2015 ANNUAL REPORT

THE CASING COMPANY

Viscofan



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0 ANNUAL REPORT ON THE REMUNERATION



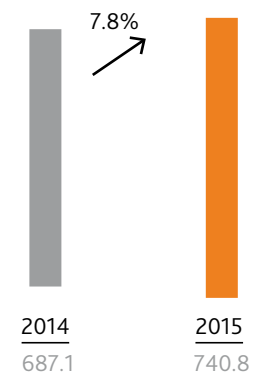


VISCOFAN GROUP

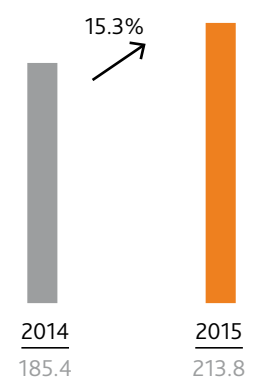
KEY PERFORMANCE INDICATORS

SHAREHOLDERS

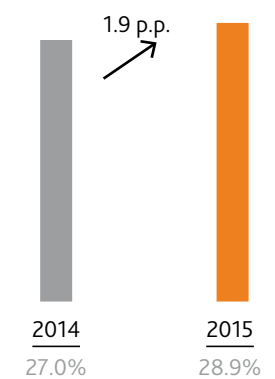
REVENUE (MM€)



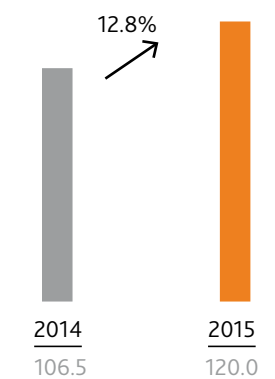
EBITDA (MM€)



EBITDA MARGIN (%)



NET PROFIT (MM€)



SHARE PRICE

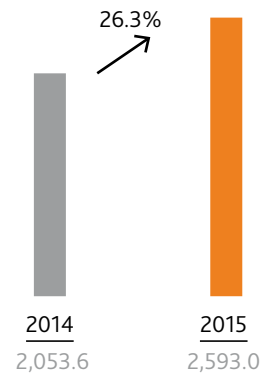
1.35€
+14.4% VS 2014

Proposed remuneration per share

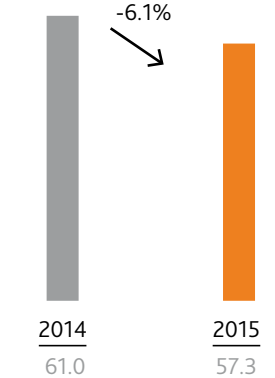
19.6%
10 YEARS

CAGR

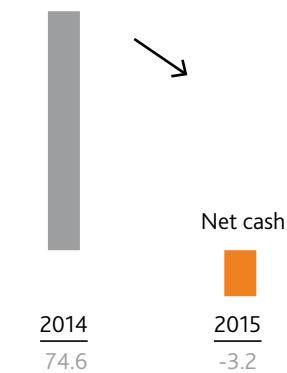
MARKET CAPITALIZATION (MM€)



CAPEX (MM€)



FINANCIAL POSITION (MM€)



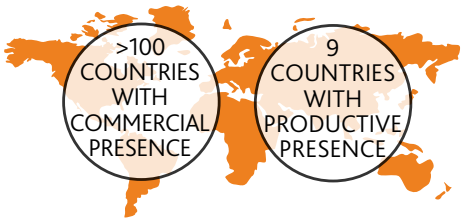
MARKET: SUPPLIERS AND CUSTOMERS

15% **ESTIMATED SHARE IN THE CASINGS MARKET**

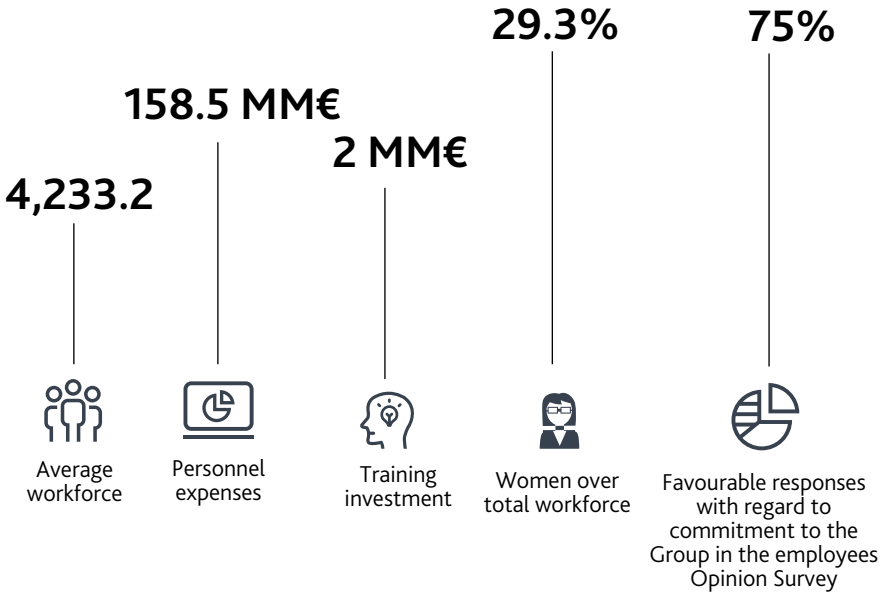
10,300

SOLD REFERENCES

PORTFOLIO: CELLULOSE, COLLAGEN, FIBROUS AND PLASTIC



EMPLOYEES



SOCIETY

40.4
WASTE AND SUBPRODUCTS (Thousand of Tons) (65% VALUED SUBPRODUCT)

105
CO_2/KM PRODUCED (Base 2011)

5.2
PROTECTION AND ENVIRONMENTAL IMPROVEMENT CURRENT EXPENSE (MM€)

SIGNATURE OF THE UNITED NATIONS GLOBAL COMPACT

ABOUT THIS REPORT

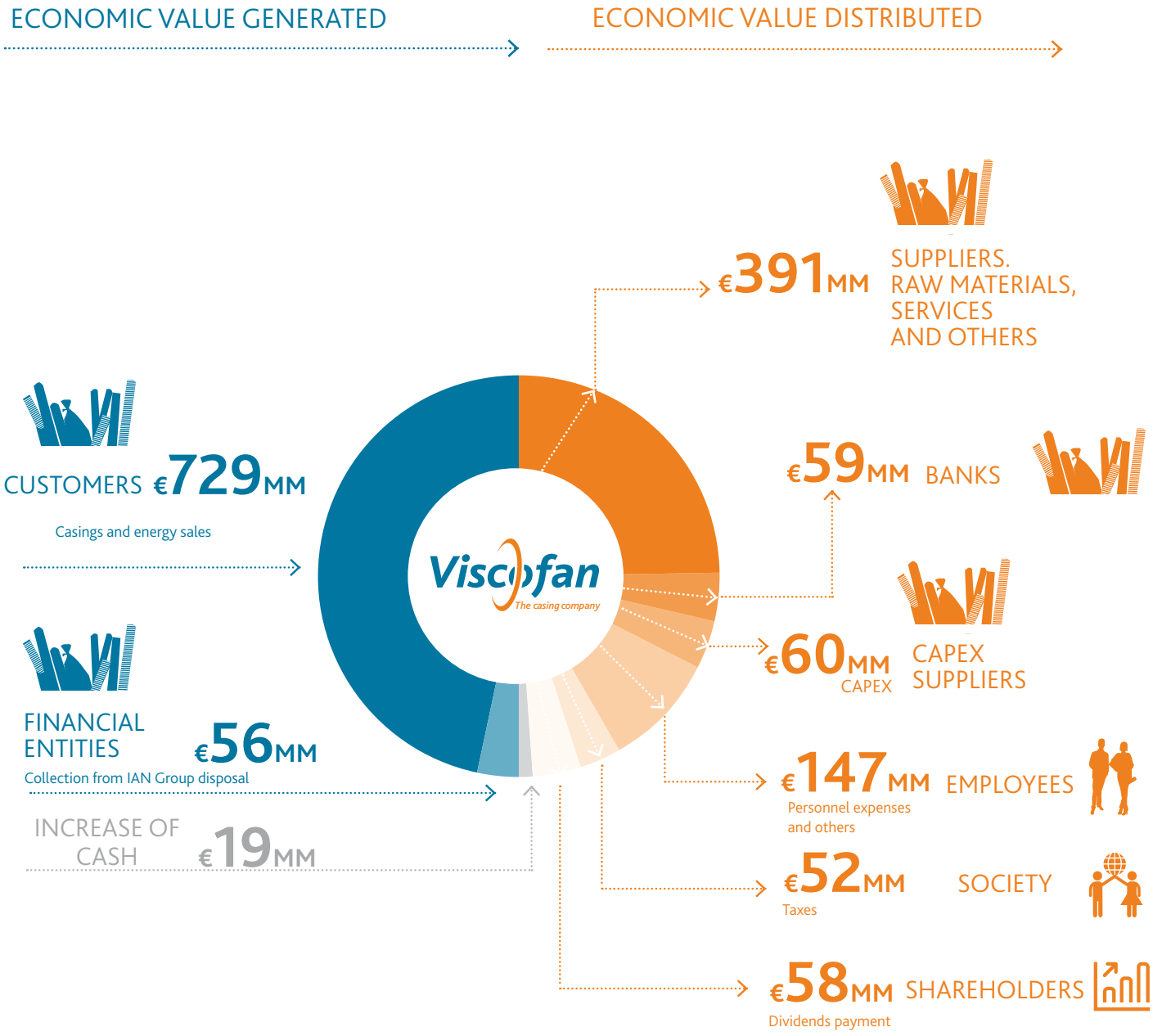
Viscofan understands Corporate Responsibility as the way it relates to its stakeholders: shareholders, the market (from suppliers to customers), employees and society.

Commitment that is 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 order to make it easier to track the work performed over the period, Viscofan has, over recent years, produced annual integrated reports summarizing activities of interest not only to its shareholders, but also to other people and institutions, that is to say, all the other stakeholders that interact with Viscofan and may now turn to this report to find integrated information summing up everything done in the field in 2015.

We continue to work to improve the way we report our activity by including the most relevant information on the basis of the flow of communication established between the company and its stakeholders, aware that the latter have a specific take on the information which is most relevant to them. We have divided the annual report up into three major blocks to make it easier to read. The first block consists of a description of the Viscofan Group, who we are and how we have attained our current position in the market. The second block provides all the information which we consider most relevant as a value proposition for our stakeholders. The third block refers to the Viscofan Group's consolidated financial statements, Viscofan S.A.'s financial statements, the annual corporate governance report and the annual remuneration report.

Furthermore, in an effort to make the most of all the advantages that the digital revolution affords, we continue to strive to improve the online version of the 2015 report. The major concerns of the digital edition have centered on improving accessibility, search facilities, personalized downloading and facilitating direct contact. We trust that this integrated annual report will help you understand the Viscofan Group better.


ECONOMIC VALUE GENERATED
ECONOMIC VALUE DISTRIBUTED
CUSTOMERS €729MM
Casings and energy sales
FINANCIAL ENTITIES €56MM
Collection from IAN Group disposal
INCREASE OF CASH €19MM
Viscofan
The casing company
€391MM SUPPLIERS. RAW MATERIALS, SERVICES AND OTHERS
€59MM BANKS
€60MM CAPEX CAPEX SUPPLIERS
€147MM EMPLOYEES
Personnel expenses and others
€52MM SOCIETY
Taxes
€58MM SHAREHOLDERS
Dividends payment

LETTER FROM THE CHAIRMAN

Dear shareholder,

It gives me great pleasure to present the annual report for 2015, a particularly significant year for Viscofan.

First of all, 2015 was important because we celebrated our fortieth anniversary. Although here at Viscofan we always like to look to the future and set ourselves new challenges, this landmark has provided us all with a wonderful opportunity to take stock of everything we have achieved over a history which has seen us develop from a small business venture in northern Spain to a consolidated, globally recognized market leader, all thanks to the faith of our shareholders and the generosity and dedication of the team based in the 14 countries in which Viscofan now operates, producing and distributing casings to more than 100 countries worldwide.

The year was also special because it saw the completion of the Be MORE Strategic Plan and the successful accomplishment of the main objectives we set ourselves in 2011.

Back then, the market offered a historic opportunity for growth and the way in which Viscofan tackled that challenge has transformed the profile of the industry. We drove the greatest investment in our history (€287 million in four years), but did so without demanding sacrifices from our shareholders, who now own a Group with a solid balance sheet, even after dealing out cash dividends worth more than €221 million over the period, another record for the company.

The period was one of intense activity. The new collagen plant in China, where we have quadrupled our market share to become the second leading producer, and construction in Uruguay of the only collagen extrusion plant in Latin America are a couple of the more visible results, while other less visible achievements include the improvements made to our collagen, cellulose and plastic casing technology in Europe. We also built a new plastic casing factory in Mexico in 2015 and bought a small plastics technology firm in Spain to upgrade our production portfolio.

The fruits of all this activity are reflected in revenues of €741 million, accumulated growth over the strategic period of 31%, EBITDA of €214 million, rising by 39%, and a net profit of €120 million, 24% more than at the start of the plan.

A long-term approach not only means growing and seeking to optimize resources, but also striking a finer balance in the risks inherent to the business. In this regard, we sold the IAN Group, our vegetable food division, in 2015 in order to focus our efforts on the casing business, where our know-how sets us apart and our profitability is greater. We also externalized pensions in Germany and the United States. This is a risk which embeds itself in company balance sheets and, if not managed properly, may end up affecting a firm's asset situation in the long term, causing even greater impact when interest rates are low, as is the case at present.

The Board of Directors continues to strive to meet one of its chief objectives: to create value in a sustainable manner for all our stakeholders. Not only profitable growth, but also safer work environments, greater personal and professional development, greater resource sustainability and greater protection of the environment, society and the communities we work in. One example of an initiative along these lines is the bioengineering project which aims to provide solutions to improve human health on the basis of our collagen technology. In order to facilitate a better understanding of this global objective, the Board of Directors passed the company's Corporate Social Responsibility policy and led it to sign the United Nations Global Compact in 2015, a further reflection of our commitment to respect for human rights.



All this value creation has been recognized by the market over these years. Our share prices have risen by more than 90% on the €28.70 they were worth at the start of the BE MORE Plan and cash pay-outs to shareholders reached €1.35 per share in 2015, compared to the one euro per share paid in 2011.

The Viscofan Group is now in a much better position to view the growth opportunities which the sector still makes available optimistically. The sense of responsibility and commitment which leadership of this market entails has led us to define a new Strategic Plan, which we have called "MORE TO BE" and clearly intends to forge ahead in the same direction as its predecessors: leader in service, leader in technology and leader in costs.

Firmly convinced that this market is set to grow and aware of its leading position within it, the Viscofan Group will be investing around €80 million in 2016 to cover, among other things, the new fibrous and plastic casing facilities in Spain, greater capacity in Uruguay and China, and technological improvements at practically all its centers. These investments will support the expected growth in revenue of between 2% and 4%, 4-6% growth in EBITDA and a 6-8% rise in net profit from ongoing operations to €127-130 million in 2016, while also anticipating opportunities for growth in the mid-to-long term.

These are ambitious objectives, but they can be achieved when you have a team like Viscofan's. I sincerely believe that the results we have obtained are not simply because we were pioneers in greenfield operations, but rather the consequence of being able to make such greenfield operations, achieve greater efficiencies and secure lower costs because this team has an extraordinary will to succeed. It consists of people who rely on technology, but encourage innovation, believe in talent and crave new challenges, demonstrating an outstanding degree of commitment to and identification with the values of the company.

The transformation of the Viscofan Group is the result of the work of many: customers who place their trust in us, suppliers who help us and from whom we demand the highest levels of safety and traceability throughout the world, and all the communities we work in. But, above all, it is down to the 4,300 people who currently devote their day-to-day lives to making the Viscofan Group a better company and all those who came before them. In this regard, I would like to take this opportunity to remember Jaime Echevarría, a great businessman and one of the founders of the Viscofan Group 40 years ago, who passed away recently. It was thanks to his vision and under his leadership over the more-than-three decades which he dedicated to this company that the Viscofan Group became world leader in the casing market.

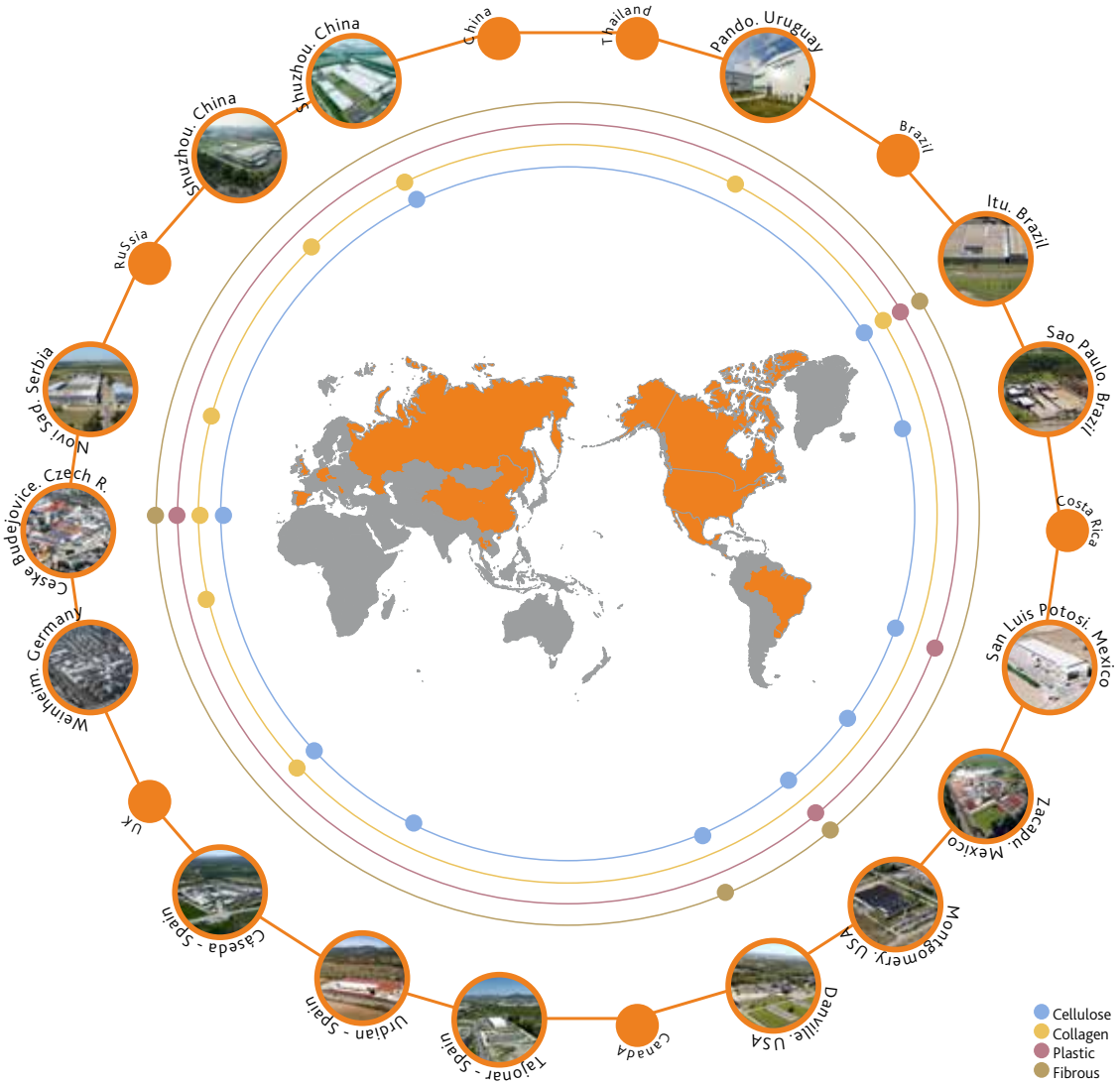
On behalf of the Board of Directors, I would like to thank both you as long-term shareholders and all our people for believing in Viscofan. Your support and cooperative attitude provide, without doubt, the basis upon which we can confidently contemplate a further five years of growth like those presented in the "MORE TO BE" Plan, five years in which we shall face the difficult task of bettering the remarkable results described in this annual report.

JOSÉ DOMINGO DE AMPUERO Y OSMA



VISCOFAN WORLDWIDE



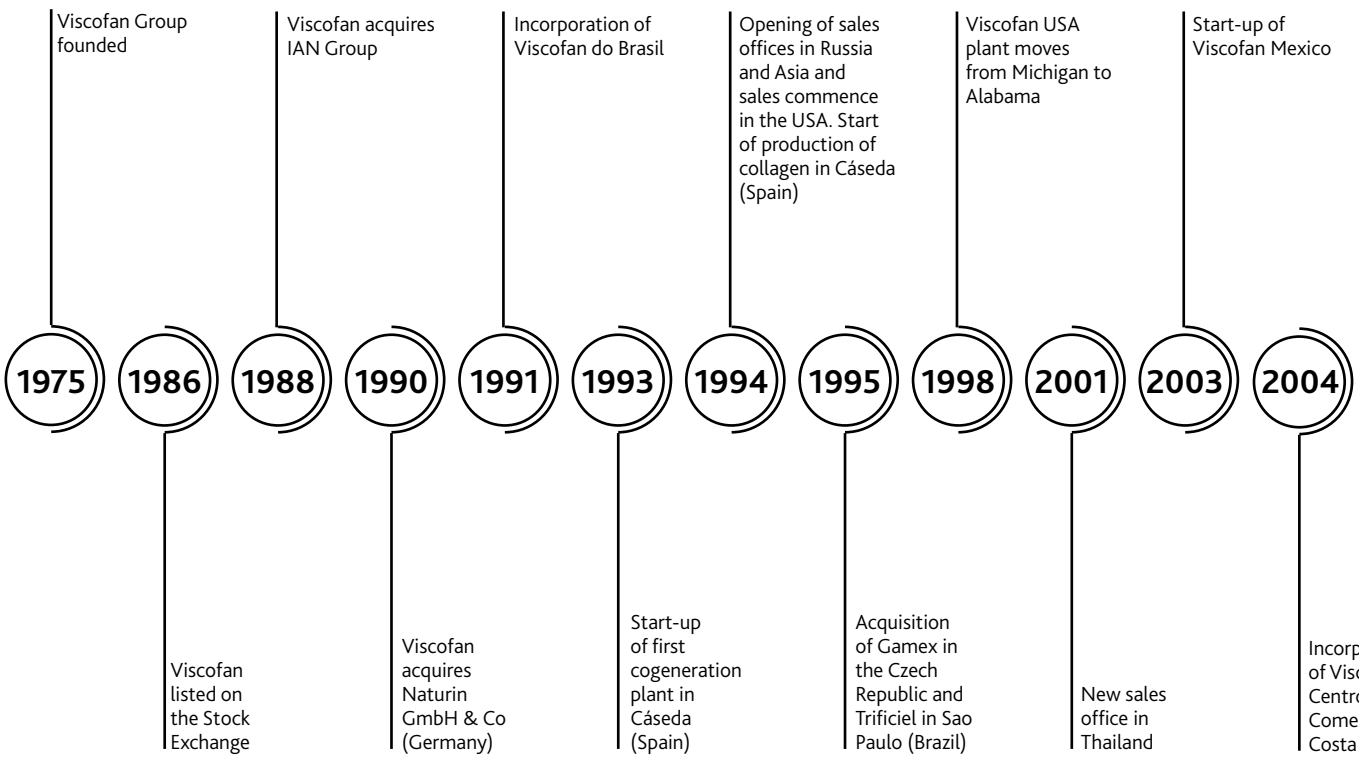


EUROPE/ASIA
2,687 EMPLOYEES
REVENUE: €**411.8** MILLION
7 MANUFACTURING SITES
8 SALES OFFICES

NORTH AMERICA
950 EMPLOYEES
REVENUE: €**215.9** MILLION
4 MANUFACTURING SITES
3 SALES OFFICES

SOUTH AMERICA
596 EMPLOYEES
REVENUE: €**113.1** MILLION
3 MANUFACTURING SITES
2 SALES OFFICES

OUR HISTORY


1975
Viscofan Group founded
1986
Viscofan listed on the Stock Exchange
1988
Viscofan acquires IAN Group
1990
Viscofan acquires Naturin GmbH & Co (Germany)
1991
Incorporation of Viscofan do Brasil
1993
Start-up of first cogeneration plant in Cáseda (Spain)
1994
Opening of sales offices in Russia and Asia and sales commence in the USA. Start of production of collagen in Cáseda (Spain)
1995
Acquisition of Gamex in the Czech Republic and Trificiel in Sao Paulo (Brazil)
1998
Viscofan USA plant moves from Michigan to Alabama
2001
New sales office in Thailand
2003
Start-up of Viscofan Mexico
2004
Incorporation of Viscofan Centroamérica Comercial SA in Costa Rica

2015

FEB — Publication of results for 2014. Ten years in a row revenue growth

MAR — Sale of IAN Group

APR — Publication of results for the first quarter of 2015

MAY — Viscofan 2015 General Shareholders' Meeting.

Acquisition of Nanopack Technology & Packaging

JUN — Payment of a final dividend of €0.724 per share gross

JUL — Publication of results for the first half of 2015

OCT — Viscofan 40th Anniversary.

Publication of results for the third quarter of 2015

NOV — It is announced an investment of €20MM to build a fibrous production center in Cáseda

DEC — Interim dividend paid out of profits for 2015 in the sum of €0.52 per share, gross.

Construction of a new plastics plant in Mexico

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 — Installation of new "superfast" production lines in Germany, expansion of collagen in Spain and 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

2015 — 40th Anniversary of Viscofan Group

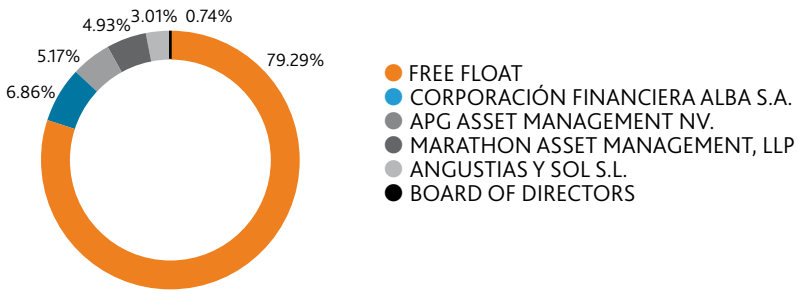
Sale of IAN Group

Acquisition of Nanopack Technology & Packaging

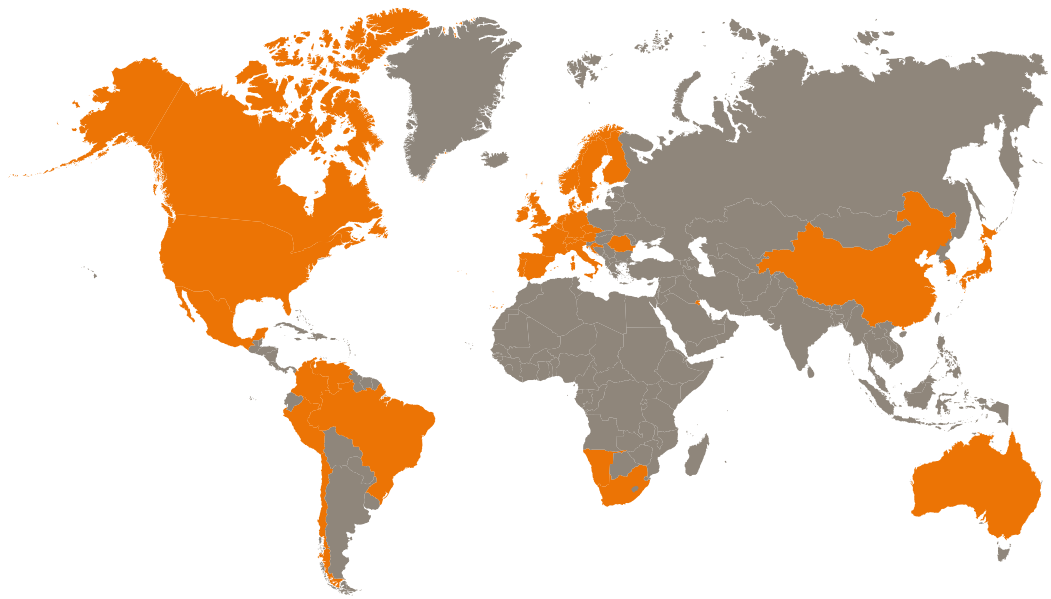
New plastics plant in Mexico.

CORPORATE GOVERNANCE

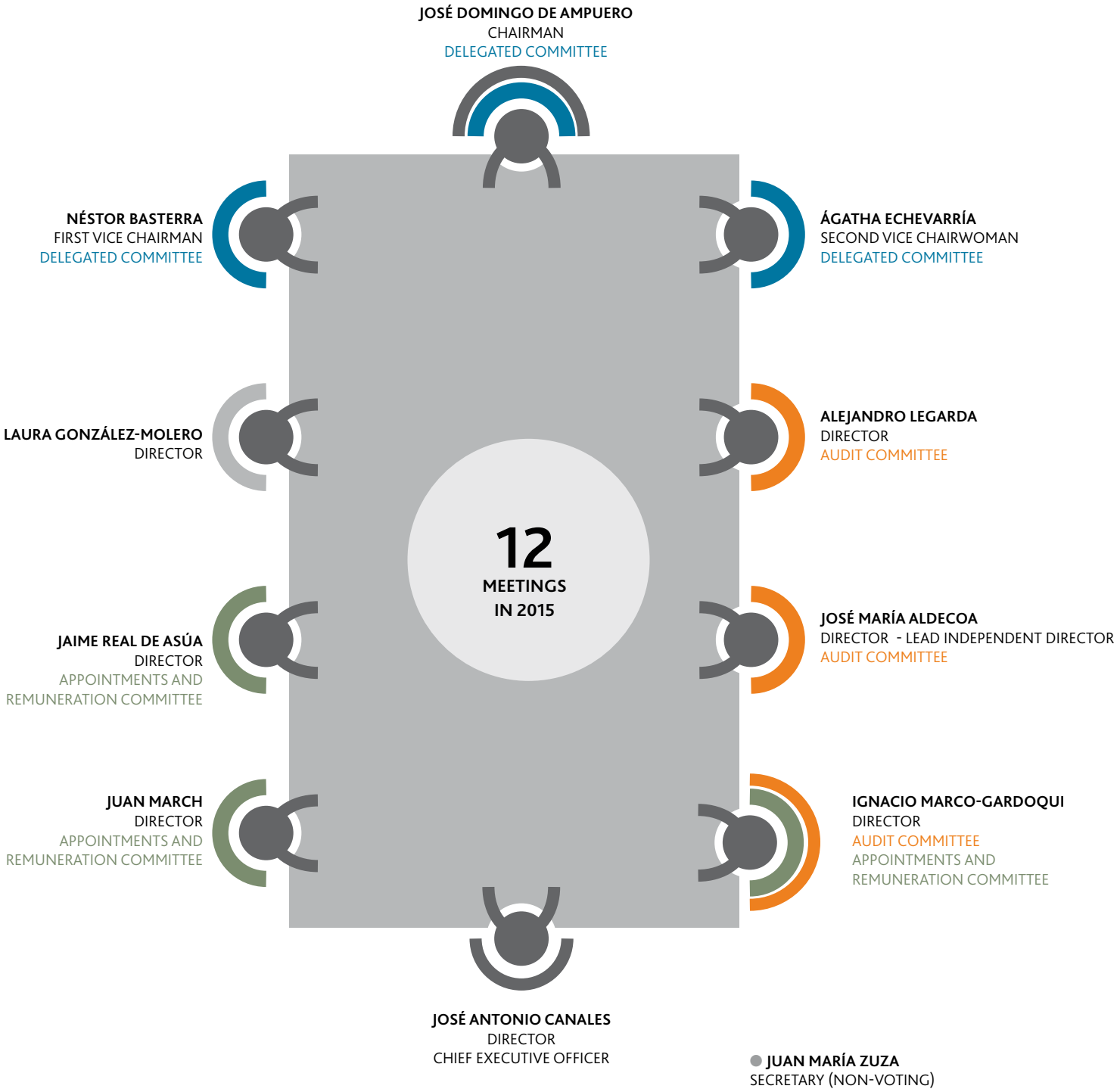
SHAREHOLDERS STRUCTURE (DECEMBER 2015)



SHAREHOLDERS PRESENCE (OVER 20 COUNTRIES)



BOARD OF DIRECTORS



JOSÉ DOMINGO DE AMPUERO

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, Iberdrola, Chairman of Cementos Lemona S.A., and member of the Association for the Advancement of Management.

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

He is member and former Chairman of the Basque Business Circle, and of the Charity Board of the "Santa y Real Casa de Misericordia" of Bilbao.

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

NÉSTOR BASTERRA

FIRST VICE CHAIRMAN

Other External Director

Law degree and Economics graduate from the University of Deusto.

He also holds 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 Directors 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

SECOND VICE CHAIRWOMAN

Other External Director

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

She has broad professional experience in a number of multinationals, 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 and currently she is member of the Board of Directors of Papelera Guipuzcoana de Zicuñaga S.A.

She is Second Vice Chairwoman of Viscofan, S.A., and member of its Delegated Committee.

JOSÉ ANTONIO CANALES

CHIEF EXECUTIVE OFFICER

Executive Director

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

Independent Director

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian. He holds a Masters in Economics and Business Administration from IESE (Barcelona) and Doctor in innovation economics from the Politécnica University of 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

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, Progénika Biopharma, Minerales y Productos Derivados, Tubacex SA and Iberdrola Ingeniería y construcción (Iberinco) SA.

Previously, he has belonged, among others, to the Board of Directors of Técnicas Reunidas, Banco de Comercio, IBV, Banco de Crédito Local, Schneider Electric España 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 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.

JAIME REAL DE ASÚA

Independent Director

Degree in Industrial Engineering, specialising in Industrial Organisation from the ETSII (Bilbao).

He is currently Vice-chairman of the Board of Directors of Elecnor, S.A, member of its Delegated Committee and member and secretary of the Appointments and Remunerations Committee.

Moreover, he is member of the Board of Director of Enerfín Enverventos S.A. and Deimoss Space S.L.U. Both companies form part of Elecnor Group. He has been President and Director of Adhorna Prefabricación SA until 2015 when it was owner by Elecnor S.A.

He is member of the Board of Directors and Secretary of Cantiles XXI S. and from 1987 to 2012, he was director of Internacional de Desarrollo Energético, S.A. (IDDE).

At the same time from 1981 to 2011, he was linked to Cementos Portland Valderrivas Group, were he held different management positions and was member of the Board of Directors 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 MARCH

Dominical Director

Degree in Business Administration from the Universidad Carlos III de Madrid.

He also completed the Global Market Training Program at J.P. Morgan, and the Owner/President Management Program of the Harvard Business School.

He gained his work experience at J.P. Morgan, London/Madrid. He was Managing Director and Chairman of March Gestión de Fondos SGIIC, Madrid.

He is currently Executive Chairman of Banca March S.A. and Vice-chairman of Corporación Financiera Alba S.A. Furthermore, he is a director and member of the Strategy Committee of Indra Sistemas, S.A., and Board member of the Juan March Foundation.

He has been a member of the Board of Directors and Executive Committee of ACS and member of the Board of Acerinox, S.A.

Nominee Director in Viscofan representing Corporación Financiera Alba S.A.

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

JOSÉ MARÍA ALDECOA

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 CORPORACIÓN and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012.

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

JUAN MARÍA ZUZA

Secretary Non-Director

Law degree from the Universidad de Navarra.

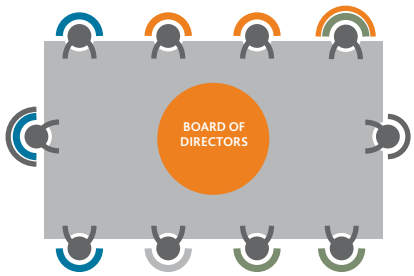
Practising lawyer with his own law office, working mainly in the area of civil and mercantile private litigation, and qualified in Navarre Local Law. He has been a faculty member of the two law schools, Escuelas de Práctica Jurídica, in Navarra since they were first created.

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 was board member of the University-Society Foundation and Director of the Guarantees Commission of the Faculty of Law of the Public University of Navarra.

He has experience as a legal advisor to, and member of, many boards of directors as secretary.

GROUP STRUCTURE



"THE BOARD OF DIRECTORS HAS THE SUPPORT OF THE SENIOR MANAGEMENT TO DEPLOY THE STRATEGY AND MANAGEMENT ACTIVITIES OF THE VISCOFAN GROUP."

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
Deputy General Manager Viscofan CZ s.r.o. and Gamex CB s.r.o. (Czech Republic)

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

DOMINGO GONZÁLEZ
General Manager of Viscofan USA Inc (USA)

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

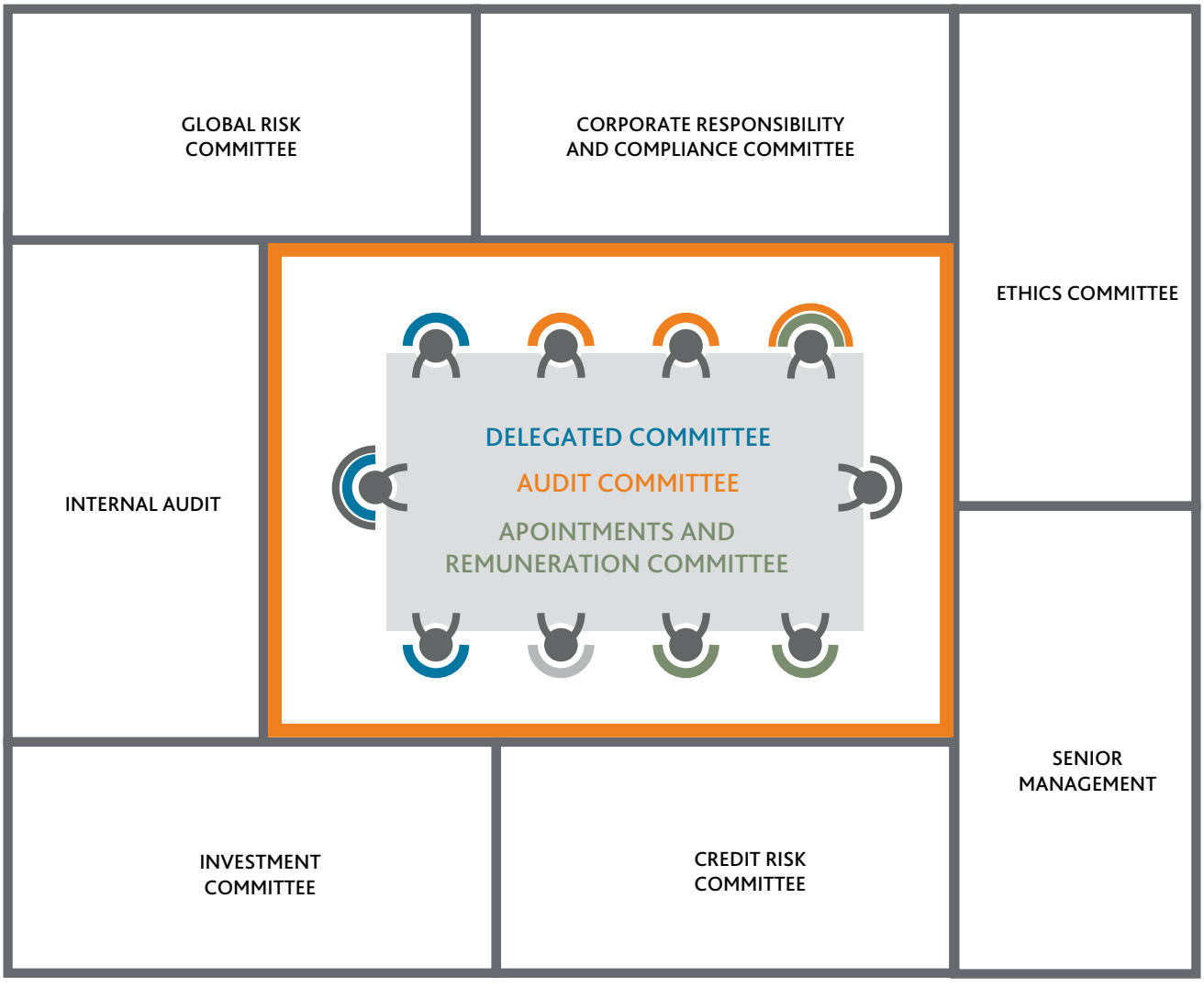
LUIS BERTOLI
General Manager of Viscofan Do Brasil soc. com. e Ind. Ltda. (Brazil)

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

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

CONTROL AND SUPERVISION BODIES

"CONTROL AND SUPERVISORY BODIES REPORT
DIRECTLY TO THE BOARD."



GOOD GOVERNANCE PRACTICES

GENERAL PRINCIPLES OF GOOD GOVERNANCE WITHIN THE VISCOFAN GROUP

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 provide a high level of trust and that the business targets and structure are compatible with protecting shareholders' rights.

Viscofan's commitment to corporate governance, 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. Viscofan has progressively reinforced its structure to guarantee the follow-up of the evolution of the principles of good corporate governance, both in Spain and internationally, as well as a continuous analysis of this evolution, adapting them to the company circumstances, until the highest level of compliance is achieved.

Given the global nature of performance, 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.

Likewise, the Viscofan Board has approved a Corporate Social Responsibility Policy, reflecting its commitment to developing activities responsibly, maximising the creation of sustainable value, sharing it among its interest groups (shareholders, employees, the market and society in general) and identifying, predicting and correcting the possible negative impacts of its activity. The formalisation of this policy will contribute to promoting the development of a culture of best practices in social responsibility in the Viscofan Group and towards improving the wellbeing of people and driving forward the economic, environmental and social development of the communities in which the Viscofan Group is present through ethical behaviour.

Furthermore, Viscofan has continued in its efforts to promote communication with all its shareholders, whether directly, or via their representatives or advisors, encouraging transparency, providing all the information considered relevant for an enhanced targeted understanding of the company and its commitment to the principles and recommendations of good corporate governance, and establishing additional channels of communication that facilitate the comprehension of their information requirements at all times.

GOOD GOVERNANCE ACTS IN 2015

In 2015, Act 31/2014 of 3rd December, by which the Limited Companies Act was modified to improve corporate governance, incorporated principles of good governance to the mandatory regulations in Spain.

Viscofan, within the framework of its dynamic policy of adapting best corporate governance practices, pre-empted the evolution of the Spanish regulations, and incorporated improvements to corporate governance into its internal regulations via the drive of the Board of Directors and with the involvement of the shareholders via the General Meeting held on 11th April 2014: a reduction of the Board Member mandate; incorporation into the bylaws of the figure of Lead Independent Director, of the assessment of the Board and its Committees, of the Appointments and Retribution Committee, of the requisites for the Audit Committee structure; increased limit of the number of Board Members that can form part of the Board.

The approval of Act 31/2014 for improved corporate governance of companies gave a new boost in its incorporation into the internal regulation of some aspects of good governance with which Viscofan already complied and of which it provided regular notification in its Annual Corporate Governance Report,



in its Remunerations Report or in this document: separate voting of the agreements proposed to the General Shareholders Meeting, the minimum number of meetings of the Board of Directors, the establishment in bylaws of a remuneration system for Directors, approval by the General Meeting of the maximum amount of annual remuneration of the Board Members collectively, unlimited delegation and fractioned vote of intermediary entities.

Furthermore, during 2015, Viscofan consolidated the operating procedures of its governing bodies to give greater visibility to the incorporation of the principles of good governance, especially those included in the new Good Corporate Governance Code of listed companies published in February 2015.

In this respect, to guarantee the continuous flow of communication and to assure shareholders of the transparency of information and access to it, and to pay particular attention to their points of view regarding the rules and practices of corporate governance, among others, the Board of Directors has approved a communication policy with shareholders, institutional investors and their representatives or advisors based on the principles of equality, transparency and legality, which is available on the Company website and which gives them access to the necessary information to exercise their rights and make informed investment decisions, allowing for the generation of sustainable long-term value.

Furthermore, upholding its transparency policy regarding the General Shareholders Meeting, and specifically, regarding measures to promote the exercising of their attendance and participation rights under equal conditions, in accordance with the principles of Good Corporate Governance, the Board has approved and publicised a policy to encourage participation in the General Shareholders Meeting. This policy formalises the payment. of an attendance premium for shareholders that are present or represented in the General Shareholders Meeting, a practice that Viscofan has been implementing since 2004.

Moreover, the Viscofan Board has expanded on the requisites needed to guarantee the diversity of knowledge, experience and gender in its composition from the very initial selection phase of potential candidates, given that this diversity constitutes one of the fundamental aspects to take into account for the good corporate governance of companies, both in how it affects its efficiency and influences quality decision-making, as well as its capacity to effectively promote social interest. As a result, the Board has approved and publicised a Board Member Selection Policy on its website, created by the Appointments and Retribution Committee in accordance with the international

principles of Good Corporate Governance, with the aim of providing the Board of Directors with candidates that can offer the competencies, knowledge and experience necessary at all times, taking into consideration the vacancies to be covered, as well as the structure and composition of the Board.

Along with all the above, the Viscofan Board has adjusted compensation of the Director General Manager for terminating the contract to the best practices of Good Governance, by reducing it to two years; it has improved the Board and its Committees assessment procedure to give greater scope to different aspects of its operation, and it has incorporated actions as a result of the assessments carried out over recent years, mainly relevant to guaranteeing Board Member participation, facilitating their dedication and attendance at meetings and giving them tools to enable them to expand upon specific aspects of the activity and the particular settings of the different productive centres and to enable a better follow-up of the Group strategy and that of each of its companies.

Finally, Viscofan has upheld its transparency policy regarding the General Shareholders Meeting and has published all the reports and documentation, taking this further than that established in the applicable regulations, which it considered convenient to improve shareholder information with the aim of facilitating their decision-making regarding the proposals put forward by the Board. Thus, Viscofan has published the annual reports about the activities of the Audit Committee and the Appointments and Retribution Committee, so that their shareholders can access them sufficiently in advance regarding their presentation in the General Shareholders Meeting; the Auditor Neutrality report, and the report on Related-Party Operations, both created by the Audit Committee; and the comparative report on the application of the Board remunerations policy with regards to 2014, allowing shareholders to analyse the evolution of the cost of governance with standardised criteria. Likewise, it has published the reports and proposals created by the Appointments and Retribution Committee regarding the naming of Board Members.





① LINK TO GENERAL SHAREHOLDERS MEETING INFORMATION

GOVERNING AND SUPERVISION BODIES

Viscofan has the following internal bodies, considered necessary to ensure that operation is aligned with good governance recommendations:

SHAREHOLDERS ANNUAL GENERAL MEETING

The Annual General Meeting ① is the supreme body of the company, the area in which its shareholders take majority decisions on questions within their area of responsibility. The General Shareholders Meeting is one of most important moments of corporate life. 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 (Bylaws of General Shareholders Meeting).

In recent years Viscofan has launched a series of initiatives designed to facilitate transparency, 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, which in 2015 were included in the Policy encouraging participation in the General Shareholders Meeting, approved by the Board and as described above.

In the current 2016 financial year we have proposed a premium for attendance to the General Shareholders Meeting of 0.01 euros per share. Viscofan also facilitates remote voting or, as the case may be, delegated votes, including the possibility of this delegation with voting instructions.

Viscofan has also published on its website an attendance card, delegation and remote voting, to facilitate the exercising of shareholder rights, for those that wish to use them, and a document of questions and answer 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 and continues to drive forward continuous dialogue with shareholders, their representatives or advisors, via the Investor Relations Department and the Shareholders Attention Service Department to ensure access to the information needed to exercise their rights and to make informed decisions.

As a result of all these measures, 73.06% of the company's capital (cf. 76.36% the previous year) was represented in the AGM held on 07 May 2015. This maintains the high percentage of participation in the AGMs over the last 5 years (above 73%), 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 to provide information in an immediate, direct and accessible manner. 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, shareholder they represent in the event of Dominical Board Members, curriculum vitae, other Boards to which they belong, dates of the first and latest appointment, number of shares and stake in the company, as well as the composition and duties of the Board Committees, 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, 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



(1) LINK TO BYLAWS OF BOARD OF DIRECTORS

- 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.

BOARD OF DIRECTORS

The Board of Directors 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.

Currently, following the modification of bylaws and the appointments approved by the General Meeting held on 7th May 2015, the Board of Directors now consists of ten members, of which two are executive, one is nominee Director representing Corporación Financiera Alba, S.A. a significant shareholder of Viscofan, 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 and nominee 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 has created an annual calendar of Board meetings and those held by the different Committees to improve planning processes for Board Members and to facilitate their dedication and attendance at the meetings. The annual calendar includes visits to some of the Group centres and the participation of Managers in the annual planning, allowing a better follow-up to be performed on the Group strategies and on each of their companies' strategies.

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 12 occasions in 2015, with an attendance percentage above 95%. The Chairman attended all the meetings

Thus, as mentioned, the Board and its different Committees have improved their annual assessment procedure, which remains under the coordination of the Secretary and is led by the Coordinating Director as the Top Executive, to whom the Appointments and Retribution Committee presents its report, in which the formal and material aspects of its activity are analysed, as well as the performance of Board Members and Presidents in each of the committees and within the Board itself, incorporating observations that may be used to improve their work. The result of the 2015 assessment established that no significant changes were required, rather, as mentioned, pertinent actions were performed to ensure the participation of Board Members, facilitating their dedication and participation in meetings and providing them with tools to enable them to expand upon specific aspects of activity and in the particular environment of each of the different productive centres, and to allow a greater follow-up to be performed of the strategy of the Group and each of its companies.

Comprehensive information about the Board of Directors is permanently available in the "Corporate Governance" section on the company website, which also includes individualised information about the status of the different Board Members, reviewed each year subject to the verification by the Appointments and Retribution Committee, and their adherence to the different committees, as well as the most relevant information such as that previously cited in this report. Details regarding their individualised remuneration are included in the Remunerations Report presented to the General Meeting for approval through consultative vote, as part of the application of the Remunerations Policy approved by the General Meeting.

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. The Delegated Committee has been undertaking an extensive work as the permanent delegation of the Board, due to the increasing complexity of the Viscofan Group and the location of its plants in four continents which require a greater effort and more follow-up by the Board of Directors and, by extension, its Delegated Committee.

The Managing Committee met on 11 times in 2015. While exercising its duties it expanded upon issues to be dealt with by the Board of Directors and supervised the implementation of the strategy in the different branches of the Group, approved by the Board, and under maximum transparency criteria, notified the Board of proposals arising from the strategy, so that the Board can adopt the agreements it considers appropriate. Likewise, it provided all Board Members with the minutes of its sessions.

It carried out strategic analyses for the study of potential organic and inorganic growth, as well as different investment possibilities.

Not only the Committee members and the Secretary participated in its meetings, but also the Director General Manager, and, upon request, different members of the Senior Management.

AUDIT COMMITTEE

The Audit Committee is made up by three independent 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. The Chairman 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 8 times in 2015, three of them with external auditors from Ernst&Young. Whenever considered relevant, the presence of members from the Management team, internal audit and external auditors have been requested.







(1) LINK TO REMUNERATIONS REPORT

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee (1) 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.

This committee assesses the competencies, experience and knowledge necessary on the Board to determine the needs that should be covered by candidates for each vacancy, proposes the appointment of independent board members and reports, reports on the appointments and cessations of senior management, establishes a representation objective for the lesser represented gender and develops guidelines on how to achieve this. It also examines and organises the succession of the Board President and the Top Executive, and provides the Board with the Board Member and Senior Position retribution policy, as well as remuneration policies for shares and options wherever applicable, and long-term retribution policies for Board Members and Senior Management.

During 2015, the Appointments and Retribution Committee carried out the duties attributed to it by the Bylaws and by the Board Regulations.

It reviewed the qualification of Board Members, developed reports for the assessment of Executive Board Members and the Committee itself, and led the assessment of the Board and its committees.



It analysed the competencies, knowledge and experience necessary on the Board, it developed a Board Member Selection Policy to be approved by the Board, it requested the presence of the Coordinating Director to determine the concerns of non-executive Board Members, and it raised proposals and reports with the Board of Directors regarding the re-election or appointment of Board Members.

It organised the succession of the President, the Director-General Manager and Senior Management and the talent management policy, with succession and professional development plans for the key positions within the Viscofan Group, having approved a Succession Plan.

It applied the Remunerations Policy approved by the General Meeting held on 7th May 2015 and created the remunerations chart to apply this policy, including variable annual and multi-annual retribution. It proposed variable annual and triennial retribution for the coming years, both for Board Members and Senior Management, as well as the salary policy for Senior Management.

It informed the Board of Directors of all its activities, providing all Board Members with the minutes of its sessions.

The Appointments and Remuneration Committee met on 4 occasions in 2015.

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 detailed below, and also in the Annual Report on Corporate Governance. In addition, upon calling the General Shareholders Meeting, as indicated, the annual reports were published regarding the activity of the Audit Committee



① LINK TO INTERNAL RULES



② LINK TO CNMV WEBSITE



③ LINK TO MERCANTILE REGISTER OF NAVARRE



④ LINK TO INTERNAL CODE OF CONDUCT

and the Appointments and Retribution Committee, as well as reports on the neutrality of the auditor and related-party operations created by the Audit Committee. All the information related to the Committee its functions, composition and activities as well as their corresponding reports and the above mentioned proposal for the Board remuneration are available for consultation on the company's website (www.viscofan.com).

INTERNAL RULES IN THE FIELD OF GOOD GOVERNANCE POLICY

The internal rules ① that govern the functioning of the bodies 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 ③ of Navarre (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 and duties 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 organization and functioning and their missions and powers.

- Code of Conduct ④: 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.

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 2015 the Ethics Committee met on 6 occasions, during which it updated its information protocols and completed an investigation on 3 reported incidents.

RISK MANAGEMENT

In accordance with the provisions of its corporate social responsibility policy, proper risk management, striking a balance between the will to create value for its stakeholders and the risks associated with business, commercial, operational, labour, financial and social initiatives, is a priority for Viscofan.

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 to 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 information 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 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 objective is to control and supervise compliance with the Investment Plan approved by the Board of Directors.

- The Senior Management's task is to deploy and execute the strategy within the organisation, performing the monitoring, risk identification and control work relevant to it within its areas of activity. It is responsible for identifying and evaluating the risks which the Group faces in the course of its business and applying suitable measures either to prevent such risks from materializing or, should they arise, to reduce or eliminate their impact.

- Viscofan Group employees. 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.

As part of its regular work, the Global Risk Committee revised the map of existing risks in 2015 in accordance with the code of ethics, internal regulations and the Be MORE Strategic Plan.



It evaluated the risks identified in four categories, according to the COSO framework:






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
- Cybersecurity risk
- Reputational risk
- Company ownership
- Obsolescence risk due to innovation

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 constraints
- Exchange rate
- Prime rate
- Budgetary control
- Pension plan

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

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

The objectives were manifold:

- 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 in 2015,
- To valuate the need of the incorporation of new risk to the existing risk map system.

Corporate risk management is not a simple linear process in which each component only affects the next one in line, but rather a multidirectional, iterative process in which one component may affect 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.

In this regard, the most significant changes made in 2015 were related to the elimination of risks associated with the vegetable food business following the sale of the IAN Group for €55.8 million cash, representing a capital gain of €0.4 million after tax. The risks associated with the pension plans in the USA were also reduced, as were, at a previous date, those associated with the German plans, situating the risk of these liabilities within tolerance levels which the Group considers acceptable.

Within the objectives of excellence, the requirements regarding the control of risks identified have been tightened; in particular, the tolerance levels for risks associated with EHS, Environment, Health and Food Safety, and those associated with safety in the work place have been lowered considerably.

As for the rising likelihood of occurrence, the risk of competitive intensity is still high in certain markets which are affected by, among other things, exchange rate fluctuations, growing geopolitical uncertainty, volatility in the macroeconomic environment, raw material and energy price formation, and some competitors' need to improve their competitive positions.

Through the different organs of risk control and monitoring, the Viscofan Group tasked the Global Risk Committee to produce an inherent and a residual map for those risks which, due to their materiality, might compromise value creation for its stakeholders and, consequently, hinder the accomplishment of the objectives sought by its MORE initiatives:

- **M**arket growth: Viscofan's positioning as global market leader
- **O**ptimization: cost reduction and efficiency
- **R**eturn: creation of value for stakeholders, with respect to the objectives set out by annual budget.
- **E**xcellence: protection of Viscofan's culture and values, improvement of service, quality, commitment to the protection of human rights, safety and environment.

Knowing where each risks sits on the inherent and residual maps calls for continuous dialogue with the company's stakeholders through the channels established by the company. This system allows the company to gauge how well the measures adopted have performed in terms of mitigating the risk, focus its attention on those risks which are still beyond the comfort zone and apply further corrective and preventive measures in order to reduce the impact and/or likelihood of the risk occurring.

The Global Risk Committee meets at least twice a year to review and identify the risks inherent to the business, although additional unidentified risks may exist which may hinder accomplishment of the Viscofan Group's objectives.

INHERENT RISK MAP DECEMBER 2015



STRATEGIC RISKS

E1 Natural Disasters
E2 Country risk
E3 Competitive risk. Competition
E4 Competitive risk. Customers
E5 Competitive risk. Substitute products
E6 Reputational risk
E7 Company ownership
E8 Obsolescence risk due to Innovation
E9 Cybersecurity risk

INFORMATION RISKS

I1 Computing contingences
I2 Preparation and integrity of the financial information
I3 Financing policy
I4 Exchange rate
I5 Prime rate
I6 Budgetary control
I7 Pension Plan

OPERATIONAL RISKS

O1 Material damage risk
O2 Business continuity risk
O3 Energy market
O4 Customer satisfaction
O5 Risk of transportation
O6 Shortage of raw materials
O7 Public liability
O8 Know-how
O9 Labour force
O10 Group cohesion
O11 Food risk
O12 Sabotage

COMPLIANCE RISKS

C1 Environment
C2 Work-related accidents
C3 Safety and hygiene in the workplace
C4 Evolution of regulatory framework
C5 Compliance with food legislation
C6 Compliance with obligations arising from business transactions
C7 Societal risks
C8 LOPD
C9 Criminal liability of legal persons
C10 Taxation

CHIEF RISKS WHICH MATERIALISED IN 2015

It is important to point out that risk is inherent to business activity and 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.

Nevertheless, the measures implemented and the quantification of these risks did not prevent the main financial objectives defined and communicated to the investing community from being reached in the tax year.

In this context, some of the risks to materialise with the most significant impact, are as follows:

FINANCIAL RISK EXCHANGE RATE

The global economic situation and the economic and monetary policies conducted by the competent authorities in the various countries have 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.

These hedges, however, may have been taken out at less favourable costs than the final spot prices.

OPERATIONAL RISKS: ENERGY COSTS

2015 was characterised by extremely volatile 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.

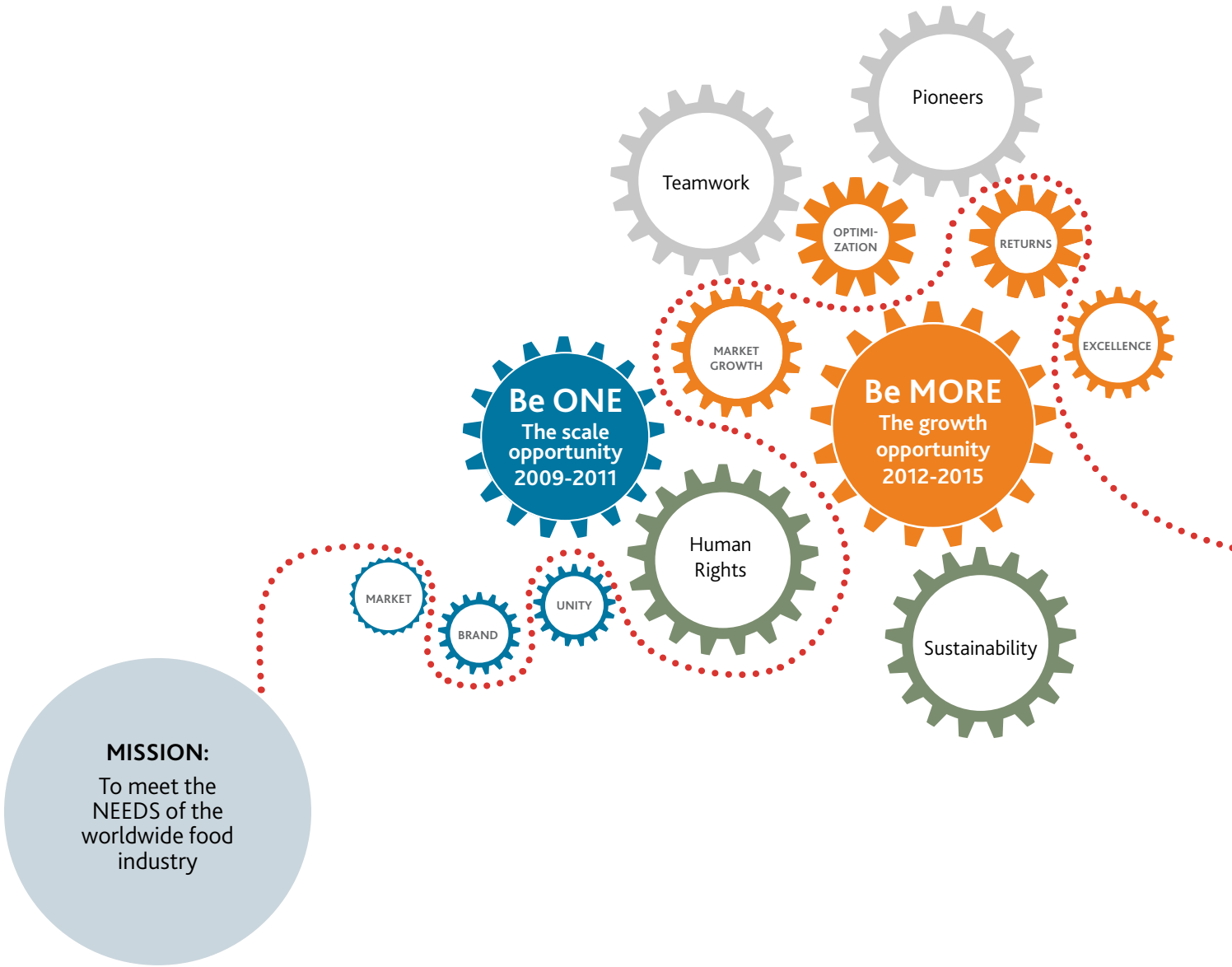
COMPETITIVE ENVIRONMENT AND MARKET RISK

As a result of a strong US dollar compared to other currencies, some competitors focused their commercial and promotional efforts on the US market.

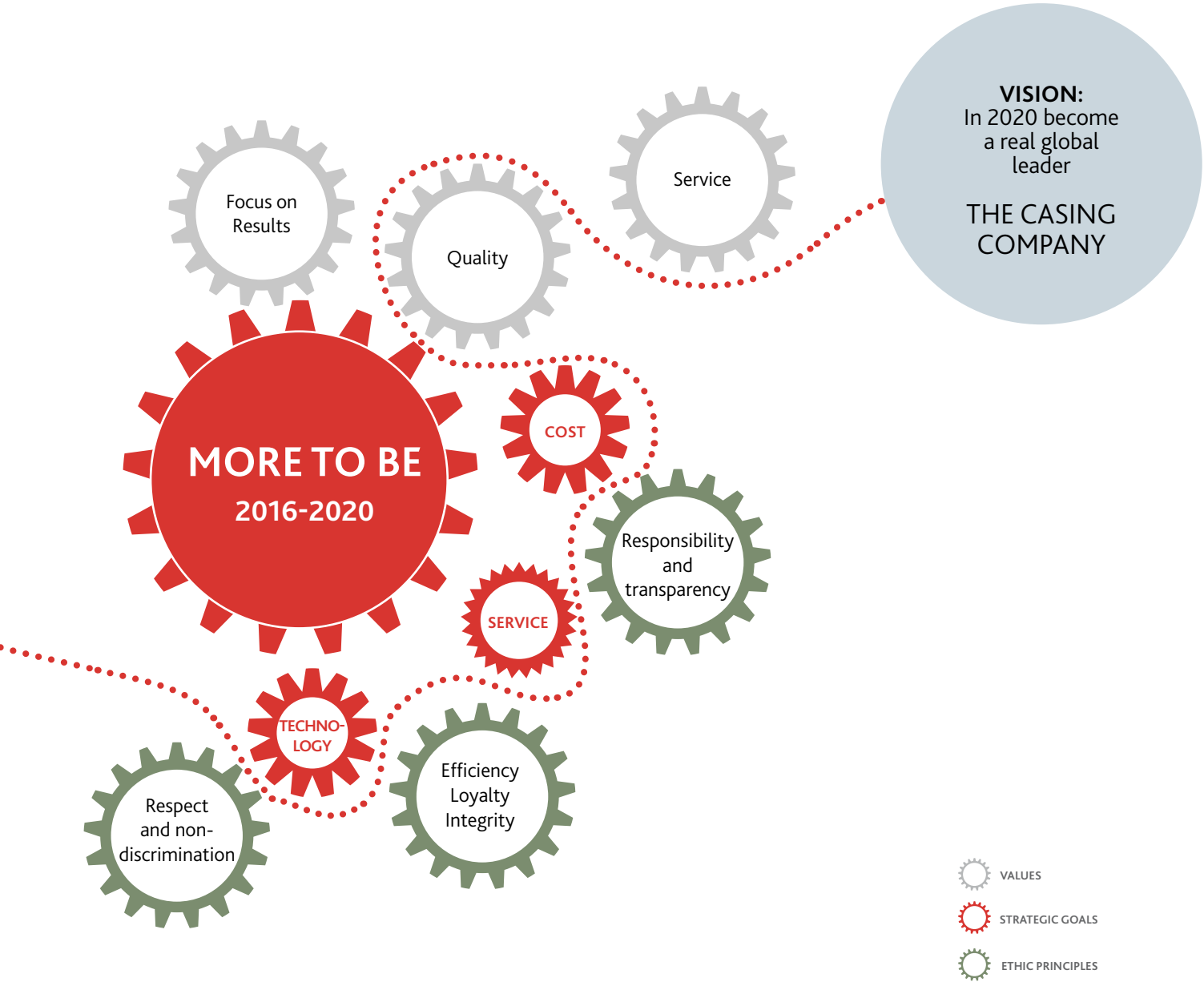
Functioning of the control systems:

This market has been monitored, maintaining disciplined commercial policies which will not harm the financial performance objectives. The projects specific to the USA which aim to enhance our levels of service and quality have been strengthened in order to protect our market share better in adverse scenarios.

STRATEGIC PILLARS



MISSION:
To meet the NEEDS of the worldwide food industry


VISION:
In 2020 become a real global leader
THE CASING COMPANY
Service
Focus on Results
Quality
MORE TO BE
2016-2020
COST
Responsibility and transparency
SERVICE
TECHNO-LOGY
Efficiency
Loyalty
Integrity
Respect and non-discrimination
VALUES
STRATEGIC GOALS
ETHIC PRINCIPLES

MORE TO BE STRATEGY

INTRODUCTION TO THE CASING MARKET

Casing is a soft, cylindrical covering used to hold fresh or processed cold meat mixes. Casing may be made from natural or customized materials.

The Viscofan Group is the world leader in customized casing for the meat industry, also called artificial casings due to the traditional use of natural casings for this type of product (mainly intestines and bladders) that meat processors use to stuff meat.

Mankind has been casing meat in animal casings since Ancient times, but customized casing started in the early 20th century, when difficulties in obtaining natural casings, price volatility and problems in industrialising cold meat products led to the search for alternatives to natural casings in different countries depending on the different materials available to produce sausages and other cold meats. This change implied a significant qualitative leap for meat processors, achieving better quality, productivity and safety in food standards.

Today, meat producers have a wide range of technological alternatives when it comes to producing cold meats, depending on the product and production characteristics, combining a better range of casing with significant productive savings.

The casing market has an estimated value of €4.300 million, and it is the meat processor who decides the casing used, either animal casings (around half the market) or customized casing which in turn can be made from different materials depending on the production characteristics and the desired product, combining a better range of casing with significant productive savings.

Casing offers many properties, providing shape and appearance, and furthermore, quality casing can lengthen the lifespan of the product, improve food safety conditions and allow for greater productivity, automation, a reduction in fixed production costs and offer a wider range of customisation in exchange for a truly competitive costs, given that in overall terms its cost represents between 5% and 20% of the costs of the cold meat depending on the cost structure and the quality of the materials used in the meat processing. As such, the greater the production demand, and the more sophisticated the meat processors, the greater the trend to use customized casing as opposed to natural casings.

Casing may be made from natural or synthetic materials.

CUSTOMIZED NATURAL ORIGIN CASING:

Cellulose: Approximately 11-12% of the total casings market. This is a casing created using natural cellulose as a raw material. It is mainly used to produce industrially cooked sausages (Frankfurt, Vienna, hot-dogs, etc.).

In most cases, the casing acts merely as a cooking mould, and is generally peeled off by the manufacturer before sale to end consumers.

In the productive process, via a complex treatment, the cellulose molecules are de-polymerised using a chemical and mechanical rupture process, and later they are re-polymerised in a cylindrical or tubular shape, as requested by the client.



Fibrous: They represent 5% of the casing market. Fibrous casing is a cellulose casing that is reinforced with Manila hemp, which gives the casing a high level of both resistance and calibre uniformity. Fibrous casing is mainly used for high-calibre sliced meats such as mortadella, cured hams, pepperonis, etc.

Collagen: 24-25% of the total market. This is a casing created using collagen as a raw material. This collagen is obtained from the cow and pig hide, by which a complex treatment is employed for its posterior processing and casing formation.

It can be classified into two main types: low-calibre collagen, or edible (e.g. Fresh sausages, bratwurst, etc.) and high-calibre collagen, or non-edible (e.g. Salami, bierwurst, etc.). The main difference between both types of collagen is in the thickness of the casing wall and the treatment the collagen undergoes during the process, to be able to resist a variety of stuffing conditions and the weight of the meat filling.

SYNTHETIC ORIGIN CUSTOMISED CASING

Plastic: 11-12% of the market. Plastic casing uses different plastic polymers as a raw material, offering properties as a barrier, mechanical resistance, thermo-shrinkage, thermo-resistance, etc. depending on the application needs of the product.

Over time this market has proven to be positively correlated with the population and its growth, with the evolution of population eating habits and the sophistication of meat processors, that are able to decide whether to use natural gut or customized casing in their production processes. The growth of between 3% and 5% is down to these factors, which on historical average holds the casing market.



ANALYSIS OF THE CASING SECTOR GROWTH FACTORS

EVOLUTION OF THE POPULATION

The human population grows each year by an average of 1%. It is currently estimated that in 2015 there were over 7,349 million people in the world, a year in which growth was 1.2%, a pattern that the FAO believes will continue over the coming years, and which will take us to a global population of around 7,700 million people in 2020.

The main contributors to the growth in 2015 were Asia, with over 50% of the total, and Africa, with over 35%. By geographical area, Asia has grown by 1.0%, Africa by 2.6%, Latin America by 1.0%, North America by 0.9%, and Europe has remained practically unchanged, meaning that around 83% of the world's population lives in emerging areas from the continents of Asia, Africa and Latin America.

EATING HABITS

In global terms, the world demand for meat is growing at a sustainable rate of 2% per year, but this speed varies depending on the region. In Europe and the USA, the biggest meat producers in the 20th century, consumption growth has slowed moderately. However, it is the emerging areas that are leading this global growth.

Animal protein, particularly meat, is an increasingly prevalent part of the global daily diet, especially among populations in developing countries. An increase in consumption, favoured by a certain globalisation in eating habits, the increase of purchasing power among middle classes, and a population growth in cities, has also been boosted by migration from rural areas to urban areas. In this respect, in 2015 the 54% of the urban population was concentrated in urban hubs, a percentage that is expected to reach up to 56% in 2020 according to FAO estimates.

TECHNOLOGICAL DEVELOPMENT AND THE SOPHISTICATION OF MEAT PROCESSORS

Over recent years, consumer demands have evolved significantly. Access to information and the diversity of the offer, have meant that consumers can enjoy more alternatives when choosing cold meats, and therefore they demand more attributes, among which food safety and convenience are key requirements.

Yet in turn, meat processors need greater customisation and flexibility to adapt to new tastes and the dynamism of the environment, which includes the volatility of production input costs, the growing workforce, the requirements in the quality/price ratio imposed by distribution chains, regulatory development, globalisation itself and the size of meat processing companies, which make it increasingly necessary to produce more quickly, with stable quality parameters, seeking more automation and less productive waste.

In this respect, the development of customized casing has proven to be a great competitive advantage, particularly in European and North American regions, where the use of casing is more extensive, with a per capita amount of nearly one € per person each year, compared to the €0.5 in Latin America and the €0.1 in Asia.

POSITIONING OF VISCOFAN WITHIN THE CASING MARKET

The Viscofan Group is the world leader in casing, with an estimated market share of 15% and 30% in the customized casing segment. A leadership position that corresponds with a vision of becoming "the global leader in the casing market" and that naturally implies the implementation of a unique and differentiated value proposal for our interest groups.

Among other issues, this global vocation involves a marked international character, with sales in over 100 countries around the world, that are distributed from our productive centres and commercial offices in Spain, Germany, the Czech Republic, Serbia, the United Kingdom, Russia, China, Thailand, the United States, Mexico, Canada, Brazil, Uruguay and Costa Rica. A productive and commercial presence that in Viscofan is mainly guided by proximity to market principles and a well-adjusted balance between implementation costs and service.

Being global is not just limited to our geographical diversity, but also because we are the only producers that can offer global customized casing solutions to all our clients thanks to our very own cellulose, fibrous, plastic and collagen technology. Noteworthy are the important differences in the know-how of each technology that prevent significant synergies (different raw materials, machinery, qualified personnel, etc.), as well as the high customisation of the casing, an apparently simple product, but one which in 2015, Viscofan sold over 10,300 product references.

These characteristics make Viscofan "The Casing Company", the sector leader with a market share of 15%. Likewise, they allow Viscofan to adopt an ideal position to very efficiently capture growth opportunities that arise in this market.

2016-2020 "MORE TO BE" STRATEGY

The casing market has sound annual growth fundamentals of around 3 and 5%, that correspond to the mid to long-term growth observed in the casing sector.

During the 2012-2015 strategic period, the casing market experienced a radical transformation, in part led by the acceleration in growth of the market, resulting from the rapid expansion of emerging countries, and in part due to the response offered by casing producers to this growth, which has led to the implementation of productive capacity in new countries, among which investments made by Viscofan are particularly noteworthy, with new collagen casing factories in China and Uruguay, which have consolidated the company's leadership in this market.

With the closure of this strategic period, the Viscofan Group has established new growth targets, basing its expectations on the strong market growth fundamentals, where it is hoped that the growth rate will be within the long-term historical average in volumes of between 3 and 5%.

The new 2016-2020 Strategic Plan, entitled "MORE TO BE", has the clear target of continuing in the same strategic direction as the preceding plans, incorporating the MORE initiatives (Market, Optimisation, Return, Excellence) within the Viscofan Group culture, which now frames its initiatives in a triple target: leader in service, leader in technology, leader in costs.

This triple leadership emerges from the conviction that a global leader creates value if it is productive for its interest groups, whilst in turn being sustainable in the long-term. Ultimately, value is created if it is competitive in the long-term.

"MORE TO BE" STRATEGY IN THE CURRENT MACRO-ECONOMIC CONTEXT

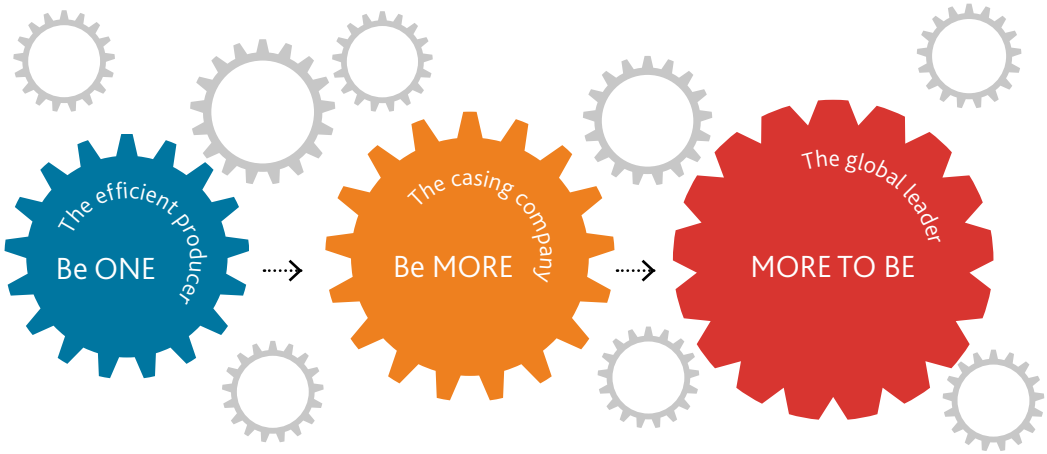
The general consensus among economists forecasts a deceleration of global economic growth in 2016. There is a high degree of economic uncertainty and its effect on monetary policies, and the impact on trading currencies, in the formation of the price of raw materials and energy, as well as all the geopolitical changes that may have an influence upon the way the company is organised, and the regulatory changes that always accompany these change processes.

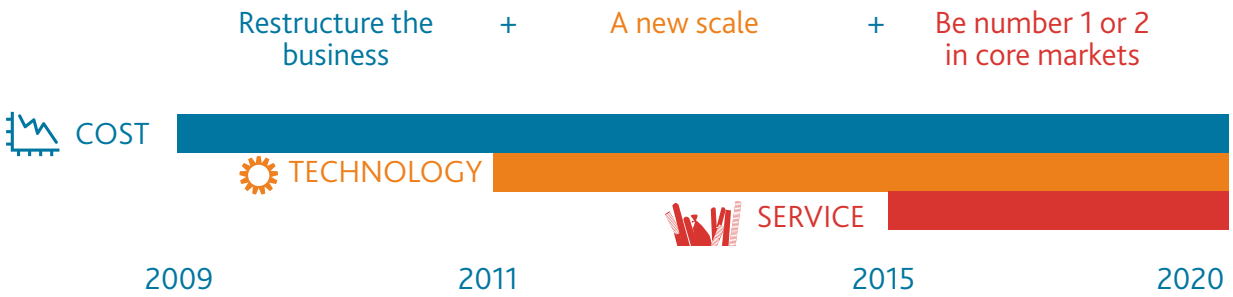
Regardless of this short-term macro-economic uncertainty, mid-term casing market trends remain well established: a growing population, mainly urban population, with better access to animal protein and a greater concern for food safety and sustainability.

The demands of a growing world in an increasingly uncertain or perhaps more dynamic, environment, in which market conditions change more rapidly, increasingly require companies to think in the long-term, seeking out more cost-efficient structures, using the best available technology, and offering a product and service range that stands out from the rest. A triple vision that leaves a shrinking space for intermediate positions: the challenge for leading companies is to combine short-term productivity with long-term sustainability.



"MORE TO BE" VISION: TO BE A TRUE GLOBAL LEADER, "THE CASING COMPANY"







The new strategy implies taking another step forward in the path that started out with the Be ONE Strategic Plan (2009-2011). In this Strategic Plan, following the acquisitions undertaken, it was decided that operations should be restructured, with the undertaking of a management model that would allow us to make better use of economies of scales that the Viscofan Group has previously not possessed. This focus transformed Viscofan into a highly efficient company, whose greatest strength lay in cost optimisation.

Once this target was reached, the Be MORE Strategic Plan (2011-2015) aimed for greater development. The technological improvements introduced, without forgoing the competitive advantage of costs, gave us a more global positioning in collagen and in other branches, allowing us to reach more markets and to reach a new scale.

But if we truly wish to become the global leader, we need to lead our main markets. An objective for which we need to keep making progress in our costs, our technology, and naturally, take another step forward in our level of service.

And this is precisely what has guided the Viscofan Group towards its new vision: to be a true global leader.

This vision means that:

- THE CASING COMPANY focuses its efforts on creating sustainable value for SHAREHOLDERS.
- THE CASING COMPANY is the global leader in all the technologies of meat casing and actively promotes the development of NEW MARKETS.
- THE CASING COMPANY is our CUSTOMERS' preferred option, and the most sought-after among competitors.
- THE CASING COMPANY is the sector BENCHMARK in efficiency and productivity in all the casing technologies.
- THE CASING COMPANY has the BEST TEAM IN THE MARKET, it attracts and retains talent and develops their capacities.
- THE CASING COMPANY leader in SERVICE, COST and TECHNOLOGY.



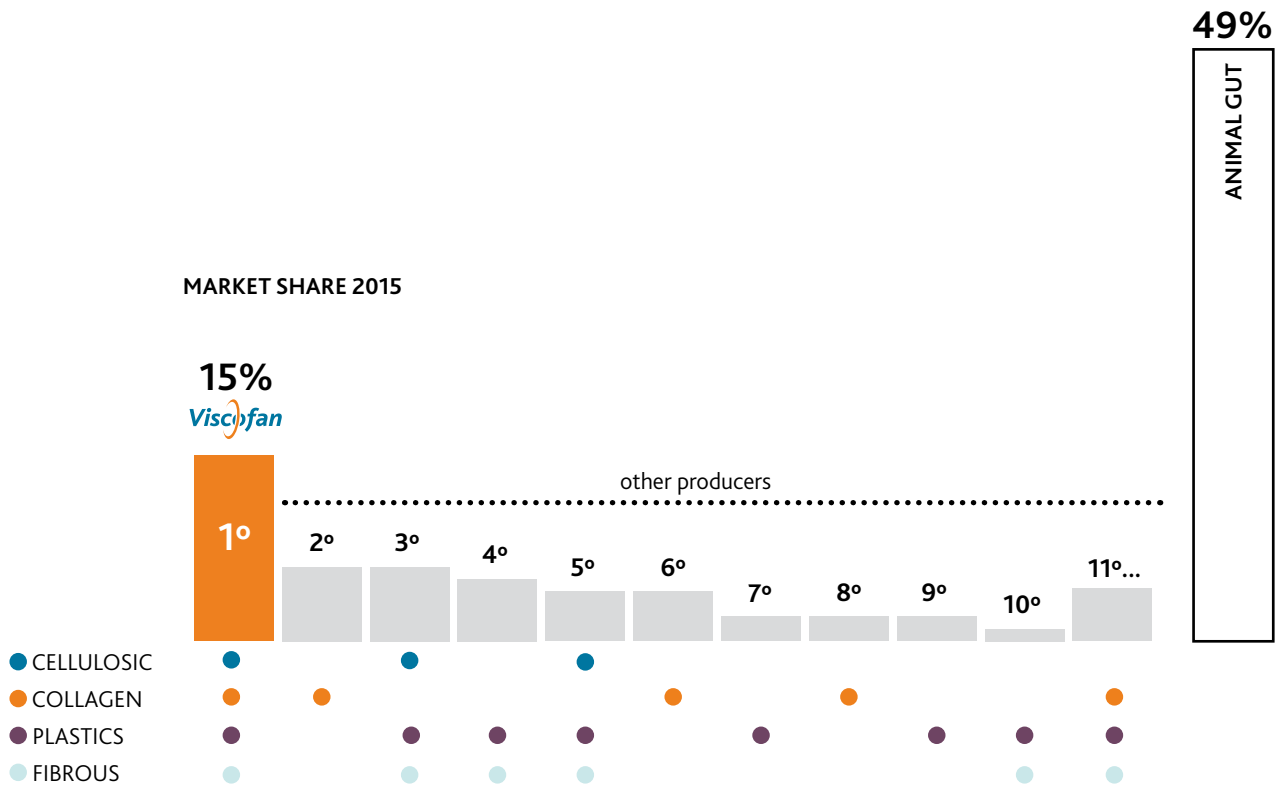
MORE TO BE AND VISCOFAN GROUP COMPETITIVE POSITION

When a meat producer decides to manufacture sausages, one of the most important decisions is the type of casing that will be used: basically either animal tripe or customized casing that can adapt to the product requirements.

Despite there being customized casing that can adapt more effectively than others depending on the product type, in overall terms meat processors are not a priori inclined to choose one type of technology over another, they always prefer the one that best adapts to a specific need. However, casing producer capacities are not as interchangeable as the casing need itself, generating a high specialisation among casing producers with a fragmented market vision, and with a higher risk of product diversification by the end client.

This is perhaps one of Viscofan's differential points: our transverse knowledge of casing allows us to share the market vision with our clients, as well as having a larger available and objective market (approximately 4,300 million euros, of which 2,300 million euros correspond to customized casing), and a higher market share than that of our main competitors, some 15% of the total market.

A benefit of this transverse nature is also that over 50% of our sales come from clients that buy casing from all the technologies we offer. This trend will continue to increase as our clients grow, and also continue to have a greater customised offer for consumers.



This technological expanse is accompanied by a wide geographical positioning, allowing us to capture growth opportunities that continue to emerge in our sector. Less than 50% of market casing turnover is located in the most populated regions with the greatest meat production. Africa, Asia and Latin America are the regions with the greatest long-term growth potential, whilst Europe and North America are the markets with the highest level of sophistication, and therefore, where added value will continue to be most significant.

With the exception of Africa, where the market is still very much emerging (less than 2% of the total volume), Viscofan has 14 production centres in all these regions: Asia, Latin America, Europe and North America, and undertakes specific initiatives under the lines of service, technology and costs in all of them with the objective of improving its positioning in the market in 2020.

MAIN STRATEGIC INITIATIVES BY REGION

EUROPE



Service axis
- Construction of a fibrous plant in Cáseda
- Product support and development centre



Technology axis
- Improved cellulose technology
- Incorporation of fibrous technology in the centre of excellence
- Improved high-calibre collagen technology
- Incorporation of Nanopack and improved technology in plastics



Cost axis
- Increased productive capacity in Serbia
- Improve productivity in Spain, Germany and the Czech Republic

NORTH AMERICA



Service axis
- Plastics in Mexico
- Improve the plant reliability
- Fibrous. Free up capacity for the local market



Technology axis
- New products: "BTC" plastics, specialities
- Improved fibrous technology



Cost axis
- Productive consolidation of the new plastics plant in Mexico

LATIN AMERICA



Service axis
- Product development. New alternative concepts to animal casing
- Stability of plants in Brazil



Technology axis
- New collagen extrusion machinery
- Pleating technology



Cost axis
- Increased productive capacity in Uruguay

ASIA



Service axis
- Self-sufficiency in Asia
- Availability, quality and sophistication of the productive offer
- Cellulose proactive drive forward



Technology axis
- Consolidate the operation
- Improve productive flexibility



Cost axis
- Raw materials and search for new suppliers
- Better use of operative leverage

"MORE TO BE" STRATEGIC PROJECTS 2016

Within the established targets for the "MORE TO BE" period is the objective of reaching a leading position in technology. In this respect, the Viscofan Group is undertaking strategic projects that will allow it to strengthen this position in fibrous and plastic technology, where its importance has traditionally been less significant.

PROJECT FOR COMPETITIVE IMPROVEMENT IN PLASTICS

Over recent years, casing sales based on plastic technology have grown by the accumulated compound rate of 5% in the Viscofan Group. This growth has been implemented from the plants in the Czech Republic and Brazil, which were originally centres used to reduce productive costs in plastics for a more common type of casing or with less added value.

However, the market development in North America, the results of R&D, and the Viscofan team's ambition, have led to a greater investment in improving the Viscofan Group's positioning in this type of product.

On the one hand, in Spain we wish to make use of the new technology acquired following the purchase of Nanopack Technology & Packaging S.L. and install productive capacity of plastics in the Viscofan grounds in Cáseda. This involves an investment of around six million euros, and would improve the service offered to European clients.

The Czech Republic has become the centre with the vocation of technologically leading this productive family, and driving forwards the transfer of know-how to the other facilities.

To improve the North American service, modular productive capacity is installed in Mexico, meaning it can adapt to the growing needs of the North American market.

PROJECT FOR COMPETITIVE IMPROVEMENT IN FIBROUS

The growth of the Viscofan Group fibrous technology based casing during the Be MORE Strategic Period, has been around 5.7% annually.

This significant growth has been concentrated in the Group's only plant capable of producing this type of casing: United States.



This situation is exceptional within the Viscofan Group, it is the only technology where the productive risk is in just one centre, with a model that furthermore makes real global growth difficult in terms of market response times, faced with European demand peaks, or even in the internal market given that from the United States the whole world must receive the same attention.

This situation will change forever in the second half of 2017, when Cáseda will inaugurate the new fibrous production plant with an investment of around 20 million euros in its first phase, including the civil works.

The choice of Cáseda as a productive centre will enable a better use of the local team's know-how in raw materials and cellulose production technologies, as well as making use of all the additional facilities for environmental protection available on this production centre site. Furthermore, Spain is in a logistically advantageous position to meet market targets in Germany, Italy, the United Kingdom and Eastern Europe.

OUTLOOK FOR 2016

Just as with the preceding strategic plans, the first phase is characterised by intensive operative activity. In the "MORE TO BE" Plan, this enhanced operative activity is accompanied by a new drive of investments, with an expected level of around 75 to 80 million euros. Of these investments, around 43% will be designated to increasing productive capacity, some 26% to improving processes, 9% to EHS projects for environmental, health and safety improvements, and 22% to other recurring investments.

In a less favourable forex situation than in 2015, the Viscofan Group hopes to continue to maintain a growth in revenues of around 2% to 4% up to 755-770 million euros, a 4% to 6% in EBITDA, with 222 to 227 million euros and 6% to 8% in the net result of continuing operations, which would reach 127 to 130 million euros.

The baseline hypothesis for these objectives involves a scenario of 1.10US$/€ and 4.20BRL/€.



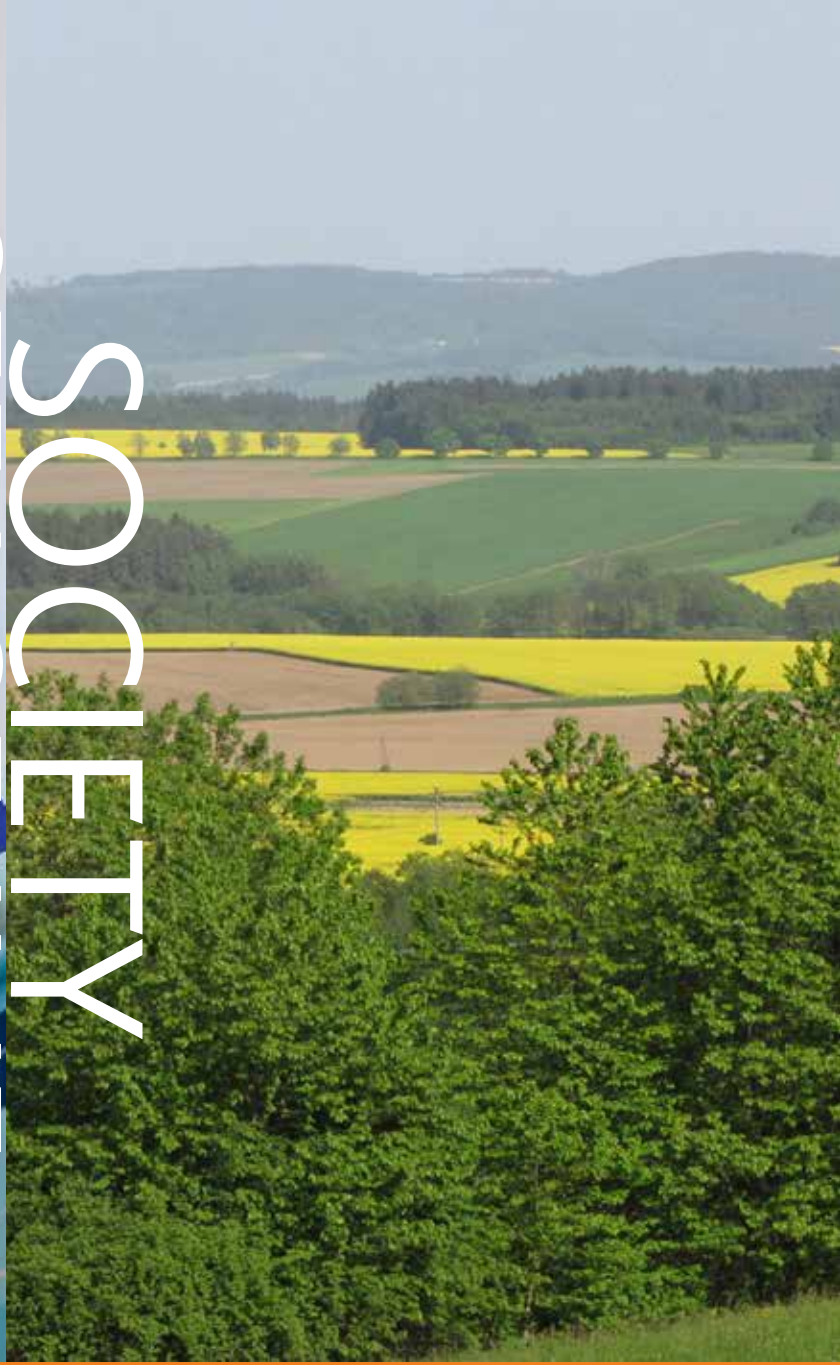


SHAREHOLDERS MARKET





EMPLOYEES
EMPLEADOS



STAKEHOLDERS



SHAREHOLDERS

Viscofan Group focuses its efforts in creating value for our shareholders in a sustainable way

FINANCIAL HIGHLIGHTS

	Period BeMORE						Period Be One		
	2015	**2014**	**2013**	**2012**	**Change 15/14**	**CAGR Be MORE**	**2011**	**2010**	**2009**
Millions of Euros									
Revenue	740.8	687.1	660.2	649.2	7.8%	7.0%	564.5	538.5	490.1
EBITDA	213.8	185.4	170.6	177.3	15.3%	8.6%	153.6	146.3	124.1
EBITDA margin	28.9%	27.0%	25.8%	27.3%	1.9 p.p.	1.7 p.p.	27.2%	27.2%	25.3%
EBIT	160.8	136.3	125.5	135.6	18.0%	8.8%	114.6	105.5	89.1
EBIT margin	21.7%	19.8%	19.0%	20.9%	1.9 p.p.	1.4 p.p.	20.3%	19.6%	18.2%
Profit before taxes	151.5	134.2	122.4	128.6	12.9%	5.4%	122.8	100.9	84.1
Net profit from continued operations	119.6	103.6	96.8	101.2	15.4%	5.4%	97.1	77.5	62.4
Net profit from interrupted operations *	0.4	2.8	4.7	3.9	-85.4%	-44.0%	4.2	3.9	1.8
Net Profit	120.0	106.5	101.5	105.1	12.8%	4.3%	101.2	81.3	64.3
Capital expenditure	57.3	61.0	98.0	70.7	-6.1%	-2.1%	62.3	46.6	45.2
Total equity	633.2	575.9	521.6	498.6	10.0%	8.9%	449.4	406.4	345.2
Net bank debt	-3.2	74.6	84.6	64.7	c.s.	c.s.	61.5	59.8	90.5
Market capitalisation at year-end	2,593.0	2,053.6	1,927.1	1,995.1	26.3%	18.0%	1,335.7	1,321.7	827.7
Average headcount *	4,233	4,089	3,955	3,776	3.5%	3.4%	3,699	3,523	3,625
Net bank debt/total equity (%)	-0.5%	13.0%	16.2%	13.0%	-13.5 p.p.	-14.2 p.p.	13.7%	14.7%	26.2%
ROE(**) (%)	19.9%	19.4%	19.9%	22.2%	0.5 p.p.	-3.1 p.p.	23.0%	21.6%	19.8%
Euros									
Year-end share price	55.64	44.07	41.35	42.8	26.3%	18.0%	28.7	28.4	17.8
Earnings per share	2.576	2.284	2.178	2.254	12.8%	4.3%	2.172	1.745	1.379
Proposed remuneration per share (***)	1.350	1.180	1.120	1.100	14.4%	7.8%	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.

EVOLUTION BE MORE. 2012-2015

Viscofan ended up Be ONE period (2009-2011) fulfilling main targets, with a more cohesive structure which positioned Viscofan in a favourable situation to benefit from the economies of scale, the geographical and competitive positioning achieved.

The global context was characterised by an economic downturn and uncertainty, but this contrasted with the growth acceleration in the casing market. Ultimately, an environment that required Viscofan to be more in the Market, Optimisation, Returns and Excellence. Using these guidelines, the Be MORE Strategic Period (2012 - 2015) took over.

Four years with two different phases, the first characterised by a high level of investment activity to respond to a growing and more global market, with an emphasis on investments to establish new collagen production factories, transforming the Viscofan Group into a global producer of this technology.

On the one hand, the construction of the Suzhou (China) collagen extrusion plant, in a country that is currently home to the biggest collagen casing market in the world, with almost 1,400 million people, and where the Viscofan Group has managed to reach its target of a market share of over 20%. To respond to the growing demand for customized casings in the Latin American market, a year later, the Viscofan Group constructed the collagen extrusion plant in Pando (Uruguay), a competitive advantage given that Viscofan is the sole producer of collagen casing with productive presence in the region.

In parallel to this, investments have been made to improve technology and the productive processes in the remaining plants belonging to the Group, leading to a better use of the installed capacity and therefore greater growth in the region where the Viscofan Group is already present.

Following this, in the second half of the period, the casing sector began converging to normalised rates of growing volumes. Normalisation which in turn was affected by the volatility of commercial currencies and their impact on the purchasing power of emerging markets. In this backdrop, the Viscofan Group has driven forward Optimisation measures established in the Strategic Plan, allowing for speedy adaptation to this environment: Improvements in productive speed and automated processes, greater diversification and a better use of raw materials, energy efficiency, among others.

THE BE MORE PLAN HAS LED TO VISCOFAN ACHIEVING GREATER SPECIALISATION IN THE CASING MARKET, REINFORCING ITS TECHNOLOGICAL LEADERSHIP IN CELLULOSE AND COLLAGEN CASINGS. A SPECIALISATION WHICH TRANSFORMED IT INTO "THE CASING COMPANY".

The Be MORE Plan has led Viscofan achieving greater specialisation in the casing market, reinforcing its technological leadership in cellulose and collagen casings. A specialisation which transformed it into "The Casing Company", which was completed by the sale in March 2015 of the vegetable food division (IAN Group), and which was continued with the acquisition of the Nanopack Technology & Packaging S.L. in the second half of the 2015 financial year, and the implementation of plastic productive capacity in Mexico.

Ultimately, four years characterised by high investment activity, especially in the first half, with €287 million devoted to improve the Market value proposition, unique in the sector, and also to strengthen and improve the efficiency of the asset base thanks to the Optimisation projects.

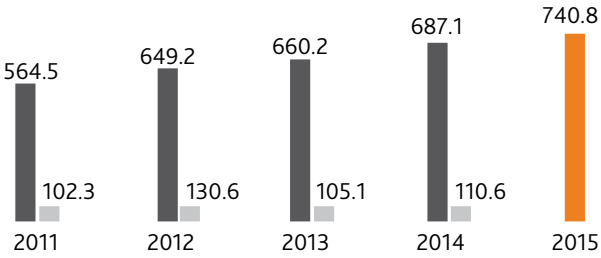
From a financial perspective, the results obtained over these four years have been very positive. The Viscofan Group has registered an annual revenue growth in the casing division, with a CAGR 2015-2011 of 7.0%, a 8.6% growth of the EBITDA CAGR 2015-2011, and a 1.7 p.p. EBIDTA margin improvement.

All this expansion has been undertaken through implementing rigorous commercial and operative discipline, which falls within the Return and Excellence initiatives, allowing growth to be accompanied by greater shareholder remuneration, which grew from €1.00 in 2011 to €1.35 per share from 2015 earnings, equivalent to a total overall payout of €221.4 million.

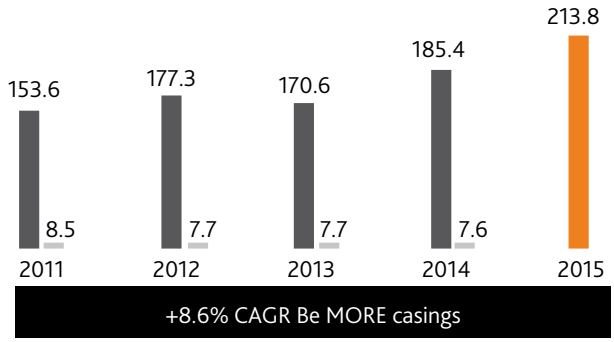
This period also saw a strengthening of the company's balance sheet, reducing exposure to long-term risks by externalising the pension plans in a context of reduced interest, and achieving a net cash position of €3.2 million upon closing the 2015 financial year.

The Viscofan Group closed the 2015 financial year and the Be MORE Strategic Period in an ideal position, commercially, operatively and financially, to continue improving its long-term value proposition. Leading a market that has sound growth fundamentals and in which the Viscofan Group still requires much "more to be" a true global leader, which is the base for the "MORE TO BE 2016-2020" Strategic Plan.

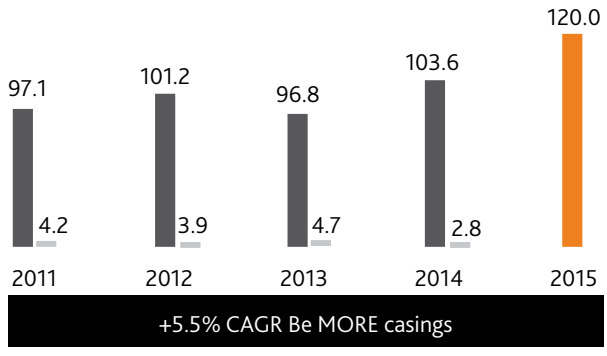
REVENUES (MM€)



EBITDA (MM€)



NET PROFIT (MM€)



VISCOFAN
IAN GROUP

FULL YEAR RESULTS 2015

KEY CONCLUSIONS ON THE JANUARY-DECEMBER 2015 RESULTS

- Viscofan ended the period of the Be MORE strategic plan with **record revenue, EBITDA and net profit.**

- **+15.4%** in the year-on-year growth in net profit from **continuing operations** to €119.6 million.

- **+15.3%** in the cumulative year-on-year growth in **EBITDA**[1] to €213.8 million, with a **1.9 p.p**. improvement in the **EBITDA margin to 28.9%**.

- **+7.8%** in the cumulative year-on-year growth in consolidated **revenue**, which reached €740.8 million, underpinned by sales volumes and the exchange rate.

- **A net cash position**[2] of €3.2 million thanks to the strength of operations and the proceeds from the sale of the vegetable foods division (IAN Group).

- At its meeting on 29 February 2016 the Board of Directors submitted to shareholders a proposal to pay a final dividend of €0.82 per share. This implies **total shareholder remuneration**[3] of €1.35 per share, 14.4% higher than the figure of €1.18 paid last year.

- According to José Domingo de Ampuero y Osma, chairman of the Viscofan Group: "The results for 2015 are highly satisfactory and conclude the period of the Be MORE strategic plan. Over this four-year period we have worked with a long-term vision, stepping up investment at a time of economic uncertainty and cementing Viscofan's status as an industry leader with a larger production presence, better profitability and a stronger balance sheet whilst at the same time continuing to increase shareholder remuneration. In sum, we have a more robust Viscofan Group with further scope for improvement to become an authentic global leader that leads the way in terms of service, technology and cost."



1 EBITDA = Operating Profit (EBIT) + depreciation of property, plant and equipment and amortization of intangible assets.
2 Net bank debt = long and short bank financial debt - cash and cash equivalents.
3 Total shareholder remuneration includes the interim dividend for the year, the final dividend and the bonus for attending the General Shareholders' Meeting.

FINANCIAL STATEMENTS ANALYSIS 2015

Viscofan Group Income Statement('000 €)

				Recurring *			
	Jan-Dec' 15	Jan-Dec' 14	Change	Jan-Dec' 15	Jan-Dec' 14	Change	ex-forex change
Revenues	**740,770**	**687,063**	**7.8%**	**740,770**	**684,114**	**8.3%**	**2.7%**
EBITDA	**213,843**	**185,423**	**15.3%**	**210,840**	**182,680**	**15.4%**	**6.3%**
EBITDA Margin	**28.9%**	**27.0%**	**1.9 p.p.**	**28.5%**	**26.7%**	**1.8 p.p.**	**0.9 p.p.**
EBIT	**160,794**	**136,260**	**18.0%**	**157,791**	**133,517**	**18.2%**	
Profit after taxes from continued operations	**119,624**	**103,629**	**15.4%**	**117,732**	**101,709**	**15.8%**	
Profit after taxes from interrupted operations	411	2,823	-85.4%				
Net profit	**120,035**	**106,452**	**12.8%**				

* Organic figures exclude: a) 2015: Positive non cash profit of €3.0 million on operating profit and of €1.9 million on net profit due to the outsourcing of pensions under the "Hourly Employees" and "Salaried Employees" plans in the USA. b) 2014: Non-recurring additional impact booked in 2014 on revenue (€2.9 million), EBITDA and EBIT (€2.7million) and net profit (€1.9 million) due to 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.

REVENUE

Consolidated revenue amounted to €740.8 million in 2015, up 7.8% compared with 2014, marking eleven years of steady revenue growth and a new record high.

Casing sales advanced by 8.8% compared with 2014 to €694.7 million, spurred on by better volumes and the strength of commercial currencies, while energy sales declined by 4.7% to €46.0 million due to the booking in 2Q14 of non-recurring results of €2.9 million following the impact of legislation RD 9/2013.

2015 saw a normalisation of sales volume growth coupled with a marked strengthening of the main commercial currencies, in particular of the US$ and CNY against the €, and a weakening of benchmark currencies in emerging markets, most notably the Brazilian Real and the Russian Rouble.

This macroeconomic backdrop had some impact on commercial activity, helping during the year commercial initiatives by main casing players in North America, in particular in the second half.

In organic terms[4], i.e. stripping out the impact of non-recurring results and currency fluctuations, annual revenue grew by 2.7% compared with 2014.

4 Organic terms: For comparative purposes, organic growth excludes the impact of the different exchange rates applied in the consolidation of the financial statements and the impact of the US$ variation in business transactions and non-recurring results recorded in 2015 related to the outsourcing of pensions in the US and in 2014 due to changes in cogeneration regulations.

The geographical breakdown of revenue[5] in 2015 is as follows:

- In Europe and Asia revenue totalled €411.8 million, up 8.0% compared with 2014 boosted by sales growth in both Western Europe and Asia.
- In North America, revenue totalled €215.9 million, up 8.9% year-on-year, driven mainly by the strength of the US$ against the €.
- In Latin America consolidated revenue advanced 5.1% vs. 2014 to €113.1 million, a very strong organic performance considering the average 18.3% depreciation of the Brazilian real against the €.

OPERATING COSTS

Cost of consumption[6] in 2015 was partly shaped by the currency fluctuations, with US$-denominated consumption more expensive while the company benefited from consumption in currencies that depreciated, in particular in Latin America. In the full year cost of consumption stood at €203.4 million (+6.7% vs. 2014), with a gross margin[7] over sales of 72.5% in 2015 (+0.3 p.p. higher than in 2014).

Personnel costs increased by 7.8% in cumulative terms to €158.5 million. The average workforce in December was 4.233 (+3.5% compared with December 2014) owing to the hiring of personnel in Spain, China, Brazil and Mexico associated with production growth. In the final quarter of the year plastics production started up at the San Luis Potosí plant in Mexico.

"Other operating expenses" in 2015 stood at €172.4 million, up 2.2% compared with 2014. This was due to the decline in energy costs, thanks to which energy supply costs fell by 5.9%.



EBITDA MARGIN

+1.9 p.p.

28.9%

EBITDA NEW HIGH-RECORD

+15.3%

€213.8MM

5 Revenue by origin of sales.
6 Cost of consumption = Net purchases +/- Change in finished and work in progress products.
7 Gross margin = Revenue – Cost of consumption/Revenue

OPERATING PROFIT

The focus on profitable growth is reflected in the combination of revenue growth, commercial discipline, energy cost savings and operating cost control, resulting in the improvement in operating profitability and cash flow. The EBITDA margin stood at 28.9% in 2015 (+1.9 p.p. vs. 2014).

As a result, consolidated EBITDA hit a new record high of €213.8 million in 2015 (+15.3% vs. 2014).

In organic terms[4], stripping out the impact of non-recurring results and currency fluctuations, EBITDA rose by 6.3% in 2015 vs. 2014.

Depreciation costs in 2015 amounted to €53.0 million (+7.9% vs. 2014).

Volume growth, coupled with production efficiency and cost discipline, drove cumulative EBIT growth of 18.0% to €160.8 million.

FINANCIAL RESULT

The Group reported exchange losses of €6.6 million, which contrasts with the gains of €1.9 million in 2014. This difference is largely due to the weakness of the BRL against the € in the second half of 2015. As a result, the net finance loss stands at -€9.3 million in 2015 (vs. -€2.0 million in 2014).

The reduction in financial debt translated into lower finance expenses, which declined by 20.8% in 2015 vs. 2014 to €3.4 million.

NET PROFIT AND TAX

Profit before tax amounted to €151.5 million in 2015 while taxes totaled €31.9 million, reflecting an effective tax rate of 21.0% (22.8% in 2014).

The difference between the nominal tax rate for 2015 (25.0%) and the effective tax rate (21.0%) 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.

As a result, the Group reported growth in net profit from continuing operations in 2015 of 15.4% to €119.6 million.

Including the €0.4 million in capital gains from the sale of the IAN Group recognised as profit from discontinued operations[8], net profit attributed to the Viscofan Group amounted to €120.0 million in 2015 (+12.8% vs. 2014), surpassing the guidance given at the start of the year (€114 million - €115 million).

4 Organic terms: For comparative purposes, organic growth excludes the impact of the different exchange rates applied in the consolidation of the financial statements and the impact of the US$ variation in business transactions and non-recurring results recorded in 2015 related to the outsourcing of pensions in the US and in 2014 due to changes in cogeneration regulations.

8 In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". 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.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Investment in 2015 amounted to €57.3 million, a lower figure 6.1% than in 2014 (€61.0 million). The breakdown for investment in 2015 is as follows:

- 45% of investment was in capacity and machinery. This includes €10 million corresponding to the new plastic casings plant in Mexico, which started production at the end of 2015.
- 28% of investment was in process improvements.
- 9% of investment was in energy equipment and in plant safety, hygiene and environmental improvements.
- Ordinary investments accounted for the remaining 18%.

In addition, the Group started construction of a fibrous casing production centre in Cáseda (Spain) towards the end of 2015. A total of €20 million will be invested over the next two years with the aim of installing new capacity to come on stream in the second half of 2017. This project has been developed in response to the growth in the Viscofan Group's fibrous casing sales in recent years and to improve service to European customers.

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. (Nanopack), a company specialized in the production of crystal plastics and additive plastics. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarra), the Viscofan Group suscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.



NET EQUITY AND DIVIDENDS

The Group's net equity stood at €633.2 million at the end of 2015, up 10.0% year-on-year due to the booking of a net profit of €120.0 million (+12.8% vs. 2014) from which €24.2 million is deducted as an interim dividend against 2015 earnings (+15.6% vs. 2014).

In addition, the Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.82 per share, with an amount of €38.2 million to be paid out on 9 June 2016.

This means total shareholder remuneration amounts to €1.35 per share consisting of:

- An interim dividend of €0.52 per share paid on 29 December 2015.
- A proposed final dividend of €0.82 per share for approval at the General Shareholders' Meeting,
- and a bonus for attending the General Shareholders' Meeting of €0.01 per share.

The remuneration proposed is 14.4% higher than the total remuneration of €1.18 per share approved last year, implying distribution of 52% of the total net profit attributed to the Viscofan Group.

FINANCIAL LIABILITIES

The strong earnings performance and the proceeds from the sale of the IAN Group led the Group to end the year 2015 with net cash position of €3.2 million at the end of December 2015 compared with Net Bank Debt of €74.6 million in December 2014.

At 31 December 2015 the Group's consolidated gross financial debt amounted to €41.2 million (€100.2 million at 31 December 2014), with €26.1 million of this amount corresponding to long-term financial debt (€33.2 million at 31 December 2014). These liabilities accrue interest at a variable rate linked to the Euribor or Libor plus an average differential of 1.5 percentage points.

The Viscofan Group's financial situation means it is well placed to meet its scheduled payment obligations over the next 12 months.

FINANCIAL COMMITMENTS

Based on estimated growth, the Group plans to invest to strengthen its leadership position in the casings market and to continue improving the service it provides, as well as to upgrade its existing industrial equipment and operations. Commitments include the construction of the new fibrous casings plant in Cáseda, technological upgrades, process optimisation and increases in production capacity. Accordingly, commitments at the end of 2015 amounted to €12.4 million (€15.0 million at the end of 2014).

At 31 December 2015, the Group has contracted buildings and other assets under finance leasing whose minimum payments and present value amounted to €0.6 million (€0.8 million at 31 December 2014).

The Group also has various premises and other items of property, plant and equipment under operating lease arrangements. Future minimum payments for these contracts at 31 December 2015 amounted to €5.4 million (€4.3 million at 31 December 2014).

CHANGES TO THE CONSOLIDATED GROUP

SALE OF 100% OF IAN GROUP:

On 10 March 2015, Viscofan S.A. successfully concluded the sale of IAN S.A.U. and its subsidiaries for an equity value of €55.8 million. This price paid in cash on the date of signing the contract implies a capital gain after tax of €0.4 million for the consolidated group.

In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". The IAN Group's assets and liabilities at the end of December 2014 were classified as "Held for sale" on the Viscofan Group's consolidated balance sheet.

NANOPACK TECHNOLOGY & PACKAGING, S.L.:

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. (Nanopack), a start-up company specialized in the production of crystal plastics and additive plastics. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarre), the Viscofan Group subscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.

Due to this acquisition Nanopack Technology & Packaging, S.L is included in the scope of consolidation of the Viscofan Group in the second quarter of 2015 and is consolidated by the full integration method, thus, at the end of December 31, 2015 is incorporated in the consolidated balance sheet the total value of its assets and liabilities, and in the consolidated income statement of the period seven months impact of its operations.

STOCK MARKET

MACROECONOMIC CONTEXT

2015 proved to be a year of high and global uncertainty in the macro-economic sphere. The loss of dynamism and growth in emerging areas with China the centre of attention, the sharp drop in the price of raw materials and the crisis in Greece, constitute the main factors behind this backdrop, in a world that in terms of GDP had grown at a rate of 3.1% according to estimates from the International Monetary Fund (IMF), lower than the 3.4% registered in 2014.

Likewise, the central banks of the main economies took centre stage in a context of lower growth. There was a tightening of the Federal Reserve monetary policy in the United States, which when faced with the country's economic improvement, began reducing monetary stimuli and raised interest rates. On the other hand, the European Central Bank, whilst maintaining the reference interest rate of 0.05%, intensified its expansive monetary policy in response to the weak economic growth, and the risk of deflation in the area.

In parallel to this, the different stage in the monetary policy cycle between Europe and the United States was also transferred to the currencies exchange market with a significant strengthening of the US$ in comparison to the € and other currencies from emerging economies.

The global growth model continued to shift, characterised by the moderate recovery of developed areas, whilst adjustments continued to be undertaken in emerging areas, which with a rate of 4.0% in 2015, decelerated growth for the fifth year running as a result of the instability in some countries such as Brazil and Russia, which entered into recession in 2015, as well as the slowdown of the Chinese economy.

China, one of the world economic drivers, continued to register a deceleration in its growth (+6.9%) with the country re-balancing its economy towards a model based on internal consumption. By the end of 2015 the service sector represented more than 50% of the GDP. In this respect, a contraction is taking place of manufacturing and investment activity in the country, spreading into other economies with volume declines of exports and imports.

In 2015 developing countries continued showing signs of recovery and advanced at a modest rate, supported by greater internal demand, improvements in the labour market, and better credit conditions.

The United States has continued to display a positive growth trend over recent years, with an estimated 2015 rate of 2.5%, the highest since the 2007 financial crisis. This behaviour has been backed by internal consumption and greater investments outside the oil sector. Likewise, the strength of the labour market is outstanding in a country that created employment consistently throughout 2015, resulting in the year end registering an unemployment rate that dropped to 5.0%. In negative terms, the weak global demand and the strength of the US$ led to a fall in net exports.

The Euro-Zone has continued to undergo a certain degree of recovery, though it still registers moderate growth levels, with an estimated rate of 1.5% in 2015. The growth pillar was internal demand, thanks to private consumption helped by lower oil prices and favourable financial conditions, as well as more exports benefitting from a weaker euro. Spain is outstanding in terms of growth, with an expansion of 3.2%. Germany also contributed positively (+1.5%), as did France (+1.1%) and Italy (+0.8%). More wealth, but in terms of volume levels given that prices remain stagnant, the fear of deflation remained latent throughout the year, with a price index of nearly 0%, far from the ECB objective of 2%. Alternatively, employment creation continued to be consistently strengthened, with the unemployment rate dropping by up to 10.5% in 2015 compared to the 11.6% in 2014 and the 12.0% in 2013.

On this basis, for 2016 the IMF expects a world GDP growth of 3.4%, an upturn compared to 2015, though lower than the previous estimations. Key factors that are set to influence the context are the final outcome of China's transition towards lower, more sustainable growth rates, a context with very little inflation with the drop in price of raw materials, tensions from some emerging markets, and the gradual withdrawal of the accommodative monetary policy in the USA.

STOCK EXCHANGE MARKETS

Against this backdrop stock markets was shaped by the high level of uncertainty and volatility, likewise the monetary policies of the main central banks continue to exert a significant influence on price formation in financial markets.

Thus, stock markets also exhibited decorrelation: the US S&P 500 ended 2015 with a slight rise of +0.02% while in Europe the Ibex-35 fell -7.2% in Spain, the DAX advanced +9.6% in Germany and the CAC rose +8.5% in France. In overall terms the global indexes ended 2015 at virtually the same level as at the start of the year or with slight losses. Returns range between -0.3% for the MSCI The World Index and -4.1% for the FTSE World. The three previous years had ended with positive returns.

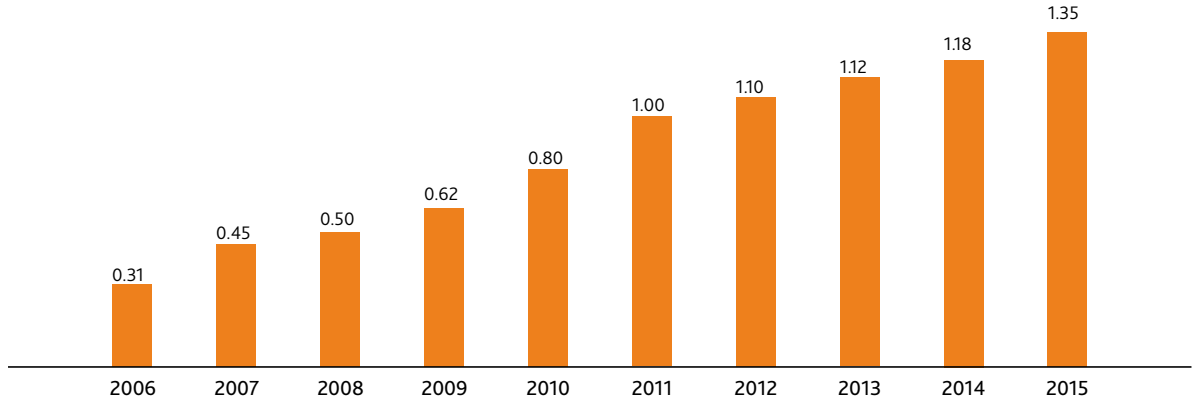
VISCOFAN'S SHARE

Viscofan's share is admitted to trading in the Spanish stock market in Madrid, Barcelona and Bilbao. Likewise, the share trading in the continuous market since its flotation in December 1986 belongs to the General Index of the Madrid Stock Exchange (IGBM) and is part of the Consumer Goods segment, the Food sub-sector, as well as the Euro Stoxx Food & Beverage index.

In 2015 the share registered an annual revaluation of 26.3%, 29.1% including dividend remuneration, closing the financial year with a share quote of €55.64, near the average daily quote throughout the year of €54.70. As such, the Viscofan market capitalisation grew to €2,593 million upon closing 2015 (+26.3% vs. 2014).

Overall, throughout the year over 58.3 Viscofan shares were negotiated, i.e., 125% of all the shares in circulation, with a turnover of 3,180 million euros, equivalent to a daily average of €12.3 million.

Remuneration per share (€)



VALUE CREATION FOR SHAREHOLDERS

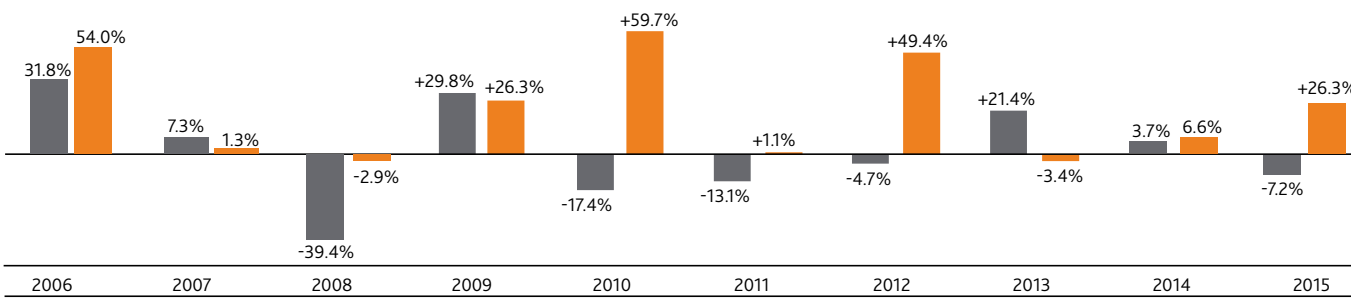
For yet another year, stock market recognised Viscofan Group's value creation, while combined with our commitment to remunerate our shareholders. Thus, over the last decade, there has been an average annual return of 20%, or 21% including shareholder remuneration. Analysing value creation over time, 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 2010, and selling them 5 years' later on 31st December 2015, received 1,947 euros and 190 euros in dividends for this period. A combined return of 114%.

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 2005, and still holding them on 31st December 2015, would have an investment worth 6,009 euros and has collected 841 euros in dividends for this 10 year period. A combined return of 585%.

In 2015 the Viscofan Group closed the Be MORE Strategic Period (2012-2015), characterised by a high level of investments with €287 million designated to improving positioning, the market value proposal, and internally reinforcing operations. Greater investment activity without asking shareholders for any additional efforts, whilst simultaneously increasing the dividend per share, from €1.00 in 2011 to €1.35 proposed in 2015, an annualised growth of 7.8%. In total, €221 million were designated to shareholder retribution, whilst upholding a solid balance sheet, which is the best way of addressing the

Annual evolution. Viscofan vs. Ibex35



challenges in this sector with a degree of certainty, without turning down growth opportunities.

The remuneration proposed by the Board of Directors for the 2015 financial year of €1.35 per share is 14.4% higher than that distributed in 2014, and requires a distribution of 52% over the total of the net income attributed to the Viscofan Group, i.e. in 2015 the Viscofan Group shared out more than half the net income to its shareholders.

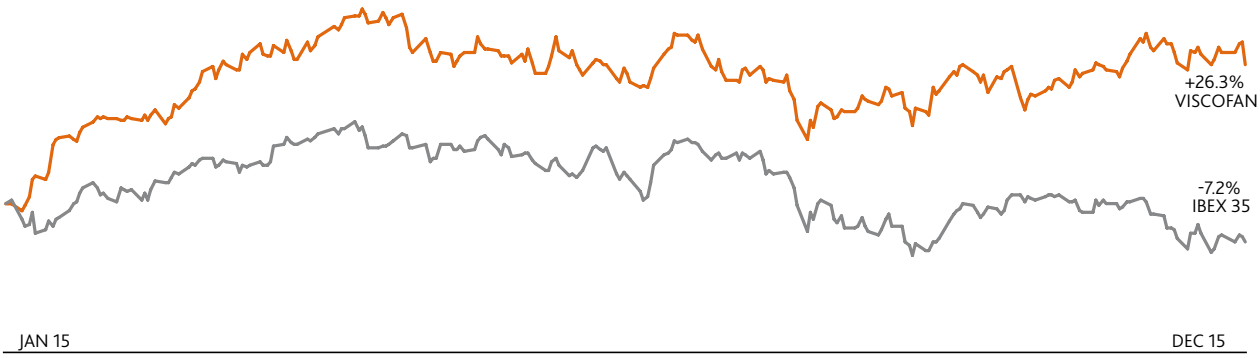
This retribution comprises an interim dividend of €0.52 per share paid on 29th December 2015, the complementary dividend proposal for approval at the General Shareholders Meeting of €0.82 per share, and the meeting attendance premium of €0.01 per share.

In terms of profitability, the total dividend proposed for 2015 is 2.5% over the average share quotation price during the year.

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. These objectives underlie the policy of communication with shareholders, institutional investors and their representatives or advisors, approved by the Board of Directors.

Viscofan and Ibex35 performance. 1 year. Base 100

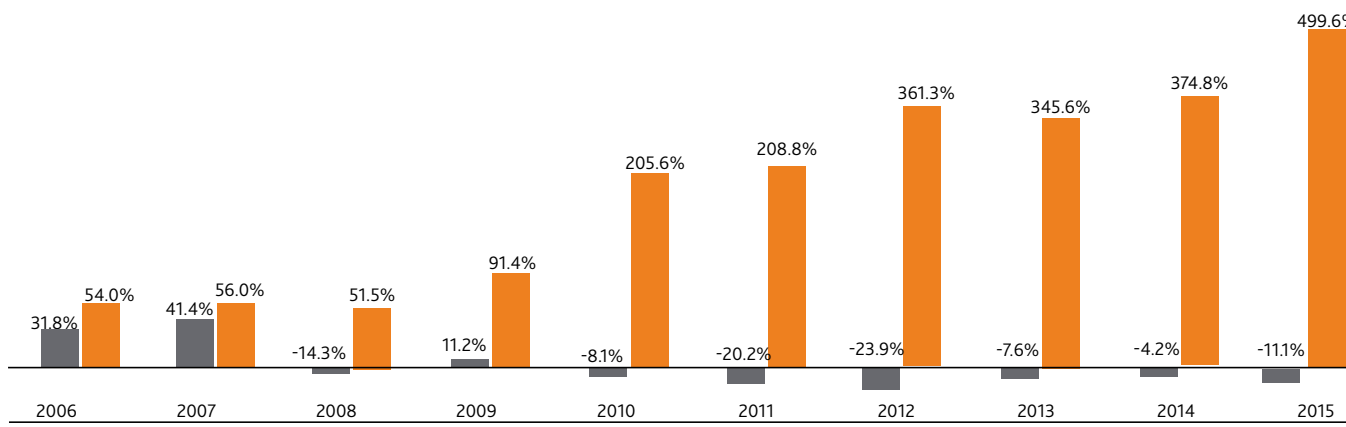


VISCOFAN
IBEX 35

Viscofan return vs. Ibex35

Buy (31/12)		Sell (31/12)										
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TAE
2005	Viscofan	54.0%	56.0%	51.5%	91.4%	205.6%	208.8%	361.3%	345.6%	374.8%	499.6%	**19.6%**
2005	*Ibex 35*	*31.8%*	*41.4%*	*-14.3%*	*11.2%*	*-8.1%*	*-20.2%*	*-23.9%*	*-7.6%*	*-4.2%*	*-11.1%*	*-1.2%*
2006	Viscofan		1.3%	-1.6%	24.3%	98.5%	100.6%	199.6%	189.4%	208.4%	289.4%	**16.3%**
2006	*Ibex 35*		*7.3%*	*-35.0%*	*-15.6%*	*-30.3%*	*-39.4%*	*-42.3%*	*-29.9%*	*-27.3%*	*-32.5%*	*-4.3%*
2007	Viscofan			-2.9%	22.7%	95.9%	97.9%	195.6%	185.6%	204.3%	284.3%	**18.3%**
2007	*Ibex 35*			*-39.4%*	*-21.4%*	*-35.1%*	*-43.6%*	*-46.2%*	*-34.7%*	*-32.3%*	*-37.1%*	*-5.6%*
2008	Viscofan				26.3%	101.7%	103.8%	204.5%	194.1%	213.4%	295.7%	**21.7%**
2008	*Ibex 35*				*29.8%*	*7.2%*	*-6.8%*	*-11.2%*	*7.8%*	*11.8%*	*3.8%*	*0.5%*
2009	Viscofan					59.7%	61.4%	141.0%	132.8%	148.1%	213.3%	**21.0%**
2009	*Ibex 35*					*-17.4%*	*-28.3%*	*-31.6%*	*-16.9%*	*-13.9%*	*-20.1%*	*-3.7%*
2010	Viscofan						1.1%	51.0%	45.8%	55.4%	96.2%	**14.4%**
2010	*Ibex 35*						*-13.1%*	*-17.2%*	*0.6%*	*4.3%*	*-3.2%*	*-0.6%*
2011	Viscofan							49.4%	44.3%	53.8%	94.1%	**18.0%**
2011	*Ibex 35*							*-4.7%*	*15.8%*	*20.0%*	*11.4%*	*2.7%*
2012	Viscofan								-3.4%	2.9%	30.0%	**9.1%**
2012	*Ibex 35*								*21.4%*	*25.9%*	*16.9%*	*5.3%*
2013	Viscofan									6.6%	34.6%	**16.0%**
2013	*Ibex 35*									*3.7%*	*-3.8%*	*-1.9%*
2014	Viscofan										26.3%	**26.3%**
2014	*Ibex 35*										*-7.2%*	*-7.2%*

Cummulative annual evolution, 10 years. Viscofan vs. Ibex35



VISCOFAN
IBEX 35

(1) LINK TO INVESTORS RELATIONS WEBSITE

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). All this in addition to the information posted on the website www.viscofan.com, particularly in the section of 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.

The effort put into communication over all these years, has been recognised by the investment community. Institutional Investor in its "All European Executive Team" in 2016 awarded Viscofan for the 1st CEO for Sell-Side and 2nd Best CEO combined, and 3rd IR for Sell-Side on Paper & Packaging sector. In previous years it awarded Viscofan, 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 2015, the most frequent questions were related to the conclusion of the Be MORE Strategic Plan and the launch of the MORE TO BE Plan, shareholder remuneration, the impact of changes of the exchange rate and its impact on the commercial evolution of some countries, investments in fibrous and plastics, among others.

Viscofan has on-going contact with the financial markets. As a result, in 2015, a total of 17 national and international analysis companies covered the company on repeated occasions (BBVA, Bekafinance, Berenberg, BPI, Exane BNP Paribas, Fidentiis, Haitong Securities, JB Capital Markets, Kepler-Cheuvreux, Caixabank, Mirabaud, N+1 Equities, Renta 4, Sabadell, Santander, Societe Generale, UBS).

Likewise, in the course of 2015, Viscofan held 282 one-on-one meetings with investors, shareholders and non-shareholders alike, interested in the company. In 2011 there were 212 meetings, 207 in 2012, 293 in 2013 and 282 in 2014. These meetings were held at the Group's head offices and in financial centres. Specifically, in 2015, Viscofan held meetings at 11 different financial 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 25 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 2015, a total of 58.3 million shares were traded, in other words 1.25 times the total number of outstanding shares.

STOCK EXCHANGE HIGHLIGHTS

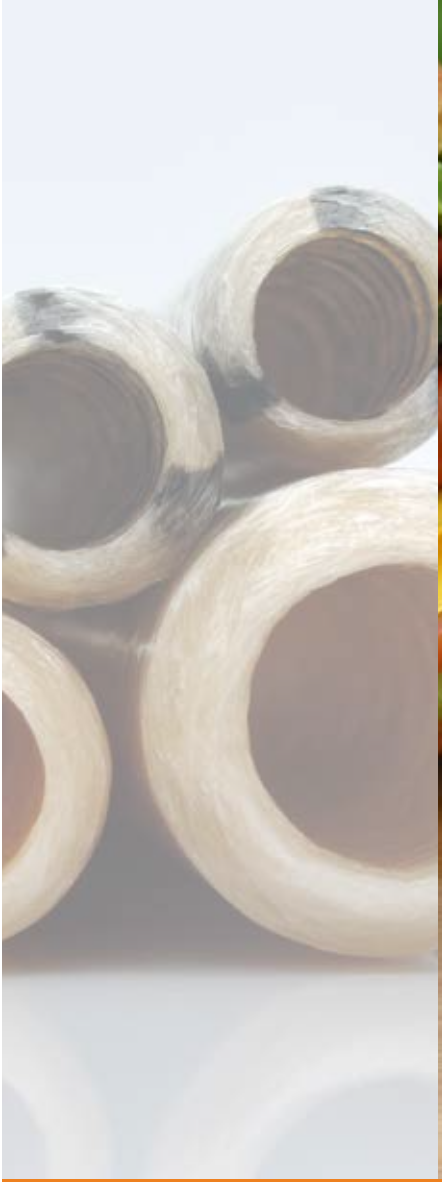
	Be More Period				Be One Period		
Share price €	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Year-end price	**55.64**	**44.065**	**41.35**	**42.81**	28.66	28.36	17.76
Year high	**60.93**	**48.36**	**43.70**	**42.81**	30.59	29.65	18.20
Year low	**43.04**	**36.24**	**35.65**	**28.45**	22.51	17.64	12.81

Viscofan in the stock market evolution	**Year end 2015**	**Year end 2014**	**Year end 2013**	**Year end 2012**	**Year end 2011**	**Year end 2010**	**Year end 2009**
% annual change Viscofan.	**26.3%**	**6.6%**	**-3.4%**	**49.4%**	1.1%	59.7%	26.3%
% annual change IGBM	**-7.4%**	**3.0%**	**22.7%**	**-3.8%**	-14.6%	-19.2%	27.2%
% annual change IBEX 35	**-7.2%**	**3.7%**	**21.4%**	**-4.7%**	-13.1%	-17.4%	29.8%
% annual change Euro STOXX 600	**6.8%**	**4.4%**	**17.4%**	**14.4%**	-11.3%	8.6%	28.0%
% annual change Medium Cap	**13.7%**	**-1.8%**	**52.0%**	**13.8%**	-20.7%	-5.6%	13.8%
% annual change Sub sector Food and beverages IGBM	**26.4%**	**-5.2%**	**4.7%**	**25.0%**	-6.3%	25.3%	7.0%

Stock market trading data	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Market capitalization at year-end (millions of €)	**2,593.0**	**2,053.6**	**1,927.1**	**1,995.1**	1,335.7	1,321.7	827.7
Traded volume (million of €)	**3,179.9**	**3,233.0**	**2,506.4**	**1,426.9**	1,274.1	925.4	663.1
Daily average trading volume (million of €)	**12.3**	**12.6**	**9.8**	**5.6**	5.0	3.6	2.6
Traded shares	**58,329,352**	**78,062,343**	**63,212,344**	**41,360,939**	47,049,517	41,668,063	42,112,723
Daily average of traded shares	**225,209.9**	**304,931.0**	**247,891.6**	**161,566.2**	183,787.2	162,765.9	165,798.1

Share ratios	**Year end 2015**	**Year end 2014**	**Year end 2013**	**Year end 2012**	**Year end 2011**	**Year end 2010**	**Year end 2009**
Listed shares	**46,603,682**	**46,603,682**	**46,603,682**	**46,603,682**	46,603,682	46,603,682	46,603,682
Earnings per share [1]	**2.575**	**2.284**	**2.178**	**2.254**	2.172	1.745	1.379
Remuneration per share [2]	**1.350**	**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

Be the global leader in all casing technologies and promote actively in new markets

PRODUCT RANGE AND TECHNOLOGIES

OUR PRODUCT PORTFOLIO

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 customized 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. In 2015, Viscofan Group sold more than 10.300 product references.

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 choose what kind of technology they want to use depending on the desirable attributes of their product. There are no customers by technology, as customers that purchase the 4 technologies represent 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 its high transparency and brightness make the products very attractive. It 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. Moreover, collagen offers a high resistance of the casing during the stuffing process.

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

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.

Fibrous 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.

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.

Plastic casings present superior barrier properties to maximize product shelf-life and cooking yields.

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.

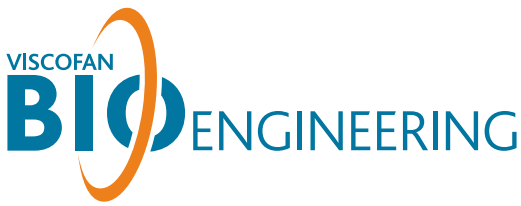
MACHINERY SOLUTIONS

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
The casing company


VISCOFAN
BIO
ENGINEERING


Colfan


CoffiNet


Viscofan
Natur


Viscofan
Class

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.

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, Manila hemp 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.

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 The 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

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 the Czech Republic, has been expanded to other non-European factories, such as those in Mexico, the United States and Uruguay, and it is predicted to advance in Brazil and China in 2016.

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. A protocol that 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.

Those certificates 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, customers, authorities).

- Provide confidence to customers and consumers.

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 designed for commercialized products in Muslim countries and Islamic communities, while Kosher certification is a consumption requirement for food products in Jewish communities.

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.

CERTIFIEDS	ISO 9001:2008	BRC FOOD	BRC PACKAGING
Spain	✔	✔	✔
Germany	✔	✔	
Serbia	✔		✔
Czech Republic	✔	✔	✔
USA	✔		✔
Mexico	✔		✔
Brazil	✔	Itu (2016)	Itu ✔ Ermelino (2017)
China	(2016)	(2016)	(2016)

✔ Certified
() Expected date

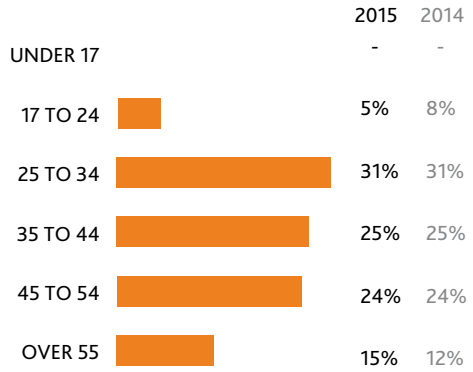


EMPLOYEES

Build the best team in the market, attract and maintain the talent and develop its capacities

TEAM AND COMMITMENT

BREAKDOWN OF PERSONNEL BY AGE



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 2015, the Group employed a growing multicultural team of 4.342 qualified, competitive people receiving constant training who, despite cultural differences, all shared the same base values and ethical principles.

In 2015, 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 3.5% vs. 2014 to 4.233 personas, due to the increase in human capital in Spain, Brazil and Mexico, associated to the production capacity.

The high percentage of Group employees with open-ended contracts is still notable, 95.5% of its employees working with such contracts in 2015. The figure stood at 94% in 2014.

In 2015, the average age of the Group's employees approached 39, having declined over recent years. 5% of its personnel were aged from 18 to 24, 31% from 25 to 34, and 25% from 35 to 44, 24% from 45 to 54, and 15% 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.

As global compaq signants, Viscofan Group protects freedom of association of workers. In 2015 around 78% of Viscofan employees are under a collective agreement.

AN EFFICIENT, COMPETITIVE TEAM

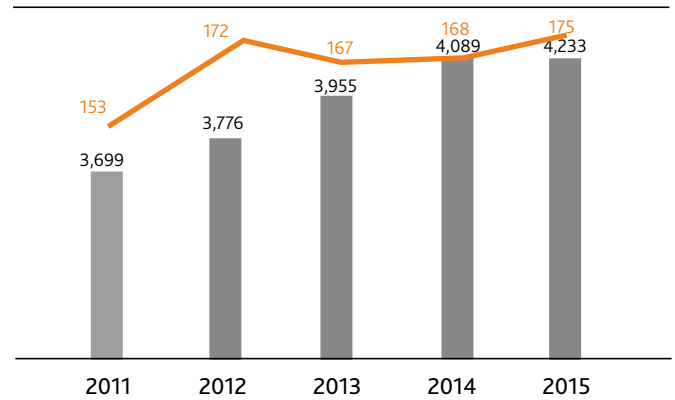
The results achieved by the Be MORE Strategic Plan are a consequence of the work performed by a constantly developing team engaged in a continuous process of improvement.

The personnel increase has been accompanied by an average income rise per employee, which has risen by around 15% since 2011 and by 3.6% in 2015 compared to 2014.

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 2015, reaching 21.4% in 2015. 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 2015 worth €147.0MM, 14.0% more than 2014.

AVERAGE WORKFORCE AND PRODUCTIVITY



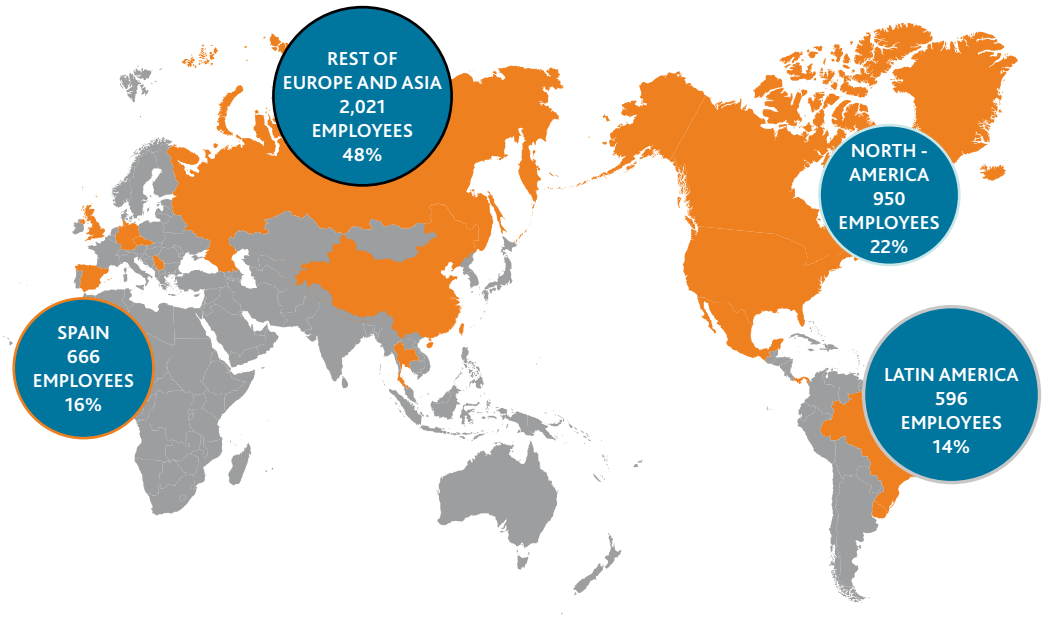
AVERAGE NO. EMPLOYEES
REVENUE PER EMPLOYEE (THOUSAND €)



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 many knowledge transfer projects between its different production facilities and holds specific global training seminars. 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 2015 was as follows:



International mobility is a constant in the Group, as demonstrated by the average of 12 people who took part in international projects as short-term expatriates in 2015 and the 29 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, through benchmarking.

In 2014 and 2015, employees are being transferred from our benchmark plastic casing facility in the Czech Republic 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 addition, in order to ensure the successful launch of the new plastic casing factory in Mexico, the team tracking technology of this kind has also been reinforced. 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, during 2015 improvements were made to the information available for frequent or occasional travellers in the Group, including "Risk Reports" for countries where we are present, either with production centres or commercial subsidiaries. The reports highlight the key risks for the country in question, as well as recommendations (regarding crime, conflicts, etc.). Likewise, they include emergency contact telephone numbers and references to the closest medical centres to our facilities.

1 LINK TO THE JOB SITE

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 87 thousand hours of training. The Group devoted close to €2MM to this human capital training drive, €0.7MM was specific training on safety and health, and €1.3MM to specific training to develop their skills and professional career.

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 37 work placement and intern processes, involving more than 41,000 hours of practical experience, compared with 40,000 in 2014.



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.

In 2015, the strategy to attract talent was strengthened through international selection, recruitment, internal mobility and expatriation management tools. In this second year of operation of the "job site", available in the Group's website, over 2,100 cvs were registered and summed up to the 8,000 candidates of the data base, revealing the interest shown in joining the Viscofan Group.

During 2015, internal offers were published using this site, offering current employees the chance to develop their own professional careers or to change their duties. Furthermore, over 20 external vacancies were offered, which included management positions to qualified technician positions.

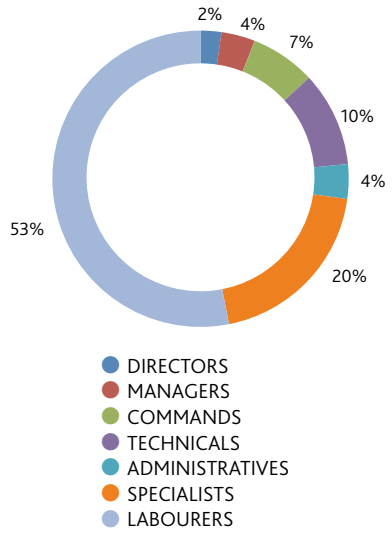
On the path towards the objective of improving our strategy to harness talent, more proactive initiatives have also been launched to highlight the visibility of the Group on social networks and increase the number of followers of our business profile on LinkedIn, which currently stands at 3,000. Together with the hiring of "LinkedIn Recruiter" tool, in order to anticipate business needs, identifying and contacting the best talent worldwide, while covering future positions. This project was set out in 2015 and is driving the creation of a group of candidates and the real and effective coverage of open vacancies.

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 this regard, the Group continues increasing trained personnel. In 2015, the number of employees with Master's degrees (294 people) grew by 16% and the number of university graduates (552 people) rose by more than 11% on the previous year, meaning that the figure increased for the fourth year running. The number of PhD holders (32 people), posted and increase of 18% compared with the 27 PhD in the Group 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 employees by categories was as follows at the end of 2015:

BREAKDOWN 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:** During 2015, the global implementation of the SaaS mode tool (Software as a Service) was completed, initially implementing the Personnel Administration module. This move will allow us to monitor the main Human Resource management processes more strategically. 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. During 2016, we will keep on working on the implementation and development of an integrated talent management system for the company, this information will be complemented and integrated within the tool described above.

- **Viscofan Opinion Survey 2015**. Among the main tools used by Human Resources, particularly noteworthy is the second study of employees' opinions regarding the company, undertaken in 2015. The study objective was to internally assess the planning, organisation and undertaking of work in Viscofan, through employee opinions. 60% of the staff base participated, an 8% increase on the previous year, and the opinion regarding the 11 study dimensions brought back a 62% positive and very positive rate of responses. As a result, the study has provided interesting data about the company's strong points, such as its degree of commitment with company employees (75% of positive responses), and the organisation of work (71%). Moreover, areas of improvement have been identified where more work is required.

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: It establishes direct communication with Viscofan employees, providing them with information of great utility, including career opportunities within the Group. During 2015, a new section entitled "Travel information" was included, covering general information for all travellers within the Group and the already mentioned "Risk Summary" for each country.

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.

4) Opinion Survey: A study on the work environment at Viscofan, in Spain and in the other Group subsidiaries. Via this study, the direct opinion of employees is obtained regarding different issues, from work organisation to the contents of the position and the company image.

5) Meetings and presentations: Throughout the year numerous departmental meetings take place, including corporate presentations by Management to the rest of the employees.

DEFENDING HUMAN RIGHTS

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, to which the Company subscribed in December 2015.

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 institution of decent working conditions, equality in all areas and access to the job market for people with disabilities. In this regard, employee´s minimun remuneration in each geography is established in response to the wage reality and legal framework of each country where Viscofan operates.

Within the field of equality and the protection of workers' rights, 78% 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. During 2015, negotiations took place regarding the collective agreements for Cáseda and Urdiain (Spain).



EQUALITY AND LABOUR CONCILIATION POLICIES

With the aim of putting forward improvements in this issue, during 2015 a second diagnosis of the situation was undertaken, which led to this current II Equality Plan 2016-2019. The aim, as with the I Plan, was to highlight the Company's strong points, propose improvements and establish targets to be met in the issues of equality and labour conciliation.

Via the CGI (Company Gender Equality) procedure, the study has been focused on four major areas: leadership, policy and strategy; people; process management; and the relationship with the working environment, by which each has a specific action plan up to 2019.

Some of the improvements in the issue of equality identified in the 2nd diagnosis (2015) were:

- Increased hiring of women for technical positions (+8%)
- Increased indefinite contract for women (+16%)
- Better access for men to conciliation policies (reduced working schedule to look after children, extended leave, unpaid leave to look after family members, etc.).

During 2015 a member of Viscofan S.A. (Mary Carmen Peña, financial manager in Spain) has been awarded as the best woman manager in Navarre by the women managers assotiation in Navarra (AMEDNA, Asociación de Mujeres Empresarias y Directivas de Navarra).

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 passed 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 2015 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. It is worth noting that the percentage of hours lost through accidents or illnesses in the workplace was 0.5%.

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 2015, almost 26,000 hours were devoted to safety and prevention training, an improvement of more than 8% in 2014. 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. In this respect, during 2015 no deaths occurred as a result of accidents in the workplace.

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 2015 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

Creating value in a sustainable way

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 R&D and innovation of its technology and products. Only through the application of this philosophy will Viscofan be able to continue advancing in its leadership of innovation in the global artificial casings market, creating value for all of its stakeholders.

Viscofan couples its growth as a business with the development of its innovation capability so that it can access the best technologies available in 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 Spain coordinates and supports the specific research and development activities conducted at each production plant, and coordinates the multidisciplinary teams which exchange best practices, technological knowledge and ideas across product sites.

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 regularly collaborates with research centers and universities, public and private, in Spain, USA, Germany and China to foment specialization and gain access to cutting-edge technologies it needs to carry on its research and development activity.

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 Spain that provides support for the research and development carried out by its members, mainly in the areas of quality, food safety, sustainability, environment and design and industrial production.

- ANICE. The Spanish Meat Industry Association is the largest meat association in Spain and advises, represents and defends the interests of the meat industry.

① LINK TO SOCIAL RESPONSIBILITY POLICY

OUR RELATIONSHIP WITH THE COMMUNITY

The Viscofan Group considers itself to be another driver within society, and therefore it has a Corporate Social Responsibility (CSR) to create sustainable and balanced value for all the groups of people to which the Company is related, as stated in the "Corporate Social Policy" ① of the Group.

Society is one of these interest groups, understood in both global and local terms, i.e. the communities where the company operates on a daily basis, which are the regions comprising the 14 countries where Viscofan is present, either with its commercial offices or production plants.

The CSR has thus become the attitude adopted by the company when interacting with people. As a result of dialogue with these interest groups, the company now understands their value expectations and orientates its activity towards achieving these goals ethically and sustainably. This way Viscofan can contribute its resources and know-how to support social initiatives that contribute to the improvement of the environments in which it operates, in particular in two key spheres: health and food, and community development.

HEALTH AND FOOD PROJECTS

- **The Mexican Association for Helping Children with Cancer (AMANC).** Viscofan has signed an agreement by which for the next three years, an annual amount of 10,000 dollars will be designated to support the Association's work, specifically in the state of San Luis Potosí, where Viscofan has a factory. The donation will help support the treatment of children suffering from the illness, facilitate the accommodation of the children and their families, and provide psycho-social support to the patients and their families.

- **Spanish Red Cross.** Viscofan is a collaborating partner of the Red Cross, with the aim of supporting all the social action undertaken by this entity in Spain.

- **Nutrition Research Centre of the University of Navarra.** Viscofan collaborates with this centre of research to investigate in cutting-edge fields within the area of nutrition, like the new nutritional applications for collagen.



COMMUNITY DEVELOPMENT PROJECTS

- **Orizont Project.** Viscofan collaborates with this Government of Navarre-led project, which aims to finance and advise various agrifood entrepreneurial projects that wish to become established in the region.

- **Entrepreneurial Drive Action.** Viscofan has supported the third edition of this programme, promoted by the Government of Navarre, for which it has sponsored a project on food ingredients, offering economic sponsorship and mentoring work.

- **Restoration of the Library of the Leyre Monastery (Navarre, Spain).** Viscofan has signed an agreement by which it will help to restore 15 ancient books of the abbey, dating from the XVI and XVII centuries.

- **Cetena Foundation.** 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.

- **Collaboration with universities.** Likewise, in the area of promoting education and culture, Viscofan is a member of the Association of Friends of the University of Navarre, created for the purpose of supporting teaching and research through the University, and of the University of Navarre 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 Navarre in this same area.

- **Association for Managerial Progress**. 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.

- **US-Spain Council Foundation and Brazil-Spain Council Foundation.** Viscofan 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.

The Viscofan Group corporate culture is deeply rooted within a series of values that act as a guideline, and are written in the internal "Code of Conduct". These values are: respecting fundamental human rights, just as stipulated in the United Nations Global Compact to which Viscofan is affiliated; service; quality, which is the permanent direction towards excellence in the work done, whatever it may be, which results in a demanding and engaged work style committed to driving the company forward; entrepreneurship, understood to mean the attitude of pushing forward growth, facing changes with enthusiasm and remaining open to innovation; and a focus on results, which leads the company to working with a view to completing specific targets in all the projects embarked upon.



① LINK TO VISCOFAN-BIOENGINEERING

BIOENGINEERING

Despite the field of corporate social responsibility action being very wide, given that it encompasses all the interest groups and can appear in a multitude of projects, the company understands that it can create sustainable value in some specific spheres that are more in keeping with its corporate activity.

This is the case of bioengineering, which is the result of the knowledge the company has of the raw materials with which it works, in this case, collagen. In this project the underlying conviction is that the company is responsible for returning its knowledge to improve the well-being and health of individuals.

Today, the Viscofan Bioengineering project, established in 2008, continues to make advances. It combines biosciences with engineering to provide innovative bio-products such as new solutions to cellular biology, tissue engineering, and regenerative medicine. This division within the Viscofan Group is the result of the company's know-how on collagen in the field of food, and, when transferred to another sphere - biomedicine - the outcome is an innovative knowledge of the possibilities of collagen film as a cellular regenerator in cardiovascular, urological and oral tissues.

Collagen is an animal protein that is extracted from the dermis and which is hugely versatile in terms of manufacture and use, as well as holding a high degree of bio-compatibility, transforming it into a very suitable bio-polymer for customized solutions in the field of biomedical research and development.

Alongside this, these advances have led the Viscofan Group to invest 2 million euros in the installation of a white room in Weinheim (Germany), an annex to the collagen production centre and with the capacity of undertaking clinical studies.

The Viscofan Bioengineering division focuses on research in the field of bioengineering, undertaken in collaboration with other research centres. We work with various prestigious international technological partners such as the University of Tübingen (Germany), the Centre for Applied Medical Research (CIMA) from the University of Navarre (Spain), the University of South Carolina (USA), and the Research Institute of Leather and Plastic Sheeting (FILK) in Freiberg (Germany), and with a group of financial partners among which, in particular, are the CDTI and the German Ministry for Education and Research.

Viscofan Bioengineering ① has a specific communication channel on www.viscofan-bioengineering.com



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.

This commitment is stated in the corporate policy of EHS (1) which defines the organisation's values and establishes 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.

To ensure the principles included in the policy are applied, the Viscofan Group has created the EHS Management Directives, which establish the common grounds for implementing health and occupational safety and environmental management systems. A total of 15 directives specify requirements for 15 areas such as managing regulation compliance, identifying and assessing risks and environmental issues, or preparing emergency procedures, among others.

Designed with the philosophy of on-going improvements and internationally recognised standards such as the OHSAS 18001 or the ISO 14001, their implementation was started simultaneously across all the group's plants in the 3rd quarter of 2015, with the aim of completely finishing the implementation in our production plants by the end of the first half of the MORE TO BE period.

Alongside this, our more advanced plants in terms of Management Systems (Cáseda and Weinheim), already certified with OHSAS 18001, are working to obtain certification in their environmental management systems in compliance with the ISO 14001 in 2016, and in the case of Brazil, the OHSAS 18001 certification.

Moreover, we are convinced of the effectiveness of dialogue with our different interest groups in understanding their concerns and various suggestions for improvements in this issue. Information that we can also use to generate the materiality matrix of the EHS area.

The company wishes to promote a production model that backs long-term sustainability in the use of resources and that contributes to preventing climate change.

The importance Viscofan grants to the field of EHS is reflected in the inclusion in 2015 of a specific EHS indicator in the variable retribution of senior management. This indicator reflects the company's performance in Environmental Protection, Employee Health and Safety Protection, and the level of fire protection in the company facilities, which requires a new drive towards sustainability.

Likewise, at the end of 2015, Viscofan signed affiliation to the United Nations Global Compact. Our President, Mr José

① LINK TO EHS POLICY

Domingo de Ampuero y Osma, in representation of Viscofan S.A. took our support to the Ten Principles of the Global Compact governing human rights, labour rights, the environment and the fight against corruption. In this statement, Viscofan commits to continue working on the implantation of the Ten Principles and to keeping a report on its activities and progress in this line of action.

LINES OF ENVIRONMENTAL ACTION

The Viscofan Group works along two key lines that group together and guide the company's projects in environmental issues:

- The sustainable use of resources

- Contributing to preventing climate change

THE SUSTAINABLE USE OF RESOURCES

As long as the Viscofan Group is able to use available resources more efficiently, whether raw materials, energy or water resources, the company will get closer to its sustainability target.

During 2015, progress was made in the establishment of indicators that allow us to measure the performance of our plants in terms of efficient water or energy use.

Water management

We work in an environment with an increasing demand for industrial water, which is why its optimised usage is one of the cornerstones supporting Viscofan's environmental policy. We have identified the key management indicators with a double objective: the optimisation of water in all possible company subsidiaries, and on the other hand the improvement of the water treatment process with the aim of reducing its contaminating impact.

During 2014 we began working on establishing indicators for the consumption and use of water, which in 2015 allowed us to follow-up the evolution of consumption of the different plants and to set up an internal benchmarking system to transfer best practices between the centres, the same way as with production technology.

In 2015, investments and improvements to processes aimed at reducing water consumption, allowed us to obtain the first results in Brazil and Mexico, with reductions in water consumption of over 10%.

This same objective has led to the initiation of projects to re-use water in Serbia, Uruguay and China, which we hope will enable us to achieve additional improvements.

Taking into account the water consumption of all the group's plants, in 2015 a reduction of over 3% was achieved in 2015 in comparison to 2014 levels.

The intensity ratio of water consumption (m3/million metres produced) in 2015 shall be used as the base 100 to measure the evolution of our water consumption intensity over the coming years and to establish improvement targets.

On the other hand, Viscofan understands that appropriate management of water also includes the correct treatment of waste waters and the minimisation of the impact of its activities on the environment. In 2015 investments were made in water treatment to improve the quality of our waste water, such as the new waste water treatment plant constructed in Zacapu (Mexico).

Raw materials and waste

Another cornerstone of the EHS policy ① is to reduce waste and improve recovery rates, giving priority to management systems that employ less waste processes. In this respect, the efficient use of raw materials is key and has a doubly beneficial outcome, both for Viscofan and the environment.

The reduction of waste generation and the optimisation of its management, giving priority to recovery or recycling as opposed to other systems such as destruction or disposal, should, over the coming years, become one of the cornerstones of EHS management.



Over the past year, the consolidation of operations in Uruguay and the implementation of a collagen mass manufacturing plant in Cáseda, have significantly contributed to the 2% increase in our total generation of waste. Due to the forecast increase of the activity in the Group for 2016, it is expected an increase of the total generation of waste.

However, by managing these better we have been able to increase the percentage of recycled and re-used waste compared to those destroyed and sent for disposal.

Moreover, the efficient use of raw materials is not just applied to our production plants, but also to the company's offices, where a sustainable use of resources is encouraged. For 2016 the group wants to promote a campaing at the head offices to reduce the use of printed paper, as a means of extending the EHS culture to other areas of the organisation.

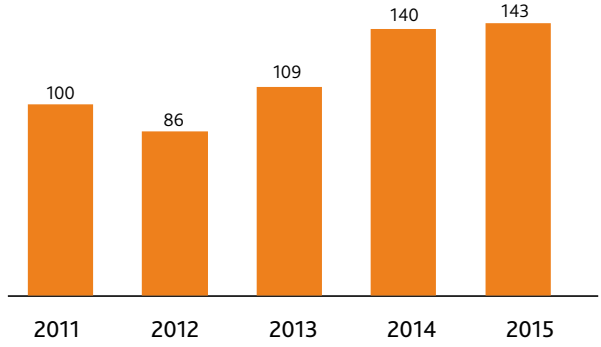
The group also focuses its efforts on waste management to recover more waste. Despite expansion with two new plants and an increase in productive output over recent years, the group's efforts in this field are reflected in the increase of waste recovered since 2009 and which in 2015 represented more than 65% of the total waste generated.

This percentage is the result of multiple initiatives across all the group's plants, such as the example of the plant in the Czech Republic, which by separating each waste type at the source and by seeking out recycling solutions, was able to increase the percentage of recycled waste from 8% in 2012 to almost 70% in 2015, including recycled and reused waste. During 2016 a waste management knowledge transfer process will be initiated from our plant in the Czech Republic, to other group plants with the aim of replicating their best practices in other centres.

2015 will be also established as the base 100 for measuring the group's evolution in this area over the coming years.

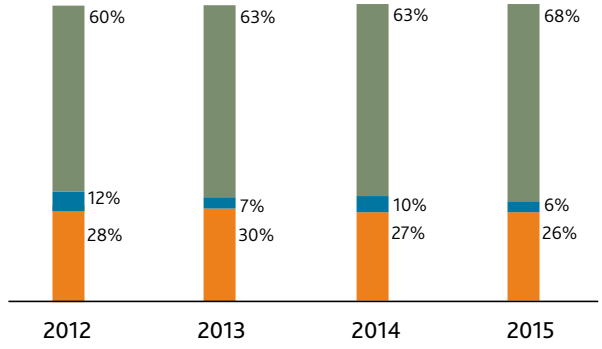
On the other hand, in Brazil a research project is underway to recycle our cellulose casing through enzymatic degradation. The project, undertaken in collaboration with our largest clients, seeks an easily applicable recycling solution for our cellulose casing once used in the stuffing process. During 2015 advances were made in this project, analysing the behaviour of different enzymes together with different types of pre-treatment to achieve a better performance in the cellulose degradation process.

WASTE AND SUBPRODUCTS EVOLUTION



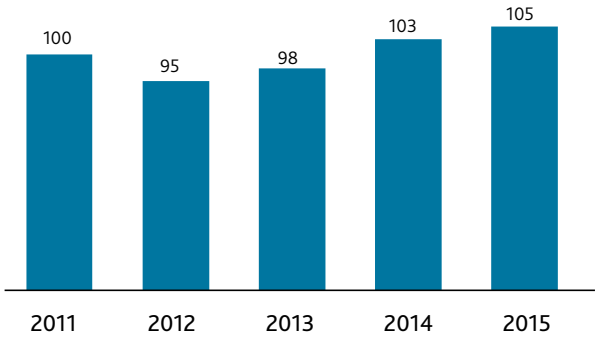
WASTE BASE 2011

WASTE AND SUBPRODUCTS MANAGEMENT



RECOVERY
DESTRUCTION
LANDFILL

CO_2 EVOLUTION - TON/KM PRODUCED



BASE 100 STARTING 2011

USE OF ENERGY. CONTRIBUTE TO PREVENTING CLIMATE CHANGE

The Viscofan Group's focus on sustainability is geared towards an efficient use of energy with a low environmental impact. We wish to promote the rational and efficient use of energy across the entire Viscofan value chain, from our factories to our suppliers. Our strategy for achieving this is to simultaneously reduce greenhouse gas emissions and limit the adverse effects of these gases on our environment.

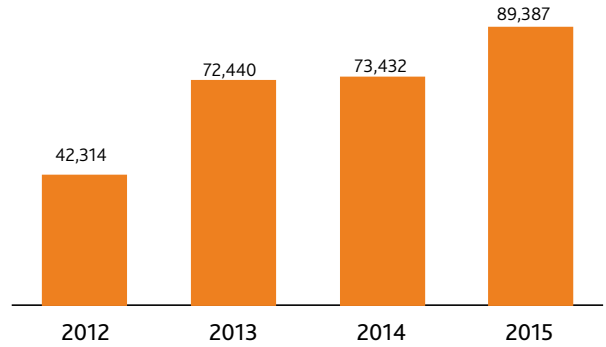
World awareness of the need to achieve a sustainable energy model able to reduce CO_2 emissions based on saving, efficiency and renewable energies continues to grow.

We understand that efficient energy use is key to achieving the target of contributing to prevent climate change. Effective use of heat, even in our production process effluents, or substituting equipment with high energy requirements for more efficient ones, form part of the Viscofan strategy, focused on reducing global CO_2 emissions. Reducing our energy requirements and getting the very maximum use out of the various forms that are used in our processes.

Viscofan continuously invests in the use of new, more efficient technologies in different areas of its processes, such as the new evaporation system in Brazil. This new system, which allows for reductions of over 50% in the energy needed to evaporate each Kg of water in comparison with the previous system, is the group's new evaporation benchmark. Over the coming years, we hope to expand the use of this technology to the other cellulose plants.



CO_2 TONS THAT HAVE BEEN SAVED DUE TO ENERGY OPTIMIZATION



In this casing production process, an efficient use of energy is the key to a competitive advantage. In this respect, the Viscofan Group has co-generation plants in Cáseda (Spain), in Zacapu (Mexico), and in Weinheim (Germany).

This transformation was an important milestone in Viscofan energy efficiency, allowing the group to produce more than half its energy from certified management systems in compliance with ISO 50.001 regulations governing energy efficiency. This energy efficiency management system enables us to prepare for compliance with the new RD 56/2016 governing energy efficiency, referring to energy audits transposing the 2012/27/EU directive.

Just as with water use and waste management, in 2015 we improved the quality of our indicators, incorporating measurements of both direct and indirect emissions, another reason for establishing 2015 as the base 100 for measuring our evolution over the coming years.

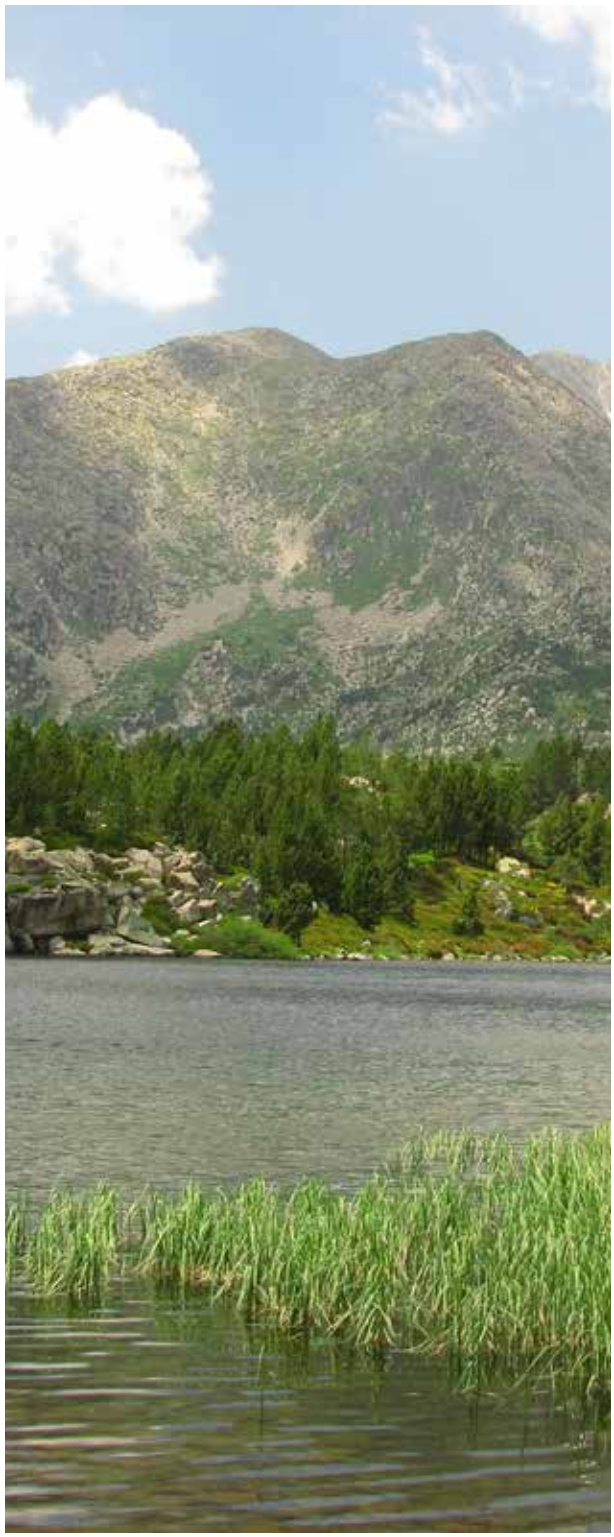
During 2015 the greater availability of the Cáseda co-generation plant meant that the total emissions were slightly higher in absolute value compared to 2014, even though in terms of intensity, the plant continues to improve its efficiency by consolidating the old engine renovations, finished in 2014.

The use of co-generation as an energy and heat generation source implies an emission reduction in comparison with other systems such as conventional steam generation. In the case of Cáseda, a CO_2 emissions saving of over 30% has been achieved.

Among the short-term projects there is also the co-generation facility in our Suzhou extrusion plant, which will allow us to continue to improve the group's energy consumption/CO_2 emissions.

ECONOMIC RESOURCES DESIGNATED TO EHS PROJECTS

This growing commitment with sustainability is also evident in the financial aspect, as the environment, health and safety projects in 2014 involved an investment of €4.9 million and reached €5.17 million in 2015, representing 9% of total investments, among which the following are outstanding given the amounts designated to them: optimising steam and energy generation facilities, waste water treatment and improvements to fire protection facilities, ergonomic improvements, restructuring water consumption, new facilities for treating waste water, equity security, etc.



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FINANCIAL STATEMENTS

Independent Audit Report

VISCOFAN, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2015

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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, 2015, 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 8°, Hoja M-23123, Inscripción 116. C.I.F. B-78970506.
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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, 2015, 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 2015 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 2015 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 29, 2016

A member firm of Ernst & Young Global Limited

VISCOFAN, S.A. AND SUBSIDIAIRES

Consolidated Financial Statements and Consolidated Management report for the year ended

December 31, 2015

(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	2015	2014
Property, plant and equipment	7	382,025	380,963
Intangible assets	8	18,334	13,550
Deferred tax assets	19	14,518	18,046
Other non-current financial assets	11	1,311	619
Total non-current assets		**416,188**	**413,178**
Inventories	9	208,637	189,085
Trade and other receivables	10.1	130,937	128,619
Receivable from public administrations	10.2	24,126	21,520
income tax receivable	19	4,233	5,258
Prepayments		2,133	2,506
Current financial assets	11	1,214	1,019
Cash and cash equivalents	12	44,453	25,601
Total current assets		**415,733**	**373,608**
Assets held for sale and discontinued operations	**5**	**-**	**90,113**
Total assets		**831,921**	**876,899**

Consolidated statements of financial position
(Thousands of euros)

Equity and liabilities	Note	2015	2014
Share capital	13.1	32,623	32,623
Share premium	13.2	12	12
Other reserves	13.3	536,278	483,283
Profit for the year		120,022	106,452
Interim dividend	13.6	(24,234)	(20,972)
Translation differences		(28,931)	(20,618)
Hedge transaction reserves	13.4	(2,861)	(4,913)
Equity attributable to equity holders of the parent		**632,909**	**575,867**
Non-controlling interests		**290**	**-**
Total equity		**633,199**	**575,867**
Grants	14	3,578	2,280
Provisions	15	20,718	30,888
Non-current financial liabilities	17	37,616	45,231
Deferred tax liabilities	19	20,627	21,467
Total non-current liabilities		**82,539**	**99,866**
Current financial liabilities	17	29,837	85,039
Trade and other payables	16.1	62,777	58,404
Payable to public administrations	16.2	10,401	8,469
Income tax payable	19	8,071	9,464
Provisions	15	5,097	4,976
Total current liabilities		**116,183**	**166,352**
Liabilities held for sale and discontinued operations	**5**	**-**	**34,814**
Total equity and liabilities		**831,921**	**876,899**

Consolidated income statement
(Thousands of euros)

	Note	2015	2014
Sales and services rendered	20.1	740,770	687,063
Other income	20.2	7,551	5,078
Changes in inventories of finished goods and work in progress		23,531	10,273
Consumption of raw materials and other consumables		(226,980)	(201,021)
Employee benefits expense	20.3	(158,545)	(147,031)
Other operating expenses	20.4	(172,362)	(168,570)
Property, plant and equipment depreciation	7	(49,104)	(45,446)
Intangible assets amortization	8	(3,945)	(3,717)
Impairment and gains (losses) on disposal of non-current assets		(122)	(369)
Operating profit		**160,794**	**136,260**
Finance income	20.5	694	322
Finance costs	20.5	(3,373)	(4,257)
Exchange differences	20.5	(6,608)	1,916
Profit before tax		**151,507**	**134,241**
Income tax expense	19	(31,883)	(30,612)
Net result for the year from continued operations		**119,624**	**103,629**
Net result for the year from discontinued operations	**5**	**411**	**2,823**
Profit for the year		**120,035**	**106,452**
Result attributable to equity holders of the parent		120,022	106,452
Retulst attributable to non-controling interests		13	-
Earnings per share, basic and diluted, from profit for the year attributable to equity holders of the parent (in euros)	21	2.5754	2.2842
Earnings per share, basic and diluted, from continuing operations attributable to equity holders of the parent (in euros)	21	2.5666	2.2236

Consolidated statements of other comprehensive income
(Thousands of euros)

	Note	2015	2014
Result attributable to equity holders of the parent		**120,022**	**106,452**
Exchange differences on translation of foreign operations		(8,313)	14,203
Net movement on cash flow hedges		2,493	(6,542)
Income tax effect		(441)	1,412
Net other compehensive income to be reclasified to profit or loss in subsequent periods		**(6,261)**	**9,073**
Re-measurement gains (losses) on defined plans			
Germany		1,527	(4,471)
United States		(92)	(5,873)
Others		(42)	37
Income tax effect		(382)	2,813
Net other compehensive income not to be reclasified to profit or loss in subsequent periods	**15.1**	**1,011**	**(7,494)**
Other comprehensive income for the year, net of tax		**(5,250)**	**1,579**
Total comprehensive income for the year, net of tax attibutable to equity holders of the parent		**114,772**	**108,031**

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 the parent	Hedge transaction reserves (Note 13.4)	Currency translation differences	Non-controlling interests	total equity
Balance at January 1, 2014	**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)**
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**
Total recognized income and expense	**-**	**-**	**1,011**	**-**	**120,022**	**2,052**	**(8,313)**	**-**	**114,772**
Profit for the year attributed to equity holders of the parent	-	-	-	-	120,022	-	-	-	120,022
Other comprehensive income	-	-	1,011	-	-	2,052	(8,313)	-	(5,250)
Transactions with shareholders and owners	**-**	**-**	**245**	**(3,262)**	**(54,713)**	**-**	**-**	**-**	**(57,730)**
Dividends paid	-	-	-	(3,262)	(54,713)	-	-	-	(57,975)
Acquisition of non-controlling interests	-	-	245	-	-	-	-	-	245
Other changes in equity	**-**	**-**	**51,739**	**-**	**(51,739)**	**-**	**-**	**-**	**-**
Transfers between equity accounts	-	-	51,739	-	(51,739)	-	-	-	-
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**290**	**290**
Profit for the year attributed to non-controling interests	-	-	-	-	-	-	-	13	13
Non-controlling interests arising on a business	-	-	-	-	-	-	-	277	277
Balance at December 31, 2015	**32,623**	**12**	**536,278**	**(24,234)**	**120,022**	**(2,861)**	**(28,931)**	**290**	**633,199**

Consolidated statement of cash flows
(Thousands of euros)

	Note	2015	2014
Profit for the year before tax		**151,507**	**134,241**
Depreciation of property, plant and equipment	**7**	49,104	45,446
Asset impairment		(3)	45
Amortization of intangible assets	**8**	3,945	3,717
Changes in provisions		(3,648)	2,280
Capital grants	**14**	(671)	(403)
Gains/(losses) on disposal of non-current assets		125	323
Finance income		(694)	(322)
Finance costs		3,373	4,257
Foreign currency translation differences (net)		6,608	(1,916)
Adjustments to reconcile profits before tax with net cash flows		**58,139**	**53,427**
Inventories		(19,955)	(18,843)
Trade and other receivables		(20,286)	(28,002)
Trade and other payables		5,808	12,288
Changes in working capital		**(34,433)**	**(34,557)**
Income tax paid		(29,943)	(31,290)
Contributions and other payments related to pension plans		(7,572)	(3,506)
Cash flow from operating activities		**137,698**	**118,315**
Acquisition of a subsidiary, net of cash acquired	**5.2**	(3,995)	-
Payments for acquisition of property, plant, equipment and intangible assets		(56,702)	(60,074)
Proceeds from disposals of a subsidiary	**5.1**	55,803	-
Proceeds from/(payments on) acquisitions of financial assets		-	3,900
Proceeds from disposals of property, plant and equipment		1,103	505
Interest received		694	331
Increase (decrease) from discontinued operations	**5.1**	-	(551)
Cash flows from investing activities		**(3,097)**	**(55,889)**
Proceeds from borrowings		8,037	58,562
Repayment of borrowings		(67,058)	(53,284)
Dividends paid to shareholders of the parent		(57,975)	(53,781)
Interest paid		(3,292)	(3,544)
Other financial liabilities (net)		(288)	685
Grants received	**14**	1,880	118
Cash flows from financing activities		**(118,696)**	**(51,244)**
Impact of changes in exchange rates on cash and cash equivalents		2,947	(2,320)
Net increase (decrease) in cash and cash equivalents		**18,852**	**8,862**
Cash and cash equivalents at January 1,	12	25,601	16,739
Cash and cash equivalents at December 31,	**12**	**44,453**	**25,601**

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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 artificial casings, mainly for use in the meat industry, as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems. 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 2014 consolidated financial statements were approved at the General Shareholders' Meeting held on May 7, 2015.

The parent's directors expect these 2015 consolidated financial statements, which were prepared on February 29, 2016, to be approved by the shareholders in general meeting without modification.

2. Viscofan Group

In March of 2015 Viscofan finalized its sale of Industrias Alimentarias de Navarra S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A. to Servicios Compartidos de Industrias Alimentarias, S.L., managed by Portobello Capital Gestión, S.G.E.C.R., S.A. The Company accepted a 55.8 million euro offer of 100% of its shares, paid for in cash during the signing of the contract, with after-tax capital gains of 0.4 million euros, which is recognized under "Profit (loss) after tax from discontinued operations" on the consolidated income statement.

A summary of its assets and liabilities held for sale, as well as income and expenses attributable to this activity are outlined in Note 5.1, and are presented under "Discontinued operations" on the consolidated financial statements.

On May 27, 2015, 51.67% of Nanopack Technology & Packaging, S.L.'s share capital was acquired. The total cost of this transaction was 4 million euros. Subsequent to this date, Viscofan S.A. entered into a capital increase, and now owns 90.57%.

The fair value of net assets acquired is reflected in Note 5.2.

There were no corporate transactions in the Viscofan Group during 2014.

Details of the subsidiaries and associates comprising the Viscofan Group at December 31, 2015 and 2014, including certain additional information, are shown below:

2.1. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2015

Group companies	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Gamex, C.B. s.r.o.	100.00%	-	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)
Nanopack, Technology and Packaging S.L.	90.57%	-	Manufacture of interleaver film	Aiguaviva-Girona (Spain)
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)

2.2. 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%	-	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)

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 2015 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, 2015 and 2014, 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 during the preparation of these consolidated financial statements are the same as those applied for the 2014 consolidated financial statements, apart from the revision of IFRS 3 - Business combinations. A business is defined as "an integrated system of activities and assets that may be directed and managed with a view to securing profits in the form of dividends, lower costs or other economic rewards for the investors or other owners, members or participants."

This is consistent with the Group's current accounting policies, and therefore, has had no impact on its accounting records.

The overall assets and activities acquired through Nanopack Technology & Packaging, S.L. (Discussed in Note 2), include the three components of a business (items, processes, and products) and are capable of offering their owners income.

3.2. Published standards which are not applicable

The Group intends to adopt these standards, interpretations, and amendments thereof published by the IASB but not considered mandatory in the European Union at the date these consolidated financial statements were prepared. However, they will be applied when they come into force. The Group is currently analyzing the impact of application of these new and amended standards and interpretations. Based on the analysis conducted to date, the Group believes that their first-time application will not have a material impact on the consolidated financial statements apart from the following:

IFRS 9 - Financial instruments

In July of 2014, the IASB published the definitive version of IFRS 9, "Financial Instruments;" it covers all phases of financial instrument projects, and replaced IAS 39 "Financial Instruments: recognition and measurement," as well as all the prior versions of IFRS 9. This standard includes the three phases of financial instruments: classification, valuation, impairment, and hedge accounting. IFRS 9 indicates applicable standards for the years commencing January 1, 2018, and permits early application, and has not year been accepted by the European Union. Apart from hedge accounting, it requires retroactive application, but no modifications to comparative information. Hedge accounting criteria are generally applied prospectively, excepting for limited exceptions.

The Group plans to adopt the new standards at the required date of application. In general, the Group does not expect notable changes in its balance sheet or equity.

(a) Classification and measurement

The Group does not foresee any important changes in its balance sheet or equity arising from the application of IFRS 9. It expects to continuing measuring its financial assets at fair value as is its current practice.

Loans and trade receivables are held for contractual cash flow, and it is expected that these will be solely used to pay principal and interest. Therefore, the Group expects to continue to recognize amortized cost in accordance with IFRS 9. However, the Group will perform a more in-depth analysis of the characteristics of the contractual cash flows of these instruments prior to concluding on whether they meet the criteria for valuation at amortized cost, in accordance with IFRS 9.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit losses on all its debt instruments, loans, and trade receivables, either on a 12-month period or indefinitely. The Group expects to apply the simplified model, and recognize expected losses over the lives of all its trade receivables. The Group does not expect there to be any relevant changes in the impairment provisions recorded.

IFRS 16 – Leases.

IFRS 16 was published in January of 2016, and represented important changes for lessees, since an asset must be recognized for the right to use, and a liability must be recognized for amounts payable for the majority of leases. Lessors are able to avail themselves of very few amendments with respect to the current IAS 17.

This new standard replaces prior lease legislation. The total or modified retroactive application is necessary for years commencing January 1, 2019 inclusive, making its early application accepted, although this has not yet been adopted in the European Union. The Group plans to adopt the new standards at the required date of application, based on the modified retroactive transition. The Group has begun its preliminary evaluation of IFRS 16 as well as its potential effects on its consolidated financial statements.

Apart from arrangements already considered leases in accordance with IAS 17, and which continue to be recognized as such under the new standard, the Group does not have any other contracts which could be considered leases due to the right to control the use of the identified asset, as there are no service agreements based on the asset's use.

Existing lease agreements were analyzed which also include providing a service, which are not significant.

A practical solution will be applied permitting financial leases still applicable during the date of the application of the new standards to be accounted for in accordance with current regulations (IAS 17).

However, its main effect on the Group's financial statements is the registration of the right to use and debt corresponding to operating leases on the balance sheet. Note 7 reflects non-cancelable minimum future operating leases payments at December 31, 2015, The Group is still determining whether the periods corresponding to these future minimum payments will be similar to those under IFRS 16.

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, except when an accounting standard specifically establishes that this is unnecessary.

In accordance with the terms of the single additional provision of the Resolution dated 29 January, 2016 of the Institute of Accounting and Auditors of Accounts on information to be included in notes to the consolidated financial statements regarding the average period for making payments to suppliers, the Company has decided to apply the draft resolution, and therefore, in accordance with the terms outlined in the first additional provision, will only present the information for the year, rather than comparative information; therefore, these are considered first-time consolidated financial statements for these exclusive effects, with regard to the application of the uniformity principle and the comparability requirement.

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.

(c) 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.

(d) 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.

(e) 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.

(f) Other accounting estimates and hypotheses

- Assessment of possible impairment losses on certain assets: (Notes 4.7 and 7).
- Useful life of property, plant, and equipment and intangible assets: (Notes 4.6 and 4.7)
- Measurement of derivative financial instruments: (Note 4.13)

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. Business combinations and goodwill

Business combinations are recognized by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Related acquisition costs are recognized under "Other operating expenses" as they are incurred,

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as financial assets and liabilities in accordance with IAS 39 *Financial Instruments*: The fair value is taken, recognizing changes in fair value as changes in the fair value on the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Group conducts a news assessment to ensure that all the acquired assets and assumed obligations have been correctly identified, and reviews the applied procedures to perform the valuation of the amounts recognized at the acquisition date. If an excess in the fair value of net assets acquired over the aggregate amount of the transferred consideration, the difference is recognized as profit on the income statement.

After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.5. 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. The Group classifies the remainder of its assets as non-current.

- 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.

4.6. 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.

4.7. 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, tools and furniture	5 - 15
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.

4.8. 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.

4.9. 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 tangible 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 4.16) 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 applying the FIFO method (first in, first out).

(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, 2015 and 2014, 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
Development costs	5
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.

4.10. 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.

4.11. 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.

4.12. 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 2015 and 2014.

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.

4.13. 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 2015 and 2014 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.

4.14. 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.

4.15. Dividends

The interim dividends approved by the Board of Directors in 2015 and 2014 are included as a reduction of the Viscofan Group's equity.

4.16. Government 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.

4.17. 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.

4.18. 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.

4.19. 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.

4.20. 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, 2015 and 2014, 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.

4.21. 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.

4.22. 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 4.7.

4.23. Related party transactions

Transactions with related parties are accounted for in accordance with the valuation criteria described in this Note 4. The only transactions that were carried out with related parties are described in Note 25 "Information relating to directors of the parent and key management personnel of the Group."

4.24. 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. Changes in consolidation scope

5.1. Disposal of assets held for sale

As indicated in Note 2, during March 2015 Viscofan concluded the sale of IAN S.A.U. and subsidiaries for 55.8 million of euro.

During 2014, and in compliance with the IFRS 5, IAN's Vegetable Food segment was recognized as a disposal group of items held for sale, with its assets, liabilities, and transactions recognized on the consolidated financial statements as a discontinued operation.

The breakdown of the income, expenses, and net cash flows attributable to this activity in 2015 and 2014 is as follows:

	Thousands of euros	
Income and Expenses	**2015 (*)**	**2014**
Sales and services rendered	16,799	110,566
Other income	114	628
Changes in inventories of finished goods and work in progress	(1,765)	1,254
Consumption of raw materials and other consu	(8,694)	(65,966)
Employee and other operating expenses	(5,584)	(38,866)
Amortization and depreciation	(381)	(2,894)
Operating profit	**489**	**4,722**
Finance income (expense)	127	(170)
Profit before tax	**616**	**4,552**
Income tax expense	(128)	(848)
Net result for the year from discontinued operations	**488**	**3,704**
Impairment loss on discontinues activities	-	(641)
Sale cost from discontinued activities	(77)	(550)
Income tax refered to sale result	-	310
Net result from discontinues operations	**411**	**2,823**

(*) Transactions recognized starting January 1, 2015 until the disposal of this operating segment.

The key groups of non-current assets and liabilities held for sale at December 31, 2014 follow:

	2014		
Assets	**Thousands of**	**Equity and liabilities**	**Thousands of**
Property, plant and equipment	23,436	**Total equity**	**56,165**
Intangible assets	601	Grants	1,167
Deferred tax assets	936	Non-current financial liabilities	4,924
Other non-current financial assets	284	Deferred tax liabilities	258
Total non-current assets	**25,257**	**Total non-current liabilities**	**6,349**
Inventories	38,794	Current financial liabilities	10,695
Trade and other receivables	26,210	Trade and other payables	17,758
Current financial assets	47	Provisions	27
Cash and cash equivalents	686		
Total current assets	**65,737**	**Total current liabilities**	**28,480**
Total assets	**90,994**	**Total equity and liabilities**	**90,994**

5.2. Business combinations and goodwill

(a) The acquisition of Nanopack Technology & Packaging S.L.

On May 27, 2015, Viscofan, S. A. acquired 51.67% of the voting shares of Nanopack Technology & Packaging, S.L., an unlisted company based in Aiguaviva (Girona).

It is a technological R&D health base, specifically for food film products.

The company was still fully consolidated in the Viscofan Group.

The total value of the company's assets and liabilities is recognized on the consolidated statement of financial position for the year. The consolidated income statement reflects the 7-month impact of the entirety of its transactions.

The Group chose to value external partners at the aggregate of the consideration transferred,

The fair value of acquired assets and liabilities assumed from Nanopack Technology & Packaging, S.L. during the acquisition was:

	Thousands of euros
Property, plant and equipment	1,510
Intangible assets	668
Other non-current financial assets	3
Inventories	77
Receivables	195
Cash and cash equivalents	5
Total assets	**2,458**
Non-current financial liabilities	(604)
Current financial liabilities	(150)
Payables	(551)
Deferred tax liabilities	(224)
Total liabilities	**(1,529)**
Total identifiable net assets	**929**
Non-controlling interest	(449)
Good will	3,520
Purchase consideration transferred	**4,000**

The Group used the services of an independent expert to value the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

Goodwill was initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

The measurement of the intellectual property intangible asset was based on the Greenfield method, and reflects its fair value at the date of acquisition of 668 thousand euros. The fair value of technical installations and other items of property, plant, and equipment was 1,510 thousand euros.

Goodwill amounting to 3,520 thousand euros, comprises the fair value of the expected synergies arising from the acquisition, most notably those related to the investigation, development, transfer, and innovation in packaging designed for food use.

(b) Acquisition of treasury shares

A capital increase of 2,000 thousand euros was approved by the shareholders of Nanopack Technology & Packaging, S.L, in general meeting, to which Viscofan, S.A. contributed 1,928 thousand euros, to thereby own 90.57% of its share capital.

With the acquisition of this additional interest, reserves totaling 245 thousand euros were recognized.

(c) Goodwill

Goodwill was initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed amounted to 3,520 thousand euros (Note 5.2 (a)).

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 CO2 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 2015 and 2014:

	Thousands of euros					
Year 2015	**Spain**	**Other European and Asian countries**	**North America**	**South America**	**Eliminations and other**	**Consolidated**
Revenue from external customer	105,889	305,934	215,864	113,084	-	740,770
Revenue from inter-segment	76,589	208,803	106,232	14,516	(406,140)	-
Total revenue	182,478	514,737	322,096	127,600	(406,140)	740,770
Depreciation and amortization	(11,436)	(21,432)	(14,338)	(5,844)	-	(53,049)
Finance revenue	110	91	89	403	-	694
Finance costs	(847)	(1,269)	(291)	(966)	-	(3,373)
Exchange differences	(173)	(796)	993	(6,632)	-	(6,608)
Segment profit	**23,241**	**83,130**	**26,562**	**20,539**	**(1,964)**	**151,507**
Total assets	**173,629**	**397,851**	**214,522**	**133,768**	**(87,850)**	**831,921**
Total equity and liabilities	**90,064**	**99,377**	**65,163**	**38,792**	**(94,674)**	**198,722**
Acquisition of assets	**12,921**	**14,395**	**20,219**	**9,726**	**-**	**57,261**

	Thousands of euros					
Year 2014	**Spain**	**Other European and Asian countries**	**North America**	**South America**	**Eliminations and other**	**Consolidated**
Revenue from external customer	107,944	273,273	198,281	107,565	-	687,063
Revenue from inter-segment	67,857	213,838	94,880	10,460	(387,037)	-
Total revenue	175,802	487,112	293,162	118,025	(387,037)	687,063
Depreciation and amortization	(10,811)	(19,939)	(12,063)	(6,351)	-	(49,163)
Finance revenue	86	61	111	64	-	322
Finance costs	(1,267)	(1,508)	(383)	(1,100)	-	(4,257)
Exchange differences	64	1,486	612	(246)	-	1,916
Segment profit	**18,294**	**72,531**	**21,960**	**24,268**	**(2,812)**	**134,241**
Total assets	**226,707**	**389,242**	**193,887**	**137,313**	**(70,250)**	**876,898**
Total equity and liabilities	**144,545**	**124,368**	**65,080**	**46,454**	**(79,415)**	**301,032**
Acquisition of assets	**15,338**	**23,431**	**10,855**	**11,419**	**-**	**61,043**

7. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2015 and 2014 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, 2014	**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
Discontinued operations (Note 5)	(18,003)	(31,399)	(10,132)	(1,365)	(555)	39,930	-	(21,524)
Additions	2,289	19,816	2,461	1,734	32,234	(45,447)	(47)	13,040
Disposals	-	(2,616)	(226)	(961)	(419)	3,396	-	(826)
Transfers	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**
Translation differences	(1,648)	(6,192)	(41)	377	(1,526)	4,638	(12)	(4,404)
Acquisition of a subsidiary	-	1,374	58	78	-	-	-	1,510
Additions	593	15,140	2,545	852	35,147	(49,104)	-	5,173
Disposals	(2,251)	(2,059)	(111)	(361)	(34)	3,535	64	(1,217)
Transfers	7,848	27,894	1,824	2,169	(39,735)	-	-	-
Balance at December 31, 2015	**214,118**	**668,692**	**83,956**	**29,425**	**28,564**	**(642,142)**	**(588)**	**382,025**

The net balances of this heading at December 31, 2015 and 2014 are the following:

	Thousands of euros					
	31.12.2015			31.12.2014		
	Cost	Depreciation and Impairment	Total	Cost	Depreciation and Impairment	Total
Land and buildings	214,118	(96,494)	117,624	209,576	(93,125)	116,451
Plant and machinery	668,692	(459,364)	209,328	632,535	(427,342)	205,193
Other installations, equipment and furniture	83,956	(65,399)	18,557	79,681	(62,038)	17,643
Other property, plant and equipment	29,425	(21,473)	7,952	26,310	(19,346)	6,964
Advances and assets under construction	28,564	-	28,564	34,712	-	34,712
TOTAL	**1,024,755**	**(642,730)**	**382,025**	**982,814**	**(601,851)**	**380,963**

During 2015, investments amounting to 54,277 thousand euros were made, chiefly focused on starting up the new plastic casings production plant in Mexico, as well as improvements in energy optimization and processes. The Group also made investments in certain plants to improve the security conditions in its installations.

Details of fully depreciated property, plant, and equipment in use at December 31, 2015 and 2014 are as follows:

	Thousands of euros	
	2015	**2014**
Buildings	33,217	31,550
Plant and machinery	323,250	269,292
Other installations, equipment and	47,750	44,861
Other property, plant and equipmei	13,546	12,092
Fully depreciated property, plant and equipment	**417,763**	**357,795**

The Group's buildings, plant, and equipment were partly financed by government grants of 1,880 and 118 thousand euros in 2015 and 2014, 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 2015 and 2014 totaled 12,399 thousand and 15,000 thousand euros, respectively. 2015 commitments are mainly related to the plastic casings production plant project in Mexico, as well as improvements made to increase efficiency and boost cellulose, fiber, and collagen casings production capacity. 2014 commitments were mainly related to the start-up of the Mexican plastic production line project, technological updates, and process optimization.

Finance leases

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

	Thousands of euros	
	Cost	Amortization
At January 1, 2014	2,210	(1,294)
Net movement	(1,079)	1,011
At December 31, 2014	**1,131**	**(283)**
Net movement (*)	23	(150)
At December 31, 2015	**1,154**	**(433)**

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

	Thousands of euros			
	2015		2014	
	Minimum payments (Note 17)	Interest	Minimum payments (Note 17)	Interest
Up to one year	216	20	208	28
Between one and five years	343	16	560	35
Total	**559**	**36**	**768**	**63**

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	
	2015	2014
Up to one year	2,016	1,134
Between one and five years	2,818	2,133
More than five years	558	1,030
Total	**5,392**	**4,297**

Lease-related expenses during the year totaled 3,974 thousand euros (2014: 4,206 thousand euros - Note 20.4).

The breakdown of leased items of property, plant, and equipment follows:

	Thousands of euros	
	2015	**2014**
Buildings	1,495	339
Machinery	28	43
Vehicles	1,066	818
IT equipment	2,803	3,097
Total	**5,392**	**4,297**

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 2015 and 2014 are as follows:

	Thousands of euros							
	Development cost	**Software**	**Concessions, patents, licenses and use rights**	**Emission rights**	**Good will**	**Prepayments**	**Amortization**	**Total**
Balance at January 1, 2014	**-**	**27,248**	**16,883**	**2,076**	**-**	**664**	**(30,849)**	**16,022**
Translation differences	-	699	1,289	-	-	(10)	(1,335)	643
Discontinued operations (Note 5)	-	(2,197)	(129)	(35)	-	(393)	2,163	(591)
Additions	-	1,938	-	455	-	502	(3,717)	(822)
Disposals	-	-	-	(1,700)	-	-	(2)	(1,702)
Transfers	-	375	-	-	-	(375)	-	-
Balance at December 31, 2014	**-**	**28,063**	**18,043**	**796**	**-**	**388**	**(33,740)**	**13,550**
Translation differences	-	199	1,058	-	-	(60)	(961)	236
Acquisition of a subsidiary	69	-	599	-	-	-	-	668
Additions	171	2,073	-	2,330	3,520	740	(3,945)	4,889
Disposals	-	(329)	-	(1,009)	-	-	329	(1,009)
Transfers	-	192	-	-	-	(192)	-	-
Balance at December 31, 2015	**240**	**30,198**	**19,700**	**2,117**	**3,520**	**876**	**(38,317)**	**18,334**

The balances of this heading at December 31, 2015 and 2014 are the following:

	Thousands of euros					
	31.12.2015			31.12.2014		
	Cost	Depreciation and Impairment	Total	Cost	Depreciation and Impairment	Total
Development cost	240	-	240	-	-	-
Software	30,198	(23,048)	7,150	28,063	(20,413)	7,650
Concessions, patents, licenses and use rights	19,700	(15,269)	4,431	18,043	(13,327)	4,716
Emission rights	2,117	-	2,117	796	-	796
Good will	3,520	-	3,520	-	-	-
Prepayments	876	-	876	388	-	388
TOTAL	**56,651**	**(38,317)**	**18,334**	**47,290**	**(33,740)**	**13,550**

"Software" includes the ownership and usage rights for IT programs acquired from third parties.

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 157,071 rights in the market in the course of 2015 and 55,000 rights in the course of 2014. Both the rights received free and their consumptions are broken down in Note 22, related to environmental information.

Details of the cost of fully amortized intangible assets in use at December 31, 2015 and 2014 are as follows:

	Thousands of euros	
	2015	2014
Software	14,511	14,874
Concessions, patents, licenses and use r	13,064	5,119
Fully anortizated intangible assets	**27,575**	**19,993**

Impairment test

In 2015, no impairment tests were performed, as the Group considers that it will recover the value of its assets reflected on the consolidated statement of financial position through their used, sale, and other manners.

No indications of impairment were detected.

9. Inventories

Details of inventories at December 31, 2015 and 2014 are as follows:

	Thousands of euros	
	2015	2014
Goods for resale	5,710	2,219
Raw materials and other supplies	52,525	50,156
Semi-finished products	50,219	46,147
Finished products	97,959	89,665
Prepayments to suppliers	2,224	898
Total Inventories	**208,637**	**189,085**

The expenses incurred during the year corresponding to impairment and obsolescence amounts to 1,546 thousand of euros (3,111 thousand of euros in 2014) and they are recognized under "Consumption of raw materials and other consumables" and “Changes in inventory of finished goods and work in progress” on the consolidated income statement and are recognized under "Consumption of raw materials and other consumables" and “Changes in inventory of finished goods and work in progress” on the consolidated income statement.

At December 31, 2015 and 2014, there were 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, 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Trade receivables	131,111	126,743
Other receivables	1,750	3,682
Advances to employees	269	277
Provisions for bad debts	(2,193)	(2,083)
Total trade and oher receivables	**130,937**	**128,619**

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, 2015 and 2014, 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	31-60 days	61-90 days	> 90 days
2015	131,111	115,302	12,692	1,808	248	1,061
2014	126,743	112,897	10,587	892	489	1,878

The Group has credit insurance contracts which cover 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	
	2015	2014
Balance at January 1,	(2,083)	(2,091)
Discontinued operations (Note 5)	-	555
Translation differences	11	(1)
Amounts provisioned	(536)	(1,043)
Amounts applied	415	497
Balance at December 31,	**(2,193)**	**(2,083)**

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:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	42,518	62,134	426	14,711	383	7,595	3,171	**130,937**
2014	38,541	62,918	319	16,319	3,315	5,614	1,593	**128,619**

10.2. Receivables from public administrations

At December 31, 2015 and 2014, balances receivable from public administrations are as follows:

	Thousands of euros	
	2015	2014
VAT receivable form the Treasury	24,050	21,343
Receivable from the Reasury in respect to grants	-	120
Withholdings and peyments on account receivable from the	65	34
Other public bodies	11	23
Balance at December 31,	**24,126**	**21,520**

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	4,874	65	681	9,725	5,929	220	2,632	**24,126**
2014	5,611	11	634	7,952	2,350	2,296	2,666	**21,520**

11. Current and non-current financial assets

All financial instruments at December 31, 2015 and 2014 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%).

The breakdown at December 31, 2015 and 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
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**
Financial investments	-	134	-	134	134
Cash flow hedges	-	-	16	16	16
Guarantees and deposits	1,161	-	-	1,161	1,161
Non-current financial assets	**1,161**	**134**	**16**	**1,311**	**1,311**
Guarantees and deposits	882	-	-	882	882
Cash flow hedges	-	-	332	332	332
Current financial assets	**882**	**-**	**332**	**1,214**	**1,214**
Total at December 31, 2015	**2,043**	**134**	**348**	**2,525**	**2,525**

A breakdown 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**
Cash flow hedges	332	16	-	-	-	-	348
Other financial assets	882	996	6	10		283	2,177
Total at December 31, 2015	**1,214**	**1,012**	**6**	**10**	-	**283**	**2,525**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	188	128	234	353	503	1,113	6	**2,525**
2014	419	101	-	508	26	151	433	**1,638**

12. Cash and cash equivalents

"Cash and cash equivalents" at December, 31 2015 and 2014 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:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	28,603	3,736	1,254	1,154	537	4,024	5,145	**44,453**
2014	9,539	7,564	1,095	930	1,724	1,703	3,046	**25,601**

13. Equity

13.1. Share capital

At year end 2015 and 2014, 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, 2015 and 2014, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of investment	
	2015	2014
Corporación Financiera Alba, S. A. (*)	6.86	6.79
APG Asset Management N.V.	5.17	5.17
Marathon Asset Management, LLP.	4.93	4.93
Angustias y Sol SL	3.01	-
Blackrock Inc.	-	3.14
Delta Lloyd NV.	-	3.06
María del Carmen Careaga Salazar (**)	-	3.01

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

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of October 19, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, the shareholders of Fidelity International Limited and Invesco Limited communicated that they own a percentage of 1.026% and 1.017%, respectively.

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, 2015 and 2014 were as follows:

	Thousands of euros	
	2015	2014
Financial liabilities (Note 17)	67,453	130,270
Cash and cash equivalents	(44,453)	(25,601)
Other financial assets (Note 11)	(1,214)	(1,019)
Total net financial debt	**21,786**	**103,650**
Total equity	**633,199**	**575,867**
Leverage ratio	**3.4%**	**18.0%**

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, 2014	**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**
Actuarial gain (losses)	-	-	-	1,011	1,011
Apropiation of prior year results	-	-	-	51,739	51,739
Transfers	-	-	-	245	245
Balance at December 31, 2015	**2,935**	**15,888**	**119**	**517,336**	**536,278**

(a) Legal reserves

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 of at least an amount equivalent to 20% of share capital. This reserve cannot be distributed to shareholders.

(b) Revaluation reserve

The parent 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. 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, 2015, 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, 2015 and 2014 were as follows:

	Thousands of euros			
	Interest rate swaps	Exchange rate insurance	Raw material derivatives	Total
Balance at January 1, 2014	**(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)**
Gains/(losses), net of tax effects	-	(502)	(2,336)	(2,838)
Reclassification of gains to the income statement, net of tax	46	1,147	3,697	4,890
Balance at December 31, 2015	**(23)**	**(502)**	**(2,336)**	**(2,861)**

13.5. Movement in treasury shares

No transactions were carried out with treasury shares in 2015 and 2014.

The shareholders at their ordinary general meeting on April 29, 2013 agreed to renew the authorization, for the maximum legal period, granted to the Board of Directors to buy and sell Company shares on the stock market at the price quoted on the transaction date, up to the legal maximum number of shares permitted by Article 146 of the revised text of the Corporation Tax Law, and at a minimum price of the nominal value and a maximum 15% greater than the quoted share price in the stock exchange system at the moment of acquisition.

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

Parent profits for the year ended December 31, 2014 were distributed as approved by the shareholders at their annual general meeting held on May 7, 2015, as follows:

	Thousands of euros
Dividends	54,713
Voluntary reserves	13,143
Distributable profits attributable to the parent	**67,856**

Total shareholder remuneration amounted to 1.18 euros per share. Of the above, the distribution of profit represented a per-share dividend of 1.174 euros and 0.006 euros corresponding to the payment of attendance fees related to the 2015 General Shareholders Meeting. This premium was recognized as an expense for the year.

Details of the distribution of the parent's 2015 dividends proposed by the directors of the parent, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Dividends	62,449
Voluntary reserves	41,554
Distributable profits attributable to the parent	**104,003**

On December 17, 2015, based on projected profit for the year, the Board of Directors approved an interim dividend for 2015 of 24,234 thousand euros, equal to 0.52 euros per share. This dividend was paid on December 29, 2015. 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 2015 is as follows:

	Thousands of euros
I. Cash available at December 11, 2015	**23,750**
Trade and other receivables	192,411
Other income	274
Trade and other payables	(120,934)
Payments to employees	(41,323)
Interest expense	(1,063)
Other payments	(8,050)
II. Cash flow from operating activities	**21,315**
Dividends received	58,330
Purchases of property, plant and equipment	(22,000)
III. Cash flow from investment activities	**36,330**
Variations in bank borrowings	(6,085)
Dividends paid	(62,449)
V. Projected liquidity at December 11, 2016	**12,861**

14. Grants

The movements under this heading in 2015 and 2014 were as follows:

	Thousands of euros		
	Capital grants	Grants for emission rights of greenhouse gases	Total
Balance at January 1, 2014	**3,817**	**74**	**3,891**
Translation differences	95	-	95
Discontinued operations (Note 5)	(1,347)	-	(1,347)
Additions	118	263	381
Taken to profit	(403)	(337)	(740)
Balance at December 31, 2014	**2,280**	**-**	**2,280**
Translation differences	89	-	89
Additions	1,880	-	1,880
Taken to profit	(671)	-	(671)
Balance at December 31, 2015	**3,578**	**-**	**3,578**

The breakdown of capital grants during 2015 and 2014, all related to PP&E items, is as follows:

	Thousands of euros	
	2015	2014
Navarra regional government	2,761	1,365
Ministry of Science and Technology	16	41
International organizations	801	874
Balance at December 31, 2015	**3,578**	**2,280**

15. Current and non-current provisions

Details at December 31, 2015 and 2014 are as follows:

		Thousands of euros	
	Note	2015	2014
Defined benefit	15.1	17,178	27,075
Other employee benefits	15.2	3,186	3,601
Provisions for other litigation	15.3	354	212
Total non-current provisions		**20,718**	**30,888**
Provisions for warranties/repayments	15.4	1,082	1,485
Provisions for safety in the workplace	15.5	1,983	1,697
Provisions for emission rights	15.6	1,731	1,031
Others		301	763
Total current provisions		**5,097**	**4,976**

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, 2015, there were 435 employees, 444 retirees, and ex-employees. At December 31, 2014, there were 453 employees and 444 retirees and ex-employees.

The number of the above beneficiaries does not included retirees which, from 2010 and 2013 are paid by the insurance company. 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 15,027 thousand euros at December 31, 2015, and 16,390 thousand euros at December 31, 2014. There are no pension plan assets in Germany.

- Pension plans in the United States of America

In 2015, the "Hourly Employees" and "Salaried Employees" pension plans were definitively canceled after having obtained IRS authorization in 2014.

In 2014, another of the plans was definitively canceled ("Pension for Hourly Employees Service Center").

Payments made to the insurance company for their cancellation amounted to 6,451thousand euros in 2015 and 1,848 thousand euros in 2014.

The cancellation of these employee commitments led to a profit of 3,003 thousand euros in 2015, and 895 thousand euros in 2014, which were recognized as personnel expenses on the consolidated income statements for both years.

After canceling its defined employee pension plan commitments, at December 31, 2015 Viscofan USA, Inc. was left with just 3 different pension plans whose recipients are ex-directors of the subsidiary. These pension plans do not have any related assets or expenses arising from unrecognized past service.

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

	Thousands of euros	
	2015	2014
Pension for Hourly Employees [1]	-	4,975
Salaried Employees Pension Plan [2]	-	3,736
Pension for Hourly Employees Service Center [3]	-	-
Non qualified pension plans [4]	1,847	1,727
Total	**1,847**	**10,438**

(1) Lifetime pension for current and ex-employees of the Danville plant, which had 504 beneficiaries at year-end 2014. That year, 49 individuals (72% of the beneficiaries with this right) accepted the single payout. This was definitively canceled in 2015.

(2) Lifetime payments included 167 participants in 2014. That year, 79 individuals (66% of the beneficiaries with this right) accepted the single payout. This was definitively canceled in 2015.

(3) There were a total of 151 individuals covered at the date of cancellation in 2014.

(4) With a total of 8 beneficiaries (all ex-directors of the firm) who are paid lifetime monthly installments. The actuarial assumptions used in these plans are similar to those for the other plans in the USA.

b) The following table presents the status of funds and amounts recognized in the statement of financial position for the respective plans:

	Thousands of euros	
	2015	**2014**
Present value of the obligation	**(17,178)**	**(65,982)**
Plans in Germany	(15,027)	(16,390)
Plans in the USA	(1,847)	(49,346)
Plans in other countries	(304)	(246)
Present value of plan assets	**-**	**38,907**
Plans in the USA	-	38,907
Net obligation recognized	**(17,178)**	**(27,075)**

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

	Thousands of euros					
	Germany		**USA**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Obligations at january 1,	**16,390**	**11,779**	**49,345**	**42,710**	**65,735**	**54,489**
Service cost for the current period (Note 20)	319	225	-	-	319	225
Interest cost	323	427	229	1,906	552	2,333
Payments made	(478)	(512)	(3,064)	(5,594)	(3,542)	(6,106)
Curtailment of pensions plan	-	-	(41,263)	(1,848)	(41,263)	(1,848)
Actuarial gains/(losses)	(1,527)	4,471	56	8,141	(1,471)	12,612
Arising from changes in demographic assumptions	-	-	-	*1,485*	-	*1,485*
Arising from changes in financial assumptions	*(1,239)*	*4,457*	-	*5,633*	*(1,239)*	*10,090*
Arising from experience	*(288)*	*14*	*56*	*1,023*	*(232)*	*1,037*
Net value of obligation conributed to the insurance company	-	-	*(5,915)*	*(1,848)*	(5,915)	(1,848)
Translations differences	-	-	2,459	5,879	2,459	5,879
Obligation at December 31,	**15,027**	**16,390**	**1,847**	**49,346**	**16,874**	**65,736**
Amount corresponding to active beneficiaries	*8,376*	*9,378*	-	*376*	*8,376*	*9,754*
Amount corresponding to exemployeebeneficiaries	*2,578*	*2,903*	-	*1,295*	*2,578*	*4,198*
Amount corresponding to retired beneficiaries	*4,073*	*4,109*	*1,847*	*47,675*	*5,920*	*51,784*

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

	2015	2014
Fair value of assets at january 1,	**38,907**	**39,020**
Returns on assets	138	4,015
Contribution by the company	-	159
Payments made	-	(7,274)
Curtailment of pensions plan	(41,263)	(1,848)
Translation differences	2,219	4,835
Fair value of assets at December 31,	**-**	**38,907**
Cash	-	*285*
Domestic fixec-income securities (USA)	-	*38,498*
Other investments	-	*124*

e) 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	
	2015	2014
Current service cost	**352**	**256**
Plans in Germany	319	225
Plans in other countries	33	31
Termination cost Plans in the USA	**(2,869)**	**(895)**
Net financial cost	**428**	**666**
Interest expense for German plans	323	427
Interest expense for US plans	229	1,906
Interest expense for plans in other countries	14	13
Expected return on US plan assets	(138)	(1,680)
Expense (income) recognized for the year	**(2,089)**	**27**

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

	Thousands of euros	
	2015	2014
Actuarial losses and gains of	**1,393**	**(12,576)**
Plans in Germany	1,527	(4,471)
Plans in the USA	(92)	(8,142)
Plans in other countries	(42)	37
Returns, deviating from expected returns, of assets associated with	**-**	**2,269**
Plans in the USA	-	2,269
Tax effect	**(382)**	**2,813**
Net results recognized in the consolidated statement of comprehensive income	**1,011**	**(7,494)**

g) The principal actuarial assumptions used are as follows:

	2015	2014
Germany		
Annual discount rate	2.4%	2.0%
Expected rate of salary increases	2.0%	2.0%
Expected age of retirement for employees	65-67	65-67
United States		
Annual discount rate	3.5%	2,95%-3,65%
Expected rate of return on assets	-	2,95%-3,65%
Expected age of retirement for employees	-	62-65

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

Germany: Heubeck *Richttafeln 2005 G*

United States: Year 2015: *RP 2000 Annuitant w/no projection (For "Non qualified pension plans")*
Year 2014: *RP 2014 White Collar Helthy Fully Generational w/ Projection MP 2014*

Future payments expected for coming periods are shown in the following table:

	Thousands of euros		
	Germany	USA	Total
Payable within the next 12 months	452	192	644
Payable within 1 and 2 years	472	184	656
Payable within 2 and 3 years	486	175	661
Payable within 3 and4 years	501	166	667
Payable within 4 and 5 years	529	157	686
Payable within 5 and 10 years	3,157	647	3,804
Payable within more than 10 years	22,184	792	22,976

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	USA	Total
Discount rate			
Increase of 50 basic points	(1,365)	(58)	(1,423)
Decrease of 50 basic points	1,572	62	1,634
Increase in pensions			
Increase of 50 basic points	1,001	-	1,001
Decrease of 50 basic points	(910)	-	(910)
Life expectancy			
Increase of 1 additional year	763	-	763

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, 2015 and 2014, is as follows:

	Thousands of euros	
	2015	2014
Balance at January 1,	3,601	4,401
Translation differences	(41)	(4)
Allowances	218	335
Payments	(592)	(1,131)
Balance at December 31,	**3,186**	**3,601**

(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 435 employees (453 in the previous period), while the obligation amounts to 2,711 and 2,777 thousand euros at December 31, 2015 and 2014, respectively. The beneficiaries received 235 thousand euros in payments during 2015 (2014: 254 thousand euros). The payable amount expected for 2016 totals 412 thousand euros.

Recognized service costs and financial expenses for the current period amounted to 116 thousand and 53 thousand euros, respectively (2014: 351 thousand and 91 thousand euros, respectively).

15.3. Provisions for other litigations

The movements at December 31, 2015 and 2014, are as follows:

	Thousands of euros	
	2015	2014
Balance at January 1,	212	354
Translation differences	(80)	5
Allowances	407	83
Payments	(185)	(230)
Balance at December 31,	**354**	**212**

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, 2015.

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, 2015.

15.6. Emission rights provision

The amount of the provision for greenhouse gas emissions during the year was 1,731 thousand euros for 2015 (2014: 1,032 thousand euros).

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 3.6 million euros (2014: 4.9 million euros). As indicated in Note 15.3, at December 31, 2015, a 0.4-million-euro provision was recognized (2014: 0.2 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 were 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. Viscofan filed a number of lawsuits demanding payment of these invoices, as it won its lawsuit in Brazil, although the final amount due from Griffith has still not yet been determined as a result of adjusted applicable interest and exchange rate variations. The balances of the remaining invoices are provisioned in the accounting records of the affected subsidiary. Griffith initiated legal proceedings to claim the indemnity it considers due, although its calculation and arguments presented in its lawsuits do not indicate that the risk exceeds the provisioned amounts.

Berkes Construcción y Montajes, S.A. and Viscofan Uruguay, S.A. filed reciprocal legal proceedings which are encompassed into a sole proceeding 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 deficiencies and lack of compliance are not relevant, and that the amounts retained by Viscofan Uruguay are excessive, claiming payment of these amounts. The process is in the testing stage, and the possibility that material payments may be generated on the Viscofan Uruguay, S.A. balance sheet is remote.

(b) Contingent assets

At December 31, 2015, the extraordinary appeal admitted by the Supreme Court on September 22, 2014 rejected the initial appeal IAN S.A.U.'s lawsuit against Mivisa Envases, S.A.; 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 indemnity due. According to the sale contract of Industrias Alimentarias de Navarra, S.A.U. Dated March 10, 2015, the appeal belongs to Viscofan S.A., and therefore, should the Supreme Court rule against Mivisa Envases, S.A. The appeal is pending admission, and therefore no assets were recognized.

Finally, Viscofan, S.A. filed an appeal before the Chamber of the Supreme Court against Royal Decree 413/2014 of June 6, and against Order IET/1045/2014, which is pending voting and sentencing, as well as another appeal against the ruling of the Directorate General of Energy Policy and Mining on July 15, 2015, which determined the registration of the pre-assigned remuneration of 2,146 MW, requesting the specific remuneration scheme commence from the installation’s startup date, or subsidiarity as of November 9, 2014 (the date upon which this should have been resolved). It is not possible to determine the amount of contingent assets which might arise from a ruling in favor of Viscofan S.A., and therefore no amounts payable was recognized on Viscofan S.A.’s balance sheet in this regard.

16. Trade and other payables

16.1. Trade and other payables

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

	Thousands of euros	
	2015	2014
Suppliers	26,481	20,639
Amounts owed for services received	20,539	24,237
Customer advances	5,026	3,742
Remuneration pending payments	10,731	9,786
Balance at December 31,	**62,777**	**58,404**

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	29,844	20,152	2,217	721	3,446	2,233	4,163	**62,776**
2014	24,596	16,992	1,698	6,159	3,127	3,772	2,060	**58,404**

16.2. Payable to public administrations

The breakdown for this heading is as follows:

	Thousands of euros	
	2015	2014
VAT payable to Treasury	1,781	554
Amounts payable to the Treasury for withholdings	5,897	5,718
Payable to social security agencies	2,003	1,290
Other public bodies	721	907
Balance at December 31,	**10,402**	**8,469**

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	6,743	31	478	-	1,968	870	312	**10,402**
2014	6,383	5	387	999	387	110	198	**8,469**

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

In accordance with the Third transitory provision "Disclosure requirements" of Law 15/2010 dated July 5, information the average payment period to Spanish Group suppliers to the Spanish entities included in the consolidated group follows:

	Days
Average supplier payment period	35.62
Ratio of transactions paid	37.13
Ratio of unpaid transactions	12.84

	Thousands of euros
Total payments made	115,286
Total unmade payments	7,675

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, 2015 and 2014, is as follows:

	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	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**
Bank borrowings	5,707	9,018	25,787	-	40,512	40,512
Accrued interest payable	76	60	-	-	136	136
Finance lease payables	52	164	343	-	559	559
Derivative financial instruments	2,811	2,921	471	-	6,203	6,203
Other financial liabilities	4,186	4,842	7,479	3,536	20,043	20,043
Total at December 31, 2015	**12,832**	**17,005**	**34,080**	**3,536**	**67,453**	**67,453**

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, 2015, 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) 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 7,730 thousand euros.
- Non-current assets suppliers, amounting to 5,609 thousand euros.

December 31, 2014 mainly includes:

- Loan received by the parent amounting to 5,000 thousand euros from COFIDES (Compañía Española de Financiación del Desarrollo) 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.

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

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	51,652	6,824	1,488	4,043	1,750	15	1,681	**67,453**
2014	73,710	20,596	2,415	9,544	753	17,444	5,808	**130,270**

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	
	2015	2014
Limit	127,147	134,011
Amount draw down	223	44,445
Drawable amount	126,924	89,566

The undiscounted value of financial liabilities classified by maturity at December 31, 2015 and 2014 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
Borrowings - debt principa	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**	**-**	**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**
Borrowings - debt principa	14,942	7,470	4,397	14,263	-	-	41,072
Interest	1,027	653	467	357	-	-	2,504
Financial liabilities - borrowings	**15,969**	**8,123**	**4,864**	**14,620**	**-**	**-**	**43,576**
Debt principal	9,027	1,818	1,942	1,969	1,750	3,537	20,043
Interest	501	275	230	181	132	88	1,407
Other financial liablities	**9,528**	**2,093**	**2,172**	**2,150**	**1,882**	**3,625**	**21,450**
At December 31, 2015	**25,497**	**10,216**	**7,036**	**16,770**	**1,882**	**3,625**	**65,026**

At December 31, 2015, the Group had contracted reverse factoring agreements with an aggregate limit of 3,100 thousand euros (2014: 6,100 thousand euros). In addition, the Group holds multi-risk insurance policies amounting to a total of 8,000 thousand euros (2014: 11,000 thousand euros).

18. Derivatives

The breakdown of balances which include the values of derivatives at December 31, 2015 and 2014 is as follows:

	Thousands of euros			
	2015		2014	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	15	283	-	23
Interest rate hedges	-	11	-	453
Raw materials hedges	-	177	-	682
L.T. Derivatives	**15**	**471**	-	**1,158**
Exchange rate insurance	219	2,491	-	2,700
Interest rate hedges	5	21	7	56
Raw materials hedges	109	3,220	-	4,313
S.T. Derivatives	**333**	**5,732**	**7**	**7,069**
Total	**348**	**6,203**	**7**	**8,227**

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 2015, gas hedging contracts were signed for a total of 360,000 MWH covering gas purchases for the period ranging from January 2016 to January 2017. The contracted prices range from 2.07 to 2.29 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 2014 the parent signed hedge contracts covering the cost for a notional 1,940,000 Mwh of gas. These contracts cover gas purchases for the period between January 2015 and 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.

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

There were no significant inefficiencies in any of the contracts signed at year end 2015 or 2014.

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 2015 and 2014. 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 2015 and 2014 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, 2015 and 2014, is as follows:

	Thousands of euros	
	2015	2014
US dollar	85,900	90,700
Pounds sterling	6,615	3,600
Canadian dollar	2,900	1,250
Chinese yuan	20,201	22,949

18.3. Interest rate hedges

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

	Thousands of euros				
	IRS (I)	IRS (II)	IRS (III)	IRS (IV)	IRS (V)
Notional contract amount	6,000	4,000	4,000	3,000	10,000
Notional pending amount (2015)	**300**	**400**	**1,400**	**1,200**	**4,000**
Notional pending amount (2014)	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%

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

Year	2015	2016	2017
2015	-	4,100	3,200
2014	5,047	3,747	2,848

19. Income tax

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

	Thousands of euros					
	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Non-current assets	2,424	3,241	19,312	20,543	(16,888)	(17,302)
Current assets	6,987	6,402	113	33	6,874	6,369
Non-current liabilities	3,429	6,320	26	247	3,403	6,073
Current liabilities	1,679	2,082	1,177	643	502	1,439
Total at December 31,	**14,519**	**18,045**	**20,628**	**21,466**	**(6,109)**	**(3,421)**

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, 2015 and 2014, 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	
	2015	2014
Non-current assets	(1,325)	(1,163)
Current assets	(934)	(3,068)
Non-current liabilities	2,372	1,136
Current liabilities	882	(446)
Consolidated income statement	**995**	**(3,541)**
Non-current assets	911	1,130
Current assets	429	1,093
Non-current liabilities	298	(3,113)
Current liabilities	55	(1,346)
"Other comprehensive income" on the consolidated statements of comprehensive	**1,693**	**(2,236)**
Total changes in taxes and deferred tax liablities arising from temporaty diffeences	**2,688**	**(5,777)**

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

	Thousands of euros	
	2015	2014
Actuarial gains/(losses) on pension plans		
United States	(34)	(1,561)
Germany	429	(1,256)
Other countries	(13)	4
Unrealized gains/(losses) on cash flow hedges	532	(1,412)
Changes due to translation differences	779	1,989
Charged directly against "Other comprehensive income" on the consolidated income statement	**1,693**	**(2,236)**

The major components of income tax expense for the years ended December 31, 2015 and 2014, are as follows:

	Thousands of euros	
	2015	2014
Income tax expense for the year	30,591	33,625
Adjustment to income tax from prior years	297	528
Current income tax	**30,888**	**34,153**
Origination and reversal of temporaty differences	995	(3,541)
Deffered income tax	**995**	**(3,541)**
Deffered income tax from continued operations	**31,883**	**30,612**
Income tax expense from discontinued operation	-	**538**

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	
	2015	2014
Profit before tax for the year	**151,507**	**134,241**
25% tax rate	37,877	-
30% tax rate	-	40,272
Effect of application of tax rates in each country	(921)	(5,823)
Deductions generated	(4,820)	(3,114)
Adjustment to income tax from prior years	297	528
Impacto cambio tipo impositivo en España (*)	248	567
Impact of permanent differences	(798)	(1,818)
Tax on income expense	**31,883**	**30,612**

Law 23/2015, of December 28 on reformed tax legislation and other economic measures changed the general tax rate from the current 25% to 28% for upcoming years.

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 parent adjusted the deferred tax assets and liabilities from prior years based on the prevailing rate at the estimated reversal date.

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 3.65 million Czech crowns corresponding to investments of up to 16.23 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 2015 the Subsidiary has applied 1.17 million euros of tax credits.

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	
	2015	2014
Current tax	30,591	33,625
Withholdings and payments on account	(26,753)	(29,419)
Total at December 31,	**3,838**	**4,206**

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

	Thousands of euros	
	2015	2014
Tax assets receivable	4,233	5,258
Tax liabilities payable	(8,071)	(9,464)
Total at December 31,	**(3,838)**	**(4,206)**

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 follow:

	Thousands of euros	
	2015	2014
Casings sales and services	694,738	638,741
Energie sales and services	46,032	48,322
Total sales and rendered services	**740,770**	**687,063**

On June 16, 2014, Order IET/1045/2014 approving the definitive retribution parameters was published, approving the economic incentives for electricity installations which use combined heat and power, renewable energy sources, and waste. 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 revenues totaling 2.9 million euros.

20.2. Other income

The breakdown of "Other income" is as follows:

	Thousands of euros	
	2015	2014
Work performed by the Group on non-current assets	285	332
Capital Grants	1,312	455
Emission rights	1,323	337
Other income	4,916	4,286
Total other income	**7,551**	**5,078**

The conditions or contingencies associated to grants received (Note 14).

20.3. Personnel expenses

The breakdown of "Personnel expenses" in 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Wages and salaries	124,216	117,400
Indemnity payments	300	1,202
Current service cost of defined benefits and other benefits. (Notes 14.1 and 14.2)	(2,617)	(639)
Company social security contributions	21,841	18,156
Other welfare benefits and taxes	14,805	10,912
Total personnel expenses	**158,545**	**147,031**

Group employees in continued operations during 2015 and 2014, by professional category and gender, were as follows:

	Total headcount at the end of year			Average number of employees
	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
Year 2014	**2,944**	**1,238**	**4,182**	**4,089**
Executives	60	10	70	71
Technecians and middle management	707	221	928	858
Administrative personnel	113	190	303	299
Specialized personnel	515	139	654	556
Unskilled workers	1,673	714	2,387	2,449
Year 2015	**3,068**	**1,274**	**4,342**	**4,233**

20.4. Other operating expenses

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

	Thousands of euros	
	2015	2014
Research and development costs	1,658	1,308
Repair and maintenance	27,083	23,740
Environment	3,544	2,457
CO2 emission rights	1,860	1,032
Utilities and external services	69,836	73,179
Leasing expenses	3,974	4,206
Insurance premium	4,085	3,710
Other taxes	5,177	5,134
Administrative and selling costs	46,229	43,603
Other expenses	8,916	10,201
Other operating expenses	**172,362**	**168,570**

R&D expenses are not susceptible to capitalization, and were recognized as expenses during the year they were incurred.

20.5. Financial income and expense

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

	Thousands of euros	
	2015	2014
Financial income	**694**	**322**
Bank borrowings and other financial liabilities	(2,938)	(3,583)
net finance cost of pension plans	(435)	(674)
Financial expense	**(3,373)**	**(4,257)**
Exchange gains	28,046	16,038
Exchange losses	(34,654)	(14,122)
Exchange gains (losses)	**(6,608)**	**1,916**
Financial incomer (expenses) total	**(9,287)**	**(2,019)**

21. Earnings per share

21.1. 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	
	2015	**2014**
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	119,611	103,629
Basic earnings per share (in euros) from continued operations	**2.5666**	**2.2236**
Profit from discontinued operations attributable to ordinary equity holders of the parent	411	2,823
Basic earnings per share (in euros) from discontinued operations	**0.0088**	**0.0606**
Profit attributable to ordinary equity holders of the parent	120,022	106,452
Basic earnings per share (in euros)	**2.5754**	**2.2842**

21.2. Diluted

The weighted average number of ordinary shares in circulation coincides with the number of shares comprising the parent's share capital.

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.

22. Environmental information

The cost of items related to the Group's environmental projects acquired during 2015 was 30,927 thousand euros (2014: 31,545 thousand euros), with an accumulated amortization of 19,143 thousand euros (2014: 20,006 thousand euros).

In accordance with the 2013-2020 National Emission Allowance Assignment Plan, and after applying the inter-sectoral adjustment factors outlined in Appendix II to EU Decision 2013/448/EU to non-electricity generators, and the annual 1.74% annual reduction in electricity generators, in accordance with Articles 8 and 9 bis of EC Directive 2003/87/EC, the Group was assigned emission allowances equivalent to 356.915 tonnes.

During 2015, emission rights equivalent to 4,708 tonnes were assigned to the German subsidiary Naturin Viscofan GmbH, thanks to the energy equipment involved in starting up a cogeneration turbine during 2014.

The emission rights consumed by the Company during 2015 and 2014 amounted to 237,070 and 214,398 tons, respectively.

In 2015, the Group incurred in environmental protection and improvement costs amounting to 3,544 thousand euros. In 2014 this amount totaled 2,457 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.

23. 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 from the parent company, listing those that might affect the achievement of objectives, their materiality in 2015, 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.

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23.1. 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 a possible exchange rate variation on net results for the year arising from certain currencies in the countries in which the Group carries out its activities, while maintaining the other variables constant:

	Thousands of euros							
	US dollar		Czech Crown		Brazilian Real		Chinese Yuan Renmimbi	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
+ 5%	3,708	8,550	(965)	(1,677)	820	655	1,398	1,814
- 5%	(3,355)	(7,737)	873	1,517	(742)	(594)	(1,265)	(1,642)

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	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
+ 5%	6,695	5,042	2,198	2,888	4,097	3,599	5,100	3,766
- 5%	(6,058)	(4,562)	(1,988)	(2,613)	(3,706)	(3,256)	(4,615)	(3,407)

23.2. Credit risk

A significant number of bank loans are hedged by financial derivatives to mitigate the volatility of interest rates paid by the Group.

Certain of the Group's non-current loans must meet a series of ratios calculated based on its consolidated financial statements. Lack of compliance represents an increase in finance costs and, depending on the case, represents the early termination of a contract. During 2015 and 2014, 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.

In 2015 and 2014 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2016.

23.3. 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 analyses 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, 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Current asstes	415,732	373,608
Current liabilities	(116,182)	(166,352)
Emission rights provision (Note 14.6)	1,731	1,031
Working capital	**301,281**	**208,287**
Current liabilities net emission rights provision	114,451	165,321
%working capital/current liabilities without emission rights provision	**263.24%**	**125.99%**
Cash and cash equivalents	44,453	25,601
Available borrowing facilities (Note 16)	126,924	89,566
Cash and available on credit and discount lines	**171,377**	**115,167**
%cash and cash equivalents+available on credit and discount lines/Current liabilities without emission rights	**149.74%**	**69.66%**

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

23.4. Interest rate risks in cash flows and fair value

The Group does not own significant remunerated assets.

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, 2015 and 2014 the structure of financial liabilities once hedges through the derivatives arranged have been taken into account is as follows:

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	Thousands of euros	
	2015	**2014**
Bank borrowings	41,207	100,212
Other financiasl debt (*)	14,434	13,606
Financial debt total (*)	**55,641**	**113,818**
Fixed interest rate (**)	21,408	25,249
Variable interest rate	34,233	88,569

(*) Excludes hedge derivatives and asset suppliers
(**) Includes the notional amount for interest rate hedges and subsidized loans

In 2015 and 2014, the floating interest rates on loans are 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		Libor	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
+ 1%	(101)	(441)	(164)	(136)	(613)	(827)	(28)	-
- 1%	93	479	150	146	615	823	28	-

24. Transactions and balances with related partied

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 owned 6.86% of the Company's shares at year-end 2015 (2014: 6.7%). Payments made, including financial expenses, totaled 140 thousand euros (2014: 162 thousand euros). Also, services received from parties related to the shareholder amounted to 845 thousand euros in 2015. All transactions take place in normal market conditions.

25. Information on the Board of Directors of the Parent and Key Group Personnel

Directors compensation is outlined in Article 27 ter of the bylaws and remuneration policies approved by the shareholders during their general meeting.

The breakdown of remuneration paid to the members of the Board of Directors during 2015 and 2014 follows:

	Thousands of euros							
Ejercicio 2015	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: seniority and commission	Boards of other Group companies	Total
Mr. José Domingo de Ampuero y Osma	348	350	-	157	139	-	-	994
Mr. José Antonio Canales García	308	-	-	312	139	-	-	759
Mr. Nestor Basterra Larroudé	-	330	33	-	-	100	8	471
Ms. Agatha Echevarría Canales	-	255	33	-	-	100	-	388
Mr. Alejandro Legarda Zaragüeta	-	80	33	-	-	45	-	158
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	30	-	-	60	-	170
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Ms. Laura González Molero	-	80	24	-	-	8	-	112
Mr. Jaime Real de Asúa y Arteche	-	80	33	-	-	20	-	133
Mr. Juan March de la Lastra	-	51	21	-	-	12	-	84
Total 2015	656	1,386	240	469	278	375	8	3,412

In the General Shareholders' Meeting on May 7, 2015, Mr. Juan March de la Lastra was appointed proprietary director, in representation of Corporación Financiera Alba, S.A.

	Thousands of euros							
Ejercicio 2014	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: seniority and commission	Boards of other Group companies	Total
Mr. José Domingo de Ampuero y Osma	347	350	-	171	-	-	-	868
Mr. José Antonio Canales García	307	-	-	342	-	-	-	649
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
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Ms. Laura González Molero	-	80	27	-	-	20	-	127
Mr. Jaime Real de Asúa y Arteche	-	58	24	-	-	10	-	92
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**	**-**	**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 2014, 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.

The two Executive directors, José Domingo de Ampuero y Osma and José Antonio Canales García earned a variable compensation totaling 747 thousand euros (2014: 513 thousand euros). This 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.

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.

At December 31, 2015 and 2014, 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 2015 and 2014 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 the annual salary, and includes a non-competition condition.

In 2015, remuneration received by key management personnel totaled 3,064 thousand euros. This includes 699 thousand euros, corresponding to the payment of tri-annual remuneration. In 2014, remuneration totaled 1,932 thousand euros, with no additional payment made for pluri-annual complements. This amount does not include the abovementioned payments made to José Antonio Canales García and José Domingo de Ampuero y Osma.

The breakdown of parties holding executive positions during 2015 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. Iñigo Martinez	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.

26. 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 2015 and 2014 as follows:

	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**
Audit services	104	594	698
Other related audit services	23	-	23
Other services	18	18	36
Total at December 31, 2015	**145**	**612**	**757**

Audit services detailed in the above table include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

27. Events after the balances sheet date

In its meeting on February 29, 2016 the Board of Directors agreed to propose remuneration for shareholders totaling 1.35 euros per share. This included the abovementioned 0.52 euros per share interim dividend paid on December 29, 2015, and a complementary 0.82 euros per share dividend that wil be paid on June 9, 2016, plus the attendance per diem amounting to 0.01 euros per share.

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

Management Report

Viscofan Group description

The Viscofan Group is the world's leading provider of casings for the meat industry. Founded in 1975 and with 40 years of experience, 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 to over 100 countries worldwide.

Viscofan S.A. and its subsidiaries form the Viscofan Group. Viscofan, S.A. owns, directly or indirectly, the majority of the voting rights in the subsidiary companies that comprise its consolidated group. The companies that comprise the Viscofan Group can be seen in section 2 of the consolidated annual financial statements.

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 2015 the Board of Directors of Viscofan comprised 10 members: two Executive Directors (the Chairman and the CEO), two External Directors (both Non-Executive Vice-Chairmen), five Independent Directors and a Nominee Director. The Board of Directors is assisted by a non-voting secretary who has not the Director status.

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 casings market means supervision must be closer with a view to ensuring that the measures adopted at Board of Directors level are being carried out locally. This higher level of supervision also means there is a greater awareness of the production, operational, financial 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 2015 the Delegated Committee met 11 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 and its subsidiaries, 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 8 times in 2015.

(iii) Remuneration and Appointments Committee

The Appointments and Remuneration Committee is made up of two Independent Directors; Mr Ignacio Marco-Gardoqui Ibáñez (Chairman of the Committee) and Mr Jaime Real de Asúa y Arteche (member), and by a nominee Director, Mr Juan March de la Lastra (member).

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 8 times in 2015.

Performance over the course of the Be MORE strategic plan (2012-2015)

Over the last four years the Viscofan Group has implemented an ambitious strategic plan (Be MORE) aimed at taking advantage of the growth in the casings market which contrasted with the downturn in the global economy. The strategic plan defined the MORE pillars (Market, Optimisation, Return and Excellence) that would guide the main strategic initiatives.

With this goal in mind, investment was stepped up, in particular during the first half of the strategic period, and stood at €287 million over the four years, with new collagen production plants established in China and Uruguay.

Under the plan, the Group also invested in technological and process improvements at its other plants, enabling it to make better use of installed capacity and therefore achieve stronger growth in the regions where the Viscofan Group was already present.

After a first phase of expansion in 2012 and 2013 when Viscofan carried out its first Market measures, growth in the casings sector eased to normalised volume growth rates in 2014 and 2015. A normalisation which in turn was affected by the volatility of commercial currencies and the impact of this factor on purchasing power in emerging markets. Against this backdrop, the Viscofan Group stepped up the Optimisation measures envisaged in the strategic plan, enabling it to swiftly adapt to this environment.

The Be MORE plan enabled Viscofan to achieve greater specialisation in the casings market, strengthening its technological leadership in cellulose and collagen casings. The process of transformation into "The casing Company" included the sale of the vegetable food division (IAN Group) in March 2015, the purchase of Nanopack Technology & Packaging S.L. in the second half of 2015 and the establishment of plastics production capacity in Mexico.

At the end of the four-year period of the strategic plan the Viscofan Group is well placed to further strengthen its leadership over the coming years. In China our extrusion plant is operating at full capacity and Viscofan is already established as the second largest player in the market. In the meantime, in Latin America our investments in Uruguay and Brazil have cemented our standing as the leading producer in the region and facilitated the improvement in the service of our production plants in Europe.

This sales and volume growth enabled the Viscofan Group to achieve a CAGR for casings division revenue of 7.0% over the 2011-2015 period. Furthermore, the production improvements achieved under Optimisation initiatives, coupled with operational gearing, are behind a 1.7 p.p increase in the margin. This operational strength translates into a CAGR of 8.6% for EBITDA over the 2011-2015 period.

This expansion has been undertaken whilst maintaining strict commercial and operational discipline under the Return and Excellence initiatives, with growth accompanied by higher shareholder remuneration, which has increased from €1.00 in 2011 to the proposed payment of €1.35 from 2015 earnings, equivalent to a total overall payout of €221.4 million.

This period also saw an improvement in the equity and balance sheet situation, with the company reducing its long-term risk exposure following the outsourcing of pension liabilities in a context of lower interest rates and achieving a net cash position of €3.2 million at the end of 2015.

The Viscofan Group ended 2015 and the period of the Be MORE strategic plan in an ideal position, both commercially and operationally, to continue improving its value proposition in the long term. Spearheading a market with solid growth fundamentals and in which the Viscofan Group has further scope for improvement to become an authentic global leader, which is the cornerstone of the “MORE TO BE 2016-2020” strategic plan.

Changes to the consolidated group

Sale of 100% of IAN Group:

On 10 March 2015, Viscofan S.A. successfully concluded the sale of IAN S.A.U. and its subsidiaries for an equity value of €55.8 million. This price paid in cash on the date of signing the contract implies a capital gain after tax of €0.4 million for the consolidated group.

In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". 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.

Nanopack Technology & Packaging, S.L.:

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. (Nanopack), a company specialized in the production of crystal plastics and additive plastics. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarra), the Viscofan Group subscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.

Due to this acquisition Nanopack Technology & Packaging, S.L is included in the scope of consolidation of the Viscofan Group in the second quarter of 2015 and is consolidated by the full integration method, thus, at the end of December 31, 2015 is incorporated in the consolidated balance sheet the total value of its assets and liabilities, and in the consolidated income statement of the period seven months impact of its operations

January-December 2015 results

Viscofan Group income statement (000 €)

				Recurring *			Organic:
	Jan-Dec' 15	Jan-Dec'14	Change	Jan-Dec' 15	Jan-Dec'14	Change	Exforex change
Revenue	740,770	687,063	7.8%	740,770	684,114	8.3%	2.7%
EBITDA	213,843	185,423	15.3%	210,840	182,680	15.4%	6.3%
EBITDA Margin	*28.9%*	*27.0%*	*1.9 p.p.*	*28.5%*	*26.7%*	*1.8 p.p.*	*0.9 p.p.*
EBIT	160,794	136,260	18.0%	157,791	133,517	18.2%	
Net profit from continuing operations	119,624	103,629	15.4%	117,732	101,709	15.8%	
Contribution from discontinued operations (IAN Group)	411	2,823	-85.4%				
Net profit	120,035	106,452	12.8%				

* Organic figures exclude: a) 2015: Positive non cash profit of €3.0 million on operating profit and of €1.9 million on net profit due to the outsourcing of pensions under the "Hourly Employees" and "Salaried Employees" plans in the USA. b) 2014: Non-recurring additional impact booked in 2014 on revenue (€2.9million), EBITDA and EBIT (€2.7million) and net profit (€1.9million) due to 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.

Revenue

Consolidated net turnover amounted to €740.8 million in 2015, up 7.8% compared with 2014, marking eleven years of steady revenue growth and a new record high.

Casing sales advanced by 8.8% compared with 2014 to €694.7 million, spurred on by better volumes and the strength of commercial currencies, while energy sales declined by 4.7% to €46.0 million due to the booking in 2Q14 of non-recurring results of €2.9 million following the amendment to RD 9/2013.

2015 saw a normalisation of sales volume growth coupled with a marked strengthening of the main commercial currencies, in particular of the US$ and CNY against the €, and a weakening of benchmark currencies in emerging markets, most notably the Brazilian Real and the Russian Rouble.

This macroeconomic backdrop had some impact on commercial activity, helping during the year commercial initiatives by our main competitors in North America in 2015, in particular in the second half.

In organic terms[1], i.e. stripping out the impact of non-recurring results and currency fluctuations, annual revenue grew by 2.7% compared with 2014.

The geographical breakdown of revenue[2] in 2015 is as follows:

In Europe and Asia revenue totalled €411.8 million, up 8.0% compared with 2014 boosted by sales growth in both Western Europe and Asia.
In North America, revenue totalled €215.9 million, up 8.9% year-on-year, driven mainly by the strength of the US$ against the €.
In Latin America consolidated revenue advanced 5.1% vs. 2014 to €113.1 million, a very strong organic performance considering the average 18.3% depreciation of the Brazilian real against the €.

Operating costs

Cost of consumption[3] in 2015 was partly shaped by the currency fluctuations, with US$-denominated consumption more expensive while the company benefited from consumption in currencies that depreciated, in particular in Latin America. In the full year cost of consumption stood at €203.4 million (+6.7% vs. 2014), with a gross margin[4] over sales of 72.5% in 2015 (+0.3 p.p. higher than in 2014).

Personnel costs increased by 7.8% in cumulative terms to €158.5 million. The average workforce in December was 4.233 (+3.5% compared with December 2014) owing to the hiring of personnel in Spain, China, Brazil and Mexico associated with production growth. In the final quarter of the year plastics production started up at the San Luis Potosí plant in Mexico.

"Other operating expenses" in 2015 stood at €172.4 million, up 2.2% compared with 2014. This was due to the decline in energy costs, thanks to which energy supply costs fell by 5.9%.

Operating profit

The focus on profitable growth is reflected in the combination of revenue growth, commercial discipline, energy cost savings and operating cost control, resulting in the improvement in operating profitability and cash flow. The EBITDA margin stood at 28.9% in 2015 (+1.9 p.p. vs. 2014).

As a result, consolidated EBITDA hit a new record high of €213.8 million in 2015 (+15.3% vs. 2014).

In organic terms[4], stripping out the impact of non-recurring results and currency fluctuations, EBITDA rose by 6.3% in 2015 vs. 2014.

Depreciation costs in 2015 amounted to €53.0 million (+7.9% vs. 2014).

Volume growth, coupled with production efficiency and cost discipline, drove cumulative EBIT growth of 18.0% to €160.8 million.

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[1] Organic terms: For comparative purposes, organic growth excludes the impact of the different exchange rates applied in the consolidation of the financial statements and the impact of the US$ variation in business transactions and non-recurring results recorded in 2015 related to the outsourcing of pensions in the US and in 2014 due to changes in cogeneration regulations.

[2] Revenue by origin of sales

[3] Cost of consumption = Supplies +/- Change in finished and work in progress products.

[4] Gross margin = Revenue – Cost of consumption / Revenue

Financial result

The Group reported exchange losses of €6.6 million, which contrasts with the gains of €1.9 million in 2014. This difference is largely due to the weakness of the BRL against the € in the second half of 2015. As a result, the net finance loss stands at -€9.3 million in 2015 (vs. -€2.0 million in 2014).

The reduction in financial debt translated into lower finance expenses, which declined by 20.8% in 2015 vs. 2014 to €3.4 million.

Net profit and tax

Profit before tax amounted to €151.5 million in 2015 while taxes totalled €31.9 million, reflecting an effective tax rate of 21.0% (22.8% in 2014).

The difference between the theoretical tax rate for 2015 (25.0%) and the effective tax rate (21.0%) 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.

As a result, the Group reported growth in net profit from continuing operations in 2015 of 15.4% to €119.6 million.

Including the €0.4 million in capital gains from the sale of the IAN Group recognised as profit from discontinued operations[5] net profit attributed to the Viscofan Group amounted to €120.0 million in 2015 (+12.8% vs. 2014), surpassing the guidance given at the start of the year (€114 million - €115 million).

Property, plant and equipment and intangible assets

Investment in 2015 amounted to €57.3 million, a lower figure 6.1% than in 2014 (€61.0 million). The breakdown for investment in 2015 is as follows:

45% of investment was in capacity and machinery. This includes €10 million corresponding to the new plastic casings plant in Mexico, which started production at the end of 2015.
28% of investment was in process improvements.
9% of investment was in energy equipment and in plant safety, hygiene and environmental improvements.
Ordinary investments accounted for the remaining 18%.

In addition, the Group started construction of a fibrous casing production centre in Cáseda (Spain) towards the end of 2015. A total of €20 million will be invested over the next two years with the aim of installing new capacity to come on stream in the second half of 2017. This project has been developed in response to the growth in the Viscofan Group's fibrous casing sales in recent years and to improve service to European customers.

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. (Nanopack), a company specialized in the production of crystal plastics and additive plastics. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarra), the Viscofan Group subscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.

[5] In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". 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 equity and dividends

The Group's net equity stood at €633.2 million at the end of 2015, up 10.0% year-on-year due to the booking of a net profit of €120.0 million (+12.8% vs. 2014) from which €24.2 million is deducted as an interim dividend against 2015 earnings (+15.6% vs. 2014).

In addition, the Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.82 per share, with an amount of €38.2 million to be paid out on 9 June 2016.

This means total shareholder remuneration amounts to €1.35 per share consisting of:
- An interim dividend of €0.52 per share paid on 29 December 2015.
- A proposed final dividend of €0.82 per share for approval at the General Shareholders' Meeting,
- and a bonus for attending the General Shareholders' Meeting of €0.01 per share.

The remuneration proposed is 14.4% higher than the total remuneration of €1.18 per share approved last year, implying distribution of 52% of the total net profit attributed to the Viscofan Group.

Financial liabilities

The strong earnings performance and the payment from the sale of the IAN Group led the Group to end the year 2015 with net cash position of €3.2 million at the end of December 2015 compared with Net Bank Debt[6] of €74.6 million in December 2014.

At 31 December 2015 the Group's consolidated gross financial debt amounted to €41.2 million (€100.2 million at 31 December 2014), with €26.1 million of this amount corresponding to long-term financial debt (€33.2 million at 31 December 2014). These liabilities accrue interest at a variable rate linked to the Euribor or Libor plus an average differential of 1.5 percentage points.

The Viscofan Group's financial situation means it is well placed to meet its scheduled payment obligations over the next 12 months.

Financial commitments

Based on estimated growth, the Group plans to invest to strengthen its leadership position in the casings market and to continue improving the service it provides, as well as to upgrade its existing industrial equipment and operations. Commitments include the construction of the new fibrous casings plant in Cáseda, technological upgrades, process optimisation and increases in production capacity. Accordingly, commitments at the end of 2015 amounted to €12.4 million (€15.0 million at the end of 2014).

At 31 December 2015, the Group has contracted buildings and other assets under finance leasing whose minimum payments and present value amounted to €0.6 million (€0.8 million at 31 December 2014).

The Group also has various premises and other items of property, plant and equipment under operating lease arrangements. Future minimum payments for these contracts at 31 December 2015 amounted to €5.4 million (€4.3 million at 31 December 2014).

[6] Net bank debt = long and short bank financial debt - cash and cash equivalents.

Expected performance of the Group

The casings industry has bright growth prospects thanks to population growth, in particular in urban areas, the globalisation of food habits and meat processors' efforts to increase productivity and improve food safety.

This increased productivity is even more significant considering the likely economic growth profile over the coming years in both developed and emerging markets, which need to become more competitive and larger in order to compete in a more globalised marketplace.

The Viscofan Group is well placed in the casings market to meet this challenge and is embarking on the 2016-2020 period of the MORE TO BE strategic plan with the same vision and a commitment to spearheading the industry and creating sustainable long-term value with an abundance of projects aimed at achieving technological and service improvements and streamlining costs. All with the goals of leading the way in the global casings industry, actively promoting the development of new products, developing new product solutions and being the sector benchmark for efficiency and productivity in all technologies.

In 2016 the Viscofan Group expects to deliver further growth in revenue, EBITDA and net profit if exchange rates remain stable.

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 the Group has 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.

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 22 of the the accompanying financial statements provides a breakdown of investments and costs relating to the environment in 2015 and 2014.

Employees

The Viscofan Group's leadership is underpinned by the differential value of the know-how and commitment of all its employees. At the end of December 2015 these 4,342 individuals formed a growing competitive and multicultural team. And despite the wide variety of cultures within the Group, they share deeply-held values and common ethical principles and are becoming ever better qualified.

The Group's average workforce increased for the fifth consecutive year in 2015, a rise chiefly attributable to Viscofan's expansion into new geographic regions and the hiring of additional personnel to enhance service levels and cement our global leadership. As a consequence, the average workforce grew by 3.5% in 2015 vs. 2014 to 4,233.

This is a group widely distributed among the 14 countries in which the company has a strategic presence. In 2015 16% of the average workforce was deployed in Spain, 48% elsewhere in Europe and Asia, 22% in North America and 14% in Latin America.

In 2015, personnel expenses totalled €158.5 million, up 7.8% compared with 2014 and representing 21.4% of 2015 revenue.

The Viscofan Group also attaches great importance to personal development. Via the human resource departments of its various subsidiaries promotes initiatives that enhance knowledge management and enable employees' skills to be harnessed with a view to achieving the Group's objectives. Training is one of the Group's priorities with regard to personnel management and is carried out on an ongoing basis, thereby fostering personal and professional development.

The Viscofan Group is committed to respecting and upholding the human rights proclaimed in international commitments to which it is a signatory such as the International Charter of Human Rights and the United Nations Global Compact. Furthermore, under the Viscofan Group's code of conduct employees must respect and uphold human rights and refrain from contravening them in the course of their duties.

Corporate workplace safety policies are the responsibility of the EHS department (Environment, Health and Safety), working in close partnership with the corporate and local human resource departments. In this regard, the Group continues to take action and carry out investment aimed at improving the working conditions of our employees. In addition, the Viscofan Group works to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates, in this way extending best health and safety practices to its production centres.

Research and development activities

Viscofan has a proactive R&D policy supported by technological and research centers in various countries.

The Group's efforts 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.).

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

In 2015 the performance of stock markets was shaped by the high level of uncertainty caused by factors such as the debt renegotiation in Greece and the perception of a global economic slowdown, in particular in emerging markets, the sharp drop in the oil prices and in the main raw materials.

The monetary policies of the main central banks continue to exert a significant influence on price formation in financial markets. In 2015 the European Central Bank adopted an expansionary policy with the aim of stimulating the economy while in the US the Fed, which has been reducing stimuli, raised interest rates at the end of the year. The different moment in the monetary policy cycle between Europe and the US also affected the currency market, with the US$ strengthening sharply against the € and other currencies of emerging economies.

Against this backdrop, stock markets also exhibited decorrelation: the US S&P 500 ended 2015 with a slight rise of +0.02% while in Europe the Ibex-35 fell -7.2% in Spain, the DAX advanced +9.6% in Germany and the CAC rose +8.5% in France. In overall terms the global indices ended 2015 at virtually the same level as at the start of the year or with slight losses. Returns range between -0.3% for the MSCI The World Index and -4.1% for the FTSE World. The three previous years had ended with positive returns.

Viscofan's share price closed 2015 at €54.64, up 26.3% year-on-year and 29.1% including shareholder remuneration. As a result, Viscofan's market capitalisation stood at €2,593 million at the end of 2015 (+26.3% vs. 2014).

Over 58.3 million Viscofan shares were traded in 2015, 125% of the total in circulation, with a traded volume of €3,180 million, equivalent to a daily average of €12.3 million.

Acquisition of treasury shares

At December 31, 2015 the Company owned no treasury shares.

Average payment period

In 2015 Law 31/2014 came into force, 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, the average payment period of the companies in the Viscofan Group in Spain in 2015 was 36 days, lower than the maximum under Spanish law.

The average payment period was calculated in accordance with the Resolution dated 29 January 2016, of the Spanish Accounting and Auditing Institute, on the information to be included in annual financial statements in relation to the average supplier payment period in commercial operations.

Also, note 16.3 of the annual consolidated financial statements shows the information on the average supplier payment period during the year.

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 of the Parent Company. 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

As of 29th February 2016, the Board of Directors agreed to propose to the General Shareholders' Meeting a final dividend of €0.82 per share, paid on 9 June 2016. This brings total shareholder remuneration to €1.35 per share, including the interim dividend of €0.52 per share paid on 29 December 2015, the aforementioned final dividend of €0.82 per share, and €0.01 per share as a bonus for attending the Shareholders' Meeting. The remuneration proposed is 14.4% higher than the total remuneration of €1.18 approved in the previous year.

Independent Audit Report

VISCOFAN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2015

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

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ey.com

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, 2015, 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.
A member firm of Ernst & Young Global Limited.

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, 2015, 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 2015 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 2015 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 29, 2016

A member firm of Ernst & Young Global Limited

VISCOFAN, S.A.

Financial Statements
for the year ended
December 31, 2015

(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, 2015
- Income statement for the year ended December 31, 2015
- Statement of changes in equity for the year ended December 31, 2015
- Cash flow statement for the year ended December 31, 2015
- Notes to the financial statements for the year ended December 31, 2015

VISCOFAN, S.A.
Balance sheet at December 31, 2015
(Thousands of euros)

ASSETS	Notes	2015	2014
NON-CURRENT ASSETS		**423,448**	**406,971**
Intangible assets	**5**	**6,603**	**6,245**
Concession rights		845	1,070
Software		3,929	4,312
Other intangible assets		1,829	863
Property, plant, and equipment	**6**	**69,626**	**68,520**
Land and buildings		12,431	13,522
Plant and other PP&E items		56,749	51,160
Property, plant, and equipment under construction and prepayments		446	3,838
Investment in group companies and associates	**7**	**345,403**	**329,475**
Equity instruments		345,403	329,475
Financial investments	**8**	**182**	**132**
Equity instruments		134	84
Other financial assets		48	48
Deferred tax assets	**17**	**1,634**	**2,599**
CURRENT ASSETS		**96,304**	**83,464**
Non-current assets held for sale	**9**	**-**	**15,602**
Inventories	**10**	**24,948**	**20,275**
Commercial inventories		5,171	2,808
Raw materials and other consumables		7,748	6,531
Work in progress		5,605	5,499
Finished products		6,424	5,437
Trade and other receivables		**46,607**	**41,914**
Trade receivables	8	18,480	21,847
Trade receivables from group companies and associates	8	24,346	14,032
Other receivables	8	47	90
Receivable from employees	8	56	84
Current income tax assets	17	-	1,722
Other receivables from public administrations	17	3,678	4,139
Investments in group companies and associates	**8**	**6,964**	**5,222**
Loans to companies		6,811	5,032
Other financial assets		153	190
Investments	**8**	**2**	**-**
Other financial assets		2	-
Accruals		**142**	**142**
Cash and cash equivalents	**11**	**17,641**	**309**
Cash		17,641	309
TOTAL ASSETS		**519,752**	**490,435**

VISCOFAN, S.A,
Balance sheet at December 31, 2015
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2015	2014
EQUITY		**432,520**	**383,898**
CAPITAL AND RESERVES		**432,763**	**386,736**
Share capital	**12.1**	**32,623**	**32,623**
Issued capital		32,623	32,623
Share Premium	**12.2**	**12**	**12**
Reserves	**12.3**	**320,359**	**307,217**
Legal and statutory reserves		6,525	6,525
Other reserves		313,834	300,692
Profit for the year	**3**	**104,003**	**67,856**
Interim dividend	**3.1**	**(24,234)**	**(20,972)**
UNREALIZED GAINS (LOSSES) RESERVE	**13.1**	**(2,242)**	**(3,892)**
Hedging instruments		(2,242)	(3,892)
GRANTS, DONATIONS, AND LEGACIES	**13.2**	**1,999**	**1,054**
NON-CURRENT LIABILITIES		**40,448**	**43,656**
Borrowings	**16**	**33,610**	**37,723**
Payable to credit institutions	16.1	22,750	26,000
Finance leases	16.1	42	125
Hedging instruments	14	177	682
Other financial liabilities	16.2	10,641	10,916
Borrowings from group companies and associates	**16**	**4,500**	**4,500**
Deferred tax liabilities	**17**	**2,338**	**1,433**
CURRENT LIABILITIES		**46,784**	**62,881**
Provisions	**15**	**1,442**	**893**
Borrowings	**16**	**13,457**	**29,842**
Bank borrowings	16.1	4,274	20,087
Finance leases	16.1	83	81
Hedging instruments	14	3,217	5,009
Other financial liabilities	16.2	5,883	4,665
Payables to group companies and associates	**16**	**5,109**	**10,155**
Trade and other payables		**26,776**	**21,991**
Suppliers	16.2	6,834	2,789
Suppliers, group companies, and associates	16.2	1,405	1,933
Other payables	16.2	7,163	5,700
Employee benefits payable	16.2	1,909	1,996
Current tax liabilities	17	2,022	2,901
Other payables to public administrations	17	6,697	6,119
Customer advances	16.2	746	553
TOTAL EQUITY AND LIABILITIES		**519,752**	**490,435**

VISCOFAN, S.A,
Income statement for the year ended December 31, 2015
(Thousands of euros)

	Notes	2015	2014
CONTINUING OPERATIONS			
Revenue	**18.1**	**181,726**	**175,802**
Sale of goods		181,166	175,374
Rendering of services		560	428
Changes in inventory of finished goods and work in progress		**1,093**	**(1,445)**
Work performed by the entity and capitalized		**252**	**253**
Cost of sales		**(76,314)**	**(75,081)**
Consumption of goods for resale	18.2	(15,276)	(14,712)
Consumption of raw materials and other consumables	18.2	(60,906)	(60,009)
Impairment of goods for resale, raw materials, and other consumables	10	(132)	(360)
Other operating income		**12,322**	**10,348**
Ancillary income		11,726	9,977
Grants related to income	13.2	596	371
Employee benefits expense		**(40,167)**	**(37,763)**
Wages, salaries, et al		(31,308)	(29,517)
Social security costs, et al	18.3	(8,859)	(8,246)
Other operating expenses		**(44,013)**	**(41,974)**
External services	18.4	(39,635)	(37,613)
Taxes		(2,867)	(2,839)
Losses on, impairment of, and change in trade provisions	8.1	(69)	(629)
Other operating expenses	5.1 & 15	(1,442)	(893)
Depreciation and amortization	**5 & 6**	**(12,284)**	**(12,000)**
Grants related to non-financial assets and other grants	**13.2**	**509**	**276**
Impairment gains (losses) on disposal of non-current assets		**3**	**(194)**
Impairment gains and losses	6	2	2
Gains (losses) on disposals		1	(196)
OPERATING PROFIT		**23,127**	**18,222**
Finance income		**46,874**	**54,353**
From equity investments	7.1	46,548	54,033
In group companies and associates		46,548	54,033
From marketable securities and other financial instruments		326	320
Of group companies and associates		216	234
Of third parties		110	86
Finance costs	**18.5**	**(1,014)**	**(1,500)**
On borrowings from group companies and associates		(84)	(316)
Third-party borrowings		(930)	(1,184)
Exchange gains (losses)		**(173)**	**200**
Impairment gains (losses) on disposal of financial assets	**9**	**39,316**	**-**
Gains (losses) on disposals		39,316	
FINANCE INCOME		**85,003**	**53,053**
PROFIT BEFORE TAX		**108,130**	**71,275**
Income tax	**17.1**	**(4,127)**	**(3,419)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**104,003**	**67,856**
DISCONTINUED OPERATIONS			
Profit (loss) after tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**104,003**	**67,856**

VISCOFAN, S.A,
Statement of changes in equity for the year ended December 31, 2015
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2015

	Notes	2015	2014
PROFIT FOR THE PERIOD		**104,003**	**67,856**
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**	**(3,114)**	**(5,190)**
Grants, donations, and bequests received	**13.2**	**2,879**	**260**
Tax effect		**69**	**1,290**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**(166)**	**(3,640)**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
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**	**(1,508)**	**(613)**
Tax effect		**(921)**	**195**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**2,761**	**(454)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**106,598**	**63,762**

VISCOFAN, S.A,
Statement of changes in equity for the year ended December 31, 2015
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2015

	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, 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**
Total recognized income and expense	-	-	-	104,003	-	1,650	945	106,598
Transactions with shareholders and owners								
Dividends paid	-	-	-	(54,714)	(3,262)	-	-	(57,976)
Other changes in equity								
Transfers between equity accounts	-	-	13,142	(13,142)	-	-	-	-
BALANCE AT DECEMBER 31, 2015	**32,623**	**12**	**320,359**	**104,003**	**(24,234)**	**(2,242)**	**1,999**	**432,520**

VISCOFAN, S.A,
Cash flow statement for the year ended December 31, 2015
(Thousands of euros)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**108,130**	**71,275**
Adjustments to profit		**(72,745)**	**(38,975)**
			12,000
Depreciation and amortization	5 & 6	12,284	
Impairment losses	6, 8.1, & 10	505	1,137
Changes in provisions		431	-
Grants released to income	13.2	(509)	(276)
Results on disposal of property, plant, and equipment		(1)	196
Results on disposals of financial instruments		(39,316)	-
Finance income		(46,874)	(54,353)
Finance costs	18.5	1,014	1,500
Exchange gains (losses)		173	(200)
Other interest and expenses		(452)	1,021
Change in working capital		**(6,554)**	**(9,139)**
Inventories		(5,112)	718
Trade and other receivables		(6,759)	(5,418)
Other current assets		-	(37)
Trade and other payables		5,523	(4,474)
Other current liabilities		(206)	72
Other cash flows from operating activities		**43,765**	**51,532**
Interest paid		(806)	(1,489)
Dividends received		46,585	54,033
Interest received		251	320
Income tax receipts (payments)		(2,265)	(1,332)
CASH FLOW FROM OPERATING ACTIVITIES		**72,596**	**74,693**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(35,502)**	**(30,833)**
Group and associates		(22,559)	(15,239)
Intangible assets		(1,890)	(1,423)
Property, plant, and equipment		(11,002)	(14,171)
Other financial assets		(51)	-
Proceeds from disposals		**59,919**	**16,968**
Group companies and associates		59,918	11,897
Property, plant, and equipment		1	12
Other financial assets		-	5,059
CASH FLOWS FROM INVESTING ACTIVITIES		**24,417**	**(13,865)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(payments on) equity instruments		**1,880**	-
Grants, donations, and bequests received	13.2	1,880	-
Proceeds from and payments of financial liabilities		**(23,586)**	**(7,537)**
Issues			
Bank borrowings		-	15,283
Accounts payable to group companies and associates		5,000	-
Other borrowings		1,692	1,899
Repayment and redemption of			
Bank borrowings		(19,057)	(1,309)
Borrowings from group companies and associates		(10,000)	(22,493)
Other borrowings		(1,221)	(917)
Dividends paid and payments on other equity instruments		**(57,975)**	**(53.780)**
Dividends		(57,975)	(53.780)
CASH FLOWS FROM FINANCING ACTIVITIES		**(79,681)**	**(61.317)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**17,332**	**(489)**
Cash and cash equivalents at January 1		**309**	**798**
Cash and cash equivalents at December 31		**17.641**	**309**

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VISCOFAN, S.A.
Notes to the financial statements for the year ended December 31, 2015

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.

It is mainly devoted to manufacturing all types of artificial sausage casings and other applications, and to a lesser degree, the production of co-generated electricity for sale to third parties. Its industrial facilities are located in Caseda and Urdiain (Navarra). Its main offices and address are located at Polígono Industrial Berroa, Calle Berroa 15- 4ª planta, 31192 Tajonar (Navarra).

The Company is the parent of a group of companies ("the Viscofan Group" or "the Group"), and chiefly carry out their activities in the food and cellulose, plastic, fiber, and collagen casings business.

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

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 2015 financial statements as a result of these meetings.

The directors have prepared the 2015 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 2015, those of 2014 have been included. The Notes likewise contain quantitative information from 2014, unless an accounting standard specifically states that this is not required.

In accordance with the terms of the single additional provision of the Resolution of the Institute of Accounting and Auditors of Accounts on information to be included in notes to the financial statements regarding the average period for making payments to suppliers, the Company has decided to apply the draft resolution, and therefore, in accordance with the terms outlined in the first additional provision, will only present the information for the year, rather than comparative information; therefore, these are considered first-time consolidated financial statements for these exclusive effects, with regard to the application of the uniformity principle and the comparability requirement.

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 2015 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)	2015
Proposed appropriation	
Profit for the year	104,003
	104,003
Appropriation to	
Other reserves	41,554
Dividends (*)	62,449
	104,003

(*) This figure includes the interim dividend paid at December 29, 2015, amounting to 24,234 thousand euros (Note 3.1).

3.1 Interim dividend

On December 17, 2015, the Board of Directors approved an interim dividend against 2015 profit of 24,234 thousand euros based on profit projections for the period. This dividend was paid on December 29, 2015. 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, 2015	23,750
Cash flows from/(used in) operating activities	
Trade and other receivables	192,411
Other income	274
Accounts payable and suppliers	(120,934)
Payments made to employees	(41,323)
Interest paid	(1,063)
Other payments	(8,050)
Cash flow related to investment activities	
Dividends	58,330
Purchases of property, plant, and equipment	(22,000)
Cash flow related to financing activities	
Repayment of non-current borrowings	(6,085)
Dividends paid	(62,449)
Projected liquidity at December 11, 2016	**12,861**

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, 2015 (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, 2015 all the Company's assets had a finite useful life.

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 2015 and 2014 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 4.21).

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.

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.

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.

Note 4.8.

Cancelation

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.

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.

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 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.

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.

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
2015					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	13,753	976		67	14,796
Greenhouse gas emission rights	796	1,900	(880)	-	1,816
Payments on account for non-current intangible assets	67	13		(67)	13
	17,279	2,889	(880)		19,288
Accumulated amortization					
Patents	(36)	-	-		(36)
Concession rights	(1.557)	(225)			(1,782)
Software	(9,441)	(1,426)			(10,867)
	(11,034)	(1,651)			(12,685)
Net carrying amount	**6.245**				**6,603**
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**

At December 31, 2015 and 2014, the cost value of fully amortized intangible assets amounted to 7,942 thousand and 6,348 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 2015 totaled 142,944 (2014: 55,813)

(number of rights)	Balance at January 1	Purchases	Free allocation	Delivery	Balance at December 31
2015					
Greenhouse gas emission rights	183.698	122.071	142.944	(195.871)	252.842
2014					
Greenhouse gas emission rights	303,701	30,000	55,813	(205,816)	183,698

The expense for greenhouse gas emissions recognized under "Other operating expenses" at December 31, 2015 and 2014, amounts to 1,442 thousand and 893 thousand euros, respectively (Note 15)

Further, income relating to the transfer of subsidized greenhouse gas emission rights recognized under "Ancillary income" amounts to 999 thousand and 337 thousand euros at December 31, 2015 and 2014, 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)	2015	2014
Software		
Cost	256	256
Accumulated amortization	(178)	(128)
	78	**128**

At December 31, 2015 and 2014, the Company did not have any intangible assets located outside Spain.

At December 31, 2015, and 2014, there were no firm commitments to purchase intangible assets items.

The movements in the items composing "Property, plant, and equipment" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2015					
Cost					
Land	307	-	-	-	307
Buildings	28,579	-	-	-	28,579
Plant and other PP&E items	243,401	11,282	(7)	3,847	258,523
Property, plant, and equipment under construction and payments on account	3.838	455	-	(3,847)	446
	276,125	11,737	(7)	-	287,855
Accumulated depreciation					
Buildings	(15,334)	(1,093)			(16,427)
Plant and other PP&E items	(192,241)	(9,540)	7	-	(201,774)
	(207,575)	(10,633)	7	-	(218,201)
Impairment losses					
Buildings	(30)	-	2	-	(28)
	(30)	-	2	-	(28)
Net carrying amount	**68,520**				**69,626**
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**

6.1 Significant movements

Additions in 2015 and 2014 mainly relate to machinery and installations acquired to improve productivity and increase capacity at the Company's manufacturing plants.

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, is as follows:

(Thousands of euros)	Restated net carrying amount	Initial net carrying amount	Restated amount
Land	265	206	59
Buildings	15,789	12,041	3,748
Plant	18,719	17,465	1,254
Machinery	25,006	23,353	1,653
Tools	-	-	-
Other installations	7,121	6,159	962
Furniture	609	581	28
Other PP&E items	77	66	11
	67,586	**59,871**	**7,715**
Tax paid (5%)			(386)
Revaluation Reserve Regional Navarre Law 21/2012 (Note 12.4)			**7,329**

In 2015 and 2014, the amount of the depreciation expense for the assets updated in accordance with Navarre Regional Law 21/2012 totaled 863 and 1,189 thousand euros, respectively. The net carrying amount of the updated figure at December 31, 2015 and 2014 was 3,640 and 4,503 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, 2015 and 2014, amounts to 260 thousand and 318 thousand euros, respectively, while depreciation for these years amounts to 58 thousand and 65 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)	2015	2014
Other PP&E		
Cost	262	270
Accumulated depreciation	(77)	(29)
	185	**241**

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.

December 31 is as follows:

(Thousands of euros)	2015 Future minimum payments	2015 Present value (Note 16.1)	2014 Future minimum payments	2014 Present value (Note 16.1)
Within one year	85	83	85	81
Between one and four years	42	42	127	125
	127	**125**	**212**	**206**

The principal terms of finance lease agreements are as follows:

- The lease is for a term 3 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 leases the building in which it carries out its activities in Urdiain (Navarra). Although the lease agreement was renewed in 2015, and ends in 2025, since March of 2018 the Company has reserved the right to cancel it with a two-month notice.

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.

Additional to these agreements, the Company leases commercial offices in Moscow and Thailand. These are renewed annually and include clauses indicating as such. None include purchase options.

The future minimum payments under non-cancelable operating leases at December 31 are as follows:

(Thousands of euros)	2015	2014
Within one year	358	90
Between one and five years	60	-
	418	**90**

6.5 Other disclosures

The Company has acquired the following property, plant, and equipment from group companies at December 31:

(Thousands of euros)	2015	2014
Plant and machinery		
Cost	3,182	3,021
Accumulated depreciation	(2,371)	(2,258)
Other PP&E items		
Cost	34	34
Accumulated depreciation	(34)	(34)
	811	**763**

thousand and 21 thousand euros, respectively.

At December 31 of 2015 and 2014, the Company had firm purchase commitments for property, plant, and equipment totaling 1,703 thousand and 1,085 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)	2015	2014
Buildings	3,020	3,020
Plant and machinery	125,797	121,315
Plant and other PP&E items	26,247	24,308
Property, plant, and equipment	7,180	6,825
	162,244	**155,468**

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
2015					
Equity instruments	329,475	15,928	-	-	345,403
	329,475				**345,403**
2014					
Equity instruments	329,838	15,239	-	(15,602)	329,475
	329,838				**329,475**

In 2015 the Company carried out the following transactions:

- 10 million euros was disbursed corresponding to a capital increase in Viscofan Do Brasil, Ltda. to finance circulating capital arising from the growth in the collagen casings segment over recent years.
- In May of 2015, the Company acquired 51.67% of the shares in Nanopack Technology & Packaging, S.L. for 4 million euros. In December of 2015, the Company contributed 1,928 euros in another capital increase. As a result of this transaction, the Company controls 90.57% of this company's share capital.

Further, 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).

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)
2015									
Naturin Viscofan, GMBH	90,570	12,000	100%	EUR	29,604	31,538	11,671	72,813	16,799
Viscofan do Brasil, soc. com. e ind. Ltda	63,138	2,499	100%	BRL	133,268	99,703	50,335	283,307	93,435
Gamex CB S.r.o.	7,498	141	100%	CZK	250,000	25,037	3,592	278,628	2,551
Viscofan USA Inc.	34,729	-	100%	USD	35,587	72,018	(1,328)	106,276	(2,126)
Viscofan UK LTD	1,841	-	100%	GBP	10	3,086	231	3,327	352
Viscofan CZ, S.r.o	10,503	24,051	100%	CZK	345,200	1,115,433	999,800	2,460,633	1,218,404
Viscofan de México S.R.L. de C.V.[1]	13,741	1,339	99,99%	MXP	219,777	506,494	310,502	1,036,773	444,789
Viscofan Centroamérica Comercial, S.A.[1]	166	-	99,50%	USD	200	1,387	331	1,917	479
Koteks Viscofan, d.o.o.	33,307	6,518	100%	RSD	3,028,896	1,510,412	1,203,407	5,742,714	1,203,718
Viscofan de México Servicios, S.R.L. de C.V.[1]	16	-	99,99%	MXP	103	15,352	161	15,616	7,299
Viscofan Technology (Suzhou) Co. Ltd	52,000	-	100%	CNY	431,021	91,450	70,126	592,596	92,957
Viscofan Uruguay, S.A.	31,966	-	100%	UYU	921,164	(106,220)	54,149	869,093	70,756
Nanopack Technology & Packaging, S.L.	5,928	-	90,57%	EUR	2,300	(44)	143	2,399	161
	345,403	**46,548**							
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]							

(1) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies.

(2) Apart from the abovementioned dividends, in 2014 the Company received a 1 million euro dividend arising from its participation in Industrias Alimentarias de Navarra, S.A.U.

The operating profit (loss) of the group companies, shown in the above table correspond entirely to continuing operations. None of the companies is listed on the stock exchange.

31, 2015 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 non-relevant losses in 2015 was Viscofan USA, Inc., affected by the appreciation of the dollar in its export business. 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, 2015.

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:

	Equity instruments		Loans, derivatives, and other financial assets		Total	
(Thousands of euros)	2015	2014	2015	2014	2015	2014
Non-current financial assets						
Loans and receivables	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	134	84	-	-	134	84
	134	84	48	48	182	132
Current financial assets						
Loans and receivables	-	-	49,895	41,275	49,895	41,275
	-	-	49,895	41,275	49,895	41,275
	134	**84**	**49,943**	**41,323**	**50,077**	**41,407**

(Thousands of euros)	Equity instruments		Loans, derivatives, and other financial assets		Total	
	2015	2014	2015	2014	2015	2014
Non-current financial assets						
Investments	134	84	48	48	182	132
	134	84	48	48	182	132
Current financial assets						
Trade and other receivables (Note 8.1)	-	-	42,929	36,053	42,929	36,053
Investments in group companies and associates						
Loans to companies (Note 20.1)	-	-	6,811	5,032	6,811	5,032
Loans and receivables (Note 20.1)	-	-	153	190	153	190
Investments						
Investments	-	-	2	-	2	-
	-	-	49,895	41,275	49,895	41,275
	134	**84**	**49,943**	**41,323**	**50,077**	**41,407**

8.1 Trade and other receivables

The breakdown of "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2015	2014
Trade receivables	18,480	21,847
Receivable from group companies and associate (Note 20.1)	24,346	14,032
Other receivables	47	90
Receivables from employees	56	84
	42,929	**36,053**

The breakdown of "Trade and other receivables" denominated in foreign currency at December 31 is as follows:

(Thousands of euros)	2015	2014
US Dollar	20,112	15,997
Canadian Dollar	103	70
Japanese Yen	251	410
Pounds Sterling	2,458	1,863
	22,924	**18,340**

Impairment losses

The balance of "Trade receivables" is presented net of impairment. The movements in said impairment losses are as follows:

(Thousands of euros)	2015	2014
Balance at January 1	733	116
Allowance for the year	69	629
Transfer to irrecoverable debts	-	(13)
Balance at December 31	**801**	**733**

On November 10, 2014, Viscofan S.A. communicated that it had accepted a binding offer from Portobello Capital Gestión S.G.E.C.R., S.A., to acquire 100% of the IAN Group. Once the exclusivity period had passed without any agreements having been reached, on February, 23, 2015, the decision was made not to the extend the exclusivity period agreed upon with Portobello Capital Gestión, S.G.E.C.R., S.A., announcing a new period for receiving offers for the IAN Group.

Therefore, the value of the long-term investment in group and associated companies which was classified under "Equity instruments" in the amount of 15,602 thousand euros was recognized under "Non-current assets held for sale." at December 31, 2014.

After 23 February, 2015 Portobello Capital Gestión, S.G.E.C.R., S.A. made the Company a 55.8 million euro offer for 100% of its shares.

On March 10, 2015, the Company sold Industrias Alimentarias de Navarra, S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. and IAN Perú, S.A. for the above mentioned amount to Servicios Compartidos de Industrias Alimentarias, S.L., a company managed by Portobello Capital Gestión, S.G.E.C.R., S.A.

Thanks to this sale, the Company recognized a 39,316 thousand of euro profit which is recognized under "Impairment losses and losses and gains on disposal of financial assets" on the income statement. The Viscofan Group's profit recognized on the consolidated 2015 income statement amounted to 0.4 million euros.

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

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
2015			
Balance at January 1	1,292	1,034	2,326
Impairment losses	132	307	439
Balance at December 31	**1,424**	**1,341**	**2,765**
2014			
Balance at January 1	932	871	1,803
Impairment losses	360	163	523
Balance at December 31	**1,292**	**1,034**	**2,326**

The impairment losses on inventories are mainly due to the slow moving product lines.

At December 31, 2015 and 2014, 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.

The breakdown of "Cash and cash equivalents" at December 31 is as follows:

(Thousands of euros)	2015	2014
Cash	32	18
Current accounts	17,609	291
	17,641	**309**

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, 2015 and 2014, 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, 2015 and 2014, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	Percentage	
	2015	2014
Corporación Financiera Alba, S.A. (*)	6.86	6.79
APG Asset Management	5.17	5.17
Marathon Asset Management, LLP	4.93	4.93
Blackrock, Inc	-	3.14
Delta Lloyd NV.	-	3.06
María del Carmen Careaga Salazar	-	3.01
Angustias y Sol S.L.	3.01	-

(*) Indirect ownership interest through Alba Participaciones, S.A.U.

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of October 19, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, the shareholders of Fidelity International Limited and Invesco Limited communicated that at December 31, 2015 they own a percentage of 1.027% and 1.017%, respectively.

At December 31, 2015 and 2014, 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 2015 and 2014.

This reserve is freely distributable, subject to the same restrictions as those for the voluntary reserves.

The movements in the items composing "Reserves" are as follows:

(Thousands of euros)	Balance at January 1	Appropriation of results	Transfers	Balance at December 31
2015				
Legal reserve	6,525	-	-	6,525
Revaluation reserve Navarre Regional Law 23/1996	8,567	-	-	8,567
Revaluation reserve Navarre Regional Law 21/2012	7,321	-	-	7,321
Merger reserves	119	-	-	119
Voluntary reserves	284,685	13,142	-	297,827
	307,217	**13,142**	**-**	**320,359**
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**

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 (Note 6.2).

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, 2015, 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:

Other 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
2015						
Cash flow hedges						
Exchange rate hedges	(184)	267	(75)	246	(61)	193
Raw materials (gas)	(3,708)	(3,381)	947	4,944	(1,237)	(2,435)
	(3,892)	**(3,114)**	**872**	**5,190**	**(1,298)**	**(2,242)**
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)**

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
2015						
Non-repayable grants	1,054	1,880	(553)	(509)	127	1,999
Grants for greenhouse gas emission rights	-	999	(250)	(999)	250	-
	1,054	**2,879**	**(803)**	**(1,508)**	**377**	**1,999**
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**

(*) Includes an adjustment for the change in corporation tax rate (Note 17).

During the year, non-repayable grants amounting to 1,880 euros were received, corresponding to investments made in 2011 and 2013.

Grants for greenhouse gas emission rights includes amounts received and pending consumption by the Company (Notes 5 and 15).

thousand euros, respectively. These grants basically financed R&D expenses during both years, as well as training initiatives for Company personnel.

14. DERIVATIVE FINANCIAL INSTRUMENTS

All Viscofan, S.A.'s derivatives at December 31, 2015 and 2014, were designated as hedging instruments.

The breakdown of the balances at December 31, 2015 and 2014, including the values of derivatives at those dates, is as follows:

	2015		2014	
(Thousands of euros)	Current financial liabilities (Note 16.2)	Non-current financial liabilities (Note 16.2)	Current financial liabilities (Note 8)	Non-current financial liabilities (Note 16.2)
Exchange rate hedges	12	-	747	-
Raw material hedges	3,205	177	4,262	682
	3,217	**177**	**5,009**	**682**

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)	2015	2014
US dollar	25,000	24,000
Pounds sterling	5,915	2,252

Raw material hedges

A significant amount of the Company's production costs is linked to energy costs. Therefore, and to mitigate the potential negative effect of energy price variations, the Company carried out the following transactions:

- During 2015, gas hedging contracts were signed for a total of 360,000 MWh, which corresponded to contracts covering gas purchases for the period ranging from February 2016 to January 2017. The contracted prices range from 2.07 to 2.29 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.

- 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.

15. PROVISIONS AND CONTINGENCIES

The breakdown of "Provisions" at December 31 is as follows:

(Thousands of euros)	Current	Total
2015		
Provision for greenhouse gas emission rights (Note 5.1)	1,442	1,442
	1,442	**1,442**
2014		
Provision for greenhouse gas emission rights (Note 5.1)	893	893
	893	**893**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized	Balance at December 31
2015				
Provision for greenhouse gas emission rights	893	1,442	(893)	1,442
	893			**1,442**
2014				
Provision for greenhouse gas emission rights	1,699	893	(1,699)	893
	1,699			**893**

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/1045/2041; however, it is not possible to determine the amount of contingent assets in favor of Viscofan, S.A. should it win the case.

16. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" at December 31 is as follows:

	Bank borrowings		Hedging Instruments and other financial liabilities		Total	
(Thousands of euros)	2015	2014	2015	2014	2015	2014
Non-current financial liabilities						
Trade and other payables	22,792	26,125	15,141	15,416	37,933	41,541
Hedging instruments	-	-	177	682	177	682
	22,792	26,125	15,318	16,098	38,110	42,223
Current financial liabilities						
Trade and other payables	4,357	20,168	29,049	27,791	33,406	47,959
Hedging instruments	-	-	3,217	5,009	3,217	5,009
	4,357	20,168	32,266	32,800	36,623	52,968
	27,149	**46,293**	**47,584**	**48,898**	**74,733**	**95,191**

(Thousands of euros)	Bank borrowings		Hedging instruments and other financial liabilities		Total	
	2015	2014	2015	2014	2015	2014
Non-current financial liabilities						
Borrowings	22,792	26,125	10,818	11,598	33,610	37,723
Borrowings from group companies and associates	-	-	4,500	4,500	4,500	4,500
	22,792	26,125	15,318	16,098	38,110	42,223
Current financial liabilities						
Borrowings	4,357	20,168	9,100	9,674	13,457	29,842
Borrowings from group companies and associates	-	-	5,109	10,155	5,109	10,155
Trade and other payables	-	-	18,057	12,971	18,057	12,971
	4,357	20,168	32,266	32,800	36,623	52,968
	27,149	**46,293**	**47,584**	**48,898**	**74,733**	**95,191**

16.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31 is the following:

(Thousands of euros)	2015	2014
Non-current		
Loans and borrowings	22,750	26,000
Obligations under finance leases (Note 6.3)	42	125
	22,792	20,125
Current		
Loans and borrowings	4,142	19,864
Obligations under finance leases (Note 6.3)	83	81
Accrued interest payable	132	223
	4,357	20,168
	27,149	**46,293**

Loans and borrowings

The breakdown of "Loans and borrowings" at December 31 is as follows:

(Thousands of euros)	2015		2014	
	Amount pending payment	Accrued finance cost (Note 18.5)	Amount pending payment	Accrued finance cost (Note 18.5)
Loans	26,892	555	34,000	546
Borrowings	-	40	11,864	328
	26,892	**595**	**45,864**	**874**

The loans and borrowings accrue floating interest at market rates.

At December 31, 2015 and 2014, the Company had been granted credit facilities up to a total limit of 42,000 thousand and 45,000 thousand euros, respectively.

(Thousands of euros)	2015	2014
1 - 2 years	4,250	4,000
2 - 3 years	4,250	4,000
3 - 4 years	14,250	4,000
4 - 5 years	-	14,000
	22,750	**26,000**

At December 31, 2015, the Company had confirming lines with an overall limit of 3,100 thousand euros (2014: 6,100 thousand euros). The Company also had multi-risk policies amounting to 8,000 thousand euros (2014: 11,500 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)	2015	2014
Non-current		
Loans at a subsidized interest rate	6,471	5,894
Other non-current debts	4,167	5,000
Hedging instruments (Note 14)	177	682
Borrowings from group companies and associates (Note 20.1)	4,500	4,500
Other borrowings	3	22
	15,318	**16,098**
Current		
Borrowings from group companies and associates (Note 20.1)	5,109	10,155
Trade and other payables	18,057	12,971
Loans at a subsidized interest rate	852	963
Payable to shareholders and directors	1,776	1,732
Payable to suppliers of non-current assets	2,625	1,930
Other borrowings	630	40
Hedging instruments (Note 14)	3,217	5,009
	32,266	**32,800**

Loans at a subsidized interest rate

At December 31, 2015 and 2014, the Company had loans with subsidized interest rates with entities operating under the auspices of the Navarre Regional Government, and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the implicit interest on these loans generated from discounting cash flows at market rates prevailing at the grant date.

	2015		2014	
(Thousands of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	7,072	6,471	6,565	5,894
Current				
Loans at a subsidized interest rate	865	852	978	963
	7,937	**7,323**	**7,543**	**6,857**

The total amounts recognized under finance costs in 2015 and 2014 corresponding to these loans come to 199 thousand and 194 thousand euros, respectively (Note 18.5).

The breakdown by maturity of the non-current loans with a calculated interest rate at December 31 is as follows:

(Thousands of euros)	2015	2014
1 - 2 years	981	823
2 - 3 years	1,053	891
3 - 4 years	1,081	936
4 - 5 years	863	897
Over 5 years	2,493	2,347
	6,471	**5,894**

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)	2015	2014
1 - 2 years	833	833
2 - 3 years	833	833
3 - 4 years	833	833
4 - 5 years	833	833
Over 5 years	833	1,668
	4,167	**5,000**

Trade and other payables

The breakdown of "Trade and other payables" at December 31 is as follows:

(Thousands of euros)	2015	2014
Suppliers	6,834	2,789
Suppliers, group companies, and associates (Note 20.1)	1,405	1,933
Other payables	7,163	5,700
Employee benefits payable	1,909	1,996
Customer advances	746	553
	18,057	**12,971**

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	2015	2014
Deferred tax assets		
Temporary differences	1,634	2,599
Current income tax assets	-	1,722
Other payables to public administrations		
VAT	3,676	4,135
Grants received	2	4
	5,312	**8,460**
Deferred tax liabilities	(2,338)	(1,433)
Current income tax liabilities	(2,022)	(2,901)
Other payables to public administrations		
Personal income tax withholdings	(5,447)	(4,943)
Social security	(557)	(583)
Electricity tax	(693)	(593)
	(11,057)	**(10,453)**

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 net income and expenses for the year with taxable income (tax results) is as follows:

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	Increase	Decrease	Total	Increase	Decrease	Total
2015						
Income and expenses for the year						
Continuing operations			104,003			2,595
Discontinued operations			-			-
			104,003			2,595
Income tax						
Continuing operations			4,127			852
Discontinued operations			-			-
			4,127			852
Income and expenses for the year before tax			108,130			3,447
Permanent differences	424	(88,168)	(87,744)	-	-	-
Temporary differences						
Arising in 2015	537	(982)	(445)	3,114	(2,879)	235
Arising in prior years	-	(3,563)	(3,563)	1,508	(5,190)	(3,682)
Tax result			**16,379**			**-**

(Thousands of euros)	Income statement			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**			**-**

The increases in permanent differences are mainly due to expenses related to Shareholders' meeting attendance paid. The decreases are due to the 50% reduction in taxable profit generated by royalties collected from subsidiaries located abroad, international double taxation relief in relation to dividends from entities not resident in Spain. In 2015, profit obtained from the sale of the investment in a Group company was also adjusted (Note 9).

The increase in temporary differences during 2015 was mainly due to the amount of the depreciation of the revalued assets in January of 2013; the accounting expense in 2013 and 2014 was not partially deductible until 2015.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates, differentiating the income statement balance, is as follows:

(Thousands of euros)	2015		2014	
	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	180,130	3,447	71,275	(5,579)
Tax charge (tax rate: 25% in 2015 and 30% in 2014)	27,033	862	21,382	(1,674)
Deduction for double taxation on dividends		-	(300)	-
Deduction for international double taxation (royalties and other services)	(568)	-	(611)	-
Deductions for research and development	(1,023)	-	(352)	-
Investment tax credits	(888)	-	(1.127)	-
Other deductions	(71)	-	(33)	-
Impact of permanent differences	(21,936)	-	(16,560)	-
Adjustment prior years	205	-		
Adjustments due to changes in tax rates	106	(10)	-	189
Tax expense (income)	**2,858**	**852**	**2,399**	**(1,485)**
Tax paid abroad (*)	1,269	-	1,020	-
Tax expense (income)	**4,127**	**852**	**3,419**	**(1,485)**

(*) Amounts prepaid abroad for services, royalties, and other items.

(Thousands of euros)	2015 Income statement	2015 Recognized directly in equity	2014 Income statement	2014 Recognized directly in equity
Current income tax	2,788	-	3,104	-
Changes in deferred taxes				
From cash flow hedges (Note 13.1)	-	426	-	(1,309)
Grants, donations, and bequests received (Note 13.2)	-	426	-	(176)
Other temporary differences	990	-	(482)	-
Deductions generated	(2,550)	-	(2,423)	-
Deductions applied	1,630	-	2,200	-
	2,858	**852**	**2,399**	**(1,485)**

Refundable income tax was calculated as follows:

(Thousands of euros)	2015	2014
Current income tax	2,788	3,104
Withholdings	(766)	(203)
Income tax payable/receivable	**2,022**	**2,901**

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
2015				
Deferred tax assets				
Trade receivables	233	(83)	-	150
Depreciation and amortization	44	(4)	-	40
Balance sheet restatement	801	(499)	-	302
Cash flow hedges	1,298	-	(351)	947
Unused tax deductions	223	(28)	-	195
	2,599	(614)	(351)	1,634
Deferred tax liabilities				
Non-current investments in group companies	(1,081)	(404)	-	(1,485)
Cash flow hedges	-	-	(75)	(75)
Non-repayable grants	(352)	-	(426)	(778)
	(1,433)	(404)	(501)	(2,338)
	1,116	**(1,018)**	**(852)**	**(704)**
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	-	233
	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**

Law 23/2015, of December 28 on reformed tax legislation and other economic measures changed the general tax rate from the current 25% to 28% for upcoming years.

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.

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)	2015	2014
By business segment		
Sale of meat, cellulose, plastic, and collagen casings	135,605	129,967
Sale of spare parts and machinery	6,473	6,785
Sale of energy	38,929	38,427
Other sales	159	195
Services provided	560	428
	181,726	**175,802**
By market segments		
Domestic market	52,716	51,262
Foreign market	129,010	124,540
	181,726	**175,802**

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.

18.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2015	2014
Consumption of raw materials and other consumables		
Purchases in Spain	41,725	41,799
EU acquisitions	12,056	11,896
Imports	8,467	6,248
Changes in raw materials and other consumables	(1,342)	66
	60,906	**60,009**

The breakdown of "Consumption of goods" is as follows:

(Thousands of euros)	2015	2014
Purchases of goods for resale		
Purchases in Spain	8.805	7,077
EU acquisitions	5.188	5,217
Imports	3.652	3,048
Change in goods for resale	(2.369)	(630)
	15,276	**14,712**

The breakdown of "Social security costs, et al" is as follows:

(Thousands of euros)	2015	2014
Social security	7,247	6,996
Other employee welfare expenses	1,612	1,250
	8,859	**8,246**

18.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2015	2014
Research expenses	1,449	1,025
Lease payments	929	1,018
Repairs and maintenance	12,561	12,074
Independent professional services	4,098	3,734
Transportation services	2,172	2,186
Insurance premiums	707	788
Bank services	64	72
Publicity, advertising, and public relations	843	596
Utilities	9,313	8,266
Other services	7,499	7,854
	39,635	**37,613**

18.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2015	2014
Loans (Note 16.1)	555	546
Loans to group companies (Note 20.1)	84	316
Credit facilities (Note 16.1)	40	328
Loans with subsidized interest rates (Note 16.2)	199	194
Other financial liabilities	136	116
	1,014	**1,500**

The breakdown of transactions carried out in currencies other than the euro is as follows:

(Thousands of euros)	2015	2014
Revenue		
Sales	76,809	68,737
Goods for consumption		
Purchases of raw materials and other consumables	(11,053)	(8,564)
Purchases of goods for resale	(1,447)	(1,138)
Other operating income		
Ancillary income	3,717	3,575
Employee benefits expense		
Wages and salaries	(198)	(140)
Social security costs, et al	(14)	(6)
Other operating expenses		
External services	(2,771)	(2,381)

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
2015		
Customers (Note 8.1)	24,117	229
Current loans (Note 8)	6,811	-
Current dividends receivable (Note 8)	153	-
Suppliers (Note 16.2)	(1,405)	-
Current accounts payable (Note 16.2)	(9,609)	-
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)	-

Loans to group companies

On December 31, 2015, the Company had a loan granted to Viscofan Technology (Suzhou) Co. Ltd. The loan was initially granted for one year untill March 12, 2015, unless other agreement were made by the parties, and amounts to $10,000 thousand, of which $7,300 thousand were drawn down in 2015 (6,811 thousand euros). The loan bears interest equivalent to one-year Libor plus 2 percentage points, and was renewed by both parties until March 12, 2017.

Borrowings from group companies

At December 31, 2015 and 2014, 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)	2015	2014	Interest rate	2015	2014
Naturin Viscofan, GMBH	-	-	1.99%	-	22
Viscofan CZ, S.r.o.	5,000	10,000	One-month Euribor + 1.07% in 2014 and 0.2% in 2015	31	177
	5,000	**10,000**		**31**	**199**

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 2015 and 2014 were 53 and 63 thousand euros, respectively.

Transactions entered into with related parties were as follows:

	2015		2014	
(Thousands of euros)	Direct parent	Companies with an indirect investment	Direct parent	Companies with an indirect investment
Revenue				
Sale of casings	69,437	743	59,092	1,557
Sale of spare parts and machinery	5,849	-	6,749	32
Services provided	560	-	428	-
Goods for consumption				
Purchases of casings and other	(10,863)	-	(13,564)	-
Purchases of casings and other re-invoiced	-	-	1,036	6
Other income	10,488	168	9,481	129
Other operating income				
Employee benefits expense				
Other employee benefits expense	4	-	(5)	-
Other employee benefits expense re-invoiced	(41)	-	164	-
Other operating expenses				
External services received	(1,095)	-	(1,136)	14
External services re-invoiced	3,113	86	1,995	71
Net finance income (expense)				
Finance income - dividends	46,548	-	54,033	-
Finance income - interest	216	-	234	-
Finance expense - interest	(84)	-	(316)	-

Directors

Directors compensation is outlined in Article 27 ter of the bylaws and remuneration policies approved by the shareholders during their general meeting.

The breakdown for remuneration in 2015 is as follows:

	Thousands of euros							
	Salaries	Fixed remuneration	Per diems	Variable remuneration - short term	Variable remuneration - long term	Remuneration from membership in other commissions	Boards of other group companies	Total
2015								
Mr. José Domingo de Ampuero y Osma	348	350	-	157	139	-	-	994
Mr. Nestor Basterra Larroudé	-	330	33	-	-	100	8	471
Ms. Agatha Echevarría Canales	-	255	33	-	-	100	-	388
Mr. Alejandro Legarda Zaragüeta	-	80	33	-	-	45	-	158
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	30	-	-	60	-	170
Ms. Laura González Molero	-	80	24	-	-	8	-	112
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Mr. Jaime Real de Asúa Arteche	-	80	33	-	-	20	-	133
Mr. José Antonio Canales García	308	-	-	312	139	-	-	759
Mr. Juan March de la Lastra	-	51	21	-	-	12	-	84
	656	**1,386**	**240**	**469**	**278**	**375**	**8**	**3,412**

During the General Shareholders Meeting held on May 7, 2015 Mr. Juan March de la Lastra was designated Propriety Director of Corporación Financiera Alba, S. A.

	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
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 y 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 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, José Domingo de Ampuero y Osma and José Antonio Canales García earned a variable compensation totaling 747 thousand euros (2014: 513 thousand euros). This 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.

At December 31, 2015 and 2014, the Viscofan Group had not paid any advances or granted any loans to serving or former members of the Board of Directors or related parties, and had no pension or life insurance commitments with them. There was no remuneration based on shares or options.

In 2015 and 2014 the members of the Board of Directors or persons acting on their behalf did not carry out any transactions with the Company or with Group companies other than those conducted at arm's length in the normal course of business.

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 indemnity. The average total indemnity payable is twice the annual salary, and includes a non-competition condition.

In 2015, remuneration received by key management personnel totaled 2,056 thousand euros. This includes 537 thousand euros, corresponding to the payment of tri-annual remuneration. In 2014, remuneration totaled 1,259 thousand euros, with no additional payment made for pluri-annual complements. This amount does not include the abovementioned payments made to José Antonio Canales García and José Domingo de Ampuero y Osma, which are reflected above.

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 6.86% of the Company's shares at year-end 2015 (2014: 6.7%). Payments made, including financial expenses, totaled 140 thousand euros (2014: 162 thousand euros). Also, services received from parties related to the shareholder amounted to 845 thousand euros in 2015. All transactions take place 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 is as follows:

(Thousands of euros)	2015	2014
Non-current financial investments	182	132
Trade and other receivables	42,929	36,052
Current loans to group companies	6,964	5,222
	50,075	**41,406**

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.

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)	2015	2014
Not due	17,105	21,775
Past due, not impaired		
Less than 3 months	1,422	162
3 – 6 months	-	-
6 – 12 months	-	-
More than 12 months	-	-
	18,527	21,937
Doubtful (over 6 months)	801	733
Impairment allowances (Note 8.1)	(801)	(733)
Total	**18,527**	**21,937**

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:

	2015		2014	
(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	20,112	2,931	15,997	2,557
In Canadian dollars	103	-	70	-
In pounds sterling	2,458	-	1,863	-
Other	251	-	410	-
	22,924	**2,931**	**18,340**	**2,557**

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.

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
2015					
Bank borrowings					
Loans	1,250	2,892	22,750	-	26,892
Accrued interest payable	72	60	-	-	132
Liabilities from capital leases	21	62	42	-	125
Derivatives	1,394	1,823	177	-	3,394
Other financial liabilities	2,658	3,225	7,315	3.326	16,524
Payable to group companies	5,109	-	4,500	-	9,609
Trade and other payables	18,057	-	-	-	18,057
	28,561	**8,062**	**34,784**	**3,326**	**74,733**
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**

(*) 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.

22.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average Headcount during the Year
	Men	Women	Total	
2015				
Senior executives	16	3	19	18
Engineers and technicians	150	45	195	178
Administrative personnel	3	29	32	30
Specialized personnel	81	22	103	98
Laborers	264	68	332	335
	514	**167**	**681**	**659**
2014				
Senior 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**

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, 2015 and 2014:

(Thousands of euros)	2015	2014
Fees for audit of the financial statements	104	102
Other audit services	23	22
Other services	18	5
	145	**129**

The above amounts include all 2015 and 2014 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
2015				
Cost	11,338	-	-	11,338
Accumulated depreciation	(9,779)	(275)	-	(10,054)
	1,559			**1,284**

(Thousands of euros)	January 1	Additions	Disposals	December 31
2014				
Cost	11,338	-	-	11,338
Accumulated depreciation	(9,333)	(446)	-	(9,779)
	2,005			**1,559**

The expenses to protect and improve the environment during 2015 and 2014 were ordinary and amounted to 1,246 thousand and 951 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

In accordance with the terms of the single additional provision of the Resolution of the Institute of Accounting and Auditors of Accounts dated January 29, 2016 on information to be included in notes to the financial statements regarding the average period for making payments to suppliers, the Company has decided to apply the draft resolution, and therefore, in accordance with the terms outlined in the first additional provision, will only present the information for the year, rather than comparative information; therefore, these are considered first-time financial statements for these exclusive effects, with regard to the application of the uniformity principle and the comparability requirement.

Information on the average payment period to suppliers follows:

	2015
Days	
Average supplier payment period	35.6
Ratio of paid transactions	37.2
Ratio of transactions pending payment	12.3
(Thousands of euros)	
Total payments made	114,317
Total future payments	7,569

23. EVENTS AFTER THE BALANCE SHEET DATE

In its meeting on February 29, 2016 the Board of Directors agreed to propose remuneration for shareholders totaling 1.35 euros per share. This included the abovementioned 0.52 euros per share interim dividend paid on December 29, 2015, and a complementary 0.82 euros per share dividend that will be paid on June 9, 2016, plus the attendance per diem amounting to 0.01 euros per share.

No significant event has occurred after December 31, 2015 which would impact or substantially affect the information given herein.

Business performance and situation of Viscofan S.A.

Over the last four years the Viscofan Group has implemented an ambitious strategic plan (Be MORE) aimed at taking advantage of the growth in the casings market, which contrasted with the downturn in the global economy.

With this in mind, the Group significantly stepped up investment, in particular in the first half of the period of the strategic plan, with new facilities added and also investment in improving technology and processes at the Group's other plants including those that comprise Viscofan S.A. (Cáseda and Urdiain). As a result the Group has been able to make better use of installed capacity, with stronger growth achieved in the regions where we were already present.

After a first phase of expansion, growth in the casings sector eased to normalised volume growth rates in 2014 and 2015. A normalisation which in turn was affected by the volatility of commercial currencies and the impact of this factor on purchasing power in emerging markets. Against this backdrop, the Viscofan Group stepped up the Optimisation measures envisaged in the strategic plan, enabling it to swiftly adapt to this environment.

In a period of strong commercial and operational activity within the Group, Viscofan S.A. contributed as a centre of excellence and parent that coordinates all the financial, commercial, operational and knowledge transfer activity carried out by its subsidiaries.

2015 saw a normalisation of sales volume growth coupled with a marked strengthening of the main commercial currencies, in particular of the US$ and CNY against the €, and a weakening of benchmark currencies in emerging markets, most notably the Brazilian Real and the Russian Rouble.

This macroeconomic backdrop had some impact on commercial activity, helping commercial initiatives by our competitors in North America in 2015, in particular in the second half.

Financial results

Viscofan S.A.'s revenue in 2015 amounted to €181.7 million, up 3.4% year-on-year. Underpinning this improvement was the strength of casing sales volumes, revenue from which grew by 3.9% to €142.8 million, while co-generation revenue grew by 1.3%.

The combination of higher revenue and the production improvements achieved in a stable cost environment was behind an increase in the gross margin[1] over sales to 58.6% in 2015 (2.1 p.p. higher than in 2014), with costs of consumption[2] falling 1.7% year-on-year to €75.2 million.

Personnel expenses in 2015 stood at €40.2 million, up 6.4% year-on-year, with the average workforce growing by 5.1% to 659 as a result of the reinforcement of the corporate team to support the expansion and consolidation of the Viscofan Group.

Other operating expenses amounted to €44.0 million in 2015, up 4.9% year-on-year.

A combination of revenue growth, operational strength and cost control improved profitability in 2015, with the EBITDA[3] margin increasing by 2.3 p.p. to 19.5%. As a result, EBITDA advanced by 17.2% year-on-year to €35.4 million.

[1] Gross margin = Revenue – Cost of consumption/ Revenue
[2] Cost of consumption = Supplies +/- Change in finished and work in progress products.
[3] EBITDA = Operating Profit (EBIT) + depreciation of property, plant and equipment and amortization of intangible assets.

Depreciation and amortisation charges stood at €12.5 million in 2015, up 2.4% year-on-year. As a result, EBIT in 2015 amounted to €23.1 million, up 26.9% year-on-year.

On 10 March 2015 Viscofan S.A. successfully completed the sale of IAN S.A.U. and its subsidiaries for an equity value of €55.8 million, which was paid in cash on the date that the contract was signed.

As a result of this sale Viscofan S.A. has removed from the balance sheet the historical cost value of the direct stake in Industrias Alimentarias de Navarra S.A.U which was booked under the "Non-current assets held for sale" heading in the amount of €15.6 million. The difference between this value and the net sale price gives rise to a gain from the disposal of a financial asset of €39.3 million on the income statement of Viscofan S.A.

In 2015 Viscofan S.A. obtained financial revenue from the dividends of its subsidiary companies of €46.5 million compared with €54.0 million in 2014.

As a result, the financial gain amounted to €85.0 million, up 60.2% year-on-year.

Profit before tax amounted to €108.1 million, up 51.7% year-on-year, with net profit after corporate income tax totalling €104.0 million, an improvement of 53.3% on the figure of €67.9 million in 2014.

The difference between the nominal tax rate (25.0%) and the effective tax rate (3.8%) is largely due to the financial gains from the dividends of subsidiaries that are exempt as a result of agreements between countries to avoid double taxation of repatriated profits. In addition, in 2015 the capital gains from the disposal of the IAN Group compared with their historic cost are exempt because they chiefly correspond to the positive cumulative gains in the equity of the IAN Group since 1988 on which corporate tax had already been paid in Navarre in all these years.

Viscofan S.A. invested €12.7 million in fixed assets compared with €15.3 million in 2014. Also, as parent of the Group's subsidiaries, Viscofan S.A. carried out various capital increase transactions and loans with the aim of maintaining an appropriate financial and equity balance at the Group's subsidiaries.

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. by €4.0 million. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarre), the Company subscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.

The dividends paid in 2015 entailed a cash outflow of €58.0 million, up 7.8% compared with 2014.

Viscofan S.A. was also involved in intense commercial, operational and investment activity in 2015 and increased shareholder remuneration while significantly reducing net bank debt [4] to €9.4 million at the end of 2015 compared with a figure of €45.8 million in December 2014. This was achieved thanks to positive cash flows from operations and the €55.8 million received from the disposal of the IAN Group.

Viscofan S.A.'s financial situation means it is well placed to satisfy its payment obligations over the next 12 months.

[4] Net bank debt = Non-current bank borrowings + Current bank borrowings – Cash and equivalents.

Financial commitments

Based on estimated growth, the Group plans to invest to strengthen its leadership position in the casings market and to continue improving the service it provides, as well as to upgrade its existing industrial equipment and operations. Commitments include the construction of the new fibrous casings plant in Cáseda, technological upgrades, process optimisation and increases in production capacity. Accordingly, commitments at the end of 2015 amounted to €1.7 million (€1.1 million at the end of 2014).

At 31 December 2015, Viscofan S.A. has contracted buildings and other assets under finance leasing whose future minimum payments and present value amounted to €0.1 million.

Viscofan S.A. also has various premises and other items of property, plant and equipment under operating lease arrangements. Future minimum payments for these contracts at 31 December 2015 amounted to €0.4 million (€0.1 million at 31 December 2014).

Company outlook

The casings industry has bright growth prospects thanks to population growth, in particular in urban areas, the globalisation of food habits and meat processors' efforts to increase productivity and improve food safety.

This increased productivity is even more significant considering the expected economic growth profile over the coming years in both developed and emerging markets, which need to become more competitive and larger in order to compete in a more globalised marketplace.

The Viscofan Group is well placed in the casings market to meet this challenge and is embarking on the 2016-2020 period of the MORE TO BE strategic plan with the same vision and a commitment to spearheading the industry and creating sustainable long-term value with an abundance of projects enclosed in the axes Technology, Service and Cost. All with the goal of leading the way in the global casings industry, actively fostering the development of new markets, proposing new product solutions and being the sector benchmark for efficiency and productivity in all technologies. Viscofan S.A. is well placed to perform well in 2016 thanks to its strong competitive position and healthy balance sheet and is set to remain one of the Group's key commercial, production and financial cornerstones.

Furthermore, as the 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 other production centres within Viscofan Group.

Viscofan S.A. is currently establishing a new fibrous casings plant in Cáseda (Navarra), with total investment estimated at €20 million, and work is also expected to commence on the installation of plastics production capacity at its site in Cáseda.

Environment

Viscofan understands that business management must adopt criteria that are consistent with both productive and economic efficacy, and sustainable development.

Viscofan S.A. and its employees are committed to developing their business in line with sustainable and economically viable criteria and principles, with respect for prevailing

environmental impact derived from their activity.

Viscofan S.A. has 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.

Note 22.3 of the accompanying financial statements provides a breakdown of investments and costs relating to the environment in 2015 and 2014.

Employees

The Viscofan Group's leadership is underpinned by the differential value of the know-how and commitment of all its employees. Viscofan S.A.´s total headcount at the end of December 2015 was 681 persons, up 3.5% compared with the end of 2014. The average workforce grew by 5.1% year-on-year to 659 persons.

In 2015, personnel expenses totalled €40.2 million, up 6.4% compared with 2014 and representing 22.1% of 2015 revenue, €8.9 million corresponding to social security contributions paid by the Company.

Viscofan S.A. through Human resource department promotes initiatives that enhance knowledge management and enable employees' skills to be harnessed with a view to achieving the Group's objectives. Training is one of the Group's priorities with regard to personnel management and is carried out on an ongoing basis, thereby fostering personal and professional development.

The Viscofan Group is committed to respecting and upholding the human rights proclaimed in international commitments such as the International Charter of Human Rights and the United Nations Global Compact to which it is a signatory. Furthermore, under the Viscofan Group's code of conduct employees must respect and uphold human rights and refrain from contravening them in the course of their duties.

Corporate workplace safety policies are the responsibility of the EHS department (Environment, Health and Safety), working in close partnership with the corporate and local human resource departments. In this regard, the Group continues to take action and carry out investment aimed at improving the working conditions of our employees.

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 stock market performance

In 2015 the performance of stock markets was shaped by the high level of uncertainty caused by factors such as the debt renegotiation in Greece and the perception of a global economic slowdown, in particular in emerging markets, the sharp drop in the oil prices and in the main raw materials.

The monetary policies of the main central banks continue to exert a significant influence on price formation in financial markets. In 2015 the European Central Bank adopted an expansionary policy with the aim of stimulating the economy while in the US the Fed, which has been reducing stimuli, raised interest rates at the end of the year. The different moment in the monetary policy cycle between Europe and the US also affected the currency market, with the US$ strengthening sharply against the € and other currencies of emerging economies.

Against this backdrop, stock markets also exhibited decorrelation: the US S&P 500 ended 2015 with a slight rise of +0.02% while in Europe the Ibex-35 fell -7.2% in Spain, the DAX advanced +9.6% in Germany and the CAC rose +8.5% in France. In overall terms the global indices ended 2015 at virtually the same level as at the start of the year or with slight losses. Returns range between -0.3% for the MSCI The World Index and -4.1% for the FTSE World. The three previous years had ended with positive returns.

Viscofan's share price closed 2015 at €55.64, up 26.3% year-on-year and 29.1% including shareholder remuneration. As a result, Viscofan's market capitalisation stood at €2,593 million at the end of 2015 (+26.3% vs. 2014).

Over 58.3 million Viscofan shares were traded in 2015, 125% of the total in circulation, with a traded volume of €3,180 million, equivalent to a daily average of €12.3 million.

Average payment period

In 2014 Law 31/2014 came into force, 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, the average payment period of Viscofan S.A. in 2015 was 36 days (35 days in 2014), lower than the maximum under Spanish law.

The average payment period was calculated in accordance with the Resolution dated 29 January 2016, of the Spanish Accounting and Auditing Institute, on the information to be included in annual financial statements in relation to the average supplier payment period in commercial operations.

Also, note 22.4 of the annual consolidated financial statements shows the information on the average supplier payment period during the year.

Acquisition of treasury shares

At December 31, 2015 the Company owned no treasury shares.

Description of risks and uncertainties

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

The Company's risk map includes the following headings:

1. Strategic risks: Natural catastrophes; country risk; competitive sector environment Reputation; company property

2. 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

As of 29th February 2016, the Board of Directors agreed to propose to the General Shareholders' Meeting a final dividend of €0.82 per share, paid on 9 June 2016. This brings total shareholder remuneration to €1.35 per share, including the interim dividend of €0.52 per share paid on 29 December 2015, the aforementioned final dividend of €0.82 per share, and €0.01 per share as a bonus for attending the Shareholders' Meeting. The remuneration proposed is 14.4% higher than the total remuneration of €1.18 approved in the previous year.

ANNUAL CORPORATE GOVERNANCE REPORT 2015

Viscofan S.A

Year end: 31/12/2015

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

A.1- Fill in the following table on the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of votings rigths
14/04/2011	32,622,577.40	46,603,682	46,603,682

S Indicate if there are different classes of shares with different rights associated with them

NO

A.2- Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name or company name of the Shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	0	2,297,473	4.93
APG Algemene Pensioen Groep NV,	2,408,875	0	5.17
CORPORACION FINANCIERA ALBA SA		2,332,432	5.00
DOÑA ANA MARIA BOHORQUEZ ESCRIBANO .		1,403,947	3.01
FIDELITY INTERNATIONAL LIMITED.	0	478,802	1.03
INVESCO LIMITED		474,048	1.02

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
CORPORACION FINANCIERA ALBA SA	Alba participaciones S.A.U.	2,332,432
DOÑA ANA MARIA BOHORQUEZ ESCRIBANO	Angustias y Sol S.L.	1,403,947
FIDELITY INTERNATIONAL LIMITED.	Other shareholders of the Company	478,802
INVESCO LIMITED	Other shareholders of the Company	474,048

Indicate the most significant movements in the shareholding structure during the year.

Name or company name of the shareholder	Date of transaction	Description of the transaction
ONCHENA S.L.	14/05/2015	Down from 3% of the share capital

DOÑA ANA MARIA BOHORQUEZ ESCRIBANO	13/05/2015	capital
BLACKROCK, INC.	27/03/2015	Down from 3% of the share capital
DELTA LLOYD N.V.	24/04/2015	Down from 3% of the share capital
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	29/04/2015	Down from 3% of the share capital
ANGUSTIAS Y SOL S.L.	13/05/2015	Exceeded 3% of the share capital
DOÑA CARMEN YBARRA CAREAGA	29/04/2015	Exceeded 3% of the share capital
DOÑA CARMEN YBARRA CAREAGA	14/05/2015	Down from 3% of the share capital
BANK OF AMERICA CORPORATION	05/06/2015	Exceeded 3% of the share capital
BANK OF AMERICA CORPORATION	08/06/2015	Down from 3% of the share capital

A.3- Fill in the following tables about members of the Board of Directors of the Company with voting rights on company shares:

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOSÉ ANTONIO CANALES GARCÍA	10,670	6,299	0.04%
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	30,276	0	0.06%
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	50,539	0	0.11%
MR. ALEJANDRO LEGARDA ZARAGüETA	8,250	0	0.02%
MRS. AGATHA ECHEVARRIA CANALES	16,809	0	0.04%
MR. NESTOR BASTERRA LARROUDÉ	212,452	0	0.46%
MS LAURA GONZÁLEZ MOLERO	5	0	0.00%
MR. JUAN MARCH DE LA LASTRA		13,640	0.03%

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MR. JOSÉ ANTONIO CANALES GARCIA	Other shareholders of the Company	6,299
MR. JUAN MARCH DE LA LASTRA	ATACAMPA S.A..	13,640

Total % of voting rights of the Board of Directors:	0.76%

3

Name of director (person or company)	Number of direct voting rights	indirect rights		Number of equivalent shares	% of total voting rights
		Direct owner	Number voting rights		

A.4- Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description

No applicable

A.5- Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description
CORPORACIÓN FINANCIERA ALBA S.A MR. JOSÉ DOMINGO DE AMPUERO Y OSMA.	CORPORATE	MR.JOSE DOMINGO DE AMPUERO Y OSMA IS MEMBER OF ITS BOARD OF DIRECTOR
CORPORACIÓN FINANCIERA ALBA S.A MR. JUAN MARCH DE LA LASTRA	CORPORATE	MR. JUAN MARCH DE LA LASTRA IS VICECHAIRMAN OF THE BOARD OF DIRECTOR

A.6- Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Participants in shareholders agreements	% of share capital affected	Brief description of agreement

NO

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

Participants in concerted action	% of share capital affected	action

NO

A.7- Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

NO

A.8- Fill in the following tables about the Company's treasury stock

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0%

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
Total:	0

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

A.9- Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury 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 Corporate Enterprises Act (CEA) (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 140 and 509 of Corporate Enterprises Act (CEA) (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 Corporate Enterprises Act (CEA).

A.9 bis- Estimated floating capital:

	%
Estimated floating capital	79.37

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market

NO

A.11- Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12- Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

NO

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

B.- GENERAL SHAREHOLDER'S MEETING

B.1- Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Corporate Enterprises Act ("CEA") in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

	% Quorum differing from that set forth in art 193 of Corporate Enterprises Act (CEA) for general circumstances	% Quorum differing from that set forth in art 194 of Corporatie Enterprises Act for the special circumstances set forth in art 194
Quorum required on first summons		
Quorum required on second summons		

Describe de differences:

B.2- Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions

NO

Describe any differences from the minimum standards established under the CEA.

	Reinforced majority different to that set forth by Article 201.2 of CEA (Corporate Enterprises Act) for the purposes of Article 194.1 of CEA	Other instances of reinforced majority
% set forth by the Company for adoption of resolutions		
	Describe the differences	

B.3-Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard 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 Corporate Enterprise 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 the year to which this report refers and the previous year:

Attendance information					
General Shareholders Meeting Date	% shareholders present	% Attending by proxy	% voting remotely		Total
			Electronic vote	Other	
11/04/2014	1.19%	36.92%	0,000%	38.25%	76.36%
07/05/2015	1.52%	29.75%	0,000%	41.79%	73.06%

B.5- Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

Number of shares necessary to attend the General Shareholders' meeting:	1,000

B.6- Section repealed

B.7- Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

This content is available via the company's website (www.viscofan.com)

which can be found at the top of the website homepage. Once inside the tab, the information can be accessed by clicking on Corporate Governance to be found in the menu on the left.

The information relating to the General Shareholders Meetings is permanently available on the Investor Relations tab, located at the top of the website homepage. Once inside the tab, the information can be accessed by selecting the General Shareholders' Meeting section to be found in the menu on the left. Moreover, as of the date of publication of the notice to hold a new General Meeting, a direct link is enabled on the company's Home Page to the notice of meeting. In accordance with the shareholders' right to information, there is also access to legally-required documentation, and other documentation for information purposes.

C.- CORPORATE GOVERNANCE STRUCTURE

C.1- Board of Directors

C.1.1- Maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	10
Minimum number of Directors	3

C.1.2 Fill in the following table on the Board members:

Name of director (person or company)	Representative	Type of directorship	Position on the board	Date first appointed	Date last appointed	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA		Executive	CHAIRMAN	27/02/2009	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRA LARROUDE		Other External	1st VICE-CHAIRMAN	29/07/1997	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	Other External	2nd VICE CHAIRWOMAN	24/06/1998	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	Independent	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	-	Independent	DIRECTOR	01/01/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	-	Independent	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS LAURA GONZALEZ MOLERO	-	Independent	DIRECTOR	22/04/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER'S MEETING

Y ARTECHE						SHAREHOLDER 'S MEETING
MR. JOSE ANTONIO CANALES GARCÍA		Executive	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JUAN MARCH DE LA LASTRA		External independent	DIRECTOR	07/05/2015	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

Total number of Directors	10

Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of leaving

C.1.3- Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Position within company organisation
MR JOSE DOMINGO DE AMPUERO Y OSMA	Chairman
MR. JOSE ANTONIO CANALES GARCÍA	Managing Director

Total number of Executive Directors	2
% of total directors	20.00%

EXTERNAL NOMINEE DIRECTORS

Name of director (person or company)	Name or business name of the significant shareholder represented or proposing nomination.
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA

Total number of nominee directors	1
% of total directors	10.00%

Name of director (person or company)

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 of director (person or company)

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, Progénika Biopharma, Minerales y Productos Derivados, Tubacex 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, Schneider Electric España, and was Chairman of Naturgás.

Name of director (person or company)

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

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 of director (person or company)

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.

Name of director (person or company)

MR JAIME REAL DE ASUA Y ARTECHE

Profile

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

He is currently Vice Chairman of the Board of Directors of Elecnor S.A., member of its Executive Committee and member and secretary of the Appointments and Remuneration Committee. Moreover, he is the a member of the Board of Directors of Enerfín Enervento, S.A and Deimoss Space S.L.U. Both companies form part of Elecnor Group. He has been President and Director of Adhorna Prefabricación S.A. until 2015 when it was owner by Elecnor S.A. He is member of the Board of Directors and Secretary of Cantiles XXI S.L. From 1987 until 2012 he served as a member of the Board of Directors of Internacional de Desarrollo Energético, S.A. (IDDE).

At the same time, from 1981 until 2011 he was linked to Grupo Cementos Portland Valderrivas, where he held different management positions and was a member of the Board of Directors of various companies of this Group.

Total number of Independent Directors	5
% of total directors	50.00%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

NO

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Reasons

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered nominee or independent Directors and detail their relationships with the company, its executives or its shareholders.

Name of director (person or company)	Reasons
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.

Total number of other external directors	2
% of total directors	20.00%

Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of change	Previous category	Current category

C.1.4- Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of females directors				% of total female directors of each category			
	Period 2015	Period 2014	Period 2013	Period 2012	Period 2015	Period 2014	Period 2013	Period 2012
Executive	0	0	0	0	0	0	0	0
Nominee	0	1	0	0	0	0	0	0
Independent	1	2	2	2	20.00	20.00	25.00	25.00
Other external	1				50.00	50.00	0.00	0.00
TOTAL	2	2	2	2	20.00	22.22	22.22	22.22

C.1.5- Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures:

The duties of the Appointment and Remuneration Committee include establishing a representation target for the least represented gender on the board or directors, and preparing guidelines on how to achieve this objective. As a result of the amendment of the Board regulation, approved on 26th February 2015, a board member selection policy was prepared, specifically establishing that the Committee must take account of the representation target established for the least represented gender and must include persons of the said gender amongst potential candidates.

The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the key factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality.

C.1.6- Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures

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.

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

C.1.6.bis- Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

Explain the conclusions

The Appointments and Remuneration Committee considers that the board member selection policy has been properly complied with, for a number of reasons: all the proposals made to the General Shareholders' Meeting were supported by a prior analysis of the needs of the Board, taking account of the competencies, knowledge and experience of the board members and candidates, valuing diversity, promoting the search for different alternatives for candidates that suit the profile, and performing the selection process in accordance with the principles set out in the said policy.

The Committee considers that there is a need to analyse the implementation of the policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the board member term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this regard, the Committee is working towards the 2020 target.

C.1.7- Explain the form of representation on the Board of shareholders with significant holdings.

The company maintains an ongoing dialogue with institutional shareholders and investors, in accordance with its communication policy. As a result of these contacts, the company considers the representation on the Board of those shareholders with significant holdings whose interests are in line with those of the company in long-term value creation for all stakeholders, and analyses the different factors that may contribute to proposing the said representation, taking account of the internal policies of the said shareholders, the shareholding structure and the composiition of the Board at any given time.

C.1.8 - Explain, where applicable, the reasons why nominee directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or company name of the Shareholder	Justification

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9- Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of the Director	Reason for leaving

C.1.10 - Describe any powers delegated to the Chief Executive Officer(s), if any:

Name of director (person or company)	Brief 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 any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S.DE R.L DE C.V.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO SERVICIOS S DE RL DE CV.	CHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN	NO

MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	GAMEX CB S.R.O.	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN URUGUAY S.A.	DIRECTOR	
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN USA INC.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CANADA	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO S. DE RL. DE CV .	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	ZACAPU POWERS DE RL DE CV	DIRECTOR	NO
MR. JOSE ANTONIO CANALES GARCIA	VISCOFAN CENTROAMERICA COMERCIAL SOCIEDAD ANONIMA	SECRETARY	NO
MR. JOSE ANTONIO CANALES GARCIA	NANOPACK TECHNOLOGY & PACKAGING S.L	CHAIRMAN	NO

C.1.12- Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Name of the listed company	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION ALBA SA TUBACEX S.A.	DIRECTOR 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 S.A.	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	INDRA SISTEMAS SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA SA	DIRECTOR

C.1.13- Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

YES

Explanation of rules:

Company directors may not sit on more than three Boards of Directors of listed companies, in addition to the Board of Viscofan, S.A.

C.1.14- Section repealed.

C.1.15- Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (Thousand Euros)	3,412
Cumulative amount of rights of current Directors in pension scheme (thousands of euros	0
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0

The overall remuneration of the Board includes the triennial variable remuneration of the executive directors.

C.1.16- Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position(s)
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 JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC

MR IÑIGO MARTINEZ	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
MR ANGEL MAESTRO ACOSTA	MANAGING DIRECTOR URUGUAY S.A.

Total senior management remuneration (thousand Euros)	3,064

The overall remuneration of senior management includes the triennial variable remuneration.

C.1.17. Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Name or company name of the Director	Company name of the major shareholder	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA	VICECHAIRMAN

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their 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- Indicate whether there has been any change in the Board regulations during the year:

YES

Description of changes

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.

competent bodies, the procedures to be followed and the criteria to be employed in each procedure:

The Company's Board of Directors has approved a Policy for the Selection of Directors, based on the principles of equality, transparency and legality, in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board, avoiding any implicit bias that may involve some type of discrimination and taking account of diversity, particularly the measures to be applied in order to meet the representation target for the least-represented gender on the Board of Directors and to facilitate the inclusion of female directors on the board.

Pursuant to Article 26 of the Articles of Association:

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 four 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 bis 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 8 of the Board Rules sets forth:

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:

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- Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities

Description of amendments:

As a result of the assessments made in the course of the last few years, the Board of Directors prepares an annual schedule of meetings of the Board and the various committees, so that the directors can better plan their time and to encourage commitiment to, and attendance of meetings. Furthermore, the annual plan includes visits to some of the Group's centres in order to thoroughly examine specific aspects of their particular activity and environment. There has also been

an increase in the involvement of management in some meetings of the Board, in order to gain an insight into their fields of competence and to better monitor the Group strategy and that of each of its companies.

C.1.20bis- Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the fist executive of the company, and the performance and contribution of each board member.

In complaince with this article of its Rules, headed by the Appointments and Remuneration Committee or by the Coordinating Director, in the case of the Chairman, and coordinated by the Secretary of the Board, the Board makes an annual assessment of the Board itself and all its Committees, analysing, amongst other factors, a number of formal and material aspects of the activity of each one, in addition to the content of the meetings, access to business

knowledge, information on factors that are required in order to carry out their duties, the presence of directors at the meetings of the Board and the various Committees, the quality of the debates and decision making, the performance of the directors and Chairmen of each of the committes and the Board itself, the qualification of the Board members and Secretary, the quality in the achievement of objectives.

Likewise,any suggestions and comments are requested that may help to improve the performance of each one.

Each Board and Committee member individually makes his/her own analysis, following the guidelines provided, and anonymously sends the results to the Board Secretary who, after unifying the results obtained, either presents them to the Board or sends them to each of the Committees, where applicable, for internal debate and, if appropriate, to agree on any actions that will help to improve the functioning and compliance with the duties of the Board and each of its Committees.

Furthermore, subject to a report by the Appointments and Retribution Committee, and headed by the coordinating director, the Board makes an assessment of the Chairman.

C.1.20.ter Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

C.1.21- Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 24 of the Regulations of the Board, with regard to the duty to avoid conflicts of interes, 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 of not the Director should continue in office.

Furthermore, according to art 28 of the Board of Director Regulations, 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) If they become subject to any of the disqualifications or prohibitions set down in law.

b) If their remaining on the Board could undermine the Company's interests or if 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 his/her stake.

C.1.22- Section repealed.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

.

NO

C.1.25- Indicate whether the Chairman has a 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 bylaws or the Board Regulations establish an age limit for directors:

NO

Age limit for Chairman	Age limit for Chief Executive Officer	Age limit for directors
No age	No age	No Age

C.1.27- Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law

Maximum number of years in office	

C.1.28- Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards

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.

with specific instructions will be counted as attendances.

Number of Board Meetings	12
Number of Board Meetings not attended by the Chairman	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director:

Number Meetings	0

Indicate the number of meetings of the Board's different committees have held during the year

Number of Executive or Delegate Committee Meetings	11
Number of Audit Committee Meetings	8
Number of Appointments and Remuneration Committee Meetings	8

C.1.30- Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances

Number of meetings attended by all directors	8
% of attendances to total votes during the year	97.00%

C.1.31- Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

YES

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

Name	**Position**
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, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

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 company Secretary a director?

NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
Juan Maria Zuza Lanz	

C.1.34- Section repealed.

C.1.35- Indicate what mechanisms the company has established, if any, to preserve the independence of the external 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:

d) Definition of the information policy relating to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 35 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 its external auditor during the year. If so, identify the incoming and outgoing auditors:

NO

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

Explanation of disagreements

C.1.37- Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

YES

	Company	Group	Total
Amount of non-audit work (thousands euros)	41	18	59
Amount of non-audit work / total amount billed by the audit firm (%)	28.00%	3.00%	7.80%

C.1.38- Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39- Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	**Group**
Number of consecutive years	9	9
Number of years audited by current audit firm / number of years the company has been audited (%)	36.00%	40.50%

C.1.40- Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

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 and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

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- Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

YES

Description of rules:

This was dealt with in point C.1.21 above.

C.1.43- Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act

NO

	Board of directors	General shareholders Meeting
Body authorising the clauses	YES	NO

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

Decision adopted/action taken	Reasoned explanation

C.1.44- Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.45- Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	**2**
Beneficiary type Executive Director and General Manager Director	**Description of the agreement** In both cases: Indemnity of two years' salary in the event of irregular termination, with two years of non-competition.

Indicate whether these contracts must be disclosed to and/or approved by the company or group governance bodies:

	YES	NO
Is the General Meeting informed of the clauses?	X	

C.2 - **Board of Directors Committees**

C.2.1- Detail all the Board Committees, their members and the proportion of executive, nominee, independent and other external directors sitting on them

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	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	33.00%
% Nominee Directors	0.00%
% Independent Directors	0.00%
% Other External Directors	66.67%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

The Executive Committee is regulated in article 30.1 of the Articles of Incorporation of the Company and in article 12 of the Board Regulations

1.The Executive Committee or Delegate Committee will comprise a minimum of three and a maximum of five members. The following will be members of the Executive Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Executive Committee will exercise all the powers of the Board, except for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Board of directors regulations. Article 12,- Executive Commitee

The Executive Committee will comprise the number and type of members set down in the company bylaws.

The Secretary of the Board of Directors will also serve as secretary of the Executive Committee.

The Board of Directors is empowered to appoint and remove 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 Executive Committee will automatically cease to sit on the Committee when they cease to serve as directors of the Company.

The Executive Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Summary of its most important actions.

The Executive Committee has met on 11 occasions, nine in Spain, one at the subsidiary in Serbia and another at the subsidiary in Germany.

In the exercise of its powers, it has examined in detail the matters to be dealt with by the Board of Directors and has supervised the implementaiton of the Board-approved strategy in a number of Group subsidiaries and, acting with the greatest possible transparency, it has informed the Board of the resulting proposals, so that the Board may adopt any agreements considered appropriate. Likewise, the minutes of its meetings have been given to all board members.

It has made strategic analyses to study potential organic and inorganic growth, as well as different investment possibilities. By way of example, in the course of this financial year it has gone ahead with the sale of IAN, investments to install plastic production capacity in Mexico and the purchase of Nanopack Technology Packaging S.L

It has examined in detail the various products or families (collagen, cellulose, fibrous and plastic casings), product development and energy optimisation.

It has examined the progress of the corporate financial year, month by month, with regard to production and also with regard to the consolidated sales and results for the Group and each investee company, with particular emphasis on increased growth through the collagen committee.

Not only the members of the Committee and Secretary took part in the meetings, but also the Senior Managing Director and, at his request, various Senior Managers.

Indicate whether the composition of the Delegated Committee/Executive Committee reflects the distribution of different classes of directorship on the Board

NO

Otherwise, explain the composition of the Executive or Delegated Committee
The Delegated Committee comprises an executive director and two other external consultants, due to their knowledge of the business and the industry in which the Company operates. The Delegated Committee performs extensive work as the permanent representative of the Board, primarily focussed on examining in detail all those matters requiring greater analysis, monitoring and preparation, and contributing to establishing targets, strategies, control and monitoring of the same. The Delegated Committee also has ongoing direct contact with senior management at the different production locations around the world and different corporate areas. This allows the Board to gain more detailed knowledge of the day-to-day reality of the Viscofan Group's activity and to better focus the meetings on Group strategy.

AUDIT COMMITTEE

Name	Position	Category
MR ALEJANDRO LEGARDA ZARAGÜETA	CHAIRMAN	INDEPENDENT
IGNACIO MARCO GARDOQUI	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	DIRECTOR	INDEPENDENT

% Nominee Directors	0%
% Independent Directors	100%
% Other External Directors	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Audit Committee is regulated in article 30, section 2, of the Articles of Incorporation of the Company and in article 13 of the Board Regulations, regulating its composition, the appointment and cessation of its members and their principal duties.

Art 30.2, articles of incorporation
The Audit Committee shall be formed by a minimum of three and a maximum of five members shall be formed exclusively from non-executive Directors appointed by the Board of Directors. At least two must be independent Directors and one appointed taking into account his/her knowledge and experience in accounting, auditing or both.

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 by the Board of Directors.

The Audit Committee will elect a Chairman selected from the independent Directors that comprise the Commission, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

Los miembros de la Comisión de Auditoría nombrarán entre los consejeros independientes que formen parte de ella a un Presidente, que deberá ser sustituido cada cuatro años y podrá ser reelegido una vez transcurrido un año desde su cese.

The Audit Committee will meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee will be quorate with the attendance in person or by proxy of the majority of its members.

Resolutions will be adopted by simple majority vote of the members attending the meeting and the Chairman will have the casting vote.

Resolutions will be recorded in the Audit Committee's Minutes Book, and will be signed by the Chairman of the Committee, as will any certificates issued for the adoption of resolutions.

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.

Without prejudice to the responsibilities assigned by regulations and other responsibilities assigned by the Board of Directors, the mission of the Audit Committee shall at least be:

a) To report to the shareholders at the General Shareholders Meeting on business brought forth by the shareholders with respect to matters within its competence.
b) To propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 264 of the Capital Companies Act.
c) To supervise, when appropriate, the internal audit services.
d) To become familiar with the Company's financial reporting process and its internal control systems.
e) To maintain a relationship with the Auditor to receive information on matters that may jeopardise the Auditor's independence assembling and issuing the reports required by law, and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards

Rules of the Board of Directors Article 13,- Audit Committee

There will be an Audit Committee of the Board of Directors which will be formed by a minimum of three and a maximum of five members

The Audit Committee shall be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors and one appointed taking into account his/her 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, bearing in mind the accounting, auditing and risk management knowledge, skills and experience of the directors, 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.
Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Audit Committee members will appoint a Chairman selected from the independent Directors that form the Committee, 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 foregoing 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 set out in governing legislation, company bylaws or assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

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 pass the matter on to the General Shareholders Meeting in addition to the conditions of recruitment.

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, including tax risks, 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, collecting information on the audit plan and its execution and 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. If the financial auditor walks away, the committee will explore the underlying causes;

(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 contact 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) Related 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.

Summary of its most important actions.

The Audit Committee was created in 1999 and has progressively adapted to the recommendations of the Code of Good Governance. It currently comprises three members, all of whom are independent directors. In 2015, the Committee met on eight

of members of the management team, of the internal audit deparment and external auditors.
It fulfils its normal duties, as established in the regulations and those set out in the Company's articles of association and the rules of the Board of Directors. By way of example, it has reported to the General Shareholders' Meeting on the activities of the Committee and it has proposed to the Board of Directors the appointment of an Accounts Auditor to be submitted to the General Shareholders' Meeting.
It has supervised, analysed and commented on the activities performed by internal audits, the financial information preparation process, the interim financial statements, the state of the projected cash flow for the allocation of dividends, in addition to the Internal Control System on Financial Reporting. The latter is subject to an ongoing improvement and assessment process by EY.

In its relations with the external auditor and as one of its duties, it has ensured that the annual accounts are presented with no reservations or qualifications, and the independence of the audit.
Finally, it has reported all its activities to the Board of Directors, and has also provided the directors with all the minutes of its meetings, in addition to the information related to the risk map and fiscal issues.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman:

Name of Director	Mr. IGNACIO MARCO-GARDOQUI IBAÑEZ
Number of years as Chairman	3

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	CHAIRMAN	INDEPENDENT
MR JAIME REAL DE ASUA Y ARTECHE	DIRECTOR	INDEPENDENT
MR. JUAN MARCH DE LA LASTRA	DIRECTOR	NOMINEE

%Nominee Directors	33.33%
% Independent Directors	66.67%%
% Other External Directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments and Remuneration Committee is regulated in article 30, section 3, of the Articles of Incorporation of the Company and in article 14 of the Board Rules, governing its composition, the appointment and cessation of its members, and their principal duties.

Art. 30.3 of the company Bylaw: The Appointments and Remunerations Committee or, as the case may be, Committees, will be formed by a minimum of three and a maximum of five members, will be formed exclusively from non-executive Directors appointed by the Board of Directors. At least two must be independent Directors.

Committee members will appoint a Chairman selected from the independent Directors that comprise the Commission.

The purpose of the Appointments and Remunerations Committee will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from candidates who will cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their duties.
b) Set a representation target for the least represented sex of the Board of Directors and prepare guidelines on how to achieve this target.
c) Provide the Board of Directors with proposals for appointing independent Directors for appointment by co-

removal of these Directors.

d) Provide information about proposals for appointing all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for re-election or removal by the General Shareholders Meeting.
e) Provide information about proposals for appointing and dismissing of senior management and principal conditions of their contracts.
f) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, as the case may be, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.
g) Provide the Board of Directors with a proposal for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors and oversee adherence to this policy.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts and will submit the minutes of its meetings to all directors.

Regulation of the Board of Directors Article 14,- Appointments and Remuneration Committee

The Appointments and Remuneration Committee will be formed by a minimum of three and a maximum of five members and will be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors.

Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Committee members will appoint a Chairman selected from the independent Directors that form part of the Committee.

The purpose of the Appointments and Remuneration Committee will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from candidates who will cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their duties.
b) Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.
c) Provide the Board of Directors with proposals for appointing 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.
d) Provide information about proposals for appointing all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for re-election or removal by the General Shareholders Meeting.
e) Provide information about proposals for appointing and dismissing senior management and the principal conditions of their contracts.
f) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, as the case may be, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.
g) Provide the Board of Directors with a proposal for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors, and oversee adherence to this policy and shall provide all directors with the minutes of its meetings.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts.

Summary of its most important actions.

The Appointments and Remuneration Committee met on 8 occasions and, whenever considered appropriate, the presence of senior management members was requested.

It fulfilled its normal duties, as established in the regulations and those set out in the Company's articles of association and the rules of the Board of Directors.

of the Committee itself and it headed the assessment of the Board and its committees.

It analysed the competencies knowledge and experience required to be a Board member, it prepared a board member selection policy for approval by the Board, it requested the presence of the Coordinator Director in order to learn about the concerns of non-executive directors, it submitted to the Board of Directors the proposals and reports for the re-election or appointment of Directors.

It organised the succession of the Chairman, the Chief Executive and Senior Management and the talent management policy, with succession plans and professional development plans for the key posts in the Viscofan Group, having approved a Succession Plan.

It implemented the remunerations policy approved by the General Meeting and prepared the remuneration table, including the annual variable remuneration, it proposed the annual and triennial variable remuneration for the following years, for the directors and senior management, as well as the salary policy for senior management.

It reported all its activities to the Board of Directors, providing the minutes of its meetings to all directors.

C.2.2- Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years

	Number of female directors							
	Year 2015		Year 2014		Year 2013		Year 2012	
	Number%	%	Number%	%	Number%	%	Number%	%
Delegated Committee	1	33.00%	1	33.00%	1	33.00%	1	33.00%
Audit Committee	0	0	0	0	1	25.00%	1	25.00%
Appointments and Remunerations Committee	0	0	1	33.00%	1	33.00%	1	33.00%

C.2.3- Section repealed

C.2.4- Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

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.2.1. above.

The Committee prepares an annual activity report, which is summarised in point C.2.1. The report includes, amongst other activities, the qualification of directors, the assessment of the board and its committees, an analysis of competencies, knowledge and experience required to be a Board member, the director selection policy, proposals and reports for the re-election or appointment of Directors, the succession plan for executive directors and senior management, the implementation of the remunerations policy approved by the General Meeting, and the variable annual and triennial remuneration for the following years, in addition to the salary policy for senior management.

Finally, the Appointments and Remuneration Committee keeps the board informed of all matters discussed, provides all directors with the minutes of its meetings and submits individualised reports on the most important aspects.

All this without prejudice to its subsequent inclusion in its annual activity report submitted by its Chairman to the company's General Shareholders' Meeting.

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.2.1 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.2.1. above.

The Audit Committee prepares an annual activity report, which is summarised in point C.2.1. This report describes the objectives set by the Committee, the principal activities performed in the course of the year with regard to the internal control and risk management systems, external auditors, the internal audit function and other functions assigned, and the results obtained as a result of the said activities.

This report is submitted to the General Shareholders Meeting on an annual basis for information purposes.

C.2.6- Section repealed.

D.- RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 - Explain the procedure, if any, for approving related-party and intra-group transactions

Procedures for approving related party 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, according to article 13.E.c of the Board of Director Regulations.

D.2. Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group entity	Type of transaction	Type of transaction	Amount (in thousands of Euros)
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Provision of services	845
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreement: Loans	120

The two transactions indicated with the significan shareholder, CORPORACIÓN FINANCIERA ALBA , are in actual fact with two entities that are part of its Group: 360 Corporate Finance, S.A. gave Viscofan S.A.financial advice for the sale of a subsidiary and Banca March granted a loan to Viscofan S.A.

D.3- Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (in thousands of Euros)
NONE				

D.4 - Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transaction with companies established in countries or territories considered tax havens.

Name of the Group Company	Brief description of the transaction	Amount (in thousands of Euros)
NONE		0

D.5- State the amount of the transactions carried out with other related parties.

NONE

D.6- Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/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- Are more than one of the Group's companies listed in Spain as publicly traded companie

NO

Identify the subsidiaries listed in Spain:

Subsidiaries listed

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group::

Mechanisms to resolve possible conflicts of interest

E. - RISK CONTROL SYSTEMS

E.1 - Explain the scope of the company's Risk Management System, including risks of a tax-related nature

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:

- ✓ A)Update the assessment of the risks already identified on the inherent risk map.
- ✓ B)Update the assessment of the risks on the residual risk map, taking account of the mitigating measures implemented.
- ✓ C)Link the risks to the four key objectives of the "Be MORE" Strategic Plan in force.
- ✓ D)Add new risks.

The Viscofan Group considers relevant risks to be those that could compromise the achievement of its objectives in the MORE initiatives:

- ➢ 1)Market: positioning of Viscofan as a global market leader.
- ➢ 2)Optimisation: reduction of costs and increased efficiency.
- ➢ 3)Returns: value creation by stakeholders within the objectives defined in the annual budget.
- ➢ 4)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.

In the financial year of 2015, due to the sale of the vegetable processing division in March 2015, the risks associated with the management and ownership of the IAN Group (IAN S.A.U. and subsidiary companies) were removed from the scope, transferring the rights and obligations to the new owner on the 10th March 2015.

E.2- Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks

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.

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.

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.

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

E.3- Indicate the principal risks, including tax-related risks that could prevent business targets from being met

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, Cibersecurity 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

E.4- Identify whether the entity has a risk tolerance level, including tax-related risks

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.

In 2015, in line with the Excellence objectives defined in the Viscofan Group strategy, after analysing the risk positioning and due to the improvements achieved, it was decided to generally lower the tolerance level, whilst zero tolerance was defined for some specific risks such as serious occupational accidents.

Those risks identified as having a major impact and a greater probability of occurence are continuously monitored.

E.5- State what risks, including tax-related risks, have occurred during the year.

Risk is inherent in any business activity and, although 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, this global nature also means that, during the financial year, adverse circumstances also develop, making it difficult to achieve the objectives established in the budget for the year.

However, in the course of the tax year, 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:

Materialised risk in the course of 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 out reporting systems in order to improve the hedging capacity to minimise risk at a lower cost. However, these hedges were made at a more unfavourable cost then the final spot price.

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 strength of the US dollar exchange rate against other currencies, some competitors have focussed their sales and marketing efforts on the North American market.

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 scenarios.

E.6- Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks y

1-Strategic risks

Natural disasters

The company has completed the preparation of the Corporate level Business Continuity Plan which commenced in the previous financial year and has now moved down to a local level in order to individually equip the production plants with the responsiveness and adaptability in the face of any contingency, including natural disasters.

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.

In this respect, particular mention should be made of all the work carried out in the various plants with regard to EHS, since this function was created. This has led to greater uniformity in the management and analysis criteria in this area, as well as in the promotion of improvement-driven initiatives. The close collaboration with the Risk Engineering departments of the insurance companies is allowing Viscofan to gain a better knowledge of its risks and to implement measures/make investments that have a direct impact on the reduction in risk exposure, including Natural Disasters.

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.

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
Distinct strategies have been followed for diversification and the homologation of new suppliers in each product line, all directed at the approval of alternative suppliers in order to lower dependency and gain increased flexibility with regard to fluctuations in supply and demand.
Likewise, there has been in-house work directed at adapting a number of processes in order to permit the use of different raw materials.
Furthermore, a corporate head of purchasing has been appointed in order to increase the negotiating possibilities with the various suppliers.

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. In order to ensure that all the Viscofan Group collaborators comply with the principles contained in this corporate EHS policy, a set of guidelines has been defined to implement the policy (Viscofan EHS Management Guidelines). The key objective of these guidelines is to provide all the group companies with a sound management system in the Environment and Occupational Health and Safety areas. . This commitment is reflected in the signing of the United Nations Global Compact during the financial year of 2015 and the start of the certification process to international standards such as ISO 50.001, ISO 14.001 and OSHAS 18.001, in the most advanced plants of the group.

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.

F.- SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity..

F.1 The entity's control environment

Give information, describing the key features of at least:

F1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (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".

The Audit Committee was created in 1999 and its composition and activity have progressively adapted to the recommendations of the Code of Corporate Good Governance. It currently comprises three members, all of whom are independent directors.

In 2015, the Committee met on eight occasions, three of which with external auditors from EY. Whenever considered appropriate, it has required the presence of members of the management team, the internal audit department and external auditors.

example, it presented a report to the General Shareholders Meeting on the Committee's activities, and it proposed the appointment of an Accounts Auditor for approval by the Shareholders.

The Committee oversees, analyses and reports on the activities performed by the Internal Audit department, the financial information preparation process, the interim financial statements, the projected cash flow statement prior to the approval of the interim dividend distribution, in addition to the Financial Reporting Internal Control System. The latter is subject to a continuous improvement process and is reviewed annually by EY.

In its relations with the external auditor and as one of its duties, the Committee has ensured that the annual accounts are presented with no reservations or qualifications, and that the independence of the auditor is guaranteed.

Additionally, it has reported all its activities to the Board of Directors, and has also provided the Directors with all the minutes of its meetings, in addition to the information related to the risk map and fiscal issues.

For its part, the general dutiles of the Internal Audit Department include the review and evaluation of the risk control and mitigation systems and procedures for all risks, as well as the methodologies used.

Specifically, with regard to the control of the financial information, it examines and assesses the reliability of the financial information, from an accounting and management point of view, checking that it is complete and correct. It also reviews the recording procedures.

Furthermore, the Internal Audit Department reports the results of all the auditing, inspection and consulting activities to the Audit Committee and keeps it informed of the same, and, where appropriate, the Directors concerned are also informed.

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.

- 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- Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

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, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions

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

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.

The Human Resources Department is responsible for the "Induction Procedure" , in which each new employee receives a copy of the Code of Conduct and the policies coming within the Group's Internal Rules. These establish the conduct guidelines required in order to ensure that Group personnel act correctly, regardless of the country or department in which they are to work. Finally, each employee must fill-in a form in which he/she signs a pledge to comply with, and implement the Code of Conduct and Internal Rules.

This Policy has been widely disseminated and is available to employees on the Group Intranet.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

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 whistle-blowing channel 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 whistle-blowing channel 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 whistle-blowing channel to the Ethics Committee, which is made up of the corporate areas of Internal Audit, Legal, Investor Relations and Communication, and the Board Secretary.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering 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

controls included in the FIICS.

In the course of 2015, a number of training sessions have been coordinated, specifically directed at the incorporation of new employees in the financial area or in key posts in other departments, and at the use of the new version of the financial reporting and consolidation software tool. All the documentation used in the internal training sessions is posted on the Group's intranet, so that it is available to users for further consultation.

F.2- Financial reporting risk assessment

Provide information on, at least, the following:

F.2.1- The key features of the risk identification process, including error and fraud risks, with respect to:

- 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, together with a risk assessment based on quantitative criteria (Materiality Policy) or qualitative criteria (process) and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

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 consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental 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.

In this way, except for the company Nanopack Technology y Packaging, S.L., the Parent company of the Group, that is Viscofan S.A., wholly owns the Group companies, either directly or indirectly and, in this latter case, the shareholding is always through other companies in the Group. In the case of Nanopack S.A., the Group has a 90.57% shareholding in Nanopack Technology y Packaging S.L.

In addition, it is the exclusive knowledge 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.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact 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 mentioned risk categories:

1. Concerning the risks of reliability of the financial information, as described above.

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..

- Which of the entity's governance bodies 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 review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, valuations and projections.

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.

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.

In the course of 2015, ongoing progress has been made in the preparation of documents describing the objectives of each control, the uniformity of evidence provided by the various subsidiaries and the inclusion of new controls for the inventory management and commission management processes.

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."

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- Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the 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

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 procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact 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 function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity 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 to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

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.

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- The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting 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

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 the financial year of 2015, the Internal Audit work plan specifically focussed on:

- Participation in the Investment Committee, overseeing and controlling its activity.

  In 2015, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

  Investments are strictly monitored at all subsidiaries. A report is issued every fortnight and this is sent to the Committee members, making it possible to ensure that any possible deviations are quickly detected and the appropriate actions can be taken.

- Participation in the Credit Risk Committee, overseeing and controlling its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable.

  The key objective of the Credit Risk Committee is to report on the taking out of credit insurance, compliance with established procedures and the added risk involved in selling to some countries. Furthermore, a detailed analysis is made of the total exposure of customers, particularly those with the largest amounts of matured debt.

• Participation in the aforementioned Overall Risk Committee, updating the Group Risk Map with the new mitigating measures implemented and adding new risks identified by the Committee members.

The committee has met twice this year.

• Review of the controls made and the quality of the evidence provided. Specifically, every quarterly closure is accompanied by a random review of the most important controls, submitting the findings report to the Audit Committee prior to the approval of the financial information to be published.

• In-situ review of the Monthly Closure Procedure at two subsidiaries and the implementation of the Crime Detection and Prevention System.

• Review of the Human Resources Area procedures at a number of subsidiaries, in order to check whether the employee selection, induction, training and termination of employment producedures are in line with the policies established in the Viscofan Group as a result of the adoption of the Crime Detection and Prevention System.

• Review of the cross-cutting Raw Material Management procedure in the Supply Chain area. Monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past, and particularly the Complaints and Commissions process, both in the Sales area. To do so, a tool has been designed to monitor the Internal Audit recommendations, with the creation of reports for Senior Management.

The activity of the Internal Audit Department is considered to be satisfactory, mainly thanks to the high implementation rate for the improvements and recommendations made in order to correct the incidents detected.

The Audit Department prepares reports on its actions, reflecting the incidents detected during the work execution and suggestions for improvement. These reports are initially discussed with the heads of the subsidiaries or departments involved. Based on the Materiality Policy, the appropriate corrective measures are established.

Once the reports have been discussed with the heads and the measures to be adopted have been established, the report is sent to the Audit Committee. Those incidents identified and which could affect the financial reporting, are quantified, where applicable, and reported to the Corporate Financial Department and also to the Local Financial Departments affects, so that they may be corrected.

The Internal Audit Recommendation Monitoring Tool makes it possible to send the recommendations to those responsible for implementing them, who should put the recommendations into practice and provide evidence of this. The tool makes it possible to obtain reports on the audit recommendation status, either separately or by area such as Financial, Sales, Transactions, HR, etc.

F.5.2- Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed. 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 the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annexe. Otherwise, explain the reasons why it was not.

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 extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1, The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

2, When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Not Applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Complies

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation

Complies

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) . Report on auditor independence.
b) Reviews of the operation of the audit committee and the nomination and remuneration committee
c) Audit committee report on third-party transactions
d) Report on corporate social responsibility policy

Complies

7. The company should broadcast its general meetings live on the corporate website.

The Company has an attendance bonus payment policy as a way to encouraging shareholders to take part in the General Meeting, and issues all the information relating to the agenda and agreements proposed, including additional information when considered advisable in order to better understand the proposals presented to the shareholders. Participation in the General Meetings held over the last five years was more than 73%

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs
c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report
Complies

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control

Complies

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related

Complies

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company

Complies

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of nominee directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee

directorship.

Complies

20 Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latters' number should be reduced accordingly.

Complies

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he

Complies

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions

Complies

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Complies

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present

Complies

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise

Complies

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Partially Complies

The articles of association or the rules of the Board of Directors specifically include all the duties/functions of this point, except for maintaining contacts with investors and shareholders in order to form an opinion on their concerns, in particular in relation to the corporate governance of the company. Although the communication policy with shareholders, institutional investors and their representatives or advisors does in fact provide for this function.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies

36,The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report

Complies

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

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 of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies

42. The audit committee should have the following functions over and above those legally assigned

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re- election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer

Complies

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balancesheet risks.

Complies

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Not Applicable

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.
b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
b) They should be chaired by independent directors
c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting
d) They may engage external advide, when they feel it necessary for the discharge of their functions
e) Meeting proceedings should be minuted and a copy made available to all board members

Complies

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium- sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks

Partially Complies

All the functions mentioned are attributed to one or several of the board committees, whilst some have created ad hoc committees to support the competent Board committee, however this distribution has not yet been formally transferred to the internal rules governing the board and each of its committees.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy with regard to sustainability, the environment and social issues.
c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
e) The mechanisms for supervising non-financial risk, ethics and business conduct.
f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies

55, The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.
Complies

56,. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies

57,- Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long- term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies

58,- In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies

59,- A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies

60,- Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies

61,- A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Partially Complies

The Company's current remuneration policy was prepared by the Appointment and Remuneration Committee with the advice of an external expert, Spencer Stuart, in line with his recommendations as an expert and including the best international Corporate Governance practices, whilst the policy is also in line with the principles and foundations that should inspire the Viscofan Group's remuneration system, as approved by the Shareholders' General Meeting in 2013. Since then, the Board considers that there have been no significant variations to justify the introduction of major changes in the said policy. The variable remuneration of the executive directors, regardless of linkage to the awarding of shares or financial instruments whose value is linked to the share price, is based on a short term annual remuneration and a long term triennial remuneration, both of which are based on a combination of parameters that make it possible to provide incentives for the achievement of established results on an annual basis, and the success of the multi-year strategic plan, all in line with the shareholders' interests given the fact that, in both cases, the evolution of the share price is included amongst the parameters.

62,-Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their

63,- Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Partially Complies

The remuneration policy is designed in such a way that the variable remuneration components are only paid to the executive directors once the payment requirements have been met. The external auditors and other external experts have confirmed compliance with this policy. Furthermore, the variable remunerations are limited in order to ensure that their amount is not significant in relation to the results they are linked to, in order to minimise risk.

64,-Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies

H. OTHER INFORMATION OF INTEREST

1,- If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2,- This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3.- The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

This annual report on corporate governance has been approved by the Company's Board of Directors on:

February 29th , 2015

List whether any Directors voted against or abstained from voting on 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

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2015

VISCOFAN, S.A.

(Translated from the original in Spanish)

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Building a better working world

(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 2015

To the Directors,

At the request of the Board of VISCOFAN, S.A. (hereinafter the Company), and in accordance with our proposal dated October 22, 2015, we applied certain procedures to the accompanying "ICFR-related information" included in the 2015 Corporate Governance Report (pages 48 to 61) 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 2015 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 8°, Hoja M-23123, Inscripción 116. C.I.F. B-78970506.
A member firm of Ernst & Young Global Limited.

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 7/2015 dated December 22, 2015.

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 article 540 of the consolidated text of the Corporate Enterprises Act, and by Circular 7/2015 of the Spanish National Security Market, dated December 22, 2015, related to the description of the ICFR in the 2015 Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez

February 29, 2016

A member firm of Ernst & Young Global Limited

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN PUBLICLY TRADED COMPANIES

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

ISSUER IDENTIFICATION

YEAR ENDING	31/12/2015

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

The remuneration policy for 2015 to 2017 was approved, by virtue of that stipulated in Articles 541 and 529r, according to the system included in the transitional provision of Act 31/2014 regarding improvements to corporative governance, upon approval of the Remunerations Report by consultative vote, presented at the General Shareholders Meeting, held on 7th May 2015.

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.
- Proportionality. Adapted to the importance of the company, its financial situation at all times and the market standards in comparable companies.
- Adequacy. In accordance with the Board 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.

Non-Executive Board Members

Shall receive a fixed salary for their role as Board Members.
Furthermore, attending Board meetings shall involve an allowance. They will not receive a variable salary.
President and Vice-Presidents of the Board.

Shall receive a fixed amount.
Executive Committee.
Its members shall receive a fixed salary.

Audit Committee and Appointment and Retribution Committee.
Shall receive a fixed salary. Their presidents will receive 1.5 times said amount.

Executive Board Members. Shall receive:
-A fixed salary
-A variable annual salary and a variable quarterly salary.
Both taking the same criteria as those used for the senior management as a reference, set on a combination of parameters based on the completion of Group targets: financial aligned with the multi-year Strategic Plan and the annual completion targets, as well as non-financial strategic plans and personal performance.

For quarterly remuneration, the parameters considered are those aligned with the remuneration and creation of long-term value for shareholders.

The parameters that have been marked as objectives for the 2015 annual variable remuneration, through applying this remunerations policy, are: Incomes, EBITDA, Net Result, inventory over sales ratio, share value and greater EHS and CSR.

Determining the annual amount shall be approved by the Administrative Board based on evaluation by the executive board members, in accordance with the proposal from the Appointment and Retribution Committee.
- Furthermore, they may receive life and accident insurance and a medical check-up, just as the senior management, medical insurance and a company vehicle.
They shall not receive payment for belonging to the Board, the Board Committees or other Boards belonging to the Viscofan Group, nor allowances for attending Administrative Board meetings or other Committees.

The advanced notification conditions, pledge not to complete, severance pay and other conditions on the contracts are as follows:

In the Executive President's contract, compensation has been envisaged for the two yearly payments equal to the total of the last payment received, in the event that during the mandate there is an unjustified severance, with a non-competition pledge of two years once the contract ends. In the event of non-compliance with this non-competition pledge, the compensation received should be reinstated, plus a payment remitted to the value of three times its amount in damages.

The contract also includes a six-month prior notice period in the event of contract termination, which should be complied with by both parts. In the event of non-compliance, the non-complying part must compensate the other part with the salaries corresponding to the period of uncompleted prior notice.

In the Director General Manager's contract, compensation has been envisaged for the two yearly payments equal to the total of the last payment received, in the event that during the mandate there is an unjustified severance, with a non-competition pledge of two years once the contract ends. In the event of non-compliance with this non-competition pledge, the compensation received should be reinstated, plus a payment remitted to the value of three times its amount in damages.

The contract also includes a six-month prior notice period in the event of contract termination, which should be complied with by both parts. In the event of non-compliance, the non-complying part must compensate the other part with the salaries corresponding to the period of uncompleted prior notice.

Maximum limit

The remuneration of the Administrative Board and its Committees may not exceed 1.5% the net profit of the Viscofan Group. This established limit does not compute income from other functions originating from their work or professional relations.

Boards from other Viscofan Group societies

Board Members from the Viscofan parent company shall not receive remuneration in the Boards of the branches to which they belong. Except for the case of Industrias Alimentarias de Navarra, S.A.U., which due to its special commercial nature, Members may receive the remuneration established for the Board of this Company, which shall furthermore consist in a fixed amount. Viscofan S.A. Executive Board Members shall not receive any amount.

Most significant changes in comparison with the previous year.

Compare to last year, there have been not significant changes in the remuneration policy. The only changes that are included in the proposal presented at the General Shareholders Meeting are those corresponding to application of the principles established by Act 31/2014, by which the Spanish Companies Act (LSC) was modified, regarding improvements to corporate governance. The remunerations policy was approved at the General Shareholders Meeting held on 7th May 2015.

With the sale of Industrias Alimentarias de Navarra, S.A.U. on 10th March 2015, from that moment on the exception disappeared and the Viscofan S.A. Board Members shall no longer receive any remuneration for participating in the Boards of the branches to which they belong.

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 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.

Following approval of Act 31/2014, by which the Spanish Companies Act (LSC) was modified regarding improvements to corporative governance, the Appointment and Retribution Committee implemented a new exhaustive review of the remunerations policy, also taking into consideration proposals from the Administrative Board to modify the articles of association in order to increase the maximum number of Board members to ten, and to appoint a new dominical director, Mr Juan March de la Lastra. The Committee established that, in view of the principles and bases that shape the Company's remuneration policy, and taking into account the criteria used for said policy, these changes did not justify the inclusion of significant modifications to the existing remunerations policy, and therefore at the General Shareholders Meeting, the Administrative Board proposed the approval of a policy without significant variations for 2015 to 2017, via the approval through consultative vote of the 2014 Remunerations Report, in accordance with the regulations established in the transitory provision of Act 31/2014 regarding improvements to corporate governance.

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

These are the fixed remuneration components and quantification for 2015 that compare to last year, there have been not changes.

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 or Delegated 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: €348,417
Life and accident insurance.
Healthcare.
Company car.

Director General Manager
Fixed remuneration: €307,785
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 (until 10 March 2015)
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 established 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. The parameters applied for variable remuneration were based on Revenues, EBITDA, Net Profit, Inventory over sales ratio, share value greater drive in EHS and Corporate Responsibility policies.

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 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.

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 established 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 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. 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, once, where appropriate, the requisites established in accordance with the parameters set at all times have been completed.

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

Revoked

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 remuneration items and structure of the policy applied during the year finishing 31.12.2015 are:

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: €348,417
Annual variable remuneration: €156,600 as a consequence of the proposal of the Appointments and Remuneration Committee.
Variable three-yearly remuneration: 139.367€ 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.
Fixed remuneration: €307,785
Annual variable remuneration: €311,900 as a consequence of the proposal of the Appointments and Remuneration Committee.
Variable three-yearly remuneration: 139.367€ 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 (until 10 March 2015)
Chairman. 8,333 €

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 2015
JOSE DOMINGO DE EMPUERO Y OSMA	EXECUTIVE	FROM 01/01/2015 TO 31/12/2015
NESTOR BASTERRA LARROUDE	OTHER EXTERNAL	FROM 01/01/2015 TO 31/12/2015
AGATHA ECHEVARRIA CANALES	OTHER EXTERNAL	FROM 01/01/2015 TO 31/12/2015
LAURA GONZALEZ MOLERO	INDEPENDIENT	FROM 01/01/2015 TO 31/12/2015
IGNACIO MARCO-GARDOQUI IBAÑEZ	INDEPENDIENT	FROM 01/01/2015 TO 31/12/2015
JOSE ANTONIO CANALES GARCIA	EXECUTIVE	FROM 01/01/2015 TO 31/12/2015
ALEJANDRO LEGARDA ZARAGüETA	INDEPENDIENT	FROM 01/01/2015 TO 31/12/2015
JUAN MARCH DE LA LASTRA	DOMINICAL	FROM 07/05/2015 TO 31/12/2015
LAURA GONZALEZ MOLERO	INDEPENDIENT	FROM 01/01/2015 TO 31/12/2015
JOSE MARIA ALDECOA SAGASTASOLOA	INDEPENDIENT	FROM 01/01/2015 TO 31/12/2015
JAIME REAL DE ASUA Y ARTECHE	INDEPENDENT	FROM 01/01/2015 TO 31/12/2015

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	2015 Total	2014 Total
Agatha Echevarria Canales	0	255	33	0	0	100	0	0	388	397
Alejandro Legarda Zaragüeta	0	80	33	0	0	45	0	0	158	152
Ignacio Marco-Gardoqui Ibañez	0	80	30	0	0	60	0	0	170	164
Jaime Real de Asúa y Arteche	0	80	33	10	0	20	0	0	133	92
José María Aldecoa Sagastasoloa	0	80	33	0	0	30	0	0	143	143
Juan March de la Lastra	0	51	21	0	0	12	0	0	84	0
Laura Gonzalez Molero	0	80	24	0	0	8	0	0	112	127
Nestor Basterra Larroudé	0	330	33	0	0	100	0	0	463	463
Jose Antonio Canales García	308	0	0	312	139	0	0	0	759	649
José Domingo de Ampuero y Osma	348	350	0	157	139	0	0	0	994	868

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	2015 Total	2014 Total
Nestor Basterra Larroudé	0	8	0	0	0	0	0	0	8	50

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:

ame	Remuneration accruing to the company				Remuneration accruing to group companies				Totals		
	Total Cash remuner.	Value of Shares granted	Gross profit on options exercised	2015 Total	Total Cash remuner.	Value of Shares granted	Gross profit on options exercised	2015 Total	2015 Total	2014Total	Contribu To savin systems /year
atha Echevarria nales	388	0	0	388	0	0	0	0	388	397	0
ejandro Legarda ragüeta	158	0	0	158	0	0	0	0	158	152	0
nacio Marco-rdoqui Ibañez	170	0	0	170	0	0	0	0	170	164	0
ime Real de úa y Arteche	133	0	0	133	0	0	0	0	133	92	0
sé Antonio nales Garcia	759	0	0	759	0	0	0	0	759	649	0
sé Domingo de npuero y Osma	994	0	0	994	0	0	0	0	994	868	0
sé Maria decoa gastasoloa	143	0	0	143	0	0	0	0	143	143	0
an March de la stra	84	0	0	84	0	0	0	0	84	0	0
ura Gonzalez olero	112	0	0	112	0	0	0	0	112	127	0
estor Basterra rroudé	463	0	0	463	8	0	0	8	471	513	0
OTAL	**3,404**	**0**	**0**	**3,404**	**8**	**0**	**0**	**50**	**3,412**	**3,105**	**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 2015 variable annual remuneration is established based on data corresponding to, turnover, EBITDA, net earnings, ratio of inventories, share price and greater drive in EHS and Corporate Responsibility policies.

The 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.

In this year the period established to attain the long-term variable has been completed. For the three-yearly remuneration, parameters that align with the remuneration and creation of long-term value will be considered. These parameters have been set within the framework of the encouraged initiatives in accordance with the Be MORE strategy plan.

40% of this quarterly remuneration depends on the growth of the TSR (Total Shareholder Return) in three years, defining, as an objective in order to obtain the totality of this period, a TSH growth of more than 17%. This objective was achieved completely upon closing 2015.

The remaining 60% depends on the improvement of operative results and company balance sheet strength. To do this, a formula was established to unite both criteria, equivalent to eight times the EBITDA minus the net debt before paying dividends. It was defined as an objective to obtain the full amount of this period of growth of 17% in the result of this formula upon closing the third financial year. This objective was achieved completely upon closing 2015.

In both annual and quarterly variables, payment only occurs once the Appointment and Retribution Committee has approved completion of all the customised objectives in accordance with those established when fixed.

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	34,048,073	100%

	Number	% of votes cast
Votes against	5,906,536	17.35%
Votes in favour	28,128,260	82.61%
Abstentions	13.277	0.04%

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.

Section D.1.C. shows the total remuneration figures for 2014 as 3,186 thousand euros.

The difference is due to the two board members that left the board in 2014 and received 81 thousand euros.

The total cost of the Board in 2015 compared to 2014 has fallen by 52 thousand euros, from 3,186 to 3,123, after deducting the multi-year variable remunerations.

A comparative Excel is attached showing the board remunerations in 2014 and 2015, taking these factors into consideration.

This annual report on the remuneration of directors has been approved by the company's board of directors on the 29th February 2016.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

☐ Yes No ☒

2015-2015 Total Board Remuneration

Name	Salary	Fixed Remune ration	Allowances	Compen-sation Variable in short-term	Compen-sation Variable in long-term	Remune-ration for positions on Board committees	Penal-ties	Others	Other Boards (IAN until March 2015)	2015 Total	2015 Total (ex-three annual variable)	2014 (*)Total
Agatha Echevarria Canales	0	255	33	0	0	100	0	0	0	388		397
Alejandro Legarda Zaragüeta	0	80	33	0	0	45	0	0	0	158	158	152
Ignacio Marco-Gardoqui Ibañez	0	80	30	0	0	60	0	0	0	170	170	164
Jaime Real de Asúa y Arteche	0	80	33	0	0	20	0	0	0	133	133	92
José María Aldecoa Sagastasoloa	0	80	33	0	0	30	0	0	0	143	143	143
Juan March de la Lastra	0	51	21	0	0	12	0	0	0	84	84	0
Laura Gonzalez Molero	0	80	24	0	0	8	0	0	0	112	112	127
Nestor Basterra Larroudé	0	330	33	0	0	100	0	0	8	471	471	513
Jose Antonio Canales García	308	0	0	312	139	0	0	0	0	759	620	649
José Domingo de Ampuero y Osma	348	350	0	157	139	0	0	0	0	994	855	868
Jose Cruz Pérez Lapazarán	-	-	-	-	-	-	-	-	-	-	-	41
Gregorio Marañón Bertran de Lis	-	-	-	-	-	-	-	-	-	-	-	40
Total Annual Board Remuneration									**8**	**3,412**	**3,134**	**3,186**
Difference 2015-2014	**-52**											

(*) Total 2014 includes board members that left on 07 May 2015. It is the total reported on the 2014 Remuneration Report


Viscofan