VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Management Report

Prepared under International Financial Reporting Standards Endorsed by the European Union

31 December 2009 and 2008

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

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of financial position
as at 31 December 2009 and 2008
[Thousands of euros]

Assets	Note	2009	2008
Property, plant and equipment	6	289,105	277,940
Intangible assets	7	14,342	11,976
Deferred tax assets	9	8,051	15,286
Investments in associates	8	1,333	998
Other financial assets	8	507	585
Total non-current assets		313,338	306,785
Inventory	10	150,045	156,540
Trade and other receivables	11	123,796	118,343
Prepayments		47	172
Other financial assets	8	3,000	612
Cash and cash equivalents	12	25,763	14,014
Total current assets		302,651	289,681
Total assets		615,989	596,466

Equity and liabilities	Note	2009	2008
Share capital	13	13,981	14,020
Share premium	13	16,650	30,165
Other reserves	13	267,319	229,041
Profit for the year		64,259	51,403
Treasury shares	13	-	(1,699)
Interim dividend	13	(12,117)	-
Currency translation differences		(5,673)	(19,617)
Hedge transaction reserves	13	788	(38)
Total equity	13	345,207	303,275
Deferred income	14	2,998	3,111
Borrowings	15	46,241	53,151
Other financial liabilities	15	5,007	5,051
Deferred tax liabilities	9	25,252	28,272
Provisions	16	37,213	35,393
Total non-current liabilities		116,711	124,978
Borrowings	15	70,042	83,287
Other financial liabilities	15	3,442	4,142
Trade and other payables	15	48,161	53,558
Provisions	16	7,855	4,569
Other current liabilities	15	24,031	21,710
Current tax liabilities		540	947
Total current liabilities		154,071	168,213
Total equity and liabilities		615,989	596,466

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated income statements
for the years ended 31 December 2009 and 2008
[Thousands of euros]

	Note	2009	2008
Sales and services rendered	20	583,414	551,818
Other income	21	8,077	7,094
Changes in inventories of finished goods and work		12,702	(2,143)
Work performed by the Group on non-current assets		253	355
Consumption of raw material and other consumables	10	(176,631)	(167,088)
Employee benefits expense	23	(134,047)	(128,291)
Depreciation and amortization	6 y 7	(37,735)	(37,459)
Other operating expenses	22	(164,767)	(156,436)
Operating profit		91,266	67,850
Share of results from associates - net of tax	8	(17)	-
Finance revenue	24	15,610	22,730
Finance costs	24	(20,897)	(30,299)
Profit before tax		85,962	60,281
Income tax expense	9	(21,703)	(8,878)
Profit for the year		64,259	51,403
Basic earnings per share (in euros)	25	1,3788	1,1005
Diluted earnings per share (in euros)		1,3788	1,1005

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of comprehensive income
for the years ended December 31, 2009 and 2008
[Thousands of euros]

	2009	2008
Net profit for the year	64,259	51,403
Profit (loss) recognized directly in equity		
In other reserves		
Actuarial gains (losses) on pension plans		
Germany	(1,539)	1,017
United States	(1,312)	(2,316)
Tax effect	938	464
	(1,913)	(835)
Hedges taken to reserves		
Remeasurement of hedge derivatives	1,262	(79)
Tax effect	(474)	41
	788	(38)
Translation differences	13,944	(16,099)
Total profit (loss) recognized directly in equity	12,819	(16,972)
Transfers to the consolidated income statement		
From cash flow hedges	103	-
Tax effect	(65)	-
	38	-
Total recognized income and expenses for the year	77,116	34,431

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of changes in equity
for the years ended 31 December 2009 and 2008
[Thousands of euros]

	Equity attributed to the parent								
	Equity								
	Share capital	Share premium	Reserves	Treasury shares and participations	Interim dividend	Profit (loss) attributable to the parent	Unrealized gains (losses) reserve	Translation differences	Total equity
Balance at January 01, 2008	**14,189**	**41,844**	**200,843**	**(3,728)**	**-**	**46,178**	**-**	**(3,518)**	**295,808**
Total recognized income and expense	**-**	**-**	**(835)**	**-**	**-**	**51,403**	**(38)**	**(16,099)**	**34,431**
Transactions with shareholders and owners	**(169)**	**(11,679)**	**(7,931)**	**2,029**	**-**	**(8,908)**	**-**	**-**	**(26,658)**
Capital increases /(decreases)		-	(7,931)	-	-	-	-	-	(8,100)
Dividends paid	-	(11,679)	-	-	-	(8,908)	-	-	(20,587)
Transactions with treasury shares or participations (net)	-	-	-	2,029	-	-	-	-	2,029
Other changes in equity	**-**	**-**	**36,964**	**-**	**-**	**(37,270)**	**-**	**-**	**(306)**
Transfers between equity accounts	-	-	37,270	-	-	(37,270)	-	-	-
Other changes	-	-	(306)	-	-	-	-	-	(306)
Balance at December 31, 2008	**14,020**	**30,165**	**229,041**	**(1,699)**	**-**	**51,403**	**(38)**	**(19,617)**	**303,275**
Total recognized income and expense	**-**	**-**	**(1,913)**	**-**	**-**	**64,259**	**826**	**13,944**	**77,116**
Transactions with shareholders and owners	**(39)**	**(13,515)**	**(1,660)**	**1,699**	**(12,117)**	**(9,552)**	**-**	**-**	**(35,184)**
Capital increases /(decreases)	(39)	-	(1,660)	-	-	-	-	-	(1,699)
Dividends paid	-	(13,515)	-	-	(12,117)	(9,552)	-	-	(35,184)
Transactions with treasury shares	-	-	-	1,699	-	-	-	-	1,699
Other changes in equity	**-**	**-**	**41,851**	**-**	**-**	**(41,851)**	**-**	**-**	**-**
Transfers between equity accounts	-	-	41,851	-	-	(41,851)	-	-	-
Balance at December 31, 2009	**13,981**	**16,650**	**267,319**	**-**	**(12,117)**	**64,259**	**788**	**(5,673)**	**345,207**

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated statements of cash flows
for the years ended 31 December 2009 and 2008
[Thousands of euros]

	2009	2008
Cash flows from operating activities		
Profit before tax	85,962	60,281
Adjustments for:		
Depreciation and amortization	37,735	37,459
Changes in provisions	3,805	(1,637)
Capital grants	(456)	(405)
Gain (loss) on disposal of non-current assets	663	65
Interest income	(680)	(1,066)
Interest expenses	4,845	7,771
Foreign currency translation differences (net)	1,122	864
	132,996	103,332
Changes in working capital, net of the impact of acquisitions and currency translation differences		
Inventory	10,881	(15,239)
Trade and other receivables	(444)	(17,080)
Trade and other payables	(1,627)	(5,237)
Funds obtained from operations	141,806	65,776
Income tax receipts (payment)	(17,814)	(9,917)
Cash flows from operating activities	123,992	55,859
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(47,321)	(44,123)
Payments for the acquisition of financial assets	(26)	(3,277)
Proceeds from disposals of property, plant and equipment	1,764	2,242
Proceeds from other assets	3	776
Contribution to US pension plan	(1,611)	(1,091)
Cash flows from investing activities	(47,191)	(45,473)
Cash flows from financing activities		
Changes in borrowings	(20,534)	25,904
Acquisition of treasury shares	-	(6,070)
Compensation to shareholders		
Dividends	(21,671)	(8,908)
Return of share premium	(13,515)	(11,679)
Interest received	680	1,066
Interest paid	(4,877)	(7,426)
Other payments from financing activities	(3,303)	(2,487)
Foreign currency translation differences (net)	(1,122)	(864)
Cash flows from financing activities	(64,342)	(10,464)
Impact of changes in exchange rates on cash and cash equivalents	(710)	(3,015)
Net increase (decrease) in cash and cash equivalents	11,749	(3,093)
Cash and cash equivalents	14,014	17,107
Cash and cash equivalents at December 31	25,763	14,014

(1) Nature and Principal Activities

Viscofan, S.A. (hereinafter the Company or the Parent) was incorporated with limited liability on 17 October 1975 as Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At a 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 or artificial casings, mainly for use in the meat industry, as well as, to a lesser extent, the generation of electricity by any technical means, both for own consumption and for sale to third parties. Its industrial installations are located in Cáseda and Urdiain (Navarra). During 2009, its main office was moved to Tajonar (Navarra). However, the registered address continues to be in Pamplona.

Viscofan, S.A. is the Parent of a group of companies (the Viscofan Group or the Group) which carry out their activities mainly in the food, plastic and collagen casing sectors, as explained in more detail in Appendix 1, which forms an integral part of Note 2.

Viscofan, S.A.'s shares are quoted on the Madrid, Barcelona and Bilbao stock exchanges.

(2) Viscofan Group

Details of the subsidiaries and associates comprising the Viscofan Group at 31 December 2009 and 2008, as well as certain additional information, are shown in Appendix 1, which forms an integral part of this note.

In 2009 Viscofan Technology (Suzhou) Co. Ltd. has been incorporated into the Group. The share capital of this company upon its incorporation was fully subscribed by Viscofan, S.A. Since its incorporation and throughout 2009, this company has mainly engaged in acquiring the rights of usage for land where construction of a new production plant is planned. In addition, it has carried out various tasks related to the commencement of its activity, such as obtaining permits, negotiating construction contracts, etc. Its commercial activity and production are expected to commence in the last quarter of 2010 and the first quarter of 2011.

In April 2008, through the subsidiary, Industrias Alimentarias de Navarra, S.A., the Viscofan Group acquired 50% of the voting rights of Lingbao Baolihao Food Industrial Co. Ltd, upon its incorporation. This company processes asparagus in the Chinese region of Henan.

(3) Basis of Preparation

The consolidated Financial Statements have been prepared on the basis of the accounting records of Viscofan, S.A. and the companies forming the Group. The consolidated Financial Statements for 2009 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at 31 December 2009 and 2008, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognized income and expenses for the year then ended. The Group adopted EU-IFRS on 1 January 2004 and applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

The accounting policies in force at December 31, 2009 are the same as those in 2008, with the exception of the following standards and interpretations which have been issued or amended:

- IFRS 7 - Financial Instruments: Disclosures. The amended standard requires more disclosures on the determination of fair value and liquidity risk. Fair value determination of items recognized at fair value must be broken down by the nature of the assumptions using a three-level hierarchy for each category of financial instrument. Additionally, for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances is required, as well as for significant transfers between Level 1 and Level 2 of the fair value hierarchy. The disclosures regarding the fair value of financial assets valued at fair value are included in Note 18.2.

- IFRS 8 - Operating segments: The standard requires disclosure of information on Group operating segments and eliminates the requirements to identify the Group's primary segments (business) and secondary segments (geographic). Adopting this standard has had no impact on the Group's financial position or results. The Group has determined that the operating segments are the same as the business segments identified previously in accordance with IAS 14 "Segment Reporting."

- IAS 1- Presentation of Financial Statements: The standard introduces the statement of comprehensive income, which includes all the items of recognized income and expenses, whether in one statement or two related statements. The Group has elected to present two statements.

- Revised IAS 23 - Borrowing Costs: The standard has been revised to require that interest costs on qualifying assets are capitalized. The Group has adopted this policy prospectively pursuant to the transitional provisions of the standard. The effects of adopting this change have not had any impact on the Group's profit for 2009 as the investments made in 2009 have not required long construction periods.

- IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets: This amendment establishes the date it comes into effect and the transition measures for the changes in the classification of financial assets. Adopting these amendments has had no impact on the Group's financial position or results.

The following standards or interpretations which have been issued or modified have not had any impact on the 2009 consolidated financial statements:

- IFRS 2 Share-based payments – Vesting conditions and cancellations

- IAS 27 Consolidated and Separate Financial Statements, Cost of Investments in a Subsidiary, Jointly Controlled Entity or Associate.

- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial instruments: Recognition and Measurement

- IFRIC 11 IFRS 2—Group and treasury share transactions

- IFRIC 13 Customer Loyalty Programs

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In addition, the following EU-approved standards and interpretations have been published. However, these are not yet applicable and the Group will apply these in the years when they are mandatory:

- Revised IFRS 3 "Business combinations" and amendment to IAS 27 "Separate and Consolidated Financial Statements." Applicable to periods commencing on or after June 30, 2009, including the amendments to IFRS 7, IAS 21, IAS 28; IAS 31 and IAS 39.

  The revised IFRS 3 introduces significant changes in the recognition of business combinations. The changes affect the valuation of non-controlling interests, the recognition of transaction costs, the initial recognition and the remeasurement of contingent liabilities and business combinations achieved in stages.

  The amendments to IAS 27 specify the circumstances in which an entity is obliged to prepare consolidated financial statements, how parents have to recognize ownership changes in subsidiaries and how a subsidiary's losses must be shared between controlling and non-controlling interests.

The Group has reviewed these amendments and interpretations and has concluded that they will not have a significant impact on its financial position and results.

Other standards and interpretations issued which are not yet mandatory have not been applied. In many cases, this is due to the fact that they had not been endorsed by the European Union at the date these consolidated financial statements were prepared. The Viscofan Group estimates that all EU-approved standards which are not yet mandatory would not have a significant impact on these consolidated financial statements.

IFRS improvements

In May 2008 the IASB first published IFRS improvements within the framework of an annual process of improvements aimed at eliminating inconsistencies and clarifying certain standards, including specific transitional provisions for each standard. Adopting the following amendments has led to a change in accounting policies; however, this has had no impact on the Group's financial position or results.

- IAS 1 – "Presentation of financial statements": Assets and liabilities classified as held for trading conform to IAS 39 "Financial Instruments: Recognition and Measurement." They are not automatically classified as current in the statement of financial position. This amendment has had no impact on the Group's 2009 consolidated financial statements.

- IAS 16 – "Property, Plant and Equipment Net selling price" is replaced by "fair value less cost to sell." This amendment has had no impact on the Group's financial position.

- IAS 20 – "Accounting for government grants and disclosure of government assistance": Loans granted with no or low interest will not be exempt from the requirement to impute interest. The Group already applied this standard; therefore, it has had no impact on the Group's financial position.

- IAS 23 – "Borrowing costs": The definition of borrowing costs has been revised to consolidate into a single entry the two entries considered components of "Borrowing costs" (the interest cost calculated using the effective interest rate method pursuant to IAS 39). This amendment has had no impact on the Group's financial position.

- IAS 36 – "Impairment of Assets". When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has had no impact on the Group's financial position or results.

- IAS 38 – "Intangible Assets": Advertising and promotional activity are recognized as an expense when the entity has a right to have access to the goods or the service has been rendered. This amendment has no impact for the Group since it does not undertake this type of promotional activity.

None of the remaining amendments from IFRS improvements have had any impact on the Group's financial position or results.

On occasions the IFRS offer more than one option for recognizing a transaction. For major transactions affected by this situation the Group adopted the following criteria:

- Interests in joint ventures can be consolidated by the proportional method or the equity method. The Group has applied the latter.
- Grants can be recognized as a reduction in the cost of the assets for which the grant was provided or as deferred income. The Group has applied the latter.
- Actuarial gains and losses on pension plans may be deferred under certain conditions or recognized in the year incurred. The Group applies the latter option, using the additional alternative offered in this case, which is to recognize them off the income statement, directly in equity.
- Certain assets can be measured at market value or historic cost less, if applicable, any depreciation/amortization or impairment losses. The latter criteria are applied by the Viscofan Group.

The Parent's directors expect these 2009 consolidated financial statements, which were prepared on March 26, 2010, to be approved by the shareholders in general meeting without modification.

(3.1) Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings on the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the consolidated figures for 2009 the corresponding figures for 2008 included in the consolidated financial statements approved by the shareholders at their general meeting on June 03, 2009.

(3.2) Relevant accounting estimates, assumptions and judgments

The preparation of Financial Statements in conformity with EU-IFRS requires Group management to make judgments, estimates and assumptions and to apply relevant accounting estimates in the process of applying Group accounting policies.

Aspects which involved a greater degree of judgment or complexity in preparation of these consolidated Financial Statements are detailed below.

(a) Relevant accounting estimates and assumptions

-Pension plans: Note 4.16
-Provisions: Note 4.17
-Useful lives of property, plant and equipment and intangible assets: Notes 4.4 and 4.5
-Assessment of impairment of assets: Note 6
-Recoverability of deferred tax assets: Note 9

(b) Changes in accounting estimates

Although estimates were based on the best information available at 31 December 2009, future events may require these estimates to be modified in subsequent years. The effects on the preliminary Financial Statements of any adjustment which may arise in subsequent years would be recognized prospectively.

(c) Sources of uncertainty

The main sources of uncertainty which could affect profit (loss) for the year in the future are due to contingent assets and liabilities (Note 16.7).

No uncertainties due to the current global economic climate were perceived which would have required special analysis or the solution of which would significantly have affected the Group's consolidated financial statements.

(3.3) Business combinations

All business combinations are accounted for by applying the purchase method. This consists of identification of the acquirer (the entity which obtains control over the other entities comprising the business combination), measurement of cost of the business combination and allocation, on the acquisition date, of the business combination's costs to the assets acquired and the liabilities and contingent liabilities assumed.

The cost of the business combination is measured as the aggregate of the fair values at the date of exchange, assets contributed, liabilities incurred or assumed (including contingent liabilities if these can be measured reliably) and net equity instruments issued by the acquirer, in exchange for control over the acquiree; plus any costs directly attributable to the business combination. Adjustments to the cost of a business combination contingent on future events are included in the cost of the combination provided that the amount of this adjustment is probable and can be measured reliably.

The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the acquirer's interest in the net fair value of assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference remaining after reassessment is recognized by the acquirer in profit or loss.

(4) Significant Accounting Principles

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations endorsed by the European Union (EU-IFRS).

A summary of the most significant principles is as follows:

(4.1) Going concern and accruals basis

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

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

(4.2) Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

Subsidiaries are entities controlled by the Company directly or indirectly through other subsidiaries. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights held by the Group or third parties that are presently exercisable or convertible are taken into account in assessing control.

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. A breakdown of the nature of relations between the Parent and subsidiaries is included in the accompanying Appendix 1.

The Group has applied the exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards regarding business combinations. Consequently, only business combinations which occurred subsequent to 1 January 2004, the date of transition to EU-IFRS, have been recognized using the purchase method. Entities acquired prior to that date were recognized under the former Spanish general chart of accounts, once the necessary transition date adjustments and corrections were considered.

Intragroup balances and transactions and any unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated on consolidation. Nevertheless, unrealized losses are considered as indicative of impairment of the transferred assets.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The Financial Statements of consolidated subsidiaries reflect the same reporting date and period as that of the Parent.

Business combinations

Jointly controlled companies which by virtue of a contractual agreement are managed and controlled by more than two partners are consolidated by the equity method.

Under the equity method, investments in jointly controlled companies are recognized on the consolidated statement of financial position at cost plus any post-acquisition changes in the Group's investment based on its share of the investee's net assets, less any impairment losses. The result of measuring investments in associates using the equity method (after eliminating intra-group transactions) is recognized under "Other reserves" and "Share of results from associates -net of tax" on the consolidated statement of financial position and consolidated income statement, respectively.

(4.3) Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated Financial Statements are presented in thousands of euros, which is the functional and presentation currency of the Parent.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities expressed in foreign currencies have been translated into euros at the year-end exchange rate, whereas non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets denominated in foreign currencies measured at fair value are translated to euros at the foreign currency exchange rate prevailing at the date the value was determined.

Differences arising on settlement of transactions in foreign currency and on the translation to euros of monetary assets and liabilities expressed in foreign currency are taken to the income statement. Exchange differences arising from the translation of monetary items forming part of the net investment in foreign operations are recognized as translation differences in equity.

Translation gains or losses related with monetary financial assets or liabilities expressed in foreign currency are also recognized in the income statement.

(b) Translation of foreign operations

Translation differences are recognized in the Group's equity. The translation to euros of foreign operations, excluding foreign operations in hyperinflationary economies, is based on the following criteria:

- Assets and liabilities, including goodwill and adjustments to net assets deriving from the acquisition of businesses, including comparative balances, are translated at the year-end exchange rate at each balance sheet date.

- The revenues and expenses of foreign operations, including comparative balances, are translated at the exchange rates ruling at each transaction date; and

- Foreign exchange differences arising from application of the above criteria are recognized under translation differences in equity.

The Group does not carry out business in hyperinflationary countries.

In the consolidated cash flow statement, the cash flows, including comparative balances, from subsidiaries and jointly-controlled foreign businesses are translated to euros applying the exchange rates prevailing at the date of the cash flows.

Translation differences related to foreign businesses recognized in equity are recognized on one line in the consolidated income statement when these are recognized in profit (loss) at the time such businesses are sold.

(4.4) Property, plant and equipment

(a) Initial recognition

Property, plant and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalized with a charge to work performed by the Group on non-current assets in the consolidated income statement.

The cost of assets acquired or produced subsequent to January 01, 2009 which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalization requirements described above.

The Group elected to use previous GAAP revaluation of property, plant and equipment as deemed cost at 1 January 2004, as permitted by IFRS 1 First time Adoption of IFRS.

(b) Amortization and depreciation

Property, plant and equipment is depreciated systematically over the useful life of the asset. The depreciable amount of intangible asset items is the cost of acquisition less the residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of items of property, plant and equipment is calculated using the straight-line basis over their estimated useful lives, as follows:

	Estimated useful life (years)
Buildings	30-50
Plant and equipment	10
Other installations, equipment and furniture	5-15
Other property, plant and equipment	4-15

The Group reassesses residual values, useful lives and depreciation methods at the end of each financial year. Changes to the initially established criteria are recognized as a change in accounting estimates.

c) Subsequent recognition

Subsequent to initial recognition of the asset, only costs that will probably generate future economic benefits and which may be measured reliably are capitalized. Ordinary maintenance costs are expensed as they are incurred.

Replacements of property, plant and equipment which meet the requirements for capitalisation are recognized as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it has not been practical to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(d) Investment property

At 2008 and 2009 year end the VISCOFAN Group had no assets which by their nature must be classified as investment property.

(4.5) Intangible assets

(a) Goodwill

Goodwill on business combinations carried out from the transition date (1 January 2004) is recognized as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or the jointly controlled business acquired.

Goodwill is not amortized but is subject to annual impairment testing or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognized as an asset.

(b) Self-constructed assets

Expenditure on research activities is recognized in the consolidated income statement as an expense as incurred.

Expenditure on activities which cannot be clearly distinguished from costs attributable to the development of intangible assets is recognized in the consolidated income statement. Expenditure on development that was recognized initially as an expense is not recognized subsequently as part of the cost of an intangible asset.

(c) Intangible assets acquired through business combinations

From 1 January 2004 the cost of identifiable intangible assets acquired in business combinations, including research and development projects in progress, is their fair value at the date of acquisition, provided that this value can reliably be determined. Subsequent costs related to research and development projects are recognized as for self-constructed assets.

(d) Other intangible assets

Other intangible assets are stated at cost, less accumulated amortization and impairment losses.

Software maintenance costs are expensed as incurred.

(e) Emission rights

The Viscofan Group recognizes emission rights when it owns them. Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognized as a credit to "Deferred income" (*Note 14*) on the consolidated statement of financial position. Rights acquired from third parties are recognized at their acquisition cost.

These assets are measured using the cost method. At each year end they are analyzed for any indications of impairment of their carrying amounts.

These emission rights are eliminated from the statement of financial position when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognized from the provision made when the CO2 emissions take place.

Emission rights are not amortized. However, any differences from market value are provisioned.

(f) Useful lives and amortization rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows.

Intangible assets with finite useful lives are amortized by allocating the depreciable amount systematically on a straight-line basis over the useful lives of the assets in accordance with the following criteria:

	Amortization method	Estimated useful life (years)
Concessions, patents and licences	Straight line	10
Software	Straight line	5
Trademark and customer portfolio	Straight line	5

The depreciable amount of intangible asset items is the cost of acquisition or deemed cost less the residual value.

The Group reassesses residual values, useful lives and amortization methods at the end of each financial year. Changes to initially established criteria are recognized as a change in accounting estimates.

(4.6) Leases

(a) Finance leases

The Viscofan Group classifies as finance leases all lease agreements in which the lessor substantially transfers to the lessee all the risks and rewards incidental to ownership of the asset. All other leases are classified as operating leases.

Assets acquired under finance leases are recognized as non-current assets according to their nature and purpose. Each asset is depreciated/amortized over its useful life when the Group considers there to be no doubt that it will acquire ownership of the assets at the end of the lease term. The assets are recognized at the lower of the fair value of the leased item and the present value of future lease payments.

(b) Operating leases

Lease payments under an operating lease, net of any incentives received are recognized as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit.

(4.7) Financial instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

Conventional purchases and sales of financial assets are accounted for at the trade date, when the Group undertakes to purchase or sell the asset.

(a) Financial assets at fair value with changes in fair value through profit and losss

These are assets classified as held for trading, as the Group expects to obtain gains from their price fluctuations and they have been recognized in this category since their initial recognition.

Assets included in this category are recorded in the consolidated statement of financial position at fair value and fluctuations in their value are recognized under "Finance costs" and "Finance revenue," as applicable, on the consolidated statement of income.

The Viscofan Group classifies derivatives in this category when they do not meet the conditions necessary to be recognized as hedges as per the requirements of IAS 39 "Financial Instruments" (Note 4.9).

At December 31, 2009 and 2008 no assets have been classified in this category on the consolidated statement of financial position.

(b) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, when maturity is within 12 months of the balance sheet date.

Loans are initially recognized at fair value, including transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity and which are recognized at amortized cost.

Held-to-maturity investments are initially recognized at fair value, including transaction costs that are directly attributable to the acquisition and are subsequently carried at amortized cost using the effective interest method.

(d) Available-for-sale financial assets

Are all those which do not fall within the above categories. These are recognized at their fair value at year end. Changes in fair value are charged or credited to equity until divested or impaired, at which time the cumulative amount up to that date is transferred to to the consolidated income statement.

(e) Offsetting principles

A financial asset and a financial liability can only be offset when the Group has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(f) Impairment and default of financial assets

A financial asset or group of financial assets is impaired and has generated an impairment loss if there is objective evidence of impairment as a result of an event or events which have occurred subsequent to initial recognition of the asset, and where the event or events causing the loss have an impact on the estimated future cash flows from the asset or group of financial assets which can be reliably estimated.

The Group recognizes impairment losses and defaults on loans and other receivables and debt instruments through recognition of a corrective provision for financial assets. When impairment and default are considered irreversible, the carrying amount is written off against the amount of the provision. Reversals of impairment losses are also recognized against the amount of the provision.

(g) Derecognition of financial assets

The Group applies the criteria for derecognition of financial assets either to part of a financial asset (or a part of a group of similar financial assets).

Financial assets are derecognized when the rights to receive cash flows from the investment have matured and the Group has substantially transferred the risks and rewards of ownership. In circumstances in which the Group retains the contractual rights to receive cash flows financial assets are derecognized only where contractual obligations over payment of cash to one or more recipients exist and certain requirements are fulfilled.

On derecognition of a financial asset the difference between its carrying amount and the total amount received is taken to the income statement, net of transaction costs and including the assets obtained and liabilities assumed and any deferred profit or loss of income or expense recognized in equity.

(h) Financial liabilities

Financial liabilities, including trade and other payables, the fluctuations of which are not charged or credited to the consolidated income statement, are initially recognized at fair value, less, as applicable, directly attributable transaction costs. Subsequent to initial recognition, the liabilities classified in this category are measured at amortized cost using the effective interest method.

(4.8) Derivatives and hedge accounting

Under the Group's finance policies derivatives may not be acquired or held for trading. If any derivative does not qualify fulfill the requirements to be considered a hedge it is recognized as a financial instrument held for trading.

Derivatives are recognized initially at cost. Subsequent to initial recognition derivatives are stated at fair value. Any gains or losses arising from such changes in value are recognized in the consolidated income statement unless the derivative has been designated as a cash flow hedge.

For accounting purposes, hedges are classified as:

- Fair value hedges and hedges of net investment in a foreign entity: At December 31, 2009 and 2008, as well as throughout both years, the Viscofan Group did not use this type of hedges.

- Cash flow hedges: when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or to the foreign currency risk in a firm commitment.

When arranging each hedge transaction the Viscofan Group formally documents each transaction for which hedge accounting will be applied. The documentation identifies the hedge instrument, the item hedged, the nature of the risk to be hedged and how the effectiveness of the hedge will be measured. In addition, hedges are assessed on an ongoing basis to determine that they are highly effective (80%-125%).

Cash flow hedges are recognized as follows:

- Changes in the market value of hedging derivatives are recognized, in the case of the ineffective portion of the hedges in the consolidated income statement. Those related to the effective portion are recognized under “Unrealized gains (losses) reserve” and “Translation differences” in the consolidated statement of financial position. The cumulative gain or loss recognized in these headings is transferred to the related consolidated income statement heading (i.e. the heading affected by the hedged item) as it impacts profit or loss in the year in which the item is sold.

- When hedging of futures transactions gives rise to a non-financial asset or non-financial liability, their amount is taken into account when determining the initial carrying amount of the asset or liability which gives rise to the transaction hedged.

- When hedging futures transactions gives rise to a financial asset or liability, this balance is recognized under "Unrealized gains (losses) reserve” until the risk hedged in relation to the futures transaction impacts the consolidated income statement.

- If the hedged transaction does not give rise to an asset or liability, the amounts debited or credited to “Unrealized gains (losses) reserve” in the consolidated statement of financial position are taken to the consolidated income statement in the same period as the hedged transaction.

- When the hedge is discontinued, the cumulative gain or loss recognized in “Unrealized gains (losses) reserve” is held under this heading until the hedged transaction is carried out, at which time the gain or loss on the transaction is adjusted by the cumulative gain or loss. If the forecast transaction is no longer expected to occur, the gain or loss previously recognized in this heading is taken to the consolidated income statement.

All the hedging instruments used by the Viscofan Group in 2009 and 2008 were derivatives not traded in organized financial markets. Consequently, these are measured using assumptions based on market conditions at year end.

- The fair value of interest rate swaps is measured as the value of the rate swap spreads discounted to present value at market interest rate

- Exchange rate futures contracts are measured by discounting to present value future cash flows based on forward exchange rates at year end.

- The market value of purchase-sale agreements of non-financial items to which IAS 39 is applicable, is calculated from the best estimate of the future price curves of these items available at year end.

(4.9) Parent treasury shares

Treasury shares acquired by the Group have been presented separately as a reduction in equity in the consolidated statement of financial position, irrespective of the purpose of their acquisition, and no gains or losses have been recorded as a result of transactions carried out with treasury shares.

The subsequent redemption of treasury shares results in a decrease in share capital for the par value of these shares and positive or negative differences between the acquisition price and the par value of the shares are debited or credited to Reserves, with no recognition in the consolidated income statement.

The Group also applies the following criteria when accounting for operations with its own equity instruments:

- Transaction costs related with own equity instruments, including issue costs related with a business combination, are recorded as a reduction in equity, once any tax effect has been considered.
- Dividends are recognized as a reduction in equity when approved at the general meeting of shareholders.

(4.10) Inventories

Inventories comprise non-financial assets which are held for sale by the consolidated entities in the ordinary course of business.

Cost comprises all costs of acquisition, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventory conversion costs comprise the costs directly related with the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred in the conversion process. Indirect fixed costs are distributed on the basis of the higher of normal production capacity or actual production.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials, other materials consumed and goods for resale: at weighted average cost.

- Finished and semi-finished products are stated at weighted average cost of raw and other materials and includes direct and indirect labor, other manufacturing overheads.

Volume discounts from suppliers are recognized when it is probable that the discount conditions will be met. Prompt payment discounts are recognized as a reduction in the cost of inventories acquired.

The cost of inventories is adjusted against profit or loss in cases where cost exceeds net realizable value. Net realizable value is considered as the following:

- Raw materials and other supplies: replacement cost. However, materials are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- Goods for resale and finished products: estimated sale price, less selling costs.

- Work in progress: estimated sale price for corresponding finished products, less the estimated costs for completion of their production and selling costs.

Write-downs and reversals of write-downs are recognized in the consolidated income statement for the year. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances the amount of the write-down is reversed against the captions "changes in inventories of finished products" and "work in progress and consumption of materials and other supplies". Write-downs may be reversed to the limit of the lower of cost and the new net realizable value.

(4.11) Trade and other receivables

Trade receivables are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest method, less the provision for impairment losses.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This provision is recognized in the consolidated income statement

(4.12) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly-liquid investments with original maturities of three months or less, providing these are readily convertible to known amounts of cash.

Bank overdrafts which are recognized as financial liabilities on the consolidated statement of financial position are included as a component of cash and cash equivalents for the purposes of the statement of cash flows

The Group recognizes interest and dividends received and paid under cash flow from operating activities, financing activities and investments.

(4.13) Impairment of non-financial assets subject to depreciation or amortization

The Group periodically evaluates whether there are indications of possible impairment losses on assets other than financial assets, inventories, deferred tax assets and non-current assets held for sale to determine whether their carrying amount exceeds their recoverable value (impairment loss). The criteria applied by the Group to verify impairment of the assets described in this section is shown in prior sections.

(a) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling value and value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Recoverable amounts are calculated for individual assets, unless the asset does not generate cash inflows that are largely independent from those corresponding to other assets or groups of assets. In this case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

(b) Reversals of impairment

Impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses on goodwill are not reversible.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment had been recognized.

The amount of the reversal of the impairment of a CGU is allocated to its assets, except goodwill, pro rata on the basis of the carrying amount of the assets, to the limit referred to in the previous paragraph.

(4.14) Government grants

Government grants are recognized on the face of the balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(a) Capital grants

Government grants in the form of non-monetary assets are recognized at fair value in the same way, with a debit to deferred income. They are transferred to "Other income" in the consolidated income statement in line with the depreciation of the related asset.

The accounting treatment of grants for emission rights is described in Note 4.5 (e).

(b) Operating subsidies

Operating subsidies are recognized as other income in the consolidated income statement.

Operating subsidies received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support unrelated with future expenses, are recognized as "Other income" in the consolidated income statement.

(c) Interest rate subsidies

Financial liabilities with implicit interest rate subsidies in the form of below-market rates of interest are initially recognized at fair value. The difference between this value, adjusted where applicable by the costs of issue of the financial liability and the amount received, is recorded as an official grant based on the nature of the grant.

(4.15) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the loan obtained (net of attributable costs) and redemption value being recognized in the income statement over the period of the borrowings on an effective-interest basis.

The Group derecognizes the whole or part of a financial liability when the obligations included in the contract have been satisfied, cancelled or have expired.

(4.16) Employee benefits

(a) Liabilities for retirement benefits and other commitments

The Group has assumed commitments with personnel that comply with classification conditions for defined benefit and defined contribution plans.

(i) Defined benefit plans

Defined benefit plans include those financed by insurance premium payments for which a legal and implicit obligation exists to settle commitments with employees when they fall due or pay additional amounts in the event the insurer does not pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognized in the consolidated statement of financial position reflect the present value of defined benefit plans at year end, less the fair value of the assets related to those benefits.

Defined benefit plan costs are recognized under employee benefits in the consolidated income statement and comprise current service costs plus the effect of any reduction or liquidation of the plan. Interest costs arising due to the commitment and finance income earned on plan assets are recognized in finance income (cost).

Actuarial gains and losses are recognized directly in equity as set out in IAS 19.93A.

A description of each of the Group's defined benefit pension plans is included in Note 16.

Liabilities for retirement benefits and other obligations correspond to a Group company in Germany and another in the United States.

(ii) Other benefits

The Parent has commitments with its employees for early retirement and seniority bonuses. To cover these commitments the Parent externalized these commitments through insurance policies.

(b) Termination benefits

The Group recognizes benefits for termination unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and there is no possibility of withdrawing or changing the decisions made.

Indemnities payable in over 12 months are discounted at interest rates based on market rates of quality bonds and debentures.

(c) Short-term employee benefits

Short-term benefits accrued by Group personnel are recorded in line with the employees' period of service. The amount is recorded as an employee benefit expense and as a liability net of settled amounts. If the contribution already paid exceeds the accrued expense, an asset is recorded to the extent that it will reduce future payments or a cash refund.

The Group recognizes the expected cost of short-term benefits in the form of accumulated compensated absences, when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur.

The Group recognizes the expected cost of profit-sharing and bonus payments when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(d) Equity-settled transactions

The Viscofan Group does not have any share option plans or any programs which would lead to equity-settled payments with Board members, senior executives or employees.

(4.17) Provisions

(a) General criteria

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation.

The amounts recognized as a provision in the consolidated statements of financial position are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related with the provision and, where significant, financial effect of the discount, provided that the expenditures required in each period can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The financial effect of provisions is recognized under finance costs in the consolidated income statement.

Reimbursement rights from third parties are recognized as a separate asset where it is practically certain that these will be collected. The income reimbursed, where applicable, is recognized in consolidated income statement as a reduction in the associated expense and is limited to the amount of the provision.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement where the corresponding expense was recorded, and any excess is recognized as other income.

(b) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(c) Restructuring expenses

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions for restructuring only include payments directly related to the restructuring which are not associated to continuing activities of the Group.

(d) Emission rights provision

Provision is made systematically for expenses related to the emission of greenhouse gases. This provision is cancelled once the corresponding free-of-charge and market-acquired rights granted by public entities have been transferred.

Provision is made under the assumption that these obligations will be cancelled:

- Firstly, through emission rights transferred under a National Allocation Plan to the Company's account in the National Emission Rights Register, which are then used to cancel actual emissions in proportion to total forecast emissions for the entire period to which they have been allocated. The expense corresponding to this part of the obligation is determined based on the book value of the transferred emission rights.
- Secondly, through the remaining emission rights recorded. The expense corresponding to this part of the obligation is stated at the average weighted cost of the emission rights.
- If the emission of gases necessitates the acquisition or production of emission rights because actual emissions exceed those which can be cancelled through the transfer of emission rights under a National Allocation Plan, or through surplus emission rights, whether acquired or produced, provision is made for the shortfall in rights. The expense is determined using the best estimate of the amount necessary to cover the shortfall in emission rights.

(4.18) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recorded as a reduction in revenues if considered probable at the time of revenue recognition.

(a) Goods sold

Revenues on the sale of goods are recognized when the following conditions have been satisfied:

- The Group has transferred the significant risks and rewards of ownership of the goods to the buyer.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and incurred costs or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Services rendered

When the outcome of a transaction involving the rendering of services can be estimated reliably revenues associated with the transaction are recognized in the income statement by reference to the stage of completion of the transaction at the balance sheet date.

(4.19) Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. Current tax assets or liabilities are measured for amounts payable to or recoverable from tax authorities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognized as income or an expense and included in profit or loss for the year except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity, or from a business combination.

(a) Taxable temporary differences

Taxable temporary differences are recognized in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or
- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

(b) Deductible temporary differences

Deductible temporary differences are recognized provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be used.

(c) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized.

Deferred tax assets which do not comply with the aforementioned conditions are not recognized in the consolidated statement of financial position. At year end the Group reassesses unrecognized deferred tax assets.

(d) Classification and offsetting

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets tax assets and liabilities where it has a legally enforceable right, where these relate to taxes levied by the same tax authority and on the same entity and where the tax authorities permit the entity to settle on a net basis, or to realize the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the date of realization or settlement.

(4.20) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the parent by the weighted number of ordinary shares outstanding during that year, excluding the average number of shares of the Parent, Viscofan, S.A. held by any of the Group companies.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares which would be in issue if all potential ordinary shares were converted into ordinary shares of Viscofan, S.A.

In the case of the Viscofan Group's financial statements for the years ended December 31, 2009 and 2008 there is no difference in basic earnings per share and diluted earnings per share as there were no instruments potentially convertible into ordinary shares during those years.

(4.21) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current or non-current based on the following criteria:

- Assets are classified as current when they are expected to be realized, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date.

- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

- Current liabilities such as trade creditors, personnel expenses and other operating costs are classified as current, even if maturing more than 12 months from the balance sheet date.

- Financial liabilities which must be settled within the 12 months following the balance sheet date are classified as current, even if the original maturity exceeded 12 months and a refinancing or restructuring agreement for long-term payments exists which has been finalized subsequent to the close and before the consolidated Financial Statements have been prepared.

(4.22) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Costs incurred from these activities are recognized under other operating costs in the year in which they are incurred.

Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognized in the consolidated balance sheet based on the criteria for recognition, measurement and disclosure detailed in Note 4.4.

(4.23) Non-current assets and disposal groups held for sale

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

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and

- When it is highly probable that they will be sold.

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

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

Related liabilities are classified as "Liabilities associated with non-current assets held for sale."

At 2008 and 2009 year end the Group had no assets or liabilities which must be classified in these categories.

(4.24) Discontinued operations

In the last two years the Group has not discontinued or disposed of any business area or significant geographic area.

(4.25) Related-party disclosures

Related-party transactions are recognized according to the measurement bases described within this Note 4. The only transactions with related parties are described in Note 26 ("Information on the Board of Directors of the Parent and Key Group Personnel").

(4.26) Dividends

The interim dividend approved by the Board of Directors in 2009 is included as a reduction of the Viscofan Group's equity.

(5) Segment Reporting

IFRS 8: "Operating segments" establishes that an operating segment is a component of an entity:

a) when it engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) when its operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

c) for which discrete financial information is available.

Given the characteristics of the Viscofan Group's activities, its reported segments relate to strategic business units which are defined by the products manufactured and sold.

The Viscofan Group's operating segments are as follows:

- Casings: manufacture and sale of all types of artificial casings for meat products and other uses.
- Preserves: production and marketing of food products.

The Group also produces and sells electrical energy through a cogeneration plant located at its Parent installations. The Group aims to achieve three objectives from the installation of this plant: reduce energy costs, attain self-sufficiency, and reduce CO_2 emissions into the atmosphere. These activities are not organized as business segments nor do they constitute segments on which the Group is obliged to provide disclosures.

Inter-segment pricing is determined on an arm's length basis.

The casings segment is managed internationally and operates basically in three geographic areas; Europe and Asia, North America and South America. The vegetable products segment mainly operates in Europe, chiefly in Spain.

In presenting information on the basis of geographical segments, segment revenue, expense, assets and liabilities are based on the geographical location of production and of assets.

Details of financial information by business and geographical segments for 2009 and 2008 are included in Appendix 2, which forms an integral part of these notes.

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement in 2009 and 2008 are included in Appendix 3, which forms an integral part of these notes to the consolidated financial statements.

The Group leases buildings under finance lease agreements. The breakdown is as follows:

	Thousands of euros	
	Cost	Depreciation
At 1 January 2008	1,505	(410)
Depreciation	-	(73)
At 31 December 2008	1,505	(483)
Depreciation	-	(73)
At 31 December 2009	1,505	(556)

The main item included under "Property, plant and equipment" is a warehouse corresponding to the vegetable preserves division, The lease agreement is dated March 8, 1999, has duration of 180 months and the purchase option is 360 thousand euros.

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

	Thousands of euros			
	2009		2008	
	Minimum payments (note 15)	Interest	Minimum payments (note 15)	Interest
Up to 1 year	111	33	114	42
Between 1 and 5 years	655	89	737	123
Total	766	122	851	165

Details of fully depreciated property, plant and equipment in use at 31 December 2009 and 2008 are as follows:

	Thousands of euros	
	2009	2008
Buildings	5,894	2,550
Plant and machinery	187,799	180,345
Other installations, equipment and furniture	26,981	24,498
Other property, plant and equipment	8,218	8,383
	228,892	215,776

The Group's buildings, plant and equipment were partly financed by government grants of 242 and 76 thousand euros in 2009 and 2008, respectively (see Note 14).

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

Firm commitments to purchase non-current property, plant and equipment at year end 2009 and 2008 amounted to 3,604 thousand euros and 11,524 thousand euros, respectively. 2009 commitments basically relate to the construction of a warehouse in China for the recently incorporated Group company. In 2008 the commitments were largely related to extending the cogeneration plant at the Parent's production plant in Cáseda. This cogeneration plant commenced activity in 2009.

The Group did not have any investment property at the end of 2008 and 2009.

Impairment test

The only indications of impairment of property, plant and equipment noted by the Group were at Koteks Viscofan, d.o.o, a subsidiary that in recent years has accumulated losses and has carried out an impairment test. The recoverable amount of the property, plant and equipment was determined through its value-in-use, using cash flow projections from financial budgets approved by Management.

Based on the results obtained it was determined that the assets are not impaired and that their value will be recovered in the normal course of business.

Operating leases

The Group leases various warehouses and other PP&E items in various countries. Nevertheless, the only lease agreement which entails significant future minimum payments relates to its headquarters in Tajonar (Navarre), signed in December 2008 and in effect until December 31, 2028. Thereafter, the lease will be automatically renewed if both parties are in agreement. The future minimum payments in respect of this lease agreement at December 31 are as follows:

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

(7) Other Intangible Assets

Details of other intangible assets and movement in 2009 and 2008 are included in Appendix 4, which forms an integral part of these notes to the consolidated financial statements.

In 2009 the Group received free emission rights equivalent to 206,370 tons (2008: 92,489 tons) as per the 2008-2012 National Allocation Plan approved by Royal Decree 1370/2006. The Group consumed 163,026 tons in 2009 and 92,180 tons of emission rights in 2008.

Details of the cost of fully amortized intangible assets in use at 31 December 2009 and 2008 are as follows:

	Thousands of euros	
	2009	2008
Software	5,115	6,710
Concessions, patents and licences	1,360	36
	6,475	6,746

(8) Investments in associates and Other Financial Assets under Current and Non-current Assets

The breakdown of these headings is as follows:

	(Thousands of euros)	
	2009	2008
Investments in associates	1,333	998
Total	1,333	998
Non-current assets - Other financial assets		
Held-to-maturity investments	445	565
Loans and receivables	20	20
Available-for-sale financial assets	42	-
Provisions	-	-
	507	585
Total, non-current	1,840	1,583
Loans and receivables	442	11
Financial assets at fair value from hedging transactions (Note 17)	2,558	601
Total, current	3,000	612

Investments in associates

The Group owns 50% of Lingbao Baolihao Food. This company is domiciled in Lingbao (China) and produces asparagus. It was incorporated in 2008; however, production did not commence that year. In 2009 it commenced production and a capital increase of 567 thousand euros was carried out, resulting in the Group contributing 284 thousand euros.

The movement in the carrying amount of this investment in an associate is as follows::

	Thousands of euros	
	2009	2008
Ligbhao Baolihao Food:		
Balance at January 1	998	-
Increase in investment	284	998
Profit for the year	(17)	-
Translation differences	68	-
Balance at December 31	1,333	998

The following table provides all the significant financial information regarding this investment:

	Thousands of euros	
	2009	2008
Current assets	1,048	1,272
Non-current assets	2,812	1,232
Current liabilities	(1,194)	(508)
Non-current liabilities	-	-
Net assets	2,666	1,996
Ordinary revenues	1,364	-
Operating profit (EBIT)	6	-
Profit for the year	(34)	-

Details of current and non-current financial assets held in foreign currencies are shown in Note 18.

(9) Income tax

Details of deferred tax assets and liabilities, by type, are as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Temporary differences						
Non-current assets	136	165	23,970	27,303	(23,834)	(27,138)
Current assets	2,192	6,080	525	931	1,667	5,149
Non-current liabilities	2,547	4,792	498	38	2,049	4,754
Current liabilities	551	325	259	-	292	325
	5,426	11,362	25,252	28,272	(19,826)	(16,910)
Other borrowings						
Tax credits for loss carryforwards	1,169	993	-	-	1,169	993
Unused tax credits	1,456	2,931	-	-	1,456	2,931
	2,625	3,924			2,625	3,924
	8,051	15,286	25,252	28,272	(17,201)	(12,986)

Non-current deferred tax liabilities for the years ended December 31, 2009 and 2008 mainly relate to the application of different amortization rates by certain Group subsidiaries than those used for tax purposes. Also included is the tax effect of net unrealized gains on assets acquired in several business combinations that still exist at the balance sheet date.

The deferred tax assets on current assets are basically generated by provisions in respect of inventories which are not tax deductible in certain countries. The tax effect of eliminating the margin on inventory stock acquired between Group companies is likewise included. Finally, this also includes temporary differences which arise in certain countries, basically the US, as a result of applying different measurement bases for stock bought from Group companies.

Deferred tax assets on non-current deferred tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 16 have led to adjustments in tax assessment basis in the different countries.

The breakdown of changes in deferred tax assets and liabilities from temporary differences which have been recognized against the tax expense / (income) on deferred income on the consolidated income statement and against consolidated equity is as follows:

	Thousands of euros	
	2009	2008
Consolidated income statement		
Non-current assets	(2,900)	167
Current assets	3,269	4,275
Non-current liabilities	3,697	(702)
Current liabilities	(367)	(45)
	3,699	3,695
Consolidated equity		
Non-current assets	(404)	(447)
Current assets	213	92
Non-current liabilities	(1,150)	325
Current liabilities	558	(75)
	(783)	(105)
Total changes in taxes and deferred tax liabilities due to temporary differences	2,916	3,590

The breakdown of deferred taxes charged directly against equity is as follows:

	Thousands of euros	
	2009	2008
Actuarial gains (losses) on pension plans		
United States	(433)	750
Germany	(505)	(286)
Unrealized gains (losses) on cash flow hedges	539	42
Changes due to translation differences	(384)	(611)
	(783)	(105)

The major components of income tax expense for the years ended December 31, 2009 and 2008 are as follows:

	Thousands of euros	
	2009	2008
Current income tax		
Income tax expense for the year	17,407	7,222
Current income tax of previous years	-	-
	17,407	7,222
Deferred income tax		
Change in deductions pending application	773	(1,046)
Change in unused tax credits	(176)	(993)
Origination and reversal of temporary differences	3,699	3,695
	4,296	1,656
	21,703	8,878

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

	Thousands of euros	
	2009	2008
Profit before tax for the year	85,962	60,281
30% tax rate	25,788	18,084
Effect of application of tax rates in each country	1,038	(220)
Deductions generated in 2009	(4,008)	(4,001)
Tax incentives recognized in the Czech Republic	(1,414)	(1,958)
Tax credits arising from losses at Koteks Viscofan, d,o,o,	-	(993)
Other	299	(2,034)
	21,703	8,878

At December 31, 2009 the breakdown of unused tax loss carryforwards from the Serbian subsidiary, Koteks Viscofan, d.o.o., is as follows:

		Thousands of euros
Arising in	Last year for utilization	2009
2006 and earlier	2013	5,160
2007	2017	2,110
2008	2018	2,661
2009	2019	1,758
		11,689

The Group has estimated the taxable profit it expects to obtain in the coming years at Koteks Viscofan, d.o.o. and has analyzed the reversal of taxable temporary differences, identifying those that reverse in years in which they can be used. Based on this analysis, the Group recognized deferred tax assets amounting to 1,169 thousand euros in respect of tax loss carryforwards still to be offset, as it considers probable that sufficient future taxable profit will be generated to offset this amount, applying the prevailing tax rate of 10% in Serbia (2008: 993 thousand euros).

In addition the Group has recognized 1,456 thousand euros in deductions still pending application: (31 December 2008: 2.931 thousand euros). 715 thousand euros of the deductions correspond to the Parent, Viscofan, S.A. and 741 thousand euros to the subsidiary, Industrias Alimentarias de Navarra, S.A.U. All the deductions were generated in 2009 and can be used over the next ten years.

The Group has tax incentives of 8.3 million euros in the Czech Republic. (December 31, 2008: 9.7 million euros) The amounts have not been assessed by the tax authorities nor have they been recognized as there are doubts regarding the recoverable amount, due to uncertainty as to whether the last year for their application is 2012 or 2013, and moreover to certain interpretations regarding fulfillment of all the official requirements, which might affect their recoverability.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2009 the Parent and subsidiaries in Spain have open to inspection by the tax authorities all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

Due to the different possible interpretations of prevailing legislation, additional liabilities could be identified in the event of inspection. Nonetheless, Parent management considers that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

(10) Inventories

Details of inventories at 31 December 2009 and 2008 are as follows:

	Thousands of euros	
	2009	2008
Goods for resale	32,612	49,888
Raw materials and other supplies	40,593	43,078
Semi-finished products	25,497	26,150
Finished products	51,343	37,424
	150,045	156,540

At 31 December 2009 and 2008 there are no inventories with a reimbursement period greater than 12 months from the consolidated statement of financial position.

Group companies have contracted various insurance policies to cover the risk of damage to inventories. The coverage of these policies is considered sufficient.

(11) Trade and other receivables

Details at 31 December 2009 and 2008 are as follows:

	Thousands of euros	
	2009	2008
Trade receivables	107,154	101,612
Other receivables	7,377	6,346
Advances to employees	148	119
Public entities	10,690	11,607
Others	143	152
Provisions for bad debts	(1,716)	(1,493)
	123,796	118,343

At December 31, 2009, the age of accounts receivable on sales by maturity is as follows:

	Thousands of euros					
	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
2009	107,154	89,739	13,797	1,781	486	1,351
2008	101,612	84,282	10,913	3,040	488	2,889

All the provisions for bad debts relate to debt shown in the last two columns of the above table.

(12) Cash and cash equivalents

Cash and cash equivalents at 31 December 2009 and 2008 comprise cash balances with Group companies and banks. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

(13) Equity

(13.1) Share capital

Movements in shares in circulation during 2009 and 2008 were as follows:

	Shares		Thousands of euros	
	2009	2008	2009	2008
At 1 January	46,734,879	47,296,842	14,020	14,189
Capital decrease	(131,197)	(561,963)	(39)	(169)
At 31 December	46,603,682	46,734,879	13,981	14,020

The capital decrease in both years was carried out through the cancellation of treasury shares.

At 31 December 2009 the share capital of the Parent is represented by 46,603,682 bearer shares of euros 0.30 par value each, subscribed and fully paid. All shares have the same voting and profit sharing rights, except own shares.

All of the Parent's shares are listed on the official Stock Exchanges of Madrid, Barcelona and Bilbao under the automatic quotation system (continuous market). All shares are freely distributable.

At December 31, 2009, the Parent is aware of the following shareholders with shareholdings greater than 3%:

Entity	%
Marathon Asset Management, LLP	5.019
Onchena, S.L.	5.077

Capital management

The primary objective of the Viscofan Group’s capital management is to safeguard its capital ratios to ensure the continuity of its business and maximize shareholder returns.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, increase capital or cancel treasury shares.

The Group monitors capital by analyzing trends in its gearing ratio, in line with common practice in Spain. This ratio is calculated as net financial debt divided by total equity. Net financial debt includes total borrowings in the consolidated Financial Statements less cash and cash equivalents, and excluding current financial assets.

The Viscofan Group's primary objective is to maintain a healthy capital position. The gearing ratios at December 31, 2008 and 2009 were as follows:

	Thousands of euros	
	2009	2008
Net financial debt		
Borrowings and finance leases (Note 15)	124,732	145,631
Cash and cash equivalents	(25,763)	(14,014)
Other financial assets (Note 8)	(3,000)	(612)
Total financial debt	95,969	131,005
Equity		
Total equity	345,207	303,275
Gearing ratio	0.28	0.43

(13.2) Share premium

The revised text of the Spanish Corporation Law expressly permits companies to use the balance of the share premium account to increase capital and does not place any limit on the amount of the balance which may be used for this purpose.

In 2009 and 2008, a portion of the share premium was returned to shareholders, for a total amount of 13,515 and 11,679 thousand euros, respectively.

(13.3) Reserves

The breakdown and movements of reserves are as follows:

	Thousands of euros				
	Legal reserve	Revaluation reserves	Merger reserve	Retained earnings and other reserves	Total
Balance at January 1, 2008	**2,935**	**8,988**	**119**	**188,801**	**200,843**
Capital decreases	-	-	-	(7,931)	(7,931)
Actuarial gains (losses)	-	-	-	(835)	(835)
Other movements	-	-	-	(306)	(306)
Appropriation of 2007 results	-	-	-	37,270	37,270
Balance at December 31, 2008	**2,935**	**8,988**	**119**	**216,999**	**229,041**
Capital decreases	-	-	-	(1,660)	(1,660)
Actuarial gains (losses)	-	-	-	(1,913)	(1,913)
Transfers	-	(83)	-	83	-
Appropriation of 2008 results	-	-	-	41,851	41,851
Balance at December 31, 2009	**2,935**	**8,905**	**119**	**255,360**	**267,319**

(a) Legal reserve

Companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital, in accordance with Article 214 of the Spanish Companies' Act. This reserve may only be used to offset losses if no other reserves are available. At 31 December 2009 and 2008 the Parent had appropriated to this reserve the minimum amount required by law.

(b) Revaluation reserve Navarre Regional Law 23/1996

As permitted by legislation prevailing at that time, in 1996 the Parent revalued its property, plant and equipment by 9,282,000 euros. The resulting revaluation reserve, which comprises the revaluation of items of property, plant and equipment, net of a 3% tax charge, amounts to 9,003,000 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 31 December 2006 to the extent that gains have been realized, that is, when the related assets have been depreciated, disposed of or otherwise written off.

(c) Non distributable reserves

At December 31, 2009 and 2008, the non-distributable reserves were as follows:

	Thousands of euros	
	2009	2008
Legal reserve	2,935	2,935
Legal revaluation reserves	8,905	8,988
Differences arising from converting share capital to thousands of euros	25	25
Other reserves in consolidated companies	70,948	51,728
	82,813	63,676

(13.4) Unrealized asset and liability revaluation reserve

Movements in the years ended December 31, 2009 and 2008 were as follows:

	Thousands of euros			
	Interest rate swaps	Exchange rate insurance	Raw material derivatives	Total
Balance at January 01, 2008	-	-	-	-
Changes in market value	-	(38)	-	-
Balance at December 31, 2008	-	(38)	-	(38)
Changes in market value	(55)	(43)	886	788
Taken to profit and loss	-	38	-	38
Balance at December 31, 2009	(55)	(43)	886	788

(13.5) Movement in treasury shares

Movement in treasury shares in 2009 and 2008 was as follows:

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

The shareholders at their Ordinary General Meeting on June 3, 2009 agreed to renew, up to a maximum of 18 months, the authorization granted to the Board of Directors to buy and sell Company shares on the stock market at the quoted price on the day of the transaction, up to the legal maximum number of shares permitted by Spanish Corporation Law and related provisions, at a minimum price of the nominal share value and a maximum price of 100 times the nominal share value.

(13.6) Distribution of Dividends

Parent profits for the year ended 31 December 2008 were distributed, as approved by the shareholders at their annual general meeting held on 3 June 2009, as follows:

	Thousands of euros
Dividends	9,553
Voluntary reserves	22,642
Distributable profits attributable to the parent	32,195

The proposed distribution of dividends is equivalent to euros 0,205 per share for all the shares comprising share capital,

Details of the distribution of the Parent's 2009 dividends proposed by the directors of the Parent, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Dividends	12,117
Other reserves	27,179
Distributable profits	39,296

On December 15, 2009, based on projected profit for 2009, the Board of Directors approved an interim dividend for 2009 of 12,117 thousand euros, equal to 0.26 euros per share. This dividend was paid on December 22, 2009. The amount of the dividend is less than the maximum limit permitted by prevailing legislation on distributable profit after the previous year end.

The statement required by current legislation and prepared by the Parent's Board of Directors in respect of the distribution of the interim dividend for 2009, which takes into account treasury shares, is as follows:

	(Thousands of euros)	
I. Balance at December 15, 2009		383
II. Cash flows from/(used in) operating activities		
- Trade and other receivables	126,751	
- Other income	314	
- Payments to suppliers and other payables	(82,895)	
- Payments to employees	(27,718)	
- Interest expense	(1,068)	
- Other payments	(1,000)	
		14,384
III. Cash flows from/(used in) investing activities		
- Dividends received	27,400	
- Purchases of property, plant and equipment	(3,745)	
		23,655
IV. Cash flows from/(used in) financing activities		
- Proceeds from non-current borrowings	(9,094)	
- Dividends paid	(28,894)	
		(37,988)
V. Balance at December 15, 2010		434

(14) Deferred Income

Movement in deferred income during 2009 and 2008 was as follows:

	Thousands of euros						
	01.01.08	Additions	Taken to income	31.12.08	Additions	Taken to income	31.12.09
Capital grants	3,440	76	(405)	3,111	242	(457)	2,896
Grants for emission rights of greenhouse gases	103	2,127	(2,230)	-	2,539	(2,437)	102
	3,543	2,203	(2,635)	3,111	2,781	(2,894)	2,998

Details of capital grants in 2009 and 2008 are as follows:

	Thousands of euros	
Granting entity	2009	2008
Navarre regional government	1,151	1,028
FEOGA	1,210	1,330
Ministry of Science and Technology	466	663
Spanish Autonomous Communities	69	90
	2,896	3,111

(15) Current and Non-Current Financial Liabilities Trade and other payables

a) Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities is as follows:

	Thousands of euros	
	2009	2008
Non-current		
Borrowings	45,586	52,414
Finance lease liabilities (Note 6)	655	737
Other financial liabilities	5,007	5,051
Total non-current	51,248	58,202
Current		
Borrowings	69,931	83,173
Finance lease liabilities (Note 6)	111	114
Financial assets at fair value from hedging transactions (Note 17)	533	1,260
Other financial liabilities	2,909	2,882
Total current	73,484	87,429

Details of the carrying amount of financial liabilities in foreign currency, their classification by maturity and effective interest rates are shown in Note 18. Loans and other borrowing facilities accrue interest at variable market rates.

At 31 December 2009 the Group has a limit on its borrowing facilities and discount lines of euros 122,788 thousand (euros 107,096 thousand in 2008) of which euros 47,287 thousand has been drawn down at 31 December 2009 (euros 61,156 thousand in 2008).

Current and non-current "Other financial liabilities" as well as the fair value of derivatives include mainly the loans with interest rates subsidized by entities such as the Regional Government of Navarre, loans, the Center for the Development of Industrial Technology (CDTI) and the Ministry of Science and Innovation. The Group recognizes the implicit interest on these loans using market interest rates.

The loans received do not contain covenants which, if not met, could lead to the early repayment of the debt.

b) Current and non-current financial liabilities

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

	Thousands of euros	
	2009	2008
Trade payables	48,161	53,558
Other current liabilities		
Remuneration pending payment	7,039	5,639
Payable to Public Administrations	9,389	9,120
Other payables	7,603	6,951
	24,031	21,710

"Other payables" mainly includes suppliers of non-current assets.

(16) Current and Non-Current Provisions

Details at 31 December 2009 and 2008 are as follows:

	Thousands of euros	
	31.12.09	31.12.08
Non- Current		
Provisions for employee benefits		
Defined benefit	35,559	33,526
Taxes	-	20
Provisions for other litigation	1,294	1,520
Others	360	327
Total non-current	37,213	35,393
Current		
Restructuring provision	2,835	563
Guarantees / Refunds	710	740
Safety in the workplace provision	1,873	1,379
Emission rights	2,432	1,819
Others	5	68
Total current	7,855	4,569

(16.1) Provisions for defined benefit plans

The Group made contributions to nine defined benefit plans, six in the US and three in Germany through its subsidiaries, Viscofan USA Inc and Naturin Gmbh & Co KG,

The net commitment related to pension plans in the US is as follows:

	Thousands of euros	
	2009	2008
Pension for Hourly Employees [1]	4,888	4,595
Salaried Employees Pension Plan [2]	1,129	1,410
Pension for Hourly Employees Service Center [3]	220	269
Non qualified pension plans [4]	1,480	1,557
	7,717	7,831

(1) Life pension for employees and ex-employees of the Danville plant (of the absorbed company, Teepak USA), has 599 beneficiaries (608 in prior year), currently in force.

(2) Life pension with 248 participants (249 in 2008) likewise from the absorbed company, Teepak USA. This plan was frozen in September 2005. There are no unrecognized costs for past services and the only costs recognized in the income statement relate to finance costs arising from the commitment and from expected income from the plan assets.

(3) Although not officially frozen this plan has not been in force since 2006 given that it applied to Teepak USA's NQC Service Center which was closed that year. In 2009 and 2008 there were a total of 165 beneficiaries including retired employees and ex-employees. As with the above plan there are no unrecognized costs for past services.

(4) Three different pension plans are included, with a total of eight beneficiaries who receive a monthly income for life and who are all ex-senior management of the subsidiary. These plans have no assets nor unrecognized costs for past services, hence the only cost recognized in the income statement is the finance cost of the commitment.

Of the three plans in Germany, one consists of life-pension provision to employees upon retirement, another current employees' right to seniority bonuses and the third is the legal obligation established under the German Chemical Industry labor agreement, whereby a company must offer semi-retirement to 5% of its employees on reaching 60 and assume part of the cost of their pension.

The commitment related to each of the above plans is as follows:

	Thousands of euros	
	2009	2008
Life pension	19,625	18,247
Seniority bonuses	2,411	2,429
Semi-retirement	5,435	4,651
	27,471	25,327

The number of beneficiaries of each plan is as follows:

	2009		2008	
	Employees	Retired and ex-employees	Employees	Retired and ex-employees
Life pension	622	1,153	645	1,150
Seniority bonuses	622	-	645	-
Semi-retirement	72	-	54	-

The following table summarizes the components of the net benefit expense recognized in the 2009 and 2008 income statements for the pension plans, except those classified as "Non-qualified":

	Thousands of euros		
Net benefit expense 2009	United States	Germany	Total
Current service cost	236	1,077	1,313
Interest cost	2,071	1,406	3,477
Expected return on plan assets	(1,950)	-	(1,950)
Recognized expense (net income)	357	2,483	2,840

Net benefit expense 2008	United States	Germany	Total
Current service cost	240	529	769
Interest cost	1,873	1,355	3,228
Expected return on plan assets	(2,106)	-	(2,106)
Recognized expense (net income)	7	1,884	1,891

The "non-qualified" plans bore interest costs of 113 thousand euros in 2008 and 131 thousand euros in 2009. There are no costs for current services as all the plans are linked to former employees of the US subsidiary.

The following table presents the funded status and amounts recognized in the balance sheet for the respective plans:

	Thousands of euros		
Benefit asset/(liability) 2009	United States	Germany	Total
Present value of the obligation	(33,698)	(27,471)	(61,169)
Present value of plan assets	27,460	-	27,460
	(6,238)	(27,471)	(33,709)
"Non-qualified" plans	(1,479)	-	(1,479)
Others	-	-	(371)
Liability recognized in the consolidated statement of financial position	(7,717)	(27,471)	(33,559)

Benefit asset/(liability) 2008	United States	Germany	Total
Present value of the obligation	(32,637)	(25,327)	(57,964)
Present value of plan assets	26,363	-	26,363
	(6,274)	(25,327)	(31,601)
"Non-qualified" plans	(1,557)	-	(1,557)
Others			(368)
Liability recognized in the consolidated statement of financial position	(7,831)	(25,327)	(33,526)

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

	Thousands of euros		
	United States	Germany	Total
Obligation at January 1, 2008	30,527	26,657	57,184
Current service cost	240	529	769
Interest cost	1,873	1,355	3,228
Benefits paid	(2,173)	(2,197)	(4,370)
Actuarial (gains)/losses	388	(1,017)	(629)
Translation differences	1,782	-	1,782
Obligation at December 31, 2008	32,637	25,327	57,964
Current service cost	236	1,078	1,314
Interest cost	2,071	1,406	3,477
Benefits paid	(2,381)	(1,879)	(4,260)
Actuarial (gains)/losses	2,316	1,539	3,855
Translation differences	(1,181)	-	(1,181)
Obligation at December 31, 2009	33,698	27,471	61,169

The changes in the fair value of plan assets in the US are as follows:

	Thousands of euros
Fair value of plan assets at January 1, 2008	28,270
Return on plan assets	(2,267)
Contribution by the Company	1,091
Benefits paid	(2,172)
Translation differences	1,441
Fair value of plan assets at December 31, 2008	26,363
Actual return on plan assets	2,829
Contribution by the Company	1,611
Benefits paid	(2,381)
Translation differences	(962)
Fair value of plan assets at December 31, 2009	27,460

The Group expects to contribute 1,645 thousand euros to eligible assets of pension plans in the US in 2010.

The percentage weight of plan assets by category in 2009 and 2008 is similar, as follows:

Monetary assets	0-5%
Equities	28-38%
Fixed-income investments	62-72%

The principal actuarial assumptions used are as follows:

United States	2009	2008
Annual discount rate	5.75%	6.5%
Expected rate of return on assets	7.5%	7.5%
Expected rate of salary increases	2.5%	2.5%
Germany		
Annual discount rate	5.25%	5.75%
Expected rate of salary increases	2%	2%
Expected age of retirement for employees	60-65	60-65

The mortality tables used to quantify the defined benefit obligation was as follows:

Germany:	*Richttafeln 2005 G*
United States:	*RP 2000 Annultant*

The Group has three pension plans in the US classified as "Non-qualified," whose main feature is the different consideration for tax purposes. Beneficiaries of these plans are retired former managers who receive life-long income. Beneficiaries of these plans were paid 220 thousand euros in 2009 (2008: 153 thousand euros). The actuarial assumptions used in these plans are the same as those for the other plans in the US. None of these plans has assets.

(16.2) Provisions for other litigation

Movement at 31 December 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Balance at 1 January	1,520	2,740
Translation differences	457	(352)
Allowances	20	71
Applications	(703)	(939)
Balance at 31 December	1,294	1,520

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. These claims are expected to be resolved after 2010. According to the directors' opinion and corresponding legal assessment, the result of this litigation is not expected to differ significantly from the amounts provided for at 31 December 2009.

(16.3) Restructuring provision

The movement in this heading at December 31, 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Balance at 1 January	563	1,019
Charge	2,742	185
Utilized (payments made)	(470)	(641)
Balance at 31 December	2,835	563

In line with Group policy to reduce costs, in 2008 and 2009 decisions were focused on restructuring certain activities to improve efficiency in certain production processes. These decisions led to the elimination of employee positions in certain of the subsidiaries. Consequently, most of the provision set aside in 2009 relates to termination benefits for 20 employees of the Group's subsidiary in Germany who were made redundant due to the transfer of production of non-edible collagen to Serbia during 2010 and 2011.

(16.4) Provision for guarantees / refunds

The provision for guarantees mainly corresponds to products sold by the German subsidiary in the years ended 31 December 2009 and 2008. This provision has been estimated based on historical information of the Group.

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(16.5) Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees in respect of occupational accidents. Rulings are expected to be issued in 2010. The directors and legal advisors of the Company do not expect the outcome of this litigation to differ significantly from the amounts provided for at 31 December 2009.

(16.6) Emission rights provision

Gas emission expenses were 2,432 thousand euros.

The criterion for estimating these expenses consists of a market price valuation of the Company's emission rights in 2009.

(16.7) Contingent assets and liabilities

At year end there were tax and labor-related legal proceedings underway against the Brazilian subsidiary amounting to three million euros. As stated in Note 16.2, at December 31, 2009 a provision of 1.5 million euros was set aside (December 31, 2008: 1.5 million euros). None of the unresolved litigation is for significant amounts. All the litigation cases which have not been recognized as liabilities are cases which the Group's legal advisor in Brazil classifies as an improbable risk or are for amounts which, if settled, cannot be quantified at the present date.

The most significant contingent assets at December 31, 2009 are as follows:

- 4,016 thousand euros are included under "Financial liabilities" as a provision for interest on a third party's claims (2008: 3,667 thousand euros). The litigation underway in respect of these claims might give rise to no obligation to pay all or part of the claims and, therefore, this would have a positive impact in future years.

- As stated in Note 9, in the Czech Republic there are tax credits which have not been recognized due to uncertainties regarding their recoverability.

- Legal proceedings have been started in the US for claims against a supplier of auxiliary raw materials. If the Group wins the claim it could obtain up to a maximum 1,600 thousand euros from the resolution of this litigation, expected in 2010.

(17) Derivatives

All the Group's derivatives at December 31, 2009 and 2008 were designated as cash flow hedges.

The breakdown of the balances at December 31, 2009 and 2008 which include the values of derivatives at those dates is as follows:

	2009		2008	
	Current financial assets	Current financial liabilities	Current financial assets	Current financial liabilities
Interest rate hedges	-	79	-	-
Exchange rate insurance	1,293	454	601	1,260
Raw material hedges	1,265	-	-	-
	2,558	533	601	1,260

Part of the fair value of the exchange rate insurances at year end was recognized as finance income or expense on the consolidated income statements for 2009 and 2008. The amount recognized directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable which are recognized in the consolidated statements of financial position at the exchange rate at year end.

(17.1) Interest rate hedges

In 2009 the Group arranged three interest rate hedges (At December 31, 2008: none), the details of which are given below:

	2009		
	I.R.S (I)	I.R.S (II)	I.R.S.(III)
Notional contract amount[(1)]	5,000	5,000	5,000
Notional contract amount[(1)]	4,375	5,000	4,350
Effective start date	20.08.09	18.09.09	01.06.09
Expiry date	20.05.13	18.12.13	01.06.13
Fixed interest rate	2.07%	2.29%	2.45%

[(1)] *Thousands of euros*

The expiry dates of the notional amounts of these financial instruments is as follows:

Year	2010	2011	2012	2013
2009	3,800	3,800	3,800	2,325

(17.2) Exchange rate insurance

The Viscofan Group uses derivatives to hedge exchange rates in order to mitigate the possible adverse effects that exchange rate fluctuations might have on transactions in currencies other than the functional currency of certain Group companies.

The nominal value of the main exchange rate insurances in effect at December 31, 2009 and 2008 is as follows:

	Thousands	
Currency	2009	2008
US dollar	82,413	48,855
Canadian dollar	1,160	1,170
Japanese yen	23,343	15,789
Polish zloty	-	1,480
Sterling pounds	500	360
Euros	-	4,800

(17.3) Raw material hedges

A major portion of the Group's production costs are energy costs. Accordingly, in order to mitigate the adverse effect of variations in energy prices in 2009 the Group signed hedge agreements in certain of the casing factories.

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

(18) Risk Management

(18.1) Financial risks

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

Risk is managed by the Group in accordance with policies approved by the board of directors.

(a) Market risks

- Exchange rate risks

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

Group entities use forward currency contracts negotiated with the Treasury Department of several Group companies to control exchange rate risks which arise from future commercial transactions, recognized assets and liabilities. Exchange rate risks arise where future commercial transactions, recognized assets and liabilities are denominated in a currency which is not the functional currency of the Company.

The risk management policy of the Group is to cover the net balance between collections and payments in currencies other than the functional currency through short-term currency contracts (of approximately 3 months).

The main exposure arises from the difference between sales and purchases in foreign currency at several Group companies. In this respect, the main risk arises from the difference between sales and expenses in US dollars. Approximately 45% and 25% of the Group's total sales and expenses, respectively, are in this currency..

The following table shows the sensitivity of consolidated profit to a possible change in the exchange rate of certain currencies of countries where the Group conducts business:

	Thousands of euros							
	US Dollar		Czech Crown		Brazilian Real		Other	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
+5%	6,035	6,811	(610)	(720)	1,188	439	(265)	(474)
- 5%	(5,461)	(6,163)	552	651	(1,075)	(397)	240	429

The following table shows the impact on consolidated equity of changes in the exchange rates of certain currencies of countries where the Group conducts business:

	Thousands of euros							
	US Dollar		Czech Crown		Brazilian Real		Other	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
+5%	3,921	3,038	1,687	1,515	3,614	2,745	2,813	3,023
- 5%	(3,548)	(2,749)	(1,527)	(1,371)	(3,270)	(2,483)	(2,545)	(2,735)

Details of the Group's exposure to exchange rate risks at 31 December 2009 and 2008 are shown below. The tables reflect the carrying amount of financial instruments or classes of financial instruments of the Group which are denominated in foreign currency.

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	Thousands of euros						
	US Dollar	Czech Crone	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
At 31 December 2009							
Assets							
Non-current financial assets	73	-	20	6	307	6	412
Other financial assets	-	-	-	-	-	-	-
Total non-current assets	73	-	20	6	307	6	412
Trade and other receivables	39,893	4,615	755	5,297	13,947	3,118	67,625
Other financial assets	-	-	-	17	-	-	17
Cash and cash equivalents	5,365	481	131	1,389	5,150	4,290	16,806
Total current assets	45,258	5,096	886	6,703	19,097	7,408	84,448
Total assets	45,331	5,096	906	6,709	19,404	7,414	84,860
Liabilities							
Borrowings	18,784	-	-	-	-	-	18,784
Other financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total non-current liabilities	18,784	-	-	-	-	-	18,784
Borrowings	12,815	8,730	-	-	-	2,313	23,858
Trade and other payables	7,523	3,027	723	4,456	4,791	1,792	22,312
Other financial liabilities	-	314	-	-	-	-	314
Total current liabilities	20,338	12,071	723	4,456	4,791	4,105	46,484
Total liabilities	39,122	12,071	723	4,456	4,791	4,105	65,268

	Thousands of euros						
	US Dollar	Czech Crone	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
At 31 December 2008							
Assets							
Non-current financial assets	76	-	20	157	222	5	480
Other financial assets	-	-	-	-	-	-	-
Total non-current assets	76	-	20	157	222	5	480
Trade and other receivables	33,489	2,606	1,306	14,208	10,697	4,709	67,015
Other financial assets	482	114	-	21	-	37	654
Cash and cash equivalents	48	2,865	13	3,315	2,728	775	9,744
Total current assets	34,019	5,585	1,319	17,544	13,425	5,521	77,413
Total assets	34,095	5,585	1,339	17,701	13,647	5,526	77,893
Liabilities							
Borrowings	23,404	-	-	-	-	-	23,404
Other financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total non-current liabilities	23,404	-	-	-	-	-	23,404
Borrowings	19,067	12,804	-	-	-	4,177	36,048
Trade and other payables	9,521	3,420	944	5,649	4,034	1,983	25,551
Total current liabilities	28,588	16,224	944	5,649	4,034	6,160	61,599
Total liabilities	51,992	16,224	944	5,649	4,034	6,160	85,003

(b) Price risks

The Group is exposed to price risks relating to its main financial instruments.

(c) Credit risk

The Group does not have a significant concentration of credit risk. It is Group policy to ensure that products are sold to customers with an appropriate credit history. Sales to problematic customers are made in cash. Derivative operations are only entered into with banks with high credit ratings.

(d) Liquidity risk

The Group has a prudent policy to cover its liquidity risks which is focused on having sufficient cash and marketable securities as well as the ability to draw down sufficient financing through its existing borrowing facilities to settle the market positions of its short-term investments. Given the dynamic nature of its underlying business, the Group aims to be flexible with regard to financing through drawdowns on its contracted credit lines.

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

The following ratios show the level of liquidity at December 31, 2009 and 2008:

	Thousands of Euros	
	2009	2008
Current assets	302,651	289,681
Current liabilities	(154,071)	(168,213)
Provision for gas emission rights	2,432	1,819
Working capital	**151,012**	**123,287**
Current liabilities for emission rights, net of provision	151,639	166,394
% working capital/current liabilities without emission rights provision	**99.59%**	**74.10%**
Cash and cash equivalents	25,763	14,014
Available borrowing facilities	66,621	38,982
Available discount lines	8,879	14,275
Cash and available on credit and discount lines	**101,263**	**67,271**
% cash and cash equivalents+ available on credit and discount lines /Current liabilities without emission rights provision	**66.78%**	**40.43%**

The undiscounted contractual maturity dates of financial liabilities at December 31 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	6,845	14,824	45,090	-	66,759
Borrowings (*)	5,493	39,509	496	-	45,498
Advances on invoices and discount lines (**)	1,789	-	-	-	1,789
Accrued interest payable	1,471	-	-	-	1,471
Finance leases	29	82	655	-	766
Other financial liabilities	1,616	1,826	4,452	555	8,449
Other current liabilities	24,031	540	-	-	24,571
Trade and other payables	48,161	-	-	-	48,161
	89,435	**56,781**	**50,693**	**555**	**197,464**
2008					
Bank borrowings					
Loans	7,071	16,709	45,728	-	69,508
Borrowings (*)	16,997	37,474	6,686	-	61,157
Advances on invoices and discount lines (**)	3,418	-	-	-	3,418
Accrued interest payable	1,505	-	-	-	1,505
Finance leases	14	99	356	381	850
Other financial liabilities	1,338	2,804	4,280	771	9,193
Other current liabilities	21,710	947	-	-	22,657
Trade and other payables	53,558	-	-	-	53,558
	105,611	**58,033**	**57,050**	**1,152**	**221,846**

(1) 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..

(2) Advances on invoices and discount lines" includes all discounted bills which had matured at December 31; however, no policies maturing after that date are included.

(e) Interest rate risks in cash flows and fair value

The Group has no significant assets which earn income other than the financial assets linked to pension plans in the US and their impact on the income statement is determined by the expected future gains thereon (see Note 16.1).

The Company's exposure to interest rate risk is mainly related to loans and borrowing facilities received from financial entities at floating interest rates. As explained in Note 17, in 2009 the Group arranged hedges to partially mitigate the risk of a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

At December 31, 2009 and 2008 the structure of financial liabilities (excluding hedging derivatives) once hedges through the derivatives arranged have been taken into account is as follows:

	Thousands of euros	
	2009	2008
Bank borrowings	116,283	136,438
Other financial liabilities (excluding hedging derivatives)	7,916	7,933
Total financial liabilities	124,199	144,371
Fixed interest rate	13,725	-
Variable interest rate	110,474	144,371

Financing at floating interest rates is for the most part linked to Euribor and Libor dollar. The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in US and Germany (Note 16.1).

The following table shows the sensitivity of profit (loss) for the year to a possible 1% variation in discount and/or interest rates:

	Thousands of euros							
	Pension plan commitments				Financial debt			
	USA		Germany		Euribor		Libor dólar -USA	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
+1%	(332)	(316)	(264)	(260)	(843)	(838)	(340)	(441)
- 1%	332	316	264	260	811	799	334	416

(18.2) Measurement and maturities of financial instruments

Below is a breakdown of the undiscounted values of financial instruments or types of financial instruments by maturity:

	Thousands of euros						
	Less than 1 year	1 –2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
At 31 December 2009							
Assets							
Trade and other receivables	123,796	-	-	-	-	-	123,796
Other financial assets	3,000	507	-	-	-	-	3,507
Total assets	126,796	507	-	-	-	-	127,303
Liabilities							
Borrowings							
Debt principal	68,571	17,792	17,408	8,371	2,670	-	114,812
Interest	4,341	1,156	711	276	67	-	6,551
Trade and other payables	48,161	-	-	-	-	-	48,161
Other current liabilities	24,571	-	-	-	-	-	24,571
Other financial liabilities							
Debt principal	3,442	1,234	1,168	1,326	724	555	8,449
Interest	211	125	94	65	32	14	541
Total Liabilities	149,297	20,307	19,381	10,038	3,493	569	203,085
At 31 December 2008							
Assets							
Trade and other receivables	118,343	-	-	-	-	-	118,343
Other financial assets	612	585	-	-	-	-	1,197
Total assets	118,955	585	-	-	-	-	119,540
Liabilities							
Borrowings							
Debt principal	83,287	19,353	16,562	13,067	3,787	382	136,438
Interest	3,430	1,595	1,014	517	125	11	6,692
Trade and other payables	53,558	-	-	-	-	-	53,558
Other current liabilities	22,657	-	-	-	-	-	22,657
Other financial liabilities							
Debt principal	4,142	1,367	1,027	947	939	771	9,193
Interest	276	152	111	80	51	23	693
Total Liabilities	167,350	22,467	18,714	14,611	4,902	1,187	229,231

The comparison between the carrying amounts and fair values of the Viscofan Group's financial instruments at December 31, 2009 and 2008 is as follows:

	2009		2008	
(Thousands of euros)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Derivatives	2,558	2,558	601	601
Other financial assets	949	949	596	596
Trade and other receivables	123,796	123,796	118,343	118,343
Cash and cash equivalents	25,763	25,763	14,014	14,014
	153,066	**153,066**	**133,554**	**153,554**
Financial liabilities				
Bank borrowings	116,283	116,283	136,438	136,438
Derivatives	533	533	1,260	1,260
Other financial liabilities	7,916	7,916	7,933	7,933
Other current liabilities	24,571	24,571	22,657	22,657
Trade and other payables	48,161	48,161	53,558	53,558
	197,464	**197,464**	**221,846**	**221,846**

As shown in the above table, the Viscofan Group recognizes all financial assets and liabilities at fair value, which it classifies using a three-level hierarchy:

- Level 1: Assets and liabilities listed on liquid markets. The Group does not have nor has had assets or liabilities listed in liquid markets either in 2009 or 2008.

- Level 2: Assets and liabilities whose fair values are determined via valuation techniques which use market assumptions. All the asset and liability derivatives at December 31, 2009 and 2008 are included in this level.

- Level 3: Assets and liabilities whose fair value is determined using valuation techniques which do not use observable market assumptions. In 2009 and 2008 the Group does not have nor has had assets or liabilities which it had to classify in this level.

(19) Environmental Information

The breakdownof costs and accumulated depreciation of property, plant and equipment in respect of the Group's environmental activities at 31 December 2009 and 2008 are as follows:

	Thousands of euros			
	2009		2008	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Vapour boiler				
Water-cooler circuit	4,840	(1,119)	1,091	(541)
Waste management plant	3,436	(1,982)	697	(329)
Gas washers	3,983	(2,412)	1,886	(1,218)
Purifier	3,419	(2,767)	3,057	(2,450)
Others	4,252	(1,994)	4,179	(1,699)
Vapour boiler	2,216	(1,102)	4,775	(2,546)
	22,146	(11,376)	15,685	(8,783)

During 2009 and 2008 the Parent incurred expenses for protection and improvement of the environment amounting of 908 y 876 thousand of euros, respectively.

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

(20) Ordinary Income

Details of ordinary income by segment are included in Note 5. (Appendix 2)

(21) Other Income

Details of other income are as follows:

	Thousands of euros	
	2009	2008
Government grants	1,011	1,968
Surplus provision for fixed assets - not applied (see Note 6)	42	182
Gains on sale of fixed assets	279	396
Other income	6,745	4,548
	8,077	7,094

(22) Other Operating Expenses

Details of other expenses are as follows:

	Thousands of euros	
	2009	2008
Research and development costs	1,048	849
Repairs and maintenance	23,629	19,510
Administrative and selling costs	55,327	57,834
Supplies	75,189	70,910
Losses on sale of fixed assets	942	461
Other expenses	8,632	6,872
	164,767	156,436

The Group has no significant operating leases.

(23) Personnel Expenses

Details of personnel expenses during 2009 and 2008 are as follows:

	Thousands of euros	
	2009	2008
Wages and salaries	101,306	100,194
Indemnity payments	1,259	661
Current service cost of defined benefits (Note 16.1)	1,314	769
Provisions for other benefits (Note 16.2)	2,742	185
Company social security contributions	24,561	23,672
Other welfare benefits and taxes	2,865	2,810
	134,047	128,291

Group employees in 2009 and 2008, by professional category and gender, were as follows:

	Average headcount at 2009 year end			Average number of employees in 2009
	Men	Women	Total	
Executives	65	8	73	72
Technicians and middle management	509	138	647	631
Administrative personnel	140	178	318	328
Specialized personnel	538	113	651	644
Unskilled workers	1,418	673	2,091	2,224
	2,670	1,110	3,780	3.899

	Average headcount at 2008 year end			Average number of employees in 2008
	Men	Women	Total	
Executives	62	7	69	69
Technicians and middle management	446	125	571	585
Administrative personnel	146	182	328	333
Specialized personnel	552	99	651	652
Unskilled workers	1,601	756	2,357	2,446
	2,807	1,169	3,976	4.085

(24) Financial Income and Expense

Details of financial income and expense are as follows:

	Thousands of euros	
	2009	2008
Financial income		
Other financial income	680	1,066
Exchange gains	14,930	21,664
Total financial income	15,610	22,730
Financial expenses		
Other financial expenses	4,845	7,771
Exchange losses	16,052	22,528
Results of associates	17	-
Total financial expenses	20,914	30,299

The breakdown of "Other finance costs" is the following:

	Thousands of euros	
	2009	2008
Bank borrowings and other financial liabilities	3,318	6,649
Net finance cost of pension plans	1,527	1,122
	4,845	7,771

(25) Earnings per Share

(25.1) Basic

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the Parent and a weighted average number of ordinary shares in circulation throughout the year, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	Thousands of euros	
	2009	2008
Profit attributable to ordinary equity holders of the Parent	64,259	51,403
Weighted average number of ordinary shares in circulation	46,603,682	46,707,907
Basic earning per share (in euros)	1,3788	1,1005

The weighted average number of ordinary shares issued is determined as follows:

	2009	2008
Weighted average number of ordinary shares in circulation	46,603,682	46,971,981
Effect of treasury shares	-	(264,074)
Average number of ordinary shares in circulation at 31 December	46,603,682	46,707,907

(25.2) Diluted

Diluted earnings per share are calculated by dividing profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. As there are no potential ordinary shares, diluted earnings per share does not differ from basic earnings per share.

(26) Information on the Board of Directors of the Parent and Key Group Personnel

The board of directors of the Company only accrue remuneration established in articles 27 and 30 of the Company's bylaws, equivalent to 1.5% of the Parent's profit before income tax for the board directors and another 1.5% of the Parent's profit before income tax for the Executive Committee. The Board of Directors and the Executive Committee, in accordance with the aforementioned bylaw articles, decide the respective share that the members of each body shall receive.

Details of remuneration are as follows:

	Euros					
			Per diems			
Name	Committee	Board	Audit Committee:	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

The Company has not given any advances or loans to the members of the board of directors and has no pension or life insurance commitments with the directors. The Group has extended no guarantees to any of the directors. Remuneration is not linked to the performance of Parent shares on the stock exchange.

In 2008 and 2009, members of the Board of Directors had not carried out any transactions with the Company or Group companies.

The directors of Viscofan, S.A, hold no additional shares or management positions in companies with identical, similar or complementary activities to the Company other than those detailed below**:**

Name	Company	Position
D. Jaime Echevarría Abona	Naturin Viscofan GmbH	Chairman to the Board of Directors
	Naturin Limited	Chairman to the Board of Directors
	Naturin Inc. Delaware	Chairman to the Board of Directors
	Stephan & Hoffmann	Chairman to the Board of Directors
	Gamex, CB, s.r.o.	Chairman to the Board of Directors
	Viscofan CZ, s.r.o.	Chairman to the Board of Directors
	Viscofan USA Inc.	Chairman to the Board of Directors
	Viscofan Technology Suzhou Co. Ltd	Chairman to the Board of Directors
	Viscofan Centroamérica Comercial, S.A.	Chairman to the Board of Directors
	Viscofan Canada, Inc.	Chairman to the Board of Directors
	Viscofan Do Brasil	Member of Consultant Board
	Viscofan de México, S. de R.L. de C.V.	Chairman to the Board of Directors
	Koteks Viscofan d.o.o.	Chairman to the Board of Directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman to the 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	Director

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.
- 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, all Viscofan Group subsidiaries where Mr. José Domingo de Ampuero y Osma subsitutes Mr.Jaime Echevarría Abona as Chairman of their Board of Directors are taking the necessary steps to bring about this change.

Key management personnel, as shown below, received compensation amounting to 3,177 thousand euros in 2009 and 2,857 thousand euros in 2008:

Name	Position	Company
Mr. José Antonio Canales	Managing Director	Viscofan Group
Dª. Elena Ciordia	Legal Director	Viscofan Group
Mr. Gabriel Larrea	Commercial Director	Viscofan Group
Mr. César Arraiza	Financial Director	Viscofan Group
Mr. Armando Ares	Director of Investor Relations and Communication	Viscofan Group
Mr. Pedro Eraso	Director of Extrusion	Viscofan Group
Mr. José Vicente Sendin	Director of Converting	Viscofan Group
Mr. José Ignacio Recalde	Research and Development Director	Viscofan Group
Mr. Andrés Díaz	Director of Production	Viscofan Group
Mr. Juan José Rota	Director of Human Resources	Viscofan Group
Mr. José Antonio Moriones	Technical Advisor to Production Managemen	Viscofan, S.A.
Mr. Manuel Nadal	IT Director	Viscofan, S.A.
Mr. Ricardo Royo	Financial Director	Viscofan, S.A.
Mr. Jesús Calavia	Director of Production	Viscofan, S.A.
Mr. Miloslav Kamis	Managing Director	Gamex Cb S.R.O, Viscofan Cz, S.R.O.
Mr. Juan Carlos García De La Rasilla	Managing Director	Koteks Viscofan, D.O.O.
Mr. Wilfried Schobel	Director of Production	Naturin Viscofan Gmbh
Mr. Bertram Trauth	Managing Director	Naturin Viscofan Gmbh
Mr. Alfred Bruinekool	Managing Director	Naturin, Ltd
	Commercial Director	Naturin Viscofan Gmbh
Mr. Yunny Soto	Managing Director	Viscofan Centroamérica Comercial, S.A.
Mr. Juan Negri	Managing Director	Viscofan Technology (Suzhou) Co. Ltd
Mr. Óscar Ponz	Managing Director	Viscofan De México S.R.L. De C.V,
Mr. Luis Bertoli	Managing Director	Viscofan Do Brasil S. Com. E Ind. Ltda.
Mr. Waldemar Szymanski(*)	Managing Director	Viscofan Poland Sp. Z.O.O., in liquidation
Mr. José Maria Fernández	Managing Director	Viscofan Usa Inc..
Mr. Alejandro Martínez Campo	Managing Director	Industrias Alimentarias de Navarra, S.A.U.

(*) Mr. Waldemar Szymansky left the Viscofan Group on December 31, 2009

(27) Audit Fees

The auditors of the consolidated Financial Statements of the Group and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services for the years ended 31 December 2009 and 2008 as follows:

	Thousands of euros	
	2009	2008
Principal auditor		
Audit services	116	118
Other services	25	10
	141	128

Audit services detailed in the above table include the total fees for services rendered in 2009 and 2008, irrespective of the date of invoice.

Other companies related to the auditors have invoiced the Company and its subsidiaries as follows:

	Thousands of euros	
	2009	2008
Audit services	421	437
Other services	98	98
	519	535

VISCOFAN, S.A. AND SUBSIDIARIES

Notes to the consolidated financial statements
as at December 31, 2009 and 2008

VISCOFAN, S.A. AND SUBSIDIARIES

Management report
December 31, 2009

Business performance and situation of Viscofan Group companies

Against a backdrop of global recession, marked by a decrease in demand and limited access to credit, in 2009 the Viscofan Group's net turnover for the year rose by 5.7% to more than €583.4m.

It is especially noteworthy that despite the difficult economic climate, the Viscofan Group's two main divisions have achieved positive revenue growth: casings, 6.9% and the vegetable division, 0.1%.

Production improvements and central purchasing of the main raw materials have offset the pressure from their rising costs. As a result, in 2009 the Viscofan Group's consumption costs [1] were €163.9m, 3.1% lower than in 2008 and represent 28.1% of revenue compared to 30.7% in 2008.

Gross margin[2] was up by 2% compared to 2008 due to the Viscofan Group's special emphasis on value. This has been achieved by strong commercial discipline, increasing prices despite a climate of greater uncertainty and increases in unit costs of our principal raw materials.

In 2009 the Group's productive structure has been enhanced as part of the BE ONE strategy. This promotes mechanization plans, the transfer of best practices and production restructuring projects. These have led to a reduction of 196 employees in 2009, taking the Group's headcount to 3,780 employees (4.9% lower than year end 2008).

This effort was especially significant in Q4 2009, when employee benefits expense rose to €35.5m (up 17.3% on 4Q 2008) as a result of workforce restructuring costs (termination benefits, voluntary redundancies, early retirements, etc.) principally in Spain, USA and Germany. Q4 2009 saw the recognition of a non-recurring cost of €1.5m associated to termination benefits for 20 employees in Germany due to the transfer of non-edible collagen capacity to Serbia. This will take place throughout 2010 and 2011.

Employee benefits expense for the year was €134m, up 4.5% on 2008, due mainly to the aforementioned restructuring costs.

"Other operating expenses" rose 5.3% in the year to €164.8m. Cost control and austerity initiatives, in both the vegetable and casings division have partially offset the increase in energy costs (up 7% in 2008). The higher energy costs are mainly due to the increase in the cogeneration capacity in Spain during the second half of 2009.

The increase in revenue and the implementation of enhanced production methods have given rise to a 3% increase in 2009 EBITDA, [3] which climbed to 22.1% of sales, despite a poorer performance in the vegetable business.

Consequently, cumulative EBITDA at December 2009 stood at €129m, up 22.5% on 2008. Excluding the €1.5m non-recurring expense due to the restructuring of non-edible collagen in Germany, EBITDA rose to €130.6m (up 23.6% on 2008).

EBIT[4] rose by 34.5% in 2009, reaching €91.3m, boosted by the aforementioned improvement in EBITDA and amortization/depreciation remaining at the same level (€37.7m, 0.7% more than in 2008).

Net finance loss[5], at €5.3m was down 30.2% due to lower finance costs as a result of lower indebtedness and lower borrowing costs in a year marked by restricted access to credit.

Net debt[6] at 2009 year end was €90.5m. This was down more than €31.9m, even after investing €46.3m in major expansion and improvement plans (inter alia, the extension of the cogeneration plant, the roll out of new

1 Consumption costs = Consumption of raw materials and other consumables

2 Gross Margin = (Sales and services rendered - consumption costs) /Sales and services rendered

3 EBITDA = Operating profit + amortization /depreciation expense

4 EBIT = operating profit

5 Net finance profit (loss) = Finance income - finance costs

production lines in Germany, the acquisition of land at the Zacapu plant in Mexico and the acquisition of the rights of usage for land at the new subsidiary in China) and paying dividends and share premiums amounting to €35m (up 22.7% in respect of the amount paid in dividends and repurchasing shares in 2008).

Gearing [7] stood at 26.2% compared to 40.4% at December 2008. This was due to strong operating cash flows, the control of working capital by monitoring the risk of customer default and more efficient management of inventory levels.

The extraordinary growth in operating profit, coupled with the fall in finance costs, has led to a 42.6% increase in profit before tax, up to €86m.

Income tax expense was €21.7m at an effective tax rate of 25.2%, compared to €8.9m recognized in 2008, a year when the Group took advantage of extraordinary tax breaks in various countries.

As a result, in 2009 net profit at €64.3m has climbed to a record level for the fourth year in a row, up 25% on 2008.

6 Net debt = Financial liabilities with financial institutions (current and non-current) – Cash and other cash equivalents

7 Gearing = Net borrowings / Equity

Forecast for the Group

a) Casings

In 2009, as a consequence of the global economic crisis and the Viscofan Group's focus on quality, in the casings market less growth was observed than in 2008. However, in the principal areas of emerging countries its performance was still positive.

In 2010, after a year marked by customer's reducing their stock levels, and delaying or canceling their plans to expand capacity, the forecast is for markets to return to a normal pace of growth in terms of volumes, i.e., growth of 3%-5%.

In this environment, the Viscofan Group will continue with its BE ONE strategy, with one main objective: strengthen its market leadership and enhance profit levels.

To achieve this it has implemented measures to improve its economies of scale, with better alignment within the organization, maintaining a disciplined commercial policy and improving efficiencies and productivities at current plants. The Group expects to continue with a high level of investment in these to adjust production capacity to market requirements and to introduce a management model based on centers of excellence by product families.

In August 2009, Viscofan founded Viscofan Technology Suzhou Co. Ltd. in Suzhou Industrial Park in China with share capital of €7.5m to be paid in within two years. The share capital was fully subscribed by Viscofan S.A. and €3.5m has already been paid in. The Group is currently immersed in the start up of the converting plant in China and expects it to be fully operative in early 2011.

In addition, it is likewise promoting projects related to technological improvements and the transfer of production capacities to other countries, such as from Germany to Serbia in 2010-2011.

b) Vegetable products

In an especially adverse climate due to the decline in the Spanish economy and stagnant consumption, the IAN Group will continue with its current strategy, whereby it aims to maintain income levels, boosting sales of products marketed under the “Carretilla” brand, increasing the range of convenience and healthy products, while seeking to rationalize costs.

Principal Group investments and R&D activity

In 2009 the Group invested €46.3m, slightly more than the 45.3m euros invested in 2008.

The level of investment is due largely to the extension of the cogeneration plant in Cáseda, Spain, to complete the second phase which commenced activity in July 2009.

The Viscofan Group's investments have been aimed at increasing the capacity of its production plants, technological improvements and efficiencies.

In vegetable products, the investments were mainly made to comply with safety and environmental standards, to develop new ready meal product lines and the start up of the asparagus production plant in China.

Viscofan has a proactive R&D policy for both business lines, supported by technological and research centers in various countries:

- In the casings division, the Group's efforts are focused on the product (development of new products, enhancement of present products to increase market share in the principal meat casing families, etc.) and the processing (innovation and improved industrialization of production processes, introduction of technological advances and development of advanced engineering solutions to maximize productive output, etc.).

- In the vegetable products division, the Group continues to push forward with the development of new products, increasing the ready meals' range; the business line with the best prospects from both a growth and added value standpoint.

- Furthermore, Viscofan's research activity has likewise been aimed at diversification in areas where its present knowledge will enable it to obtain future profits. This has borne fruit in the form of a new bioengineering application: the use of collagen derivatives as a matrix for growing stem cells "in vitro".

Acquisition of treasury shares

On December 31, 2009 the Group had no treasury shares.

Risks and uncertainty

The Viscofan Group 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 Group is 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 the statement of financial position items including certain assets (buildings 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, the Viscofan Group has arranged various interest rate swaps.

The increased activity of the co-generation plant in Cáseda has increased the Group'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 customers might not comply with payment commitments. The Group has an insurance policy to cover its customer risk. However, due to the general economic climate the

insurance coverage offered by suppliers has deteriorated; consequently, procedures have been tightened and internal controls have been intensified to avoid increased delinquency. In addition, an interdepartmental Risk Committee has been formed to ensure compliance.

The degree to which the Group 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 the financial restrictions which marked 2009.

Transactions with directors or anyone acting on their behalf carried out in the year to which the Financial Statements refer, with the quoted company or any group company, when these transactions are not part of the normal business of the company or are not carried out on an arm's length basis:

In 2009, there were no transactions carried out by the directors with the Company or Group companies which were not part of the normal course of the Company's business or carried out on an arm's length basis.

SUBSEQUENT EVENTS

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 ***Group'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.

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.

VISCOFAN, S.A. AND SUBSIDIARIES

Details of the Viscofan Group
31 December 2009

Group companies	Percentage interest		Activity	Registered offices
	Direct	Indirect		
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Navarre)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware	100.00%	-	Financial activity	Dover (USA)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o., in liquidation	100.00%	-	Commercial activity	Krakow (Poland)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Gamex, C.B. s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Naturin LTD	100.00%	-	Commercial activity	Sevenoaks (United Kingdom)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
IAN Perú, S.A.	-	100.00%	Asparagus production	Lima (Peru)
Lingbao Baolihao Food	-	50.00%	Asparagus production	Lingbao (China)
Stephan & Hoffmann AG	-	100.00%	Financial activity	Weinheim (Germany)
Naturin Verwaltung GmbH	-	100.00%	Financial activity	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Commercial activity	San José (Costa Rica)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luís de Potosí (Mexico)

VISCOFAN, S.A. AND SUBSIDIARIES
Details of the Viscofan Group
31 December 2009

Group companies	Percentage interest		Activity	Registered offices
	Direct	Indirect		
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc	-	100.00%	Commercial activity	Quebec (Canada)

In 2009, in addition to the contribution of the capital of Viscofan Technology (Suzhou) Co. Ltd upon its incorporation, the Viscofan Group's structure changed as follows:

The parent fully subscribed a capital increase carried out by Koteks Viscofan d.o.o. for an amount equivalent to 4,000 thousand euros.

The parent fully subscribed the capital increase carried out by Viscofan de México S.R.L. de C.V. for an amount equivalent to 6,000 thousand euros.

On July 10, 2009 ownership of Naturin Verwaltung GmbH passed from Visfocan S.A. to Naturin Viscofan GmbH.

On September 7, 2009 this change in the Company's legal status, as well as its new name, Naturin GmbH & Co KG, was registered. Its new name is Naturin Viscofan GmbH.

On September 11, 2009 the Board of Directors of Viscofan Poland Sp z.o.o. agreed that the company's winding up should commence and appointed a liquidator.

VISCOFAN, S.A. AND SUBSIDIARIES

Details of the Viscofan Group
31 December 2009

Group companies	Percentage interest		Activity	Registered offices
	Direct	Indirect		
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Navarre)
Naturin GmbH & Co. KG	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware	100.00%	-	Financial activity	Dover (USA)
Naturin Verwaltung GmbH	100.00%	-	Financial activity	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o	100.00%	-	Commercial activity	Krakow (Poland)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Gamex, C.B. s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Naturin LTD	100.00%	-	Commercial activity	Seven Oaks (UK)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
IAN Perú, S.A.	-	100.00%	Asparagus production	Lima (Peru)
Lingbao Baolihao Food	-	50.00%	Asparagus production	Lingbao (China)
Stephan & Hoffmann AG	-	100.00%	Holding company	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Commercial activity	San José (Costa Rica)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis de Potosí (Mexico)

VISCOFAN, S.A. AND SUBSIDIARIES
Information on the Viscofan Group
31 December 2008

Group companies	Percentage interest		Activity	Registered offices
	Direct	Indirect		
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu Michoacán (México)
Viscofan Canadá Inc	-	100.00%	Commercial activity	Quebec (Canadá)

In 2008, apart from the capital contribution upon the formation of Lingbao Baolihao Food, there were the following changes in the Viscofan Group's structure:

The parent fully subscribed a capital increase carried out by Koteks Viscofan d.o.o. for an amount equivalent to 4,000 thousand euros.

On January 1, 2008, Viscofan USA Inc. absorbed its wholly owned subsidiary, Teepak USA, LLC.

On January 1, 2008, Viscofan de México, S.R.L. de C.V. absorbed Teepak Holding de México S. de R.L. de C.V. and Viscofan de México Servicios, S.R.L. de C.V. absorbed Teepak de México, S.R.L. de C.V, and Teepak Servicios de México, S.R.L. de C.V. The absorbing companies wholly owned the absorbed companies.

VISCOFAN, S.A. AND SUBSIDIARIES
Segment reporting
31 December 2009 and 2008

(In thousands of euros)

Business Segments	Casings		Tinned Food		Eliminations and others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Income and expenses								
Sales and services rendered	490,493	458,623	93,289	93,270	(368)	(75)	583,414	551,818
Material consumed	(104,467)	(111,711)	(59,462)	(57,520)	-	-	(163,929)	(169,231)
Other operating income	7,687	6,511	643	938	-	-	8,330	7,449
Other operating expenses	(304,252)	(288,648)	(32,665)	(33,613)	368	75	(336,549)	(322,186)
	89.461	64.775	1.805	3.075	-	-	91.266	67.850
Financial loss	(4,970)	(6,680)	(334)	(889)	-	-	(5,304)	(7,569)
Income tax expense	(21,684)	(10,840)	(19)	1,962	-	-	(21,703)	(8,878)
Profit for the year	62,807	47,255	1,452	4,148	-	-	64,259	51,403
Assets and Liabilities								
Total segment assets	539,398	509,765	76,591	86,701	-	-	615,989	596,466
Total segment liabilities	237,835	248,183	32,947	45,008	-	-	270,782	293,191
Other segment information								
Capital expenditure								
- Property, plant and equipment	41,404	41,672	763	2,478	-	-	42,167	44,150
- Intangible assets	4,163	3,747	97	232	-	-	4,260	3,979
Depreciation and amortization								
- Property, plant and equipment	(31,465)	(32,136)	(2,651)	(2,907)	-	-	(34,116)	(35,043)
- Intangible assets	(3,561)	(2,304)	(58)	(112)	-	-	(3,619)	(2,416)
Cash Flows								
Cash flows from operating activities	110,312	51,477	13,680	2,427	-	-	123,992	53,904
Cash flows from investing activities	(46,303)	(41,307)	(888)	(3,075)	-	-	(47,191)	(44,382)
Cash flows from financing activities	(51,106)	(13,552)	(13,236)	937	-	-	(64,342)	(12,615)

VISCOFAN, S.A. AND SUBSIDIARIES
Segment reporting
31 December 2009 and 2008

(In thousands of euros)

Geographical segments	Europe and Asia		North America		South America		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Ordinary income from external clients	334,342	320,122	174,727	159,164	74,345	72,532	583,414	551,818
Segment assets	388,263	378,109	144,855	153,571	82,871	64,786	615,989	596,466
Other segment information								
Capital expenditure								
- Property, plant and equipment	30,855	30,855	7,532	4,135	3,780	9,160	42,167	44,150
- Intangible assets	4,190	3,500	70	401	-	78	4,260	3,979
Cash flows								
Cash flows from operating activities	86,683	46,619	28,465	1,729	8,844	5,556	123,992	53,904
Cash flows from investing activities	(32,624)	(33,961)	(10,802)	(2,961)	(3,765)	(7,460)	(47,191)	(44,382)
Cash flows from financing activities	(49,420)	(12,048)	(12,554)	39	(2,368)	(606)	(64,342)	(12,615)

VISCOFAN, S.A. AND SUBSIDIARIES
Breakdown and movements in property, plant and equipment
31 December 2009 and 2008
(In thousands of euros)

	01.01.08	Translation differences	Additions	Disposals	Transfers	31.12.08	Translation differences	Additions	Disposals	Transfers	31.12.09
Revalued cost											
Land and buildings	170,074	(3,780)	1,065	(2,425)	1,926	166,860	1,726	3,375	(432)	5,350	176,879
Plant and machinery	422,656	(10,556)	13,209	(4,059)	16,654	437,904	10,582	16,718	(8,613)	17,895	474,486
Other installations, equipment and furnitu	61,896	(159)	2,282	(493)	2,039	65,565	-	2,232	(873)	3,009	69,933
Other property, plant and equipment	20,465	(172)	437	(2,237)	214	18,707	31	721	(638)	3,284	22,105
Advances and assets under construction											
Revalued cost	18,760	(699)	27,157	(21)	(21,134)	24,063	1,665	19,121	(332)	(30,441)	14,076
	693,851	(15,366)	44,150	(9,235)	(301)	713,099	14,004	42,167	(10,888)	(903)	757,479
Restated accumulated depreciation											
Buildings	(66,617)	1,102	(4,268)	616	-	(69,167)	(835)	(4,203)	253	15	(73,937)
Plant and machinery	(288,891)	7,765	(25,810)	2,254	-	(304,682)	(7,417)	(24,478)	7,872	1,652	(327,053)
Other installations, equipment and furniture	(42,045)	108	(4,020)	482	34	(45,441)	(34)	(4,233)	734	(793)	(49,767)
Other property, plant and equipment	(17,127)	113	(945)	2,172	-	(15,787)	(73)	(1,202)	581	(870)	(17,351)
	(414,680)	9,088	(35,043)	5,524	34	(435,077)	(8,359)	(34,116)	9,440	4	(468,108)
Provisions	(154)	-	-	72	-	(82)	-	(226)	42	-	(266)
	279,017	(6,278)	9,107	(3,639)	(267)	277,940	5,645	7,825	(1,406)	(899)	289,105

VISCOFAN, S.A. AND SUBSIDIARIES

Breakdown and movements in intangible assets
31 December 2009 and 2008
(In thousands of Euros)

	01.01.08	Translation differences	Additions	Disposals	Transfers	31.12.08	Translation differences	Additions	Disposals	Transfers	31.12.09
Cost											
Technology and contracts	6,169	457	196	-	-	6,822	(232)	-	-	-	6,590
Trademark and customer portfolio	2,672	-	-	-	-	2,672	-	-	-	-	2,672
Software	10,383	(93)	747	(8)	301	11,330	158	1,490	(12)	1,299	14,265
Concessions, patents and licenses	3,190	71	-	-	-	3,261	3	2,678	-	696	6,638
Issue rights	4	-	2,127	(307)	-	1,824	-	2,539	(1,668)	-	2,695
Prepayments	-	-	1,155	-	-	1,155	-	92	-	(1,093)	154
	22,418	435	4,225	(315)	301	27,064	(71)	6,799	(1,680)	902	33,014
Accumulated amortization											
Technology and contracts	(1,604)	(229)	(614)	-	-	(2,447)	102	(568)	-	-	(2,913)
Trademark and customer portfolio	(1,246)	-	(534)	-	-	(1,780)	-	(534)	-	-	(2,314)
Software	(7,510)	88	(783)	8	(34)	(8,231)	(83)	(801)	12	-	(9,103)
Concessions, patents and licenses	(2,139)	(6)	(485)	-	-	(2,630)	7	(1,716)	-	(3)	(4,342)
	(12,499)	(147)	(2,416)	8	(34)	(15,088)	26	(3,619)	12	(3)	(18,672)
	9,919	288	1,809	(307)	267[(*)]	11,976	(45)	3,180	(1,668)	899[(*)]	14,342

[(*)] Transfers recognized under “Intangible assets” were made from “property, plant and equipment”,

VISCOFAN, S.A. AND SUBSIDIARIES

Management report
December 31, 2009

APPENDIX TO THE CONSOLIDATED 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 on March 26, 2010, approved the consolidated financial statements for the year ended December 31, 2009, which have been signed by him on each page for identification purposes and consist of the documents attached above, which are likewise listed below.

Consolidated statement of financial position: 1 page

Consolidated comprehensive income statement: 1 page

Consolidated comprehensive income statement: 1 page

Consolidated statement of total changes in equity: 1 page

Consolidated cash flow statements: 1 page

Notes to the consolidated financial statements: 70 pages, numbered consecutively from 6 to 75, inclusive and 4 appendices.

Mr. José Domingo Ampuero y Osma

Mr. Nestor Basterra Larroudé

Ms. Agatha Echevarría Canales

Mr. Ignacio Marco-Gardoqui Ibáñez

Mr. Alejandro Legarda Zaragüeta

Mr. José Cruz Pérez Lapazarán

Mr. Gregorio Marañón Bertrán de Lis

Secretary to the Board of Directors
Mr. Juan Mª Zuza Lanz

VISCOFAN, S.A. AND SUBSIDIARIES

Management report
December 31, 2009

APPENDIX TO THE CONSOLIDATED MANAGEMENT REPORT

STATEMENT: The Secretary of the Board of Directors, Mr. Juan Mª Zuza Lanz, hereby certifies that the Board of Directors, at its meeting on March 26, 2010, approved the 2009 consolidated management report, signed by him on all pages for identification purposes and consisting of six sheets of normal paper numbered consecutively from 1 to 6.

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.

Mr. José Domingo Ampuero y Osma

Mr. Nestor Basterra Larroudé

Ms. Agatha Echevarría Canales

Mr. Ignacio Marco-Gardoqui Ibáñez

Mr. Alejandro Legarda Zaragüeta

Mr. José Cruz Pérez Lapazarán

Mr. Gregorio Marañón Bertrán de Lis

Secretary to the Board of Directors
Mr. Juan Mª Zuza Lanz