VISCOFAN, S.A.

Annual Accounts and Directors' Report

31 December 2007

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

VISCOFAN, S.A.

Balance Sheets
at 31 December 2007 and 2006

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

Assets	2007	2006
Fixed assets		
Intangible assets (note 5)	1,029	1,424
Tangible assets (note 6)	46,026	41,934
Investments (note 7)	211,433	203,688
	258,488	247,046
Deferred expenses	5	4
Current assets		
Stocks (note 8)	14,913	14,777
Debtors (note 9)	44,387	43,389
Short-term investments (note 7)	1,315	512
Own shares (note 10 (e))	1,254	3,004
Cash in hand and at banks	644	228
Prepaid expenses	149	95
	62,662	62,005
	321,155	309,055

Shareholders' Equity and Liabilities	2007	2006
Shareholders' equity (note 10)		
Share capital	14,189	14,388
Share premium	41,844	49,406
Reserves	162,408	154,573
Profit for the year	30,400	20,834
	248,841	239,201
Deferred income (note 11)	322	115
Long-term creditors		
Amounts owed to credit institutions (note 12)	1,600	9,959
Other creditors (note 13)	4,864	4,862
	6,464	14,821
Current liabilities		
Amounts owed to credit institutions (note 12)	26,097	25,013
Group companies (note 14)	14,502	12,176
Trade creditors (note 15)	11,968	8,436
Other creditors (note 16)	12,916	8,919
Trade provisions	43	40
	65,526	54,584
Provisions for charges and liabilities (note 4 (o))	2	334
	321,155	309,055

The accompanying notes form an integral part of the annual accounts for 2007.

VISCOFAN, S.A.

Statements of Profit and Loss
for the years ended 31 December 2007 and 2006

(Expressed in thousands of Euros)

Expenses	2006	2006
Operating expenses		
Materials consumed (note 8)	50,021	50,127
Personnel expenses (note 19)	29,175	28,978
Amortization and depreciation (notes 5 and 6)	8,587	8,525
Changes in trade provisions (notes 8 and 9)	51	(350)
Other operating expenses		
External services	32,739	30,136
Local taxes	630	658
Other management expenses, current (note 4(o))	21	334
	121,224	118,408
Operating profit	7,669	8,684
Financial expenses		
Interest and similar expenses (note 20)	1,411	1,317
Changes in provisions for investments	-	(7)
Exchange losses	1,374	1,278
	2,785	2,588
Net financial income	22,518	11,028
Profit on ordinary activities	30,187	19,712
Extraordinary losses and expenses		
Changes in provisions for tangible and intangible assets and own shares (notes 5,6 and 7)	(2,533)	397
Extraordinary expenses	459	88
	(2,074)	485
Net extraordinary income	2,195	-
Profit before income tax	32,382	19,703
Income tax (note 17)	1,982	(1,131)
Profit for the year	30,400	20,834

Income	2007	2006
Operating income		
Net sales (note 18)	127,443	126,432
Increase in stocks of finished products and work in progress	505	346
Other operating income	945	314
	128,893	127,092
Financial income		
Dividends (note 14)	23,906	12,377
Other interest and similar income	500	460
Exchange gains	897	779
	25,303	13,616
Extraordinary profit and income		
Profit on sale of fixed assets	39	11
Extraordinary income (note 11)	49	426
Capital grants taken to income (note 11)	33	39
	121	476
Net extraordinary expense	-	9

The accompanying notes form an integral part of the annual accounts for 2007.

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

1. Nature and Principal Activities

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

Its statutory and principal activity consists of the manufacture of cellulose, plastic and collagen casings, mainly for use in the meat industry, as well as the generation of electricity by any technical means, both for own consumption and for sale to third parties.

Its industrial installations are located in Cáseda and Urdiáin (Navarra). The head and registered offices of the Company are located in Pamplona.

The Company is the parent of a group of companies which operate mainly in the food and cellulose, plastic and collagen casing sectors.

2. Basis of Presentation

The accompanying annual accounts have been prepared by the directors of the Company to present fairly the shareholders' equity, financial position, results of operations and changes in financial position for 2007, and to present the proposed distribution of profit for the year.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Company and in accordance with the criteria established in the Spanish General Chart of Accounts.

These annual accounts for 2007 will be submitted for approval by the shareholders within the periods established by prevailing legislation. The directors consider that the annual accounts will be approved without significant changes.

As required by Spanish accounting principles, the balance sheet, statement of profit and loss and disclosure of source and application of funds for 2007 include comparative figures for 2006, which formed a part of the annual accounts approved by the shareholders at their annual general meeting held on 18 June 2007. As permitted by such principles, the Company has opted to omit comparative data for 2006 from the notes to the accounts for 2007.

The directors have prepared the consolidated annual accounts for 2007 separately under International Financial Reporting Standards adopted by the European Union (IFRS-EU).

3. Distribution of Profit

The board of directors will propose to the shareholders at their annual general meeting that the profit for the year ended 31 December 2007 be distributed as follows:

	Thousands of Euros
Dividends	8,908
Voluntary reserves	21,492
	30,400

4. Significant Accounting Principles

These annual accounts have been prepared in accordance with accounting principles established in the Spanish General Chart of Accounts, the most significant of which are as follows:

(a) Intangible assets

Intangible assets are stated as follows:

- Software is stated at cost and amortized on a straight line basis over the five-year period of expected use. Software maintenance costs are expensed when incurred.

- The rights to use and the option to purchase tangible assets contracted through lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are amortized on a straight line basis over the useful lives of the leased assets. The total lease installments and the amount of the purchase option are recorded as a liability. The initial difference between the total debt and the cash value of the asset, equivalent to the financial cost of the operation, is recorded under deferred expenses and expensed over the term of the contract using the interest method. When the purchase option is exercised, the cost and accumulated depreciation of these goods is transferred to the corresponding tangible asset category.

- The Company follows the policy of registering CO^2 emission rights as intangible assets that cannot be amortized. Freely received rights under the National Assignation Plan are stated at the market price prevailing at the time they were received with deferred income booked for the same amount.

During 2007 the Company received free emission rights equivalent to 107,636 tons under the Nation Assignation Plan 2005-2007 approved by Royal Decree 1866/2004. During 2007 the Company used emission rights amounting to 87,811 tons (see notes 4(i) and 4(o)).

(b) Tangible assets

Tangible assets are stated at cost, revalued in 1996, as permitted by legislation prevailing at that time, net of the corresponding depreciation.

Depreciation is provided on a straight line basis over the estimated useful lives of the related assets as follows:

Buildings	30
Plant and machinery	10
Other installations, equipment and furniture	10
Other tangible assets	5-15

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

(c) Investments

Interest in group and associated companies are stated at cost, which includes acquisition related costs.

Provision is made for decline in value of investments under the following circumstances:

- For quoted shares, when market value is below cost. Market value is determined as the lower of the average quotation of the last quarter and the closing quotation.

- For remaining investments, where circumstances so dictate. In the case of share capital holdings, where cost exceeds the underlying net book value, adjusted to take into account any latent unrecorded goodwill at year end.

Dividends received from group companies and other long-term investments are booked as income when their distribution is approved by the corresponding board of directors or annual general meetings of shareholders.

(d) Stocks

Stocks are stated at the lower of cost and market value. The cost of stocks is determined as follows:

- Raw and other materials consumed and goods for resale are stated at weighted average cost, including costs incurred in transporting goods to factories or warehouses.
- Finished and semi-finished goods are stated at weighted average cost of raw and other materials, and include the applicable portion of direct and indirect labor, other manufacturing overheads and depreciation of fixed assets at factories.

Provision is made for stocks where cost exceeds market value or when circumstances indicate doubtful recovery of such costs.

(e) Debtors

In accordance with common business practice in Spain, a part of the Company's sales are collected by means of accepted or unaccepted notes. Notes receivable are generally discounted at banks with full recourse and are included in the accompanying balance sheet under trade debtors with an equivalent credit balance in short-term loans.

Discounting costs are expensed when incurred and are not deferred over the discount period, as the effect of such deferral would be immaterial to operating results.

Provision is made to cover possible losses arising on the settlement of balances receivable. The Company makes provision for doubtful accounts in respect of overdue balances and when circumstances indicate doubtful collection.

(f) Foreign currency transactions

Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses arising on settlement of balances are taken to profit or loss when they arise.

Balances receivable and payable in foreign currency at year end are expressed in Euros at the rates of exchange prevailing at 31 December. Unrealized foreign exchange losses are charged to expenses, while unrealized exchange gains are deferred. Balances subject to exchange rate insurance are stated at the insured rates of exchange.

(g) Current/long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

(h) Compensation for termination of employment

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued. Indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

(i) Deferred income

Capital grants are initially recorded as deferred income in the accompanying balance sheet. Income from capital grants is recognized in the statement of profit and loss on a straight line basis over the useful lives of the fixed assets for which the grants have been received.

CO^2 emission rights received free of charge under the National Assignation Plan (see note 4(a)) are recorded as intangible assets and deferred income when received at the prevailing market price and taken to extraordinary income when the related CO^2 emissions occur.

(j) Income tax

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, where applicable, are included in deferred tax assets or liabilities.

Following prudent criteria, tax credits in respect of loss carryforwards and deductions and credits pending application due to insufficient taxable profits are recognized as deferred tax assets when they comply with prevailing accounting requirements and to the extent of forecast reversals within the carry forward period.

(k) Income and expense

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

Nevertheless, in accordance with prudent criteria, the Company only records realized gains at year end, while expected liabilities and estimated losses are recognized as soon as they become known.

(l) Pension commitments

The Company has commitments with employees in respect of early retirement and seniority bonuses. The Company has externalized these commitments through insurance policies, the cost of which are booked under personnel expenses.

(m) Environmental issues

Long term assets used by the Company to minimize the environmental impact of its activity and protect and improve the environment are recorded as tangible assets at their cost of acquisition or production, as appropriate. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as detailed in note 4 (b).

Expenses incurred on activities to protect the environment from effects of Company operations are considered environmental expenses, as are those derived from environmental commitments. These amounts are charged as "Other operating expenses".

Provision is made for environmental expenses which at year end are considered likely or certain to be incurred although the exact amount or the date they will materialize is undetermined. Consequently, these provisions are best estimates made on the basis of the information available at the closing date.

(n) Financial instruments

Company policy is to contract hedging operations to mitigate the risk of exchange rate fluctuations on certain financing operations.

Interests receivable and payable is calculated applying the interest method in line with the interest payable on hedged items, and the resulting net amount is charged to financial expenses.

(ñ) Own shares

Own shares are stated at average cost of acquisition, which is the lower of the total balance paid on purchase and market value. As these shares are acquired without prior approval by the shareholders at their annual general meeting to reduce share capital, it is understood that they could be subsequently disposed of or, alternatively used to reduce share capital. Consequently, their market value is considered to be the lower of the average quotation of the last quarter of the year, the closing quotation. Provision is made for the difference between the cost of acquisition and the lower of the closing quotation or the average quotation for the last quarter of the year with a charge to profit and loss and for the difference between the quotation and underlying net book value with a charge to reserves.

(o) Provisions for emission rights

Since 2006 the companies included in the National Assignation Plan whose activities produce CO^2 emissions must provide CO^2 emission rights equivalent to emissions produced during the year in the opening months of the following year (see notes 4(a) and 4 (i)).

The obligation to provide CO^2 emission rights for emissions produced during the year are recognized as short-term provisions under "Provisions for liabilities and charges" in the balance sheet and under "Other operating expenses" in the statement of profit and loss. The value of this obligation is equivalent to the relevant CO^2 emission rights booked under intangible assets in the balance sheet (see note 4 (a)).

5. Intangible Assets

Details and movement in 2007 are as follows:

	Thousands of Euros				
	31.12.06	Additions	Disposals	Transfers	31.12.07
Cost					
Research and development costs	14,738	-	(14,738)	-	-
Software	5,095	296	-	-	5,391
Concessions, patents and licenses	36	-	-	-	36
Rights over leased assets	97	50	-	(32)	115
Greenhouse gas emission rights	346	112	(353)	-	105
Software in progress	18	49	-	-	67
	20,330	507	(15,091)	(32)	5,714
Accumulated depreciation					
Research and development costs	(14,738)	-	14,738	-	-
Software	(4,103)	(417)	-	-	(4,520)
Concessions, patents and licenses	(36)	-	-	-	(36)
Rights over leased assets	(18)	(23)	-	13	(28)
	(18,895)	(440)	14,738	13	(4,584)
Provisions	(11)	(90)	-	-	(101)
	1,424	(23)	(353)	(19)	1,029

At 31 December 2007 intangible assets include fully amortized items with a cost of Euros 3,683,242.

"Greenhouse gas emission rights" include free of charge rights allocated by the National Assignation Plan (see notes 4(a), 4(i) and 4(o)).

6. Tangible Assets

Details of the revalued cost of tangible assets and related accumulated depreciation at 31 December 2007 and movement for the year are as follows:

	Thousands of Euros				
	31.12.06	Additions	Disposals	Transfers	31.12.07
Revalued cost					
Land and buildings	19,981	-	(3)	-	19,978
Plant and machinery	133,464	1,833	(125)	536	135,708
Other installations, equipment and furniture	27,360	487	-	441	28,258
Other tangible assets	8,154	1,206	(52)	32	9,340
Advances and tangible assets under construction	1,289	8,655	-	(977)	8,967
	190,248	12,151	(180)	32	202,251
Restated accumulated depreciation					
Buildings	(8,602)	(657)	-	-	(9,259)
Plant and machinery	(112,927)	(5,063)	125	-	(117,865)
Other installations, equipment and furniture	(18,851)	(1,576)	-	-	(20,427)
Other tangible assets	(7,711)	(851)	52	(13)	(8,523)
	(148,091)	(8,147)	177	(13)	(156,074)
Provisions	(223)	-	72	-	(151)
	41,934	4,004	69	19	46,026

As permitted by relevant legislation, in 1996 the Company revalued its tangible assets for a total of Euros 9,282,000 (see note 10 (d)) as permitted by Navarra Regional Law 23/1996. At 31 December 2007 the net book value of the revalued assets is Euros 851,818 and the related depreciation charge for the year Euros 90,444.

Details of tangible assets used in environmental activities are included in note 26.

Details of fully depreciated tangible assets in service at 31 December 2007 are as follows:

	Thousands of Euros
Buildings	1,695
Plant and machinery	88,343
Other installations, equipment and furniture	12,514
Other tangible assets	6,695
	109,247

At 31 December 2007 plant and machinery include assets used for carrying out research and development projects, as follows:

	Thousands of Euros
Cost	9,111
Accumulated depreciation	(8,100)
	1,011

Details of assets acquired from group companies at 31 December 2007, are as follows:

	Thousands of Euros
Cost	2,242
Accumulated depreciation	(1,921)
	321

Firm commitments to purchase fixed assets at year end amount to 10,020 thousand euros.

7. Investments and short-term investments

Details and movement in "Investments" in 2007 are as follows:

	Thousands of Euros			
	31.12.06	Additions	Disposals	31.12.07
Interests in group companies	237,832	4,846	-	242,678
Short-term securities portfolio	42	-	-	42
Guarantee deposits	5	44	(4)	45
	237,879	4,890	(4)	242,765
Provisions	(34,191)	(6,712)	9,571	(31,332)
	203,688	(1,822)	9,567	211,433

Details of direct and indirect interests held in Group and Associated companies, and other information, are included in Appendix I. The directors have opted to omit certain information regarding Group companies as they consider that inclusion of this information could damage its interests and would not provide relevant information for the understanding of these annual accounts.

During 2007 the Company has subscribed a Euros 3,000,000 share capital increase carried out by Koteks Viscofan, d.o.o. and by Viscofan de México S.R.L. de C.V. for 2,370,000 US dollars.

Details of foreign currency investments at 31 December 2007 are as follows:

	Thousands of Euros
US Dollars	95,252
Czech Crowns	18,001
Serbian Dinar	14,323
Mexican Peso	7,756
Pounds Sterling	1,841
Polish Zloty	447
	137,620

None of the group companies are listed on the stock exchange.

The breakdown of "Short-term investments" and related movements in 2007 are as follows:

	Thousands of euros			
	31.12.06	Additions	Disposals	31.12.07
Short-term loans to Group companies(*)	500	1,500	(750)	1,250
Short-term interest on investments in Group companies(*)	-	50	-	50
Short-term equity investments	9	-	-	9
Short-term guarantees	3	-	-	3
Short-term deposits	-	3	-	3
	512	1,553	(750)	1,315
	512	1,553	(750)	1,315

(*) Relates to the loan or interest on the loan granted to Koteks Viscofan, d.o.o. maturing on December 31, 2008. This loan bears interest at the Euribor rate plus 0.5 points.

8. Stocks

Details at 31 December 2007 are as follows:

	Thousands of Euros
Goods for resale	655
Raw materials and other supplies	6,858
Finished products	4,759
Semi-finished products	3,416
	15,698
Provisions	(785)
	14,913

Changes in the provision for obsolescence during 2007 are as follows:

	Thousands of Euros
Balance at 1 January 2007	635
Allowance for the year	150
Recoveries for the year	-
Balance at 31 December 2007	785

The total cost of materials consumed in 2007 was as follows:

	Thousands of Euros
Raw and other materials consumed and goods for resale	
Net purchases	50,803
Change in stocks	(782)
	50,021

Details of purchases made from group companies are shown in note 14.

9. Debtors

Details at 31 December 2007 are as follows:

	Thousands of Euros
Trade debtors	22,066
Group companies	17,785
Sundry debtors	536
Personnel	72
Public entities	3,928
	44,387
Provisions for bad debts	-
	44,387

Details of balances receivable in foreign currencies are as follows:

	Thousands of Euros
Trade debtors	20,685
Group companies	10,713
	31,398

Debtor balances with public entities include the following:

	Thousands of Euros
Navarra Regional Government, VAT	1,905
Tax authorities, income tax (note 17)	5
Tax authorities, deductions pending application (note 17)	2,018
	3,928

Changes in the "Provision for bad debts" during 2007 are as follows:

	Thousands of Euros
Balance at 1 January 2007	99
Recovery of balances	(99)
Balance at 31 December 2007	-

10. Shareholders' Equity

Details of shareholders' equity and movement during the year ended 31 December 2007 are shown in Appendix II, which forms an integral part of this note.

(a) Share capital

At 31 December 2007 share capital is represented by 47,296,842 bearer shares of Euros 0.30 par value each, subscribed and fully paid. All shares have the same voting and profit sharing rights, except own shares.

At the general meeting held on June 18, 2007, shareholders authorized a 198,889.20 euro capital decrease through the buyback and cancellation of 662,964 own shares held by the Company.

The percentage of own shares held by the Company is within the limits established by prevailing legislation.

All of the Company's shares are listed on the Spanish Stock Exchange.

At 31 December 2007 the Company was aware of the following shareholders who each hold an interest of above 5%:

Name	% interest
Bestinver Gestión SG IIC	8.46
Marathon Asset Management, LLP	5.84
Onchena, S.L.	5.00

(b) Share premium

This reserve is freely distributable, subject to the same restrictions as those for the voluntary reserves.

(c) Legal reserve

Companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve may only be used to offset losses if no other reserves are available. At 31 December 2007 the balance of this reserve exceeds the minimum amount required by law.

(d) Revaluation reserve Navarra Regional Law 23/1996

As permitted by legislation prevailing at that time, at 31 December 1996 the Company revalued its tangible assets by Euros 9,282,000 (see note 6). The resulting revaluation reserve, which comprises the revaluation of fixed assets, net of a 3% tax charge, amounts to Euros 9,003,000.

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

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

(e) Own shares reserve

At 31 December 2007 the Company holds 236,385 own shares, for which a reserve has been made equal to the book value of these shares. This reserve is not distributable unless the shares are disposed of or redeemed by the Company.

Details of movement in own shares during 2007 is as follows:

	Number of Shares	Thousands of Euros
Balance at 31 December 2006	581,071	3,004
Acquisitions	324,868	5,207
Disposals	(6,590)	(77)
Cancellation	(662,964)	(8,078)
Changes in provisions taken to reserves (*)	-	1,505
Balance at 31 December 2007	236,385	1,561
Provisions taken to profit and loss (*)	-	(307)
	236,385	1,254

(*) See Note 4

(f) Merger reserve

These reserves derive from the merger by absorption of Inversiones Legazpi, S.A. by the Company in 2002 and are subject to the same restrictions as voluntary reserves. Details of this operation are included in the notes to the annual accounts for the year in which this operation was carried out.

(g) Voluntary reserves

These reserves are freely distributable to shareholders at 31 December 2007.

11. Deferred Income

Details and movement within deferred income at 31 December 2007 are as follows:

	Thousands of Euros					
	31.12.06	Additions	Value adjustments	Transfer to profit	Sales	31.12.07
Capital grants	103	149	-	(33)	-	219
Grants for greenhouse gas emission rights	12	112	-	(21)	-	103
	115	261	-	(54)	-	322

Details of capital grants are as follows:

	Thousands of Euros
Original grants	
Received in prior years	2,241
During the year	149
	2,390
Income recognized	
At the beginning of the year	(2,138)
During the year	(33)
	(2,171)
	219

Grants for rights over emission of greenhouse gases comprise amounts pending use by the Company (see notes 4 (a), 4 (i) and 4 (o)).

12. Short and Long-Term Loans

Details at 31 December 2007 are as follows:

	Thousands of Euros	
	Long-term	Short-term
Credit facilities	-	24,010
Loans	1,600	2,000
Interest on loans	-	87
	1,600	26,097

Long-term maturities of loans at 31 December 2007 are as follows:

Maturity	Thousands of Euros
2009	800
2010	800
	1,600

Loans and credit facilities bear interest at variable market rates.

The Company has credit and discount facilities with a total limit of Euros 45,813 thousand.

The Company utilizes financial derivative products mainly to eliminate or significantly reduce the risk of interest rate fluctuations which are, therefore, considered to be hedging operations. At 31 December 2007 the Company has contracted the following interest rate swap agreements:

	I.R.S. (Interest Rate Swap)
Nominal amount (thousands of Euros)	2,146
Date of contract	02.05.03
Inception date	06.05.03
Maturity date	30.06.08
Interest rate paid by the Company	3%
Interest rate received by the Company	Euribor 3 months

13. Other Long-Term Creditors

Details at 31 December 2007 are as follows:

	Thousands of Euros
Loans received	4,818
Finance leases	46
	4,864

Loans received mainly comprise those obtained by the Company from the CDTI (Centre for the Development of Industrial Technology), the Government of Navarra and the Ministry of Science and Technology to finance research and development projects. The majority of these loans are interest-free and are guaranteed by financial entities (see note 23).

Long-term maturities are as follows:

	Thousands of Euros	
	Finance lease	Loans
2009	34	1,295
2010	12	1,181
2011	-	853
2012	-	797
2013 and next years	-	692
	46	4,818

"Other creditors" in the liability side of the accompanying balance sheet include the short-term amounts of the previous items, of 3,272 thousand euros and 352 thousand euros for the loans received and finance leases arranged, respectively.

14. Balances and Transactions with Group Companies

Transactions carried out with group companies during the year ended 31 December 2007 are as follows:

	Thousands of Euros
Income	
Sales and services rendered	50,736
Dividends	23,906
Other operating income	355
Expenses	
Materials consumed	28,543
Other operating expenses	466

15. Trade Creditors

Trade creditors at 31 December 2007 comprise balances in respect of purchases or services rendered.

This balance includes approximately Euros 2,015,000 in US Dollars.

16. Other Creditors

Details at 31 December 2007 are as follows:

	Thousands of Euros
Public entities	2,372
Other debts	8,175
Wages and salaries payable	2,231
Guarantees and deposits received	138
	12,916

Details of balances due to "Public entities" at 31 December 2007 are as follows:

	Thousands of Euros
Personal Income Tax	735
Social Security	661
German tax authorities, income tax	976
	2,372

Details of "Other debts" are as follows:

	Thousands of Euros
Purchases of fixed assets	3,553
Current portion of loans received (note 13)	3,624
Other creditors	998
	8,175

17. Taxation

The Company presents annual income tax returns. The standard rate of tax is 32.5%, which may be reduced by certain credits.

Due to the treatment permitted by fiscal legislation of certain transactions, the accounting profit differs from the profit for fiscal purposes. A reconciliation of accounting profit for the year 2007 with the taxable income that the Company expects to declare after approval of the annual accounts is as follows:

	Thousands of Euros
Accounting income, before tax	32,382
Permanent differences	
Charges for own shares (note 10(e))	307
Provisions in subsidiaries	(4,712)
Tax exempt dividends	(23,376)
Other items	174
Taxable accounting income	4,775
Tax at 32.5%	1,552
Deductions	
Investment, research and development and job creation	(1,552)
Total income tax	-
Withholdings and payments on account	(5)
Income tax recoverable (note 9)	(5)

Tax exempt dividends reflect those received from the subsidiaries Gamex CB, S.r.o., Viscofan do Brasil, Naturin Ltd. and Naturin GmbH & Co, which are tax exempt.

The income tax for the year is calculated as follows:

	Thousands of Euros
Tax at 32.5%	1,552
Expense for Naturin Gmbh & Co (*)	2,297
Deductions pending application	(1,867)
Income tax	1,982

(*) In accordance with German legislation, the Company pays part of the income tax of its German subsidiary Naturin Gmbh & Co.

At 31 December 2007 the Company has recorded tax credits for deductions pending application, as they directly affect the future tax charge and because the directors consider that recoverability is reasonably guaranteed.

The movement in this heading in the year is as follows:

	Thousands of euros
Balance at January 1	1,703
- Generated during the year	1,867
- Utilized in income tax for the year	(1,552)
Balance at December 31	2,018

Details of deductions applicable in the short term for investment, job creation and research and development, which are booked under public entities, are as follows:

Year of origin	Maturity	Thousands of Euros
2004	2014	911
2005	2015	19
2006	2016	25
2007	2017	1,063
		2,018
		(note 9)

The Company is obliged to maintain fixed assets for which credits have been taken for a period of five years.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2007 the Company has open to inspection by the tax authorities all main applicable taxes to which it is liable and for which the corresponding inspection period has yet to expire. The directors do not expect that significant additional liabilities would arise in the event of inspection.

18. Net Sales

The directors of the Company consider that the disclosure of a breakdown of net sales by geographical market may be of detriment to the Company. Accordingly, as permitted by prevailing legislation the directors have opted to omit such information.

Sales to group companies during the year ended 31 December 2007 are shown in note 14.

19. Personnel Expenses

Details are as follows:

	Thousands of Euros
Wages and salaries	22,843
Social charges	6,332
	29,175

The average headcount, distributed by category, is as follows:

Management	12
Technicians and department heads	95
Administrative staff	34
Specialized personnel	102
Other employees	383
	626

The number of employees at year end, broken down by gender, is as follows:

	Men	Women
Management	10	1
Technicians and department heads	92	10
Administrative staff	8	26
Specialized personnel	82	21
Other employees	285	110
	477	168

Employee remuneration is not linked to the performance of Company shares on the stock exchange.

20. Interest and Similar Expenses

Details are as follows:

	Thousands of Euros
Interest on long-term debt	259
Interest on short-term debt	1,139
Other financial expenses	13
	1,411

21. Transactions in Foreign Currency

Details for the year ended 31 December 2007 are as follows:

	Thousands of Euros
Income	
Sales	67,835
Expenses	
Purchases of raw and other materials consumed	6,944
Other operating expenses	2,554
Personnel expenses	90

22. Information Relating to the Directors

As foreseen in articles 27 and 30 of its bylaws, the board of directors of the Company receive remuneration equivalent to 1.5% of profit before tax, which amounted to Euros 500,949. In accordance with the same articles, the executive committee receive 1.5% of profit before tax amounting to Euros 500,949. In accordance with the aforementioned articles, the board of directors and the executive committee decide on the distribution of this remuneration among the members of these bodies. In both cases it was unanimously agreed that remuneration would be distributed equally among the members.

Details of remuneration by director are as follows:

	Euros					
Name	Committee	Board	Audit Committee	Per diems	Boards of other Group companies	Total
Mr. Jaime Echevarría Abona	166,983	62,619	-	10,800	148,305	388,707
Mr. José María Cuevas Salvador	166,983	62,619	-	10,800	-	240,402
Mr. Nestor Basterra Larroudé	166,983	62,619	-	10,800	74,580	314,982
Mr. Iñigo Soláun Garteiz-Goxeascoa	-	62,619	-	10,800	-	73,419
Ms. Agatha Echevarría Canales	-	62,619	11,600	10,800	-	85,019
Mr. José Cruz Pérez Lapazarán	-	62,618	11,600	10,800	-	85,018
Mr. Gregorio Marañón Bertrán de Lis	-	62,618	11,600	8,800	-	83,018
Mr. Alejandro Legarda Zaragüeta	-	62,618	10,000	9,800	-	82,418
	500,949	500,949	44,800	83,400	222,885	1,352,983

The Company has not given any advances or loans to the members of the board of directors and has no pension or life insurance commitments with the directors. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2007 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

The directors of the Company hold no shares, management positions or functions in companies with statutory activities identical, similar or complementary to that of the Company, other than the following:

Name	Company	Position
Mr. Jaime Echevarría Abona	Naturin GMBH & Co KG	Chairman, Board of directors
	Naturin Limited	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ	Chairman, Board of directors
	Viscofan USA Inc	Chairman, Board of directors
	Viscofan Poland Sp. Z.o.o.	Chairman, Board of directors
	Viscofan Centroamérica Comercial	Chairman, Board of directors
	Viscofan Canada, Inc	Chairman, Board of directors
	Teepak USA, LLC	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	Teepak de Mexico, S. de R.L. de C.V.	Chairman, Board of directors
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
Mr. Nestor Basterra Larroudé	Naturin GMBH & Co KG	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director

23. Guarantees, Commitments and Contingent Liabilities

a) At 31 December 2007 the Company had extended guarantees of approximately Euros 46,910,248 to Group companies. It has also extended bank guarantees of Euros 4,847,804, mainly for loans received from the CDTI, the Government of Navarra and the Ministry of Science and Technology (see note 13).

b) The Company has contracted exchange rate insurance of US Dollars 23,720,000, Canadian Dollars 1,194,000, Japanese Yen 40,244,000 and Polish Zlotys 3,045,000 for collections to be made in respect of sales in 2007.

24. Subsequent Events

On 21 January 2008, as agreed by the directors of the Company at their meeting held on 8 January 2008, a gross interim dividend of Euros 0.19 per share was distributed for all shares comprising the share capital of the Company.

The legally required cash flow statement prepared by the directors of the Company for the distribution of the dividend on account of 2007 profits, which considers own shares, is as follows:

	Euros	
I. Balance at January 1, 2008		1,486,407
II. Cash flows from/(used in) operating activities		
- Trade and other receivables	104,829.645	
- Other income	245,306	
- Payments to suppliers and other payables	(65,289,347)	
- Payments to employees	(24,724,852)	
- Interest expense	(1,568,937)	
- Other payments	(4,200,000)	
		9,291,815
III. Cash flows from/(used) in investing activities		
- Dividends	20,128,512	
- Purchases of property, plant and equipment	(17,929,000)	
		2,199,512
IV. Cash flows from/(used in) financing activities		
- Proceeds from long-term loans	7,351,213	
- Shareholder remuneration	(19,675,079)	
		(12,323,866)
V. Balance at January 8, 2009		653,868

25. Source and Application of Funds

The statements of source and application of funds for the years ended 31 December 2007 and 2006 are shown in Appendix III, which form an integral part of this note.

26. Environmental Issues

The Company has certain tangible assets involved in environmental projects, the cost and accumulated depreciation of which total Euros 9,793,500 and Euros 5,309,000 respectively.

During 2007 the Company has incurred expenses for environmental protection and improvements amounting to approximately Euros 940,500.

The directors of the Company consider that no additional provisions are required to cover the possible expenses or risks derived from environmental activities.

27. Other Information

Ernst & Young, S.L., the auditors of the annual accounts of the Company and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have agreed with the Company fees for professional services for the year ended 31 December 2007 amounting to Euros 81,000. These amounts include the total fees for 2007, irrespective of invoice date.

28. Transition to new accounting standards

On November 20, 2007, Royal Decree 1514/2007 was published approving the new General Chart of Accounts (GCA). The new GCA went into effect on January 1, 2008 and its application is mandatory as of that date.

This Royal Decree stipulates that the first set of annual accounts prepared applying the criteria established by the new GCA shall be considered first time annual accounts and therefore, they will not include comparative figures from the previous year; however, companies may opt to present the previous year's figures provided that they have been adapted to the new GCA. In addition, this Royal Decree contains several transitory provisions in which several options are given for applying the new accounting principles, as well as for voluntarily adopting certain exceptions for first time application.

The Company is preparing a transition plan for adapting to the new accounting regulations, which includes, among other matters, analyzing the various differences in accounting criteria and principles, determining the date of the opening balance sheet, selecting the principles and criteria to be applied during the transition, and evaluating the necessary changes in procedures and information systems. The final accounting effects will be disclosed in the 2008 annual accounts.

VISCOFAN, S.A.

31 December 2007

Business performance and situation of the Viscofan Group

Viscofan, S.A. posted net sales in 2007 of 127.4 million euros, 0.8% higher than the year before.

Driving the increase was growth in the global artificial casings market and Viscofan S.A.'s ongoing policy of raising average prices after the declines sustained by the industry in some products over the last few years. Average prices for both cellulose and collagen casings rose in 2007. This, coupled with higher volume sales, helped cushion the negative impact of the US dollar's sharp depreciation.

Thanks to production efficiency improvements, the Company was able to place a tight grip on production-related operating expenses and personnel expenses. Meanwhile, greater efforts to centralize operations for the Group, alongside higher energy costs, led to an increase in expenses from external services.

As a result, operating profit was 11.7% lower, at 7.7 million euros.

An increase in dividends received from Viscofan S.A. investees, underpinned by their robust individual results, drove a considerable improvement in Viscofan S.A.'s net financial income to 22.5 million euros.

In 2007, the Company recorded 2.2 million euros of extraordinary income, compared to 9 thousand euros of extraordinary expenses in 2006. The difference is mainly due to the 2.0 million euro decrease in extraordinary expenses recorded in 2007 caused by the application of provisions for investments, compared to the 0.5 million euro increase registered in 2006.

Profit before income tax amounted to 32.4 million euros in 2007, up from 19.7 million euros the year before.

This increase, coupled with a decline in the income tax charge due to the reduction in tax rates (mainly in Germany, where Viscofan S.A. pays part of the income tax of its German subsidiary, Naturin GmbH & Co) and the application of tax deductions, left Viscofan S.A. with income tax for the year of 2.0 million euros.

Accordingly, net profit for 2007 amounted to 30.4 million euros, 45.9% higher than the 20.8 million euros obtained the year before.

Important events

No significant events have taken place outside Viscofan's ordinary business.

Outlook for the Company

In a market with volumes rising worldwide, Viscofan S.A. is in a unique competitive position to continue capturing growth, while taking the necessary steps to bolster its operating efficiency and profitability against a backdrop of increasing pressure on the unit costs of factors of production, especially raw materials and gas.

In 2008, the Company will continue with efforts to recover both cellulose and collagen casings prices, while seeking to achieve greater automation in its production process to further exploit economies of scale and make its production more efficient.

Plans this year include completing the first stage of the enlargement of the co-generation plant in Cáseda (Spain) by bringing on stream two new engines with combined capacity of 16.6MW, and embarking on the second stage, which implies setting up two more engines of similar capacity by the end of the year 2009.

This project will raise Viscofan's power generation capacity more efficiently, while at the same time help reduce the environmental impact of its production processes.

Main Group investments and research and development activities

Viscofan S.A. invested nearly 12.7 million euros in 2007, compared to 3.9 million euros in 2006. This greater investment effort was mainly due to the project to enlarge the Cáseda co-generation plant, while the amount spent on efficiency, yield and environmental protection improvements was similar to total investment the year before.

Through its R&D department in Navarra, Viscofan S.A.'s research and development activities are focused on a drive for greater production efficiency and the creation of new products in the meat-processing sector in which the Company operates.

In the field of research and development the Company has obtained important institutional support both from the Regional Government of Navarra and the Spanish Ministry of Industry (CDTI).

Patents are applied for where considered relevant by technicians and experts.

Acquisition of own shares

On October 1, 2007, the deed for the 198,889.20 euro capital decrease related to the cancellation of 662,964 of Viscofan S.A.'s own shares was inscribed in the Mercantile Register. Share capital after the decrease stood at 14,189,052.60 euros and consisted of 47,296,842 shares. In this way, the Company spent over 8 million euros to remunerate shareholders.

Under the authorization given at the previous General Shareholders' Meeting, the Parent Company acquired own shares in 2007. So far in 2008, it has notified the acquisition of own shares equating to 1% of share capital.

Risk management

Due to the globalisation of its sales, the Group carries out a number of transactions in currencies other than Euros. General group policy is to hedge against these companies' commercial transaction risks by contracting exchange rate insurance to cover the collection period of the Group's product sales. Long-term insurance is not contracted.

No exchange hedges are contracted to cover Parent company investments in subsidiaries which operate with other currencies or profits contributed by these companies. The Group has shown that it is capable of competing in competitive price markets and therefore does not consider this to be a factor of risk, albeit a determining factor in sales profitability.

The Group's level of leverage and the amounts drawn down on its credit facilities lead us to believe that the Company will be able to meet its financial needs.

Viscofan S.A. has contracted several interest rate swap operations to mitigate the risks of exposure to interest rate fluctuations.

Operations with the board of directors or persons acting on their behalf, carried out during 2007, with the quoted company or a Group company when operations are different to the Company's ordinary activity or are not carried out in normal market.

In 2007 the directors have not participated in any operations other than the ordinary activity of the Company or Group companies or carried out in abnormal market conditions.

Subsequent events

At the meeting held on 8 January 2008, the board of directors of Viscofan agreed to distribute a dividend on account of profit for 2007 for a gross amount of Euros 0.19 per share for all of the shares comprising the share capital of the Parent Company, representing a rise of 35.7% compared to the dividend on account of the 2006 profit distributed the prior year. The aforementioned dividend was paid on 21 January 2008.

In January 2008, a ruling by the Supreme Court of Justice of Navarre established the indemnity to be paid to Viscofan S.A.'s former general manager at 1,596,297.12 euros. This amount was fully provisioned in 2007.

In January 2008, in its efforts to streamline its corporate structure, Viscofan de México S.R.L. de C.V. took over Teepak de México S.R.L. de C.V. and Teepak Holdings de México S.R.L. de C.V. and Viscofan de México de Servicios S.R.L. de C.V. took over Teepak Servicios de México, S.R.L. de C.V. In the US, Viscofan USA, Inc. took over Teepak USA, LLC.

In March 2008, the Company announced the acquisition of 473,827 own shares, equivalent to 1.002% of share capital.

Information to be included in the management report according to art. 14 of Law 6/2007 reforming the securities market law.

a) The structure of capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;

Articles of association:

Article 5: Share capital stands at 14,189,052.60 euros (fourteen million one hundred and eighty-nine thousand fifty-two euros and 60 euro cents) and consists of 47,296,842 shares (forty-seven million two hundred and ninety-six thousand eight hundred and forty-two) of 0.30 euros (30 euro cents) par value each.

Share capital is fully subscribed and paid in.

Article 6: All the shares are represented by book entries in accordance with the provisions of Royal Decree 116/1992 dated February 22. Iberclear (the Spanish clearing house) is in charge of keeping the accounting records.

b) Any restrictions on the transfer of securities;

There are no legal restrictions or restrictions under the Company's articles of association on the transfer of securities.

c) Significant direct and indirect shareholdings;

At December 31, 2007, direct or indirect shareholdings exceeding 3% of share capital that the Company was aware of are as follows:

Bestinver Gestión S.A.: 4,001,330 shares, equivalent to 8.460% of Viscofan's share capital calculated based on a total of 47,296,842 shares.
Marathon Asset Management, LLP: 2,760,394 shares, equivalent to 5.836% of Viscofan's share capital calculated based on a total of 47,296,842 shares.
Onchena S.L.: 2,366,000 shares, equivalent to 5.002% of Viscofan's share capital calculated based on a total of 47,296,842 shares.

d) Any restrictions on voting rights;

There are no legal restrictions or restrictions in the articles of association on the exercise of voting rights, except the restrictions relating to treasury shares.

e) Agreements between shareholders;

The Company has no knowledge of any agreements between shareholders.

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association;

Appointment and replacement of board members.

According to the articles of association:

Article 26: The powers of representation and administration of the Company shall be entrusted to a Board of Directors, comprising not less than three and more than nine Directors.

The appointment of Directors shall rest with the General Meeting, in pursuance of article 137 of the Companies Act.

Article 27: A Director need not be a shareholder to be appointed. The term of office of Directors shall be six years from the date of appointment.

The appointment of board members expires when, after expiry of their tenure, the next General Meeting has been held or the legal period for holding the Meeting to approve the accounts of the preceding year has elapsed.

The General Meeting and, failing this, the Board itself, may appoint from among Directors a Chairman, a First Vice Chairman, a Second Vice Chairman, a Third Vice Chairman and a Secretary (who does not need to be a Director) of the Board, and those officers shall act in those same capacities in the General Meeting. The appointment of the Chairman and of any Vice Chairman by the Board shall conform to the requirements of article 141(2) of the Companies Act for the purposes of article 30 of these articles of association.

In addition, the Regulations of the Board of Directors provide the following:

Article 6.- Composition of the Board of Directors.

The Board of Directors shall be made up of such number of Directors as the General Meeting determines, within the limits set by the articles of association.

The Board shall propose to the General Meeting such membership size as, according to the changing circumstances of the Company, best suits due representation on and effective operation of the Board.

Article 8.- Appointment of Directors.

Directors shall be appointed by the General Meeting or by the Board itself in those events stipulated by law.

The Board shall lay before the General Meeting its nominations for appointment or re-election of Directors, within the limits set forth in the articles of association, on the basis of a proposal by the Appointments and Remuneration Committee for independent directors and a report by this committee for all other directors. Such nominations shall include a reasonable number of independent Directors and shall seek to maintain a majority of non-executive Directors.

The Directors shall discharge their duties during the term foreseen in the articles of association.

Article 27.- Removal of Directors.

Directors shall step down and tender their resignation in the following cases:

b) When their circumstances render them incompatible or prohibited from serving on the board for one of the reasons specified under Spanish law.

b) When their continued presence on the Board could jeopardize the interests of the Company or when the reasons for which they were appointed cease to apply.

c) Proprietary directors should resign when the shareholders they represent dispose of a substantial portion of their ownership interest.

In respect of the amendment to the Company's articles of association, article 21 of the articles of association and article 18 of the Regulations of the Board of Directors provide:

"The foregoing article notwithstanding, for an ordinary or extraordinary General Meeting validly to pass resolutions on the issuance of bonds, increases or decreases of share capital, transformation, merger, split or winding up of the Company or, in a general sense, any amendment to the articles of association, at the originally fixed date and time there must be present in person or by proxy shareholders owning at least 50 percent of subscribed voting share capital.

At second call, votes representing at least 25 per cent of the capital are sufficient.

When shareholders representing less than 50 percent of subscribed voting share capital are in attendance, these resolutions can only be validly adopted pursuant to the favorable vote of two-thirds of the capital in attendance or represented by proxy at the General Meeting."

g) The powers of board members and in particular the power to issue or buy back shares;

According to article 29 of the articles of association: The Board of Directors is vested with the broadest powers to manage, administer and represent the Company in all areas regarding its normal business including, but not limited to, the following:

To represent the Company in or out of court.

To sign or delegate the power to sign on behalf of the company.

To open and make withdrawals from current and credit accounts at any bank, including the Bank of Spain and its branches, to carry out all kinds of banking and credit transactions, including at the Bank of Spain and its branches, or any other Spanish or foreign bank.

To purchase, sell, swap, lease and assign movable goods and property, industrial or mercantile installations and businesses of any kind.

To constitute, modify and cancel real rights to these.

To participate in tenders and auctions of all kinds and enter into supply, work execution and services contracts.

To set up and cancel provisional or definitive guarantees, receive and pay any and all amounts receivable or payable by the Company, even at the central, regional or local tax authorities, payments organisms or other governmental offices.

To carry out all kinds of proceedings and enter into contracts to manage, sell, disburse, own and encumber movable goods and property, to grant all kinds of general or special, mercantile, judicial or administrative powers and, in general, to perform any duty required for the development and progress of the Company.

To acquire, via any legal means, all types of machinery, tools and equipment for: public works, constructions of all kind, industrial and commercial operations.

To lease or assign the use of this machinery or business, with or without purchase options, to any Spanish or foreign, public or private, natural or corporate person.

To intermediate in the sale or acquisition of these assets.

To import, export, promote and participate in this activity in respect of the assets mentioned in the preceding paragraphs.

To finance, in general, any transaction designed for the aforementioned purposes.

To conduct studies and prepare reports on all types of legal, economic and financial issues, as well as provide advisory on them.

To sign financial, industrial or commercial projects and, in general, all types of similar transactions, as well as participate in them.

To purchase all types of credits and bills for trading.

To provide any type of civil or mercantile guarantee to natural or corporate persons deemed appropriate and before any individuals or entities in transactions or commitments made or assumed, signing such public or private documents as may be necessary, including bills of exchange.

In addition, the latest version of the Regulations of the Board of Directors approved at the Board Meeting held on January 8, 2008 provides:

Article 5.- Powers of exclusive knowledge.

In addition to those reserved by law, the following matters are of exclusive competence of the Board of Directors in full:

a) The Company's general policies and strategies, and in particular:

i) The strategic or business plan, management targets and annual budgets;
ii) Investment and financing policy;
iii) Design of the structure of the corporate Group;
iv) Corporate governance policy;
v) Corporate social responsibility policy;
vi) Remuneration and evaluation of senior officers;
vii) Risk control and management, and the periodic monitoring of internal information and control systems;
viii) Dividend policy, as well as the policies and limits applying to treasury stock.

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses;
ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions;
iii) The financial information listed companies must periodically disclose;
iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
v) The creation or acquisition of shares in special purpose entities or resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group;

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorization need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across the-board basis to a large number of clients;
2. They go through at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

Related-party transactions should only be approved on the basis of a favorable report from the Audit Committee.

d) Setting of policies regarding information to shareholders, markets and public opinion.

e) Powers of organization of the Board of Directors and amendments to the Regulations of the Board of Directors.

Finally, at the General Shareholders' Meeting of the Company held on June 18, 2007, the following resolution was adopted:

"Render null the authorization to acquire treasury shares granted to the Board of Directors at the General Shareholders' Meeting held on May 22, 2006.
To authorize the Board of Directors so that, though the individual, company or entity deemed appropriate, it may purchase and sell on the market shares of the Company itself, at the price quoted on the day of such transaction, up to the maximum number of shares permitted by Spanish Corporation Law and related provisions, at a price of no less than 100% and no more than 5000% of their nominal value.
This authority is given to the Board of Directors for a maximum period of 18 months from the date of the present resolution.
This authorization is granted to the Board of Directors subject to the legal restrictions on the acquisition of treasury shares and, specifically, the provisions of Article 75 of the revised Spanish Corporation Law.
Should the Board of Directors be required to make use of the authorization granted at the General Shareholders' Meeting, the treasury shares of the Company would be subject to the restrictions provided for under Article 79 of said law."
This resolution was adopted by majority. Voting in favor were thirty-four million seven hundred and thirty-five thousand three hundred and twenty-nine (34,735,329) shares. Abstaining were twenty-eight thousand one hundred (28,100) shares. Votes against were two thousand thirty-two (2,032) shares.

h) Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company. This exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;

The Company is not party to any agreements of this kind.

i) Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

There are agreements of this kind between the company and three managers.

VISCOFAN, S.A.
Details of Direct Shareholdings in Group and Associated companies

31 December 2007
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

		Cost	Shareholders' equity			
Group companies	Percentage interest	Thousands of Euros	Currency	Amounts in thousands	Activity	Registered offices
Industrias Alimentarias de Navarra, S.A.U.	100.00%	15,602	EUR	34,422	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin GmbH & Co. KG	100.00%	89,436	EUR	60,935	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware	100.00%	7,219	USD	1,007	Financial activity	Dover (USA)
Naturin Verwaltung, GmbH	100.00%	21	EUR	24	Financial activity	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	53,138	USD	67,763	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o.	100.00%	447	PLN	2,002	Commercial activity	Krakaw (Poland)
Gamex CB Sro	100.00%	7,498	CZK	316,380	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofán USA Inc.	100.00%	34,729	USD	37,841	Manufacture and marketing of artificial casings	Montgomery (USA)
Naturin LTD	100.00%	1,841	GBP	2,055	Commercial activity	Seven Oaks (UK)
Viscofan CZ, S.r.o.	100.00%	10,503	CZK	398,923	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	7,730	MXP	82,174	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centramérica Comercial, S.A.	99.50%	166	USD	209	Commercial activity	San José (Costa Rica)
Koteks Viscofan, d.o.o.	100.00%	14,322	CSD	552,241	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	99.80%	3	MXP	145	Provision of services	San Luís de Potosí (México)
Teepak Holding de México, S.R.L de C.V	0.01%	5	MXP	14,444 (*)	Holding	Zacapu Michoacán (México)
Teepak de México, S.R.L de C.V	0.01%	6	MXP	14,444 (*)	Manufacture and marketing of artificial casings	Zacapu Michoacán (México)
Teepak Servicios de México, S.R.L de C.V	99.99%	12	MXP	53	Provision of services	Zacapu Michoacán (México)
		242,678				

(*) Consolidated equity of Teepak de México, S.R.L. de C.V. and Teepak Holding de México, S.R.L. de C.V.

VISCOFAN, S.A.
Details of Indirect Shareholding in Group Companies

31 December 2007
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Percentage interest	Activity	Registered offices
IAN Perú S.A.	100.00%	Asparagus production	Cañete (Peru)
Stephan & Hoffmann AG	100.00%	Holding company	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.	0.01%	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	0.20%	Provision of services	San Luís de Potosí (Mexico)
Teepak Holdings de México, S.R.L. de C.V.	99.99%	Holding company	Zacapu Michoacán (Mexico)
Teepak de México, S.R.L. de C.V.	99.99%	Manufacture and marketing of artificial casings	Zacapu Michoacán (Mexico)
Teepak Servicios de México, S.R.L. de C.V.	0.01%	Provision of services	Zacapu Michoacán (Mexico)
Zacapu Power, S.R.L. de C.V.	100.00%	Operation of co-generation plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc.	100.00%	Commercial activity	Quebec (Canada)
Teepak USA, LLC	100.00%	Manufacture and marketing of artificial casings	Danville, Illinois (USA)
Viscofan Centroamérica Comercial, S.A.	0.50%	Commercial activity	San José (Costa Rica)

This Appendix forms an integral part of note 7 to the annual accounts for 2007, in conjunction with which it should be read.

Appendix II

VISCOFAN, S.A.

Detail and Movement in Shareholders' Equity
31 December 2007

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

			Reserves							
	Share Capital	Share Premium	Legal reserve	Own Shares reserve	Special reserve	Merger reserve	Voluntary reserves	1996 revaluation reserve	Profit for the year	Total
Balance at 31 December 2006	14,388	49,406	2,935	3,004	25	119	139,502	8.988	20.834	239.201
Distribution of 2006 profit										
• Voluntary reserves	-	-	-	-	-	-	14,209	-	(14.209)	-
• Dividends	-	-	-	-	-	-	-	-	(6.625)	(6.625)
Distribution of share Premium	-	(7,562)	-	-	-	-	-	-	-	(7.562)
Capital decrease	(199)		-	(8,078)	-	-	199	-	-	(8.078)
Transfer to own share reserve										
• Creation	-	-	-	5,207	-	-	(5,207)	-	-	-
• Write - back	-	-	-	(77)	-	-	77	-	-	-
Provision for own shares	-	-	-	1,505	-	-	-	-	-	1.505
Profit for 2007	-	-	-	-	-	-	-	-	30.400	30.400
Balances at 31 December 2007	14,189	41,844	2,935	1,561	25	119	148,780	8.988	30.400	248.841

This Appendix forms an integral part of note 10 to the annual accounts for 2007, in conjunction with which it should be read.

Appendix III

VISCOFAN, S.A.

Source and Application of Funds
for the years ended 31 December 2007 and 2006
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Applications	2007	2006
Acquisitions of fixed assets		
Intangible assets	507	1,530
Tangible assets	12,151	3,853
Investments	4,890	2,004
Deferred expenses	4	1
Write-down of revaluation reserve on disposal of fixed assets	-	2
Share capital reduction	8,078	-
Dividends and distributions of share premium	14,187	8,980
Provision for own shares	-	3,307
Disposal of own shares	-	27
Cancellation or transfer to short term of long-term debt	9,304	4,403
Disposal or adjustment to the value of emission rights	-	1,106
Total applications	49,121	25,213
Increase in working capital	-	9,045
	49,121	34,258

Sources	2007	2006
Funds generated from operations		
Profit for the year	30,400	20,834
Amortization and depreciation	8,587	8,525
Net profit on disposal of fixed assets	(39)	(11)
Changes in provisions for intangible assets	90	11
Changes in provisions for tangible assets	(72)	(72)
Changes in provisions for investments	(2,859)	458
Deferred expenses	3	-
Deferred income transferred to profit and loss	(54)	(373)
Net movement in deferred taxes generated and reversed in the year	(314)	-
	35,742	29,372
Own Shares	1,505	-
Long-term debt	947	1,178
Net capital grants received	149	12
Grants for emission rights	112	1,414
Disposal of fixed assets		
Intangible assets	353	2,257
Tangible assets	42	25
Investments	4	-
Total sources	38,854	34,258
Decrease in working capital	10,267	-
	49,121	34,258

Movement in working capital

	2007		2006	
	Increases	Decreases	Increases	Decreases
Stocks	136	-	510	-
Debtors	684	-	12,967	-
Current liabilities		10,942	-	8,064
Short-term investments	803		500	-
Own shares held in the short-term		1,750	2,637	-
Cash in hand and at banks	416	-	-	279
Prepayments	54	-	-	42
Provisions for liabilities and charges	332	-	816	-
	2,425	12,692	17,430	8,385
Movement in working capital	10,627	-	-	9,045
	12,692	12,692	17,430	17,430

This Appendix forms an integral part of note 25 to the annual accounts for 2007, in conjunction with which it should be read.