Independent Audit Report

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

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

INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

Report on the financial statements

We have audited the accompanying financial statements of VISCOFAN, S.A., which comprise the balance sheet at December 31, 2015, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity and financial position and the results of VISCOFAN, S.A., in accordance with the regulatory framework for financial information applicable to the Entity in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of VISCOFAN, S.A. at December 31, 2015, and its results and cash flow for the year then ended, in accordance with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

Report on other legal and regulatory requirements

The accompanying 2015 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2015 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original)

Alberto Peña Martínez

February 29, 2016

VISCOFAN, S.A.

Financial Statements
for the year ended
December 31, 2015

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

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VISCOFAN, S.A.
Balance sheet at December 31, 2015
(Thousands of euros)

ASSETS	Notes	2015	2014
NON-CURRENT ASSETS		**423,448**	**406,971**
Intangible assets	**5**	**6,603**	**6,245**
Concession rights		845	1,070
Software		3,929	4,312
Other intangible assets		1,829	863
Property, plant, and equipment	**6**	**69,626**	**68,520**
Land and buildings		12,431	13,522
Plant and other PP&E items		56,749	51,160
Property, plant, and equipment under construction and prepayments		446	3,838
Investment in group companies and associates	**7**	**345,403**	**329,475**
Equity instruments		345,403	329,475
Financial investments	**8**	**182**	**132**
Equity instruments		134	84
Other financial assets		48	48
Deferred tax assets	**17**	**1,634**	**2,599**
CURRENT ASSETS		**96,304**	**83,464**
Non-current assets held for sale	**9**	**-**	**15,602**
Inventories	**10**	**24,948**	**20,275**
Commercial inventories		5,171	2,808
Raw materials and other consumables		7,748	6,531
Work in progress		5,605	5,499
Finished products		6,424	5,437
Trade and other receivables		**46,607**	**41,914**
Trade receivables	8	18,480	21,847
Trade receivables from group companies and associates	8	24,346	14,032
Other receivables	8	47	90
Receivable from employees	8	56	84
Current income tax assets	17	-	1,722
Other receivables from public administrations	17	3,678	4,139
Investments in group companies and associates	**8**	**6,964**	**5,222**
Loans to companies		6,811	5,032
Other financial assets		153	190
Investments	**8**	**2**	**-**
Other financial assets		2	-
Accruals		**142**	**142**
Cash and cash equivalents	**11**	**17,641**	**309**
Cash		17,641	309
TOTAL ASSETS		**519,752**	**490,435**

VISCOFAN, S.A,
Balance sheet at December 31, 2015
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2015	2014
EQUITY		**432,520**	**383,898**
CAPITAL AND RESERVES		**432,763**	**386,736**
Share capital	**12.1**	**32,623**	**32,623**
Issued capital		32,623	32,623
Share Premium	**12.2**	**12**	**12**
Reserves	**12.3**	**320,359**	**307,217**
Legal and statutory reserves		6,525	6,525
Other reserves		313,834	300,692
Profit for the year	**3**	**104,003**	**67,856**
Interim dividend	**3.1**	**(24,234)**	**(20,972)**
UNREALIZED GAINS (LOSSES) RESERVE	**13.1**	**(2,242)**	**(3,892)**
Hedging instruments		(2,242)	(3,892)
GRANTS, DONATIONS, AND LEGACIES	**13.2**	**1,999**	**1,054**
NON-CURRENT LIABILITIES		**40,448**	**43,656**
Borrowings	**16**	**33,610**	**37,723**
Payable to credit institutions	16.1	22,750	26,000
Finance leases	16.1	42	125
Hedging instruments	14	177	682
Other financial liabilities	16.2	10,641	10,916
Borrowings from group companies and associates	**16**	**4,500**	**4,500**
Deferred tax liabilities	**17**	**2,338**	**1,433**
CURRENT LIABILITIES		**46,784**	**62,881**
Provisions	**15**	**1,442**	**893**
Borrowings	**16**	**13,457**	**29,842**
Bank borrowings	16.1	4,274	20,087
Finance leases	16.1	83	81
Hedging instruments	14	3,217	5,009
Other financial liabilities	16.2	5,883	4,665
Payables to group companies and associates	**16**	**5,109**	**10,155**
Trade and other payables		**26,776**	**21,991**
Suppliers	16.2	6,834	2,789
Suppliers, group companies, and associates	16.2	1,405	1,933
Other payables	16.2	7,163	5,700
Employee benefits payable	16.2	1,909	1,996
Current tax liabilities	17	2,022	2,901
Other payables to public administrations	17	6,697	6,119
Customer advances	16.2	746	553
TOTAL EQUITY AND LIABILITIES		**519,752**	**490,435**

VISCOFAN, S.A,
Income statement for the year ended December 31, 2015
(Thousands of euros)

	Notes	2015	2014
CONTINUING OPERATIONS			
Revenue	**18.1**	**181,726**	**175,802**
Sale of goods		181,166	175,374
Rendering of services		560	428
Changes in inventory of finished goods and work in progress		**1,093**	**(1,445)**
Work performed by the entity and capitalized		**252**	**253**
Cost of sales		**(76,314)**	**(75,081)**
Consumption of goods for resale	18.2	(15,276)	(14,712)
Consumption of raw materials and other consumables	18.2	(60,906)	(60,009)
Impairment of goods for resale, raw materials, and other consumables	10	(132)	(360)
Other operating income		**12,322**	**10,348**
Ancillary income		11,726	9,977
Grants related to income	13.2	596	371
Employee benefits expense		**(40,167)**	**(37,763)**
Wages, salaries, et al		(31,308)	(29,517)
Social security costs, et al	18.3	(8,859)	(8,246)
Other operating expenses		**(44,013)**	**(41,974)**
External services	18.4	(39,635)	(37,613)
Taxes		(2,867)	(2,839)
Losses on, impairment of, and change in trade provisions	8.1	(69)	(629)
Other operating expenses	5.1 & 15	(1,442)	(893)
Depreciation and amortization	**5 & 6**	**(12,284)**	**(12,000)**
Grants related to non-financial assets and other grants	**13.2**	**509**	**276**
Impairment gains (losses) on disposal of non-current assets		**3**	**(194)**
Impairment gains and losses	6	2	2
Gains (losses) on disposals		1	(196)
OPERATING PROFIT		**23,127**	**18,222**
Finance income		**46,874**	**54,353**
From equity investments	7.1	46,548	54,033
In group companies and associates		46,548	54,033
From marketable securities and other financial instruments		326	320
Of group companies and associates		216	234
Of third parties		110	86
Finance costs	**18.5**	**(1,014)**	**(1,500)**
On borrowings from group companies and associates		(84)	(316)
Third-party borrowings		(930)	(1,184)
Exchange gains (losses)		**(173)**	**200**
Impairment gains (losses) on disposal of financial assets	**9**	**39,316**	**-**
Gains (losses) on disposals		39,316	
FINANCE INCOME		**85,003**	**53,053**
PROFIT BEFORE TAX		**108,130**	**71,275**
Income tax	**17.1**	**(4,127)**	**(3,419)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**104,003**	**67,856**
DISCONTINUED OPERATIONS			
Profit (loss) after tax for the year from discontinued operations		-	-
PROFIT FOR THE YEAR	**3**	**104,003**	**67,856**

VISCOFAN, S.A,
Statement of changes in equity for the year ended December 31, 2015
(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2015

	Notes	2015	2014
PROFIT FOR THE PERIOD		**104,003**	**67,856**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flow hedges	**13.1**	**(3,114)**	**(5,190)**
Grants, donations, and bequests received	**13.2**	**2,879**	**260**
Tax effect		**69**	**1,290**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**(166)**	**(3,640)**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flow hedges	**13.1**	**5,190**	**(36)**
Grants, donations, and bequests received	**13.2**	**(1,508)**	**(613)**
Tax effect		**(921)**	**195**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**2,761**	**(454)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**106,598**	**63,762**

VISCOFAN, S.A,
Statement of changes in equity for the year ended December 31, 2015
(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2015

	Issued capital (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 13.1)	Grants, donations, and bequests received (Note 13.2)	TOTAL
BALANCE AT DECEMBER 31, 2013	**32,623**	**12**	**286,444**	**72,689**	**(19,108)**	**25**	**1,231**	**373,916**
Total recognized income and expense	-	-	-	67,856	-	(3,917)	(177)	63,762
Transactions with shareholders and owners								
Dividends paid	-	-	-	(51,916)	(1,864)	-	-	(53,780)
Other changes in equity								
Transfers between equity accounts	-	-	20,773	(20,773)	-	-	-	-
BALANCE AT DECEMBER 31, 2014	**32,623**	**12**	**307,217**	**67,856**	**(20,972)**	**(3,892)**	**1,054**	**383,898**
Total recognized income and expense	-	-	-	104,003	-	1,650	945	106,598
Transactions with shareholders and owners								
Dividends paid	-	-	-	(54,714)	(3,262)	-	-	(57,976)
Other changes in equity								
Transfers between equity accounts	-	-	13,142	(13,142)	-	-	-	-
BALANCE AT DECEMBER 31, 2015	**32,623**	**12**	**320,359**	**104,003**	**(24,234)**	**(2,242)**	**1,999**	**432,520**

VISCOFAN, S.A,
Cash flow statement for the year ended December 31, 2015
(Thousands of euros)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**108,130**	**71,275**
Adjustments to profit		**(72,745)**	**(38,975)**
			12,000
Depreciation and amortization	5 & 6	12,284	
Impairment losses	6, 8.1, & 10	505	1,137
Changes in provisions		431	-
Grants released to income	13.2	(509)	(276)
Results on disposal of property, plant, and equipment		(1)	196
Results on disposals of financial instruments		(39,316)	-
Finance income		(46,874)	(54,353)
Finance costs	18.5	1,014	1,500
Exchange gains (losses)		173	(200)
Other interest and expenses		(452)	1,021
Change in working capital		**(6,554)**	**(9,139)**
Inventories		(5,112)	718
Trade and other receivables		(6,759)	(5,418)
Other current assets		-	(37)
Trade and other payables		5,523	(4,474)
Other current liabilities		(206)	72
Other cash flows from operating activities		**43,765**	**51,532**
Interest paid		(806)	(1,489)
Dividends received		46,585	54,033
Interest received		251	320
Income tax receipts (payments)		(2,265)	(1,332)
CASH FLOW FROM OPERATING ACTIVITIES		**72,596**	**74,693**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(35,502)**	**(30,833)**
Group and associates		(22,559)	(15,239)
Intangible assets		(1,890)	(1,423)
Property, plant, and equipment		(11,002)	(14,171)
Other financial assets		(51)	-
Proceeds from disposals		**59,919**	**16,968**
Group companies and associates		59,918	11,897
Property, plant, and equipment		1	12
Other financial assets		-	5,059
CASH FLOWS FROM INVESTING ACTIVITIES		**24,417**	**(13,865)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(payments on) equity instruments		**1,880**	-
Grants, donations, and bequests received	13.2	1,880	-
Proceeds from and payments of financial liabilities		**(23,586)**	**(7,537)**
Issues			
Bank borrowings		-	15,283
Accounts payable to group companies and associates		5,000	-
Other borrowings		1,692	1,899
Repayment and redemption of			
Bank borrowings		(19,057)	(1,309)
Borrowings from group companies and associates		(10,000)	(22,493)
Other borrowings		(1,221)	(917)
Dividends paid and payments on other equity instruments		**(57,975)**	**(53.780)**
Dividends		(57,975)	(53.780)
CASH FLOWS FROM FINANCING ACTIVITIES		**(79,681)**	**(61.317)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**17,332**	**(489)**
Cash and cash equivalents at January 1		**309**	**798**
Cash and cash equivalents at December 31		**17.641**	**309**

1. ACTIVITY

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

It is mainly devoted to manufacturing all types of artificial sausage casings and other applications, and to a lesser degree, the production of co-generated electricity for sale to third parties. Its industrial facilities are located in Caseda and Urdiain (Navarra). Its main offices and address are located at Polígono Industrial Berroa, Calle Berroa 15- 4ª planta, 31192 Tajonar (Navarra).

The Company is the parent of a group of companies ("the Viscofan Group" or "the Group"), and chiefly carry out their activities in the food and cellulose, plastic, fiber, and collagen casings business.

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

These financial statements have been prepared by the directors of the company and will be submitted for approval by the shareholders in general meeting within the periods established by prevailing legislation. The directors of the Company consider that no significant changes will be made to the 2015 financial statements as a result of these meetings.

The directors have prepared the 2015 financial statements separately, applying the international financial reporting standards adopted by the European Union (IFRS-EU).

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

2.1 True and fair view

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

2.2 Comparison of information

In compliance with Spanish mercantile law, for comparative purposes for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and in the Notes thereto, in addition to the figures for 2015, those of 2014 have been included. The Notes likewise contain quantitative information from 2014, unless an accounting standard specifically states that this is not required.

In accordance with the terms of the single additional provision of the Resolution of the Institute of Accounting and Auditors of Accounts on information to be included in notes to the 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.

2.3 Critical issues concerning the assessment of uncertainty

The directors have prepared the financial statements using estimates to determine the carrying amount of certain assets, liabilities, income and expenses, and for the breakdown of contingent liabilities. These estimates were made based on the best information available at year end. However, given the uncertainty inherent in them, events may occur in the future which require prospective adjustments.

3. APPROPRIATION OF PROFIT

The appropriation of 2015 profit proposed by the directors is expected to be approved by the shareholders in general meeting and is broken down as follows:

(Thousands of euros)	**2015**
Proposed appropriation	
Profit for the year	104,003
	104,003
Appropriation to	
Other reserves	41,554
Dividends (*)	62,449
	104,003

(*) This figure includes the interim dividend paid at December 29, 2015, amounting to 24,234 thousand euros (Note 3.1).

3.1 Interim dividend

On December 17, 2015, the Board of Directors approved an interim dividend against 2015 profit of 24,234 thousand euros based on profit projections for the period. This dividend was paid on December 29, 2015. The amount paid is less than the maximum limit established by prevailing legislation relating to distributable prior year profit.

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

(Thousands of euros)	
Available cash at December 11, 2015	23,750
Cash flows from/(used in) operating activities	
Trade and other receivables	192,411
Other income	274
Accounts payable and suppliers	(120,934)
Payments made to employees	(41,323)
Interest paid	(1,063)
Other payments	(8,050)
Cash flow related to investment activities	
Dividends	58,330
Purchases of property, plant, and equipment	(22,000)
Cash flow related to financing activities	
Repayment of non-current borrowings	(6,085)
Dividends paid	(62,449)
Projected liquidity at December 11, 2016	**12,861**

3.2 Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders but can only be utilized to offset losses should there not be any corresponding reserves available. This reserve can equally be used to increase capital by the amount exceeding 10% of the new capital after the increase. The legal reserve had been fully set aside at December 31, 2015 (Note 12.3).

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

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

4.1 Intangible assets

Intangible assets are initially measured at either acquisition or production cost.

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

The Company assesses the intangible asset's useful life to be either finite or indefinite. At December 31, 2015 all the Company's assets had a finite useful life.

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

Concession rights

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

Software

"Software" is recorded at the costs incurred and amortized on a straight-line basis over the useful life of the asset (five years).

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

CO_2 emission rights

Greenhouse gas emission rights assigned or acquired for consumption during the Company's production process are initially recognized at acquisition cost as a non-amortizable intangible asset. When rights are acquired without payment of any consideration or at an amount substantially lower than their market value, income is directly recognized in equity at the beginning of the natural year to which the rights correspond. Subsequently, these amounts recognized in equity will be taken to the income statement as expenses recognized for the emissions associated with the rights received accrue.

Emission rights are subject to any impairment loss adjustments that may be necessary. These emission rights are eliminated from the balance sheet when they are sold or delivered to third parties, or have expired.

Emission rights acquired with the intention of reselling them are accounted for in accordance with the criteria established in the accounting and measurement standard on inventories in the Spanish GAAP.

4.2 Property, plant, and equipment

Property, plant, and equipment are initially measured at either acquisition or production cost, revalued up to 2013, in accordance with prevailing legislation, net of the corresponding accumulated depreciation.

Following initial measurement, PP&E items are stated at cost less accumulated depreciation and any recognized impairment loss.

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

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

When available for use, PP&E items are depreciated on a straight-line basis over their estimated useful lives.

The estimated useful lives of PP&E items at year end 2015 and 2014 are as follows:

	Useful lives
Buildings	30 years
Plant and machinery	10 years
Furniture	10 years
Other PP&E items	5-15 years

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

4.3 Impairment of non-financial assets

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

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

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

4.4 Leases

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

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

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

4.5 Financial assets

Recognition and measurement

Loans and receivables

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

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

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

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

Investments in group companies, joint ventures, and associates

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

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

Investments in group companies are recognized, where applicable, based on accounting principles for transactions with group companies and those used for determining the cost of the business combination in accordance with the accounting policy governing business combinations (Note 4.21).

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

The initial value includes preferential subscription and similar rights acquired.

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

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

Available-for-sale financial assets

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

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

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

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

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

Hedging Instruments

This category includes instruments classified as hedging instruments.

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

Cancelation

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

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

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

Interest and dividends received from financial assets

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

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

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

4.6 Impairment of financial assets

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

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

Debt instruments

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

The Company classifies as impaired assets (doubtful exposures) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidences the possible irrecoverability of total agreed-upon future cash flows or collection delays. For trade and other receivables, the Company considers balances including items more than six months past due for which collection is uncertain, as well as balances of companies having declared a payment's moratorium, to be doubtful assets.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the balance sheet date is used. The fair value is used instead of the present value of estimated future cash flows in the case of quoted instruments provided that it is considered sufficiently reliable.

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

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

Equity instruments

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

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

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

4.7 Financial liabilities

Recognition and measurement

Trade and other payables

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

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

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

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

Hedging instruments

This category includes instruments classified as hedging instruments.

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

Cancelation

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

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

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

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

4.8 Hedge accounting

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

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

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

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

If at any time financial derivatives do not qualify to be treated as hedges, they are reclassified as held-for-trading derivatives, in which case any gain or loss arising from changes in fair value on derivatives are directly recognized in the income statement.

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

4.9 Treasury shares

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

4.10 Inventories

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

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

The Company measures inventory at weighted average cost.

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

4.11 Cash and cash equivalents

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

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

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

4.12 Grants

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

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

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

4.13 Provisions

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

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

Provision for CO_2 emission rights

As of 2006, companies included in the National Assignment Plan that emit CO_2 in their operating activities, must submit the corresponding amount of CO_2 emission rights in the early months of the year subsequent to the year in which they occurred.

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

4.14 Provisions for long-term employee benefits

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

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

4.15 Income tax

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

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

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

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

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

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

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

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

4.16 Non-current assets and disposal groups held for sale

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

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

- 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 associated with non-current assets held for sale."

4.17 Classification of current and non-current assets and liabilities

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

4.18 Income and expenses

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

Income

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

4.19 Transactions in foreign currency

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

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

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

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

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

4.20 Environmental assets and liabilities

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

4.21 Related-party transactions

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

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

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

4.22 Termination benefits

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

5. INTANGIBLE ASSETS

The movements in this heading are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
2015					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	13,753	976		67	14,796
Greenhouse gas emission rights	796	1,900	(880)	-	1,816
Payments on account for non-current intangible assets	67	13		(67)	13
	17,279	2,889	(880)		19,288
Accumulated amortization					
Patents	(36)	-	-		(36)
Concession rights	(1.557)	(225)			(1,782)
Software	(9,441)	(1,426)			(10,867)
	(11,034)	(1,651)			(12,685)
Net carrying amount	**6.245**				**6,603**
2014					
Cost					
Patents	36	-	-	-	36
Concession rights	2,627	-	-	-	2,627
Software	12,581	1,164	-	8	13,753
Greenhouse gas emission rights	2,041	455	(1,700)	-	796
Payments on account for non-current intangible assets	8	67	-	(8)	67
	17,293	1,686	(1,700)	-	17,279
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	(1,332)	(225)	-	-	(1,557)
Software	(8,051)	(1,390)	-	-	(9,441)
	(9,419)	(1,615)	-	-	(11,034)
Net carrying amount	**7,874**				**6,245**

At December 31, 2015 and 2014, the cost value of fully amortized intangible assets amounted to 7,942 thousand and 6,348 thousand euros, respectively.

5.1 Information on greenhouse gas emission rights

The Company receives a free allocation of emissions rights arising from the resolution of the Council of Ministers dated November 15, 2013, which approved the final free assignation of greenhouse gas emission rights for the installations subject to the emissions trading scheme for the 2013-2020 period. The rights acquired through this scheme in 2015 totaled 142,944 (2014: 55,813)

The movements in emission rights during 2015 and 2014 are as follows:

(number of rights)	Balance at January 1	Purchases	Free allocation	Delivery	Balance at December 31
2015					
Greenhouse gas emission rights	183.698	122.071	142.944	(195.871)	252.842
2014					
Greenhouse gas emission rights	303,701	30,000	55,813	(205,816)	183,698

The expense for greenhouse gas emissions recognized under "Other operating expenses" at December 31, 2015 and 2014, amounts to 1,442 thousand and 893 thousand euros, respectively (Note 15)

Further, income relating to the transfer of subsidized greenhouse gas emission rights recognized under "Ancillary income" amounts to 999 thousand and 337 thousand euros at December 31, 2015 and 2014, respectively (Note 13.2.).

5.2 Other information

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

(Thousands of euros)	2015	2014
Software		
Cost	256	256
Accumulated amortization	(178)	(128)
	78	**128**

At December 31, 2015 and 2014, the Company did not have any intangible assets located outside Spain.

At December 31, 2015, and 2014, there were no firm commitments to purchase intangible assets items.

6. PROPERTY, PLANT, AND EQUIPMENT

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2015					
Cost					
Land	307	-	-	-	307
Buildings	28,579	-	-	-	28,579
Plant and other PP&E items	243,401	11,282	(7)	3,847	258,523
Property, plant, and equipment under construction and payments on account	3.838	455	-	(3,847)	446
	276,125	11,737	(7)	-	287,855
Accumulated depreciation					
Buildings	(15,334)	(1,093)			(16,427)
Plant and other PP&E items	(192,241)	(9,540)	7	-	(201,774)
	(207,575)	(10,633)	7	-	(218,201)
Impairment losses					
Buildings	(30)	-	2	-	(28)
	(30)	-	2	-	(28)
Net carrying amount	**68,520**				**69,626**
2014					
Cost					
Land	265	42	-	-	307
Buildings	28,138	441	-	-	28,579
Plant and other PP&E items	233,884	9,784	(471)	204	243,401
Property, plant, and equipment under construction and payments on account	203	3,839	-	(204)	3,838
	262,490	14,106	(471)	-	276,125
Accumulated depreciation					
Buildings	(14,141)	(1,193)	-	-	(15,334)
Plant and other PP&E items	(183,312)	(9,192)	263	-	(192,241)
	(197,453)	(10,385)	263	-	(207,575)
Impairment losses					
Buildings	(32)	-	2	-	(30)
	(32)	-	2	-	(30)
Net carrying amount	**65,005**				**68,520**

6.1 Significant movements

Additions in 2015 and 2014 mainly relate to machinery and installations acquired to improve productivity and increase capacity at the Company's manufacturing plants.

6.2 Revaluation of assets

The Company opted for the possibility established in Navarre Regional Law 21/2012 of December 26, allowing the revaluation of PP&E items. The breakdown for net gains, tax paid, and impact on reserves, is as follows:

(Thousands of euros)	Restated net carrying amount	Initial net carrying amount	Restated amount
Land	265	206	59
Buildings	15,789	12,041	3,748
Plant	18,719	17,465	1,254
Machinery	25,006	23,353	1,653
Tools	-	-	-
Other installations	7,121	6,159	962
Furniture	609	581	28
Other PP&E items	77	66	11
	67,586	**59,871**	**7,715**
Tax paid (5%)			(386)
Revaluation Reserve Regional Navarre Law 21/2012 (Note 12.4)			**7,329**

In 2015 and 2014, the amount of the depreciation expense for the assets updated in accordance with Navarre Regional Law 21/2012 totaled 863 and 1,189 thousand euros, respectively. The net carrying amount of the updated figure at December 31, 2015 and 2014 was 3,640 and 4,503 thousand euros, respectively.

In addition, in 1996 the Company opted for the Navarre Regional Law 23/1996, carrying out a revaluation of assets by virtue of which the cost and accumulated depreciation of its PP&E increased, resulting in net gains of 9,282 thousand euros (Note 12.4). The net carrying amount of these restated assets at December 31, 2015 and 2014, amounts to 260 thousand and 318 thousand euros, respectively, while depreciation for these years amounts to 58 thousand and 65 thousand euros, respectively.

6.3 Finance leases

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

(Thousands of euros)	2015	2014
Other PP&E		
Cost	262	270
Accumulated depreciation	(77)	(29)
	185	**241**

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

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

(Thousands of euros)	2015		2014	
	Future minimum payments	Present value (Note 16.1)	Future minimum payments	Present value (Note 16.1)
Within one year	85	83	85	81
Between one and four years	42	42	127	125
	127	**125**	**212**	**206**

The principal terms of finance lease agreements are as follows:

- The lease is for a term 3 years.
- The interest rate is fixed: 2.5%
- Repair and maintenance expenses are assumed by the lessor.
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

6.4 Operating leases

The Company leases the building in which it carries out its activities in Urdiain (Navarra). Although the lease agreement was renewed in 2015, and ends in 2025, since March of 2018 the Company has reserved the right to cancel it with a two-month notice.

In addition, the Company signed a lease agreement for the office building in Tajonar (Navarre) in December 2008, expanded and modified in May 2013. As a consequence of the modification, the Company is obliged to maintain the lease until at least May 1, 2015. From said date the Company can decide to terminate the contract unilaterally before the 20 years stipulated in the initial contract have elapsed.

Additional to these agreements, the Company leases commercial offices in Moscow and Thailand. These are renewed annually and include clauses indicating as such. None include purchase options.

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

(Thousands of euros)	2015	2014
Within one year	358	90
Between one and five years	60	-
	418	**90**

6.5 Other disclosures

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

(Thousands of euros)	2015	2014
Plant and machinery		
Cost	3,182	3,021
Accumulated depreciation	(2,371)	(2,258)
Other PP&E items		
Cost	34	34
Accumulated depreciation	(34)	(34)
	811	**763**

At December 31, 2015 and 2014, there were PP&E items located outside Spain, recognized at 43 thousand and 21 thousand euros, respectively.

At December 31 of 2015 and 2014, the Company had firm purchase commitments for property, plant, and equipment totaling 1,703 thousand and 1,085 thousand euros, respectively, in connection with investments under construction or prepayments made which will be financed with Company capital or undrawn credit facilities.

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

(Thousands of euros)	2015	2014
Buildings	3,020	3,020
Plant and machinery	125,797	121,315
Plant and other PP&E items	26,247	24,308
Property, plant, and equipment	7,180	6,825
	162,244	**155,468**

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

PP&E items for environmental activity are described in Note 22.3.

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

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

(Thousands of euros)	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
2015					
Equity instruments	329,475	15,928	-	-	345,403
	329,475				**345,403**
2014					
Equity instruments	329,838	15,239	-	(15,602)	329,475
	329,838				**329,475**

In 2015 the Company carried out the following transactions:

- 10 million euros was disbursed corresponding to a capital increase in Viscofan Do Brasil, Ltda. to finance circulating capital arising from the growth in the collagen casings segment over recent years.

- In May of 2015, the Company acquired 51.67% of the shares in Nanopack Technology & Packaging, S.L. for 4 million euros. In December of 2015, the Company contributed 1,928 euros in another capital increase. As a result of this transaction, the Company controls 90.57% of this company’s share capital.

Further, in 2014 the Company carried out the following transactions:

- A payment of 15.2 million euros was made in connection with capital increases in Viscofan Uruguay, S.A.

- The investment in Industrias Alimentarias de Navarra, S.A.U. was transferred to "Non-current assets held for sale" (Note 9).

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

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

	Thousands of euros			Local currency (thousands)					
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2015									
Naturin Viscofan, GMBH	90,570	12,000	100%	EUR	29,604	31,538	11,671	72,813	16,799
Viscofan do Brasil, soc. com. e ind. Ltda	63,138	2,499	100%	BRL	133,268	99,703	50,335	283,307	93,435
Gamex CB S.r.o.	7,498	141	100%	CZK	250,000	25,037	3,592	278,628	2,551
Viscofan USA Inc.	34,729	-	100%	USD	35,587	72,018	(1,328)	106,276	(2,126)
Viscofan UK LTD	1,841	-	100%	GBP	10	3,086	231	3,327	352
Viscofan CZ, S.r.o	10,503	24,051	100%	CZK	345,200	1,115,433	999,800	2,460,633	1,218,404
Viscofan de México S.R.L. de C.V.[1]	13,741	1,339	99,99%	MXP	219,777	506,494	310,502	1,036,773	444,789
Viscofan Centroamérica Comercial, S.A.[1]	166	-	99,50%	USD	200	1,387	331	1,917	479
Koteks Viscofan, d.o.o.	33,307	6,518	100%	RSD	3,028,896	1,510,412	1,203,407	5,742,714	1,203,718
Viscofan de México Servicios, S.R.L. de C.V.[1]	16	-	99,99%	MXP	103	15,352	161	15,616	7,299
Viscofan Technology (Suzhou) Co. Ltd	52,000	-	100%	CNY	431,021	91,450	70,126	592,596	92,957
Viscofan Uruguay, S.A.	31,966	-	100%	UYU	921,164	(106,220)	54,149	869,093	70,756
Nanopack Technology & Packaging, S.L.	5,928	-	90,57%	EUR	2,300	(44)	143	2,399	161
	345,403	**46,548**							
2014									
Naturin Viscofan, GMBH	90,570	10,400	100%	EUR	29,604	28,150	15,388	73,142	21,999
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	11,660	100%	BRL	86,868	53,962	54,946	195,775	80,650
Gamex CB S.r.o.	7,498	130	100%	CZK	250,000	25,007	3,906	278,914	4,225
Viscofan USA Inc.	34,729	-	100%	USD	35,587	71,755	263	107,604	762
Viscofan UK LTD	1,841	-	100%	GBP	10	2,617	468	3,096	635
Viscofan CZ, S.r.o	10,503	22,900	100%	CZK	345,200	1,027,954	746,848	2,120,002	906,460
Viscofan de México S.R.L. de C.V.[1]	13,741	7,441	99.99%	MXP	219,777	281,752	241,323	742,851	335,103
Viscofan Centroamérica Comercial, S.A.[1]	166	-	99.50%	USD	200	967	419	1,587	624
Koteks Viscofan, d.o.o.	33,307	-	100%	RSD	3,028,896	1,532,217	767,288	5,328,401	786,289
Viscofan de México Servicios, S.R.L. de C.V.[1]	16	-	99.99%	MXP	103	20,506	3,076	23,685	6,379
Viscofan Technology (Suzhou) Co. Ltd	52,000	502	100%	CNY	431,021	18,496	72,954	522,470	84.266
Viscofan Uruguay, S.A.	31,966	-	100%	UYU	921,164	(52,829)	(12,774)	855,560	(22,907)
	329,475	**53,033**[2]							

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

(2) Apart from the abovementioned dividends, in 2014 the Company received a 1 million euro dividend arising from its participation in Industrias Alimentarias de Navarra, S.A.U.

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

The description of the main activity and registered address of each of the companies listed above at December 31, 2015 is as follows:

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

All companies performed favorably, achieving positive results. The only company with non-relevant losses in 2015 was Viscofan USA, Inc., affected by the appreciation of the dollar in its export business. Thus, given the positive performance and prospects for all companies, there are no indications of any impairment and no related provision was recognized at December 31, 2015.

The breakdown for indirect investments in group companies and associates at December 31, 2014 is as follows:

Company	Indirect investment	Activity	Registered office
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial office	St, Laurent, Québec (Canada)

8. FINANCIAL ASSETS

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

	Equity instruments		Loans, derivatives, and other financial assets		Total	
(Thousands of euros)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Non-current financial assets						
Loans and receivables	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	134	84	-	-	134	84
	134	84	48	48	182	132
Current financial assets						
Loans and receivables	-	-	49,895	41,275	49,895	41,275
	-	-	49,895	41,275	49,895	41,275
	134	**84**	**49,943**	**41,323**	**50,077**	**41,407**

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Equity instruments		Loans, derivatives, and other financial assets		Total	
	2015	2014	2015	2014	2015	2014
Non-current financial assets						
Investments	134	84	48	48	182	132
	134	84	48	48	182	132
Current financial assets						
Trade and other receivables (Note 8.1)	-	-	42,929	36,053	42,929	36,053
Investments in group companies and associates						
Loans to companies (Note 20.1)	-	-	6,811	5,032	6,811	5,032
Loans and receivables (Note 20.1)	-	-	153	190	153	190
Investments						
Investments	-	-	2	-	2	-
	-	-	49,895	41,275	49,895	41,275
	134	**84**	**49,943**	**41,323**	**50,077**	**41,407**

8.1 Trade and other receivables

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

(Thousands of euros)	2015	2014
Trade receivables	18,480	21,847
Receivable from group companies and associate (Note 20.1)	24,346	14,032
Other receivables	47	90
Receivables from employees	56	84
	42,929	**36,053**

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

(Thousands of euros)	2015	2014
US Dollar	20,112	15,997
Canadian Dollar	103	70
Japanese Yen	251	410
Pounds Sterling	2,458	1,863
	22,924	**18,340**

Impairment losses

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

(Thousands of euros)	2015	2014
Balance at January 1	733	116
Allowance for the year	69	629
Transfer to irrecoverable debts	-	(13)
Balance at December 31	**801**	**733**

9. DISPOSAL GROUPS OF ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On November 10, 2014, Viscofan S.A. communicated that it had accepted a binding offer from Portobello Capital Gestión S.G.E.C.R., S.A., to acquire 100% of the IAN Group. Once the exclusivity period had passed without any agreements having been reached, on February, 23, 2015, the decision was made not to the extend the exclusivity period agreed upon with Portobello Capital Gestión, S.G.E.C.R., S.A., announcing a new period for receiving offers for the IAN Group.

Therefore, the value of the long-term investment in group and associated companies which was classified under "Equity instruments" in the amount of 15,602 thousand euros was recognized under "Non-current assets held for sale." at December 31, 2014.

After 23 February, 2015 Portobello Capital Gestión, S.G.E.C.R., S.A. made the Company a 55.8 million euro offer for 100% of its shares.

On March 10, 2015, the Company sold Industrias Alimentarias de Navarra, S.A.U. and its subsidiaries, Lingbao Baolihao Food Industrial Co. and IAN Perú, S.A. for the above mentioned amount to Servicios Compartidos de Industrias Alimentarias, S.L., a company managed by Portobello Capital Gestión, S.G.E.C.R., S.A.

Thanks to this sale, the Company recognized a 39,316 thousand of euro profit which is recognized under "Impairment losses and losses and gains on disposal of financial assets" on the income statement. The Viscofan Group's profit recognized on the consolidated 2015 income statement amounted to 0.4 million euros.

The transaction is in line with Viscofan's strategy aimed at concentrating its management, efforts and resources on its casings business, which has solid short- and medium-term growth perspectives.

10. INVENTORIES

The movements in "Impairment losses" are as follows:

(Thousands of euros)	Goods for resale, raw material, and other consumables	Work in progress and finished products	Total
2015			
Balance at January 1	1,292	1,034	2,326
Impairment losses	132	307	439
Balance at December 31	**1,424**	**1,341**	**2,765**
2014			
Balance at January 1	932	871	1,803
Impairment losses	360	163	523
Balance at December 31	**1,292**	**1,034**	**2,326**

The impairment losses on inventories are mainly due to the slow moving product lines.

At December 31, 2015 and 2014, there were no firm purchase commitments for raw materials or for the sale of finished goods other than those related to purchase and sales orders from the Company's normal business activity.

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

11. CASH AND CASH EQUIVALENTS

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

(Thousands of euros)	2015	2014
Cash	32	18
Current accounts	17,609	291
	17,641	**309**

Current accounts were at market interest rates.

Cash and cash equivalents are unrestricted.

12. EQUITY – CAPITAL AND RESERVES

12.1 Issued capital

At December 31, 2015 and 2014, the Company's share capital consisted of 46,603,682 bearer shares with a par value of 0.70 euros each. The shares were fully subscribed and paid in.

All shares bear the same voting and dividend rights and obligations.

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

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

(*) Indirect ownership interest through Alba Participaciones, S.A.U.

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 at December 31, 2015 they own a percentage of 1.027% and 1.017%, respectively.

At December 31, 2015 and 2014, the Company did not own any treasury shares.

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

12.2 Share premium

There were no movements in the share premium in 2015 and 2014.

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

12.3 Reserves

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

(Thousands of euros)	Balance at January 1	Appropriation of results	Transfers	Balance at December 31
2015				
Legal reserve	6,525	-	-	6,525
Revaluation reserve Navarre Regional Law 23/1996	8,567	-	-	8,567
Revaluation reserve Navarre Regional Law 21/2012	7,321	-	-	7,321
Merger reserves	119	-	-	119
Voluntary reserves	284,685	13,142	-	297,827
	307,217	**13,142**	**-**	**320,359**
2014				
Legal reserve	6,525	-	-	6,525
Revaluation reserve Navarre Regional Law 23/1996	8,567	-	-	8,567
Revaluation reserve Navarre Regional Law 21/2012	7,329	-	(8)	7,321
Merger reserves	119	-	-	119
Voluntary reserves	263,904	20,773	8	284,685
	286,444	**20,773**	**-**	**307,217**

12.4 Balance sheet revaluation reserve

Revaluation reserve Navarre Regional Law 23/1996

As permitted by legislation prevailing at that time, at December 31, 1996, the Company revalued its PP&E by 9,282 thousands of euros (Note 6.2). The resulting revaluation reserve, which comprises the revaluation of PP&E, net of a 3% tax charge, amounts to 9,003 thousands of euros.

This restatement was inspected by the tax authorities during 1999 and can, accordingly, be applied free of tax to:

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

Revaluation reserve Navarre Regional Law 21/2012

The Company 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 allowed 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 (Note 6.2).

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 restated equity items have been fully depreciated, transferred, or derecognized.

12.5 Voluntary reserves and merger reserves

These reserves are freely distributable.

13. OTHER EQUITY ITEMS

13.1 Unrealized gains (losses) reserve

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

(Thousands of euros)	Balance at January 1	Income/ (expenses)	Tax effect of income/ (expense)	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2015						
Cash flow hedges						
Exchange rate hedges	(184)	267	(75)	246	(61)	193
Raw materials (gas)	(3,708)	(3,381)	947	4,944	(1,237)	(2,435)
	(3,892)	**(3,114)**	**872**	**5,190**	**(1,298)**	**(2,242)**
2014						
Cash flow hedges						
Exchange rate hedges	-	(246)	62	-	-	(184)
Raw materials (gas)	25	(4,944)	1,236	(36)	11	(3,708)
	25	**(5,190)**	**1,298**	**(36)**	**11**	**(3,892)**

13.2 Grants received

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

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
2015						
Non-repayable grants	1,054	1,880	(553)	(509)	127	1,999
Grants for greenhouse gas emission rights	-	999	(250)	(999)	250	-
	1,054	**2,879**	**(803)**	**(1,508)**	**377**	**1,999**
2014						
Non-repayable grants	1,179	(3)	71	(276)	83	1,054
Grants for greenhouse gas emission rights	52	263	(79)	(337)	101	-
	1,231	**260**	**(8)**	**(613)**	**184**	**1,054**

(*) Includes an adjustment for the change in corporation tax rate (Note 17).

During the year, non-repayable grants amounting to 1,880 euros were received, corresponding to investments made in 2011 and 2013.

Grants for greenhouse gas emission rights includes amounts received and pending consumption by the Company (Notes 5 and 15).

Throughout 2014 and 2015, the Company received grants related to income totaling 596 and 371 thousand euros, respectively. These grants basically financed R&D expenses during both years, as well as training initiatives for Company personnel.

14. DERIVATIVE FINANCIAL INSTRUMENTS

All Viscofan, S.A.'s derivatives at December 31, 2015 and 2014, were designated as hedging instruments.

The breakdown of the balances at December 31, 2015 and 2014, including the values of derivatives at those dates, is as follows:

	2015		2014	
(Thousands of euros)	Current financial liabilities (Note 16.2)	Non-current financial liabilities (Note 16.2)	Current financial liabilities (Note 8)	Non-current financial liabilities (Note 16.2)
Exchange rate hedges	12	-	747	-
Raw material hedges	3,205	177	4,262	682
	3,217	**177**	**5,009**	**682**

Exchange rate hedges

Viscofan, S.A. 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.

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

(Thousands of euros)	2015	2014
US dollar	25,000	24,000
Pounds sterling	5,915	2,252

Raw material hedges

A significant amount of the Company's production costs is linked to energy costs. Therefore, and to mitigate the potential negative effect of energy price variations, the Company carried out the following transactions:

- During 2015, gas hedging contracts were signed for a total of 360,000 MWh, which corresponded to contracts covering gas purchases for the period ranging from February 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.

- During 2014, gas hedging contracts were signed for a total of 1,940,000 MWh, of which 1,490,000 MWh corresponded to contracts covering gas purchases for the period ranging from January 2015 to 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.

15. PROVISIONS AND CONTINGENCIES

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

(Thousands of euros)	Current	Total
2015		
Provision for greenhouse gas emission rights (Note 5.1)	1,442	1,442
	1,442	**1,442**
2014		
Provision for greenhouse gas emission rights (Note 5.1)	893	893
	893	**893**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized	Balance at December 31
2015				
Provision for greenhouse gas emission rights	893	1,442	(893)	1,442
	893			**1,442**
2014				
Provision for greenhouse gas emission rights	1,699	893	(1,699)	893
	1,699			**893**

The Company filed several appeals during 2014, all related to the new remuneration and incentive scheme for electricity generation installations imposed by Royal Decree Law 1/2012; Royal Decree Law 413/2014, and Order IET/1045/2041; however, it is not possible to determine the amount of contingent assets in favor of Viscofan, S.A. should it win the case.

16. FINANCIAL LIABILITIES

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

	Bank borrowings		Hedging Instruments and other financial liabilities		Total	
(Thousands of euros)	2015	2014	2015	2014	2015	2014
Non-current financial liabilities						
Trade and other payables	22,792	26,125	15,141	15,416	37,933	41,541
Hedging instruments	-	-	177	682	177	682
	22,792	26,125	15,318	16,098	38,110	42,223
Current financial liabilities						
Trade and other payables	4,357	20,168	29,049	27,791	33,406	47,959
Hedging instruments	-	-	3,217	5,009	3,217	5,009
	4,357	20,168	32,266	32,800	36,623	52,968
	27,149	**46,293**	**47,584**	**48,898**	**74,733**	**95,191**

These amounts are disclosed in the balance sheet as follows:

	Bank borrowings		Hedging instruments and other financial liabilities		Total	
(Thousands of euros)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Non-current financial liabilities						
Borrowings	22,792	26,125	10,818	11,598	33,610	37,723
Borrowings from group companies and associates	-	-	4,500	4,500	4,500	4,500
	22,792	26,125	15,318	16,098	38,110	42,223
Current financial liabilities						
Borrowings	4,357	20,168	9,100	9,674	13,457	29,842
Borrowings from group companies and associates	-	-	5,109	10,155	5,109	10,155
Trade and other payables	-	-	18,057	12,971	18,057	12,971
	4,357	20,168	32,266	32,800	36,623	52,968
	27,149	**46,293**	**47,584**	**48,898**	**74,733**	**95,191**

16.1 Bank borrowings

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

(Thousands of euros)	**2015**	**2014**
Non-current		
Loans and borrowings	22,750	26,000
Obligations under finance leases (Note 6.3)	42	125
	22,792	20,125
Current		
Loans and borrowings	4,142	19,864
Obligations under finance leases (Note 6.3)	83	81
Accrued interest payable	132	223
	4,357	20,168
	27,149	**46,293**

Loans and borrowings

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

	2015		2014	
(Thousands of euros)	**Amount pending payment**	**Accrued finance cost (Note 18.5)**	**Amount pending payment**	**Accrued finance cost (Note 18.5)**
Loans	26,892	555	34,000	546
Borrowings	-	40	11,864	328
	26,892	**595**	**45,864**	**874**

The loans and borrowings accrue floating interest at market rates.

At December 31, 2015 and 2014, the Company had been granted credit facilities up to a total limit of 42,000 thousand and 45,000 thousand euros, respectively.

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

(Thousands of euros)	2015	2014
1 - 2 years	4,250	4,000
2 - 3 years	4,250	4,000
3 - 4 years	14,250	4,000
4 - 5 years	-	14,000
	22,750	**26,000**

At December 31, 2015, the Company had confirming lines with an overall limit of 3,100 thousand euros (2014: 6,100 thousand euros). The Company also had multi-risk policies amounting to 8,000 thousand euros (2014: 11,500 thousand euros).

16.2 Hedging instruments and other financial liabilities

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

(Thousands of euros)	2015	2014
Non-current		
Loans at a subsidized interest rate	6,471	5,894
Other non-current debts	4,167	5,000
Hedging instruments (Note 14)	177	682
Borrowings from group companies and associates (Note 20.1)	4,500	4,500
Other borrowings	3	22
	15,318	**16,098**
Current		
Borrowings from group companies and associates (Note 20.1)	5,109	10,155
Trade and other payables	18,057	12,971
Loans at a subsidized interest rate	852	963
Payable to shareholders and directors	1,776	1,732
Payable to suppliers of non-current assets	2,625	1,930
Other borrowings	630	40
Hedging instruments (Note 14)	3,217	5,009
	32,266	**32,800**

Loans at a subsidized interest rate

At December 31, 2015 and 2014, the Company had loans with subsidized interest rates with entities operating under the auspices of the Navarre Regional Government, and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the implicit interest on these loans generated from discounting cash flows at market rates prevailing at the grant date.

	2015		2014	
(Thousands of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	7,072	6,471	6,565	5,894
Current				
Loans at a subsidized interest rate	865	852	978	963
	7,937	**7,323**	**7,543**	**6,857**

The total amounts recognized under finance costs in 2015 and 2014 corresponding to these loans come to 199 thousand and 194 thousand euros, respectively (Note 18.5).

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

(Thousands of euros)	2015	2014
1 - 2 years	981	823
2 - 3 years	1,053	891
3 - 4 years	1,081	936
4 - 5 years	863	897
Over 5 years	2,493	2,347
	6,471	**5,894**

Other non-current debts

During 2013, the Company was granted a loan amounting to 5,000 thousand euros from COFIDES (Compañía Española de Financiación del Desarrollo) to finance the investments made in Viscofan Uruguay, S.A.

This loan accrues interest at market rates.

The detail by maturity of the long-term loan at December 31 is as follows:

(Thousands of euros)	2015	2014
1 - 2 years	833	833
2 - 3 years	833	833
3 - 4 years	833	833
4 - 5 years	833	833
Over 5 years	833	1,668
	4,167	**5,000**

Trade and other payables

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

(Thousands of euros)	2015	2014
Suppliers	6,834	2,789
Suppliers, group companies, and associates (Note 20.1)	1,405	1,933
Other payables	7,163	5,700
Employee benefits payable	1,909	1,996
Customer advances	746	553
	18,057	**12,971**

17. TAXES

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

(Thousands of euros)	2015	2014
Deferred tax assets		
Temporary differences	1,634	2,599
Current income tax assets	-	1,722
Other payables to public administrations		
VAT	3,676	4,135
Grants received	2	4
	5,312	**8,460**
Deferred tax liabilities	(2,338)	(1,433)
Current income tax liabilities	(2,022)	(2,901)
Other payables to public administrations		
Personal income tax withholdings	(5,447)	(4,943)
Social security	(557)	(583)
Electricity tax	(693)	(593)
	(11,057)	**(10,453)**

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

17.1 Income tax

The reconciliation of net income and expenses for the year with taxable income (tax results) is as follows:

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	Increase	Decrease	Total	Increase	Decrease	Total
2015						
Income and expenses for the year						
Continuing operations			104,003			2,595
Discontinued operations			-			-
			104,003			2,595
Income tax						
Continuing operations			4,127			852
Discontinued operations			-			-
			4,127			852
Income and expenses for the year before tax			108,130			3,447
Permanent differences	424	(88,168)	(87,744)	-	-	-
Temporary differences						
Arising in 2015	537	(982)	(445)	3,114	(2,879)	235
Arising in prior years	-	(3,563)	(3,563)	1,508	(5,190)	(3,682)
Tax result			**16,379**			**-**

(Thousands of euros)	Income statement			Income and expense recognized directly in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2014						
Income and expenses for the year						
Continuing operations			67,856			(4,094)
Discontinued operations			-			-
			67,856			(4,094)
Income tax						
Continuing operations			3,419			(1,485)
Discontinued operations			-			-
			3,419			(1,485)
Income and expenses for the year before tax			71,275			(5,579)
Permanent differences	220	(55,418)	(55,198)	-	-	-
Temporary differences						
Arising in 2014	932	(563)	369	4,929	-	4,929
Arising in prior years	1,187	(205)	982	649	-	649
Tax result			**17,428**			**-**

The increases in permanent differences are mainly due to expenses related to Shareholders' meeting attendance paid. The decreases are due to the 50% reduction in taxable profit generated by royalties collected from subsidiaries located abroad, international double taxation relief in relation to dividends from entities not resident in Spain. In 2015, profit obtained from the sale of the investment in a Group company was also adjusted (Note 9).

The increase in temporary differences during 2015 was mainly due to the amount of the depreciation of the revalued assets in January of 2013; the accounting expense in 2013 and 2014 was not partially deductible until 2015.

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

(Thousands of euros)	2015		2014	
	Income statement	Income and expense recognized directly in equity	Income statement	Income and expense recognized directly in equity
Income and expenses for the year before tax	180,130	3,447	71,275	(5,579)
Tax charge (tax rate: 25% in 2015 and 30% in 2014)	27,033	862	21,382	(1,674)
Deduction for double taxation on dividends		-	(300)	-
Deduction for international double taxation (royalties and other services)	(568)	-	(611)	-
Deductions for research and development	(1,023)	-	(352)	-
Investment tax credits	(888)	-	(1.127)	-
Other deductions	(71)	-	(33)	-
Impact of permanent differences	(21,936)	-	(16,560)	-
Adjustment prior years	205	-		
Adjustments due to changes in tax rates	106	(10)	-	189
Tax expense (income)	**2,858**	**852**	**2,399**	**(1,485)**
Tax paid abroad (*)	1,269	-	1,020	-
Tax expense (income)	**4,127**	**852**	**3,419**	**(1,485)**

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

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

(Thousands of euros)	2015		2014	
	Income statement	Recognized directly in equity	Income statement	Recognized directly in equity
Current income tax	2,788	-	3,104	-
Changes in deferred taxes				
From cash flow hedges (Note 13.1)	-	426	-	(1,309)
Grants, donations, and bequests received (Note 13.2)	-	426	-	(176)
Other temporary differences	990	-	(482)	-
Deductions generated	(2,550)	-	(2,423)	-
Deductions applied	1,630	-	2,200	-
	2,858	**852**	**2,399**	**(1,485)**

Refundable income tax was calculated as follows:

(Thousands of euros)	**2015**	**2014**
Current income tax	2,788	3,104
Withholdings	(766)	(203)
Income tax payable/receivable	**2,022**	**2,901**

17.2 Deferred tax assets and liabilities

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

(Thousands of euros)	Balance at January 1	Change in		Balance at January 1
		Income statement	Equity	
2015				
Deferred tax assets				
Trade receivables	233	(83)	-	150
Depreciation and amortization	44	(4)	-	40
Balance sheet restatement	801	(499)	-	302
Cash flow hedges	1,298	-	(351)	947
Unused tax deductions	223	(28)	-	195
	2,599	(614)	(351)	1,634
Deferred tax liabilities				
Non-current investments in group companies	(1,081)	(404)	-	(1,485)
Cash flow hedges	-	-	(75)	(75)
Non-repayable grants	(352)	-	(426)	(778)
	(1,433)	(404)	(501)	(2,338)
	1,116	**(1,018)**	**(852)**	**(704)**
2014				
Deferred tax assets				
Trade receivables	85	148	-	233
Depreciation and amortization	65	(21)	-	44
Balance sheet restatement	605	196	-	801
Cash flow hedges	-	-	1,298	1,298
Unused tax deductions	-	223	-	233
	755	546	1,298	2,599
Deferred tax liabilities				
Non-current investments in group companies	(47)	(1,034)	-	(1,081)
Cash flow hedges	(12)	-	12	-
Non-repayable grants	(528)	-	176	(352)
	(587)	(1,034)	188	(1,433)
	168	**(488)**	**1,486**	**1,166**

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 Company adjusted the deferred tax assets and liabilities from prior years based on the prevailing rate at the estimated reversal date.

18. INCOME AND EXPENSES

18.1 Revenue

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

(Thousands of euros)	2015	2014
By business segment		
Sale of meat, cellulose, plastic, and collagen casings	135,605	129,967
Sale of spare parts and machinery	6,473	6,785
Sale of energy	38,929	38,427
Other sales	159	195
Services provided	560	428
	181,726	**175,802**
By market segments		
Domestic market	52,716	51,262
Foreign market	129,010	124,540
	181,726	**175,802**

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

18.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2015	2014
Consumption of raw materials and other consumables		
Purchases in Spain	41,725	41,799
EU acquisitions	12,056	11,896
Imports	8,467	6,248
Changes in raw materials and other consumables	(1,342)	66
	60,906	**60,009**

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

(Thousands of euros)	2015	2014
Purchases of goods for resale		
Purchases in Spain	8.805	7,077
EU acquisitions	5.188	5,217
Imports	3.652	3,048
Change in goods for resale	(2.369)	(630)
	15,276	**14,712**

18.3 Social security costs, et al

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

(Thousands of euros)	2015	2014
Social security	7,247	6,996
Other employee welfare expenses	1,612	1,250
	8,859	**8,246**

18.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2015	2014
Research expenses	1,449	1,025
Lease payments	929	1,018
Repairs and maintenance	12,561	12,074
Independent professional services	4,098	3,734
Transportation services	2,172	2,186
Insurance premiums	707	788
Bank services	64	72
Publicity, advertising, and public relations	843	596
Utilities	9,313	8,266
Other services	7,499	7,854
	39,635	**37,613**

18.5 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2015	2014
Loans (Note 16.1)	555	546
Loans to group companies (Note 20.1)	84	316
Credit facilities (Note 16.1)	40	328
Loans with subsidized interest rates (Note 16.2)	199	194
Other financial liabilities	136	116
	1,014	**1,500**

19. FOREIGN CURRENCY

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

(Thousands of euros)	2015	2014
Revenue		
Sales	76,809	68,737
Goods for consumption		
Purchases of raw materials and other consumables	(11,053)	(8,564)
Purchases of goods for resale	(1,447)	(1,138)
Other operating income		
Ancillary income	3,717	3,575
Employee benefits expense		
Wages and salaries	(198)	(140)
Social security costs, et al	(14)	(6)
Other operating expenses		
External services	(2,771)	(2,381)

20. RELATED PARTY DISCLOSURES

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

20.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2015		
Customers (Note 8.1)	24,117	229
Current loans (Note 8)	6,811	-
Current dividends receivable (Note 8)	153	-
Suppliers (Note 16.2)	(1,405)	-
Current accounts payable (Note 16.2)	(9,609)	-
2014		
Customers (Note 8.1)	13,867	165
Current loans (Note 8)	5,032	-
Current dividends receivable (Note 8)	190	-
Suppliers (Note 16.2)	(1,933)	-
Current accounts payable (Note 16.2)	(14,655)	-

Loans to group companies

On December 31, 2015, the Company had a loan granted to Viscofan Technology (Suzhou) Co. Ltd. The loan was initially granted for one year untill March 12, 2015, unless other agreement were made by the parties, and amounts to $10,000 thousand, of which $7,300 thousand were drawn down in 2015 (6,811 thousand euros). The loan bears interest equivalent to one-year Libor plus 2 percentage points, and was renewed by both parties until March 12, 2017.

Borrowings from group companies

At December 31, 2015 and 2014, the Company had drawn down credit lines with various subsidiaries, regulated in accordance with the following conditions:

	Amount pending payment at December 31			Accrued finance cost	
(Thousands of euros)	**2015**	**2014**	**Interest rate**	**2015**	**2014**
Naturin Viscofan, GMBH	-	-	1.99%	-	22
Viscofan CZ, S.r.o.	5,000	10,000	One-month Euribor + 1.07% in 2014 and 0.2% in 2015	31	177
	5,000	**10,000**		**31**	**199**

In addition, in 2013 the Company signed a loan agreement with Gamex CB, S.r.o., amounting to 4,500 thousand euros and accruing interest at 90-day Euribor plus 1.15%. This loan matures on April 17, 2017, with a single payment, provided the contracting parties do not agree to other conditions beforehand. The finance costs associated to this loan during 2015 and 2014 were 53 and 63 thousand euros, respectively.

Transactions entered into with related parties were as follows:

	2015		2014	
(Thousands of euros)	**Direct parent**	**Companies with an indirect investment**	**Direct parent**	**Companies with an indirect investment**
Revenue				
Sale of casings	69,437	743	59,092	1,557
Sale of spare parts and machinery	5,849	-	6,749	32
Services provided	560	-	428	-
Goods for consumption				
Purchases of casings and other	(10,863)	-	(13,564)	-
Purchases of casings and other re-invoiced	-	-	1,036	6
Other income	10,488	168	9,481	129
Other operating income				
Employee benefits expense				
Other employee benefits expense	4	-	(5)	-
Other employee benefits expense re-invoiced	(41)	-	164	-
Other operating expenses				
External services received	(1,095)	-	(1,136)	14
External services re-invoiced	3,113	86	1,995	71
Net finance income (expense)				
Finance income - dividends	46,548	-	54,033	-
Finance income - interest	216	-	234	-
Finance expense - interest	(84)	-	(316)	-

20.2 Directors and senior executives

Directors

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

The breakdown for remuneration in 2015 is as follows:

	Thousands of euros							
	Salaries	**Fixed remuneration**	**Per diems**	**Variable remuneration - short term**	**Variable remuneration - long term**	**Remuneration from membership in other commissions**	**Boards of other group companies**	**Total**
2015								
Mr. José Domingo de Ampuero y Osma	348	350	-	157	139	-	-	994
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
Ms. Laura González Molero	-	80	24	-	-	8	-	112
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Mr. Jaime Real de Asúa Arteche	-	80	33	-	-	20	-	133
Mr. José Antonio Canales García	308	-	-	312	139	-	-	759
Mr. Juan March de la Lastra	-	51	21	-	-	12	-	84
	656	**1,386**	**240**	**469**	**278**	**375**	**8**	**3,412**

During the General Shareholders Meeting held on May 7, 2015 Mr. Juan March de la Lastra was designated Propriety Director of Corporación Financiera Alba, S. A.

The breakdown for remuneration in 2014 is as follows:

	Thousands of euros							
	Salaries	Fixed remune-ration	Per diems	Variable remuneration - short term	Variable remuneration - long term	Remuneration from membership in other commissions	Boards of other group companies	Total
2014								
Mr. José Domingo de Ampuero y Osma	347	350	-	171	-	-	-	868
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
Ms. Laura González Molero	-	80	27	-	-	20	-	127
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	-	143
Mr. Jaime Real de Asúa y Arteche	-	58	24	-	-	10	-	92
Mr. José Antonio Canales García	307	-	-	342	-	-	-	649
Mr. José Cruz Pérez Lapazarán	-	22	9	-	-	10	-	41
Mr. Gregorio Marañón Bertrán de Lis	-	22	9	-	-	9	-	40
	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, 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.

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.

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.

At December 31, 2015 and 2014, the Viscofan Group had not paid any advances or granted any loans to serving or former members of the Board of Directors or related parties, and had no pension or life insurance commitments with them. There was no remuneration based on shares or options.

In 2015 and 2014 the members of the Board of Directors or persons acting on their behalf did not carry out any transactions with the Company or with Group companies other than those conducted at arm's length in the normal course of business.

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 indemnity. The average total indemnity payable is twice the annual salary, and includes a non-competition condition.

Executives

In 2015, remuneration received by key management personnel totaled 2,056 thousand euros. This includes 537 thousand euros, corresponding to the payment of tri-annual remuneration. In 2014, remuneration totaled 1,259 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, which are reflected above.

20.3 Other related parties

Financial debt includes a 5 million euro loan granted in 2013 by a financial entity linked to Corporación Financiera Alba, S.A., which owns 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.

21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

21.1 Credit risk

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

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

(Thousands of euros)	2015	2014
Non-current financial investments	182	132
Trade and other receivables	42,929	36,052
Current loans to group companies	6,964	5,222
	50,075	**41,406**

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

Operating activities

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

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

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

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

(Thousands of euros)	2015	2014
Not due	17,105	21,775
Past due, not impaired		
Less than 3 months	1,422	162
3 – 6 months	-	-
6 – 12 months	-	-
More than 12 months	-	-
	18,527	21,937
Doubtful (over 6 months)	801	733
Impairment allowances (Note 8.1)	(801)	(733)
Total	**18,527**	**21,937**

Investing activities

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

21.2 Market risk

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

Foreign currency risk

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

As described in Note 19, the Company carries out major transactions in foreign currencies, in particular, US dollars. The Viscofan Group's policy is to arrange exchange rate hedges to cover the net cash flows from these transactions. Maximum exposure to foreign currency risk for accounts receivable is as follows:

	2015		2014	
(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	20,112	2,931	15,997	2,557
In Canadian dollars	103	-	70	-
In pounds sterling	2,458	-	1,863	-
Other	251	-	410	-
	22,924	**2,931**	**18,340**	**2,557**

Interest rate risk

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

The Company manages its interest rate risk by distributing financing received between fixed and floating rates. Company policy consisted in maintaining a percentage of non-current net loans (net of non-current investments) received from third parties at a fixed interest rate. To manage this, the Company entered into interest rate swaps which were designated as hedges of the respective loans.

21.3 Liquidity risk

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

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

(Thousands of euros)	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total
2015					
Bank borrowings					
Loans	1,250	2,892	22,750	-	26,892
Accrued interest payable	72	60	-	-	132
Liabilities from capital leases	21	62	42	-	125
Derivatives	1,394	1,823	177	-	3,394
Other financial liabilities	2,658	3,225	7,315	3.326	16,524
Payable to group companies	5,109	-	4,500	-	9,609
Trade and other payables	18,057	-	-	-	18,057
	28,561	**8,062**	**34,784**	**3,326**	**74,733**
2014					
Bank borrowings					
Loans	-	8,000	26,000	-	34,000
Borrowings (*)	-	11,864	-	-	11,864
Accrued interest payable	223	-	-	-	223
Liabilities from capital leases	20	61	125	-	206
Derivatives	1,262	3,747	682	-	5,691
Other financial liabilities	2,308	2,357	6,902	4,014	15,581
Payable to group companies	42	10,113	4,500	-	14,655
Trade and other payables	12,971	-	-	-	12,971
	16,826	**36,142**	**38,209**	**4,014**	**95,191**

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

22. OTHER INFORMATION

22.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average Headcount during the
	Men	Women	Total	Year
2015				
Senior executives	16	3	19	18
Engineers and technicians	150	45	195	178
Administrative personnel	3	29	32	30
Specialized personnel	81	22	103	98
Laborers	264	68	332	335
	514	**167**	**681**	**659**
2014				
Senior executives	16	2	18	18
Engineers and technicians	142	32	174	165
Administrative personnel	3	32	35	34
Specialized personnel	87	19	106	100
Laborers	246	79	325	309
	494	**164**	**658**	**626**

22.2 Audit fees

Ernst & Young, S.L., the auditor of the Company's financial statements and all other companies with which it has any of the relationships referred to in Additional Provision Fourteen of the Measures to Reform the Financial System Law, agreed the following fees with the Company for the years ended December 31, 2015 and 2014:

(Thousands of euros)	2015	2014
Fees for audit of the financial statements	104	102
Other audit services	23	22
Other services	18	5
	145	**129**

The above amounts include all 2015 and 2014 related fees, irrespective of when they were actually billed.

22.3 Information on environmental issues

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

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
2015				
Cost	11,338	-	-	11,338
Accumulated depreciation	(9,779)	(275)	-	(10,054)
	1,559			**1,284**

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
2014				
Cost	11,338	-	-	11,338
Accumulated depreciation	(9,333)	(446)	-	(9,779)
	2,005			**1,559**

The expenses to protect and improve the environment during 2015 and 2014 were ordinary and amounted to 1,246 thousand and 951 thousand euros, respectively.

Since the Company's directors consider that no significant contingencies exist with respect to environmental protection and improvement, no provision has been recognized in that respect.

22.4 Information on the average payment period to suppliers

In accordance with the terms of the single additional provision of the Resolution of the Institute of Accounting and Auditors of Accounts dated January 29, 2016 on information to be included in notes to the 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 financial statements for these exclusive effects, with regard to the application of the uniformity principle and the comparability requirement.

Information on the average payment period to suppliers follows:

	2015
Days	
Average supplier payment period	35.6
Ratio of paid transactions	37.2
Ratio of transactions pending payment	12.3
(Thousands of euros)	
Total payments made	114,317
Total future payments	7,569

23. EVENTS AFTER THE BALANCE 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 will be paid on June 9, 2016, plus the attendance per diem amounting to 0.01 euros per share.

No significant event has occurred after December 31, 2015 which would impact or substantially affect the information given herein.

2015 management report Viscofan S.A.

Business performance and situation of Viscofan S.A.

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.

With this in mind, the Group significantly stepped up investment, in particular in the first half of the period of the strategic plan, with new facilities added and also investment in improving technology and processes at the Group's other plants including those that comprise Viscofan S.A. (Cáseda and Urdiain). As a result the Group has been able to make better use of installed capacity, with stronger growth achieved in the regions where we were already present.

After a first phase of expansion, 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.

In a period of strong commercial and operational activity within the Group, Viscofan S.A. contributed as a centre of excellence and parent that coordinates all the financial, commercial, operational and knowledge transfer activity carried out by its subsidiaries.

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 commercial initiatives by our competitors in North America in 2015, in particular in the second half.

Financial results

Viscofan S.A.'s revenue in 2015 amounted to €181.7 million, up 3.4% year-on-year. Underpinning this improvement was the strength of casing sales volumes, revenue from which grew by 3.9% to €142.8 million, while co-generation revenue grew by 1.3%.

The combination of higher revenue and the production improvements achieved in a stable cost environment was behind an increase in the gross margin[1] over sales to 58.6% in 2015 (2.1 p.p. higher than in 2014), with costs of consumption[2] falling 1.7% year-on-year to €75.2 million.

Personnel expenses in 2015 stood at €40.2 million, up 6.4% year-on-year, with the average workforce growing by 5.1% to 659 as a result of the reinforcement of the corporate team to support the expansion and consolidation of the Viscofan Group.

Other operating expenses amounted to €44.0 million in 2015, up 4.9% year-on-year.

A combination of revenue growth, operational strength and cost control improved profitability in 2015, with the EBITDA[3] margin increasing by 2.3 p.p. to 19.5%. As a result, EBITDA advanced by 17.2% year-on-year to €35.4 million.

[1] Gross margin = Revenue – Cost of consumption/ Revenue
[2] Cost of consumption = Supplies +/- Change in finished and work in progress products.
[3] EBITDA = Operating Profit (EBIT) + depreciation of property, plant and equipment and amortization of intangible assets.

Depreciation and amortisation charges stood at €12.3 million in 2015, up 2.4% year-on-year. As a result, EBIT in 2015 amounted to €23.1 million, up 26.9% year-on-year.

On 10 March 2015 Viscofan S.A. successfully completed the sale of IAN S.A.U. and its subsidiaries for an equity value of €55.8 million, which was paid in cash on the date that the contract was signed.

As a result of this sale Viscofan S.A. has removed from the balance sheet the historical cost value of the direct stake in Industrias Alimentarias de Navarra S.A.U which was booked under the "Non-current assets held for sale" heading in the amount of €15.6 million. The difference between this value and the net sale price gives rise to a gain from the disposal of a financial asset of €39.3 million on the income statement of Viscofan S.A.

In 2015 Viscofan S.A. obtained financial revenue from the dividends of its subsidiary companies of €46.5 million compared with €54.0 million in 2014.

As a result, the financial gain amounted to €85.0 million, up 60.2% year-on-year.

Profit before tax amounted to €108.1 million, up 51.7% year-on-year, with net profit after corporate income tax totalling €104.0 million, an improvement of 53.3% on the figure of €67.9 million in 2014.

The difference between the nominal tax rate (25.0%) and the effective tax rate (3.8%) is largely due to the financial gains from the dividends of subsidiaries that are exempt as a result of agreements between countries to avoid double taxation of repatriated profits. In addition, in 2015 the capital gains from the disposal of the IAN Group compared with their historic cost are exempt because they chiefly correspond to the positive cumulative gains in the equity of the IAN Group since 1988 on which corporate tax had already been paid in Navarre in all these years.

Viscofan S.A. invested €12.7 million in fixed assets compared with €15.3 million in 2014. Also, as parent of the Group's subsidiaries, Viscofan S.A. carried out various capital increase transactions and loans with the aim of maintaining an appropriate financial and equity balance at the Group's subsidiaries.

As of 27th May 2015 Viscofan S.A. acquired 51.67% share capital of Nanopack Technology & Packaging, S.L. by €4.0 million. Subsequently, as a result of the investment plan established with the aim of increasing production capacity at Viscofan S.A.'s site in Cáseda (Navarre), the Company 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.

The dividends paid in 2015 entailed a cash outflow of €58.0 million, up 7.8% compared with 2014.

Viscofan S.A. was also involved in intense commercial, operational and investment activity in 2015 and increased shareholder remuneration while significantly reducing net bank debt [4] to €9.4 million at the end of 2015 compared with a figure of €45.8 million in December 2014. This was achieved thanks to positive cash flows from operations and the €55.8 million received from the disposal of the IAN Group.

Viscofan S.A.'s financial situation means it is well placed to satisfy its payment obligations over the next 12 months.

[4] Net bank debt = Non-current bank borrowings + Current bank borrowings – Cash and equivalents.

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 €1.7 million (€1.1 million at the end of 2014).

At 31 December 2015, Viscofan S.A. has contracted buildings and other assets under finance leasing whose future minimum payments and present value amounted to €0.1 million.

Viscofan S.A. 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 €0.4 million (€0.1 million at 31 December 2014).

Company outlook

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 expected 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 enclosed in the axes Technology, Service and Cost. All with the goal of leading the way in the global casings industry, actively fostering the development of new markets, proposing new product solutions and being the sector benchmark for efficiency and productivity in all technologies. Viscofan S.A. is well placed to perform well in 2016 thanks to its strong competitive position and healthy balance sheet and is set to remain one of the Group's key commercial, production and financial cornerstones.

Furthermore, as the Group centre of excellence for cellulose, Viscofan S.A. is aiming to unlock further production efficiencies and foster technological development. Through better know-how it will then be able to set new goals as the benchmark for other production centres within Viscofan Group.

Viscofan S.A. is currently establishing a new fibrous casings plant in Cáseda (Navarra), with total investment estimated at €20 million, and work is also expected to commence on the installation of plastics production capacity at its site in Cáseda.

Environment

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

Viscofan S.A. 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.

Viscofan S.A. 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.

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

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

Note 22.3 of 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. Viscofan S.A.´s total headcount at the end of December 2015 was 681 persons, up 3.5% compared with the end of 2014. The average workforce grew by 5.1% year-on-year to 659 persons.

In 2015, personnel expenses totalled €40.2 million, up 6.4% compared with 2014 and representing 22.1% of 2015 revenue, €8.9 million corresponding to social security contributions paid by the Company.

Viscofan S.A. through Human resource department 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 such as the International Charter of Human Rights and the United Nations Global Compact to which it is a signatory. 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.

Research and development activities

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

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

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

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

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 €55.64, 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.

Average payment period

In 2014 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 Viscofan S.A. in 2015 was 36 days (35 days in 2014), 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 22.4 of the annual consolidated financial statements shows the information on the average supplier payment period during the year.

Acquisition of treasury shares

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

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. 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.

ANNUAL CORPORATE GOVERNANCE REPORT 2015

Viscofan S.A

Year end: 31/12/2015

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

A,- OWNERSHIP STRUCTURE OF THE COMPANY

A.1- Fill in the following table on the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of votings rigths
14/04/2011	32,622,577.40	46,603,682	46,603,682

S Indicate if there are different classes of shares with different rights associated with them

NO

A.2- Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name or company name of the Shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	0	2,297,473	4.93
APG Algemene Pensioen Groep NV,	2,408,875	0	5.17
CORPORACION FINANCIERA ALBA SA		2,332,432	5.00
DOÑA ANA MARIA BOHORQUEZ ESCRIBANO .		1,403,947	3.01
FIDELITY INTERNATIONAL LIMITED.	0	478,802	1.03
INVESCO LIMITED		474,048	1.02

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MARATHON ASSET MANAGEMENT, LLP	Other shareholders of the Company	2,297,473
CORPORACION FINANCIERA ALBA SA	Alba participaciones S.A.U.	2,332,432
DOÑA ANA MARIA BOHORQUEZ ESCRIBANO	Angustias y Sol S.L.	1,403,947
FIDELITY INTERNATIONAL LIMITED.	Other shareholders of the Company	478,802
INVESCO LIMITED	Other shareholders of the Company	474,048

Indicate the most significant movements in the shareholding structure during the year.

Name or company name of the shareholder	Date of transaction	Description of the transaction
ONCHENA S.L.	14/05/2015	Down from 3% of the share capital

DOÑA ANA MARIA BOHORQUEZ ESCRIBANO	13/05/2015	Exceeded 3% of the share capital
BLACKROCK, INC.	27/03/2015	Down from 3% of the share capital
DELTA LLOYD N.V.	24/04/2015	Down from 3% of the share capital
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	29/04/2015	Down from 3% of the share capital
ANGUSTIAS Y SOL S.L.	13/05/2015	Exceeded 3% of the share capital
DOÑA CARMEN YBARRA CAREAGA	29/04/2015	Exceeded 3% of the share capital
DOÑA CARMEN YBARRA CAREAGA	14/05/2015	Down from 3% of the share capital
BANK OF AMERICA CORPORATION	05/06/2015	Exceeded 3% of the share capital
BANK OF AMERICA CORPORATION	08/06/2015	Down from 3% of the share capital

A.3- Fill in the following tables about members of the Board of Directors of the Company with voting rights on company shares:

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOSÉ ANTONIO CANALES GARCÍA	10,670	6,299	0.04%
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	30,276	0	0.06%
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	50,539	0	0.11%
MR. ALEJANDRO LEGARDA ZARAGüETA	8,250	0	0.02%
MRS. AGATHA ECHEVARRIA CANALES	16,809	0	0.04%
MR. NESTOR BASTERRA LARROUDÉ	212,452	0	0.46%
MS LAURA GONZÁLEZ MOLERO	5	0	0.00%
MR. JUAN MARCH DE LA LASTRA		13,640	0.03%

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MR. JOSÉ ANTONIO CANALES GARCIA	Other shareholders of the Company	6,299
MR. JUAN MARCH DE LA LASTRA	ATACAMPA S.A..	13,640

Total % of voting rights of the Board of Directors:	0.76%

Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares

Name of director (person or company)	Number of direct voting rights	indirect rights		Number of equivalent shares	% of total voting rights
		Direct owner	Number voting rights		

A.4- Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	**Type of relationship**	**Brief description**

No applicable

A.5- Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description
CORPORACIÓN FINANCIERA ALBA S.A MR. JOSÉ DOMINGO DE AMPUERO Y OSMA.	CORPORATE	MR.JOSE DOMINGO DE AMPUERO Y OSMA IS MEMBER OF ITS BOARD OF DIRECTOR
CORPORACIÓN FINANCIERA ALBA S.A MR. JUAN MARCH DE LA LASTRA	CORPORATE	MR. JUAN MARCH DE LA LASTRA IS VICECHAIRMAN OF THE BOARD OF DIRECTOR

A.6- Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Participants in shareholders agreements	**% of share capital affected**	**Brief description of agreement**

NO

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

Participants in concerted action	% of share capital affected	Brief description of concerted action

NO

A.7- Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

NO

A.8- Fill in the following tables about the Company's treasury stock

At year-end:

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

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
Total:	0

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

A.9- Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock :

Extract of the Minutes of the General Shareholders Meeting held on 30 April 2013 on second call:

The following resolution was adopted by majority:

"The proposal is to cancel the authorization for acquiring own shares that was given to the Board of Directors at the Company's General Shareholders Meeting of 23rd May 2012.

The proposal is to authorise the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Corporate Enterprises Act (CEA) (Ley de Sociedades de Capital) and related provisions, with the minimum price not being below the nominal value or more than 15% higher than the share price listed on the Spanish Automated Quotation System at the time of the acquisition.

The proposed authorisation is for the maximum term envisaged by law and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically,

those restrictions prescribed by Articles 146 and 509 of Corporate Enterprises Act (CEA) (Ley de Sociedades de Capital).

In the event the Board of Directors should need to exercise the authorisation conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 148 of the Corporate Enterprises Act (CEA).

A.9 bis- Estimated floating capital:

	%
Estimated floating capital	79.37

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market

NO

A.11- Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12- Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

NO

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

B.- GENERAL SHAREHOLDER'S MEETING

B.1- Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Corporate Enterprises Act ("CEA") in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

	% Quorum differing from that set forth in art 193 of Corporate Enterprises Act (CEA) for general circumstances	% Quorum differing from that set forth in art 194 of Corporatie Enterprises Act for the special circumstances set forth in art 194
Quorum required on first summons		
Quorum required on second summons		

Describe de differences:

B.2- Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions

NO

Describe any differences from the minimum standards established under the CEA.

	Reinforced majority different to that set forth by Article 201.2 of CEA (Corporate Enterprises Act) for the purposes of Article 194.1 of CEA	Other instances of reinforced majority
% set forth by the Company for adoption of resolutions		
	Describe the differences	

B.3-Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws..

There is no specific regulation for amending the articles of association other than that provided for by applicable regulations concerning the requirements established by art. 194 of the Corporate Enterprise Act for a reinforced quorum and by the remaining provisions of section VIII of the aforementioned act.

The requirements for passing resolutions set forth in Article 21 of the Bylaws and Article 18 of the Regulations of the General Shareholders Meeting match those stated above.

B.4- Indicate the data on attendance at the general shareholders' meetings held the year to which this report refers and the previous year:

Attendance information					
General Shareholders Meeting Date	% shareholders present	% Attending by proxy	% voting remotely		Total
			Electronic vote	Other	
11/04/2014	1.19%	36.92%	0,000%	38.25%	76.36%
07/05/2015	1.52%	29.75%	0,000%	41.79%	73.06%

B.5- Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

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

B.6- Section repealed

B.7- Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

This content is available via the company's website (www.viscofan.com)

The information relating to Corporate Governance is available on the Corporate Responsibility tab, which can be found at the top of the website homepage. Once inside the tab, the information can be accessed by clicking on Corporate Governance to be found in the menu on the left.

The information relating to the General Shareholders Meetings is permanently available on the Investor Relations tab, located at the top of the website homepage. Once inside the tab, the information can be accessed by selecting the General Shareholders' Meeting section to be found in the menu on the left. Moreover, as of the date of publication of the notice to hold a new General Meeting, a direct link is enabled on the company's Home Page to the notice of meeting. In accordance with the shareholders' right to information, there is also access to legally-required documentation, and other documentation for information purposes.

C.- CORPORATE GOVERNANCE STRUCTURE

C.1- Board of Directors

C.1.1- Maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	10
Minimum number of Directors	3

C.1.2 Fill in the following table on the Board members:

Name of director (person or company)	Representative	Type of directorship	Position on the board	Date first appointed	Date last appointed	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA		Executive	CHAIRMAN	27/02/2009	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRA LARROUDE		Other External	1st VICE-CHAIRMAN	29/07/1997	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	Other External	2nd VICE CHAIRWOMAN	24/06/1998	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	Independent	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	-	Independent	DIRECTOR	01/01/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	-	Independent	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS LAURA GONZALEZ MOLERO	-	Independent	DIRECTOR	22/04/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER'S MEETING

MR. JAIME REAL DE ASUA Y ARTECHE		Independent	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JOSE ANTONIO CANALES GARCÍA		Executive	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JUAN MARCH DE LA LASTRA		External independent	DIRECTOR	07/05/2015	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

Total number of Directors	10

Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of leaving

C.1.3- Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Position within company organisation
MR JOSE DOMINGO DE AMPUERO Y OSMA	Chairman
MR. JOSE ANTONIO CANALES GARCÍA	Managing Director

Total number of Executive Directors	2
% of total directors	20.00%

EXTERNAL NOMINEE DIRECTORS

Name of director (person or company)	Name or business name of the significant shareholder represented or proposing nomination.
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA

Total number of nominee directors	1
% of total directors	10.00%

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)

MR ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona). Doctor in innovation economics from the Universidad Politécnica de Madrid.

With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992 until 2014, and board member from then onwards.

He joined the Board of Directors of Viscofan,S.A. as an Independent Director in 2006, became a member of the Audit Committee in 2007 and is now its Chairman, and was appointed an Independent Director of Pescanova, S.A. in 2013.

Name of director (person or company)

MR IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

Economics degree from Deusto University.

Mr. Marco Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and the press world, where he has a strong reputation for his active contribution as economic expert and columnist; he belongs to the Publishing Committee of Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several Board of Directors; currently he is Director of, Progénika Biopharma, Minerales y Productos Derivados, Tubacex SA and Iberdrola Ingeniería y construcción (Iberinco) SA. Previously, he has belonged, amongst others, to the Board of Directors of Técnicas Reunidas, Banco de Comercio, IBV, and Banco de Crédito Local, Schneider Electric España, and was Chairman of Naturgás.

Name of director (person or company)

MR JOSÉMARÍA ALDECOA SAGASTASOLOA

Profile

Graduate in Technical Electronic Engineering from the Polytechnic School of Mondragón. PADE Graduate from the Executive Management Programme at IESE

Throughout his long professional career, he has held various posts at COPRECI (1971-1982). He was Managing Director of FAGOR ELECTRÓNICA and member of the Board of Directors of Fagor, S. Coop. (1982-1991). Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991. Between 1992 and 2012, he held various positions at MONDRAGÓN CORPORACION and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012. He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan, China and the opening of the (industrial Park) of Pune in India. He has sat on the Board of Directors of various

automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, ParanoaCicautxo-Brazil, FPK, Fagor Ederlan-Slovakia), and director (1992-2006) and Chairman (2007-2012) of MONDRAGÓN INVERSIONES.

He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002).

He is currently an independent director and member of the Delegate Committee of Gamesa Corporación Tecnológica, S.A.

Name of director (person or company)

MRS. LAURA GONZALEZ MOLERO

Profile

Chairman of Bayer Healthcare Latin America and Independent Director of the Leche Pascual Group.

Since June 2014, and based in the USA, she has directed the operations of the Bayer Healthcare Group Division. Before joining this company, she chaired Merck's pharmaceutical division, based in Brazil, from January 2012 onwards. Likewise, she headed the project to integrate Milipore in the Merck Chemical group. Prior to this, she headed the process to merge the Merck Group with the biotech company Serono in 2007, an entity in which she had held a number of executive positions since 1999 and, at the time of the merger with the Merck group, she held the post of Vice-Chair of Serono Iberia and Scandinavian Countries.

She was the Managing Director of Essex Pharmaceuticals of the Schering-Plough Group and of the Pharmaceuticals Laboratory Guerbert S.A, as well as the sales director of Roche Iberia S.A.

She is currently a member of the National Board of Directors of ApD and Director of the Adecco Foundation.

In the course of her career, she has received a number of prizes and awards, in recognition of her work as an outstanding director.

Name of director (person or company)

MR JAIME REAL DE ASUA Y ARTECHE

Profile

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He is currently Vice Chairman of the Board of Directors of Elecnor S.A., member of its Executive Committee and member and secretary of the Appointments and Remuneration Committee. Moreover, he is the a member of the Board of Directors of Enerfín Enervento, S.A and Deimoss Space S.L.U. Both companies form part of Elecnor Group. He has been President and Director of Adhorna Prefabricación S.A. until 2015 when it was owner by Elecnor S.A. He is member of the Board of Directors and Secretary of Cantiles XXI S.L. From 1987 until 2012 he served as a member of the Board of Directors of Internacional de Desarrollo Energético, S.A. (IDDE).

At the same time, from 1981 until 2011 he was linked to Grupo Cementos Portland Valderrivas, where he held different management positions and was a member of the Board of Directors of various companies of this Group.

Total number of Independent Directors	5
% of total directors	50.00%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

NO

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Reasons

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered nominee or independent Directors and detail their relationships with the company, its executives or its shareholders.

Name of director (person or company)	Reasons
MRS . AGATHA ECHEVARRIA CANALES	More than 12 years on the Board of Directors.
MR. NESTOR BASTERRA LARROUDE	More than 12 years on the Board of Directors.

Total number of other external directors	2
% of total directors	20.00%

Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of change	Previous category	Current category

C.1.4- Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of females directors				% of total female directors of each category			
	Period 2015	Period 2014	Period 2013	Period 2012	Period 2015	Period 2014	Period 2013	Period 2012
Executive	0	0	0	0	0	0	0	0
Nominee	0	1	0	0	0	0	0	0
Independent	1	2	2	2	20.00	20.00	25.00	25.00
Other external	1				50.00	50.00	0.00	0.00
TOTAL	2	2	2	2	20.00	22.22	22.22	22.22

C.1.5- Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures:

The duties of the Appointment and Remuneration Committee include establishing a representation target for the least represented gender on the board or directors, and preparing guidelines on how to achieve this objective. As a result of the amendment of the Board regulation, approved on 26th February 2015, a board member selection policy was prepared, specifically establishing that the Committee must take account of the representation target established for the least represented gender and must include persons of the said gender amongst potential candidates.

The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the key factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality.

C.1.6- Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures

The Committee has worked on ensuring the presence of women candidates in the selection processes to cover any board vacancies that may arise, including amongst the requirements to be taken into account, the demand that the total number of candidates to be assessed should equally consider men and women candidates, in order to guarantee gender diversity.

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

C.1.6.bis- Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

Explain the conclusions

The Appointments and Remuneration Committee considers that the board member selection policy has been properly complied with, for a number of reasons: all the proposals made to the General Shareholders' Meeting were supported by a prior analysis of the needs of the Board, taking account of the competencies, knowledge and experience of the board members and candidates, valuing diversity, promoting the search for different alternatives for candidates that suit the profile, and performing the selection process in accordance with the principles set out in the said policy.

The Committee considers that there is a need to analyse the implementation of the policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the board member term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this regard, the Committee is working towards the 2020 target.

C.1.7- Explain the form of representation on the Board of shareholders with significant holdings.

The company maintains an ongoing dialogue with institutional shareholders and investors, in accordance with its communication policy. As a result of these contacts, the company considers the representation on the Board of those shareholders with significant holdings whose interests are in line with those of the company in long-term value creation for all stakeholders, and analyses the different factors that may contribute to proposing the said representation, taking account of the internal policies of the said shareholders, the shareholding structure and the composiition of the Board at any given time.

C.1.8 - Explain, where applicable, the reasons why nominee directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or company name of the Shareholder	Justification

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9- Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of the Director	Reason for leaving

C.1.10 - Describe any powers delegated to the Chief Executive Officer(s), if any:

Name of director (person or company)	Brief description
MR JOSE DOMINGO DE AMPUERO Y OSMA	In his position as Chairman of the Board, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.
MR. JOSÉ ANTONIO CANALES GARCÍA	In his position as managing director, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.

C.1.11- Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S.DE R.L DE C.V.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO SERVICIOS S DE RL DE CV.	CHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN	NO

MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	GAMEX CB S.R.O.	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN URUGUAY S.A.	DIRECTOR	
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN USA INC.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CANADA	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO S. DE RL. DE CV .	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	ZACAPU POWERS DE RL DE CV	DIRECTOR	NO
MR. JOSE ANTONIO CANALES GARCIA	VISCOFAN CENTROAMERICA COMERCIAL SOCIEDAD ANONIMA	SECRETARY	NO
MR. JOSE ANTONIO CANALES GARCIA	NANOPACK TECHNOLOGY & PACKAGING S.L	CHAIRMAN	NO

C.1.12- Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Name of the listed company	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION ALBA SA TUBACEX S.A.	DIRECTOR DIRECTOR
MR NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	PESCANOVA SA	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	TUBACEX. S.A.	DIRECTOR

MR IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS, S.A.	DIRECTOR
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	GAMESA CORPORACIÓN TECNOLÓGICA. S.A.	DIRECTOR
MR. JAIME REAL DE ASUA Y ARTECHE	ELECNOR S.A.	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	INDRA SISTEMAS SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA SA	DIRECTOR

C.1.13- Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

YES

Explanation of rules:

Company directors may not sit on more than three Boards of Directors of listed companies, in addition to the Board of Viscofan, S.A.

C.1.14- Section repealed.

C.1.15- Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (Thousand Euros)	3,412
Cumulative amount of rights of current Directors in pension scheme (thousands of euros	0
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0

The overall remuneration of the Board includes the triennial variable remuneration of the executive directors.

C.1.16- Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position(s)
MR GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR ANDRES DÍAZ ECHEVARRÍA	HEAD OF OPERATIONS VISCOFAN GROUP
MR MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR EDUARDO AGUIÑAGA	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC.
MR JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC

MR IÑIGO MARTINEZ	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
MR ANGEL MAESTRO ACOSTA	MANAGING DIRECTOR URUGUAY S.A.

Total senior management remuneration (thousand Euros)	3,064

The overall remuneration of senior management includes the triennial variable remuneration.

C.1.17. Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Name or company name of the Director	**Company name of the major shareholder**	**Position**
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA	VICECHAIRMAN

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

Name or company name of the related Board member	**Name or company name of the major related shareholder**	**Description of the relationship**

C.1.18- Indicate whether there has been any change in the Board regulations during the year:

YES

Description of changes

The Board of Directors, at its meeting on the 26th February 2015, approved the following amendments to the Regulations of the Board, all within the framework of the dynamic policy to adopt the best corporate governance practices and to adapt the current Regulations to Act 31/2014 of 3rd December, amending the Corporate Enterprises Act in order to improve corporate governance:

Addition of the general principle of diligence; adaptation of the powers reserved for the exclusive knowledge of the Board to include the powers conferred by Law; inclusion of the need for a favourable vote of two thirds of the Board for the permanent delegation of powers and the appointment of CEOs; reinforcement of the commitment of the Board of Directors and the Appointment and Remuneration Committee to guarantee diversity on the Board, in particular with regard to gender; completion of the formalisation in the Regulations of the duties of the Chairman and Secretary of the Board; determination of the composition of the Audit and Appointments and Retribution Committees; more detailed specification of some of their duties, including additional control procedures; details of the duties of the coordinating director to direct the evaluation of the Chairman; reclassification of the duties of the directors, detailing the obligations of each one; inclusion of the definition of related parties, for the purpose of the duties of the directors; and adaptation of the periods for providing information to the shareholders with regard to the General Meeting.

C.1.19- Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure:

The Company's Board of Directors has approved a Policy for the Selection of Directors, based on the principles of equality, transparency and legality, in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board, avoiding any implicit bias that may involve some type of discrimination and taking account of diversity, particularly the measures to be applied in order to meet the representation target for the least-represented gender on the Board of Directors and to facilitate the inclusion of female directors on the board.

Pursuant to Article 26 of the Articles of Association:

Their appointment will correspond to the General Shareholders meeting in accordance with article 243 of the Capital Companies Act.

And Article 27 sets forth that:

To be appointed to the position of director, the status of shareholder is not a requirement. The term of office for Directors is four years from the date they are appointed.

The appointment of Directors will cease when their term of office has ended and the next General Shareholders Meeting has been held or the period stipulated by law for holding the Shareholders Meeting to resolve on the approval of the prior year's accounts has passed.

Article 27 bis establishes limits on the re-election of Independent Directors:

Independent Directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years counted from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years described in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

In this respect, Article 8 of the Board Rules sets forth:

Article 8. Appointment of Directors

The shareholders at the General Shareholders Meeting or the Board of Directors itself will elect the Directors in the circumstances provided in law.

The Board of Directors must ensure that the procedures to select its members favours the diversity of gender, experiences, knowledge and that there is no implicit bias that may involve some type of discrimination, and, in particular, they should facilitate the selection of women directors.

The proposals relating to the appointment or re-election of directors, within the limits set out in the articles of incorporation, shall be made by the Appointment and Remuneration Committee in the case of independent directors and by the Board itself, subject to a report by the Committee, in the case of the other directors.

Any proposals must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the candidate proposed, and shall include the presence on the Board of a reasonable number of independent directors and shall tend to maintain a majority of directors who are external to management.

The Directors will hold their posts for the term provided in the company bylaws, and may be elected either once or several times.

Independent directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years as from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

Furthermore, Article 14 of the Board of Directors' Rules includes the Nominating and Compensation Committee and sets forth:

The mission of the Appointments and Remunerations Committee, amongst others, will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.

b) Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of such Directors.

c) Provide information on proposals for the appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.

Pursuant to Article 16 of the Board Regulations, relating to the Appraisal of the Board of Directors and the Committees:

Each year the Board of Directors will evaluate:

a-)the quality and efficiency of the operation of the Board itself;

b-) the performance of their functions by the Chairman of the Board and the company's chief executive, based on the report raised by the Appointments and Remunerations Committee; should the Chairman have the capacity of executive director, then the coordinating director shall direct the periodical evaluation of the Chairman of the Board of Directors.

c-) the operation of the Board's Committees, based on the report raised by each committee.

The Board must propose, based on the results of the said evaluation, an action plan to correct any shortcomings detected.

In accordance with this article of its Regulations, led by the Appointments and Remunerations Committee or by the coordinating director in the case of the Chairman, and coordinated by the Secretary of the Board, the Board assesses the Board itself and all its Committees on an annual basis, analysing various formal and material issues of the activities carried out by each one, together with the content of the meetings, access to business knowledge, information about issues that are necessary for the development of their functions, the presence of executives at Board meetings and the various Committees, the quality of the discussions and the taking of decisions, the performance of the directors and Chairmen of each committee and the Board itself, the qualification of the directors and the Secretary of the Board, the quality applied to achieve targets, among others. Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the coordinating director.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors:

Article 28. Separation of Directors.

Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

a) When they become subject to any of the disqualifications or prohibitions set down in law.

b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

c) Directors representing a controlling shareholder will tender their resignations when the shareholder they represent sells a substantial part of its stake.

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

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

The departure will be reported to the CNMV (National Securities Market Commission) as a material event, and the reason for the departure will be reported in the Annual Corporate Governance Report.

Article 29. Directors' Duties after Separation.

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

C.1.20- Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities

Description of amendments:

As a result of the assessments made in the course of the last few years, the Board of Directors prepares an annual schedule of meetings of the Board and the various committees, so that the directors can better plan their time and to encourage commitiment to, and attendance of meetings. Furthermore, the annual plan includes visits to some of the Group's centres in order to thoroughly examine specific aspects of their particular activity and environment. There has also been

an increase in the involvement of management in some meetings of the Board, in order to gain an insight into their fields of competence and to better monitor the Group strategy and that of each of its companies.

C.1.20bis- Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the fist executive of the company, and the performance and contribution of each board member.

In complaince with this article of its Rules, headed by the Appointments and Remuneration Committee or by the Coordinating Director, in the case of the Chairman, and coordinated by the Secretary of the Board, the Board makes an annual assessment of the Board itself and all its Committees, analysing, amongst other factors, a number of formal and material aspects of the activity of each one, in addition to the content of the meetings, access to business

knowledge, information on factors that are required in order to carry out their duties, the presence of directors at the meetings of the Board and the various Committees, the quality of the debates and decision making, the performance of the directors and Chairmen of each of the committes and the Board itself, the qualification of the Board members and Secretary, the quality in the achievement of objectives.

Likewise,any suggestions and comments are requested that may help to improve the performance of each one.

Each Board and Committee member individually makes his/her own analysis, following the guidelines provided, and anonymously sends the results to the Board Secretary who, after unifying the results obtained, either presents them to the Board or sends them to each of the Committees, where applicable, for internal debate and, if appropriate, to agree on any actions that will help to improve the functioning and compliance with the duties of the Board and each of its Committees.

Furthermore, subject to a report by the Appointments and Retribution Committee, and headed by the coordinating director, the Board makes an assessment of the Chairman.

C.1.20.ter Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

C.1.21- Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 24 of the Regulations of the Board, with regard to the duty to avoid conflicts of interes, the directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether of not the Director should continue in office.

Furthermore, according to art 28 of the Board of Director Regulations, Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

a) If they become subject to any of the disqualifications or prohibitions set down in law.

b) If their remaining on the Board could undermine the Company's interests or if the reasons for which they were elected no longer apply.

c) Directors representing a controlling shareholder will tender their resignations when the shareholder they represent sells a substantial part of his/her stake.

C.1.22- Section repealed.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

.

NO

C.1.25- Indicate whether the Chairman has a casting vote.

YES

Matters on which a casting vote may be made
Pursuant to Article 28 of the Articles of Association:

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

C.1.26- Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

NO

Age limit for Chairman	Age limit for Chief Executive Officer	Age limit for directors
No age	No age	No Age

C.1.27- Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law

Maximum number of years in office	

C.1.28- Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards

The Board Regulations cover proxy voting at the Board of Directors or delegation in any of its members:

Article 34. Use of Delegated Voting, according to the version approved by the board of directors at its meeting held on the 26th February 2015
If the Board of Directors or any of its members request representation for himself/herself or for another individual and, in general, when the request is made in public, the document describing the empowerment must contain or have attached the agenda, as well as the applications for instructions to exercise the right to vote and the indication of how the representative is to vote if no precise instructions are given.

The delegations of votes received by the Board of Directors or any of its members will be executed in full accordance with the instructions received accordingly and the minutes will record the exercise and identification of the voting instructions received when they include a vote against the Board's proposals in order to protect the rights that may correspond to the delegating shareholder, where applicable.

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:
a) His/her appointment, ratification, removal or resignation as a Director.
b) The bringing of an action for liability against him/her.
c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

C.1.29- Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board Meetings	12
Number of Board Meetings not attended by the Chairman	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director:

Number Meetings	0

Indicate the number of meetings of the Board's different committees have held during the year

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

C.1.30- Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances

Number of meetings attended by all directors	8
% of attendances to total votes during the year	97.00%

C.1.31- Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

YES

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

Name	Position
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MS MARÍA DEL CARMEN PEÑA RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

C.1.32- Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

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

functions, as provided in article 13 of the Board Regulations:

'D) With respect to the external auditor:

Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report

For practical purposes, the Audit Committee will ensure compliance with the necessary mechanisms established to perform continuous control over the preparation of financial information at every level, from its start to its consolidation in the Viscofan Group companies.

Both the corporate financial department and the internal audit department have collaborated closely with the Audit Committee to establish, put in place and monitor the most appropriate controls for guaranteeing the truthfulness of the financial information to ensure that it gives a true and fair view of the Group's financial situation.

The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

Both the internal audit department and the corporate financial department have collaborated actively with the Audit Committee to coordinate and monitor the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness.

The Audit Committee, internal audit and corporate financial departments have also held informative and follow-up meetings with external auditors to give them the characteristics of the internal control system and its implantation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to allow better monitoring of the improvements that have been put in place. All with the aim of continuing to guarantee the operation of the Group's financial information with greater control at all levels.

Furthermore, the company has maintained a policy of pre-closing the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.

C.1.33- Is the company Secretary a director?

NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
Juan Maria Zuza Lanz	

C.1.34- Section repealed.

C.1.35- Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

Article 13 of the Regulations of the Board of Directors, according to the version approved by the Board, at its meeting held on the 26th February 2015 confers upon the Audit Committee the following duties relating to the external auditor:

D) With respect to the internal auditor

(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i) The Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes.

(ii) Likewise, it shall be ensured that the company and auditor observe the applicable rules to ensure the independence of the auditors and, specifically, the rules on the provision of non-audit services and any restrictions on

the limits on the concentration of the auditor's business.

(iii) It shall establish the appropriate relations with the accounts auditor in order to receive information on matters that could put its independence at risk, and any matters related to the progress of the audit.

(iv) It shall annually receive from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) It shall annually issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:

d) Definition of the information policy relating to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 35 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 35 - Communications with shareholders and with the Securities Markets.

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

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

The Board shall also immediately provide information to the public on:

a) Relevant facts that could materially influence the formation of stock market prices.

b) Substantial amendments to the Company governance rules.

c) Treasury share policies that Company may propose to carry out exercising the authorizations conferred by the shareholders at the General Shareholders Meeting.

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

C.1.36- Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

NO

Outgoing auditor	Incoming auditor

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

Explanation of disagreements

C.1.37- Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

YES

	Company	Group	Total
Amount of non-audit work (thousands euros)	41	18	59
Amount of non-audit work / total amount billed by the audit firm (%)	28.00%	3.00%	7.80%

C.1.38- Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39- Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	9	9
Number of years audited by current audit firm / number of years the company has been audited (%)	36.00%	40.50%

C.1.40- Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

Description of procedure:

According to article 18 of the Board Regulations,
´Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item´.

C.1.41- Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

YES

Description of procedure
Article 17 of the Board of Directors' Rules sets forth the following:
The Board members will receive the information required to carry out their work in due time and detail with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors., unless there are urgent reasons for calling a meeting or under exceptional circumstances.

The directors may gather additional information when considered advisable. The request shall be channelled through the Secretary of the Board

C.1.42- Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

YES

Description of rules:

This was dealt with in point C.1.21 above.

C.1.43- Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act

NO

	Board of directors	General shareholders Meeting
Body authorising the clauses	YES	NO

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

Decision adopted/action taken	Reasoned explanation

C.1.44- Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.45- Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	2
Beneficiary type Executive Director and General Manager Director	Description of the agreement In both cases: Indemnity of two years' salary in the event of irregular termination, with two years of non-competition.

Indicate whether these contracts must be disclosed to and/or approved by the company or group governance bodies:

	YES	NO
Is the General Meeting informed of the clauses?	X	

C.2 - Board of Directors Committees

C.2.1- Detail all the Board Committees, their members and the proportion of executive, nominee, independent and other external directors sitting on them

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	OTHER EXTERNAL

% Executive Directors	33.00%
% Nominee Directors	0.00%
% Independent Directors	0.00%
% Other External Directors	66.67%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

The Executive Committee is regulated in article 30.1 of the Articles of Incorporation of the Company and in article 12 of the Board Regulations

1.The Executive Committee or Delegate Committee will comprise a minimum of three and a maximum of five members. The following will be members of the Executive Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Executive Committee will exercise all the powers of the Board, except for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Board of directors regulations. Article 12,- Executive Commitee

The Executive Committee will comprise the number and type of members set down in the company bylaws.

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

The Board of Directors is empowered to appoint and remove its members based on a report by the Appointments and Remunerations Committee. The agreement must be approved by the favourable vote of two thirds of the members of the Board. The members of the Executive Committee will automatically cease to sit on the Committee when they cease to serve as directors of the Company.

The Executive Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Summary of its most important actions.

The Executive Committee has met on 11 occasions, nine in Spain, one at the subsidiary in Serbia and another at the subsidiary in Germany.

In the exercise of its powers, it has examined in detail the matters to be dealt with by the Board of Directors and has supervised the implementaiton of the Board-approved strategy in a number of Group subsidiaries and, acting with the greatest possible transparency, it has informed the Board of the resulting proposals, so that the Board may adopt any agreements considered appropriate. Likewise, the minutes of its meetings have been given to all board members.

It has made strategic analyses to study potential organic and inorganic growth, as well as different investment possibilities. By way of example, in the course of this financial year it has gone ahead with the sale of IAN, investments to install plastic production capacity in Mexico and the purchase of Nanopack Technology Packaging S.L

It has examined in detail the various products or families (collagen, cellulose, fibrous and plastic casings), product development and energy optimisation.

It has examined the progress of the corporate financial year, month by month, with regard to production and also with regard to the consolidated sales and results for the Group and each investee company, with particular emphasis on increased growth through the collagen committee.

Not only the members of the Committee and Secretary took part in the meetings, but also the Senior Managing Director and, at his request, various Senior Managers.

Indicate whether the composition of the Delegated Committee/Executive Committee reflects the distribution of different classes of directorship on the Board

NO

Otherwise, explain the composition of the Executive or Delegated Committee
The Delegated Committee comprises an executive director and two other external consultants, due to their knowledge of the business and the industry in which the Company operates. The Delegated Committee performs extensive work as the permanent representative of the Board, primarily focussed on examining in detail all those matters requiring greater analysis, monitoring and preparation, and contributing to establishing targets, strategies, control and monitoring of the same. The Delegated Committee also has ongoing direct contact with senior management at the different production locations around the world and different corporate areas. This allows the Board to gain more detailed knowledge of the day-to-day reality of the Viscofan Group's activity and to better focus the meetings on Group strategy.

AUDIT COMMITTEE

Name	Position	Category
MR ALEJANDRO LEGARDA ZARAGÜETA	CHAIRMAN	INDEPENDENT
IGNACIO MARCO GARDOQUI	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	DIRECTOR	INDEPENDENT

% Nominee Directors	0%
% Independent Directors	100%
% Other External Directors	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Audit Committee is regulated in article 30, section 2, of the Articles of Incorporation of the Company and in article 13 of the Board Regulations, regulating its composition, the appointment and cessation of its members and their principal duties.

Art 30.2, articles of incorporation
The Audit Committee shall be formed by a minimum of three and a maximum of five members shall be formed exclusively from non-executive Directors appointed by the Board of Directors. At least two must be independent Directors and one appointed taking into account his/her knowledge and experience in accounting, auditing or both.

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

The Audit Committee will elect a Chairman selected from the independent Directors that comprise the Commission, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

Los miembros de la Comisión de Auditoría nombrarán entre los consejeros independientes que formen parte de ella a un Presidente, que deberá ser sustituido cada cuatro años y podrá ser reelegido una vez transcurrido un año desde su cese.

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

The Audit Committee will be quorate with the attendance in person or by proxy of the majority of its members.

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

Resolutions will be recorded in the Audit Committee's Minutes Book, and will be signed by the Chairman of the Committee, as will any certificates issued for the adoption of resolutions.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All the aforementioned persons will be bound to cooperate and provide access to any information they may have.

Without prejudice to the responsibilities assigned by regulations and other responsibilities assigned by the Board of Directors, the mission of the Audit Committee shall at least be:

a) To report to the shareholders at the General Shareholders Meeting on business brought forth by the shareholders with respect to matters within its competence.
b) To propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 264 of the Capital Companies Act.
c) To supervise, when appropriate, the internal audit services.
d) To become familiar with the Company's financial reporting process and its internal control systems.
e) To maintain a relationship with the Auditor to receive information on matters that may jeopardise the Auditor's independence assembling and issuing the reports required by law, and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards

Rules of the Board of Directors Article 13,- Audit Committee

There will be an Audit Committee of the Board of Directors which will be formed by a minimum of three and a maximum of five members

The Audit Committee shall be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors and one appointed taking into account his/her knowledge and experience in accounting, auditing or both.

The members of the Audit Committee will be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Remunerations Committee, bearing in mind the accounting, auditing and risk management knowledge, skills and experience of the directors, and they will automatically cease to serve on the Committee when they cease to serve as directors of the Company or by decision of the Board of Directors.
Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Audit Committee members will appoint a Chairman selected from the independent Directors that form the Committee, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All the aforementioned persons will be bound to cooperate and provide access to any information they may have.

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

Notwithstanding other functions set out in governing legislation, company bylaws or assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

To report to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.

B)Proposing the appointment of the financial auditor to the Board of Directors, which will then pass the matter on to the General Shareholders Meeting in addition to the conditions of recruitment.

C) With respect to internal control and reporting systems:

(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles, and the correct application of accounting standards.

(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, including tax risks, so that the main risks can be correctly identified, managed and reported.

(e) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit.

(f) Overseeing the internal auditing services, including, in particular:

(i) proposing the selection, appointment, re-election and separation of the head of internal auditing;

(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving regular information on the results of the work performed, including any incidents that may arise.
The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(iii) ensuring the independence and efficiency of the internal audit function;

(iv) proposing the budget for this same internal function;

(v) receiving periodic information on its activities, and;

(vi) verifying that the senior management takes into account the conclusions and recommendations set down in its reports.

D) With respect to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2) Overseeing compliance with the audit agreement, collecting information on the audit plan and its execution and ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.

(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i) the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee will explore the underlying causes;

(ii) the Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

(iii) Maintaining the necessary contact with the auditor in order to receive information on all matters that could jeopardize the independence thereof, and any other matters related to the audit procedure.

(iv) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) Annually issuing, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the independence or with the rules governing the audit.

(5) Attempting to ensure that the group's auditor also audits each component group company.

(E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:

(a) The regular financial information the company has to publish, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

(c) Related transactions.

(F) Address and, where appropriate, respond to any initiatives, suggestions or complaints raised by shareholders in relation to the Committee's remit, as referred to the Committee by the Company's General Secretary.

(G) Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.

(H) Supervision of compliance with internal codes of conduct and rules on corporate governance.

Summary of its most important actions.

The Audit Committee was created in 1999 and has progressively adapted to the recommendations of the Code of Good Governance. It currently comprises three members, all of whom are independent directors. In 2015, the Committee met on eight

occasions, two of which with external auditors from Ernst&Young. Whenever considered appropriate, it has required the presence of members of the management team, of the internal audit deparment and external auditors.
It fulfils its normal duties, as established in the regulations and those set out in the Company's articles of association and the rules of the Board of Directors. By way of example, it has reported to the General Shareholders' Meeting on the activities of the Committee and it has proposed to the Board of Directors the appointment of an Accounts Auditor to be submitted to the General Shareholders' Meeting.
It has supervised, analysed and commented on the activities performed by internal audits, the financial information preparation process, the interim financial statements, the state of the projected cash flow for the allocation of dividends, in addition to the Internal Control System on Financial Reporting. The latter is subject to an ongoing improvement and assessment process by EY.

In its relations with the external auditor and as one of its duties, it has ensured that the annual accounts are presented with no reservations or qualifications, and the independence of the audit.
Finally, it has reported all its activities to the Board of Directors, and has also provided the directors with all the minutes of its meetings, in addition to the information related to the risk map and fiscal issues.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman:

Name of Director	Mr. IGNACIO MARCO-GARDOQUI IBAÑEZ
Number of years as Chairman	3

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	CHAIRMAN	INDEPENDENT
MR JAIME REAL DE ASUA Y ARTECHE	DIRECTOR	INDEPENDENT
MR. JUAN MARCH DE LA LASTRA	DIRECTOR	NOMINEE

%Nominee Directors	33.33%
% Independent Directors	66.67%%
% Other External Directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments and Remuneration Committee is regulated in article 30, section 3, of the Articles of Incorporation of the Company and in article 14 of the Board Rules, governing its composition, the appointment and cessation of its members, and their principal duties.

Art. 30.3 of the company Bylaw: The Appointments and Remunerations Committee or, as the case may be, Committees, will be formed by a minimum of three and a maximum of five members, will be formed exclusively from non-executive Directors appointed by the Board of Directors. At least two must be independent Directors.

Committee members will appoint a Chairman selected from the independent Directors that comprise the Commission.

The purpose of the Appointments and Remunerations Committee will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from candidates who will cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their duties.
b) Set a representation target for the least represented sex of the Board of Directors and prepare guidelines on how to achieve this target.
c) Provide the Board of Directors with proposals for appointing independent Directors for appointment by co-

optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of these Directors.

d) Provide information about proposals for appointing all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for re-election or removal by the General Shareholders Meeting.
e) Provide information about proposals for appointing and dismissing of senior management and principal conditions of their contracts.
f) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, as the case may be, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.
g) Provide the Board of Directors with a proposal for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors and oversee adherence to this policy.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts and will submit the minutes of its meetings to all directors.

Regulation of the Board of Directors Article 14,- Appointments and Remuneration Committee

The Appointments and Remuneration Committee will be formed by a minimum of three and a maximum of five members and will be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors.

Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Committee members will appoint a Chairman selected from the independent Directors that form part of the Committee.

The purpose of the Appointments and Remuneration Committee will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from candidates who will cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their duties.
b) Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.
c) Provide the Board of Directors with proposals for appointing independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of these Directors.
d) Provide information about proposals for appointing all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for re-election or removal by the General Shareholders Meeting.
e) Provide information about proposals for appointing and dismissing senior management and the principal conditions of their contracts.
f) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, as the case may be, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.
g) Provide the Board of Directors with a proposal for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors, and oversee adherence to this policy and shall provide all directors with the minutes of its meetings.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts.

Summary of its most important actions.

The Appointments and Remuneration Committee met on 8 occasions and, whenever considered appropriate, the presence of senior management members was requested.

It fulfilled its normal duties, as established in the regulations and those set out in the Company's articles of association and the rules of the Board of Directors.

It reviewed the qualification of directors, it prepared reports for the assessment of executive directors and the assessment of the Committee itself and it headed the assessment of the Board and its committees.

It analysed the competencies knowledge and experience required to be a Board member, it prepared a board member selection policy for approval by the Board, it requested the presence of the Coordinator Director in order to learn about the concerns of non-executive directors, it submitted to the Board of Directors the proposals and reports for the re-election or appointment of Directors.

It organised the succession of the Chairman, the Chief Executive and Senior Management and the talent management policy, with succession plans and professional development plans for the key posts in the Viscofan Group, having approved a Succession Plan.

It implemented the remunerations policy approved by the General Meeting and prepared the remuneration table, including the annual variable remuneration, it proposed the annual and triennial variable remuneration for the following years, for the directors and senior management, as well as the salary policy for senior management.

It reported all its activities to the Board of Directors, providing the minutes of its meetings to all directors.

C.2.2- Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years

	Number of female directors							
	Year 2015		Year 2014		Year 2013		Year 2012	
	Number%	%	Number%	%	Number%	%	Number%	%
Delegated Committee	1	33.00%	1	33.00%	1	33.00%	1	33.00%
Audit Committee	0	0	0	0	1	25.00%	1	25.00%
Appointments and Remunerations Committee	0	0	1	33.00%	1	33.00%	1	33.00%

C.2.3- Section repealed

C.2.4- Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description:

This is addressed in article 30 of the Company's Articles of Association, registered in the Companies Register and posted on the corporate website as a consolidated text comprising all applicable provisions.

It is governed also by the Regulations of the Board of Directors, which are available on the company's website and have been duly filed with the Spanish CNMV and with the Commercial Registry.

Its regulations have been changed pursuant to the resolution of the Board of Directors of 26 February 2015, which amended its Regulation. The current wording is provided in section C.2.1. above.

The Committee prepares an annual activity report, which is summarised in point C.2.1. The report includes, amongst other activities, the qualification of directors, the assessment of the board and its committees, an analysis of competencies, knowledge and experience required to be a Board member, the director selection policy, proposals and reports for the re-election or appointment of Directors, the succession plan for executive directors and senior management, the implementation of the remunerations policy approved by the General Meeting, and the variable annual and triennial remuneration for the following years, in addition to the salary policy for senior management.

Finally, the Appointments and Remuneration Committee keeps the board informed of all matters discussed, provides all directors with the minutes of its meetings and submits individualised reports on the most important aspects.

All this without prejudice to its subsequent inclusion in its annual activity report submitted by its Chairman to the company's General Shareholders' Meeting.

Committee name

DELEGATE COMMITTEE

Short description:

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

It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available from the company's website and have been duly filed with the Spanish CNMV and with the Companies Registry.

The provisions of the regulation were amended by agreement of the Board on the 26th February 2015, amending its Regulations. The text in force was transcribed in point C.2.1 above.

The Delegate committee regularly reports to the Board of Directors on all the matters discussed at its meetings and provides the minutes thereof.

Committee name

AUDIT COMMITTEE

Short description:

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

The amendment of the Regulations of the Board of Directors approved by the Board on 26 February 2015 its minimum and maximum number of members, and it has fulfilled its duties, particularly those relating to internal control and to maintaining the independence of the external auditor, as stipulated in section C.2.1. above.

The Audit Committee prepares an annual activity report, which is summarised in point C.2.1. This report describes the objectives set by the Committee, the principal activities performed in the course of the year with regard to the internal control and risk management systems, external auditors, the internal audit function and other functions assigned, and the results obtained as a result of the said activities.

This report is submitted to the General Shareholders Meeting on an annual basis for information purposes.

C.2.6- Section repealed.

D.- RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 - Explain the procedure, if any, for approving related-party and intra-group transactions

Procedures for approving related party transactions

Approval corresponds to the Board of Directors as one of the matters reserved exclusively for the Board by virtue of Article 5 of the Board Regulations:

e) Transactions made by the company with directors, major shareholders or shareholders with Board representation, or with other persons related thereto ("associate transactions").

However, the Board's authorisation shall not be required for associate transactions that simultaneously meet the following three conditions:

1. They are governed by standard agreements applied across the board to a large number of clients;

2. They are arranged at prices or rates set on a general basis by the party acting as supplier of the goods or services in question;

3. The amount thereof is no more than 1% of the Company's annual revenue.

The Board will approve associate transactions following a favourable report from the Audit Committee, according to article 13.E.c of the Board of Director Regulations.

D.2. Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group entity	Type of transaction	Type of transaction	Amount (in thousands of Euros)
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Provision of services	845
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreement: Loans	120

The two transactions indicated with the significan shareholder, CORPORACIÓN FINANCIERA ALBA , are in actual fact with two entities that are part of its Group: 360 Corporate Finance, S.A. gave Viscofan S.A.financial advice for the sale of a subsidiary and Banca March granted a loan to Viscofan S.A.

D.3- Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (in thousands of Euros)
NONE				

D.4 - Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transaction with companies established in countries or territories considered tax havens.

Name of the Group Company	Brief description of the transaction	Amount (in thousands of Euros)
NONE		0

D.5- State the amount of the transactions carried out with other related parties.

NONE

D.6- Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

Article 22 of the Board Regulations, relating to the duty of loyalty establishes the obligation of the Company directors to perform their duties under the principle of personal responsibility with freedom of opinion or judgement and independently with regard to third party relations and instructions.

The duty to avoid conflicts of interest is governed by article 24 of the Board of Directors Regulations, in the version approved on the 26th February 2015.
Article 24.- Duty to avoid conflicts of interest

The directors shall adopt the measures required to avoid situations of conflict with the company interest and with their duties towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence thereof, with the obligation to immediately resign should the said conflict persist or should their presence on the board be contrary to the company's interests.
Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the agreements or decisions affecting their capacity as member of the board, such as their appointment or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.
Any situations of conflict of interest in which the Directors are involved, shall be included in the annual corporate governance report.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director continues to hold the position.

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies, neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in a situation of conflict of interests with the Company.

Moreover, the duty of loyalty and the duty to avoid conflicts of interest is extended to related parties, according to the definition included in the Board Regulations, in the version approved by the Board at its meeting held on the 26th February 2015.

Article 26,- Related parties

The director's duty of loyalty, of avoiding conflicts of interest and of abstention in its various facets, also covers those activities performed by related parties, based on the definition contemplated in this regulation.

For the purpose of this regulation, the following shall be considered to be related parties:
1) The Director's spouse or spousal equivalent.
2) The ascendants, descendants and siblings of the Director or spouse.
3) The spouses of the ascendants, descendants and siblings of the Director.
4) The companies in which the administrator, either personally or through an intermediary, directly or indirectly, holds or has the power to hold control, holds an executive position or has a significant shareholding.

If the administrator is a legal person, then the following shall be understood to be related parties:
1) The partners who, in relation to the legal person administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
2) De jure or de facto administrators, official receivers, and those attorney-in-fact with general powers of legal person administrator.
3) Companies forming part of the same group, that constitute a decision making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because the said control corresponds to one or several natural persons acting together as one.
4). Those persons that, in accordance with the paragraph above, are related to the directors of the legal person administrator.

With regard to the duties in relation to significant shareholders, article 32 puts the responsibility on the directors acting on their behalf, for extending to the shareholders the duties of the directors, in addition to those legally stipulated or set out in the Articles of Incorporation.

Likewise, the regulation stipulates that any transactions performed with the said significant shareholders must be approved by a plenary meeting of the Board and must be included in the company's annual report and in the corporate governance annual report.

Finally,, Article 34 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows:
Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:
a)His/her appointment, ratification, removal or resignation as a Director.
b)The bringing of an action for liability against him/her.
c)The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

D.7- Are more than one of the Group's companies listed in Spain as publicly traded companie

NO

Identify the subsidiaries listed in Spain:

Subsidiaries listed

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group::

Mechanisms to resolve possible conflicts of interest

E. - RISK CONTROL SYSTEMS

E.1 - Explain the scope of the company's Risk Management System, including risks of a tax-related nature

The Company's Risk Management System is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies; specific policies; and local policies. This risk management system and its policies come within the limits provided for in the the rules and regulations applicable to the activity of the Viscofan Group.

These policies are applicable to all the companies over which the company has effective control, and encompass the employees, including senior management, and the actual Company Board of Directors.

The monitoring of the company's Risk Management System is performed through a number of risk management committees, as set out in point E.2.

In the course of this present fiscal year, a review has been made of the map of existing risks, defined by the Overall Risk Committee, in compliance with the code of ethics, the internal regulations and the Be MORE Strategic Plan for the 2012-2015 period. Within this review, the decision was taken to adopt the COSO methodology, reclassifying the risks identified into four categories:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

There are a number of objectives:

- ✓ A)Update the assessment of the risks already identified on the inherent risk map.
- ✓ B)Update the assessment of the risks on the residual risk map, taking account of the mitigating measures implemented.
- ✓ C)Link the risks to the four key objectives of the "Be MORE" Strategic Plan in force.
- ✓ D)Add new risks.

The Viscofan Group considers relevant risks to be those that could compromise the achievement of its objectives in the MORE initiatives:

- ➢ 1)Market: positioning of Viscofan as a global market leader.
- ➢ 2)Optimisation: reduction of costs and increased efficiency.
- ➢ 3)Returns: value creation by stakeholders within the objectives defined in the annual budget.
- ➢ 4)Excellence: protection of Viscofan's culture and values, improvement of service, quality, commitment to the protection of human rights, safety, and the environment.

By being aware of the location of each risk on the inherent map and on the residual map, it is possible for the Organisation to determine the mitigating effect of the measures adopted and to focus on those risks that are still out of the comfort zone, by adding corrective and preventive measures in order to reduce the impact and/or the probability of the risk occurring.

The management of corporate risks is not a serial process in which each component only affects the following one, but is a multi-directional iterative process in which one component may affect any other one.

All these measures together are reflected in the internal regulations, in the financial reporting internal control system and in the code of conduct implemented throughout the Group.

The company has specifically regulated, assigning the duties corresponding to each case to the various bodies involved in risk management, as described in section E.2 below, including participation in the risk prevention and control system of personnel of investee companies (local level) and at corporate level.

In the financial year of 2015, due to the sale of the vegetable processing division in March 2015, the risks associated with the management and ownership of the IAN Group (IAN S.A.U. and subsidiary companies) were removed from the scope, transferring the rights and obligations to the new owner on the 10th March 2015.

E.2- Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks

Name of the committee or body
BOARD OF DIRECTORS
Description of functions
In powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to "Exclusive and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

Name of the committee or body
AUDIT COMMITTEE
Description of functions
The Audit Committee, through its duties in relation to the internal control and reporting systems, is responsible for overseeing the preparation and control of the financial information in general and, specifically, all the procedures implemented for this purpose.

Furthermore, a specific duty of the Audit Commission is to oversee the suitability of the control procedures and policies implemented and to review the internal control systems and risk management, in order to ensure that the main risks are identified, managed and effectively disseminated.

Name of the committee or body
INTERNAL AUDIT
Description of functions
For its part, the objectives of the Internal Audit Department include the insurance and control of risks of any nature, faced by the Organisation. For this purpose it has the power to inspect and assess the control and mitigation systems and procedures for all risks, as well as the methodologies used. To facilitate these duties, Internal Audit is present on all Committees in which senior management is present: Committee for Corporate Responsibility and Regulatory Compliance, Ethics Committee, Overall Risk Committee, Credit Risks Committee and Investment Committee.

Name of the committee or body
CORPORATE RESPONSIBILITY AND REGULATORY COMPLIANCE COMMITTEE
Description of functions
The Corporate Responsibility and Regulatory Compliance Committee includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company regulations.

Name of the committee or body
ETHICS COMMITTEE
Description of functions

The Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group as a result of a breach of the Viscofan Group's internal regulations or any other circumstance.

Name of the committee or body
GLOBAL RISK COMMITTEE
Description of functions
The Global Risk Committee is a collegial body established for the purpose of making an in-depth analysis of the exposure to risks affecting the organisation, assessing this exposure, and making recommendations for the actions required to manage the risks within reasonable margins.

The Global Risk Committee is therefore a body set up to analyse, rate and coordinate risk issues and management.

Name of the committee or body
CREDIT RISK COMMITTEE
Description of functions
The Credit Risk Committee is established as a supervisory and control body for those risks related to customer payment management. The purpose of this Committee is to thoroughly study the prevention, monitoring and solution of the said risks, through the creation and implementation of those instruments considered to be the most suitable at any given time, including taking out insurance policies. In this way, the supervision of the financial risk incurred during business with the Group's customers is conducted not only at a local level but also at a corporate level.

Name of the committee or body
INVESTMENTS COMMITTEE
Description of functions
The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets on a quarterly basis for the purposes of performing periodic follow-up checks on the correct application of approved investments and controlling the efficient use of Group resources and investments.

Name of the committee or body
SENIOR MANAGEMENT
Description of functions
Senior management is responsible for identifying and assessing the risks to which the Group is exposed in the course of its business and for taking appropriate measures to prevent the appearance of these risks or, if they do appear, to reduce or eliminate their impact. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

Name of the committee or body
EMPLOYEES
Description of functions
Finally, the remaining Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems and, where applicable, report any behaviour they consider may be a possible risk to the Viscofan Group.

In order to facilitate coordination tasks, better identify risks and risk prevention and control actions, certain individuals were identified at local levels who will coordinate their actions with the competent bodies at the corporate level.

E.3- Indicate the principal risks, including tax-related risks that could prevent business targets from being met

The risks were identified following the COSO methodology, and are shown on the Viscofan Group's risk map under qualitative and quantitative parameters. The main risks that could affect the achievement of the Viscofan Group's business objectives:

1.- Strategic risks: Those risks affecting the objectives at a high level, aligned with the company's mission. The company has identified the following specific risks within this category:
Natural disasters, Country risk, Risks associated with the competitive environment and the sector market (competitors, customers and substitute products), Reputation risk, Company property risk, Obsolescence and innovation risk, Cibersecurity risk.

2.-Information risks Those risks affecting the reliability of the information provided and the objectives with regard to the availability of sufficient capital and resources to conduct business and achieve the company's financial objectives. The company has identified the following specific risks within this category:
Computing contingencies
Integrity of the preparation of financial information
Financing and lack of liquidity
Exchange rate
Interest rate
Budgetary control
Pension plans

3.- Operational risks: Those risks affecting the objectives related to the efficient use of resources and long term business continuity. The company has identified the following specific risks within this category:
Property damage
Business continuity
Energy market
Customer satisfaction
Transport risk
Shortage of raw materials
Public liability
Knowledge and the development of know-how
Human capital
Group cohesion
Food risk
Sabotage

4.- Compliance risks: Those risks affecting the objectives relating to compliance with applicable laws and rules and regulations, including internal rules, in addition to the protection of employees and the company.
Environment
Accidents at work
Occupational safety and hygiene
Evolution of the regulatory framework
Compliance with multinational food legislation
Compliance with obligations derived from business transactions
Corporate risk
Criminal liability of corporate bodies
Personal data protection legislation risk
Taxation

E.4- Identify whether the entity has a risk tolerance level, including tax-related risks

The company has a risk map in which the risks are quantitatively and qualitatively rated, making it possible to define a tolerance level for the risk identified. The appetite accepted for the risk is supported by the strategy defined and is reviewed by the various risk committees.

Prior to establishing preventive and corrective measures for each risk identified, the company and the various bodies exercising the functions referred to above, shall discuss the probability of occurrence of each risk, the consequences of the different scenarios in the event of occurrence and the impact that the said occurrence could have on the Group, on its activity and on its financial statements, in addition to its resilience in each case. This information is used to determine the acceptable tolerance level, in order to adapt this to the preventive and corrective measures to be implemented.

In 2015, in line with the Excellence objectives defined in the Viscofan Group strategy, after analysing the risk positioning and due to the improvements achieved, it was decided to generally lower the tolerance level, whilst zero tolerance was defined for some specific risks such as serious occupational accidents.

Those risks identified as having a major impact and a greater probability of occurence are continuously monitored.

E.5- State what risks, including tax-related risks, have occurred during the year.

Risk is inherent in any business activity and, although the actual company diversification, at a geographic level (sales and production), and with regard to the product range, is a measure in itself that mitigates the risks identified on the risk map, this global nature also means that, during the financial year, adverse circumstances also develop, making it difficult to achieve the objectives established in the budget for the year.

However, in the course of the tax year, the measures implemented and the quantification of the said risks have not prevented the company from achieving the financial objectives established and reported to the investment community.

In this context, some of the risks to materialise with the most significant impact are as follows:

Materialised risk in the course of the fiscal year

Financial risk: exchange rate

Circumstances giving rise to the risks

The global economic situation and the economic and monetary policies conducted by the competent authorities in the various countries, has given rise to the fluctuation of a number of currencies in which the Group operates, with particular mention of the Brazilian Real and the USA Dollar, not only in average terms, but the volatility between maximum and minimum exchange rate values was particularly significant in the course of the year.

Functioning of the control systems

Viscofan attentively watches for opportunities to take out exchange rate hedges, endeavouring to cover the transaction flows between different currencies, as required by circumstances. Over the last few years, the company has strengthened the treasury team and has contracted out reporting systems in order to improve the hedging capacity to minimise risk at a lower cost. However, these hedges were made at a more unfavourable cost then the final spot price.

Materialised risk in the course of the fiscal year

Operational risks: energy costs

Circumstances giving rise to the risks

Volatility in energy prices

Functioning of the control systems

Viscofan is making considerable investments directed at optimising energy costs from a financial and environmental point of view. In turn, when dictated by circumstances, the company makes hedging on energy prices, involving a reasonable cost or reducing the budget compliance risk. Nevertheless, the volatility of energy prices, and the reduction in the Brent price have meant that certain hedges have been made at a higher cost than the spot price, or that the investment payback periods have been greater. However, the risk control measures have meant that the energy costs are for a reasonable amount with regard to the budget approved.

Materialised risk in the course of the fiscal year

Competitive environment and market risk

Circumstances giving rise to the risks

As a result of the strength of the US dollar exchange rate against other currencies, some competitors have focussed their sales and marketing efforts on the North American market.

Functioning of the control systems

Monitoring work of this market has been performed, maintaining disciplined trading policies that will not damage the financial objectives of profitability. The company has strengthened the specific projects in the USA directed at improving service and quality levels, involving increased protection of the market share in adverse scenarios.

E.6- Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks y

1-Strategic risks

Natural disasters

The company has completed the preparation of the Corporate level Business Continuity Plan which commenced in the previous financial year and has now moved down to a local level in order to individually equip the production plants with the responsiveness and adaptability in the face of any contingency, including natural disasters.

On the other hand, we are working on intra-group diversity, in other words the production of any plant may be assumed by another group plant in the event of a natural disaster or similar circumstances.

In this respect, particular mention should be made of all the work carried out in the various plants with regard to EHS, since this function was created. This has led to greater uniformity in the management and analysis criteria in this area, as well as in the promotion of improvement-driven initiatives. The close collaboration with the Risk Engineering departments of the insurance companies is allowing Viscofan to gain a better knowledge of its risks and to implement measures/make investments that have a direct impact on the reduction in risk exposure, including Natural Disasters.

Country risk

The Credit Risk Committee met periodically in order to analyse the actual risk to customers of the entire Group, analyse potential delays, review compliance with established procedures, verify the status of insurance policy coverage and conditions, review the risk in different countries, especially the current political and financial instability in certain countries, including Spain, and adopt the measures required in each case to ensure, or, where applicable, decrease, this exposure by changing sales conditions, requesting collection assurance measures, etc.

2.Financial and systems risks

Exchange rate
Viscofan is attentive to new business and exchange rate hedging opportunities, advisable at any given time, and which make it possible to reduce the impact of this risk.

Financial control of transactions
The company has expanded its corporate management control team in order to conduct a more exhaustive analysis of production costs and to improve the reporting systems. This team will also facilitate the work of financial support, depending on the needs of the various Group subsidiaries.

Computing contingencies.
Once the company defined the contingency plan to reduce the impact of a systems failure, this plan was then implemented, including servers located in different cities, to guarantee system operation in less than twenty-four hours following any type of occurrence, and ensuring the continuity of activity in the event of damage.

3.Operational risks

Energy market
The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. Likewise, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies. This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant.

Scarcity of raw materials
Distinct strategies have been followed for diversification and the homologation of new suppliers in each product line, all directed at the approval of alternative suppliers in order to lower dependency and gain increased flexibility with regard to fluctuations in supply and demand.
Likewise, there has been in-house work directed at adapting a number of processes in order to permit the use of different raw materials.
Furthermore, a corporate head of purchasing has been appointed in order to increase the negotiating possibilities with the various suppliers.

Environmental, safety and hygiene risks
The Board of Directors has endorsed a new corporate policy on the Environment, Safety and Hygiene, which is mandatory for all Viscofan Group collaborators. In order to ensure that all the Viscofan Group collaborators comply with the principles contained in this corporate EHS policy, a set of guidelines has been defined to implement the policy (Viscofan EHS Management Guidelines). The key objective of these guidelines is to provide all the group companies with a sound management system in the Environment and Occupational Health and Safety areas. . This commitment is reflected in the signing of the United Nations Global Compact during the financial year of 2015 and the start of the certification process to international standards such as ISO 50.001, ISO 14.001 and OSHAS 18.001, in the most advanced plants of the group.

4.Regulatory risks

Changes to the regulatory framework
Every effort has been made to monitor the regulatory amendments, particularly in Spain, where there have been ongoing regulatory changes in a number of aspects affecting the company. Whenever possible, the company has carried out prevention actions on the possible impacts that these changes could cause.

Compliance management is also one of the cornerstones of the EHS management guidelines, defining the need to implement legal requirement identification systems and to conduct periodical compliance audits.

Monitoring system and complaints channel

With outside professional advice, the Ethics Committee has updated its investigation regulations and protocol in order to guarantee greater independence of its work, to facilitate the use of the complaints channel and to give greater protection to any collaborators who may use the said complaints channel.

These specific tasks and projects come within the framework of the general policy conducted this year, with an increase in the monitoring measures in the different risk areas in order to control any potential occurrence and incident and to establish the prevention and control measures required, or to adapt those already in place, and to ensure compliance with the same.

F.- SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity..

F.1 The entity's control environment

Give information, describing the key features of at least:

F1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"vii) Risk control and management policy, as well as the periodic monitoring of internal information and control systems."

Furthermore, article 13 of the Regulations of the Viscofan Board of Directors lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

"Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles or instrumental entities, and the correct application of accounting standards".

The Audit Committee was created in 1999 and its composition and activity have progressively adapted to the recommendations of the Code of Corporate Good Governance. It currently comprises three members, all of whom are independent directors.

In 2015, the Committee met on eight occasions, three of which with external auditors from EY. Whenever considered appropriate, it has required the presence of members of the management team, the internal audit department and external auditors.

The Committee carries out the tasks assigned to it, as established in the applicable regulations and those set out in the Company's Articles of Association and in the Rules of the Board of Directors. By way of

example, it presented a report to the General Shareholders Meeting on the Committee's activities, and it proposed the appointment of an Accounts Auditor for approval by the Shareholders.

The Committee oversees, analyses and reports on the activities performed by the Internal Audit department, the financial information preparation process, the interim financial statements, the projected cash flow statement prior to the approval of the interim dividend distribution, in addition to the Financial Reporting Internal Control System. The latter is subject to a continuous improvement process and is reviewed annually by EY.

In its relations with the external auditor and as one of its duties, the Committee has ensured that the annual accounts are presented with no reservations or qualifications, and that the independence of the auditor is guaranteed.

Additionally, it has reported all its activities to the Board of Directors, and has also provided the Directors with all the minutes of its meetings, in addition to the information related to the risk map and fiscal issues.

For its part, the general dutiles of the Internal Audit Department include the review and evaluation of the risk control and mitigation systems and procedures for all risks, as well as the methodologies used.

Specifically, with regard to the control of the financial information, it examines and assesses the reliability of the financial information, from an accounting and management point of view, checking that it is complete and correct. It also reviews the recording procedures.

Furthermore, the Internal Audit Department reports the results of all the auditing, inspection and consulting activities to the Audit Committee and keeps it informed of the same, and, where appropriate, the Directors concerned are also informed.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter, FIICS).

- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.

- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.

- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.

- Supervision of the appropriate design and use of the financial information systems.

And of the Financial Departments of each of the companies in the Group:

- Compliance with the common accounting principles and policies.

- Dissemination of the FIICS among the local organisation, identifying those responsible for the execution of each control activity.

- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.

- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc.).

Finally, all other Group Departments are to cooperate in the dissemination of the FIICS within their area of responsibility.

Furthermore, each Department shall be responsible for the application of the controls corresponding to its area and coordination with other departments in the application of the FIICS, with the supervision of the corporate departments, and for correcting any deficiencies identified by the Internal Audit Department in its duty of supervision of the system.

F.1.2- Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination takes place via the corporate Intranet, with publication of the current organisational flowcharts of each company and the most relevant changes that take place in them.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the FIICS at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions

The body that approves the Code of Conduct is the Board of Directors, at the proposal of the Corporate Responsibility and Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The Code of Conduct that applies in the Viscofan Group was approved by the Board of Directors at their meeting held on 29 February 2012. This Code of Conduct's principles and guidelines cover regulatory compliance, integrity, responsibility, transparency and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

The Human Resources Department is responsible for the "Induction Procedure" , in which each new employee receives a copy of the Code of Conduct and the policies coming within the Group's Internal Rules. These establish the conduct guidelines required in order to ensure that Group personnel act correctly, regardless of the country or department in which they are to work. Finally, each employee must fill-in a form in which he/she signs a pledge to comply with, and implement the Code of Conduct and Internal Rules.

This Policy has been widely disseminated and is available to employees on the Group Intranet.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Article 13 of the Board Regulations allocates the following role to the Audit Committee:

“Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.”

The whistle-blowing channel has been created for this purpose, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of the Viscofan Group's internal regulations, especially when there are signs of non- compliance.

This whistle-blowing channel makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this whistle-blowing channel to the Ethics Committee, which is made up of the corporate areas of Internal Audit, Legal, Investor Relations and Communication, and the Board Secretary.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal

controls included in the FIICS.

In the course of 2015, a number of training sessions have been coordinated, specifically directed at the incorporation of new employees in the financial area or in key posts in other departments, and at the use of the new version of the financial reporting and consolidation software tool. All the documentation used in the internal training sessions is posted on the Group's intranet, so that it is available to users for further consultation.

F.2- Financial reporting risk assessment

Provide information on, at least, the following:

F.2.1- The key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the FIICS is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently the Internal Audit Division, in its quarterly report, informs the Audit Committee of the main risks identified in the period, together with a risk assessment based on quantitative criteria (Materiality Policy) or qualitative criteria (process) and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:
    - Validity: All transactions generated in the period are valid.
    - Integrity: All transactions have been recorded correctly.
    - Registry: All transactions have been accurately entered into the accounts.
    - Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
    - Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
    - Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information complied.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

In accordance with the Board Regulations, the definition of the structure of the group of companies is the exclusive remit of the Board of Directors, and in turn the Audit Committee's role is to supervise the appropriate delimitation of the scope of consolidation, considering, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. Corporate operations that could affect the scope are reported appropriately by the General Management and Legal Divisions.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

In this way, except for the company Nanopack Technology y Packaging, S.L., the Parent company of the Group, that is Viscofan S.A., wholly owns the Group companies, either directly or indirectly and, in this latter case, the shareholding is always through other companies in the Group. In the case of Nanopack S.A., the Group has a 90.57% shareholding in Nanopack Technology y Packaging S.L.

In addition, it is the exclusive knowledge of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 13 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

In this respect, the Viscofan Group does not currently own or have an interest in any company in the territories listed by the OECD or by the Spanish Government that could be defined as tax havens.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements..

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group, in accordance with the description given in section D of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at the Audit Committee's proposal and representing the Group's General Management and other divisions (Production, Financial, Legal and Commercial) and Internal Audits.

Specifically, control of risks covers following mentioned risk categories:

1. Concerning the risks of reliability of the financial information, as described above.

2. Concerning criminal risks. The Corporate Responsibility and Regulatory Compliance Committee is responsible for monitoring all matters related to risk prevention and the identification of measures for detecting possible crimes, fraud or conduct contrary to Group policy in relation to the criminal liability of companies.

3. Concerning general risks. The responsibility is shared between the General Risks Committee, which identifies the risks map and implements the control policies that are designed to reduce them, and the Audit Committee, which supervises the adaptation of the control policies and procedures in place and reviews the risk management systems so that the main risks are identified, reported and suitably managed.

Among these, in addition to those of a financial nature, the risk map that is monitored takes account of operational, fiscal, technological, legal, reputational and environmental risks, etc..

- Which of the entity's governance bodies supervises the process.

Article 13 of the Regulations of the Viscofan Board of Directors assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks are properly identified, managed and reported".

Furthermore, one of the objectives of the Internal Audit Division is the identification and assessment of any type of risk faced by the Organisation, and to this effect, it is authorised to examine and evaluate the systems and procedures in place for the control and mitigation of all risks, as well as the methodologies used.

F.3- Control activities

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1 Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, valuations and projections.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the FIICS, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in defining the FIICS.

Based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the risks of the most significant risk areas.

To facilitate the internal control a tool has been developed on Viscofan's intranet to implement the FIICS controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits.

In the course of 2015, ongoing progress has been made in the preparation of documents describing the objectives of each control, the uniformity of evidence provided by the various subsidiaries and the inclusion of new controls for the inventory management and commission management processes.

At local level, each subsidiary has a person responsible for the FIICS, who coordinates the launch, execution and supervision of the monthly controls.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The procedure for validation of the financial information reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board Regulations.

"Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed."

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the audit team to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts.

All this complies with the following roles allocated by the Board Regulations (art. 13) to the Audit Committee in relation to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Commission pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2- Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, available on the Group intranet, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with Password Policy.
- Management of access to any computer system or network shall comply with the provisions of Authorisation policy on computer access and profiles. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.
- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data as at the start.
- The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

The main infrastructure of the Group is located in two Data Processing Centres (DPC), replicated and located in two different cities. The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident.

This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

F.3.3-Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements

The most relevant services that the Viscofan Group sub-contracts to third parties are actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

F.4- Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1- A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the FIICS and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2- Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the data from the financial modules of each subsidiary and from the consolidation system are exported to a data analysis module in order to check consistency between the original and the final information.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report, the first draft of which is prepared directly in this system.

F.5- Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1- The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

In accordance with Board Regulations. The Audit Committee is responsible for the following:

"Overseeing the internal auditing services, including in particular:

(i)approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(ii)ensuring the independence and efficiency of the internal audit function;

(iii)proposing the budget for this same internal function;

(iv)receiving periodic information on its activities, and

(v)verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Statute are:

1.Guaranteeing there is a suitable and adequate risk control system;

2.Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities

3.Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;

4.Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures

5.Identifying and assessing all types of risks faced by the Organisation;

6.Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;

7.Overseeing compliance with the law

The Internal Audit Division prepares Audit Plans, broken down into two classes, according to the time they are in force:

a)Multi-annual plans.

b)Annual plans.

Annual plans are considered the materialisation in a more limited timeframe of the generic work defined in the multi-annual plan. The latter is considered a declaration of measurable objectives for a longer period.

In addition, the Internal Audit Division carries out the following reporting work:

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also regularly reports to the Audit Committee on the application of audit plans and other relevant activities;

It drafts the results of the work and subsequently discusses them with the managers of the Divisions concerned before the reports are finally issued;

It assesses the level of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this to the Audit Commission."

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During the financial year of 2015, the Internal Audit work plan specifically focussed on:

- Participation in the Investment Committee, overseeing and controlling its activity.

In 2015, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

Investments are strictly monitored at all subsidiaries. A report is issued every fortnight and this is sent to the Committee members, making it possible to ensure that any possible deviations are quickly detected and the appropriate actions can be taken.

- Participation in the Credit Risk Committee, overseeing and controlling its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable.

The key objective of the Credit Risk Committee is to report on the taking out of credit insurance, compliance with established procedures and the added risk involved in selling to some countries. Furthermore, a detailed analysis is made of the total exposure of customers, particularly those with the largest amounts of matured debt.

Monitoring conducted by the Committee has made it possible to slightly improve the amount of the debt covered, reaching a percentage of 82% In the course of 2015, the accident rate remained under 1.5 per thousand.

- Participation in the aforementioned Overall Risk Committee, updating the Group Risk Map with the new mitigating measures implemented and adding new risks identified by the Committee members.

The committee has met twice this year.

- Review of the controls made and the quality of the evidence provided. Specifically, every quarterly closure is accompanied by a random review of the most important controls, submitting the findings report to the Audit Committee prior to the approval of the financial information to be published.

- In-situ review of the Monthly Closure Procedure at two subsidiaries and the implementation of the Crime Detection and Prevention System.

- Review of the Human Resources Area procedures at a number of subsidiaries, in order to check whether the employee selection, induction, training and termination of employment producedures are in line with the policies established in the Viscofan Group as a result of the adoption of the Crime Detection and Prevention System.

- Review of the cross-cutting Raw Material Management procedure in the Supply Chain area. Monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past, and particularly the Complaints and Commissions process, both in the Sales area. To do so, a tool has been designed to monitor the Internal Audit recommendations, with the creation of reports for Senior Management.

The activity of the Internal Audit Department is considered to be satisfactory, mainly thanks to the high implementation rate for the improvements and recommendations made in order to correct the incidents detected.

The Audit Department prepares reports on its actions, reflecting the incidents detected during the work execution and suggestions for improvement. These reports are initially discussed with the heads of the subsidiaries or departments involved. Based on the Materiality Policy, the appropriate corrective measures are established.

Once the reports have been discussed with the heads and the measures to be adopted have been established, the report is sent to the Audit Committee. Those incidents identified and which could affect the financial reporting, are quantified, where applicable, and reported to the Corporate Financial Department and also to the Local Financial Departments affects, so that they may be corrected.

The Internal Audit Recommendation Monitoring Tool makes it possible to send the recommendations to those responsible for implementing them, who should put the recommendations into practice and provide evidence of this. The tool makes it possible to obtain reports on the audit recommendation status, either separately or by area such as Financial, Sales, Transactions, HR, etc.

F.5.2- Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed. Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

In addition to the roles of the Internal Audit Division described in the previous point, the Board Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

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

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit.

At said meetings, the auditor's report any weaknesses in internal control that may have been detected. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

F.6 - Other relevant information

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

F.7 - External audit report

Provide information about the following:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annexe. Otherwise, explain the reasons why it was not.

SCIIF information has been submitted for review by our external auditors EY, in accordance with the Professional Action Guidelines and the Audit Report form concerning SCIIF-related information on listed companies in July 2013. A report with the conclusions of this review is attached hereto.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1, The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies

2, When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Not Applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Complies

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation

Complies

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) . Report on auditor independence.
b) Reviews of the operation of the audit committee and the nomination and remuneration committee
c) Audit committee report on third-party transactions
d) Report on corporate social responsibility policy

Complies

7. The company should broadcast its general meetings live on the corporate website.

Explain

The Company has an attendance bonus payment policy as a way to encouraging shareholders to take part in the General Meeting, and issues all the information relating to the agenda and agreements proposed, including additional information when considered advisable in order to better understand the proposals presented to the shareholders. Participation in the General Meetings held over the last five years was more than 73%

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees,

suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs
c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report
Complies

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control

Complies

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related

Complies

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board placesSee section: C.1.34

Complies

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of nominee directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee

directorship.

Complies

20 Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latters' number should be reduced accordingly.

Complies

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions

Complies

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Complies

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present

Complies

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise

Complies

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Partially Complies

The articles of association or the rules of the Board of Directors specifically include all the duties/functions of this point, except for maintaining contacts with investors and shareholders in order to form an opinion on their concerns, in particular in relation to the corporate governance of the company. Although the communication policy with shareholders, institutional investors and their representatives or advisors does in fact provide for this function.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies

36,The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.
c) The diversity of board membership and competences.
d) The performance of the chairman of the board of directors and the company's chief executive.
e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report

Complies

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Partially complies

The executive directors are a majority in relation to the Executive and the Secretary is the Secretary of the Board.

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies

42. The audit committee should have the following functions over and above those legally assigned

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re- election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer

Complies

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balancesheet risks.

Complies

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Not Applicable

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.
b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
b) They should be chaired by independent directors
c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting
d) They may engage external advide, when they feel it necessary for the discharge of their functions
e) Meeting proceedings should be minuted and a copy made available to all board members

Complies

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
b) Oversee the communication and relations strategy with shareholders and investors, including small and medium- sized shareholders.
c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
f) Monitor and evaluate the company's interaction with its stakeholder groups.
g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks

Partially Complies

All the functions mentioned are attributed to one or several of the board committees, whilst some have created ad hoc committees to support the competent Board committee, however this distribution has not yet been formally transferred to the internal rules governing the board and each of its committees.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy with regard to sustainability, the environment and social issues.
c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
e) The mechanisms for supervising non-financial risk, ethics and business conduct.
f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies

55, The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.
Complies

56,. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies

57,- Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long- term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies

58,- In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies

59,- A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies

60,- Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies

61,- A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Partially Complies

The Company's current remuneration policy was prepared by the Appointment and Remuneration Committee with the advice of an external expert, Spencer Stuart, in line with his recommendations as an expert and including the best international Corporate Governance practices, whilst the policy is also in line with the principles and foundations that should inspire the Viscofan Group's remuneration system, as approved by the Shareholders' General Meeting in 2013. Since then, the Board considers that there have been no significant variations to justify the introduction of major changes in the said policy. The variable remuneration of the executive directors, regardless of linkage to the awarding of shares or financial instruments whose value is linked to the share price, is based on a short term annual remuneration and a long term triennial remuneration, both of which are based on a combination of parameters that make it possible to provide incentives for the achievement of established results on an annual basis, and the success of the multi-year strategic plan, all in line with the shareholders' interests given the fact that, in both cases, the evolution of the share price is included amongst the parameters.

62,-Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Not Applicable

63,- Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Partially Complies

The remuneration policy is designed in such a way that the variable remuneration components are only paid to the executive directors once the payment requirements have been met. The external auditors and other external experts have confirmed compliance with this policy. Furthermore, the variable remunerations are limited in order to ensure that their amount is not significant in relation to the results they are linked to, in order to minimise risk.

64,-Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies

H. OTHER INFORMATION OF INTEREST

1,- If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2,- This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3.- The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

This annual report on corporate governance has been approved by the Company's Board of Directors on:

February 29th , 2015

List whether any Directors voted against or abstained from voting on the approval of this Report.

NO

Name or company name of director who has not voted in favour of the adoption of this report	Reasons (counter, abstention, no assistance)	Explain the reasons

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2015

VISCOFAN, S.A.

(Translated from the original in Spanish)

Building a better working world

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(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of VISCOFAN, S.A. for 2015

To the Directors,

At the request of the Board of VISCOFAN, S.A. (hereinafter the Company), and in accordance with our proposal dated October 22, 2015, we applied certain procedures to the accompanying "ICFR-related information" included in the 2015 Corporate Governance Report (pages 48 to 61) for VISCOFAN, S.A. and subsidiaries (hereinafter the Group), which summarizes the Group's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Group's internal control system as a far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Group's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Group's 2015 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

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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Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.

3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the the Audit Committee.

4. Compare the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.

5. Read the minutes of the Board Meetings, Audit Committees, and other Group committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.

6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the consolidated text of the Corporate Enterprises Act, and by Circular 7/2015 of the Spanish National Security Market, dated December 22, 2015, related to the description of the ICFR in the 2015 Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez

February 29, 2016