.6 million negative exchange differences reported in 2013.

TAXES

Profit before tax stood at €134.2 million in 2014 while corporate income tax totalled €30.6 million, up 19.8% year-on-year, reflecting an effective tax rate of 22.8%. The 1.9 p.p. increase in the tax rate compared with the same period of 2013 (+20.9%) is due to the positive tax impact of the €1.9 million reported in 2013 as a result of the balance sheet revaluation carried out at Viscofan S.A. in Spain.

The difference between the theoretical tax rate for 2014 (30.0%) and the effective tax rate (22.8%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in each of the countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances or tax credits associated with previous years' losses by various Group subsidiaries.

+7.0%
Net profit continuing operations
€103.6MM

NET PROFIT

The net profit of continuing operations reached a new record of €103.6 million in 2014, up 7.0% year-on-year, thanks to the robust growth of the casings business from the top line revenue.

Including the profit of discontinued operations (IAN Group), the Viscofan Group's net profit amounted to €106.5 million in 2014 (+4.9% vs. 2013).

INTANGIBLE AND TANGIBLE ASSETS

A total of €61.0 million was invested in the casings business in 2014 compared with €98.0 million in 2013. Note that in 2013 investment hit a new record high mainly as a result of the construction of the new collagen extrusion plant in Uruguay, which came on stream in the first quarter of 2014, and due to the installation of new capacity in China.

Following the hefty investment in the first phase of the Be MORE strategic plan, investment requirements are smaller in absolute terms in the 2014-2105 period though capacity increases are planned in line with the forecast growth requirements in the market. There will also be investment in process improvements and energy optimisation. The breakdown for investment in 2014 is as follows:

- 37% of investment was in capacity and machinery.
- 21% of investment was in process improvements.
- 16% of investment was in energy equipment, notably the acquisition of a co-generation turbine in Germany, and in plant safety, hygiene and environmental improvements.
- Ordinary investments accounted for the remaining 16%.

FINANCIAL LIABILITIES

The geographic expansion and growth of the Viscofan Group in 2014 required significant investment in fixed assets and working capital. However, operating cash flow generation (€118.3 million) in the year covered outlays related to this expansion strategy and the 4.5% dividend increase following the increased payout[10] approved in 2014.

As a result, net bank debt[11] stood at €74.6 million, leaving financial leverage[12] at 13.0% at the end of December 2014 compared with 16.2% in December 2013.

10 Pay-out: Dividends per share / Earning per share
11 Net bank debt = long and short financial debt - cash and cash equivalents.
12 Financial leverage = Net bank debt/Equity

DISCONTINUED OPERATIONS. 2014 RESULTS IAN GROUP:

Resumen cuenta de resultados financieros Alimentación vegetal ('000 €)

	Jan-Dec 14	Jan-Dec 13	Change	Oct-Dec 14	Oct-Dec 13	Change
Revenue	**110,566**	**105,136**	**5.2%**	**28,807**	**25,902**	**11.2%**
EBITDA	**7,573**	**7,679**	**-1.4%**	**1,826**	**2,082**	**-12.3%**
EBITDA margin	**6.8%**	**7.3%**	**-0.5 p.p.**	**6.3%**	**8.0%**	**-1.7 p.p.**
EBIT	**4,722**	**4,446**	**6.2%**	**1,245**	**1,422**	**-12.4%**
Net profit	**3,703**	**4,675**	**-20.8%**	**1,030**	**1,382**	**-25.5%**
Recurring net profit*	**3,703**	**3,770**	**-1.8%**	**1,030**	**1,382**	**-25.5%**

* In 2013, like-for-like profit excluded the positive tax benefit of €1.9 million following the revaluation of the balance sheet approved in Spain in 2Q13.

Net revenue in the fourth quarter climbed 11.2% to €28.8 million, contributing to full-year growth of 5.2%, with revenue totalling €110.6 million.

The strong revenue performance is not fully reflected in EBITDA due to the higher cost of raw materials, in particular of asparagus, and the pressure from distribution channels to cut prices. As a result, EBITDA fell 1.4% year-on-year to €7.6 million, resulting in an EBITDA margin of 6.8%, down 0.5 p.p. year-on-year.

Full-year net profit stood at €3.7 million, down 1.8% year-on-year in recurring terms. Note that in 2013 the division reported a tax benefit of €0.9 million due to the asset revaluation carried out in Spain. Reported net profit in 2014 was down 20.8% year-on-year due to the tax optimisation in 2013.

Stock market

The emerging areas, which continue to support world growth, fell from a growth of 4.7% in 2013 to 4.4% in 2014, partly due to the deceleration of growth in China

In 2014, the world GDP experienced a growth of around 3%, on the seventh anniversary of the start of the global financial crisis, with a certain recovery in the developed areas, led by the USA, recording growth rates of 1.8% in 2014 compared to 1.4% in 2013, whilst the emerging areas, which continue to support world growth, fell from a growth of 4.7% in 2013 to 4.4% in 2014, partly due to the deceleration of growth in China.

Due to their monetary policies, the central banks played a key role in driving the economies. On the one hand, in Europe, the ECB focussed its efforts on supporting the reactivation of the economy and on endeavouring to ensure that the European financial system regained credibility, to allow lending to flow normally once more and to help consolidate the upswing. The most noteworthy measures included a drop in benchmark interest rates to finally remain at 0.05%, and the messages anticipating quantitative easing measures, 60,000 MM€ a month from March 2015 until September 2016.

In the USA, the policy measures taken in the financial year of 2014, helped to stabilise the world economy. The Fed adopted a budget and extended the debt ceiling; furthermore, the strengthening of the economy paved the way for the standardisation of monetary policy. These measures removed considerable uncertainties that clouded prospects in October 2013. Finally, in October 2014, the Fed terminated the incentive measures that had previously been conducted, on confirmation of the robust growth and good performance of the country's labour market.

The American economy started the year supported by the good growth figures at the end of 2013, reflected in the greater pace of economic expansion from 2011 onwards. Following a complex first quarter, with a fall of 2.1%, the economy rebounded in the second quarter to reach 4.6%, increasing up to 5% in the third quarter, its greatest rate of expansion in 11 years, a growth which was more moderate in the fourth quarter, down to 2.2%. These good figures were accompanied by an increase in the job creation rate and a strengthening of the labour market, as reflected by the drop in the unemployment rate to 5.8% in November, its lowest level since 2008.

The Chinese economy experienced a slight slowdown during much of the year, dropping to almost 7%. Forecasts for 2015 point to a continuation of this trend, and its growth could fall below 7%. In this environment, in November, the Central Bank of China lowered its rates in an endeavour to revitalise the economy.

The Euro-Zone recorded moderate growth in 2014, with the GDP increasing 0.9% in 2014 in a year marked by the fear of deflation. The fact is that inflation in the Euro zone remained low during the entire year, closing the period at deflation levels, very far from the 2% price stability target set by the ECB. This was basically caused by the sharp fall in the price of oil, recorded at the end of the year. Likewise, the Euro Zone closed 2014 with an unemployment rate of 11.6%, slightly below the 12% rate for the previous year.

Spain stands out for the confirmation of its recovery from the economic downturn. At the end of 2014, the GDP had experienced six consecutive months of growth following nine trimesters of

recession. The upswing in domestic demand, the confidence in foreign investment, the process to reduce the debt burden in the private sector and the positive results achieved by Spanish banks in the European solvency tests conducted by the ECB, are just some of the aspects reflecting this change of scenario for the Spanish economy. However Spain still has a high unemployment rate, a strong deficit and a growing public sector indebtedness. The interest rates for Spanish public debt reached record lows at the end of the year, with 10-year bonds at 1.61% and the risk premium was under 1.1 percentage points (110 basic points).

For much of the year, Eastern Europe was the global focus of attention. As the year progressed, the situation in Russia became more complicated, following its involvement in the Ukraine conflict, leading to the establishment of economic sanctions by the USA and the European Union. Russia responded to this with an import ban on a number of food products coming from Europe and the US. Furthermore, being an oil producer, the sharp drop in price at the end of the year, led to a lack of investor confidence in its economy. For this reason, it is expected that it will go into recession in 2015.

For the future, the IMF estimates a world growth in 2015-16 of +3.5% and +3.7%, after revising its previous forecast downwards by 0.3%. These revisions reflect a revaluation of the prospects of China, Russia, the Euro-Zone and Japan, in addition to a downturn in activity for some of the large oil exporters, due to the sharp fall in oil prices.

The IMF estimates a world growth in 2015-16 of +3.5% and +3.7%, after revising its previous forecast downwards by 0.3%

The macro-economic imbalance between USA and the Euro-Zone has been transferred to the currency market, the €-US$ currency pair closed year 2014 with an exchange rate of 1.210, 12.3% less than for the close of 2013 (1.379).

Throughout the year, the evolution of the € was affected by sluggish economic growth in the Euro zone, together with increased uncertainty during the second half of the year due to the sharp drop in the price of oil and the consequences that this could have on producer countries such as Russia. Likewise, the increased probability, at the end of 2014, of the ECB implementing new economic stimulus measures and an environment of political crisis in Greece, forced down the exchange rate of the € against the world's leading currencies.

On the other hand, the refusal of the OPEC countries not to cut back oil production in order to prevent competition from American oil obtained through the "fracking" technique caused oil prices to plummet in the final months of 2014. As a result, the Brent barrel closed the year at 57.33 US$, 48.3% lower than for 31st December 2013.

Stock markets were high volatile in 2014 amid increasing liquidity. Central banks took centre stage, implementing monetary policies to boost economies in a context of clear divergence between different geographic regions in terms of growth, particularly between USA and the Euro-Zone.

Divergence was also evident in the performance of the stock exchanges. The American S&P500 index closed the year with an appreciation of 11.4% whilst, in Europe, the Ibex35 increased by 3.7%, the German DAX by 2.7% and the French CAC fell 0.5%. It should be remembered that, in 2013, the world's main markets recorded double digit rate increases.

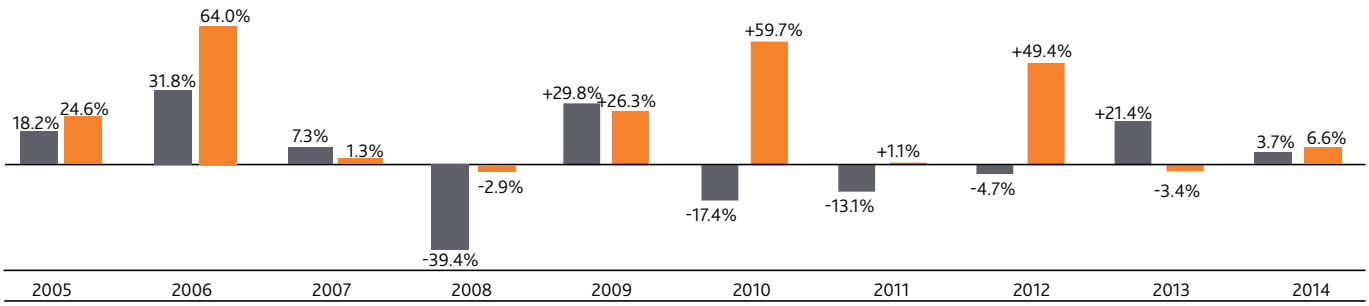
Viscofan ended 2014 at €44.07, a share price which represents an annual increase of 6.6%, or 9.4% including dividends

In this environment, Viscofan ended 2014 at €44.07, a share price which represents an annual increase of 6.6%, or 9.4% including dividends. This performance is supported by the solid foundations of the Viscofan Group, which is heading a growth market, combined with the improvement in margins supported by the Optimisation measures included in the Be MORE strategic plan. The strength of the results and the more favourable environment with regard to the exchange rate and energy costs, is reflected to a large extent in the share price in these early months of 2015, with a two figure revaluation.

Viscofan closed the year with a capitalisation of €2,054MM (+6.6% vs. 2013) outperforming the Ibex 35 (+3.7% vs. 2013). Viscofan was part of this index until 22nd December 2014.

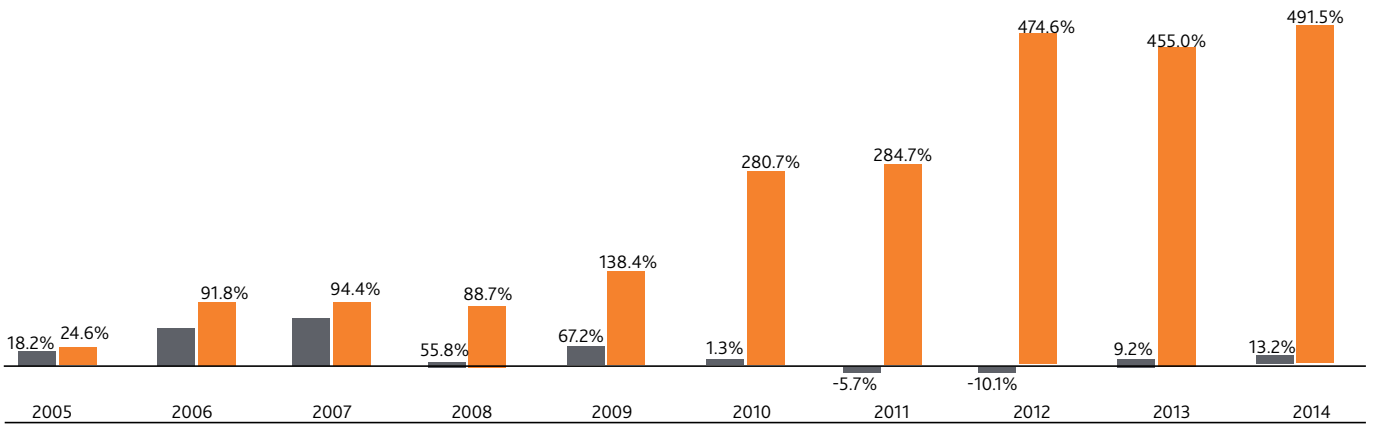
In the year as a whole, more than 78.1 million Viscofan shares were traded on the market, 1.7 times the total outstanding shares, with a turnover of 3,233 million euros, equal to a daily average of 12.6 million euros, representing a 28.4% increase in relation to the previous year.

Annual evolution. Viscofan vs. Ibex35



VISCOFAN
IBEX 35

Cummulative annual evolution, 10 years. Viscofan vs. Ibex35



VISCOFAN
IBEX 35

SHAREHOLDER REMUNERATION

For yet another year, Viscofan continues to be noted for having created value for its shareholders. Over the last decade, there has been an average annual return of 19%, or 21% including shareholder remuneration. Analysing value creation over time, this is greater for shareholders holding their Viscofan shares for a longer period of time. For example:

A shareholder investing 1,000 euros in Viscofan shares on 31st December 2009, and selling them 5 years' later on 31st December 2014, received 2,481 euros and 310 euros in dividends for this period. A combined return of 179%.

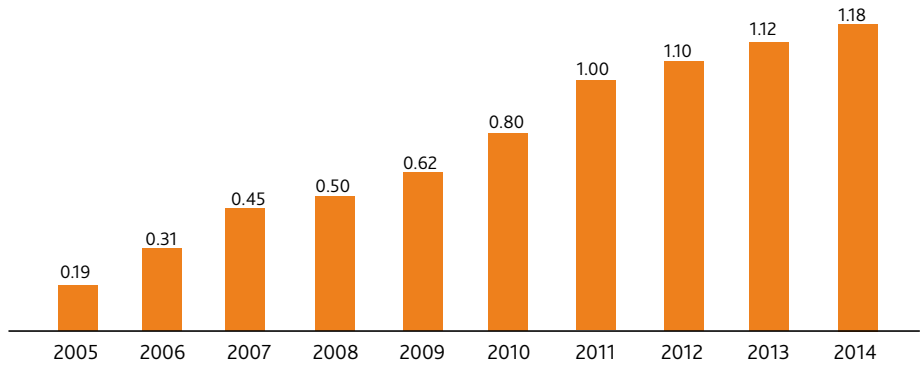
However, a shareholder with a greater investment horizon and who invested in Viscofan 10 years' ago, purchasing 1,000 euros in Viscofan shares on 31st December 2004, and still holding them on 31st December 2014, would have an investment worth 5,905 euros and has collected 901 euros in dividends for this 10 year period. A combined return of 581%.

The Be MORE strategic period of the Viscofan Group, ending in 2015, is noted for a high investment level (230MM€ in casings from 2012 to 2014), changing the production structure and the Group positioning at a global level. Despite this, the Group did not request any extra effort from its shareholders, whilst the dividend per share has increased by 18% since 2011, a total dividend pay-out of 154MM€ between 2012 and 2014. Yet maintaining a solid balance sheet, which is the best way to meet the demanding challenges of this sector with every guarantee, without forsaking growth opportunities.

The Be MORE strategic period of the Viscofan Group, ending in 2015, is noted for a high investment level (220MM€ in casings from 2012 to 2014), changing the production structure and the Group positioning at a global level

Based on the solid balance sheet, the strength of transactions, the growth in Net Profit and the growth prospects for 2015, the Board of Directors agreed to propose a remuneration per share for approval at the General Shareholders' Meeting 2014, amounting to 1.18 € per share, 5.4% higher than that proposed in 2013, comprising an interim dividend of 0.45 €, a complementary dividend of 0.724€ and an attendance premium of 0.006€. With this amount, the shareholder remuneration is equivalent to a pay-out of 52% of net profit. In other words, in 2014, the Viscofan Group has distributed more than half the Net Profit to its shareholders.

Remuneration per share (€)



VISCOFAN, ITS SHAREHOLDERS AND INVESTMENT COMMUNITY

One of Viscofan's objectives is to create value for the investment community through its Shareholder and Investor Relations Department, by improving accessibility, information transparency, and making the appropriate information available for a better understanding of the company, its results, strategy and operations.

COMMUNICATION CHANNELS:

Viscofan offers the investment community a number of communication channels: presentations at seminars and events organised by the financial community; road shows with institutional investors, either promoted by the company or by brokers; the presentation of results; the General Shareholders' Meeting; organised visits to the Viscofan head office; phone calls to a dedicated investor, a shareholder helpline (+34 948 198 436); e-mail (info-inv@viscofan.com); notifications and regular public information reported to the CNMV (Spanish Security and Exchange Commission); in addition to the information posted on the website www.viscofan.com, particularly in the section on Investor Relations in which Viscofan publicises the latest news, relevant facts, reports and the quarterly presentation of results, annual report, evolution of the share price, etc.

In 2014, a total of 78.1 million shares were traded, in other words 1.7 times the total number of outstanding shares



① LINK TO INVESTORS RELATIONS WEBSITE

The effort put into communication over all these years, has been recognised by the investment community. Institutional Investor in its "All European Executive Team" awarded Viscofan the 2nd Best IR Professional and Best Investor Relations for the Sell-Side in 2015 and 2012 as 1st Best IR professional for the Sell-Side in the packaging and food sector respectively.

Two-way communication is important, enabling the Financial Community's questions and concerns to be taken into account and transmitted within the company, to give a more global view of the same. In 2014, the most frequently asked questions were related to the progress of the Be MORE strategic plan, with particular emphasis on the progress of operations in the new collagen extrusion plants in China and Uruguay. The impact of the exchange rate fluctuations, and the process to sell the IAN Group.

Viscofan has ongoing contact with the financial markets. As a result, in 2014, a total of 17 national and international analysis companies covered the company on repeated occasions (BBVA, Bekafinance, BPI, Espítitu Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, JB Capital Markets, Kepler-Cheuvreux, Caixabank, Mirabaud, N+1 Equities, Renta 4, Sabadell, Santander, Societe Generale, UBS).

Likewise,In the course of 2014, Viscofan held 282 in-person meetings with investors, shareholders and non-shareholders alike, interested in the company. In 2011 there were 212 meetings, 207 in 2012, and 293 in 2013. These meetings were held at the Group's head offices and in financial centres. Specifically, in 2014, Viscofan held meetings at 11 different centres, as in previous years. This diversity of centres is a result of the geographical diversification of the shareholder structure, with institutional investors in more than 28 countries around the world.

This commitment and close dialogue between Viscofan and the investment community is also reflected to a certain extent in the trading volumes. In 2014, a total of 78.1 million shares were traded, in other words 1.7 times the total number of outstanding shares.

STOCK EXCHANGE HIGHLIGHTS

	Be MORE strategy period			Strategy Be ONE Period		
Share price €	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Year-end price	**44.065**	**41.35**	**42.81**	28.66	28.36	17.76
Year high	**48.36**	**43.70**	**42.81**	30.59	29.65	18.20
Year low	**36.24**	**35.65**	**28.45**	22.51	17.64	12.81

Viscofan in the stock market evolution	**Year end 2014**	**Year end 2013**	**Year end 2012**	**Year end 2011**	**Year end 2010**	**Year end 2009**
% annual change Viscofan	**6.6%**	**-3.4%**	**49.4%**	1.1%	59.7%	26.3%
% annual change IGBM	**3.0%**	**22.7%**	**-3.8%**	-14.6%	-19.2%	27.2%
% annual change IBEX 35	**3.7%**	**21.4%**	**-4.7%**	-13.1%	-17.4%	29.8%
% annual change Euro STOXX 600	**4.4%**	**17.4%**	**14.4%**	-11.3%	8.6%	28.0%
% annual change Medium Cap	**-1.8%**	**52.0%**	**13.8%**	-20.7%	-5.6%	13.8%
% annual change Sub sector Food and beverages IGBM	**-5.2%**	**4.7%**	**25.0%**	-6.3%	25.3%	7.0%

Stock market trading data	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Market capitalization at year-end (millions of €)	**2,053.59**	**1,927.1**	**1,995.1**	1,335.7	1,321.7	827.7
Traded volume (million of €)	**3,233.0**	**2,506.4**	**1,426.9**	1,274.1	925.4	663.1
Daily average trading volume (million of €)	**12.6**	**9.8**	**5.6**	5.0	3.6	2.6
Traded shares	**78,062,343**	**63,212,344**	**41,360,939**	47,049,517	41,668,063	42,112,723
Daily average of traded shares	**304,931.03**	**247,891.6**	**161,566.2**	183,787.2	162,765.9	165,798.1

Share ratios	**Year end 2014**	**Year end 2013**	**Cierre 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	46,603,682
Earnings per share[1]	**2.284**	**2.178**	**2.254**	2.172	1.745	1.379
Remuneration per share[2]	**1.180**	**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 preimium and bonus for attending the General Meeting

MARKET: CUSTOMERS AND SUPPLIERS

Product divisions and families

OUR PRODUCT RANGE

Viscofan offers the widest range of sausage making products available to the meat industry, in an ongoing endeavour to offer solutions that meet new consumer demands.

In response to all these needs, Viscofan, as the world leader in the production and distribution of artificial casings, is the only supplier to produce products in all four technologies: cellulose; collagen; fibrous; and plastic. Viscofan puts every effort into improving and progressing year after year, offering a wide range of products and innovative solutions.

Each of our casings is developed with the aim of shortening times and reducing stages in the production process, in order to generate substantial savings and to contribute to the manufacture of new products and applications.

In order to define the ideal type of casing for each application type, it is necessary to have first hand knowledge of the specific characteristics of the desired end product (mortadella, frankfurters, mini-snacks, salami, etc.) and the production equipment to be used by our customers.

The Viscofan Technical Support service offered to customers, plays a key role in helping them select the right casing from the wide range available. It also informs production of customer needs, suggesting product improvements or changes in order to offer customers the casing that best meets their needs.

Viscofan has positioned itself as "The casing Company" saving costs and making easier to interact with meat processors. Our customers can chose what kind of technology they want to use depending on the desiderable atributtes of their product. There is no customers by technology, as customers that purchase the 4 technologies represents more than 50% of Viscofan sales. This trend is becoming even more important as meat processors are more sophisticated.

CELLULOSE CASINGS

These casings are made using natural cellulose as the raw material, and are primarily used in the manufacture of industrially cooked sausages

Small-calibre cellulose casing is extremely stable, regular and calibre-constant. It ensures quick, uninterrupted production processes because it is extremely easy to peel. It is also ideal for smoking and absorbs colour and flavour perfectly. It can be produced in a wide variety of colours and is particularly suitable for traditional applications such as frankfurters, vienna sausages, hot dogs and rawcured products.



COLLAGEN CASINGS

These casings use collagen as their raw material, obtained from cattle and pig hides, which then undergo complex processing to be made into casings.

This is a clear alternative to natural casings, for the production of fresh and processed sausages alike, in either a straight or curved version. These casings improve the appearance of the sausage, thanks to their smoked properties and perfect development of colour and flavour, meeting the consumer's demand for a product with a traditional, appetising appearance, ideal for cooked or raw-cured meat sausages alike, allowing for the perfect clipping of the product.

Our classic collagen film, Coffi, and our shirred film with netting, Coffinet, offer new possibilities, such as the production of cooked ham and marinated and smoked products. Our products are environmentally friendly, easy to use and ensure optimum end product results.

PLASTIC CASINGS

Plastic casings are made from a number of different polymers, as the raw material.

Our extensive variety of plastic casings means we can offer the perfect product for each type of application.

Thanks to the wide range of colours, formats and properties available, our casings are able to meet all producer and customer requirements. Ranging from the traditional line to barrier casings, products permeable to smoke and shrink bags.

Viscofan's plastic casings offer exceptional characteristics like outstanding peeling and slicing properties, greater protection for products that need to keep for a long time, easy product moulding and clipping, and uniform smoked aroma, flavour and colour transferral.

FIBROUS CASINGS

Fibrous casings are cellulose casings strengthened with Manila hemp, making for high strength and a uniform calibre.

Fibrous casings are principally used for large calibre sausages such as mortadella and salami, which require a highly uniform calibre, mechanical strength and easy peelability, whilst always maintaining the natural appearance of the end product.

Fiborus Casings stand out for transferring colour and aroma evenly, and the wide variety of shades of colour available enhances the visual appeal of the end product.

MACHINERY SOLUTIONS

Machines specifically designed to enable Viscofan's customers to make the most of our casings.

The machines marketed by Viscofan have been developed for those casings which have a special application and for which the meat machinery market offers no suitable solutions.

Brands

Viscofan Koko CoffiNet

Naturin Colfan Tripan

Betan Coffi Viscofan Natur

A commitment to quality, service and food safety

THE CUSTOMER AT THE CENTRE OF OPERATING DECISIONS

The Viscofan Group places the customer at the centre of its operational decisions, always seeking the best value proposition for customers, in order to improve their efficiency and have a greater product diversification yet without compromising on strict quality controls and food safety.

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 1,700 customers in 100 countries around the globe.

This global outlook has been recognised on a number of occasions. Viscofan's awards include the 2013 Aster award for its business trajectory, by ESIC (Business and Marketing School), the Award for the Internationalisation trajectory granted to Viscofan by the Businessmen's Association together with Wharton University of Pennsylvania; and the Export award granted by the Chamber of Commerce and Industry of Navarra.

In 2013, the Supply Chain department was created, directed at improving customer service and optimising working capital. In order to achieve these objectives, initiatives have been implemented to improve and standardise the supply chain management tools and to enhance the coordination of the corporate teams. Likewise, the number of contact persons between orders and complaints has been simplified, making use of a unique scale in the casings market, helping to speed up procedures and improve customer service.

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

COMMUNICATION CHANNELS WITH OUR CUSTOMERS

Our value creation proposal is supported by a fluid communication channel and customer relationship, primarily 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



PRODUCT SAFETY AND FOOD HYGIENE FROM THE SUPPLIER TO THE CONSUMER

One of the main functions of the casing is to protect the sausage contained inside. Processed meat is a basic food product for billions of people around the world. Viscofan, as the sector leader, perfectly understands that this market demands the establishment of principles that guarantee that the production process and the end product fully comply with legal requirements and have passed the appropriate quality controls, thereby obtaining, in addition to excellent quality, a product that offers complete safety and hygiene for its customers.

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 elements (cellulose, collagen hides, abaca paper and polyamides) 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.

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.

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: BRITISH RETAIL CONSORTIUM STANDARDS, ISO 9001, ETC.

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.

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

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.

Certificates that evidence the Organisation's commitment to safety, health, quality at its workplaces and in its products and in all activities performed at a national and international level, showing the company's ongoing interest to offer and ensure compliance with the highest standards.

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).

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.

Our commitment with food hygiene and quality is reflected in our mandatory procedures, which are applicable to our entire production process and involve a strict working procedure that is audited internally and externally.

CERTIFICATIONS	ISO 9001:2008	BRC FOOD	BRC PACKAGING
Spain	✔	✔	✔
Germany	✔	✔	
Serbia	✔		✔
Czech Republic	✔	✔	✔
USA	✔		✔
Mexico	✔		✔
Brazil	✔	Itu (2015)	Itu ✔ Ermelino (2015)
China	(2015)	(2015)	(2015)

✔ Certified
() Expected date

EMPLOYEES

A Multicultural Group of People

The Viscofan Group's leading position is based on the unique value of its know-how and the commitment of everyone who works for it. At the end of December 2014, the Group employed 4,182 people, who make up a multicultural, growing, in constant traning, and qualified team, that despite cultural differences, all shared the same base values and ethical principles.

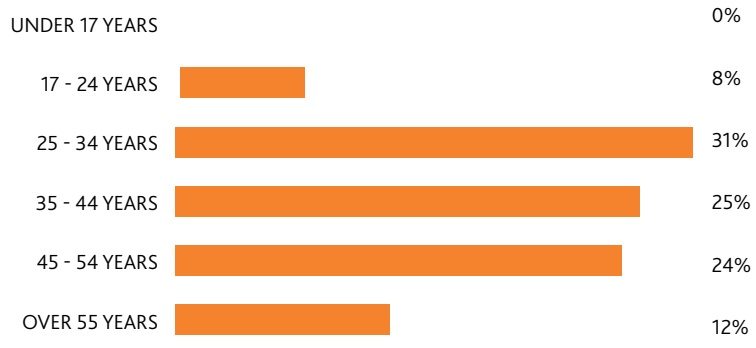
In 2014, the Group continued to increase the average number of staff it employed, chiefly as a consequence of expansion into new geographical areas and the recruitment of reinforcements to improve the levels of service provided to strengthen its leading global position. As a result, the average number of employees in continuing operations grew by 3.4% in 2014 by comparison to 2013 to 4,089. The increase in human capital in 2014 was most significant at the Uruguay plant, which opened in the first quarter of the year, in the reinforcements recruited for the plastic casing family and in the workforce in China in order to adjust personnel levels to the growth in capacity required to meet market demand.

The high percentage of Group employees with open-ended contracts is notable, 94% of its employees working with such contracts in 2014. The figure stood at 95% in 2013.

In 2014, the average age of the Group's employees approached 44, having rejuvenated over recent years. 8% of its personnel was aged from 18 to 24, 31% from 25 to 34, 25% from 35 to 44, 24% from 45 to 54, and 12% over 55.

Viscofan's Code of conduct strictly prohibits all forms of child labour and, consequently, the Group does not recruit anybody under the age of 17 and requires its suppliers to follow suit.

BREAKDOWN OF PERSONNEL BY AGE

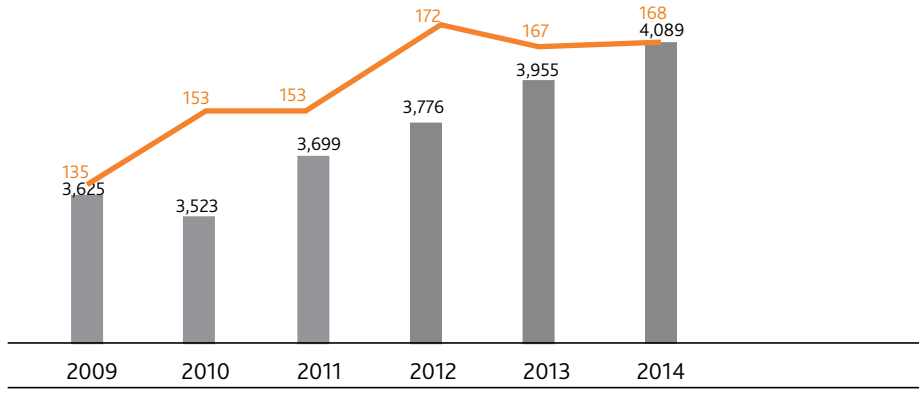


AN EFFICIENT, COMPETITIVE TEAM

The results achieved by the Be MORE Strategic Plan are a consequence of the work performed by a constantly developing team engaged in a continuous process of improvement.

One clear illustration of such improvements was the rapid adaptation to the production processes in operation at the new facilities in China and Uruguay, where, following the logical inefficiencies involved in starting up, the support provided by the teams sent out to the sites and the continuous effort put in managed to ensure output performance ratios in line with expectations. The increase in staff employed was paralleled by an increase in average revenue per employee, which rose close to 10% from 2011 to 2014, and by 1.0% on 2013 in 2014.

AVERAGE WORKFORCE AND PRODUCTIVITY



AVERAGE NO. EMPLOYEES
REVENUE PER EMPLOYEE (THOUSAND €)

The improvement in competitiveness recorded by staff is also reflected in terms of costs, the Group improving its labour costs/sales ratio by 1.0 percentage point from 2011 to 2014, reaching 21.4% in 2014 (21.6% in 2013). Such improvements in productivity are especially significant considering the uncertain, volatile environment in terms of raw material and energy costs.

The importance of this stakeholder is observed in the matrix of resources generated and resources distributed. The employees received expenses distributed in 2014 worth €147.0MM, 3.0% more than 2013, of which €20.9MM went towards Social Security contributions made by the company.

INTERNATIONAL MEMBERS OF A GLOBAL GROUP

Viscofan consists of a group of people widely spread out in all the countries in which the company has a strategic presence: Spain, Germany, Brazil, Canada, China, Costa Rica, the United States, Mexico, the United Kingdom, the Czech Republic, Russia, Serbia, Thailand and Uruguay, creating a complex multicultural environment. This represents both a challenge and an opportunity for international development for those working in the Group, which carries out a great many knowledge transfer projects between its different production facilities and holds specific global training seminars for its employees. The international nature of the Group is evidenced by the fact that people of 14 different nationalities currently work for it.

The geographical breakdown of the average workforce in 2014 was as follows:



International mobility is a constant in the Group, as demonstrated by the average of 28 people who took part in international projects as short-term expatriates in 2014 and the 30 who worked as long-term expatriates; the wide variety of countries, both of origin and destination, involved is a consequence of the Group's internationalisation strategy and initiatives to boost international mobility and transfer its best practices to all its subsidiaries, particularly to the recently inaugurated processes in Uruguay and China, through benchmarking.

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In 2015, employees are being transferred from our benchmark plastic casing facilities in the Czech Republic and Brazil to the new plastic casing facility in San Luís Potosí, Mexico. The aim is to supply the construction and implementation of this new project with value and knowledge. In order to ensure the successful launch of the new plastic casing factory in Mexico, the team tracking technology of this technology has also been reinforced and the multicultural team model from the benchmark plastic casing facilities in the Czech Republic and Brazil, which proved so effectual at the new collagen plants in China and Uruguay, has been put into practice once again. The new plant means that Viscofan will continue to foment job creation and generate value in the San Luis Potosí region in Mexico, where the Group already has a cellulose extrusion plant.

In order to provide its employees with the best possible healthcare coverage on their travels, Viscofan set up the "Alert 24" project in 2014. "Alert 24" includes a corporate insurance policy which covers all Viscofan employees alike in terms of medical care and services provided in emergency situations when travelling. The new policy means that all employees who travel to other countries as part of their work have a standardised level of cover, including Premium healthcare coverage. This policy joins the pre-existing one for Expatriates, which guarantees everyone the same benefits, regardless of country of origin or destination.

In order to give the plastic casing technology a boost within the Viscofan Group, a new Corporate Division of support with specific competences in the plastic casing sector was created in 2014. With the creation of this new division, a significant investment drive to make the most of opportunities for growth in the market was initiated.



TALENT DEVELOPMENT AND A COMMITTED TEAM

The Viscofan Group, through the Human Resources departments in its different subsidiaries, encourages the development of people by means of different initiatives through which to manage knowledge and make the most of its employees' capacities in order to achieve the Group's objectives. Training is one of the Group's fundamental objectives as far as people management is concerned. Training is provided on a continuous basis to bolster personal and professional development. With this development objective in mind, the Human Resources teams managed more than 119 thousand hours of training, 4.3% less than in 2013. The Group devoted €2.3MM to this human capital training drive, 7.3% more than in 2013.

The Group also works more with the chief universities in the countries in which it operates in order to attract and develop talent. The Group managed 40 work placement and intern processes, involving more than 36,000 hours of practical experience. There were 57 in 2013, 34 in 2012 and 18 in 2011.



(1) LINK TO THE JOB SITE

RECRUITMENT, PROMOTION AND SOCIAL NETWORKS

In a growing Group, Viscofan's staff selection and recruitment policy is key to holding onto its leading position. In this regard, the development and acknowledgement of those already working in the Viscofan Group is being encouraged by announcing vacancies open throughout the Group on its internal channels of information, such as the Group intranet. This initiative got under way in 2014 and will be developed further in coming years.

In 2014, the strategy to attract talent was strengthened through international selection, recruitment, internal mobility and expatriation management tools. The first year of operation of the "job site" on the Group (1) saw 5,900 candidates register, showing the interest which exists in forming part of the Viscofan Group.

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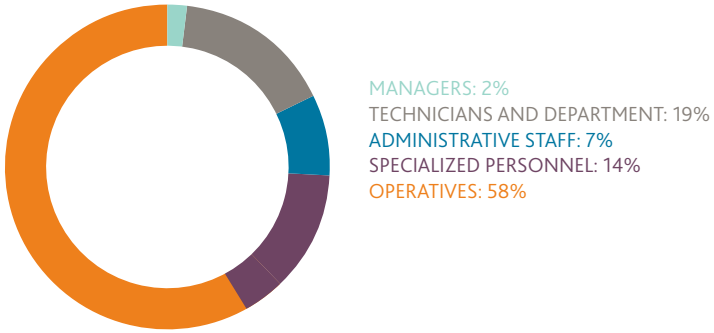
On the path towards the objective of improving our strategy to harness talent, more proactive initiatives have also been launched to highlight the visibility of the Group on social networks and increase the number of followers of our business profile on Linkedin, which currently stands at 1,800.

The industrial nature of the Group means that it requires both a lot of operators and a significant number of specialised employees. Working as it does in an increasingly demanding, global industry in terms of requirements which call for greater knowledge and specialisation, the Group hopes to meet the challenge posed by investing in people's know-how and the continuous training efforts aimed at those already on the payroll.

In 2014, the number of employees with Master's degrees (253 people) grew by 20% and the number of university graduates (496 people) rose by more than 10% on the previous year, meaning that the figure increased for the third year running. The number of PhD holders (27 people), meanwhile, remained stable in 2014. This feature of the team which makes up Viscofan clearly sets it apart from its competitors and is key to achieving excellence in production and maintaining the levels of innovation which the business requires.

The breakdown of the average number of employees by categories was as follows at the end of 2014:

BREAKDOWN OF THE AVERAGE NUMBER OF EMPLOYEES BY CATEGORIES



In addition to providing employees with more and better channels of information, the Human Resources department, as part of a dynamic global Group, has implemented and will continue to implement a range of measures and applications to enhance staff and talent management. The most important of these are:

- **People net 8 project:** a global human resources tool in the SaaS (Software as a Service) mode was introduced in 2014. This new tool includes features which will allow us to address our chief human resources processes. More specifically, it opens the way towards further improvements in personnel management and group organisational structures, and strengthens the strategic process of talent management by creating succession and professional development plans.

- **2015 will see new cloud-based tools** to enhance team-leader/team-member interaction, particularly in cases involving international mobility. There will also be new tools with which to share best practices in the field of human resources.

Communication being essential in an integrated global Group with a lot of workers like Viscofan, 2014 saw the Group hold its first Global Employee Climate Survey.

The survey provided a snapshot of how Viscofan Group employees see the organisation. Analysis of the information collected has led to the identification of key areas for improvement and the creation of specific and general action plans to improve on the initial results.

CHANNELS OF COMMUNICATION WITH EMPLOYEES

Viscofan places a number of information resources at the disposal of its employees in order to keep them up to date with general Group news and information specific to certain areas:

1) **Employee channel:** Human Resources set up this channel, available on the Group intranet, in 2014. It establishes direct communication with Viscofan employees, providing them with information of great utility, including career opportunities within the Group. New sections and types of information have been included this year, such as a complete section on "Alert 24", a corporate travel insurance policy covering all employees who travel as part of their work.

2) **Group news and announcement portal:** The Group uses this portal to publish its latest appointments, organisational changes, strategic projects, product launches, financial results, competitions, etc.

3) **"Vis a Vis", a magazine for Group employees.** Viscofan publishes an internal biannual magazine in the main languages spoken in the Group (Spanish, English, Chinese, Czech, Serbian, German and Portuguese). In the magazine, workers can find a range of contents, including a Letter from the CEO explaining the progress made by the Group, interviews with employees, articles on meetings, employee seminars, reports on corporate teams, etc.

The Viscofan Group is committed to respect for and the defence of human rights as described in international standards such as the International Bill of Human Rights or the United Nations Global Compact.

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The Group's Code of conduct states that, as part of their work, Viscofan employees must contribute towards respect for and the protection of human rights, and avoid any conduct which they detect within the scope of their work which contravenes them.

More particularly, Viscofan Group employees, in all their geographical and cultural plurality, must refrain from any type of conduct involving discrimination on grounds of race, sex, nationality, language, religion, ideology or any other individual, social or personal characteristic (disability, economic position, trade union membership, etc.) and promote work in decent conditions, avoiding all types of exploitation, with special protection to avoid child labour.

The Viscofan Group has defined basic common guidelines for human resources which include the establishment of decent working conditions, equality in all areas and access to the job market for people with disabilities.

The minimum remuneration of newly recruited employees all over the world is set in accordance with the salary levels and legal provisions in force in those countries in which Viscofan operates. In this regard, it should be noted that minimum remuneration rose by 8% from 2012 to 2013 and by 5% from 2013 to 2014.

Within the field of equality and the protection of workers' rights, 64% of the company's employees are covered by general collective employment conditions regulating their working lives which better the minimum requirements set in relevant labour legislation. In 2014, collective bargaining negotiations got under way and continued in Serbia, and collective bargaining negotiations are set to begin for the workers in Cáseda (Spain) in 2015. Consequently, more than 74% of the Group's employees are expected to be covered by collective bargaining agreements by the end of 2015.

Viscofan contributes towards the integration of people with disabilities in the job market by entering into agreements with special employment centres and employing people with disabilities at its own facilities whenever possible.

SAFETY IN THE WORKPLACE

The Group's corporate safety in the workplace policies are overseen by its EHS department in close collaboration with its corporate and local Human Resources departments, and measures are continually adopted and investments made in order to improve the working conditions of the Group's employees. The Viscofan Group strives to define consistent, reliable indicators with which to measure and compare performance in the different countries in which it operates in order to spread best practices regarding health and safety to all its production plants.

Viscofan is convinced that all accidents are avoidable and so, in addition to working to make its facilities safer, the Group also strives to make all its employees aware of the fact that their attitude to safety is fundamental. The Viscofan Group continues to work hard to standardise its procedures and communicate company policy in this field through specific courses and information made available to workers in their work areas.



In order to carry out these initiatives, the Board of Directors has approved a Group EHS policy containing the following guidelines related to the safety in the workplace:

- **Provide all workers with a safe, healthy workplace.**

- **Identify and comply with applicable legislation and regulations regarding the Environment, Health and Safety** (EHS) wherever the Group operates, as well as other commitments voluntarily undertaken by Viscofan in order to improve in these fields

- **Ensure that** senior management, employees and all the personnel working for the organisation or on its behalf are aware of this policy and trained in accordance with their responsibilities in order to comply with it.

- **Define indicators to** measure the development of the Group's performance in these areas.

- **Promote the creation of a continuous improvement culture** for EHS, defining objectives and applying corporate standards.

- **Develop partnerships with stakeholders** to facilitate open, objective dialogue and help everyone assume joint responsibility in these areas.

The health and safety of those who work for the Group is a priority for Viscofan and in 2014 it strengthened this commitment by linking hours lost as a result of accident or sick leave in with the variable remuneration received by its senior management.

Training in the prevention of accidents and the importance of safe habits is one of the cornerstones on which the protection of the health of our workers is based. In 2014, almost 25,000 hours were devoted to safety and prevention training, an improvement of more than 13% on 2013. This training covered everything from basic preventive measures to be taken in the workplace and the importance of heart-healthy habits as part of day-to-day life, through to the part played by middle management and enhancing its leading role in the field of safety.

Protecting our assets is also crucial when it comes to ensuring the safety of those who work for Viscofan and the sustainability of its business. Investments worth more than €700,000 were made in 2014 to improve fire safety at our facilities.

The reduction of the risk of fire at our plants was also defined as an objective to be linked in with the variable remuneration of the Group's senior management.

SOCIETY AND ENVIRONMENT

R&D and innovation

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

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 demands 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 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 product

Viscofan couples its growth as a business with the development of its innovation capability so that it can access the best technologies available on the market, implement them and improve on them, and develop its own technologies to create an enduring competitive edge.

The complexity of Viscofan's production process and the sophisticated technology underlying its products means that Research And Development units are structured into teams that specialise in each process and casing type. The average staff headcount is 60. The corporate research and development centre in pain 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.

SUPPORT FROM INTERNATIONAL RESEARCH CENTRES

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

Viscofan has a long track record of working with public and private research centers, Spanish and international among which CINFA (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, University of Navarre, Public University of Navarre, 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, CCTAA 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 pain 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.

Environment

Viscofan has a strong global presence, operating in a world with an ever-increasing growth in population and consumption and subsequent rise in the use of natural resources. At the same time, there is a growing social awareness with regard to the need for the effective use of resources, for a sustainable future in which economic growth goes hand in hand with environmental and social needs. Viscofan acknowledges this situation and is responsibly committed to the protection and conservation of the environment.

The EHS department is specifically responsible for those initiatives directed at environmental protection, in addition to the occupational health and safety of employees, and the conditions of hygiene at our facilities. This department, which reports to the operations division, is guided by the corporate EHS policy approved by the Board of Directors in 2014 and directed at improving our activity, in keeping with our commitment towards environmental protection and conservation.

This commitment dates back to the first description of the Viscofan Group's vision defined in the Be MORE plan: We aim to be the global leader in the casings market. This vision involves creating value for our shareholders in a sustainable way.

The scale of this challenge is all too evident if we consider the manufacturing facilities of the Viscofan Group, with an average headcount of 4,089 employees in 2014, with factories in 9 countries, sales offices in 14 and customers in more than 100 countries. This gives rise to extremely heterogeneous cultures, with substantial legislative and regulatory differences from one country to another.

The right leadership is essential for the correct functioning of any organisation, and this starts with the definition of the organisation's values and policies. In this respect, following the creation of the EHS (Environmental Health and Safety) Corporate Division in 2013, the next step was to review the EHS corporate policy in 2014 in order to bring it into line with our stakeholders' expectations and to develop the strategies required to meet those expectations. This policy defines the following priorities with regard to the environment:

- To identify and comply with all applicable Environment, Health and Safety (EHS) legislation and regulations in those places in which the group operates, and also with other voluntary commitments adopted by Viscofan and directed at improving EHS.

- To seek continuous improvement in all its operating areas and, in particular, those relating to the environment and to the health and safety of its employees.

- To responsibly use raw materials, energy and water.

- To ensure that management and employees alike, and any personnel working for or on behalf of the organisation, are aware of this policy and are trained, to comply with this policy to the extent of their responsibilities.

- To establish indicators that make it possible for us to assess the progress of our performance in these areas.

- To promote the creation of a continuous improvement culture with regard to EHS, defining goals and implementing corporate standards.

- To develop a cooperative relationship with stakeholders, in order to facilitate an open and unbiased dialogue, helping to assume the joint responsibility of each and everyone of us with regard to EHS.

The importance that Viscofan attaches to the area of EHS is reflected in the first time inclusion in 2015 of a specific EHS indicator in the variable remuneration of senior management

Integration is key to ensuring effective management in the EHS areas. With this aim in mind and in order to provide a united approach for all the companies forming part of Viscofan, the Group EHS Management Guidelines have been developed. Based on the philosophy of internationally recognised standards such as OHSAS 18001 and ISO 14001, these guidelines detail the requirements for the Group's companies to implement Management Systems for Environment, Health and Safety, by defining local EHS policies, committing to continuous improvement and to compliance with the legal requirements, and setting targets and goals directed at measuring performance in these areas.

Together with this commitment to the EHS corporate policy, it is also essential to dialogue with stakeholders on environmental and regulatory matters in order to gain a better understanding of their concerns and proposals for value creation and risk reduction in this area, as well as to help create a materiality matrix with regard to the same.

Continuing with the work carried out in 2013, with the creation of a specific EHS department, 2014 has been marked by considerable activity due to the combination of a number of projects to expand and optimise operations, yet always promoting a production model that is committed to sustainability in the long-term use of resources, helping to prevent climate change.

The importance that Viscofan attaches to the area of EHS is reflected in the first time inclusion in 2015 of a specific EHS indicator in the variable remuneration of senior management. This indicator reflects the company's performance in environmental protection, the improvement of the health and safety of those working at Viscofan and the reduction in the fire risk at the company's facilities.

ENVIRONMENTAL LINES OF ACTION

From its leadership position, the Viscofan Group is working on two key lines of action, which group together and guide its environmental action projects.

- Sustainability in the use of resources

- Contribution to preventing climate change

SUSTAINABILITY IN THE USE OF RESOURCES

Viscofan's extent of achievement of its sustainability target will be determined by its ability to use available resources more efficiently, whether these be raw materials, energy or water resources.

Water management:

In an environment with a growing demand for industrial water, the optimisation and continuous improvement of water management is one of the cornerstones supporting Viscofan's environmental policy. This requires specific management, identifying the key management indicators that affect water consumption, standardising these indicators at a corporate level, thereby ensuring that we are more effective in achieving our water consumption reduction targets, and improving water treatment in order to remove the pollution load to the greatest extent possible. These initiatives are particular significant in the face of potential water restrictions due to drought, as occurred in Brazil at the end of 2014 and the start of 2015.

In 2015, there are plans to continue with the improvement of operations in terms of water management at the new plants in China and Uruguay

These are not short term initiatives, since they take time to develop and consolidate. For example, 2013 marked the start of the water management optimisation project in Zacapu (Mexico), and this is still in progress in 2015. The Group is also carrying out well drilling in Mexico, directed at reducing the consumption of surface water.

In 2015, there are plans to continue with the improvement of operations in terms of water management at the new plants in China and Uruguay, which are still at the learning curve stage. In this respect, the Group is using existing synergies and know-how for the fine tuning of the water treatment plant.

As mentioned above, these initiatives, which seek to reduce consumption, are accompanied by an environmental impact assessment of the Group's activity in order to obtain and expand the information available for decision making on the management of the production model, with a view to achieving sustainability in the use of water. For this purpose, Viscofan is conducting impact studies on plant activity in those regions in which it operates.

Raw Material and Waste

Another fundamental axis of the EHS policy is waste reduction and an improvement in waste recovery. In this respect, the efficient use of raw materials is a key factor and has a two-fold benefit: for Viscofan and the environment alike. This commitment has led us, year after year, to substantially reduce the volume of waste generated, in the face of an ever increasing production level.

The plant in Brazil is conducting a research project for recycling our cellulose casings through enzymatic degradation

Within these initiatives, particular mention should be made of the consolidation and improvement of the operations initiated in 2013 at the collagen extrusion plant in Suzhou (China) and the commissioning of the collagen extrusion plant at Pando (Uruguay), both plants have been equipped with the best available waste processing technologies. Despite this, the increased volumes associated with greater production as a result of the Group's expansion, mean that new targets need to be set in line with the dimension reached as a result of the implementation of the Be MORE strategic plan.

In the course of 2014, the Viscofan Group as a whole generated a total of 35.667 thousand tons of waste, compared to the 33.763 tons in 2013. This 5.6% increase was caused by the aforementioned start of operations in 2014 in the Uruguay plant and the increased capacity in China.

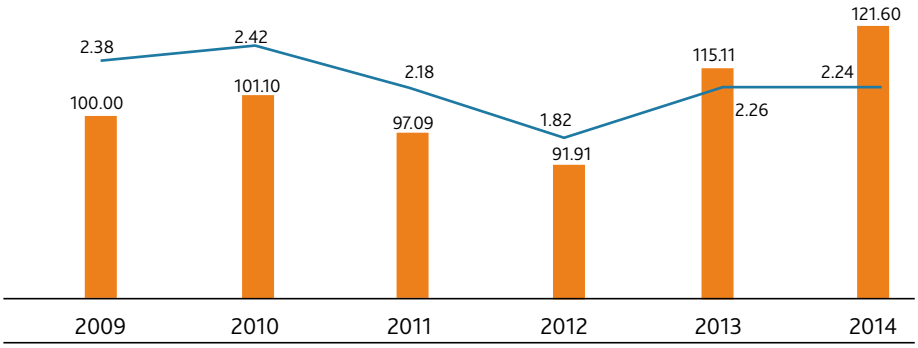
The Group is also focussing its efforts on the treatment of waste in order to achieve greater waste recovery. Despite the expansion with two new plants and increased production output over the last few years, the Group's efforts in this area are reflected in the increase in waste recovery from 2009 onwards and which, in 2014, accounted for almost 64% of the total waste generated.

This percentage is the combination of a number of initiatives across all the Group's plants. A good example of this is the plant in the Czech Republic which, through waste sorting at source and by seeking plant recycling solutions, has managed to increase the percentage of recycled waste from 8% in 2012 to more than 50% recycled in 2014.

On the other hand, the plant in Brazil is conducting a research project for recycling our cellulose casings through enzymatic degradation. The project, carried out in collaboration with our major customers, seeks to obtain a recycling solution that is easily applicable to our cellulose casings, after use in the stuffing process.

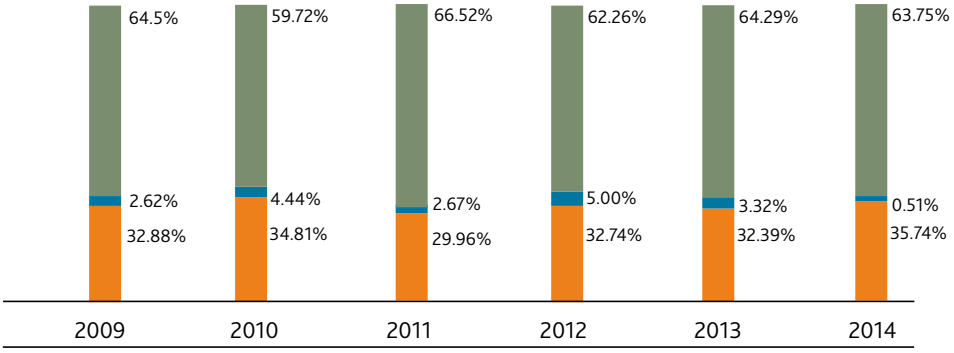
Viscofan Group's European plants, in compliance with current legislation and as part of its commitment to the environment, are entered in the European Register of chemical substances (REACH, 1907/2006/ec), in which we have also asked our suppliers to preregister.

WASTE AND SUBPRODUCTS EVOLUTION (BASE 2009=100)



WASTE BASE 100
TONS OF WASTE/1,000 K PRODUCED

WASTE AND SUBPRODUCTS MANAGEMENT



RECOVERY
DESTRUCTION
LANDFILL

CONTRIBUTION TO PREVENTING CLIMATE CHANGE

There is an increasing awareness, throughout the world, of the need to achieve a sustainable energy model able to lower CO_2 emissions based on savings, efficiency and renewable energies.

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 3rd 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.

In the casings production process, the efficient use of energy is a means to achieving a competitive advantage. In this respect, the Viscofan Group has cogeneration plants at Cáseda (Spain) with an installed capacity of 48 MW, yet another plant is located at Zacapu (Mexico), whilst mention should also be made of a new turbine installed at the Weinheim plant (Germany) in July 2014.

La planta de Weinheim ha logrado reducir las emisiones de CO_2 de 2014 en casi un 9% comparado con el año 2013

This last is a cogeneration turbine, an investment which, together with the steam boiler inaugurated in 2013, completes the energy transformation process in Germany, a process which formerly depended on steam generation made by third parties. With this self-management, it will be possible to achieve greater energy and production savings. This transformation represents an important milestone in the energy efficiency of Viscofan, enabling the Group to produce more than half its total energy through management systems certified to the ISO 50001 energy efficiency standard.

This plant has already borne fruit, given the fact that the Weinheim plant has managed to reduce CO_2 emissions in 2014 by almost 9% in relation to 2013. This investment, valued at 6.8 million euros, will mean estimated annual savings of two million euros from 2015 onwards and offers many other advantages such as energy self-management, a guaranteed supply of electricity and hot water, the efficient use of resources whilst also helping to improve our respect for the environment.

On the other hand, at our cogeneration plant associated with the factory at Cáseda, investments have been approved to replace its oldest engine for a more modern, efficient one. Certified to the ISO 50001 standard in early 2014, this plant has reduced its CO_2 emissions, year on year, by almost 5%.

The reduction in emissions achieved at these two plants, together with those obtained in the USA, offset the inefficiencies inherent in the commissioning of our plant in Uruguay and the increased production in China so that, in 2014, our CO_2 emission intensity level is lower than for 2013.

The cogeneration plants have meant a major change in our relation with energy, by simultaneously and self-sufficiently generating electricity and heat. In this way, Viscofan is making a considerable contribution to primary energy saving in the energy mix, whilst also meeting the heat and energy demand of the casings production plant in Caseda (Spain) and generating electricity for distribution in the grid.

Likewise, with the cogeneration plants, the Viscofan Group has helped reduce the volume of CO_2 emissions into the atmosphere, in comparison with other valid thermoelectric generation alternatives of an equivalent power output.

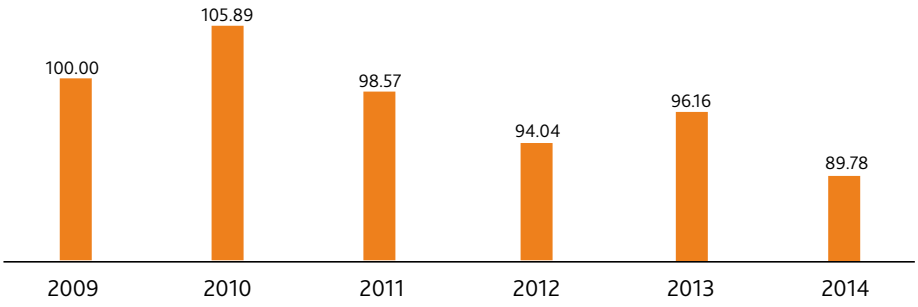
Despite the improvements made at these centres of excellence, with regard to production and energy efficiency alike, the Group's emissions referring to meters produced, increased by 5% in the course of the year. This was primarily due to the inclusion of the new plant in Uruguay in the figure for 2014. This is a process associated with commissioning, as also occurred at our plant in China: following the increase experienced in the first operating year (2013), in 2014 a considerable reduction was achieved in the emission intensity level at the plant of Suzhou (China), despite the production increase during the year.

For 2015, as part of the EHS objectives, the CO_2 emission intensity level has been established as a corporate indicator in order to monitor this on a monthly basis and identify areas for improvement.

FINANCIAL RESOURCES ALLOCATED TO EHS PROJECTS

This growing commitment is also evident in the financial dimension, whereby the many different environmental, and health and safety projects represented an investment of €4.9MM across

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



the Group's plants. At the close of 2014, the tangible fixed assets assigned to environmental projects amounted to a gross value of €31.5MM (€26.7MM in 2013) representing 3% of the total gross tangible assets. Amongst these installations, of particular note are steam boilers, water cooling circuits, wastewater treatment plants, amongst others.

Additionally, during the financial year of 2014, the Group incurred expenditure, for the purpose of environmental protection and improvement, for the amount of 2.5 MM€, an amount that is higher than the €2.0MM recorded in 2013.

For 2015, the Group has budgeted investments in EHS for the amount of €3.9MM, a figure corresponding to 6% of the total expected investments for the year (€60-€61MM). In turn, of particular note this year is the project to construct and commission a new plastic casings production plant, a process set to benefit from the EHS know-how acquired with the new plants in China and Uruguay, amongst others.



Our relationship with the community

Viscofan understands that, when managing a business, there is a need to establish a relationship of collaboration and mutual support with the social milieu in which it is established, in order to guarantee satisfactory development, with sustainable value generation for its stakeholders.

In order to conduct a materiality analysis and to carry out the right initiatives within the social context in which we operate, there is a need for a fluid communication channel with the agents of the communities in which we operate, including local organisations, research and training centres, business and industrial groups, etc. Here, Viscofan can provide resources, know-how to support social initiatives that help improve the social and economic conditions in those countries in which we have production facilities or sales offices.

In this respect, Viscofan has been supporting development projects in a number of action areas:

BIOENGINEERING AND HEALTH

Viscofan is of the understanding that, if our know-how can be used to successfully contribute to human welfare and health, then it is our corporate responsibility to provide support to the extent of our capabilities.



In this respect, during the financial year of 2008, Viscofan formed Viscofan Bioengineering, a division focussed on bioengineering research and on collaboration with research centres.

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

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

In 2014 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.

As a result of the progress made, the Viscofan Group has found new lines of research in the areas of cardiology, urethra and tissue regeneration. For this purpose, Viscofan has initiated an investment project to create a white room in Germany, in order to conduct clinical trials.

Viscofan is also a collaborating member of the Navarra Institute of Health (Spain). This activity has a specific communication channel on www.viscofan-bioengineering.com (1).

CORPORATE SOCIAL ACTION PROJECTS

In programs such as:

- **Collaboration with the Mexican Association to Help children with cancer,** a member of Action Aid, in a three year plan to support a project directed at boys and girls suffering from cancer in Mexico. The collaboration agreement represents aid for 10,000 dollars per year over a 3 year period.

- **MostrArte Navarra,** a Red Cross program directed at using a photo and painting contest to show the diversity of professional profiles and situations in the job market, directed at working to promote the integration of those persons with difficult access to the job market. The work has a two-sided approach: financial, and awareness-raising through an art exhibition travelling from one workplace to another throughout Navarra. As an expression of recognition of this work, in May 2014, the Spanish Red Cross Committee in Navarra presented Viscofan with a certificate of honour.



(1) LINK TO VISCOFAN-BIOENGINEERING

PROJECTS TO SUPPORT THE ECONOMIC DEVELOPMENT OF THE COMMUNITY

Taking part in the following:

- **The "Entrepreneurial Motivation Program"** promoted by the Government of Navarra and directed at encouraging the creation of new companies in Navarre by supporting innovative business projects. In the subsequent years of our collaboration, we have supported two projects with 8,000 euros each, whilst the third edition is now open.

- **Orizont project**, directed at attracting innovative industries from the agro-food sector in order to promote their projects.

- **Viscofan is part of the Cetena Foundation,** directed at promoting and developing activities focussed on scientific research, technological development and the promotion of innovation, in order to improve business competitiveness.

Likewise, in the area of promoting education and culture, Viscofan is a member of the Association of Friends of the University of Navarra, created for the purpose of supporting teaching and research through the University, and of the University of Navarra Business Foundation, working to facilitate the incorporation of graduates in companies, either through study grants, internships, or through talks and participation in employment forums. Furthermore, Viscofan also collaborates with the Public University of Navarra in this same area.

Likewise, and in this same area of training, Viscofan is part of the APD (Association for Managerial Progress), an entity aiming to promote and up-date the training of management and which actively participates in forums and meetings.

Viscofan and is a member of the Board of Trustees of the US-Spain Council Foundation and the Brazil-Spain Council Foundation, both directed at promoting the links present in the various fields of activity between the company and the Spanish, US, and Brazilian institutions.

Directory of Viscofan sites

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ITU Sao Paulo SP
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Independent Audit Report

VISCOFAN, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2014

Building a better working world

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

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

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

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of VISCOFAN, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statements of financial position at December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of VISCOFAN, S.A. and its subsidiaries, 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 in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying 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 its subsidiaries at December 31, 2014, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated 2014 management report contains such explanations as the directors of the parent company 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 2014 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)

_____

Alberto Peña Martínez

February 26, 2015

A member firm of Ernst & Young Global Limited

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report for the year ended

December 31, 2014

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

Consolidated statements of financial position
(Thousands of euros)

Assets	Note	2014	2013
Property, plant and equipment	7	380.963	380.607
Intangible assets	8	13.550	16.022
Deferred tax assets	19	18.046	14.554
Other non-current financial assets	11	619	780
Total non-current assets		**413.178**	**411.963**
Inventories	9	189.085	202.989
Trade and other receivables	10.1	128.619	127.145
Receivable from public administrations	10.2	21.520	22.057
income tax receivable	19	5.258	1.197
Prepayments		2.506	2.649
Current financial assets	11	1.019	5.936
Cash and cash equivalents	12	25.601	16.739
Total current assets		**373.608**	**378.712**
Non-current assets held for sale and discontinued operations	**5**	**90.113**	**-**
Total assets		**876.899**	**790.675**

VISCOFAN, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements as at December 31, 2014

Consolidated statements of financial position
(Thousands of euros)

Equity and liabilities	Note	2014	2013
Share capital	13.1	32.623	32.623
Share premium	13.2	12	12
Other reserves	13.3	483.283	441.174
Profit for the year		106.452	101.520
Interim dividend	13.6	(20.972)	(19.108)
Translation differences		(20.618)	(34.821)
Hedge transaction reserves	13.4	(4.913)	217
Total equity		**575.867**	**521.617**
Grants	14	2.280	3.891
Provisions	15	30.888	20.632
Non-current financial liabilities	17	45.231	47.758
Deferred tax liabilities	19	21.467	22.549
Total non-current liabilities		**99.866**	**94.830**
Current financial liabilities	17	85.039	84.892
Trade and other payables	16.1	58.404	70.827
Payable to public administrations	16.2	8.469	8.569
Income tax payable	19	9.464	4.465
Provisions	15	4.976	5.475
Total current liabilities		**166.352**	**174.228**
Liabilities held for sale and discontinued operations	**5**	**34.814**	**-**
Total equity and liabilities		**876.899**	**790.675**

Consolidated income statement
(Thousands of euros)

	Note	2014	2013 Restated
Sales and services rendered	20.1	687.063	660.201
Other income	20.2	4.746	5.948
Changes in inventories of finished goods and work in progress		10.273	7.985
Work performed by the Group on non-current assets		332	955
Consumption of raw materials and other consumables		(201.021)	(204.784)
Employee benefits expense	21	(147.031)	(142.782)
Other operating expenses	22	(168.570)	(156.727)
Property, plant and equipment depreciation	7	(45.446)	(41.586)
Intangible assets amortization	8	(3.717)	(3.556)
Impairment and gains (losses) on disposal of non-current assets		(369)	(159)
Operating profit		**136.260**	**125.495**
Finance income	23	322	443
Finance costs	23	(4.257)	(2.906)
Exchange differences	23	1.916	(623)
Profit before tax		**134.241**	**122.409**
Income tax expense	19	(30.612)	(25.563)
Net result for the year from continued operations	**0**	**103.629**	**96.846**
Net result for the year from discontinued operations	**5**	**2.823**	**4.674**
Profit for the year		**106.452**	**101.520**
Basic and diluted earnings per share (in euros)	24	2,2842	2,1784
Basic and diluted earnings per share from conitnued operations (in euros)	24	2,2236	2,0781

The 2013 the Consolidated Income Statement was restated to reflect reclassifications arising from the recognition of Vegetable Food under discontinued activities (Note 5).

Consolidated statement of other comprehensive income
(Thousands of euros)

	Note	2014	2013
Profit for the year		**106.452**	**101.520**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		14.203	(26.350)
Income tax effect		-	-
Net movemento on cash flow hedges		(6.542)	(1.296)
Income tax effect		1.412	388
Net other compehensive income to be reclasified to profit or loss in subsequent periods		**9.073**	**(27.258)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement gains (losses) on defined plans			
Germany		(4.471)	589
United States		(5.873)	(164)
Others		37	(60)
Income tax effect		2.813	(129)
Net other compehensive income not to be reclasified to profit or loss in subsequent periods	**15.1**	**(7.494)**	**236**
Other comprehensive income for the year, net of tax		**1.579**	**(27.022)**
Total comprehensive income for the year, net of tax attibutable to equity holders of the parent		**108.031**	**74.498**

VISCOFAN, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements as at December 31, 2014

Consolidated statement of changes in equity
(Thousands of euros)

	Equity attributed to the parent							
	Share capital (Note 13.1)	Share premium (Note 13.2)	Reserves (Note 13.3)	Interim dividend (Note 13.6)	Profit for the year attributable to equity holders of	Hedge transaction reserves (Note 13.4)	Currency translation differences	total equity
Balance at January 1, 2013	**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)**
Increase / (decrease) on share capital	-	-	-	-	-	-	-	-
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**
Total recognized income and expense	**-**	**-**	**(7.494)**	**-**	**106.452**	**(5.130)**	**14.203**	**108.031**
Profit for the year attributed to equity holders of the parent	-		-	-	106.452	-	-	106.452
Other comprehensive income	-		(7.494)	-	-	(5.130)	14.203	1.579
Transactions with shareholders and owners	**-**	**-**	**-**	**(1.864)**	**(51.917)**	**-**	**-**	**(53.781)**
Increase / (decrease) on share capital	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(1.864)	(51.917)	-	-	(53.781)
Other changes in equity	**-**	**-**	**49.603**	**-**	**(49.603)**	**-**	**-**	**-**
Transfers between equity accounts	-	-	49.603	-	(49.603)	-	-	-
Balance at December 31, 2014	**32.623**	**12**	**483.283**	**(20.972)**	**106.452**	**(4.913)**	**(20.618)**	**575.867**

Consolidated statement of cash flows
(Thousands of euros)

	2014	2013 Restated
Profit for the year before tax	**134.241**	**122.409**
Depreciation adn amortization (Notes 6 and 7)	49.163	45.142
Asset impairment (note 6)	45	(102)
Changes in provisions	2.280	3.135
Capital grants (Note 13)	(403)	(559)
Gains/(losses) on disposal of non-current assets	323	260
Finance income	(322)	(489)
Finance costs	4.257	2.974
Foreign currency translation differences (net)	(1.916)	624
Adjustments to reconcile profits before tax with net cash flows	**53.427**	**50.985**
Inventories	(18.843)	(16.346)
Trade and other receivables	(28.002)	57
Trade and other payables	12.288	8.529
Changes in working capital	**(34.557)**	**(7.760)**
Income tax paid	(31.290)	(35.053)
Contributions and other payments related to pension plans	(3.506)	(6.842)
Cash flow from operating activities	**118.315**	**123.739**
Payments for acquisition of property, plantm equipment and intangible assets	(60.074)	(92.942)
Proceeds from/(payments on) acquisitions of financial assets	3.900	(4.431)
Proceeds from disposals of property, plant and equipment	505	867
Interest received	331	489
Increase (decrease) from discontinued operations	(551)	(273)
Cash flows from investing activities	**(55.889)**	**(96.290)**
Proceeds from borrowings	58.562	71.888
Repayment of borrowings	(53.284)	(81.957)
Dividends paid to shareholders of the parent	(53.781)	(51.450)
Interest paid	(3.544)	(2.156)
Other financial liabilities (net)	685	4.266
Grants received (Note 13)	118	842
Cash flows from financing activities	**(51.244)**	**(58.567)**
Impact of changes in exchange rates on cash and cash equivalents	(2.320)	2.994
Net increase (decrease) in cash and cash equivalents	**8.862**	**(28.124)**
Cash and cash equivalents at January 1,	16.739	44.863
Cash and cash equivalents at December 31,	**25.601**	**16.739**

The 2013 the Consolidated Statement of Cash Flows was restated to reflect reclassifications arising from the recognition of Vegetable Food under discontinued activities (Note 5).

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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 sector and in cellulose, plastic, fibrous and collagen casing sectors, as explained in more detail in Note 2.

The entirety of Viscofan S.A.'s shares have been listed since 1986, and are quoted on the Spanish electronic trading platform (continuous market).

The Group's 2013 consolidated financial statements were approved at the General Shareholders' Meeting held on April 11, 2014.

The parent's directors expect these 2014 consolidated financial statements, which were prepare don February 26, 2015, to be approved by the shareholders in general meeting without modification.

2. Viscofan Group

On November 10, 2014, Viscofan S.A.'s Board of Directors accepted an offer from Portobello Capital Gestión, S.G.E.C.R., S.A. for the purchase of 100% of the shares of Industrias Alimentarias de Navarra, S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. and IAN Perú, S.A. (hereinafter, IAN). The total amount of the purchase-sale offer was 55.5 million euros for 100% of the capital. On February 23, 2015, Viscofan, S.A. communicated the CNMV of the expiration of the exclusivity deadline agreed upon with Portobello Capital Gestión, S.G.E.C.R., S.A., without any agreements having been reached with the sufficient guarantees as outlined in the offer's letter of acceptance. The Group does not rule out the possibility that other offers may materialize permitting IAN involvement in a project with greater projection based on its strengths as well as the Carretilla brand image as a leader in the Spanish vegetable food sector.

The transaction is in line with Viscofan's strategy aimed at concentrating the Group's management, efforts, and resources on its casings business, which has solid short- and medium-term growth perspectives.

A summary of its non-current assets and liabilities held for sale, as well as income, expenses, and net cash flows attributable to this activity during 2014 and 2013 are outlined in Note 5, and are presented under "Discontinued operations" on the consolidated income statement.

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

Details of the subsidiaries and associates comprising the Viscofan Group at December 31, 2014 and 2013, including certain additional information, are shown below:

2.1. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2014

Group companies from continued operations	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)
Koteks Viscofan, d.o.o.	100,00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
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 (Mexico)
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)

Group companies from discontinued operations	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Industrias Alimentarias de Navarra, S.A.U.	100,00%	-	Asparagus production (no activity)	Villafranca (Spain)
IAN Perú, S.A.	-	100,00%	Manufacture and marketing of tinned vegetables	Lima (Peru)
Lingbao Baolihao Food Industrial Co. Ltd.	-	100,00%	Asparagus production	Lingbao (China)

2.2. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2013

Group companies from continued operations	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)
Koteks Viscofan, d.o.o.	100,00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
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 (Mexico)
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)

Vegetable food division	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Industrias Alimentarias de Navarra, S.A.U.	100,00%	-	Asparagus production (no activity)	Villafranca (Spain)
IAN Perú, S.A.	-	100,00%	Manufacture and marketing of tinned vegetables	Lima (Peru)
Lingbao Baolihao Food Industrial Co. Ltd.	-	100,00%	Asparagus production	Lingbao (China)

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 2014 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, 2014 and 2013, 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.

3.1. New and amended standards and interpretations

The accounting policies used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2013, as no new accounting principles, interpretation, or amendments applicable for the first time this year has had an effect on the Group. In this regard, in 2014 the following regulations and modifications were adopted, although they do not affect the Group for the following reasons:

- *IFRS 10 - Consolidated financial statements.* This new standard had no effect, since all the subsidiaries are wholly-owned.
- *IFRS 11 - Joint Agreements:* This new standard did not affect the Group, as it does not have any joint ventures or agreements.
- *IFRS 12 - Disclosure of Interests in Other Entities*
- *IAS 27 - Separate financial statements:* The amendment to this standard is not applicable to the consolidated financial statements.
- *IAS 28 - Interests in Associates and Joint Ventures:* The amendment to the standard had no effect, as the Group had no interests in associates or joint ventures.
- *Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities:* These amendments had no effect, as none of the Group companies apply offsetting mechanisms.
- *Amendment to IFRS 10, IFRS 11, and IFRS 12 - Transition Guidance:* These amendments had no effect, as IFRS 10 and 11 were not applicable.
- *Amendment to IFRS 10, IFRS 12, and IAS 27 - Investment Entities:* These amendments had no effect, as none of the Group companies meets the definition of an investment entity.
- *Amendment to IAS 36 - Recoverable amount disclosures for non-financial assets*: These amendments had no effect, since none of the calculations of the recoverable amounts from CGUs were based on fair value less costs to sell or disposal by other means.
- *Amendments to IAS 39 - Novations of derivatives and continuation of hedge accounting:* These amendments had no effect, as there were no hedge accounting novations.

3.2. Published standards which are not applicable

At the date of the preparation of these consolidated financial statements, none of the standards, interpretations, and amendments pending adoption by the European Union were adopted in advance by the Viscofan Group. Currently, an analysis is underway regarding the application of the approved standards, interpretations, and amendments which are not obligatory during 2014, although their application would not seem to represent significant changes in these consolidated financial statements or when first applied.

3.3. 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.

3.4. 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 2014, those which correspond to the prior year.

The 2013 Consolidated Income Statement and the 2013 Consolidated Statement of Cash Flows were restated to reflect reclassifications arising from the recognition of the Vegetable Food segment under "Discontinued activities" (Note 5). Also, some of the notes thereto were affected as a result.

3.5. 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

The subsidiaries comprising the Group are individually responsible for their own local tax obligations, and do not file consolidated tax returns.

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.

The years open for review by the tax authorities vary depending on each country's tax legislation, and returns are not considered definitive until the corresponding inspection period has elapsed or until they have been inspected and accepted by tax authorities.

The Company's management considers that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying financial statements.

Further details on taxes are disclosed in Note 19.

(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 15.1.

(c) 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 15.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities are described in Note 15.7.

(d) Other accounting estimates and hypotheses

– Assessment of possible impairment losses on certain assets: (Notes 4.6 and 7).
– 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. Going concern basis

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

4.2. Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

Control is obtained when the Group is exposed, or has the rights attached to variable interest rates arising from its involvement in a subsidiary, and is able to influence them as a result of the exercise of power over the subsidiary. Specifically, the Group has control of a subsidiary if, and only if it has:

- Power over the subsidiary (existing rights allowing it to manage relevant subsidiary's activities)
- Exposure, or rights, to variable returns from its involvement with the other company
- The ability to use its power over the other company to affect the amount of the company's return

Generally, it is presumed that the majority of voting rights grants 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.

All of the assets, liabilities, equity, income, expenses, and cash flow arising from transactions between Group companies are totally eliminated during the consolidation process.

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 its 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).

(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) Reversal 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, 2014 and 2013, 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:

	Estimate useful life (years)
Concessions, patents, and licenses	10
Concession rights	10 - 30
Concession land rights in China	50
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 receivable

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 re-measured 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. Interests 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.

Interests 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 2014 and 2013.

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 while 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 reorganization 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 2014 and 2013 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 2014 and 2013 are included as a reduction of the Viscofan Group's equity.

4.15. Movements 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 15.1.

(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.

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, 2014 and 2013, 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 11 and 17, 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 27 "Information relating to directors of the parent and key management personnel of the Group."

4.23. Non-current assets held for sale and discontinued operations

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

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and
- When it is highly probable that they will be sold.

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

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

Related liabilities are classified as "Liabilities held for sale and discontinued activities."

A disposal group of assets is considered a discontinued operation if it is a component of an entity which either has been disposed of or is classified as held for sale and:

- Represents a significant and separate major line of business or geographical area of operations.
- Is part of a single coordinated plan to dispose of a significant and separate major line of business or geographical area of operations.

Discontinued operations are presented in the consolidated income statement separately from income and expenses from continuing operations, on a single line under "Profit from discontinued operations."

Note 5 presents further breakdowns. The remaining notes to the financial statements include amounts corresponding to continuing operations unless otherwise indicated.

5. Discontinued operations

As discussed in Note 2, and in compliance with the stipulations outlined in IFRS 5, the Vegetable Food segment (IAN) was recognized as a disposal group to be classified as held for sale.

IAN is classified as a discontinued operation, and therefore the Vegetable Food segment is not broken down under "Segment information."

The key groups of non-current assets and liabilities held for sale at December 31 follow:

	Thousands of euros	
Assets	**2014**	**2013**
Property, plant and equipment	23.436	21.524
Intangible assets	601	591
Deferred tax assets	936	1.120
Other non-current financial assets	284	328
Total non-current assets	**25.257**	**23.563**
Inventories	38.794	36.460
Trade and other receivables	25.898	23.017
Receivable from public administrations income tax receivable		
Prepayments	312	253
Current financial assets	47	5.581
Cash and cash equivalents	686	551
Total current assets	**65.737**	**65.862**
Total assets	**90.994**	**89.425**

	Thousands of euros	
Equity and liabilities	**2014**	**2013**
Total equity	**56.165**	**52.833**
Grants	1.167	1.347
Provisions	-	141
Non-current financial liabilities	4.924	5.707
Deferred tax liabilities	258	276
Total non-current liabilities	**6.349**	**7.471**
Current financial liabilities	10.695	11.649
Trade and other payables	17.758	17.435
Payable to public administrations		
Income tax payable		
Provisions	27	37
Total current liabilities	**28.480**	**29.121**
Total equity and liabilities	**90.994**	**89.425**

The detail of the income, expenses, and net cash flows attributable to this activity in 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Sales and services rendered	110.566	105.143
Other income	628	678
Changes in inventories of finished goods and work in progress	1.254	1.953
Consumption of raw materials and other consumables	(65.966)	(64.418)
Employee benefits expense	(13.548)	(12.063)
Other operating expenses	(25.318)	(23.867)
Property, plant and equipment depreciation	(2.851)	(3.233)
Impairment and gains (losses) on disposal of non-current assets	(43)	231
Operating profit	**4.722**	**4.424**
Finance income	(170)	(218)
Profit before tax	**4.552**	**4.206**
Income tax expense	(848)	468
Net result for the year from discontinued activities	**3.704**	**4.674**
Sale cost from discontinued activities	(641)	-
Impairment loss on discontinued activities	(550)	-
Income tax refered to sale result	310	-
Net result for the year from discontinued operations	**2.823**	**4.674**

	Thousands of euros	
	2014	2013
Profit for the year before tax	4.552	4.206
Adjustments to reconcile profits before tax with net cash flows	2.488	2.805
Changes in working capital	(1.137)	(7.097)
Cash flow from operating activities	**5.903**	**(86)**
Cash flows from investing activities	**(4.233)**	**(6.274)**
Cash flows from financing activities	**(1.534)**	**6.146**
Impact of changes in exchange rates on cash and cash equivalents	(1)	(59)
Net increase (decrease) in cash and cash equivalents	**135**	**(273)**
Cash and cash equivalents at January 1,	551	824
Cash and cash equivalents at December 31,	**686**	**551**

6. 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.

The Group's management bases its decisions on the assignment of resources and performance evaluations on the profitability of the markets in which it operates; its key geographic areas are Spain, Europe, and Asia, North America, and South America. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss on the consolidated financial statements.

The Group also carries out production-related activities, and sells electricity through its cogeneration plants in Spain, Mexico, and Germany. These cogeneration activities have three aims: to decrease the cost of electricity while remaining self-sufficient, and at the same time reducing CO_2 emissions. Although the plants located in Spain and Mexico sell part of the energy produced to third parties, these activities are not organized as business segments, nor are they contemplated as business units to be reported on per se.

The following PP&E items and intangible assets in different segments were acquired during 2014 and 2013:

		Thousands of euros				
		Spain	Other European and	North America	South America	Consolidated
Property, plant and equipment		14.064	22.544	10.770	11.156	58.534
Intangible assets		1.274	887	85	263	2.509
Acquisition of assets	**2014**	**15.338**	**23.431**	**10.855**	**11.419**	**61.043**
Property, plant and equipment		10.968	43.078	6.229	36.470	96.745
Intangible assets		1.773	2.419	476	180	4.848
Acquisition of assets	**2013**	**12.741**	**45.497**	**6.705**	**36.650**	**101.593**

Breakdown of financial information for 2014 is as follows:

		Thousands of euros				
		Spain	Other European and	North America	South America	Consolidated
Total non-current assets		74.003	208.470	68.655	62.050	413.178
Total current assets		49.237	144.458	106.430	73.484	373.609
Non-current assets held for sale and disc		90.112	-	-	-	90.112
Total assets	**2014**	**213.352**	**352.928**	**175.085**	**135.534**	**876.899**
Total non-current liabilities		40.209	32.081	27.142	434	99.866
Total current liabilities		50.795	62.585	17.126	35.846	166.352
Liabilities held for sale and		34.814	-	-	-	34.814
Total equity and liabilities	**2014**	**125.818**	**94.666**	**44.268**	**36.280**	**301.032**

	Thousands of euros					
	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Ordinary incom from external clients	107.944	273.273	198.281	107.565		687.063
Ordinary incom from other segments	67.857	213.838	94.880	10.460	(387.035)	
Other income and operating expenses	(145.510)	(395.755)	(260.945)	(86.096)	387.035	(501.271)
Depreciation and amortization	(10.810)	(19.939)	(12.063)	(6.351)		(49.163)
Impairment and gains (losses) on disposal of non-current assets	(194)	(171)	24	(28)		(369)
Operating profit	**19.287**	**71.246**	**20.177**	**25.550**		**136.260**
Finance revenue	86	61	111	64		322
Finance costs	(1.266)	(1.508)	(383)	(1.100)		(4.257)
Exchange differences	64	1.486	612	(246)		1.916
Profit before tax	**18.171**	**71.285**	**20.517**	**24.268**		**134.241**
Gasto por impuesto sobre las ganancias	(4.017)	(13.959)	(5.982)	(6.654)		(30.612)
Net result for the year from continued operations	**14.154**	**57.326**	**14.535**	**17.614**		**103.629**
Net result for the year from discontinued operations	**2.823**	**-**	**-**	**-**	**-**	**2.823**
Profit for the year **2014**	**16.977**	**57.326**	**14.535**	**17.614**		**106.452**

Breakdown of financial information for 2013 is as follows:

		Thousands of euros				
		Spain	Other European and	North America	South America	Consolidated
Total non-current assets		93.259	198.178	63.489	57.037	411.963
Total current assets		111.969	118.389	88.422	59.932	378.712
Total assets	**2013**	**205.228**	**316.567**	**151.911**	**116.969**	**790.675**
Total non-current liabilities		39.308	31.750	23.085	687	94.830
Total current liabilities		67.273	65.811	13.486	27.657	174.227
Total equity and liabilities	**2013**	**106.581**	**97.561**	**36.571**	**28.344**	**269.057**

	Thousands of euros					
	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Ordinary incom from external clients	104.773	250.138	203.168	102.122		660.201
Ordinary incom from other segments	58.116	211.979	86.590	1.263	(357.948)	
Other income and operating expenses	(139.377)	(383.736)	(251.025)	(73.215)	357.948	(489.405)
Depreciation and amortization	(10.303)	(18.028)	(11.899)	(4.912)		(45.142)
Impairment and gains (losses) on	5	(173)	(22)	31		(159)
Operating profit	**13.214**	**60.180**	**26.812**	**25.289**		**125.495**
Finance revenue	181	109	115	38		443
Finance costs	(901)	(1.358)	(357)	(290)		(2.906)
Exchange differences	(616)	1.033	(150)	(890)		(623)
Profit before tax	**11.878**	**59.964**	**26.420**	**24.147**		**122.409**
Income tax expense	834	(10.980)	(7.744)	(7.673)		(25.563)
Net result for the year from continued operations	**12.712**	**48.984**	**18.676**	**16.474**		**96.846**
Net result for the year from discontinued operations	**4.674**	**-**	**-**	**-**	**-**	**4.674**
Profit for the year **2013**	**17.386**	**48.984**	**18.676**	**16.474**		**101.520**

7. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2014 and 2013 are as follows:

	Thousands of euros							
	Land and buildings	Plant and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Advances and assets under construction	Depreciation	Impairment	Total
Balance at January 1, 2013	**194.933**	**571.105**	**79.339**	**23.406**	**42.009**	**(565.508)**	**(748)**	**344.536**
Translation differences	(5.933)	(20.098)	(516)	(687)	(3.520)	16.136	37	(14.581)
Additions	4.930	22.748	3.994	2.328	62.744	(44.785)	(152)	51.807
Disposals	(8)	(2.312)	(796)	(498)	(637)	2.842	254	(1.155)
Transfers	15.754	40.448	1.100	1.202	(58.504)	-	-	-
Balance at December 31, 2013	**209.676**	**611.891**	**83.121**	**25.751**	**42.092**	**(591.315)**	**(609)**	**380.607**
Translation differences	3.544	12.534	396	886	65	(7.775)	16	9.666
Additions	(18.003)	(31.399)	(10.132)	(1.365)	(555)	39.930		(21.524)
Disposals	2.289	19.816	2.461	1.734	32.234	(45.447)	(47)	13.040
Transfers	0	(2.616)	(226)	(961)	(419)	3.396	-	(826)
Discontinued operations (Note 5)	12.070	22.309	4.061	265	(38.705)	-	-	-
Balance at December 31, 2014	**209.576**	**632.535**	**79.681**	**26.310**	**34.712**	**(601.211)**	**(640)**	**380.963**

The net balances of this heading at December 31, 2014 and 2013 are the following:

	Thousands of euros					
	31.12.2014			31.12.2013		
	Cost	Depreciation and Impairment	Total	Cost	Depreciation and Impairment	Total
Land and buildings	209.576	(93.125)	116.451	209.676	(94.622)	115.054
Plant and machinery	632.535	(427.342)	205.193	611.891	(413.078)	198.813
Other installations, equipment and furniture	79.681	(62.038)	17.643	83.121	(65.195)	17.926
Other property, plant and equipment	26.310	(19.346)	6.964	25.751	(19.029)	6.722
Advances and assets under construction	34.712	-	34.712	42.092	-	42.092
TOTAL	**982.814**	**(601.851)**	**380.963**	**972.531**	**(591.924)**	**380.607**

In 2014, investments amounting to 58,534 thousand euros were made, mainly devoted to making improvements in processes and increasing capacity. A portion of this amount was also spent on energy equipment, most notably the acquisition of a cogeneration turbine in Germany, and improvements made in safety, hygiene, and environmental installations.

Details of fully depreciated property, plant, and equipment in use at December 31, 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Buildings	31.550	28.009
Plant and machinery	269.292	274.873
Other installations, equipment and furniture	44.861	45.191
Other property, plant and equipment	12.092	12.788
Fully depreciated property, plant and equipment	**357.795**	**360.861**

The Group's buildings, plant, and equipment were partly financed by government grants of 118 and 808 thousand euros in 2014 and 2013, respectively (Note 14).

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

Commitments for acquiring items of property, plant, and equipment in 2014 and 2013 totaled 15,000 thousand and 9,613 thousand euros, respectively. 2014 commitments are mainly related to the start-up of the Mexican plastic production line project, technological updates, process optimization, and increased production capacity. 2013 commitments were focused on starting up the project in Uruguay, continuation of the energy optimization plan in Germany, and increases in production capacity.

Finance leases

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

	Cost	Amortization
At January 1, 2013	2.514	(1.072)
Net movement	(304)	(222)
At December 31, 2013	**2.210**	**(1.294)**
Net movement (*)	(1.079)	1.011
At December 31, 2014	**1.131**	**(283)**

(*) Net movement in 2014, includes the reclassification of finance leases corresponding to the Vegetable Food segment reclassified under "Non-current assets held for sale and discontinued operations" in the amount of 1,322 thousand euros.

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

	Thousands of euros			
	2014		2013	
	Minimum payments (Note 17)	Interest	Minimum payments (Note 17)	Interest
Up to one year	208	28	504	31
Between one and five years	560	35	562	57
Total	**768**	**63**	**1.066**	**88**

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	
	2014	2013
Up to one year	1.134	1.235
Between one and five years	2.133	1.710
More than five years	1.030	1.037
Total	**4.297**	**3.982**

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

No evidence of impairment was detected in any of the Group's cash-generating units, as they are generally performing well; therefore, it was not considered necessary to perform any impairment tests.

8. Intangible assets

The breakdown and movements in other intangible assets during 2014 and 2013 are as follows:

	Thousands of euros					
	Software	Concessions, patents, licenses and use rights	Emission rights	Prepayments	Amortization	Total
Balance at January 1, 2013	**25.286**	**15.338**	**3.292**	**577**	**(28.151)**	**16.342**
Translation differences	(831)	(366)	-	(34)	868	(363)
Additions	2.146	-	690	2.703	(3.590)	1.949
Disposals	(24)	-	(1.906)	-	24	(1.906)
Transfers	671	1.911	-	(2.582)	-	-
Balance at December 31, 2013	**27.248**	**16.883**	**2.076**	**664**	**(30.849)**	**16.022**
Translation differences	699	1.289	-	(10)	(1.335)	643
Additions	(2.197)	(129)	(35)	(393)	2.163	(591)
Disposals	1.938	-	455	502	(3.717)	(822)
Transfers	0	-	(1.700)	-	(2)	(1.702)
Discontinued operations (Note 5)	375	-	-	(375)	-	-
Balance at December 31, 2014	**28.063**	**18.043**	**796**	**388**	**(33.740)**	**13.550**

The balances of this heading at December 31, 2014 and 2013 are the following:

	Thousands of euros					
	31.12.2014			31.12.2013		
	Cost	Amortization and Impairment	Total	Cost	Amortization and Impairment	Total
Software	28.063	(20.413)	7.650	27.248	(19.195)	8.053
Concessions, patents, licenses and use rights	18.043	(13.327)	4.716	16.883	(11.654)	5.229
Emission rights	796	-	796	2.076	-	2.076
Prepayments	388	-	388	664	-	664
TOTAL	**47.290**	**(33.740)**	**13.550**	**46.871**	**(30.849)**	**16.022**

"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 after applying the inter-sector adjustment factors. In addition, the Group purchased 55,000 rights in the market in the course of 2014 and 86,227 rights in the course of 2013. Both the rights received free and their consumption are broken down in Note 25, related to environmental information.

Details of the cost of fully amortized intangible assets in use at December 31, 2014 and 2013 are as follows:

	Miles de euros	
	2015	2014
Aplicaciones informáticas	15.065	11.680
Concesiones patentes y licencias	5.119	5.119
Bienes totalmente amortizados	**20.184**	**16.799**

Impairment test

No impairment tests were carried out in 2014 as no goodwill or other intangible assets with indefinite useful lives had been recognized. The entirety of advances were for new software

9. Inventories

Details of inventories at December 31, 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Goods for resale	2.219	1.750
Raw materials and other supplies	50.156	53.649
Semi-finished products	46.148	43.690
Finished products	89.665	101.534
Prepayments to suppliers	897	2.366
Total Inventories	**189.085**	**202.989**

Expenses incurred during the year related to impairment and the obsolescence of inventories amounted to 3,111 thousand euros (2013: 1,500 euros).

At December 31, 2014 and 2013 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.

10. Trade and other receivables

10.1. Trade and other receivables

The breakdown for "Trade and other receivables" at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Trade receivables	126.743	125.239
Other receivables	3.682	3.819
Advances to employees	277	178
Provisions for bad debts	(2.083)	(2.091)
Total trade and oher receivables	**128.619**	**127.145**

Management considers that the carrying amount of "Trade and other receivables" is similar to its fair value, as its items are recognized at their invoiced amounts, and therefore the effect of discounts is rendered totally immaterial.

At December 31, 2014 and 2013, the age of balances receivable related to sales based on their maturity, including balances which have not yet fallen due, those which have, and those which are totally impaired is the following:

	Thousands of euros					
	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
2014	126.743	112.897	10.587	892	489	1.878
2013	125.239	110.255	11.043	1.800	494	1.647

The Group has credit insurance contracts which covers the collection of the greater portion of its customer balances.

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

	Thousands of euros	
	2014	2013
Balance at January 1,	(2.091)	(2.419)
Discontinued operations (Note 5)	555	-
Translation differences	(1)	173
Amounts provisioned	(1.043)	(522)
Amounts applied	497	677
Balance at December 31,	**(2.083)**	**(2.091)**

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	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2014	38.541	62.918	319	16.319	3.315	5.614	1.593	128.619
2013	53.053	52.397	700	13.123	1.670	3.520	2.682	127.145

10.2. Receivables from public administrations

At December 31, 2014 and 2013, the balances receivable from public administrations are as follows:

	Thousands of euros	
	2014	2013
VAT receivable form the Treasury	21.343	20.736
Receivable from the Reasury in respect to grants	120	49
Withholdings and peyments on account receivable from the Treasury	34	820
Other public bodies	23	452
Balance at December 31,	**21.520**	**22.057**

The breakdown by currency is as follows:

	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2014	5.611	11	634	7.952	38	2.296	4.978	21.520
2013	8.943	362	421	5.707	393	3.930	2.301	22.057

11. Current and non-current financial assets

The breakdown for 2014 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	534	-	-	534	534
Other loans					
Non-current financial assets	**534**	**85**	**-**	**619**	**619**
Current deposits	711	-	-	711	711
Guarantees and deposits	301	-	-	301	301
Cash flow hedges	-	-	7	7	7
Current financial assets	**1.012**	**-**	**7**	**1.019**	**1.019**
Total at December 31, 2014	**1.546**	**85**	**7**	**1.638**	**1.638**

The breakdown for 2013 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	5.088	-	-	5.088	5.088
Guarantees and deposits	190	-	-	190	190
Cash flow hedges	-	-	658	658	658
Current financial assets	**5.278**		**658**	**5.936**	**5.936**
Total at December 31, 2013	**5.973**	**85**	**658**	**6.716**	**6.716**

All financial instruments active at December 31, 2014 and 2013 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 1% (2013: 2.9%).

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

	Thousands of euros						
	Less than 1 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	7	-	-	-	-	-	7
Other financial assets	1.012	150	212	5	34	218	1.631
Total at December 31, 2014	**1.019**	**150**	**212**	**5**	**34**	**218**	**1.638**

	Thousands of euros						
	Less than 1 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	337	6.058
Total at December 31, 2013	**5.936**	**132**	**50**	**198**	**63**	**337**	**6.716**

A breakdown by currency is as follows:

	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2014	419	101	-	508	26	151	433	1.638
2013	5.746	81	151	184	458	86	10	6.716

12. Cash and cash equivalents

"Cash and cash equivalents" during 2014 and 2013 correspond entirely to balances held by the Group in cash and credit accounts, and an account which earns interest at market rates. The Group had no banking overdrafts during the periods, with all its balances freely distributable.

A breakdown by currency is as follows:

	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2014	9.539	7.564	1.095	930	1.724	1.703	3.046	25.601
2013	1.261	9.067	330	749	1.069	3.051	1.212	16.739

13. Equity

13.1. Share capital

At year end 2014 and 2013, 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, 2014 and 2013, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of investment	
	2014	2013
Corporación Financiera Alba, S. A. (*)	6,79	-
APG Asset Management N.V.	5,17	3,03
Marathon Asset Management, LLP.	4,93	4,93
Blackrock Inc.	3,14	3,14
Delta Lloyd NV.	3,06	3,06
María del Carmen Careaga Salazar (**)	3,01	5,08
Ameriprise financial, Inc.	-	3,02

(*) Indirect ownership interest held through Alba Participaciones SAU
(**) 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, 2014 and 2013 were as follows:

	Thousands of euros	
	2014	2013
Financial liabilities (Note 17)	130.270	132.650
Cash and cash equivalents	(25.601)	(16.739)
Other financial assets (Note 11)	(1.019)	(5.936)
Total net financial debt	**103.650**	**109.975**
Total equity	**575.867**	**521.617**
Leverage ratio	**0,18**	**0,21**

13.2. 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.

13.3. Reserves

The breakdown and movements of reserves are as follow:

	Thousands of euros				
	Legal reserve	Revaluation reserves	Merger reserve	Retained earnings and other reserves	Total
Balance at January 1, 2013	**2.935**	**8.567**	**119**	**375.237**	**386.858**
Actuarial gain (losses)	-	-	-	236	236
Apropiation 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**
Actuarial gain (losses)	-	-	-	(7.494)	(7.494)
Apropiation of prior year results	-	-	-	49.603	49.603
Transfers	-	(8)	-	8	-
Balance at December 31, 2014	**2.935**	**15.888**	**119**	**464.341**	**483.283**

(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

Group companies domiciled in Spain 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, 2014, 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.

Revaluation reserve in accordance with Navarra Regional Law 23/1996, is considered as distributable from December 31, 2006, on to the extent that gains have been realized, that is, when the related assets have been depreciated, disposed of or otherwise written off.

13.4. Unrealized gains/(losses) reserve

Movements in the years ended December 31, 2014 and 2013 were as follows:

	Thousands of euros			
	Interest rate swaps	Exchange rate insurance	Raw material derivatives	Total
Balance at January 1, 2013	**(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**
Gains/(losses), net of tax effects	-	(1.134)	(3.697)	(4.831)
Reclassification of gains to the income statement, net of tax	53	(327)	(25)	(299)
Balance at December 31, 2014	**(69)**	**(1.147)**	**(3.697)**	**(4.913)**

13.5. Movement in treasury shares

No transactions were carried out with treasury shares in 2014 and 2013.

The shareholders at their ordinary general meeting on April 11, 2014 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.

13.6. Appropriation of profit and other remuneration paid to the shareholders

Parent profits for the year ended December 31, 2013 were distributed as approved by the shareholders at their annual general meeting held on April 11, 2014, as follows:

	Thousands of euros
Dividends	51.916
Voluntary reserves	20.773
Distributable profits attributable to the parent	**72.689**

The distribution of profit represented a per-share dividend of 1.114 euros for all the shares comprising share capital.

In exchange for attending the 2014 general shareholders' meeting, a premium of 0.006 euros was paid per share.

Total shareholder remuneration amounted to 1.120 euros per share.

Details of the distribution of the parent's 2014 dividends proposed by the directors of the parent, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Dividends	57.043
Voluntary reserves	10.813
Distributable profits attributable to the parent	**67.856**

On December 19, 2014, based on projected profit for the year, the Board of Directors approved an interim dividend for 2014 of 20,972 thousand euros, equal to 0.45 euros per share. This dividend was paid on December 29, 2014. 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 2014 is as follows:

	Thousands of euros
I. Cash available at December 11, 2014	**33.076**
Trade and other receivables	178.606
Other income	117
Trade and other payables	(119.416)
Payments to employees	(37.582)
Interest expense	(1.791)
Other payments	(6.200)
II. Cash flow from operating activities	**13.734**
Dividends received	42.295
Purchases of property, plant and equipment	(12.500)
Sale of IAN, S.A.U.	50.000
III. Cash flow from investment activities	**79.795**
Variations in bank borrowings	(20.941)
Dividends paid	(57.323)
IV. Cash flow from financing activities	**(78.264)**
V. Projected liquidity at December 11, 2015	**48.341**

14. Grants

The movements under this heading in 2014 and 2013 were as follows:

	Thousands of euros									
	01.01.2013	Currency translation diff.	Additions	Taken to profit	31.12.2013	Available for sale	Currency translation diff.	Additions	Taken to profit	31.12.2014
Capital grants	4.008	(37)	808	(962)	3.817	(1.347)	95	118	(403)	2.280
Grants for emission rights of greenhouse gases	1.426	-	420	(1.772)	74	-	-	263	(337)	0
	5.434	**(37)**	**1.228**	**(2.734)**	**3.891**	**(1.347)**	**95**	**381**	**(740)**	**2.280**

Details of capital grants in 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Navarra regional government	1.365	2.295
FEOGA	-	484
Ministry of Science and Technology	41	81
Spanish Autonomous Communities	-	172
International organizations	875	785
Balance at December 31, 2014	**2.281**	**3.817**

15. Current and non-current provisions

Details at December 31, 2014 and 2013 are as follows:

		Thousands of euros	
	Note	2014	2013
Defined benefit	15.1	27.075	15.645
Other employee benefits	15.2	3.601	4.401
provisions for other litigation	15.3	212	354
Others		-	232
Total non-current provisions		**30.888**	**20.632**
Provisions for warranties/repayments	15.4	1.485	1.571
Provisions for safety in the workplace	15.5	1.697	1.575
Provisions for emission rights	15.6	1.031	1.734
Others		763	595
Total current provisions		**4.976**	**5.475**

15.1. Provisions for defined benefit plans

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, 2014, there were 453 employees, 444 retirees, and ex-employees. At December 31, 2013, there were 480 employees and 443 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. 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 16,390 thousand euros at December 31, 2014, and 11,779 thousand euros at December 31, 2013. There are no pension plan assets in Germany.

- Pension plans in the United States of America

Through its US subsidiary Viscofan USA, contributions are made through five defined benefit plans (2013: six plans).

In 2014, one of the plans was definitively canceled ("Pension for Hourly Employees Service Center"). 1,848 thousand euros were paid to the insurance company related to this cancellation using amounts available in the canceled plan's assets, with no significant effect on the financial statements.

During 2014, the IRS granted authorization for negotiating the definitive cancellation of the "Hourly Employees" and "Salaried Employees" plans, commencing the period during which a single payment can be made after retirement, rather than periodic payments.

After the 2014 deadline passed, Viscofan USA Inc. paid the beneficiaries choosing this option:

- "Hourly Employees:" 49 employees chose this option (72% of the beneficiaries which were entitled to do so), which represented a payment of $3,998 thousand.

- "Salaried Employees:" 79 employees chose this option (66% of the beneficiaries which were entitled to do so), which represented a payment of $1,841 thousand.

The cancellation of these employee commitments led to a profit of 829 thousand euros, which were recognized as personnel expenses on the 2014 consolidated income statement.

The net obligations of the pension plans in the USA are as follows:

	Thousands of euros	
	2014	2013
Pension for Hourly Employees (1)	4.975	1.228
Salaried Employees Pension Plan (2)	3.736	824
Pension for Hourly Employees Service Center (3)	-	136
Non qualified pension plans (4)	1.727	1.502
	10.438	**3.690**

(1) Lifetime pension for current and ex-employees of the Danville plant, which has 504 beneficiaries at year-end 2014 (2013: 566 beneficiaries). In 2013, an agreement was reached with workers to freeze the commitment commencing January 1, 2014.

(2) Lifetime payments for 167 participants in 2014 (2013: 246). The plan was frozen in January 2014. The only costs recognized on the income statement correspond to net finance expenses.

(3) In 2014 the Company definitively canceled this plan (frozen commencing September 2005). There were a total of 151 individuals covered at the date of cancellation.

(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	
	2014	2013
Current service cost	**256**	**465**
Plans in Germany	225	280
Plans in the USA	-	162
Plans in other countries	31	23
Termination cost Plans in the USA	**(895)**	**-**
Net financial cost	**666**	**682**
Interest expense for German plans	427	525
Interest expense for US plans	1.906	1.657
Interest expense for plans in other countries	13	11
Expected return on US plan assets	(1.680)	(1.511)
Expense (income) recognized for the year	**27**	**1.147**

c) The following table provides information relating to the amounts recognized in the consolidated statement of comprehensive income.

	Thousands of euros	
	2014	2013
Actuarial losses and gains of	**(12.576)**	**1.950**
Plans in Germany	(4.471)	589
Plans in the USA	(8.142)	1.421
Plans in other countries	37	(60)
Returns, deviating from expected returns, of assets associated with	**2.269**	**(1.585)**
Plans in the USA	2.269	(1.585)
Tax effect	**2.813**	**(129)**
Net results recognized in the consolidated statement of comprehensive income	**(7.494)**	**236**

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

	Thousands of euros					
	Germany		USA		Total	
	2014	2013	2014	2013	2014	2013
Obligations at january 1,	**11.779**	**14.855**	**42.710**	**47.330**	**54.489**	**62.185**
Service cost for the current period (Note 20)	225	280	-	162	225	442
Interest cost	427	525	1.906	1.657	2.333	2.182
Payments made	(512)	(602)	(7.442)	(3.068)	(7.954)	(3.670)
Actuarial gains/(losses)	4.471	(1.031)	8.141	(1.422)	12.612	(2.453)
Arising from changes in demographic assumptions	-	*(967)*	*1.485*	*1.566*	*1.485*	*599*
Arising from changes in financial assumptions	*4.457*	*(208)*	*5.633*	*(3.222)*	*10.090*	*(3.430)*
Arising from experience	*14*	*144*	*1.023*	*234*	*1.037*	*378*
Net value of obligation conributed to the insurance company	-	(2.247)	*(1.848)*	-	(1.848)	(2.247)
Translations differences	-	-	5.879	(1.949)	5.879	(1.949)
Obligation at December 31,	**16.390**	**11.780**	**49.346**	**42.710**	**65.736**	**54.490**
Amount corresponding to active beneficiaries	*9.378*	*6.516*	*376*	*9.580*	*9.754*	*16.096*
Amount corresponding to exemployeebeneficiaries	*2.903*	*2.096*	*1.295*	*3.911*	*4.198*	*6.007*
Amount corresponding to retired beneficiaries	*4.109*	*3.168*	*47.675*	*29.219*	*51.784*	*32.387*

e) The changes in the fair value of plan assets in the USA are as follows:

	Thousands of euros	
	2014	2013
Fair value of assets at january 1,	**39.020**	**41.508**
Returns on assets	4.015	(74)
Contribution by the company	159	2.259
Payments made	(9.122)	(2.903)
Translation differences	4.835	(1.770)
Fair value of assets at December 31,	**38.907**	**39.020**
Cash	*285*	*233*
Domestic fixec-income securities (USA)	*38.498*	*35.154*
Domestic equity securities (USA)	-	*2.337*
International equity securities	-	*1.180*
Other investments	*124*	*116*

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	
	2014	2013
Present value of the obligation	**(65.982)**	**(54.665)**
Plans in Germany	(16.390)	(11.779)
Plans in the USA	(49.346)	(42.710)
Plans in other countries	(246)	(176)
Presenta value of plan assets	**38.907**	**39.020**
Plans in the USA	38.907	39.020
net obligation recognized	**(27.075)**	**(15.645)**

The Group is in the advanced stages of negotiations with a number of insurance companies to definitively cancel its Pension for Hourly Employees" and "Salaried Employees Pension Plan" in the US.

The negotiations should end with payment to the insurance company during the first months of 2015.

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	520	3.619	4.139
Payable within 1 and 2 years	542	3.349	3.891
Payable within 2 and 3 years	554	3.284	3.838
Payable within 3 and4 years	570	3.216	3.786
Payable within 4 and 5 years	587	3.135	3.722
Payable within 5 and 10 years	3.452	14.640	18.092
Payable within more than 10 years	21.825	38.541	60.366

(*) The figures reflected in the above table correspond to the amounts of future payments to which the beneficiaries of the "Pension for Hourly Employees" and "Salaried Employees Pension Plan" were entitled in a scenario which does not contemplate outsourcing of the plans. The estimated amount payable to the insurance company is approximately $8 million after discounting the assets included in the plans.

g) The principal actuarial assumptions used are as follows:

	2014	2013
Germany		
Annual discount rate	2,0%	3,7%
Expected rate of salary increases	2,0%	2,0%
Expected age of retirement for employees	65-67	65-67
United States		
Annual discount rate	2,95%-3,65%	4,25%-5%
Expected rate of return on assets	2,95%-3,65%	4,25%-5%
Expected age of retirement for employees	62-65	62-65

The following mortality tables were used to quantify the defined benefit obligation:

Germany: Heubeck Richttafeln 2005 G

United States: Year 2014: *RP 2000 Blue Collar Healthy Fully Generational w/ Projection Scale AA*
Year 2013: *RP 2000 Blue Collar Healthy Fully Generational w/ Projection Scale AA*

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	(1.538)	(2.275)	(3.813)
Decrease of 50 basic points	1.781	2.481	4.262
Increase in pensions			
Increase of 50 basic points	1.104	-	1.104
Decrease of 50 basic points	(1.002)	-	(1.002)
Life expectancy			
Increase of 1 additional year	983	1.593	2.576

The sensitivity analysis is based on a change in one hypothesis while considering the remaining hypotheses as unchanged.

15.2. Other employee benefits and long-term remuneration

The movement in this heading at December 31, 2014 and 2013, is as follows:

	Thousands of euros	
	2014	2013
Balance at January 1,	4.401	5.310
Translation differences	(4)	(26)
Allowances	397	748
Payments	(1.131)	(1.631)
Balance at December 31,	**3.663**	**4.401**

(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 453 employees (480 in the previous period), while the obligation amounts to 2,777 and 2,589 thousand euros at December 31, 2014 and 2013, respectively. The beneficiaries received 254 thousand euros in payments during 2014 (2013: 290 thousand euros). The payable amount expected for 2015 totals 277 thousand euros.

Recognized service costs and financial expenses for the current period amounted to 351 thousand and 91 thousand euros, respectively (2013: 276 thousand and 85 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 11 employees is included (2013: 322). At December 31, 2014, the obligation amounts to 259 thousand euros (2013: 1,069 thousand euros).

15.3. Provisions for other litigations

The movements at December 31, 2014 and 2013, are as follows:

	Thousands of euros	
	2014	2013
Balance at January 1,	354	515
Translation differences	5	(76)
Allowances	83	0
Payments	(230)	(85)
Balance at December 31,	**212**	**354**

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, 2014.

15.4. Provision for guarantees / refunds

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

15.5. 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, 2014.

15.6. Emission rights provision

Gas emission expenses were 1,032 thousand euros in 2014 (2013: 1,699 thousand euros on continued operations).

15.7. Contingent assets and liabilities

(a) Contingent liabilities

At year end, there were a number of different legal claims filed against the Brazilian subsidiary totaling 4.9 million euros (2013: 4.3 million euros). As indicated in Note 15.3, at December 31, 2014, a 0.2 million euro provision was recognized (2010: 0.4 million euros). None of the current lawsuits underway are for significant amounts. In the opinion of the Group's legal advisors in Brazil, all those which are not recognized under liabilities are considered to be potential risks, or that possible related amounts cannot be determined at the moment. Based on historic experience, the related amounts of all possible claims is under 5%.

Also, at year end there are two ongoing lawsuits with Griffith Colombia, S.A., although one does not involve indemnities. Griffith Colombia, S.A. had held 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, which total approximately 1.2 million euros, to two Viscofan Group companies, arguing a right to retention because of the indemnity it considered due. The majority of the balance of these invoices is provisioned in the accounting registers of the affected subsidiaries. Griffith initiated legal proceedings to claim the indemnity, although its calculation and arguments presented in its lawsuits do not indicate that the risk exceeds the provisioned amounts.

Viscofan Uruguay has held a number of reconciliation meetings with Berkes Construcción y Montajes, S.A. prior to the commencement of reciprocal legal proceedings arising from the construction contract for building the plant. Viscofan Uruguay considers that there are deficiencies and areas of lack of compliance in the work done, and has retained amounts so as to force Berkes to rectify the problems; Berkes, on the other hand, considers that the job is done, and has announced its intention to file a complaint against Viscofan Uruguay for payment of these amounts. Although the proceedings are still in their preliminary phases, and it is not possible to quantify them, the possibility of contingent liabilities arising for Viscofan Uruguay seems remote.

(b) Contingent assets

At December 31, 2014, the extraordinary appeal presented before the Supreme Court on September 22, 2014 against the appeal overruling Industrias Alimentarias de Navarra, S.A.U.'s initial lawsuit against Mivisa Envases, S.A. was still pending admission; the patent request had been declared null as it was considered to lack originality and inventiveness. Thus, the ruling found that there was no breach on the part of Mivisa Envases, S.L., nor was any indemnification due. Once it received notification of the ruling on its appeal, Industrias Alimentarias de Navarra, S.A.U. returned 5,354 thousand euros received under the provisional execution of the first sentence. The appeal is pending admission, and therefore no assets were recognized.

Viscofan S.A. filed several appeals during 2014, all related to the new remuneration and incentive scheme for electricity generation installations imposed by Royal Decree Law 1/2012; Royal Decree Law 413/2014, and Order IET/1045/2041; however, it is not possible to determine the amount of contingent assets in favor of Viscofan, S.A. should it win the case.

16. Trade and other payables

16.1. Trade and other payables

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

	Thousands of euros	
	2014	2013
Suppliers	20.639	36.520
Amounts owed for services received	24.237	24.127
Customer advances	3.742	1.303
Remuneration pending payments	9.786	8.877
Balance at December 31,	**58.404**	**70.827**

The breakdown by currency is as follows:

	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying
2014	24.596	16.992	1.698	6.159	3.127	3.772	2.060	58.404
2013	40.979	13.067	2.336	3.501	3.972	3.532	3.440	70.827

16.2. Payable to public administrations

The breakdown for this heading is as follows:

	Thousands of euros	
	2014	2013
VAT payable to Treasury	554	1.317
Amounts payable to the Treasury for withholdings	5.718	4.381
Payable to social security agencies	1.290	1.170
Other public bodies	907	1.701
Balance at December 31,	**8.469**	**8.569**

The breakdown by currency is as follows:

	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying
2014	6.383	5	387	999	387	110	198	8.469
2013	5.782	89	391	838	391	756	322	8.569

16.3. Information on late payments to suppliers resident in Spain in commercial transactions

The payment period for the Viscofan Group during 2014 was 35.2 days (2013: 34.9 days), which is lower than the maximum established by payment arrears regulations.

17. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2014 and 2013, is as follows:

	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total carrying amount	Total fair value
Bank borrowings	21.059	45.461	32.595	-	99.115	99.115
Accrued interest payable	215	116	-	-	331	331
Finance lease payables	50	158	560	-	768	768
Derivative financial instruments	1.315	5.754	1.158	-	8.227	8.227
Other financial liabilities	7.247	3.664	6.915	4.003	21.829	21.829
Total at December 31, 2014	**29.886**	**55.153**	**41.228**	**4.003**	**130.270**	**130.270**

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 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**

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 financial liabilities corresponding to bank borrowings that accrue interest at variable rates are linked to Euribor or Libor plus an average spread from 1.5%.

"Other financial liabilities" at December 31, 2014, both current and non-current, mainly includes:

- 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.
- 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 6,857 thousand euros.
- Non-current assets suppliers, amounting to 8,223 thousand euros.

December 31, 2013 mainly includes:

- 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 15.7)
- 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.
- Non-current assets suppliers, amounting to 9,346 thousand euros.

The Group recognizes the implicit interest on these loans using market interest rates.

The breakdown by currency is as follows:

	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying
2014	73.710	20.596	2.415	9.544	753	17.444	5.807	130.269
2013	93.947	21.057	93	8.510	-	7.052	1.991	132.650

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			
	2014		2013	
	Credit lines	Discount lines	Credit lines	Discount lines
Limit	134.011	-	111.827	9.175
Amount draw down	44.445	-	36.307	147
Drawable amount	89.566	-	75.520	9.028

The undiscounted value of financial liabilities classified by maturity at December 31, 2014 and 2013 is as follows:

	Thousands of euros						
	Less than 1	From 1 to 2	From 2 to 3	From 3 to 4	From 4 to 5	More than 5	Total
Borrowings - debt principal	66.729	7.962	7.027	4.144	14.021	-	99.883
Interest	2.497	829	630	454	351	-	4.761
Financial liabilities - borrowings	**69.226**	**8.791**	**7.657**	**4.598**	**14.372**	**0**	**104.644**
Debt principal	10.911	1.688	1.738	1.738	1.751	4.003	21.829
Interest	546	273	231	187	144	100	1.481
Other financial liablities	**11.457**	**1.961**	**1.969**	**1.925**	**1.895**	**4.103**	**23.310**
At December 31, 2014	**80.683**	**10.752**	**9.626**	**6.523**	**16.267**	**4.103**	**127.954**

	Thousands of euros						
	Less than 1	From 1 to 2	From 2 to 3	From 3 to 4	From 4 to 5	More than 5	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 liablities	**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**

At December 31, 2014, the Group had contracted reverse factoring agreements with an aggregate limit of 7,300 thousand euros (2013: 6,100 thousand euros). In addition, the Group holds multi-risk insurance policies amounting to a total of 11,500 thousand euros (2013: 11,000 thousand euros).

18. Derivatives

The breakdown of balances which include the values of derivatives at December 31, 2014 and 2013 is as follows:

	2014		2013	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	-	23	-	-
Interest rate hedges	-	453	-	432
Raw materials hedges	-	682	-	-
L.T. Derivatives	**-**	**1.158**	**-**	**432**
Exchange rate insurance	-	2.700	622	-
Interest rate hedges	7	56	-	57
Raw materials hedges	-	4.313	36	-
S.T. Derivatives	**7**	**7.069**	**658**	**57**
Total	**7**	**8.227**	**658**	**489**

18.1. 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:

- During 2014, gas hedging contracts were signed for a total of 1,940,000 MWH, of which 1,490,000 MWh corresponded to contracts covering gas purchases for the period ranging from January 2015 to January 2017. The contracted prices range from 2.35 to 2.91 euro cents per KWh. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption in its casings manufacturing plant in Spain.

- 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 2.90 and 2.94 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.

The valuation formula used included, among other variables, Brent forward prices.

There were no inefficiencies in any of the contracts signed at year end 2014 or 2013.

18.2. Exchange rate insurance

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 2014 and 2013. 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 2014 and 2013 in any derivative financial instruments contracted.

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, 2014 and 2013, is as follows:

	Thousands of euros	
	2014	2013
US dollar	90.700	31.600
Pounds sterling	3.600	-
Canadian dollar	1.250	-
Chinese yuan	22.949	-

18.3. Interest rate hedges

The Group has arranged several interest rate hedges, the details of which are given below:

	2014				
	IRS (I)	IRS (II)	IRS (III)	IRS (IV)	IRS (V)
Notional contract amount (1)	6.000	4.000	4.000	3.000	8.237
Notional pending amount (1)	1.500	1.200	2.200	1.800	4.942
Effective start date	01.04.11	02.05.11	15.09.12	30.09.12	12.12.12
Expiry date	01.04.16	03.05.16	15.09.17	30.09.17	27.11.17
Fixed interest rate	3,07%	3,23%	1,56%	1,69%	2,40%

	2013				
	IRS (I)	IRS (II)	IRS (III)	IRS (IV)	IRS (V)
Notional contract amount (1)	6.000	4.000	4.000	3.000	7.251
Importe nocional pendiente(1)	2.700	2.000	3.000	2.400	5.801
Fecha efectiva de inicio	01.04.11	02.05.11	15.09.12	30.09.12	12.12.12
Fecha de vencimiento	01.04.16	03.05.16	15.09.17	30.09.17	27.11.17
Tipo de interés fijo asegurado	3,07%	3,23%	1,56%	1,69%	2,40%

(1) Thousands of euros

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

Year	2014	2015	2016	2017	2018 onwards
2014	-	5.047	3.747	2.848	0
2013	4.850	4.850	3.550	2.651	0

19. Income tax

The breakdown for deferred tax assets and liabilities, by type, is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Non-current assets	3.241	4.199	20.543	20.414	(17.302)	(16.215)
Current assets	6.402	4.650	33	256	6.369	4.394
Non-current liabilities	6.320	4.174	247	78	6.073	4.096
Current liabilities	2.082	1.531	643	1.801	1.439	(270)
Temporary differences	**18.045**	**14.554**	**21.466**	**22.549**	**(3.421)**	**(7.995)**
Total at December 31,	**18.045**	**14.554**	**21.466**	**22.549**	**(3.421)**	**(7.995)**

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 of their application, the tax value of the items of property, plant, and equipment rose, arising in the recognition of deferred tax assets amounting to 2,834 thousand euros (1,929 thousand euros corresponding to Viscofan, S.A. and 905 thousand euros corresponding to Industrias Alimentarias de Navarra, S.A.U.), charged to Income tax expense. The Vegetable Food product segment was classified as available for sale, and the amount deposited from companies corresponding to IAN was reclassified on the 2013 account under "Profit/(loss) after tax of the year from discontinued operations."

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 15 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, 2014 and 2013, 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	
	2014	2013
Non-current assets	(1.163)	(6.140)
Current assets	(3.068)	(1.576)
Non-current liabilities	1.136	401
Current liabilities	(446)	1.999
Consolidated income statement	**(3.541)**	**(5.316)**
Non-current assets	1.130	(692)
Current assets	1.093	201
Non-current liabilities	(3.113)	(197)
Current liabilities	(1.346)	(293)
"Other comprehensive income" on the consolidated statements of comprehensive income	**(2.236)**	**(981)**
Total changes in taxes and deferred tax liablities arising from temporaty diffeences	**(5.777)**	**(6.297)**

Due to the classification of assets recognized as held for sale, deferred tax liabilities related to discontinued activities were reclassified in the amount of 1,203 thousand euros.

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

	Thousands of euros	
	2014	2013
Actuarial gains/(losses) on pension plans		
United States	(1.561)	(144)
Germany	(1.256)	289
Other countries	4	(16)
Unrealized gains/(losses) on cash flow hedges	(1.412)	(388)
Changes due to translation differences	1.989	(722)
Charged directly against "Other comprehensive income" on the consolidated income statement	**(2.236)**	**(981)**

The major components of income tax expense for the years ended December 31, 2014 and 2013, are as follows:

	Thousands of euros	
	2014	2013
Income tax expense for the year	33.625	30.903
Adjustment to income tax from prior years	528	(24)
Current income tax	**34.153**	**30.879**
Origination and reversal of temporaty differences	(3.541)	(5.316)
Deffered income tax	**(3.541)**	**(5.316)**
Deffered income tax from continued operations	**30.612**	**25.563**
Income tax expense from discontinued operation	**538**	**(468)**

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

	Thousands of euros	
	2014	2013
Profit before tax for the year	**134.241**	**122.409**
30% tax rate	40.272	36.723
Effect of application of tax rates in each country	(5.823)	(3.689)
Deductions generated	(3.114)	(3.905)
Adjustment to income tax from prior years	528	(24)
Revaluation of assets in Spanish companies	-	(1.929)
Impacto cambio tipo impositivo en España (*)	567	-
Impact of permanent differences	(1.818)	(1.613)
Tax on income expense	**30.612**	**25.563**

(*) Law 29/2014, of December 24 on reformed tax legislation and economic incentive measures changed the general tax rate from the current 30% to 25% for upcoming years. As a result, the deferred tax assets and liabilities from prior years were adjusted based on the prevailing rate at the estimated reversal date. The effect of this adjustment represented a higher expense in results for the year totaling 567 thousand euros.

The Chinese subsidiary Viscofan Technology (Suzhou) Co. Ltd., was rated as "High Tech," and therefore its tax rate commencing 2014 dropped from 25% to 15%.

Viscofan CZ, s.r.o. obtained investment incentives from the Czech Republic's Ministry of Industry and Commerce which will materialize in deductions in upcoming years. The maximum amount of the deduction is 98.7 million Czech crowns corresponding to investments of up to 438.5 million Czech crowns over the next 10 years. The deduction to be applied each year may not cause the effective corporation tax expense to be less than that from the two preceding years. In 2014, no deductions were applied, as the necessary level of investment was not reached.

Koteks Viscofan, d.o.o. may avail itself of a tax incentive which would reduce the corporate income tax quota 74.1% in tax returns presented until 2021 thanks to investments and the creation of jobs in the Serbian Republic.

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2014	2013
Current tax	33.625	30.903
Withholdings and payments on account	(29.419)	(27.807)
Total at December 31,	**4.206**	**3.096**

The 2013 balance sheet includes amounts payable related to discontinued activities totaling 172 thousand euros.

This amount is broken down in the consolidated statement of financial position as follows:

	Thousands of euros	
	2014	2013
Tax assets receivable	5.258	1.197
Tax liabilities payable	(9.464)	(4.465)
Total at December 31,	**(4.206)**	**(3.268)**

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.

20. Revenue

20.1. Sales and rendered services:

The breakdown is as follows:

	Thousands of euros	
	2014	2013
Casings sales and services	638.741	611.105
Energie sales and services	48.322	49.096
Total sales and rendered services	**687.063**	**660.201**

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).

On June 20, 2014, Order IET/1045/2014 approving the definitive retribution parameters was published. The originally-foreseen hour limitation was eliminated, and the definitively approved tariffs were a general improvement with regard to the abovementioned draft, and had a positive net impact on the 2014 income statements totaling 2.7 million euros.

20.2. Other income:

The breakdown of "Other income" is as follows:

	Thousands of euros	
	2014	2013
Capital Grants	455	1.118
Emission rights	337	1.772
Other income	3.954	3.058
Total other income	**4.746**	**5.948**

21. Personnel expenses

The breakdown of "Personnel expenses" in 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Wages and salaries	117.400	113.198
Indemnity payments	1.202	1.214
Current service cost of defined benefits and other benefits. (Notes 14.1 and 14.2)	(639)	539
Restructuring provision	-	-
Company social security contributions	18.156	17.588
Other welfare benefits and taxes	10.912	10.243
Total personnel expenses	**147.031**	**142.782**

Group employees in continued operations during 2014 and 2013, by professional category and gender, were as follows:

	Total headcount at the end year 2014			Average number of employees in 2014
	Men	Women	Total	
Executives	58	8	66	67
Technecians and middle management	649	185	834	791
Administrative personnel	121	186	307	305
Specialized personnel	455	120	575	560
Unskilled workers	1.661	739	2.400	2.366
	2.944	**1.238**	**4.182**	**4.089**

	Total headcount at the end year 2013			Average number of employees in 2013
	Men	Women	Total	
Executives	65	9	74	78
Technecians and middle management	574	159	733	690
Administrative personnel	120	180	300	293
Specialized personnel	448	117	565	522
Unskilled workers	1.624	738	2.362	2.372
	2.831	**1.203**	**4.034**	**3.955**

22. Other operating expenses

The breakdown of "Other operating expenses" is as follows:

	Thousands of euros	
	2014	2013
Research and development costs	1.308	1.121
Repair and maintenance	23.740	22.732
Environment	2.457	1.930
CO2 emission rights	1.032	1.699
Utilities and external services	73.179	67.199
Insurance premium	3.710	3.514
Other taxes	5.134	4.227
Administrative and selling costs	47.809	45.235
Other expenses	10.201	9.070
Other operating expenses	**168.570**	**156.727**

23. Financial income and expense

The breakdown of "Financial income and expenses" is as follows:

	Thousands of euros	
	2014	2013
Financial income	**322**	**443**
Bank borrowings and other financial liabilities	(3.583)	(2.224)
net finance cost of pension plans	(674)	(682)
Financial expense	**(4.257)**	**(2.906)**
Exchange gains	16.038	16.112
Exchange losses	(14.122)	(16.735)
Exchange gains (losses)	**1.916**	**(623)**
Financial incomer (expenses) total	**(2.019)**	**(3.086)**

24. Earnings per Share

24.1. 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	
	2014	2013
Weighted average number of ordinary shares in circulation	46.603.682	46.603.682
Profit from continued operations attributable to ordinary equity holders of the parent	103.629	96.846
Basic earnings per share (in euros) from continued operations	**2,2236**	**2,0781**
Profit from discontinued operations attributable to ordinary equity holders of the parent	2.823	4.674
Basic earnings per share (in euros) from discontinued operations	**0,0606**	**0,1003**
Profit attributable to ordinary equity holders of the parent	106.452	101.520
Basic earnings per share (in euros)	**2,2842**	**2,1784**

24.2. 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.

25. Environmental information

At December 31, 2043, the cost of intangible assets from environmental projects maintained by the Group amounted to 31,545 thousand euros (2013: 26,690 thousand euros) and accumulated depreciation amounted to 20,006 thousand euros (2013: 18,956 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.

The emission rights consumed by the Company during 2014 and 2013 amounted to 214,398 and 211,993 tons, respectively.

In addition, in 2014, the Group incurred environmental protection and improvement costs amounting to 2,457 thousand euros. The amount in 2013 was 2,043 thousand euros.

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.

26. 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 2014, 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 program 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.

26.1. 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	
	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
+ 5%	8.550	7.603	(1.677)	(301)	655	1.746	1.814	850
- 5%	(7.737)	(6.878)	1.517	273	(594)	(1.580)	(1.642)	(769)

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	
	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
+ 5%	5.042	4.655	2.888	2.700	3.599	3.217	3.766	2.588
- 5%	(4.562)	(4.211)	(2.613)	(2.443)	(3.256)	(2.910)	(3.407)	(2.341)

26.2. 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, 2014, 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, 2013, 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 2014 and 2013 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2015.

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26.3. 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, 2014 and 2013:

	Thousands of euros	
	2014	2013
Current asstes	373.608	404.308
Current liabilities	(166.352)	(195.623)
Emission rights provision (Note 14.6)	1.031	1.864
Working capital	**208.287**	**210.549**
Current liabilities net emission rights provision	165.321	193.759
% working capital/current liabilities without emission rights provision	**125,99%**	**108,67%**
Cash and cash equivalents	25.601	44.863
Available borrowing facilities (Note 16)	89.566	43.103
Available discount rates (Note 16)	-	10.389
Cash and available on credit and discount lines	**115.167**	**98.355**
% cash and cash equivalents+available on credit and discount lines/Current liabilities without emission rights provision	**69,66%**	**50,76%**

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 17.

26.4. 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 15.1).

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 18 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 2014 the structure of financial liabilities once hedges through the derivatives arranged have been taken into account is as follows:

	Thousands of euros	
	2014	2013
Bank borrowings	100.212	101.326
Other financiasl debt (*)	13.606	21.488
Financial debt total (*)	**113.818**	**122.814**
Fixed interest rate (**)	25.249	46.389
Variable interest rate	88.569	76.425

(*) 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 15.1).

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	
	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
+ 1%	(441)	(459)	(136)	(128)	(827)	(811)
- 1%	479	441	146	139	823	813

27. Transactions and balances with related parties

Transactions with directors and senior management are disclosed in Note 28. 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.

Financial debt includes a 5 million euro loan granted in 2013 by a financial entity linked to Corporación Financiera Alba, S.A., which owns 6.7% of the Company's shares at year-end 2014. Payments made, including financial expenses, totaled 162 thousand euros. All the transactions were carried out in normal market conditions.

28. 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 2014 was as follows:

	Thousands of euros							
	Salaries	Fixed reminerati on	Allowances	Variable short-term remunerati on	Variable long-term remunerati on	Remunerati on: seniority and	Boards of other Group companies	Total
Mr.José Domingo de Ampuero y Osma	347	350	-	171	-	-	-	868
Mr.Nestor Basterra Larroudé	-	330	33	-	-	100	50	513
Ms.Agatha Echevarría Canales	-	255	33	-	-	109	-	397
Mr.Alejandro Legarda Zaragüeta	-	80	27	-	-	45	-	152
Mr.Ignacio Marco-Gardoqui Ibáñez	-	80	33	-	-	51	-	164
Ms.Laura González Molero	-	80	27	-	-	20	-	127
Mr.José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Mr.José Antonio Canales García	-	58	24	-	-	10	-	92
Mr.Jaime Real de Asúa y Arteche	307	-	-	342	-	-	-	649
Mr.José Cruz Pérez Lapazarán	-	22	9	-	-	10	-	41
Mr.Gregorio Marañón Bertrán de Lis	-	22	9	-	-	9	-	40
Total 2014	**654**	**1.357**	**228**	**513**	**0**	**384**	**50**	**3.186**

Remuneration paid to Mr. José Cruz Pérez Lapazarán and Mr. Gregorio Marañón Bertrán de Lis correspond to the month of April, when they stepped down as members of the parent's Board of Directors, in accordance with the decision made during the General Shareholders' Meeting held on April 11, 2014.

During the same meeting, Mr. Jaime Real de Asúa y Arteche was named independent director, and Mr. José Antonio Canales García was named executive director.

The two executive directors, D. José Domingo de Ampuero y Osma y D. José Antonio Canales García received a fixed compensation totaling 654 thousand euros and a variable amount of 513 thousand euros (both reflected on the above table). The later was calculated based on EBIDTA, net profit, sales, and share price values which were determined in accordance with the annual plan as well as personal performance.

The breakdown of remunerations for 2013 was as follows:

	Thousands of euros							
	Salaries	Fixed reminerati on	Allowances	Variable short-term remunerati on	Variable long-term remunerati on	Remunerati on: seniority and	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.Alejandro Legarda Zaragüeta	-	72	29	-	-	18	-	119
Mr.Ignacio Marco-Gardoqui Ibáñez	-	72	29	-	-	27	-	128
Mr.Laura González Molero	-	72	32	-	-	40	-	144
Mr.José María Aldecoa Sagastasoloa	-	72	32	-	-	27	-	131
Ms.José Antonio Canales García	-	72	32	-	-	18	-	122
Mr.Jaime Real de Asúa y Arteche	-	72	32	-	-	27	-	131
Total 2013	**350**	**1.270**	**250**	**116**	**-**	**364**	**45**	**2.395**

The remuneration paid in 2013 to Mr. José Domingo de Ampuero y Osma, the sole board member providing executive functions to the Group, was 350 thousand euros salary and 116 thousand euros in variable short-term remuneration, and 314 thousand euros as fixed remuneration (these amounts are reflected on the above table).

At December 31, 2014 and 2013, 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 2014 and 2013 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 article 229 of the Capital Companies Law is concerned they do not have any conflicts of interest with the Company.

The Viscofan Group has contracts with its two executive directors which include golden parachute clauses. The cancellation of these contracts in certain objective terms not attributable to these board members will entitle them to an indemnification. The average total indemnity payable is two and a half the annual salary, and includes a non-competition condition.

The remuneration policy of senior management established for 2014 and subsequent years maintains a system based on the same principles as those maintained up to 2013, 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.

In 2014, the Viscofan Group's CEO was appointed to the Board of Directors. As a result, the Company's new organizational structure changed as did the consideration as senior management; the comparative effects are detailed below using homogeneous criteria for 2013.

Remuneration received by key management personnel totaled 1,932 thousand euros in 2014. This amount does not include the above mentioned payments made to Mr. José Antonio Canales García and Mr. José Domingo de Ampuero y Osma.

2013 remunerations totaled 2,668 thousand euros, including amounts paid to Mr. José Antonio Canales García, totaling 517 thousand euros. Compensation paid to Mr. José Domingo de Ampuero y Osma are reflected above.

The key management personnel in 2014 was as follows:

Name	Position	Company
Mr. Andrés Díaz	Chief Operations Officer	Viscofan Group
Mr. César Arraiza	Chief Financial Officer	Viscofan Group
Mr. Gabriel Larrea	Chief Commercial Officer	Viscofan Group
Mr. José Ignacio Recalde	R&D and Quality Chief Officer	Viscofan Group
Mr. Miloslav Kamis	General Manager	Gamex CB s.r.o, Viscofan CZ, s.r.o.
Mr. Andrej Filip	General Manager	Koteks Viscofan d.o.o.
Mr. Bertram Trauth	General Manager	Naturin Viscofan GmbH
Mr. Luis Bertoli	General Manager	Viscofan do Brasil, soc. com. e ind. Ltda.
Mr. Eduardo Aguiñaga	General Manager	Viscofan de México S.R.L. De C.V,
Mr. Juan Negri	General Manager	Viscofan Technology (Suzhou) Co. Ltd.
Mr. Angel Maestro	General Manager	Viscofan Uruguay, S.A.
Mr. Domingo González	General Manager	Viscofan Usa Inc.

From January 2015, Mr. Iñigo Martinez, will become the General Manager of Koteks Viscofan d.o.o. in replacement of Mr. Andrej Filip

29. 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 2014 and 2013 as follows:

Audit services detailed in the above table include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

	Thousands of euros		
	In the parent's Company	In other companies	Total
Audit services	102	551	653
Other related audit services	22	-	22
Other services	5	25	30
Total at December 31, 2014	**129**	**576**	**705**

	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	109	114
Total at December 31, 2013	**147**	**642**	**789**

30. Events after the balance sheet date

On February 06, 2015, the Group chose the insurance company that will pay the life annuities to pensioners belonging to the Hourly Employees and Salaried Employees pension plans. Nine insurance companies participated in the selection process, after which the option offered by the Metropolitan Life Insurance Company totaling 54,593 thousand euros was chosen. The Group's payment in connection with this offer, which may undergo immaterial adjustments, will be approximately 8,000 thousand euros, after deducting the related plan assets. Funds from plan assets were transferred on February 11, 2015.

On February 23, 2015, Viscofan, S.A. communicated the CNMV of the expiration of the deadline agreed upon with Portobello Capital Gestión, S.G.E.C.R., S.A., or the purchase of 100% of the shares of Industrias Alimentarias de Navarra, S.A.U. and its subsidiaries Lingbao Baolihao Food Industrial Co. and IAN Perú, S.A. without any agreements having been reached with the sufficient guarantees as outlined in the offer's letter of acceptance. The Group does not rule out the possibility that other offers may materialize allowing IAN involvement in a project with greater projection based on its strengths as well as the Carretilla brand image as a leader in the Spanish vegetable food sectors.

In its meeting on February 26, 2015 the Board of Directors agreed to propose remuneration for shareholders totaling 1.18 euros per share. This included the abovementioned 0.45 per share interim dividend and a complementary 0.724 euros per share dividend, plus the attendance per diem amounting to 0.006 euros per share

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

Management Report

The Viscofan Group is the world's leading provider of casings for the meat industry. Founded in 1975, its mission is to satisfy the needs of the global food industry through the production and sale of artificial casings, generating value for our stakeholders.

The Viscofan Group carries out its activities in 14 countries through commercial offices and production facilities and its products are distributed in over 100 countries worldwide.

In this global context, Viscofan has implemented its Be MORE strategic plan over the 2012-2015 period, with key initiatives under the strategic axes M (Market) O (Optimisation) R (Return) and E (Excellence) with the aim of becoming "The global leader" in the artificial casings market.

Corporate Governance

Viscofan has an unwavering commitment to good corporate governance, understood as the code of ethics of the governing bodies of listed companies. Its main purpose is to coordinate company's current structure and business goals.

Viscofan has strengthened its monitoring and analysis of the evolution of both Spanish and international good corporate governance recommendations, intensifying dialogue and the dissemination of those aspects that raise awareness about the company, its evolution and its future corporate governance plans.

Viscofan has various internal bodies that ensure the company operates in accordance with good governance recommendations:

The General Meeting of Shareholders

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 shareholders.

Board of Directors

The Board of Directors is the body in charge of representing and managing the Company. Its key function is to supervise all aspects of Viscofan S.A. and, as required, its group of companies.

At the end of 2014 the Board of Directors of Viscofan comprised 9 members: two Executive Directors (the Chairman and the CEO), two External Directors (Non-Executive Vice-Chairmen) and five Independent Directors.

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

i) Delegated Committee

The technological and geographic diversification of the Viscofan Group in a market as dynamic and competitive as the artificial casings market means supervision must be closer with a view to ensuring that the measures implemented at Board level are being carried out locally. This higher level of supervision also means there is a greater awareness of the production, operational and commercial conditions in the various regions where the Group operates, so the Board is better informed and prepared in debates about the administration of the Group. The Delegated Committee provides copies of the minutes of its meetings to the Board in order to improve coordination.

With this in mind, the Board of Directors has a Delegated Committee comprised of three members: one executive and two external. The members of this committee are Mr José Domingo de Ampuero y Osma (Chairman), Mr Nestor Basterra Larroudé and Ms Ágatha Echevarría Canales (Non-Executive Directors).

The work of the Delegated Committee requires great dedication due to the more direct supervision contact with Top Managers at their various production locations and the market environment. In 2014 the Delegated Committee met 10 times.

(ii) Audit Committee

The Audit Committee is comprised exclusively of Independent Directors: Mr Alejandro Legarda Zaragüeta (Chairman of the Committee), Mr José María Aldecoa Sagastosoloa and Mr Ignacio Marco-Gardoqui Ibáñez (members).

The responsibilities of the Audit Committee include overseeing the process of preparing and ensuring the integrity of the financial information relating to the Company, including the review of the financial information internal control system (ICFR), reviewing, analysing and discussing the financial statements and other relevant financial information with the top management team and the internal and external auditors, monitoring the suitability of the control policies and procedures in place, reviewing the internal control and risk management systems, supervising the internal audit services and checking that top management takes its recommendations into account, to propose the external auditor and safeguard its independence, reviewing the audit plan and its results, oversight of the internal codes of conduct and rules on corporate governance, addressing and, where appropriate, responding to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's scope of action, setting up and overseeing a whistle-blowing mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices with the company, particularly those relating to accounting, finances and auditing. The Audit Committee met 10 times in 2014.

(iii) Remuneration and Appointments Committee

The Appointments and Remuneration Committee is made up of three Independent Directors: Mr Ignacio Marco-Gardoqui Ibáñez (Chairman of the Committee), Ms Laura González Molero and Mr Jaime Real de Asúa y Arteche (members).

This Committee proposes the appointment of independent Directors and reports on the remaining Directors and on the appointments and separations of top management; reports to the Board on matters of gender diversity; and proposes to the Board the remuneration policy for Directors and top management and the remuneration policies in relation to shares and options, as and when applicable, including any long-term remuneration policies. The Remuneration and Appointments Committee met 4 times in 2014.

2014 performance

The Viscofan Group is executing the Be MORE 2012-2015 strategic plan, which is designed to respond to the acceleration in the casings market, especially in the first half of the period, which saw an expansion in the Viscofan Group's geographic presence and production capacity.

During the first phase in 2012-2013, spearheaded by M (market) initiatives, there was significant investment in capacity, in particular in the new collagen extrusion plants in China and Uruguay. In the 2014-2015 period there is a greater emphasis on O (Optimisation) initiatives with a view to enhancing efficiency, quality and service and helping to consolidate and stabilise new facilities.

In 2014 the casings market again posted robust growth of an estimated 5-6%, outstripping the growth rate for global GDP. Once again the main drivers were the emerging markets of Asia and Latin America, with stable growth

in Western Europe. This offset more sluggish performances in North America, where the PED virus took a toll on pig stocks, and in Eastern Europe, which was affected by the region's political instability

This dynamism was reflected in Viscofan's performance in 2014, with a high level of commercial and operational activity. Viscofan has strengthened its leadership position as the "The casing company", improving its competitive position across all casing families. Growth in revenues and volumes was achieved in tandem with significant progress in the improvement of the Group's industrial assets thanks to the start-up of the collagen extrusion plant in Uruguay and consolidation of production at the Suzhou plant, which came on stream in the first quarter of 2013.

In addition, O (Optimisation) initiatives under the Be MORE strategic plan were implemented over the course of the year. Thanks to these initiatives, the Group's plants achieved savings of around €10MM million in the year, spearheaded by the improvements at the centres of excellence in Spain and Germany

This double improvement (commercial and operational) was significantly offset in the first half of 2014 by the weakness of the leading currencies against the euro. However, this trend reversed in the second half, enabling the Group to achieve significant growth from revenue through to net profit, and to exceed the full-year guidance targets for revenue, EBITDA and net profit.

Offer for IAN Group

In November 2014 the Board of Directors of Viscofan accepted an offer made by Portobello Capital Gestión, S.G.E.C.R., S.A. to acquire 100% of the issued capital of IAN S.A.U. and subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A. The purchase price was worth 55.5 million Euros for 100% of the Equity. Finally, on February 23rd, 2015 Viscofan S.A. informed to C.N.M.V (Spanish Securities Market Commission) the end of the exclusivity period agreed with Portobello Capital Gestión, S.G.E.C.R., S.A. without having reached an agreement with enough warranties in accordance with the acceptance letter. This does not preclude that new offers may arise in the future that allow IAN Group integration in a new valuable project based on IAN leadership in Spain and its Carretilla brand.

The operation is part of Viscofan´s strategy to focus its management in the casing business, an industry in which is the world leader and has strong growth prospects in the short and medium term.

Thus, the IAN Group was considered a non-current asset held for sale, and the consolidated accounts for 2014 and their comparison with 2013 have been drawn up in accordance with International Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" for the vegetable foods division.

2014 Results

Viscofan Group 2014FY consolidated income statement ('000 €)

				Recurring *			
	Jan-Dec 14	Jan-Dec' 13	*Change*	Jan-Dec 14	Jan-Dec' 13	*Change*	*ex-forex change*
Revenue	**687,063**	**660,201**	**4.1%**	**684,114**	**660,201**	**3.6%**	**4.8%**
EBITDA	**185,424**	**170,637**	**8.7%**	**182,682**	**170,637**	**7.1%**	**6.0%**
EBITDA margin	***27.0%***	***25.8%***	**1.2 p.p.**	***26.7%***	***25.8%***	**0.9 p.p.**	**0.3 p.p.**
EBIT	**136,261**	**125,495**	**8.6%**	**133,519**	**125,495**	**6.4%**	
Net profit from continuing operations	**103,631**	**96,845**	**7.0%**	**101,711**	**94,916**	**7.2%**	
Net profit from discontinued operations	2,822	4,675	-39.6%	2,822	3,770	-25.1%	
Net attributable profit	**106,453**	**101,520**	**4.9%**	**104,533**	**98,686**	**5.9%**	

Viscofan Group 4Q14 consolidated income statement ('000 €)

				Recurring *			
	Oct-Dec' 14	Oct-Dec 13	*Change*	Oct-Dec' 14	Oct-Dec 13	*Change*	*ex-forex change*
Revenue	**180,776**	**160,658**	**12.5%**	**180,776**	**160,658**	**12.5%**	**7.9%**
EBITDA	**49,215**	**40,145**	**22.6%**	**49,215**	**40,145**	**22.6%**	**7.8%**
EBITDA margin	***27.2%***	***25.0%***	**2.2 p.p.**	***27.2%***	***25.0%***	**2.2 p.p.**	**0.0 p.p.**
EBIT	**36,780**	**28,684**	**28.2%**	**36,780**	**28,684**	**28.2%**	
Net profit from continuing operations	**28,117**	**22,723**	**23.7%**	**28,117**	**22,723**	**23.7%**	
Net profit from discontinued operations	149	1,382	-89.2%	149	1,382	-89.2%	
Net attributable profit	**28,266**	**24,105**	**17.3%**	**28,266**	**24,105**	**17.3%**	

*These figures exclude the non-recurring additional impact booked in 2014 on revenue, EBITDA, EBIT and net profit of the amendment to remuneration parameters for cogeneration facilities published in the Ministerial Order of June 2014 compared to those provisions in 2013 by virtue of the proposed Order submitted to the CNMC by the Secretary of State. In 2013, like-for-like profit excluded the positive tax benefit of €2.8 million following the revaluation of the balance sheet approved in Spain in 2Q13

Revenue in 2014 stood at 687.1 million, up 4.1% year-on-year, driven by Viscofan's strong volume growth for the casings division, with co-generation revenues down year-on-year. Excluding the non-recurring [1] impact of co-generation and exchange rate fluctuations[2], net consolidated revenue advanced 4.8%, the tenth consecutive year of growth.

Throughout the year Viscofan captured growth in the market, especially in the second half, when this growth was accompanied by more favourable exchange rates.

[1] These figures exclude the non-recurring additional impact booked in 2014 on revenue, EBITDA, EBIT and net profit of the amendment to remuneration parameters for cogeneration facilities published in the Ministerial Order of June 2014 compared to those provisions in 2013 by virtue of the proposed Order submitted to the CNMC by the Secretary of State. In 2013, like-for-like profit excluded the positive tax benefit of €2.8 million following the revaluation of the balance sheet approved in Spain in 2Q13

[2] 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.

In year-on-year terms, the breakdown of revenues by geographic region[3] is as follows:

- In Europe and Asia, revenue grew by 7.4% year-on-year in 2014 to €381.2 million, mainly driven by higher sales in Asia, and account for 55.5% of consolidated revenue.
- In North America revenue stood at €198.3 million, accounting for 28.9% of the consolidated figure. Revenue fell 2.4% vs. 2013, partly due to the negative impact on the market of the PED virus and increased commercial activity.
- In Latin America, which accounts for 15.6% of the total, revenue grew 5.3% year-on-year to €107.6 million. This is a very good performance bearing in mind the impact of the 9.3% fall of the Brazilian real against the euro.

By category of revenue, casing sales advanced 4.5% to €638.7 million, driven by higher sales volumes in all casings families: cellulose, fibrous, and, in particular, collagen and plastics, while co-generation revenue, in contrast, declined by 1.6% in 2014 to €48.3 million.

The organic growth in casing sales volumes was maintained throughout 2014. However, there was an especially marked rise in the final quarter due to the rally of the commercial currencies against the euro and the changes in the remuneration of co-generation reflected in the final quarter of 2013.

Operating Expenses

From an operational standpoint, 2014 was marked by the start-up of the new collagen extrusion plant in Uruguay and the Optimisation initiatives under the Be MORE plan, which were rolled out across the Group's production facilities and yielded savings of around €10 million in the year.

The production improvements achieved included efficiency gains and a reduction in production waste, along with cost savings in raw materials. Especially noteworthy are supply cost savings, especially on cow hides, which had posted double-digit increases in previous years. These savings were achieved thanks to the drive to diversify supply sources in tandem with intense R&D in recent years.

This cost reduction, along with commercial discipline, meant revenue growth in the quarter was accompanied by an improvement in the gross margin[4] of +2.0 p.p. in the year vs 2013 to reach 72.2%

The strength of volume growth, contrasting the 3.1% decline in costs of consumption[5] in 2014 vs. 2013 to €190.7 million.

In 2014, the average headcount for continuing operations[6] again grew, rising 2.8% compared with December 2013 to 4.067 mainly as a result of the expansion of production into new geographic regions and the hiring of additional personnel to enhance service levels, thereby cementing our global leadership. Personnel costs grew 3.0% to reach €147.0 million in the full year as a result of this increase in human capital.

In cumulative terms, other operating expenses rose 7.6% to €168.6 million, mainly as a result of the increase in energy supply costs, which were up 8.8% year-on-year.

Operating Income

The strong volume growth was accompanied by production efficiencies and cost savings, resulting in a +1.2 p.p. improvement in the 2014 EBITDA margin vs. 2013 to 27.0%.

[3] Revenue per origin of sales
[4] Gross margin = (Income – Cost of consumption)/Income.
[5] Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.
[6] The average number of employees in 2014 and 2013 excludes the average headcount of discontinued operations in the vegetable foods division.

EBITDA grew by 8.7% year-on-year in 2014 to €185.4 million.

Excluding the impact of non-recurring results stemming from the regulatory changes[1] in co-generation in Spain and the effect of currency fluctuations[2], EBITDA grew by 6.0% in 2014 vs. 2013.

The international expansion of the Viscofan Group, with two new production plants in China and Uruguay, as well as the improvements to existing industrial facilities, have pushed up depreciation costs, which amounted to €49.2million for 2014 (+8.9% vs. 2013).

Despite the increased depreciation costs, the above-mentioned improvement in operational profitability led to the 8.6% year-on-year increase in Operating Income (EBIT) in 2014 to €136.3MM.

Financial Result

Net finance loss for 2014 amounted to €2.0 million, 34.6% lower than the losses reported in 2013. This performance is due to recorded positive exchange differences (€1.9 million), compared with the €0.6 million negative exchange differences reported in 2013.

Taxes

Profit before tax stood at €134.2 million in 2014 while corporate income tax totalled €30.6 million, up 19.8% year-on-year, reflecting an effective tax rate of 22.8%. The 1.9 p.p. increase in the tax rate compared with the same period of 2013 (+20.9%) is due to the positive tax impact of the €1.9 million reported in 2013 as a result of the balance sheet revaluation carried out at Viscofan S.A. in Spain.

The difference between the theoretical tax rate for 2014 (30.0%) and the effective tax rate (22.8%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in each of the countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances or tax credits associated with previous years' losses by various Group subsidiaries.

Net profit

The net profit of continuing operations reached a new record of €103.6 million in 2014, up 7.0% year-on-year, thanks to the robust growth of the casings business from the top line revenue.

Including the profit of discontinued operations (IAN Group), the Viscofan Group's net profit amounted to €106.5 million in 2014 (+4.9% vs. 2013).

Intangible and tangible assets

A total of €61.0 million was invested in the casings business in 2014 compared with €98.0 million in 2013. Note that in 2013 investment hit a new record high mainly as a result of the construction of the new collagen extrusion plant in Uruguay, which came on stream in the first quarter of 2014, and due to the installation of new capacity in China.

Following the hefty investment in the first phase of the Be MORE strategic plan, investment requirements are smaller in absolute terms in the 2014-2105 period though capacity increases are planned in line with the forecast growth requirements in the market. There will also be investment in process improvements and energy optimisation. The breakdown for investment in 2014 is as follows:

- 37% of investment was in capacity and machinery.
- 21% of investment was in process improvements.
- 16% of investment was in energy equipment, notably the acquisition of a co-generation turbine in Germany, and in plant safety, hygiene and environmental improvements.
- Ordinary investments accounted for the remaining 16%.

Financial liabilities

The geographic expansion and growth of the Viscofan Group in 2014 required significant investment in fixed assets and working capital. However, operating cash flow generation (€118.3 million) in the year covered outlays related to this expansion strategy and the 4.5% dividend increase following the increased payout[7] approved in 2014.

As a result, net bank debt [8] stood at €74.6 million, leaving financial leverage [9] at 13.0% at the end of December 2014 compared with 16.2% in December 2013.

Discontinued operations. 2014 results IAN Group:

IAN Group income statement ('000€)

	Jan-Dec 14	Jan-Dec' 13	*Change*	Oct-Dec' 14	Oct-Dec 13	*Change*
Revenue	110,566	105,136	5.2%	28,807	25,902	11.2%
EBITDA	7,573	7,679	-1.4%	1,826	2,082	-12.3%
EBITDA margin	*6.8%*	*7.3%*	-0.5 p.p.	*6.3%*	*8.0%*	-1.7 p.p.
EBIT	4,722	4,446	6.2%	1,245	1,422	-12.4%
Net profit	3,703	4,675	-20.8%	1,030	1,382	-25.5%
Recurring Net profit *	3,703	3,770	-1.8%	1,030	1,382	-25.5%

* In 2013, like-for-like profit excluded the positive tax benefit of €1.9 million following the revaluation of the balance sheet approved in Spain in 2Q13.

Net revenue in the fourth quarter climbed 11.2% to €28.8 million, contributing to full-year growth of 5.2%, with revenue totalling €110.6 million.

The strong revenue performance is not fully reflected in EBITDA due to the higher cost of raw materials, in particular of asparagus, and the pressure from distribution channels to cut prices. As a result, EBITDA fell 1.4% year-on-year to €7.6 million, resulting in an EBITDA margin of 6.8%, down 0.5 p.p. year-on-year.

Full-year net profit stood at €3.7 million, down 1.8% year-on-year in recurring terms. Note that in 2013 the division reported a tax benefit of €0.9 million due to the asset revaluation carried out in Spain. Reported net profit in 2014 was down 20.8% year-on-year due to the tax optimisation in 2013.

Dividends

At its meeting on 26 February, 2015 based on the strength of the balance sheet, the operational gains achieved, the net profit secured and growth forecast for the coming years, the Board of Directors agreed to propose to the General Shareholders' Meeting an increase of 5.4% in total shareholder remuneration to €1.18 per share vs. €1.12 in 2013. This is a new record for shareholder remuneration consisting of:

- An interim dividend of €0.450 per share paid on 29 December 2014.
- A proposed final dividend of €0.724 per share for approval at the General Shareholders' Meeting and payable from 4 June 2015.
- A bonus of €0.006 per share for attending the General Shareholders' Meeting.

[7] Pay-out: Dividends per share / Earning per share
[8] Net bank debt = long and short financial debt - cash and cash equivalents.
[9] Financial leverage = Net bank debt/Equity

Expected performance of the Group

In 2014 the Viscofan Group successfully completed an industrial facility upgrade and optimisation initiatives with a view to increasing sales volumes and quality control and production efficiency.

2015 is the final year of the Be MORE strategic plan. It is a year in which investment requirements are expected to remain stable and new production facilities are expected to consolidate and stabilise their annual production.

This more stable investment, reflecting the normalisation of the market growth, will be accompanied by growth in volume growth of a market that still has a strong basis for growth. As a result, cash flow generation is expected to improve.

This expected growth, especially in Latam and Asia, the planned production upgrades, most notably at the plants installed over the 2012-2014 period, and more favourable US dollar exchange rate are transferred to single digit revenue growth improving operating margin.

Despite the investment needs are lower than the average of previous years, the construction and installation of plastics production capacity is slated for the San Luis Potosí plant in Mexico with a view to strengthening Viscofan's leadership position in the casings market.

Environment

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. To improve coordination and Group efforts with regard to environmental matters in both health and safely in the 2014 financial year, the Board of Directors approved the EHS corporate policy to guide the improvement plans to be implemented over the coming financial years, as well as support the Viscofan Group's priority measures in terms of environment, safety and hygiene.

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.

In 2015 an in-depth review was conducted of the initiatives, objectives and control for the use of water at the Group's various plants.

Note 25 of the the accompanying financial statements provides a breakdown of investments and costs relating to the environment in 2014 and 2013.

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.).

At the vegetable foods division, now recorded as a discontinued operation, the IAN Group continued to promote the development of new products, increasing its range of ready meals, which is the business line with the best prospects in terms of both growth and added value.

Furthermore, Viscofan's research activities were also focused on diversification in areas where its current know-how could help to secure future returns. Especially noteworthy are the significant advances achieved in the field of bioengineering, which support Viscofan's commitment to continuing with its research work and collaboration with centres specialising in research into and cultivation of cells based on collagen and their potential use in biomedicine.

Viscofan's stock market performance

Stock markets were high volatile in 2014 amid increasing liquidity. Central banks took centre stage, implementing monetary policies to boost economies in a context of clear divergence between different geographic regions in terms of growth. This macroeconomic imbalance affected the currency markets, with the US dollar rising sharply against the euro in the final quarter. As a result a euro was worth 1.214 dollars at the end of 2014, down 12.0% year-on-year (1.379).

Against this backdrop, stock markets also exhibited high levels of volatility and decorrelation: the US S&P 500 ended 2014 up 11.4% while in Europe the Ibex-35 grew by 3.7% in Spain, the DAX advanced 2.7% in Germany and the CAC fell 0.5% in France. It is worth recalling that in 2013 most major global markets notched up double-digit growth. Against this setting, Viscofan's share price closed 2014 at €44.07, up 6.6% year-on-year and 9.4% including shareholder remuneration

Viscofan ended the year with a market capitalisation of €2,054 million (+6.6% vs. 2013), outperforming the Ibex-35 (+3.7% vs. 2013), an index that included Viscofan until 22 December 2014.

Over 78.1 million Viscofan shares were traded in 2014, 1.7 times of the total in circulation, with a traded volume of €3,233 million, equivalent to a daily average of €12.6 million, representing a year-on-year increase of 28.4%.

Acquisition of treasury shares

At December 31, 2014 the Company owned no treasury shares.

Average payment period

In 2014 Law 31/2014 of 3rd December was enacted, amending the Spanish Companies Act with a view to improving corporate governance. Under this law, companies unable to present abridged income statements must indicate in their management reports the average supplier payment period, calculated using the criteria approved by the Ministry of Finance and Public Administrations, in accordance with paragraph three of the second final provision of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability

In relation to this reporting requirement, Viscofan S.A.'s average payment period in 2014 was 35 days (35days in 2013), below the maximum under Spanish law.

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. Information 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. Compliance risk: Development of the regulatory framework; multinational food legislation compliance; compliance of obligations derived from business transactions; corporate risk; LOPD.

Events after the balance sheet date

- In their meeting held on February 26, 2015, the Board of Directors agreed to propose a final dividend payment amounting to 0.724 euros per share, to be paid from June 4, 2015, for approval by the shareholders at the annual general meeting. Thus, total remuneration for shareholders amounted to 1.18 euros per share, including the interim dividend of 0.450 euros per share paid on December 29, 2014, the abovementioned complementary dividend of 0.724 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 5.4% as compared to the total remuneration of 1.12 euros approved for the previous year.

- On February 23rd, 2015 Viscofan S.A. informed to C.N.M.V the end of exclusivity period agreed with Portobello Capital Gestión, S.G.E.C.R., S.A. to acquire 100% of the issued capital of IAN S.A.U. and subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A without having reached an agreement with enough warranties in accordance with the acceptance letter.

- On February 06, 2015, the Group chose the insurance company that will pay the life annuities to pensioners belonging to the Hourly Employees and Salaried Employees pension plans. New insurance companies participated in the selection process, after which the option offered by the Metropolitan Life Insurance Company totaling 54,593 thousand euros was chosen. The Group's payment in connection with this offer, which may undergo immaterial adjustments, will be approximately 8,000 thousand euros, after deducting the related plan assets. Funds from plan assets were transferred on February 11, 2015.

VISCOFAN, S.A. AND SUBSIDIARIES

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT

STATEMENT: The Secretary of the Board of Directors, Mr. Juan María Zuza Lanz hereby certifies that the Board of Directors, at its meeting on February 26, 2015, approved the consolidated financial statements and the consolidated management report for the year ended December 31, 2014, 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. Agatha Echevarría Canales	Mr. José Antonio Canales García
Mr. Alejandro Legarda Zaragüeta	Mr. Ignacio Marco-Gardoqui Ibáñez
Ms. Laura González Molero	Mr. José María Aldecoa Sagastasoloa
Mr. Jaime Real de Asúa y Arteche	

Secretary to the Board of Directors

Mr. Juan María Zuza Lanz

Independent Audit Report

VISCOFAN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2014

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

INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

Report on the financial statements

We have audited the accompanying financial statements of VISCOFAN, S.A., which comprise the balance sheet at December 31, 2014, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity and financial position and the results of VISCOFAN, S.A., 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 for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.
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Opinion

In our opinion, the accompanying 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, 2014, and its results and cash flow for the year then ended, in accordance with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

Report on other legal and regulatory requirements

The accompanying 2014 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 2014 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)

Alberto Peña Martínez

February 26, 2015

A member firm of Ernst & Young Global Limited.

VISCOFAN, S.A.

Financial Statements
for the year ended
December 31, 2014

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

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- Balance sheet at December 31, 2014
- Income statement for the year ended December 31, 2014
- Statement of changes in equity for the year ended December 31, 2014
- Cash flow statement for the year ended December 31, 2014
- Notes to the financial statements for the year ended December 31, 2014

VISCOFAN, S.A.
Balance sheet at December 31, 2014
(Thousands of euros)

ASSETS	Notes	2014	2013
NON-CURRENT ASSETS		**406,971**	**403,604**
Intangible assets	**5**	**6,245**	**7,874**
Concession rights		1,070	1,295
Software		4,312	4,530
Other intangible assets		863	2,049
Property, plant, and equipment	**6**	**68,520**	**65,005**
Land and buildings		13,522	14,230
Plant and other PP&E items		51,160	50,572
Property, plant, and equipment under construction and prepayments		3,838	203
Investment in group companies and associates	**7**	**329,475**	**329,838**
Equity instruments		329,475	329,838
Financial investments	**8**	**132**	**132**
Equity instruments		84	84
Other financial assets		48	48
Deferred tax assets	**17**	**2,599**	**755**
CURRENT ASSETS		**83,464**	**80,380**
Non-current assets held for sale	**9**	**15,602**	**-**
Inventories	**10**	**20,275**	**21,516**
Commercial inventories		2,808	2,178
Raw materials and other consumables		6,531	6,957
Work in progress		5,499	8,882
Finished products		5,437	3,499
Trade and other receivables		**41,914**	**35,783**
Trade receivables	8	21,847	18,547
Trade receivables from group companies and associates	8	14,032	11,845
Other receivables	8	90	55
Receivable from employees	8	84	56
Current income tax assets	17	1,722	593
Other receivables from public administrations	17	4,139	4,687
Investments in group companies and associates	**8**	**5,222**	**17,119**
Loans to companies		5,032	16,956
Other financial assets		190	163
Investments	**8**	**-**	**5,059**
Hedging instruments	14	-	55
Other financial assets		-	5,004
Accruals		**142**	**105**
Cash and cash equivalents	**11**	**309**	**798**
Cash		309	798
TOTAL ASSETS		**490,435**	**483,984**

VISCOFAN, S.A,
Balance sheet at December 31, 2014
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2014	2013
EQUITY		**383,898**	**373,916**
CAPITAL AND RESERVES		**386,736**	**372,660**
Share capital	**12.1**	**32,623**	**32,623**
Issued capital		32,623	32,623
Share Premium	**12.2**	**12**	**12**
Reserves	**12.3**	**307,217**	**286,444**
Legal and statutory reserves		6,525	6,525
Other reserves		300,692	279,919
Profit for the year	**3**	**67,856**	**72,689**
Interim dividend	**3.1**	**(20,972)**	**(19,108)**
UNREALIZED GAINS (LOSSES) RESERVE	**13.1**	**(3,892)**	**25**
Hedging instruments		(3,892)	25
GRANTS, DONATIONS, AND LEGACIES	**13.2**	**1,054**	**1,231**
NON-CURRENT LIABILITIES		**43,656**	**35,092**
Borrowings	**16**	**37,723**	**30,005**
Payable to credit institutions	16.1	26,000	20,000
Finance leases	16.1	125	-
Hedging instruments	14	682	-
Other financial liabilities	16.2	10,916	10,005
Borrowings from group companies and associates	**16**	**4,500**	**4,500**
Deferred tax liabilities	**17**	**1,433**	**587**
CURRENT LIABILITIES		**62,881**	**74,976**
Provisions	**15**	**893**	**1,699**
Borrowings	**16**	**29,842**	**17,065**
Bank borrowings	16.1	20,087	**12,307**
Finance leases	16.1	81	1
Hedging instruments	14	5,009	-
Other financial liabilities	16.2	4,665	4,757
Payables to group companies and associates	**16**	**10,155**	**32,648**
Trade and other payables		**21,991**	**23,564**
Suppliers	16.2	2,789	7,098
Suppliers, group companies, and associates	16.2	1,933	2,628
Other payables	16.2	5,700	6,504
Employee benefits payable	16.2	1,996	1,179
Current tax liabilities	17	2,901	-
Other payables to public administrations	17	6,119	5,391
Customer advances	16.2	553	764
TOTAL EQUITY AND LIABILITIES		**490,435**	**483,984**

VISCOFAN, S.A,
Income statement for the year ended December 31, 2014
(Thousands of euros)

	Notes	2014	2013
CONTINUING OPERATIONS			
Revenue	**18.1**	**175,802**	**162,889**
Sale of goods		175,374	162,518
Rendering of services		428	371
Changes in inventory of finished goods and work in progress		**(1,445)**	**3,279**
Work performed by the entity and capitalized		**253**	**251**
Cost of sales		**(75,081)**	**(76,564)**
Consumption of goods for resale	18.2	(14,712)	(14,536)
Consumption of raw materials and other consumables	18.2	(60,009)	(61,908)
Impairment of goods for resale, raw materials, and other consumables	10	(360)	(120)
Other operating income		**10,348**	**10,910**
Ancillary income		9,977	10,520
Grants related to income	13.2	371	390
Employee benefits expense		**(37,763)**	**(35,455)**
Wages, salaries, et al		(29,517)	(27,623)
Social security costs, et al	18.3	(8,246)	(7,832)
Other operating expenses		**(41,974)**	**(41,397)**
External services	18.4	(37,613)	(36,805)
Taxes		(2,839)	(2,820)
Losses on, impairment of, and change in trade provisions	8.1	(629)	(73)
Other operating expenses	5.1 & 15	(893)	(1,699)
Depreciation and amortization	**5 & 6**	**(12,000)**	**(12,320)**
Grants related to non-financial assets and other grants	**13.2**	**276**	**238**
Impairment gains (losses) on disposal of non-current assets		**(194)**	**5**
Impairment gains and losses	6	2	2
Gains (losses) on disposals		(196)	3
OPERATING PROFIT		**18,222**	**11,836**
Finance income		**54,353**	**63,150**
From equity investments	7.1	54,033	62,828
In group companies and associates		54,033	62,828
From marketable securities and other financial instruments		320	322
Of group companies and associates		234	141
Of third parties		86	181
Finance costs	**18.5**	**(1,500)**	**(1,273)**
On borrowings from group companies and associates		(316)	(446)
Third-party borrowings		(1,184)	(827)
Exchange gains (losses)		**200**	**(616)**
FINANCE INCOME		**53,053**	**61,261**
PROFIT BEFORE TAX		**71,275**	**73,097**
Income tax	**17.1**	**(3,419)**	**(408)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**67,856**	**72,689**
DISCONTINUED OPERATIONS			
Profit (loss) after tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**67,856**	**72,689**

VISCOFAN, S.A,
Statement of changes in equity for the year ended December 31, 2014
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2014

	Notes	2014	2013
PROFIT FOR THE PERIOD		**67,856**	**72,689**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flow hedges	13.1	(5,190)	36
Grants, donations, and bequests received	13.2	260	987
Tax effect		1,290	(307)
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**(3,640)**	**716**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flow hedges	13.1	(36)	(298)
Grants, donations, and bequests received	13.2	(613)	(1,977)
Tax effect		195	682
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**(454)**	**(1,593)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**63,762**	**71,812**

VISCOFAN, S.A,
Statement of changes in equity for the year ended December 31, 2014
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2014

	Issued capital (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 13.1)	Grants, donations, and bequests received (Note 13.2)	TOTAL
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**
Total recognized income and expense	-	-	-	67,856	-	(3,917)	(177)	63,762
Transactions with shareholders and owners								
Dividends paid	-	-	-	(51,916)	(1.864)	-	-	(53,780)
Other changes in equity								
Transfers between equity accounts	-	-	20,773	(20,773)	-	-	-	-
BALANCE AT DECEMBER 31, 2014	**32,623**	**12**	**307,217**	**67,856**	**(20,972)**	**(3,892)**	**1,054**	**383,898**

VISCOFAN, S.A,
Cash flow statement for the year ended December 31, 2014 (Thousands of euros)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**71,275**	**73,097**
Adjustments to profit		**(38,975)**	**(48,787)**
Depreciation and amortization	5 & 6	12,000	12,320
Impairment losses	6, 8.1, & 10	1,137	(2)
Changes in provisions	13.2	(276)	412
Grants released to income		196	(238)
Results on disposal of property, plant, and equipment		(54,353)	(18)
Finance income		1,500	(63,150)
Finance costs	18.5	(200)	1,273
Exchange gains (losses)		1,021	616
Change in working capital		**(9,139)**	**3,475**
Inventories		718	(1,635)
Trade and other receivables		(5,418)	5,208
Other current assets		(37)	(3)
Trade and other payables		(4,474)	45
Other current liabilities		72	(140)
Other cash flows from operating activities		**51,532**	**56,558**
Interest paid		(1,489)	(479)
Dividends received		54,033	62,835
Interest received		320	305
Income tax receipts (payments)		(1,332)	(6,103)
CASH FLOW FROM OPERATING ACTIVITIES		**74,693**	**84,343**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(30,833)**	**(65,073)**
Group and associates		(15,239)	(50,748)
Intangible assets		(1,423)	(1,941)
Property, plant, and equipment		(14,171)	(7,380)
Other financial assets		-	(5,004)
Proceeds from disposals		**16,968**	**518**
Group and associates		11,897	500
Intangible assets		-	15
Property, plant, and equipment		12	3
Other financial assets		5,059	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(13,865)**	**(64,555)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(payments on) equity instruments		**-**	**600**
Grants, donations, and bequests received	13.2	-	600
Proceeds from and payments of financial liabilities		**(7,537)**	**6,593**
Issues			
Bank borrowings		15,283	22,000
Accounts payable to group companies and associates		-	31,000
Other borrowings		1,899	5,935
Repayment and redemption of			
Bank borrowings		(1,309)	(20,792)
Borrowings from group companies and associates		(22,493)	(30,000)
Other borrowings		(917)	(1,550)
Dividends paid and payments on other equity instruments		**(53.780)**	**(51,451)**
Dividends		(53.780)	(51,451)
CASH FLOWS FROM FINANCING ACTIVITIES		**(61.317)**	**(44,258)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(489)**	**(24,470)**
Cash and cash equivalents at January 1		**798**	**25,268**
Cash and cash equivalents at December 31		**309**	**798**

VISCOFAN, S.A.
Notes to the financial statements for the year ended December 31, 2014

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 2014 consolidated financial statements on February 26, 2015.

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 2014 financial statements as a result of these meetings.

The directors have prepared the 2014 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 2014, those of 2013 have been included. The Notes likewise contain quantitative information from 2013, 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.

3. APPROPRIATION OF PROFIT

The appropriation of 2014 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)	2014
Proposed appropriation	
Profit for the year	67,856
	67,856
Appropriation to	
Other reserves	13,143
Dividends (*)	54,713
	67,856

(*) This figure includes the interim dividend paid at December 29, 2014, amounting to 20,972 thousand euros (Note 3.1).

3.1 Interim dividend

On December 19, 2014, the Board of Directors approved an interim dividend against 2014 profit of 20,972 thousand euros based on profit projections for the period. This dividend was paid on December 29, 2014. 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, 2014	33,076
Cash flows from/(used in) operating activities	
Trade and other receivables	178,606
Other income	117
Accounts payable and suppliers	(119,416)
Payments made to employees	(37,582)
Interest paid	(1,791)
Other payments	(6,200)
Cash flow related to investment activities	
Dividends	42,295
Purchases of property, plant, and equipment	(12.500)
	50,000
Cash flow related to financing activities	
Repayment of non-current borrowings	
Dividends paid	(20,941)
	(57,323)
Projected liquidity at December 11, 2015	**48,341**

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, 2014 (Note 12.3).

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, 2014 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 2014 and 2013 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 Instruments

This category includes instruments 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 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.

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. 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 instruments

This category includes instruments 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 Non-current assets and disposal groups held for sale

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

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and
- It is highly probable that they will be sold.

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

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

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

4.17 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.

4.18 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.

4.19 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.

4.20 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.

4.21 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.

4.22 Termination benefits

In accordance with prevailing mercantile legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

5. INTANGIBLE ASSETS

The movements in 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
2014					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	12,581	1,164	-	8	13,753
Greenhouse gas emission rights	2,041	455	(1,700)	-	796
Payments on account for non-current intangible assets	8	67	-	(8)	67
	17,293	1,686	(1,700)	-	17,279
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(1,332)	(225)	-	-	(1,557)
Software	(8,051)	(1,390)	-	-	(9,441)
	(9,419)	(1,615)	-	-	(11,034)
Net carrying amount	**7,874**				**6,245**
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**

At December 31, 2014 and 2013, the cost value of fully amortized intangible assets amounted to 6,348 thousand and 5,522 thousand euros, respectively.

5.1 Information on greenhouse gas emission rights

The Company receives a free allocation of emissions rights arising from the resolution of the Council of Ministers dated November 15, 2013, which approved the final free assignation of greenhouse gas emission rights for the installations subject to the emissions trading scheme for the 2013-2020 period. The rights acquired through this scheme in 2014 totaled 55,813 (2013: 62,367).

The movements in emission rights during 2014 and 2013 were as follows:

(Number of rights)	Balance at January 1	Purchases	Free allocation	Sales	Consumption	Balance at December 31
2014						
Greenhouse gas emission rights	303,701	30,000	55,813	-	(205,816)	183,698
2013						
Greenhouse gas emission rights	363,024	86,227	62,367	(4,496)	(203,421)	303,701

The expense for greenhouse gas emissions recognized under "Other operating expenses" at December 31, 2014 and 2013, amounts to 893 thousand and 1,699 thousand euros, respectively (Note 15).

Further, income relating to the transfer of subsidized greenhouse gas emission rights recognized under "Ancillary income" amounts to 337 thousand and 1,739 thousand euros at December 31, 2014 and 2013, respectively (Note 13.2.).

5.2 Other information

The breakdown of intangible assets acquired from Group companies at December 31 is as follows:

(Thousands of euros)	2014	2013
Software		
Cost	256	256
Accumulated amortization	(128)	(76)
	128	**180**

At December 31, 2014 and 2013, the Company did not have any intangible assets located outside Spain.

At December 31, 2014, there were no firm commitments to purchase items of property, plant, and equipment (2013: commitments totaling 17 thousand euros).

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
2014						
Cost						
Land	265	42	-	-	-	307
Buildings	28,138	441	-	-	-	28,579
Plant and other PP&E items	233,884	9,784	-	(471)	204	243,401
Property, plant, and equipment under construction and payments on account	203	3,839	-	-	(204)	3,838
	262,490	14,106	-	(471)	-	276,125
Accumulated depreciation						
Buildings	(14,141)	(1,193)	-	-	-	(15,334)
Plant and other PP&E items	(183,312)	(9,192)	-	263	-	(192,241)
	(197,453)	(10,385)	-	263	-	(207,575)
Impairment losses						
Buildings	(32)	-	-	2	-	(30)
	(32)	-	-	2	-	(30)
Net carrying amount	**65,005**					**68,520**
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**

6.1 Significant movements

Additions in 2014 and 2013 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, was 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 (Note 12.4)			**7,329**

In 2014 and 2013, the amount of the depreciation expense for the assets updated in accordance with Navarre Regional Law 21/2012 totaled 1,189 and 2,017 thousand euros, respectively. The net carrying amount of the updated figure at December 31, 2014 and 2013 was 4,503 and 5,698 thousand euros, respectively.

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 12.4). The net carrying amount of these restated assets at December 31, 2014 and 2013, amounts to 318 thousand and 383 thousand euros, respectively, while depreciation for these years amounts to 65 thousand and 70 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)	2014	2013
Other PP&E		
Cost	270	8
Accumulated depreciation	(29)	(3)
	241	**5**

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)	2014		2013	
	Future minimum payments	Present value (Note 16.1)	Future minimum payments	Present value (Note 16.1)
Within one year	85	81	1	1
Between one and four years	127	125	-	-
	212	**206**	**1**	**1**

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 fixed: 2.5%
- 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 offices in Moscow and Thailand at an annual cost of 116 thousand and 117 thousand euros in 2014 and 2013, 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)	2014	2013
Within one year	90	271
Between one and five years	-	90
	90	**361**

6.5 Other disclosures

The Company has acquired the following property, plant, and equipment from group companies at December 31:

(Thousands of euros)	2014	2013
Plant and machinery		
Cost	3,021	2,506
Accumulated depreciation	(2,258)	(2,201)
Other PP&E items		
Cost	34	34
Accumulated depreciation	(34)	(34)
	763	**305**

At December 31, 2014 and 2013, there were PP&E items located outside Spain, recognized at 21 thousand and 36 thousand euros, respectively.

At December 31 of 2014 and 2013, the Company had firm purchase commitments for property, plant, and equipment totaling 1,085 thousand and 83 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)	2014	2013
Buildings	3,020	2,324
Plant and machinery	121,315	118.952
Plant and other PP&E items	24,308	22,901
Property, plant, and equipment	6,825	6,339
	155,468	**150,516**

The Company has arranged insurance policies to cover the carrying amount of these assets.

PP&E items for environmental activity are described in Note 22.3.

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
2014					
Equity instruments	329,838	15,239	-	(15,602)	329,475
	329,838				**329,475**
2013					
Equity instruments	295,914	33,924	-	-	329,838
	295,914				**329,838**

In 2014 the Company carried out the following transactions:

- A payment of 15.2 million euros was made in connection with capital increases in Viscofan Uruguay, S.A.
- The investment in Industrias Alimentarias de Navarra, S.A.U. was transferred to "Non-current assets held for sale" (Note 9).

Further, in 2013 the Company carried out the following transactions:

- 18.8 million euros were disbursed in relation to the capital increases in Viscofan Technology (Suzhou) Co. Ltd.
- 15.1 million euros were disbursed for the capital increases in Viscofan Uruguay, S.A.

Capital increases in 2013 and 2014 were carried out with a view to financing the investments made by said subsidiaries.

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)
2014									
Naturin Viscofan, GMBH	90,570	10,400	100%	EUR	29,604	28,150	15,388	73,142	21,999
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	11,660	100%	BRL	86,868	53,962	54,946	195.775	80,650
Gamex CB S.r.o.	7,498	130	100%	CZK	250,000	25,007	3.906	278,914	4,225
Viscofan USA Inc.	34,729	-	100%	USD	35,587	71,755	263	107,604	762
Viscofan UK LTD	1,841	-	100%	GBP	10	2,617	468	3,096	635
Viscofan CZ, S.r.o	10,503	22,900	100%	CZK	345,200	1,027,954	746,848	2,120,002	906,460
Viscofan de México S.R.L. de C.V.[1]	13,741	7,441	99.99%	MXP	219,777	281,752	241,323	742,851	335,103
Viscofan Centroamérica Comercial, S.A.[1]	166	-	99.50%	USD	200	967	419	1,587	624
Koteks Viscofan, d.o.o.	33,307	-	100%	RSD	3,028,896	1,532,217	767,288	5,328,401	786,289
Viscofan de México Servicios, S.R.L. de C.V.[1]	16	-	99.99%	MXP	103	20,506	3,076	23,685	6,379
Viscofan Technology (Suzhou) Co. Ltd	52,000	502	100%	CNY	431,021	18,496	72,954	522,470	84,266
Viscofan Uruguay, S.A.	31,966	-	100%	UYU	921,164	(52,829)	(12,774)	855,560	(22,907)
	329,475	**53,033**[2]							
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)	(68,321)	383,101	(48,673)
	329,838	**62,828**							

(1) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies.

(2) Apart from the above mentioned dividends, in 2014 the Company received a 1 million euro dividend arising from its participation in Industrias Alimentarias de Navarra, S.A.U. corresponding to the distribution of 2013 profit.

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, 2014 is as follows:

Company	Activity	Registered office
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 2014 was Viscofan Uruguay, S.A., a newly created company; in 2014 activity commenced after the testing phase took place during the final weeks of 2013. 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, 2014.

The breakdown for indirect investments in group companies and associates at December 31, 2014 is as follows:

Company	Indirect investment	Activity	Registered office
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:

(Thousands of euros)	Equity instruments		Loans, derivatives, and other financial assets		Total	
	2014	2013	2014	2013	2014	2013
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	-	-	41,275	52,626	41,275	52,626
Hedging instruments	-	-	-	55	-	55
	-	-	41,275	52,681	41,275	52,681
	84	**84**	**41,323**	**52,729**	**41,407**	**52,813**

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Equity instruments		Loans, derivatives, and other financial assets		Total	
	2014	2013	2014	2013	2014	2013
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)	-	-	36,053	30,503	36,053	30,503
Investments in group companies and associates						
Loans to companies (Note 20.1)	-	-	5,032	16,956	5,032	16,956
Loans and receivables (Note 20.1)	-	-	190	163	190	163
Investments						
Hedging instruments (Note 14)	-	-	-	55	-	55
Current financial investments (Note 8.2)	-	-	-	5,004	-	5,004
	-	-	41,275	52,681	41,275	52,681
	84	**84**	**41,323**	**52,729**	**41,407**	**52,813**

8.1 Trade and other receivables

The breakdown of "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2014	2013
Trade receivables	21,847	18,547
Receivable from group companies and associate (Note 20.1)	14,032	11,845
Other receivables	90	55
Receivables from employees	84	56
	36,053	**30,503**

The breakdown of "Trade and other receivables" denominated in foreign currency at December 31 is as follows:

(Thousands of euros)	2014	2013
US Dollar	15,997	11,099
Canadian Dollar	70	-
Japanese Yen	410	434
Pounds Sterling	1,863	851
	18,340	**12,384**

Impairment losses

The balance of "Trade receivables" is presented net of impairment. The movements in said impairment losses are as follows:

(Thousands of euros)	2014	2013
Balance at January 1	116	56
Allowance for the year	629	73
Transfer to irrecoverable debts	(13)	(13)
Balance at December 31	**733**	**116**

8.2 Current financial investments

At December 31, 2013, the Company recognized 5 million euros corresponding to a time deposit which matured in January of 2014. The deposit accrued interest at 3% APR. At December 31, 2014, the Company had no time deposits.

9. DISPOSAL GROUPS OF ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On November 10, 2014, in accordance with Securities Markets Law, a Material Disclosure communication made by the Company to the CNMV regarding the Viscofan S.A.'s board of directors acceptance of a binding offer from Portobello Capital Gestión, S.G.E.C.R., S.A. for the purchase of 100% of the shares of Industrias Alimentarias de Navarra, S.A.U. and its subsidiaries Lingbao Baolihao Food Industrial Co. and IAN Perú, S.A. The total amount of the purchase-sale offer was 55.5 million euros for 100% of the capital. On February 23, 2015, Viscofan, S.A. communicated the CNMV of the expiration of the exclusivity deadline agreed upon with Portobello Capital Gestión, S.G.E.C.R., S.A., without any agreements having been reached with the sufficient guarantees as outlined in the offer's letter of acceptance. Company does not rule out the possibility that other offers may materialize permitting IAN involvement in a project with greater projection based on its strengths as well as the Carretilla brand image as a leader in the Spanish vegetable food sector.

The transaction is in line with Viscofan's strategy aimed at concentrating the Group's management, efforts, and resources on its casings business, which has solid short- and medium-term growth perspectives.

The total amount of assets transferred to this heading corresponds to the value of the long-term investment in group and associated companies which were classified under "Equity instruments" in the amount of 15,602 thousand euros. There were no liabilities linked to these assets.

10. 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
2014			
Balance at January 1	932	871	1,803
Impairment losses	360	163	523
Recoveries in value	-	-	-
Balance at December 31	**1,292**	**1,034**	**2,326**
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**

The impairment losses on inventories are mainly due to the slow moving product lines.

At December 31, 2014 and 2013, 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.

11. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" at December 31 is as follows:

(Thousands of euros)	2014	2013
Cash	18	27
Current accounts	291	771
	309	**798**

Current accounts were at market interest rates.

Cash and cash equivalents are unrestricted.

12. EQUITY – CAPITAL AND RESERVES

12.1 Issued capital

At December 31, 2014 and 2013, 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, 2014 and 2013, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	Percentage	
	2014	2013
Corporación Financiera Alba, S.A.(**)	6.79	-
APG Asset Management	5.17	3.03
Marathon Asset Management, LLP	4.93	4.93
Blackrock, Inc	3.14	3.14
Delta Lloyd NV.	3.06	3.06
María del Carmen Careaga Salazar(*)	3.01	5.08
Ameriprise financial, Inc.	-	3.02

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

(**) Indirect ownership interest through Alba Participaciones, S.A.U.

At December 31, 2014 and 2013, the Company did not own any treasury shares.

All of the Company's shares are listed on the Spanish Stock Exchange.

12.2 Share premium

There were no movements in the share premium in 2014 and 2013.

This reserve is freely distributable, subject to the same restrictions as those for the voluntary reserves.

12.3 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	Transfers	Balance at December 31
2014					
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	-	-	(8)	7,321
Merger reserves	119	-	-	-	119
Voluntary reserves	263,904	-	20,773	8	284,685
	286,444	**-**	**20,773**	**-**	**307,217**
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**

12.4 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 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, 2014, 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.

12.5 Voluntary reserves and merger reserves

These reserves are freely distributable.

13. OTHER EQUITY ITEMS

13.1 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
2014						
Cash flow hedges						
Exchange rate hedges	-	(246)	62	-	-	(184)
Raw materials (gas)	25	(4,944)	1,236	(36)	11	(3,708)
	25	**(5,190)**	**1,298**	**(36)**	**11**	**(3,892)**
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**

13.2 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
2014						
Non-repayable grants	1,179	(3)	71	(276)	83	1,054
Grants for greenhouse gas emission rights	52	263	(79)	(337)	101	-
	1,231	**260**	**(8)**	**(613)**	**184**	**1,054**
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**

(*) Includes an adjustment for the change in corporation tax rate (Note 17).

"Grants for greenhouse gas emissions" includes the amount of those rights which the Company has not yet consumed (Notes 5 and 15).

Throughout 2014 and 2013, the Company received grants related to income totaling 371 thousand and 390 thousand euros, respectively. These grants basically financed R&D expenses during both years, as well as training given to Company staff.

14. DERIVATIVE FINANCIAL INSTRUMENTS

All Viscofan, S.A.'s derivatives at December 31, 2014 and 2013, were designated as hedging instruments.

The breakdown of the balances at December 31, 2014 and 2013, including the values of derivatives at those dates, is as follows:

	2014		2013
(Thousands of euros)	Current financial liabilities (Note 16.2)	Non-current financial liabilities (Note 16.2)	Current financial assets (Note 8)
Exchange rate hedges	747	-	19
Raw material hedges	4,262	682	36
	5,009	**682**	**55**

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.

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

Thousands of euros	2014	2013
US dollar	24,000	1,000
Pounds sterling	2,252	-

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:

- During 2014, gas hedging contracts were signed for a total of 1,940,000 MWH, of which 1,490,000 MWh corresponded to contracts covering gas purchases for the period ranging from January 2015 to January 2017. The contracted prices range from 2.35 to 2.91 euro cents per KWh. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption.

- 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 ranged between 2.900 and 2.940 euro cents per KWh. In this manner, the Company covered a bit over 40% of its foreseen consumption for the period.

15. PROVISIONS AND CONTINGENCIES

The breakdown of "Provisions" at December 31 is as follows:

(Thousands of euros)	Current	Total
2014		
Provision for greenhouse gas emission rights (Note 5.1)	893	893
	893	**893**
2013		
Provision for greenhouse gas emission rights (Note 5.1)	1,699	1,699
	1,699	**1,699**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized and payments	Balance at December 31
2014				
Provision for greenhouse gas emission rights	1,699	893	(1,699)	893
	1,699	**893**	**(1,699)**	**893**
2013				
Provision for greenhouse gas emission rights	1,817	1,699	(1,817)	1,699
	1,817	**1,699**	**(1,817)**	**1,699**

The Company filed several appeals during 2014, all related to the new remuneration and incentive scheme for electricity generation installations imposed by Royal Decree Law 1/2012; Royal Decree Law 413/2014, and Order IET/1045/2014; however, it is not possible to determine the amount of contingent assets in favor of Viscofan, S.A. should it win the case.

16. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" at December 31 is as follows:

(Thousands of euros)	Bank borrowings		Hedging instruments and other financial liabilities		Total	
	2014	2013	2014	2013	2014	2013
Non-current financial liabilities						
Trade and other payables	26,125	20,000	16,098	14,505	42,223	34,505
	26,125	20,000	16,098	14,505	42,223	34,505
Current financial liabilities						
Trade and other payables	20,168	12,308	32,800	55,578	52,968	67,886
Hedging instruments	-	-	-	-	-	-
	20,168	12,308	32,800	55,578	52,968	67,886
	46,293	**32,308**	**48,898**	**70,083**	**95,191**	**102,391**

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Bank borrowings		Hedging instruments and other financial liabilities		Total	
	2014	2013	2014	2013	2014	2013
Non-current financial liabilities						
Borrowings	26,125	20,000	11,598	10,005	37,723	30,005
Borrowings from group companies and associates	-		4,500	4,500	4,500	4,500
	26,125	20,000	16,098	14,505	42,223	34,505
Current financial liabilities						
Borrowings	20,168	12,308	9,674	4,757	29,842	17,065
Borrowings from group companies and associates	-	-	10,155	32,648	10,155	32,648
Trade and other payables	-	-	12,971	18,173	12,971	18,173
	20,168	12,308	32,800	55,578	52,968	67,886
	46,293	**32,308**	**48,898**	**70,083**	**95,191**	**102,391**

16.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31 was the following:

(Thousands of euros)	2014	2013
Non-current		
Loans and borrowings	26,000	20,000
Obligations under finance leases (Note 6.3)	125	-
	26,125	20,000
Current		
Loans and borrowings	19,864	12,096
Obligations under finance leases (Note 6.3)	81	1
Accrued interest payable	223	211
	20,168	12,308
	46,293	**32,308**

Loans and borrowings

The breakdown of "Loans and borrowings" at December 31 is as follows:

(Thousands of euros)	2014 Amount pending payment	2014 Accrued finance cost (Note 18.5)	2013 Amount pending payment	2013 Accrued finance cost (Note 18.5)
Loans	34,000	546	23,771	290
Borrowings	11,864	328	8,325	350
	45,864	**874**	**32,096**	**640**

The loans and borrowings accrue floating interest at market rates.

At December 31, 2014 and 2013, the Company had been granted credit facilities up to a total limit of 45,000 thousand and 32,000 thousand euros, respectively.

The breakdown by maturities of loans and borrowings at December 31 is as follows:

(Thousands of euros)	2014	2013
1 - 2 years	4,000	4,000
2 - 3 years	4,000	4,000
3 - 4 years	4,000	4,000
4 - 5 years	14,000	4,000
Over 5 years	-	4,000
	26,000	**20,000**

At December 31, 2014, the Company had contracted reverse factoring agreements with an aggregate limit of 7,300 thousand euros (at December 31, 2013 amounted to 6,100 thousand euros). In addition, the Company holds multi-risk insurance policies amounting to a total of 11,500 thousand euros (at December 31, 2013 amounted to 11,000 thousand euros).

16.2 Hedging instruments and other financial liabilities

The breakdown of "Financial liabilities" as classified at December 31 is as follows:

(Thousands of euros)	2014	2013
Non-current		
Loans at a subsidized interest rate	5,894	5,005
Other non-current debts	5,000	5,000
Hedging instruments (Note 14)	682	-
Borrowings from group companies and associates (Note 20.1)	4,500	4,500
Other borrowings	22	-
	16,098	**14,505**
Current		
Borrowings from group companies and associates (Note 20.1)	10,155	32,648
Trade and other payables	12,971	18,173
Loans at a subsidized interest rate	963	1,087
Payable to shareholders and directors	1,732	1,660
Payable to suppliers of non-current assets	1,930	1,995
Other borrowings	40	15
Hedging instruments (Note 14)	5,009	-
	32,800	**55,578**

Loans at a subsidized interest rate

At December 31, 2014 and 2013, 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.

(Thousands of euros)	2014		2013	
	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	6,565	5,894	5,769	5,005
Current				
Loans at a subsidized interest rate	978	963	1,105	1,087
	7,543	**6,857**	**6,874**	**6,092**

The totals recognized under finance costs in 2014 and 2013 corresponding to these loans amount to 194 thousand and 170 thousand euros, respectively (Note 18.5).

The breakdown by maturity of the non-current loans with a subsidized interest rate at December 31 is as follows:

(Thousands of euros)	2014	2013
1 - 2 years	823	928
2 - 3 years	891	813
3 - 4 years	936	805
4 - 5 years	897	784
Over 5 years	2,347	1,675
	5,894	**5,005**

Other non-current debts

During 2013, the Company was granted 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)	2014	2013
1 - 2 years	833	-
2 - 3 years	833	833
3 - 4 years	833	833
4 - 5 years	833	833
Over 5 years	1,668	2,501
	5,000	**5,000**

Trade and other payables

The breakdown of "Trade and other payables" at December 31 is as follows:

(Thousands of euros)	2014	2013
Suppliers	2,789	7,098
Suppliers, group companies, and associates (Note 20.1)	1,933	2,628
Other payables	5,700	6,504
Employee benefits payable	1,996	1,179
Customer advances	553	764
	12,971	**18,173**

17. TAXES

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	2014	2013
Deferred tax assets		
Temporary differences	2,599	755
Current income tax assets	1,722	593
Other payables to public administrations		
VAT	4,135	4,636
Grants received	4	51
	8,460	**6,035**
Deferred tax liabilities	(1,433)	(587)
Current income tax liabilities	(2,901)	-
Other payables to public administrations		
Personal income tax withholdings	(4,943)	(4,305)
Social security	(583)	(603)
Electricity tax	(593)	(483)
	(10,453)	**(5,978)**

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.

17.1 Income tax

The reconciliation of income and expenses for the year with tax results is as follows:

(Thousands of euros)	Income statement			Income and expense recognized directly in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2014						
Income and expenses for the year						
Continuing operations			67,856			(4,094)
Discontinued operations			-			-
			67,856			(4,094)
Income tax						
Continuing operations			3,419			(1,485)
Discontinued operations			-			-
			3,419			(1,485)
Income and expenses for the year before tax			71,275			(5,579)
Permanent differences	220	(55,418)	(55,198)	-	-	-
Temporary differences						
Arising in 2014	932	(563)	369	4,929	-	4,929
Arising in prior years	1,187	(205)	982	649	-	649
Tax result			**17,428**			**-**
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 2013	2,300	-	2,300	-	(1,023)	(1,023)
Arising in prior years	-	(465)	(465)	2,275	-	2,275
Tax result			**11,757**			**-**

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 in temporary differences during 2014 was mainly due to the amount of the depreciation of the revalued assets at January 1, 2013; the accounting expense is not deductible until 2015.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates is as follows:

(Thousands of euros)	2014		2013	
	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	71,275	(5,579)	73,097	(1,252)
Tax charge (tax rate: 30%)	21,382	(1,674)	21,929	(375)
Deduction for double taxation on dividends	(300)	-	(300)	-
Deduction for international double taxation (royalties and other services)	(611)	-	(467)	-
Deductions for research and development	(352)	-	(1,523)	-
Investment tax credits	(1,127)	-	(1.137)	-
Other deductions	(33)	-	-	-
Impact of permanent differences	(16,560)	-	(18,953)	-
Adjustments due to changes in tax rates	-	189	-	-
Tax expense (income)	**2,399**	**(1,485)**	**(451)**	**(375)**
Tax paid abroad (*)	1,020	-	859	
Tax expense (income)	**3,419**	**(1,485)**	**408**	**(375)**

(*) Amounts prepaid abroad for services, royalties, and other items.

The breakdown of income tax expense/(income) is as follows:

(Thousands of euros)	2014		2013	
	Income statement	Recognized directly in equity	Income statement	Recognized directly in equity
Current income tax	3,104	-	1,844	-
Changes in deferred taxes				
From cash flow hedges (Note 13.1)	-	(1,568)	-	(78)
Grants, donations, and bequests received (Note 13.2)	-	(106)	-	(297)
Other temporary differences	(482)	-	(559)	-
Deductions generated	(2,423)	-	(3,427)	-
Deductions applied	2.200	-	1,691	-
Adjustments due to changes in tax rates	-	189	-	-
	2,399	**(1,485)**	**(451)**	**(375)**

Refundable income tax was calculated as follows:

(Thousands of euros)	2014	2013
Current income tax	3,104	1,844
Withholdings	(203)	(2,437)
Income tax payable	**2,901**	**(593)**

The amount refundable related to 2013 corporation tax which had not been collected at year-end 2014 is recognized under "Deferred tax assets." The definitive amount was 1,722 thousand euros, which was mainly due to the fact that the definitive payment of corporate income tax during the year was affected by a reduced taxable base caused by temporary differences arising during the year as a result of impaired investments in group companies. The total amount was collected in January of 2015.

17.2 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
2014				
Deferred tax assets				
Trade receivables	85	148	-	233
Depreciation and amortization	65	(21)	-	44
Balance sheet restatement	605	196	-	801
Cash flow hedges	-	-	1,298	1,298
Unused tax deductions	-	223	-	223
	755	546	1,298	2,599
Deferred tax liabilities				
Non-current investments in group companies	(47)	(1,034)	-	(1,081)
Cash flow hedges	(12)	-	12	-
Non-repayable grants	(528)	-	176	(352)
	(587)	(1,034)	188	(1,433)
	168	**(488)**	**1,486**	**1,166**
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**

Law 29/2014, of December 24 on reformed tax legislation and economic incentive measures changed the general tax rate from the current 30% to 25% for upcoming years. As a result, the Company adjusted the deferred tax assets and liabilities from prior years based on the prevailing rate at the estimated reversal date. The effect of this adjustment represented a charge to equity in the amount of 189 thousand euros, which had no effect on the year's income statement (Notes 13 and 14).

18. INCOME AND EXPENSES

18.1 Revenue

The distribution of revenue corresponding to the Company's ordinary activity by market segment is as follows:

(Thousands of euros)	2014	2013
By business segment		
Sale of meat, cellulose, plastic, and collagen casings	129,967	116,724
Sale of spare parts and machinery	6,785	7,091
Sale of energy	38,427	38,594
Other sales	195	109
Services provided	428	371
	175,802	**162,889**
By market segments		
Domestic market	51,262	51,261
Foreign market	124,540	111,628
	175,802	**162,889**

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

Royal Decree Law 9/2013, published on July 12, 2013, adopted urgent measures to ensure the financial stability of the electricity system with regard to its compensation regime. The most relevant aspect was the disappearance of the traditional premium model, which was substituted by one based on a reasonable rate of return.

In this regard, in January of 2014 the Royal Decree project as well as the "Order approving the economic incentives for electricity installations which use combined heat and power, renewable energy sources, and waste" which the Secretary for Energy sent to the National Markets and Competition Authority.

The Company estimated the remuneration from energy sales from July 14, 2013 to December 31, 2013 using the calculation parameters established in the proposed Order.

On June 20, 2014, Order IET/1045/2014 approving the definitive retribution parameters was published. The originally-foreseen hour limitation was eliminated, and the definitively approved tariffs were a general improvement with regard to the abovementioned draft, and had a positive net impact on the 2014 income statements totaling 2.7 million euros.

18.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2014	2013
Consumption of raw materials and other consumables		
Purchases in Spain	41,799	44,324
EU acquisitions	11,896	11,542
Imports	6,248	3,794
Changes in raw materials and other consumables	66	2,248
	60,009	**61,908**

The breakdown of "Consumption of goods" is as follows:

(Thousands of euros)	2014	2013
Purchases of goods for resale		
Purchases in Spain	7,077	2,430
EU acquisitions	5,217	7,751
Imports	3,048	4,740
Change in goods for resale	(630)	(385)
	14,712	**14,536**

18.3 Social security costs, et al

The breakdown of "Social security costs, et al" is as follows:

(Thousands of euros)	2014	2013
Social security	6,996	6,685
Other employee welfare expenses	1,250	1,147
	8,246	**7,832**

18.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2014	2013
Research expenses	1,025	817
Lease payments	1,018	1,040
Repairs and maintenance	12,074	11,427
Independent professional services	3,734	3,798
Transportation services	2,186	1,967
Insurance premiums	788	589
Bank services	72	165
Publicity, advertising, and public relations	596	1,305
Utilities	8,266	9,017
Other services	7,854	6,680
	37,613	**36,805**

18.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2014	2013
Loans (Note 16.1)	546	290
Loans to group companies (Note 20.1)	316	446
Credit facilities (Note 16.1)	328	350
Loans with subsidized interest rates (Note 16.2)	194	170
Other financial liabilities	116	17
	1,500	**1,273**

19. FOREIGN CURRENCY

The breakdown of transactions carried out in currencies other than the euro is as follows:

(Thousands of euros)	2014	2013
Revenue		
Sales	68,737	57,958
Goods for consumption		
Purchases of raw materials and other consumables	(8,564)	(8,101)
Purchases of goods for resale	(1,138)	(1,544)
Other operating income		
Ancillary income	3,575	1,690
Employee benefits expense		
Wages and salaries	(140)	(141)
Social security costs, et al	(6)	(10)
Other operating expenses		
External services	(2,381)	(2,205)

20. 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.

20.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2014		
Customers (Note 8.1)	13,867	165
Current loans (Note 8)	5,032	-
Current dividends receivable (Note 8)	190	-
Suppliers (Note 16.2)	(1,933)	-
Current accounts payable (Note 16.2)	(14,655)	-
2013		
Customers (Note 8.1)	11,804	41
Current loans (Note 8)	16,956	-
Current dividends receivable (Note 8)	163	-
Suppliers (Note 16.2)	(2,628)	-
Current accounts payable (Note 16.2)	(37,148)	-

Loans to group companies

At December 31, 2014, the Company maintained a loan granted to Viscofan Technology (Suzhou) Co. Ltd. It was signed on October 14, 2013, and matured on December 31, 2104, amounting to 5,000 thousand euros. The loan bears interest equivalent to Euribor plus 2 percentage points, and was renewed by both parties until December 31, 2015.

Also, on December 31, 2013, the Company had a financing contract with Viscofan Uruguay, S.A. signed on May 15, 2013, which matured at year-end 2014. The amount drawn down was 11,823 thousand euros at December 31, 2013. The loan bore interest equivalent to 90-day Euribor plus 2 percentage points, and was canceled in 2014.

Borrowings from group companies

At December 31, 2014 and 2013, 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)	2014	2013	Interest rate	2014	2013
Naturin Viscofan, GMBH	-	4,000	1.99%	22	88
Viscofan CZ, S.r.o.	10,000	22,900	One-month Euribor + 1.07%	177	233
Industrias Alimentarias de Navarra, S.A.U.	-	5,500	Three-month Euribor + 1.90%	54	67
	10,000	**32,400**		**253**	**388**

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 costs associated to this loan during 2014 and 2013 were 63 and 58 thousand euros, respectively.

Transactions entered into with related parties were as follows:

	2014		2013	
(Thousands of euros)	Direct parent	Companies with an indirect investment	Direct parent	Companies with an indirect investment
Revenue				
Sale of casings	59,092	1,557	49,108	1,587
Sale of spare parts and machinery	6,749	32	7,036	14
Services provided	428	-	371	-
Goods for consumption				
Purchases of casings and other	(13,564)	-	(6,858)	-
	1,036	6	-	-
Other income				
Other operating income	9,481	129	8,201	172
Employee benefits expense				
Other employee benefits expense	(5)	-	(6)	-
Other operating expenses	164	-	-	-
External services received				
External services re-invoiced	(1,136)	14	(2,005)	(15)
Net finance income (expense)	1,995	71	2,072	59
Finance income - dividends				
Finance income - interest	54,170	-	62,828	-
Finance expense - interest	234	-	141	-
Profit from the sale of intangible assets	(316)	-	(446)	-

20.2 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 were 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 2014 is as follows:

	Thousands of euros							
	Salaries	Fixed remune-ration	Per diems	Variable remunera-tion - short term	Variable remuneration - long term	Remuneration from membership in other commissions	Boards of other group companies	Total
2014								
Mr. José Domingo de Ampuero y Osma	347	350	-	171	-	-	-	868
Mr. Nestor Basterra Larroudé	-	330	33	-	-	100	50	513
Ms. Agatha Echevarría Canales	-	255	33	-	-	109	-	397
Mr. Alejandro Legarda Zaragüeta	-	80	27	-	-	45	-	152
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	33	-	-	51	-	164
Ms. Laura González Molero	-	80	27	-	-	20	-	127
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Mr. Jaime Real de Asúa Arteche	-	58	24	-	-	10	-	92
Mr. José Antonio Canales García	307	-	-	342	-	-	-	649
Mr. José Cruz Pérez Lapazarán	-	22	9	-	-	10	-	41
Mr. Gregorio Marañón Bertrán de Lis	-	22	9	-	-	9	-	40
	654	**1,357**	**228**	**513**	**-**	**384**	**50**	**3,186**

Remuneration paid to Mr. José Cruz Pérez Lapazarán and Mr. Gregorio Marañón Bertrán de Lis correspond to the month of April, when they stepped down as members of the Company's Board of Directors, in accordance with the decision made during the General Shareholders' Meeting held on April 11, 2014.

During the same meeting, Mr. Jaime Real de Asúa y Arteche was named independent director, and Mr. José Antonio Canales García was named executive director.

The two executive directors received a fixed compensation totaling 654 thousand euros and a variable amount of 513 thousand euros (both reflected on the above table).

The breakdown for remuneration in 2013 is as follows:

	Thousands of euros							
	Salaries	Fixed remune-ration	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 remuneration paid to Mr. José Domingo de Ampuero y Osma, the sole board member providing the group executive functions during 2013, was 350 thousand euros salary and 116 thousand euros in variable compensation (both amounts are reflected on the above table).

At December 31, 2014 and 2013, 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 2014 and 2013 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.

The Viscofan Group has contracts with its two board members which include golden parachute clauses. The cancellation of these contracts in certain objective terms not attributable to these board members will entitle them to an indemnity payment. The average total indemnity payable is two and half times the annual salary.

Viscofan's directors have communicated that insofar as article 229 of the Capital Companies Law is concerned they do not have any conflicts of interest with the Company.

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 until then, 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.

During 2014 and 2013, senior Company management received remuneration amounting to 1,259 and 1,769 thousand euros, respectively. 2013 remunerations including amounts paid to Mr. José Antonio Canales García, totaling 517 thousand euros.

In 2014, the Viscofan's CEO was appointed to the Board of Directors. As a result, the Company's new organizational structure changed as did the consideration as senior management; In 2014, Viscofan's CEO was appointed to the Board of Directors. As a result, the Company's new organizational structure changed as did the consideration of senior management; for the purposes of comparison, this information is broken down using homogeneous data for 2013.

20.3 Other related parties

Financial debt includes a 5 million euro loan granted in 2013 by a financial entity linked to Corporación Financiera Alba, S.A., which owns 6.7% of the Company's shares at year-end 2014. Payments made, including financial expenses, totaled 162 thousand euros. All the transactions were carried out in normal market conditions.

21. 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.

21.1 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)	2014	2013
Non-current financial investments	132	132
Trade and other receivables	44,390	35,783
Current loans to group companies	5,222	17,119
Current financial investments	-	5,059
	49,744	**58,093**

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)	2014	2013
Not due	21,775	16,741
Past due, not impaired		
Less than 3 months	162	1,390
3 – 6 months	-	400
6 – 12 months	-	71
More than 12 months	-	-
	21,937	18,602
Doubtful (over 6 months)	733	116
Impairment allowances (Note 8.1)	(733)	(116)
Total	**21,937**	**18,602**

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.

21.2 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 19, 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:

	2014	2013

(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	15,997	2,557	11,099	2,900
In Canadian dollars	70	-	-	-
In pounds sterling	1,863	-	851	-
Other	410	-	434	-
	18,340	**2,557**	**12,384**	**2,900**

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.

21.3 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
2014					
Bank borrowings					
Loans	-	8,000	26,000	-	34,000
Borrowings (*)	-	11,864	-	-	11,864
Accrued interest payable	223	-	-	-	223
Liabilities from capital leases	20	61	125	-	206
Derivatives	1,262	3,747	682	-	5,691
Other financial liabilities	2,308	2,357	6,902	4,014	15,581
Payable to group companies	42	10,113	4.500	-	14,655
Trade and other payables	12,971	-	-	-	12,971
	16,826	**36,142**	**38,209**	**4,014**	**95,191**

(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**

(*) 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.

22. OTHER INFORMATION

22.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average Headcount during the Year
	Men	Women	Total	
2014				
Executives	16	2	18	18
Engineers and technicians	142	32	174	165
Administrative personnel	3	32	35	34
Specialized personnel	87	19	106	100
Laborers	246	79	325	309
	494	**164**	**658**	**626**
2013				
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**

22.2 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, 2014 and 2013:

(Thousands of euros)	2014	2013
Fees for audit of the financial statements	102	100
Other audit services	22	42
Other services	5	5
	129	**147**

The above amounts include all 2014 and 2013 related fees, irrespective of when they were actually billed.

22.3 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
2014				
Cost	11,338	-	-	11,338
Accumulated depreciation	(9,333)	(446)	-	(9,779)
	2,005			**1,559**
2013				
Cost	11,012	326	-	11,338
Accumulated depreciation	(8,862)	(471)	-	(9,333)
	2,150			**2,005**

The expenses to protect and improve the environment during 2014 and 2013 were ordinary and amounted to 951 thousand and 968 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.

22.4 Information on the average payment period to suppliers

The average payment period was 35 days (2013: 35 days).

23. EVENTS AFTER THE BALANCE SHEET DATE

As discussed in Note 9, 0n February 23, 2015, Viscofan, S.A. communicated the CNMV of the expiration of the deadline agreed upon with Portobello Capital Gestión, S.G.E.C.R., S.A., or the purchase of 100% of the shares of Industrias Alimentarias de Navarra, S.A.U. and its subsidiaries Lingbao Baolihao Food Industrial Co. and IAN Perú, S.A. without any agreements having been reached with the sufficient guarantees as outlined in the offer's letter of acceptance. The Group does not rule out the possibility that other offers may materialize allowing IAN involvement in a project with greater projection based on its strengths as well as the Carretilla brand image as a leader in the Spanish vegetable food sectors.

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

Viscofan S.A Management Report

Business performance and situation of Viscofan S.A.

In 2014 the casings market again performed well in terms of growth, outstripping global GDP growth with an estimated increase of 5-6%. Once again the main drivers were the emerging markets of Asia and Latin America, with growth stable in Western Europe. This offset the more sluggish performances in North America, where the PED virus took a toll on pig stocks, and in Eastern Europe, which was affected by the region's political instability. In a year of strong commercial and operational activity within the Group, Viscofan S.A. contributed as a centre of excellence and parent that coordinates all the activity carried out by its subsidiaries.

Ministerial Order IET/1045/2014 of 16 June, approving the remuneration parameters for standard facilities, applicable to certain electricity production facilities based on renewable energy, cogeneration and waste, was published on 20 June 2014. This Ministerial Order includes amendments made to the initial draft which had been used to book the impact in 2013 of that regulation on cogeneration activity at production facilities in Cáseda. Taking into account these amendments, in the second quarter of 2014 the company booked additional non-recurring revenue and EBITDA of €2.9 million and €2.7 million respectively.

Viscofan S.A.'s revenue in 2014 amounted to €175.8 million, up 7.9% year-on-year. This growth was driven by higher sales volume of artificial casings, with revenues up 10.5% to €137.4 million, while cogeneration revenues fell 0.4% to €38.4 million, 8.1% excluding the non-recurring revenue stemming from the new cogeneration regulations.

The strong volume growth was accompanied by the production improvements achieved and cost savings in raw materials. As a result, the gross margin[1] increased to 56.5% in 2014 (1.5 p.p. higher than at the end of 2013) with costs of consumption[2] rising by 4.4% year-on-year to €76.5 million.

Against a backdrop of increased production activity, personnel costs amounted to €37.8 million, up 6.5% year-on-year.

Other operating expenses at the end of December 2014 totalled €42.0 million, up 1.4% compared with 2013, as a result of cost containment and the energy efficiency measures implemented.

In 2014 Viscofan S.A. achieved sales volume growth and better operating margins thanks to cost savings and production efficiencies, resulting in a 2.4 p.p. increase in the EBITDA[3] margin to 17.2%, and +1.1 p.p. stripping our the impact of the non-recurring revenue stemming from the new cogeneration regulations. As a result, EBITDA grew 25.1% year-on-year to €30.2 million (13.8% in recurring terms).

[1] Gross margin = (Income – Cost of consumption)/Income.
[2] Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.
[3] EBITDA = Operating Profit (EBIT) + depreciation of property, plant and equipment and amortization of intangible assets.

Depreciation and amortisation charges in 2014 stood at €12.0 million, down 2.6% year-on-year. As a result, EBIT in 2014 amounted to €18.2 million, up 54.0% year-on-year.

Financial results fell 13.4% to €53.1 million as a result of the lower dividend distribution by the Group's subsidiaries.

Profit before tax amounted to €71.3 million, down 2.5% year-on-year. As a result, net profit in 2014 amounted to €67.9 million, down 6.7% compared with €72.7 million in 2013.

In November 2014 the Board of Directors of Viscofan accepted an offer made by Portobello Capital Gestión, S.G.E.C.R., S.A. to acquire 100% of the issued capital of IAN S.A.U. and subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A. The purchase price was worth 55.5 million Euros for 100% of the Equity. Finally, on February 23rd, 2015 Viscofan S.A. informed to C.N.M.V (Spanish Securities Market Commission) the end of the exclusivity period agreed with Portobello Capital Gestión, S.G.E.C.R., S.A. without having reached an agreement with enough warranties in accordance with the acceptance letter. This does not preclude that new offers may arise in the future that allow IAN Group integration in a new valuable project based on IAN leadership in Spain and its Carretilla brand.

The operation is part of Viscofan´s strategy to focus its management in the casing business, an industry in which is the world leader and has strong growth prospects in the short and medium term.

Thus, the net book value associated with the direct shareholding in Industrias Alimentarias de Navarra S.A.U. has been booked as a "Non-current asset held for sale."

Operating cash flow was robust thanks to the growth in casing revenues and improvement in profitability and, coupled with the strong balance sheet, enabled the company to finance projects aiming to improve service quality in a growing market and streamlining measures. This investment has been made both in fixed assets and in stakes in Group companies.

Viscofan S.A. invested €15.3 million in industrial equipment, €15.2 million in shareholdings in Group companies and €9.1 million in working capital in 2014, while also increasing shareholder remuneration, which entailed a cash outflow of €53.8 million for dividends, up 4.5% year-on-year.

As a result, net bank debt[4] in December 2014 stood at €45.8 million, compared with €31.5 million in 2013. Financial leverage[5] is low at 12.0% as result of this debt level.

Company outlook

The growth fundamentals of the artificial casings market remain robust and include population, the change in food consumption habits and the sophistication of meat processors, while Viscofan S.A., as the parent of the Viscofan Group, faces 2015 in a solid competitive position and balance sheet robustness to remain one of the Group's key commercial, production and financial cornerstones.

[4] Net bank debt = long and short financial debt - cash and cash equivalents.
[5] Financial leverage = Net bank debt/Equity.

Furthermore, as a Group centre of excellence for cellulose, Viscofan S.A. is aiming to unlock further production efficiencies and foster technological development. Through better know-how it will then be able to set new goals as the benchmark for the Viscofan Group's other production centres.

In the first few months of 2015 the Group will benefit from the sharp rise of the US dollar (the Group's main commercial currency) against the euro since the end of 2014 given its strong export focus.

Environment

Viscofan understands that business management must adopt criteria that are consistent with both productive and economic efficacy, and sustainable development.

Viscofan 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. To improve coordination and Group efforts with regard to environmental matters in both health and safely in the 2014 financial year, the Board of Directors approved the EHS corporate policy to guide the improvement plans to be implemented over the coming financial years, as well as support the Viscofan Group's priority measures in terms of environment, safety and hygiene.

Viscofan works in two main dimensions providing structure and guidance for environmental projects to:

- Provide sustainability in resource usage.
- Contribute towards preventing climate change.

In 2015 an in-depth review was conducted of the initiatives, objectives and control for the use of water at the Group's various plants.

Note 23.1 of the accompanying financial statements provides a breakdown of investments and costs relating to the environment in 2014 and 2013.

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.

Viscofan S.A. stock market performance

Stock markets were highly volatile in 2014 amid increasing liquidity. Central banks took centre stage, implementing monetary policies to boost economies in a context of clear divergence between different geographic regions in terms of growth. This macroeconomic imbalance affected the currency markets, with the US dollar rising sharply against the euro in the final quarter. As a result a euro was worth 1.214 dollars at the end of 2014, down 12.0% year-on-year (1.379).

Against this backdrop, stock markets also exhibited high levels of volatility and decorrelation: the US S&P 500 ended 2014 up 11.4% while in Europe the Ibex-35 grew by 3.7% in Spain, the DAX advanced 2.7% in Germany and the CAC fell 0.5% in France. It is worth recalling that in 2013 most major global markets notched up double-digit growth. Against this setting, Viscofan's share price closed 2014 at €44.07, up 6.6% year-on-year and 9.4% including shareholder remuneration

Viscofan ended the year with a market capitalisation of €2,054 million (+6.6% vs. 2013), outperforming the Ibex-35 (+3.7% vs. 2013), an index that included Viscofan until 22 December 2014.

Over 78.1 million Viscofan shares were traded in 2014, 170% of the total in circulation, with a traded volume of €3,233 million, equivalent to a daily average of €12.6 million, representing a year-on-year increase of 28.4%.

Average payment period

In 2014 Law 31/2014 of 3rd December was enacted, amending the Spanish Companies Act with a view to improving corporate governance. Under this law, companies unable to present abridged income statements must indicate in their management reports the average supplier payment period, calculated using the criteria approved by the Ministry of Finance and Public Administrations, in accordance with paragraph three of the second final provision of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability

In relation to this reporting requirement, Viscofan S.A.'s average payment period in 2014 was 35 days (35days in 2013), below the maximum under Spanish law.

Acquisition of treasury shares

At December 31, 2014 the Company owned no treasury shares.

Description of risks and uncertainties

Viscofan S.A. 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. Information 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. Compliance risks: Environment, accidents in the workplace; safety and hygiene at work and for food products; sabotage. Development of the regulatory framework; multinational food legislation compliance; compliance of obligations derived from business transactions; corporate risk; LOPD.

Events after the balance sheet date

On February 23rd, 2015 Viscofan S.A. informed to C.N.M.V the end of exclusivity period agreed with Portobello Capital Gestión, S.G.E.C.R., S.A. to acquire 100% of the issued capital of IAN S.A.U. and subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A without having reached an agreement with enough warranties in accordance with the acceptance letter.

ANNUAL CORPORATE GOVERNANCE REPORT 2014

Viscofan S.A

Year end: 31/12/2014

(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	
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	ONCHENA S.L.	1,406,947	3,019
MARATHON ASSET MANAGEMENT, LLP	0		2,297,473	4.930
APG Algemene Pensioen Groep NV, Inc.	2,408,875		0	5,169
BLACKROCK, INC.	0		1,463,530	3.140
DELTA LLOYD N.V.	0		1,426,704	3.061
CORPORACION FINANCIERA ALBA SA		ALBA PARTICIPACIONES SAU	3,162,694	6,786

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MARATHON ASSET MANAGEMENT, LLP	Other shareholders of the Company	2,297,473
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	1,406,947
DELTA LLOYD N.V.	Other shareholders of the Company	1,426,704
BLACKROCK, INC.	Other shareholders of the Company	1,463,530
CORPORACION FINANCIERA ALBA SA	Alba participaciones S.A.U.	3,162,694

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
CORPORACION FINANCIERA ALBA S,A	29/05/2014	Exceeded 3% of the share capital
CORPORACION FINANCIERA ALBA S,A	30/06/2014	Exceeded 5% of the share capital
AMERIPRISE FINANCIAL, INC	06/02/2014	Down from 3% of the share capital
ONCHENA S.L.	29/5/2014	Down from 5% of the share capital
APG ALGEMENE PENSIOEN GROEP N.V.	18/02/2014	Exceeded 5% of the share capital
BESTINVER GESTION SA SGIIC	14/03/2014	Exceeded 3% of the share capital
BESTINVER GESTION SA SGIIC	08/05/2014	Down from 3% of the share capital
UBS AG	28/05/2014	Exceeded 3% of the share capital
UBS AG	12/06/2014	Down from 3% of the share capital
UBS AG	13/06/2014	Exceeded 3% of the share capital
UBS AG	17/06/2014	Down from 3% of the share capital
UBS AG	04/07/2014	Exceeded 3% of the share capital
UBS AG	07/07/2014	Down from 3% of the share capital
UBS AG	08/07/2014	Exceeded 3% of the share capital
UBS AG	01/08/2014	Down from 3% of the share capital
UBS AG	18/09/2014	Exceeded 3% of the share capital
UBS AG	22/09/2014	Down from 3% of the share capital
UBS AG	24/09/2014	Exceeded 3% of the share capital
UBS AG	25/09/2014	Down from 3% of the share capital
UBS AG	29/09/2014	Exceeded 3% of the share capital
UBS AG	30/09/2014	Down from 3% of the share capital

A.3- Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

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	
MR JOSE DOMINGO DE AMPUERO Y OSMA	50,322		0	0.11
MR NESTOR BASTERRA LARROUDÉ	212,452		0	0.46
MS AGATHA ECHEVARRÍA CANALES	16,809		0	0.036
MR ALEJANDRO LEGARDA ZARAGÜETA	8,250		0	0.018
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	30,276		0	0.065
MR JOSÉ MARÍA ALDECOA SAGASTOSOLA	0		0	0.000
MS LAURA GONZÁLEZ MOLERO	5		0	0.000
MR. JAIME REAL DE ASÚA Y ARTECHE	0			
MR. JOSÉ ANTONIO CANALES GARCÍA	10,453			0.02

Total % of voting rights of the Board of Directors:	0.70

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:

Name or company name	Relationships type	Description
CORPORACIÓN FINANCIERA ALBA S.A.	CORPORATE	JOSE DOMINGO DE AMPUERO Y OSMA IS MEMBER OF ITS BOARD OF DIRECTOR

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 fiscal 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	
30/04/2013	1,490	31,500	0,000	44,710	77,700
11/04/2014	1,190	36,920	0,000	38,250	76,360

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 IGNACIO MARCO - GARDOQUI IBAÑEZ	-	DIRECTOR	01/01/2010	01/06/2010	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
MR. JAIME REAL DE ASUA Y ARTECHE		DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JOSE ANTONIO CANALES GARCÍA		DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

Total number of Directors	9

Indicate any separations from the Board of Directors during the period:

Name or company name of the Committee	Committee that proposed the nomination	Position on the Company's organizational chart
MR. JOSÉ CRUZ PEREZ LAPAZARÁN	independent	11/04/2014
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	independent	11/04/2014

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
MR. JOSE ANTONIO CANALES GARCÍA	Appointments and remuneration Committee	DIRECTOR

Total number of Executive Directors	2
% of the entire Board	22,222

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 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). Doctor in innovation economics from the Universidad Politécnica de Madrid.

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 until 2014, and board member from then onwards.

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 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 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 Committee of Gamesa Corporación Tecnológica, S.A.

Name or company name of the Director

MRS. LAURA GONZALEZ MOLERO

Profile

Chairman of Bayer Healthcare Latin America and Independent Director of the Leche Pascual Group.

Since June 2014, and based in the USA, she has directed the operations of the Bayer Healthcare Group Division. Before joining this company, she chaired Merck's pharmaceutical division, based in Brazil, from January 2012 onwards. Likewise, she headed the project to integrate Milipore in the Merck Chemical group. Prior to this, she headed the process to merge the Merck Group with the biotech company Serono in 2007, an entity in which she had held a number of executive positions since 1999 and, at the time of the merger with the Merck group, she held the post of Vice-Chair of Serono Iberia and Scandinavian Countries.

She was the Managing Director of Essex Pharmaceuticals of the Schering-Plough Group and of the Pharmaceuticals Laboratory Guerbert S.A, as well as the sales director of Roche Iberia S.A.

She is currently a member of the National Board of Directors of ApD and Director of the Adecco Foundation.

In the course of her career, she has received a number of prizes and awards, in recognition of her work as an outstanding director.

She is a member of the Viscofan Appointment and Remuneration Committee.

Name or company name of the Director

MR JAIME REAL DE ASUA Y ARTECHE

Profile

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He currently holds the post of Vice-chairman of the Board of Directors of Elecnor, S.A. He is also Chairman and director of Adhorna Prefabricación S.A., director of Enerfin Sociedad de Energía S.A. and of Enerfin Enervento S.A., director of Celeo Concesiones e Inversiones, and director of Deimos, all part of the Elecnor Group. Likewise, from 1987 to 2012, he was director of Internacional de Desarrollo Energético, S.A. (IDDE).

Furthermore, from 1981 to 2011, he was associated with the Cementos Portland Valderrivas Group, holding a number of management posts and was on the Board of a number of its companies.

Total number of Independent Directors	5
% of the entire Board	55,555

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
Mr. NESTOR BASTERRA LARROUDÉ	Appointment and remuneration committee	
MRS. AGATHA ECHEVARRIA CANALES	Appointment and remuneration committee	
Total number of Executive Directors	2	
% of the entire Board	22.222	

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
MRS . AGATHA ECHEVARRIA CANALES	More than 12 years on the Board of Directors.	
MR. NESTOR BASTERRA LARROUDE	More than 12 years on the Board of Directors.	

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
AGATHA ECHEVARRIA CANALES	11/04/2014	Independent	Other external
MR. NESTOR BASTERRA LARROUDE	11/04/2014	Independent	Other external

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 2014	Period 2013	Period 2012	Period 2011	Period 2014	Period 2013	Period 2012	Period 2011
Executive	0	0	0	0	0	0	0	0
Representing controlling shareholders	0	0	0	0	0	0	0	0
Independent	1	2	2	2	11.11	11.11	25	25
Other external	1				11.11	11.11		
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.

The duties of the Appointment and Remuneration Committee include establishing a representation target for the least represented sex on the board or directors, and preparing guidelines on how to achieve this objective. As a result of the amendment of the regulations of the Board of Directors, approved on the 26th February 2015, 33.33% of its members are women.

In accordance with the current composition of the Board of Directors, women account for 22.22%

The Committee has worked on ensuring the presence of women candidates in the selection processes to cover any board vacancies that may arise, including amongst the requirements to be taken into account, the demand that the total number of candidates to be assessed should equally consider men and women candidates, in order to guarantee gender diversity.

Furthermore, initiatives have been undertaken in order to guarantee the presence of women on the Board and their participation in the various Committees, bearing in mind their status, as well as their education and experience.

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:

The Committee has worked on ensuring the presence of women candidates in the selection processes to cover any board vacancies that may arise, including amongst the requirements to be taken into account, the demand that the total number of candidates to be assessed should equally consider men and women candidates, in order to guarantee 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
MR JOSE DOMINGO DE AMPUERO Y OSMA	In his position as Chairman of the Board, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.
MR. JOSÉ ANTONIO CANALES GARCÍA	In his position as managing director, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.

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	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S.DE R.L DE C.V.	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
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN UK LIMITED	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	GAMEX CB S.R.O.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	VICECHAIRMAN
MR JOSE ANTONIO CANALES GARCIA	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN
MR JOSE ANTONIO CANALES GARCIA	NATURIN VISCOFAN GMBH	DIRECTOR

MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CZ S.R.O.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN URUGUAY S.A.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN USA INC.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN UK LIMITED	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CANADA	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO S. DE RL. DE CV .	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	ZACAPU POWERS DE RL DE CV	DIRECTOR
MR. JOSE ANTONIO CANALES GARCIA	VISCOFAN CENTROAMERICA COMERCIAL SOCIEDAD ANONIMA	SECRETARY

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 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
MR. JAIME REAL DE ASUA Y ARTECHE	ELECNOR	VICECHAIRMEAN

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 21 of the Regulations of the Board of Directors, with an amendment approved by the Board of Directors at the meeting held on 6 February, 2015, 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)	3,186
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)	3,186

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 GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR ANDRES DÍAZ ECHEVARRÍA	HEAD OF OPERATIONS VISCOFAN GROUP
MR MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR EDUARDO AGUIÑAGA	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC.
MR ALEJANDRO MARTÍNEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA SAU
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 (thousand euros)	2,117

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
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA SA	DIRECTOR

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:

The Board of Directors, at its meeting on the 26th February 2015, approved the following amendments to the Regulations of the Board, all within the framework of the dynamic policy to adopt the best corporate governance practices and to adapt the current Regulations to Act 31/2014 of 3rd December, amending the Corporate Enterprises Act in order to improve corporate governance:

Addition of the general principle of diligence; adaptation of the powers reserved for the exclusive knowledge of the Board to include the powers conferred by Law; inclusion of the need for a favourable vote of two thirds of the Board for the permanent delegation of powers and the appointment of CEOs; reinforcement of the commitment of the Board of Directors and the Appointment and Remuneration Committee to guarantee diversity on the Board, in particular with regard to gender; completion of the formalisation in the Regulations of the duties of the Chairman and Secretary of the Board; determination of the composition of the Audit and Appointments and Retribution Committees; more detailed specification of some of their duties, including additional control procedures; details of the duties of the coordinating director to direct the evaluation of the Chairman; reclassification of the duties of the directors, detailing the obligations of each one; inclusion of the definition of related parties, for the purpose of the duties of the directors; and adaptation of the periods for providing information to the shareholders with regard to the General Meeting.

C.1.19- Indicate the procedures for the appointment, re-election, 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 of the version approved by the Board of Directors on the 26th February 2015, establishes 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 Board of Directors must ensure that the procedures to select its members favours the diversity of gender, experiences, knowledge and that there is no implicit bias that may involve some type of discrimination, and, in particular, they should facilitate the selection of women directors.

The proposals relating to the appointment or re-election of directors, within the limits set out in the articles of incorporation, shall be made by the Appointment and Remuneration Committee in the case of independent directors and by the Board itself, subject to a report by the Committee, in the case of the other directors.

Any proposals must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the candidate proposed, and shall include the presence on the Board of a reasonable number of independent directors and shall tend to maintain a majority of directors who are external to management.

The Directors will hold their posts for the term provided in the company bylaws, and may be elected either once or several times.

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, amongst others, 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.

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; should the Chairman have the capacity of executive director, then the coordinating director shall direct the periodical evaluation of the Chairman of the Board of Directors.

c-) the operation of the Board's Committees, based on the report raised by each committee.

The Board must propose, based on the results of the said evaluation, an action plan to correct any shortcomings detected.

In accordance with this article of its Regulations, led by the Appointments and Remunerations Committee or by the coordinating director in the case of the Chairman, 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 and headed by the coordinating director.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors, in the version approved on the 26th February 2015

Article 28. 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 29. 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.

In addition to the circumstances already stated in the point above relating to the resignation of directors (article 28 of the Regulations of the Board), according to article 24 of the Regulations of the Board, in the version approved by the Board of Directors on the 26th February 2015, relating to the duty to avoid conflicts of interest.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. It shall follow the progress of the proceedings and, in view of the same, shall decide on whether or not the Director should continue in office.

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 34. Use of Delegated Voting, according to the version approved by the board of directors at its meeting held on the 26th February 2015
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.
d)

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	11
Number of Board Meetings the Chairman did not attend	0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of Executive or Delegate Committee Meetings	10
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	95.95

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, according to the version approved by the Board, at its meeting held on the 26th February 2015 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) Likewise, it shall be ensured that the company and auditor observe the applicable rules to ensure the independence of the auditors and, specifically, the rules on the provision of non-audit services and any restrictions on the limits on the concentration of the auditor's business.

(iii) It shall establish the appropriate relations with the accounts auditor in order to receive information on matters that could put its independence at risk, and any matters related to the progress of the audit.

(iv) It shall annually receive from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) It shall annually issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

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:

e) 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 35 - 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)	28	25	53
Amount for work other than audit work (thousands of euros)	21.36	4.31	7.44

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	8	8

	Company	**Group**
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	32	36

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., unless there are urgent reasons for calling a meeting or under exceptional circumstances.

The directors may gather additional information when considered advisable. The request shall be channelled through the Secretary of the Board

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:

This was dealt with in point C.1.21 above.

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 analysed 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	2
Beneficiary type	**Description of the agreement**
Executive Chairman	Indemnity of two years' salary in the event of irregular termination, with two years of non-competition.
General Manager Director	Indemnity of three years' salary in the event of irregular termination, with two years of non-competition

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 the General Meeting informed about the clauses? SI

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:

DELEGATE COMMITTEE

Name	Title	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	OTHER EXTERNAL

% Executive Directors	33.33%
% Proprietary Directors	
% Independent Directors	
% Other External Directors	66.66%

AUDIT COMMITTEE

Name	Title	Category
MR ALEJANDRO LEGARDA ZARAGÜETA	CHAIRMAN	INDEPENDENT
IGNACIO MARCO GARDOQUI	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 JAIME REAL DE ASUA Y ARTECHE	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 2014 **Number%**	**Year 2013** **Number%**	**Year 2012** **Number%**	**Year 2011** **Number%**
Delegate 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:

This is regulated in the Articles of Incorporation of the Company and in the Board Regulations

Article 14, -Board regulation

Appointments and Remuneration Committee. (Version approved at the meeting of the Board of 26th February 2015)

The Appointments and Remuneration Committee, formed by a minimum of three and a maximum of five members, 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.

Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.

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. And the minutes of its meetings will be given to all the directors.

Committee name

DELEGATE COMMITTEE

Short description:

Company Articles of Association: Article 30:

1.- The Delegate Committee shall comprise a minimum of three and a maximum of five members. The following will be members of the Delegate Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Delegate 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 Delegate 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, - Delegate Committee.

The Delegate 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 Delegate Committee.

The Board of Directors is empowered to appoint and separate its members based on a report by the Appointments and Remunerations Committee. The agreement must be approved by the favourable vote of two thirds of the members of the Board. The members of the Delegate Committee will automatically cease to sit on the Committee when they cease to serve as Directors of the Company.

The Delegate 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 Delegate 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

This is regulated in the Articles of Incorporation of the Company and in the Board Regulations

Board Regulations:

Article 13,- Audit Committee.

There will be an Audit Committee of the Board of Directors. This will be formed by a minimum of three and a maximum of five members.

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, and also the terms and conditions of engagement.

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) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit.

(f) 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.

(iii) Maintaining the necessary relations with the auditor in order to receive information on all matters that could jeopardize the independence thereof, and any other matters related to the audit procedure.

(iv) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) Annually issuing, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the

valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the independence or with the rules governing the audit.

(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:

This is addressed in article 30 of the Company's Articles of Association, registered in the Companies Register and posted on the corporate website as a consolidated text comprising all applicable provisions.

It is governed also 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 26 February 2015, 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.

Lastly, the Appointments and Remuneration Committee will report to the Board on the business it addresses and submit minutes of its meeting to all directors and customized reports on the most significant matters.

All the aforementioned will be performed notwithstanding its subsequent inclusion in the annual activities report.

Committee name

DELEGATE COMMITTEE

Short description:

The Delegate 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.

The provisions of the regulation were amended by agreement of the Board on the 26th February 2015, amending its Regulations. The text in force was transcribed in point C.2.4 above.

The Delegate 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 26 February 2015 its minimum and maximum number of members, and it has fulfilled its duties, particularly those relating to internal control and to maintaining the independence of the external auditor, 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 Delegate Committee reflects the participation of the different directors in the Board of Directors based on their category:

YES

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:

e) 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 with either the parent company or with other Group companies. 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		0

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.

Article 22 of the Board Regulations, relating to the duty of loyalty establishes the obligation of the Company directors to perform their duties under the principle of personal responsibility with freedom of opinion or judgement and independently with regard to third party relations and instructions.

The duty to avoid conflicts of interest is governed by article 24 of the Board of Directors Regulations, in the version approved on the 26th February 2015.
Article 24.- Duty to avoid conflicts of interest

The directors shall adopt the measures required to avoid situations of conflict with the company interest and with their duties towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence

thereof, with the obligation to immediately resign should the said conflict persist or should their presence on the board be contrary to the company's interests.
Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the agreements or decisions affecting their capacity as member of the board, such as their appointment or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.
Any situations of conflict of interest in which the Directors are involved, shall be included in the annual corporate governance report.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director continues to hold the position.

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies, neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in a situation of conflict of interests with the Company.

Moreover, the duty of loyalty and the duty to avoid conflicts of interest is extended to related parties, according to the definition included in the Board Regulations, in the version approved by the Board at its meeting held on the 26th February 2015.

Article 26,- Related parties

The director's duty of loyalty, of avoiding conflicts of interest and of abstention in its various facets, also covers those activities performed by related parties, based on the definition contemplated in this regulation.

For the purpose of this regulation, the following shall be considered to be related parties:
1) The Director's spouse or spousal equivalent.
2) The ascendants, descendants and siblings of the Director or spouse.
3) The spouses of the ascendants, descendants and siblings of the Director.
4) The companies in which the administrator, either personally or through an intermediary, directly or indirectly, holds or has the power to hold control, holds an executive position or has a significant shareholding.

If the administrator is a legal person, then the following shall be understood to be related parties:
1) The partners who, in relation to the legal person administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
2) De jure or de facto administrators, official receivers, and those attorney-in-fact with general powers of legal person administrator.
3) Companies forming part of the same group, that constitute a decision making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because the said control corresponds to one or several natural persons acting together as one.

4). Those persons that, in accordance with the paragraph above, are related to the directors of the legal person administrator.

With regard to the duties in relation to significant shareholders, article 32 puts the responsibility on the directors acting on their behalf, for extending to the shareholders the duties of the directors, in addition to those legally stipulated or set out in the Articles of Incorporation.

Likewise, the regulation stipulates that any transactions performed with the said significant shareholders must be approved by a plenary meeting of the Board and must be included in the company's annual report and in the corporate governance annual report.

Finally,, Article 34 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 System is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies; specific policies; and local policies. This risk management system and its policies come within the limits provided for in the the rules and regulations applicable to the activity of the Viscofan Group.

These policies are applicable to all the companies over which the company has effective control, and encompass the employees, including senior management, and the actual Company Board of Directors.

The monitoring of the company's Risk Management System is performed through a number of risk management committees, as set out in point E.2.

In the course of this present fiscal year, a review has been made of the map of existing risks, defined by the Overall Risk Committee, in compliance with the code of ethics, the internal regulations and the Be MORE Strategic Plan for the 2012-2015 period. Within this review, the decision was taken to adopt the COSO methodology, reclassifying the risks identified into four categories:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

There are a number of objectives:

- ✓ Update the assessment of the risks already identified on the inherent risk map.
- ✓ Update the assessment of the risks on the residual risk map, taking account of the mitigating measures implemented.
- ✓ Link the risks to the four key objectives of the "Be MORE" Strategic Plan in force.
- ✓ Add new risks.

The Viscofan Group considers relevant risks to be those that could compromise the achievement of its objectives in the MORE initiatives:

- ➢ Market: positioning of Viscofan as a global market leader.
- ➢ Optimisation: reduction of costs and increased efficiency.
- ➢ Returns: value creation by stakeholders within the objectives defined in the annual budget.
- ➢ Excellence: protection of Viscofan's culture and values, improvement of service, quality, commitment to the protection of human rights, safety, and the environment.

By being aware of the location of each risk on the inherent map and on the residual map, it is possible for the Organisation to determine the mitigating effect of the measures adopted and to focus on those risks that are still out of the comfort zone, by adding corrective and preventive measures in order to reduce the impact and/or the probability of the risk occurring.

The management of corporate risks is not a serial process in which each component only affects the following one, but is a multi-directional iterative process in which one component may affect any other one.

All these measures together are reflected in the internal regulations, in the financial reporting internal control system and in the code of conduct implemented throughout the Group.

The company has specifically regulated, assigning the duties corresponding to each case to the various bodies involved in risk management, as described in section E.2 below, including participation in the risk prevention and control system of personnel of investee companies (local level) and at corporate level.

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 powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to "Exclusive 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
AUDIT COMMITTEE
Description of functions
The Audit Committee, through its duties in relation to the internal control and reporting systems, is responsible for overseeing the preparation and control of the financial information in general and, specifically, all the procedures implemented for this purpose, for overseeing the internal audit function and relations with the external auditor, in order to guarantee its independence and ensure a report with no reservations, amongst other functions.

Furthermore, a specific duty of the Audit Commission is to oversee the suitability of the control procedures and policies implemented and to review the internal control systems and risk management, in order to ensure that the main risks are identified, managed and effectively disseminated.

Name of the committee or body
INTERNAL AUDIT
Description of functions
For its part, the objectives of the Internal Audit Department include the insurance and control of risks of any nature, faced by the Organisation. For this purpose it has the power to inspect and assess the control and mitigation systems and procedures for all risks, as well as the methodologies used. To facilitate these duties, Internal Audit is present on all Committees in which senior management is present: Committee for Corporate Responsibility and Regulatory Compliance, Ethics Committee, Overall Risk Committee, Credit Risks Committee and Investment 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 collegial body established for the purpose of making an in-depth analysis of the exposure to risks affecting the organisation, assessing this exposure, and making recommendations for the actions required to manage the risks within reasonable margins.

The Global Risk Committee is therefore a body set up to analyse, rate and coordinate risk issues and management.

Name of the committee or body
CREDIT RISK COMMITTEE
Description of functions
The Credit Risk Committee is established as a supervisory and control body for those risks related to customer payment management. The purpose of this Committee is to thoroughly study the prevention, monitoring and solution of the said risks, through the creation and implementation of those instruments considered to be the most suitable at any given time, including taking out insurance policies. In this way, the supervision of the financial risk incurred during business with the Group's customers is conducted not only at a local level but also at a corporate level, as a regular and ongoing process. In 2014, this Committee held five meetings.

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 identify 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

The risks were identified following the COSO methodology, and are shown on the Viscofan Group's risk map under qualitative and quantitative parameters. The main risks that could affect the achievement of the Viscofan Group's business objectives:

1.- Strategic risks: Those risks affecting the objectives at a high level, aligned with the company's mission. The company has identified the following specific risks within this category:
Natural disasters
Country risk
Risks associated with the competitive environment and the sector market (competitors, customers and substitute products)
Reputation risk
Company property risk
Obsolescence and innovation risk

2.-Information risks Those risks affecting the reliability of the information provided and the objectives with regard to the availability of sufficient capital and resources to conduct business and achieve the company's financial objectives. The company has identified the following specific risks within this category:
Computing contingencies
Integrity of the preparation of financial information
Financing and lack of liquidity
Exchange rate
Interest rate
Budgetary control
Pension plans

3.- Operational risks: Those risks affecting the objectives related to the efficient use of resources and long term business continuity. The company has identified the following specific risks within this category:
Property damage
Business continuity
Energy market
Customer satisfaction
Transport risk
Shortage of raw materials
Public liability
Knowledge and the development of know-how
Human capital
Group cohesion
Food risk
Sabotage

4.- Compliance risks: Those risks affecting the objectives relating to compliance with applicable laws and rules and regulations, including internal rules, in addition to the protection of employees and the company.
Environment

Accidents at work
Occupational safety and hygiene
Evolution of the regulatory framework
Compliance with multinational food legislation
Compliance with obligations derived from business transactions
Corporate risk
Criminal liability of corporate bodies
Taxation

As mentioned in point A.1, during the update of the risk map in 2014, each risk was linked to the four objectives of the strategic plan in force.

E.4- Describe whether the company has a risk tolerance level

The company has a risk map in which the risks are quantitatively and qualitatively rated, making it possible to define a tolerance level for the risk identified. The appetite accepted for the risk is supported by the strategy defined and is reviewed by the various risk committees.

Prior to establishing preventive and corrective measures for each risk identified, the company and the various bodies exercising the functions referred to above, shall discuss the probability of occurrence of each risk, the consequences of the different scenarios in the event of occurrence and the impact that the said occurrence could have on the Group, on its activity and on its financial statements, in addition to its resilience in each case. This information is used to determine the acceptable tolerance level, in order to adapt this to the preventive and corrective measures to be implemented.

E.5- Describe the risks that occurred during the year

The actual company diversification, at a geographic level (sales and production), and with regard to the product range, is a measure in itself that mitigates the risks identified on the risk map. However, this global nature also means that, during the fiscal year, adverse circumstances also develop, making it difficult to achieve the objectives established in the budget for 2014. However, in the course of 2014, the measures implemented and the quantification of the said risks have not prevented the company from achieving the financial objectives established and reported to the investment community.

In this context, some of the risks to materialise with the most significant impact, are as follows:

Risk to materialise during the fiscal year

Strategic risks Country risk

Circumstances giving rise to the risks

The geopolitical situation in Eastern Europe has led to a significant drop in sales in Ukraine.

Functioning of the control systems

The company has avoided sales trips to the country in military conflict, whilst strengthening business activities in the neighbouring countries which, due to cultural affinity or as an export route, have a similar consumption profile to Ukraine. A measure directed at recovering the drop in sales in that country.

Risk to materialise during the fiscal year

Financial risk: exchange rate

Circumstances giving rise to the risks

The global economic situation and the economic and monetary policies conducted by the competent authorities in the various countries, has given rise

to the fluctuation of a number of currencies in which the Group operates, with particular mention of the Brazilian Real and the USA Dollar, not only in average terms, but the volatility between maximum and minimum exchange rate values was particularly significant in the course of the year.

Functioning of the control systems

Viscofan attentively watches for opportunities to take out exchange rate hedges, endeavouring to cover the transaction flows between different currencies, as required by circumstances. Over the last few years, the company has strengthened the treasury team and has contracted information systems in order to improve the hedging capacity to minimise risk at a lower cost.

On the other hand, the international expansion of the Group, with the installation of production plants in China and Uruguay, involves bringing production closer to the end customer, thereby reducing the exchange rate risk, yet without eliminating it completely.

Materialised risk in the course of the fiscal year

Operational risks: energy costs

Circumstances giving rise to the risks

Volatility in energy prices

Functioning of the control systems

Viscofan is making considerable investments directed at optimising energy costs from a financial and environmental point of view. In turn, when dictated by circumstances, the company makes hedging on energy prices, involving a reasonable cost or reducing the budget compliance risk. Nevertheless, the volatility of energy prices, and the reduction in the Brent price have meant that certain hedges have been made at a higher cost than the spot price, or that the investment payback periods have been greater. However, the risk control measures have meant that the energy costs are for a reasonable amount with regard to the budget approved.

Materialised risk in the course of the fiscal year

Competitive environment and market risk

Circumstances giving rise to the risks

As a result of the PED virus, the pig stock in the USA has been reduced, leading to a price increase for our customers, the meat processors. They have not been able to pass this increase on to the end customer and, as a result, the production volume for sausage products has decreased and, consequently, the casings market in this country. In this context, the business activity of the casings producers has been focussed on defending their marker share in this country.

Functioning of the control systems

Monitoring work of this market has been performed, maintaining disciplined trading policies that will not damage the financial objectives of profitability. The company has strengthened the specific projects in the USA directed at improving service and quality levels, involving increased protection of the market share in adverse scenario and which also involves a greater source of competitive advantage when the casings market recovers from the drop caused by the PEDV crisis.

E.6- Describe response and control plans for the main risks faced by the Company

1.1-Strategic risks

Natural disasters
We have requested the preparation of a Business Continuity Plan.
On the other hand, we are working on intra-group diversity, in other words the production of any plant may be assumed by another group plant in the event of a natural disaster or similar circumstances.

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. In the course of 2014, the Credit Risk Committee has held five meetings. Although the economic situation is not favourable, the monitoring conducted by the Committee has made it possible to stabilise the amount of the debt covered, reaching a percentage of 77%

2.Financial and systems risks

Exchange rate
Viscofan is attentive to new business and exchange rate hedging opportunities, advisable at any given time, and which make it possible to reduce the impact of this risk.

Financial control of transactions
The company has expanded its corporate management control team in order to conduct a more exhaustive analysis of production costs and to improve the reporting systems. This team will also facilitate the work of financial support, depending on the needs of the various Group subsidiaries.

Computing contingencies.
Once the company defined the contingency plan to reduce the impact of a systems failure, this plan was then implemented, including servers located in different cities, to guarantee system operation in less than twenty-four hours following any type of occurrence, and ensuring the continuity of activity in the event of damage.

3.Operational risks

Energy market
The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. Likewise, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies. This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant.

Scarcity of raw materials
The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. Likewise, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies.

This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant.

Environmental, safety and hygiene risks
The Board of Directors has endorsed a new corporate policy on the Environment, Safety and Hygiene, which is mandatory for all Viscofan Group collaborators. Driven by this new policy, the new corporate plan in this area is being deployed, a plan which will involve greater knowledge of the corporate standards and their local development in the different factories and a more standardised measurement criterion in order to define the quantitative corporate objectives in this area.

4.Regulatory risks

Changes to the regulatory framework
Every effort has been made to monitor the regulatory amendments, particularly in Spain, where there have been ongoing regulatory changes in a number of aspects affecting the company. Whenever possible, the company has carried out prevention actions on the possible impacts that these changes could cause.

Monitoring system and complaints channel
With outside professional advice, the Ethics Committee has updated its investigation regulations and protocol in order to guarantee greater independence of its work, to facilitate the use of the complaints channel and to give greater protection to any collaborators who may use the said complaints channel.

These specific tasks and projects come within the framework of the general policy conducted this year, with an increase in the monitoring measures in the different risk areas in order to control any potential occurrence and incident and to establish the prevention and control measures required, or to adapt those already in place, and to ensure compliance with the same.

As a result of this work, 2014 has seen many more monitoring meetings and reports provided, which have been submitted to the Audit Commission and to the Board of Directors. These reports were made out by the following bodies: Internal audit; Committee for Corporate Responsibility and Regulatory Compliance; Ethics Committee; Overall Risk Committee; Credit Risks Committee; and the Investment Committee, and also Senior Management. The Company has also implemented action plans, established for each of the bodies, the controls derived from the said plans, and the recommendations arising from the said 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.

In the course of 2014, a financial coordination meeting was held to convey the accounting and cost reporting improvements, and also to continue to make progress in the standardisation of accounting and production cost calculation policies.

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 following 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, fiscal, technological, legal, reputational and environmental risks, etc. Specifically, in 2014, progress has been made in the formalisation of a computing risk map.

- 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.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the risks of the most significant risk areas.

To facilitate the internal control 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.The principal improvements implemented in 2014 were the preparation of documents describing the objectives of each control, the standardisation of evidence provided by the various subsidiaries and the inclusion of new controls in the areas of employee liabilities and asset management.

At local level, each subsidiary has a person responsible for the FIICS, who coordinates the launch, execution and supervision of the monthly controls.

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, available on the Group intranet, 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.

The main infrastructure of the Group is located in two Data Processing Centres (DPC), replicated and located in two different cities. The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident. This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

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 fiscal 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 2014, the Internal Audit work plan concentrated especially on:

- Monitoring the activity of the Investment Committee,
- In 2014 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 five 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 improve slightly the amount of debt covered at 77%. In 2014, the loss rate remained below 1.5 per thousand.

- 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 three Group subsidiaries.
- The review of the processes carried out by the Human Resources Department 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.
- The review of the Sales Area processes, primarily the processes regarding the management of claims and the management of agent commissions.
- 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. Based on the Materiality Policy, the appropriate corrective measures are established.

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. At said meetings, the auditor's 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 Delegate 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 a Delegate Committee (hereinafter, "Delegate 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

Partially complies

The executive directors are a majority in relation to the Executive and the Secretary is the Secretary of the Board.

38. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Delegate Committee, and all members of the Board receive a copy of the minutes of the meetings of the Delegate 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 .

With regard to point D2. Detail any significant transactions, for their amount or due to their subject matter, made between the company or group entities and the significant shareholders in the company. We would like to emphasise the following:

The financial debt of Viscofan S.A, includes a loan of 5 million Euros, granted in 2013 by a financial entity related to the Alba S.A. financial corporation, which is a significant shareholder of Viscofan S.A, holding 6.7% of its shares on the 31st December 2014. The payments made, including the financial costs, amounted to 162 thousand euros.

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 26, 2015

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 favour of the adoption of this report	Reasons (counter, abstention, no assistance)	Explain the reasons

VISCOFAN, S.A.

APPENDIX TO THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

STATEMENT: The Secretary of the Board of Directors, Mr. Juan María Zuza Lanz hereby certifies that the Board of Directors, at its meeting on February 26, 2015, approved the financial statements and the management report for the year ended December 31, 2014, and duly signs all the pages thereof for identification purposes. The financial statements and management report comprise the attached documents preceding this certificate

Mr. José Domingo de Ampuero y Osma

Mr. Nestor Basterra Larroudé

Ms. Agatha Echevarría Canales

Mr. José Antonio Canales García

Mr. Alejandro Legarda Zaragüeta

Mr. Ignacio Marco-Gardoqui Ibáñez

Ms. Laura González Molero

Mr. José María Aldecoa Sagastasoloa

Mr. Jaime Real de Asúa y Arteche

Secretary to the Board of Directors

Mr. Juan María Zuza Lanz

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2014

VISCOFAN, S.A.

(Translated from the original in Spanish)

Building a better working world

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

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ey.com

(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 2014

To the Directors,

At the request of the Board of VISCOFAN, S.A. (hereinafter the Company), and in accordance with our proposal dated October 2, 2014, we applied certain procedures to the accompanying "ICFR-related information" included in the 2014 Corporate Governance Report (pages 50 to 64) 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 a 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 2014 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.

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
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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 F, 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.

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This report was prepared exclusively within the framework of the requirements of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of July 2, 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 2014 Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez

February 26, 2015

A member firm of Ernst & Young Global Limited.

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN PUBLICLY TRADED COMPANIES

ISSUER IDENTIFICATION

YEAR ENDING	31/12/2014

Registered Name:

VISCOFAN SA

Registered Address:

Polígono Industrial Berroa – C/ Berroa 15-4ª planta – 31192 Tajonar – Navarra (Spain)

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN PUBLICLY TRADED COMPANIES

A CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

A,1 Explain the corporate remuneration policy. This section will include information on:

- General principles and foundations of the remuneration policy.
- Most significant changes in the remuneration policy applied during the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
- Criteria used and composition of similar business groups whose remuneration policies were analysed to design the company's policy.
- Relative importance of variable remuneration items in comparison to fixed items and the criteria used to determine the components of the directors' remuneration package (*remuneration mix*).

Explain the remuneration policy

Principles and Foundations

- Exclusive approval by the General Shareholders Meeting, as stipulated in the bylaws of the Company.
- Objectiveness. Formulated in accordance with objective criteria, even-handedly towards all Board members.
- Adequacy. In accordance with the composition, an amount considered as sufficient compensation for their qualifications, dedication and responsibility and for ensuring due loyalty and bonds with the company, as well as their independence.
- Transparency. Detail per concept, assignment criteria and individual breakdown is published in the annual remuneration report and submitted to the advisory vote of the General Shareholders Meeting.

Most significant changes in comparison with the previous year.

Compare to last year, there have been not significant changes in the remuneration policy

Criteria taken into consideration

The remuneration policy has been prepared by the Board based on the best international practices of corporate government and in collaboration with external expert Mr. Spencer Stuart. It is also based on the core principles and foundations of the Viscofan Group remuneration system.

Moreover, the Board and the Appointments and Remuneration Committee have also ensured that the policy does not imply significant changes to the amount of remuneration received by the various directors insofar as these sums are adapted to

their responsibilities, dedication, position and type, taking into account the particular circumstances of the Company.

Relative significance of variable remuneration components and criteria for determining different components of the remuneration package.

Non-executive Board members do not receive variable remuneration.

Executive directors may receive a yearly variable remuneration and a three yearly variable remuneration. The variable remunerations of the executive directors shall be established by using as a reference point the same criteria determined for Viscofan senior management applying a combination of parameters based on achieving Group financial targets aligned with the multi-annual Strategic Plan and with the annual performance targets, and on strategic non-financial targets, as well as personal performance

The annual amount shall be decided on the basis of the evaluation of the Executive Directors by the Board of Directors, based on the Appointments and Remuneration Committee reports

A,2 Information on the preparatory work and decision-making process followed to determine the remuneration policy and role, if any, performed by the remuneration committee and other supervisory bodies in shaping the remuneration policy. This information will include, where appropriate, the mandate given to the remuneration committee, its composition and the identity of the external consultants whose services have been used to define the remuneration policy. Also describe the character of the directors, if any, who have been involved in the definition of the remuneration policy.

Explain de process for determining the remuneration policy

The Board of Directors unanimously approved the proposal of the Appointments and Remuneration Committee recommending that the remuneration policy should be reviewed by an external expert in this area, based on best corporate governance practices. and that the results should be reported at the 2013 General Shareholders' Meeting. The shareholders were informed about this agreement at the General Shareholders' Meeting held on 23 May 2012.

To meet this commitment, the Appointments and Remuneration Committee headed by the Chairman and the Independent Board Member Mr. Ignacio Marco-Gardoqui, worked with input from Board Members Ms. Laura González Molero and Mr. José Cruz Pérez Lapazarán and assessment and close collaboration from Mr. Spencer Stuart, to draw up a proposal that, was in line with his expert recommendations and included international corporate governance best practices while also adhering to the principles and foundations that must form the basis of the Viscofan Group remuneration system.

This proposal was presented to the Board of Directors and approved at the meeting held on 22 March 2013. It was approved by advisory vote at the General Shareholders' Meeting held on 30 April 2013.

For year 2014, the Appointments and Remuneration Committee, comprising the same members who prepared the initial proposal, made a review of the remunerations policy approved by the AGM, in addition to its principles and rationale and its application in year 2013, and concluded that there had been no changes in the company to justify a review of the said principles or the remunerations policy approved by the shareholders.

Consequently, the Annual Report on the Remuneration of Directors in Publicly Traded Companies proposed by the Board of Directors and approved by a non-binding vote of the AGM held on the 11th April 2014, maintained the same remuneration concepts, principles and rationale and proposed, for 2014, a policy with no significant changes to the one approved for 2013.

A,3 Indicate the amount and nature of the fixed components, with a breakdown where necessary, of the remuneration for the performance of senior management functions by the executive directors, the additional remuneration as chairman or member of any board committee, per diem payments for participation in the board and its committees and other fixed payments for the directorship and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits not paid in cash and the basic parameters for which they are given

Explain the fixed components of the remuneration

Estos son los componentes fijos de la remuneración y su cuantificación para el año 2014

Non-executive Board Members
Fixed remuneration: €80,000
Allowances for meeting attendance: €3,000/meeting

Chairman of the Board
Fixed remuneration: €350,000

Deputy Chairmen of the Board
First Deputy Chairman. Fixed remuneration: €250,000
Second Deputy Chairman. Fixed remuneration: €175,000

Executive Committee
Fixed remuneration: €100,000
No fees for attending

Audit Committee
Members. Fixed remuneration: €30,000
Chairman. Fixed remuneration: €45,000
No fees for attending

Appointments and Remuneration Committee
Members. Fixed remuneration: €20,000
Chairman. Fixed remuneration: €30,000
No fees for attending

Chief Executive Officer
Fixed remuneration: €347,375
Life and accident insurance.
Healthcare.
Company car.

Director General Manager
Fixed remuneration: €306,892
Life and accident insurance.
Healthcare and health insurance
Company car.

Total maximum limit
Total remuneration of the Board < 1.5% net earnings of Viscofan Group.
Remuneration for other functions due to work-related or professional services is not included.

Boards of other Viscofan Group companies. IAN Board.
Members: €25,000
Chairman: €50,000

The executive directors shall receive no remuneration or per diem allowance for being a member of a commission or another board.

A,4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each remuneration plan of which directors are beneficiaries, their scope, approval date, implementation date, validity period and main features. For share option plans and other financial instruments, the general features of the plan will include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Explain the basic parameters and grounds for any annual bonus scheme.
- The types of directors (executive directors, external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.

- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and assessment methods to determine whether the criteria have been met or not, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on deferral periods or deferral of payment established and/or holdback periods for shares or other financial instruments, if any

Explain the variable components of the remuneration systems

The only non-fixed remuneration item contained in the Policy corresponds to the Executive that may receive a yearly variable remuneration and a three yearly variable remuneration.
Both remunerations are establihed by using as a reference point the same criteria determined for Viscofan senior management. The annual remunerations, applying a combination of parameters based on achieving Group targets , including financial targets in line with the multi-annual Strategic Plan and the annual performance targets, and on strategic non-financial targets, as well as personal performance

For year 2014, the parameters applied were based on Revenues, EBITDA, Net Profit, Inventory over sales ratio, and share value.

The three-year remuneration shall consider parameters aligned to remuneration and long-term value creation for shareholders.

In both cases, it shall be determined based on the proposal of the Appointment and Retribution Committee approved by the Board of Directors.

A,5 Explain the main features of the systems of long-term savings, including retirement and any other survivor benefit, partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined contribution or defined benefit, the conditions for the vesting of the directors' economic rights and their compatibility with any type of severance payment for early cancellation or termination of the contractual relationship between the company and the director.

Also indicate payments made to any director's defined-benefit pension scheme; or any increase in the director's vested rights when linked to contributions to defined-benefit schemes.

Explain the long-term savings systems

Not applicable. Not covered by the remuneration policy.

A,6 Indicate any indemnity payments agreed or paid in the event of termination of the

directorship.

Explain the indemnity payments

No indemnity payments have been agreed or paid in the event of the termination of duties as a director.
The only indemnity payments contemplated are those to be received by executive directors due to the termination of their contracts for the performance of senior management duties.

A,7 Indicate the conditions that the contracts of executive directors in senior management positions must respect. Among other aspects, give information on the duration, limits to the amounts of indemnity, tenure clauses, notice periods and payments that can replace such notice periods, and any other clauses regarding hiring bonuses, as well as severance payments or ring-fencing for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, covenants or agreements regarding non-competition, exclusivity, tenure or loyalty and non-competition after termination of contract.

Explain the conditions of the contracts of executive directors

The contracts of the Chief Executive Officers are governed by the stipulations of the remuneration policy approved by the General Shareholders Meeting, and approved by the Board of Directors as is determined in the actual regulation.

In the case of the Executive chairman the contract includes compensation equal to two yearly salaries at the last received rate, in case of termination without justifiable cause, while being subject to a non-compete obligation for the two years following the contract termination.

In the event of non-compliance of the above mentioned non-compete obligation, the received compensation must be returned, along with a payment equal to three times its value as damages.

Moreover, the contract stipulates a six-month advance notice in case of contract termination, which must be fulfilled by both parties. In the event of non-compliance, the defaulting party must provide compensation to the other party for the sum of salary payments corresponding to the unobserved advance notice period.

In the case of the Director General Manager, the contract includes compensation equal to three yearly salaries at the last received rate, in case of termination without justifiable cause, while being subject to a non-compete obligation for the two years following the contract termination.

In the event of non-compliance of the above mentioned non-compete obligation, the received compensation must be returned, along with a payment equal to three times its value as damages.

Moreover, the contract stipulates a six-month advance notice in case of contract

termination, which must be fulfilled by both parties. In the event of non-compliance, the defaulting party must provide compensation to the other party for the sum of salary payments corresponding to the unobserved advance notice period.

A,8 Explain any additional remuneration paid to directors for services rendered other than those inherent to their directorship.

Explain supplementary remuneration items

No other supplementary remuneration items exist, except for the remunerations of the Executive Chairman and the Director General Manager detailed above.

A,9 Indicate any remuneration granted in the form of advances, credits and guarantees, indicating the interest rate, key features and any amounts finally repaid, as well as the obligations against them by way of guarantee

Explain the advances, credits and guarantees granted.

Not applicable. Not granted.

A,10 Explain the main features of remuneration in kind.

Explain any remuneration in kind.

The only types of in-kind remuneration that may be received by the Executive Directors shall be life and accident insurance and healthcare, similarly to that of senior management, a health insurance for the Director General Manager and a company vehicle.

A,11 Indicate the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's services in the company.

Explain the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services

Not applicable.

A,12 Any kind of remuneration item other than those listed above, regardless of their nature or the group entity paying them, especially when it may be considered a related-party transaction or when its issuance would distort the true picture of the total remuneration received by the director.

Explain other remuneration items.

Not applicable. There are no further pay items other than those described in the preceding points.

A.13 Explain the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company. Include, where appropriate, a reference to: measures designed to ensure that the remuneration policy is aligned with the long-term performance of the company; measures establishing an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the entity; clawback formulae or clauses to reclaim variable components of performance-based remuneration when such components have been paid on the basis of data that is subsequently proven to be wholly inaccurate; and measures designed to prevent conflicts of interest, where applicable

Explain the actions taken to reduce the risks

Non-executive Board members do not receive variable remuneration, thereby ensuring that most of the Board receives remuneration in line with responsibility and dedication, differentiated from the company's short term evolution.

The only variable remuneration contemplated is the one that may be paid to executive directors with regard to their senior management duties.

Variable remuneration of the Executive Directors, similarly to that of senior management, is linked to the targets of the Group to which this Company belongs, both from a short-term and long-term perspective, by means of an annual and three-year remuneration schedule. Both remunerations are establihed by using as a reference point the same criteria determined for Viscofan senior management.

The Appointment and Retribution Committee submits a proposal to the Board of Directors in relation to the remuneration and maximum amount to be received by the executive directors for their senior management duties.

Annual remuneration is establihed applying a combination of parameters based on achieving Group targets, including financial targets in line with the multi-annual Strategic Plan and the annual performance targets, and on strategic non-financial targets, as well as personal performance

The three-year remuneration considers parameters linked to remuneration and long term value creation for shareholders. The three-year remuneration plan in force sets a 40% fixed remuneration limit in order to avoid exposure to excessive risks.

In both cases, it shall be determined based on the proposal of the Appointment and

Retribution Committee approved by the Board of Directors.

Moreover, in order to reduce exposure to excessive risk, the Company has established a maximum amount of remuneration for the Board; total remuneration received by the Board of Directors and its committees may not exceed 1.5% of Viscofan Group net earnings.

B - REMUNERATION POLICY FORECAST FOR FUTURE YEARS

B,1 Give a general forecast of the remuneration policy for future years, describing the policy with respect to: fixed components and variable remuneration and per diem payments, the relationship between remuneration and performance, pension systems, conditions of executive directors' contracts and forecast regarding the most significant changes in remuneration policy with respect to previous years

General forecast of the remuneration policy.

Principles and Foundations

- Exclusive approval by the General Shareholders Meeting, as stipulated in the bylaws of the Company.
- Objectiveness. Formulated in accordance with objective criteria, even-handedly towards all Board members.
- Adequacy. In accordance with the composition, an amount considered as sufficient compensation for their qualifications, dedication and responsibility and for ensuring due loyalty and bonds with the company, as well as their independence.
- Transparency. Detail per concept, assignment criteria and individual breakdown is published in the annual remuneration report and submitted to the advisory vote of the General Shareholders Meeting.

Most significant changes in relation to the previous year

The only changes proposed are those corresponding to the application of the principles established by Law 31/2014, amending the Spanish Companies Law in order to improve corporate governance.

Non-executive Board Members.

They shall receive fixed remuneration as Board members. Additionally, they shall receive an allowance for attending the meetings of the Board. They shall not receive variable remuneration.

Chairman and Deputy Chairmen of the Board.

They shall receive a fixed amount

Executive Committee.

They shall receive fixed remuneration.

Audit Committee and Appointments and Remuneration Committee

They shall receive fixed remuneration. The respective Chairmen shall receive 1.5 times this amount.

Executive Directors.

Receives:

- Fixed remuneration.
- Variable remuneration and variable remuneration every three years.

- Both shall be established by using as a reference point the same criteria determined for Viscofan senior management, applying a combination of parameters based on achieving Group targets , including financial targets in line with the multi-annual Strategic Plan and the annual performance targets, and on strategic non-financial targets, as well as personal performance

The three-year remuneration considers parameters linked to remuneration and long term value creation for shareholders.

The parameters established as targets for the annual variable remuneration for 2015, applying this remunerations policy are: Revenues; EBITDA; Net Profit; Inventory over Sales inventory; share value and a greater focus on the EHS and CSR policies.

The annual amount shall be approved by the Board of Directors, based on the assessment made by the executive directors, according to the proposal submitted by the Appointments and Retribution Committee.

- They may also receive life and accident insurance and a medical check-up, like senior management, medical insurance and a company car.

They shall receive no remuneration for being a member of the Board, the Board Committees and other Boards of the Viscofan Group, neither shall they receive per diem allowances for attending meetings of the Board of Directors or those of its various committees.

There are no variation in the conditions of prior notice, non-competition commitment, termination of service indemnity and other conditions in their contracts:

In the case of the Executive chairman the contract includes compensation equal to two yearly salaries at the last received rate, in case of termination without justifiable cause, while being subject to a non-compete obligation for the two years following the contract termination. In the event of non-compliance of the above mentioned non-compete obligation, the received compensation must be returned, along with a payment equal to three times its value as damages.

Moreover, the contract stipulates a six-month advance notice in case of contract termination, which must be fulfilled by both parties. In the event of non-compliance, the defaulting party must provide compensation to the other party for the sum of salary payments corresponding to the unobserved advance notice period.

In the case of the Director General Manager, the contract includes compensation equal to three yearly salaries at the last received rate, in case of termination without justifiable cause, while being subject to a non-compete obligation for the two years following the contract termination.

In the event of non-compliance of the above mentioned non-compete obligation, the received compensation must be returned, along with a payment equal to three times its value as damages.

Moreover, the contract stipulates a six-month advance notice in case of contract termination, which must be fulfilled by both parties. In the event of non-compliance, the defaulting party must provide compensation to the other party for the sum of salary payments corresponding to the unobserved advance notice period

Maximum limit.

Remuneration of the Board of Directors and its committees may not exceed 1.5% of Viscofan Group net earnings. Remuneration related to the performance of work or professional duties shall not be calculated for the purposes of this limit.

Boards of other Viscofan Group companies.
Board members of the Viscofan parent company shall not be remunerated for positions held on the Boards of subsidiaries.

The only exception shall be Industrias Alimentarias de Navarra, S.A.U. where, due to its special commercial situation, fixed remuneration may be received as established for the Board of Directors for this Company, except for Executive Board Members of Viscofan, S.A. who shall not receive any compensation.

B,2 Explain the decision-making process for shaping the remuneration policy planned for future years, and the role, if any, performed by the remuneration committee.

Explain the decision-making process for shaping the remuneration policy.

It is regulated in the Board Regulations. The Appointments and Remuneration Committee is responsible amongst other duties, for proposing to the Board of Directors the remuneration policy for directors and senior management, in addition to individual remuneration and other contract terms and conditions for the executive directors, and for ensuring compliance with the same.

Therefore, each year the Appointments and Remuneration Committee shall prepare a proposal for the application of the remuneration policy, for approval by the Board of Directors and a subsequent advisory vote until now, by the General Shareholders Meeting of the Company.

Moreover, implementing the remuneration policy in force at any given time, the Appointments and Remuneration Committee submits to the Board of Directors a proposal for the remuneration of the directors, and the Board of Directors has the sole power to decide on the said remuneration, within the statutory framework and, where applicable, within the framework of the remunerations policy approved by the AGM.

The Appointment and Retributions Committee proposes the variable remuneration of the executive directors to the Board, based on an assessment of the executive directors.

B,3 Explain the incentives created by the company in the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company.

Explain the incentives created to reduce risks.

Variable remuneration of the Chief Executive Officer, just like that of senior management, is linked to the targets of the Group to which this Company belongs, both from a short-term and long-term perspective, by means of an annual and three-year remuneration schedule.

Annual remuneration is established applying a combination of parameters based on achieving Group targets, including financial targets in line with the multi-annual Strategic Plan and the annual performance targets, and on strategic non-financial targets, as well as personal performance

The three-year remuneration considers parameters linked to remuneration and long term value creation for shareholders.

In both cases, it shall be determined based on the proposal of the Appointment and Retribution Committee approved by the Board of Directors.

By applying the principle of proportionality and in order to avoid exposure to excessive risks, the Appointment and Remuneration Committee proposes limits to the maximum variable remuneration.

Moreover, in order to reduce exposure to excessive risk, the Company has established a maximum amount of remuneration for the Board; total remuneration received by the Board of Directors and its committees may not exceed 1.5% of Viscofan Group net earnings, excluding the remuneration resulting from employment or professional relations.

C - GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY HAS BEEN APPLIED DURING THE FINANCIAL YEAR ENDING

C,1 Give a brief explanation of the main features of the structure and remuneration items of the remuneration policy applied during the last financial year, resulting in the breakdown of the individual remuneration accrued by each of the directors listed in Section D of this report, and a summary of the resolutions passed by the board to implement these items.

Explain the structure and remuneration items of the remuneration policy applied during the year.

The following initial levels of remuneration have been established:

Non-executive Board Members
Fixed remuneration as Board members. €80,000
Allowances for attendance of each Board meeting: €3,000

Chairman of the Board
Fixed remuneration: €350,000

Deputy Chairmen of the Board
First Deputy Chairman: €250,000
Second Deputy Chairman: €175,000

Executive Committee
Fixed remuneration: €100,000

Audit Committee
Fixed remuneration: €30,000
Chairman: €45,000

Appointments and Remuneration Committee
Fixed remuneration: €20,000
Chairman: €30,000

Chief Executive Officer
Fixed remuneration: €347,375
Annual variable remuneration: €171,100 as a consequence of the proposal of the Appointments and Remuneration Committee.
Furthermore, the Chief Executive received life and accident insurance and healthcare, and a company vehicle.

Director General Manager
Receives no remuneration as a director. The remuneration solely corresponds to his senior management duties.

Although he was appointed director at the AGM held on the 11th April 2014, his remuneration for the whole of 2014 is included.
The total remuneration received in 2014 consisted in:
Fixed remuneration: €306,892
Annual variable remuneration: €342,200 as a consequence of the proposal of the Appointments and Remuneration Committee.
Life and accident insurance, healthcare and health insurance, and a company vehicle.

Boards of other Viscofan Group companies: IAN
Chairman. 50.000 €
The First Deputy Chairman of the Board of Directors of Viscofan, S.A. is the Chairman of IAN Board of Directors.
The Chairman of Viscofan, S.A. is a member of the IAN Board but gets no remuneration for this position.
The Director General Maganer of Viscofan S.A. is a member of the IAN Board but gets not remuneration for this position.

Total maximum limit.
Total remuneration of the Board of Directors and its committees did not exceed 1.5% of Viscofan Group net earnings.
Remunerations for other professional or work relationships are not taken into account.

D- BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

NAME	TYPE	ACCRUAL PERIOD 2014
JOSE ANTONIO CANALES GARCIA	EXECUTIVE	FROM 11/04/2014 TO 31/12/2014
IGNACIO MARCO-GARDOQUI IBAÑEZ	INDEPENDIENTE	FROM 01/01/2014 to 31/12/2014
JOSE CRUZ PEREZ LAPAZARÁN	INDEPENDIENTE	FROM 01/01/2014 to 11/04/2014
LAURA GONZALEZ MOLERO	INDEPENDIENTE	FROM 01/01/2014 to 31/12/2014
JOSE DOMINGO DE EMPUERO Y OSMA	EXECUTIVE	FROM 01/01/2014 to 31/12/2014
NESTOR BASTERRA LARROUDE	OTHER EXTERNAL	FROM 01/01/2014 to 31/12/2014
JOSE MARIA ALDECOA SAGASTASOLOA	INDEPENDIENTE	FROM 01/01/2014 to 31/12/2014
AGATHA ECHEVARRIA CANALES	OTHER EXTERNAL	FROM 01/01/2014 to 31/12/2014
ALEJANDRO LEGARDA ZARAGüETA	INDEPENDIENTE	FROM 01/01/2014 to 31/12/2014
GREGORIO MARAÑON BERTRAN DE LIS	INDEPENDIENTE	FROM 01/01/2014 to 11/04/2014
JAIME REAL DE ASUA Y ARTECHE	INDEPENDENT	FROM 11/04/2014 TO 31/12/2014

D,1 Complete the following tables on the individual remuneration of each of the directors (including remuneration for carrying out executive functions) accrued during the year.

a) Remuneration accrued in the company covered by this report:

i) Cash remuneration (000'€)

Name	Salary	Fixed Remuneration	Allowances	Compensation Variable in short-term	Compensation Variable in long-term	Remuneration for positions on Board committees	Penalties	Others	2014 Total	2013 Total
Gregorio Marañón Bertran de Lis	0	22	9	0	0	9	0	0	40	128
José Cruz Perez Lapazarán	0	22	9	0	0	10	0	0	41	119
Ignacio Marco-Gardoqui Ibañez	0	80	33	0	0	51	0	0	164	131
José Domingo de Ampuero y Osma	347	350	0	171	0	0	0	0	868	780
Alejandro Legarda Zaragüeta	0	80	27	0	0	45	0	0	152	144
Agatha Echevarria Canales	0	255	33	0	0	109	0	0	397	377
Nestor Basterra Larroudé	0	330	33	0	0	100	0	0	463	418
Laura Gonzalez Molero	0	80	27	0	0	20	0	0	127	122
José María Aldecoa Sagastasoloa	0	80	33	0	0	30	0	0	143	131
Jose Antonio Canales García	307	0	0	342	0	0	0	0	649	0
	0	58	24	0	0	10	0	0	92	0

ii) Share-based remuneration systems

iii) Long-term savings systems

b) Remuneration accruing to company directors for membership of boards in other group companies:

i) Cash remuneration (000'€)

Name	Salary	Fixed Remuneration	Allowances	Compensation Variable in short-term	Compensation Variable in long-term	Remuneration for positions on Board committees	Penalties	Others	2014 Total	2013 Total
Nestor Basterra Larroudé	0	50	0	0	0	0	0	0	50	45

ii) Share-based remuneration systems
iii) Long-term savings systems

c) Summary of remuneration (thousands €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euros . Where there are long-term Saving Systems, include contributions or endowments made to such systems:

Name	Remuneration accruing to the company				Remuneration accruing to group companies				Totals		
	Total Cash remuner.	Value of Shares granted	Gross profit on options exercised	2014 Total	Total Cash remuner.	Value of Shares granted	Gross profit on options exercised	2014 Total	2014 Total	2013 Total	Contribu. To saving systems /year
Gregorio Marañón Bertran de Lis	40	0	0	40	0	0	0	0	40	128	0
José Cruz Perez Lapazarán	41	0	0	41	0	0	0	0	41	119	0
Ignacio Marco-Gardoqui Ibañez	164	0	0	164	0	0	0	0	164	131	0
José Domingo de Ampuero y Osma	868	0	0	868	0	0	0	0	868	780	0
Alejandro Legarda Zaragüeta	152	0	0	152	0	0	0	0	152	144	0
Agatha Echevarria Canales	397	0	0	397	0	0	0	0	397	377	0
Nestor Basterra Larroudé	463	0	0	463	50	0	0	50	513	463	0
Laura Gonzalez Molero	127	0	0	127	0	0	0	0	127	122	0
José María Aldecoa Sagastasoloa	143	0	0	143	0	0	0	0	143	131	0
Jaime Real de Asúa y Arteche	92	0	0	92	0	0	0	0	92	0	0
José Antonio Canales García	649	0	0	649	0	0	0	0	649	0	0
TOTAL	**3,136**	**0**	**0**	**3,136**	**50**	**0**	**0**	**50**	**3,186**	**2,395**	**0**

D,2 Give information on the relationship between the remuneration received by the directors and the earnings or other performance indicators of the entity, explaining, where appropriate, how variations in the company's performance may have influenced the variation in directors' remunerations

The Company's results and performance are directly related to the following aspects of remuneration of the Board Members:

Remuneration of the Executive Directors.

Remuneration of the Executive Directors consists of the following:

- Annual variable remuneration and variable remuneration every three years.

Both shall be established by using as a reference point the same criteria determined for Viscofan senior management, applying a combination of parameters based on achieving Group targets linked to results and share price growth, as well as personal performance.

The amount of annual remuneration is established based on data corresponding to, turnover, EBITDA, net earnings, ratio of inventories, share price, all established in accordance with the annual plan communicated to shareholders.

The amount shall be decided on the basis of the evaluation of the Chairman by the Board of Directors, based on the Appointments and Remuneration Committee reports.

For the three-yearly remuneration, a 40% weighting in the evolution of the TSR was considered and 60% for the achievement of specific targets of a financial nature leading to an improvement in shareholder value under generally accepted fundamental valuation criteria, all with a limit of 40% of the fixed remuneration.

Therefore, company performance is directly related to the amount of annual variable remuneration of the Executive Directors.

Maximum limit.

It is established that the maximum amount of total remuneration received by the Board of Directors and its committees may not exceed 1.5% of Viscofan Group net earnings.

Remuneration related to the performance of work or professional duties in the Company that are different from those performed as Board members will not be calculated for the purposes of the established limit.

Therefore, the application of the proportionality principle avoids exposure to excessive risks, ensuring that remunerations are in line with the company's financial situation at all times.

D,3 Give information on the outcome of the consultative vote of the annual general meeting on the annual remuneration report of the previous year, indicating the number of votes cast against, if any

	Number	% of total
Votes cast	35,585,1110	100%

	Number	% of votes cast
Votes against	557,477	1.57%
Votes in favour	34,243,854	96.23%
Abstentions	783,780	2.20%

E- OTHER INFORMATION OF INTEREST

If there are any relevant aspects relating to directors' remuneration that you have not been able to describe in other sections of this report but that are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

This annual report on the remuneration of directors has been approved by the company's board of directors on the 26th February 2015.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

☐ Yes No X ☐