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

V. Notes to the financial statements of the Viscofan Group in the period from January to June 2014

1. Basis of preparation

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

The consolidated accounts for the first half of 2014, were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in order to give a true and fair view of the consolidated net assets and financial position of Viscofan, S.A. and its subsidiaries as at 30 June 2014, as well as the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the period then ended.

The accounting policies applied are consistent with those for the year ended 31 December 2013. However, the preparation of consolidated financial statements in accordance with IFRS-EU requires management to make significant judgements, estimates and assumptions in applying the Group's accounting policies.

In this regard, recall that accounting standards that came into force since 1st January, 2014, do not affect Viscofan Group financial statements.

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

Preparation basis for the individual accounts of Viscofan S.A

The individual accounts for first half of 2014 were prepared in accordance with the new Chart of Accounts approved by RD 1514/2007, in order to give a true and fair view of the consolidated net assets and financial situation of Viscofan, S.A. and its subsidiaries at 30 June 2014, as well as the results of its operations, cash flows and changes in equity for the period then ended.

2. Seasonality or cyclicality of interim period transactions

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

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

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

3.1 Inventory write-downs

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

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

There were no significant write-downs to property, plant and equipment, intangible assets or other non-current assets in the current period (January – June 2014)

3.3 Provisions (or changes to provisions) for restructuring costs

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

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

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

3.5 Litigation payments or settlements

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

3.6 Prior-period error corrections

There were no corrections recorded for prior-period errors.

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

The Viscofan Group has fully paid off all financial liabilities due before that date; therefore, as at 30 June 2014 no past due amounts were included under financial liabilities. In addition, none of the companies in the Viscofan Group had failed to comply with any financial obligations as of that date.

3.8 Capital changes by Group companies

Between January and June 2004, the share capital of Viscofan Uruguay S.A. (solely owned by Viscofan S.A.) was increased by €13.739 thousand, to provide the Latin American subsidiary with the necessary capital structure to start up commercial, operational and production activities, and make performance enhancements to the new collagen extrusion plant in Uruguay.

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

There were no changes in prior-period item estimates with a material effect on the accounting period from January to June 2014.

Notwithstanding , 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 is the latest regulatory implementation approving the criteria and parameters covering remuneration from investment and remuneration from the operation of such facilities which leads to reasonable returns on these projects pursuant to RD 9/2013 published on 14 July 2013.

This Ministerial Order includes amendments made to the initial draft which had been used to book the impact in 2013 figures 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 of €2.949 thousand and €2.742 thousand on EBITDA. This corresponds to the difference between the remuneration estimated in 2013 for cogeneration pursuant to the Order approving the remuneration parameters for standard facilities, applicable to certain cogeneration facilities, submitted to the CNMC by the Secretary of State for Energy, and the definitive remuneration approved pursuant to that Ministerial Order.

5. Changes in the scope of consolidation

There were no changes in the scope of consolidation.

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

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

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

At 30 June 2014, Viscofan did not hold any treasury shares.

7. Dividends paid

In December 2013, the Company paid a gross interim dividend against 2013 profits of €0.410 per share, for a total outlay of €19,108 thousand. Then, in June 2014, it paid a gross final dividend of €0.704 per share for an outlay of €32,809 thousand.

Other shareholder remuneration:

The Company paid out a bonus of €0.006 per share for attending the General Shareholders' Meeting held in April 2014.

Total shareholder remuneration amounted to €1.12 per share, for a payment of €52,196thousand.

8. Net revenues and segment income

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

9. Changes in the company's composition

9.1 Long-term investments

9.1.1. Acquisitions and disposals of non-current financial assets

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

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

In the first half of 2014 investments were made in property, plant and equipment and intangible assets for a total of €25,546 thousand. Of this amount, the main investment projects related to:

- Investments to maintain and upgrade production technology and capacity at casings production plants.
- Investments for the start-up of the new collagen extrusion plant in Uruguay.
- Investments for the improvement in both, reception and processing of collagen raw material.
- Investments to improve energy efficiency.
- Investments at a number of Group plants to improve the safety conditions of the facilities.
- Investments related to productivity enhancement, and capacity in Industrias Alimentarias de Navarra.

9.2. Inventories

Details of inventories at June 30, 2014 and December 31, 2013 are as follows:

	Thousands of euros	
	06.30.2014	12.31.2013
Goods for resale	3,685	1,750
Raw materials and other supplies	50,618	53,649
Semi-finished products	50,497	43,690
Finished products	108,419	101,534
Prepayments to suppliers	1,503	2,366
Total Inventories	**214,722**	**202,989**

At June 30, 2014 and December 31, 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.

9.3. Trade and other receivables

The breakdown for "Trade and other receivables" at June 30, 2014 and December 31, 2013 is as follows:

	Thousands of euros	
	06.30.2014	12.31.2013
Trade receivables	146,879	125,239
Other receivables	2,902	3,818
Advances to employees	210	178
Provisions for bad debts	(2,359)	(2,091)
Total trade and other receivables	**147,632**	**127,144**

At June 30, 2014 and December 31, 2013, the age of accounts receivable on sales, by maturity, is as follows

	Thousands of euros					
	Total	Not due	< 30days	30-60 days	60-90 days	> 90 days
06.30.2014	146,879	130,725	11,291	1,752	456	2,655
12.31.2013	125,239	110,255	11,043	1,800	494	1,647

The breakdown by currency for “Trade and other receivables” at June 30, 2014 and December 31, 2013 is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
06.30.2014	60,253	62,670	454	15,831	3,581	3,504	1,339	147,632
12.31.2013	53,053	52,397	700	13,123	1,670	3,520	2,681	127,144

9.4. Cash and cash equivalents

Cash and cash equivalents at June 30, 2014 and December 31, 2013, comprise cash balances with Group companies and banks. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

A breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
06.30.2014	3,079	8,613	688	915	6,307	2,232	762	22,596
12.31.2013	1,261	9,067	330	749	1,069	3,051	1,212	16,739

9.5. Current and non-current provisions

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

	Thousands of euros	
	06.30.2014	12.31.2013
Defined benefit	20,497	15,645
Other employee benefits	4,492	4,401
Provisions for other litigation	343	354
Others	227	232
Total non-current provisions	**25,559**	**20,632**
Provisions for warranties/repayments	1,516	1,571
Provisions for emission rights, safety in the workplace, and others	4,878	3,903
Total current provisions	**6,394**	**5,474**

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

The actuarial assumptions used in the first half of 2014 were as follows:

	06.30.2014	12.31.2013
Germany		
Annual discount rate	3.7%	3.7%
Expected rate of salary increases	2.0%	2.0%
Expected age of retirement for employees	65-67	65-67
Mortality table	Heubeck Richttafeln 2005 G	Heubeck Richttafeln 2005 G
United States		
Annual discount rate	3,75%-4,5%	4,25%-5%
Expected age of retirement for employees	62-65	62-65
Mortality table	RP-2014 Healty Fully Generational w/Projection Scale MP-2014	RP 2000 Blue Collar Helthy Fully Generational w/ Projections Scale AA

The amount paid to pension plan beneficiaries in the first half of 2014 totalled €1,509 thousand in the United States and €461 thousand in Germany.

At June 30, 2014, an update in main actuarial assumptions has been carried out in United States net defined liability benefits involving an increase in the liability. Consequently, this change leads to a negative impact in consolidated net equity at June 30, 2014 amounted to €3,268 thousand. This is primarily due to both, a 0.5 b.p. reduction in annual discount rate used for calculating the liability, and an increase in life expectancy as a result of the update in mortality tables.

In addition, the Group has not contributed to the assets allocated to the pension plans in the United States in the first half of 2014.

9.6. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at June 30, 2014, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than five years	Total carrying amount	Total fair value
Bank borrowings	25,157	57,613	29,908	4,000	116,678	116,678
Accrued interest payable	42	229	-	-	271	271
Finance lease payables	38	101	577	-	716	716
Derivative financial instruments	109	114	461	-	684	684
Other financial liabilities	6,141	3,358	6,881	5,291	21,671	21,671
Total at June 30, 2014	**31,487**	**61,415**	**37,827**	**9,291**	**140,020**	**140,020**

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

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than five years	Total carrying amount	Total fair value
Bank borrowings	33,103	31,744	31,107	4,000	99,954	99,954
Accrued interest payable	95	211	-	-	306	306
Finance lease payables	412	92	562	-	1066	1066
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**

As can be seen in previous tables, 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 financial liabilities corresponding to bank borrowings that accrue interest at variable rates are linked to Euribor or Libor plus a spread ranging from 1.1% to 3%.

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Chinese yuan	Other currencies	Total carrying amount
06.30.2014	101,136	16,636	492	6,369	14,186	1,201	140,020
12.31.2013	93,947	21,057	93	8,510	7,052	1,991	132,650

9.7. Trade and other payables

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

	Thousands of euros	
	06.30.2014	12.31.2013
Suppliers	33,161	36,520
Amounts owed for services received	21,790	23,545
Customer advances	4,085	1,303
Remuneration pending payment	10,246	9,459
Total trade and other payables	**69,282**	**70,827**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
06.30.2014	38,150	15,388	2,464	3,438	6,378	2,097	1,367	69,282
12.31.2013	40,979	13,067	2,336	3,501	3,972	3,532	3,440	70,827

9.8. Financial risks

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and interest rate risk in cash flows. The Group's global risk management programme focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability. Certain risks are hedged by derivative instruments.

Risk is managed by the Group in accordance with policies approved by the Board of Directors, with Audit Committee supervision, and is supported by several Committees composed by Viscofan Group employees.

Specifically to exchange rate risk should be noted:

As the Group operates internationally, it is exposed to variations in exchange rates, particularly the US Dollar. The exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments abroad.

The risk management policy of the Group is to cover cash flow transactions in currencies other than the functional currency with the most 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	
	06.30.2014	12.31.2013	06.30.2014	12.31.2013	06.30.2014	12.31.2013	06.30.2014	12.31.2013
+ 5%	4,010	7,603	(472)	(301)	426	1,746	711	850
- 5%	(3,626)	(6,878)	427	273	(382)	(1,580)	(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	
	06.30.2014	12.31.2013	06.30.2014	12.31.2013	06.30.2014	12.31.2013	06.30.2014	12.31.2013
+ 5%	5,067	4,655	2,568	2,700	3,800	3,217	4,161	3,766
- 5%	(4,585)	(4,211)	(2,324)	(2,443)	(3,439)	(2,910)	(3,765)	(3,407)

10. Contingent assets and liabilities

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

At year end diverse proceedings were underway against the Brazilian subsidiary although none of the unresolved litigation is for significant amounts. All the litigation cases which have not been recognized as liabilities are cases which the Group's legal advisor in Brazil classifies as an improbable risk or are for

amounts which, if settled, cannot be quantified at the present date. Historical experience indicates that the probable amount resulting from these claims is less than 5%.

At the interim close, there were also legal claims of a commercial nature outstanding with Griffith Colombia, which are being heard by the courts. There have been no significant developments in these cases since the date of the 2013 annual report, and therefore the risk estimated using the calculations made and arguments put forward by Griffith in its legal claims remains the same, while it is not expected that the amounts withheld by Griffith will be exceeded.

With regard to contingent assets, the courts have issued a ruling on the appeal against the claim filed against Mivisa Envases, S.A. by Industrias Alimentarias de Navarra, S.A. U. (IAN) on the grounds that the former was infringing two of its patents protecting the system known as Abreras. The court judgement overturned the ruling in the first instance and invalidating IAN's patent, whereby no compensation is payable by Mivisa Envases, S.A. for using the Abreras system. Following the pronouncement, IAN proceeded to refund the amount of €5.5 million deposited by Mivisa Envases, S.A. The defendant has not been ordered to pay the legal costs. It is possible that an appeal will be filed with the court of cassation to reexamine this court ruling.

IAN had not recognised a receivable relating to this contingent asset, and consequently there has been no accounting impact except for the not significant amounts recognised for interest on the deposit paid by the defendant and legal advisor fees.

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

11. Related-party transactions

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

12. Description of risks and uncertainties

The Viscofan Group has shown improved results in a time of great volatility and uncertainty, and is well placed to capture market growth in its main business activities. Nevertheless, it should be underscored that due to the nature of its operations, the Group's activities are exposed to various operational, financial, strategic, legal and environmental risks. The Group manages risk based on policies approved by the Board of Directors, and developed in the Corporate Governance Annual Report, which is supervised by the Audit Committee.

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

A more detailed description of risk management is carried out in the 2013 Corporate Governance Annual Report, available on the website www.viscofan.com

13. Events after the interim balance sheet date

No significant events have taken place since the end of the interim reporting period to 30 June 2014.