VISCOFAN, S.A.

Financial Statements
for the year ended
December 31, 2009

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

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VISCOFAN, S.A.
Balance sheet at December 31, 2009
(Thousands of euros)

ASSETS	Notes	2009	2008
NON-CURRENT ASSETS		**321,589**	**299,590**
Intangible assets	**5**	**7,120**	**3,558**
Concession rights		2,496	-
Software		1,876	707
Other intangible assets		2,748	2,851
Property, plant and equipment	**6**	**58,554**	**52,383**
Land and buildings		12,810	11,828
Plant and other PP&E items		45,258	34,730
Property, plant and equipment under construction and prepayments		486	5,825
Investment in group companies and associates	**7**	**254,752**	**241,223**
Equity instruments		254,752	241,223
Financial investments	**8**	**90**	**90**
Equity instruments		42	42
Other financial assets		48	48
Deferred tax assets	**16**	**1,073**	**2,336**
CURRENT ASSETS		**65,610**	**75,422**
Inventories	**9**	**17,246**	**16,294**
Commercial inventories		1,757	1,947
Raw materials and other consumables		5,918	6,441
Work in progress		4,808	4,658
Finished products		4,763	3,248
Trade and other receivables	**8**	**43,237**	**55,023**
Trade receivables		26,721	24,444
Trade receivables from group companies and associates		14,590	28,012
Other receivables		43	260
Receivable from employees		13	20
Other receivables from public administrations	16	1,870	2,287
Investments in group companies and associates	**8**	**2,338**	**3,755**
Loans to companies		2,059	3,572
Other financial assets		279	183
Investments	**8**	**2,540**	**12**
Derivatives		2,527	-
Other financial assets		13	12
Accruals		**107**	**142**
Cash and cash equivalents	**10**	**142**	**196**
Cash		142	196
TOTAL ASSETS		**387,199**	**375,012**

VISCOFAN, S.A.
Balance sheet at December 31, 2009
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2009	2008
EQUITY		**282,271**	**276,617**
CAPITAL AND RESERVES		**280,936**	**276,826**
Share capital	**11.1**	**13,981**	**14,020**
Issued capital		13,981	14,020
Share Premium	**11.2**	**16,650**	**30,165**
Reserves	**11.3**	**223,126**	**202,145**
Legal and statutory reserves		2,935	2,935
Other reserves		220,191	199,210
Treasury shares and equity investments	**11.7**	**-**	**(1,699)**
Profit for the year	**3**	**39,296**	**32,195**
Interim dividend	**3.1**	**(12,117)**	**-**
UNREALIZED GAINS (LOSSES) RESERVE	**12**	**1,147**	**(346)**
Hedging instruments		1,147	(346)
GRANTS, DONATIONS AND LEGACIES	**13**	**188**	**137**
NON-CURRENT LIABILITIES		**32,176**	**28,421**
Borrowings	**15**	**28,274**	**25,761**
Payable to credit institutions		24,306	21,725
Liabilities from capital leases		30	32
Other financial liabilities		3,938	4,004
Deferred tax liabilities	**16**	**3,902**	**2,660**
CURRENT LIABILITIES		**72,752**	**69,974**
Provisions	**14**	**2,943**	**1,697**
Borrowings	**15**	**34,392**	**33,303**
Bank borrowings		30,076	27,591
Finance leases		33	43
Derivatives		79	1,261
Other financial liabilities		4,204	4,408
Payables to group companies and associates	**15**	**10,052**	**7,512**
Trade and other payables	**15**	**25,365**	**27,462**
Suppliers		2,328	4,801
Suppliers, group companies and associates		7,305	9,483
Other payables		9,955	9,457
Employee benefits payable		880	146
Current tax liabilities	16	712	2,070
Other payables to public administrations	16	3,795	1,369
Customer advances		390	136
TOTAL EQUITY AND LIABILITIES		**387,199**	**375,012**

VISCOFAN, S.A.
Income statement for the year ended December 31, 2009
(Thousands of euros)

	Notes	2009	2008
CONTINUING OPERATIONS			
Revenue	**17.1**	**168,766**	**155,346**
Sale of goods		167,102	153,641
Rendering of services		1,664	1,705
Changes in inventory of finished goods and work in progress		**1,667**	**409**
Cost of sales		**(69,624)**	**(65,842)**
Consumption of goods for resale	17.2	(46,404)	(39,573)
Consumption of raw materials and other consumables	17.2	(23,176)	(26,013)
Impairment of goods for resale, raw materials and other consumables	9	(44)	(256)
Other operating income		**8,583**	**4,228**
Ancillary income		8,231	3,166
Grants related to income	13	352	1,062
Employee benefits expense		**(31,054)**	**(30,851)**
Wages, salaries, et al		(24,574)	(24,184)
Social security costs, et al	17.3	(6,480)	(6,667)
Other operating expenses		**(50,310)**	**(44,426)**
External services	17.4	(47,646)	(42,090)
Taxes		(141)	(588)
Losses on, impairment of and change in trade provisions	**8.1**	(294)	(51)
Other operating expenses	**14**	(2,229)	(1,697)
Depreciation and amortization	**5 y 6**	**(7,843)**	**(7,795)**
Grants related to non-financial assets and other grants	**13**	**29**	**48**
Impairment gains (losses) on disposal of non-current assets		**(90)**	**102**
Impairment gains and losses	5 & 6	40	172
Gains (losses) on disposals	5 & 6	(130)	(70)
OPERATING PROFIT		**20,124**	**11,219**
Finance income		**23,167**	**25,422**
From equity investments	7.1	23,101	25,329
In group companies and associates		23,101	25,329
From marketable securities and other financial instruments		66	93
Of group companies and associates		63	67
Of third parties		3	26
Finance costs	**17.5**	**(1,475)**	**(2,405)**
Third-party borrowings		(1,475)	(2,405)
Exchange gains (losses)		**653**	**(637)**
FINANCE INCOME		**22,345**	**22,380**
PROFIT BEFORE TAX		**42,469**	**33,599**
Income tax	**16**	**(3,173)**	**(1,404)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**39,296**	**32,195**
DISCONTINUED OPERATIONS			
Profit (Loss) alter tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**39,296**	**32,195**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2009
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2009

	Notes	2009	2008
PROFIT FOR THE PERIOD		**39,296**	**32,195**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**-**	-
Available-for-sale financial assets		**-**	-
Other income/expense		**-**	-
From cash flow hedges	**12**	**1,638**	**(494)**
Grants, donations and bequests received	**13**	**2,444**	**2,003**
From actuarial gains and losses and other adjustments			**-**
Tax effect		**(1,224)**	**(453)**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**2,858**	**1,056**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	-
Available-for-sale financial assets		**-**	-
Other income/expense		**-**	-
From cash flow hedges	**12**	**494**	**(370)**
Grants, donations and bequests received	**13**	**(2,371)**	**(2,130)**
Tax effect		**563**	**751**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**(1,314)**	**(1,749)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**40,840**	**31,502**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2009
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2009

	Issued capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3)	Treasury shares and equity investments (Note 11.7)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 12)	Grants, donations and bequests received (Note 13)	TOTAL
ADJUSTED BALANCE AT JANUARY 1, 2008	**14,189**	**41,844**	**218,984**	**(3,728)**	**-**	**-**	**259**	**225**	**271,773**
Total recognized income and expense	-	-	-	-	32,195	-	(605)	(88)	31,502
Transactions with shareholders and owners									
Capital decreases	(169)	-	(7,931)	-	-	-	-	-	(8,100)
Dividends paid	-	(11,679)	(8,908)	-	-	-	-	-	(20,587)
Transactions with treasury shares or own equity instruments (net)	-	-	-	2,029	-	-	-	-	2,029
Other changes in equity	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2008	**14,020**	**30,165**	**202,145**	**(1,699)**	**32,195**	**-**	**(346)**	**137**	**276,617**
Total recognized income and expense	-	-	-	-	39,296	-	1,493	51	40,840
Transactions with shareholders and owners									
Capital decreases	(39)	-	(1,660)	-	-	-	-	-	(1,699)
Dividends paid	-	(13,515)	-	-	(9,554)	(12,117)	-	-	(35,186)
Transactions with treasury shares or own equity instruments (net)	-	-	-	1,699	-	-	-	-	1,699
Other changes in equity	-	-	22,641	-	(22,641)	-	-	-	-
BALANCE AT DECEMBER 31, 2009	**13,981**	**16,650**	**223,126**	**-**	**39,296**	**(12,117)**	**1,147**	**188**	**282,271**

VISCOFAN, S.A.
Cash flow statement for the year ended December 31, 2009
(Thousands of euros)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**42,469**	**33,599**
Adjustments to profit		**(11,061)**	**(13,939)**
Depreciation and amortization	5 y 6	7,843	7,795
Impairment losses	5 y 6	(40)	(172)
Changes in provisions		3,506	411
Grants released to income	13	(381)	(1,110)
Results on disposal of property, plant and equipment		129	-
Finance income		(23,167)	(25,396)
Finance costs	17.5	1,475	2,405
Exchange gains (losses)		923	(129)
Change in fair value of financial instruments		(1,576)	767
Other income and expenses		227	1,490
Change in working capital		**1,244**	**(10,887)**
Inventories		(1,361)	(1,702)
Trade and other receivables		5,461	(11,988)
Other current assets		35	(180)
Trade and other payables		(1,812)	3,907
Other current liabilities		(1,079)	(924)
Other cash flows from operating activities		**12,513**	**20,837**
Interest paid		(1,260)	(2,112)
Dividends received		14,989	23,686
Interest received		76	45
Income tax receipts (payments)		(1,725)	(814)
Other payments (receipts)		433	32
CASH FLOW FROM OPERATING ACTIVITIES		**45,165**	**29,610**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(26,730)**	**(23,404)**
Group and associates		(8,550)	(4,000)
Intangible assets		(3,161)	(1,239)
Property, plant and equipment		(15,014)	(15,165)
Other financial assets		(5)	(3,000)
Proceeds from disposals		**2,102**	**750**
Group companies and associates		1,500	-
Property, plant, and equipment		599	-
Other financial assets		3	750
CASH FLOWS FROM INVESTING ACTIVITIES		**(24,628)**	**(22,654)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**-**	**(6,353)**
Acquisition of own equity instruments		-	(6,353)
Proceeds from and payments of financial liabilities		**14,595**	**19,536**
Issues			
Bank borrowings		15,705	25,000
Accounts payable to Group and associated companies		10,000	-
Other borrowings		1,214	1,178
Repayment and redemption of			
Bank borrowings		(11,075)	(3,371)
Other borrowings		(1,249)	(3,271)
Dividends paid and payments on other equity instruments		**(35,186)**	**(20,587)**
Dividends		(35,186)	(20,587)
CASH FLOWS FROM FINANCING ACTIVITIES		**(20,591)**	**(7,404)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(54)**	**(448)**
Cash and cash equivalents at January 1		**196**	**644**
Cash and cash equivalents at December 31		**142**	**196**

VISCOFAN, S.A.
Notes to the financial statements for the year ended December 31, 2009

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 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). During 2009, its main office was moved to Tajonar (Navarra). Its registered address is still 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.

At the same date the Group's corresponding consolidated financial statements for 2009 have been also prepared.

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 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 2009 financial statements as a result of these meetings.

The directors have prepared the 2009 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 2009, those of 2008 have been included. The Notes likewise contain quantitative information from 2008, unless an accounting standard specifically states that this is not required.

2.3 Critical issues concerning the assessment of uncertainty

The directors have prepared the financial statements using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, was established on the basis of these estimates. The Company periodically reviews these estimates. However, given the uncertainty inherent in them, the need may arise to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods should changes occur in the hypotheses or circumstances on which the resulting values were based.

Impairment of investments in group companies

When measuring investments in group companies estimates must be made to determine their fair value to assess if there is any impairment. To determine their fair value the Company's directors estimate expected future cash flows from the ordinary activities of the investees as well as from their disposal.

3. APPROPRIATION OF PROFIT

The appropriation of 2009 profit proposed by the directors, which is expected to be approved by the shareholders in general meeting, is as follows:

(Thousands of euros)	2009
Proposed appropriation	
Profit for the year	39,296
	39,296
Appropriation to	
Voluntary reserves	27,179
Dividends	12,117
	39,296

3.1 Interim dividend

On December 15, 2009, the Board of Directors approved an interim dividend against 2009 profit of 12,117 thousand euros based on profit projections for the period. This dividend was paid on December 22, 2009. The amount of the dividend is less than the maximum limit established by prevailing legislation relating to distributable profit from the previous year end.

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 15, 2009	383
Cash flows from/(used in) operating activities	
Trade and other receivables	126,751
Other income	314
Accounts payable and suppliers	(82,895)
Payments made to employees	(27,718)
Interest paid	(1,068)
Other payments	(1,000)
Cash flow related to investment activities	
Dividends	27,400
Purchases of property, plant and equipment	(3,745)
Cash flow related to financing activities	
Repayment of non-current borrowings	(9,094)
Dividends paid	(28,894)
Projected liquidity at December 15, 2010	**434**

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 (Note 11.3).

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. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition.

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, 2009 all the Company's assets had a finite useful life.

Intangible assets having finite useful lives are amortized on a straight-line basis over their remaining estimated useful lives and residual value. Amortization methods and periods are reviewed at year end and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at year end and are written down where applicable.

Concession rights

Concession rights are recognized at the cost incurred, and are amortized over the ten-year period during which they are put to use.

Software

"Software" includes the costs incurred by the Company to develop its own software, which meets the development expenses capitalization criteria defined above, in addition to the cost of acquiring software from third parties. These expenses are 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

It is Company policy to recognize CO_2 emission rights as a non-amortizable intangible asset. The rights allocated free of charge under the National Assignment Plan are measured at the prevailing market price at the date received, recognizing deferred income for the same amount.

During 2008, emission rights equivalent to 430,315 tons were received for the 2008-2012 period, as per the 2008-12 National Allocation Plan approved by Royal Decree 1370/2006.

During 2009, in compliance with Article 19.4 of Law 1/2005, dated March 9, the Company obtained an individual new entry assignment of emission rights from the Ministry of the Environment and Rural and Marine Affairs. The assignment is equivalent to 329,656 tons for the 2008-2012 period, broken down as 41,956 rights for 2008 and 71,925 rights for each of the successive years.

Therefore, as of 2009 the Company will receive 86,063 tons corresponding to the first plan, and 71,925 tons as a result for the new entries. They are recognized at the market price of these rights at January 1 each year.

These emission rights are eliminated from the balance sheet when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognized from the provision made when the CO_2 emissions take place.

4.2 Property, plant and equipment

Property, plant and equipment are initially measured at either acquisition or production cost. The cost of property, plant and equipment acquired in a business combination is its fair value as of the date of acquisition.

Following initial measurement, they 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, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The estimated useful lives of property, plant, and equipment at year end 2009 and 2008 are as follows:

	Useful lives
Buildings	30 years
Plant and machinery	10 years
Furniture	10 years
Other property, plant and equipment	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. 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 there is any indication of impairment, the Company estimates the asset's recoverable amount.

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 in this category trade and non-trade receivables, which include 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. In the case of non-monetary contributions to a Group company for the purpose of a business, however, the investment is measured at the carrying amount of the assets constituting the business. The initial value includes preferential subscription and similar rights.

Following initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

When an investment is classified as an investment in a Group company, joint venture or associate, cost value is deemed to be the asset's recognized carrying amount, whereas previously recognized value adjustments are shown in equity until the investment is either sold or impaired.

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 derivatives

This category includes derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.8.

Cancelation

Financial assets are derecognized when the contractual rights to related cash flows have expired or when the assets are transferred, provided that related risks and rewards are substantially transferred.

If the Company has not substantially transferred or retained the risks and rewards incidental to ownership of the financial asset, it is derecognized if control over the asset has not been retained. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e. due to its continuing involvement, recognizing as well the associated liability.

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 the 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 financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the balance sheet date is used. 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 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 derivatives

This category includes derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in 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.

For the purpose of hedge accounting, hedges are classified as *cash flow hedges.* Thus, cash flow hedges are designed to hedge exposure to variability in cash flows attributable to the changes in the exchange rates for purchases and sales carried out in foreign currency, the variability in cash flows attributable to changes in interest rates on loans taken out and the changes in prices of raw materials. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; gains or losses are taken to the income statement in the year or years in which the hedged item affects profit or loss.

4.9 Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancelation. Expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.10 Inventories

Stocks are valued at acquisition price or production cost. Costs of purchase include the invoice price after deducting any trade discounts, rebates and other similar items, plus all other costs incurred until the goods are available for sale, such as transport, customs, insurance, and others directly attributable to the acquisition of inventory items. Production cost is determined by adding the costs directly attributable to the product to the purchase price of raw materials and other consumables. The portion of indirectly attributable costs incurred in preparing the tools for sale that can reasonably be allocated to the products in question are also included, to the extent that such costs are related to the manufacturing or construction process and are based on normal working conditions for the means of production.

Given that Company inventory is available-for-sale in less than one year, finance costs are not included in the acquisition or production cost.

The Company measures inventory at weighted average cost.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement. No provision is set aside for raw materials and other consumables used in production, if the finished products in which they are incorporated are sold above cost.

4.11 Cash and cash equivalents

This heading includes cash and current accounts.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.12 Grants

Grants are recognized as non-repayable when the requirements established for receiving them are met and are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities until they meet the criterion for being considered non-repayable. No income is recorded until this criterion is met.

Grants received to finance specific expenses are released to the income statement in the year in which the expenses which they are intended to compensate are incurred. Grants received to acquire property, plant and equipment are released to income in proportion to the depreciation charged for the related assets.

4.13 Provisions

Provisions are recognized in the balance sheet when the Company has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law) as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, recognizing provision discount adjustments as a finance cost as they accrue. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for CO_2 emission rights

As of 2006, the companies included in the National Assignment Plan that emit CO_2 in their operating activities, in the early months of the subsequent year must submit CO_2 emission rights equivalent to their CO_2 emissions in that year.

The obligation to submit CO_2 emission rights for CO_2 emissions during the year is recorded in "Current provisions" on the balance sheet, while the related cost is recognized under "Other operating expenses." This obligation is measured at the same amount as the CO_2 emission rights submitted to cover CO_2 emissions, which are recognized under "Other intangible assets."

4.14 Provisions for long-term employee benefits

The Company has no pension commitments whereby it is obliged to make contributions to a separate entity, such as an insurance company or a pension plan.

However, the Company does have early retirement and seniority bonus commitments with employees. The Company has externalized these commitments through insurance policies and has recognized the amounts paid under "Employee benefits expense."

4.15 Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity.

Deferred income tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the balance sheet, as applicable.

Deferred tax liabilities are recognized for all temporary differences, except where disallowed by prevailing tax legislation.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

At each financial year end, the Company assesses the deferred tax assets recognized and those that have not yet been recognized. Based on this analysis, the Company derecognizes the asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset that had not been recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

4.16 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; if they differ from the aforementioned assets, and are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted to more than one year.

4.17 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

Trade receivables

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.

4.18 Transactions in foreign currency

The Company's functional and presentation currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognized in the income statement.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the income statement.

4.19 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.

4.20 Termination benefits

In accordance with prevailing mercantile legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

5. INTANGIBLE ASSETS

The movements in the items composing "Intangible assets" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
2009					
Cost					
Patents	36	-	-	-	36
Concession rights	-	1,935	-	692	2,627
Software	5,543	982	-	401	6,926
Greenhouse gas emission rights	1,697	2,444	(1,697)	-	2,444
Payments on account for non-current intangible assets	1,154	243	-	(1,093)	304
	8,430	5,604	(1,697)	-	12,337
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	-	(131)	-	-	(131)
Software	(4,836)	(214)	-	-	(5,050)
	(4,872)	(345)	-	-	(5,217)
Impairment losses	-	-	-	-	-
Net carrying amount	**3,558**				**7,120**
2008					
Cost					
Patents	36	-	-	-	36
Software	5,391	152	-	-	5,543
Greenhouse gas emission rights	105	1,697	(105)	-	1,697
Payments on account for non-current intangible assets	67	1,087	-	-	1,154
	5,599	2,936	(105)	-	8,430
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Software	(4,520)	(316)	-	-	(4,836)
	(4,556)	(316)	-	-	(4,872)
Impairment losses	(101)	-	101	-	-
Net carrying amount	**942**				**3,558**

5.1 Significant movements

At December 31, 2009 and 2008, the cost value of fully amortized intangible assets amounted to 4,448 and 4,391 thousand euros, respectively.

Additions included under "Concession rights" include the amount paid to the proprietor of the Sangüesa substation to increase its electrical capacity; the Company has obtained the rights to connect to the substation in order to take advantage of the increased co-generation capacity established during the past two years.

"Greenhouse gas emission rights" include free of charge rights allocated by the National Assignment Plan (see notes 13 and 14).

5.2 Other information

The Company has no intangible assets located outside Spain, nor has it made any acquisitions from group companies at December 31, 2009 and 2008.

At December 31, 2009 and 2008 there are firm purchase commitments for software amounting to 222 and 372 thousand euros, respectively, which will be financed using the Company's capital and undrawn credit facilities. These commitments, together with the investments in progress, are due to the implementation of new software in the Company, mostly in the area of production.

6. PROPERTY, PLANT AND EQUIPMENT

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2009					
Cost					
Land	206	-	-	-	206
Buildings	21.604	1.154	(285)	712	23.185
Plant and other PP&E items	186.387	12.863	(2.828)	5.219	201.641
Property, plant, and equipment under construction and payments on account	5.825	592	-	(5.931)	486
	214.022	14.609	(3.113)	-	225.518
Accumulated depreciation					
Buildings	(9.940)	(709)	108	-	(10.541)
Plant and other PP&E items	(151.619)	(6.789)	2.025	-	(156.383)
	(161.559)	(7.498)	2.133		(166.924)
Impairment losses					
Buildings	(42)	-	2	-	(40)
Plant and other PP&E items	(38)	-	38	-	-
	(80)	-	40	-	(40)
Net carrying amount	**52.383**				**58.554**
2008					
Cost					
Land	206	-	-	-	206
Buildings	19.772	567	-	1.265	21.604
Plant and other PP&E items	173.421	7.568	(2.228)	7.626	186.387
Property, plant, and equipment under construction and payments on account	8.967	5.749	-	(8.891)	5.825
	202.366	13.884	(2.228)	-	214.022
Accumulated depreciation					
Buildings	(9.259)	(681)	-	-	(9.940)
Plant and other PP&E items	(146.843)	(6.798)	2.022	-	(151.619)
	(156.102)	(7.479)	2.022		(161.559)
Impairment losses					
Buildings	(44)	-	2	-	(42)
Plant and other PP&E items	(107)	-	69	-	(38)
	(151)	-	71	-	(80)
Net carrying amount	46.113				**52.383**

6.1 Significant movements

In 2009 the main investments were related to the first phase of the enlargement of the cogeneration plant. This investment amounted to 13.4 million euros, of which 4.8 million euros were under construction or had been prepaid in 2008. It is hoped that three objectives will be achieved through this investment: reduce energy costs, be self-sufficient and reduce CO_2 emissions into the atmosphere.

The remaining additions and work in progress correspond mainly to plant and machinery purchased to increase the productivity and production capacity of the Company's manufacturing plants.

Additions recognized in 2008 were related mainly to the first phase of construction to increase the co-generation plant's capacity, which amounted to 11.6 million euros.

The Company disposed of property, plant, and equipment with a net carrying amount of 980 thousand and 206 thousand euros in 2009 and 2008, respectively. The gains on these disposals were 130 thousand and 70 thousand euros, respectively. Practically all the items sold during both periods went to Group companies.

All transfers in 2009 are due to the inclusion of assets which were under construction.

The Company took advantage of the tax provisions included in Regional Law 23/1996 regarding the remeasurement of assets and that year increased the cost and cumulative depreciation of its property, plant and equipment, which gave rise to net unrealized gains of 9,282 thousand euros (Note 11.4). The net carrying amount of these assets at year end 2009 and 2008 is 689 thousand and 770 thousand euros, respectively, while depreciation for these years amounted to 81 thousand euros each.

6.2 Finance leases

The net carrying amount of property, plant and equipment held under finance leases at December 31 is as follows:

(Thousands of euros)	**2009**	**2008**
Plant		
Cost	183	148
Accumulated depreciation	(82)	(53)
	101	**95**

The initially recognized cost value for assets held under finance leases was the present value of future minimum lease payments on the date the lease agreement was signed.

The reconciliation between the total future minimum lease payments and the present value at December 31 is as follows:

	2009		2008	
(Thousands of euros)	**Future minimum payments**	**Present value (Note 15.1)**	**Future minimum payments**	**Present value (Note 15.1)**
Within one year	44	33	47	43
Between one and four years	31	30	37	32
	75	**63**	**84**	**75**

The principal terms of finance lease agreements are as follows:

- The lease is for a term between 2 and 4 years.
- The interest rate is floating and is linked to 12-month Euribor plus a fixed spread of between 0.6 and 1.25 percentage points.
- 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.

6.3 Operating leases

The Company rents the building in Urdiáin (Navarra) where it carries out its activity and a commercial office in Moscow at an annual cost of 111 and 92 thousand euros during 2009 and 2008, respectively. The Company rents the Urdiáin building under a lease agreement which is tacitly renewed each year. The agreement signed in respect of the commercial office is likewise for one year, renewable annually. Neither includes a purchase option.

In addition, the Company plans to move its central offices in Pamplona to a new rented building for which it signed a lease agreement in December 2008 valid until December 31, 2028. Thereafter, the lease will be automatically renewed if both parties are in agreement.

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

(Thousands of euros)	**2009**	**2008**
Within one year	261	261
Between one and five years	1,044	1,044
More than five years	3,654	3,915
	4,959	**5,220**

6.4 Other disclosures

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

(Thousands of euros)	2009	2008
Plant and machinery		
Cost	2,282	2,282
Accumulated depreciation	(2,010)	(1,958)
Other property, plant and equipment		
Cost	34	34
Accumulated depreciation	(34)	(33)
Property, plant, and equipment under construction	28	-
	300	**325**

At December 31, 2009 and 2008 no property, plant and equipment items were located outside Spain.

At December 31 of 2009 and 2008, the Company had firm purchase commitments for property, plant, and equipment totaling 103 and 8,798 thousand euros, from investments under construction or prepayments made (Note 6.1) which will be financed with Company capital or undrawn credit facilities.

The breakdown of fully depreciated property, plant and equipment is as follows:

(Thousands of euros)	2009	2008
Buildings	1,701	1,696
Plant and machinery	106,933	100,486
Plant and other PP&E items	15,028	13,851
Other property, plant and equipment	5,095	4,825
	128,757	**120,858**

The Company has arranged insurance policies to cover the carrying amount of these assets.

Property, plant and equipment items for environmental activity are described in Note 21.3.

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
2009					
Equity instruments	246.679	13.550	(21)	-	260.208
Impairment losses	(5.456)	-	-	-	(5.456)
	241.223				**254.752**
2008					
Equity instruments	242.679	4.000	-	-	246.679
Impairment losses	(5.456)	-	-	-	(5.456)
	237.223				**241.223**

During 2009, the Company created Viscofan Technology (Suzhou) Co. Ltd. (China) which it owns it its entirety, and a share capital amounting to 7.5 million euros. At December 31, 2009, the Company had paid in 3.55 million euros.

In 2009, the Company fully subscribed the capital increases carried out by Viscofan de México S.R.L. de C.V. (6 million euros) and Koteks Viscofan, d.o.o. (4 million euros). During 2008, the Company fully subscribed the capital increase carried out by Koteks Viscofan, d.o.o. of 4 million euros.

In 2009, the Company transferred 100% of its ownership interest in Naturin Verwaltung, Gmbh to its subsidiary, Naturin Viscofan Gmbh.

7.1 Description of investments in group companies, joint ventures and associates

The information relating to group companies, joint ventures and associates at December 31 is as follows:

	Thousands of euros				Local currency (thousands)				
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2009									
Industrias Alimentarias de Navarra, S,A,U,	15,602	-	100%	EUR	10,938	30,685	1,841	43,463	2,173
Naturin Viscofan, GMBH[3]	89,436	10,756	100%	EUR	29,604	20,686	8,490	58,780	12,832
Naturin Inc, Delaware [1]	1,763	-	100%	USD	10	964	(12)	962	(12)
Viscofan do Brasil, soc, com, e ind, Ltda	53,138	10,623	100%	BRL	86,868	55,726	42,738	185,331	62,635
Viscofan Poland Sp,z,o,o,	447	-	100%	PLN	2,000	598	1,166	3,765	991
Gamex CB Sro	7,498	1,722	100%	CZK	250,000	24,247	55,044	329,291	72,525
Viscofan USA Inc,	34,729	-	100%	USD	35,587	24,248	9,808	69,643	16,103
Naturin LTD	1,841	-	100%	GBP	10	1,658	113	1,782	162
Viscofan CZ, S,r,o	10,503	-	100%	CZK	345,200	282,333	177,666	805,199	192,774
Viscofan de México S,R,L, de C,V,[2]	13,741	-	99.99%	MXP	219,777	33,238	168,273	421,287	237,986
Viscofan Centroamérica Comercial, S,A,[2]	166	-	99.50%	USD	200	259	254	714	378
Koteks Viscofan, d,o,o,	22,322	-	100%	RSD	1,946,372	(879,317)	(242,484)	824,571	(102,993)
Viscofan de México Servicios, S,R,L, de C,V,[2]	16	-	99.99%	MXP	103	6,453	1,029	7,585	355
Viscofan Technology (Suzhou) Co, Ltd	3,550	-	100%	CNY	35,206	-	(1,343)	33,863	(975)
	254,752	**23,101**							
2008									
Industrias Alimentarias de Navarra, S,A,U,	15,602	-	100%	EUR	10,938	28,400	2,285	41,623	2,883
Naturin GMBH & Co [3]	89,436	9,846	100%	EUR	29,604	22,790	8,651	61,045	13,241
Naturin Inc, Delaware [1]	1,763	-	100%	USD	10	983	(19)	974	(19)
Naturin Verwaltung, GMBH	21	-	100%	EUR	26	(2)	1	25	-
Viscofan do Brasil, soc, com, e ind, Ltda	53,138	12,754	100%	BRL	86,868	34,222	50,101	171,191	65,609
Viscofan Poland Sp,z,o,o,	447	-	100%	PLN	2,000	176	422	2,598	560
Gamex CB Sro	7,498	2,729	100%	CZK	250,000	20,361	49,763	320,124	43,379
Viscofan USA Inc,	34,729	-	100%	USD	35,587	19,085	5,163	59,835	10,851
Naturin LTD	1,841	-	100%	GBP	10	1,610	48	1,668	72
Viscofan CZ, S,r,o	10,503	-	100%	CZK	345,200	115,298	167,035	627,533	133,959
Viscofan de México S,R,L, de C,V, [2]	7,741	-	99.99%	MXP	107,000	23,017	10,221	140,238	63,259
Viscofan Centroamérica Comercial, S,A, [2]	166	-	99.50%	USD	200	116	143	459	243
Koteks Viscofan, d,o,o,	18,322	-	100%	RSD	1,567,738	(639,783)	(239,533)	688,421	(98,340)
Viscofan de México Servicios, S,R,L, de C,V, [2]	16	-	99.99%	MXP	103	6,018	435	6,556	2,235
	241,223	**25,329**							

(1) The acquisition cost of the investment was 7,219 thousand euros and the related impairment provision amounted to 5,456 thousand euros.
(2) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies,
(3) On September 7, 2009 the Company's legal status was changed as well as its name (Naturin GmbH & Co). Its new name is Naturin Viscofan GmbH.

The operating profit (loss) of the group companies, joint ventures and associates shown in the above table correspond entirely to continuing operations except for Viscofan Poland Sp.z.o.o; at year end 2009 this company was undergoing liquidation. Its activity was strictly commercial and has been transferred to other Group subsidiaries. It is expected that, once the process has been completed, the Company will recover the value of its investment. None of the companies is listed on the stock exchange.

The description of the main activity and registered address of each of the companies listed above at December 31 2009 and 2008 is as follows:

Company	Activity	Registered office
Industrias Alimentarias de Navarra, S.A.U.	Manufacture and sale of preserved vegetables	Villafranca (Navarra)
Naturin Viscofan GMBH	Manufacture and sale of artificial casings	Weinheim (Germany)
Naturin Inc.. Delaware	Finance company	Dover (USA)
Viscofan do Brasil, soc.com. e ind. Ltda	Manufacture and sale of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o.	Commercial office (undergoing liquidation at December 31, 2009)	Krakow (Poland)
Gamex CB Sro	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc	Manufacture and sale of artificial casings	Montgomery (USA)
Naturin 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)

(*) At December 31, 2009, Viscofan Technology (Suzhou) Co. Ltd. had not begun production or commercial activities. During 2009, it was mainly devoted to obtaining the necessary permits and carrying out administrative procedures to set up the Company, including acquiring the rights to use the land upon which the manufacturing plant is going to be built (building is currently underway).

As stated in Notes 2 and 4.5, the Company has assessed impairment of subsidiaries where there are objective indications of impairment.

- Koteks Viscofan, d.o.o: During 2009 and 2008, this company lost 2,583 and 2,941 thousand euros, respectively, which together with prior years' losses and the devaluation of the Serbian currency have led to the value of the company's assets being considerably lower than the cost of the investment. The Company has assessed the possibility that the carrying amount of the investment may not be recoverable. For this reason, the Company has calculated the present value of the future cash flows from the investment which Koteks Viscofan, d.o.o. is expected to generate. As a result of this assessment it was determined that the amount of the investment will be recoverable in the future, and no provision has been made for the value of the investment.

- Naturin Inc. Delaware: This company's main assets are its investments in Stephan & Hoffmann AG, which has land and a warehouse in Germany as its main assets. The recoverable amount of this investment has been estimated on the basis of the fair value of said land and warehouse.

Information on indirect investments in group companies and associates at December 31, 2009 and 2008 is as follows:

Company	Indirect investment	Activity	Registered office
IAN Perú, S.A.	100%	Asparagus production	Cañete (Peru)
Lingbao Baolihao Food	50%	Asparagus production	Lingbao (China)
Stephan & Hoffmann AG	100%	Finance company	Weinheim (Germany)
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial offiice	St. Laurent, Québec (Canada)
Naturin Verwaltung, GMBH	100%	Finance company	Weinheim (Germany)

8. FINANCIAL ASSETS

The breakdown of financial assets, except for the 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)	2009	2008	2009	2008	2009	2008
Non-current financial assets						
Loans and receivables	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	42	42	-	-	42	42
	42	42	48	48	90	90
Current financial assets						
Held-to-maturity investments	-	-	4	-	4	-
Loans and receivables	-	-	45,575	58,790	45,575	58,790
Available-for-sale financial assets						
Measured at fair value	-	-	9	-	9	-
Hedging derivatives (Note 15)	-	-	2,527	-	2,527	-
	-	-	48,115	58,790	48,115	58,790
	42	**42**	**48,163**	**58,838**	**48,205**	**58,880**

These amounts are disclosed in the balance sheet as follows:

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	2009	2008	2009	2008	2009	2008
Non-current financial assets						
Investments	42	42	48	48	90	90
	42	42	48	48	90	90
Current financial assets						
Trade and other receivables	-	-	43,237	55,023	43,237	55,023
Investments in group companies and associates						
Loans to companies	-	-	2,059	3,572	2,059	3,572
Loans and receivables	-	-	279	183	279	183
Investments						
Hedging derivatives	-	-	2,527	-	2,527	-
Current financial investments	-	-	13	12	13	12
	-	-	48,115	58,790	48,115	58,790
	42	**42**	**48,163**	**58,838**	**48,205**	**58,880**

8.1 Loans and receivables

The breakdown of financial assets included in this category at December 31 is as follows:

(Thousands of euros)	2009	2008
Non-current financial assets		
Deposits given and prepayments	48	48
	48	**48**
Current financial assets		
Trade and other receivables	43,237	55,023
Loans to group companies (Note 19.1)	2,000	3,500
Short-term interest on loans granted to group companies (Note 19.1)	59	72
Dividends receivable from group companies	279	183
Deposits given and other receivables	-	12
	45,575	**58,790**

Trade and other receivables

The breakdown of "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2009	2008
Trade receivables	26,721	24,444
Receivable from group companies and associate (Note 19.1)	14,590	28,012
Other receivables	43	260
Receivables from employees	13	20
Other receivables from public administrations (Note 16)	1,870	2,287
	43,237	**55,023**

The breakdown of "Trade and other receivables" denominated in foreign currency at December 31 is as follows:

(Thousands of euros)	2009	2008
US Dollar	12,766	24,510
Canadian Dollar	911	1,206
Australian Dollar	532	123
Japanese Yen	284	176
Norwegian Crown	-	62
Pounds Sterling	1,060	951
Polish Zloty	-	846
	15,553	**27,874**

Impairment losses

The balance of "Trade receivables" is presented net of impairment. The movements in said impairment losses are as follows:

(Thousands of euros)	2009	2008
Balance at January 1	10	-
Allowance for the year	294	51
Transfer to irrecoverable debts	(26)	(41)
Balance at December 31	**278**	**10**

Loans to Group companies

At year end 2009 and 2008, loans to Group companies corresponded to the loan granted to Koteks Viscofan, d.o.o., which matured after the latest renewal on March 31, 2010. This loan bears interest at a 90-day Euribor plus a spread of 0.5.

8.2 Hedging derivatives

The breakdown of "Hedging derivatives" at December 31 is as follows:

	2009		2008	
(Thousands of euros)	Notional in euros	Fair value	Notional in euros	Fair value
Exchange rate hedges (note 15.2)	65,416	1,262	57,523	(*)
Raw materials interest rate swap	-	1,265	-	-
	65,416	**2,527**	**57,523**	**-**

(*) At year end 2008, the fair value of exchange rate hedges was negative, and therefore they are recognized in liabilities.

Commodity swaps

During 2009, the Company signed swap agreements for a notional value of 666,667 MWh for both 2010 and 2011, respectively, for which it will pay a fixed amount of 1,7270 and 1,7915 euro cents per kilowatt/hour during 2010 and 2011, respectively.

9. 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
2009			
Balance at January 1	362	745	1,107
Impairment losses	120	364	484
Recoveries in value	(76)	-	(76)
Balance at December 31	**406**	**1,109**	**1,515**
2008			
Balance at January 1	106	679	785
Impairment losses	256	66	322
Recoveries in value	-	-	-
Balance at December 31	**362**	**745**	**1,107**

The impairment losses on inventories are due mainly to the fall in market price of certain lines of semi-finished products and finished products, as well as slow moving product lines.

At December 31, 2009 and 2008 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.

10. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" at December 31 is as follows:

(Thousands of euros)	2009	2008
Cash	114	97
Current accounts	28	99
	142	**196**

Current accounts were at market interest rates.

Cash and cash equivalents are unrestricted.

11. EQUITY – CAPITAL AND RESERVES

11.1 Issued capital

At January 1, 2009, the Company's share capital consisted of 46.734.879 shares with a par value of 0.30 euros each. The shares were fully subscribed and paid in.

At the general meeting held on June 03, 2009, the shareholders authorized a 39,539.10 euro capital decrease through the buyback and cancellation of 131.197 treasury shares held by the Company.

Consequently, at December 31. 2009, share capital consisted of 46.603.682 shares with a par value of 0.30 euros each. All shares are of the same class, bear the same rights, except for own shares.

At December 31, 2008 and 2009 the Company had no shareholders whose ownership interest was more than 10%.

The Company did not acquire own shares during 2009. During 2009, the percentage of the Company's own shares was within limits allowed by current legislation.

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

11.2 Share premium

The movements in the items composing "Share Premium" are as follows:

(Thousands of euros)	2009	2008
Balance at January 1	30,165	41,844
Partial repayment of share premium	(13,515)	(11,679)
Balance at December 31	**16,650**	**30,165**

On June 03, 2009 the shareholders at their general meeting agreed to partial repayment of share premium of 0.29 euros per share, which was paid to shareholders on June 25, 2009.

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

11.3 Reserves

The movements in the items composing "Reserves" are as follows:

(Thousands of euros)	Balance at January 1	Capital decrease	Appropriation of results	Transfers	Balance at December 31
2009					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,962	-	-	(57)	8,905
Merger reserves	119	-	-	-	119
Voluntary reserves	190,129	(1,660)	22,641	57	211,167
	202,145	**(1,660)**	**22,641**	**-**	**223,126**
2008					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,988	-	-	(26)	8,962
Merger reserves	119	-	-	-	119
Voluntary reserves	176,542	(7,931)	21,492	26	190,129
	188,584	**(7,931)**	**21,492**	**-**	**202,145**

In accordance with Spanish Corporation Law, until the balance of the legal reserve is equivalent to at least 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

At December 31, 2009 and 2008 this reserve is higher than the legally stipulated minimum.

11.4 Revaluation reserve Navarra Regional Law 23/1996

As permitted by legislation prevailing at that time, at December 31, 1996 the Company revalued its tangible assets by 9,282 thousands of euros (see note 6.1). The resulting revaluation reserve, which comprises the revaluation of fixed assets, net of a 3% tax charge, amounts to 9,003 thousands of euros.

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 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.

11.5 Voluntary reserves and merger reserves

These reserves are freely distributable to shareholders at December 31, 2009 and 2008.

11.6 Treasury shares

The movement in treasury shares at December 31 was the following:

	Number of shares	(Thousands of euros)
2009		
Balance at December 31, 2008	131,197	1,699
Acquisition	-	-
Cancellation	(131,197)	(1,699)
Balance at December 31, 2009	**-**	**-**
2008		
Balance at December 31, 2007	236,385	3,728
Acquisition	456,775	6,071
Cancellation	(561,963)	(8,100)
Balance at December 31, 2008	**131,197**	**1,699**

12. EQUITY – NET UNREALIZED GAINS (LOSSES) RESERVE

The movements in the items composing "Unrealized gains (losses) reserve" 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
2009						
Hedging derivatives (Note 15.2)	(346)	1,638	(491)	494	(148)	1.147
	(346)	**1,638**	**(491)**	**494**	**(148)**	**1.147**
2008						
Hedging derivatives (Note 15.2)	259	(494)	148	(370)	111	(346)
	259	**(494)**	**148**	**(370)**	**111**	**(346)**

13. EQUITY – 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
2009						
Non-repayable grants	137	-	-	(29)	9	117
Grants for greenhouse gas emission rights	-	2,444	(733)	(2,342)	702	71
	137	**2,444**	**(733)**	**(2,371)**	**711**	**188**
2008						
Non-repayable grants	154	24	(7)	(48)	14	137
Grants for greenhouse gas emission rights	71	1,979	(594)	(2,082)	626	-
	225	**2,003**	**(601)**	**(2,130)**	**640**	**137**

"Grants for greenhouse gas emissions" includes the amount of those rights which the Company has not yet consumed (Notes 5 and 14). At year-end 2009, the Company had 7,040 unused emission rights (it had none at year-end 2008).

Throughout 2008 and 2009, the Company received grants related to income totaling 352 and 1,062 thousand euros, respectively. These grants basically financed R&D expenses during both years.

14. PROVISIONS AND CONTINGENCIES

The breakdown of "Provisions" at December 31 is as follows:

(Thousands of euros)	Non-current	Current	Total
2009			
Provisions for termination benefits and commitments with personnel	-	601	601
Provision for greenhouse gas emission rights	-	2,342	2,342
	-	**2,943**	**2,943**
2008			
Provision for greenhouse gas emission rights	-	1,697	1,697
	-	**1,697**	**1,697**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized and payments	Balance at December 31
2009				
Provisions for termination benefits and commitments with personnel	-	601	-	601
Provision for greenhouse gas emission rights	1,697	2,229	(1,584)	2,342
	1,697	**2,830**	**(1,584)**	**2,943**
2008				
Provision for greenhouse gas emission rights	2	1,697	(2)	1,697
	2	**1,697**	**(2)**	**1,697**

15. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" at December 31 is as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Non-current financial liabilities						
Trade and other payables	24,336	21,757	3,938	4,004	28,274	25,761
	24,336	21,757	3,938	4,004	28,274	25,761
Current financial liabilities						
Trade and other payables	30,109	27,634	39,621	39,382	69,730	67,016
Hedging derivatives	-	-	79	1,261	79	1,261
	-	27,634	39,700	40,643	69,809	68,277
	54,445	**49,391**	**43,638**	**44,647**	**98,083**	**94,038**

These amounts are disclosed in the balance sheet as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Non-current financial liabilities						
Borrowings	24,336	21,757	3,938	4,004	28,274	25,761
	24,336	21,757	3,938	4,004	28,274	25,761
Current financial liabilities						
Borrowings	30,109	27,634	4,283	5,669	34,392	33,303
Borrowings from group companies and associates	-	-	10,052	7,512	10,052	7,512
Trade and other payables	-	-	25,365	27,462	25,365	27,462
	30,109	27,634	39,700	40,643	69,809	68,277
	54,445	**49,391**	**43,638**	**44,647**	**98,083**	**94,038**

15.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31 was the following:

(Thousands of euros)	2009	2008
Non-current		
Loans and borrowings	24,306	21,725
Obligations under finance leases (Note 6.2)	30	32
	24,336	21,757
Current		
Loans and borrowings	30,024	27,527
Obligations under finance leases (Note 6.2)	33	43
Accrued interest payable	52	64
	30,109	27,634
	54,445	**49,391**

Loans and borrowings

The breakdown of "Loans and borrowings" at December 31 is as follows:

	2009		2008	
(Thousands of euros)	Amount pending payment	Accrued finance cost (Note 17.6)	Amount pending payment	Accrued finance cost (Note 17.6)
Loans	31,740	715	26,600	778
Borrowings	22,590	490	22,652	1,310
	54,330	**1,205**	**49,252**	**2,088**

The loans and borrowings accrue floating interest at market rates.

At December 31 2008 and 2009, the Company has been granted credit facilities up to a total limit of 34,005 and 36,813 thousand euros, respectively.

The breakdown by maturities of loans and borrowings at December 31 is as follows:

(Thousands of euros)	2009	2008
2010	-	6,750
2011	8,440	5,950
2012	7,850	5,950
2013	6,245	3,075
2014	1,771	-
	24,306	**21,725**

At December 31 2009 and 2008, the Company has undrawn discount facilities amounting to 2,000 and 6,262 thousand euros, respectively.

15.2 Derivatives and other financial liabilities

The breakdown of "Financial liabilities" thus classified at December 31 is as follows:

(Thousands of euros)	2009	2008
Non-current		
Loans at a subsidized interest rate	3,938	4,004
	3,938	**4,004**
Current		
Borrowings from group companies and associates (Note 19.1)	10,052	7,512
Trade and other payables	25,365	27,462
Loans at a subsidized interest rate	1,311	1,293
Payable to shareholders and directors (Note 19.2)	1,313	1,039
Payable to suppliers of non-current assets	1,562	2,030
Security deposits received and other financial liabilities	12	25
Other borrowings	6	21
Hedging derivatives	79	1,261
	39,700	**40,643**

Loans at a subsidized interest rate

At December 31, 2009 and 2008 the Company has obtained loans at a subsidized interest rate from entities reporting to the Navarre Regional Government, the CDTI (Industrial Technological Development Center) and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the related implicit interest accrued by these as a result of discounting the cash flows on the basis of market interest rates at the date obtained.

	2009		2008	
(Thousand of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	4,619	3,938	4,671	4,004
Current				
Loans at a subsidized interest rate	1,331	1,311	1,326	1,293
	5,950	**5,249**	**5,997**	**5,297**

The total amount recognized under finance costs in during 2009 and 2008 corresponding to these loans are 221 and 311 thousand euros, respectively (Note 17.5).

The breakdown by maturity of the non-current loans with a subsidized interest rate at December 31 is as follows:

(Thousand of euros)	2009	2008
2010	-	1,172
2011	908	825
2012	869	727
2013	887	695
2014	532	375

2015 and beyond	742	210
	3,938	**4,004**

Payable to suppliers of non-current assets

"Suppliers of non-current assets" basically includes suppliers who are working on the second phase of the cogeneration plant at the Company's plant in Cáseda.

Hedging derivatives

The breakdown of "Hedging derivatives" at December 31 is as follows:

	2009		2008	
(Thousands of euros)	**Notional value**	**Fair value**	**Notional value**	**Fair value**
Interest rate swap	9,375	(79)	-	-
Exchange rate hedges	.	(*)	57,523	(1,261)
		(79)	**-**	**(1,261)**

(*) At year end 2009, the fair value of exchange rate hedges was positive, and therefore is recognized under assets (Note 8.2).

- Interest rate swap

During 2009, the Company signed two swap agreements for which it pays a fixed interest of 2.07% (swap 1) and 2.29% (swap 2), at a three-month floating Euribor rate. Both swaps were designated as cash flow hedges of the interest rate risk inherent in the loans.

The breakdown by maturity of notional amount of these contracts is the following:

	2009		2008	
(Thousands of euros)	**Swap 1**	**Swap 2**	**Swap 1**	**Swap 2**
2010	1,250	1,250	-	-
2011	1,250	1,250	-	-
2012	1,250	1,250	-	-
2013	625	1,250	-	-
	4,375	**5,000**	**-**	**-**

- Exchange rate hedges

At year end 2009, the fair value of exchange rate hedges amounted to 1,262 thousand euros (Note 8.2), of which 810 thousand euros had been recognized as exchange gains in the 2009 income statement, due to the fact that they were linked to trade receivables denominated in foreign currency recognized at the prevailing year-end exchange rate. The remaining 452 thousand euros were directly recognized in equity net of the related tax effect, as this amount corresponds to exchange rate hedges to be sold during 2010; therefore, no related receivables exist.

At December 31, 2008, fair value was negative amounting to 1,261 thousand euros, of which 767 thousand euros were recognized as exchange losses in the year-end income statement. 494 thousand euros were directly charged to equity.

In 2008 and 2009 the Company transferred 494 thousand euros (exchange losses) from equity to the income statement, and 370 thousand euros (exchange gains) due to the currency hedge.

Trade and other payables

The breakdown of "Trade and other payables" at December 31 is as follows:

(Thousands of euros)	2009	2008
Suppliers	2,328	4,801
Suppliers, group companies and associates (Note 19.1)	7,305	9,483
Other payables	9,955	9,457
Employee benefits payable	880	146
Current deferred tax liabilities (Note 16)	712	2,070
Other payables to public administrations (Note 16)	3,795	1,369
Customer advances	390	136
	25,365	**27,462**

16. TAXES

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	2009	2008
Deferred tax assets		
Temporary differences	332	234
Unused tax credits and rebates	741	2,102
Other payables to public administrations		
VAT	1,240	1,348
Grants received (Note 13)	630	935
Withholdings and payments on account	-	4
	2,943	**4,623**
Deferred tax liabilities	(3,902)	(2,660)
Current income tax liabilities (Note 15.2)	(712)	(2,070)
Other payables to public administrations (Note 15.2)		
Personal income tax withholdings	(3,084)	(780)
Social security	(711)	(589)
	(8,409)	**(6,099)**

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.

16.1 Income tax

The reconciliation of income and expenses for the year with tax results is the following:

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
2009						
Income and expenses for the year						
Continuing operations			39,296			1,544
Discontinuing operations			-			-
			39,296			1,544
Income tax						
Continuing operations			3,173			661
Discontinuing operations			-			-
			3,173			661
Income and expenses for the year before tax			42,469			2,205
Permanent differences	187	(545)	(358)	-	-	-
Temporary differences						
Arising in 2009	1,108	(2,755)	(1,647)	-	(4,082)	(4,082)
Arising in prior years	-	(781)	(781)	2,371	(494)	1,877
Tax result			39,683			**-**
2008						
Income and expenses for the year						
Continuing operations			32,195			(694)
Discontinuing operations			-			-
			32,195			(694)
Income tax						
Continuing operations			1,404			(297)
Discontinuing operations			-			-
			1,404			(297)
Income and expenses for the year before tax			33,599			(991)
Permanent differences	168	-	168	-	-	-
Temporary differences						
Arising in 2008	370	(4,283)	(3,913)	2,624	(2,003)	621
Arising in prior years	4,951	-	4,951	370	-	370
Tax result			34,805			**-**

Increases from permanent differences are due to nondeductible expenses relating to fines and penalties.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates is as follows:

(Thousands of euros)	2009		2008	
	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	42,469	2,205	33,599	(991)
Tax charge (tax rate: 30%)	12,741	661	10,080	(297)
Deduction for double taxation on dividends	(6,930)	-	(7,456)	-
Deduction for international double taxation (royalties)	(404)	-	-	-
Deductions for research and development	(1,287)	-	(1,229)	-
Investment tax credits	(1,210)	-	(1,964)	-
Deductions from foreign investments	(593)	-	-	-
Non-deductible expenses	(107)	-	50	-
Tax expense (income)	**2,210**	**661**	**(519)**	(297)
Foreign Income tax expense (*)	963		1,923	
Tax expense (income)	**3,173**	**661**	**1,404**	**(297)**

(*) The amount paid by Viscofan, S.A. for royalties and other foreign taxes. During 2008 the Company paid income tax for its German subsidiary Naturin Gmbh & Co. (current name Naturin Viscofan GmbH).

The breakdown of income tax expense / (income) is as follows:

(Thousands of euros)	2009		2008	
	Income statement	Recognized directly in equity	Income statement	Recognized directly in equity
Current income tax	367	-	-	-
Changes in deferred taxes				
From cash flow hedges	-	640	-	(259)
Grants, donations and bequests received	-	21	-	(38)
Other temporary differences	729	-	(311)	-
Deductions generated	(3,494)	-	(3,193)	-
Deductions applied	4,608	-	2,985	-
	2,210	**661**	**(519)**	**(297)**

Refundable income tax was calculated as follows:

(Thousands of euros)	2009	2008
Current income tax	367	-
Withholdings	-	(4)
Income tax payable(*)	**367**	**(4)**

(*) "Income tax payable" includes 345 thousand euros corresponding to Naturin GmbH & Co's 2008 income tax (the subsidiary is currently known as Naturim Viscofan GMBH).

16.2 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
2009				
Deferred tax assets				
Trade receivables	180	(69)	-	111
Inventories	54	(18)	-	36
Deductions pending application	2,102	(1,361)	-	741
Other financial assets	-	185	-	185
	2,336	(1,263)	-	1,073
Deferred tax liabilities				
Non-current investments in group companies	(2,508)	(822)	-	(3,330)
Cash flow hedges	148	-	(640)	(492)
Non-repayable grants	(59)	-	(21)	(80)
Other financial liabilities	(241)	241	-	-
	(2,660)	(581)	(661)	(3,902)
	(324)	**(1,844)**	**(661)**	**(2,829)**
2008				
Deferred tax assets				
Trade receivables	124	56	-	180
Inventories	-	54	-	54
Deductions pending application	1,894	208	-	2,102
	2,018	318	-	2,336
Deferred tax liabilities				
Non-current investments in group companies	(2,709)	201	-	(2,508)
Cash flow hedges	(111)	-	259	148
Non-repayable grants	(97)	-	38	(59)
Other financial liabilities	(241)	-	-	(241)
	(3,158)	201	297	(2,660)
	(1,140)	**519**	**297**	**(324)**

The Company has unused deductions of 741 thousand euros, recognized under "Deferred tax assets", the breakdown of which is as follows:

(Thousands of euros) Arising in	Last year for utilization	Deductions
2009	2019	741
		741

17. INCOME AND EXPENSES

17.1 Revenue

The distribution of revenue corresponding to the company's ordinary activity by market segment is as follows:

(Thousands of euros)	2009	2008
By business segment		
Sale of meat, cellulose, plastic and collagen casings	141,259	133,929
Sale of replacement parts and machinery	4,989	6,415
Sale of energy	20,787	13,189
Other sales	67	108
Services provided	1,664	1,705
	168,766	**155,346**
By market segments		
National market	30,385	22,285
Foreign market	138,381	133,061
	168,766	**155,346**

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,

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2009	2008
Consumption of raw materials and other consumables		
Purchases in Spain	9,214	12,093
EU acquisitions	10,210	11,022
Imports	3,348	3,323
Changes in raw material and other consumables	404	(425)
	23,176	**26,013**

The breakdown of "Consumption of goods" is as follows:

(Thousands of euros)	2009	2008
Purchases of goods for resale		
Purchases in Spain	6,736	7,387
EU acquisitions	37,970	31,485
Imports	1,432	1,502
Change in goods for resale	266	(871)
	46,404	**39,573**

17.3 Social security costs, et al

The breakdown of "Social security costs, et al" is as follows:

(Thousands of euros)	2009	2008
Social security	5,852	5,935
Other employee welfare expenses	628	732
	6,480	**6,667**

17.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2009	2008
Research expenses	588	440
Lease payments	730	480
Repairs and maintenance	10,289	8,487
Independent professional services	4,177	3,521
Transportation services	2,507	3,184
Insurance premiums	1,873	748
Bank services	220	132
Publicity, advertising, and public relations	720	339
Utilities	22,294	19,937
Other services	4,248	4,822
	47,646	**42,090**

17.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2009	2008
Loans	715	778
Credits	490	1,310
Loans with subsidized interest rates	221	311
Other financial liabilities	49	6
	1,475	**2,405**

18. FOREIGN CURRENCY

The Company makes sales in currencies other than its functional currency. The breakdown of transactions carried out in currencies other than the euro is as follows:

(Thousands of euros)	2009	2008
Revenue		
Sales	65,817	72,173
Goods for consumption		
Purchases of raw materials and other consumables	(8,172)	(8,308)
Purchases of goods for resale	(505)	(946)
Other operating income		
Ancillary income	146	733
Employee benefits expense		
Wages and salaries	(77)	(73)
Social security costs, et al.	(14)	(7)
Other operating expenses		
External services	(1,756)	(2,294)
Taxes (other than income tax)	(297)	(476)

19. RELATED PARTY DISCLOSURES

All the related-party transactions relate to normal Company trading activity and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

19.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2009		
Customers (Note 8.1)	13,536	1,054
Current loans (Note 8.1)	2,059	-
Current dividends receivable	279	-
Suppliers (Note 15.2)	7,305	-
Current accounts payable (Note 15.2)	10,052	-
2008		
Customers (Note 8.1)	26,580	1,432
Current loans (Note 8.1)	3,572	-
Current dividends receivable	183	-
Suppliers (Note 15.2)	9,483	1
Current accounts payable (Note 15.2)	7,512	-

Transactions entered into with related parties were as follows:

(Thousands of euros)	2009 Direct parent	2009 Companies with an indirect investment	2008 Direct parent	2008 Companies with an indirect investment
Revenue				
Sale of casings	50,432	3,540	46,285	5,489
Sale of replacement parts and machinery	4,877	81	6,278	125
Services provided	1,664	-	1,674	31
Goods for consumption				
Purchases of casings and other	43,708	-	36,472	-
Sale of replacement parts – machinery	28	-	5	1
Other income				
Other operating income	4,098	101	1,071	-
Employee benefits expense				
Other employee benefits expense	7	-	8	-
Other operating expenses				
External services	1,128	-	755	2
Net finance income (expense)				
Finance income - dividends	23,101	-	25,329	-
Finance income - interest	63	-	67	
Revenue	45	-	-	-

19.2 Directors and senior executives

Members of the Board of Directors only receive the remuneration stipulated in Articles 27 and 30 of Company bylaws: 1.5% of pre-tax profit for the Board, and 1.5% of pre-tax profit for the Executive Committee. Based on the abovementioned Articles and Statutes, the Board of Directors and Executive Committee decide on the distribution among the respective members of these bodies.

The breakdown of the remuneration is as follows:

Name	Committee	Board	Per diems: Audit committee	Per diems: Board of directors	Boards of other group companies	Total
2009	**628,740**	**550,743**	**56,000**	**78,000**	**238,620**	**1,552,103**
2008	**519,582**	**519,582**	**48,000**	**77,000**	**221,400**	**1,385,564**

At December 31, 2009, the Company had no pension plans or life insurance policies for former or current members of the Board of Directors nor had it given any guarantees on their behalf. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2009 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 have also confirmed that they hold no positions, except for below mentioned, and carry out no duties in companies with identical, similar or complementary activities to those of the Company, nor do they perform activities on their own behalf or on behalf of third parties that are identical, similar or complementary to those of the Company.

Name	Company	Position
D. Jaime Echevarría Abona	Naturin Viscofan GMBH	Chairman, Board of directors
	Naturin Limited	Chairman, Board of directors
	Naturin Inc. Delaware	Chairman, Board of directors
	Stephan & Hoffmann AG	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ, s.r.o.	Chairman, Board of directors
	Viscofan USA Inc.	Chairman, Board of directors
	Viscofan Technology Suzhou Co Ltd	Chairman, Board of directors
	Viscofan Centroamérica Comercial, S.A.	Chairman, Board of directors
	Viscofan Canada, Inc.	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	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
D. Nestor Basterra Larroudé	Naturin Viscofan GMBH	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director
	Viscofan Technology Suzhou Co Ltd	Manager

As a result of the changes approved and effective December 31, 2009, during the first months of 2010 steps were taken to renew the Board of Directors and the Company's governing bodies, and included:

- Jaime Echevarría Abona stepped down as a Board member, and therefore, relinquished his position as Chairman of the Board, President of the Executive Committee, and President of the Appointments and Remuneration Committee; he has decided to concentrate on other personal endeavors now that his brilliant trajectory at the Company has reached its end.

- Iñigo Solaun Garteiz-Goxeascoa also resigned from his position on the Board.

- To substitute Mr. Echevarría Abona, José Domingo de Ampuero y Osma was named Chairman of the Board (and Board member), President of the Executive Committee as well as President of the Appointments and Remuneration Committee.

- Nestor Basterra Larroudé was named First Vice Chairman of the Board, while Agatha Echevarría Canales was appointed as member of the Appointments and Remuneration Committee.

- Ignacio Marco-Gardoqui Ibáñez, a shareholder in the Company, was appointed to the Board through the co-option method in substitution of Jaime Echevarría Abona.

Apart from these changes, the subsidiaries of the Viscofan Group are also undergoing transitions due to the resignation of Jaime Echevarría Abona and substitution by José Domingo de Ampuero y Osma.

During 2009 and 2008, senior management received remuneration amounting to 1,749 and 1,607, respectively. The Company does not have any commitments with Board members in respect of pension, life insurance, or stock option plans. No loans or advances have been granted to current or former Board members.

20. 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.

20.1 Credit risk

Credit risk exists when a potential loss may arise from the Company's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The maximum exposure to credit risk at December 31 was as follows:

(Thousands of euros)	2009	2008
Non-current financial investments	90	90
Trade and other receivables	43,237	55,023
Current loans to group companies	2,059	3,572
Current financial investments	2,540	12
	47,926	**58,697**

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 the courts.

Each month customers incurring in late payments have their credit status reviewed, with measures taken in respect of credit limit and payment terms.

The breakdown, by counterparty, of the concentration of credit risk related to "Trade and other receivables" at December 31 is as follows:

(Thousands of euros)	2009	2008
Not due	22,496	21,743
Past due, not impaired		
Less than 3 months	4,151	2,899
3 – 6 months	117	61
6 – 12 months	-	-
More than 12 months	-	1
	26,764	24,704
Doubtful (more than 6 months)	278	10
Impairment allowances	(278)	(10)
Total	**26,764**	**24,704**

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.

20.2 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 18, the Company carries out major transactions in foreign currencies, in particular, dollars. The Viscofan Group's policy is to arrange exchange rate hedges to cover the net cash flows from these transactions. All income in dollars included in the dollar accounts receivable at December 31, 2009 were hedged at that date.

Maximum exposure to foreign currency risk for accounts receivable at December 31, 2009 was as follows:

	2009		2008	
(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	12,461	619	24,510	189
In Canadian dollars	886	-	1,206	-
In pounds sterling	1,041	-	951	2
Rest	784	-	1,207	15
	15,172	**619**	**27,874**	**206**

Interest rate risk

Interest rate risk arises when there is a possible loss due to fluctuations in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The Company's exposure to the risk of changes in interest rates is mainly related to non-current loans and credit facilities received at floating interest rates.

The Company manages its interest rate risk by distributing financing received between fixed and floating rates. Company policy consists 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 enters into interest rate swaps which are designated as hedges of the respective loans. At December 31, 2009, after taking into account interest rate swaps, 30% of non-current net financing was at a fixed rate (December 31, 2008: 0%).

20.3 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. The Company adequately monitors each month expected collections and payments to be made in the coming months and analyzes any deviations from expected cash flows in the previous month to identify any possible deviations which might affect liquidity.

The 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
2009					
Bank borrowings					
Loans	1,010	6,424	24,306	-	31,740
Borrowings (*)	5,301	17,289	-	-	22,590
Accrued interest payable	52	-	-	-	52
Liabilities from capital leases	10	23	30	-	63
Derivatives	-	79	-	-	79
Other financial liabilities	179	4,025	3,197	741	8,142
Payable to group companies	10,052	-	-	-	10,052
Trade and other payables	25,365	-	-	-	25,365
	41,969	**27,840**	**27,533**	**741**	**98,083**
2008					
Bank borrowings					
Loans	1,220	3,655	21,725	-	26,600
Borrowings (*)	10,423	12,229	-	-	22,652
Accrued interest payable	64	-	-	-	64
Liabilities from capital leases	11	32	32	-	75
Derivatives	767	494	-	-	1,261
Other financial liabilities	3,462	946	3,419	585	8,412
Payable to group companies	7,512	-	-	-	7,512
Trade and other payables	27,462	-	-	-	27,462
	50,921	**17,356**	**25,176**	**585**	**94,038**

(*) 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.

21. OTHER INFORMATION

21.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average headcount during the year
	Men	Women	Total	
2009				
Senior executives	13	1	14	14
Engineers and technicians	95	11	106	104
Administrative personnel	7	31	38	38
Specialized personnel	75	17	92	96
Laborers	259	70	329	335
	449	**130**	**579**	**587**
2008				
Senior executives	13	1	14	14
Engineers and technicians	95	11	106	102
Administrative personnel	6	33	39	34
Specialized personnel	80	19	99	96
Laborers	288	84	372	378
	482	**148**	**630**	**624**

21.2 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 with the Company the following fees for the years ended December 31, 2009 and 2008:

(Thousands of euros)	2009	2008
Fees for audit of the financial statements	82	84
Other services	17	10
	99	**94**

The above amounts include all 2008 and 2009-related fees, irrespective of when they were actually billed.

21.3 Information on environmental issues

Plant and equipment included in "Property, plant and equipment" used for protecting and improving the environment at December 31 are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
Cost	9,917	408	(158)	10,167
Accumulated depreciation	(6,268)	(831)	69	(7,030)
	3,649			**3,137**

The additions related to the cogeneration plant which will lead to a significant reduction in the greenhouse gas emissions into the atmosphere are not included in the additions in 2009.

2009 and 2008 expenses to protect and improve the environment were ordinary and amounted to 908 and 876 thousand euros respectively.

The Company's directors consider that no significant contingencies exist with respect to environmental protection and improvement and therefore, no provision has been made in that respect.

22. EVENTS AFTER THE BALANCE SHEET DATE

Except for the matters indicated in Note 19.2, no significant events have taken place subsequent to year end which would have an effect on the financial statements at year-end 2009.

Management report 2009

Business performance and situation of the Viscofan Group

In 2009 Viscofan, S.A. posted revenue of 168.8 million euros, 8.6% up on 2008.

This notable increase is due to two factors. Firstly, in July, 2009, the second phase of expansion of the Spanish co-generation plan began; joint sales of electricity reached 20.8 million euros. The second factor affecting revenue was increased billing from artificial casings, resulting from a higher average price.

In 2009, the price per unit of cellulose and collagen casings rose considerably as compared to the unit price the prior year. This was partially offset by an increase in production efficiency thanks to the centralized purchase of raw materials by the Viscofan Group. All together, consumer expenses [1] increased 3.9% as compared to previous year, totaling 68.0 million euros.

Employee benefits expenses amounted to 31.1 million euros, 0.7% higher than the previous year: the headcount went from 624 to 587 employees as a result of the improvements made in the production plant as well as the reorganization of the Viscofan Group.

The boost in income and cost containment measures assisted in achieving an 2009 operating profit of 20.1 million euros, which is 79% over the year before.

"Employee benefits expense" went down 0.2%, to 22.3 million euros. Finance revenue dropped 8.9%, mainly from distributable reserves from Groups companies; this was counterbalanced by the 38.7% decrease in finance costs resulting from the Company's decline in debt, as well as falling interest rates and the positive effect of exchange differences.

Profit before tax was 42.5 million euros, up 26.4% on 2008 thanks to the higher operating profit.

By using and taking advantage of investment-related deductions and investments in R&D it has been possible to reduce the tax burden, thus Viscofan S.A.'s tax expense was 3.2 million euros compared to 1.4 million euros in 2008.

As a result, net profit for 2009 rose to 39.3 million euros, up 22.1% on the 32.2 million euros obtained in 2008.

[1] Consumer expenses = Consumption of raw materials and other

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 in an environment in which growth recovery is uncertain.

The Company has plans to increase its automatic production processes in the upcoming year, as well as a to step up the rate of production of its cellulose and collagen casings. This should further boost the economies of scale as well as productive efficiency.

The Company is moving forward in improving and consolidating its energy production as a result of the increase in capacity carried out during 2009. Two outdated motors will be replaced by semi-new ones to assure the continuity of the Company's electrical power supply as well as to improve its efficiency. There is the risk from the changes in the price of electricity and the unit price for gas, so to protect itself from the effect of this volatility on the results of the co-generation division, the Company has changed to a fixed tariff for a year, and participating in the futures market to set a fixed price of gas per unit.

Viscofan SA's main R&D investments

20.2 million euros have been invested during 2009, as compared to 16.8 million invested in 2008: 13.4 million were devoted to the second stage of expanding the co-generation plant located in Cáseda (Spain). The remainder was spent on improving the production plant and on recurring investments in maintenance and enhancing environmental conditions.

Viscofan S.A., through its R&D department in Navarre, centralizes coordination of the R&D activities of the rest of the Viscofan Group and this center has established itself as the specialist center in the cellulose casing segment. Efforts in the area of R&D activities are focused on improving production efficiency as well as developing innovative processed meat products, the Company's business segment.

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

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

Acquisition of own shares

At year-end 2009, the Company did not possess own shares.

Risks and uncertainty

Viscofan S.A. has produced higher revenues in a period of high volatility and uncertainty and is well placed to take advantage of market increases in its main businesses. However, it must be remembered that due to the nature of its transactions, the activities of Viscofan and its subsidiaries are exposed to various operational, financial and economic risks. The group manages risk according to the policies approved by the Board of Directors.

Among the specific risks worthy of particular note are less favorable exchange rates, increases in production costs, such as energy and raw material prices, or worse market conditions due to the global economic crisis.

Risk management policy

The control and management of financial risk is based on measuring *Value at Risk (VaR)* to reply to the following question: What is the most pessimistic scenario based on a certain confidence level? This is a statistical estimation of risk which includes a specific time frame (hours, days, months, years), an estimated confidence level of between 95-99%, and a maximum loss expressed as a percentage. Viscofan uses the Montecarlo simulation method to calculate VaR.

These analyses quantify Viscofan's exposure to changes in foreign currency and interest rates. There are two types of foreign currency risk. The first is related to balance sheet items including certain assets (building and machinery...) and liabilities (bank debt, payables...) reflected in foreign currency, which might lose value based on fluctuating exchange rates. The second is related to cash flow exposure due to type of currency. Viscofan covers the latter using EBITDA for the following year to carry out its simulations.

Decisions regarding the amount to hedge for each currency are made based on the result of analyses for currencies in which a relevant net risk has been detected, depending on the degree of risk the company is willing to assume.

In order to mitigate interest rate risk, Viscofan SA has obtained hedge agreements.

The increased activity of the co-generation plant in Cáseda has increased the Company's exposure to energy markets, due to income from sales of electricity as well as expenses from its gas supply. This has created the need to monitor and intervene in the futures markets to ensure uninterrupted operations, and to sign up for the tariff plan for the next year in order to guarantee positive operating margins.

Counterparty risk materializes in the possibility that the Company's clients might not comply with payment commitments. The Company has an insurance policy to cover its client risk. Due to the current economy in general, however, hedges provided by suppliers have deteriorated; consequently, procedures have been tightened and internal controls have been intensified to avoid increased delinquency.

The degree to which the Company is leveraged, as well as the availability of credit facilities indicate that it will be able to comfortably meet its financial needs; therefore, its liquidity risk is not relevant, despite 2009 financial restrictions.

Operations with the board of directors or persons acting on their behalf, carried out during 2009, 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 2009 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.

EVENTS AFTER THE BALANCE SHEET DATE

As a result of the changes approved and effective December 31, 2009, during the first months of 2010 steps were taken to renew the Board of Directors and the Company's governing bodies.

These changes are the following:

- Jaime Echevarría Abona stepped down as a Board member, and therefore, relinquished his position as Chairman of the Board, President of the Executive Committee, and President of the Appointments and Remuneration Committee; he has decided to concentrate on other personal endeavors now that his brilliant trajectory at the Company has reached its end.

- Iñigo Solaun Garteiz-Goxeascoa also resigned from his position on the Board.

- To substitute Mr. Echevarría Abona, José Domingo de Ampuero y Osma was named Chairman of the Board (and Board member), President of the Executive Committee as well as President of the Appointments and Remuneration Committee.

- Nestor Basterra Larroudé was named First Vice Chairman of the Board, while Agatha Echevarría Canales was appointed as member of the Appointments and Remuneration Committee.

- Ignacio Marco-Gardoqui Ibáñez, a shareholder in the Company, was appointed to the Board through the co-option method in substitution of Jaime Echevarría Abona.

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

The current explanatory report was prepared by the Board in its meeting held on March 26, 2010 as part of the Management Report included in the Company's Annual Report and was incorporated as part of the Management Report as established by Article 116 bis of 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 attached thereto and the percentage of total share capital that it represents;

Share capital stands at 13,981,104.60 euros and consists of 46,603,682 shares of 0.30 euros par value each. Share capital is fully subscribed and paid in.

All shares have the same voting and dividend rights, are renegotiated on OTC markets in Spain, and are represented by book entries.

Regarding this point, the following are the Company's bylaws:

Article 5: Share capital stands at 13,981,104.60 euros (thirteen million nine hundred and eighty-one thousand one hundred and four euros and 60 euro cents) and consists of 46,603,682 shares (forty-six million six hundred and three thousand six hundred and eighty-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"

Article 8: Each share confers the status of shareholder on its lawful owner and confers, at the very least, the right to participate in the distribution of earnings and any assets if the Company were liquidated, to exercise pre-emptive subscription rights in the issuance of new shares or convertible bonds, to attend and vote at the General Shareholders' Meetings and challenge the resolutions adopted, the right to receive information, and any other right which might be recognized by Law."

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, 2009, direct or indirect shareholdings exceeding 3% of share capital that the Company was aware of are as follows:

Marathon Asset Management, LLP: 2,338,952 shares which are indirectly distributed in direct holding, all under 3%, equivalent to 5.019% of Viscofan's share capital calculated based on a total of 46,603,582 shares.

Onchena S.L.: 2,366,000 indirect shares, owned directly by María del Carmen Careaga Salazar, equivalent to 5.077% of Viscofan's share capital calculated based on a total of 46.603.582 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.

In this respect, the bylaws regulate the voting rights as expressed in Article 8 (Section A).

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

The abovementioned are internally regulated by the Company bylaws and the Board of Directors Regulations.

According to the bylaws, Articles 26 and 27 determine the following, among other aspects:

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

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.

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

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

b) Their permanence on the board places the company's interests at risk

c) The reasons for which they were appointed cease to apply

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

Article 8 of the Board of Directors' Regulations states that 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.

No other specific regulations regarding the modification of bylaws exists apart from the applicable norms stated in Article 144 of the Revised Text of the Spanish Corporation Law.

Apart from the requirements regarding the adoption and incorporation of agreements by the General Shareholders Meeting, as stated in Article 21 of Company bylaws, Article 18 of the Board of Directors' Regulations coincide with Article 103.

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 3, 2009, the following resolution was adopted:

"Annul the authorization to acquire treasury shares granted to the Board of Directors at the General Shareholders' Meeting held on June 3, 2008.

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."

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.

Madrid, March 26, 2010

APPENDIX TO THE FINANCIAL STATEMENTS

STATEMENT: The Secretary of the Board of Directors, Mr. Juan Mª Zuza Lanz, hereby certifies that the Board of Directors, at its meeting of March 26, 2010, has approved the financial statements for the year ended December 31, 2009, which consist of the documents attached prior to this page and listed below, by signing for the purposes of identification all of the pages.

Balance Sheet 2 pages
Income statement: 1 page
Statement of Changes in Equity 2 pages
Cash flow statement 1 page
Notes to the financial statements: 50 pages, numbered consecutively from 7 to 56.

José Domingo Ampuero y Osma

Nestor Basterra Larroudé

Dª. Agatha Echevarría Canales

Ignacio Marco-Gardoqui Ibáñez

Alejandro Legarda Zaragüeta

José Cruz Pérez Lapazarán

Gregorio Marañón Bertrán de Lis

Secretario del Consejo de Administración
Juan Mª Zuza Lanz

APPENDIX TO THE MANAGEMENT REPORT

VISCOFAN, S.A.

STATEMENT: The Secretary of the Board of Directors, Mr. Juan Mª Zuza Lanz, hereby certifies that the Board of Directors, at its meeting of March 26, 2010, has approved the 2006 consolidated management report by signing for the purposes of identification all 76 of the pages numbered consecutively from 1 to 10 on one side and 1 to 66 on the other, corresponding to the Corporate Governance Report, which is part of the management report .

The following members of the Board of Directors have signed this document on this page, which is included as an appendix to the 2009 consolidated management report.

José Domingo Ampuero y Osma

Nestor Basterra Larroudé

Dª. Agatha Echevarría Canales

Ignacio Marco-Gardoqui Ibáñez

Alejandro Legarda Zaragüeta

José Cruz Pérez Lapazarán

Gregorio Marañón Bertrán de Lis

Secretary to the Board of Directors
Juan Mª Zuza Lanz