Independent Audit Report

VISCOFAN, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2015

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

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of VISCOFAN, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statements of financial position at December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of VISCOFAN, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid - Inscrita en el Registro Mercantil de Madrid al Tomo 12749, Libro 0, Folio 215, Sección 8ª, Hoja M-23123, Inscripción 116. C.I.F. B-78970506.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of VISCOFAN, S.A. and its subsidiaries at December 31, 2015, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated 2015 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2015 consolidated financial statements. Our work as auditors is limited to verifying the consolidated 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 accounting records of VISCOFAN, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed on the original)

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Alberto Peña Martínez

February 29, 2016

VISCOFAN, S.A. AND SUBSIDIAIRES

Consolidated Financial Statements and Consolidated Management report for the year ended

December 31, 2015

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

Consolidated statements of financial position
(Thousands of euros)

Assets	Note	2015	2014
Property, plant and equipment	7	382,025	380,963
Intangible assets	8	18,334	13,550
Deferred tax assets	19	14,518	18,046
Other non-current financial assets	11	1,311	619
Total non-current assets		**416,188**	**413,178**
Inventories	9	208,637	189,085
Trade and other receivables	10.1	130,937	128,619
Receivable from public administrations	10.2	24,126	21,520
income tax receivable	19	4,233	5,258
Prepayments		2,133	2,506
Current financial assets	11	1,214	1,019
Cash and cash equivalents	12	44,453	25,601
Total current assets		**415,733**	**373,608**
Assets held for sale and discontinued operations	**5**	**-**	**90,113**
Total assets		**831,921**	**876,899**

Consolidated statements of financial position
(Thousands of euros)

Equity and liabilities	Note	2015	2014
Share capital	13.1	32,623	32,623
Share premium	13.2	12	12
Other reserves	13.3	536,278	483,283
Profit for the year		120,022	106,452
Interim dividend	13.6	(24,234)	(20,972)
Translation differences		(28,931)	(20,618)
Hedge transaction reserves	13.4	(2,861)	(4,913)
Equity attributable to equity holders of the parent		**632,909**	**575,867**
Non-controlling interests		**290**	**-**
Total equity		**633,199**	**575,867**
Grants	14	3,578	2,280
Provisions	15	20,718	30,888
Non-current financial liabilities	17	37,616	45,231
Deferred tax liabilities	19	20,627	21,467
Total non-current liabilities		**82,539**	**99,866**
Current financial liabilities	17	29,837	85,039
Trade and other payables	16.1	62,777	58,404
Payable to public administrations	16.2	10,401	8,469
Income tax payable	19	8,071	9,464
Provisions	15	5,097	4,976
Total current liabilities		**116,183**	**166,352**
Liabilities held for sale and discontinued operations	**5**	**-**	**34,814**
Total equity and liabilities		**831,921**	**876,899**

Consolidated income statement
(Thousands of euros)

	Note	2015	2014
Sales and services rendered	20.1	740,770	687,063
Other income	20.2	7,551	5,078
Changes in inventories of finished goods and work in progress		23,531	10,273
Consumption of raw materials and other consumables		(226,980)	(201,021)
Employee benefits expense	20.3	(158,545)	(147,031)
Other operating expenses	20.4	(172,362)	(168,570)
Property, plant and equipment depreciation	7	(49,104)	(45,446)
Intangible assets amortization	8	(3,945)	(3,717)
Impairment and gains (losses) on disposal of non-current assets		(122)	(369)
Operating profit		**160,794**	**136,260**
Finance income	20.5	694	322
Finance costs	20.5	(3,373)	(4,257)
Exchange differences	20.5	(6,608)	1,916
Profit before tax		**151,507**	**134,241**
Income tax expense	19	(31,883)	(30,612)
Net result for the year from continued operations		**119,624**	**103,629**
Net result for the year from discontinued operations	**5**	**411**	**2,823**
Profit for the year		**120,035**	**106,452**
Result attributable to equity holders of the parent		120,022	106,452
Retulst attributable to non-controling interests		13	-

Earnings per share, basic and diluted, from profit for the year attributable to equity holders of the parent (in euros)	21	2.5754	2.2842
Earnings per share, basic and diluted, from continuing operations attributable to equity holders of the parent (in euros)	21	2.5666	2.2236

Consolidated statements of other comprehensive income
(Thousands of euros)

	Note	2015	2014
Result attributable to equity holders of the parent		**120,022**	**106,452**
Exchange differences on translation of foreign operations		(8,313)	14,203
Net movement on cash flow hedges		2,493	(6,542)
Income tax effect		(441)	1,412
Net other compehensive income to be reclasified to profit or loss in subsequent periods		**(6,261)**	**9,073**
Re-measurement gains (losses) on defined plans			
Germany		1,527	(4,471)
United States		(92)	(5,873)
Others		(42)	37
Income tax effect		(382)	2,813
Net other compehensive income not to be reclasified to profit or loss in subsequent periods	**15.1**	**1,011**	**(7,494)**
Other comprehensive income for the year, net of tax		**(5,250)**	**1,579**
Total comprehensive income for the year, net of tax attibutable to equity holders of the parent		**114,772**	**108,031**

Consolidated statement of changes in equity
(Thousands of euros)

	Equity attributed to the parent								
	Share capital (Note 13.1)	Share premium (Note 13.2)	Reserves (Note 13.3)	Interim dividend (Note 13.6)	Profit for the year attributable to equity holders of the parent	Hedge transaction reserves (Note 13.4)	Currency translation differences	Non-controlling interests	total equity
Balance at January 1, 2014	**32,623**	**12**	**441,174**	**(19,108)**	**101,520**	**217**	**(34,821)**	**-**	**521,617**
Total recognized income and expense	**-**	**-**	**(7,494)**	**-**	**106,452**	**(5,130)**	**14,203**	**-**	**108,031**
Profit for the year attributed to equity holders of the parent	-	-	-	-	106,452	-	-	-	106,452
Other comprehensive income	-	-	(7,494)	-	-	(5,130)	14,203	-	1,579
Transactions with shareholders and owners	**-**	**-**	**-**	**(1,864)**	**(51,917)**	**-**	**-**	**-**	**(53,781)**
Dividends paid	-	-	-	(1,864)	(51,917)	-	-	-	(53,781)
Other changes in equity	**-**	**-**	**49,603**	**-**	**(49,603)**	**-**	**-**	**-**	**-**
Transfers between equity accounts	-	-	49,603	-	(49,603)	-	-	-	-
Balance at December 31, 2014	**32,623**	**12**	**483,283**	**(20,972)**	**106,452**	**(4,913)**	**(20,618)**	**-**	**575,867**
Total recognized income and expense	**-**	**-**	**1,011**	**-**	**120,022**	**2,052**	**(8,313)**	**-**	**114,772**
Profit for the year attributed to equity holders of the parent	-	-	-	-	120,022	-	-	-	120,022
Other comprehensive income	-	-	1,011	-	-	2,052	(8,313)	-	(5,250)
Transactions with shareholders and owners	**-**	**-**	**245**	**(3,262)**	**(54,713)**	**-**	**-**	**-**	**(57,730)**
Dividends paid	-	-	-	(3,262)	(54,713)	-	-	-	(57,975)
Acquisition of non-controlling interests	-	-	245	-	-	-	-	-	245
Other changes in equity	**-**	**-**	**51,739**	**-**	**(51,739)**	**-**	**-**	**-**	**-**
Transfers between equity accounts	-	-	51,739	-	(51,739)	-	-	-	-
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**290**	**290**
Profit for the year attributed to non-controling interests	-	-	-	-	-	-	-	13	13
Non-controlling interests arising on a business	-	-	-	-	-	-	-	277	277
Balance at December 31, 2015	**32,623**	**12**	**536,278**	**(24,234)**	**120,022**	**(2,861)**	**(28,931)**	**290**	**633,199**

Consolidated statement of cash flows
(Thousands of euros)

	Note	2015	2014
Profit for the year before tax		**151,507**	**134,241**
Depreciation of property, plant and equipment	**7**	49,104	45,446
Asset impairment		(3)	45
Amortization of intangible assets	**8**	3,945	3,717
Changes in provisions		(3,648)	2,280
Capital grants	**14**	(671)	(403)
Gains/(losses) on disposal of non-current assets		125	323
Finance income		(694)	(322)
Finance costs		3,373	4,257
Foreign currency translation differences (net)		6,608	(1,916)
Adjustments to reconcile profits before tax with net cash flows		**58,139**	**53,427**
Inventories		(19,955)	(18,843)
Trade and other receivables		(20,286)	(28,002)
Trade and other payables		5,808	12,288
Changes in working capital		**(34,433)**	**(34,557)**
Income tax paid		(29,943)	(31,290)
Contributions and other payments related to pension plans		(7,572)	(3,506)
Cash flow from operating activities		**137,698**	**118,315**
Acquisition of a subsidiary, net of cash acquired	**5.2**	(3,995)	-
Payments for acquisition of property, plant, equipment and intangible assets		(56,702)	(60,074)
Proceeds from disposals of a subsidiary	**5.1**	55,803	-
Proceeds from/(payments on) acquisitions of financial assets		-	3,900
Proceeds from disposals of property, plant and equipment		1,103	505
Interest received		694	331
Increase (decrease) from discontinued operations	**5.1**	-	(551)
Cash flows from investing activities		**(3,097)**	**(55,889)**
Proceeds from borrowings		8,037	58,562
Repayment of borrowings		(67,058)	(53,284)
Dividends paid to shareholders of the parent		(57,975)	(53,781)
Interest paid		(3,292)	(3,544)
Other financial liabilities (net)		(288)	685
Grants received	**14**	1,880	118
Cash flows from financing activities		**(118,696)**	**(51,244)**
Impact of changes in exchange rates on cash and cash equivalents		2,947	(2,320)
Net increase (decrease) in cash and cash equivalents		**18,852**	**8,862**
Cash and cash equivalents at January 1,	12	25,601	16,739
Cash and cash equivalents at December 31,	**12**	**44,453**	**25,601**

Table of contents

1. DESCRIPTION AND PRINCIPAL ACTIVITIES 10

2. VISCOFAN GROUP 10

2.1. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2015 11
2.2. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2014 12

3. BASIS OF PREPARATION 13

3.1. New and amended standards and interpretations 13
3.2. Published standards which are not applicable 13
3.3. Policies used by the Group when several options are permitted 14
3.4. Comparison of information 15
3.5. Relevant accounting estimates, assumptions and judgments 15

4. SIGNIFICANT ACCOUNTING PRINCIPLES 17

4.1. Going concern basis 17
4.2. Method of consolidation 17
4.3. Effects of changes in foreign exchange rates 17
4.4. Business combinations and goodwill 18
4.5. Classification of assets and liabilities as current and non-current 19
4.6. Impairment of non-financial assets subject to depreciation or amortization 19
4.7. Property, plant, and equipment 20
4.8. Leases 21
4.9. Intangible assets 22
4.10. Inventories 23
4.11. CASH AND CASH EQUIVALENTS 24
4.12. Financial instruments- Initial recognition and subsequent measurement 24
4.13. Derivatives and hedge accounting 27
4.14. Income tax 29
4.15. Dividends 30
4.16. Government grants 30
4.17. Employee benefits 31
4.18. Provisions 32
4.19. Revenue recognition 33
4.20. Earnings per share 33
4.21. Calculation of fair value 34
4.22. Environment 34
4.23. Related party transactions 35
4.24. Non-current assets held for sale and discontinued operations 35

5. CHANGES IN CONSOLIDATION SCOPE 36

5.1. Disposal of assets held for sale 36
5.2. Business combinations and goodwill 37

6. SEGMENT REPORTING 39

7. PROPERTY, PLANT, AND EQUIPMENT 42

8. INTANGIBLE ASSETS 45

9. INVENTORIES 47

10. TRADE AND OTHER RECEIVABLES 47

10.1. Trade and other receivables 47
10.2. Receivables from public administrations 49

11. CURRENT AND NON-CURRENT FINANCIAL ASSETS 49

12. CASH AND CASH EQUIVALENTS 51

13. EQUITY 51

13.1. Share capital 51
13.2. Share premium 53
13.3. Reserves 53
13.4. Unrealized gains/(losses) reserve 54
13.5. Movement in treasury shares 55
13.6. Appropriation of profit and other remuneration paid to the shareholders 55

14. GRANTS 57

15. CURRENT AND NON-CURRENT PROVISIONS 58

15.1. Provisions for defined benefit plans 58
15.2. Other employee benefits and long-term remuneration 64
15.3. Provisions for other litigations 65
15.4. Provision for guarantees / refunds 65
15.5. Safety in the workplace provision 65
15.6. Emission rights provision 65
15.7. Contingent assets and liabilities 66

16. TRADE AND OTHER PAYABLES 67

16.1. Trade and other payables 67
16.2. Payable to public administrations 68
16.3. Information on late payments to suppliers resident in Spain in commercial transactions 68

17. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES 69

18. DERIVATIVES 72

18.1. Raw material hedges 72
18.2. Exchange rate insurance 73
18.3. Interest rate hedges 73

19. INCOME TAX 74

20. "REVENUE" 78

20.1. Sales and rendered services: 78
20.2. Other income 78
20.3. Personnel expenses 79
20.4. Other operating expenses 80
20.5. Financial income and expense 80

21. EARNINGS PER SHARE 81

21.1. Basic 81
21.2. Diluted 81

22. ENVIRONMENTAL INFORMATION 82

23. RISK MANAGEMENT 82

23.1. Exchange rate risk 83
23.2. Credit risk 83
23.3. Liquidity risk 84
23.4. Interest rate risks in cash flows and fair value 85

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIED 86

25. INFORMATION ON THE BOARD OF DIRECTORS OF THE PARENT AND KEY GROUP PERSONNEL 86

26. AUDIT FEES 89

27. EVENTS AFTER THE BALANCES SHEET DATE 89

1. Description and Principal Activities

Viscofan, S.A. (hereinafter the Company or the parent) was incorporated with limited liability on October 17, 1975 as Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At a meeting held on June 17, 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 artificial casings, mainly for use in the meat industry, as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems. Its industrial installations are located in Cáseda and Urdiain (Navarra). Its main offices and registered address are located in Tajonar (Navarra).

Viscofan, S.A. is the parent of a group of companies (the Viscofan Group or the Group) which mainly carry out their activities in the food sector and in cellulose, plastic, fibrous and collagen casing sectors, as explained in more detail in Note 2.

The entirety of Viscofan S.A.'s shares have been listed since 1986, and are quoted on the Spanish electronic trading platform (continuous market).

The Group's 2014 consolidated financial statements were approved at the General Shareholders' Meeting held on May 7, 2015.

The parent's directors expect these 2015 consolidated financial statements, which were prepared on February 29, 2016, to be approved by the shareholders in general meeting without modification.

2. Viscofan Group

In March of 2015 Viscofan finalized its sale of Industrias Alimentarias de Navarra S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. Ltd. and IAN Perú, S.A. to Servicios Compartidos de Industrias Alimentarias, S.L., managed by Portobello Capital Gestión, S.G.E.C.R., S.A. The Company accepted a 55.8 million euro offer of 100% of its shares, paid for in cash during the signing of the contract, with after-tax capital gains of 0.4 million euros, which is recognized under "Profit (loss) after tax from discontinued operations" on the consolidated income statement.

A summary of its assets and liabilities held for sale, as well as income and expenses attributable to this activity are outlined in Note 5.1, and are presented under "Discontinued operations" on the consolidated financial statements.

On May 27, 2015, 51.67% of Nanopack Technology & Packaging, S.L.'s share capital was acquired. The total cost of this transaction was 4 million euros. Subsequent to this date, Viscofan S.A. entered into a capital increase, and now owns 90.57%.

The fair value of net assets acquired is reflected in Note 5.2.

There were no corporate transactions in the Viscofan Group during 2014.

Details of the subsidiaries and associates comprising the Viscofan Group at December 31, 2015 and 2014, including certain additional information, are shown below:

2.1. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2015

Group companies	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Gamex, C.B. s.r.o.	100.00%	-	warehouse (to the Group)/Other services	Ceske Budejovice (Czech Republic)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Nanopack, Technology and Packaging S.L.	90.57%	-	Manufacture of interleaver film	Aiguaviva-Girona (Spain)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan Uruguay, S.A.	100.00%	-	Manufacture and marketing of artificial casings	Montevideo (Uruguay)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, Michoacán (Mexico)

2.2. Details of subsidiaries and associates comprising the Viscofan Group at December 31, 2014

Group companies from continued operations	Percentage of interest			
	Direct	Indirect	Activity	Registered offices
Gamex, C.B. s.r.o.	100.00%	-	warehouse (to the Group)/Other services	Ceske Budejovice (Czech Republic)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan Uruguay, S.A.	100.00%	-	Manufacture and marketing of artificial casings	Montevideo (Uruguay)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, Michoacán (Mexico)

Group companies from discontinued operations	Percentage of interest			
	Direct	Indirect	Activity	Registered offices
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-	Asparagus production (no activity)	Villafranca (Spain)
IAN Perú, S.A.	-	100.00%	Manufacture and marketing of tinned vegetables	Lima (Peru)
Lingbao Baolihao Food Industrial Co. Ltd.	-	100.00%	Asparagus production	Lingbao (China)

3. Basis of preparation

The consolidated financial statements have been prepared based on the accounting records of Viscofan, S.A. and the companies comprising the Group. The consolidated financial statements for 2015 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at December 31, 2015 and 2014, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognized income and expenses for the year then ended. The Group adopted EU-IFRS on January 1, 2004, and also applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date

3.1. New and amended standards and interpretations

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied for the 2014 consolidated financial statements, apart from the revision of IFRS 3 - Business combinations. A business is defined as “an integrated system of activities and assets that may be directed and managed with a view to securing profits in the form of dividends, lower costs or other economic rewards for the investors or other owners, members or participants.”

This is consistent with the Group’s current accounting policies, and therefore, has had no impact on its accounting records.

The overall assets and activities acquired through Nanopack Technology & Packaging, S.L. (Discussed in Note 2), include the three components of a business (items, processes, and products) and are capable of offering their owners income.

3.2. Published standards which are not applicable

The Group intends to adopt these standards, interpretations, and amendments thereof published by the IASB but not considered mandatory in the European Union at the date these consolidated financial statements were prepared. However, they will be applied when they come into force. The Group is currently analyzing the impact of application of these new and amended standards and interpretations. Based on the analysis conducted to date, the Group believes that their first-time application will not have a material impact on the consolidated financial statements apart from the following:

IFRS 9 - Financial instruments

In July of 2014, the IASB published the definitive version of IFRS 9, "Financial Instruments;" it covers all phases of financial instrument projects, and replaced IAS 39 "Financial Instruments: recognition and measurement," as well as all the prior versions of IFRS 9. This standard includes the three phases of financial instruments: classification, valuation, impairment, and hedge accounting. IFRS 9 indicates applicable standards for the years commencing January 1, 2018, and permits early application, and has not year been accepted by the European Union. Apart from hedge accounting, it requires retroactive application, but no modifications to comparative information. Hedge accounting criteria are generally applied prospectively, excepting for limited exceptions.

The Group plans to adopt the new standards at the required date of application. In general, the Group does not expect notable changes in its balance sheet or equity.

(a) Classification and measurement

The Group does not foresee any important changes in its balance sheet or equity arising from the application of IFRS 9. It expects to continuing measuring its financial assets at fair value as is its current practice.

Loans and trade receivables are held for contractual cash flow, and it is expected that these will be solely used to pay principal and interest. Therefore, the Group expects to continue to recognize amortized cost in accordance with IFRS 9. However, the Group will perform a more in-depth analysis of the characteristics of the contractual cash flows of these instruments prior to concluding on whether they meet the criteria for valuation at amortized cost, in accordance with IFRS 9.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit losses on all its debt instruments, loans, and trade receivables, either on a 12-month period or indefinitely. The Group expects to apply the simplified model, and recognize expected losses over the lives of all its trade receivables. The Group does not expect there to be any relevant changes in the impairment provisions recorded.

IFRS 16 – Leases.

IFRS 16 was published in January of 2016, and represented important changes for lessees, since an asset must be recognized for the right to use, and a liability must be recognized for amounts payable for the majority of leases. Lessors are able to avail themselves of very few amendments with respect to the current IAS 17.

This new standard replaces prior lease legislation. The total or modified retroactive application is necessary for years commencing January 1, 2019 inclusive, making its early application accepted, although this has not yet been adopted in the European Union. The Group plans to adopt the new standards at the required date of application, based on the modified retroactive transition. The Group has begun its preliminary evaluation of IFRS 16 as well as its potential effects on its consolidated financial statements.

Apart from arrangements already considered leases in accordance with IAS 17, and which continue to be recognized as such under the new standard, the Group does not have any other contracts which could be considered leases due to the right to control the use of the identified asset, as there are no service agreements based on the asset's use.

Existing lease agreements were analyzed which also include providing a service, which are not significant.

A practical solution will be applied permitting financial leases still applicable during the date of the application of the new standards to be accounted for in accordance with current regulations (IAS 17).

However, its main effect on the Group's financial statements is the registration of the right to use and debt corresponding to operating leases on the balance sheet. Note 7 reflects non-cancelable minimum future operating leases payments at December 31, 2015, The Group is still determining whether the periods corresponding to these future minimum payments will be similar to those under IFRS 16.

3.3. Policies used by the Group when several options are permitted

International Financial Reporting Standards occasionally allow for more than one alternative accounting treatment for a transaction. The criteria adopted by the Group for its most relevant transactions are the following:

- Capital grants can be recognized reducing the cost of the assets for which financing was granted or as deferred income (which was the Group's choice). They are recognized in the income statement under "Other income."

- Certain property, plant, and equipment may be measured at market value or historical cost less depreciation and impairment loss. Viscofan has chosen the latter criteria.

3.4. Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings on the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, except when an accounting standard specifically establishes that this is unnecessary.

In accordance with the terms of the single additional provision of the Resolution dated 29 January, 2016 of the Institute of Accounting and Auditors of Accounts on information to be included in notes to the consolidated financial statements regarding the average period for making payments to suppliers, the Company has decided to apply the draft resolution, and therefore, in accordance with the terms outlined in the first additional provision, will only present the information for the year, rather than comparative information; therefore, these are considered first-time consolidated financial statements for these exclusive effects, with regard to the application of the uniformity principle and the comparability requirement.

3.5. Relevant accounting estimates, assumptions and judgments

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

This section describes the main assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(c) Taxes

The subsidiaries comprising the Group are individually responsible for their own local tax obligations, and do not file consolidated tax returns.

The Group establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the Group and the corresponding tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country where the respective Group company is domiciled. The Group's policy, affecting all subsidiaries, is to apply conservative criteria when interpreting the different prevailing regulations in each of the countries where it operates.

Deferred tax assets are recognized for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon likely timing and future taxable profits together with future tax planning strategies.

The years open for review by the tax authorities vary depending on each country's tax legislation, and returns are not considered definitive until the corresponding inspection period has elapsed or until they have been inspected and accepted by tax authorities.

The Company's management considers that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying financial statements.

Further details on taxes are disclosed in Note 19.

(d) Pension benefits

The cost of defined benefit pension plans and other obligations and the present value of pension obligations are determined using actuarial valuations. Actuarial valuations involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation and its long-term nature, calculating the obligation is highly sensitive to changes in these assumptions.

To determine the discount rate, Management considers the interest rates on corporate bonds that have a minimum credit rating of AA established by a reputable rating agency and are denominated in the same currency as the defined benefit commitment, extrapolating the underlying yield curves that correspond to the expected maturities of the defined benefit obligations.

Mortality rates are based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective countries.

Details on the hypotheses used and a sensitivity analysis are provided in Note 15.1.

(e) Provisions for litigation and contingent assets and liabilities

Estimation of the amounts to provision with respect to potential assets and liabilities arising from ongoing litigation is carried out based on the professional opinion of the legal representatives hired to deal with such matters and the internal evaluation performed by the Group's Legal Department.

The breakdown of provisions for litigations is shown in Note 15.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities are described in Note 15.7.

(f) Other accounting estimates and hypotheses

- Assessment of possible impairment losses on certain assets: (Notes 4.7 and 7).
- Useful life of property, plant, and equipment and intangible assets: (Notes 4.6 and 4.7)
- Measurement of derivative financial instruments: (Note 4.13)

4. Significant accounting principles

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

A summary of the most significant principles is as follows:

4.1. Going concern basis

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

4.2. Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

Control is obtained when the Group is exposed, or has the rights attached to variable interest rates arising from its involvement in a subsidiary, and is able to influence them as a result of the exercise of power over the subsidiary. Specifically, the Group has control of a subsidiary if, and only if it has:

- Power over the subsidiary (existing rights allowing it to manage relevant subsidiary's activities)
- Exposure, or rights, to variable returns from its involvement with the other company
- The ability to use its power over the other company to affect the amount of the company's return

Generally, it is presumed that the majority of voting rights grants control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. Subsidiaries are excluded from the consolidation scope from the moment control is lost. Note 2 breaks down the nature of the relationships between the parent and its subsidiaries.

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

All of the assets, liabilities, equity, income, expenses, and cash flow arising from transactions between Group companies are totally eliminated during the consolidation process.

The accounting policies of subsidiaries have been adapted to those of the Group.

The financial statements of consolidated subsidiaries reflect the same reporting date and period as that of the parent.

4.3. Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the parent.

Each Group entity determines its own functional currency and the balances included in the financial statements of each company are measured using this functional currency.

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

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

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

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

(b) Translation of foreign operations

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

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

- Income and expenses relating to foreign operations, including comparative balances, are translated at the exchange rates prevailing at each transaction date; and

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

The Group does not carry out any business activities in hyperinflationary countries.

Translation differences arising as a result of the sale of foreign businesses recognized in equity are recognized as a single line item in the consolidated income statement when such businesses are sold.

4.4. Business combinations and goodwill

Business combinations are recognized by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Related acquisition costs are recognized under "Other operating expenses" as they are incurred,

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as financial assets and liabilities in accordance with IAS 39 *Financial Instruments*: The fair value is taken, recognizing changes in fair value as changes in the fair value on the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Group conducts a news assessment to ensure that all the acquired assets and assumed obligations have been correctly identified, and reviews the applied procedures to perform the valuation of the amounts recognized at the acquisition date. If an excess in the fair value of net assets acquired over the aggregate amount of the transferred consideration, the difference is recognized as profit on the income statement.

After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.5. Classification of assets and liabilities as current and non-current

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

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

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

- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.6. Impairment of non-financial assets subject to depreciation or amortization

The Group periodically evaluates whether there are indications of possible impairment losses on assets other than financial assets, inventories, deferred tax assets and non-current assets held for sale, to determine whether their carrying amount exceeds their recoverable value (impairment loss).

(a) Calculation of recoverable amount

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

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

(b) Reversal of impairment

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

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

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

4.7. Property, plant, and equipment

(a) Initial recognition

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

The cost of assets which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalization requirements described above.

The Group opted to use the previous GAAP revaluation of property, plant, and equipment, as the cost recognized at January 1, 2004, as permitted by IFRS 1 First Time Adoption of IFRS.

(b) Amortization and depreciation

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

Depreciation of PP&E items is calculated using the straight-line method over their estimated useful lives, as follows:

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

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

(c) Subsequent recognition

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

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

4.8. Leases

(a) Finance leases

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

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

(b) Operating leases

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

4.9. Intangible assets

(a) Self-constructed assets

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

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

(b) Other tangible assets

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

Software maintenance costs are expensed as incurred.

(c) Emission rights

The Viscofan Group recognizes emission rights when it owns them. Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognized as a credit to "Grants" (Note 4.16) in the consolidated statement of financial position. Rights acquired from third parties are recognized at their acquisition cost.

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

These emission rights are eliminated from the statement of financial position when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognized from the provision made when the CO2 emissions take place applying the FIFO method (first in, first out).

(d) Useful lives and amortization rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At December 31, 2015 and 2014, the Group had no intangible assets with indefinite useful lives.

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

	Estimate useful life (years)
Concessions, patents, and licenses	10
Development costs	5
Concession rights	10-30
Concession land rights in China	50
Software	4 - 6

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

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

4.10. Inventories

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

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

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

Indirect fixed costs distributed to each production unit are not increased as a result of a low level of production or idle production capacity. Indirect costs that are not distributed are recognized as expenses for the financial year in which they are incurred. In periods of abnormally high production, the amount of indirect costs distributed to each production unit is decreased so that inventories are not measured above cost. Variable indirect costs are distributed to each production unit on the basis of the actual use of the production facilities.

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

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

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

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

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

- Raw materials and other supplies: replacement cost: The Group only makes adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or lower;

- Goods for resale and finished products: estimated sale price, less selling costs.

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

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

4.11. CASH AND CASH EQUIVALENTS

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

4.12. Financial instruments- Initial recognition and subsequent measurement

(a) FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in "effective hedges," as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Measurement after recognition

Subsequent measurement of financial assets depends on their classification, as described below:

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are re-measured at amortized cost using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. Interests accrued in accordance with the effective interest rate are included in "Finance income" in the consolidated income statement. The losses arising from impairment are recognized as "Finance costs" for loans and in "Other operating expenses" for receivables.

Held-to-maturity investments

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

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

Interests accrued in accordance with the effective interest rate are included in "Finance income" in the consolidated income statement. The losses arising from impairment are recognized under "Finance costs" in the consolidated income statement.

Available-for-sale financial assets

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group held no debt securities classified under this category during 2015 and 2014.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or if the investment is found to be impaired the cumulative loss is reclassified to "Financial expense" in the income statement. Interest earned while holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and Management's intention to do so may significantly change in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the Group.

(b) Impairment and irrecoverability of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

(c) Financial liabilities:

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

4.13. Derivatives and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps, and forward commodity contracts, to hedge its foreign currency risks, interest rate risks, and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative under IAS 39 is recognized in the income statement as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

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

When arranging each hedge transaction, the Viscofan Group formally documents each transaction for which hedge accounting will be applied. The documentation identifies the hedge instrument, the item hedged, the nature of the risk to be hedged, and how the effectiveness of the hedge will be measured. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges are recognized as follows:

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

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

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

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

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

Fair value hedges are recognized as follows:

- The change in fair value of a hedging derivative is recognized in the income statement under "Financial expenses." The change in fair value of the hedged item attributable to the hedged risk is recognized as part of the hedged item's carrying amount and in the income statement under "Financial expenses."

- In the case of fair value hedges related to items recognized at amortized cost, any adjustments to the carrying amounts are recognized in the income statement for the remaining life of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

- If the hedged item is derecognized, the unamortized fair value is recognized immediately in the consolidated income statement.

- All the hedging instruments used by the Viscofan Group in 2015 and 2014 were derivatives not traded in organized financial markets. Consequently, these are measured using assumptions based on market conditions at year end:

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

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

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

4.14. Income tax

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

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

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

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

(a) Taxable temporary differences

Taxable temporary differences are recognized in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or

- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

(b) Deductible temporary differences

Deductible temporary differences are recognized provided that:

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

- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

(c) Measurement

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

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

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

(d) Classification and offsetting

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

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

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

4.15. Dividends

The interim dividends approved by the Board of Directors in 2015 and 2014 are included as a reduction of the Viscofan Group's equity.

4.16. Government grants

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

(a) Capital grants

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

Non-repayable grants related to emission rights are initially recognized at market value on the date granted under "Grants," and are recognized in the consolidated income statement as they are used. They are recognized in "Other income" on the consolidated income statement.

(b) Operating subsidies

Operating subsidies are recognized as “Other income” in the consolidated income statement.

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

(c) Interest rate subsidies

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

4.17. Employee benefits

(a) Liabilities for retirement benefits and other commitments

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

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

Defined benefit plan costs are recognized under "Employee benefits expense" in the consolidated income statement and comprise current service costs plus the effect of any reduction or liquidation of the plan.

Interest on the net liability/(asset) relating to the defined benefit plan is calculated by multiplying the net liability/(asset) by the discount rate and is recognized in financial results under "Financial expenses."

Subsequent to initial measurement, the reevaluation, which comprises actuarial gains and losses, the effect of the limit on the assets, excluding amounts included in net interest and performance of the plan assets are recognized immediately in the statement of financial position with a credit or debit to reserves, as appropriate, through other comprehensive income in the period in which they occur. These changes are not reclassified to profit or loss in subsequent periods.

A description of each of the Group's defined benefit pension plans is included in Note 15.1.

(b) Termination benefits

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

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

(c) Short-term employee benefits

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

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

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

4.18. Provisions

(a) General criteria

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

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

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

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

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

(b) Onerous contracts

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

(c) Restructuring expenses

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

(d) Emission rights provision

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

4.19. Revenue recognition

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

(a) Goods sold

Revenue on the sale of goods is recognized when the following conditions have been satisfied:

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

(b) Services rendered

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

4.20. Earnings per share

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

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

In the case of the Viscofan Group's financial statements for the years ended December 31, 2015 and 2014, there is no difference in basic earnings per share and diluted earnings per share as there were no instruments potentially convertible into ordinary shares during those years.

4.21. Calculation of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company considers that its cash, trade and other receivables, trade and other payables, and balances of accounts payable to and receivable from public administrations, have a fair value very close to their carrying amounts mainly as a result of their coming due in the short term.

The fair values for the remaining financial assets and liabilities are disclosed in Notes 11 and 17, respectively.

4.22. Environment

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

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

Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognized in the consolidated balance sheet based on the criteria for recognition, measurement, and disclosure detailed in Note 4.7.

4.23. Related party transactions

Transactions with related parties are accounted for in accordance with the valuation criteria described in this Note 4. The only transactions that were carried out with related parties are described in Note 25 "Information relating to directors of the parent and key management personnel of the Group."

4.24. Non-current assets held for sale and discontinued operations

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

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

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

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

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

Related liabilities are classified as "Liabilities held for sale and discontinued activities."

A disposal group of assets is considered a discontinued operation if it is a component of an entity which either has been disposed of or is classified as held for sale and:

- Represents a significant and separate major line of business or geographical area of operations.

- Is part of a single coordinated plan to dispose of a significant and separate major line of business or geographical area of operations.

Discontinued operations are presented in the consolidated income statement separately from income and expenses from continuing operations, on a single line under "Profit from discontinued operations."

Note 5 presents further breakdowns. The remaining notes to the financial statements include amounts corresponding to continuing operations unless otherwise indicated.

5. Changes in consolidation scope

5.1. Disposal of assets held for sale

As indicated in Note 2, during March 2015 Viscofan concluded the sale of IAN S.A.U. and subsidiaries for 55.8 million of euro.

During 2014, and in compliance with the IFRS 5, IAN's Vegetable Food segment was recognized as a disposal group of items held for sale, with its assets, liabilities, and transactions recognized on the consolidated financial statements as a discontinued operation.

The breakdown of the income, expenses, and net cash flows attributable to this activity in 2015 and 2014 is as follows:

	Thousands of euros	
Income and Expenses	**2015 (*)**	**2014**
Sales and services rendered	16,799	110,566
Other income	114	628
Changes in inventories of finished goods and work in progress	(1,765)	1,254
Consumption of raw materials and other consu	(8,694)	(65,966)
Employee and other operating expenses	(5,584)	(38,866)
Amortization and depreciation	(381)	(2,894)
Operating profit	**489**	**4,722**
Finance income (expense)	127	(170)
Profit before tax	**616**	**4,552**
Income tax expense	(128)	(848)
Net result for the year from discontinued operations	**488**	**3,704**
Impairment loss on discontinues activities	-	(641)
Sale cost from discontinued activities	(77)	(550)
Income tax refered to sale result	-	310
Net result from discontinues operations	**411**	**2,823**

(*) Transactions recognized starting January 1, 2015 until the disposal of this operating segment.

The key groups of non-current assets and liabilities held for sale at December 31, 2014 follow:

	2014		
Assets	**Thousands of**	**Equity and liabilities**	**Thousands of**
Property, plant and equipment	23,436	**Total equity**	**56,165**
Intangible assets	601	Grants	1,167
Deferred tax assets	936	Non-current financial liabilities	4,924
Other non-current financial assets	284	Deferred tax liabilities	258
Total non-current assets	**25,257**	**Total non-current liabilities**	**6,349**
Inventories	38,794	Current financial liabilities	10,695
Trade and other receivables	26,210	Trade and other payables	17,758
Current financial assets	47	Provisions	27
Cash and cash equivalents	686		
Total current assets	**65,737**	**Total current liabilities**	**28,480**
Total assets	**90,994**	**Total equity and liabilities**	**90,994**

5.2. Business combinations and goodwill

(a) The acquisition of Nanopack Technology & Packaging S.L.

On May 27, 2015, Viscofan, S. A. acquired 51.67% of the voting shares of Nanopack Technology & Packaging, S.L., an unlisted company based in Aiguaviva (Girona).

It is a technological R&D health base, specifically for food film products.

The company was still fully consolidated in the Viscofan Group.

The total value of the company's assets and liabilities is recognized on the consolidated statement of financial position for the year. The consolidated income statement reflects the 7-month impact of the entirety of its transactions.

The Group chose to value external partners at the aggregate of the consideration transferred,

The fair value of acquired assets and liabilities assumed from Nanopack Technology & Packaging, S.L. during the acquisition was:

	Thousands of euros
Property, plant and equipment	1,510
Intangible assets	668
Other non-current financial assets	3
Inventories	77
Receivables	195
Cash and cash equivalents	5
Total assets	**2,458**
Non-current financial liabilities	(604)
Current financial liabilities	(150)
Payables	(551)
Deferred tax liabilities	(224)
Total liabilities	**(1,529)**
Total identifiable net assets	**929**
Non-controlling interest	(449)
Good will	3,520
Purchase consideration transferred	**4,000**

The Group used the services of an independent expert to value the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

Goodwill was initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

The measurement of the intellectual property intangible asset was based on the Greenfield method, and reflects its fair value at the date of acquisition of 668 thousand euros. The fair value of technical installations and other items of property, plant, and equipment was 1,510 thousand euros.

Goodwill amounting to 3,520 thousand euros, comprises the fair value of the expected synergies arising from the acquisition, most notably those related to the investigation, development, transfer, and innovation in packaging designed for food use.

(b) Acquisition of treasury shares

A capital increase of 2,000 thousand euros was approved by the shareholders of Nanopack Technology & Packaging, S.L, in general meeting, to which Viscofan, S.A. contributed 1,928 thousand euros, to thereby own 90.57% of its share capital.

With the acquisition of this additional interest, reserves totaling 245 thousand euros were recognized.

(c) Goodwill

Goodwill was initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed amounted to 3,520 thousand euros (Note 5.2 (a)).

6. Segment reporting

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

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

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

c) for which discrete financial information is available.

The Group's management bases its decisions on the assignment of resources and performance evaluations on the profitability of the markets in which it operates; its key geographic areas are Spain, Europe, and Asia, North America, and South America. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss on the consolidated financial statements.

The Group also carries out production-related activities, and sells electricity through its cogeneration plants in Spain, Mexico, and Germany. These cogeneration activities have three aims: to decrease the cost of electricity while remaining self-sufficient, and at the same time reducing CO2 emissions. Although the plants located in Spain and Mexico sell part of the energy produced to third parties, these activities are not organized as business segments, nor are they contemplated as business units to be reported on per se.

The following PP&E items and intangible assets in different segments were acquired during 2015 and 2014:

	Thousands of euros					
Year 2015	**Spain**	**Other European and Asian countries**	**North America**	**South America**	**Eliminations and other**	**Consolidated**
Revenue from external customer	105,889	305,934	215,864	113,084	-	740,770
Revenue from inter-segment	76,589	208,803	106,232	14,516	(406,140)	-
Total revenue	182,478	514,737	322,096	127,600	(406,140)	740,770
Depreciation and amortization	(11,436)	(21,432)	(14,338)	(5,844)	-	(53,049)
Finance revenue	110	91	89	403	-	694
Finance costs	(847)	(1,269)	(291)	(966)	-	(3,373)
Exchange differences	(173)	(796)	993	(6,632)	-	(6,608)
Segment profit	**23,241**	**83,130**	**26,562**	**20,539**	**(1,964)**	**151,507**
Total assets	**173,629**	**397,851**	**214,522**	**133,768**	**(87,850)**	**831,921**
Total equity and liabilities	**90,064**	**99,377**	**65,163**	**38,792**	**(94,674)**	**198,722**
Acquisition of assets	**12,921**	**14,395**	**20,219**	**9,726**	**-**	**57,261**

Year 2014	Thousands of euros					
	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	107,944	273,273	198,281	107,565	-	687,063
Revenue from inter-segment	67,857	213,838	94,880	10,460	(387,037)	-
Total revenue	175,802	487,112	293,162	118,025	(387,037)	687,063
Depreciation and amortization	(10,811)	(19,939)	(12,063)	(6,351)	-	(49,163)
Finance revenue	86	61	111	64	-	322
Finance costs	(1,267)	(1,508)	(383)	(1,100)	-	(4,257)
Exchange differences	64	1,486	612	(246)	-	1,916
Segment profit	**18,294**	**72,531**	**21,960**	**24,268**	**(2,812)**	**134,241**
Total assets	**226,707**	**389,242**	**193,887**	**137,313**	**(70,250)**	**876,898**
Total equity and liabilities	**144,545**	**124,368**	**65,080**	**46,454**	**(79,415)**	**301,032**
Acquisition of assets	**15,338**	**23,431**	**10,855**	**11,419**	**-**	**61,043**

7. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2015 and 2014 are as follows:

	Thousands of euros							
	Land and buildings	Plant and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Advances and assets under construction	Depreciation	Impairment	Total
Balance at January 1, 2014	**209,676**	**611,891**	**83,121**	**25,751**	**42,092**	**(591,315)**	**(609)**	**380,607**
Translation differences	3,544	12,534	396	886	65	(7,775)	16	9,666
Discontinued operations (Note 5)	(18,003)	(31,399)	(10,132)	(1,365)	(555)	39,930	-	(21,524)
Additions	2,289	19,816	2,461	1,734	32,234	(45,447)	(47)	13,040
Disposals	-	(2,616)	(226)	(961)	(419)	3,396	-	(826)
Transfers	12,070	22,309	4,061	265	(38,705)	-	-	-
Balance at December 31, 2014	**209,576**	**632,535**	**79,681**	**26,310**	**34,712**	**(601,211)**	**(640)**	**380,963**
Translation differences	(1,648)	(6,192)	(41)	377	(1,526)	4,638	(12)	(4,404)
Acquisition of a subsidiary	-	1,374	58	78	-	-	-	1,510
Additions	593	15,140	2,545	852	35,147	(49,104)	-	5,173
Disposals	(2,251)	(2,059)	(111)	(361)	(34)	3,535	64	(1,217)
Transfers	7,848	27,894	1,824	2,169	(39,735)	-	-	-
Balance at December 31, 2015	**214,118**	**668,692**	**83,956**	**29,425**	**28,564**	**(642,142)**	**(588)**	**382,025**

The net balances of this heading at December 31, 2015 and 2014 are the following:

	Thousands of euros					
	31.12.2015			31.12.2014		
	Cost	Depreciation and Impairment	Total	Cost	Depreciation and Impairment	Total
Land and buildings	214,118	(96,494)	117,624	209,576	(93,125)	116,451
Plant and machinery	668,692	(459,364)	209,328	632,535	(427,342)	205,193
Other installations, equipment and furniture	83,956	(65,399)	18,557	79,681	(62,038)	17,643
Other property, plant and equipment	29,425	(21,473)	7,952	26,310	(19,346)	6,964
Advances and assets under construction	28,564	-	28,564	34,712	-	34,712
TOTAL	**1,024,755**	**(642,730)**	**382,025**	**982,814**	**(601,851)**	**380,963**

During 2015, investments amounting to 54,277 thousand euros were made, chiefly focused on starting up the new plastic casings production plant in Mexico, as well as improvements in energy optimization and processes. The Group also made investments in certain plants to improve the security conditions in its installations.

Details of fully depreciated property, plant, and equipment in use at December 31, 2015 and 2014 are as follows:

	Thousands of euros	
	2015	**2014**
Buildings	33,217	31,550
Plant and machinery	323,250	269,292
Other installations, equipment and	47,750	44,861
Other property, plant and equipmer	13,546	12,092
Fully depreciated property, plant and equipment	**417,763**	**357,795**

The Group's buildings, plant, and equipment were partly financed by government grants of 1,880 and 118 thousand euros in 2015 and 2014, respectively (Note 14).

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

Commitments for acquiring items of property, plant, and equipment in 2015 and 2014 totaled 12,399 thousand and 15,000 thousand euros, respectively. 2015 commitments are mainly related to the plastic casings production plant project in Mexico, as well as improvements made to increase efficiency and boost cellulose, fiber, and collagen casings production capacity. 2014 commitments were mainly related to the start-up of the Mexican plastic production line project, technological updates, and process optimization.

Finance leases

The Group has contracted buildings and other items under finance leases as follows:

	Thousands of euros	
	Cost	**Amortization**
At January 1, 2014	2,210	(1,294)
Net movement	(1,079)	1,011
At December 31, 2014	**1,131**	**(283)**
Net movement (*)	23	(150)
At December 31, 2015	**1,154**	**(433)**

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

	Thousands of euros			
	2015		**2014**	
	Minimum payments (Note 17)	**Interest**	**Minimum payments (Note 17)**	**Interest**
Up to one year	216	20	208	28
Between one and five years	343	16	560	35
Total	**559**	**36**	**768**	**63**

Operating leases

The Group leases various warehouses and other PP&E items in various countries. The future minimum payments for these operating leases at year end are as follows

	Thousands of euros	
	2015	**2014**
Up to one year	2,016	1,134
Between one and five years	2,818	2,133
More than five years	558	1,030
Total	**5,392**	**4,297**

Lease-related expenses during the year totaled 3,974 thousand euros (2014: 4,206 thousand euros - Note 20.4).

The breakdown of leased items of property, plant, and equipment follows:

	Thousands of euros	
	2015	**2014**
Buildings	1,495	339
Machinery	28	43
Vehicles	1,066	818
IT equipment	2,803	3,097
Total	**5,392**	**4,297**

Impairment test

No evidence of impairment was detected in any of the Group's cash-generating units, as they are generally performing well; therefore, it was not considered necessary to perform any impairment tests.

8. Intangible assets

The breakdown and movements in other intangible assets during 2015 and 2014 are as follows:

	Thousands of euros							
	Development cost	**Software**	**Concessions, patents, licenses and use rights**	**Emission rights**	**Good will**	**Prepayments**	**Amortization**	**Total**
Balance at January 1, 2014	**-**	**27,248**	**16,883**	**2,076**	**-**	**664**	**(30,849)**	**16,022**
Translation differences	-	699	1,289	-	-	(10)	(1,335)	643
Discontinued operations (Note 5)	-	(2,197)	(129)	(35)	-	(393)	2,163	(591)
Additions	-	1,938	-	455	-	502	(3,717)	(822)
Disposals	-	-	-	(1,700)	-	-	(2)	(1,702)
Transfers	-	375	-	-	-	(375)	-	-
Balance at December 31, 2014	**-**	**28,063**	**18,043**	**796**	**-**	**388**	**(33,740)**	**13,550**
Translation differences	-	199	1,058	-	-	(60)	(961)	236
Acquisition of a subsidiary	69	-	599	-	-	-	-	668
Additions	171	2,073	-	2,330	3,520	740	(3,945)	4,889
Disposals	-	(329)	-	(1,009)	-	-	329	(1,009)
Transfers	-	192	-	-	-	(192)	-	-
Balance at December 31, 2015	**240**	**30,198**	**19,700**	**2,117**	**3,520**	**876**	**(38,317)**	**18,334**

The balances of this heading at December 31, 2015 and 2014 are the following:

	Thousands of euros					
	31.12.2015			31.12.2014		
	Cost	Depreciation and Impairment	Total	Cost	Depreciation and Impairment	Total
Development cost	240	-	240	-	-	-
Software	30,198	(23,048)	7,150	28,063	(20,413)	7,650
Concessions, patents, licenses and use rights	19,700	(15,269)	4,431	18,043	(13,327)	4,716
Emission rights	2,117	-	2,117	796	-	796
Good will	3,520	-	3,520	-	-	-
Prepayments	876	-	876	388	-	388
TOTAL	**56,651**	**(38,317)**	**18,334**	**47,290**	**(33,740)**	**13,550**

"Software" includes the ownership and usage rights for IT programs acquired from third parties.

The movements in "Emission rights" correspond to the valuation of emission rights received free in accordance with the 2013-2020 National Allocation Plan after applying the inter-sector adjustment factors. In addition, the Group purchased 157,071 rights in the market in the course of 2015 and 55,000 rights in the course of 2014. Both the rights received free and their consumptions are broken down in Note 22, related to environmental information.

Details of the cost of fully amortized intangible assets in use at December 31, 2015 and 2014 are as follows:

	Thousands of euros	
	2015	2014
Software	14,511	14,874
Concessions, patents, licenses and use r	13,064	5,119
Fully anortizated intangible assets	**27,575**	**19,993**

Impairment test

In 2015, no impairment tests were performed, as the Group considers that it will recover the value of its assets reflected on the consolidated statement of financial position through their used, sale, and other manners.

No indications of impairment were detected.

9. Inventories

Details of inventories at December 31, 2015 and 2014 are as follows:

	Thousands of euros	
	2015	**2014**
Goods for resale	5,710	2,219
Raw materials and other supplies	52,525	50,156
Semi-finished products	50,219	46,147
Finished products	97,959	89,665
Prepayments to suppliers	2,224	898
Total Inventories	**208,637**	**189,085**

The expenses incurred during the year corresponding to impairment and obsolescence amounts to 1,546 thousand of euros (3,111 thousand of euros in 2014) and they are recognized under "Consumption of raw materials and other consumables" and “Changes in inventory of finished goods and work in progress” on the consolidated income statement and are recognized under "Consumption of raw materials and other consumables" and “Changes in inventory of finished goods and work in progress” on the consolidated income statement.

At December 31, 2015 and 2014, there were no inventories with a reimbursement period greater than 12 months recognized in the consolidated statement of financial position.

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

10. Trade and other receivables

10.1. Trade and other receivables

The breakdown for "Trade and other receivables" at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Trade receivables	131,111	126,743
Other receivables	1,750	3,682
Advances to employees	269	277
Provisions for bad debts	(2,193)	(2,083)
Total trade and oher receivables	**130,937**	**128,619**

Management considers that the carrying amount of “Trade and other receivables” is similar to its fair value, as its items are recognized at their invoiced amounts, and therefore the effect of discounts is rendered totally immaterial.

At December 31, 2015 and 2014, the age of balances receivable related to sales based on their maturity, including balances which have not yet fallen due, those which have, and those which are totally impaired is the following:

	Thousands of euros					
	Total	Not due	< 30 days	31-60 days	61-90 days	> 90 days
2015	131,111	115,302	12,692	1,808	248	1,061
2014	126,743	112,897	10,587	892	489	1,878

The Group has credit insurance contracts which cover the collection of the greater portion of its customer balances.

The movement in provisions for irrecoverable debt from trade receivables and other receivables is as follows:

	Thousands of euros	
	2015	2014
Balance at January 1,	(2,083)	(2,091)
Discontinued operations (Note 5)	-	555
Translation differences	11	(1)
Amounts provisioned	(536)	(1,043)
Amounts applied	415	497
Balance at December 31,	**(2,193)**	**(2,083)**

Trade receivables do not carry interest, and generally payment conditions range from 45 to 90 days.

The breakdown by currency for “Trade and other receivables” is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	42,518	62,134	426	14,711	383	7,595	3,171	**130,937**
2014	38,541	62,918	319	16,319	3,315	5,614	1,593	**128,619**

10.2. Receivables from public administrations

At December 31, 2015 and 2014, balances receivable from public administrations are as follows:

	Thousands of euros	
	2015	**2014**
VAT receivable form the Treasury	24,050	21,343
Receivable from the Reasury in respect to grants	-	120
Withholdings and peyments on account receivable from the	65	34
Other public bodies	11	23
Balance at December 31,	**24,126**	**21,520**

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	4,874	65	681	9,725	5,929	220	2,632	**24,126**
2014	5,611	11	634	7,952	2,350	2,296	2,666	**21,520**

11. Current and non-current financial assets

All financial instruments at December 31, 2015 and 2014 are included in level 2: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

The section on short-term deposits includes time deposits with maturities exceeding three months from their contract date, at a nominal fixed interest rate of 1% (2013: 2.9%).

The breakdown at December 31, 2015 and 2014 of current and non-current financial assets is as follows:

	Thousands of euros				
	Loans and receivables	Available-for-sale	Hedges	Carrying amount	Fair value
Financial investments	-	85	-	85	85
Guarantees and deposits	534	-	-	534	534
Non-current financial assets	**534**	**85**	**-**	**619**	**619**
Current deposits	711	-	-	711	711
Guarantees and deposits	301	-	-	301	301
Cash flow hedges	-	-	7	7	7
Current financial assets	**1,012**	**-**	**7**	**1,019**	**1,019**
Total at December 31, 2014	**1,546**	**85**	**7**	**1,638**	**1,638**
Financial investments	-	134	-	134	134
Cash flow hedges	-	-	16	16	16
Guarantees and deposits	1,161	-	-	1,161	1,161
Non-current financial assets	**1,161**	**134**	**16**	**1,311**	**1,311**
Guarantees and deposits	882	-	-	882	882
Cash flow hedges	-	-	332	332	332
Current financial assets	**882**	**-**	**332**	**1,214**	**1,214**
Total at December 31, 2015	**2,043**	**134**	**348**	**2,525**	**2,525**

A breakdown of financial instruments by maturity is as follows:

	Thousands of euros						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
Cash flow hedges	7	-	-	-	-	-	7
Other financial assets	1,012	150	212	5	34	218	1,631
Total at December 31, 2014	**1,019**	**150**	**212**	**5**	**34**	**218**	**1,638**
Cash flow hedges	332	16	-	-	-	-	348
Other financial assets	882	996	6	10		283	2,177
Total at December 31, 2015	**1,214**	**1,012**	**6**	**10**	-	**283**	**2,525**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	188	128	234	353	503	1,113	6	**2,525**
2014	419	101	-	508	26	151	433	**1,638**

12. Cash and cash equivalents

"Cash and cash equivalents" at December, 31 2015 and 2014 correspond entirely to balances held by the Group in cash and credit accounts, and an account which earns interest at market rates. The Group had no banking overdrafts during the periods, with all its balances freely distributable.

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	28,603	3,736	1,254	1,154	537	4,024	5,145	**44,453**
2014	9,539	7,564	1,095	930	1,724	1,703	3,046	**25,601**

13. Equity

13.1. Share capital

At year end 2015 and 2014, the parent's share capital consisted of 46,603,682 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The total value of capital amounts to 32,623 thousand euros.

All shares bear the same voting and dividend rights and obligations, and are listed on the official Stock Exchanges of Madrid, Barcelona, and Bilbao under the automatic quotation system (continuous market). All shares are freely distributable.

At December 31, 2015 and 2014, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of investment	
	2015	**2014**
Corporación Financiera Alba, S. A. (*)	6.86	6.79
APG Asset Management N.V.	5.17	5.17
Marathon Asset Management, LLP.	4.93	4.93
Angustias y Sol SL	3.01	-
Blackrock Inc.	-	3.14
Delta Lloyd NV.	-	3.06
María del Carmen Careaga Salazar (**)	-	3.01

(*) Indirect ownership interest held through Alba Participaciones SAU
(**) Indirect ownership interest held through Onchena, S.L.

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of October 19, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, the shareholders of Fidelity International Limited and Invesco Limited communicated that they own a percentage of 1.026% and 1.017%, respectively.

Capital management

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

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

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

The Viscofan Group's primary objective is to maintain a healthy capital position. The leverage ratios at December 31, 2015 and 2014 were as follows:

	Thousands of euros	
	2015	2014
Financial liabilities (Note 17)	67,453	130,270
Cash and cash equivalents	(44,453)	(25,601)
Other financial assets (Note 11)	(1,214)	(1,019)
Total net financial debt	**21,786**	**103,650**
Total equity	**633,199**	**575,867**
Leverage ratio	**3.4%**	**18.0%**

13.2. Share premium

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

13.3. Reserves

The breakdown and movements of reserves are as follow:

	Thousands of euros				
	Legal reserve	Revaluation reserves	Merger reserve	Retained earnings and other reserves	Total
Balance at January 1, 2014	**2,935**	**15,896**	**119**	**422,224**	**441,174**
Actuarial gain (losses)	-	-	-	(7,494)	(7,494)
Apropiation of prior year results	-	-	-	49,603	49,603
Transfers	-	(8)	-	8	-
Balance at December 31, 2014	**2,935**	**15,888**	**119**	**464,341**	**483,283**
Actuarial gain (losses)	-	-	-	1,011	1,011
Apropiation of prior year results	-	-	-	51,739	51,739
Transfers	-	-	-	245	245
Balance at December 31, 2015	**2,935**	**15,888**	**119**	**517,336**	**536,278**

(a) Legal reserves

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount of at least an amount equivalent to 20% of share capital. This reserve cannot be distributed to shareholders.

(b) Revaluation reserve

The parent opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to items recorded in the balance sheet for the year ended December 31, 2012, with the resulting reserve, net of 5% tax, amounting to 7,329 thousand euros. The effect of said revaluation was not recognized in the consolidated financial statements of the Group.

The balance of the revaluation reserve of Navarre Regional Law 21/2012 will not be distributable until it has been verified and accepted by the tax authorities. Said verification, which had not been carried out at December 31, 2015, must be performed within three years from the date of presentation of the corporate tax return for 2012. Once the verification has been performed or the time stipulated for said verification has elapsed, the balance recognized can be utilized to:

- Offset prior years' losses.
- Increase share capital.
- Increase freely distributable reserves once ten years have elapsed from the closing date of the balance sheet for the year in which the revaluation was recognized. However, said balance can only be distributed, directly or indirectly, when the revalued equity items have been fully depreciated, transferred, or derecognized.

Revaluation reserve in accordance with Navarra Regional Law 23/1996, is considered as distributable from December 31, 2006, on to the extent that gains have been realized, that is, when the related assets have been depreciated, disposed of or otherwise written off.

13.4. Unrealized gains/(losses) reserve

Movements in the years ended December 31, 2015 and 2014 were as follows:

	Thousands of euros			
	Interest rate swaps	**Exchange rate insurance**	**Raw material derivatives**	**Total**
Balance at January 1, 2014	**(122)**	**314**	**25**	**217**
Gains/(losses), net of tax effects	-	(1,134)	(3,697)	(4,831)
Reclassification of gains to the income statement, net of tax	53	(327)	(25)	(299)
Balance at December 31, 2014	**(69)**	**(1,147)**	**(3,697)**	**(4,913)**
Gains/(losses), net of tax effects	-	(502)	(2,336)	(2,838)
Reclassification of gains to the income statement, net of tax	46	1,147	3,697	4,890
Balance at December 31, 2015	**(23)**	**(502)**	**(2,336)**	**(2,861)**

13.5. Movement in treasury shares

No transactions were carried out with treasury shares in 2015 and 2014.

The shareholders at their ordinary general meeting on April 29, 2013 agreed to renew the authorization, for the maximum legal period, granted to the Board of Directors to buy and sell Company shares on the stock market at the price quoted on the transaction date, up to the legal maximum number of shares permitted by Article 146 of the revised text of the Corporation Tax Law, and at a minimum price of the nominal value and a maximum 15% greater than the quoted share price in the stock exchange system at the moment of acquisition.

13.6. Appropriation of profit and other remuneration paid to the shareholders

Parent profits for the year ended December 31, 2014 were distributed as approved by the shareholders at their annual general meeting held on May 7, 2015, as follows:

	Thousands of euros
Dividends	54,713
Voluntary reserves	13,143
Distributable profits attributable to the parent	**67,856**

Total shareholder remuneration amounted to 1.18 euros per share. Of the above, the distribution of profit represented a per-share dividend of 1.174 euros and 0.006 euros corresponding to the payment of attendance fees related to the 2015 General Shareholders Meeting. This premium was recognized as an expense for the year.

Details of the distribution of the parent's 2015 dividends proposed by the directors of the parent, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Dividends	62,449
Voluntary reserves	41,554
Distributable profits attributable to the parent	**104,003**

On December 17, 2015, based on projected profit for the year, the Board of Directors approved an interim dividend for 2015 of 24,234 thousand euros, equal to 0.52 euros per share. This dividend was paid on December 29, 2015. The amount of the dividend is less than the maximum limit permitted by prevailing legislation on distributable profit after the previous year end.

The statement required by current legislation and prepared by the parent's Board of Directors in respect of the distribution of the interim dividend for 2015 is as follows:

	Thousands of euros
I. Cash available at December 11, 2015	**23,750**
Trade and other receivables	192,411
Other income	274
Trade and other payables	(120,934)
Payments to employees	(41,323)
Interest expense	(1,063)
Other payments	(8,050)
II. Cash flow from operating activities	**21,315**
Dividends received	58,330
Purchases of property, plant and equipment	(22,000)
III. Cash flow from investment activities	**36,330**
Variations in bank borrowings	(6,085)
Dividends paid	(62,449)
V. Projected liquidity at December 11, 2016	**12,861**

14. Grants

The movements under this heading in 2015 and 2014 were as follows:

	Thousands of euros		
	Capital grants	Grants for emission rights of greenhouse gases	Total
Balance at January 1, 2014	**3,817**	**74**	**3,891**
Translation differences	95	-	95
Discontinued operations (Note 5)	(1,347)	-	(1,347)
Additions	118	263	381
Taken to profit	(403)	(337)	(740)
Balance at December 31, 2014	**2,280**	**-**	**2,280**
Translation differences	89	-	89
Additions	1,880	-	1,880
Taken to profit	(671)	-	(671)
Balance at December 31, 2015	**3,578**	**-**	**3,578**

The breakdown of capital grants during 2015 and 2014, all related to PP&E items, is as follows:

	Thousands of euros	
	2015	2014
Navarra regional government	2,761	1,365
Ministry of Science and Technology	16	41
International organizations	801	874
Balance at December 31, 2015	**3,578**	**2,280**

15. Current and non-current provisions

Details at December 31, 2015 and 2014 are as follows:

		Thousands of euros	
	Note	2015	2014
Defined benefit	15.1	17,178	27,075
Other employee benefits	15.2	3,186	3,601
Provisions for other litigation	15.3	354	212
Total non-current provisions		**20,718**	**30,888**
Provisions for warranties/repayments	15.4	1,082	1,485
Provisions for safety in the workplace	15.5	1,983	1,697
Provisions for emission rights	15.6	1,731	1,031
Others		301	763
Total current provisions		**5,097**	**4,976**

15.1. Provisions for defined benefit plans

a) The Group makes contributions to various different defined benefit plans. The most relevant plans are located in Germany and the United States of America, and independent actuarial valuations are used for all of them.

This note discloses the most relevant plans.

- Pension plans in Germany

A contribution is made through the Naturin Viscofan GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At December 31, 2015, there were 435 employees, 444 retirees, and ex-employees. At December 31, 2014, there were 453 employees and 444 retirees and ex-employees.

The number of the above beneficiaries does not included retirees which, from 2010 and 2013 are paid by the insurance company. The agreement does not imply cutting back or canceling the policy, as the obligation ultimately lies with Naturin Viscofan GmbH. However, the characteristics of the plan make the value of the assets and liabilities constant for the duration of the contract, so that both the assets and the liabilities offset each other, resulting in a current value of zero for the obligation.

The net obligation corresponding to pension plans amounts to 15,027 thousand euros at December 31, 2015, and 16,390 thousand euros at December 31, 2014. There are no pension plan assets in Germany.

- Pension plans in the United States of America

In 2015, the "Hourly Employees" and "Salaried Employees" pension plans were definitively canceled after having obtained IRS authorization in 2014.

In 2014, another of the plans was definitively canceled ("Pension for Hourly Employees Service Center").

Payments made to the insurance company for their cancellation amounted to 6,451thousand euros in 2015 and 1,848 thousand euros in 2014.

The cancellation of these employee commitments led to a profit of 3,003 thousand euros in 2015, and 895 thousand euros in 2014, which were recognized as personnel expenses on the consolidated income statements for both years.

After canceling its defined employee pension plan commitments, at December 31, 2015 Viscofan USA, Inc. was left with just 3 different pension plans whose recipients are ex-directors of the subsidiary. These pension plans do not have any related assets or expenses arising from unrecognized past service.

The net obligations of the pension plans in the USA are as follows:

	Thousands of euros	
	2015	2014
Pension for Hourly Employees (1)	-	4,975
Salaried Employees Pension Plan (2)	-	3,736
Pension for Hourly Employees Service Center (3)	-	-
Non qualified pension plans (4)	1,847	1,727
Total	**1,847**	**10,438**

(1) Lifetime pension for current and ex-employees of the Danville plant, which had 504 beneficiaries at year-end 2014. That year, 49 individuals (72% of the beneficiaries with this right) accepted the single payout. This was definitively canceled in 2015.

(2) Lifetime payments included 167 participants in 2014. That year, 79 individuals (66% of the beneficiaries with this right) accepted the single payout. This was definitively canceled in 2015.

(3) There were a total of 151 individuals covered at the date of cancellation in 2014.

(4) With a total of 8 beneficiaries (all ex-directors of the firm) who are paid lifetime monthly installments. The actuarial assumptions used in these plans are similar to those for the other plans in the USA.

b) The following table presents the status of funds and amounts recognized in the statement of financial position for the respective plans:

	Thousands of euros	
	2015	**2014**
Present value of the obligation	**(17,178)**	**(65,982)**
Plans in Germany	(15,027)	(16,390)
Plans in the USA	(1,847)	(49,346)
Plans in other countries	(304)	(246)
Present value of plan assets	**-**	**38,907**
Plans in the USA	-	38,907
Net obligation recognized	**(17,178)**	**(27,075)**

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

	Thousands of euros					
	Germany		**USA**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Obligations at january 1,	**16,390**	**11,779**	**49,345**	**42,710**	**65,735**	**54,489**
Service cost for the current period (Note 20)	319	225	-	-	319	225
Interest cost	323	427	229	1,906	552	2,333
Payments made	(478)	(512)	(3,064)	(5,594)	(3,542)	(6,106)
Curtailment of pensions plan	-	-	(41,263)	(1,848)	(41,263)	(1,848)
Actuarial gains/(losses)	(1,527)	4,471	56	8,141	(1,471)	12,612
Arising from changes in demographic assumptions	*-*	*-*	*-*	*1,485*	*-*	*1,485*
Arising from changes in financial assumptions	*(1,239)*	*4,457*	*-*	*5,633*	*(1,239)*	*10,090*
Arising from experience	*(288)*	*14*	*56*	*1,023*	*(232)*	*1,037*
Net value of obligation conributed to the insurance company	-	-	*(5,915)*	*(1,848)*	(5,915)	(1,848)
Translations differences	-	-	2,459	5,879	2,459	5,879
Obligation at December 31,	**15,027**	**16,390**	**1,847**	**49,346**	**16,874**	**65,736**
Amount corresponding to active beneficiaries	*8,376*	*9,378*	*-*	*376*	*8,376*	*9,754*
Amount corresponding to exemployeebeneficiaries	*2,578*	*2,903*	*-*	*1,295*	*2,578*	*4,198*
Amount corresponding to retired beneficiaries	*4,073*	*4,109*	*1,847*	*47,675*	*5,920*	*51,784*

d) The changes in the fair value of plan assets in the USA are as follows:

	2015	2014
Fair value of assets at january 1,	**38,907**	**39,020**
Returns on assets	138	4,015
Contribution by the company	-	159
Payments made	-	(7,274)
Curtailment of pensions plan	(41,263)	(1,848)
Translation differences	2,219	4,835
Fair value of assets at December 31,	**-**	**38,907**
Cash	-	*285*
Domestic fixec-income securities (USA)	-	*38,498*
Other investments	-	*124*

e) The following table provides information relating to the amounts recognized in the consolidated income statement. Current service costs for the period are included in employee benefits expenses.

	Thousands of euros	
	2015	2014
Current service cost	**352**	**256**
Plans in Germany	319	225
Plans in other countries	33	31
Termination cost Plans in the USA	**(2,869)**	**(895)**
Net financial cost	**428**	**666**
Interest expense for German plans	323	427
Interest expense for US plans	229	1,906
Interest expense for plans in other countries	14	13
Expected return on US plan assets	(138)	(1,680)
Expense (income) recognized for the year	**(2,089)**	**27**

f) The following table provides information relating to the amounts recognized in the consolidated statement of comprehensive income:

	Thousands of euros	
	2015	**2014**
Actuarial losses and gains of	**1,393**	**(12,576)**
Plans in Germany	1,527	(4,471)
Plans in the USA	(92)	(8,142)
Plans in other countries	(42)	37
Returns, deviating from expected returns, of assets associated with	**-**	**2,269**
Plans in the USA	-	2,269
Tax effect	**(382)**	**2,813**
Net results recognized in the consolidated statement of comprehensive income	**1,011**	**(7,494)**

g) The principal actuarial assumptions used are as follows:

	2015	**2014**
Germany		
Annual discount rate	2.4%	2.0%
Expected rate of salary increases	2.0%	2.0%
Expected age of retirement for employees	65-67	65-67
United States		
Annual discount rate	3.5%	2,95%-3,65%
Expected rate of return on assets	-	2,95%-3,65%
Expected age of retirement for employees	-	62-65

The following mortality tables were used to quantify the defined benefit obligation:

Germany: Heubeck *Richttafeln 2005 G*

United States: Year 2015: *RP 2000 Annuitant w/no projection (For "Non qualified pension plans")*
Year 2014: *RP 2014 White Collar Helthy Fully Generational w/ Projection MP 2014*

Future payments expected for coming periods are shown in the following table:

	Thousands of euros		
	Germany	**USA**	**Total**
Payable within the next 12 months	452	192	644
Payable within 1 and 2 years	472	184	656
Payable within 2 and 3 years	486	175	661
Payable within 3 and4 years	501	166	667
Payable within 4 and 5 years	529	157	686
Payable within 5 and 10 years	3,157	647	3,804
Payable within more than 10 years	22,184	792	22,976

The following table shows the sensitivity analysis for each of the main hypotheses on how a possible reasonable change in each hypothesis would affect the obligation at year end:

	Thousands of euros		
	Germany	**USA**	**Total**
Discount rate			
Increase of 50 basic points	(1,365)	(58)	(1,423)
Decrease of 50 basic points	1,572	62	1,634
Increase in pensions			
Increase of 50 basic points	1,001	-	1,001
Decrease of 50 basic points	(910)	-	(910)
Life expectancy			
Increase of 1 additional year	763	-	763

The sensitivity analysis is based on a change in one hypothesis while considering the remaining hypotheses as unchanged.

15.2. Other employee benefits and long-term remuneration

The movement in this heading at December 31, 2015 and 2014, is as follows:

	Thousands of euros	
	2015	2014
Balance at January 1,	3,601	4,401
Translation differences	(41)	(4)
Allowances	218	335
Payments	(592)	(1,131)
Balance at December 31,	**3,186**	**3,601**

(a) Seniority bonus in Germany

The subsidiary Naturin Viscofan GmbH has established seniority bonuses for when its employees complete 10 years of service (1,000 euros), 25 and 40 years of service (both amounting to 1,000 euros plus the gross monthly salary multiplied by 1.6 and one day of holidays), and, if applicable, 50 years of service (one day of holidays), settled in one-off payments at the date the employees complete the respective periods. The hypotheses used for calculating the obligations were the same as those used for the pension plan of the same subsidiary as described in the previous point.

The number of beneficiaries amounts to 435 employees (453 in the previous period), while the obligation amounts to 2,711 and 2,777 thousand euros at December 31, 2015 and 2014, respectively. The beneficiaries received 235 thousand euros in payments during 2015 (2014: 254 thousand euros). The payable amount expected for 2016 totals 412 thousand euros.

Recognized service costs and financial expenses for the current period amounted to 116 thousand and 53 thousand euros, respectively (2014: 351 thousand and 91 thousand euros, respectively).

15.3. Provisions for other litigations

The movements at December 31, 2015 and 2014, are as follows:

	Thousands of euros	
	2015	2014
Balance at January 1,	212	354
Translation differences	(80)	5
Allowances	407	83
Payments	(185)	(230)
Balance at December 31,	**354**	**212**

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at December 31, 2015.

15.4. Provision for guarantees / refunds

This provision is mainly related to sales in Europe. Its estimate is based on the Group's historical information.

15.5. Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom are based in the US, related to workplace accidents. These claims did not arise as a result of a specific incident, but are customary practice in many companies. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at December 31, 2015.

15.6. Emission rights provision

The amount of the provision for greenhouse gas emissions during the year was 1,731 thousand euros for 2015 (2014: 1,032 thousand euros).

15.7. Contingent assets and liabilities

(a) Contingent liabilities

At year end, there were a number of different legal claims filed against the Brazilian subsidiary totaling 3.6 million euros (2014: 4.9 million euros). As indicated in Note 15.3, at December 31, 2015, a 0.4-million-euro provision was recognized (2014: 0.2 million euros). None of the current lawsuits underway are for significant amounts. In the opinion of the Group's legal advisors in Brazil, all those which are not recognized under liabilities are considered to be potential risks, or that possible related amounts cannot be determined at the moment. Based on historic experience, the related amounts of all possible claims is under 5%.

Also, at year end there were two ongoing lawsuits with Griffith Colombia, S.A., although one does not involve indemnities. Griffith Colombia, S.A. had held exclusive sales rights for Viscofan Group products in Colombia since 2006. Considering Griffith Colombia, S.A.'s performance was unable to take full advantage of the Colombian market's opportunities, the company was substituted in May 2012, six months prior to the agreement termination date of November 2012. As a result of the business relationship's termination, Griffith stopped paying invoices, which total approximately 1.2 million euros, to two Viscofan Group companies, arguing a right to retention because of the indemnity it considered due. Viscofan filed a number of lawsuits demanding payment of these invoices, as it won its lawsuit in Brazil, although the final amount due from Griffith has still not yet been determined as a result of adjusted applicable interest and exchange rate variations. The balances of the remaining invoices are provisioned in the accounting records of the affected subsidiary. Griffith initiated legal proceedings to claim the indemnity it considers due, although its calculation and arguments presented in its lawsuits do not indicate that the risk exceeds the provisioned amounts.

Berkes Construcción y Montajes, S.A. and Viscofan Uruguay, S.A. filed reciprocal legal proceedings which are encompassed into a sole proceeding arising from the construction contract for building the plant. Viscofan Uruguay considers that there are deficiencies and areas of lack of compliance in the work done, and has retained amounts so as to force Berkes to rectify the problems; Berkes, on the other hand, considers that the deficiencies and lack of compliance are not relevant, and that the amounts retained by Viscofan Uruguay are excessive, claiming payment of these amounts. The process is in the testing stage, and the possibility that material payments may be generated on the Viscofan Uruguay, S.A. balance sheet is remote.

(b) Contingent assets

At December 31, 2015, the extraordinary appeal admitted by the Supreme Court on September 22, 2014 rejected the initial appeal IAN S.A.U.'s lawsuit against Mivisa Envases, S.A.; the patent request had been declared null as it was considered to lack originality and inventiveness. Thus, the ruling found that there was no breach on the part of Mivisa Envases, S.L., nor was any indemnity due. According to the sale contract of Industrias Alimentarias de Navarra, S.A.U. Dated March 10, 2015, the appeal belongs to Viscofan S.A., and therefore, should the Supreme Court rule against Mivisa Envases, S.A. The appeal is pending admission, and therefore no assets were recognized.

Finally, Viscofan, S.A. filed an appeal before the Chamber of the Supreme Court against Royal Decree 413/2014 of June 6, and against Order IET/1045/2014, which is pending voting and sentencing, as well as another appeal against the ruling of the Directorate General of Energy Policy and Mining on July 15, 2015, which determined the registration of the pre-assigned remuneration of 2,146 MW, requesting the specific remuneration scheme commence from the installation’s startup date, or subsidiarity as of November 9, 2014 (the date upon which this should have been resolved). It is not possible to determine the amount of contingent assets which might arise from a ruling in favor of Viscofan S.A., and therefore no amounts payable was recognized on Viscofan S.A.’s balance sheet in this regard.

16. Trade and other payables

16.1. Trade and other payables

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

	Thousands of euros	
	2015	**2014**
Suppliers	26,481	20,639
Amounts owed for services received	20,539	24,237
Customer advances	5,026	3,742
Remuneration pending payments	10,731	9,786
Balance at December 31,	**62,777**	**58,404**

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	29,844	20,152	2,217	721	3,446	2,233	4,163	**62,776**
2014	24,596	16,992	1,698	6,159	3,127	3,772	2,060	**58,404**

16.2. Payable to public administrations

The breakdown for this heading is as follows:

	Thousands of euros	
	2015	**2014**
VAT payable to Treasury	1,781	554
Amounts payable to the Treasury for withholdings	5,897	5,718
Payable to social security agencies	2,003	1,290
Other public bodies	721	907
Balance at December 31,	**10,402**	**8,469**

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	6,743	31	478	-	1,968	870	312	**10,402**
2014	6,383	5	387	999	387	110	198	**8,469**

16.3. Information on late payments to suppliers resident in Spain in commercial transactions

In accordance with the Third transitory provision "Disclosure requirements" of Law 15/2010 dated July 5, information the average payment period to Spanish Group suppliers to the Spanish entities included in the consolidated group follows:

	Days
Average supplier payment period	35.62
Ratio of transactions paid	37.13
Ratio of unpaid transactions	12.84

	Thousands of euros
Total payments made	115,286
Total unmade payments	7,675

17. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2015 and 2014, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total carrying amount	Total fair value
Bank borrowings	21,059	45,461	32,595	-	99,115	99,115
Accrued interest payable	215	116	-	-	331	331
Finance lease payables	50	158	560	-	768	768
Derivative financial instruments	1,315	5,754	1,158	-	8,227	8,227
Other financial liabilities	7,247	3,664	6,915	4,003	21,829	21,829
Total at December 31, 2014	**29,886**	**55,153**	**41,228**	**4,003**	**130,270**	**130,270**
Bank borrowings	5,707	9,018	25,787	-	40,512	40,512
Accrued interest payable	76	60	-	-	136	136
Finance lease payables	52	164	343	-	559	559
Derivative financial instruments	2,811	2,921	471	-	6,203	6,203
Other financial liabilities	4,186	4,842	7,479	3,536	20,043	20,043
Total at December 31, 2015	**12,832**	**17,005**	**34,080**	**3,536**	**67,453**	**67,453**

All current and non-current financial instruments are included in level 2: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

As can be seen in the previous table, the carrying amount of financial liabilities agrees with the fair value as the long-term debt corresponds to financing obtained in recent years under similar conditions to those currently obtainable in the market.

The classification was determined based on actual maturities of balances drawn down from credit lines. Thus, the balance drawn down from credit lines whose annual renewal has already been agreed upon subsequent to year end are included in the 3-month period.

The financial liabilities corresponding to bank borrowings that accrue interest at variable rates are linked to Euribor or Libor plus an average spread from 1.5%.

"Other financial liabilities" at December 31, 2015, both current and non-current, mainly includes:

- Loan received by the parent amounting to 5,000 thousand euros from COFIDES (Compañía Española de Financiación del Desarrollo) accruing a market interest rate.
- Loans with interest rates subsidized by entities such as the Government of Navarre, CDTI (Center for Industrial Technological Development), and the Ministry of Science and Technology, amounting to 7,730 thousand euros.
- Non-current assets suppliers, amounting to 5,609 thousand euros.

December 31, 2014 mainly includes:

- Loan received by the parent amounting to 5,000 thousand euros from COFIDES (Compañía Española de Financiación del Desarrollo) accruing a market interest rate.
- Loans with interest rates subsidized by entities such as the Government of Navarre, CDTI (Center for Industrial Technological Development), and the Ministry of Science and Technology, amounting to 6,857 thousand euros.
- Non-current assets suppliers, amounting to 8,223 thousand euros.

The Group recognizes the implicit interest on these loans using market interest rates.

The breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2015	51,652	6,824	1,488	4,043	1,750	15	1,681	**67,453**
2014	73,710	20,596	2,415	9,544	753	17,444	5,808	**130,270**

The limits, the amount drawn down, and the drawable amount under credit and discount lines, as well as customer invoice advances at December 31 are as follows:

	Thousands of euros	
	2015	2014
Limit	127,147	134,011
Amount draw down	223	44,445
Drawable amount	126,924	89,566

The undiscounted value of financial liabilities classified by maturity at December 31, 2015 and 2014 is as follows:

	Thousands of euros						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
Borrowings - debt principa	66,729	7,962	7,027	4,144	14,021	-	99,883
Interest	2,497	829	630	454	351	-	4,761
Financial liabilities - borrowings	**69,226**	**8,791**	**7,657**	**4,598**	**14,372**	**-**	**104,644**
Debt principal	10,911	1,688	1,738	1,738	1,751	4,003	21,829
Interest	546	273	231	187	144	100	1,481
Other financial liablities	**11,457**	**1,961**	**1,969**	**1,925**	**1,895**	**4,103**	**23,310**
At December 31, 2014	**80,683**	**10,752**	**9,626**	**6,523**	**16,267**	**4,103**	**127,954**
Borrowings - debt principa	14,942	7,470	4,397	14,263	-	-	41,072
Interest	1,027	653	467	357	-	-	2,504
Financial liabilities - borrowings	**15,969**	**8,123**	**4,864**	**14,620**	**-**	**-**	**43,576**
Debt principal	9,027	1,818	1,942	1,969	1,750	3,537	20,043
Interest	501	275	230	181	132	88	1,407
Other financial liablities	**9,528**	**2,093**	**2,172**	**2,150**	**1,882**	**3,625**	**21,450**
At December 31, 2015	**25,497**	**10,216**	**7,036**	**16,770**	**1,882**	**3,625**	**65,026**

At December 31, 2015, the Group had contracted reverse factoring agreements with an aggregate limit of 3,100 thousand euros (2014: 6,100 thousand euros). In addition, the Group holds multi-risk insurance policies amounting to a total of 8,000 thousand euros (2014: 11,000 thousand euros).

18. Derivatives

The breakdown of balances which include the values of derivatives at December 31, 2015 and 2014 is as follows:

	Thousands of euros			
	2015		2014	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	15	283	-	23
Interest rate hedges	-	11	-	453
Raw materials hedges	-	177	-	682
L.T. Derivatives	**15**	**471**	-	**1,158**
Exchange rate insurance	219	2,491	-	2,700
Interest rate hedges	5	21	7	56
Raw materials hedges	109	3,220	-	4,313
S.T. Derivatives	**333**	**5,732**	**7**	**7,069**
Total	**348**	**6,203**	**7**	**8,227**

18.1. Raw material hedges

A significant amount of the Group's production costs is linked to energy costs. Accordingly, to mitigate the adverse effect of varying energy prices, the parent contracts hedges for the gas price, which are netted out:

- During 2015, gas hedging contracts were signed for a total of 360,000 MWH covering gas purchases for the period ranging from January 2016 to January 2017. The contracted prices range from 2.07 to 2.29 euro cents per KWh. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption in its casings manufacturing plant in Spain.

- In 2014 the parent signed hedge contracts covering the cost for a notional 1,940,000 Mwh of gas. These contracts cover gas purchases for the period between January 2015 and January 2017. The contracted prices range from 2.35 to 2.91 euro cents per KWh. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption in its casings manufacturing plant in Spain.

The valuation formula used included, among other variables, Brent forward prices.

There were no significant inefficiencies in any of the contracts signed at year end 2015 or 2014.

18.2. Exchange rate insurance

Part of the fair value of the exchange rate insurances at year end was recognized as finance income or expense on the consolidated income statements for 2015 and 2014. The amount recognized directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable recognized in the consolidated statements of financial position at the exchange rate at year end. No significant inefficiencies were noted in 2015 and 2014 in any derivative financial instruments contracted.

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

The nominal value of the main exchange rate insurances in effect at December 31, 2015 and 2014, is as follows:

	Thousands of euros	
	2015	2014
US dollar	85,900	90,700
Pounds sterling	6,615	3,600
Canadian dollar	2,900	1,250
Chinese yuan	20,201	22,949

18.3. Interest rate hedges

The Group has arranged several interest rate hedges, the details of which are given below:

	Thousands of euros				
	IRS (I)	IRS (II)	IRS (III)	IRS (IV)	IRS (V)
Notional contract amount	6,000	4,000	4,000	3,000	10,000
Notional pending amount (2015)	**300**	**400**	**1,400**	**1,200**	**4,000**
Notional pending amount (2014)	1,500	1,200	2,200	1,800	4,942
Effective start date	01.04.11	02.05.11	15.09.12	30.09.12	12.12.12
Expiry date	01.04.16	03.05.16	15.09.17	30.09.17	27.11.17
Fixed interest rate	3.07%	3.23%	1.56%	1.69%	2.40%

The expiry dates for the notional amounts corresponding to these financial instruments at year end is as follows:

Year	2015	2016	2017
2015	-	4,100	3,200
2014	5,047	3,747	2,848

19. Income tax

The breakdown for deferred tax assets and liabilities, by type, is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Non-current assets	2,424	3,241	19,312	20,543	(16,888)	(17,302)
Current assets	6,987	6,402	113	33	6,874	6,369
Non-current liabilities	3,429	6,320	26	247	3,403	6,073
Current liabilities	1,679	2,082	1,177	643	502	1,439
Total at December 31,	**14,519**	**18,045**	**20,628**	**21,466**	**(6,109)**	**(3,421)**

The deferred tax assets on current assets are basically generated by provisions in respect of inventories which are not tax deductible in certain countries. The tax effect of eliminating the margin on inventory stock acquired between Group companies is likewise included. Deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 15 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended December 31, 2015 and 2014, mainly relate to the application of different amortization rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealized gains on PP&E items acquired in different business combinations (Germany and Serbia).

The breakdown of changes during the year in recognized deferred tax assets and liabilities arising from temporary differences recognized as income tax expense/(income) on the consolidated statement of recognized income and expense and as “Other income and expenses” on the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2015	2014
Non-current assets	(1,325)	(1,163)
Current assets	(934)	(3,068)
Non-current liabilities	2,372	1,136
Current liabilities	882	(446)
Consolidated income statement	**995**	**(3,541)**
Non-current assets	911	1,130
Current assets	429	1,093
Non-current liabilities	298	(3,113)
Current liabilities	55	(1,346)
"Other comprehensive income" on the consolidated statements of comprehensive	**1,693**	**(2,236)**
Total changes in taxes and deferred tax liablities arising from temporaty diffeences	**2,688**	**(5,777)**

The breakdown of deferred taxes charged directly against “Other comprehensive income" on the consolidated income statement is as follows:

	Thousands of euros	
	2015	2014
Actuarial gains/(losses) on pension plans		
United States	(34)	(1,561)
Germany	429	(1,256)
Other countries	(13)	4
Unrealized gains/(losses) on cash flow hedges	532	(1,412)
Changes due to translation differences	779	1,989
Charged directly against "Other comprehensive income" on the consolidated income statement	**1,693**	**(2,236)**

The major components of income tax expense for the years ended December 31, 2015 and 2014, are as follows:

	Thousands of euros	
	2015	2014
Income tax expense for the year	30,591	33,625
Adjustment to income tax from prior years	297	528
Current income tax	**30,888**	**34,153**
Origination and reversal of temporaty differences	995	(3,541)
Deffered income tax	**995**	**(3,541)**
Deffered income tax from continued operations	**31,883**	**30,612**
Income tax expense from discontinued operation	-	**538**

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

	Thousands of euros	
	2015	2014
Profit before tax for the year	**151,507**	**134,241**
25% tax rate	37,877	-
30% tax rate	-	40,272
Effect of application of tax rates in each country	(921)	(5,823)
Deductions generated	(4,820)	(3,114)
Adjustment to income tax from prior years	297	528
Impacto cambio tipo impositivo en España (*)	248	567
Impact of permanent differences	(798)	(1,818)
Tax on income expense	**31,883**	**30,612**

Law 23/2015, of December 28 on reformed tax legislation and other economic measures changed the general tax rate from the current 25% to 28% for upcoming years.

Law 29/2014, of December 24 on reformed tax legislation and economic incentive measures changed the general tax rate from the current 30% to 25% for upcoming years.

As a result, the parent adjusted the deferred tax assets and liabilities from prior years based on the prevailing rate at the estimated reversal date.

The Chinese subsidiary Viscofan Technology (Suzhou) Co. Ltd., was rated as "High Tech," and therefore its tax rate commencing 2014 dropped from 25% to 15%.

Viscofan CZ, s.r.o. obtained investment incentives from the Czech Republic's Ministry of Industry and Commerce which will materialize in deductions in upcoming years. The maximum amount of the deduction is 3.65 million Czech crowns corresponding to investments of up to 16.23 million Czech crowns over the next 10 years. The deduction to be applied each year may not cause the effective corporation tax expense to be less than that from the two preceding years. In 2015 the Subsidiary has applied 1.17 million euros of tax credits.

Koteks Viscofan, d.o.o. may avail itself of a tax incentive which would reduce the corporate income tax quota 74.1% in tax returns presented until 2021 thanks to investments and the creation of jobs in the Serbian Republic.

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2015	2014
Current tax	30,591	33,625
Withholdings and payments on account	(26,753)	(29,419)
Total at December 31,	**3,838**	**4,206**

This amount is broken down in the consolidated statement of financial position as follows:

	Thousands of euros	
	2015	2014
Tax assets receivable	4,233	5,258
Tax liabilities payable	(8,071)	(9,464)
Total at December 31,	**(3,838)**	**(4,206)**

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

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

20. "Revenue"

20.1. Sales and rendered services:

The breakdown is as follow:

	Thousands of euros	
	2015	2014
Casings sales and services	694,738	638,741
Energie sales and services	46,032	48,322
Total sales and rendered services	**740,770**	**687,063**

On June 16, 2014, Order IET/1045/2014 approving the definitive retribution parameters was published, approving the economic incentives for electricity installations which use combined heat and power, renewable energy sources, and waste. The originally-foreseen hour limitation was eliminated, and the definitively approved tariffs were a general improvement with regard to the abovementioned draft, and had a positive net impact on the 2014 revenues totaling 2.9 million euros.

20.2. Other income

The breakdown of "Other income" is as follows:

	Thousands of euros	
	2015	2014
Work performed by the Group on non-current assets	285	332
Capital Grants	1,312	455
Emission rights	1,323	337
Other income	4,916	4,286
Total other income	**7,551**	**5,078**

The conditions or contingencies associated to grants received (Note 14).

20.3. Personnel expenses

The breakdown of "Personnel expenses" in 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Wages and salaries	124,216	117,400
Indemnity payments	300	1,202
Current service cost of defined benefits and other benefits. (Notes 14.1 and 14.2)	(2,617)	(639)
Company social security contributions	21,841	18,156
Other welfare benefits and taxes	14,805	10,912
Total personnel expenses	**158,545**	**147,031**

Group employees in continued operations during 2015 and 2014, by professional category and gender, were as follows:

	Total headcount at the end of year			Average number of employees
	Men	**Women**	**Total**	
Executives	58	8	66	67
Technecians and middle management	649	185	834	791
Administrative personnel	121	186	307	305
Specialized personnel	455	120	575	560
Unskilled workers	1,661	739	2,400	2,366
Year 2014	**2,944**	**1,238**	**4,182**	**4,089**
Executives	60	10	70	71
Technecians and middle management	707	221	928	858
Administrative personnel	113	190	303	299
Specialized personnel	515	139	654	556
Unskilled workers	1,673	714	2,387	2,449
Year 2015	**3,068**	**1,274**	**4,342**	**4,233**

20.4. Other operating expenses

The breakdown of "Other operating expenses" is as follows:

	Thousands of euros	
	2015	**2014**
Research and development costs	1,658	1,308
Repair and maintenance	27,083	23,740
Environment	3,544	2,457
CO2 emission rights	1,860	1,032
Utilities and external services	69,836	73,179
Leasing expenses	3,974	4,206
Insurance premium	4,085	3,710
Other taxes	5,177	5,134
Administrative and selling costs	46,229	43,603
Other expenses	8,916	10,201
Other operating expenses	**172,362**	**168,570**

R&D expenses are not susceptible to capitalization, and were recognized as expenses during the year they were incurred.

20.5. Financial income and expense

The breakdown of "Financial income and expenses" is as follows:

	Thousands of euros	
	2015	**2014**
Financial income	**694**	**322**
Bank borrowings and other financial liabilities	(2,938)	(3,583)
net finance cost of pension plans	(435)	(674)
Financial expense	**(3,373)**	**(4,257)**
Exchange gains	28,046	16,038
Exchange losses	(34,654)	(14,122)
Exchange gains (losses)	**(6,608)**	**1,916**
Financial incomer (expenses) total	**(9,287)**	**(2,019)**

21. Earnings per share

21.1. Basic

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

The breakdown of the calculation of basic earnings per share is as follows:

	Thousands of euros	
	2015	**2014**
Weighted average number of ordinary shares in circulation	46,603,682	46,603,682
Profit from continued operations attributable to ordinary equity holders of the parent	119,611	103,629
Basic earnings per share (in euros) from continued operations	**2.5666**	**2.2236**
Profit from discontinued operations attributable to ordinary equity holders of the parent	411	2,823
Basic earnings per share (in euros) from discontinued operations	**0.0088**	**0.0606**
Profit attributable to ordinary equity holders of the parent	120,022	106,452
Basic earnings per share (in euros)	**2.5754**	**2.2842**

21.2. Diluted

The weighted average number of ordinary shares in circulation coincides with the number of shares comprising the parent's share capital.

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

22. Environmental information

The cost of items related to the Group's environmental projects acquired during 2015 was 30,927 thousand euros (2014: 31,545 thousand euros), with an accumulated amortization of 19,143 thousand euros (2014: 20,006 thousand euros).

In accordance with the 2013-2020 National Emission Allowance Assignment Plan, and after applying the inter-sectoral adjustment factors outlined in Appendix II to EU Decision 2013/448/EU to non-electricity generators, and the annual 1.74% annual reduction in electricity generators, in accordance with Articles 8 and 9 bis of EC Directive 2003/87/EC, the Group was assigned emission allowances equivalent to 356.915 tonnes.

During 2015, emission rights equivalent to 4,708 tonnes were assigned to the German subsidiary Naturin Viscofan GmbH, thanks to the energy equipment involved in starting up a cogeneration turbine during 2014.

The emission rights consumed by the Company during 2015 and 2014 amounted to 237,070 and 214,398 tons, respectively.

In 2015, the Group incurred in environmental protection and improvement costs amounting to 3,544 thousand euros. In 2014 this amount totaled 2,457 thousand euros.

The Group arranged civil liability insurance coverage for damages to third parties caused by accidental and unintentional contamination; the insurance coverage refers to any possible risk involved and to date no significant claims in environmental matters have been filed.

The parent's directors do not deem it necessary to make any provisions to cover environmental contingencies and expenses.

23. Risk management

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The risk control system is described in section E. Risk management and control systems of the Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, their materiality in 2015, and response and supervision plans. We will now focus on the financial risks described below.

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

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23.1. Exchange rate risk

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

The risk management policy of the Group is to cover the net balance between collections and payments in currencies other than the functional currency with the most net risk. Therefore, forward currency contracts were formalized at the time the yearly budget was prepared; EBITDA forecasts were used as the basis for the following year, the degree of exposure, and the degree of risk the Group is willing to assume.

The following table shows the sensitivity of a possible exchange rate variation on net results for the year arising from certain currencies in the countries in which the Group carries out its activities, while maintaining the other variables constant:

	Thousands of euros							
	US dollar		Czech Crown		Brazilian Real		Chinese Yuan Renmimbi	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
+ 5%	3,708	8,550	(965)	(1,677)	820	655	1,398	1,814
- 5%	(3,355)	(7,737)	873	1,517	(742)	(594)	(1,265)	(1,642)

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

	Thousands of euros							
	US dollar		Czech Crown		Brazilian Real		Chinese Yuan Renmimbi	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
+ 5%	6,695	5,042	2,198	2,888	4,097	3,599	5,100	3,766
- 5%	(6,058)	(4,562)	(1,988)	(2,613)	(3,706)	(3,256)	(4,615)	(3,407)

23.2. Credit risk

A significant number of bank loans are hedged by financial derivatives to mitigate the volatility of interest rates paid by the Group.

Certain of the Group's non-current loans must meet a series of ratios calculated based on its consolidated financial statements. Lack of compliance represents an increase in finance costs and, depending on the case, represents the early termination of a contract. During 2015 and 2014, neither Viscofan S.A. nor any of its material subsidiaries were in breach of their financial commitments or any kinds of obligation that could trigger their early redemption.

In 2015 and 2014 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2016.

23.3. Liquidity risk

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

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

The following ratios show the level of liquidity at December 31, 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Current asstes	415,732	373,608
Current liabilities	(116,182)	(166,352)
Emission rights provision (Note 14.6)	1,731	1,031
Working capital	**301,281**	**208,287**
Current liabilities net emission rights provision	114,451	165,321
% working capital/current liabilities without emission rights provision	**263.24%**	**125.99%**
Cash and cash equivalents	44,453	25,601
Available borrowing facilities (Note 16)	126,924	89,566
Cash and available on credit and discount lines	**171,377**	**115,167**
% cash and cash equivalents+available on credit and discount lines/Current liabilities without emission rights	**149.74%**	**69.66%**

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 17.

23.4. Interest rate risks in cash flows and fair value

The Group does not own significant remunerated assets.

The Company's exposure to interest rate risk is mainly due to the loans and credit facilities received from financial entities at variable interest rates. Note 18 provides a breakdown of the hedging contracts entered into for partial mitigation of the risk represented by a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

At December 31, 2015 and 2014 the structure of financial liabilities once hedges through the derivatives arranged have been taken into account is as follows:

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	Thousands of euros	
	2015	**2014**
Bank borrowings	41,207	100,212
Other financiasl debt (*)	14,434	13,606
Financial debt total (*)	**55,641**	**113,818**
Fixed interest rate (**)	21,408	25,249
Variable interest rate	34,233	88,569

(*) Excludes hedge derivatives and asset suppliers
(**) Includes the notional amount for interest rate hedges and subsidized loans

In 2015 and 2014, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in US and Germany (Note 15.1).

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

	Thousands of euros							
	Pension plans commitments				Financial debt			
	USA		Germany		Euribor		Libor	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
+ 1%	(101)	(441)	(164)	(136)	(613)	(827)	(28)	-
- 1%	93	479	150	146	615	823	28	-

24. Transactions and balances with related partied

Transactions with directors and senior management are disclosed in Note 28. The directors did not carry out any transactions with the Company or other group companies that were unrelated to the companies' normal course of business or were not carried out in normal market conditions

Financial debt includes a 5 million euro loan granted in 2013 by a financial entity linked to Corporación Financiera Alba, S.A., which owned 6.86% of the Company's shares at year-end 2015 (2014: 6.7%). Payments made, including financial expenses, totaled 140 thousand euros (2014: 162 thousand euros). Also, services received from parties related to the shareholder amounted to 845 thousand euros in 2015. All transactions take place in normal market conditions.

25. Information on the Board of Directors of the Parent and Key Group Personnel

Directors compensation is outlined in Article 27 ter of the bylaws and remuneration policies approved by the shareholders during their general meeting.

The breakdown of remuneration paid to the members of the Board of Directors during 2015 and 2014 follows:

	Thousands of euros							
Ejercicio 2015	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: seniority and commission	Boards of other Group companies	Total
Mr. José Domingo de Ampuero y Osma	348	350	-	157	139	-	-	994
Mr. José Antonio Canales García	308	-	-	312	139	-	-	759
Mr. Nestor Basterra Larroudé	-	330	33	-	-	100	8	471
Ms. Agatha Echevarría Canales	-	255	33	-	-	100	-	388
Mr. Alejandro Legarda Zaragüeta	-	80	33	-	-	45	-	158
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	30	-	-	60	-	170
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Ms. Laura González Molero	-	80	24	-	-	8	-	112
Mr. Jaime Real de Asúa y Arteche	-	80	33	-	-	20	-	133
Mr. Juan March de la Lastra	-	51	21	-	-	12	-	84
Total 2015	**656**	**1,386**	**240**	**469**	**278**	**375**	**8**	**3,412**

In the General Shareholders' Meeting on May 7, 2015, Mr. Juan March de la Lastra was appointed proprietary director, in representation of Corporación Financiera Alba, S.A.

	Thousands of euros							
Ejercicio 2014	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: seniority and commission	Boards of other Group companies	Total
Mr. José Domingo de Ampuero y Osma	347	350	-	171	-	-	-	868
Mr. José Antonio Canales García	307	-	-	342	-	-	-	649
Mr. Nestor Basterra Larroudé	-	330	33	-	-	100	50	513
Ms. Agatha Echevarría Canales	-	255	33	-	-	109	-	397
Mr. Alejandro Legarda Zaragüeta	-	80	27	-	-	45	-	152
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	33	-	-	51	-	164
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Ms. Laura González Molero	-	80	27	-	-	20	-	127
Mr. Jaime Real de Asúa y Arteche	-	58	24	-	-	10	-	92
Mr. José Cruz Pérez Lapazarán	-	22	9	-	-	10	-	41
Mr. Gregorio Marañón Bertrán de Lis	-	22	9	-	-	9	-	40
Total 2014	**654**	**1,357**	**228**	**513**	**-**	**384**	**50**	**3,186**

Remuneration paid to Mr. José Cruz Pérez Lapazarán and Mr. Gregorio Marañón Bertrán de Lis correspond to the month of April 2014, when they stepped down as members of the parent's Board of Directors, in accordance with the decision made during the General Shareholders' Meeting held on April 11, 2014.

The two Executive directors, José Domingo de Ampuero y Osma and José Antonio Canales García earned a variable compensation totaling 747 thousand euros (2014: 513 thousand euros). This was calculated based on EBIDTA, net profit, sales, and share price values which were determined in accordance with the annual plan as well as personal performance.

During the same meeting, Mr. Jaime Real de Asúa y Arteche was named independent director, and Mr. José Antonio Canales García was named executive director.

At December 31, 2015 and 2014, no advances or loans had been granted to the Viscofan Group, nor did the Group have any pension commitments or other non-current savings plans. Likewise, no type of guarantee was granted on behalf of any present or former members of the Board of Directors, related individuals or entities. In addition, no remuneration was based on shares or share options.

In 2015 and 2014 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

Viscofan's directors have communicated that insofar as article 229 of the Capital Companies Law is concerned they do not have any conflicts of interest with the Company.

The Viscofan Group has contracts with its two executive directors which include golden parachute clauses. The cancellation of these contracts in certain objective terms not attributable to these board members will entitle them to an indemnification. The average total indemnity payable is two the annual salary, and includes a non-competition condition.

In 2015, remuneration received by key management personnel totaled 3,064 thousand euros. This includes 699 thousand euros, corresponding to the payment of tri-annual remuneration. In 2014, remuneration totaled 1,932 thousand euros, with no additional payment made for pluri-annual complements. This amount does not include the abovementioned payments made to José Antonio Canales García and José Domingo de Ampuero y Osma.

The breakdown of parties holding executive positions during 2015 follows:

Name	Position	Company
Mr. Andrés Díaz	Chief Operations Officer	Viscofan Group
Mr. César Arraiza	Chief Financial Officer	Viscofan Group
Mr. Gabriel Larrea	Chief Commercial Officer	Viscofan Group
Mr. José Ignacio Recalde	R&D and Quality Chief Officer	Viscofan Group
Mr. Miloslav Kamis	General Manager	Gamex CB s.r.o, Viscofan CZ, s.r.o.
Mr. Iñigo Martinez	General Manager	Koteks Viscofan d.o.o.
Mr. Bertram Trauth	General Manager	Naturin Viscofan GmbH
Mr. Luis Bertoli	General Manager	Viscofan do Brasil, soc. com. e ind. Ltda.
Mr. Eduardo Aguiñaga	General Manager	Viscofan de México S.R.L. De C.V,
Mr. Juan Negri	General Manager	Viscofan Technology (Suzhou) Co. Ltd.
Mr. Angel Maestro	General Manager	Viscofan Uruguay, S.A.
Mr. Domingo González	General Manager	Viscofan Usa Inc.

26. Audit fees

The auditors of the consolidated Financial Statements of the Group and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services for the years ended 31 December 2015 and 2014 as follows:

	Thousands of euros		
	In the parent's Company	In other companies	Total
Audit services	102	551	653
Other related audit services	22	-	22
Other services	5	25	30
Total at December 31, 2014	**129**	**576**	**705**
Audit services	104	594	698
Other related audit services	23	-	23
Other services	18	18	36
Total at December 31, 2015	**145**	**612**	**757**

Audit services detailed in the above table include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

27. Events after the balances sheet date

In its meeting on February 29, 2016 the Board of Directors agreed to propose remuneration for shareholders totaling 1.35 euros per share. This included the abovementioned 0.52 euros per share interim dividend paid on December 29, 2015, and a complementary 0.82 euros per share dividend that wil be paid on June 9, 2016, plus the attendance per diem amounting to 0.01 euros per share.

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

Management Report

Viscofan Group description

The Viscofan Group is the world's leading provider of casings for the meat industry. Founded in 1975 and with 40 years of experience, its mission is to satisfy the needs of the global food industry through the production and sale of artificial casings, generating value for our stakeholders.

The Viscofan Group carries out its activities in 14 countries through commercial offices and production facilities and its products are distributed to over 100 countries worldwide.

Viscofan S.A. and its subsidiaries form the Viscofan Group. Viscofan, S.A. owns, directly or indirectly, the majority of the voting rights in the subsidiary companies that comprise its consolidated group. The companies that comprise the Viscofan Group can be seen in section 2 of the consolidated annual financial statements.

Corporate Governance

Viscofan has an unwavering commitment to good corporate governance, understood as the code of ethics of the governing bodies of listed companies. Its main purpose is to coordinate company's current structure and business goals.

Viscofan has strengthened its monitoring and analysis of the evolution of both Spanish and international good corporate governance recommendations, intensifying dialogue and the dissemination of those aspects that raise awareness about the company, its evolution and its future corporate governance plans.

Viscofan has various internal bodies that ensure the company operates in accordance with good governance recommendations:

The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of the Company in which shareholders decide by a majority vote on the affairs within the scope of their authority. Viscofan has established the principle of "one share, one vote" which promotes equality among all shareholders.

Board of Directors

The Board of Directors is the body in charge of representing and managing the Company. Its key function is to supervise all aspects of Viscofan S.A. and, as required, its group of companies.

At the end of 2015 the Board of Directors of Viscofan comprised 10 members: two Executive Directors (the Chairman and the CEO), two External Directors (both Non-Executive Vice-Chairmen), five Independent Directors and a Nominee Director. The Board of Directors is assisted by a non-voting secretary who has not the Director status.

The Board has created three committees in support of its functions:

i) Delegated Committee

The technological and geographic diversification of the Viscofan Group in a market as dynamic and competitive as the casings market means supervision must be closer with a view to ensuring that the measures adopted at Board of Directors level are being carried out locally. This higher level of supervision also means there is a greater awareness of the production, operational, financial and commercial conditions in the various regions where the Group operates, so the Board is better informed and prepared in debates about the administration of the Group. The Delegated Committee provides copies of the minutes of its meetings to the Board in order to improve coordination.

With this in mind, the Board of Directors has a Delegated Committee comprised of three members: one executive and two external. The members of this committee are Mr José Domingo de Ampuero y Osma (Chairman), Mr Nestor Basterra Larroudé and Ms Ágatha Echevarría Canales (Non-Executive Directors).

The work of the Delegated Committee requires great dedication due to the more direct supervision contact with Top Managers at their various production locations and the market environment. In 2015 the Delegated Committee met 11 times.

(ii) Audit Committee

The Audit Committee is comprised exclusively of Independent Directors: Mr Alejandro Legarda Zaragüeta (Chairman of the Committee), Mr José María Aldecoa Sagastosoloa and Mr Ignacio Marco-Gardoqui Ibáñez (members).

The responsibilities of the Audit Committee include overseeing the process of preparing and ensuring the integrity of the financial information relating to the Company and its subsidiaries, including the review of the financial information internal control system (ICFR), reviewing, analysing and discussing the financial statements and other relevant financial information with the top management team and the internal and external auditors, monitoring the suitability of the control policies and procedures in place, reviewing the internal control and risk management systems, supervising the internal audit services and checking that top management takes its recommendations into account, to propose the external auditor and safeguard its independence, reviewing the audit plan and its results, oversight of the internal codes of conduct and rules on corporate governance, addressing and, where appropriate, responding to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's scope of action, setting up and overseeing a whistle-blowing mechanism 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. The Audit Committee met 8 times in 2015.

(iii) Remuneration and Appointments Committee

The Appointments and Remuneration Committee is made up of two Independent Directors; Mr Ignacio Marco-Gardoqui Ibáñez (Chairman of the Committee) and Mr Jaime Real de Asúa y Arteche (member), and by a nominee Director, Mr Juan March de la Lastra (member).

This Committee proposes the appointment of independent Directors and reports on the remaining Directors and on the appointments and separations of top management; reports to the Board on matters of gender diversity; and proposes to the Board the remuneration policy for Directors and top management and the remuneration policies in relation to shares and options, as and when applicable, including any long-term remuneration policies. The Remuneration and Appointments Committee met 8 times in 2015.

Performance over the course of the Be MORE strategic plan (2012-2015)

Over the last four years the Viscofan Group has implemented an ambitious strategic plan (Be MORE) aimed at taking advantage of the growth in the casings market which contrasted with the downturn in the global economy. The strategic plan defined the MORE pillars (Market, Optimisation, Return and Excellence) that would guide the main strategic initiatives.

With this goal in mind, investment was stepped up, in particular during the first half of the strategic period, and stood at €287 million over the four years, with new collagen production plants established in China and Uruguay.

Under the plan, the Group also invested in technological and process improvements at its other plants, enabling it to make better use of installed capacity and therefore achieve stronger growth in the regions where the Viscofan Group was already present.

After a first phase of expansion in 2012 and 2013 when Viscofan carried out its first Market measures, growth in the casings sector eased to normalised volume growth rates in 2014 and 2015. A normalisation which in turn was affected by the volatility of commercial currencies and the impact of this factor on purchasing power in emerging markets. Against this backdrop, the Viscofan Group stepped up the Optimisation measures envisaged in the strategic plan, enabling it to swiftly adapt to this environment.

The Be MORE plan enabled Viscofan to achieve greater specialisation in the casings market, strengthening its technological leadership in cellulose and collagen casings. The process of transformation into "The casing Company" included the sale of the vegetable food division (IAN Group) in March 2015, the purchase of Nanopack Technology & Packaging S.L. in the second half of 2015 and the establishment of plastics production capacity in Mexico.

At the end of the four-year period of the strategic plan the Viscofan Group is well placed to further strengthen its leadership over the coming years. In China our extrusion plant is operating at full capacity and Viscofan is already established as the second largest player in the market. In the meantime, in Latin America our investments in Uruguay and Brazil have cemented our standing as the leading producer in the region and facilitated the improvement in the service of our production plants in Europe.

This sales and volume growth enabled the Viscofan Group to achieve a CAGR for casings division revenue of 7.0% over the 2011-2015 period. Furthermore, the production improvements achieved under Optimisation initiatives, coupled with operational gearing, are behind a 1.7 p.p increase in the margin. This operational strength translates into a CAGR of 8.6% for EBITDA over the 2011-2015 period.

This expansion has been undertaken whilst maintaining strict commercial and operational discipline under the Return and Excellence initiatives, with growth accompanied by higher shareholder remuneration, which has increased from €1.00 in 2011 to the proposed payment of €1.35 from 2015 earnings, equivalent to a total overall payout of €221.4 million.

This period also saw an improvement in the equity and balance sheet situation, with the company reducing its long-term risk exposure following the outsourcing of pension liabilities in a context of lower interest rates and achieving a net cash position of €3.2 million at the end of 2015.

The Viscofan Group ended 2015 and the period of the Be MORE strategic plan in an ideal position, both commercially and operationally, to continue improving its value proposition in the long term. Spearheading a market with solid growth fundamentals and in which the Viscofan Group has further scope for improvement to become an authentic global leader, which is the cornerstone of the “MORE TO BE 2016-2020” strategic plan.

Changes to the consolidated group

Sale of 100% of IAN Group:

On 10 March 2015, Viscofan S.A. successfully concluded the sale of IAN S.A.U. and its subsidiaries for an equity value of €55.8 million. This price paid in cash on the date of signing the contract implies a capital gain after tax of €0.4 million for the consolidated group.

In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". The IAN Group's assets and liabilities at the end of December 2014 have been classified as "Held for sale" on the Viscofan Group's consolidated balance sheet.

Nanopack Technology & Packaging, S.L.:

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. (Nanopack), a company specialized in the production of crystal plastics and additive plastics. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarra), the Viscofan Group subscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.

Due to this acquisition Nanopack Technology & Packaging, S.L is included in the scope of consolidation of the Viscofan Group in the second quarter of 2015 and is consolidated by the full integration method, thus, at the end of December 31, 2015 is incorporated in the consolidated balance sheet the total value of its assets and liabilities, and in the consolidated income statement of the period seven months impact of its operations

January-December 2015 results

Viscofan Group income statement (000 €)

	Jan-Dec' 15	Jan-Dec'14	Change	Recurring * Jan-Dec' 15	Recurring * Jan-Dec'14	Recurring * Change	Organic Exforex change
Revenue	740,770	687,063	7.8%	740,770	684,114	8.3%	2.7%
EBITDA	213,843	185,423	15.3%	210,840	182,680	15.4%	6.3%
EBITDA Margin	*28.9%*	*27.0%*	*1.9 p.p.*	*28.5%*	*26.7%*	*1.8 p.p.*	*0.9 p.p.*
EBIT	160,794	136,260	18.0%	157,791	133,517	18.2%	
Net profit from continuing operations	119,624	103,629	15.4%	117,732	101,709	15.8%	
Contribution from discontinued operations (IAN Group)	411	2,823	-85.4%				
Net profit	120,035	106,452	12.8%				

* Organic figures exclude: a) 2015: Positive non cash profit of €3.0 million on operating profit and of €1.9 million on net profit due to the outsourcing of pensions under the "Hourly Employees" and "Salaried Employees" plans in the USA. b) 2014: Non-recurring additional impact booked in 2014 on revenue (€2.9million), EBITDA and EBIT (€2.7million) and net profit (€1.9million) due to the amendment to remuneration parameters for cogeneration facilities published in the Ministerial Order of June 2014 compared to those provisions in 2013 by virtue of the proposed Order submitted to the CNMC by the Secretary of State.

Revenue

Consolidated net turnover amounted to €740.8 million in 2015, up 7.8% compared with 2014, marking eleven years of steady revenue growth and a new record high.

Casing sales advanced by 8.8% compared with 2014 to €694.7 million, spurred on by better volumes and the strength of commercial currencies, while energy sales declined by 4.7% to €46.0 million due to the booking in 2Q14 of non-recurring results of €2.9 million following the amendment to RD 9/2013.

2015 saw a normalisation of sales volume growth coupled with a marked strengthening of the main commercial currencies, in particular of the US$ and CNY against the €, and a weakening of benchmark currencies in emerging markets, most notably the Brazilian Real and the Russian Rouble.

This macroeconomic backdrop had some impact on commercial activity, helping during the year commercial initiatives by our main competitors in North America in 2015, in particular in the second half.

In organic terms[1], i.e. stripping out the impact of non-recurring results and currency fluctuations, annual revenue grew by 2.7% compared with 2014.

The geographical breakdown of revenue[2] in 2015 is as follows:

In Europe and Asia revenue totalled €411.8 million, up 8.0% compared with 2014 boosted by sales growth in both Western Europe and Asia.
In North America, revenue totalled €215.9 million, up 8.9% year-on-year, driven mainly by the strength of the US$ against the €.
In Latin America consolidated revenue advanced 5.1% vs. 2014 to €113.1 million, a very strong organic performance considering the average 18.3% depreciation of the Brazilian real against the €.

Operating costs

Cost of consumption[3] in 2015 was partly shaped by the currency fluctuations, with US$-denominated consumption more expensive while the company benefited from consumption in currencies that depreciated, in particular in Latin America. In the full year cost of consumption stood at €203.4 million (+6.7% vs. 2014), with a gross margin[4] over sales of 72.5% in 2015 (+0.3 p.p. higher than in 2014).

Personnel costs increased by 7.8% in cumulative terms to €158.5 million. The average workforce in December was 4.233 (+3.5% compared with December 2014) owing to the hiring of personnel in Spain, China, Brazil and Mexico associated with production growth. In the final quarter of the year plastics production started up at the San Luis Potosí plant in Mexico.

"Other operating expenses" in 2015 stood at €172.4 million, up 2.2% compared with 2014. This was due to the decline in energy costs, thanks to which energy supply costs fell by 5.9%.

Operating profit

The focus on profitable growth is reflected in the combination of revenue growth, commercial discipline, energy cost savings and operating cost control, resulting in the improvement in operating profitability and cash flow. The EBITDA margin stood at 28.9% in 2015 (+1.9 p.p. vs. 2014).

As a result, consolidated EBITDA hit a new record high of €213.8 million in 2015 (+15.3% vs. 2014).

In organic terms[4], stripping out the impact of non-recurring results and currency fluctuations, EBITDA rose by 6.3% in 2015 vs. 2014.

Depreciation costs in 2015 amounted to €53.0 million (+7.9% vs. 2014).

Volume growth, coupled with production efficiency and cost discipline, drove cumulative EBIT growth of 18.0% to €160.8 million.

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[1] Organic terms: For comparative purposes, organic growth excludes the impact of the different exchange rates applied in the consolidation of the financial statements and the impact of the US$ variation in business transactions and non-recurring results recorded in 2015 related to the outsourcing of pensions in the US and in 2014 due to changes in cogeneration regulations.

[2] Revenue by origin of sales

[3] Cost of consumption = Supplies +/- Change in finished and work in progress products.

[4] Gross margin = Revenue – Cost of consumption / Revenue

Financial result

The Group reported exchange losses of €6.6 million, which contrasts with the gains of €1.9 million in 2014. This difference is largely due to the weakness of the BRL against the € in the second half of 2015. As a result, the net finance loss stands at -€9.3 million in 2015 (vs. -€2.0 million in 2014).

The reduction in financial debt translated into lower finance expenses, which declined by 20.8% in 2015 vs. 2014 to €3.4 million.

Net profit and tax

Profit before tax amounted to €151.5 million in 2015 while taxes totalled €31.9 million, reflecting an effective tax rate of 21.0% (22.8% in 2014).

The difference between the theoretical tax rate for 2015 (25.0%) and the effective tax rate (21.0%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in each of the countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances or tax credits associated with previous years' losses by various Group subsidiaries.

As a result, the Group reported growth in net profit from continuing operations in 2015 of 15.4% to €119.6 million.

Including the €0.4 million in capital gains from the sale of the IAN Group recognised as profit from discontinued operations[5] net profit attributed to the Viscofan Group amounted to €120.0 million in 2015 (+12.8% vs. 2014), surpassing the guidance given at the start of the year (€114 million - €115 million).

Property, plant and equipment and intangible assets

Investment in 2015 amounted to €57.3 million, a lower figure 6.1% than in 2014 (€61.0 million). The breakdown for investment in 2015 is as follows:

45% of investment was in capacity and machinery. This includes €10 million corresponding to the new plastic casings plant in Mexico, which started production at the end of 2015.
28% of investment was in process improvements.
9% of investment was in energy equipment and in plant safety, hygiene and environmental improvements.
Ordinary investments accounted for the remaining 18%.

In addition, the Group started construction of a fibrous casing production centre in Cáseda (Spain) towards the end of 2015. A total of €20 million will be invested over the next two years with the aim of installing new capacity to come on stream in the second half of 2017. This project has been developed in response to the growth in the Viscofan Group's fibrous casing sales in recent years and to improve service to European customers.

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. (Nanopack), a company specialized in the production of crystal plastics and additive plastics. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarra), the Viscofan Group subscribed €1.9 million of capital increase to finance this expansion. Following this transaction, the Viscofan Group controlled 90.57% of the share capital of this company.

[5] In compliance with the provisions of International Financial Reporting Standard 5, net profit at the IAN Group in 2015 and 2014 was recognised in the Consolidated Income Statement under "Profit or loss from discontinued operations". The IAN Group's assets and liabilities at the end of December 2014 have been classified as "Held for sale" on the Viscofan Group's consolidated balance sheet.

Net equity and dividends

The Group's net equity stood at €633.2 million at the end of 2015, up 10.0% year-on-year due to the booking of a net profit of €120.0 million (+12.8% vs. 2014) from which €24.2 million is deducted as an interim dividend against 2015 earnings (+15.6% vs. 2014).

In addition, the Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.82 per share, with an amount of €38.2 million to be paid out on 9 June 2016.

This means total shareholder remuneration amounts to €1.35 per share consisting of:
- An interim dividend of €0.52 per share paid on 29 December 2015.
- A proposed final dividend of €0.82 per share for approval at the General Shareholders' Meeting,
- and a bonus for attending the General Shareholders' Meeting of €0.01 per share.

The remuneration proposed is 14.4% higher than the total remuneration of €1.18 per share approved last year, implying distribution of 52% of the total net profit attributed to the Viscofan Group.

Financial liabilities

The strong earnings performance and the payment from the sale of the IAN Group led the Group to end the year 2015 with net cash position of €3.2 million at the end of December 2015 compared with Net Bank Debt[6] of €74.6 million in December 2014.

At 31 December 2015 the Group's consolidated gross financial debt amounted to €41.2 million (€100.2 million at 31 December 2014), with €26.1 million of this amount corresponding to long-term financial debt (€33.2 million at 31 December 2014). These liabilities accrue interest at a variable rate linked to the Euribor or Libor plus an average differential of 1.5 percentage points.

The Viscofan Group's financial situation means it is well placed to meet its scheduled payment obligations over the next 12 months.

Financial commitments

Based on estimated growth, the Group plans to invest to strengthen its leadership position in the casings market and to continue improving the service it provides, as well as to upgrade its existing industrial equipment and operations. Commitments include the construction of the new fibrous casings plant in Cáseda, technological upgrades, process optimisation and increases in production capacity. Accordingly, commitments at the end of 2015 amounted to €12.4 million (€15.0 million at the end of 2014).

At 31 December 2015, the Group has contracted buildings and other assets under finance leasing whose minimum payments and present value amounted to €0.6 million (€0.8 million at 31 December 2014).

The Group also has various premises and other items of property, plant and equipment under operating lease arrangements. Future minimum payments for these contracts at 31 December 2015 amounted to €5.4 million (€4.3 million at 31 December 2014).

[6] Net bank debt = long and short bank financial debt - cash and cash equivalents.

Expected performance of the Group

The casings industry has bright growth prospects thanks to population growth, in particular in urban areas, the globalisation of food habits and meat processors' efforts to increase productivity and improve food safety.

This increased productivity is even more significant considering the likely economic growth profile over the coming years in both developed and emerging markets, which need to become more competitive and larger in order to compete in a more globalised marketplace.

The Viscofan Group is well placed in the casings market to meet this challenge and is embarking on the 2016-2020 period of the MORE TO BE strategic plan with the same vision and a commitment to spearheading the industry and creating sustainable long-term value with an abundance of projects aimed at achieving technological and service improvements and streamlining costs. All with the goals of leading the way in the global casings industry, actively promoting the development of new products, developing new product solutions and being the sector benchmark for efficiency and productivity in all technologies.

In 2016 the Viscofan Group expects to deliver further growth in revenue, EBITDA and net profit if exchange rates remain stable.

Environment

Viscofan understands that business management must adopt criteria that are consistent with both productive and economic efficacy, and sustainable development.

The Viscofan Group and its employees are committed to developing their business in line with sustainable and economically viable criteria and principles, with respect for prevailing legislation on the environment, and voluntarily acquired commitments to optimize available resources, promote the introduction of available technological improvements, and minimize environmental impact derived from their activity.

There is a key challenge behind this commitment since the Viscofan Group is productively present in 9 countries, in different continents, and has business offices in 14 countries. This expansion spans a wide array of cultures in the different countries, all of which have their own standards and legislation. To improve coordination and Group efforts with regard to environmental matters in both health and safely the Group has the EHS corporate policy to guide the improvement plans to be implemented over the coming financial years, as well as support the Viscofan Group's priority measures in terms of environment, safety and hygiene.

The Viscofan Group works in two main dimensions providing structure and guidance for environmental projects to:

- Provide sustainability in resource usage.
- Contribute towards preventing climate change.

In 2015 an in-depth review was conducted of the initiatives, objectives and control for the use of water at the Group's various plants.

Note 22 of the the accompanying financial statements provides a breakdown of investments and costs relating to the environment in 2015 and 2014.

Employees

The Viscofan Group's leadership is underpinned by the differential value of the know-how and commitment of all its employees. At the end of December 2015 these 4,342 individuals formed a growing competitive and multicultural team. And despite the wide variety of cultures within the Group, they share deeply-held values and common ethical principles and are becoming ever better qualified.

The Group's average workforce increased for the fifth consecutive year in 2015, a rise chiefly attributable to Viscofan's expansion into new geographic regions and the hiring of additional personnel to enhance service levels and cement our global leadership. As a consequence, the average workforce grew by 3.5% in 2015 vs. 2014 to 4,233.

This is a group widely distributed among the 14 countries in which the company has a strategic presence. In 2015 16% of the average workforce was deployed in Spain, 48% elsewhere in Europe and Asia, 22% in North America and 14% in Latin America.

In 2015, personnel expenses totalled €158.5 million, up 7.8% compared with 2014 and representing 21.4% of 2015 revenue.

The Viscofan Group also attaches great importance to personal development. Via the human resource departments of its various subsidiaries promotes initiatives that enhance knowledge management and enable employees' skills to be harnessed with a view to achieving the Group's objectives. Training is one of the Group's priorities with regard to personnel management and is carried out on an ongoing basis, thereby fostering personal and professional development.

The Viscofan Group is committed to respecting and upholding the human rights proclaimed in international commitments to which it is a signatory such as the International Charter of Human Rights and the United Nations Global Compact. Furthermore, under the Viscofan Group's code of conduct employees must respect and uphold human rights and refrain from contravening them in the course of their duties.

Corporate workplace safety policies are the responsibility of the EHS department (Environment, Health and Safety), working in close partnership with the corporate and local human resource departments. In this regard, the Group continues to take action and carry out investment aimed at improving the working conditions of our employees. In addition, the Viscofan Group works to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates, in this way extending best health and safety practices to its production centres.

Research and development activities

Viscofan has a proactive R&D policy supported by technological and research centers in various countries.

The Group's efforts are focused on both the product (development of new products, enhancement of available products to increase market share in the principal meat casing families, etc.) and the process (innovation and improvement of production processes for their industrial optimization, introduction of technological improvements and development of advanced engineering solutions to maximize productive output, etc.).

Furthermore, Viscofan's research activities were also focused on diversification in areas where its current know-how could help to secure future returns. Especially noteworthy are the significant advances achieved in the field of bioengineering, which support Viscofan's commitment to continuing with its research work and collaboration with centres specialising in research into and cultivation of cells based on collagen and their potential use in biomedicine.

Viscofan's stock market performance

In 2015 the performance of stock markets was shaped by the high level of uncertainty caused by factors such as the debt renegotiation in Greece and the perception of a global economic slowdown, in particular in emerging markets, the sharp drop in the oil prices and in the main raw materials.

The monetary policies of the main central banks continue to exert a significant influence on price formation in financial markets. In 2015 the European Central Bank adopted an expansionary policy with the aim of stimulating the economy while in the US the Fed, which has been reducing stimuli, raised interest rates at the end of the year. The different moment in the monetary policy cycle between Europe and the US also affected the currency market, with the US$ strengthening sharply against the € and other currencies of emerging economies.

Against this backdrop, stock markets also exhibited decorrelation: the US S&P 500 ended 2015 with a slight rise of +0.02% while in Europe the Ibex-35 fell -7.2% in Spain, the DAX advanced +9.6% in Germany and the CAC rose +8.5% in France. In overall terms the global indices ended 2015 at virtually the same level as at the start of the year or with slight losses. Returns range between -0.3% for the MSCI The World Index and -4.1% for the FTSE World. The three previous years had ended with positive returns.

Viscofan's share price closed 2015 at €54.64, up 26.3% year-on-year and 29.1% including shareholder remuneration. As a result, Viscofan's market capitalisation stood at €2,593 million at the end of 2015 (+26.3% vs. 2014).

Over 58.3 million Viscofan shares were traded in 2015, 125% of the total in circulation, with a traded volume of €3,180 million, equivalent to a daily average of €12.3 million.

Acquisition of treasury shares

At December 31, 2015 the Company owned no treasury shares.

Average payment period

In 2015 Law 31/2014 came into force, amending the Spanish Companies Act with a view to improving corporate governance. Under this law, companies unable to present abridged income statements must indicate in their management reports the average supplier payment period, calculated using the criteria approved by the Ministry of Finance and Public Administrations, in accordance with paragraph three of the second final provision of Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability

In relation to this reporting requirement, the average payment period of the companies in the Viscofan Group in Spain in 2015 was 36 days, lower than the maximum under Spanish law.

The average payment period was calculated in accordance with the Resolution dated 29 January 2016, of the Spanish Accounting and Auditing Institute, on the information to be included in annual financial statements in relation to the average supplier payment period in commercial operations.

Also, note 16.3 of the annual consolidated financial statements shows the information on the average supplier payment period during the year.

Description of risks and uncertainties

The Viscofan Group has shown improved results in a time of great volatility and uncertainty, and is well placed to capture market growth in its main business activities. Nevertheless, it should be underscored that due to the nature of its operations, the Group's activities are exposed to various operational, financial, strategic and legal risks, described in section *E) Risk Control Systems* in the Annual Corporate Governance Report of the Parent Company. The Group manages risk based on policies approved by the Board of Directors, which is supervised by the Audit Committee.

The Company's risk map includes the following headings:

1. Strategic risks: Natural catastrophes; country risk; competitive sector environment Reputation; company property

2. Information risks: IT contingencies, preparation and integrity of the financial information; financing and lack of liquidity; exchange rate; interest rate; budget control; pension plans; tax.

3. Operational risks: Material damage; business continuity; energy market; customer satisfaction; transport; raw materials; civil liability; know how; human capital; team consolidation.

4. Compliance risks: Environment, accidents in the workplace; safety and hygiene at work and for food products; sabotage. Development of the regulatory framework; multinational food legislation compliance; compliance of obligations derived from business transactions; corporate risk; LOPD.

Events after the balance sheet date

As of 29th February 2016, the Board of Directors agreed to propose to the General Shareholders' Meeting a final dividend of €0.82 per share, paid on 9 June 2016. This brings total shareholder remuneration to €1.35 per share, including the interim dividend of €0.52 per share paid on 29 December 2015, the aforementioned final dividend of €0.82 per share, and €0.01 per share as a bonus for attending the Shareholders' Meeting. The remuneration proposed is 14.4% higher than the total remuneration of €1.18 approved in the previous year.

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT: The Secretary of the Board of Directors, Mr. Juan María Zuza Lanz hereby certifies that the Board of Directors, at its meeting on February 29, 2016, approved the consolidated financial statements for the year ended December 31, 2015, and duly signs all the pages thereof for identification purposes. The consolidated financial statements comprise the attached documents preceding this certificate

Mr. José Domingo de Ampuero y Osma	Mr. Néstor Basterra Larroudé
Ms. Ágatha Echevarría Canales	Mr. José Antonio Canales García
Mr. Alejandro Legarda Zaragüeta	Mr. Ignacio Marco-Gardoqui Ibáñez
Ms. Laura González Molero	Mr. José María Aldecoa Sagastasoloa
Mr. Jaime Real de Asúa y Arteche	Mr. Juan March de la Lastra

Secretary to the Board of Directors

Mr. Juan María Zuza Lanz