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

Report on remuneration.

EXPLANATORY REPORT ON REMUNERATION POLICY RELATING TO THE BOARD MEMBERS OF VISCOFAN, S.A., DRAWN UP BY THE BOARD OF DIRECTORS IN ACCORDANCE WITH RECOMMENDATION 40 OF THE UNIFIED GOOD GOVERNANCE CODE, IN ORDER TO SUBMIT IT TO THE GENERAL SHAREHOLDERS' MEETING TO BE HELD ON 13 AND 14 APRIL 2011.

A) PURPOSE OF THE REPORT.

By means of this report, the Board complies with recommendation 40 of the Unified Good Governance Code, that a report on the remuneration policy relating to Board members be submitted to the vote of the General Shareholders' Meeting, in a consultative capacity, as a separate item on the agenda.

B) JURISDICTION CONCERNING REMUNERATION POLICY

In accordance with article 14 of the Board of Directors Regulation, duties of the Remuneration and Appointments Committee shall include the following:

f) To submit to the Board proposals relating to:

i.- policy for remunerating Board members and senior management and the proposed apportionment of Board members' remuneration,
ii.- the individual remuneration of executive Board members and other terms included in their contracts.
iii- Basic conditions of the senior management contracts.
iv.- policy for share and options remunerating Board members, senior management and employees and long terms policy remunerating.

Moreover, in accordance with article 5 of the Board Regulation:

In addition to those matters reserved solely for the Board by law, the following matters are the sole province of the plenary Board meeting:

a) Policy and general strategic of the company, in particular:

vi) policy for remunerating and senior management work evaluation.

b) The following decisions:

ii) The remuneration of Board members and, in the case of executives, the additional remuneration for their executive duties and other terms that their contracts must meet".

Furthermore, the Company's bylaws state:

Article 27 of the bylaws

"The Board's remuneration shall amount to one point five percent of the net pre-tax profit pursuant to article 130 of the Spanish Companies Law. It shall be distributed among the members of the Board in accordance with the resolution individually adopted in this respect by the Board"

Article 30 of the bylaws

"The Executive Committee's remuneration shall amount to one point five percent of the net pre-tax profit pursuant to article 130 of the Spanish Companies Law. It shall be distributed among the members of the Executive Committee in accordance with the resolution individually adopted in this respect by the Executive Committee"

C) REMUNERATION POLICY: ITEMS OF REMUNERATION

The remuneration policy of Company directors was modified for the year 2010 by a resolution of the Board of Directors of the Company in accordance with a proposal presented to it by the Appointment and Remuneration Commission.

The remuneration policy for the Company's Board members includes the following items:

1.- Payments to the Board and Executive Committee under articles 27 and 30 of the company's bylaws:

a) Board of Directors: 1.5% of net pre-tax profit subject to the limitations laid down in art. 130 of the Spanish Companies Law.

Distribution: as resolved by the Board.

b) Executive Committee: 1.5% of net pre-tax profits subject to the limitations laid down in art.130 of the Spanish Companies Law.

Distribution: as resolved by the Executive Committee

2.- Remuneration of executive Board members.

Executive board members do not receive any additional remuneration different from the company's other Board members for performing their duties.

3. Remuneration of members of the Audit Commission.

Directors that are members of the Audit Commission may receive a per diem for each of the meetings they attend personally as compensation for the growing responsibilities assumed by members of said Commission and for their dedication in both attendance of Commission meetings and preparation.

Per diems owed herein shall be deducted from the remuneration assigned to the Board of Directors and the Executive Committee in accordance with articles 27 and 30 of the company's bylaws.

4.- Remuneration of members of the Audit Committee

Board members that form part of the Audit Committee and Remuneration and Appointments Committee do not receive any remuneration for their involvement in these Committees.

5.- Remuneration of Chairmen and Vice Chairmen of the Board of Directors and the respective committees.

Chairmen and Vice Chairmen, where appropriate, of the company's Board of Directors, the Executive Committee, the Audit Committee and the Remuneration and Appointments Committee do not receive any additional remuneration by reason of their position.

6.- Other items.

There are no further items of remuneration other than those mentioned in the preceding points.

Any amendment, extension, reduction or alteration of the items of remuneration mentioned and their application must be approved beforehand by the plenary meeting of the company's Board of Directors, upon a proposal submitted by the Remuneration and Appointments Committee, except when their approval by the Company's General Shareholders' Meeting is mandatory.

D) REMUNERATION IN 2010. APPLICATION

The net pre-tax profit of Viscofan, S.A. and subsidiaries for 2010 and 2009 totals 105,713,507.9097 and 85,961,669.97 Euros respectively, and the pre-tax profit of Viscofan, S.A. totals 67,016,751.39 and 42,469,170 Euros respectively. The Board of Directors shall earn a 1.5% of the Parent Company's pre-tax profit, which in 2010 and 2009, totals 1,036,341.52 and 656,739.74 Euros respectively, and the Executive Committee shall earn a 1.5% of the Parent Company's pre-tax profit for 2010 and 2009, namely 1,036,341.52 and 656,739.74 Euros respectively.

In addition, corresponding to bylaws-mandated payments, on account of membership on other boards of directors of Group companies, a total of 244,800 euros has been received.

The total remuneration earned by Board members during 2010 is included in the Annual Report of the Company's Annual Report.

The Company did not award any type of advance or loan to Board members, nor has it assumed any obligations in terms of pensions or life insurance. No other type of guarantee has been given by the group on behalf of any member of the Board of Directors. Nor is there any system of remuneration linked to the Company's share value.

E) APPROVAL OF THE REPORT.

The present report was issued and approved unanimously by the Board of Directors by means of a circular resolution dated 28 February 2011.

In Pamplona, on 28 February 2011.