Audit Report

VISCOFAN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2011

(Translated from the original in Spanish)

ERNST & YOUNG

ERNST & YOUNG

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Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

We have audited the financial statements of VISCOFAN, S.A., which comprise the balance sheet at December 31, 2011, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then e nded. The Company's directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity in Spain (identified in Note 2 to the accompanying financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based upon work performed in accordance with the regulatory audit standards prevailing in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2011 financial statements give a true and fair view, in all material respects, of the equity and financial position of VISCOFAN, S.A. at December 31, 2011, and the results of operations and cash flow for the year then ended, in conformity with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

The accompanying 2011 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2011 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original)

Javier Ezcurra Zubeldía

February 29, 2012

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VISCOFAN, S.A.

Financial Statements
for the year ended
December 31, 2011

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

CONTENTS

- Balance sheet at December 31, 2011
- Income statement for the year ended December 31, 2011
- Statement of changes in equity for the year ended December 31, 2011
- Cash flow statement for the year ended December 31, 2011
- Notes to the financial statements for the year ended December 31, 2011

VISCOFAN, S.A.
Balance sheet at December 31, 2011
(Thousands of euros)

ASSETS	Notes	2011	2010
NON-CURRENT ASSETS		**342,996**	**325,648**
Intangible assets	**5**	**9,150**	**7,969**
Concession rights		1,745	1,971
Software		2,895	2,362
Other intangible assets		4,510	3,636
Property, plant and equipment	**6**	**61,845**	**57,435**
Land and buildings		12,487	12,048
Plant and other PP&E items		48,067	43,396
Property, plant and equipment under construction and prepayments		1,291	1,991
Investment in group companies and associates	**7**	**271,511**	**259,611**
Equity instruments		271,511	259,611
Financial investments	**8**	**115**	**115**
Equity instruments		67	67
Other financial assets		48	48
Deferred tax assets	**16**	**375**	**518**
CURRENT ASSETS		**65,339**	**93,677**
Inventories	**9**	**14,672**	**15,261**
Commercial inventories		2,010	2,218
Raw materials and other consumables		5,976	6,045
Work in progress		4,201	3,518
Finished products		2,485	3,480
Trade and other receivables	**8**	**38,235**	**33,436**
Trade receivables		23,658	21,604
Trade receivables from group companies and associates		11,044	8,871
Other receivables		239	342
Receivable from employees		34	66
Other receivables from public administrations	16	3,260	2,553
Investments in group companies and associates	**8**	**837**	**2,364**
Loans to companies		602	2,085
Other financial assets		235	279
Investments	**8**	**11,390**	**6,275**
Derivatives		384	3,271
Other financial assets		11,006	3,004
Accruals		**129**	**94**
Cash and cash equivalents	**10**	**76**	**36,247**
Cash		76	31,247
Cash equivalents		-	5,000
TOTAL ASSETS		**408,335**	**419,325**

VISCOFAN, S.A.
Balance sheet at December 31, 2011
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2011	2010
EQUITY		**331,580**	**316,361**
CAPITAL AND RESERVES		**329,602**	**313,296**
Share capital	**11,1**	**32,623**	**13,981**
Issued capital		32,623	13,981
Share Premium	**11,2**	**12**	**12**
Reserves	**11,3**	**257,639**	**250,305**
Legal and statutory reserves		2,935	2,935
Other reserves		254,704	247,370
Profit for the year	**3**	**56,105**	**62,979**
Interim dividend	**3,1**	**(16,777)**	**(13,981)**
UNREALIZED GAINS (LOSSES) RESERVE	**12**	**(288)**	**2,212**
Hedging instruments		(288)	2,212
GRANTS, DONATIONS AND LEGACIES	**13**	**2,266**	**853**
NON-CURRENT LIABILITIES		**13,784**	**25,410**
Borrowings	**15**	**11,802**	**20,298**
Payable to credit institutions		8,028	15,874
Liabilities from capital leases		44	91
Other financial liabilities		3,730	4,333
Deferred tax liabilities	**16**	**1,982**	**5,112**
CURRENT LIABILITIES		**62,971**	**77,554**
Provisions	**14**	**2,442**	**2,360**
Borrowings	**15**	**30,109**	**48,382**
Bank borrowings		24,767	42,749
Finance leases		83	68
Derivatives		1,217	87
Other financial liabilities		4,042	5,478
Payables to group companies and associates	**15**	**7,227**	**6,968**
Trade and other payables	**15**	**23,193**	**19,844**
Suppliers		2,398	3,711
Suppliers, group companies and associates		1,410	1,279
Other payables		8,555	7,127
Employee benefits payable		1,083	1,274
Current tax liabilities	16	4,400	2,143
Other payables to public administrations	16	5,063	4,053
Customer advances		284	257
TOTAL EQUITY AND LIABILITIES		**408,335**	**419,325**

VISCOFAN, S.A.
Income statement for the year ended December 31, 2011
(Thousands of euros)

	Notes	2011	2010
CONTINUING OPERATIONS			
Revenue	**17.1**	**154,748**	**147,059**
Sale of goods		154,120	146,541
Rendering of services		628	518
Changes in inventory of finished godos and work in progress		**(312)**	**(2,573)**
Work performed by the entity and capitalized		**250**	**-**
Cost of sales		**(45,351)**	**(36,408)**
Consumption of goods for resale	17.2	(21,816)	(17,159)
Consumption of raw materials and other consumables	17.2	(23,573)	(18,813)
Impairment of goods for resale, raw materials and other consumables	9	38	(436)
Other operating income		**9,008**	**9,457**
Ancillary income		8,438	9,003
Grants related to income	13	570	454
Employee benefits expense		**(30,972)**	**(29,513)**
Wages, salaries, et al		(24,248)	(23,025)
Social security costs, et al	17.3	(6,724)	(6,488)
Other operating expenses		**(57,814)**	**(55,339)**
External services	17.4	(55,382)	(52,876)
Taxes		(161)	(161)
Losses on, impairment of and change in trade provisions	8.1	171	58
Other operating expenses	14	(2,442)	(2,360)
Depreciation and amortization	**5 y 6**	**(8,919)**	**(8,985)**
Grants related to non-financial assets and other grants	**13**	**54**	**31**
Impairment gains (losses) on disposal of non-current assets		**7**	**223**
Impairment gains and losses	6	2	2
Gains (losses) on disposals		5	221
OPERATING PROFIT		**20,699**	**23,952**
Finance income		**40,537**	**45,758**
From equity investments	7.1	39,819	45,199
In group companies and associates		39,819	45,199
From marketable securities and other financial instruments		718	559
Of group companies and associates		18	25
Of third parties		700	534
Finance costs	**17.5**	**(1,460)**	**(1,446)**
On borrowings from group companies and associates		(188)	(161)
Third-party borrowings		(1,272)	(1,285)
Exchange gains (losses)		**394**	**(966)**
Impairment and gains (losses) on disposal of financial instruments		**-**	**(282)**
FINANCE INCOME		**39,471**	**43,064**
PROFIT BEFORE TAX		**60,170**	**67,016**
Income tax	**16.1**	**(4,065)**	**(4,037)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**56,105**	**62,979**
DISCONTINUED OPERATIONS			
Profit (Loss) alter tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**56,105**	**62,979**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2011
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2011

	Notes	2011	2010
PROFIT FOR THE PERIOD		**56,105**	**62,979**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/expense		**-**	**-**
From cash flow hedges	**12**	**(456)**	**2,590**
Grants, donations and bequests received	**13**	**4,515**	**3,340**
Tax effect		**(1,218)**	**(1,779)**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**2,841**	**4,151**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		**-**	**-**
Other income/expense		**-**	**-**
From cash flow hedges	**12**	**(3,116)**	**(1,069)**
Grants, donations and bequests received	**13**	**(2,496)**	**(2,390)**
Tax effect		**1,684**	**1,038**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**(3,928)**	**(2,421)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**55,018**	**64,709**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2011
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2011

	Issued capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 12)	Grants, donations and bequests received (Note 13)	TOTAL
ADJUSTED BALANCE AT JANUARY 1, 2010	**13,981**	**16,650**	**223,126**	**39,296**	**(12,117)**	**1,147**	**188**	**282,271**
Total recognized income and expense	-	-	-	62,979	-	1,065	665	64,709
Transactions with shareholders and owners								
Dividends paid	-	(16,638)	-	(12,117)	(1,864)	-	-	(30,619)
Other changes in equity	-	-	27,179	(27,179)	-	-	-	-
BALANCE AT DECEMBER 31, 2010	**13,981**	**12**	**250,305**	**62,979**	**(13,981)**	**2,212**	**853**	**316,361**
Total recognized income and expense	-	-	-	56,105	-	(2,500)	1,413	55,018
Transactions with shareholders and owners								
Capital decreases	(13,515)	-	-	-	-	-	-	(13,515)
Dividends paid	-	-	-	(23,488)	(2,796)	-	-	(26,284)
Other changes in equity	32,157	-	7,334	(39,491)	-	-	-	-
BALANCE AT DECEMBER 31, 2011	**32,623**	**12**	**257,639**	**56,105**	**(16,777)**	**(288)**	**2,266**	**331,580**

VISCOFAN, S.A.
Cash flow statement for the year ended December 31, 2011
(Thousands of euros)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**60,170**	**67,016**
Adjustments to profit		**(30,656)**	**(35,056)**
Depreciation and amortization	5 y 6	8,919	8,985
Impairment losses	6	(2)	(2)
Changes in provisions	8.1 y 9	(43)	(269)
Grants released to income	13	(54)	(485)
Results on disposal of property, plant and equipment		(5)	(221)
Gains (losses) from retirement and disposal of financial instruments		-	282
Finance income		(40,537)	(45,758)
Finance costs	17.5	1,460	1,446
Exchange gains (losses)		(394)	966
Change in working capital		**(2,902)**	**4,607**
Inventories		461	2,195
Trade and other receivables		(2,129)	9,386
Other current assets		(36)	13
Trade and other payables		(832)	(5,779)
Other current liabilities		(366)	(1,208)
Other cash flows from operating activities		**31,226**	**34,618**
Interest paid		(1,104)	(1,186)
Dividends received		35,864	35,577
Interest received		700	534
Income tax receipts (payments)		(4,234)	(773)
Other payments (receipts)		-	466
CASH FLOW FROM OPERATING ACTIVITIES		**57,838**	**71,185**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(37,992)**	**(16,962)**
Group and associates	7 y 8.1	(12,400)	(7,069)
Intangible assets	5	(1,174)	(887)
Property, plant and equipment		(13,418)	(5,986)
Other financial assets		(11,000)	(3,004)
Non-current assets held for sale		-	(16)
Proceeds from disposals		**5,005**	**2,449**
Group companies and associates	8.1	2,000	2,210
Property, plant, and equipment		5	236
Other financial assets		3,000	3
CASH FLOWS FROM INVESTING ACTIVITIES		**(32,987)**	**(14,513)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(payments on) equity instruments		**(12,180)**	**-**
Redemption of equity instruments	11.1	(13,515)	-
Grants, donations, and bequests received	13	1,335	-
Proceeds from and payments of financial liabilities		**(22,558)**	**10,052**
Issues			
Bank borrowings		-	11,396
Accounts payable to Group and associated companies		4,000	6,000
Other borrowings		952	1,431
Repayment and redemption of			
Bank borrowings		(25,783)	(7,433)
Other borrowings		(1,727)	(1,342)
Dividends paid and payments on other equity instruments		**(26,284)**	**(30,619)**
Dividends		(26,284)	(30,619)
CASH FLOWS FROM FINANCING ACTIVITIES		**(61,022)**	**(20,567)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(36,171)**	**36,105**
Cash and cash equivalents at January 1		**36,247**	**142**
Cash and cash equivalents at December 31		**76**	**36,247**

VISCOFAN, S.A.
Notes to the financial statements for the year ended December 31, 2011

1. ACTIVITY

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

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

Its industrial installations are located in Cáseda and Urdiáin (Navarra). The current registered address is that of the central offices in Tajonar (Navarra).

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

At the same date the Group's corresponding consolidated financial statements for 2011 have been also prepared.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the new accounting principles approved by Royal Decree 1514/2007 of November 16, amended by Royal Decree 1159/2010, of September 17, and prevailing mercantile law.

These financial statements have been prepared by the directors of the company and will be submitted for approval by the shareholders in general meeting within the periods established by prevailing legislation. The directors of the Company consider that no significant changes will be made to the 2011 financial statements as a result of these meetings.

The directors have prepared the 2011 financial statements separately, applying the international financial reporting standards adopted by the European Union (IFRS-EU).

The figures shown in these financial statements are presented in thousands of euros unless otherwise indicated.

2.1 True and fair view

The accompanying financial statements have been prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and results. The cash flow statement has been prepared to present fairly the origin and usage of monetary assets such as cash and cash equivalents.

2.2 Comparison of information

In compliance with Spanish mercantile law, for comparative purposes for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and in the Notes thereto, in addition to the figures for 2011, those of 2010 have been included. The Notes likewise contain quantitative information from 2010, unless an accounting standard specifically states that this is not required.

2.3 Critical issues concerning the assessment of uncertainty

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

3. APPROPRIATION OF PROFIT

The appropriation of 2011 profit proposed by the directors, which is expected to be approved by the shareholders in general meeting, is as follows:

(Thousands of euros)	**2011**
Proposed appropriation	
Profit for the year	56,105
	56,105
Appropriation to	
Legal reserve	3,589
Other reserves	6,192
Dividends	16,777
Final dividend	29,547
	56,105

3.1 Interim dividend

On November 24, 2011, the Board of Directors approved an interim dividend against 2011 profit of 16,777 thousand euros based on profit projections for the period. This dividend was paid on December 22, 2010. The amount of the dividend is less than the maximum limit established by prevailing legislation relating to distributable profit from the previous year end.

The following table shows the provisional statement issued by the directors to substantiate that the Company has sufficient liquidity to distribute this dividend:

(Thousands of euros)	
Available cash at November 10, 2011	8,022
Cash flows from/(used in) operating activities	
Trade and other receivables	172,684
Other income	105
Accounts payable and suppliers	(111,614)
Payments made to employees	(33,442)
Interest paid	(1,358)
Other payments	(4,500)
Cash flow related to investment activities	
Dividends	45,366
Purchases of property, plant and equipment	(19,800)
Cash flow related to financing activities	
Repayment of non-current borrowings	(1,352)
Dividends paid	(46,604)
Projected liquidity at November 10, 2012	**7,507**

3.2 Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 11.3).

Once the legal and company bylaw requirements have been met, dividends may only be distributed against profit for the year or freely distributable reserves, if the value of equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

The main recognition and measurement accounting policies applied in the preparation of these financial statements are the following:

4.1 Intangible assets

Intangible assets are initially measured at either acquisition or production cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment loss.

The Company assesses the intangible asset's useful life to be either finite or indefinite. At December 31, 2011 all the Company's assets had a finite useful life.

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

Concession rights

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

Software

"Software" includes the costs incurred by the Company to develop its own software, which meets the development expenses capitalization criteria defined above, in addition to the cost of acquiring software from third parties. These expenses are amortized on a straight-line basis over the useful life of the asset (five years).

Expenses for repairs which do not prolong the useful life of the assets, as well as expenses for maintenance, are taken to the income statement in the year incurred.

CO_2 emission rights

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

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

During 2009 and 2010, in compliance with Article 19.4 of Law 1/2005, dated March 9, the Company obtained an individual new entry assignment of emission rights from the Ministry of the Environment and Rural and Marine Affairs. These assignments are equivalent to 329,656 tons and 245,744 tons, respectively. For 2008-2012: 41,956 emission rights were assigned in respect of 2008, 101,894 rights for 2009 and 143,850 rights for each year thereafter.

Thus in 2011 the Company received 86,063 tons corresponding to the first plan and 71,925 tons for each of the new assignments in 2009 and 2010 related to new entries. The rights are recognized at their market price at January 1 each year, recording deferred income for the same amount.

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

4.2 Property, plant and equipment

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

Following initial measurement, they are stated at cost less accumulated depreciation and any recognized impairment loss.

The cost of assets acquired or produced subsequent to January 1, 2008 with installation periods exceeding one year includes financial expenses accrued prior to putting the assets to use when these expenses meet capitalization requirements.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized as an increase in the value of the item.

When available for use, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The estimated useful lives of property, plant, and equipment at year end 2011 and 2010 are as follows:

	Useful lives
Buildings	30 years
Plant and machinery	10 years
Furniture	10 years
Other property, plant and equipment	5-15 years

The Company reviews the assets' residual value, useful lives and depreciation methods at year end and adjusts them prospectively where applicable.

4.3 Impairment of non-financial assets

The Company assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication of impairment exists, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of the cash-generating unit's (CGU) fair value less cost to sell and value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. To assess value in use, expected future cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized.

4.4 Leases

Leases are considered to be financial leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred to the Company. All other lease arrangements are classified as operating leases.

Assets acquired under financial lease arrangements are recognized, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the income statement when accrued.

4.5 Financial assets

Recognition and measurement

Loans and receivables

The Company recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Company expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Following initial recognition, these financial assets are measured at amortized cost.

Nevertheless, non-trade receivables which mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, receivable dividends and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting cash flows is not significant.

Investments in group companies, joint ventures and associates

This category includes investments in companies in which the entity exercises control, joint control via company bylaw requirements or contractual arrangement, or has significant influence.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Investments in group companies are recognized, where applicable, based on accounting principles for transactions with group companies and those used for determining the cost of the business combination in accordance with the accounting policy governing business combinations (Note 4.20).

When an investment is newly classified as a Group company, joint venture or associate, the carrying amount of that investment immediately prior to its new classification is taken as the cost of that investment. If applicable, any unrealized value adjustments to the investment which have been previously recognized directly in equity are left in equity until the investment is either sold or impaired.

The initial value includes preferential subscription and similar rights acquired.

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

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Available-for-sale financial assets

This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. For equity instruments, initial value includes preferential subscription and similar rights.

After initial recognition, these assets are stated at fair value including any transaction costs which could be incurred when sold. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is taken to the income statement. However, foreign exchange gains and losses on monetary assets denominated in foreign currency are recognized in the income statement.

Equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Hedging derivatives

This category includes derivatives classified as hedging instruments.

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

Cancelation

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

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

The difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, plus any cumulative gain or loss directly recognized in equity, determines the gain or loss generated upon derecognition, and is included in the income statement in the year to which it relates.

Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income. Interest must be recognized using the effective interest rate method; dividends are recognized when the right to receive them is established.

Financial assets are recognized separately on initial measurement based on maturity, accrued explicit interest receivable at that date, and the proposed dividends up to the date the assets are acquired. Explicit interest refers to the contract interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since acquisition, the dividends are not recognized as income and decrease the cost of the investment.

4.6 Impairment of financial assets

The carrying amount of financial assets is adjusted against the income statement when there is objective evidence of actual impairment.

To determine impairment loss, the Company assesses the potential loss of individual as well as groups of assets with similar risk characteristics.

Debt instruments

There is objective evidence that debt instruments (trade receivables, loans and debt securities) are impaired when an event has occurred after the initial recognition of the instrument that has a negative impact on related estimated future cash flows.

The Company classifies as impaired assets (doubtful exposures) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidences the possible irrecoverability of total agreed-upon future cash flows or collection delays.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the balance sheet date is used. For trade and other receivables, the Company considers balances including items more than six months past due for which collection is uncertain, as well as balances of companies having declared a payment's moratorium, to be doubtful assets. The fair value is used instead of the present value of estimated future cash flows in the case of quoted instruments provided that it is considered sufficiently reliable.

When there is objective evidence of a decline in the fair value of "Available-for-sale financial assets" due to impairment, the underlying capital losses recognized as "Unrealized gains (losses) reserve" in equity are taken to the income statement.

The reversal of an impairment loss is recognized in the income statement. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

Equity instruments

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in fair value.

In the case of equity instruments included in "Available-for-sale financial assets" and "Investments in group companies, joint ventures and associates," impairment loss is measured as the difference between the carrying amount of the financial asset and the recoverable amount, which is the greater of the asset's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment of this type of asset is estimated taking into account the equity of the subsidiary, adjusted by any unrealized capital gain existing on the measurement date. Such losses are recorded in the income statement as a direct decline in value of the equity instrument.

For investments in group companies, joint ventures and associates, the reversal of an impairment loss is recognized in the income statement and is limited to the carrying value of the investment that would have been recognized on the reversal date had the original impairment not occurred.

4.7 Financial liabilities

Recognition and measurement

Trade and other payables

This category includes financial liabilities generated by the purchase of goods and services arising from trade transactions, and non-trade payables that are not derivative instruments.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Following initial recognition, these financial liabilities are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables which mature within less than one year with no contractual interest rate, as well as called-up payments on shares, the amount of which is expected in the short term, are carried at the nominal value when the effect of not discounting cash flows is not significant.

Hedging derivatives

This category includes derivatives classified as hedging instruments.

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

Cancellation

The Company derecognizes a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged, provided that their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of the derecognized financial asset (or part of it) and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

When debt instruments are exchanged whose contractual terms are not substantially different, the original financial liability is not derecognized, and the commissions paid are recognized as an adjustment to the carrying amount. The new amortized cost of a financial liability is determined by applying the effective interest rate, which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

4.8 Hedge accounting

The Company uses fair value hedges for trade receivables denominated in foreign currency, cash flow hedges on floating-rate loans and cash flow hedges attributable to the price of certain raw materials.

Transactions are only deemed hedges when they eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position (retrospective effectiveness).

The Company adequately documents the hedge, including how it intends to achieve and measure its effectiveness under its current risk management policy.

The hedge effectiveness is measured by testing to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the remaining term to maturity, and comply with forecasts established at the related contract dates.

If at any time financial derivatives do not qualify to be treated as hedges, they are reclassified as held-for-trading derivatives.

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

4.9 Treasury shares

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

4.10 Inventories

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

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

The Company measures inventory at weighted average cost.

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

4.11 Cash and cash equivalents

This heading includes cash and current accounts, as well as deposits which meet the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

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

4.12 Grants

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

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

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

4.13 Provisions

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

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

Provision for CO_2 emission rights

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

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

4.14 Provisions for long-term employee benefits

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

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

4.15 Income tax

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

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

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

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

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

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

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

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

4.16 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted to more than one year.

4.17 Income and expenses

In accordance with the accruals principle, income and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Trade receivables

Income is recognized when it is probable that the profit or economic benefits from the transaction will flow to the entity and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any discounts, rebates, and other similar items given by the Company, and any interest included in the nominal amount of loans. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

4.18 Transactions in foreign currency

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

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

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

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

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

4.19 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are expensed in the year to which they relate, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

4.20 Related-party transactions

Related-party transactions are measured as described above, except for the following:

- Non-monetary contributions from a business to a Group company are generally measured at the carrying amount of the assets delivered in the consolidated financial statements at the transaction date.
- In mergers and spin-offs the acquired assets are generally valued at their carrying amount in the consolidated financial statements after the transaction. Any differences are recognized in reserves.

The prices of related-party transactions are adequately documented; hence the Company's directors consider there to be no risk of significant liabilities arising from these.

4.21 Termination benefits

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

5. INTANGIBLE ASSETS

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
2011					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	7,907	1,065	-	55	9,027
Greenhouse gas emission rights	3,428	3,180	(2,360)	-	4,248
Payments on account for non-current intangible assets	208	109	-	(55)	262
	14,206	4,354	(2,360)	-	16,200
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(656)	(226)	-	-	(882)
Software	(5,545)	(587)	-	-	(6,132)
	(6,237)	(813)	-	-	(7,050)
Net carrying amount	**7,969**				**9,150**
2010					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	6,926	679	(2)	304	7,907
Greenhouse gas emission rights	2,444	3,326	(2,342)	-	3,428
Payments on account for non-current intangible assets	304	208	-	(304)	208
	12,337	4,213	(2,344)	-	14,206
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(131)	(525)	-	-	(656)
Software	(5,050)	(497)	2	-	(5,545)
	(5,217)	(1,022)	2	-	(6,237)
Net carrying amount	**7,120**				**7,969**

At December 31, 2011 and 2010, the cost value of fully amortized intangible assets amounted to 5,039 and 4,791 thousand euros, respectively.

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

5.1 Other information

The breakdown of intangible assets acquired from Group companies at December 31, 2011 is as follows:

(Thousands of euros)	2011	2010
Software		
Cost	168	8
Accumulated amortization	(3)	(1)
	165	**7**

At December 31, 2011 and 2010, the Company did not have any intangible assets located outside Spain, nor did it have any firm commitments to purchase items classified under this heading.

6. PROPERTY, PLANT, AND EQUIPMENT

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2011					
Cost					
Land	206	-	-	-	206
Buildings	23,181	960	-	249	24,390
Plant and other PP&E items	203,663	10,320	(1,608)	1,685	214,060
Property, plant, and equipment under construction and payments on account	1,991	1,234	-	(1,934)	1,291
	229,041	12,514	(1,608)	-	239,947
Accumulated depreciation					
Buildings	(11,301)	(772)	-	-	(12,073)
Plant and other PP&E items	(160,267)	(7,334)	1,608	-	(165,993)
	(171,568)	(8,106)	1,608	-	(178,066)
Impairment losses					
Buildings	(38)	-	2	-	(36)
	(38)	-	2	-	(36)
Net carrying amount	**57,435**				**61,845**
2010					
Cost					
Land	206	-	-	-	206
Buildings	23,185	-	(4)	-	23,181
Plant and other PP&E items	201,641	4,933	(3,329)	418	203,663
Property, plant, and equipment under construction and payments on account	486	1,923	-	(418)	1,991
	225,518	6,856	(3,333)	-	229,041
Accumulated depreciation					
Buildings	(10,541)	(761)	1	-	(11,301)
Plant and other PP&E items	(156,383)	(7,202)	3,318	-	(160,267)
	(166,924)	(7,963)	3,319	-	(171,568)
Impairment losses					
Buildings	(40)	-	2	-	(38)
	(40)	-	2	-	(38)
Net carrying amount	**58,554**				**57,435**

6.1 Significant movements

Additions in 2011 and 2010 mainly relate to machinery acquired to improve productivity and increase capacity at the Company's manufacturing plants. "Property, plant and equipment under construction and prepayments" under non-current assets at December 31, 2011 relates mainly to prepayments for machinery (Note 6.4)

The Company took advantage of the tax provisions included in Regional Law 23/1996 regarding the remeasurement of assets and that year increased the cost and cumulative depreciation of its property, plant and equipment, which gave rise to net unrealized gains of 9,282 thousand euros (Note 11.4). The net carrying amount of these assets at year end 2011 and 2010 is 527 thousand and 608 thousand euros, respectively, while depreciation for these years amounted to 81 thousand euros and 88 thousand euros, respectively.

6.2 Finance leases

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

(Thousands of euros)	2011	2010
Plant		
Cost	245	222
Accumulated depreciation	(42)	(21)
	203	**201**

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

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

	2011		2010	
(Thousands of euros)	Future minimum payments	Present value (Note 15.1)	Future minimum payments	Present value (Note 15.1)
Within one year	85	83	73	68
Between one and four years	45	44	92	91
	130	**127**	**165**	**159**

The principal terms of finance lease agreements are as follows:

- The lease is for a term between 2 and 4 years.
- The interest rate is floating and is linked to 12-month Euribor plus a fixed spread of between 1.1 and 1.5 percentage points.
- Repair and maintenance expenses are assumed by the lessor.
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

6.3 Operating leases

The Company rents the building in Urdiáin (Navarra) where it carries out its activity and a commercial office in Moscow at an annual total cost of 95 thousand euros during 2011 and 2010 each. The Company rents the Urdiáin building under a lease agreement which is tacitly renewed each year. The agreement signed in respect of the commercial office is likewise for one year, renewable annually. Neither includes a purchase option.

In addition, the Company signed a lease agreement for the office building in Tajonar (Navarra) in 2008 that expires on December 15, 2028. Thereafter the agreement may be extended provided that both parties express their agreement in writing at least six months before it expires.

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

(Thousands of euros)	2011	2010
Within one year	264	264
Between one and five years	1,057	1,057
More than five years	3,171	3,435
	4,492	**4,756**

6.4 Other disclosures

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

(Thousands of euros)	2011	2010
Plant and machinery		
Cost	2,311	2,310
Accumulated depreciation	(2,097)	(2,057)
Other property, plant and equipment		
Cost	34	34
Accumulated depreciation	(34)	(34)
Property, plant, and equipment under construction	147	-
	361	**253**

At December 31, 2011 and 2010 there were property, plant, and equipment items located outside Spain, recognized at 25 and 29 thousand euros respectively.

At December 31 of 2011 and 2010, the Company had firm purchase commitments for property, plant, and equipment totaling 2,170 and 3,020 thousand euros, from investments under construction or prepayments made (Note 6.1) which will be financed with Company capital or undrawn credit facilities.

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

(Thousands of euros)	2011	2010
Buildings	1,873	1,701
Plant and machinery	110,258	110,128
Plant and other PP&E items	17,813	16,630
Property, plant, and equipment	5,906	5,088
	135,849	**133,547**

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

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

7. INVESTMENTS IN GROUP COMPANIES, JOINT VENTURES, AND ASSOCIATES

The movements in the items composing "Investments in group companies, joint ventures and associates" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
2011					
Equity instruments	259,611	11,900	-	-	271,511
	259,611				**271,511**
2010					
Equity instruments	260,208	7,069	(7,666)	-	259,611
Impairment losses	(5,456)	-	5,456	-	-
	254,752				**259,611**

In 2011 the Company carried out the following transactions:

- It paid 2.9 million euros, corresponding to 20% of the 14,5 million euro Viscofan Technology (Suzhou) Co. Ltd. capital increase carried out in 2011. The Company will pay in the remaining 80% within a maximum period of two years. This capital increase is being carried out to finance the investments of this branch.
- It fully paid in the 9 million euro capital increase carried out by Koteks Viscofan, d.o.o, to finance the investments made and the needs for working capital arising out of a substantial increase in activity.

In 2010 the Company carried out the following transactions:

- It paid in 3.95 million euros, corresponding to the amount pending at December 31, 2009 to fully pay in the capital of Viscofan Technology (Suzhou) Co. Ltd. (China).
- It fully subscribed a capital increase of 1.98 million euros carried out by Koteks Viscofan, d.o.o.
- It carried out a restructuring to reduce and simplify the Group's company structure:
  a. In July 2010, the Company purchased all the shares of Stephan & Hoffmann AG (Germany) at a cost of 1.13 million euros from Naturin Inc. Delaware (USA), a wholly owned subsidiary.
  b. After the purchase-sale of the Stephan & Hoffmann AG shares, Naturin Inc. Delaware was liquidated since its sole activity was as a holding company for the shares in the German company, which were its main asset.

c. Stephan & Hoffmann AG and Naturin Viscofan, Gmbh, both German companies wholly owned by Viscofan, S.A., were merged.

- In December 2010 Viscofan Poland Sp.z.o.o. was liquidated. As a result of this company's liquidation, 447 thousand euros related to the cost of the investment at December 31, 2009 were derecognized. The company's activity was merely commercial and was transferred to other Group companies.

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

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

	Thousands of euros			Local currency (thousands)					
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2011									
Industrias Alimentarias de Navarra, S.A.U.	15,602	1,500	100%	EUR	10,938	33,839	3,950	48,727	5,143
Naturin Viscofan, GMBH	90,570	11,002	100%	EUR	29,604	18,304	13,955	61,863	20,205
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	17,699	100%	BRL	86,868	47,552	35,230	169,650	47,277
Gamex CB Sro	7,498	230	100%	CZK	250,000	25,000	45,542	320,542	57,932
Viscofan USA Inc.	34,729	-	100%	USD	35,587	46,902	12,488	94,977	18,696
Viscofan UK LTD	1,841	-	100%	GBP	10	1,844	49	1,903	78
Viscofan CZ, S.r.o	10,503	8,041	100%	CZK	345,200	508,894	449,159	1,303,253	409,893
Viscofan de México S.R.L. de C.V.(1)	13,741	1,347	99,99%	MXP	219,777	251,671	186,848	658,296	235,346
Viscofan Centroamérica Comercial, S.A.(1)	166	-	99,50%	USD	200	588	81	869	124
Koteks Viscofan, d.o.o.	33,307	-	100%	RSD	3,028,896	(1,093,783)	910,056	2,845,169	487,461
Viscofan de México Servicios, S.R.L. de C.V.(1)	16	-	99,99%	MXP	103	3,229	4,467	7,799	7,868
Viscofan Technology (Suzhou) Co. Ltd	10,400	-	100%	CNY	94,556	(12,500)	1,100	83,156	(1,661)
	271,511	**39,819**							
2010									
Industrias Alimentarias de Navarra, S.A.U.	15,602	1,000	100%	EUR	10,938	31,525	3,814	46,277	4,907
Naturin Viscofan, GMBH	90,570	9,061	100%	EUR	29,604	20,678	8,628	58,910	11,047
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	23,162	100%	BRL	86,868	41,722	47,392	175,982	66,341
Gamex CB Sro	7,498	2,146	100%	CZK	250,000	25,022	5,542	280,564	10,943
Viscofan USA Inc.	34,729	-	100%	USD	35,587	34,056	12,846	82,489	19,283
Naturin LTD	1,841	-	100%	GBP	10	1,772	72	1,854	113
Viscofan CZ, S.r.o	10,503	5,932	100%	CZK	345,200	309,999	393,330	1,048,529	467,062
Viscofan de México S.R.L. de C.V.(1)	13,741	3,664	99,99%	MXP	219,777	139,005	135,925	494,707	211,770
Viscofan Centroamérica Comercial, S.A.(1)	166	-	99,50%	USD	200	514	74	788	52
Koteks Viscofan, d.o.o.	24,307	-	100%	RSD	2,156,842	(1,121,801)	28,018	1,063,059	212,747
Viscofan de México Servicios, S.R.L. de C.V.(1)	16	234	99,99%	MXP	103	3,482	(253)	3,332	532
Viscofan Technology (Suzhou) Co. Ltd	7,500	-	100%	CNY	69,098	(1,343)	(11,157)	56,598	(10,992)
	259,611	**45,199**							

(1) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies.

The operating profit (loss) of the group companies, joint ventures and associates shown in the above table correspond entirely to continuing operations. None of the companies is listed on the stock exchange.

The description of the main activity and registered address of each of the companies listed above at December 31 2011 is as follows:

Company	Activity	Registered office
Industrias Alimentarias de Navarra, S.A.U.	Manufacture and sale of preserved vegetables	Villafranca (Navarra)
Naturin Viscofan GMBH	Manufacture and sale of artificial casings	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda	Manufacture and sale of artificial casings	Sao Paulo (Brazil)
Gamex CB Sro	Renting of an industrial warehouse where Viscofan CZ, S.r.o carries out activities / Other services	Ceske Budejovice (Czech Republic)
Viscofan USA Inc	Manufacture and sale of artificial casings	Montgomery (USA)
Viscofan UK LTD	Commercial office	Seven Oaks (UK)
Viscofan CZ, S.r.o	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	Manufacture and sale of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	Commercial office	San José (Costa Rica)
Koteks Viscofan, d.o.o.	Manufacture and sale of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	Service company	Zacapu Michoacán (Mexico)
Viscofan Technology (Suzhou) Co. Ltd.	Manufacture and sale of artificial casings	Suzhou (China)

All companies have performed favorably, obtaining positive results, except for Viscofan Technology (Suzhou) Co. Ltd, whose negative operating results were the consequence of initiating its activities and in any case they are lower than those forecast in its business plan, which has nonetheless been fulfilled in all its main performance indicators. Thus, given the positive developments, no impairment losses were recognized.

Information on indirect investments in group companies and associates at December 31, 2011 is as follows:

Company	Indirect investment	Activity	Registered office
IAN Perú, S.A.	100%	Asparagus production	Cañete (Peru)
Lingbao Baolihao Food	100%	Asparagus production	Lingbao (China)
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial office	St, Laurent, Québec (Canada)

8 FINANCIAL ASSETS

The breakdown of financial assets, except for the investments in group companies, joint ventures and associates (Note 7), at December 31 is as follows:

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Non-current financial assets						
Held-to-maturity investments	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	67	67	-	-	67	67
	67	67	48	48	115	115
Current financial assets						
Held-to-maturity investments	-	-	11,006	3,004	11,006	3,004
Loans and receivables	-	-	39,072	35,800	39,072	35,800
Available-for-sale financial assets						
Measured at fair value	-	-	-	-	-	-
Hedging derivatives (Note 15)	-	-	384	3,271	384	3,271
	-	-	50,462	42,075	50,462	42,075
	67	**67**	**50,510**	**42,123**	**50,577**	**42,190**

These amounts are disclosed in the balance sheet as follows:

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Non-current financial assets						
Investments	67	67	48	48	115	115
	67	67	48	48	115	115
Current financial assets						
Trade and other receivables	-	-	38,235	33,436	38,235	33,436
Investments in group companies and associates						
Loans to companies	-	-	602	2,085	602	2,085
Loans and receivables	-	-	235	279	235	279
Investments						
Hedging derivatives	-	-	384	3,271	384	3,271
Current financial investments	-	-	11,006	3,004	11,006	3,004
	-	-	50,462	42,075	50,462	42,075
	67	**67**	**50,510**	**42,123**	**50,577**	**42,190**

8.1 Loans and receivables

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

(Thousands of euros)	2011	2010
Non-current financial assets		
Deposits given and prepayments	48	48
	48	**48**
Current financial assets		
Trade and other receivables	38,235	33,436
Loans to group companies (Note 19.1)	500	2,000
Short-term interest on loans granted to group companies (Note 19.1)	102	85
Dividends receivable from group companies (Note 19.1)	235	279
	39,072	**35,800**

Trade and other receivables

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

(Thousands of euros)	2011	2010
Trade receivables	23,658	21,604
Receivable from group companies and associate (Note 19.1)	11,044	8,871
Other receivables	239	342
Receivables from employees	34	66
Other receivables from public administrations (Note 16)	3,260	2,553
	38,235	**33,436**

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

(Thousands of euros)	2011	2010
US Dollar	14,638	13,118
Canadian Dollar	-	510
Japanese Yen	11	137
Pounds Sterling	2,474	786
Polish Zloty	-	26
	17,123	**14,577**

Impairment losses

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

(Thousands of euros)	2011	2010
Balance at January 1	194	278
Allowance for the year	-	25
Amounts applied during the year	(171)	(84)
Transfer to irrecoverable debts	(2)	(25)
Balance at December 31	**21**	**194**

Loans to Group companies

At December 31, 2011, the amount under this heading corresponds to a loan granted to Viscofan Technology (Suzhou) Co. Ltd., maturing on September 8, 2012. The loan bears interest equivalent to 90-day Euribor plus 2 percentage points.

At December 31, 2010 the Company held a loan granted to Koteks Viscofan, d.o.o, which was cancelled on June 1, 2011.

8.2 Hedging derivatives

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

	2011		2010	
(Thousands of euros)	Notional in euros	Fair value	Notional in euros	Fair value
Exchange rate hedges (note 15.2)	-	-	31,114	577
Raw materials interest rate swap	-	384	-	2,694
	-	**384**	**31,114**	**3,271**

Commodity swaps

The Company contracted two swaps in 2009 relating to the cost of gas and for a notional amount of 666,666 KWh, each maturing on a monthly basis for 1/12 of the notional amount. Said contracts were being settled in 2010 and 2011, the final amounts maturing in January 2012. The Group thus hedged 2/3 of gas consumption in Spain for the period in question, for which 1,7270 euro cents per KWh (until January 2011) and 1,7915 euro cents per KWh (until January 2012) were paid, based on a valuation formula that, among other variables, included Brent forward prices. The Company aims to mitigate any negative effects of varying energy prices in this manner.

9. INVENTORIES

The movements in "Impairment losses" are as follows:

(Thousands of euros)	Goods for resale, raw material and other consumables	Work in progress and finished products	Total
2011			
Balance at January 1	842	463	1,305
Impairment losses	7	166	173
Recoveries in value	(45)	-	(45)
Balance at December 31	**804**	**629**	**1,433**
2010			
Balance at January 1	406	1,109	1,515
Impairment losses	436	-	436
Recoveries in value	-	(646)	(646)
Balance at December 31	**842**	**463**	**1,305**

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

At December 31, 2011 and 2010 there were no firm purchase commitments for raw materials or for the sale of finished goods other than those related to purchase and sales orders from the Company's normal business activity.

The company has arranged insurance policies which guarantee recovery of the carrying amount of inventories in the event of possible damage affecting their use or sale.

10. CASH AND CASH EQUIVALENTS

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

(Thousands of euros)	2011	2010
Cash	25	24
Current accounts	51	31,223
Bank deposits	-	5,000
	76	**36,247**

Current accounts were at market interest rates.

The bank deposits at December 31, 2010 matured on March 23, 2011 and earned interest at 2.8%.

Cash and cash equivalents are unrestricted.

11. EQUITY – CAPITAL AND RESERVES

11.1 Issued capital

At December 31, 2010, the Company's share capital consisted of 46,603,682 bearer shares with a par value of 0.30 euros each. The shares were fully subscribed and paid in.

On April 14, 2011 the Company's General Shareholders Meeting approved a 13,515 thousand euro capital reduction by reducing the par value of the shares from 0.30 to 0.01 euros per share, so as to partially return the contributed amounts.

In addition, the same General Shareholders Meeting approved a 32,157 thousand euro capital increase by raising the share par value by 0.69 euros. This capital increase was charged to freely distributable reserves.

At December 31, 2011, the Company's share capital consisted of 46,603,682 bearer shares with a par value of 0.70 euros each. All shares are the same type and bear the same voting and economic rights.

At December 31, 2011 and 2010 the Company had no shareholders whose ownership interest was more than 10%.

At December 31, 2011 and 2010, the Company did not own any treasury shares.

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

11.2 Share premium

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

(Thousands of euros)	2011	2010
Balance at January 1	12	16,650
Partial repayment of share premium	-	(16,638)
Balance at December 31	**12**	**12**

On June 01, 2010 the shareholders at their general meeting agreed to partial repayment of share premium of 0,357 euros per share, which was paid to shareholders on June 23, 2010.

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

11.3 Reserves

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

(Thousands of euros)	Balance at January 1	Capital increase	Appropriation of results	Transfers	Balance at December 31
2011					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,670	-	-	(103)	8,567
Merger reserves	119	-	-	-	119
Voluntary reserves	238,581	(32,157)	39,491	103	246,018
	250,305	**(32,157)**	**39,491**	**-**	**257,639**
2010					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,905	-	-	(235)	8,670
Merger reserves	119	-	-	-	119
Voluntary reserves	211,167	-	27,179	235	238,581
	223,126	**-**	**27,179**	**-**	**250,305**

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

11.4 Revaluation reserve Navarra Regional Law 23/1996

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

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

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

11.5 Voluntary reserves and merger reserves

These reserves are freely distributable.

12. EQUITY – NET UNREALIZED GAINS (LOSSES) RESERVE

The movements in the items composing "Unrealized gains (losses) reserve" are as follows:

(Thousands of euros)	Balance at January 1	**Income / (expenses))**	**Tax effect of income/ (expense)**	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2011						
Cash flow hedges						
Exchange rate hedges	387	(747)	224	(553)	166	(523)
Interest rate hedges	(61)	-	-	38	(11)	(34)
Raw materials (gas)	1.886	291	(87)	(2.601)	780	269
	2.212	**(456)**	**137**	**(3.116)**	**935**	**(288)**
2010						
Cash flow hedges						
Exchange rate hedges	316	552	(166)	(451)	136	387
Interest rate hedges	(54)	(87)	26	78	(24)	(61)
Raw materials (gas)	885	2.125	(637)	(696)	209	1.886
	1.147	**2.590**	**(777)**	**(1.069)**	**321**	**2.212**

13. EQUITY – GRANTS RECEIVED

The movements in the items composing "Non-repayable grants" are as follows:

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2011						
Non-repayable grants	105	1,335	(401)	(54)	16	1,001
Grants for greenhouse gas emission rights	748	3,180	(954)	(2,442)	733	1,265
	853	**4,515**	**(1,355)**	**(2,496)**	**749**	**2,266**
2010						
Non-repayable grants	117	14	(4)	(31)	9	105
Grants for greenhouse gas emission rights	71	3,326	(998)	(2,359)	708	748
	188	**3,340**	**(1,002)**	**(2,390)**	**717**	**853**

"Grants for greenhouse gas emissions" includes the amount of those rights which the Company has not yet consumed (Notes 5 and 14). At December 31, 2011 and 2010, the Company had 133,111 and 83,178 unused emission rights, respectively.

Throughout 2011 and 2010, the Company received grants related to income totaling 570 and 454 thousand euros, respectively. These grants basically financed R&D expenses during both years, as well as training given to Company staff.

14. PROVISIONS AND CONTINGENCIES

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

(Thousands of euros)	Current	Total
2011		
Provision for greenhouse gas emission rights	2,442	2,442
	2,442	**2,442**
2010		
Provision for greenhouse gas emission rights	2,360	2,360
	2,360	**2,360**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized and payments	Balance at December 31
2011				
Provision for greenhouse gas emission rights	2,360	2,442	(2,360)	2,442
	2,360	**2,442**	**(2,360)**	**2,442**
2010				
Provisions for termination benefits and commitments with personnel	601	-	(601)	-
Provision for greenhouse gas emission rights	2,342	2,360	(2,342)	2,360
	2,943	**2,360**	**(2,943)**	**2,360**

15. FINANCIAL LIABILITIES

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

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2011	2010	2011	2010	2011	2010
Non-current financial liabilities						
Trade and other payables	8,072	15,965	3,730	4,333	11,802	20,298
	8,072	15,965	3,730	4,333	11,802	20,298
Current financial liabilities						
Trade and other payables	24,850	42,817	34,462	32,290	59,312	75,107
Hedging derivatives	-	-	1,217	87	1,217	87
	24,850	42,817	35,679	32,377	60,529	75,194
	32,922	**58,782**	**39,409**	**36,710**	**72,331**	**95,492**

These amounts are disclosed in the balance sheet as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2011	2010	2011	2010	2011	2010
Non-current financial liabilities						
Borrowings	8,072	15,965	3,730	4,333	11,802	20,298
	8,072	15,965	3,730	4,333	11,802	20,298
Current financial liabilities						
Borrowings	24,850	42,817	5,259	5,565	30,109	48,382
Borrowings from group companies and associates	-	-	7,227	6,968	7,227	6,968
Trade and other payables	-	-	23,193	19,844	23,193	19,844
	24,850	42,817	35,679	32,377	60,529	75,194
	32,922	**58,782**	**39,409**	**36,710**	**72,331**	**95,492**

15.1 Bank borrowings

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

(Thousands of euros)	2011	2010
Non-current		
Loans and borrowings	8,028	15,874
Obligations under finance leases (Note 6.2)	44	91
	8,072	15,965
Current		
Loans and borrowings	24,744	42,681
Obligations under finance leases (Note 6.2)	83	68
Accrued interest payable	23	68
	24,850	42,817
	32,922	**58,782**

Loans and borrowings

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

	2011		2010	
(Thousands of euros)	Amount pending payment	Accrued finance cost (Note 17,6)	Amount pending payment	Accrued finance cost (Note 17,6)
Loans	15,879	522	24,307	580
Borrowings	16,893	542	34,248	464
	32,772	**1,064**	**58,555**	**1,044**

The loans and borrowings accrue floating interest at market rates.

At December 31 2011 and 2010, the Company has been granted credit facilities up to a total limit of 28,000 and 35,005 thousand euros, respectively.

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

(Thousands of euros)	2011	2010
1 - 2 years	6,257	7,852
2 - 3 years	1,771	6,251
3 - 4 years	-	1,771
	8,028	**15,874**

As of December 31, 2011 and 2010 the Company had no discount line facilities.

15.2 Derivatives and other financial liabilities

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

(Thousands of euros)	2011	2010
Non-current		
Loans at a subsidized interest rate	3,730	4,333
	3,730	**4,333**
Current		
Borrowings from group companies and associates (Note 19.1)	7,227	6,968
Trade and other payables	23,193	19,844
Loans at a subsidized interest rate	1,010	974
Payable to shareholders and directors (Note 19.2)	1,716	2,073
Payable to suppliers of non-current assets	1,308	2,425
Other borrowings	8	6
Hedging derivatives	1,217	87
	35,679	**32,377**

Loans at a subsidized interest rate

At December 31, 2011 and 2010 the Company has obtained loans at a subsidized interest rate from entities reporting to the Navarre Regional Government, the CDTI (Industrial Technological Development Center) and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the related implicit interest accrued by these as a result of discounting the cash flows on the basis of market interest rates at the date obtained.

	2011		2010	
(Thousand of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	4,297	3,730	5,075	4,333
Current				
Loans at a subsidized interest rate	1,032	1,010	974	974
	5,329	**4,740**	**6,049**	**5,307**

The total amount recognized under finance costs in during 2011 and 2010 corresponding to these loans are 207 and 239 thousand euros, respectively (Note 17.5).

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

(Thousand of euros)	2011	2010
1 - 2 years	1,204	952
2 - 5 years	1,106	1,042
3 - 5 years	932	724
4 - 5 years	488	554
More than 5 years	-	1,061
	3,730	**4,333**

Payable to suppliers of non-current assets

"Suppliers of non-current assets" basically includes suppliers of machinery acquired by the Company.

Hedging derivatives

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

	2011		2010	
(Thousands of euros)	**Notional value**	**Fair value**	**Notional value**	**Fair value**
Exchange rate hedges	32,347	(1,167)	-	-
Interest rate swap	4,375	(50)	6,875	(87)
		(1,217)		**(87)**

Exchange rate hedges

At December 31, 2011 the fair value of exchange rate hedges amounted to -1,167 thousand euros (2010: 577 thousand euros) (Note 8.2). Of this amount, - 420 thousand euros (2010: 24 thousand euros) have already been recognized in the income statement for the corresponding year since they are linked to sales transactions already carried out whose related trade receivables denominated in foreign currency were recognized at the year-end exchange rate. The remaining amount, i.e., -747 thousand euros (2010: 553 thousand euros) was recognized directly in equity net of the related tax effect, as these amounts correspond to exchange rate hedges that are to be sold in the following year. Thus, there were no receivables related to the hedges at December 31.

Interest rate swap

During 2009, the Company signed two swap agreements for which it pays a fixed interest of 2,07% (swap 1) and 2,29% (swap 2), at a three-month floating Euribor rate. Both swaps were designated as cash flow hedges of the interest rate risk inherent in the loans.

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

	2011		2010	
(Thousands of euros)	**Swap 1**	**Swap 2**	**Swap 1**	**Swap 2**
Less than one year	1.250	1.250	1.250	1.250
1 - 2 years	625	1.250	1.250	1.250
2 - 3 years	-	-	625	1.250
	1.875	**2.500**	**3.125**	**3.750**

Trade and other payables

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

(Thousands of euros)	2011	2010
Suppliers	2,398	3,711
Suppliers, group companies and associates (Note 19.1)	1,410	1,279
Other payables	8,555	7,127
Employee benefits payable	1,083	1,274
Current deferred tax liabilities (Note 16)	4,400	2,143
Other payables to public administrations (Note 16)	5,063	4,053
Customer advances	284	257
	23,193	**19,844**

16. TAXES

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

(Thousands of euros)	2011	2010
Deferred tax assets		
Temporary differences	375	251
Unused tax credits and rebates	-	267
Other payables to public administrations		
VAT	3,177	2,217
Grants received	83	241
Withholdings and payments on account	-	95
	3,635	**3,071**
Deferred tax liabilities	(1,982)	(5,112)
Current income tax liabilities (Note 15.2)	(4,400)	(2,143)
Other payables to public administrations (Note 15.2)		
Personal income tax withholdings	(4,456)	(3,395)
Social security	(607)	(658)
	(11,445)	**(11,308)**

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years. The Company's directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

16.1 Income tax

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

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
2011						
Income and expenses for the year						
Continuing operations			56,105			(1,087)
Discontinuing operations			-			-
			56,105			(1,087)
Income tax						
Continuing operations			4,065			(466)
Discontinuing operations			-			-
			4,065			(466)
Income and expenses for the year before tax			60,170			(1,553)
Permanent differences	205	(39,044)	(38,839)	-	-	-
Temporary differences						
Arising in 2011	720	-	720	-	(4,059)	(4,059)
Arising in prior years	8,880	(940)	7,940	5,612	-	5,612
Tax result			**29,991**			**-**
2010						
Income and expenses for the year						
Continuing operations			62,979			1,730
Discontinuing operations			-			-
			62,979			1,730
Income tax						
Continuing operations			4,037			741
Discontinuing operations			-			-
			4,037			741
Income and expenses for the year before tax			67,016			2,471
Permanent differences	226	(48,513)	(48,287)	-	-	-
Temporary differences						
Arising in 2010	837	(1,560)	(723)	-	(5,930)	(5,930)
Arising in prior years	-	(1,108)	(1,108)	3,459	-	3,459
Tax result			**16,898**			**-**

Increases from permanent differences are due to non-deductible expenses relating to the per diems paid to shareholders for attending general meetings. The decreases are due to the 50% reduction in taxable profit generated by royalties collected from subsidiaries located abroad as well as international double taxation relief in relation to dividends from entities not resident in Spain.

The increase in temporary differences arising from prior years is due to the reversal of prior year tax impairment losses related to the value of shareholdings in Koteks Viscofan, d.o.o and Viscofan Technology (Suzhou) Co. Ltd. This reversal is the result of improvement in the results of Koteks Viscofan, d.o.o and also the effect of remeasuring foreign currency in the case of Viscofan Technology (Suzhou) Co. Ltd.

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

(Thousands of euros)	2011		2010	
	Income statement	Income and expense recognized directly in equity	Income statement	Income and expense recognized directly in equity
Income and expenses for the year before tax	60,170	(1,553)	67,016	2,471
Tax charge (tax rate: 30%)	18,051	(466)	20,104	742
Deduction for double taxation on dividends	(450)	-	(300)	-
Deduction for international double taxation (royalties and other services)	(386)	-	(165)	-
Deductions for research and development	(1,128)	-	(841)	-
Investment tax credits	(1,272)	-	(862)	-
Deductions from foreign investments	-	-	(197)	-
Impact of permanent differences	(11,652)	-	(14,487)	-
Tax expense (income)	**3,163**	**(466)**	**3,252**	**742**
Tax paid abroad (*)	902		785	
Tax expense (income)	**4,065**	**(466)**	**4,037**	**742**

(*) Amounts prepaid abroad for services, royalties and other items.

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

(Thousands of euros)	2011		2010	
	Income statement	Recognized directly in equity	Income statement	Recognized directly in equity
Current income tax	5,684	-	2,248	-
Changes in deferred taxes				
From cash flow hedges	-	(1,072)	-	457
Grants, donations and bequests received	-	606	-	285
Other temporary differences	(2,788)	-	549	-
Deductions generated	(3,236)	-	(2,365)	-
Deductions applied	3,503	-	2,820	-
	3,163	**(466)**	**3,252**	**742**

Refundable income tax was calculated as follows:

(Thousands of euros)	2011	2010
Current income tax	5,684	2,248
Withholdings	(1,284)	(105)
Income tax payable	**4,400**	**2,143**

16.2 Deferred tax assets and liabilities

The movements in the items composing "Deferred tax assets and liabilities" are as follows:

(Thousands of euros)	Balance at January 1	Change in Income statement	Change in Equity	Balance at January 1
2011				
Deferred tax assets				
Trade receivables	65	(65)	-	-
Inventories	36	36	-	72
Deductions pending application	267	(267)	-	-
Depreciation and amortization	-	87	-	87
Other financial assets	150	66	-	216
	518	(143)	-	375
Deferred tax liabilities				
Non-current investments in group companies	(3,798)	2,664	-	(1,134)
Cash flow hedges	(949)	-	1,072	123
Non-repayable grants	(365)	-	(606)	(971)
	(5,112)	2,664	466	(1,982)
	(4,594)	**2,521**	**466**	**(1,607)**
2010				
Deferred tax assets				
Trade receivables	111	(46)	-	65
Inventories	36	-	-	36
Deductions pending application	741	(474)	-	267
Other financial assets	185	(35)	-	150
	1,073	(555)	-	518
Deferred tax liabilities				
Non-current investments in group companies	(3,330)	(468)	-	(3,798)
Cash flow hedges	(492)	-	(457)	(949)
Non-repayable grants	(80)	-	(285)	(365)
	(3,902)	(468)	(742)	(5,112)
	(2,829)	**(1,023)**	**(742)**	**(4,594)**

17. INCOME AND EXPENSES

17.1 Revenue

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

(Thousands of euros)	2011	2010
By business segment		
Sale of meat, cellulose, plastic and collagen casings	112,843	108,485
Sale of replacement parts and machinery	6,597	5,161
Sale of energy	34,576	32,805
Other sales	104	90
Services provided	628	518
	154,748	**147,059**
By market segments		
National market	46,429	43,143
Foreign market	108,319	103,916
	154.748	**147,059**

Given that a significant percentage of exports were to group companies, the sales to third parties were not significant enough to warrant a breakdown by geographical area.

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2011	2010
Consumption of raw materials and other consumables		
Purchases in Spain	9,102	6,604
EU acquisitions	14,009	10,394
Imports	348	2,193
Changes in raw material and other consumables	114	(378)
	23,573	**18,813**

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

(Thousands of euros)	2011	2010
Purchases of goods for resale		
Purchases in Spain	6,363	5,969
EU acquisitions	12,449	10,027
Imports	2,803	1,809
Change in goods for resale	201	(646)
	21,816	**17,159**

17.3 Social security costs, et al

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

(Thousands of euros)	2011	2010
Social security	5,815	5,487
Other employee welfare expenses	909	1,001
	6,724	**6,488**

17.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2011	2010
Research expenses	629	882
Lease payments	1,001	785
Repairs and maintenance	11,344	11,324
Independent professional services	3,884	4,220
Transportation services	1,891	1,891
Insurance premiums	2,083	2,249
Bank services	150	138
Publicity, advertising, and public relations	567	711
Utilities	28,776	25,674
Other services	5,057	5,002
	55,382	**52,876**

17.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2011	2010
Loans	710	741
Credits	542	464
Loans with subsidized interest rates (Note 15.2)	207	239
Other financial liabilities	1	2
	1,460	**1,446**

18. FOREIGN CURRENCY

The breakdown of transactions carried out in currencies other than the euro is as follows:

(Thousands of euros)	2011	2010
Revenue		
Sales	66,699	65,353
Goods for consumption		
Purchases of raw materials and other consumables	(8,373)	(7,599)
Purchases of goods for resale	(880)	(697)
Other operating income		
Ancillary income	172	164
Employee benefits expense		
Wages and salaries	(78)	(74)
Social security costs, et al,	(7)	(7)
Other operating expenses		
External services	(2,315)	(2,370)
Losses on, impairment of and change in trade provisions	-	(187)

19. RELATED PARTY DISCLOSURES

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

19.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2011		
Customers (Note 8.1)	11,012	32
Current loans (Note 8.1)	602	-
Current dividends receivable	235	-
Suppliers (Note 15.2)	(1,410)	-
Current accounts payable (Note 15.2)	(7,227)	-
2010		
Customers (Note 8.1)	8,215	656
Current loans (Note 8.1)	2,085	-
Current dividends receivable	279	-
Suppliers (Note 15.2)	(1,279)	-
Current accounts payable (Note 15.2)	(6,968)	-

Transactions entered into with related parties were as follows:

(Thousands of euros)	2011		2010	
	Direct parent	Companies with an indirect investment	Direct parent	Companies with an indirect investment
Revenue				
Sale of casings	40,774	1,288	39,699	1,884
Sale of replacement parts and machinery	5,374	29	4,836	41
Services provided	628	-	518	-
Goods for consumption				
Purchases of casings and other	(18,726)	-	(14,020)	-
Other income				
Other operating income	5,163	164	4,967	169
Employee benefits expense				
Other employee benefits expense	(2)	-	(3)	-
Other operating expenses				
External services	(298)	-	(1,129)	-
Net finance income (expense)				
Finance income - dividends	39,819	-	45,199	-
Finance income - interest	18	-	25	-
Revenue	(188)	-	161	-

19.2 Directors and senior executives

Members of the Board of Directors only receive the remuneration stipulated in Articles 27 and 30 of Company bylaws: 1,5% of the Company's pre-tax profit for the Board, and 1,5% of the Company's pre-tax profit for the Executive Committee. Based on the abovementioned Articles and Statutes, the Board of Directors and Executive Committee decide on the distribution among the respective members of these bodies.

The breakdown of the remuneration is as follows:

Name	Committee	Board	Per diems		Boards of other group companies	Total
			Audit committee	Board of directors		
2011	898,461	816,464	64,000	82,000	439,356	2,300,281
2010	1,001,342	921,342	70,000	80,000	244,800	2,317,484

At December 31, 2011 and 2010, the Company had no pension plans or life insurance policies for former or current members of the Board of Directors nor had it given any guarantees on their behalf. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2011 and 2010 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

Viscofan's directors have communicated that insofar as articles 229 and 230 of the Capital Companies Law are concerned they do not have any conflicts of interest with the Company. They have stated that they do not have equity interests, hold positions or carry out duties in companies with identical, similar or complementary activities to those of the company, other than those described below.

Name	Company	Position
Mr. José Domingo de Ampuero y Osma	Naturin Viscofan GMBH	Chairman, Board of directors
	Viscofan UK Limited	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ, s.r.o.	Chairman, Board of directors
	Viscofan USA Inc.	Chairman, Board of directors
	Viscofan Technology Suzhou Co. Ltd.	Chairman, Board of directors
	Viscofan Centroamérica Comercial, S.A.	Chairman, Board of directors
	Viscofan Canada, Inc.	Chairman, Board of directors
	Viscofan Do Brasil S. Com. E Ind. Ltda.	Member, Consultative Council
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
Mr. Nestor Basterra Larroudé	Naturin Viscofan GMBH	Vice-Chairman
	Gamex, CB, s.r.o.	Vice-Chairman
	Viscofan USA Inc.	Vice-Chairman
	Industrias Alimentarias de Navarra, S.A.U.	Vice-Chairman
	Koteks Viscofan d.o.o.	Vice-Chairman
	Viscofan CZ, s.r.o.	Vice-Chairman
	Viscofan Technology Suzhou Co. Ltd.	Vice-Chairman
	Viscofan Centroamérica Comercial, S.A.	Vice-Chairman
	Viscofan Canada, Inc.	Vice-Chairman
	Viscofan de México, S. de R.L. de C.V.	Vice-Chairman
	Viscofan UK Limited	Vice-Chairman
	Viscofan Do Brasil S. Com. E Ind. Ltda.	Member, Consultative Council

During 2011 and 2010, senior management received remuneration amounting to 1,881 and 1,637 thousands euros, respectively. The Company does not have any commitments with Board members in respect of pension, life insurance, or stock option plans. No loans or advances have been granted to current or former Board members, neither have any guarantees been assumed on their behalf.

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Company's risk management policies are established by the Example Group's financial risk committee, having been approved by the Group's directors. Based on these policies, the Company's finance department has established a series of procedures and controls which make it possible to identify, measure, and manage the risks arising from financial instrument activity. These policies establish that no trading in derivatives for speculative purposes will be undertaken by the Company.

Financial instrument activity exposes the Company to credit, market and liquidity risk.

20.1 Credit risk

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

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

(Thousands of euros)	2011	2010
Non-current financial investments	115	115
Trade and other receivables	38,235	33,436
Current loans to group companies	602	2,085
Current financial investments	11,390	6,275
	50,342	**41,911**

For the purposes of credit risk management the Company differentiates between financial assets arising from operations and investments.

Operating activities

The Sales Department and Finance Department set credit limits for each customer, which are based on information obtained from an entity specializing in solvency analysis of companies.

Each month a breakdown giving the age of each of the accounts receivable is prepared which serves as a base to control collection. The Finance Department requests settlement of past due accounts on a monthly basis until they are more than 90 days old, at which point they are submitted to the insurer to arrange recovery. In addition the Legal Department is notified so it can monitor collection and if necessary, subsequently, claim the debt through the courts.

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

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

(Thousands of euros)	2011	2010
Not due	21,568	20,236
Past due, not impaired		
Less than 3 months	2,336	1,699
3 – 6 months	24	21
6 – 12 months	-	(25)
More than 12 months	(31)	15
	23,897	21,946
Doubtful (more than 6 months)	21	194
Impairment allowances (Note 8.1)	(21)	(194)
Total	**23,897**	**21,946**

Investing activities

Loans and borrowing facilities to group companies and third parties, as well as the acquisition of unlisted companies' securities must be approved by Management.

20.2 Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises interest rate risk, currency risk and other price risks.

Foreign currency risk

Foreign currency risk is the risk of possible loss caused by changes in the fair value or future cash flows of a financial instrument because of fluctuations in exchange rates. The Company's exposure to the risk of exchange rate fluctuations is mainly related to sales carried out in currencies other than the functional currency.

As described in Note 18, the Company carries out major transactions in foreign currencies, in particular, dollars. The Viscofan Group's policy is to arrange exchange rate hedges to cover the net cash flows from these transactions. Maximum exposure to foreign currency risk for accounts receivable at December 31, 2011 was as follows:

	2011		2010	
(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	14,638	2,197	13,118	1,271
In Canadian dollars	-	-	510	-
In pounds sterling	2,474	-	786	-
Rest	-	-	163	-
	17,112	**2,197**	**14,577**	**1,271**

Interest rate risk

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

The Company manages its interest rate risk by distributing financing received between fixed and floating rates. Company policy consists in maintaining a percentage of non-current net loans (net of non-current investments) received from third parties at a fixed interest rate. To manage this, the Company enters into interest rate swaps which are designated as hedges of the respective loans. At December 31, 2011, after taking into account interest rate swaps, 27,55% of non-current net financing was at a fixed rate (December 31, 2010: 28,54%).

20.3 Liquidity risk

Liquidity risk is the possibility that the Company will have insufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Company's objective is to maintain sufficient available funds. Company policies establish the minimum liquidity levels required. The Company adequately monitors each month expected collections and payments to be made in the coming months and analyzes any deviations from expected cash flows in the previous month to identify any possible deviations which might affect liquidity.

The undiscounted contractual maturity dates of financial liabilities were as follows:

(Thousands of euros)	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total
2011					
Bank borrowings					
Loans	939	6,912	8,028	-	15,879
Borrowings (*)	74	16,819	-	-	16,893
Accrued interest payable	23	-	-	-	23
Liabilities from capital leases	21	62	44	-	127
Derivatives	423	772	22	-	1,217
Other financial liabilities	1,688	2,363	2,794	927	7,772
Payable to group companies	7,227	-	-	-	7,227
Trade and other payables	23,193	-	-	-	23,193
	33,588	**26,928**	**10,888**	**927**	**72,331**
2010					
Bank borrowings					
Loans	929	7,504	15,874	-	24,307
Borrowings (*)	8,600	25,648	-	-	34,248
Accrued interest payable	68	-	-	-	68
Liabilities from capital leases	16	52	91	-	159
Derivatives	-	87	-	-	87
Other financial liabilities	2,623	2,855	3,272	1,061	9,811
Payable to group companies	6,968	-	-	-	6,968
Trade and other payables	19,809	35	-	-	19,844
	39,013	**36,181**	**19,237**	**1,061**	**95,492**

(*) The classification of the maturities of "Borrowings" was determined according to current maturities of the amounts drawn down on the credit accounts. Thus "Up to 3 months" includes the balance drawn down on credit lines which are renewed annually and the renewal of which was agreed after year end.

21. OTHER INFORMATION

21.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average Headcount during the Year
	Men	Women	Total	
2011				
Senior executives	11	2	13	13
Engineers and technicians	113	11	124	117
Administrative personnel	7	33	40	39
Specialized personnel	76	15	91	89
Laborers	250	76	326	311
	457	**137**	**594**	**569**
2010				
Senior executives	11	1	12	13
Engineers and technicians	98	12	110	108
Administrative personnel	7	33	40	37
Specialized personnel	74	16	90	91
Laborers	246	79	325	310
	436	**141**	**577**	**559**

21.2 Audit fees

Ernst & Young, S.L., the auditor of the Company's financial statements and all other companies with which it has any of the relationships referred to in Additional Provision Fourteen of the Measures to Reform the Financial System Law, agreed with the Company the following fees for the years ended December 31, 2011 and 2010:

(Thousands of euros)	2011	2010
Fees for audit of the financial statements	86	84
Other services	14	22
	100	**106**

The above amounts include all 2011 and 2010 related fees, irrespective of when they were actually billed.

21.3 Information on environmental issues

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

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
2011				
Cost	10,163	-	-	10,163
Accumulated depreciation	(7,726)	(613)	-	(8,339)
	2,437			**1,824**
2010				
Cost	10,167	-	(4)	10,163
Accumulated depreciation	(7,030)	(697)	1	(7,726)
	3,137			**2,437**

The expenses to protect and improve the environment during 2011 and 2010 were ordinary and amounted to 858 and 986 thousand euros, respectively.

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

21.4 Information on late payment to suppliers in commercial transactions.

In compliance with Law 15/2010 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions, below we include a breakdown of the total amount of payments made to suppliers during the year, disclosing those that exceeded the legal payment deadlines; the weighted average period of time exceeded for payments; and the balance pending payment to suppliers exceeding the legal deadline at year end:

	Payments made and payments pending settlement at the balance sheet date			
	2011		2010	
(Thousands of euros)	Amount	%	Amount	%
Within the maximum legal deadline	87,605	96%		
Other	3,668	4%		
Total payments in the year	91,273	100%		
Weighted average period of time exceeded for overdue payments (days)	14.25			
Overdue payments exceeding the legal payment deadline at the closing date	93		35	

22. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place subsequent to year end which would have an effect on the financial statements at year-end 2011.

Management report 2011 (Viscofan S.A.)

Business performance and situation of the Viscofan Group

Viscofan, S.A. posted net sales in 2011 of 154.7 million euros, a 5.2% increase over the previous year. The growth in revenue was underpinned by the greater volume of artificial casings sales and the price increase on energy sold from cogeneration engines.

The increase in the cost of raw materials, especially cellulose derivatives and those related to the oil price, affects consumption costs[1] in the same manner as it affects increased installed production capacity in the course of 2011. Accumulated consumption costs amounted to 45.7 million euros, 17% more than for the same period in the previous year.

Employee benefits expenses amounted to 31.0 million euros, 4.9% higher than the previous year. The average headcount for the period increased by 10, reaching 569 employees driven by increasing corporate activities and capacity.

The increase in the cost of raw materials and energy negatively affected the EBITDA margin, which decreased by 3.3% with respect to the 2010 tax year. Thus, EBITDA margin for 2011 amounted to 19.1% and EBITDA for the year amounted to 29.6 million euros, down 10.1% as compared to 2010.

Depreciation of property, plant, and equipment together with amortization of intangible assets stood at 8.9 million euros, similar to the figure for the previous year. Operating profit amounted to 20.7 million euros, 13.6% less than for the previous year.

Finance income decreased to 39.5 million euros, an 8.3% decrease, since Group companies distributed fewer dividends.

Profit before tax was 60.2 million euros, down 10.2% on 2010. After deducting 4.1 million euros of tax, net profit for 2011 stood at 56.1 million euros, down 10.9% on the 63.0 million euros obtained in 2010.

Outlook

In a market that continues growing in volume internationally, Viscofan S.A. finds itself in a unique competitive position to support the Group's growth.

Next year the Company will benefit more from an economy of scale after increasing the collagen production capacity. In addition, the Company will orient its activity towards consolidating the production improvements achieved, improving production efficiency to the extent possible and boosting technological development as a center of excellence, thus establishing new reference goals for the remaining Viscofan Group production centers via greater know-how.

[1] Consumption costs = Supplies +/- Changes in inventory

Viscofan SA's main R&D investments and activities

Viscofan S.A. dedicated 13.7 million euros to investments in 2011, mostly directed to improving production capacity. Thus, investment increased by 76.8% compared to the 7.7 million euros invested in 2010.

Viscofan S.A., via its R&D department located in Navarra, centralizes the coordination of its R&D activities for the rest of the Viscofan Group, further establishing itself as a specialized R&D center in the area of cellulose casings.

Specifically, the efforts made in these activities are centered on the search for improvements in production efficiency as well as the creation of new products in the processed meat sector in which the company carries out its activities.

The collaboration between the private company, public administration, and specialized research centers is a key factor for advances in R&D activities. Thus, it is worth noting that the Company has managed to gain important institutional support, both from the Government of Navarra, the CDTI, and research centers that have in turn been supported or sponsored by Viscofan.

The advances achieved in these areas are defended via the use of patents to the extent that the technicians and experts consider appropriate.

Acquisition of treasury shares

On December 31, 2011 the Company had no treasury shares.

Description of risks and uncertainties

Viscofan S.A. has strengthened its results in a time of great volatility and uncertainty, and is well placed to capture market growth in its main business activities. Nevertheless, it is worth remembering that due to the nature of its operations, the Group's activities are exposed to various operational, financial, and strategic risks, described in section *D) Risk Control Systems* in the Annual Corporate Governance Report. Risk management is controlled by the Company in accordance with policies approved by the Board of Directors. Supervision of these policies has also been assigned to the Audit Committee.

Transactions carried out by directors, or persons acting on their behalf, during the year to which the financial statements refer to, with the listed company or any other company of the same group, when the transactions are unrelated to the ordinary activities of the company or are not carried out in normal market conditions.

In 2011, the directors did not carry out any transactions with the Company or its group of companies that were unrelated to the ordinary activity of the Company or were not carried out in normal market conditions.

Events after the balance sheet date

In their meeting of February 29, 2012, the Board of Directors agreed upon proposing to the General Shareholders Meeting a final dividend payment, amounting to 0.634 euros per share and to be paid from June 5, 2012. Thus, total remuneration for shareholders amounts to 1 euro per share, including the interim dividend of 0.36 euros per share paid on December 22, 2011, the abovementioned final dividend of 0.634 euros per share, and the per diem payment for attendance at the General Shareholders Meeting of 0.006 euros per share. This proposal increases total remuneration by 25% as compared to the total of 0.8 euros approved for the previous year.

ANNUAL CORPORATE GOVERNANCE REPORT
VISCOFAN SA

YEAR: 2011
LISTED STOCK COMPANIES
IDENTIFICATION OF ISSUER
FISCAL YEAR END: 31/12/2011
TAX IDENTIFICATION CODE: A-31065501
Company name: Viscofan, S.A.

ANNUAL CORPORATE GOVERNANCE FORM

A.OWNERSHIP STRUCTURE OF THE COMPANY

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
14/04/11	32,622,577.40	46,603,682	46,603,682

A.1. Complete the following table about the share capital of the company:

State whether there are different classes of shares with different rights attaching thereto

NO

A.2. Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the fiscal year, excluding directors:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
MS MARIA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5,077
MARATHON ASSET MANAGEMENT, LLP	0	2,338,952	5,019
WILLIAM BLAIR COMPANY LLC	1,700,195	0	3,648
BLACKROCK, INC.	0	1,463,530	3,140
GOVERNANCE FOR OWNERS LLP	0	1,423,191	3,054

Name or company name of the indirect holder of the stake	Through: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MS MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	2,366,000	5,077

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

Name or company name of the shareholder	Date of transaction	Description of the transaction
GOVERNANCE FOR OWNERS LLP	13/10/2011	Exceeded 3% of the share capital
WILLIAM BLAIR COMPANY LLC	17/05/2011	Exceeded 3% of the share capital

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR JOSE DOMINGO DE AMPUERO Y OSMA	50,000	0	0.107
MR NESTOR BASTERRA LARROUDÉ	87,694	6,118	0.201
MS AGATHA ECHEVARRIA CANALES	16,809	0	0.036
MR ALEJANDRO LEGARDA ZARAGÜETA	8,250	0	0.018
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	30,276	0	0.065
MR JOSE CRUZ PEREZ LAPAZARAN	210	0	0.000
MS LAURA GONZALEZ MOLERO	5	0	0.000

A.3. Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

Name or company name of the indirect holder of the stake	Through: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MR NESTOR BASTERRA LARROUDÉ	MR IGNACIO BASTERRA MARTINEZ	6,118	0.013

Total % of voting rights of the Board of Directors: 0.428

A.4. Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business:

A.5. Describe, if applicable, the commercial, contractual or corporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

A.6. Indicate whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law [Ley del Mercado de Valores – LMV] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

NO

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year.

A.7. Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:

NO

A.8. Complete the following tables about the Company's treasury stock:

At financial year end

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0,000

(*) Through:

Total	0

Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Capital gain/(loss) on treasury shares disposed of during the period (Thousand Euros)	0

A.9. Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

Extract of the Minutes of the General Shareholders Meeting held on 14 April 2011 on second call:

It was resolved to revoke the authorization to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on 1st June 2010.

It was resolved to authorize the Board of Directors to buy and sell on the market, through the person, Company or entity that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*) and related provisions, at a minimum price nominal value and a maximum of 38 euros.

The proposed authorization is for the maximum term envisaged by law and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions prescribed by Sections 146 and 509 of the Revised Text of the Spanish Corporate Enterprises Act. (Texto refundido ley de sociedades de capital).

In the event the Board of Directors should need to exercise the authorization conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Section 148 of the above-mentioned Act.

A.10. Indicate, if applicable, any restrictions imposed by law or the Articles of Association on the exercise of voting rights, and any legal restrictions on the acquisition or transfer of interests in share capital.

Indicate whether there are legal restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restrictions	0

Indicate whether there are any restrictions in the Articles of Association on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to a restriction in the Articles of Association	0

Indicate if there are legal restrictions against the acquisition or transfer of interests in the share capital:

NO

A.11. Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

NO

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

B. STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1. Board of Directors

B.1.1. Describe the maximum and minimum number of Directors set forth in the Articles of Association:

Maximum number of Directors	9
Minimum number of Directors	3

Name or company name of Director	Representing	Director position on the board	Date First elected	Date last elected	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA	-	CHAIRMAN	27/02/2009	03/06/2009	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRA LARROUDÉ	-	1st VICE-CHAIRMAN	27/07/1997	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	DIRECTOR	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	DIRECTOR	22/05/2006	22/05/2006	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR GREGORIO MARAÑÓN BERTRAN DE LIS	-	DIRECTOR	29/01/1999	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	-	DIRECTOR	01/01/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSE CRUZ PEREZ LAPAZARAN	-	DIRECTOR	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS LAURA GONZALEZ MOLERO	-	DIRECTOR	22/04/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

B.1.2. Complete the following table identifying the members of the Board of Directors:

Total number of Directors	8

Indicate any separations from the Board of Directors during the period:

B.1.3. Complete the following table about the members of the Board and each member's status:

EXECUTIVE DIRECTORS

Name or company name of the Committee	Committee that proposed the nomination	Position on the Company's organizational chart
MR JOSE DOMINGO DE AMPUERO Y OSMA	Appointments Committee	Chairman

Total number of Executive Directors	1
% of the entire Board	12.500

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR NESTOR BASTERRA LARROUDÉ

Profile

Law degree and Economics graduate from the University of Deusto. He also has an MBA from IESE	He spent most of his career working in corporate banking both internationally and in Spain at management level in capital market and corporate departments in Bank of America and Banco Santander. He is currently Vice-Chairman of Iberpapel Gestion SA, partner and member of the Board of Directors of Amistra SGC, S.A. and member of the Executive Committee of Viscofan, S.A., Director of Naturin Viscofan GmbH and Industrias Alimentarias de Navarra, S.A.U.

Name or company name of the Director

MS AGATHA ECHEVARRIA CANALES

Profile

Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.	She has broad professional experience in a number of multi-nationals; including the audit firm Touche Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A. She currently acts as a business strategy adviser to family firms Member of the Board of Directors of Viscofan, S.A., of its Executive Committee, Audit Committee and Appointments and Remuneration Committee.

Name or company name of the Director

MR ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona).	With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992. In 2006 he joined the Board of Viscofan, S.A. as an independent Director and in 2007 became an observer on its Audit Committee.

Name or company name of the Director

MR GREGORIO MARAÑÓN BERTRAN DE LIS

Profile

Marquess of Marañón. Law graduate from the Universidad Complutense in Madrid and completed the Senior Executive Programme at the IESE.	He has broad experience working in the legal profession and in the financial sector, where he was Managing Director of Banco Urquijo, Chairman of Banif and Director of Argentaria and of BBVA. He is currently Chairman of Roche Farma, of Universal Music Spain, of Logista, S.A; Director of Prisa and member of its Executive Committee, Chairman of its appointments and remuneration committee and member of its corporate governance committee; member of the Board of Directors of Prisa TV, and of its Audit Committee and Chairman of its Appointments and Remuneration Committee; member of the board of Altadis; chairman of Advisory Board of Spencer Stuart; and member of the advisory board of Vodafone and Aguirre & Newman. In the cultural sphere he is Chairman of the Teatro Real, the Fundación El Greco 2014, and Real Fábrica de Tapices; Vice-Chairman and Chairman of the Executive Committee of the Fundación Ortega-Maraño; director of the Fundación Santillana, Fundación Altadis, Real Fundación de Toledo, Army Museum and Toledo International Centre for Peace. He is a permanent member of the San Fernando Real Academia de Bellas Artes, and has been a member of the International Council of the Tate Gallery. He holds the grand cross of Alfonso X el Sabio and is an Officer of the French Legion of Honour, and adopted son of the city of Toledo.

Name or company name of the Director

MR IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

Economics degree from Deusto University.	Mr. Marco Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and the press world ,where he has a strong reputation for his active contribution as economic expert and columnist; he belongs to the Publishing Committee of Vocento Group. He also has developed wide experience in several industrial companies, belonging to several Board of Directors; currently he is Director of Schneider Electric España, Progénika Biopharma, Minerales y Productos Derivados, Tubacex Tubos Inoxidables SA and Iberdrola Ingeniería y construcción (IBerinco) SA. Previously, he has belonged, amongst others, to the Board of Directors of Técnicas Reunidas, Banco de Comercio, IBV, and Banco de Crédito Local, and was Chairman of Naturgás

Name or company name of the Director

MR JOSE CRUZ PEREZ LAPAZARAN

Profile

Agricultural Engineering graduate from the Universidad Politécnica of Madrid.	With broad experience in government service at the Ministry of Agriculture, with postings in Spain and abroad, and deputy in the Spanish parliament. He has held the positions of Director General of Agri-food Organization and Industry in the Government of La Rioja, Minister for Agriculture, Livestock and Forestry in the Government of Navarra; he has been Chairman of the Boards of various listed companies and professor in the Food Technology and Projects Departments of the University of Zaragoza and the Public University of Navarra. A former senator and currently a Member of the Congress, he has been very active as Chairman or member of the various Agricultural, Fisheries and Food Committees of the Congress. He holds the Gran Cruz del Merito Agrario y Pesquero. He is member of the Board of Directors of Viscofan, S.A, and member of its Appointments and Remuneration Committee and Chairman of the Audit Committee.

Name or company name of the Director

MS LAURA GONZALEZ MOLERO

Profile

Graduate in Pharmaceuticals from the "Universidad Complutense de Madrid", Executive MBA from the "Instituto de Empresas", she holds several graduate degrees at prestigious Universities such as Harvard Business School, Insead, IMD, and Kellogg Business School.	Chairman and CEO of the Merck Group in Spain and Independent Director of the Leche Pascual Group. Currently, she is leading the process of integration of Milipore into the Merck Group, with experience in the integration process with the biotechnology company Serono, a company with which she has been linked, in different executive positions, since 1999, and in which she was Vice-Chair of Serono Iberia y Paises Nordicos when it was purchased by the Merck group. She was previously Managing Director of Farmacéutica Essex from the Schering-Plough Group, and Laboratorios Farmacéuticos Guerbert, S.A, as well as sales director for Roche, S.A. Currently she is member of the Board of Directors of the Circulo de Empresarios, APD, and Fundación Adecco. Her career has also been recognised by numerous prizes and awards in recognition of her work as a notable director. She was the first woman to receive the "Executive of the Year" award in 2007 from the Madrid Chamber of Commerce.

Total number of independent Directors	7

% of total Directors:	87.500

OTHER EXTERNAL DIRECTORS

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company or its management or with its shareholders.

Indicate the changes, if any, in the type of director during the period:

B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

NO

B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

NO

B.1.6. Indicate the powers delegated to the CEO(s), if any:

B.1.7. Identify the directors who are managers or directors of companies within the listed company's group, if any:

Name or company name of the Director	Company name of the Group entity	Title
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICE-CHAIRMAN

B.1.8. Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:

Name or company name of the Director	COMPANY NAME OF THE GROUP ENTITY	TITLE
MR NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGüETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR GREGORIO MARAÑON BERTRAN DE LIS	PROMOTORA DE INFORMACIONES SA	DIRECTOR

B.1.9. Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

YES

Explanation of the Regulations

Article 23 of the Regulations of the Board of Directors states that: Company directors may not sit on more than ten Boards of Directors, in addition to the Board of Viscofan, S.A.
The following are expressly excluded from the calculation:
- Posts on boards of companies in which Viscofan, S.A. directly or indirectly holds a controlling interest.
- Posts held on the boards of holding companies owned by the director or his/her close relatives. Directors shall inform the Appointments and Remuneration Committee of any other professional duties that could interfere with the levels of dedication required of them.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

The investment and financing policy	Yes
The definition of the structure of the group of companies	Yes
The corporate governance policy	Yes
The corporate social responsibility policy	Yes
The strategic or business plan, as well as management objectives and annual budgets	Yes
The policy regarding remuneration and evaluation of performance of senior management	Yes
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	Yes
The dividend policy, as well the treasury stock policy and, especially, the limits thereto	Yes

B.1.11. Complete the following tables regarding the aggregate remuneration of Directors accrued during the fiscal year:

a) In the Company which is the subject matter of this report:

Compensation	**Thousand €**
Fixed Compensation	0
Variable Compensation	0
Per diems	146
Payments as per Articles of Association	1,715
Options on shares and/or other financial instruments	0
Other	0
TOTAL	**1,861**

Other Benefits	**Thousand €**
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favour of Directors	0
TOTAL	**0**

b) On account of membership by the Company's directors on other boards of directors and/or in the top management of Group companies:

Compensation	**Thousand €**
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Payments as per Articles of Association	439
Options on shares and/or other financial instruments	0
Other	0
TOTAL	**439**

Other Benefits	**Thousand €**
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favour of Directors	0
TOTAL	**0**

c) Total remuneration by type of director:

Breakdown of Directors	By company	By group
EXECUTIVE	412	293
EXTERNAL REPRESENTING A CONTROLLING SHAREHOLDER	0	0
EXTERNAL INDEPENDENT	1,449	146
OTHER EXTERNAL	0	0
TOTAL	**1,861**	**439**

d) As a percentage of the profits attributable to the controlling company:

Total Director remuneration (in thousands €)	2,300
Total Director remuneration/earnings attributed to parent company equity holders (stated as a %)	3.0

B.1.12. Identify the members of the Company's senior management who are not executive directors and state the total remuneration accruing to them during the fiscal year:

Name or company name	Title
MR JOSE ANTONIO CANALES GARCIA	MANAGING DIRECTOR VISCOFAN GROUP
MS ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR PEDRO ERASO ZABALZA	HEAD OF CELLULOSE AND FIBROUS EXTRUSION VISCOFAN GROUP
MR JOSE VICENTE SENDIN AZANZA	HEAD OF STRATEGIC PROJECTS VISCOFAN GROUP
MR JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR ANDRES DIAZ ECHEVARRIA	HEAD OF OPERATIONS VISCOFAN GROUP
MR JUAN JOSE ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN GROUP
MR MANUEL NADAL MACHIN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN SA
MR RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.
MR MIROSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR ALFRED BRUINEKOOL	HEAD OF SALES NATURIN VISCOFAN GMBH.& MANAGING DIRECTOR VISCOFAN UK, LTD.
MR YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL SA
MR OSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR JOSE MARIA FERNANDEZ MARTIN	MANAGING DIRECTOR VISCOFAN USA INC.
MR ALEJANDRO MARTINEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA SAU
MR JESÚS CALAVIA COLLAZOS	HEAD OF PRODUCTION VISCOFAN SA.
MR JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN

	TECHNOLOGY SUZHOU INC
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN VISCOFAN GMBH
MS MARIA DEL CARMEN PEÑA RUIZ	FINANCIAL MANAGER VISCOFAN SA
MR ANDREJ FILIP	MANAGING DIRECTOR KOTEKS VISCOFAN DOO

Total executive management remuneration (thousand euros) 3,681

B.1.13. Identify, on an aggregate basis, if there are indemnity or "golden parachute" provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control.

Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

Number of beneficiaries	2

	Board of Directors	General Shareholders' Meeting
Body that authorizes the provisions	(YES)	(NO)

Is the General Shareholders' Meeting informed of the provisions?	NO

B.1.14. Describe the process to set the remuneration of the members of the Board of Directors and the relevant provisions of the Articles of Association with regard thereto.

Process to set the remuneration of the members of the Board of Directors and provisions of the Articles of Association

Pursuant to Article 27 of the Articles of Association:
´Board remuneration shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Sections 217 and 218 of the Corporate Enterprises Act (Ley de Sociedades de Capital). The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case´.

In addition, Article 30 sets forth the following on the remuneration of the Executive Committee:

´Executive Committee remuneration shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Sections 217 and 218 of the Corporate Enterprises Act The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case´.

Moreover, an Appointments and Remuneration Committee operates within the Board of Directors; one of its missions consists of:

f) Proposing to the Board of Directors:
i.- the remuneration policy for Directors and executives, as well the distribution of Directors' remuneration,
ii.-executive Directors' individual remuneration and all other terms of their contracts,

iii.- the basic terms of executives' contracts,
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

In fiscal year 2011, the distribution of remuneration for the Board and the Committee has been governed by the principle of equal distribution among its members.

State whether the full Board has reserved the right to approve the following decisions:

At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions.	YES.
The remuneration of directors and, in the case of executive directors, the additional remuneration for their executive duties and other terms and conditions that must be included in their contracts.	YES

B.1.15. State whether the Board of Directors approves a detailed remuneration policy and specify the matters covered thereby:

YES

Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed remuneration arising therefrom	**YES**
Variable remuneration items	**YES**
Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.	**YES**
Terms and conditions that must be included in the contracts with executive directors performing senior management duties.	**YES**

B.1.16. State whether the Board submits a report on director remuneration policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes. If so, describe the relevant portions of the report regarding the remuneration policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the remuneration policy was applied during the fiscal year. Describe the role of the Compensation Committee and, if external advice has been provided, state the name of the external advisors that have given such advice:

YES

Matters covered by the report on remuneration policy

The company's remuneration policy contains the fundamental authorities on remuneration matters and the company's general remuneration policy. As a general rule company remuneration only includes that approved by the General Shareholders' Meeting and included in the company Articles of Association. No other remuneration exists for executive directors, the Chairman or Vice-Chairmen of the Board of Directors or the Committees by reason of their post. No remuneration is planned in the form of shares or share options, pension funds or plans, life insurance or any other contingency plans. There is no type of guarantee, advance or credit granted in favour of any member of the Board of Directors. The Report on the Company Compensation Policy was presented to the General Shareholders' Meeting held on 14 April 2011 and submitted to advisory vote as a separate point on the agenda. The report was approved by the Meeting.

Role of the Compensation Committee

Pursuant to Article 14 of the Board Regulations, the following shall be among the missions of the Appointments and Remuneration Committee:
f) Proposing to the Board of Directors:
i.-the remuneration policy for Directors and executives, as well the distribution of Directors' remuneration,
ii.-executive Directors' individual remuneration and all other terms of their contracts,

iii. The basic terms and conditions set forth in the contracts of employment of the group's senior executive officers.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Has external advice been provided?

Name of external advisors

B.1.17. Indicate the identity of the members of the Board of Directors, if any, who are also members of the board of directors, managers or employees of companies that hold a significant interest in the listed company and/or in companies within its Group:

Describe, if applicable, any significant relationships, other than the ones included in the previous item, of the members of the Board of Directors linking them to significant shareholders and/or to companies within the Group:

B.1.18. State whether the Regulations of the Board of Directors have been amended during the fiscal year:

YES

Description of amendments

The Board of Directors, at a meeting held on 27 January 2011, approved a number of amendments to the Regulations of the Board of Directors, which can be summarised as follows:

The exclusive powers vested in the Board of Directors sitting in full session have been extended to encompass the following:
f) Deciding on the contents of the company's website.
g) Delegating powers to any of its members pursuant to applicable law and the Articles of Association, and revocation of such powers.
h) Appointing directors should vacancies arise, following a proposal to such effect from the Appointments and Remuneration Committee, and until such time as the next General Meeting is held.
i) Accepting resignations tendered by Board members.
j) Any other exclusive powers conferred by applicable law, the current Articles of Association or these Regulations.

The Regulations also envisage that if the posts of Chairman of the Board and CEO of the company are vested in the same person, one of the independent directors will be charged with the following duties:
a) To request that a Board meeting be convened, or for new items to be added to the agenda;
b) To act as coordinator for the non-executive directors and to voice their concerns;
c) To head the process whereby the Board assesses the performance of the Chairman.

The duties of the Secretary of the Board have also been extended to encompass the following:
g) Ensuring that the good governance recommendations assumed by the company are implemented.
h) Ensuring that the actions of Board members:
- abide by the letter and the spirit of applicable laws and regulations;
- comply with the company's Articles of Association and internal regulations;
- reflect recommendations on good corporate governance.

The Executive Committee and Audit Committee are now required to furnish the minutes of their meetings to all Board members, while the Appointments and Remuneration Committee must now report on any business it addresses and all resolutions carried.

Information has also been added in relation to the qualifications that members of the Audit Committee should possess, and the make-up of the committee in terms of director type (independent, executive, etc.).

The Regulations now include an improved framework for and definition of the duties of the Audit Committee, which now include:
- Coordination and supervision of the internal control and reporting systems;
- Supervision of internal audit services
- Coordinating, supervising and safeguarding the independence of the external auditor;
- Reporting to the Board of Directors before it decides upon:
(a) The periodic financial information that the company is required to disclose publicly;
(b) the creation or acquisition of holdings in special-purpose entities or those domiciled in countries or territories classified as tax havens;
(c) related-party transactions.

- Supervision of the internal codes of conduct and rules on corporate governance.

The duties of the Appointments and Remuneration Committee have also been refined and extended.

The Regulations now envisage a confidential whistle-blowing channel whereby employees may report possible irregular and potentially significant practices to the Audit Committee, particularly those relating to accounting, finances and auditing.

The Regulations now address the steps to be taken in the case of directors that could damage the company's image and reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof.

The Regulations now impose a limit on the number of boards on which the company's directors may sit, following a Board resolution to such effect.

The Regulations now dictate that the Board of Directors may not propose the removal of independent Board members before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.

Further information has been added on the situations in which directors may be removed from office, including limitations and transparent disclosure of the grounds for the removal.

The Regulations also usher in the electronic shareholders' forum.

B.1.19. Indicate the procedures for the appointment, reelection, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.

Pursuant to Article 26 of the Articles of Association:
´The representation and management of the Company shall be vested in the Board of Directors, which shall comprise a minimum of three and a maximum of nine members.
The Board shall be elected by the shareholders at the General Shareholders Meeting, in compliance with the provisions set forth in Section 137 of the Spanish Corporate Enterprises Act.

And Article 27 sets forth that:
Directors need not be shareholders. The term of office for Directors is six years from the date they are elected.
The appointment of Directors shall cease when their term of office has ended and the next General Shareholders' Meeting has been held or the period stipulated by law for holding the Shareholders' Meeting to resolve on the approval of the previous year's accounts has elapsed.

The General Shareholders' Meeting, or in its stead the Board of Directors itself, may appoint from among the Directors a Chairman, a First Vice-Chairman, a Second Vice-Chairman, a Third Vice-Chairman and a Secretary (who need not be a Director) of the Board of Directors; they shall also serve as such at the General Shareholders' Meeting. The appointment of the Chairman and any of the Vice Chairmen by the Board of Directors itself shall comply with the requirements set forth in Section 249.3 of the Corporate Enterprises Act for the purposes of Article 30 of these Articles of Association.

In this respect, Article 6 of the Board Regulations sets forth:
´The Board of Directors shall comprise the number of Directors determined by the shareholders at the General Shareholders' Meeting within the limits set forth in the Articles of Association.
The Board shall propose to the shareholders at the General Shareholders' Meeting the number that based on the changing circumstances of the Company is the most appropriate to ensure due representativity and effective functioning of the Board.´

And Article 8 sets forth that:
´The shareholders at the General Shareholders' Meeting or the Board of Directors itself shall elect the Directors in the circumstances set forth in the law. The proposals submitted to the shareholders at the General Shareholders' Meeting by the Board with respect to elections or reelections with the limits set forth in the Articles of Association shall rely on proposals by the Appointments and Remuneration Committee for independent Directors and be based on a prior report by the Appointments and Remuneration Committee for all other Directors. A reasonable number of independent Directors shall be included on the Board and there shall generally be a majority of external Directors. Directors shall serve for the terms of office set forth in the Articles of Association.´

Furthermore, Article 14 of the Board of Directors' Regulations includes the Appointments and Remuneration Committee and sets forth:
The mission of the Appointments and Remuneration Committee shall be as follows:
a) Ensuring the appropriateness and integrity of the selection of Directors and executive officers.
b) Proposing to the Board of Directors the election or reelection of independent Directors.
c) Reporting to the Board of Directors on the election or reelection of all other Directors.
d) Reporting the appointment and removal of executives that the Chief Executive Officer proposes to the Board.
e) Reporting to the Board of Directors on matters of gender diversity.
f) Proposing to the Board of Directors:
i.- the remuneration policy for Directors and executives, as well the distribution of Directors' remuneration,
ii.-executive Directors' individual remuneration as all other terms of their contracts,
iii.- the basic terms of executives' contracts,
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Pursuant to Article 16 of the Board Regulations, relating to the Appraisal of the Board of Directors and the Committees:
Each year the Board of Directors shall appraise:
a) the quality and effectiveness of the functioning of the Board itself;
b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Appointments and Remuneration Committee; and
c) the operation of the Board Committees, based on the report forwarded to it by each of these.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors, pursuant to the drafting thereof approved at a Board meeting held on 27 January 2011.

Pursuant to Article 27 of the Board of Directors' Regulations on the separation of Directors:
´Directors shall remain at the disposal of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:
a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.

b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.´

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.
When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.

The departure shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

Article 28 - Duties of Directors after separation.
After separation upon completion of the period for which they were elected or for any other reason, the Directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

B.1.20. Indicate the circumstances under which the resignation of Directors is mandatory.

Pursuant to Article 22 of the Regulations of the Board of Directors, relating to the duty of loyalty:
Company directors, in fulfilling their duty of loyalty, must report to the Board, prior to the occurrence, or as soon as they become aware of any conflict of interest with the company or its business group. This includes the obligation to step down immediately should the same conflict persist or if their presence on the Board could negatively affect the company's interests.

Furthermore, directors shall abstain from voting on matters in which they have an interest.

Any conflicts of interest in which directors find themselves shall be reported in the Annual Corporate Governance Report.

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.

Directors may not hold any kind of office or post, either on their own or through a representative, in companies that compete with Viscofan and its business group, nor may they represent such companies or offer them advisory services.

In its various facets, this duty of loyalty of directors also encompasses activities engaged in by related parties, as defined in these regulations.

Pursuant to Article 27 of the Board of Directors' Regulations on the separation of Directors:
´Directors shall remain at the disposal of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:
a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.´

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.

The departure shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

B.1.21. Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

YES

Measures to mitigate risks

The company's Board of Directors, at a meeting held on 27 January 2011, approved and introduced a new measure into its internal regulations to limit the risk of concentration of powers, in the form of the following paragraph added to Art. 9 (Chairman of the Board):

If the posts of Chairman of the Board and CEO of the company are vested in the same person, one of the independent directors will be charged with the following duties:
a) to request that a Board meeting be convened, or for new items to be added to the agenda;
b) to act as coordinator for the non-executive directors and to voice their concerns;
c) to head the process whereby the Board assesses the performance of the Chairman. Moreover, both the Chairman and the CEO will be assessed by the Board of Directors in accordance with Article 16 of the Regulations of the Board of Directors.

Pursuant to Article 16 of the Regulations of the Board of Directors:
´Each year the Board of Directors shall evaluate:
b) the Chairman's and Chief Executive Officer's performance based on the report submitted to it by the Appointments and Remuneration Committee.´

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

YES

Explanation of the Regulations

See Article 9 (above mentioned)

B.1.22. Are qualified majorities, other than the statutory majorities, required to adopt any type of decision?

NO

Describe the method used by the Board of Directors to adopt resolutions, including at least the minimum quorum required to hold a valid meeting and the majorities required to adopt resolutions:

Description of the resolution: ALL
Quorum: The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors.
% Quorum: 62.50

Percentage required for majority: Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the casting vote.

Percentage: 51.00

B.1.23. Explain whether there are specific requirements, other than the requirements relating to Directors, in order to be appointed Chairman.

NO

B.1.24. Does the Chairman have the casting vote?

YES

Matters on which a casting vote may be made

Pursuant to Article 28 of the Articles of Association:
Resolutions shall be adopted by absolute majority vote of the Directors attending the meeting and the Chairman shall have the casting vote.
Article 7 of the Board Rules sets forth the same thing.

B.1.25 Indicate whether the Articles of Association or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the Chairman (no age)
Age limit for the CEO (no age)
Age limit for Directors (no age)

B.1.26. Indicate whether the Articles of Association or the Regulations of the Board of Directors establish any limit on the term of office for independent directors:

NO

Maximum number of years in office	**0**

B.1.27. If there are few or no women directors, describe the reasons for this as well as the initiatives adopted to correct this situation.

Description of reasons and initiatives

The company has extended the areas of responsibility of its women directors and their presence on the various committees of the Board of Directors so that they are now present on all of these committees. During 2011 there were no changes to the Board of Directors and therefore the presence of women directors has remained the same. However, through the Appointments and Remuneration Committee, the company has implemented internal initiatives in the search for possible women candidates who, in line with their experience and training, could be proposed for joining the Board of Directors in the event of any vacancies arising in the future.

In particular, the company positively values economic and financial training, experience in auditing, knowledge of industry and, more specifically, of the sectors in which the activities of the Viscofan Group take place, and experience as a director. In each case, the Appointments and Remuneration Committee will analyse the profile of the possible candidates and will propose the, taking account of the benefit for the company, with criteria based on objectivity, training and equal opportunities.

In particular, state whether the Appointments and Remuneration Committee has established procedures which ensure that selection processes are free from any implied bias hindering the selection of women directors and which allow for the free search for women candidates that meet the required profile:

NO

B.1.28. Indicate whether there are formal procedures for proxy voting at meetings of the Board of Directors. If so, briefly describe them.

The company's Articles of Association set forth the following:
Art. 23: All shareholders with the right to attend may be represented at the General Meeting by another person.
Such proxy authority shall be conferred in writing or by remote means of communication that duly prove the identity of the individual exercising the voting rights.
Such proxy authority shall be conferred specially for each Shareholders' Meeting.

Art. 24: Resolutions shall be adopted by majority vote and recorded in the minute book of the Company.

Shareholders may delegate voting on proposals for items on the agenda or exercise their vote via postal or electronic correspondence or any other remote means of communication that duly ensure the identity of the individual exercising the voting rights.

Each share entitles to one vote.

Shareholders voting remotely must be considered as present for the purposes of the constitution of Meeting.

Pursuant to Article 16 of the Regulations of the General Shareholders' Meeting:

All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly prove the identity of the individual exercising voting rights, on a separate basis for each Meeting.

In addition, Article 22 of the same Regulations establishes the main rules for absentee voting.

Furthermore, at its meeting on 9 May 2005, the Company's Board of Directors approved the Rules on Remote Voting and Proxy; these include the detailed procedures for delegating votes to the Board of Directors, all in accordance with the company's Articles of Association and Regulations of the General Shareholders' Meeting.

The procedure includes the possibility of exercising the delegation of authority:

a) By means of electronic communication through the Company's website. The guarantees of authenticity and identification of the shareholder exercising the vote that, under Article 22 of the Regulations of the General Shareholders' Meeting, the Board of Directors considers appropriate for ensuring the authenticity and identification of the shareholder exercising their vote are the advanced recognised electronic signature in accordance with Spain's Electronic Signature Act 59/2003 of December 19, 2003 (Ley de Firma Electrónica), provided it is based on a valid recognised electronic certificate issued by the Spanish Certification Authority (Autoridad Pública de Certificación Española, hereinafter "CERES") reporting to the Spanish Currency and Stamp Mint (Fábrica Nacional de Moneda y Timbre).

b) By post, completing and signing the section relating to delegating the attendance card issued in paper form by the corresponding member institution in la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). The proxy shall accept the proxy authority, to such end signing the attendance card and proxy form sent to it by the shareholder. The proxy may only exercise it by attending the Shareholders' Meeting in person.

In order for it to be valid and comply with the provisions of the General Shareholders' Meeting Regulations, the Company must receive both the remote delegation of authority and remote votes — whether electronic or by post — 24 hours before the day and time planned for the Meeting to be held on first call. Otherwise, the delegation of authority shall not be considered granted, unless it is received afterwards but before the General Meeting is held and it does not raise significant problems for the computations and verifications that are necessary in preparing and holding the Meeting.

B.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:

Number of Board Meetings	11
Number of Board Meetings the Chairman did not attend	0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of Executive or Delegate Committee Meetings	11
Number of Audit Committee Meetings	8
Number of Appointments and Remuneration Committee Meetings	3
Number of Appointments Committee Meetings	0
Number of Remuneration Committee Meetings	0

B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of Directors failing to attend during the fiscal year	5
Failures to attend as a percentage of total votes during the fiscal year	5.682

B.1.31. Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

YES

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for their preparation by the Board:

Name	**Title**
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MS MARIA DEL CARMEN PEÑA RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

B.1.32. Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, as described below.

The Audit Committee strengthens the performance of this task directly through general supervision of the preparation of the financial information and through the internal audit. It also establishes annual and multi-annual reviews and monitoring of the corrective measures that are recommended in each case. The internal audit team presents reports and documentation about its activities and takes part in Audit Committee meetings on a regular basis.

Additionally, the Audit Committee holds regular meetings with the external auditors to enable it to find out about the progress of the review of the financial statements and provide any information that it may contribute to this review and the subsequent audit opinion.
Furthermore, the company also pre-closes the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.
The following duties, among others, have also been entrusted to the Audit Committee (Art. 14 of the Regulations of the Board of Directors):
C) With respect to internal control and reporting systems:
(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.
(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.
(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.
(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.
(e) Overseeing the internal auditing services, including, in particular:

(i) proposing the selection, appointment, re-election and removal of the head of internal auditing;
(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee shall likewise receive an annual activities report and action plan to correct any deficiencies detected;
(iii) Ensuring the independence and efficiency of the internal audit function;
(iv) proposing the budget for this same internal function;
(v) receiving periodic information on its activities, and;
(vi) verifying that the senior management takes into account the conclusions and recommendations set forth in its reports.
D) With respect to the external auditor:
(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Meeting without qualifications in the associated audit report.
(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.
(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) the Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes;
ii) the Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
(5) Attempting to ensure that the group's auditor also audits each component group company.
(E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:
(a) the periodic financial information that the company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

B.1.33. Is the Secretary of the Board of Directors a Director?

NO

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Appointments Committee and approved by the full Board.

Procedure for election and separation

Pursuant to Article 11 of the Board Regulations:
´The election and removal of the Secretary of the Board and, as appropriate, of the Assistant Secretary, shall be approved by the full Board, based on a report by the Appointments and Remuneration Committee.´

Does the Appointments Committee report the election? YES
Does the Appointments Committee report the separation? YES
Does the full Board approve the election? YES
Does the full Board approve the removal? YES

Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?

YES

B.1.35. Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

Article 13 of the Regulations of the Board of Directors confers upon the Audit Committee the following duties relating to the external auditor:
D) With respect to the internal auditor
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) the Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes;
ii) the Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:
d) Definition of the information policy relating to shareholders, markets and public opinion.

In relation to dialogue with shareholders, Article 32 of the Regulations of the Board of Directors reads as follows:

The Board of Directors shall adopt such measures as it deems appropriate to ensure that the General Shareholders' Meeting exercises the functions attributed to it. At the time the call to meeting is published, the company shall make documentation available to shareholders on all items to be addressed at the General Shareholders' Meeting as included on the agenda. This documentation shall be available in hard copy from the company's registered office and in digital copy from the company's website. In addition, the company shall send such information to interested shareholders at no cost.
It shall also set up an Electronic Shareholders' Forum on the company's website. This forum will be available to individual shareholders and to any voluntary associations that may be set up and is intended to facilitate communication and dialogue ahead of the General Meeting.
Furthermore, up to seven days prior to the scheduled date for the General Shareholders' Meeting, and during the meeting itself, shareholders may ask directors for information or further clarifications, and may likewise pose questions on the information provided, as well as any other information accessible to the public and provided by the company since the date of the last General Meeting. Company directors shall provide such information immediately or in writing, unless such disclosure could harm the company's interests.
With regard to analysts and investment banks, the mechanisms envisaged under Article 34 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 34 - Communications with shareholders and with the Securities Markets.
The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the company's Articles of Association, as well as any information deemed by the Board to be in the interest of the public.

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant Committee.

The Board shall also immediately provide information to the public on:
a) Relevant facts that could materially influence the formation of stock market prices.
b) Substantial amendments to the Company governance rules.
c) Treasury share policies that Company may propose to carry out exercising the authorizations conferred by the shareholders at the General Shareholders Meeting.

To such end the Board of Directors shall use all means at its disposal to keep the information on the Company's web page up to date and to coordinate its content with the documents filed with and recorded at public registries.

B.1.36. Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

NO

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

YES

B.1.37. Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group.

YES

	COMPANY	GROUP	TOTAL
Amount for work other than audit work (thousands of euros)	12	25	37
Amount for work other than audit work (as a %)	11.950	4.560	5.700

B.1.38. State whether the audit report on the Annual Financial Statements for the previous fiscal **year** has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.
NO

B.1.39. Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	5	5

	Company	Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	20.0	31.2

B.1.40. Indicate the interests of members of the Board of Directors in the share capital of companies that engage in the same, similar or complementary activities, both with respect to the company and its group, and which have been reported to the company. In addition, state the position or duties of such Directors in such companies:

B.1.41. Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

YES

Description of procedure

Pursuant to Article 18 of Viscofan's Board Regulations:

´Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item´.

B.1.42. Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:

YES

Description of procedure

Article 17 of the Board of Directors' Regulations sets forth the following:

The Board members shall receive the information required to carry out their work in due time and depth with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors.

The usual practice will be that, before each meeting of the Board of Directors or the respective committees, the Board members will receive the most relevant information about the agenda items to be discussed, as far in advance as necessary for correct analysis and studying of that information.

B.1.43. State whether the Company has established any rules requiring Directors to inform the Company -and, if applicable, resign from their position- in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

YES

Description of rules

Pursuant to Art. 22 of the Regulations of the Board of Directors, relating to the duty of loyalty:

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should such a situation arise, the Board of Directors shall examine and monitor it closely, before deciding on whether the director in question should stand down.

B.1.44. State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Spanish Public Limited Companies Act:

NO

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.

NO

Decision made	Substantiated explanation

B.2. Committees of the Board of Directors

B.2.1. List all the committees of the Board of Directors and the members thereof:

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR JOSE CRUZ PEREZ LAPAZARÁN	DIRECTOR	INDEPENDENT

EXECUTIVE OR DELEGATE COMMITTEE

Name	Title	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MR AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

Name	Title	Category
MR JOSE CRUZ PEREZ LAPAZARAN	CHAIRMAN	INDEPENDENT
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR ALEJANDRO LEGARDA ZARAGÜETA	DIRECTOR	INDEPENDENT
MR GREGORIO MARAÑÓN BERTRAN DE LIS	DIRECTOR	INDEPENDENT

B.2.2. State whether the Audit Committee has the following duties**:**

- Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.

  YES
- Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

  YES
- Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.

  YES
- Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.

  YES
- Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.

  YES
- Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.

  YES
- Ensure the independence of the external auditor.

  YES
- In the case of groups of companies, favour the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.

  YES

B.2.3. Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

Governed by the Board Regulations:
Article 14 - Appointments and Remuneration Committee.
There shall be an Appointments and Remuneration Committee of the Board of Directors.

The Board of Directors sitting in full session is responsible for appointing and removing the members of the committee and they shall be no fewer than three in number. Members of the committee shall automatically step down when they cease to serve as company Board members.

The mission of the Appointments and Remuneration Committee shall be as follows:
a) Ensuring the appropriateness and integrity of the selection of Directors and executive officers.
b) Proposing to the Board of Directors the election or reelection of independent Directors.
c) Reporting to the Board of Directors on the election or reelection of all other Directors.
d) Reporting the appointment and removal of executives that the Chief Executive Officer proposes to the Board.
e) Reporting to the Board of Directors on matters of gender diversity.
f) Proposing to the Board of Directors:
i.- the remuneration policy for Directors and executives, as well as the distribution of Directors' remuneration
ii.-executive Directors' individual remuneration as all as other terms of their contracts.
iii.- the basic terms of executives' contracts.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.
The Appointments and Remuneration Committee shall report to the Board of Directors on the business it addresses and all resolutions it adopts.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

Company Articles of Association:
Article 30:
1.- The Executive Committee shall comprise a minimum of three and a maximum of five members. The following shall be members of the Executive Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee shall adopt its resolutions by majority vote and the Chairman shall have the casting vote. The Chairman of the Board shall chair the Committee. All powers except the following shall be vested in the Executive Committee as a permanent delegation by the Board of Directors: sale, swap and encumbrance of real property, industrial or commercial premises and businesses of all kinds, establishment and modification of interests on such real property, premises and businesses, transfer, disposal, ownership and encumbrance of real property, establishment and modification of real estate mortgages, submitting issues to private arbitration and such powers as cannot legally be delegated.

Executive Committee remuneration shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Section 130 of the Spanish Corporate Enterprises Act.

The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case.

Board Regulations:
Article 12 - Executive Committee.
The Executive Committee shall comprise the number and type of members set forth in the Articles of Association.

The Secretary to the Board of Directors will also serve as secretary to the Executive Committee.

The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Appointments and Remuneration Committee. The members of the Executive Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

The Executive Committee shall have the authorities and powers conferred upon it by the Articles of Association and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders' Meeting.

The Executive Committee shall exercise its powers with the utmost transparency vis-a-vis the Board, informing it of the matters discussed and any resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Committee name

AUDIT COMMITTEE

Short description
Company Articles of Association:
Article 30:
2- The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors or based on a decision by the Board of Directors.

The members of the Audit Committee shall elect from among their number a Chairman, who shall be replaced every four years; the Chairman may be reelected one year after he/she ceases to serve as Chairman.

The Audit Committee shall meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee shall have a quorum with the presence or representation of the majority of its members.

Resolutions shall be adopted by simple majority vote of the members attending the meeting and the Chairman shall have the casting vote.

Resolutions shall be recorded in the Audit Committee's Minutes Book, and shall be signed by the Chairman of the Committee, as shall any certifications of resolutions adopted that may be issued.

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.

As a minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors, shall be:
a) Reporting to the shareholders at the General Shareholders' Meeting on matters raised by the shareholders with respect to matters within its competence.
b) Proposing to the Board of Directors, for submission to the shareholders at the General Shareholders' Meeting, the appointment of the Auditor referred to in Section 204 of the Spanish Corporate Enterprises Act.
c) Supervising, when appropriate, the internal audit services.
d) Becoming familiar with the Company's financial reporting process and its internal control systems.
e) Maintaining a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Regulations:
Article 13 - Audit Committee.
There shall be an Audit Committee of the Board of Directors.

The composition of the Audit Committee and its functioning shall be as set forth in the Company's Articles of Association. The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Remuneration Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

All members of the Audit Committee shall be external directors and its Chairman shall in all cases be an independent director.

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.

The Audit Committee shall report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and shall furnish all Board members with the minutes of its meetings. Notwithstanding the above, and if the Chairman of the committee deems it necessary based on the urgency and importance of the business in question, the information will be passed to the Board at the first meeting to be held after the committee meeting.

As a minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors, is as follows:

A) Reporting to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.
B) Proposing the appointment of the financial auditor to the Board of Directors, which will then be passed on to the General Shareholders' Meeting.
C) With respect to internal control and reporting systems:
(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.
(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.
(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.
(e) Overseeing the internal auditing services, including, in particular:
(i) proposing the selection, appointment, re-election and removal of the head of internal auditing;
(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee shall likewise receive an annual activities report and action plan to correct any deficiencies detected;
(iii) ensuring the independence and efficiency of the internal audit function;
(iv) proposing the budget for this same internal function;
(v) receiving periodic information on its activities, and;
(vi) verifying that the senior management takes into account the conclusions and recommendations set forth in its reports.

D) With respect to the external auditor:
(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Meeting without qualifications in the associated audit report.
(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.
(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) the Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes;
ii) the Audit Committee shall likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
(5) Attempting to ensure that the group's auditor also audits each component group company.
(E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:
(a) the periodic financial information that the company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.
The company also pre-closes the year on 31 October so as to anticipate and correct any incidents that may have arisen over the year.
(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.
(c) Related-party transactions
(F) Addressing and, where appropriate, responding to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's remit and referred to it by the Company's General Secretary.
(G) Setting up and overseeing a whistle-blowing mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding p [sic - incomplete].

B.2.4. Indicate the advisory and consulting powers as well as the delegated powers, if any, of each of the committees:

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

Board Regulations:
Article 14 - Appointments and Remuneration Committee.
There shall be an Appointments and Remuneration Committee of the Board of Directors.
The committee is primarily charged with making proposals and providing information to the Board of Directors in relation to appointments of managers and Board members and the remuneration policy. Duties in these areas are purely advisory in nature.

Duties of the Appointments and Remuneration Committee include:

b) Proposing to the Board of Directors the election or reelection of independent Directors.
c) Reporting to the Board of Directors on the election or reelection of all other Directors.
d) Reporting the appointment and removal of executives that the Chief Executive Officer proposes to the Board.
e) Reporting to the Board of Directors on matters of gender diversity.
f) Proposing to the Board of Directors:
i.- the remuneration policy for Directors and executives, as well the distribution of Directors' remuneration,
ii.-executive Directors' individual remuneration as all other terms of their contracts,
iii.- the basic terms of executives' contracts.
The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee.
iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Article 18 of the Regulations of the Board of Directors envisages the general right of all directors to procure external advice in order to help them discharge their duties:
Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors.

The Board sitting in full session is entitled to adopt any resolutions as to whether or not such external advisory services shall be engaged, and if so, what person or entity shall provide them. The Board shall also address any possible limitations on the chosen advisor's access to the company's confidential information, and shall likewise approve, where applicable, the relevant expense entry.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

The Executive Committee is governed by Article 30 of the Articles of Association and by Article 12 of the Regulations of the Board of Directors.
Its advisory role to the Board of Directors stems from its advisory nature and from the powers conferred by the Articles of Association and the Regulations of the Board of Directors.

Articles of Association Article 30
As a permanent delegation of the Board of Directors, the Executive Committee shall exercise all the powers of the Board, save for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Article 12 of the Regulations of the Board of Directors
The Executive Committee shall possess such authority and powers as are conferred on it by the Articles of Association and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Meeting.

The Executive Committee shall perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.
Article 30 of the Articles of Association has the following to say on the creation of delegated bodies attached to the different committees:

In addition to the Executive Committee and the Audit Committee, the Board of Directors may appoint other commissions or committees whose powers and obligations shall be established by the Board on a case-by-case basis.

Committee name

AUDIT COMMITTEE

Short description
As regards the advisory and consultative powers vested in the Audit Committee, as set forth in the Regulations of the Board of Directors, the following are of particular note, and specifically concern the committee's advisory role before the Board of Directors and its duties to resolve issues raised by shareholders:
B) Proposing the appointment of the financial auditor to the Board of Directors, which will then be passed on to the General Shareholders' Meeting.
E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:
(a) the periodic financial information that the company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.
(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.
(c) Related-party transactions
F) Addressing and, where appropriate, responding to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's remit, as referred to the committee by the Company's General Secretary.
Article 13 of the Board Regulations relating to the Audit Committee envisages the possibility of seeking external advice or external information in order to help the committee discharge its functions.
The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed advisable. All of the aforementioned persons shall be bound to cooperate and provide access to any information they may have.

B.2.5. Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and any amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

It is governed by the Board Regulations available on the Company's website, which have been submitted to the CNMV and filed with the pertinent Commercial Registry.

The main change to the committee is essentially that it must now report to the Board on all business addressed and all resolutions adopted.

In accordance with Article 16 of the Regulations, relating to assessment of the Board and the committees:
Each year the Board of Directors shall evaluate: c) the functioning of the Board's committees, based on a report drawn up by each committee.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

The Executive Committee is governed by Article 30 of the company's Articles of Association, as filed with the pertinent Commercial Registry and published on the company's website as a consolidated text encompassing all current provisions.

It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available on the company's website and have been duly filed with the Spanish CNMV and with the Commercial Registry.
The main modification made to the Executive Committee is essentially that it must now furnish all Board members with copies of the minutes of its meetings.

Committee name

AUDIT COMMITTEE

Short description

The Audit Committee is governed by Article 30 of the company's Articles of Association, as published on the company's website, and by Article 13 of the Regulations of the Board of Directors, which are similarly available on the company's website and have likewise been duly filed with the Spanish CNMV, and with the Commercial Registry.

The modifications made to the committee mainly involved improving the functioning and definition of the duties of the Audit Committee, particularly in relation to:
- Coordination and supervision of the internal control and reporting systems;
- Supervision in relation to internal audit services;
- Coordination, supervision and safeguarding the independence of the external auditor:
Reporting to the Board of Directors before it decides upon:
(a) The periodic financial information that the company is required to disclose publicly.
b) The creation or acquisition of holdings in special-purpose entities or those domiciled in countries or territories classified as tax havens.
(c) Related-party transactions.
Supervision of the internal codes of conduct and rules on corporate governance.
A whistle-blowing mechanism has also been set up, enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices with the company, particularly those relating to accounting, finances and auditing.

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category:

YES

If not, explain the composition of your Executive Committee

C. RELATED-PARTY TRANSACTIONS

C.1. State whether the Board as a full body has reserved for itself the power to approve, after a favourable report from the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:

YES

C.2. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:

C.3. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the directors or managers of the Company:

C.4. Describe the relevant transactions made by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company as to their purpose and conditions:

C.5. State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Section 127 ter of the Spanish Public Limited Companies Act.

NO

C.6. Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders.

Article 22 of the Regulations of the Board of Directors, concerning the duty of loyalty, sets forth the following:

Company directors, in fulfilling their duty of loyalty, must report to the Board, prior to the occurrence, or as soon as they become aware of any conflict of interest with the company or its business group. This includes the obligation to step down immediately should the same conflict persist or if their presence on the Board could negatively affect the company's interests.

Furthermore, directors shall abstain from voting on matters in which they have an interest.

Any conflicts of interest in which directors find themselves shall be reported in the Annual Corporate Governance Report.

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.

Directors may not, either on their own or through a representative, hold positions of any type in companies that are competitors of Viscofan and its group of companies, nor may they render to such companies representation or advisory services.

In its various facets, this duty of loyalty of directors also encompasses activities engaged in by related parties, as defined in these regulations.

Furthermore, Article 33 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows: Directors who have formulated public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to those items on the agenda in which they have a conflict of interest and, in all cases, in relation to:

a) their appointment, ratification or removal as director;
b) the decision on whether to pursue derivative suits against the director in question;
c) approval or ratification of transactions with the company in relation to which the director has a conflict of interest.

C.7. Is more than one company of the Group listed in Spain?

NO

Identify the subsidiaries listed in Spain:

D. RISK CONTROL SYSTEMS

D.1. General description of the risk control policy adopted by the Company and/or its Group, describing and assessing the risks covered by the system and a justification for the adjustment of such system to the profile of each kind of risk.

In accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to "Exclusive powers", the risk-control and management policy and the periodic monitoring of internal information and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors sitting in full session.

Likewise, the Audit Committee, by virtue of the duties conferred on it in relation to internal information and control systems, is responsible for overseeing the preparation and control of financial information in general and all procedures implemented for such purposes, and overseeing the internal audit function and relations with the external auditor in order to safeguard its independence and help ensure that it issues an unqualified audit report, among other duties.

The Audit Committee is also specifically charged with monitoring the suitability of the control policies and procedures in place, and with reviewing the internal control and risk management systems, so as to ensure that the main risks are identified, managed and communicated accordingly.

The Internal Audit Department has among its objectives the identification and assessment of any type of risk that the Organization may face and for this purpose it is authorized to examine and assess the systems and procedures for control and mitigation of all risks, as well as the methodologies used.

The Corporate Responsibility and Regulatory Compliance Committee includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company regulations (statutory or corporate).

Senior management is responsible for identifying and assessing the risks to which the Group is exposed in the course of its business and for taking appropriate measures to prevent the appearance of these risks or, if they do appear, to reduce or eliminate their impact.

Finally, the rest of the Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems.

In the exercising of its respective duties, the company has continued to make progress in the identification, classification, organization and update of the risks that exist and in the introduction of control systems and preventive measures to avoid them appearing, as well as in the incorporation of systems that make it possible to reduce their impact as far as possible in the event of them occurring.

Independently of all of the risks that could affect the Company and without aiming to give an exhaustive description of them, we have concentrated on describing the risks that the Company has identified as having the highest possibility of occurring or having an impact during 2011, which correspond to those in which we have increased the adoption of measures for their prevention or for the reduction of their consequences in the event that they do actually occur:

FINANCIAL RISKS:

A) INTEGRITY OF THE PREPARATION OF THE FINANCIAL INFORMATION

The company and its group of companies should guarantee that the financial information prepared and transmitted to the financial markets provides a true, accurate, exact, complete and consistent reflection of the financial situation through the establishment of mechanisms that guarantee control in its preparation and consolidation.

Measures taken

The company has introduced a system for internal control of the financial information in which, in addition to the bodies responsible for risk management described above, the Corporate Finance Division was responsible for its design, start-up and dissemination, with support from the Finance Departments of each of the Viscofan Group companies and the Internal Audit Division.

This system is described in detail in the appendix to this Annual Corporate Governance Report.

B) PROFITABILITY AND SUCCESS OF THE INVESTMENTS UNDERTAKEN

The choice of projects in which the company's financial resources are invested should be based on criteria that generate an increase in the value of the company. In addition, the investments undertaken must be appropriately monitored.

Measures taken:

The company has consolidated the decision-making procedure and monitoring of investments through the .Committee created for this purpose.

The procedure regulates the following aspects:

. Approval of the basic Annual Investment Plan for the year.
. Inclusion in the Plan of new projects approved during the year.
. Authorization of each project included in this Plan when its implementation begins.
. Periodic control of the amounts agreed under contract and paid to suppliers.
. Quarterly monitoring by the Investment Committee.

In addition, taking into account the plans for expansion in countries such as Serbia and China, the corporate organizational structure in the Operations Division has been reinforced in order to be able to guarantee completion of key tasks within the set deadlines, keeping as far as possible to the set budgets.

C) EXCHANGE RATE RISK

The company and its group of companies operate internationally and are therefore exposed to exchange rate risk for operations taking place in currencies other than the production or reporting currency, especially the dollar .

The exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign business.
The main exposure arises from the difference between sales and purchases in currencies other than the functional currency in the various companies that make up the Group. In this respect, the main risk arises from the differential between sales and expenses in dollars representing approximately 38% and 21% of the total Group sales and expenses, respectively.
Measures taken

One of the ways of balancing the flows of collections and payments in the same currency is to bring the production centres closer to the main markets from a commercial point of view.

Although there are determining factors when it comes to deciding where to locate the production centres (access to raw materials, labour costs, customer service, logistics optimization), the fact that the production and the market are both in the same country facilitates natural hedging of the exchange rate risk in the business, leading to purchases and sales taking place in the same currency.

The Group has large production centres in the United States, Brazil, Mexico and the European Union, four of the areas where most sales are generated. The Group is also increasing its production capacity in China, another market with high commercial potential.

As a complement to this natural business hedging, in order to control the exchange rate risk that arises from future commercial transactions, the Group companies use forward exchange contracts, negotiated under the coordination of the corporate Cash Management Division.

The Group's risk management policy is to hedge a part of the net balance between collections and payments in currencies other than the functional currency that present the most net exposure based on expectations of future operating flows and the level of risk that the Group is prepared to take on.

To do this, exchange contracts are formalized during the process of preparation of the annual budget, taking as a basis the expected EBITDA for the coming year, the forecast net level of exposure and the level of risk that the Group is prepared to take on.

D) CREDIT RISK

The risk of customer debts pending collection is characterised by the geographical diversity of the customer base, which makes it more difficult to chase up payments in the event of delay, especially in markets with lower levels of financial or regulatory development.

In an unfavourable economic climate this situation becomes worse, although it is lessened by the slight probability that adverse financial circumstances are prevalent simultaneously in all geographical areas in which the Viscofan Group markets its products.

Measures taken

The Group does not have any significant concentrations of credit risk.

The Group has credit risk cover policies that cover most of the balances receivable from customers. The internal procedure includes a credit risk check for all new customers that the Group begins to work with. In addition, both the overdue balances and the risk cover level of each customer are regularly reviewed.
The Risk Committee provides regular monitoring of customer risks and of compliance with the policies implemented to reduce them.

It has policies to ensure that products are sold to customers with a suitable credit history, as well as insurance policies over a wide customer base. Furthermore, Group policies lead to sales being paid

for in cash due to lack of credit history or to reasonable doubt that they could prove problematic. Sales to problem customers are paid for in cash. Operations with derivatives are only formalised with financial institutions with a high credit rating. And there is the matter of sales insurance

The Risk Committee, which authorises and provides regular monitoring of customer risks and of compliance with the policies implemented to reduce them.

Moreover, operations with derivatives are only formalised with financial institutions with a high credit rating.

E) LIQUIDITY RISK

The Group has to guarantee the availability of liquidity for its operations, especially in the current economic climate of restrictions on financing.

Measures taken

Control of financial leverage in recent years and maintenance of streamlined financial statements accompanied by favourable operating results have helped to reduce this risk and its impact in the event of it occurring and have made it possible to carry out careful management of the liquidity risk, based on the maintenance of sufficient cash and negotiable securities, the availability of financing through sufficient committed credit facilities and sufficient capacity for settling market positions.

In view of the dynamic nature of the underlying business, the Group's objective is to maintain flexibility in financing through availability of contracted lines of credit.

Monthly monitoring takes place of the collections and payments to be made in the coming months as well as analysis of any deviations in the forecast cash flow during the month that has ended in order to identify possible deviations that could affect liquidity. The cash management area has also be reinforced to give an enhanced overview for anticipating the needs of the Group and coordinating the various possibilities for optimising its management.

F) INTEREST RATE RISK IN CASH FLOW HEDGE AND FAIR VALUE HEDGE

The company's exposure to the risk of change in interest rates is mainly due to the loans and credits received from financial institutions at variable interest rates.

Measures taken

The Group does not hold any significant paid assets. The Group formalizes hedging agreements to mitigate part of the risk of a possible rise in interest rates. In any case, the Viscofan Group's leverage percentage is low, which makes the impact of a possible rise in interest rates irrelevant.

Financing at variable interest rates is mainly referenced to the Euribor and the Libor-dollar.

OPERATING RISKS:

G) SUPPLY OF RAW MATERIALS
The supply of raw materials of plant origin (cellulose, abaca paper, film, etc.) may be conditioned by adverse weather conditions or natural catastrophes.

Concerning raw materials of animal origin, disease, the development of other sectors that are consumers of products directly associated with our raw materials and the global increase in consumption of the products manufactured by the Viscofan Group may have an impact on their price or even their availability.

Furthermore, the risks also have to be included that are derived from the supply of energy and due to volatility in gas and electricity prices, which may be increased by the political or economic situation of producer countries and their relations with consumer countries, as well as by extreme weather conditions.

The catastrophes that have taken place during recent years (earthquakes, floods in various regions of the world, hurricanes, etc.) and the unstable world economic climate have led to an increase in the sensitivity of the markets, industry and investors to this type of risk.

In addition, this risk is reduced by the increasing globalization of the world market, which provides better access to raw materials from other continents, thus reducing the impact of the risk.

Measures taken

During 2011, the Viscofan Group has continued to investigate identification and selection of raw materials suppliers of various origins who are located in different geographical areas and make it possible to balance the potential impact in the event of any of the circumstances described arising.

The Viscofan Group continues to promote the approval of new suppliers and the search for suitable technology solutions for the incorporation of alternative raw materials to guarantee continuity of the production level required by the market at times when it is most difficult to obtain supplies.

These measures are also favoured by Viscofan's decision to base its entire manufacturing process in China.

In addition, with respect to the energy supply, during this year and the previous one, cover was arranged to partially cover the above-mentioned volatility. Investments have also been made to allow optimum energy use and reduce dependence on the supply. Viscofan has also intensified monitoring of price changes and flexibility of supply by searching for suppliers that enable it to adapt more quickly to changing market circumstances.

H) RISK OF MATERIAL DAMAGE AND CONTINUITY OF PRODUCTION

The Viscofan Group has to guarantee business continuity at times when exceptional circumstances may arise that the Group's assets and its production capacity.

Measures taken

The Viscofan Group has completed the identification of possible improvements in the various Group plants which began in 2010, through the inclusion in its annual investment plan of an item specifically dedicated to this question and the allocation of specific resources for monitoring and supervision of its application.
The Viscofan Group is continuing its strategy of implementation in different countries, which favours diversification and the subsequent reduction of risk by increasing production alternatives in the hypothetical case of material damage that affects continuity of production.

STRATEGIC RISKS:

H) COMPETITIVE ENVIRONMENT OF THE SECTOR

The incorporation in the sector of casings from new geographical areas in which consumption of products manufactured by the Viscofan Group operates in a market that has undergone significant growth in recent years with the appearance of has encouraged the entry of new competitors.

In addition, in a climate of global recession, customers can search for lower cost alternatives or substitute products.

Among these alternatives are product offers from other competitors with lower prices or other technologies compared to products sold by Viscofan. Furthermore, the change in demand in a climate of global recession has led to the search for lower cost alternatives and technology requirements that are perceived as a business opportunity to
offer substitute products that meet the needs of the least demanding sectors.

The vegetable food sector has a wide range of offers, while the major distribution chains mainly concentrate on market demand. In turn, in the context of economic recession affecting Europe, and particularly Spain, consumers may change their purchasing habits to products other than those offered by the Viscofan Group.

Furthermore, in this context, customers may focus on other products or search for lower prices that affect the profitability of operations in this division. In the canned vegetable sector, the economic recession affecting Europe and the conditions imposed on the market by the major customers who make up most of the demand have modified the strategy of
manufacturers to make them adapt as much as possible to the new adverse circumstances.

Measures taken

Viscofan has continued with its strategy as a global producer in the casings sector, consolidating its offer throughout the range of products currently existing on the market and increasing its operations with production plants to guarantee supply from all geographical areas to customers worldwide with a criterion of closer proximity that encourages a more local service and better adaptation to the needs of each market.
In the canned vegetable and vegetable food sectors, Viscofan has consolidated its operations in China with the acquisition of 100% of Lingbao Baolihao for the production of tinned asparagus, which has allowed it to confirm the implementation of quality standards in accordance with the requirements of the Spanish market in a setting of cost control and maximization
of resources to guarantee its leadership in Spain.

In addition, IAN, S.A.U. has continued its expansion in the ready meal sector through development of new products prepared using natural methods to conserve their organoleptic properties in accordance with the new requirements for quality products. At the same time, it maintains active promotion policies that enhance recognition of the Carretilla brand and the leadership of the IAN Group in its sector.

LEGAL RISKS
I) CRIMINAL LIABILITY OF COMPANIES
The amendment of the Spanish Criminal Code in 2010 whose main modification consisted of the possibility of attributing criminal liability to companies as a result of the conduct of their executives, directors or employees, has increased the risk of legal non-compliance due to the possible penalties that a company may have to face.

Measures taken

The Viscofan Group has introduced a system of measures for prevention and detection of criminal liability in all of the companies that make it up, which establish measures for controlling activities in the work environment through the incorporation of a set of policies, manuals and procedures that determine the principles and behaviour to be followed in the performance of our activities and that cover all areas:
information technology, sales, production, finance, legal, research and development and human resources.

In addition, the Viscofan group has allocated responsibility for monitoring the system to the Corporate Responsibility and Regulatory Compliance Committee, which includes among its duties that of overseeing risks specific to the Company in elation to criminal liability or any other breach of Company regulations.

An Ethics Committee has also been created to deal with any breaches that may be detected in the event of practices that could be contrary to the Viscofan Code of Conduct and other regulations.

D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.

NO

If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

D.3. Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.

YES

If so, describe its duties:

Name of the committee or body

INTERNAL AUDIT

Description of functions

The Internal Audit Department has among its objectives the identification and assessment of any type of risk that the Organization may face and for this purpose it is authorized to examine and assess the systems and procedures for control and mitigation of all risks, as well as the methodologies used.

Name of the committee or body

AUDIT COMMITTEE

Description of functions

Ultimate responsibility for the risk control and management policy lies with the Board of Directors, as established in Article 5 of the Board Regulations.

The Audit Committee is similarly charged with the following functions relating to the control of financial information in particular, and to internal control and risk-management systems in general, pursuant to Art. 13 of the Regulations of the Board of Directors:
C) With respect to internal control and reporting systems:
(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.
(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.
(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.
(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

The Audit Committee is likewise responsible for overseeing the internal audit function and relations with the external auditor, the aim being to safeguard its independence and ensure that an unqualified audit report is issued.

D.4. Identification and description of the procedures for compliance with the various regulations that affect the Company and/or its Group.

The Viscofan Group has introduced a system of measures for prevention and detection of criminal liability in all of the companies that make it up, which establish measures for controlling activities in the work environment through the incorporation of a set of policies, manuals and procedures that determine the principles and behaviour to be followed in the performance of our activities and that cover all areas:
information technology, sales, production, finance, legal, research and development and human resources.

In addition, the Viscofan group has allocated responsibility for monitoring the system to the Corporate Responsibility and Regulatory Compliance Committee, which includes among its duties that of overseeing risks specific to the Company in elation to criminal liability or any other breach of Company regulations.

An Ethics Committee has also been created to deal with any breaches that may be detected in the event of practices that could be contrary to the Viscofan Code of Conduct and other regulations.

In addition, the Group has introduced a policy of monitoring food regulations due to the special effect that these regulations have on its activities, on the principles of continuous update, coordination and communication, so that knowledge of the different types of legislation applying to the activities of the Group worldwide is guaranteed.

E. GENERAL SHAREHOLDERS' MEETING

E.1. Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Spanish Public Limited Companies Act in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

	% Quorum differing from that set forth in Section 102 of the Spanish Public Limited Companies Act for general circumstances	% Quorum differing from that set forth in Section 103 of the Spanish Public Limited Companies Act for the special circumstances set forth in Section 103
Quorum required on first call	0	0
Quorum required on second call	0	0

E.2. Indicate and, if applicable, explain whether there are differences with the rules provided by Spanish Public Limited Companies Act for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Spanish Public Limited Companies Act.

E.3. Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Spanish Public Limited Companies Act.

Shareholder rights relating to attendance, proxies, voting, delegation, information, dissent, procedure, approval of minutes, and all other issues relating to the General Shareholders' Meeting, are set forth in the company's Articles of Association (Articles 22 to 25) and in the Regulations of the General Meeting of Viscofan, S.A. Any matters not expressly envisaged in these internal documents will be governed by the Spanish Corporate Enterprise Act (Ley de Sociedades de Capital) and other applicable law.
The aforementioned provisions of the company's Articles of Association read as follows:

Article 22: Shareholders holding 1000 shares at least and who have them registered in the pertinent stock ledger at least five days before the General Shareholders' Meeting will have the right to attend. The securities clearing and liquidation office or member entities of the same must provide to shareholders the pertinent certificates to allow the exercise of rights inherent to the condition of shareholders. Shareholders that do not hold the number of shares required to attend may pool their shares for such purpose.

Art. 23: All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person. Such proxy shall be conferred in writing or by remote means of communication, provided that the identity of the individual exercising voting rights is duly verifiable.

Such proxy must be conferred specially for each General Shareholders' Meeting.

Art. 24: Resolutions shall be adopted by majority vote and recorded in the minute book of the Company. Shareholders may vote directly or by proxy on motions included on the agenda for the meeting by post, electronic channels, or any other means of remote communication, provided that the identity of the individual exercising their voting rights is duly verifiable.

Each share confers one vote. Shareholders that cast their votes remotely must be treated as present

when calculating the quorum for the meeting.
The minutes will be signed by the chairman and the secretary and any certificates that may be issued of such minutes must bear the signatures of both persons.

Art. 25: Shareholders' rights relating to information, dissent, procedure, approval of minutes and other matters related to the General Meeting shall be governed by the provisions of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas).
The Regulations of the General Shareholders' Meetings specifically govern the following shareholder rights:

CHAPTER IV

Article 11.- Right of access to information.
The Company shall use all means at its disposal to ensure access to information for the Company's shareholders.

Article 12.- Shareholders' Meeting documentation.
At the time the call to meeting is published, the company shall make documentation available to shareholders on all items to be addressed at the General Shareholders' Meeting as included on the agenda. This documentation shall be available in hard copy at the corporate registered office as well as in digital form on the Company's website. In addition, the company shall send such information to interested shareholders at no cost.

Article 13.- Request for information.
Up to seven days prior to the scheduled date for the General Shareholders' Meeting, and during the meeting itself, shareholders may ask directors for information or further clarifications, and may likewise pose questions on the information provided, as well as any other information accessible to the public and provided by the company since the date of the last General Meeting. Company directors shall provide such information immediately or in writing, unless such disclosure could harm the company's interests.

CHAPTER V

Article 14.- Right to attend.
Shareholders holding at least 1000 shares who at least five days before the Shareholders' Meeting have them registered in the pertinent stock ledger shall have the right to attend (pursuant to Article 22 of the Articles of Association). Shareholders that do not hold the number of shares required to attend may pool their shares for such purpose.

Article 15.- Shareholder accreditation.
Sociedad de Gestion de los Sistemas de Registro, Compensacion y Liquidacion de Valores, S.A. (Iberclear) or, as appropriate, the entity or entities competent to perform such function or Iberclear member entities shall provide to the shareholders the pertinent certificates or any other document evidencing ownership of the shares after publication of the Notice of Meeting.

Article 16.- Proxy Voting.
All shareholders with the right to attend the General Shareholders' Meeting may be represented by proxy.
Such proxy authority shall be conferred in writing or by remote means of communication that duly prove the identity of the individual exercising voting rights, on a separate basis for each Meeting.

E.4. Indicate, if applicable, the measures adopted to encourage the participation of shareholders at General Shareholders' Meetings.

As has been the practice for Notices of General Shareholders' Meetings in recent years, in order to encourage shareholders' participation, the Board resolved to distribute an attendance fee of 0.006 euros per share to all shares present or represented by proxy at the General Shareholders' Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders' Meeting held on 14th April 2011.

E.5. Indicate whether the chairman of the General Shareholders' Meeting is also the chairman of the Board of Directors. Describe, if applicable, the measures adopted to ensure independence and proper operation of the General Shareholders' Meeting:

YES

Description of measures

The General Shareholders' Meeting is chaired by the Chairman of the Board of Directors.

In addition to the existing regulations to guarantee the rights of shareholders during the General Meeting, Article 23 of the Regulations for General Shareholders' Meetings specifically establishes detailed measures to ensure independence and proper functioning during the General Meeting and ensure that any shareholders that so wish are given the opportunity to take part in the discussions and receive any information requested.
B) Interventions and information
1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so dictate, the Chair may set a maximum duration for interventions of less than five minutes, in all cases treating all shareholders requesting interventions equally and respecting the principle of non-discrimination.
2. Directors shall be bound to provide the information requested, except under the circumstances set forth in Article 13 above or when the information requested is not available at the Shareholders' Meeting. In such cases, such information shall be provided in writing within seven days following the adjournment of the Shareholders' Meeting, to which end the shareholder shall indicate the domicile or address to which to send the information.

3. The information or clarification requested shall be provided by the Chair or, as appropriate and at the Chair's request, by the chairman of the Audit Committee, the Secretary, a Director or, if appropriate, any employee or expert in the matter who is present.

4. In exercising his/her powers of running the Shareholders' Meeting and notwithstanding other actions the Chair may:
(i) ask those wishing to take the floor to clarify issues that were not understood or were not sufficiently explained during the intervention;
(ii) call to order shareholders who take the floor so that they limit their intervention to matters that may properly come before the Shareholders' Meeting and refrain from making improper statements or from exercising their rights in any way that may be deemed abusive;
(iii) announce to shareholders taking the floor that their time limit is about to run out so that they can adjust their intervention accordingly. When the time allotted for their intervention has run out or if they persist in the behaviours described in sub-paragraph (ii) above, the floor may be taken from them.

Furthermore, the presence of a notary was required for the General Shareholders' Meeting held on 14th April 2011, for the purpose of drawing up the minutes and ensuring that the meeting was held in compliance with applicable law and internal regulations to protect all shareholder rights.

E.6. Indicate the amendments, if any, made to the Regulations for the General Shareholders' Meeting during the fiscal year.

The main amendments to the Regulations for the General Shareholders' Meeting approved by the Meeting held on 14 April 2011 responded to the need for adaptation to the Corporate Enterprises Act and the Articles of Association, whose amendment was also approved by the same General Shareholders' Meeting.

The main changes affected articles 5, 9, 14 and 19 of the Regulations for the General Shareholders' Meeting and they consisted of referencing the requirements for calling the meeting to what is stated in the Articles of Association to avoid discrepancies, extending the right of attendance to shareholders who own at least 1000 shares in the Company without any minimum capital requirement and setting the location for the General Shareholders' Meeting as within the municipal limits of Pamplona.

The amended articles now read as follows:
´Article 5.- Competence of the General Shareholders' Meeting

The General Shareholders' Meeting shall decide on matters within its competence in accordance with the Law and the Articles of Association, and is particularly responsible for the adoption of the following agreements:
1. Appointment and removal of Directors, as well as confirmation or revocation of provisional appointments of such
directors made by the Board of Directors.
2. Appointment of the Account Auditors.
3 Audit and approval of corporate management and approval, where applicable, of the accounts for the previous year and of application of the profit.
4 Issue of bonds, increase and reduction of share capital delegating, where applicable, to the Board of Directors, within the time limits stated by law, the power to state the date or dates of their execution, who can make full or partial use of this delegation, or even abstaining from executing it in consideration of the market conditions, those of the company or any specially relevant event or occurrence that in its opinion justifies this decision. In this case it shall give an account of this to the first General Shareholders' Meeting held once the time limit given for its execution
has expired. It may also delegate to the Board of Directors the ability to increase the share capital pursuant to
article 297 of the Corporate Enterprises Act.
5. Amendment of the Articles of Association.
6. Dissolution, merger, split and transformation of the Company.
7. Approval of Specific Regulations for the General Shareholders' Meeting, as well as any subsequent amendments.

8. Rulings about any matters submitted to it by the Board of Directors, in the event that circumstances or relevant events occur that affect the Company, the shareholder body or the corporate bodies and, in any case, in the event of formulation of a public offer of securities issued by the Company, that does not deserve a favourable report from the Board of Directors.
9. Granting the Board of Directors the powers that it considers appropriate for unforeseen circumstances.´

´Article 9.- Formal requirements for calling the meeting.
The notice of meeting shall be published in the terms stated in the Company Articles of Association.´

´Article 14.- Right to attend.
The right to attend (pursuant to article 22 of the articles of association) shall be for shareholders who hold at least 1000 shares in the Company and who have them entered in the corresponding register at least five days before the Meeting. Shareholders who do not hold the required amount of shares to be able to attend may form a group for this purpose.´

´Article 19.- Place where the Meeting is held.
The General Shareholders' Meeting shall be held within the municipal limits of Pamplona.´

E.7. Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report:

Attendance information					
Date of the General Shareholders Meeting	% physical attendance	% represented	% voting remotely		Total
			Electronic voting	Other	
14/04/11	4.750	46.230	0	25.300	76.280

E.8. Briefly describe the resolutions adopted by the shareholders acting at the General Shareholders' Meetings held during the fiscal year referred to in this report and the percentage of votes by which each resolution was passed.

On second call, the shareholders at Viscofan, S.A.'s General Shareholders Meeting held on 14 April 2011, adopted the following resolutions:

1.- The Balance Sheet, Income Statement, Notes, Management Report and the corporate management performed during the fiscal year ending on 31 December 2010, of Viscofan, S.A. as well as the Balance Sheet, Income Statement, Notes, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders' Equity, the consolidated Management Report and corporate management performed during the fiscal year ending on 31 December 2010, for the companies of which Viscofan is the parent company were approved.

On the individual balance sheet of Viscofan, it was agreed to earmark the sum of 23,488,255.73 euros for dividends charged to the profits for 2010 and 39,491,243.63 euros for the voluntary reserves. As a result, it was agreed to distribute an additional dividend of 0.204 euros per share, which represents a total of 9,507,151.13 euros, which was paid to the shareholders on 5 May 2011.
Votes in favour totalled thirty-five million five hundred and thirty-six thousand and twelve (35,536,012) shares. Shareholders representing six thousand and sixty (6,060) shares abstained from voting. Votes against totalled six thousand one hundred (6,100) shares.

2) The shareholders were presented with the following explanatory reports by the Board of Directors for information purposes:

a) Explanatory report drafted in compliance with art. 116 b of the Securities Market Act.
b) Report on the amendments made to the Regulations of the Board of Directors.
c) Annual Corporate Governance Report.

3) It was agreed to appoint Ernst Young, S.L. as auditors to review the financial statements of Viscofan, Sociedad Anónima and the
consolidated accounts of the group of companies of which this Company is the dominant company, for the financial year ending at 31 December 2011.
Votes in favour totalled thirty-five million five hundred and thirty-six thousand and twelve (35,312,390) shares. Shareholders representing four thousand eight hundred (4,800) shares abstained from voting. Votes against totalled two hundred and thirty thousand nine hundred and thirty-two (230,932) shares.

4) It was agreed to amend the Articles of Association both to adapt all legislative references to the new regulations that
came into force in 2010 and to incorporate some of the new items for insertion, mainly the
change of registered office to Tajonar, in the municipality of Aranguren, where the headquarters of the company are
based; determination of the place for holding the General Shareholders' Meeting as within the municipal limits of Pamplona; the publicity about the notice of meeting through the Company website and, in the event of it not existing, in one of the daily newspapers with the largest circulation in the province, and the extension of the right to attend the Meeting to shareholders who own at least 1,000 shares in the Company without any minimum capital requirement.

Votes in favour totalled thirty-five million five hundred twelve thousand two hundred and ninety-four (35,512,294) shares. Shareholders representing seven thousand seven hundred and eighteen (7,718) shares abstained from voting. Votes against totalled twenty-eight thousand one hundred and sixty (28,160) shares.

5) The amendment of the Regulations for the General Shareholders' Meeting was approved in order to adapt the legislative references to the new regulations that came into force in 2010 and also to bring some of their articles in line with the Articles of Association in the event that the General Shareholders' Meeting approves the proposed amendments. The main changes that were approved consisted of referencing the requirements for calling the meeting to what is stated in the Articles of Association to avoid discrepancies, extending the right of attendance to shareholders who own at least 1000 shares in the Company without any minimum capital requirement and setting the location for the General Shareholders' Meeting as within the municipal limits of Pamplona.
Votes in favour totalled thirty-five million five hundred and twelve thousand six hundred and sixty-two (35,512,662) shares. Shareholders representing
eight thousand six hundred and ten (8,610) shares abstained from voting. Votes against totalled twenty-six thousand nine hundred (26,900) shares.

6) It was agreed to reduce the share capital by 13,515,067.78 euros through reduction of the nominal value of the shares, which changed from 0.30 to 0.01 euros per share in order to make a partial return of contributions, with the
subsequent amendment of Article 5 of the Articles of Association. The difference of 0.29 euros per share will be returned to the shareholders once all legal requirements have been met associated with the reduction agreement within a maximum of six months from the date of publication of the last notice of the reduction agreement. The share capital resulting from the reduction is 466,036.82 euros (four hundred and sixty-six thousand and thirty-six euros and eighty-two cents) represented by 46,603,682 shares (forty-six million six hundred and three thousand six hundred and eighty-two shares) each with a nominal value of 0.01 euros (1 cent).

Votes in favour totalled thirty-five million five hundred and forty-three thousand three hundred and twenty-two (35,543,322) shares. Shareholders
representing four thousand eight hundred (4,800) shares abstained from voting. Votes against totalled fifty (50) shares.

7) It was agreed to increase the share capital by 32,156,540.58 euros by raising the nominal value of the shares by 0.69 euros, from 0.01 euros per share to 0.70 euros per share. The capital increase does not involve any contribution by the shareholders as it is charged to the Company reserves as shown on the balance sheet at 31 December 2010 approved in advance at the same meeting. The capital increase agreement will take place after the capital reduction approved in the previous point has been made and the Company directors are therefore authorized to carry it out within a maximum of one year from the time of adoption of the agreement.

Once the increase has been made the share capital will be 32,622,577.40 euros (thirty-two million six hundred and twenty-two thousand five hundred and seventy-seven euros and forty cents) represented by 46,603,682 shares (forty-six million six hundred and three thousand six hundred and eighty-two shares), each with a nominal value of 0.70 euros (70 cents).
Votes in favour totalled thirty-five million five hundred and forty-three thousand three hundred and twenty-two (35,543,322) shares. Shareholders
representing four thousand eight hundred (4,800) shares abstained from voting. Votes against totalled fifty (50) shares.

8) It was agreed to renew authorization for the Board of Directors, for the maximum period allowed by law, from the date of the agreement,
to buy and sell equity shares on the market at the listed price on the day on which the transaction takes place, at the maximum numbers of shares permitted by the Corporate Enterprises Act and the associated provisions, at a minimum price of the nominal value and a maximum of 38 euros.
Votes in favour totalled thirty-four million seven hundred and seventy-nine thousand four hundred and ninety (34,779,490) shares. Shareholders
representing five hundred and nineteen thousand five hundred and five (519.505) shares abstained from voting. Votes against totalled two hundred and forty-nine thousand one hundred and seventy-seven (249,177) shares.

9) An advisory vote approved the Report on the remuneration policy for directors in compliance with recommendation 40 of the Unified Code of Good Governance.
Votes in favour totalled twenty-three million six hundred and fifty-six thousand two hundred and sixty eight (23,656,268) shares. Shareholders
representing one million six hundred and sixty-four thousand two hundred and seventy-five (1,664,275) shares abstained from voting. Votes against totalled ten million two hundred and twenty-seven thousand six hundred and twenty-nine (10,227,629) shares.

10) Lastly, it was agreed to vest powers in the Board of Directors to interpret, rectify, apply,
expand upon, develop and execute the resolutions adopted, and to vest powers in José Domingo de Ampuero y Osma and Mr José Antonio Canales García authorizing them, jointly, severally and indistinctly, to notarise in public instrument those resolutions that require notarization, and to file the accounts and request registration of those documents prescribed by law.
Votes in favour totalled thirty-five million four hundred and six thousand two hundred and ninety-three (35,406,293) shares. Shareholders representing one hundred and forty-one thousand eight hundred and twenty-nine (141,829 share) shares abstained from voting. Votes against totalled fifty (50) shares.

E.9. Indicate whether there are any restrictions in the Articles of Association requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' meeting: 1,000

E.10. Indicate and justify the policies followed by the company with respect to proxy voting at the General Shareholders' Meeting.

Chapter V - Article 16 of the Regulations for the General Shareholders' Meeting sets forth:

´Proxy Voting. All shareholders with the right to attend the General Shareholders' Meeting may be represented by proxy. Such proxy authority shall be conferred in writing or by remote means of communication that duly prove the identity of the individual exercising voting rights, on a separate basis for each Meeting.

Article 23 of the Company's Articles of Association is worded along the same lines:

All shareholders with the right to attend the General Shareholders' Meeting may be represented by proxy. Such proxy authority shall be conferred in writing or by remote means of communication that duly prove the identity of the individual exercising voting rights, provided that the identity of the individual exercising voting rights is duly ensured.
Such proxy authority shall be conferred specially for each Shareholders' Meeting.

Moreover, when it publishes notice of the General Shareholders' Meeting, the company provides the relevant forms and the rules for appointing a proxy and voting remotely, either electronically or by post, for any shareholders wishing to exercise this option:

2.1. Procedure for granting proxies
The following remote channels of communication may be used to confer proxies:

(I) Electronic channels:

In order to confer proxies electronically, company shareholders must visit the company's website and access the on-line section set up for such purpose. In accordance with the Articles of Association and the Regulations of the General Meeting, the procedure for granting proxies electronically must have the requisite security measures in place to guarantee the authenticity and identity of the shareholder conferring the proxy. Pursuant to Article 16 of the Regulations of the General Meeting, the Board of Directors, for the purpose of ensuring the authenticity and identity of the shareholder granting the proxy, has implemented a sophisticated and widely recognised electronic signature system in accordance with the provisions of the Spanish Electronic Signatures Act of 19 December 2003 (Ley 59/2003), which dictates that such system must be based on a recognised and valid and current electronic certificate issued by the Spanish Public Certification Authority (Autoridad Pública de Certificación Española, CERES) attached to the Spanish National Mint and Stamp Factory (Fábrica Nacional de Moneda y Timbre).

All shareholders with electronic signature that meet the aforementioned requirements and identify themselves accordingly through their signature may grant proxies through the company's website by following the procedure in effect at the relevant time. Shareholders wishing to confer a proxy electronically undertake to notify their chosen representative of the proxy in question. The representative must accept the proxy by signing a printout of the electronic form available from the company's website, which the principal shareholder must have previously completed and signed with his/her recognised electronic signature and duly sent to both the representative and the company, at the address designated by the latter. The representative shall make a copy of the completed and signed electronic form and deliver it to the company at the shareholder reception desk on the date and at the venue of the General Meeting in question.

When the proxy is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, this communication will take effect from the time the company receives the electronic proxy.

Representatives may only exercise their principal's voting rights by attending the meeting in person.

(II) By post:

In order to grant proxies by regular post, shareholders shall fill out and sign the proxy box on the attendance card issued in hard copy by the corresponding member entity of the Spanish Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). The representative must accept the proxy, to this end signing the attendance and proxy card sent to it by the shareholder. The person to whom the vote is delegated may only exercise such voting rights by attending the General Meeting in person.

On the date of the General Meeting, representatives must bring their national identity document or passport to the meeting so that the company can verify the conferred proxy, along with a copy of the proxy where appropriate.

When the proxy is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, this communication will take effect from the time the company receives the proxy.
In the event that the attendance card does not include the name of the representative, it shall be understood that the representation is conferred upon the Board of Directors or the person designated by the Board.

3. BASIC RULES ON PROXIES AND ABSENTEE VOTING

3.1. Timeframe in which to send the company proxies and absentee voting requests

In order to be held valid, and in accordance with the Regulations of the General Meeting, the company must receive proxies and absentee voting requests (whether electronic or by post) twenty-four hours before the scheduled date and start time of the meeting on first call. Otherwise, proxies will be deemed ineffective and votes as not cast, unless receipt by the company after this cut-off point but before the date and time of the General meeting does not cause the company any significant problems in carrying out the necessary checks and calculations ahead of the meeting.

3.2 Rules governing preference between proxies, absentee voting and personal attendance at the General Shareholders' Meeting

3.2.1 Priorities among proxies, absentee voting and personal attendance

Shareholders casting their votes remotely as set forth in this article shall be deemed present for the purpose of achieving a quorum at the General Meeting in question. Accordingly, any proxies they may have previously conferred shall be deemed revoked and those that they subsequently confer shall be deemed not to have been conferred.

- Votes cast remotely may only be cancelled: by subsequent express revocation effected via the same channel used to cast the vote, within the deadline set for this purpose.
- If the shareholder who cast the vote attends the meeting in person.
- Through the sale of the shares whose holding confers the voting right, provided the company is informed of this at least five days prior to the scheduled date of the General Meeting.

3.2.2 Priorities between proxies

In the event that a shareholder confers several valid proxies, the last one received by the company shall take precedence.

E.11. Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:

NO

E.12. Indicate the address and manner for accessing corporate governance content on your website.

This content is available to the general public and shareholders alike via the company's website (www.viscofan.com) and can be accessed through the Corporate Responsibility section or through the Investor Relations section, subsequently clicking on the Corporate Governance tab. The information also forms part of the documentation relating to the General Shareholders' Meeting and is similarly included in the Annual Report, both of which can also be accessed directly from the home page.

F. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Unified Good Governance Code.
If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The Articles of Association of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.
See sections: A.9, B.1.22, B.1.23, E.1 and E.2

Complies

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:
a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
b) The mechanisms in place to resolve any conflicts of interest that may arise.
See sections: C.4 and C.7

Not Applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:
a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;
c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:
a) To the appointment or ratification of directors, which shall be voted on individually;
b) In the event of amendments to the Articles of Association, to each article or group of articles that are substantially independent of one another.
See section: E.8

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act on behalf of different clients can divide their votes in accordance with the instructions given by such clients.
See section: E.4

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.
It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and
upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:
a) The company's policies and general lines of strategy, and in particular:
i) The strategic or business plan as well as the management objectives and annual budgets;
ii) The investment and financing policy;
iii) The definition of the structure of the corporate group;
iv) The corporate governance policy;
v) The corporate social responsibility policy;
vi) The policy for remuneration and assessment of the performance of senior managers;
vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
viii) The dividend policy, as well the treasury stock policy and, especially, the limits thereto.
See paragraphs: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:
i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.
See section: B.1.14
ii) The remuneration of directors and, in the case of executive directors, the additional remuneration for their executive duties and other terms and conditions that must be included in their contracts.
See section: B.1.14
iii) The financial information that the Company must periodically make public due to its status as listed company.
iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
v) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.
c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").
However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:
1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favourable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.
It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.
See sections: C.1 and C.6

Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.
See section: B.1.1

Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.
See sections: A.2, A.3, B.1.3 and B.1.14.

Complies

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains the circumstances and the links this director maintains with the company or its managers or with its shareholders.
See section: B.1.3

Complies

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.
This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:
1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2. Companies where there is more than one shareholder represented on the Board and these are not linked between themselves
See section: B.1.3, A.2 and A.3

Complies

13. The number of independent directors represents at least one third of the total number of directors.
See section: B.1.3,

Complies

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. This report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.
See sections: B.1.3 and B.1.4

Complies

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Appointments Committee takes steps to ensure that when new vacancies are filled:
a) Selection procedures do not have an implied bias that hinders the selection of women directors.
b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.
See sections: B.1.2, B.1.27 and B.2.3.

Complies

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.
See section: B.1.42

Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.
See section: B.1.21

Complies

18. The Secretary of the Board takes particular care to ensure that the Board's actions:
a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;
b) Comply with the company's Articles of Association and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;
c) Are informed by those good governance recommendations included in this Unified Code that the company has subscribed to.
And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Appointments Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.
See section: B.1.34

Complies

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.
See section: B.1.29

Complies

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.
See sections: B.1.28 and B.1.30

Complies

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

22. The full Board evaluates the following on a yearly basis:
a) The quality and efficiency of the Board's operation;
b) On the basis of a report submitted to it by the Appointments Committee, how well the Chairman and chief executive of the company have carried out their duties;
c) The performance of its Committees, on the basis of the reports furnished by them.
See section: B.1.19

Complies

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.
See section: B.1.42

Complies

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.
See section: B.1.41

Complies

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules.
Directors are also offered refresher training programs when circumstances so advise.

Complies

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:
a) Directors apprise the Appointments Committee of their other professional duties, in case they might detract from the necessary dedication;
b) Companies lay down rules about the number of boards on which their directors may sit.
See sections: B.1.8, B.1.9 and B.1.17

Complies

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:
a) On the proposal of the Appointments Committee, in the case of independent directors.
b) Subject to a prior report from the Appointments Committee, in the case of other directors.
See section: B.1.2

Complies

28. Companies post the following director information on their websites, and keep such information updated:
a) Professional and biographical profile;
b) Other Boards of Directors of listed or unlisted companies on which they sit;
c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
d) Date of their first and subsequent appointments as a company director; and
e) Shares held in the company and options thereon held by them.

Complies

29. Independent directors do not hold office as such for a continuous period of more than 12 years.
See section: B.1.2

Explain

There are no limitations on the internal regulations of the Company determining removal of a director or change of status merely because he has spent a certain amount of time on the Board.

The Company considers that the independence of directors can be achieved though alternative means (remuneration, regulated membership of other boards, performance of other activities as long as they allow a suitable amount of time to be dedicated to their duties, etc.) and that the amount of time on the board is only one factor to be taken into consideration, which has to be assessed in conjunction with others that may have more impact, such as knowledge and experience of the main activity of the Group of companies of which the company is the parent company, due to its specific nature and small size, the contributions that each member of the board can make to the Company both in its business and in other matters (internal regulations, audit, corporate governance, etc.)and any other personal circumstances that justify their remaining on the board for a longer period.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.
See paragraphs: A.2, A.3 and B.1.2

Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the Articles of Association, for which he was appointed, except for good cause is found by the Board upon a prior report of the Appointments Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.
See paragraphs: B.1.2, B.1.5 and B.1.26

Complies

32. Companies establish regulations obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.
If a director is indicted or tried for any of the crimes described in Section 124 of the Spanish Public Limited Companies Act, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.
See paragraphs: B.1.43 and B.1.44

Complies

33. All directors may clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.
When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, this director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.
This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board.
Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.
See paragraph: B.1.5

Complies

35. The remuneration policy approved by the Board specifies at least the following points:
a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed remuneration they give rise to;
b) Variable remuneration items, including, in particular:
i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed remuneration items.
ii) Performance evaluation criteria used to calculate entitlement to remuneration in shares, share options or any other variable component;
iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
iv) An estimate of the absolute amount of variable remuneration arising from the proposed remuneration plan, in accordance with the degree of compliance with benchmark assumptions or targets.
c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
i) Duration;
ii) Notice periods; and
iii) Any other provisions relating to hiring bonuses, as well as indemnity or "golden parachute" provisions in the event of early or other termination of the contractual relationship between the company and the executive director.
See paragraph: B.1.15

Complies

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable remuneration linked to the company's performance or pension schemes is confined to executive directors.
This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.
See paragraphs: A.3 and B.1.3

Complies

37. The remuneration of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

38. The remuneration linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies

39. In the case of variable remuneration, remuneration policies include technical safeguards to ensure that such remuneration reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Not Applicable

40. The Board submits a report on director remuneration policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

This report shall focus especially on the remuneration policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the remuneration policy was applied in this previous fiscal year.
The Board also reports on the role played by the Remuneration Committee in the preparation of the remuneration policy and, if external advice was provided, it states the name of the external advisors that have given such advice.
See paragraph: B.1.16

Complies

41. The Notes to the Financial Statements list the individual directors' remuneration during the fiscal year, including:
a) A breakdown of the remuneration of each director, to include where appropriate:
i) Attendance fees or other fixed remuneration received as a director;
ii) The additional remuneration received as chairman or member of a Board committee;
iii) Any remuneration received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
iv) Contributions on the director's behalf to defined contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
v) Any severance package agreed or paid;
vi) Any remuneration received as a director of other companies in the group;
vii) Compensation for the performance of senior management duties by executive directors;
viii) Any item of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total remuneration received by the director.
b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
iv) Any change during the year in the terms for the exercise of previously-awarded options.
c) Information on the relationship, in the previous fiscal year, between the remuneration received by executive directors and the profits or other measures of performance of the company.

Complies

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.
See paragraphs: B.2.1 and B.2.6

Complies

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Appointments and Remuneration Committee as a separate committee of the Board, or a Appointments Committee and a Remuneration Committee.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or committees are set forth in the Regulations of the Board, and include the following:
a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work carried out.
b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
c) Committee Chairmen are independent directors.
d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
e) Minutes are prepared of their meetings, and a copy is sent to all Board members.
See paragraphs: B.2.1 and B.2.3

Complies in part

The Chairman of the Appointments and Remuneration Committee is the Chairman of the Board and is also an executive director.

45. Overseeing compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Appointments Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

Complies

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

Complies

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, ensures the smooth operation of the information and internal control systems.

Complies

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activity report to it at the end of each fiscal year.

Complies

49. Risk control and management policy specifies at least:
a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
b) The determination of the risk level the company sees as acceptable;
c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet
risks.
See paragraph: D

Complies

50. The Audit Committee's role is:
1. With respect to internal control and reporting systems:
a) To supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.
b) To periodically review the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

c) To ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.
d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.
2. With respect to the external auditor:
a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
c) To monitor the independence of the external auditor, to which end:
i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
d) In the case of groups, the Committee favours the auditor of the group assuming responsibility for the audits of the companies that form part thereof.
See paragraphs: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:
a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
b) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.
See paragraphs: B.2.2 and B.2.3

Complies

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.
See paragraph: B.1.38

Complies

54. The majority of the members of the Appointments Committee –or of the Appointments and Remuneration Committee, if one and the same– are independent directors.
See paragraph: B.2.1

Complies

55. The Appointments Committee has the following duties, in addition to those stated in the earlier Recommendations:
a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.
See paragraph: B.2.3

Partially Complies

The Articles of Association envisage the appointment of a First Vice-Chairman, a Second Vice-Chairman and also a Third Vice-Chairman to prepare the company for any possible absences that may arise.
Art. 10 of the Regulations of the Board of Directors, on the Chairmanship, states that:

The First Vice-Chairman shall replace the Chairman in the event of illness, absence or death affecting the latter. In such cases, and for as long as the circumstances in question persist, the Vice-Chairman will be entitled to convene Board meetings and chair proceedings.

The Second Vice-Chairman and Third Vice-Chairman, if indeed such offices exist, shall exercise the same functions in relation to the First Chairman and the Second Vice-Chairman, respectively.

The First Vice-Chairman has likewise been authorised, in his/her capacity as independent director, to exercise the following functions in accordance with Art. 9 of the Regulations of the Board of Directors:

a) to request that a Board meeting be convened, or for new items to be added to the agenda;
b) to act as coordinator for the non-executive directors and to voice their concerns;
c) to head the process whereby the Board assesses the performance of the Chairman.

Moreover, the Appointments and Remuneration Committee is responsible for ensuring suitability and integrity when selecting directors and senior executives, and for proposing or reporting on the appointment of directors, both such duties as set forth in Art. 14 of the Regulations of the Board of Directors.

As a result, existing internal rules and regulations allow the company to organize the rotation of directors accordingly, including in cases of sudden or unforeseen absences.

56. The Appointments Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And any board member may request that the Appointments Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies

57. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:
a) To propose to the Board of Directors:
i) The remuneration policy for directors and senior managers;
ii) The individual remuneration of executive directors and other terms of their contracts.
iii) The basic terms and conditions of the contracts with senior managers.
b) To ensure compliance with the remuneration policy set by the company.
See paragraphs: B.1.14 and B.2.3

Complies

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

G. OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

In this section, you may include any other information, clarification or comment relating to the earlier sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this Report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in subsection 5 of the Unified Good Governance Code:

NO

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of

29/02/2012

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO