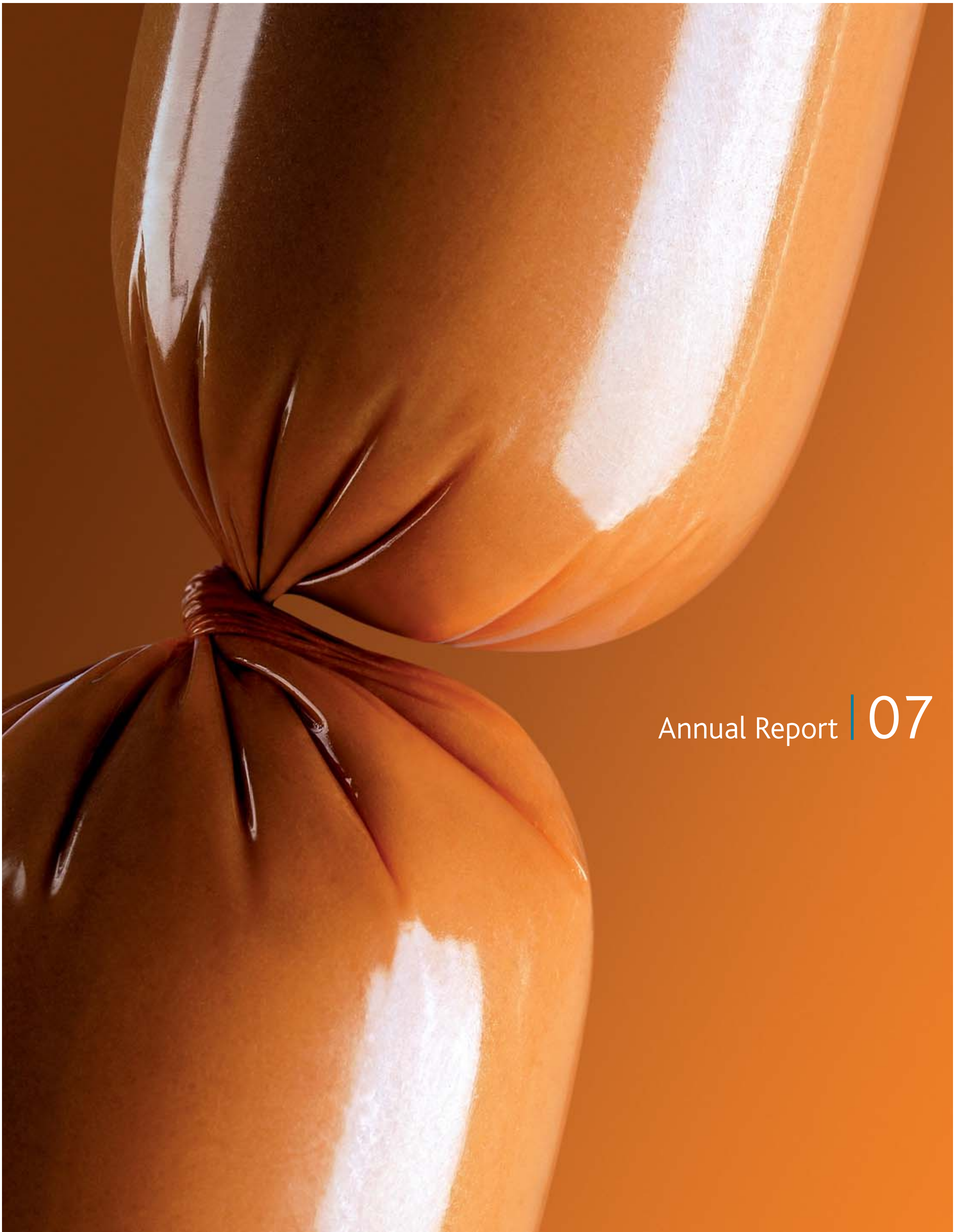


Viscofan

Annual Report | 07

Viscofan


Viscofan

Contents

Viscofan Today

THE WORLD LEADER

IN THE MANUFACTURE AND SALE
OF ARTIFICIAL CASINGS

Canned vegetables

IAN GROUP, LEADING SPANISH

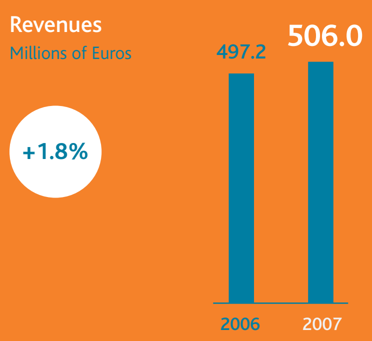
DISTRIBUTOR OF ASPARAGUS

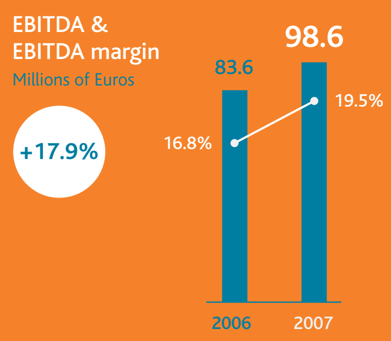
ONLY PRODUCER

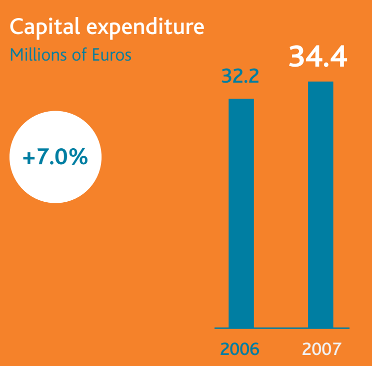
OF ALL TYPES OF ARTIFICIAL CASINGS:
CELLULOSE, COLLAGEN,
FIBROUS AND PLASTIC
USING PROPRIETARY TECHNOLOGY

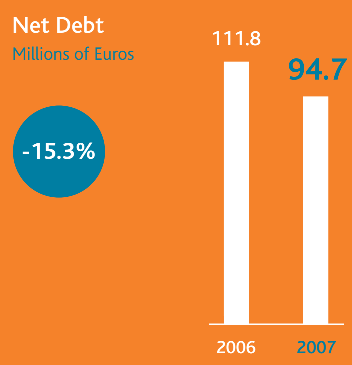
DISTRIBUTORS OF ARTIFICIAL CASINGS IN MORE THAN 100 COUNTRIES

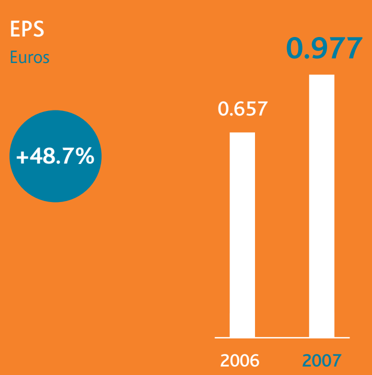
ACROSS 5 CONTINENTS

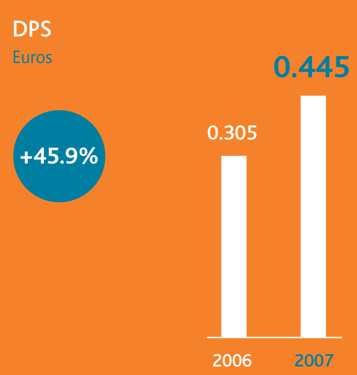

Revenues
Millions of Euros
+1.8%
497.2
506.0
2006
2007


EBITDA &
EBITDA margin
Millions of Euros
+17.9%
83.6
98.6
16.8%
19.5%
2006
2007


Capital expenditure
Millions of Euros
+7.0%
32.2
34.4
2006
2007


Net Debt
Millions of Euros
-15.3%
111.8
94.7
2006
2007


EPS
Euros
+48.7%
0.657
0.977
2006
2007


DPS
Euros
+45.9%
0.305
0.445
2006
2007

Letter from the Chairman

Dear Shareholder,

It gives me great pleasure to present Viscofan S.A.'s annual report for 2007, a year in which the Company has once again been characterised by its desire to excel and in which it has performed exceptionally, both financially and operationally.

In 2007, the Company achieved its best results ever, with growth in all the key financials. Revenues, EBITDA, EBIT and Net Profit grew by 1.8%, 17.9%, 29.8% and 47.5% respectively.

The efforts made over the last two years to consolidate and integrate the acquisitions made in 2005 and 2006 have led to a marked improvement in the Group's profitability and the Company's value creation, as confirmed by the fact that the €8.8 million revenue increase has contributed to a €14.9 million improvement in net profits.

The Company has maintained a solid financial position, with a year-on-year reduction in consolidated net debt of €17.1 million in 2007, and financial leverage of 32.0% as at December 31, 2007.

During 2007 Viscofan was able to adapt fully to the macroeconomic climate and was consequently able to achieve the objectives set at the start of the year.

Over the course of the year, the artificial casings market in certain parts of the world saw high growth in volume as a result of population growth, greater industrialisation of the so-called emerging economies of Eastern Europe, Latin America and Asia, and a gradual change in the eating habits of certain regions, primarily Asia.

This led Viscofan, as the only producer of all the families of artificial casings and the clear market leader, to redouble its efforts to achieve record levels of casing production to meet customer demand.

We have been able to achieve that objective thanks to increased productivity at all the Group's manufacturing plants. The transfer of manufacturing know how and the implementation of best manufacturing practice have enabled us to achieve significant and tangible results, with considerably higher productivity ratios and lower production costs in an inflationary climate affecting the main factors of production.

In the highly competitive artificial casings sector, Viscofan continues to prioritise added value through new products offering our customers specific solutions to their manufacturing requirements and by continuing the average price recovery process started in 2006 primarily for the cellulose and collagen casing sectors.

The canned vegetable business also performed well in 2007, with increased revenues and profitability generated by the focus on added value, which translated into a higher percentage of sales under the Carretilla brand name and the high level of innovation with the launch of new higher added value products.

The robust results achieved in 2007 are the consequence of a clear strategy to create value for our shareholders. Once the five strategic pillars have been established (Consolidation, Globalisation, Service, Efficiency and R+D+i), the Company intends to consolidate its position as world leader in the artificial casings market by setting ambitious targets for 2008: grow revenues at rates higher than world GDP, become the artificial casings supplier of choice, improve quality, efficiency and productivity and continue to be proactive in terms of innovation.

The efforts made by the entire Viscofan team, the scale achieved and the internationalisation of the Company mean that Viscofan is exceptionally well positioned to face the upcoming challenges of 2008, including the continuing depreciation of the US$ against the € and sharp increases in the price of the main commodities and energy worldwide. Despite these factors, the Company has already made headway in the opening months of 2008.

The company has repurchased 561,963 shares, representing 1.19% of the share capital, and a proposal to cancel these shares will be put to the forthcoming General Meeting of Shareholders. A further proposal has been submitted to pay shareholders €0.445 per share, up 45.9% on last year, including an interim dividend, a refund of the issue premium and a bonus for attending the General Meeting. The total estimated cost of payments stands at €28.9 million, 62.6% of net profits being allocated to shareholders.

This proposal means that Viscofan shareholders' remuneration will have increased for the third consecutive year.

The sound results and strong shareholder remuneration have been reflected in share price performance in 2007, where despite the volatility which characterised the markets in the second half of the year, mainly affecting small cap companies, Viscofan managed to close the year up (+1.3%) compared to the 5.4% fall of the Ibex Small Cap.

Viscofan is committed to preserving its leadership position on the casings market in the long-term. Not only does it have a unique strategic position in the sector, suitable technology and a sound financial position, but it also relies on the best-in-class professionals in the sector and the support of our shareholders, without whom Viscofan would not be enjoying the leadership position it currently holds. Therefore, I should like to thank you all once again for your contribution towards the company's successful value creation.

Jaime Echevarría Abona

Viscofan Worldwide

Viscofan is the world's leading producer and distributor of artificial casings for the meat industry. Viscofan operates casing manufacturing sites in Brazil, Czech Republic, Germany, Mexico, Serbia, Spain and United States, canneries working under IAN Group labels in Spain, and fifteen sales offices.

NORTH AMERICA
1,076 employees
Revenue: €157.6 million
Extrusion and converting of cellulose and fibrous casings
4 manufacturing sites
3 sales offices

EUROPE/ASIA
2,363 employees
Renevue: €201.3 million
Extrusion and converting of cellulose, collagen and plastic casings
5 manufacturing sites
9 sales offices

SOUTH AMERICA
428 employees
Revenue: €59.4 million
Extrusion and converting of cellulose and plastic casings
2 manufacturing sites
2 sales offices

IAN GROUP
261 employees
Revenue: €88 million
Production and sales of preserved vegetables
3 manufacturing sites
1 sales office.

Milestones of Company history

1975 — 1976 — 1977 — 1978 — 1979 — 1980 — 1981 — 1982 — 1983 — 1984 — 1985 — 1986 — 1987 — 1988 — 1989 — 1990 — 1991

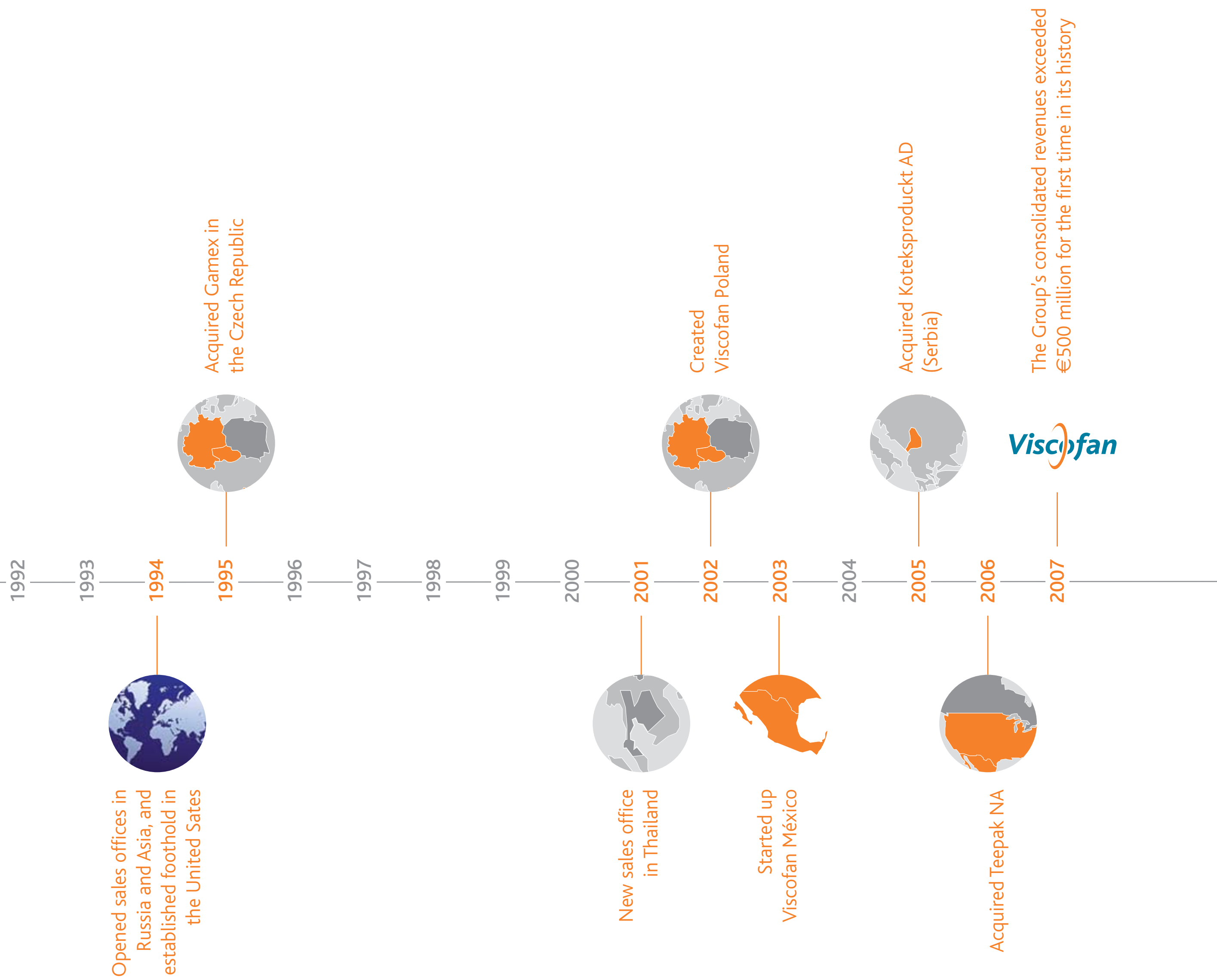
1975: Viscofan founded

1986: Viscofan listed on the stock exchage

1988: Viscofan acquired IAN Group

1990: Viscofan acquired Naturin GmbH (Germany)

1991: Incorporation of Viscofan do Brazil


1992
1993
1994
Opened sales offices in Russia and Asia, and established foothold in the United Sates
1995
Acquired Gamex in the Czech Republic
1996
1997
1998
1999
2000
2001
New sales office in Thailand
2002
Created Viscofan Poland
2003
Started up Viscofan México
2004
2005
Acquired Koteksprodukt AD (Serbia)
2006
Acquired Teepak NA
2007
The Group's consolidated revenues exceeded €500 million for the first time in its history

A wide range of solutions and products
A guide to Viscofan products

The products and finishes made by the Viscofan Group encompass a wide and varied range of solutions for each market and end-consumer application.
Viscofan is the only supplier in the world to make artificial casings for meat products in the four commercially available varieties: cellulose, collagen (small and large calibre), fibrous and plastic.

Cellulose casings

Cellulose casings are made from natural cellulose. They are used primarily in the manufacture of industrially cooked sausages (frankfurters, Vienna sausages, hot-dogs, etc.). The casing is generally used only as a cooking mould, and the manufacturer peels off the casing before sale to the end-consumer. Using a complex manufacturing process, the cellulose molecules are chemically and mechanically depolymerised and subsequently repolymerised in either cylindrical or tubular form, according to the customer's requirements.

Collagen casings

These casings use collagen as their raw material. Collagen is obtained from cow hides and processed using sophisticated technology so that it can be shaped into casings. Collagen casings are of two kinds: small calibre (e.g. fresh sausages, Bratwurst etc.) and large calibre (e.g. salami, Bierwurst etc.). The key difference lies in the thickness of the casing wall and the way the collagen is processed to withstand a given degree of stress when filled and holding in the weight of the meat.

Viscofan also uses collagen to make edible film wrap to encase various meat products (hams, roulades etc.).

Fibrous casings

Fibrous casings are cellulose casings reinforced with manila hemp, which makes for high strength and highly uniform calibre. Fibrous casings are primarily used for large sausages and slicing meats such as mortadella, ham and pepperoni.

Plastic casings

Plastic casings are made from a range of polymers. Viscofan makes a wide variety of plastic casings for different product applications. Viscofan's plastic casings offer highly effective barrier properties, mechanical strength, thermal shrinkage, peeling, slicing and heat resistance.

Preserved foods

Preserved vegetables

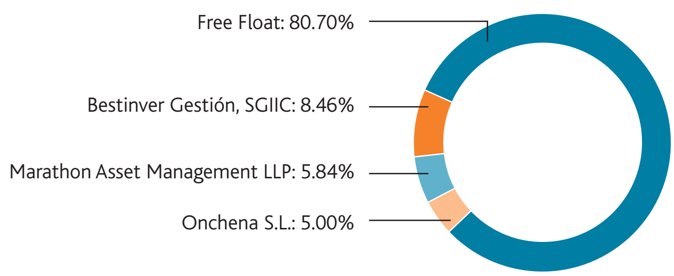
Through the IAN Group, Viscofan distributes a wide range of preserved vegetables, including asparagus, pulses, peppers, tomato sauce, olives and more. It also markets tomato-based sauces, vegetable-based ready cooked meals and salads.

The purpose of the code of ethics of the governing bodies is to make the company's structure and business goals compatible with the protection of shareholders' interests.

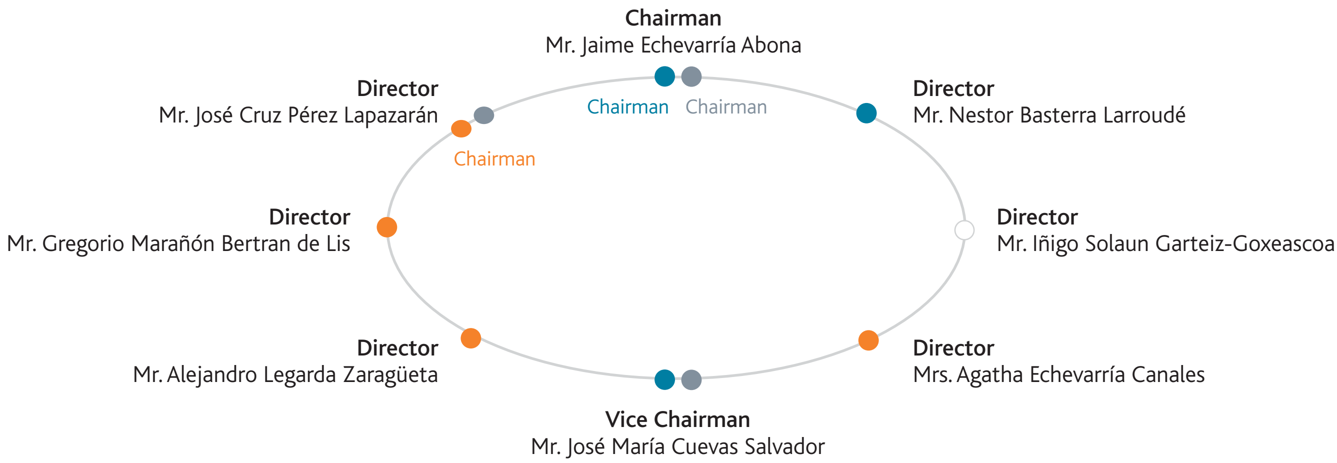
Group Structure

Group Structure

Significant shareholdings



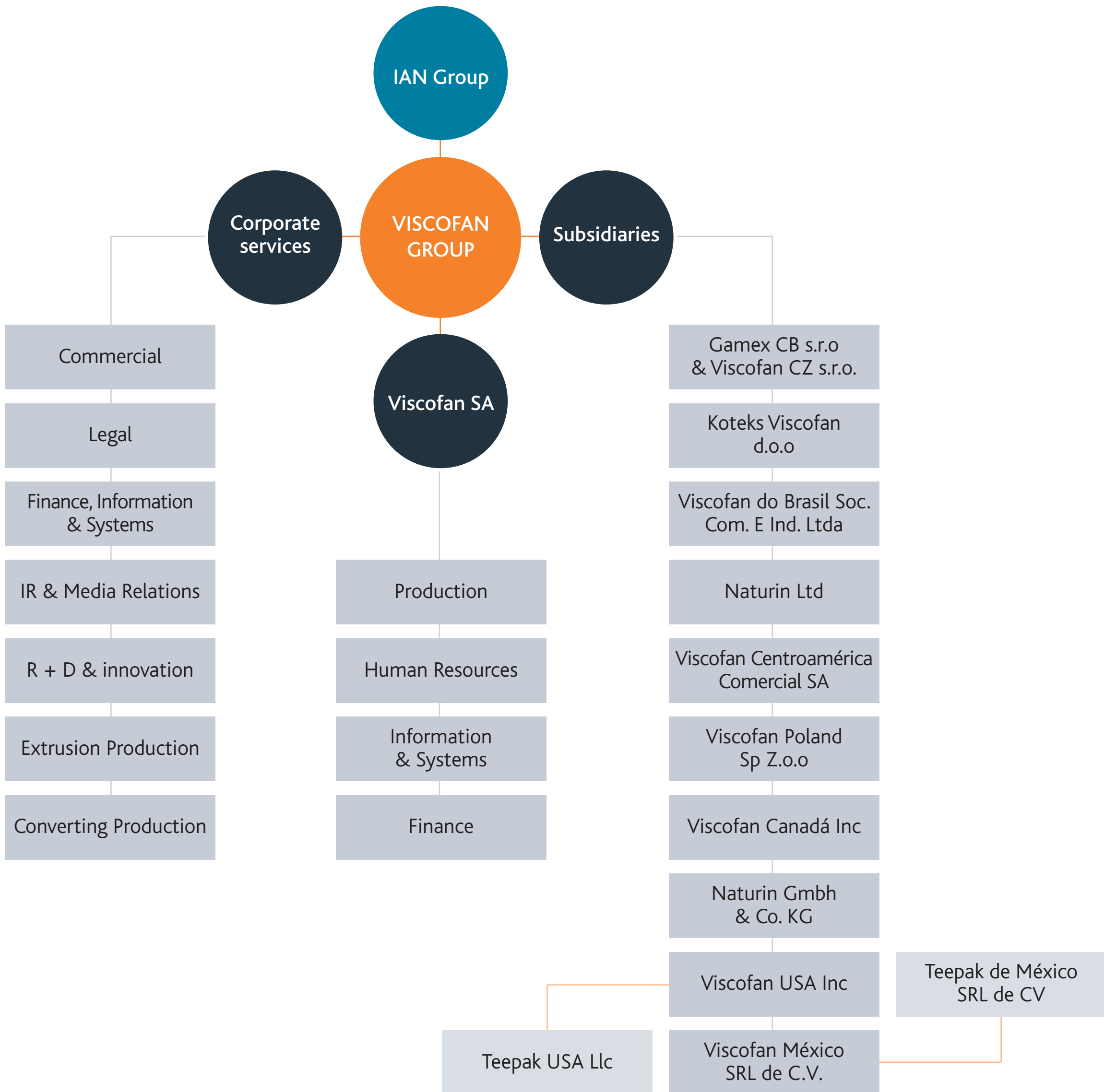
Board of Directors



Secretary (non-voting): Mr. Juan María Zuza Lanz

Executive Committee   Audit Committee   Appointments and Remuneration Committee

Organisational chart of the Viscofan Group



Viscofan is the world’s leading supplier of artificial casings, not only from a commercial viewpoint but also in terms of its manufacturing presence.

Corporate strategy

Strategic pillars

THE MISSION

To meet the artificial casing needs of the worldwide food industry, generating value for our stakeholders.

Strategic Pillars

- Consolidation
- Globalisation
- Service
- Efficiency
- R+D+i

Goals for 2008

- Growth at rates higher than world GDP
- Supplier of choice for artificial casings
- Improving quality, efficiency and manufacturing speed
- Proactive innovation

VALUES:
TEAM WORK, DYNAMISM, FOCUS ON RESULTS, INNOVATION AND PROFESSIONAL ETHICS

Corporate strategy: Value creation

The market in artificial casings continues to display healthy growth, worldwide sausage consumption continues to increase and meat processors are seeking ever higher levels of quality and productivity and more sophisticated casings, better suited to the specific and distinguishing characteristics of their products. Meanwhile, diversification into new applications is continuing, with poultry, fish and even vegetable sausages.

This trend is accompanied by a developing market for artificial casings in emerging countries, where populations, growing at higher rates than in developed countries, are changing their eating habits as a result of globalisation and economic development in those regions, and incorporating sausages and other processed meats into their normal diets.

Furthermore, meat product manufacturers in emerging economies have turned away from very small-scale domestic enterprises towards larger scale enterprises, and producers are benefiting from improved health and safety, productivity and versatility with the use of artificial casings.

Factors such as these are behind the increased market penetration of artificial casings worldwide, where growth in terms of volume continues to be solid and prospects for further growth remain good, given that the natural casings market doubles the size of the collagen market.

Viscofan is clearly aiming to lead the artificial casings sector and it has established a strategy to reinforce its position which, following the acquisition of one of the major cellulose and fibrous casings producers in 2006, now means strengthening the Company organically while keeping its spirit intact: enhancing profitability and optimising cash generation.

This strategy rests on five core concepts: Consolidation, Globalisation, Service, Efficiency and R+D+i.

These five concepts underscore the Viscofan Group's main objectives for 2008 - growth at rates higher than world GDP, improving customer service, specific projects to extend the range of services, provision of an excellent technical service - so that when they are combined with improved manufacturing practices, the Viscofan Group will again achieve solid results in a very complex and competitive macroeconomic climate.

Consolidation

From the very beginning, Viscofan has driven its growth both organically and through acquisitions so as to strengthen its market position and become the world leader in artificial casings.

The Group's latest acquisitions in 2005 and 2006 involving the cellulose, fibrous and collagen casings sectors, are in line with this principle.

During 2006 and 2007 huge efforts were made to integrate the companies acquired and consolidate them into the Viscofan Group in order to obtain synergies. This involved a significant reduction in employee numbers to tailor the size of the workforce to the scale and productivity of the Group, while work continued to integrate the manufacturing, commercial and administrative practices of the undertakings acquired into those of the Group.

The acquisition of these companies resulted in a positive contribution to the Group's performance, in particular in the case of Teepak, where positive net contributions were made in 2007. These acquisitions signal Viscofan's forward-thinking as regards opportunities for consolidation of the artificial casings sector to create higher value for shareholders.

Globalisation

Viscofan is the world's leading supplier of artificial casings from a commercial viewpoint, with presence in more than 100 countries worldwide and on all five inhabited continents, but also in terms of manufacturing presence, with plants in Spain, Germany, the Czech Republic, Serbia, the United States, Mexico and Brazil.

The presence of the Viscofan Group is further enhanced through having its own commercial offices on strategic markets such as the United Kingdom, Russia, Poland, Costa Rica, Thailand and China, thus providing greater proximity to customers so as to be able to offer better solutions and anticipate market trends.

The management focus of the Viscofan Group has shifted since 2006. The Company aims to exploit its global scale with a new, more centralised management model, to align with its strategic goals by making use of the advantages of a more local presence that comes closer to end-customers.

From the very beginning, Viscofan has driven its growth both organically and through acquisitions so as to strengthen its market position and become the world leader in artificial casings.

A mark of our new focus was the launch of a new corporate logo in 2007, combining the trade marks under which the Group has been operating and offering a more modern, fresh and dynamic image.

Our focus on the customer has led to the relocation of manufacturing and marketing by geographical area so as to improve market response times whilst reducing the cost of logistics and achieving more natural coverage among the Group's various operating currencies. Thus, the United States will provide services in the North America region; Mexico will serve its domestic market and the other Countries of Central America, whereas Brazil will be the key producer and distributor in the South American market.

This new management model has driven the Viscofan Group to upgrade its IT and communication systems.

As part of this restructuring, Viscofan is implementing stringent quality standards to ensure product consistency regardless of site of manufacture, thus enabling full interchangeability of products manufactured at different Group facilities.

Service

Market leadership means meeting the needs of our customers and exceeding their expectations.

Viscofan places the customer at the core of its operating decisions. The Company prioritises quality in its products so as to provide our customers with higher productivity, offering them the product best suited to their own production specifications and providing specialist technical support via our network of specifically dedicated professionals.

The artificial casings sector is a fiercely competitive market and prices have been hard hit over recent years in two of its main segments: cellulose and collagen, where average prices have declined sharply and the profits of all competitors have been adversely affected.

Since 2006, Viscofan has been attempting to bring about a change in market trends, applying a more disciplined pricing policy, consistent with the value our products provide. This will enable companies in the sector to continue to be profitable in an environment of rising unit prices for raw materials and increased energy costs.

Efficiency

In an economic environment which is driving direct manufacturing unit prices higher, Viscofan continues to adhere to its efficiency improvement objectives as it has been doing over recent years.

The Group intends to improve productivity and exploit the high level of skills existing at the various manufacturing plants.

It has therefore set in motion specific automated production plans, essentially in Germany and Spain, while it continues to introduce best manufacturing practices based on technology transfer between facilities and sharing of know how. Finally, continued technological improvements are required primarily in the manufacture of fibrous casings in the United States and in plastics technology in the Czech Republic and Brazil, transferred from Germany in 2006.

The Group has also been establishing itself in new regions offering more competitive costs, while suitable production management has brought about the present balance between capacity and market demand. As these regions become more efficient, the Group's manufacturing capacity will increase in areas where manufacturing costs are more competitive. This will have a direct impact on operating margins.

A clear example of the Viscofan Group's quest for efficiency is the first phase of the extension of the co-generation plant in Spain, where we intend to increase our energy production capacity with two new 8.3 megawatt engines, enabling us to cover most of our energy requirements in Spain while reducing CO_2 emissions and permitting us to sell any excess electricity to the grid, directly offsetting electricity price rises.

R+D+i

The artificial casings market is a highly complex market in which the Viscofan Group has achieved a clear competitive advantage thanks to its unique technology which affords its products a high degree of technological sophistication.

The Viscofan group's R+D+i activities therefore form part of the strategic pillars for value creation via the development of products, improved production technology, technology sharing and diversification.

The Group's R+D+i activities are coordinated from the head office and in 2007, specific specialist R+D+i centres, by family, were set up to focus technological know how at the most developed sites and facilitate project spin off.

Viscofan achieves new net profit record with €46.2 million profit for the period, 47.5% up on that achieved over 2006, with recurrent consolidated EBITDA growing by 27.3% to €99.8 million.

Business performance

2007 highlights

January

Interim dividend paid out of the profits for 2006, agreed by the Company's Board of Directors, in the sum of €0.140 per share, gross.

Viscofan Canada Inc. created.

February

The first phase of the extension of the co-generation plant in Cáseda (Spain) gets underway.

Publication of results for 2006.

March

IAN launches its new range of 'Pic-Nic Carretilla' salad, along with four new recipes, completing the range of Carretilla fresh vegetable meals.

April

Publication of results for the first quarter of 2007.

May

Launch of the new Viscofan trade mark.

The Viscofan Group takes part in the IFFA International Food Fair in Frankfurt.

June

The General Meeting of Shareholders is held.

The Company refunds part of the issue premium in the sum of €0.160 per share.

July

Publication of results for the first half of 2007.

August

September

IAN launches new chilled vegetable dishes, the Carretilla range of vegetable garnishes, the home-cooked vegetable bowl range and the Tumacas Carretilla range.

October

Implementation of the agreement reached at the Company's General Meeting to cancel 662,964 Viscofan treasury shares, thus reducing the share capital accordingly.

The share capital remaining after the reduction is €14,189,052.60 represented by 47,296,842 shares with a par value of €0.30 per share.

Publication of results for the third quarter of 2007.

November

Research and Development agreement for collagen applications with the University of Tubingen, Germany.

December

IAN joins Fundación Española de la Nutrición (FEN) [Spanish Nutrition Foundation] and obtains Integrated Environmental Authorisation.

Launch of shirred collagen film (COFFI)

Collagen printer in the Czech Republic.

2007 Financial Results

Highlights of January-December 2007 Results

- Viscofan achieves new Net profit record, with €46.2 million profit for the period, 47.5% up on that achieved over 2006.
- Recurrent consolidated EBITDA grows by 27.3% to €99.8 million thanks to contributions from casings and preserved vegetables, both containing cost despite the inflationary context.
- Recurrent EBITDA margin expands by 4.0 percentage points to 19.7% (20% in Q407).
- Casing EBITDA margin stands above 20% for fifth quarter running.
- Consolidated revenues amounts to €506.0 million, up 1.8% on 2006.
- Group meets guidance for major full-year 2007 financial targets regarding EBITDA, EBIT and above estimated Net profit for the period, despite worse than expected depreciation in USD/EUR exchange rate.

Consolidated Group Results for 2007

The Group has maintained an intense activity during 2007, with many different projects, which incluye among others: operational integration of the companies acquired in 2006, regionalization of production and distribution for cellulose casings, the increase of the non-edible collagen output capacity in Serbia, productivity improvement plans in all the facilities, thanks to technology and best-practices transfer, and the first steps for the increasing of the co-generation plant in Spain.

In this operative context, with a macroeconomic environment characterized by the continue weakness of the US$ against the Euro, and the increase in raw material and energy prices, the Viscofan Group has showed a solid strength based on its differentiated competitive advantages, the support of its human team, who has showed its ability to adapt to very dynamic and competitive environments, beating once again the market expectations.

The Group's consolidated revenues exceeded €500 million for the first time in its history, equalling €506 million (up 1.8% on 2006).

Worthy of note is the large growth at the canned vegetables division, with revenue advancing by 8.5% on the previous year. This is in addition to casings, where year-on-year sales growth was able to curb the effect of the US dollar's considerable depreciation against the euro in the year (9.1% vs. 2006), particularly in the fourth quarter when the dollar reached record lows against the euro.

At constant exchange rate[1], the Group's consolidated revenue would have grown by 3.9%.

In 2007, the Viscofan Group reached a new record in production, while being able to reduce the consumption[2] against the previous year thanks to production efficiency improvements and savings from the new scale obtained with the most recent acquisitions in 2006. Accordingly, at €148.0 million, the consumption[2] declined by 3.4% year-on-year.

The personnel expenses were €130.1 million, up 1.5% on the previous year. Excluding 2006's and 2007's non-recurrent items relating to staff restructuring indemnities and the effect of cancelling post-retirement benefits in the US, the employee benefits expense declined by €6.9 million, or 5.1%, against 2006.

It is worth highlighting that the last quarter of the year saw €1.2 million in non-recurrent items relating to staff restructuring, broken down into larger non-recurrent personnel indemnities in Germany, Serbia and Spain (-€2.1 million) and lower personnel expenses in the US (+€0.8 million), due to the cancellation of certain post-retirement benefit commitments.

In 2007, the process of consolidating assets acquired in 2006 continued, which together with the pursuit of process automation, productivity and efficiency enabled the workforce to be reduced by 83 people, or 2% of the Group's staff overall.

There was also a tight control on other operating expenses, which decreased by 1.1% year-on-year, to €134.3million.

Cumulative EBITDA in 2007 grew by 17.9% on the previous year to €98.6 million, driven by solid revenues and the firm cost controls resulting from efficiency improvements. At constant exchange rate1, 2007's EBITDA increased by 18.9% year-on-year.

Excluding non-recurrent items, cumulative EBITDA was €99.8 million, having expanded by 27.3% year-on-year, in line with the upgraded guidance announced in July 2007.

The EBITDA margin widened for the fourth consecutive year to 19.5% (+2.7 p.p. vs. 2006). This benefited from EBITDA margin improvements in both casings (+3.1 p.p. against 2006) and canned vegetables (+1.2 p.p. on 2006).

[1] For comparison purposes, constant exchange rates effect excludes the impact of the different exchange rates used in the consolidated accounts in 2007 and 2006.
[2] Consumption = variation in stock + net purchases

Consolidated revenues €506MM

The year's cumulative depreciation and amortisation was €38.1 million, against €37.0 million the previous year, having edged up by just 2.8% thanks to the recent years' moderation in investment. Capex for 2007 was €34.5 million, or 1.8% in relation to that of 2006 and still below the cumulative depreciation and amortisation.

EBITDA growth fed through into the EBIT line, which surged by 29.8% in 2007 to €60.5 million. Excluding non-recurrent items, furthermore, EBIT was more than €61.7 million (+49.2% in comparison with 2006's recurrent EBIT).

The negative net financial result was 33.6% less than the previous year, totalling -€5.3 million. This was mainly on the back of a sharp fall in expenses owing to net exchange differences and the lower gross finance cost from smaller average net debt, and as a consequence of lower finance cost due to the positive effect of the US dollar's depreciation in the debt that is denominated in this currency.

Net debt on 31 December 2007 totalled €94.7 million, having decreased by €17.1 million in the year to reach gearing of 32.0%, or 9.7 p.p. less than the previous year-end, even after the strong increase in shareholder remuneration implemented in 2007.

Cumulative pre-tax earnings rose by 20.2% year-on-year to €55.2 million, even after taking into account the positive result of €7.3 million accounted in 2006 as a consequence of the difference arised between the value of the assets acquired to Teepak in North America and its cost of acquisition.

In last quarter 2007, the tax rates in various countries where Group subsidiaries operate were reduced. The new rates resulted in reductions to deferred taxes leading to a lower income tax. The decreased tax charge, together with use of the tax credit in North America from the acquisition of Teepak USA, considerably decreased the Group's tax rate, to a cumulative total of 16.3% for the year, against 2006's 31.8%.

The year's excellent operating results together with smaller tax charges were reflected in new record profits for Viscofan of €46.2 million, or a 47.5% improvement on 2006. Excluding non recurrent items, Net profit was €44.1 million (+70.5% against 2006), so comfortably beating July's upwardly revised financial target.

Casings

In 2007, the artificial casing market continued to expand steadily, supported by an increasing global demand, especially from emerging economies. Accordingly, artificial casing keeps taking share against natural gut in Asia, Eastern Europe and Latin America, regions where the Viscofan Group continues to enjoy a solid presence.

In this setting, the Company remains leader in the artificial casing market with a clear focus on value, continuing its policy of recovering average prices in both cellulose and collagen. This partly compensated the US dollar's sharp depreciation against the euro and larger raw material and energy prices.

Revenues were 0.5% more than the previous year, at €418.1 million, or 3.0% more at constant exchange rate[3]. In Q407, revenue was 3.1% less than the previous year, at €102.6 million, affected by the US dollar's significant depreciation against the euro in the quarter, and lower collagen sales in China due to the commercial aggressiveness in this market.

Regarding revenues by geographic area[4], it is worth noting:

- Revenues in Europe and Asia of €201.1 million, having expanded by 4.9% on the previous year.
- €157.6 million in sales from North America, or 10.3% less than in 2006, due in particular to the large depreciation of the US dollar against the euro and the transfer of some sales volumes to the Group's other geographical areas as a consequence of the regional distribution structure introduced by Viscofan in 2007.
- In Latin America, revenues came to more than €59.4 million, some 21.9% more than 2006's €48.7 million.

Increased commercial activity in 2007 has been supported by greater production, which fuelled historical output records at various production centres. Despite this higher production activity and higher raw material prices, the Viscofan Group again improved its overall production efficiency, enabling a consumption[5] of €95.4 million, or a 9.0% decline on the previous year.

Higher production activity leaded to achieve a consumption level of €23.8 million in Q407, or +2.9% against Q406's €23.2 million. This was due to the last quarter of the year's price increases in certain raw materials, mainly glycerine.

[3] See note 1
[4] Revenues per origin of sales
[5] See note 2

The increased integration of Teepak into the Viscofan Group combined with efficiency and automation improvements enabled the restructuring process being implemented by the Group to continue. In this context the net departure of 84 employees was agreed, mainly in the US, Germany, Mexico and the Czech Republic.

In cumulative terms the personnel expenses equalled €120.9 million, or barely 1.0% more than 2006's figure. This was influenced by 2006's recognition of smaller non-recurrent personnel expenses for the cancellation of post-retirement benefits at Teepak and 2007's greater non-recurrent expenses for indemnities of €2.1 million in Germany, Serbia and Spain. In addition, Q407 saw the cancellation of certain post-retirement benefits in the US with an €0.8 million positive impact. Excluding these non-recurrent items, the cumulative employee benefits expense would have decreased by 6.1% year-on-year.

Meanwhile, the cost-control policy fed through into a 2.1% year-on-year reduction in other operating expenses, despite the greater expenses incurred in the further integration and upgrade of the Viscofan Group's IT systems.

The solidity of revenues and a firm grip on operating expenses were reflected in the casing business's record EBITDA, having increased by 17.2% against 2006, to €91.4 million. On a comparable basis, cumulative recurrent EBITDA expanded by 27.7% year-on-year, to €92.6 million. At constant exchange rate, EBITDA improved by 18.3% against 2006.

Accordingly, Q407's EBITDA margin was for yet another quarter in excess of 20%, at 21.3%. This enabled 2007's cumulative EBITDA margin to reach 21.9%, or 3.1 p.p. more than 2006's figure and far ahead of recent years' levels.

Depreciation and amortisation equalled €35.1 million, or 2.3% more than 2006's €34.3 million, due to a satisfactory combination of maintenance and investments carried out in recent years, allowing Viscofan to continue improving production capacity while reducing long-term investment requirements.

Cumulative EBIT of €56.3 million was 28.9% more than in 2006, benefiting from improved operating results and stability in depreciation and amortisation.

The income tax in the casing business benefited from tax rate reductions in the countries where most tax is paid (mainly in Germany) and the use of Teepak USA's tax credit.

Thanks to the business's operating strength and smaller income tax, net profit for the period reached a new record of €43.7 million, some 46.0% more than in 2006. For the last quarter, meanwhile, net profit for the period was more than €13.4 million (+37.9% compared with Q406). Recurrent net profit for the period equalled €41.9 million (+72.6% vs. 2006), way ahead of levels recorded throughout the Viscofan Group's 32-year history.

Preserved Vegetables

Revenue growth of 8.5% in the canned vegetable business comfortably outperformed levels in the market overall, to reach €88.0 million. The solid year-on-year growth was thanks to increased sales of asparagus and, to a lesser extent, olive exports.

The IAN group's asparagus market leadership, supported by that of the Carretilla brand, is reflected in a market share 4.4 times above that of its closest competitor. Of particular importance was healthy asparagus sales performance in the Christmas period, enabling 8.8% revenue growth in Q407 against the same period in 2006, to more than €23.0 million.

2007 was marked by a shortage of white asparagus worldwide, feeding through into a sharp increase in raw material costs that was more acute in the second half-year and, however, that was passed on in sale prices.

As a consequence of to the Company's strategy, the diversification policy continued in 2007, seeing the launch of new value-added products under the Carretilla brand that should help boost the operating margin in the medium term.

Revenue strength combined with the cost controls implemented, despite increased raw material costs, fed through into large improvements in full-year cumulative EBITDA, which at €7.2 million was 27.5% more than 2006's figure.

This EBITDA growth resulted in a 1.2 p.p. expansion in the cumulative EBITDA margin to 8.1%. For the last quarter, the Christmas period's healthy results boosted the EBITDA margin by 1.0 p.p. compared with Q406.

Despite the increase in depreciation and amortisation (+9.9% against 2006), the expansion in EBITDA left a 43.6% year-on-year increase on the EBIT line, to €4.2 million.

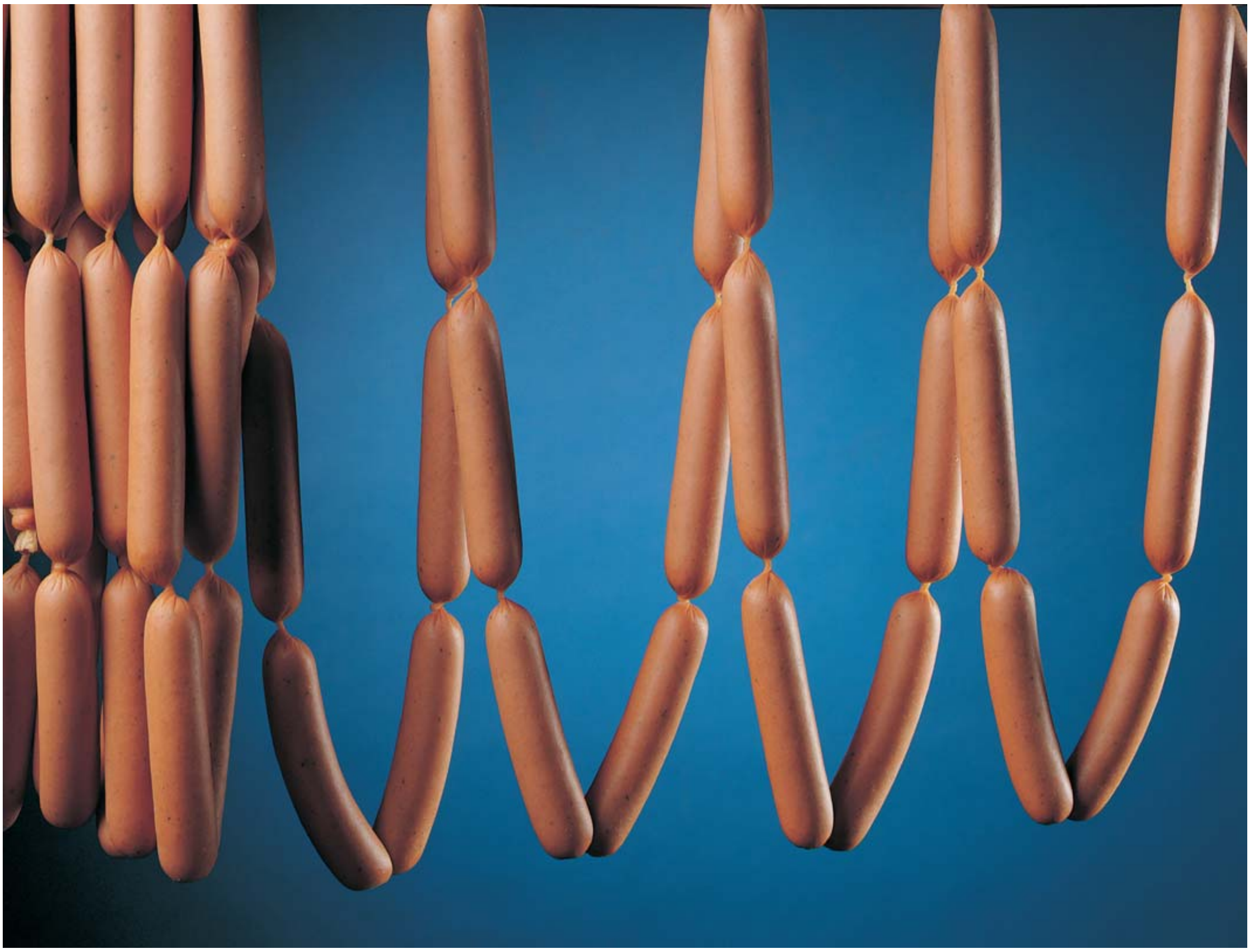
In all, EBIT growth, smaller finance costs and a reduction in Spain's tax rate all fed through into net profit for the period that was almost double (+82.3%) 2006's figure.

Key financial figures

	2007	2006	2005	07/06 Diff.	CAGR 2005-07
Millions of Euros					
Revenue	506.0	497.2	374.7	1.8%	10.5%
EBITDA	98.6	83.6	57.4	17.9%	19.7%
% EBITDA margin	19.5	16.8	15.3	2.7 p.p.	4.2 pp
EBIT	60.5	46.6	26.7	29.8%	31.3%
% EBIT margin	12.0	9.4	7.1	2.6 p.p.	4.8 pp
Adjusted EBIT	60.5	53.9	26.7	12.2%	31.3%
Profit before taxes	55.2	45.9	24.4	20.2%	31.3%
Net profit attributable to equity holders	46.2	31.3	19.7	47.5%	32.8%
Capital expenditure	34.4	32.2	32.3	7.0%	2.2%
Shareholders´ equity	295.8	268.1	251.8	10.3%	5.5%
Net debt	94.7	111.8	78.1	-15.3%	6.6%
Market capitalisation at year-end	684.9	685.4	445.1	-0.1%	15.4%
Average headcount	4,120	4,438	3.346	-7.2%	7.2%
Net debt/equity (%)	32.0	41.7	31.0	-9.7 pp	1.0 pp
ROE (%)	15.6	11.7	7.8	3.9 pp	7.8 pp
Euros					
Year-end share price	14.5	14.3	9.3	1.3%	16.0%
Earnings per share	0.977	0.657	0.410	48.7%	33.6%
Dividend per share (*)	0.445	0.305	0.193	45.9%	32.1%

(*) Includes interim dividend, refund of issue premium and bonus for attending the General Meeting

Viscofan Group met guidance for major full-year 2007 financial targets regarding EBITDA, EBIT and above estimated net profit for the period, despite worse than expected depreciation in USD/EUR exchange rate.



The company’s commitment to quality takes the form of our mandatory processes involving stringent working practices that are audited both internally and externally.

Corporate Responsibility

Good governance practices

The ‘Código de Buen Gobierno Corporativo’ (Code of Good Corporate Governance) is the code of ethics of the governing bodies of listed companies. Its main purpose is to make a company’s structure and business goals compatible with the protection of shareholders’ interests.

The Annual Corporate Governance Report ensures that the Code is complied with and regularly reviewed.

The key features of the Code of Good Corporate Governance are contained in its recommendations, which as the name indicates, are non-binding guidelines to help companies implement good governance practices.

Viscofan views good corporate governance as highly important. When the Code was published, the Company started a process of review and ongoing improvement of its corporate governance. Accordingly, though non-binding, Viscofan has adopted most of the Code’s recommendations, and states its reasons in any instances where it departs from the Code.

At its meeting of 8 January 2008, Viscofan’s Board of Directors proceeded to adapt its internal rules, established at its meeting of 30 March 1999 and subsequently amended at its meeting of 23 February 2004, in order to comply with the recommendations contained in the Report of the Special Working Group on Good Governance of Listed Companies, known as the Unified Conthe Code.

For the same purpose as the Code of Good Corporate Governance, and following similar principles, Viscofan has introduced internal rules in its various governing bodies.

Corporate governance at the Viscofan Group, therefore, is subject to applicable laws and regulations and, furthermore, to the following internal rules:

- Articles of Association: These are the basic rules governing the Company and all its bodies. The articles set out the main features and operating principles of the General Meeting, the Board of Directors, the Executive Committee and the Audit Committee.
- Rules and Regulations of the General Meeting: This text lays down the rules governing the General Meeting to ensure transparency and safeguard shareholders’ rights and their access to Company information. The rules stipulate the formalities of calling, attending and recording General Meetings and of access to prior information by shareholders.

- Rules and Regulations of the Board of Directors: This text was approved by the Board of Directors on 30 March 1999 and amended on 23 February 2004. The operating rules were subsequently adapted on 8 January 2008 to meet the requirements of the Unified Code. The amendments made consist primarily of improved definition of the exclusive powers of the Board, better regulation of the Audit and Appointments and Remuneration Committees, implementation of an assessment mechanism for the Board and Committee and additional information in relation to the remuneration of Directors. The Rules contain measures that help ensure the Company is properly run, by setting down the principles of action of the Board of Directors and its organisational and operating requirements, the standards of conduct of Directors and the overarching principles that should guide their decisions. It also governs committees existing within the Board of Directors, the organisational and operational rules and their tasks and powers.
- Internal Code of Conduct on Matters Relating to the Securities Market: The Internal Code of Conduct on Matters Relating to the Securities market was approved by the General Meeting on 24 July 2003 and subsequently amended on 14 June 2004. This Code lays down rules of conduct to ensure that the institutional and personal acts of the Company Directors and employees strictly comply with current laws and regulations on transparency in the markets and to protect investors' interests.

All these internal rules are available to shareholders and the general public on the Company's website (www.viscofan.com), on the CNMV (Spanish securities market regulator) website, and from the Registro Mercantil de Navarra (Register of Companies of Navarre), where the Company is registered.

Shareholders and the General Meeting

The General Meeting of Shareholders is the supreme governing body of the Company in which shareholders decide by a majority vote on the affairs within the scope of their authority.

There are no limitations under the Company's articles on the exercise of voting rights. The requirement of holding at least 1,500 shares for entitlement to attend a General Meeting does not preclude or limit voting rights; votes can be pooled and votes can be cast by proxy or by the remote means the Company makes available to shareholders.

In 2007 Viscofan continued to take steps to facilitate transparency, fluid communications and shareholder involvement with the Company, especially through the General Meeting called annually as both an ordinary and extraordinary session, to deal with the Company's most important affairs.

Therefore, for the fifth year running, the Company will pay out an attendance bonus of €0.005 per share to shares present in person or by proxy at the General Meeting who provide due proof of such presence or proxy.

For the same reason, since 2005, the Company gives shareholders the option of voting or granting proxies electronically.

To facilitate shareholder involvement, the Company has put in place mechanisms whereby shareholders can request that a General Meeting be called, or once a meeting is called, request a supplement to the Notice of Meeting. Shareholders' rights to information are wholly guaranteed by the Company's internal rules. Full documentation relating to General Meetings is available as from the publication of the Notice of Meeting at the registered office and on the Company's website.

As a result of these measures, the last General Meeting held on 18 June 2007 was attended by 72.49% of capital, 3.84% more than the prior General Meeting held on 22 May 2006. Of this percentage, 2.81% attended in person and 56.77 by proxy, 12.891% by postal ballot and 0.004% electronically. These figures firmly establish a high rate of shareholder involvement in Viscofan General Meetings over recent years, above the average for listed companies.

Finally, shareholders have been provided with a dedicated e-mail address:info_inv@viscofan.com, and a dedicated customer service number: +34 948 198 436. The Company also has a team of people to keep shareholders informed and to cater to their requests and needs.

Board of Directors

The Board of Directors is the body in charge of representing and managing the Company. Its main role is to guide the Company's overall strategy and policies.

The Board is exclusively responsible for matters such as the appointment and pay of senior executives, monitoring the management of the Company, risk control and setting policy on reporting information to shareholders and markets.

To perform the functions to the required standards of diligence, the Board holds regular meetings. In 2007, the Board met 12 times.

The Board of Directors is the body in charge of representing and managing the Company. In support of its functions the Boards has created three committees: Executive Committee, Audit Committee and Appointments and Remuneration Committee.

The Company's articles place no restrictions on the appointment of Directors by the General Meeting or on reappointment for successive terms.

As indicated in the Annual Report on Corporate Governance, the profile of the Directors has been published, a report on remuneration with separate data for each Director is prepared, the remuneration policy is submitted to the General Meeting of Shareholders for a consultative vote while the Rules and Regulations of the Board of Directors establishes a process of internal assessment.

Board Committees

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

Executive Committee

The Executive Committee comprises three Directors and is entrusted with all the decision-making powers of the Board, except those which cannot be delegated, and the sale, exchange and encumbrance of real property and industrial facilities. The Executive Committee, which met on 10 occasions in 2007, must in timely fashion report to the Board on its discussions and resolutions.

Audit Committee

When the Rules and Regulations of the Board of Directors were last amended, the regulation of the duties of the Audit Committee was also tightened. The Audit Committee is made up of three independent Directors and one external Director. The role of the Audit Committee is to report to the General Meeting on matters within its remit, appoint and carry on relations with outside auditors, oversee internal audit procedures and appraise the Company's financial reporting and risk control systems. The Audit Committee met 8 times in 2007.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprises three Directors, one of whom is an executive Director and the other two, independent Directors. Its role is to propose the appointment of independent Directors and report on the remaining Directors. It also proposes the Directors' and executive Directors' remuneration policy. The Appointments and Remuneration Committee met twice in 2007.

Board membership

Pursuant to the Company's articles, the Board must comprise up to nine and not less than three Directors.

The Rules and Regulations of the Board stipulate that there must be a reasonable number of independent Directors, and that a majority of Directors must be non-executive. The Board comprises eight Directors, one of whom, the Chairman, is an executive Director, six are independent (75%) and one is non-executive. The current composition of the Board complies with current good corporate governance guidelines.

The Secretary to the Board is not a Director.

Directors' pay

The articles of association of Viscofan S.A. approved by the General Meeting, lay down that Directors' pay is 1.5% of net pre-tax earnings, to be apportioned to Directors as decided by the Board. The remuneration of the Executive Committee is likewise 1.5% of net pre-tax earnings, to be distributed among members as decided by the Committee. In both cases, in previous years, pay has been apportioned in equal shares among Directors and Committee members respectively. The Chairman of the Board is not paid for his position as an executive Director. The remaining Board Committees are not paid.

Euros

	Executive Committee	Board	Audit Committee	Per diems	Boards of other Group companies	**Total**
Mr. Jaime Echevarría Abona	166,983	62,619	-	10,800	148,305	**388,707**
Mr. José María Cuevas Salvador	166,983	62,619	-	10,800	-	**240,402**
Mr. Nestor Basterra Larroudé	166,983	62,619	-	10,800	74,580	**314,982**
Mr. Iñigo Soláun Garteiz-Goxeascoa	-	62,619	-	10,800	-	**73,419**
Mrs. Agatha Echevarría Canales	-	62,619	11,600	10,800	-	**85,019**
Mr. José Cruz Pérez Lapazarán	-	62,618	11,600	10,800	-	**85,018**
Mr. Gregorio Marañón Bertrán de Lis	-	62,618	11,600	8,800	-	**83,018**
Mr. Alejandro Legarda Zaragüeta	-	62,618	10,000	9,800	-	**82,418**
	500,949	**500,949**	**44,800**	**83,400**	**222,885**	**1,352,983**

Related party transactions and conflicts of interest

The Company's policy is to avoid these situations by engaging independent third parties. So far, this policy has succeeded in preventing such situations from arising. However, in the hypothetical event of there arising a related-party transaction or a conflict of interest, the Rules and Regulations of the Board provide that the Directors are under a duty of fair dealing and must advise the Board of any conflict of interest with the Company or a Group company as soon as they become aware of it. Directors are bound to resign forthwith if the conflict of interest persists or if their presence on the Board runs counter to the interests of Viscofan.

Directors are further obliged to report to the Board any family, economic or other ties that might give rise to conflicts of interest.

Risk control

Suitable risk control is a key element of managing a modern business. Viscofan has fully identified the general risks associated with its business. These are covered by insurance policies and financial instruments at acceptable cost. Specific risks attaching to the group's business as a supplier to the meat industry and as a manufacturer of preserved goods and other food products are addressed by the use of strict quality plans under the ISO9001 standard. Responsibility for suitable control of general and specific risks rests with the Board of Directors.

The Audit Committee has initiated a plan to establish an internal audit programme in conjunction with an external firm that includes an evaluation of the risk universe to identify the areas of highest exposure, which will be prioritised in the annual audit plan. This plan will include the tests and reviews to be carried out each year, with work being focused on obtaining a diagnosis of current controls and those proposed for future improvement.

As regards technology development risks, given the special characteristics of the sector, it is particularly important that Viscofan's products are distinguished by quality. For this to be the case, Viscofan has, over recent years, been acquiring various companies specialising in different kinds of artificial casings so as to complete the product range: cellulose, collagen, plastic and fibrous casings.

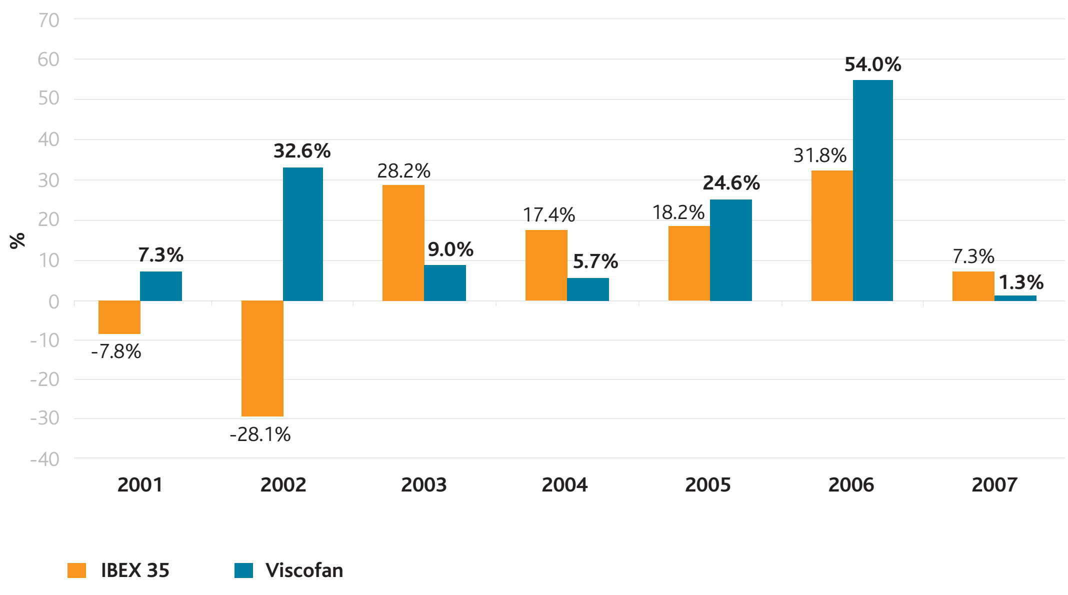
As regards foreign exchange risks, localisation of production in areas having currencies other than the currency of our points of sale has traditionally had an impact on the Group's results. So as to reduce our dependency on foreign currency, in particular the US$, production has been distributed geographically, making the location of production processes more flexible on the basis of the end-market in order to temper the effect of these fluctuations as far as possible. In addition to this natural cover, currency insurance is normally taken out to cover the period between billing and collection.

Share price information

Stock market performance

Two clear trends emerged on the markets in 2007. During the first half of the year, good economic prospects, buoyed by solid corporate results, easy access to financing and continuous corporate activity via new listings and mergers and acquisitions, boosted the stock markets which reached new highs. However, in summer 2007, the so-called sub-prime crisis broke out in the United States, reflecting high levels of uncertainty on the markets and reducing liquidity in the system which, combined with deteriorating forecasts for growth in the world economy, led to falls on the main stock exchange indices worldwide.

Against this backdrop, Viscofan's shares performed solidly, ending 1.33% up on the previous year, as against a drop of 5.44% in the Ibex small cap to which Viscofan belongs.



This rise is on top of the 54% rise in the share price the previous year and is buoyed by the success of Viscofan's performance in recent years, where the Company has met and even exceeded market expectations. The Company closed the year with market capitalisation of €684.86 million, compared to €222.20 million at the end of 2000.

In 2007, the Company rewarded its shareholders in terms of dividends, an issue premium refund and a General Meeting attendance bonus in the amount of €0.305 per share gross. Shareholder remuneration thus amounted to over €14 million in 2007, 58% up on 2006.

The rise in the share price and increased shareholder remuneration meant that a shareholder buying shares at the beginning of 2007 and holding them until 31 December 2007 would have achieved a return of 3.46% on his or her investment. Those having purchased their shares at the start of 2000 and holding them until the end of 2007 would have achieved a return on 218.2% or an annual internal rate of return of 18%, plus dividend income.

		Selling (*)						
Buying (*)		2001	2002	2003	2004	2005	2006	2007
2000	Viscofan	7.3%	42.2%	54.9%	63.7%	104.0%	214.1%	218.2%
	IBEX 35	-7.8%	-33.7%	-15.1%	-0.3%	17.8%	55.3%	66.7%
2001	Viscofan		32.6%	44.5%	52.7%	90.2%	192.8%	196.7%
	IBEX 35		-28.1%	-7.9%	8.1%	27.8%	68.5%	80.8%
2002	Viscofan			9.0%	15.1%	43.4%	120.9%	123.8%
	IBEX 35			28.2%	50.4%	77.8%	134.3%	151.5%
2003	Viscofan				5.7%	31.6%	102.7%	105.4%
	IBEX 35				17.4%	38.7%	82.8%	96.2%
2004	Viscofan					24.6%	91.8%	94.4%
	IBEX 35					18.2%	55.8%	67.2%
2005	Viscofan						54.0%	56.0%
	IBEX 35						31.8%	41.4%
2006	Viscofan							1.3%
	IBEX 35							7.3%

(*) Last trading day

One of Viscofan's objectives, through its Investor Relations Department and the Shareholder Desk, is to create value for investors, providing them with relevant information in order to gain a better understanding of Viscofan's performance.

The last General Meeting approved the cancellation of 662,964 treasury shares, equivalent to 1.4% of the share capital, for which more than €8 million had been set aside.

Direct remuneration, combined with the repurchase of cancelled shares meant that the Company set aside more than 74% of its net profits to reward shareholders, a clear sign of Viscofan's commitment to involve shareholders in the Company's success.

In 2007, the volume traded rose to €598.48 million, 60.84% up on 2006. The daily average trading volume was €2.37 million compared to €1.46 million in 2006. Therefore, turnover, the percentage of share capital which changed hands over the course of the year, was 77% compared to 66% in 2006.

Viscofan, its shareholders and investors

One of Viscofan's objectives, through its Investor Relations Department and the Shareholder Desk, is to create value for investors, providing them with relevant information in order to gain a better understanding of Viscofan's performance.

In 2007, the Company intensified its investor relations activities holding meetings with 193 institutional investors (compared to 75 in 2006) in 8 countries and attending various conferences and seminars organised by the financial community.

As a result of efforts to circulate information, the number of analysts reporting on the Company's share price has increased. 16 firms (both Spanish and international) now regularly report on the share price.

The Investor Relations Department and the Shareholder Desk now have a new telephone number: +34 948 198 436, thereby extending the number of hours during which information is available.

Finally, the Shareholder Desk deals with questions raised by Viscofan shareholders. During 2007, questions related primarily to payment of dividends and withholding and attendance at General Meetings.

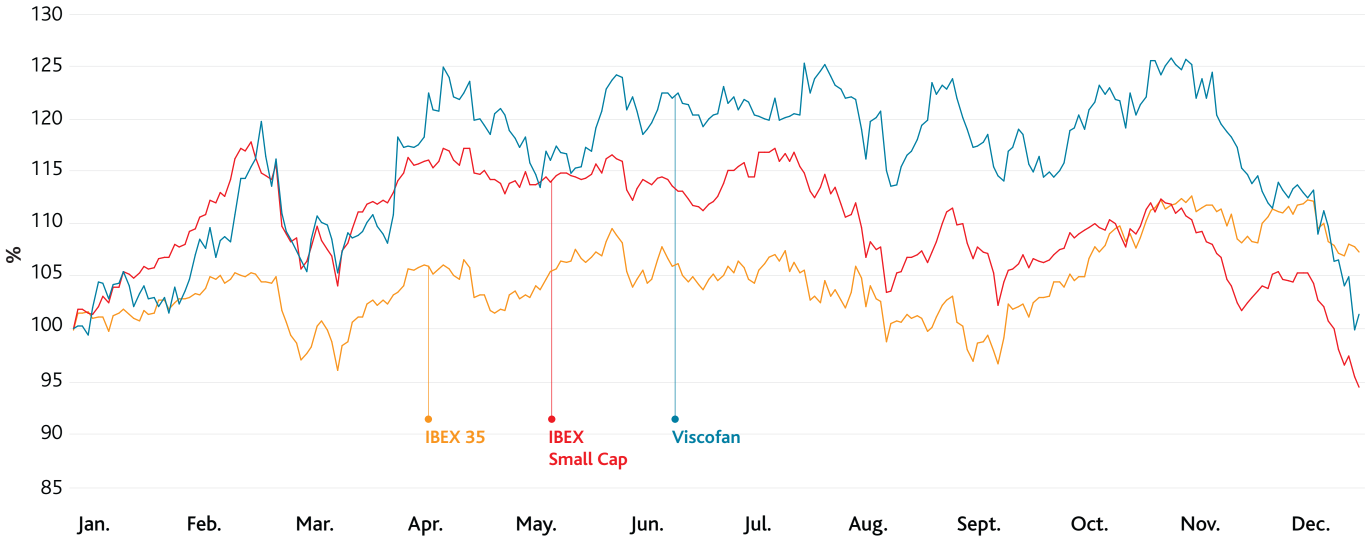
Dividends and share redemption

Viscofan's Board of Directors resolved to declare an interim dividend out of earnings for 2007 in the amount of €0.19 per share gross, making for a 35.7% increase on the interim dividend declared in 2006 and paid last year. The aforementioned dividend was paid on 21 January 2008. In line with improved profitability and profits, the Board of Directors has proposed an additional payment to shareholders of €0.25 by way of a refund of the issue premium and a bonus for attendance at the General Meeting of €0.005 per share. Total shareholder remuneration proposed for 2007 therefore stands at €0.445 per share, 45.9% up on the previous year's figure.

Shareholder remuneration accounts for 46% of earnings per share generated in 2007 and fulfils the Company's undertaking to reward shareholders in consonance with improved performance achieved during the year.

The Board has also proposed to the General Meeting to redeem 561,963 treasury shares, equivalent to 1.2% of the share capital and this move will boost earnings per share.

Share price performance in 2007



STOCK EXCHANGE HIGHLIGHTS

	2007	2006	2005
Shares at 31/12	47,296,842	47,959,806	47,959,806
Share capital at 31/12 (millions of euro)	14.19	14.39	14.39
Market capitalisation at year-end (millions of euro)	684.86	685.35	445.07
Traded volume (millions of euro)	598.5	372.1	309.0
Daily average trading volume (millions of euro)	2.4	1.5	1.2
Traded shares	36,441,110	31,732,853	36,831,430
Daily average of traded shares	144,036.01	124,932.49	146,738.76
Share price €			
Year-end price	14.48	14.29	9.28
Average	16.42	11.72	8.38
High	18.40	14.71	9.97
Low	13.52	9.18	7.20

	Year-end 2007	Year-end 2006	Year-end 2005
Annual change Viscofan	1.3%	54.0%	24.6%
Annual change IGBM (Madrid all-share)	5.6%	34.5%	20.6%
Annual change IBEX	7.3%	31.8%	18.2%
Annual change IBEX Medium Cap	-10.4%	42.1%	37.1%
Annual change IBEX Small Cap	-5.4%	54.4%	42.5%
Annual change food sector	-13.8%	25.4%	31.5%
Earnings per share € (1)	0.977	0.657	0.410
Proposed dividend per share € (2)	0.445	0.305	0.193

(1) Net earnings per share calculated by dividing net profit by the weighted average of ordinary shares in circulation in the year, excluding treasury shares.
(2) Includes interim dividend, refund of issue premium and bonus for attending the General Meeting.

Human Resources

2007 was characterised by the huge efforts made to integrate the various companies acquired in 2005 and 2006, which increased the size of the Viscofan Group considerably. Smooth yet swift harmonisation of the various corporate cultures co-existing within the Viscovan Group was required.

One of the Viscovan Group's priorities is to strive to improve production, not only at those plants recently acquired but at all the Group's manufacturing facilities.

These priorities, together with a new management model focused on exploiting Viscofan's advantages of scale and specific know how have inspired projects to transfer knowledge between the eleven or so manufacturing centres and the development of specific global training seminars for group employees.

Major advances have been made in terms of team integration and efficiency improvements which have proved to be key to obtaining highly satisfactory financial results.

During 2007, the Company continued to second staff from Spain and Brazil to the manufacturing sites in the United States and Mexico to continue with the technology transfer improving operating efficiency ratios in those countries, while the project to transfer technology to Serbia involves the secondment of staff from Germany and Spain.

Efficiency improvements and the restructuring that logically follows on from corporate mergers have led to a decrease in the Viscofan Group's workforce, which at year-end totalled 4,128 employees, compared to 4,213 in 2006. Employee benefits expense in 2007 amounted to €130 million, just 1.5% higher than in 2006.

The workforce comprised 29% women and 71% men.

Employee training at Viscofan is a key process in the Company achieving its goals and constitutes a source of competitive advantage in maintaining the Company's lead position and creating value. Therefore, the Viscofan Group, through the Human Resources Departments of its various subsidiaries, promotes employee training both through external and internal training courses providing the skills necessary for the relevant job. This is reflected in the higher number of training hours and greater average investment in training per employee.

The challenges faced by the Viscofan Group include developing initiatives for employee professional and personal development and encouraging channels of communication which will make it possible to take best advantage of the talents of the Viscofan team.

At year-end, staff by category broke down as follows:

	2007	2006	% change
Management	65	97	-33.0%
Technicians and Department Heads	538	609	-11.7%
Administrative staff	331	293	13.0%
Specialised personnel	717	950	-24.5%
Operatives	2,477	2,264	9.4%
	4,128	**4,213**	**-2.0%**

Viscofan,
a commitment to quality and safety

Quality

The Viscofan Group's commitment to quality is undeniable.

On the basis of that commitment, all Viscofan's European group companies renewed their Quality certification under Quality Management Standard 9001:2000. Some companies, for example, the Spanish and German plants, have held certification under this standard since the 1990s. The plants in the Czech Republic and Serbia have also obtained accreditation as a result of their integration into the Group. Most of the facilities in Brazil and the United States are certified compliant with this standard or are in the process of obtaining certification.

Product safety and food hygiene

As a manufacturer associated with the food sector, Viscofan is highly aware of industry requirements to ensure that the production process and the end-product strictly comply with legal specifications and have passed suitable controls to achieve optimal quality and offer customers guaranteed safety and hygiene.

The Company's commitment to food quality and hygiene takes the form of our mandatory processes applied throughout the production process and involves stringent working practices that are audited both internally and externally.

These protocols configuring our product safety and quality system are based on the following core principles:

Hazard analysis and critical control point

Viscofan has a hazard analysis and critical control point (HACCP) system in place at all its facilities. The Company has formed an inter-disciplinary team that assesses every step of the production process to detect possible hazards, identify critical control points and take any required corrective action. The system is updated annually in line with any changes in the production process.

Viscofan's product safety and food hygiene system covers all aspects. Manufacturing facilities are built to food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested for compliance with specifications previously agreed with certified suppliers, systems are in place to detect defective materials in the production system, pest control is implemented and policies are in place to monitor hazardous substances, personal hygiene and visitors.

Product traceability and identification

Viscofan operates a product traceability system that enables us to identify at any time and in full detail, the history of every unit and even sub-unit sold, from receipt of raw materials to product use by our customers. In Europe, Viscofan fully implements a food traceability system under European Community Directive 178/2002 and its related legislation.

Audit and certification

To ensure that our product safety and food hygiene systems comply with requirements, our production processes are audited internally on a regular basis. They are also audited by the health authorities, numerous customers and as appropriate, certification authorities, as is the case for the European facilities certified in accordance with the most stringent standards on the market (British Retail Consortium Standards) or in the case of the North American facilities, under AIB.

Research, Development and Innovation

Viscofan's products look simple and are simple to use. This belies the sophisticated technology underlying the manufacturing process, which only a few companies worldwide have developed.

Viscofan takes the view that its leading position in the highly competitive world market must be sustained by cutting-edge efforts in research, development and innovation so that the Company can continue to spearhead the artificial casings industry and create value for its various stakeholders.

Viscofan couples its growth as a business with the development of its innovation capability so that it can access the best technologies available on the market, implement them and improve on them, and develop its own technologies to create en enduring competitive edge.

The complexity of Viscofan's production process and the sophisticated technology underlying its products means that research and development units are structured into teams that specialise in each process and casing type. The average staff headcount is 45. In addition, Viscofan is unifying most of these processes so as to achieve optimal synergies across different manufacturing facilities while meeting local needs.

The core research and development teams are based at the sites in Cáseda (Spain) and Weinheim (Germany). They conduct product and technology development in the fields of collagen and cellulose casings and develop innovative products other than meat casings. These are the benchmark research sites, by dint of their experience, resources and track record. Fibrous and plastic casings, for their part, are developed by specialised research teams in the United States and the Czech Republic respectively.

The product development units, especially the European-based ones, transfer the technology to other group sites to implement the stringent manufacturing, quality control and product performance standards that have made Viscofan an industry leader.

At present there are in progress over fifteen strategic product development projects across the entire range (cellulose, collagen, fibrous and plastic) as well as other diversification products aimed at developing applications that equip Viscofan with the product range required to reinforce its presence in the world market. Research and development projects are mainly geared to:

- Developing new products (range, portfolio) or improving existing ones, designed for meat application in markets of strategic interest to the Company.
- New casing concepts: functional casings that go beyond the classic 'mould' concept to become active containers that confer properties or functionalities to the meat product they contain.
- Adapting production processes to a wider range of raw material qualities, thus maintaining or exceeding the quality and performance of the end product and thus reducing dependence on a limited number of raw material suppliers and exposure to changing market conditions.
- Diversification projects, based on raw materials widely used in the group and aimed at potential alternative businesses, such as biomedical applications of collagen.
- Technological support to improve the Company's existing products and processes under Viscofan's quality standards and current laws and regulations, and to optimise production costs.

The IAN Group also continued to diversify its range by launching new products with higher value-added, such as new recipes for refrigerated and non-refrigerated ready cooked meals and salads. It also seeks new ways to optimise production costs. IAN employs 8 research and development specialists.

Support from international research centres

Viscofan has a long track record of working with Spanish and international public and private research centres to foment specialisation and gain access to the cutting-edge technologies it needs to carry on its research and development activity. Viscofan regularly collaborates with universities and research centres in Spain, the United States, the United Kingdom and Germany on food safety, analysis of materials, process and food industry engineering, advanced physical and chemical analysis and other fields.

In addition, the group has significant support in Spain from CDTI (the centre for technical industrial development) and local government bodies.

Viscofan plays an active role in the artificial casings industry and is therefore involved in several industry associations and groups that seek to cooperate towards enhancing the industry's contribution to the community. These institutions include:

- Comité Internationale de la Peliculle Cellulosique (CIPCEL). Based in Brussels, CIPCEL comprises the leading producers of regenerated cellulose film products.
- Collagen Casing Trade Association (CCTA). Also based in Brussels, CCTA comprises the leading producers of collagen casings.
- Centro Español de Plásticos (CEP). This is the Spanish association of entities relating to the manufacture and processing of plastics.
- Gelatin Manufacturers of Germany (GMG). An organisation of German gelatin producers.

Viscofan and the environment

Viscofan maintains its commitment to finding a balance between its business and the sustainability of the environment in which it operates. For many years, it has been putting in place measures and making investments aimed at continued environmental conservation, especially as regards solid waste, gas emissions and discharge.

The Company has decided to adopt business management practices that support sustainable and economically viable social and environmental development, pursuing the three core goals to:

- promote environmental prevention.
- enhance environmental responsibility
- encourage the development and implementation of environment-friendly technologies.

The group's alignment with sustainable development takes the form of operating departments specifically concerned with environmental issues. Their role is to ensure that the environmental effects of the Company's activities remain within the standards set down by Viscofan and by the laws and regulations in force in each country.

The environment area works with other departments to seek out and exploit opportunities for environmental improvement detected in the production process. The Viscofan Group is implementing a control system at company level to ensure compliance with the environmental legislation in force in those countries in which its subsidiaries are based.

Viscofan regards close dialogue with government bodies as vital to positive and constructive solutions in the environmental field and to finding points of agreement to benefit the wider community. Cooperation with government includes annual and periodic inspections of production facilities. The Company also has waste emissions generated by the manufacturing process analysed by approved external laboratories.

The Company takes the view that a suitable environment policy, as well as making a positive contribution to sustainable development, makes good economic sense through minimal use and re-use of raw materials. At production sites subject to European Community Directive 2003/87/EC, the Emission Allowance Trading Directive, the Company has put in place a programme of control and monitoring to keep emissions below the allowance granted for the period 2005-2007. In Spain, the new National Greenhouse Gas Transfer Plan has laid down more stringent requirements for the period 2008-2012, and the Company is in the process of reviewing overall plant consumption of heat and energy, on the basis of which significant investment will be made in future to improve performance and reduce CO_2 emissions.

The programme to exploit energy includes extension of the co-generation plant at the Cáseda facility in Spain, the first phase of which came on stream in 2008 with the commissioning of two new 8.3 Mw engines providing the best available technology for the plant's heating and energy needs. The second phase of extension of the co-generation plant has already begun and is due to be completed by the end of 2009, providing the Cáseda plant with total electricity generating capacity of 44.8 Mw.

During 2007, the steps to obtain Integrated Environmental Authorisation were successfully completed both by Viscofan S.A. and Industrias Alimentarias de Navarra, S.A.U.

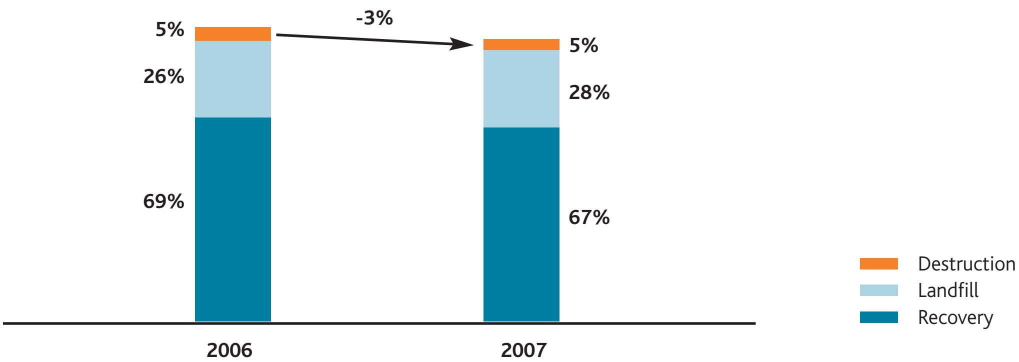
The process of minimising the environmental impact of Viscofan's activities comprises all initiatives aimed at reducing the volume of waste to be destroyed or removed to landfills by seeking to recover such waste.

Major advances were made at the group's main cellulose casings plant in Spain, where over the course of four years, the situation has shifted from destruction of 48% of waste and recovery of only 10% to destruction of 2% and recovery of 74% of all waste in 2007. The group's efforts overall have resulted in a 3% decrease in the total volume of waste compared to the previous year, with 69% of the 32.3 thousand tones of waste generated in 2007 being recovered.

Noise levels also have a significant impact on the environment. Viscofan therefore regularly monitors noise levels at workstations and in the vicinity of its manufacturing plants. Noise levels are below the legally required ceilings in each country.

The Viscofan group spent over €5 million in 2007 (€4 million in 2006) to meet its key environmental targets, including an oxidiser that eliminates emissions into the atmosphere without the need for combustion, gas cleaners and waste water treatment plants.

Viscofan Group waste management



Viscofan, S.A. and subsidiaries

Consolidated Annual Accounts and Management's Report

Prepared under International Financial Reporting Standards
Endorsed by the European Union

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

ERNST & YOUNG

Avda. Pío XII, 22
31008 Pamplona

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AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

To the Shareholders of
VISCOFAN, S.A.

We have audited the consolidated annual accounts of VISCOFAN, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2007, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

In accordance with mercantile law, for comparative purposes the Parent Company's directors have included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and the notes thereto, in addition to the figures of 2007, those of 2006. Our opinion refers only to the consolidated annual accounts for 2007. On March 30, 2007, other auditors issued their audit report on the 2006 consolidated annual accounts, in which they expressed an unqualified opinion.

In our opinion, the accompanying 2007 consolidated annual accounts give a true and fair view, in all material respects of the equity and financial position of VISCOFAN, S.A. and its subsidiaries at December 31, 2007 and the consolidated results of its operations, consolidated cash flow and changes in consolidated equity for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with the international financial reporting standards adopted by the European Union which are consistent with those applied to the figures and information corresponding to the 2006 consolidated financial statements.

Ernst & Young, S.L.
Domicilio Social: Plaza Pablo Ruiz Picasso, 1. 28020 Madrid.
Inscrita en el Registro Mercantil de Madrid al Tomo 12.749, Libro 0,
Folio 215, Sección 8ª, Hoja M-23123, Inscripción 116. C.I.F. B-78970506

ERNST & YOUNG

The accompanying consolidated management report for the year ended December 31, 2007 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of VISCOFAN, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2007. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the consolidated companies.

ERNST & YOUNG, S.L.

(Signed on the original)

Javier Ezcurra Zubeldía

March 28, 2008

Consolidated balance sheets at 31 December 2007 and 2006

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

(In thousands of Euros)

Assets	**Note**	**2007**	**2006**
Property, plant and equipment	7	279,017	285,990
Other intangible assets	8	9,919	11,373
Deferred tax assets	10	9,717	13,696
Other financial assets	9	977	1,587
Total non-current assets		**299,630**	**312,646**
Inventories	11	143,013	132,968
Trade and other receivables	12	104,817	101,109
Prepayments		1,213	-
Other financial assets	9	-	152
Cash and cash equivalents	13	17,107	12,233
Total current assets		**266,150**	**246,462**
Total assets		**565,780**	**559,108**

Equity and Liabilities	**Note**	**2007**	**2006**
Capital	14	14,189	14,388
Share premium	14	41,844	49,406
Other reserves	14	3,281	3,281
Retained earnings	14	243,739	208,353
Treasury shares	14	(3,728)	(3,004)
Translation differences	14	(3,518)	(4,293)
Total equity	**14**	**295,807**	**268,131**
Deferred income	15	3,543	2,868
Borrowings and finance leases	16	40,344	61,165
Other financial liabilities	16	5,259	5,501
Deferred tax liabilities	10	28,333	34,783
Provisions	17	36,906	41,951
Total non-current liabilities		**114,385**	**146,268**
Borrowings and finance leases	16	71,442	63,026
Other financial liabilities	16	1,242	1,342
Trade and other payables	18	44,494	44,281
Provisions	17	2,259	6,676
Other current liabilities	18	31,740	27,597
Income tax liabilities	10	4,411	1,787
Total current liabilities		155,588	144,709
Total equity and liabilities		**565,780**	**559,108**

The accompanying consolidated notes form an integral part of the consolidated annual accounts

Consolidated income statements
for the years ended 31 December 2007 and 2006

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

(In thousands of Euros)

	Note	2007	2006
Sales and services rendered	21	506,024	497,160
Other income	22	4,652	12,910
Change in inventories of finished goods and work in progress		6,346	(3,744)
Self-constructed assets		236	298
Raw and other materials consumed	11	(154,296)	(149,398)
Personnel expenses	24	(130,093)	(128,223)
Amortisation and depreciation	7 and 8	(38,075)	(37,022)
Impairment losses on non-current assets	6	-	(2,301)
Other expenses	23	(134,317)	(135,781)
Financial income	25	11,424	9,956
Financial expenses	25	(16,750)	(17,975)
Profit before income tax		**55,151**	**45,880**
Income tax	10	(8,973)	(14,580)
Profit for the year		**46,178**	**31,300**
Basic earnings per share (Euros)	**26**	**0,9772**	**0,6571**
Diluted earnings per share (Euros)		**0,9772**	**0,6571**

The accompanying consolidated notes form an integral part of the consolidated annual accounts

Consolidated cash flow statements
for the years ended 31 December 2007 and 2008.

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

(In thousands of Euros)

	2007	2006
Cash flows from operating activities		
Profit for the year before tax	55,151	45,880
Adjustments:		
Amortisation and depreciation	38,075	37,022
Provisions	(5,361)	(12,898)
Payment of provisions	-	(8,821)
Goodwill impairment	-	2,301
Excess of net assets acquired over cost of acquisition of Teepak	-	(9, 611)
Capital grants	-	(425)
Loss on disposal of property, plant and equipment	574	909
Interest income	(1,158)	-
Interest expense	7,093	-
Net translation differences	-	2,914
	94,374	**57,271**
Changes in working capital, excluding effect of acquisitions and translation differences		
Inventories	(13,254)	(7,027)
Trade and other receivables	(2,931)	(8,330)
Trade and other payables	(1,690)	699
Cash generated from operations	76,499	42,613
Income tax paid	**(7,721)**	**(8,314)**
Net cash from operating activities	**68,778**	**34,299**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(32,884)	(26,448)
Acquisition of financial assets	(41)	(252)
Proceeds from sale of fixed assets	1,271	4,540
Translation differences	-	4,749
Net cash from investing activities	**(31,654)**	**(17,411)**
Cash flows from financing activities		
Repayment of borrowings	(8,294)	(5,045)
Acquisition of treasury shares	(5,129)	(5,964)
Other changes in financing activities	(521)	211
Dividends paid	(14,187)	(8,980)
Interest collected	1,224	-
Interest paid	(7,159)	-
Translation differences	1,816	(183)
Net cash from financing activities	**(32,250)**	**(19,961)**
Net increase (decrease) in cash and cash equivalents	4,874	(3,073)
Cash incorporations to the consolidated group	-	1,400
Cash and cash equivalents	12,233	13,906
Cash and cash equivalents at 31 December	**17,107**	**12,233**

Consolidated statements of changes in equity for the years ended 31 December 2007 and 2008.

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

(In thousands of Euros)

	Capital	Share premium	Other reserves	Retained earnings	Treasury shares	Translation differences	Total
Balance at 1 January 2006	**14,388**	**54,654**	**3,283**	**184,460**	**(706)**	**(4,310)**	**251,769**
Dividends	-	(5,248)	-	-	-	-	(5,248)
Decreases in revaluation reserves	-	-	(2)	-	-	-	(2)
Distribution of profit for the year							
Dividends	-	-	-	(3,732)	-	-	(3,732)
Other movements	-	-	-	(2)	-	-	(2)
Provision for treasury shares	-	-	-	(3,673)	3,673	-	-
Own Shares	-	-	-	-	(5,971)	-	(5,971)
Translation differences	-	-	-	-	-	(1,384)	(1,384)
Tax effects of treasury shares provisions deriving from translation difference	-	-	-	-	-	1,401	1,401
Profit for the year	-	-	-	31,300	-	-	31,300
Balance at 31 December 2006	**14,388**	**49,406**	**3,281**	**208,353**	**(3,004)**	**(4,293)**	**268,131**
Return of share premium	-	(7,562)	-	-	-	-	(7,562)
Distribution of profit for the year							
Dividends	-	-	-	(6,625)	-	-	(6,625)
Cancellation of treasury shares	(199)	-	-	(7,879)	8,078	-	-
Transfers	-	-	-	3,673	(3,673)		-
Acquisition of treasury shares	-	-	-	-	(5,129)	-	(5,129)
Other movements	-	-	-	39	-	775	814
Profit for the year	-	-	-	46,178	-	-	46,178
Balance at 31 December 2007	**14,189**	**41,844**	**3,281**	**243,739**	**(3,728)**	**(3,518)**	**295,807**

The accompanying consolidated notes form an integral part of the consolidated annual accounts

Viscofan, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2007 and 2006

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

(1) Nature and Principal Activities

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

Its statutory and principal activity consists of the manufacture of cellulose or artificial casings, mainly for use in the meat industry, as well as the generation of electricity by any technical means, both for own consumption and for sale to third parties. Its industrial installations are located in Cáseda and Urdiain (Navarra). The head and registered offices of the Company are located in Pamplona.

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

Viscofan, S.A.'s shares are quoted on the Madrid stock exchange.

(2) Viscofan Group

Details of the subsidiaries and associates comprising the Viscofan Group at 31 December 2007 and 2006, as well as certain additional information, are shown in Appendix 1, which forms an integral part of this note.

Changes in the Viscofan Group in 2007 were as follows:

- On January 1, 2007, Viscofan Canada Inc. acquired the entire business of Naturin Canada Vertriebs GmbH.
- On January 1, 2007, Naturin GmbH & Co. KG took over and merged its wholly owned subsidiary Naturin Canada Vertriebs GmbH.
- In 2007, the Company fully subscribed the share capital increases of Koteks Viscofan d.o.o. and Viscofan de México S.R.L. de C.V. for equivalent amounts of 3,000 thousand Euros and 1,846 thousand Euros, respectively.

Changes in the consolidated Viscofan Group in 2006 were as follows:

- Acquisition of the Teepak Norteamérica business through the subsidiaries located in the United States and Mexico.
- Incorporation of the company Viscofan de México Servicios, S.R.L. de C.V.
- The companies Koteksprodukt AD, Teepak LLC and Teepak Inc, changed their names to Koteks Viscofan d.o.o., Teepak USA LLC and Viscofan Canada Inc, respectively.
- The Company fully subscribed a share capital increase by Koteks Viscofan d.o.o. for the equivalent of Euros 2,000 thousand in 2006.

(3) Basis of Preparation

The consolidated annual accounts have been prepared on the basis of the accounting records of Viscofan, S.A. and the companies forming the Group. The consolidated annual accounts for 2007 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at 31 December 2007 and 2006, as well as the consolidated results from its operations, its consolidated cash flows and changes in consolidated equity for the year then ended. The Group adopted EU-IFRS on 1 January 2004 and applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

In 2007, the Company applied IFRS 7 – Financial Instruments: Disclosures (see Note 19) for the first time. This standard requires disclosure to enable readers to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The application of this standard does not affect the Group's financial position as it only entails additional disclosures.

The Group did not apply standards and interpretations that had been issued by the corresponding bodies but were not yet in force. The directors estimate that their application would not have had a significant impact on the consolidated annual accounts.

The directors of the Parent Company consider that the consolidated annual accounts for 2007, prepared on 27 March 2008, will be approved by the shareholders without significant changes.

(3.1) Bases of preparation of the consolidated annual accounts

These consolidated annual accounts have been prepared on the historical cost basis except for derivative financial instruments, which have been recorded at fair value at 31 December 2007 and 2006.

(3.2) Comparison of information

The consolidated annual accounts comprise the consolidated balance sheet and consolidated statements of income, cash flow and changes in equity and the consolidated notes thereto for 2007 and include comparative data for 2006, which formed part of the consolidated annual accounts approved by the shareholders at their annual general meeting on 18 June 2007.

The Viscofan Group's accounting policies described in note 4 have been consistently applied to the years ended 31 December 2007 and 2006.

(3.3) Relevant accounting estimates, assumptions and judgments

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

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

(a) Relevant accounting estimates and assumptions

- Business combinations: see notes 3.4 and 4.2
- Goodwill: see note 4.5
- Pension plans: see note 4.16
- Provisions: see note 4.17
- Useful lives of property, plant and equipment and intangible assets: see notes 4.4 and 4.5

(b) Changes in accounting estimates

Although estimates were based on the best information available at 31 December 2007, future events may require these estimates to be modified in subsequent years. The effects on the preliminary financial statements of any adjustment which may arise in subsequent years would be recognized prospectively.

(c) Sources of uncertainty

No issues were detected that imply significant sources of uncertainty regarding their accounting effect in future financial years.

(3.4) Business combinations

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

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

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

(4) Significant Accounting Principles

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

A summary of the most significant principles is as follows:

(4.1) Going concern and accruals basis

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

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

(4.2) Method of consolidation

All consolidated companies are subsidiaries.

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

The annual accounts or financial statements of subsidiaries are included in the consolidated annual accounts from the date that control commences until the date that control ceases. A breakdown of the nature of relations between the Parent Company and subsidiaries is included in the accompanying Appendix 1.

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

Provisionally determined amounts

If a business combination can only be determined provisionally, adjustments to the provisional values of net assets are recognized within the twelve-month period subsequent to the acquisition date as if its fair value had been known at this date. When this period has elapsed, any adjustment other than those related with contingent payments or deferred tax assets of the acquired entity not initially recognized are considered as corrections and recognized under the criteria established by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Potential tax benefits from tax losses and other deferred tax assets, which are not recognized at the date of acquisition, are subsequently recognized as recoverable income tax and a reduction in goodwill taken to the income statement. The goodwill adjustment is made up to the amount that would have been recognized at the date of acquisition, where it is probable that tax benefits will materialize in future years.

As can be seen in Appendix 1 to these consolidated notes, the Parent holds 100% of the share capital of all of its subsidiaries. Consequently, there are no minority interests.

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

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

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

Associates are those entities in which the Company has significant direct or indirect influence, but not control over the financial and operating policies. Investments in associates are accounted for using the equity method.

(4.3) Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the Parent Company.

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

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

Cash flows from transactions in foreign currency are translated into Euros at the foreign exchange rate ruling at the transaction date.

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

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

(b) Translation of foreign operations

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

- Assets and liabilities, including goodwill and adjustments to net assets deriving from the acquisition of businesses, including comparative balances, are translated at the year-end exchange rate at each balance sheet date.
- The revenues and expenses of foreign operations, including comparative balances, are translated at the exchange rates ruling at each transaction date; and
- Foreign exchange differences arising from application of the above criteria are recognized under translation differences in equity.

Differences on translation of deferred tax assets and liabilities denominated in foreign currencies and deferred income taxes are included in the consolidated income statement.

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

Exchange differences arising from the translation of the net investment in foreign operations recorded in equity are released into the consolidated income statement upon disposal.

(4.4) Property, plant and equipment

(a) Initial recognition

Property, plant and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalized with a charge to self-constructed assets in the consolidated income statement. Borrowing costs are not included.

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

(b) Amortization and depreciation

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

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

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

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

(c) Subsequent recognition

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

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

(d) Impairment

The directors have not identified any indication of impairment of its property, plant and equipment.

(4.5) Intangible assets

(a) Goodwill

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

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

Internally generated goodwill is not recognized as an asset.

(b) Self-constructed assets

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

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

(c) Intangible assets acquired through business combinations

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

(d) Other intangible assets

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

Software maintenance costs are expensed as incurred.

(e) Emission rights

Emission rights, which are recognized when the Group becomes entitled to such rights, are stated at cost less any accumulated amortization and impairment losses. Rights acquired free of charge or at a price substantially below fair value, are stated at fair value, which is generally the market value of the rights at the beginning of the corresponding calendar year. The difference between fair value and, where appropriate, the amount paid, is recognized as "deferred income". Recognition of capital grants is determined for the issues made in proportion to the total forecast issues for the full period to which they have been assigned.

Under the terms of Law 1 of 9 March 2005 governing greenhouse gas emission rights, emission rights deriving from a certified reduction in emissions or from a unit created to reduce emissions through clean development mechanisms or a pooling of rights, are measured at cost of production using the same criteria as for inventories.

Emission rights are not amortized.

Emission rights held for sale are recognized using the same criteria as for financial assets at fair value through profit and loss.

(f) Useful lives and amortization rates

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

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

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

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

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

(4.6) Leases

(a) Finance leases

The Group has the right to use certain assets through lease contracts.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases, otherwise they are classified as operating leases.

The Group evaluates the economic substance of contracts to determine whether there are any implicit leases. A contract is or contains a lease if compliance with the agreement depends on the use of a specific asset or assets. In these cases, at the inception of the contract, based on fair values, the Group separates payments and consideration relating to the lease from those corresponding to the rest of the items incorporated in the agreement. Lease-related payments are recognized by applying the criteria described in this note.

At the inception of the lease term, the Group recognizes finance leases as assets and liabilities at amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments. Initial direct costs are added to the carrying amount of the leased asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent payments are expensed in the years when they are incurred. Lease payment obligations are recorded under financial liabilities.

The main accounting principles applied to assets under finance lease contracts are the same as those described in note 4.4. Nevertheless, if on commencement of the lease term there is no reasonable certainty that the Group will obtain ownership of the assets on termination of the lease period, these are amortized on a straight line basis over the shorter of useful life or the lease term.

(b) Operating leases

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

(4.7) Financial instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. This classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date. At December 31, 2007 and 2006 the Group had no financial assets classified as financial assets at fair value through profit or loss or held-to-maturity investments.

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

(a) Loans

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

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

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity. During the year, the Group has not sold or reclassified any investments in this category.

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

(c) Offsetting principles

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

(d) Impairment and default of financial assets

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

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

(e) Derecognition of financial assets

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

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

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

(f) Financial liabilities

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

(4.8) Derivatives and hedge accounting

The Group uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from its activities. In accordance with its treasury policy, the Group does not acquire or hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized directly in profit or loss under financial income or expense, except where the derivative is designated as a cash flow hedge or a hedge of a net investment in a foreign operation.

For accounting purposes, hedges are classified as:

- Fair value hedges: when hedging the exposure to changes in the fair value of an asset or liability recognized in the consolidated balance sheet or a firm commitment (except for foreign currency risk).
- Cash flow hedges: when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or to the foreign currency risk in a firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group documents the hedge relationship and the hedged item. Hedges are accounted for as follows:

- The change in the fair value of derivatives designated as hedges and which meet the criteria for treatment as fair value hedges is recognized in profit and loss, together with change in the fair value of the hedged item attributable to the risk hedged.
- The effective portion of the change in the fair value of the derivatives designated and classified as cash flow hedges is recognized in equity, while the ineffective portion of the gain or loss is recognized immediately in profit or loss.
- Hedges of exposure to changes in exchange rates of a net investment in a foreign operation are accounted for in a similar way to cash flow hedges. The Group does not have any hedges of this type.

Hedges may be used to hedge financial risks in accordance with corporate risk management policies, which, while they may make sense from an economic viewpoint, do not meet the effectiveness tests and criteria established by accounting standards to be treated as hedges. In addition, the Group may also opt not to apply hedge accounting criteria in certain cases. In these cases, in accordance with the general criteria any gain or loss resulting from changes in the fair value of derivatives is taken directly to profit and loss.

(4.9) Parent Company treasury shares

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

The subsequent redemption of treasury shares result in a decrease in share capital for the par value of these shares and positive or negative differences between the acquisition price and the par value of the shares are debited or credited to retained earnings.

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

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

(4.10) Inventories

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

Inventories are measured at the lower of cost and net realizable value. Cost comprises all costs of acquisition, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

- Raw materials, other materials consumed and goods for resale: at weighted average cost.
- Finished and semi-finished products are stated at weighted average cost of raw and other materials and includes direct and indirect labor, other manufacturing overheads and depreciation of fixed assets at factories.

The Group uses the same cost formula for all inventories of the same nature and similar use within the Group.

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

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

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

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

(4.11) Trade and other receivables

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

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

(4.12) Cash and cash equivalents

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

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

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

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

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

(a) Calculation of recoverable amount

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

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

(b) Reversals of impairment

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

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

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

(4.14) Government grants

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

(a) Capital grants

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

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

(b) Operating subsidies

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

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

(c) **Interest rate subsidies**

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

(4.15) Interest-bearing borrowings

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

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

(4.16) Employee benefits

(a) **Liabilities for retirement benefits and other obligations**

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

(i) Defined benefit plans

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

Defined benefit liabilities recognized in the consolidated balance sheet reflect the present value of defined benefit plans at year end.

Defined benefit plan costs are recognized under employee benefits in the consolidated income statement and comprise current service costs, interest costs and any related payments plus the effect of any reduction or liquidation of the plan and, where applicable, the actuarial gains and losses and past services costs.

A description of each of the Group's defined benefit pension plans is included in note 17.

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

(ii) Other benefits

The Parent Company has commitments with its employees for early retirement and length-of-service bonuses. To cover these obligations the Parent Company has externalized these commitments through insurance policies and premiums paid are recorded under personnel expenses.

(b) **Termination benefits**

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

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

(c) Short-term employee benefits

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

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

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

(4.17) Provisions

(a) General criteria

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

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

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

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

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

(b) Onerous contracts

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

(c) Restructuring

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

(d) Emission rights provision

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

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

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

(4.18) Revenue recognition

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

(a) Goods sold

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

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

(b) Services rendered

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

(4.19) Income tax

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

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

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

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

(a) Taxable temporary differences

Taxable temporary differences are recognized in all cases except where:

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

(b) Deductible temporary differences

Deductible temporary differences are recognized provided that:

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

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

(c) Measurement

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

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

Deferred tax assets which do not comply with the abovementioned conditions are not recognized in the consolidated balance sheet. At year end the Group reassesses unrecognized deferred tax assets.

(d) Classification and offsetting

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

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

Deferred tax assets and liabilities are recognized on the consolidated balance sheet under non-current assets or liabilities, irrespective of the date of realisation or settlement.

(4.20) Segment Reporting

A business segment is a distinguishable component of the Group that is engaged either in providing products or services which is subject to risks and rewards that are different from those of other segments.

A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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

The Group classifies assets and liabilities in the consolidated balance sheet as current or non-current based on the following criteria:

- Assets are classified as current when they are expected to be realized, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date.
- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.
- Current liabilities such as trade creditors, personnel expenses and other operating costs are classified as current, even if maturing more than 12 months from the balance sheet date.
- Financial liabilities which must be settled within the 12 months following the balance sheet date are classified as current, even if the original maturity exceeded 12 months and a refinancing or restructuring agreement for long-term payments exists which has been finalized subsequent to the close and before the consolidated annual accounts have been prepared.

(4.22) Environment

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

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

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

(5) Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments is based on the Group's management and internal reporting structure, while geographical segments are considered to be secondary.

At 31 December 2007 the Group comprises the following business segments:

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

The Group also produces and sells electrical energy through a cogeneration plant located at its Parent Company installations. These activities do not comprise segments which are deemed reportable.

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

The casings segment is managed on a worldwide basis, although the Group mainly operates in three geographical areas, comprising Europe, North America and South America.

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

Details of financial information by business and geographical segments for 2007 and 2006 are included in Appendix 2, which forms an integral part of these notes.

(6) Business Combinations

Acquisition of the Teepak North America business

The Group acquired the Teepak North America business with effect from 3 January 2006, through its subsidiaries Viscofan de México, S.R.L. de C.V. and Viscofan USA, Inc. This business includes the following companies:

- Teepak, LLC
- Teepak, Inc (*)
- Teepak Holdings de México S.R.L. de C.V.
- Teepak de México S.R.L. de C.V. (**)
- Zacapu Power S.R.L. de C.V. (**)
- Teepak Servicios de México S.R.L. de C.V. (**)

(*) Indirect shareholding through Teepak USA, LLC

(**) Indirect shareholding through Teepak Holding de México S.R.L. de C.V.

Details of these companies together with specific additional information is presented in the accompanying Appendix I.

In 2006 the subsidiaries Teepak, LLC and Teepak Inc changed their names to Teepak USA, LLC and Viscofan Canadá, Inc, respectively.

The business acquired generated a consolidated profit for the Group in the period between acquisition and the end of 2006 of 8,930 thousand Euros. Given that the Group assumed effective control on 3 January 2006, these profits do not differ significantly from those which would have been obtained had control been assumed on 1 January 2006.

Details of the aggregate cost of the combination, the fair value of the net assets acquired and goodwill or the positive difference between the net assets acquired and the cost of the combination are as follows:

			Thousands of Euros
	Teepak USA	Teepak Mexico	Total
Business combination cost	4,965	890	5,855
Fair value of net assets acquired	14,753	713	15,466
Difference between net assets acquired and the cost of acquisition	9,788	(177)	9,611
			(note 22)

The most relevant factors which contributed to the cost of the combination and led to recognition of the positive difference between net assets acquired and the cost of acquisition have been the appraisals by independent experts of the intangible assets and property, plant and equipment of the group of companies acquired.

Amounts recognized at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

				Thousands of Euros
	Teepak USA		Teepak Mexico	
	Fair value	Carrying amount	Fair value	Carrying amount
Land and buildings	4,184	1,191	286	286
Plant and machinery	42,494	12,105	3,120	1,976
Other installations, equipment and furniture	8	9	79	79
Work in progress	-	-	441	441
Contracts	518	-	-	-
Technology	6,226	-	-	-
Other intangible assets	152	-	-	-
Legal expenses	-	-	-	1,309
Amortization and depreciation	(7)	(7)	(120)	(286)
	53,575	13,298	3,806	3,805
Other assets	29,756	30,671	9,896	9,896
Total assets	**83,331**	**43,969**	**13,702**	**13,701**
Current liabilities	12,649	12,649	6,642	6,642
Pensions	26,793	1,857	-	-
Other liabilities	29,904	24,030	6,415	6,415
Total liabilities	**69,346**	**38,536**	**13,057**	**13,057**
Total net assets	**13,985**	**5,433**	**645**	**644**
Translation differences between the purchase date and year end	768		67	
Total net assets at acquisition date exchange rates	14,753		712	
Total cash paid	4,733		759	
Translation differences	232		131	
Total cash paid at acquisition date exchange rates	4,965		890	
Cash and cash equivalents from the acquired entity	698		702	
Translation differences	(276)		73	
Total cash from the acquired entity at acquisition date exchange rates	422		775	
Cash paid in acquisition	4,543		115	

(7) Property, Plant and Equipment

Details of property, plant and equipment and movement in 2007 and 2006 are included in Appendix 3, which forms an integral part of these notes to these consolidated annual accounts.

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

		Thousands of Euros
	Cost	**Depreciation**
At 1 January 2006	1,322	(306)
Depreciation	-	(46)
At 31 December 2006	1,322	(352)
Depreciation	-	(34)
At 31 December 2007	**1,322**	**(386)**

These buildings comprise a warehouse for which a finance lease contract was signed on 8 March 1999. The duration of this contract is 180 months and the purchase option on this building amounts to Euros 360 thousand.

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

				Thousands of Euros
	2007		**2006**	
	Minimum payments (note 16)	**Interest**	**Minimum payments** (note 16)	**Interest**
Up to 1 year	68	41	69	30
Between 1 and 5 years	774	158	838	127
Total	**842**	**199**	**907**	**157**

Details of fully depreciated property, plant and equipment in use at 31 December 2007 and 2006 are as follows:

		Thousands of Euros
	2007	**2006**
Buildings	2,049	4,406
Plant and machinery	146,593	146,587
Other installations, equipment and furniture	22,056	20,853
Other property, plant and equipment	11,986	13,097
	182,684	**184,943**

The Group's buildings, plant and equipment were partly financed by government grants of Euros 1,075 thousand and Euros 9 thousand in 2007 and 2006, respectively (see note 15).

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

Firm commitments to purchase property, plant and equipment at year end amounted to 13,230 thousand Euros.

The Group did not have an investment property at the end of 2006 and 2007.

(8) Other Intangible Assets

Details of other intangible assets and movement in 2007 and 2006 are included in Appendix 4, which forms an integral part of these notes to these consolidated annual accounts.

In 2007 and 2006 the Company received free emission rights equivalent to 107,636 tons each year as per the 2005-07 National Allocation Plan approved by Royal Decree 1866/2004. The Company consumed 87,811 tons and 86,801 tons of emission rights in 2007 and 2006, respectively.

Details of the cost of fully amortized intangible assets in use at 31 December 2007 and 2006 are as follows:

		Thousands of Euros
	2007	**2006**
Software	3,868	2,332
Concessions, patents and licences	36	36
	3,904	2,368

(9) Other Current and Non-Current Financial Assets

Details of other current and non-current financial assets are as follows:

		Thousands of Euros
	2007	**2006**
Held-to-maturity investments	89	51
Loans and receivables	888	1,537
Provisions	-	(1)
Total, non-current	**977**	**1,587**
Loans and receivables	-	152
Total, current	**-**	**152**

Details of current and non-current financial assets held in foreign currencies are shown in note 19.

Details of and movement in the provision for financial assets is as follows:

		Thousands of Euros
	2007	**2006**
Balance at 1 January	(1)	(21)
Cancellation of financial assets	1	20
Balance at 31 December	**-**	**(1)**

(10) Income tax

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

						Thousands of Euros
	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Non-current assets	165	216	27,023	34,468	(26,858)	(34,252)
Current assets	1,459	971	677	315	782	656
Loss carryforwards	-	1,915	-	-	-	1,915
Pending deduction rights	1,885	4,033	-	-	1,885	4,033
Non-current liabilities	5,168	6,156	-	-	5,168	6,156
Current liabilities	1,040	405	633	-	407	405
	9,717	**13,696**	**28,333**	**34,783**	**(18,616)**	**(21,087)**

Non-current deferred tax assets for the years ended December 31, 2007 and 2006 mainly relate to the application of different amortization rates by certain Group subsidiaries than those used for tax purposes. Also included is the tax effect of net unrealized gains on assets acquired in several business combinations that still exist at the balance sheet date.

Non-current deferred tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied.

Details of changes in deferred tax assets and liabilities, by type, which have been recognized as a deferred tax expense (income) in the consolidated income statement, are as follows:

		Thousands of Euros
	2007	2006
Non-current assets	4,362	475
Current assets	664	-
Non-current liabilities	(843)	-
Current liabilities	3,090	-
	7,273	**475**

In 2007 and 2006 no deferred tax liabilities were charged directly to equity.

The major components of income tax expense for the years ended December 31, 2007 and 2006 are as follows:

		Thousands of Euros
	2007	**2006**
Current income tax		
Income tax expense for the year	16,472	13,654
Current income tax of previous years	(226)	1,401
	16,246	15,055
Deferred income tax		
Origination and reversal of temporary differences	(7,273)	(475)
	8,973	**14,580**

A reconciliation between tax expense (income) and the product of profit before tax multiplied by the tax rate prevailing in Spain at December 31, 2007 is as follows:

		Thousands of Euros
	2007	**2006**
Profit before tax for the year	55,151	45,880
32.5% tax rate (35% in 2006)	17,924	16,058
Effect of application of tax rates in each country	396	(117)
Changes in impairment of Parent Company investments due to translation differences	145	1,091
Adjustments in respect of income tax expense of previous years	(226)	844
Deductions	(1,993)	(2,821)
Tax assets from corporate restructuring	(3,510)	(165)
Adjustment in respect of deferred taxes for reduction in tax rates in some countries(*)	(3,763)	(310)
	8,973	**14,580**

(*) In 2006, a reduction in the tax rate in Spain was approved. In 2007, reductions in the tax rates in Germany and the Czech Republic were approved.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2007 the Parent Company and subsidiaries in Spain have open to inspection by the tax authorities all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

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

(11) Inventories

Details of inventories at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	**2006**
Goods for resale	32,306	23,204
Raw materials and other supplies	45,934	47,292
Semi-finished products	23,852	19,096
Finished products	40,921	43,376
	143,013	**132,968**

Raw materials and other supplies consumed in 2007 and 2006 amounted to Euros 154,296 thousand and Euros 149,398 thousand, respectively.

At 31 December 2007 and 2006 there are no inventories with a reimbursement period greater than 12 months from the consolidated balance sheet date.

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

(12) Trade and other receivables

Details at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	**2006**
Trade receivables	93,150	91,039
Other receivables	4,772	6,400
Advances to employees	129	96
Public entities	8,676	6,352
Others	478	-
Provisions for bad debts	(2,388)	(2,778)
	104,817	**101,109**

At December 31, 2007, the age of accounts receivable on sales by maturity is as follows:

						Thousands of Euros
	Total	**Not due**	**< 30 days**	**30-60 days**	**60-90 days**	**> 90 days**
2007	93,150	74,224	12,975	2,968	1,079	1,904
2006	91,039	73,698	9,729	3,115	1,984	2,513

(13) Cash and cash equivalents

Cash and cash equivalents at 31 December 2007 and 2006 comprise cash balances with Group companies and banks. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

(14) Equity

(14.1) Share capital

Movements in shares in circulation during 2007 and 2006 were as follows:

	Shares		Thousands of Euros	
	2007	**2006**	**2007**	**2006**
At 1 January	47,959,806	47,959,806	14,388	14,388
Capital decrease	(66,964)	-	(199)	-
At 31 December	**47,296,842**	**47,959,806**	**14,189**	**14,388**

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

At 31 December 2007 the share capital of the Parent Company is represented by 47,296,842 bearer shares of Euros 0.30 par value each, subscribed and fully paid. All shares have the same voting and profit sharing rights, except own shares.

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

At December 31, 2007, the Parent Company is aware of the following shareholders with shareholdings greater than 3%:

Entity	**%**
Bestinver Gestión, S.A.	8.46
Marathon Asset Management, LLP	5.84
Onchena, S.L.	5.00

Capital management

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

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

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

In 2007, the Group's target was to maintain a solid capital position, reducing gearing relative to the year before. The gearing ratios at December 31, 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	**2006**
Net financial debt		
Borrowings and finance leases (Note 16)	111,786	124,191
Cash and cash equivalents (Note 13)	(17,107)	(12,233)
Other financial assets (Note 9)	-	**(152)**
Total financial debt	**94,679**	**111,806**
Equity		
Total equity (Note 14)	295,807	268,131
Gearing ratio	**0.32**	**0.42**

(14.2) Share premium

This reserve is freely distributable.

In 2007, a portion of the share premium was returned to shareholders, for a total amount of 7,562,294 Euros.

(14.3) Other reserves

Details and movement in other reserves are included in Appendix 5, which forms an integral part of these consolidated annual accounts.

(a) Revaluation reserve Navarre Regional Law 23/1996

As permitted by legislation prevailing at that time, in 1996 the Parent Company revalued its property, plant and equipment by Euros 9,282,000. The resulting revaluation reserve, which comprises the revaluation of items of property, plant and equipment, net of a 3% tax charge, amounts to Euros 9,003,000.

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

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

(b) Merger reserves

These reserves derive from the merger by absorption of Inversiones Legazpi, S.A. by the Parent Company in 2002 and are subject to the same restrictions as voluntary reserves. Details of this operation are included in the consolidated annual accounts for the year the operation was carried out.

(14.4) Retained earnings

Details and movement are included in Appendix 5, which forms an integral part of these consolidated annual accounts.

(a) Legal reserve

Companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital, in accordance with Article 214 of the Spanish Companies' Act. This reserve may only be used to offset losses if no other reserves are available. At 31 December 2007 and 2006 the Parent Company had appropriated to this reserve the minimum amount required by law.

(b) Voluntary reserves

These reserves are freely distributable.

(14.5) Movement in treasury shares

Movement in treasury shares in 2007 and 2006 was as follows:

		2007		2006
	Number of shares	**Thousands of Euros**	**Number of shares**	**Thousands of Euros**
Balance at 1 January	581,071	3,004	76,102	706
Acquisitions	324,868	5,207	507,459	5,971
Disposals	(6,590)	(78)	(2,490)	(27)
Cancellation	(662,964)	(8,078)	-	-
Transfer	-	3,673	-	(3,646)
Balance at 31 December	**236,385**	**3,728**	**581,071**	**3,004**

At 31 December 2007 the Parent Company holds 236,385 treasury shares for which a reserve has been made equal to the carrying amount of these shares. This reserve is not distributable unless the shares are disposed of or redeemed by the Company.

(14.6) Distribution of Dividends

Parent Company profits for the year ended 31 December 2006 were distributed, as approved by the shareholders at their annual general meeting held on 18 June 2007, as follows:

	Thousands of Euros
Dividends	6,625
Voluntary reserves	14,209
Distributable profits attributable to the parent	**20,834**

The proposed distribution of dividends is equivalent to Euros 0.14 per share for all the shares comprising share capital.

Details of the distribution of the Parent Company's 2007 dividends proposed by the directors of the Parent Company, pending approval at the shareholders' general meeting, are as follows:

	Thousands of Euros
Dividends	8,908
Other reserves	21,492
Distributable profits	**30,400**

The proposed distribution of dividends is equivalent to Euros 0.19 per share.

At 31 December 2007 and 2006 details of non-distributable reserves are as follows:

		Thousands of Euros
	2007	**2006**
Legal reserve	2,935	2,935
Revaluation reserves	8,988	8,988
Conversion of share capital to thousands of Euros	25	25
Reserve for conversion to IFRS	(5,826)	(5,826)
Other consolidation reserves	42,053	31,588
	48,175	**37,710**

(15) Deferred Income

Movement in deferred income during 2007 and 2006 was as follows:

	01.01.06	**Additions**	**Taken to income**	**Valuation-Adjust-ments**	**Sales**	**31.12.06**	**Addi-tions**	**Taken to income**	**31.12.07**
Capital grants	3,282	9	(435)	-	-	2,856	1,075	(491)	3,440
Grants for emission rights of greenhouse gases	39	1,413	(334)	(1,068)	(38)	12	112	(21)	103
	3,321	1,422	(769)	(1,068)	(38)	2,868	1,187	(512)	3,543

Details of capital grants in 2007 and 2006 are as follows:

		Thousand of Euros
Granting entity	**2007**	**2006**
Navarre regional government	1,298	1,054
FEOGA	1,543	1,657
Ministry of Economics	488	-
Extremadura regional government	111	145
	3,440	**2,856**

(16) Current and Non-Current Financial Liabilities

Details of current and non-current financial liabilities is as follows:

		Thousand of Euros
	2007	**2006**
Non-current		
Borrowings	39,570	60,327
Finance lease liabilities (note 7)	774	838
Other financial liabilities	5,259	5,501
Total non-current	**45,603**	**66,666**
Current		
Borrowings	71,374	62,957
Finance lease liabilities (note 7)	68	69
Other financial liabilities	1,242	1,342
Total current	**72,684**	**64,368**

Details of the carrying amount of financial liabilities in foreign currency, their classification by maturity and effective interest rates are shown in note 19. Loans and other credit facilities accrue interest at variable market rates.

At 31 December 2007 the Group has a limit on its credit facilities and discount lines of Euros 78,917 thousand (Euros 84,477 thousand in 2006) of which Euros 46,726 thousand has been drawn down at 31 December 2007 (Euros 56,209 thousand in 2006).

The Parent Company contracts financial derivatives mainly to eliminate or significantly reduce interest rate risks. At 31 December 2007 and 2006 the Company has contracted mainly interest rate swap agreements, which were in force at the following dates:

	2007	2006
	I.R.S.	I.R.S.
Notional amount (thousands of Euros)	2,146	6,439
Date of contract	02.05.03	02.05.03
Inception date	06.05.03	06.05.03
Expiry	30.06.08	30.06.08
Interest rate paid by the Company	3%	3%
Interest rate collected by the Company	Euribor at 3 months	Euribor at 3 months

The Group also contracts exchange rate insurance to hedge against exchange rate fluctuations.

Detail of prevailing exchange rate insurance, by currency, at 31 December 2007 is as follows:

	Amount
Currency	**2007**
US Dollar	27,522,561
Norwegian Krone	-
Canadian Dollar	842,936
Japanese Yen	248,537
Polish Zloty	823,303
Pound Sterling	-

Details of the fair value measurement of derivative financial instruments contracted by the Group at 31 December 2007 and 2006 are as follows:

			Thousand of Euros
	2007 Asset / (liability)	**2006 Asset / (liability)**	**Variation expense / (income)**
Exchange rate insurance	760	-	760
IRS (Interest Rate Swap)	18	60	(42)
	778	**60**	**718**

The fair value of derivative financial instruments actively traded on organized financial markets is based on the market value of similar instruments at the balance sheet date. For instruments where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis, or the use of forward exchange rates in the market at the balance sheet date.

"Other current and non-current financial liabilities" mainly comprise loans with subsidized interest rates extended by such entities as the Regional Government of Navarre, the Centre for Development of Industrial Technology and the Spanish Ministry of Science and Technology. The Group recognizes implicit interest on these loans in accordance with market rates.

Total current and non-current finance costs payable in respect of prior financial liabilities amount to Euros 628 thousand (Euros 60 thousand in 2007).

Loans received do not contain covenants which, if triggered, could lead to the early repayment of the debt.

(17) Current and Non-Current Provisions

Details at 31 December 2007 and 2006 are as follows:

		Thousands of Euros
	31.12.07	**31.12.06**
Non- Current		
Provisions for employee benefits		
Defined benefit	25,756	30,427
Other benefits	8,300	8,270
Taxes	110	567
Provisions for other litigation	2,740	2,687
Total non-current	**36,906**	**41,951**
Current		
Restructuring provision	1,019	1,516
Guarantees	589	1,013
Safety in the workplace provision	606	620
Emission rights	45	334
Others	-	3,193
Total current	**2,259**	**6,676**

(17.1) Provisions for defined benefit plans

The Group contributes to seven defined benefit plans, six in the United States through its subsidiary Teepak USA LLC and one in Germany through its subsidiary Naturin GmbH & Co KG.

Six of the plans ensure pensions and a widowhood pension for retired employees. Two of the plans for the Group's current employees in the US have been frozen and vary only on the basis of changes in discount rates and mortality tables. In addition, three of the plans in the US (classified as "Non-qualified") cover payment of a life-long pension scheme for former managers of the subsidiary.

The following table summarizes the components of the net benefit expense recognized in the 2007 and 2006 income statements for the pension plans, except those classified as "Non-qualified":

			Thousands of Euros
Net benefit expense 2007	**United States**	**Germany**	**Total**
Current service cost	281	222	503
Interest cost	1,919	861	2,780
Expected return on plan assets	(2,137)	-	(2,137)
Actuarial gain/(loss)	(1,252)	(1,516)	(2,768)
Recognized expense (net income)	**(1,189)**	**(433)**	**(1,622)**
Net benefit expense 2006			
Current service cost	372	266	638
Interest cost	2,041	890	2,931
Expected return on plan assets	(2,202)	-	(2,202)
Actuarial gain/(loss)	(1,146)	(565)	(1,711)
Recognized expense (net income)	**(935)**	**591**	**(344)**

In 2006 the company Teepak USA LLC reached an agreement with its employees and the relevant authorities to cancel one of its pension plans. As a result of this operation, the Group obtained a profit of Euros 13,411 thousand, which was recognized in 2006 and does not appear in the preceding breakdown.

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

			Thousands of Euros
Benefit asset/(liability) 2007	**United States**	**Germany**	**Total**
Present value of the obligation	(30,527)	(19,374)	(49,901)
Present value of plan assets	28,270	-	28,270
	(2,257)	(19,374)	(21,631)
"Non-qualified" plans and other	(4,125)	-	(4,125)
Recognized benefit liability	**(6,382)**	**(19,374)**	**(25,756)**
Benefit asset/(liability) 2006			
Present value of the obligation	(35,492)	(21,093)	(56,585)
Present value of plan assets	29,603	-	29,603
	(5,889)	(21,093)	(26,982)
"Non-qualified" plans and other	(3,445)	-	(3,445)
Recognized benefit liability	**(9,334)**	**(21,093)**	**(30,427)**

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

			Thousands of Euros
	United States	**Germany**	**Total**
Obligation at January 1, 2006	**40,811**	**21,755**	**62,566**
Current service cost	372	266	638
Interest cost	2,041	890	2,931
Benefits paid	(2,383)	(1,253)	(3,636)
Actuarial (gains)/losses	(1,146)	(565)	(1,711)
Translation differences	(4,203)	-	(4,203)
Obligation at December 1, 2006	**35,492**	**21,093**	**56,585**
Current service cost	281	223	504
Interest cost	1,919	862	2,781
Benefits paid	(2,263)	(1,288)	(3,551)
Actuarial (gains)/losses	(1,253)	(1,516)	(2,769)
Translation differences	(3,649)	-	(3.649)
Obligation at December 1, 2007	**30,527**	**19,374**	**49,901**

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

	Thousands of Euros
Fair value of plan assets at January 1, 2006	**28,935**
Return on plan assets	2,664
Contribution by the Company	3,583
Benefits paid	(2,383)
Translation differences	(3,196)
Fair value of plan assets at December 31, 2006	**29,603**
Actual return on plan assets	2,217
Contribution by the Company	1,965
Benefits paid	(2,263)
Translation differences	(3,252)
Fair value of plan assets at December 31, 2007	**28,270**

The Group expects to contribute 1,090 thousand Euros to eligible assets of pension plans in the US in 2008.

The percentage weight of plan assets by category in 2007 and 2006 is similar, as follows:

Equities	33%
Fixed-income investments	67%

The principal actuarial assumptions used in determining these liabilities are as follows:

United States	**2007**	**2006**
Annual discount rate	6.25%	5.75%
Expected rate of return on assets	7.5%	7.5%
Expected rate of salary increases	2.5%	2.5%
Germany		
Annual discount rate	5.25%	4.5%
Expected rate of salary increases	2%	2%
Expected age of retirement for employees	60-65	60-65

The mortality tables used in determining defined benefit obligations are those generally accepted in Germany and the US.

The Group has three pension plans in the US classified as "Non-qualified," whose main feature is the different consideration for tax purposes. Beneficiaries of these plans are retired former managers who receive life-long income. Beneficiaries of these plans were paid 167 thousand Euros in 2007 (2006: 183 thousand Euros). The actuarial assumptions used in these plans are the same as those for the other plans in the US. None of these plans has assets.

(17.2) Other benefits

The Group has other commitments with personnel, mainly in Germany from the Naturin GmbH & Co KG. subsidiary, in the form on an early retirement scheme agreed with employees and a long-service bonus.

The movement in provisions in 2007 and 2006 is as follows:

		Thousands of Euros
	2007	**2006**
Balance at January 1	**8,270**	**7,784**
Charge taken to income	877	1,112
Amount utilized taken to income	(328)	(69)
Benefits paid	(519)	(557)
Balance at December 31	**8,300**	**8,270**

(17.3) Provisions for other litigation

Movement at 31 December 2007 and 2006 is as follows:

		Thousands of Euros
	2007	**2006**
Balance at 1 January	**2,687**	**2,405**
Translation differences	194	(248)
Allowances	-	539
Applications	(141)	(9)
Balance at 31 December	**2,740**	**2,687**

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. These claims are expected to be resolved after 2008. According to the directors' opinion and corresponding legal assessment, the result of this litigation is not expected to differ significantly from the amounts provided for at 31 December 2007.

(17.4) Restructuring provision

The movement in this heading at December 31, 2007 and 2006 is as follows:

		Thousands of Euros
	2007	**2006**
Balance at 1 January	**1,516**	**3,297**
Charge	697	-
Utilized (payments made)	(1,194)	(1,781)
Balance at 31 December	**1,019**	**1,516**

A company-restructuring plan was undertaken for one of the Group companies during the year ended 31 December 2004 due to the slump in the market in which it operated. Representatives of the affected employees were duly informed of this plan. The estimate of total costs recognized in 2004 was based on a list employees affected by the plan. The plan was carried out from 2005 to 2007.

In 2007, a decision was made to restructure certain businesses so that certain processes would become more efficient. This decision meant the termination of certain jobs at one of the Group's subsidiaries. The employees affected have been informed and a provision of 697 thousand Euros recorded for the related termination benefits.

(17.5) Guarantees

The provision for guarantees mainly corresponds to products sold by the German subsidiary in the years ended 31 December 2007 and 2006. This provision has been estimated based on historical information of the Group.

(17.6) Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees in respect of occupational accidents. Rulings are expected to be issued in 2008. The directors and legal advisors of the Company do not expect the outcome of this litigation to differ significantly from the amounts provided for at 31 December 2007.

(17.7) Emission rights provision

Gas emission expenses amounted to Euros 2 thousand in 2007.

The criterion for estimating these expenses consists of a market price valuation of the Company's emission rights in 2007.

There were no significant other contingent liabilities at the end of 2007 and 2006.

(18) Trade payables, Other Payables and Other Current Liabilities

Details of trade and other payables are as follows:

		Thousands of Euros
	2007	**2006**
Trade payables	44,494	44,281
Other current liabilities:		
Salaries payable	8,081	9,414
Public entities	9,223	8,229
Other payables	14,436	9,954
	31,740	**27,597**

Other payables mainly comprise fixed asset suppliers.

(19) Risk Management

(19.1) Financial risks

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

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

(a) Market risks

- Exchange rate risks

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

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

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

The main exposure arises from the difference between sales and purchases in foreign currency at several Group companies. In this respect, the main risk arises from the difference between sales and expenses in US dollars. Approximately 40% and 24% of the Group's total sales and expenses, respectively, are in this currency.

The following table shows the sensitivity of profit for the year to changes in the dollar's exchange rate, *ceteris paribus*:

		Thousands of Euros
	31.12.07	**31.12.06**
+5%	5,010	6,200
- 5%	(4,542)	(5,609)

The following table shows the sensitivity of consolidated equity to changes in the exchange rates of some of the currencies of countries where the Group conducts business:

								Thousands of Euros
	US Dollar		**Czech Crown**		**Brazilian Real**		**Other**	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**
+5%	3.373	3.156	1.265	1.237	2.634	2.450	559	807
- 5%	(3.728)	(3.488)	(1.398)	(1.367)	(2.912)	(2.708)	(618)	(892)

Details of the Group's exposure to exchange rate risks at 31 December 2007 and 2006 are shown below. The tables reflect the carrying amount of financial instruments or classes of financial instruments of the Group which are denominated in foreign currency.

	US Dollar	Canadian Dollar	Pound Sterling	Czech Crone	Polish Zloty	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
At 31 December 2007										
Assets										
Non-current financial assets	38	-	-	-	-	32	-	-	-	70
Other financial assets	397	-	-	-	-	-	232	188	2	819
Total non-current assets	**435**	**-**	**-**	**-**	**-**	**32**	**232**	**188**	**2**	**889**
Trade and other receivables	38,238	1,509	1,450	2,527	972	717	2,776	9,094	2,597	59,880
Other financial assets	873	9	-	-	-	-	-	5,798	3	6,683
Cash and cash equivalents	1,364	1,578	802	276	2	190	2,315	322	220	7,069
Total current assets	**40,475**	**3,096**	**2,252**	**2,803**	**974**	**907**	**5,091**	**15,214**	**2,820**	**73,632**
Total assets	**40,910**	**3,096**	**2,252**	**2,803**	**974**	**939**	**5,323**	**15,402**	**2,822**	**74,521**
Liabilities										
Borrowings	32,055	2,076	-	-	-	-	-	-	-	34,131
Other financial liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	188	-	188
Total non-current liabilities	**32,055**	**2,076**	**-**	**-**	**-**	**-**	**-**	**188**	**-**	**34,319**
Borrowings	10,756	-	-	11,467	228	442	-	-	-	22,893
Trade and other payables	12,293	1,208	105	1,171	79	829	6,361	3,304	97	25,447
Total current liabilities	**23,049**	**1,208**	**105**	**12,638**	**307**	**1,271**	**6,361**	**3,304**	**97**	**48,340**
Total liabilities	**55,104**	**3,284**	**105**	**12,638**	**307**	**1,271**	**6,361**	**3,492**	**97**	**82,659**

	US Dollar	Canadian Dollar	Pound Sterling	Czech Crone	Polish Zloty	Mexican Peso	Others	Total
At 31 December 2006								
Assets								
Other financial assets	780	-	-	-	-	372	2	1,154
Total non-current assets	780	-	-	-	-	372	2	1,154
Trade and other receivables	40,802	3,331	1,974	4,162	996	12,513	2,342	66,120
Other financial assets	150	10	-	-	4	-	-	164
Cash and cash equivalents	2,203	2,060	673	1,714	2	689	181	7,522
Total current assets	**43,155**	**5,401**	**2,647**	**5,876**	**1,002**	**13,202**	**2,523**	**73,806**
Total assets	**43,935**	**5,401**	**2,647**	**5,876**	**1,002**	**13,574**	**2,525**	**74,960**
Liabilities								
Borrowings	42,141	1,963	-	-	-	-	-	44,104
Other financial liabilities	166	-	-	-	-	-	-	166
Total non-current liabilities	**42,307**	**1,963**	**-**	**-**	**-**	**-**	**-**	**44,270**
Borrowings	4.932	-	-	10,953	61	-	-	15,946
Trade and other payables	19,427	2,862	185	2,335	218	6,345	865	32,237
Total current liabilities	**24,359**	**2,862**	**185**	**13,288**	**279**	**6,345**	**865**	**48,183**
Total liabilities	**66,666**	**4,825**	**185**	**13,288**	**279**	**6,345**	**865**	**92,453**

The Company considers that a sensitivity analysis using other variables would be insignificant.

(b) Price risks

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

(c) Credit risk

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

(d) Liquidity risk

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

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

As the Group does not have highly remunerated assets, income and cash flows of operating activities are not significantly affected by variations in market interest rates.

Interest rate risks arise from other long-term and short-term resources. Other resources issued at floating interest rates expose the Group to cash flow interest rate risks. At the 2007 and 2006 closes the Group had no significant other resources held at fixed interest rates.

The carrying amounts of financial instruments or types of financial instruments classified by maturity are detailed as follows:

							Thousands of Euros
	Less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**More than 5 years**	**Total**
At 31 December 2007							
Assets							
Trade and other receivables	104,817	-	-	-	-	-	104,817
Other financial assets	-	-	-	-	-	-	-
Total assets	**104,817**	**-**	**-**	**-**	**-**	**-**	**104,817**
Liabilities							
Borrowings	71,442	15,902	7,052	4,891	12,499	-	111,786
Trade and other payables	44,494	-	-	-	-	-	44,494
Other financial liabilities	1,242	1,254	1,171	874	949	1,011	6,501
Total Liabilities	**117,178**	**17,156**	**8,223**	**5,765**	**13,448**	**1,011**	**162,781**
At 31 December 2006							
Assets							
Trade and other receivables	101,109	-	-	-	-	-	101,109
Other financial assets	152	-	-	-	-	1,587	1,739
Total assets	**101,261**	**-**	**-**	**-**	**-**	**1,587**	**102,848**
Liabilities							
Borrowings	63,026	20,951	13,305	9,083	8,269	9,557	124,191
Trade and other payables	44,281	-	-	-	-	-	44,281
Other financial liabilities	1,342	1,191	1,191	1,059	753	1,307	6,843
Total Liabilities	**108,649**	**22,142**	**14,496**	**10,142**	**9,022**	**10,864**	**175,315**

The table below shows interest accrued on monetary financial instruments, by currency, at 31 December 2007 and 2006:

	Euros	**US Dollar**	**Canadian Dollar**	**Pound Sterling**	**Czech Crone**	**Polish Zloty**	**Mexican Peso**	**Brazilian Real**	**Others**	**Total**
At 31 December 2007										
Financial expenses	3,016	3,144	104	-	463	3	-	363	-	7,093
Financial income	562	19	31	35	84	-	72	353	2	1,158
At 31 December 2006										
Financial expenses	3,815	3,531	27	-	231	8	-	-	-	7,612
Financial income	602	15	34	9	45	-	420	-	14	1,139

(20) Environmental Information

Details of costs and accumulated depreciation of property, plant and equipment in respect of the Group's environmental activities at 31 December 2007 and 2006 are as follows:

				Thousands of Euros
	2007		2006	
	Cost	**Accumulated depreciation**	**Cost**	**Accumulated depreciation**
Vapour boiler	1,091	(432)	1,091	(323)
Water-cooler circuit	697	(266)	697	(203)
Waste management plant	1,827	(1,036)	1,761	(852)
Gas washers	3,057	(2,153)	3,022	(1,861)
Purifier	1,552	(227)	1,574	(107)
Others	3,788	(1,689)	4,535	(2,006)
	12,012	**(5,803)**	**12,680**	**(5,352)**

During 2007 and 2006 the Parent Company incurred expenses for protection and improvement of the environment amounting of 941 y 952 thousand of Euros, respectively.

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

(21) Ordinary Income

Details of ordinary income by segment are included in note 5.

(22) Other Income

Details of other income are as follows:

		Thousands of Euros
	2007	**2006**
Government grants	1,198	814
Surplus provision for fixed assets - not applied (see note 7)	72	71
Gains on sale of fixed assets	138	175
Difference between fair value of Teepak net assets and cost of acquisition (see note 6.3)	-	9,611
Other income	3,244	2,239
	4,652	**12,910**

(23) Other operating Expenses

Details of other expenses are as follows:

		Thousands of Euros
	2007	**2006**
Research and development costs	767	660
Repairs and maintenance	20,817	21,006
Administrative and selling costs	46,352	45,699
Supplies	50,975	42,559
Losses on sale of fixed assets	129	1,083
Other expenses	15,277	24,774
	134,317	**135,781**

The Group has no significant operating leases.

(24) Personnel Expenses

Details of personnel expenses during 2007 and 2006 are as follows:

		Thousands of Euros
	2007	**2006**
Wages and salaries	101,265	110,290
Indemnity payments	1,738	1,112
Contributions to defined benefit plans (note 17.1)	(1,623)	(13,755)
Provisions for other benefits (note 17.2)	877	845
Company social security contributions	25,303	26,584
Other welfare benefits and taxes	2,432	789
	130,093	**128,223**

The average headcount of the Group during 2007 and 2006, distributed by category, is as follows:

	2007	**2006**
Management	68	109
Technicians and department heads	507	627
Administrative staff	331	332
Specialized personnel	715	988
Laborers	2,500	2,382
	4,121	**4,438**

(25) Financial Income and Expense

Details of financial income and expense are as follows:

		Thousands of Euros
	2007	**2006**
Financial income		
Other financial income	1,157	1,296
Exchange gains	9,549	8,459
Net profits on adjustment to fair value of derivative financial instruments (note 16)	718	201
Total financial income	**11,424**	**9,956**
Financial expenses		
Other financial expenses	7,093	7,612
Exchange losses	9,657	10,363
Total financial expenses	**16,750**	**17,975**

(26) Earnings per Share

(26.1) Basic

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

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

		Thousands of Euros
	2007	**2006**
Profit attributable to ordinary equity holders of the Parent Company	46,178	31,300
Weighted average number of ordinary shares in circulation	47,255,226	47,631,219
Basic earning per share (in Euros)	0,9772	0,6571

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

	2007	**2006**
Weighted average number of ordinary shares in circulation	47,296,842	47,959,806
Effect of treasury shares	(41,616)	(328,587)
Average number of ordinary shares in circulation at 31 December	47,255,226	47,631,219

(26.2) Diluted

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

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

The board of directors of the Company only accrue remuneration established in articles 27 and 30 of the Company's bylaws, equivalent to 1.5% of the Parent Company's profit before income tax for the board directors, which amounted to Euros 500,949 and Euros 304,683 for 2007 and 2006, respectively, and another 1.5% of the Parent Company's profit before income tax for the executive board, which amounted to Euros 500,949 and Euros 304,683 for 2007 and 2006, respectively. As established in the aforementioned articles, the board of directors and executive committee decide on the distribution of remuneration equally among the members.

Details of remuneration by director are as follows:

						Euros
Name	Committee	Board	Audit Committee	Per diems	Boards of other Group companies	Total
Mr. Jaime Echevarría Abona	166,983	62,619	-	10,800	148,305	388,707
Mr. José María Cuevas Salvador	166,983	62,619	-	10,800	-	240,402
Mr. Nestor Basterra Larroudé	166,983	62,619	-	10,800	74,580	314,982
Mr. Iñigo Soláun Garteiz-Goxeascoa	-	62,619	-	10,800	-	73,419
Mrs. Agatha Echevarría Canales	-	62,619	11,600	10,800	-	85,019
Mr. José Cruz Pérez Lapazarán	-	62,618	11,600	10,800	-	85,018
Mr.Gregorio Marañón Bertrán de Lis	-	62,618	11,600	8,800	-	83,018
Mr. Alejandro Legardea Zaragüeta	-	62,618	10,000	9,800	-	82,418
	500,949	**500,949**	**44,800**	**83,400**	**222,885**	**1,352,983**

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

During 2007 and 2006 the members of the board of directors have not carried out operations with the Company or the Group other than ordinary operations under market conditions.

Details of remuneration received by key management personnel, presented in Appendix 6, are as follows:

	Thousands of Euros	
	2007	2006
Short-term remuneration of employees, management	2,630	2,808

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

Name	Company	Position
Mr. Jaime Echevarría Abona	Naturin GmbH & Co KG	Chairman to the Board of Directors
	Naturin Limited	Chairman to the Board of Directors
	Gamex, C.B.s.r.o.	Chairman to the Board of Directors
	Viscofan CZ. s.r.o.	Chairman to the Board of Directors
	Viscofan USA Inc	Chairman to the Board of Directors
	Viscofan Poland Sp. Z.o.o.	Chairman to the Board of Directors
	Viscofan Centroamérica Comercial, S.A.	Chairman to the Board of Directors
	Viscofan de México S. de R.L. de C.V.	Chairman to the Board of Directors
	Koteks Viscofan, d.o.o.	Chairman to the Board of Directors
	Viscofan Canadá, Inc	Chairman to the Board of Directors
	Teepak USA, LLC	Chairman to the Board of Directors
	Teepak de Mexico, S. de R.L. de C.V.	Chairman to the Board of Directors
	Viscofan do Brasil soc. com. e ind. Ltda.	Member of Consultant Board
	Industrias Alimentarias de Navarra, S.A.U.	Chairman to the Board of Directors
Mr. Néstor Basterra Larroudé	Naturin GmbH & Co	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director

During 2007 and 2006 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

(28) Audit Fees

The auditors of the consolidated annual accounts of the Group and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services for the years ended 31 December 2007 and 2006 as follows:

		Euros
	2007	**2006**
Principal auditor		
Audit services	113,000	94,654
Other services	-	885
	113,000	**95,539**

Audit services detailed in the above table include the total fees for services rendered in 2007 and 2006, irrespective of the date of invoice.

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

		Euros
	2007	**2006**
Audit services	371,000	254,098
Other services	-	41,995
	371,000	**296,093**

A list of auditors of each Group company in 2006 is provided in Appendix I.

(29) Subsequent Events

On 21 January 2008, as agreed by the directors at their meeting held on 8 January 2008, a gross interim dividend of Euros 0.19 per share was distributed for all shares comprising the share capital of the Parent Company.

The mandatory cash flow statement prepared by the directors of the Parent Company for the distribution of the dividend on account of 2007 profits, which includes treasury shares, is as follows:

		Euros
I. Balance at January 8, 2008		**1,486,407**
II. Cash flows from/(used in) operating activities		
• Trade and other receivables	104,829,645	
• Other income	245,306	
• Payments to suppliers and other payables	(65,289,347)	
• Payments to employees	(24,724,852)	
• Interest expense	(1,568,937)	
• Other payments	(4,200,000)	
		9,291,815
III. Cash flows from/(used in) investing activities		
• Dividends received	20,128,512	
• Purchases of property, plant and equipment	(17,929,000)	
		2,199,512
IV. Cash flows from/(used in) financing activities		
• Proceeds from non-current borrowings	7,351,213	
• Shareholder remuneration	(19,675,079)	
		(12,323,866)
V. Balance at January 8, 2009		**653,868**

Details of the Viscofan Group
31 December 2007
Appendix 1

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

		Percentage interest			
Group companies		Direct	Indirect	Activity	Registered offices
Industrias Alimentarias de Navarra, S.A.U.		100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin GmbH & Co. KG	(i)	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware		100.00%	-	Financial activity	Dover (USA)
Naturin Verwaltung GmbH		100.00%	-	Financial activity	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda.		100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o		100.00%	-	Commercial activity	Krakow (Poland)
Koteks Viscofan, D.O.O.		100.00%	-	Manufacture and marketing of artificial casings	Novisad (Serbia)
Gamex, C.B. s.r.o.		100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc.		100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Naturin LTD		100.00%	-	Commercial activity	Seven Oaks (United Kingdom)
Viscofan CZ, s.r.o.		100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
IAN Perú, S.A.		-	100.00%	Asparagus production	Lima (Peru)
Stephan & Hoffmann AG		-	100.00%	Holding	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.		99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.		99.50%	0.50%	Commercial activity	San José (Costa Rica)
Viscofan de México Servicios, S.R.L. de C.V.		99.80%	0.20%	Services rendered	San Luis de Potosí (Mexico)
Teepak Holding de México, S.R.L. de C.V.		0.01%	99.99%	Holding	Zacapu Michoacán (Mexico)
Teepak México S.R.L. de C.V.		0.01%	99.99%	Manufacture and marketing of artificial casings	Zacapu Michoacán (Mexico)
Teepak Servicios de México, S.R.L. de C.V.		99.99%	0.01%	Services rendered	Zacapu Michoacán (Mexico)
Zacapu Power S.R.L. de C.V.		-	100.00%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc		-	100.00%	Commercial activity	Quebec (Canada)
Teepak USA, LLC		-	100.00%	Manufacture and marketing of artificial casings	Danville Illinois (U.S.A)

(i) The German subsidiary is not required to publish its financial statements under the provisions of articles 264 (b) and 264 (3) of the German Commercial Code.

Details of the Viscofan Group
31 December 2006
Appendix 1

Group companies		Percentage interest Direct	Indirect	Activity	Registered offices
Industrias Alimentarias de Navarra, S.A.U.		100.00%	-	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin GmbH & Co. KG	(i) and (iv)	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware		100.00%	-	Financial activity	Dover (USA)
Naturin Verwaltung GmbH	(i)	100.00%	-	Financial activity	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda.		100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o		100.00%	-	Commercial activity	Krakow (Poland)
Koteks Viscofan, d.o.o.		100.00%	-	Manufacture and marketing of artificial casings	Novisad (Serbia)
Gamex, C.B. s.r.o.		100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc.		100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Naturin LTD	(iii)	100.00%	-	Commercial activity	Seven Oaks (United Kingdom)
Viscofan CZ, s.r.o.		100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
IAN Perú, S.A.		-	100.00%	Asparagus production	Lima (Peru)
Naturin Canadá Vertriebs GmbH	(i), (ii) y (iv)	-	100.00%	Commercial activity	Weinheim (Germany)
Stephan & Hoffmann AG	(i)	-	100.00%	Holding company	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.		99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.		99.50%	0.50%	Commercial activity	San José (Costa Rica)
Viscofan México de Servicios, S.R.L. de C.V.		99.80%	0.20%	Services rendered	San Luis de Potosí (Mexico)
Teepak Holding de México, S.R.L. de C.V.		-	100.00%	Holding company	Zacapu Michoacán (Mexico)
Teepak de México S.R.L. de C.V.		-	100.00%	Manufacture and marketing of artificial casings	Zacapu Michoacán (Mexico)
Teepak Servicios de México, S.R.L. de C.V.		-	100.00%	Services rendered	Zacapu Michoacán (Mexico)
Zacapu Power S.R.L. de C.V.		-	100.00%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc		-	100.00%	Commercial activity	Quebec (Canada)
Teepak USA, LLC		-	100.00%	Manufacture and marketing of artificial casings	Danville Illinois (U.S.A)

(i) Companies audited by Ernst&Young
(ii) Company audited by BDO Dunwoody LLP
(iii) Company audited by Perrys Chartered Accountants
(iv) These German subsidiaries are not required to publish their financial statements under the provisions of articles 264 (b) and 264 (3) of the German Commercial Code.

Segment reporting
31 December 2007 and 2006
Appendix 2

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

(In thousands of Euros)

Business Segments	Casings		Tinned Food		Eliminations		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Income and expenses								
Sales and services rendered	418,065	416,126	88,032	81,051	(73)	(17)	506,024	497,160
Material consumed	(95,398)	(104,027)	(52,552)	(45,371)	-	-	(147,950)	(149,398)
Other operating income and expenses	(266,411)	(261,136)	(31,260)	(32,743)	73	17	(297,598)	(293,862)
	56,256	**50,963**	**4,220**	**2,937**	**-**	**-**	**60,476**	**53,900**
Financial loss	(4,107)	(6,778)	(1,218)	(1,242)	-	-	(5,325)	(8,020)
Income tax expense	(8,469)	(14,247)	(504)	(333)	-	-	(8,973)	(14,580)
Profit for the year	**43,680**	**29,938**	**2,498**	**1,362**	**-**	**-**	**46,178**	**31,300**
Assets and Liabilities								
Total segment assets	486,025	484,880	79,755	74,228	-	-	565,780	559,108
Total segment liabilities	230,915	254,492	39,058	36,485	-	-	269,973	290,977
Other segment information								
Capital expenditure								
• Tangible fixed assets	30,255	29,907	2,291	2,246	-	-	32,546	32,153
• Intangible fixed assets	1,833	1,624	37	80	-	-	1,870	1,704
Depreciation and amortization								
• Tangible fixed assets	(32,579)	(31,524)	(2,786)	(2,528)	-	-	(35,365)	(34,052)
• Intangible fixed assets	(2,555)	(2,820)	(155)	(150)	-	-	(2,710)	(2,970)
Cash Flows								
Cash flows from operating activities	69,823	25,127	(1,045)	9,172	-	-	68,778	34,299
Cash flows from investing activities	(29,558)	(15,378)	(2,096)	(2,033)	-	-	(31,654)	(17,411)
Cash flows from financing activities	(35,367)	(12,917)	3,117	(7,044)	-	-	(32,250)	(19,961)

This appendix forms an integral part of note 5 to the consolidated annual accounts, in conjunction with which it should be read.

Geographical segments	Europe		North America		South America		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Ordinary income from external clients	289,033	272,763	157,587	175,678	59,404	48,719	506,024	497,160
Segment assets	352,494	354,823	143,221	142,964	70,065	61,321	565,780	559,108
Other segment information								
Capital expenditure								
• Tangible fixed assets	22,763	17,992	7,129	6,515	2,654	7,646	32,546	32,153
• Intangible fixed assets	639	1,697	1,224	-	7	7	1,870	1,704
Cash flows								
Cash flows from operating activities	41,941	38,729	11,342	(16,555)	15,495	12,125	68,778	34,299
Cash flows from investing activities	(22,307)	(18,671)	(7,802)	3,876	(1,545)	(2,616)	(31,654)	(17,411)
Cash flows from financing activities	(14,439)	(18,143)	(1,736)	8,663	(16,075)	(10,481)	(32,250)	(19,961)

Details and movement in property, plant and equipment
31 December 2007 and 2006
Appendix 3

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

(In thousands of Euros)

	01.01.06	Translation differences	Changes in consolidated group	Additions	Disposals
Revalued cost					
Land and buildings	158,515	800	4,459	2,407	(1,109)
Plant and machinery	357,087	906	45,137	14,092	(24,870)
Other installations, equipment and furniture	73,481	(332)	200	2,465	(4,107)
Other property, plant and equipment	22,404	(666)	6	1,161	(1,338)
Advances and assets under construction	9,060	97	811	12,028	(313)
	620,547	**805**	**50,613**	**32,153**	**(31,737)**
Restated accumulated depreciation					
Buildings	(58,692)	(70)	(2)	(4,250)	847
Plant and machinery	(258,285)	(620)	(108)	(23,462)	22,504
Other installations, equipment and furniture	(43,651)	188	(23)	(5,240)	3,272
Other property, plant and equipment	(19,101)	574	-	(1,100)	1,077
	(379,729)	**72**	**(133)**	**(34,052)**	**27,700**
Provisions	**(297)**	**-**	**-**	**-**	**71**
	240,521	**877**	**50,480**	**(1,899)**	**(3,966)**

This appendix forms an integral part of note 7 to the consolidated annual accounts, in conjunction with which it should be read.

Transfers	31.12.06	Translation differences	Additions	Disposals	Transfers	31.12.07
18,342	183,414	1,298	262	(48)	(14,852)	170,074
7,233	399,585	(2,773)	6,739	(5,724)	24,829	422,656
(12,951)	58,756	(30)	2,735	(131)	566	61,896
(1,155)	20,412	(416)	1,858	(1,592)	203	20,465
(13,186)	8,497	119	20,952	(54)	(10,754)	18,760
(1,717)	**670,664**	**(1,802)**	**32,546**	**(7,549)**	**(8)**	**693,851**
86	(62,081)	(158)	(4,256)	2	(124)	(66,617)
481	(259,490)	(779)	(25,419)	4,717	(7,920)	(288,891)
1,185	(44,269)	(470)	(3,847)	82	6,459	(42,045)
(58)	(18,608)	298	(1,843)	1,588	1,438	(17,127)
1,694	**(384,448)**	**(1,109)**	**(35,365)**	**6,389**	**(147)**	**(414,680)**
-	**(226)**	**-**	**-**	**72**	**-**	**(154)**
(23)	**285,990**	**(2,911)**	**(2,819)**	**(1,088)**	**(155)**	**279,017**
					(note 8)	

Details and movement in intangible assets
31 December 2007 and 2006
Appendix 4

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

(In thousands of Euros)

	01.01.06	Translation differences	Changes in consolidated group	Additions	Disposals
Cost					
Technology and contracts	-	-	6,896	-	-
Trademark and customer portfolio	2,672	-	-	-	-
Software	9,489	31	-	290	(37)
Concessions, patents and licences	1,966	-	-	-	-
Issue rights	1,188	-	-	1,414	(2,256)
	15,315	**31**	**6,896**	**1,704**	**(2,293)**
Accumulated amortisation					
Technology and contracts	-	47	-	(1,020)	-
Trademark and customer portfolio	(178)	-	-	(534)	-
Software	(6,876)	(35)	-	(1,403)	34
Concessions, patents and licences	(325)	-	-	(13)	-
	(7,379)	**12**	**-**	**(2,970)**	**34**
	7,936	**43**	**6,896**	**(1,266)**	**(2,259)**

(*) Of the amount of transfers to intangible assets, 155 thousand Euros was recognized under "Property, plant and equipment" and 146 thousand Euros under "Other financial assets" in 2006.

This appendix forms an integral part of note 8 to the consolidated annual accounts, in conjunction with which it should be read.

Transfers	31.12.06	Translation differences	Additions	Disposals	Transfers	31.12.07
-	6,896	(727)	-	-	-	6,169
-	2,672	-	-	-	-	2,672
23	9,796	35	624	(254)	182	10,383
-	1,966	-	1,224	-	-	3,190
-	346	-	22	(353)	(11)	4
23	**21,676**	**(692)**	**1,870**	**(607)**	**171**	**22,418**
-	(973)	157	(788)	-	-	(1,604)
-	(712)	-	(534)	-	-	(1,246)
-	(8,280)	(26)	(481)	253	1,024	(7,510)
-	(338)	-	(907)	-	(894)	(2,139)
-	**(10,303)**	**131**	**(2,710)**	**253**	**130**	**(12,499)**
23	**11,373**	**(561)**	**(840)**	**(354)**	**301(*)**	**9,919**
					(note 7)	

Details and movement in other reserves and retained earnings for the years ended 31 December 2007 and 2006 Appendix 5

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

	Other reserves			
	Reserve for conversion to IFRS	Revaluation reserves	Merger reserves	Total
Balance at 1 January 2006	(5,826)	8,990	119	3,283
Distribution of profit / (application of loss) for the year				
Reserves	-	-	-	-
Dividends	-	-	-	-
Provision for treasury shares	-	-	-	-
Application of revaluation reserve	-	(2)	-	(2)
Other movements	-	-	-	-
Profit for the year	-	-	-	-
Balance at 31 December 2006	(5,826)	8,988	119	3,281
Distribution of profit / (application of loss) for the year				
Reserves	-	-	-	-
Dividends	-	-	-	-
Redemption of treasury shares	-	-	-	-
Other movements	-	-	-	-
Transfers (note 14.5)	-	-	-	-
Profit for the year	-	-	-	-
Balance at 31 December 2007	(5,826)	8,988	119	3,281

This appendix forms an integral part of note 14 to the consolidated annual accounts, in conjunction with which it should be read.

Retained earnings					
Legal reserves	Special reserves	Voluntary reserves	Other consolidation reserves	Profit / (loss) for the year	Total
2,935	**25**	**115,594**	**46,211**	**19,695**	**184,460**
-	-	26,911	(10,948)	(15,963)	-
-	-	-	-	(3,732)	(3,732)
-	-	-	(3,673)	-	(3,673)
-	-	-	-	-	-
-	-	-	(2)	-	(2)
-	-	-	-	31,300	31,300
2,935	**25**	**142,505**	**31,588**	**31,300**	**208,353**
-	-	20,834	10,466	(31,300)	-
-	-	(6,625)	-	-	(6,625)
-	-	(7,879)	-	-	(7,879)
-	-	40	(1)	-	39
-	-	3,673	-	-	3,673
-	-	-	-	46,178	46,178
2,935	**25**	**152,548**	**42,053**	**46,178**	**243,739**

Viscofan Group management
31 December 2007 and 2006
Appendix 6

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

Name	Position	Company
Mr. José Antonio Canales	General manager	Viscofan Group
Mrs. Elena Ciordia	Legal Department manager	Viscofan Group
Mr. Gabriel Larrea	Sales manager	Viscofan Group
Mr. César Arraiza	Chief financial officer	Viscofan Group
Mr. Armando Ares	Comunication and investor relations	Viscofan Group
Mr. Pedro Eraso	Extrusion cordinator	Viscofan Group
Mr. José Vicente Sendin	Converting coodinator	Viscofan Group
Mr. José Ignacio Recalde	Research and development manager	Viscofan Group
Mr. Andrés Díaz	Production manager	Viscofan, S.A.
Mr. José Antonio Moriones	Production management technical advisor	Viscofan, S.A.
Mr. Juan José Rota	Human resources manager	Viscofan, S.A.
Mr. Manuel Nadal	Information and systems manager	Viscofan, S.A.
Mr. Ricardo Royo	Chief financial officer	Viscofan, S.A.
Mr. Miroslav Kamis	General manager	Gamex Cb Sro., Viscofan Cz, S.R.O.
Mr. Juan Carlos García De La Rasilla	General manager	Koteks Viscofan, D.O.O.
Mr. Wilfred Schobel	Production manager	Naturin Gmbh & Co. Kg
Mr. Bernard Trauth(*)	General manager	Naturin Gmbh & Co. Kg
Mr. Alfred Bruinekool	General manager	Naturin UK, Ltd
Mr. Alfred Bruinekool	Sales manager	Naturin Gmbh & Co. Kg
Mr. Yunny Soto	General manager	Viscofan Centroamérica Comercial, S.A.
Mr. Óscar Ponz(*)	General manager	Viscofan De México S.R.L. de C.V,
Mr. Luis Bertoli	General manager	Viscofan Do Brasil. S. Com. E. Ind. Ltda.
Mr. Waldemar Szymanski	General manager	Viscofan Poland Sp.Z.O.O.
Mr. José Maria Fernández	General manager	Viscofan Usa Inc..
Mr. Alejandro Martínez Campo	General manager	Industrias Alimentarias de Navarra, S.A.U.

(*) Additions in 2007. Oscar Ponz replaced Antonio Armendáriz Garcia as General Manager of Viscofan de México S.R.L. de C.V. in 2007.

Viscofan, S.A. and Subsidiaries
Consolidated Management Report

31 December 2007 and 2006

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

2007 Consolidated management report

Business performance and situation of Viscofan Group companies

In 2007, the Viscofan Group continued with its strategy aimed at boosting the profitability of both its casings and vegetable preserves operations. This required increasing Group revenues at both divisions and furthering the integration of the companies acquired in the last few years, which led to improvements in production efficiency and control over costs.

The Viscofan Group posted record net profit in 2007 of 46.2 million Euros, 47.5% higher than the 31.3 million Euros obtained in 2006.

Consolidated revenue rose 1.8% to 506.0 million Euros.

Revenue from the casings business advanced 0.5% to 418.1 million Euros, driven by growth in the global artificial casings market and the ongoing policy of raising average prices applied by the Viscofan Group in its main segments. These two factors offset the adverse effects of exchange-rate movements *vis-à-vis* the Euro, mainly by the US dollar, and lower sales of collagen casings in China and fibrous casings in the US, after Viscofan USA's distribution contract to sell these casings there ended.

The vegetable preserves business generated 88 million Euros of revenue in 2007, 8.5% more than the 81.1 million Euros obtained the year before, thanks to higher asparagus sales and, to a lesser extent, olive exports.

The increase in consolidated revenue came alongside production efficiency improvements and control over costs, above all in personnel expenses. This led to all-time high production at the Group and bolstered the profitability of its operations.

Despite further rises in unit prices of some raw materials and energy prices, the Viscofan Group managed to increase the EBITDA margin1 by 2.7 percentage points to 19.5%.

EBITDA[1] in 2007 amounted to 98.6 million Euros, 17.9% higher than the year before. In 2007 and 2006, the inclusion of new companies in the consolidated Group and headcount reductions led to non-recurring results for the Group. These amounted to 5.2 million Euros of profit in 2006, but 1.2 million Euros of losses in 2007. Stripping out non-recurring results in both years, cumulative EBITDA[1] rose 27.3% in 2007.

The casings business contributed 91.4 million Euros of EBITDA, representing 83% of the total and 17.2% higher than the year before. EBITDA for the vegetables preserves business rose 27.5% to 7.2 million Euros and accounted for 7% of the total.

Consolidated EBIT[2] amounted to 60.5 million Euros, 12.2% higher than the 53.9 million Euros obtained in 2006. In the fourth quarter of last year, 7.3 million Euros of capital gains were included due to the difference between the cost of assets acquired in 2006 and their fair value. Excluding this impact, EBIT grew 29.8% in 2007.

[1] EBITDA = Earnings before tax, excluding finance income and expense, impairment losses on non-current assets, depreciation and amortization, and capital gains arising from the difference between the cost and fair value of assets.
[2] EBIT = Earnings before tax and interest.

Net finance costs amounted to 5.3 million Euros in 2007, compared to 8 million Euros in 2006. This improvement was the result of a sharp decline in net exchange losses and the decrease in gross finance costs derived from the decline in average net debt, not to mention lower finance costs on US$-denominated debt caused by the dollar's depreciation.

Net financial debt at December 31, 2007 stood at 94.7 million Euros, marking a 17.1 million Euros decline in the year. The gearing ratio stood at 32.0%, 9.7 percentage points lower than the year before despite the sharp increase in shareholder returns in 2007.

In the fourth quarter of 2007, the tax rates in several countries where Group subsidiaries operate were lowered. This reduced deferred taxes, leading to a lower income tax expense. The lower tax charge, coupled with Teepak USA's tax credit, drove a sharp reduction in the Group's tax rate, to 16.3% from 31.8% the year before.

All this led to record net profit of 46.2 million Euros, 47.5% higher than the 31.3 million Euros obtained in 2006.

Important events

No significant events have taken place outside Viscofan's ordinary business.

Outlook for the Viscofan Group Companies

a) Casings

Improved competitiveness in the artificial casings market and consolidation of Viscofan's leadership leave the Group in a very favorable position to capture market growth whilst continuing to implement measures aimed at improving its efficiency and therefore profitability.

In 2008, the Group will focus on maximizing the competitive advantages afforded by its global footprint -it has a presence in the world's main artificial casings markets- by leveraging its technological expertise in the production process. This will enable it to meet the growing global demand for artificial casings, while raising production efficiency at all its production centers by increasing the level of production automation and implementing best practices at the Group's plants.

Meanwhile, the Group plans to complete the first stage of the enlargement of the co-generation plant at its Cáseda (Spain) production center with the start-up of two new engines with combined capacity of 16.6MW, and the possibility of adding two more at the end of 2009. This project will raise Viscofan's power generation capacity more efficiently, while reducing the environmental impact of its production processes.

b) Vegetable preserves

The Group will continue with its current strategy, marketing products under the Carretilla brand, extending its range of health and convenience products while seeking to streamline costs.

Main Group investments and research and development activities

The Group has invested 34.5 million Euros during 2007, slightly higher than 32.1 million Euros spent in 2006.

Investment in the casings business mainly went to building the enlargement of the Cáseda co-generation plant and upgrading plant and machinery to raise the Group's production capacity and efficiency.

For preserves, investments have been mainly aimed at adaptation to environmental and safety regulations and development of new production lines for pre-prepared dishes.

Viscofan follows a pro-active policy in terms of research and development activities in both lines of business, supported by research and technology centers in various countries.

- For casings, efforts are aimed at the development of new products or perfecting products already available to increase the market share for the main families of meat casings or other areas of strategic interest, while continuing innovation and improvement in production processes for industrial optimization of these processes, and maximizing production output through the introduction of technological advances and development of advanced engineering solutions.
- For vegetable preserves, new products have continued to be developed, with ready-to-serve pre-prepared meals the business line with the best outlook from the point of view of growth and added value.

Acquisition of treasury shares

On October 1, 2007, the deed for the 198,889.20 Euro capital decrease related to the cancellation of 662,964 Viscofan S.A. treasury shares was inscribed in the Mercantile Register. Share capital after the decrease stood at 14,189,052.60 Euros and consisted of 47,296,842 shares. In this way, the Company spent over 8 million Euros to remunerate shareholders.

Under the authorization given at the previous General Shareholders' Meeting, the Parent Company acquired treasury shares in 2007. So far in 2008, it has notified the acquisition of treasury shares equating to 1% of share capital.

Risk management

Due to the globalization of its sales, the Group carries out a number of transactions in currencies other than Euros; General group policy is to hedge against commercial transaction risks by contracting exchange rate insurance to cover the collection period of the Group's product sales. Long-term insurance is not contracted. Group manufacturing companies, which deal with commercial entities or with customers exclusively in the functional currency of the area in which they operate, are most at risk from foreign exchange rate fluctuations.

The Company has not hedged exchange rates on investments in subsidiaries which operate in foreign currencies or their distributable profits. The Group has shown that it is capable of competing in highly competitive price markets and therefore does not consider this to be a factor of risk, albeit a determining factor in sales profitability.

Although the Group is not exposed to a significant concentration of credit risk, in 2008 it pooled, improved and widened its coverage of collection risk for the consolidated Group.

The Group's level of leverage and the amounts drawn down on its credit facilities lead us to believe that the Company will be able to meet its financial needs.

The Parent Company has contracted several interest rate swap operations to mitigate the risks of exposure to interest rate fluctuations.

Operations with the board of directors or persons acting on their behalf, carried out during 2006, with the quoted company or a Group company when operations are different to the Company's ordinary activity or are not carried out in normal market.

In 2007 the directors have not participated in any operations other than the ordinary activity of the Company or Group companies or carried out in abnormal market conditions.

Subsequent events

At the meeting held on 8 January 2008, the board of directors of Viscofan agreed to distribute a dividend on account of the profit for 2007 for a gross amount of Euros 0.19 per share for all of the shares comprising the share capital of the Parent Company, representing a rise of 35.7% compared to the dividend on account of the 2006 profit distributed the prior year. The aforementioned dividend was paid on 21 January 2008.

In its efforts to streamline its corporate structure, in January 2008 Viscofan de México S.R.L. de C.V. took over Teepak de México S.R.L. de C.V. and Teepak Holdings de México S.R.L. de C.V., while Viscofan de México de Servicios S.R.L. de C.V. took over Teepak Servicios de México, S.R.L. de C.V. In the US, Viscofan USA, Inc. took over Teepak USA, LLC.

In March 2008, the Company announced the acquisition of 473,827 treasury shares, equivalent to 1.002% of share capital.

Viscofan, S.A.

Annual Accounts and Management's Report

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

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AUDIT REPORT ON THE ANNUAL ACCOUNTS

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

To the Shareholders of
VISCOFAN, S.A.

We have audited the annual accounts of VISCOFAN, S.A., which consist of the balance sheet at December 31, 2007, the profit and loss account and the notes thereto for the year then ended, the preparation of which is the responsibility of the Company's directors. Our responsibility is to express an opinion on the aforementioned annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

In compliance with Spanish mercantile law, for comparative purposes the Company's directors have included for each of the captions presented in the balance sheet, the profit and loss account and the statement of source and application of funds, in addition to the figures of 2007, those of 2006. Our opinion refers only to the annual accounts for 2007. On March 30, 2007, other auditors issued their audit report on the 2006 consolidated annual accounts, in which they expressed an unqualified opinion.

In our opinion, the accompanying 2007 annual accounts give a true and fair view, in all material respects, of the net equity and financial position of VISCOFAN, S.A. at December 31, 2007, and the results of its operations and the source and application of funds for the year then ended, and contain the required information necessary for their adequate interpretation and comprehension, in conformity with accounting principles and criteria generally accepted, applied on a basis consistent with those of the preceding year.

Ernst & Young, S.L.
Domicilio Social: Plaza Pablo Ruiz Picasso, 1. 28020 Madrid.
Inscrita en el Registro Mercantil de Madrid al Tomo 12.749, Libro 0,
Folio 215, Sección 8ª, Hoja M-23123, Inscripción 116. C.I.F. B-78970506

The accompanying management report for the year ended December 31, 2007 contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters, and is not an integral part of the annual accounts. We have checked that the accounting information included in the report mentioned above agrees with the annual accounts for the year ended December 31, 2007. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original)

Javier Ezcurra Zubeldía

March 28, 2008

Balance Sheets
at 31 December 2007 and 2006

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

(Expressed in thousands of Euros)

Assets	**2007**	**2006**
Fixed assets		
Intangible assets (note 5)	1,029	1,424
Tangible assets (note 6)	46,026	41,934
Investments (note 7)	211,433	203,688
	258,488	247,046
Deferred expenses	**5**	**4**
Current assets		
Stocks (note 8)	14,913	14,777
Debtors (note 9)	44,387	43,389
Short-term investments (note 7)	1,315	512
Own shares (note 10 (e))	1,254	3,004
Cash in hand and at banks	644	228
Prepaid expenses	149	95
	62,662	**62,005**
	321,155	**309,055**

The accompanying notes form an integral part of the annual accounts for 2007.

Shareholders' Equity and Liabilities	2007	2006
Shareholders' equity (note 10)		
Share capital	14,189	14,388
Share premium	41,844	49,406
Reserves	162,408	154,573
Profit for the year	30,400	20,834
	248,841	**239,201**
Deferred income (note 11)	**322**	**115**
Long-term creditors		
Amounts owed to credit institutions (note 12)	1,600	9,959
Other creditors (note 13)	4,864	4,862
	6,464	**14,821**
Current liabilities		
Amounts owed to credit institutions (note 12)	26,097	25,013
Group companies (note 14)	14,502	12,176
Trade creditors (note 15)	11,968	8,436
Other creditors (note 16)	12,916	8,919
Trade provisions	43	40
	65,526	**54,584**
Provisions for charges and liabilities (note 4 (o))	**2**	**334**
	321,155	**309,055**

Statements of Profit and Loss
for the years ended 31 December 2007 and 2006

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

Expenses	**2007**	**2006**
Operating expenses		
Materials consumed (note 8)	50,021	50,127
Personnel expenses (note 19)	29,175	28,978
Amortization and depreciation (notes 5 and 6)	8,587	8,525
Changes in trade provisions (notes 8 and 9)	51	(350)
Other operating expenses		
External services	32,739	30,136
Local taxes	630	658
Other management expenses, current (note 4(o))	21	334
	121,224	118,408
Operating profit	**7,669**	**8,684**
Financial expenses		
Interest and similar expenses (note 20)	1,411	1,317
Changes in provisions for investments	-	(7)
Exchange losses	1,374	1,278
	2,785	2,588
Net financial income	**22,518**	**11,028**
Profit on ordinary activities	**30,187**	**19,712**
Extraordinary losses and expenses		
Changes in provisions for tangible and intangible assets and		
own shares (notes 5, 6 and 7)	(2,533)	397
Extraordinary expenses	459	88
	(2,074)	485
Net extraordinary income	2,195	-
Profit before income tax	32,382	19,703
Income tax (note 17)	**1,982**	**(1,131)**
Profit for the year	**30,400**	**20,834**

The accompanying notes form an integral part of the annual accounts for 2007.

Income	2007	2006
Operating income		
Net sales (note 18)	127,443	126,432
Increase in stocks of finished products and work in progress	505	346
Other operating income	945	314
	128,893	127,092
Financial income		
Dividends (note 14)	23,906	12,377
Other interest and similar income	500	460
Exchange gains	897	779
	25,303	13,616
Extraordinary profit and income		
Profit on sale of fixed assets	39	11
Extraordinary income (note 11)	49	426
Capital grants taken to income (note 11)	33	39
	121	476
Net extraordinary expense	**-**	**9**

Viscofan, S.A.

Annual Accounts

31 December 2007

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

1. Nature and Principal Activities

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

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

Its industrial installations are located in Cáseda and Urdiáin (Navarra). The head and registered offices of the Company are located in Pamplona.

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

2. Basis of Presentation

The accompanying annual accounts have been prepared by the directors of the Company to present fairly the shareholders' equity, financial position, results of operations and changes in financial position for 2007, and to present the proposed distribution of profit for the year.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Company and in accordance with the criteria established in the Spanish General Chart of Accounts.

These annual accounts for 2007 will be submitted for approval by the shareholders within the periods established by prevailing legislation. The directors consider that the annual accounts will be approved without significant changes.

As required by Spanish accounting principles, the balance sheet, statement of profit and loss and disclosure of source and application of funds for 2007 include comparative figures for 2006, which formed a part of the annual accounts approved by the shareholders at their annual general meeting held on 18 June 2007. As permitted by such principles, the Company has opted to omit comparative data for 2006 from the notes to the accounts for 2007.

The directors have prepared the consolidated annual accounts for 2007 separately under International Financial Reporting Standards adopted by the European Union (IFRS-EU).

3. Distribution of Profit

The board of directors will propose to the shareholders at their annual general meeting that the profit for the year ended 31 December 2007 be distributed as follows:

	Thousands of Euros
Dividends	8,908
Voluntary reserves	21,492
	30,400

4 Significant Accounting Principles

These annual accounts have been prepared in accordance with accounting principles established in the Spanish General Chart of Accounts, the most significant of which are as follows:

(a) Intangible assets

Intangible assets are stated as follows:

- Software is stated at cost and amortized on a straight line basis over the five-year period of expected use. Software maintenance costs are expensed when incurred.
- The rights to use and the option to purchase tangible assets contracted through lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are amortized on a straight line basis over the useful lives of the leased assets. The total lease installments and the amount of the purchase option are recorded as a liability. The initial difference between the total debt and the cash value of the asset, equivalent to the financial cost of the operation, is recorded under deferred expenses and expensed over the term of the contract using the interest method. When the purchase option is exercised, the cost and accumulated depreciation of these goods is transferred to the corresponding tangible asset category.
- The Company follows the policy of registering CO^2 emission rights as intangible assets that cannot be amortized. Freely received rights under the National Assignation Plan are stated at the market price prevailing at the time they were received with deferred income booked for the same amount. During 2007 the Company received free emission rights equivalent to 107,636 tons under the Nation Assignation Plan 2005-2007 approved by Royal Decree 1866/2004. During 2007 the Company used emission rights amounting to 87,811 tons (see notes 4(i) and 4(o)).

(b) Tangible assets

Tangible assets are stated at cost, revalued in 1996, as permitted by legislation prevailing at that time, net of the corresponding depreciation. Depreciation is provided on a straight line basis over the estimated useful lives of the related assets as follows:

Buildings	30
Plant and machinery	10
Other installations, equipment and furniture	10
Other tangible assets	5-15

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

(c) Investments

Interest in group and associated companies are stated at cost, which includes acquisition related costs.

Provision is made for decline in value of investments under the following circumstances:

- For quoted shares, when market value is below cost. Market value is determined as the lower of the average quotation of the last quarter and the closing quotation.
- For remaining investments, where circumstances so dictate. In the case of share capital holdings, where cost exceeds the underlying net book value, adjusted to take into account any latent unrecorded goodwill at year end.

Dividends received from group companies and other long-term investments are booked as income when their distribution is approved by the corresponding board of directors or annual general meetings of shareholders.

(d) Stocks

Stocks are stated at the lower of cost and market value. The cost of stocks is determined as follows:

- Raw and other materials consumed and goods for resale are stated at weighted average cost, including costs incurred in transporting goods to factories or warehouses.
- Finished and semi-finished goods are stated at weighted average cost of raw and other materials, and include the applicable portion of direct and indirect labor, other manufacturing overheads and depreciation of fixed assets at factories.

Provision is made for stocks where cost exceeds market value or when circumstances indicate doubtful recovery of such costs.

(e) Debtors

In accordance with common business practice in Spain, a part of the Company's sales are collected by means of accepted or unaccepted notes. Notes receivable are generally discounted at banks with full recourse and are included in the accompanying balance sheet under trade debtors with an equivalent credit balance in short-term loans.

Discounting costs are expensed when incurred and are not deferred over the discount period, as the effect of such deferral would be immaterial to operating results.

Provision is made to cover possible losses arising on the settlement of balances receivable. The Company makes provision for doubtful accounts in respect of overdue balances and when circumstances indicate doubtful collection.

(f) Foreign currency transactions

Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses arising on settlement of balances are taken to profit or loss when they arise.

Balances receivable and payable in foreign currency at year end are expressed in Euros at the rates of exchange prevailing at 31 December. Unrealized foreign exchange losses are charged to expenses, while unrealized exchange gains are deferred. Balances subject to exchange rate insurance are stated at the insured rates of exchange.

(g) Current/long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

(h) Compensation for termination of employment

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued. Indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

(i) Deferred income

Capital grants are initially recorded as deferred income in the accompanying balance sheet. Income from capital grants is recognized in the statement of profit and loss on a straight line basis over the useful lives of the fixed assets for which the grants have been received.

CO_2 emission rights received free of charge under the National Assignation Plan (see note 4(a)) are recorded as intangible assets and deferred income when received at the prevailing market price and taken to extraordinary income when the related CO_2 emissions occur.

(j) Income tax

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, where applicable, are included in deferred tax assets or liabilities.

Following prudent criteria, tax credits in respect of loss carryforwards and deductions and credits pending application due to insufficient taxable profits are recognized as deferred tax assets when they comply with prevailing accounting requirements and to the extent of forecast reversals within the carry forward period.

(k) Income and expense

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

Nevertheless, in accordance with prudent criteria, the Company only records realized gains at year end, while expected liabilities and estimated losses are recognized as soon as they become known.

(l) Pension commitments

The Company has commitments with employees in respect of early retirement and seniority bonuses. The Company has externalized these commitments through insurance policies, the cost of which are booked under personnel expenses.

(m) Environmental issues

Long term assets used by the Company to minimize the environmental impact of its activity and protect and improve the environment are recorded as tangible assets at their cost of acquisition or production, as appropriate. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as detailed in note 4 (b).

Expenses incurred on activities to protect the environment from effects of Company operations are considered environmental expenses, as are those derived from environmental commitments. These amounts are charged as "Other operating expenses".

Provision is made for environmental expenses which at year end are considered likely or certain to be incurred although the exact amount or the date they will materialize is undetermined. Consequently, these provisions are best estimates made on the basis of the information available at the closing date.

(n) Financial instruments

Company policy is to contract hedging operations to mitigate the risk of exchange rate fluctuations on certain financing operations.

Interests receivable and payable is calculated applying the interest method in line with the interest payable on hedged items, and the resulting net amount is charged to financial expenses.

(ñ) Own shares

Own shares are stated at average cost of acquisition, which is the lower of the total balance paid on purchase and market value. As these shares are acquired without prior approval by the shareholders at their annual general meeting to reduce share capital, it is understood that they could be subsequently disposed of or, alternatively used to reduce share capital. Consequently, their market value is considered to be the lower of the average quotation of the last quarter of the year, the closing quotation. Provision is made for the difference between the cost of acquisition and the lower of the closing quotation or the average quotation for the last quarter of the year with a charge to profit and loss and for the difference between the quotation and underlying net book value with a charge to reserves.

(o) Provisions for emission rights

Since 2006 the companies included in the National Assignation Plan whose activities produce CO_2 emissions must provide CO_2 emission rights equivalent to emissions produced during the year in the opening months of the following year (see notes 4(a) and 4 (i)).

The obligation to provide CO_2 emission rights for emissions produced during the year are recognized as short-term provisions under "Provisions for liabilities and charges" in the balance sheet and under "Other operating expenses" in the statement of profit and loss. The value of this obligation is equivalent to the relevant CO_2 emission rights booked under intangible assets in the balance sheet (see note 4 (a)).

5. Intangible Assets

Details and movement in 2007 are as follows:

					Thousands of Euros
	31.12.06	**Additions**	**Disposals**	**Transfers**	**31.12.07**
Cost					
Research and development costs	14,738	-	(14,738)	-	-
Software	5,095	296	-	-	5,391
Concessions, patents and licenses	36	-	-	-	36
Rights over leased assets	97	50	-	(32)	115
Greenhouse gas emission rights	346	112	(353)	-	105
Software in progress	18	49	-	-	67
	20,330	**507**	**(15,091)**	**(32)**	**5,714**
Accumulated depreciation					
Research and development costs	(14,738)	-	14,738	-	-
Software	(4,103)	(417)	-	-	(4,520)
Concessions, patents and licenses	(36)	-	-	-	(36)
Rights over leased assets	(18)	(23)	-	13	(28)
	(18,895)	(440)	14,738	13	(4,584)
Provisions	**(11)**	**(90)**	**-**	**-**	**(101)**
	1,424	**(23)**	**(353)**	**(19)**	**1,029**

At 31 December 2007 intangible assets include fully amortized items with a cost of Euros 3,683,242.

"Greenhouse gas emission rights" include free of charge rights allocated by the National Assignation Plan (see notes 4(a), 4(i) and 4(o)).

6. Tangible Assets

Details of the revalued cost of tangible assets and related accumulated depreciation at 31 December 2007 and movement for the year are as follows:

					Thousands of Euros
	31.12.06	**Additions**	**Disposals**	**Transfers**	**31.12.07**
Revalued cost					
Land and buildings	19,981	-	(3)	-	19,978
Plant and machinery	133,464	1,833	(125)	536	135,708
Other installations, equipment and furniture	27,360	487	-	441	28,258
Other tangible assets	8,154	1,206	(52)	32	9,340
Advances and tangible assets under construction	1,289	8,655	-	(977)	8,967
	190,248	**12,151**	**(180)**	**32**	**202,251**
Restated accumulated depreciation					
Buildings	(8,602)	(657)	-	-	(9,259)
Plant and machinery	(112,927)	(5,063)	125	-	(117,865)
Other installations, equipment and furniture	(18,851)	(1,576)	-	-	(20,427)
Other tangible assets	(7,711)	(851)	52	(13)	(8,523)
	(148,091)	(8,147)	177	(13)	(156,074)
Provisions	**(223)**	**-**	**72**	**-**	**(151)**
	41,934	**4,004**	**69**	**19**	**46,026**

As permitted by relevant legislation, in 1996 the Company revalued its tangible assets for a total of Euros 9,282,000 (see note 10 (d)) as permitted by Navarra Regional Law 23/1996. At 31 December 2007 the net book value of the revalued assets is Euros 851,818 and the related depreciation charge for the year Euros 90,444.

Details of tangible assets used in environmental activities are included in note 26.

Details of fully depreciated tangible assets in service at 31 December 2007 are as follows:

	Thousands of Euros
Buildings	1,695
Plant and machinery	88,343
Other installations, equipment and furniture	12,514
Other tangible assets	6,695
	109,247

At 31 December 2007 plant and machinery include assets used for carrying out research and development projects, as follows:

	Thousands of Euros
Cost	9,111
Accumulated depreciation	(8,100)
	1,011

Details of assets acquired from group companies at 31 December 2007, are as follows:

	Thousands of Euros
Cost	2,242
Accumulated depreciation	(1,921)
	321

Firm commitments to purchase fixed assets at year end amount to 10,020 thousand euros.

7. Investments and short-term investments

Details and movement in "Investments" in 2007 are as follows:

				Thousands of Euros
	31.12.06	**Additions**	**Disposals**	**31.12.07**
Interests in group companies	237,832	4,846	-	242,678
Short-term securities portfolio	42	-	-	42
Guarantee deposits	5	44	(4)	45
	237,879	4,890	(4)	242,765
Provisions	**(34,191)**	**(6,712)**	**9,571**	**(31,332)**
	203,688	**(1,822)**	**9,567**	**211,433**

Details of direct and indirect interests held in Group and Associated companies, and other information, are included in Appendix I. The directors have opted to omit certain information regarding Group companies as they consider that inclusion of this information could damage its interests and would not provide relevant information for the understanding of these annual accounts.

During 2007 the Company has subscribed a Euros 3,000,000 share capital increase carried out by Koteks Viscofan, d.o.o. and by Viscofan de México S.R.L. de C.V. for 2,370,000 US dollars.

Details of foreign currency investments at 31 December 2007 are as follows:

	Thousands of Euros
US Dollars	95,252
Czech Crowns	18,001
Serbian Dinar	14,323
Mexican Peso	7,756
Pounds Sterling	1,841
Polish Zloty	447
	137,620

None of the group companies are listed on the stock exchange.

The breakdown of "Short-term investments" and related movements in 2007 are as follows:

	Thousands of Euros			
	31.12.06	**Additions**	**Disposals**	**31.12.07**
Short-term loans to Group companies(*)	500	1,500	(750)	1,250
Short-term interest on investments in Group companies(*)	-	50	-	50
Short-term equity investments	9	-	-	9
Short-term guarantees	3	-	-	3
Short-term deposits	-	3	-	3
	512	**1,553**	**(750)**	**1,315**
	512	**1,553**	**(750)**	**1,315**

(*) Relates to the loan or interest on the loan granted to Koteks Viscofan, d.o.o. maturing on December 31, 2008. This loan bears interest at the Euribor rate plus 0.5 points.

8. Stocks

Details at 31 December 2007 are as follows:

	Thousands of Euros
Goods for resale	655
Raw materials and other supplies	6,858
Finished products	4,759
Semi-finished products	3,416
	15,698
Provisions	**(785)**
	14,913

Changes in the provision for obsolescence during 2007 are as follows:

	Thousands of Euros
Balance at 1 January 2007	635
Allowance for the year	150
Recoveries for the year	-
Balance at 31 December 2007	**785**

The total cost of materials consumed in 2007 was as follows:

	Thousands of Euros
Raw and other materials consumed and goods for resale	
Net purchases	50,803
Change in stocks	(782)
	50,021

Details of purchases made from group companies are shown in note 14.

9. Debtors

Details at 31 December 2007 are as follows:

	Thousands of Euros
Trade debtors	22,066
Group companies	17,785
Sundry debtors	536
Personnel	72
Public entities	3,928
	44,387
Provisions for bad debts	-
	44,387

Details of balances receivable in foreign currencies are as follows:

	Thousands of Euros
Trade debtors	20,685
Group companies	10,713
	31,398

Debtor balances with public entities include the following:

	Thousands of Euros
Navarra Regional Government, VAT	1,905
Tax authorities, income tax (note 17)	5
Tax authorities, deductions pending application (note 17)	2,018
	3,928

Changes in the "Provision for bad debts" during 2007 are as follows:

	Thousands of Euros
Balance at 1 January 2007	99
Recovery of balances	(99)
Balance at 31 December 2007	-

10. Shareholders' Equity

Details of shareholders' equity and movement during the year ended 31 December 2007 are shown in Appendix II, which forms an integral part of this note.

(a) Share capital

At 31 December 2007 share capital is represented by 47,296,842 bearer shares of Euros 0.30 par value each, subscribed and fully paid. All shares have the same voting and profit sharing rights, except own shares.

At the general meeting held on June 18, 2007, shareholders authorized a 198,889.20 euros capital decrease through the buyback and cancellation of 662,964 own shares held by the Company.

The percentage of own shares held by the Company is within the limits established by prevailing legislation.

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

At 31 December 2007 the Company was aware of the following shareholders who each hold an interest of above 5%:

Name	% interest
Bestinver Gestión SG IIC	8.46
Marathon Asset Management, LLP	5.84
Onchena, S.L.	5.00

(b) Share premium

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

(c) Legal reserve

Companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve may only be used to offset losses if no other reserves are available. At 31 December 2007 the balance of this reserve exceeds the minimum amount required by law.

(d) Revaluation reserve Navarra Regional Law 23/1996

As permitted by legislation prevailing at that time, at 31 December 1996 the Company revalued its tangible assets by Euros 9,282,000 (see note 6). The resulting revaluation reserve, which comprises the revaluation of fixed assets, net of a 3% tax charge, amounts to Euros 9,003,000.
During 1999 this revaluation was inspected by the tax authorities and, accordingly, can be applied, free of tax, to:

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

(e) Own shares reserve

At 31 December 2007 the Company holds 236,385 own shares, for which a reserve has been made equal to the book value of these shares. This reserve is not distributable unless the shares are disposed of or redeemed by the Company.

Details of movement in own shares during 2007 is as follows:

	Number of Shares	Thousands of Euros
Balance at 31 December 2006	581,071	3,004
Acquisitions	324,868	5,207
Disposals	(6,590)	(77)
Cancellation	(662,964)	(8,078)
Changes in provisions taken to reserves(*)	-	1,505
Balance at 31 December 2007	**236,385**	**1,561**
Provisions taken to profit and loss(*)	-	(307)
	236,385	**1,254**

(*) See Note 4

(f) Merger reserve

These reserves derive from the merger by absorption of Inversiones Legazpi, S.A. by the Company in 2002 and are subject to the same restrictions as voluntary reserves. Details of this operation are included in the notes to the annual accounts for the year in which this operation was carried out.

(g) Voluntary reserves

These reserves are freely distributable to shareholders at 31 December 2007.

11. Deferred Income

Details and movement within deferred income at 31 December 2007 are as follows:

						Thousands of Euros
	31.12.06	Additions	Value adjustments	Transfer to profit	Sales	31.12.07
Capital grants	103	149	-	(33)	-	219
Grants for greenhouse gas emission rights	12	112	-	(21)	-	103
	115	**261**	**-**	**(54)**	**-**	**322**

Details of capital grants are as follows:

	Thousands of Euros
Original grants	
Received in prior years	2,241
During the year	149
	2,390
Income recognized	
At the beginning of the year	(2,138)
During the year	(33)
	(2,171)
	219

Grants for rights over emission of greenhouse gases comprise amounts pending use by the Company (see notes 4 (a), 4 (i) and 4 (o)).

12. Short and Long-Term Loans

Details at 31 December 2007 are as follows:

		Thousands of Euros
	Long-term	Short-term
Credit facilities	-	24,010
Loans	1,600	2,000
Interest on loans	-	87
	1,600	**26,097**

Long-term maturities of loans at 31 December 2007 are as follows:

Maturity	Thousands of Euros
2009	800
2010	800
	1,600

Loans and credit facilities bear interest at variable market rates.

The Company has credit and discount facilities with a total limit of Euros 45,813 thousand.

The Company utilizes financial derivative products mainly to eliminate or significantly reduce the risk of interest rate fluctuations which are, therefore, considered to be hedging operations. At 31 December 2007 the Company has contracted the following interest rate swap agreements:

	I.R.S. (Interest Rate Swap)
Nominal amount (thousands of Euros)	2,146
Date of contract	02.05.03
Inception date	06.05.03
Maturity date	30.06.08
Interest rate paid by the Company	3%
Interest rate received by the Company	Euribor 3 months

13. Other Long-Term Creditors

Details at 31 December 2007 are as follows:

	Thousands of Euros
Loans received	4,818
Finance leases	46
	4,864

Loans received mainly comprise those obtained by the Company from the CDTI (Centre for the Development of Industrial Technology), the Government of Navarra and the Ministry of Science and Technology to finance research and development projects. The majority of these loans are interest-free and are guaranteed by financial entities (see note 23).

Long-term maturities are as follows:

		Thousands of Euros
	Finance lease	**Loans**
2009	34	1,295
2010	12	1,181
2011	-	853
2012	-	797
2013 and next years	-	692
	46	**4,818**

"Other creditors" in the liability side of the accompanying balance sheet include the short-term amounts of the previous items, of 3,272 thousand euros and 352 thousand euros for the loans received and finance leases arranged, respectively.

14. Balances and Transactions with Group Companies

Transactions carried out with group companies during the year ended 31 December 2007 are as follows:

	Thousands of Euros
Income	
Sales and services rendered	50,736
Dividends	23,906
Other operating income	355
Expenses	
Materials consumed	28,543
Other operating expenses	466

15. Trade Creditors

Trade creditors at 31 December 2007 comprise balances in respect of purchases or services rendered.

This balance includes approximately Euros 2,015,000 in US Dollars.

16. Other Creditors

Details at 31 December 2007 are as follows:

	Thousands of Euros
Public entities	2,372
Other debts	8,175
Wages and salaries payable	2,231
Guarantees and deposits received	138
	12,916

Details of balances due to "Public entities" at 31 December 2007 are as follows:

	Thousands of Euros
Personal Income Tax	735
Social Security	661
German tax authorities, income tax	976
	2,372

Details of "Other debts" are as follows:

	Thousands of Euros
Purchases of fixed assets	3,553
Current portion of loans received (note 13)	3,624
Other creditors	998
	8,175

17. Taxation

The Company presents annual income tax returns. The standard rate of tax is 32.5%, which may be reduced by certain credits.

Due to the treatment permitted by fiscal legislation of certain transactions, the accounting profit differs from the profit for fiscal purposes. A reconciliation of accounting profit for the year 2007 with the taxable income that the Company expects to declare after approval of the annual accounts is as follows:

	Thousands of Euros
Accounting income, before tax	32,382
Permanent differences	
Charges for own shares (note 10(e))	307
Provisions in subsidiaries	(4,712)
Tax exempt dividends	(23,376)
Other items	174
Taxable accounting income	**4,775**
Tax at 32.5%	1,552
Deductions	
Investment, research and development and job creation	(1,552)
Total income tax	-
Withholdings and payments on account	(5)
Income tax recoverable (note 9)	**(5)**

Tax exempt dividends reflect those received from the subsidiaries Gamex CB, S.r.o., Viscofan do Brasil, Naturin Ltd. and Naturin GmbH & Co, which are tax exempt.

The income tax for the year is calculated as follows:

	Thousands of Euros
Tax at 32.5%	1,552
Expense for Naturin Gmbh & Co(*)	2,297
Deductions pending application	(1,867)
Income tax	**1,982**

(*) In accordance with German legislation, the Company pays part of the income tax of its German subsidiary Naturin Gmbh & Co.

At 31 December 2007 the Company has recorded tax credits for deductions pending application, as they directly affect the future tax charge and because the directors consider that recoverability is reasonably guaranteed.

The movement in this heading in the year is as follows:

	Thousands of Euros
Balance at January 1	1,703
• Generated during the year	1,867
• Utilized in income tax for the year	(1,552)
Balance at December 31	**2,018**

Details of deductions applicable in the short term for investment, job creation and research and development, which are booked under public entities, are as follows:

Year of origin	Maturity	Thousands of Euros
2004	2014	911
2005	2015	19
2006	2016	25
2007	2017	1,063
		2,018
		(note 9)

The Company is obliged to maintain fixed assets for which credits have been taken for a period of five years.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2007 the Company has open to inspection by the tax authorities all main applicable taxes to which it is liable and for which the corresponding inspection period has yet to expire. The directors do not expect that significant additional liabilities would arise in the event of inspection.

18. Net Sales

The directors of the Company consider that the disclosure of a breakdown of net sales by geographical market may be of detriment to the Company. Accordingly, as permitted by prevailing legislation the directors have opted to omit such information.

Sales to group companies during the year ended 31 December 2007 are shown in note 14.

19. Personnel Expenses

Details are as follows:

	Thousands of Euros
Wages and salaries	22,843
Social charges	6,332
	29,175

The average headcount, distributed by category, is as follows:

Management	12
Technicians and department heads	95
Administrative staff	34
Specialized personnel	102
Other employees	383
	626

The number of employees at year end, broken down by gender, is as follows:

	Men	Women
Management	10	1
Technicians and department heads	92	10
Administrative staff	8	26
Specialized personnel	82	21
Other employees	285	110
	477	**168**

Employee remuneration is not linked to the performance of Company shares on the stock exchange.

20. Interest and Similar Expenses

Details are as follows:

	Thousands of Euros
Interest on long-term debt	259
Interest on short-term debt	1,139
Other financial expenses	13
	1,411

21. Transactions in Foreign Currency

Details for the year ended 31 December 2007 are as follows:

	Thousands of Euros
Income	
Sales	67,835
Expenses	
Purchases of raw and other materials consumed	6,944
Other operating expenses	2,554
Personnel expenses	90

22. Information Relating to the Directors

As foreseen in articles 27 and 30 of its bylaws, the board of directors of the Company receive remuneration equivalent to 1.5% of profit before tax, which amounted to Euros 500,949. In accordance with the same articles, the executive committee receive 1.5% of profit before tax amounting to Euros 500,949. In accordance with the aforementioned articles, the board of directors and the executive committee decide on the distribution of this remuneration among the members of these bodies. In both cases it was unanimously agreed that remuneration would be distributed equally among the members.

Details of remuneration by director are as follows:

						Euros
Name	**Committee**	**Board**	**Audit committee**	**Per diems**	**Boards of other Group companies**	**Total**
Mr. Jaime Echevarría Abona	166,983	62,619	-	10,800	148,305	388,707
Mr. José María Cuevas Salvador	166,983	62,619	-	10,800	-	240,402
Mr. Nestor Basterra Larroudé	166,983	62,619	-	10,800	74,580	314,982
Mr. Iñigo Soláun Garteiz-Goxeascoa	-	62,619	-	10,800	-	73,419
Ms. Agatha Echevarría Canales	-	62,619	11,600	10,800	-	85,019
Mr. José Cruz Pérez Lapazarán	-	62,618	11,600	10,800	-	85,018
Mr. Gregorio Marañón Bertrán de Lis	-	62,618	11,600	8,800	-	83,018
Mr. Alejandro Legarda Zaragüeta	-	62,618	10,000	9,800	-	82,418
	500,949	**500,949**	**44,800**	**83,400**	**222,885**	**1,352,983**

The Company has not given any advances or loans to the members of the board of directors and has no pension or life insurance commitments with the directors. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2007 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

The directors of the Company hold no shares, management positions or functions in companies with statutory activities identical, similar or complementary to that of the Company, other than the following:

Name	Company	Position
Mr. Jaime Echevarría Abona	Naturin GMBH & Co KG	Chairman, Board of directors
	Naturin Limited	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ	Chairman, Board of directors
	Viscofan USA Inc	Chairman, Board of directors
	Viscofan Poland Sp. Z.o.o.	Chairman, Board of directors
	Viscofan Centroamérica Comercial	Chairman, Board of directors
	Viscofan Canada, Inc	Chairman, Board of directors
	Teepak USA, LLC	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	Teepak de Mexico, S. de R.L. de C.V.	Chairman, Board of directors
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
Mr. Nestor Basterra Larroudé	Naturin GMBH & Co KG	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director

23. Guarantees, Commitments and Contingent Liabilities

a) At 31 December 2007 the Company had extended guarantees of approximately Euros 46,910,248 to Group companies. It has also extended bank guarantees of Euros 4,847,804, mainly for loans received from the CDTI, the Government of Navarra and the Ministry of Science and Technology (see note 13).

b) The Company has contracted exchange rate insurance of US Dollars 23,720,000, Canadian Dollars 1,194,000, Japanese Yen 40,244,000 and Polish Zlotys 3,045,000 for collections to be made in respect of sales in 2007.

24. Subsequent Events

On 21 January 2008, as agreed by the directors of the Company at their meeting held on 8 January 2008, a gross interim dividend of Euros 0.19 per share was distributed for all shares comprising the share capital of the Company.

The legally required cash flow statement prepared by the directors of the Company for the distribution of the dividend on account of 2007 profits, which considers own shares, is as follows:

	Euros
I. Balance at January 1, 2008	**1,486,407**
II. Cash flows from/(used in) operating activities	
• Trade and other receivables	104,829,645
• Other income	245,306
• Payments to suppliers and other payables	(65,289,347)
• Payments to employees	(24,724,852)
• Interest expense	(1,568,937)
• Other payments	(4,200,000)
	9,291,815
III. Cash flows from/(used) in investing activities	
• Dividends	20,128,512
• Purchases of property, plant and equipment	(17,929,000)
	2,199,512
IV. Cash flows from/(used in) financing activities	
• Proceeds from long-term loans	7,351,213
• Shareholder remuneration	(19,675,079)
	(12,323,866)
V. Balance at January 8, 2009	**653,868**

25. Source and Application of Funds

The statements of source and application of funds for the years ended 31 December 2007 and 2006 are shown in Appendix III, which form an integral part of this note.

26. Environmental Issues

The Company has certain tangible assets involved in environmental projects, the cost and accumulated depreciation of which total Euros 9,793,500 and Euros 5,309,000 respectively.

During 2007 the Company has incurred expenses for environmental protection and improvements amounting to approximately Euros 940,500.

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

27. Other Information

Ernst & Young, S.L., the auditors of the annual accounts of the Company and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have agreed with the Company fees for professional services for the year ended 31 December 2007 amounting to Euros 81,000. These amounts include the total fees for 2007, irrespective of invoice date.

28. Transition to new accounting standards

On November 20, 2007, Royal Decree 1514/2007 was published approving the new General Chart of Accounts (GCA). The new GCA went into effect on January 1, 2008 and its application is mandatory as of that date.

This Royal Decree stipulates that the first set of annual accounts prepared applying the criteria established by the new GCA shall be considered first time annual accounts and therefore, they will not include comparative figures from the previous year; however, companies may opt to present the previous year's figures provided that they have been adapted to the new GCA. In addition, this Royal Decree contains several transitory provisions in which several options are given for applying the new accounting principles, as well as for voluntarily adopting certain exceptions for first time application.

The Company is preparing a transition plan for adapting to the new accounting regulations, which includes, among other matters, analyzing the various differences in accounting criteria and principles, determining the date of the opening balance sheet, selecting the principles and criteria to be applied during the transition, and evaluating the necessary changes in procedures and information systems. The final accounting effects will be disclosed in the 2008 annual accounts.

Details of Direct Shareholdings in Group and Associated companies
31 December 2007
Appendix 1

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

	Percentage	Cost	Shareholders' equity	
Group companies	interest	Thousands of Euros	Currency	Amounts in thous.
Industrias Alimentarias de Navarra, S.A.U.	100.00%	15,602	EUR	34,422
Naturin GmbH & Co. KG	100.00%	89,436	EUR	60,935
Naturin Inc Delaware	100.00%	7,219	USD	1,007
Naturin Verwaltung, GmbH	100.00%	21	EUR	24
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	53,138	USD	67,763
Viscofan Poland Sp.z.o.o.	100.00%	447	PLN	2,002
Gamex CB Sro	100.00%	7,498	CZK	316,380
Viscofan USA Inc.	100.00%	34,729	USD	37,841
Naturin LTD	100.00%	1,841	GBP	2,055
Viscofan CZ, S.r.o.	100.00%	10,503	CZK	398,923
Viscofan de México S.R.L. de C.V.	99.99%	7,730	MXP	82,174
Viscofan Centramérica Comercial, S.A.	99.50%	166	USD	209
Koteks Viscofan, d.o.o.	100.00%	14,322	CSD	552,241
Viscofan de México Servicios, S.R.L. de C.V.	99.80%	3	MXP	145
Teepak Holding de México, S.R.L de C.V	0.01%	5	MXP	14,444(*)
Teepak de México, S.R.L de C.V	0.01%	6	MXP	14,444(*)
Teepak Servicios de México, S.R.L de C.V	99.99%	12	MXP	53
		242,678		

(*) Consolidated equity of Teepak de México, S.R.L. de C.V. and Teepak Holding de México, S.R.L. de C.V.

Details of Indirect Shareholding in Group Companies
31 December 2007

	Percentage interest	Activity	Registered offices
IAN Perú S.A.	100.00%	Asparagus production	Cañete (Peru)
Stephan & Hoffmann AG	100.00%	Holding company	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.	0.01%	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	0.20%	Provision of services	San Luís de Potosí (Mexico)
Teepak Holdings de México, S.R.L. de C.V.	99.99%	Holding company	Zacapu Michoacán (Mexico)
Teepak de México, S.R.L. de C.V.	99.99%	Manufacture and marketing of artificial casings	Zacapu Michoacán (Mexico)
Teepak Servicios de México, S.R.L. de C.V.	0.01%	Provision of services	Zacapu Michoacán (Mexico)
Zacapu Power, S.R.L. de C.V.	100.00%	Operation of co-generation plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc.	100.00%	Commercial activity	Quebec (Canada)
Teepak USA, LLC	100.00%	Manufacture and marketing of artificial casings	Danville, Illinois (USA)
Viscofan Centroamérica Comercial, S.A.	0.50%	Commercial activity	San José (Costa Rica)

This Appendix forms an integral part of note 7 to the annual accounts for 2007, in conjunction with which it should be read.

Activity	Registered offices
Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Manufacture and marketing of artificial casings	Weinheim (Germany)
Financial activity	Dover (USA)
Financial activity	Weinheim (Germany)
Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Commercial activity	Krakaw (Poland)
Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Manufacture and marketing of artificial casings	Montgomery (USA)
Commercial activity	Seven Oaks (UK)
Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Commercial activity	San José (Costa Rica)
Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Provision of services	San Luís de Potosí (México)
Holding	Zacapu Michoacán (México)
Manufacture and marketing of artificial casings	Zacapu Michoacán (México)
Provision of services	Zacapu Michoacán (México)

Detail and Movement in Shareholders' Equity
31 December 2007
Appendix 2

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

(Expressed in thousands of Euros)

	Share Capital	Share Premium	Legal reserve	Own Shares reserves
Balance at 31 December 2006	14,388	49,406	2,935	3,004
Distribution of 2006 profit				
– Voluntary reserves	-	-	-	-
– Dividends	-	-	-	-
Distribution of share Premium	-	(7,562)	-	-
Capital decrease	(199)		-	(8,078)
Transfer to own share reserve				
– Creation	-	-	-	5,207
– Write - back	-	-	-	(77)
Provision for own shares	-	-	-	1,505
Profit for 2007	-	-	-	-
Balances at 31 December 2007	**14,189**	**41,844**	**2,935**	**1,561**

This Appendix forms an integral part of note 10 to the annual accounts for 2007, in conjunction with which it should be read.

Reserves					
			1996		
Special reserve	Merger reserves	Voluntary reserves	revaluation reserve	Profit for the year	Total
25	119	139,502	8,988	20,834	239,201
-	-	14,209	-	(14,209)	-
-	-	-	-	(6,625)	(6,625)
-	-	-	-	-	(7,562)
-	-	199	-	-	(8,078)
-	-	(5,207)	-	-	-
-	-	77	-	-	-
-	-	-	-	-	1,505
-	-	-	-	30,400	30,400
25	**119**	**148,780**	**8,988**	**30,400**	**248,841**

Source and Application of Funds
for the years ended 31 December 2007 and 2006
Appendix 3

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

Applications	**2007**	**2006**
Acquisitions of fixed assets		
Intangible assets	507	1,530
Tangible assets	12,151	3,853
Investments	4,890	2,004
Deferred expenses	**4**	**1**
Write-down of revaluation reserve on disposal of fixed assets	**-**	**2**
Dividends and distributions of share premium	**14,187**	**8,980**
Share capital reduction	**8,078**	**-**
Provision for own shares	**-**	**3,307**
Disposal of own shares	**-**	**27**
Cancellation or transfer to short term of long-term debt	**9,304**	**4,403**
Disposal or adjustment to the value of emission rights	**-**	**1,106**
Total applications	**49,121**	**25,213**
Increase in working capital	**-**	**9,045**
	49,121	**34,258**

Sources	2007	2006
Funds generated from operations		
Profit for the year	30,400	20,834
Amortization and depreciation	8,587	8,525
Net profit on disposal of fixed assets	(39)	(11)
Changes in provisions for intangible assets	90	11
Changes in provisions for tangible assets	(72)	(72)
Changes in provisions for investments	(2,859)	458
Deferred expenses	3	-
Deferred income transferred to profit and loss	(54)	(373)
Net movement in deferred taxes generated and reversed in the year	(314)	-
	35,742	29,372
Own Shares	**1,505**	**-**
Long-term debt	**947**	**1,178**
Net capital grants received	**149**	**12**
Grants for emission rights	**112**	**1,414**
Disposal of fixed assets		
Intangible assets	353	2,257
Tangible assets	42	25
Investments	4	-
Total sources	**38,854**	**34,258**
Decrease in working capital	**10,267**	**-**
	49,121	**34,258**

Movement in working capital

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

	2007		2006	
	Increases	**Decreases**	**Increases**	**Decreases**
Stocks	136	-	510	-
Debtors	684	-	12,967	-
Current liabilities	-	10,942	-	8,064
Short-term investments	803	-	500	-
Own shares held in the short-term	-	1,750	2,637	-
Cash in hand and at banks	416	-	-	279
Prepayments	54	-	-	42
Provisions for liabilities and charges	332	-	816	-
	2,425	**12,692**	**17,430**	**8,385**
Movement in working capital	10,627	-	-	9,045
	12,692	**12,692**	**17,430**	**17,430**

This Appendix forms an integral part of note 25 to the annual accounts for 2007, in conjunction with which it should be read.

Viscofan, S.A.

Management Report

31 December 2007

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

Business performance and situation of the Viscofan Group

Viscofan, S.A. posted net sales in 2007 of 127.4 million euros, 0.8% higher than the year before.

Driving the increase was growth in the global artificial casings market and Viscofan S.A.'s ongoing policy of raising average prices after the declines sustained by the industry in some products over the last few years. Average prices for both cellulose and collagen casings rose in 2007. This, coupled with higher volume sales, helped cushion the negative impact of the US dollar's sharp depreciation.

Thanks to production efficiency improvements, the Company was able to place a tight grip on production-related operating expenses and personnel expenses. Meanwhile, greater efforts to centralize operations for the Group, alongside higher energy costs, led to an increase in expenses from external services.

As a result, operating profit was 11.7% lower, at 7.7 million euros.

An increase in dividends received from Viscofan, S.A. investees, underpinned by their robust individual results, drove a considerable improvement in Viscofan S.A.'s net financial income to 22.5 million euros.

In 2007, the Company recorded 2.2 million euros of extraordinary income, compared to 9 thousand euros of extraordinary expenses in 2006. The difference is mainly due to the 2.0 million euros decrease in extraordinary expenses recorded in 2007 caused by the application of provisions for investments, compared to the 0.5 million euros increase registered in 2006.

Profit before income tax amounted to 32.4 million euros in 2007, up from 19.7 million euros the year before.

This increase, coupled with a decline in the income tax charge due to the reduction in tax rates (mainly in Germany, where Viscofan S.A. pays part of the income tax of its German subsidiary, Naturin GmbH & Co) and the application of tax deductions, left Viscofan S.A. with income tax for the year of 2.0 million euros.

Accordingly, net profit for 2007 amounted to 30.4 million euros, 45.9% higher than the 20.8 million euros obtained the year before.

Important events

No significant events have taken place outside Viscofan's ordinary business.

Outlook for the Company

In a market with volumes rising worldwide, Viscofan, S.A. is in a unique competitive position to continue capturing growth, while taking the necessary steps to bolster its operating efficiency and profitability against a backdrop of increasing pressure on the unit costs of factors of production, especially raw materials and gas.

In 2008, the Company will continue with efforts to recover both cellulose and collagen casings prices, while seeking to achieve greater automation in its production process to further exploit economies of scale and make its production more efficient.

Plans this year include completing the first stage of the enlargement of the co-generation plant in Cáseda (Spain) by bringing on stream two new engines with combined capacity of 16.6MW, and embarking on the second stage, which implies setting up two more engines of similar capacity by the end of the year 2009.

This project will raise Viscofan's power generation capacity more efficiently, while at the same time help reduce the environmental impact of its production processes.

Main Group investments and research and development activities

Viscofan, S.A. invested nearly 12.7 million euros in 2007, compared to 3.9 million euros in 2006. This greater investment effort was mainly due to the project to enlarge the Cáseda co-generation plant, while the amount spent on efficiency, yield and environmental protection improvements was similar to total investment the year before.

Through its R&D department in Navarra, Viscofan, S.A.'s research and development activities are focused on a drive for greater production efficiency and the creation of new products in the meat-processing sector in which the Company operates.

In the field of research and development the Company has obtained important institutional support both from the Regional Government of Navarra and the Spanish Ministry of Industry (CDTI).

Patents are applied for where considered relevant by technicians and experts.

Acquisition of own shares

On October 1, 2007, the deed for the 198,889.20 euros capital decrease related to the cancellation of 662,964 of Viscofan S.A.'s own shares was inscribed in the Mercantile Register. Share capital after the decrease stood at 14,189,052.60 euros and consisted of 47,296,842 shares. In this way, the Company spent over 8 million euros to remunerate shareholders.

Under the authorization given at the previous General Shareholders' Meeting, the Parent Company acquired own shares in 2007. So far in 2008, it has notified the acquisition of own shares equating to 1% of share capital.

Risk management

Due to the globalisation of its sales, the Group carries out a number of transactions in currencies other than Euros. General group policy is to hedge against these companies' commercial transaction risks by contracting exchange rate insurance to cover the collection period of the Group's product sales. Long-term insurance is not contracted.

No exchange hedges are contracted to cover Parent company investments in subsidiaries which operate with other currencies or profits contributed by these companies. The Group has shown that it is capable of competing in competitive price markets and therefore does not consider this to be a factor of risk, albeit a determining factor in sales profitability.

The Group's level of leverage and the amounts drawn down on its credit facilities lead us to believe that the Company will be able to meet its financial needs.

Viscofan, S.A. has contracted several interest rate swap operations to mitigate the risks of exposure to interest rate fluctuations.

Operations with the board of directors or persons acting on their behalf, carried out during 2007, with the quoted company or a Group company when operations are different to the Company's ordinary activity or are not carried out in normal market.

In 2007 the directors have not participated in any operations other than the ordinary activity of the Company or Group companies or carried out in abnormal market conditions.

Subsequent events

At the meeting held on 8 January 2008, the board of directors of Viscofan agreed to distribute a dividend on account of profit for 2007 for a gross amount of Euros 0.19 per share for all of the shares comprising the share capital of the Parent Company, representing a rise of 35.7% compared to the dividend on account of the 2006 profit distributed the prior year. The aforementioned dividend was paid on 21 January 2008.

In January 2008, a ruling by the Supreme Court of Justice of Navarre established the indemnity to be paid to Viscofan S.A.'s former general manager at 1,596,297.12 euros. This amount was fully provisioned in 2007.

In January 2008, in its efforts to streamline its corporate structure, Viscofan de México S.R.L. de C.V. took over Teepak de México S.R.L. de C.V. and Teepak Holdings de México S.R.L. de C.V. and Viscofan de México de Servicios S.R.L. de C.V. took over Teepak Servicios de México, S.R.L. de C.V. In the US, Viscofan USA, Inc. took over Teepak USA, LLC.

In March 2008, the Company announced the acquisition of 473,827 own shares, equivalent to 1.002% of share capital.

Information to be included in the management report according to art. 14 of Law 6/2007 reforming the securities market law.

a) The structure of capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;

Articles of association:

Article 5: Share capital stands at 14,189,052.60 euros (fourteen million one hundred and eighty-nine thousand fifty-two euros and 60 euro cents) and consists of 47,296,842 shares (forty-seven million two hundred and ninety-six thousand eight hundred and forty-two) of 0.30 euros (30 euro cents) par value each.

Share capital is fully subscribed and paid in.

Article 6: All the shares are represented by book entries in accordance with the provisions of Royal Decree 116/1992 dated February 22. Iberclear (the Spanish clearing house) is in charge of keeping the accounting records.

b) Any restrictions on the transfer of securities;

There are no legal restrictions or restrictions under the Company's articles of association on the transfer of securities.

c) Significant direct and indirect shareholdings;

At December 31, 2007, direct or indirect shareholdings exceeding 3% of share capital that the Company was aware of are as follows:

Bestinver Gestión S.A.: 4,001,330 shares, equivalent to 8.460% of Viscofan's share capital calculated based on a total of 47,296,842 shares.

Marathon Asset Management, LLP: 2,760,394 shares, equivalent to 5.836% of Viscofan's share capital calculated based on a total of 47,296,842 shares.

Onchena S.L.: 2,366,000 shares, equivalent to 5.002% of Viscofan's share capital calculated based on a total of 47,296,842 shares.

d) Any restrictions on voting rights;

There are no legal restrictions or restrictions in the articles of association on the exercise of voting rights, except the restrictions relating to treasury shares.

e) Agreements between shareholders;

The Company has no knowledge of any agreements between shareholders.

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association;

Appointment and replacement of board members.

According to the articles of association:

Article 26: The powers of representation and administration of the Company shall be entrusted to a Board of Directors, comprising not less than three and more than nine Directors.

The appointment of Directors shall rest with the General Meeting, in pursuance of article 137 of the Companies Act.

Article 27: A Director need not be a shareholder to be appointed. The term of office of Directors shall be six years from the date of appointment.

The appointment of board members expires when, after expiry of their tenure, the next General Meeting has been held or the legal period for holding the Meeting to approve the accounts of the preceding year has elapsed.

The General Meeting and, failing this, the Board itself, may appoint from among Directors a Chairman, a First Vice Chairman, a Second Vice Chairman, a Third Vice Chairman and a Secretary (who does not need to be a Director) of the Board, and those officers shall act in those same capacities in the General Meeting. The appointment of the Chairman and of any Vice Chairman by the Board shall conform to the requirements of article 141(2) of the Companies Act for the purposes of article 30 of these articles of association.

In addition, the Regulations of the Board of Directors provide the following:

Article 6,- Composition of the Board of Directors.

The Board of Directors shall be made up of such number of Directors as the General Meeting determines, within the limits set by the articles of association.

The Board shall propose to the General Meeting such membership size as, according to the changing circumstances of the Company, best suits due representation on and effective operation of the Board.

Article 8,- Appointment of Directors.

Directors shall be appointed by the General Meeting or by the Board itself in those events stipulated by law.

The Board shall lay before the General Meeting its nominations for appointment or re-election of Directors, within the limits set forth in the articles of association, on the basis of a proposal by the Appointments and Remuneration Committee for independent directors and a report by this committee for all other directors. Such nominations shall include a reasonable number of independent Directors and shall seek to maintain a majority of non-executive Directors.

The Directors shall discharge their duties during the term foreseen in the articles of association.

Article 27,- Removal of Directors.

Directors shall step down and tender their resignation in the following cases:

a) When their circumstances render them incompatible or prohibited from serving on the board for one of the reasons specified under Spanish law.

b) When their continued presence on the Board could jeopardize the interests of the Company or when the reasons for which they were appointed cease to apply.

c) Proprietary directors should resign when the shareholders they represent dispose of a substantial portion of their ownership interest.

In respect of the amendment to the Company's articles of association, article 21 of the articles of association and article 18 of the Regulations of the Board of Directors provide:

"The foregoing article notwithstanding, for an ordinary or extraordinary General Meeting validly to pass resolutions on the issuance of bonds, increases or decreases of share capital, transformation, merger, split or winding up of the Company or, in a general sense, any amendment to the articles of association, at the originally fixed date and time there must be present in person or by proxy shareholders owning at least 50 percent of subscribed voting share capital.

At second call, votes representing at least 25 per cent of the capital are sufficient.

When shareholders representing less than 50 percent of subscribed voting share capital are in attendance, these resolutions can only be validly adopted pursuant to the favorable vote of two-thirds of the capital in attendance or represented by proxy at the General Meeting."

g) The powers of board members and in particular the power to issue or buy back shares; According to article 29 of the articles of association: The Board of Directors is vested with the broadest powers to manage, administer and represent the Company in all areas regarding its normal business including, but not limited to, the following:

To represent the Company in or out of court.

To sign or delegate the power to sign on behalf of the company.

To open and make withdrawals from current and credit accounts at any bank, including the Bank of Spain and its branches, to carry out all kinds of banking and credit transactions, including at the Bank of Spain and its branches, or any other Spanish or foreign bank.

To purchase, sell, swap, lease and assign movable goods and property, industrial or mercantile installations and businesses of any kind.

To constitute, modify and cancel real rights to these.

To participate in tenders and auctions of all kinds and enter into supply, work execution and services contracts.

To set up and cancel provisional or definitive guarantees, receive and pay any and all amounts receivable or payable by the Company, even at the central, regional or local tax authorities, payments organisms or other governmental offices.

To carry out all kinds of proceedings and enter into contracts to manage, sell, disburse, own and encumber movable goods and property, to grant all kinds of general or special, mercantile, judicial or administrative powers and, in general, to perform any duty required for the development and progress of the Company.

To acquire, via any legal means, all types of machinery, tools and equipment for: public works, constructions of all kind, industrial and commercial operations.

To lease or assign the use of this machinery or business, with or without purchase options, to any Spanish or foreign, public or private, natural or corporate person.

To intermediate in the sale or acquisition of these assets.

To import, export, promote and participate in this activity in respect of the assets mentioned in the preceding paragraphs.

To finance, in general, any transaction designed for the aforementioned purposes.

To conduct studies and prepare reports on all types of legal, economic and financial issues, as well as provide advisory on them.

To sign financial, industrial or commercial projects and, in general, all types of similar transactions, as well as participate in them.

To purchase all types of credits and bills for trading.

To provide any type of civil or mercantile guarantee to natural or corporate persons deemed appropriate and before any individuals or entities in transactions or commitments made or assumed, signing such public or private documents as may be necessary, including bills of exchange.

In addition, the latest version of the Regulations of the Board of Directors approved at the Board Meeting held on January 8, 2008 provides:

Article 5,- Powers of exclusive knowledge.

In addition to those reserved by law, the following matters are of exclusive competence of the Board of Directors in full:

a) The Company's general policies and strategies, and in particular:

i) The strategic or business plan, management targets and annual budgets;

ii) Investment and financing policy;

iii) Design of the structure of the corporate Group;

iv) Corporate governance policy;

v) Corporate social responsibility policy;

vi) Remuneration and evaluation of senior officers;

vii) Risk control and management, and the periodic monitoring of internal information and control systems;

viii) Dividend policy, as well as the policies and limits applying to treasury stock.

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses;

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions;

iii) The financial information listed companies must periodically disclose;

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose entities or resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group;

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorization need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across the-board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

Related-party transactions should only be approved on the basis of a favorable report from the Audit Committee.

d) Setting of policies regarding information to shareholders, markets and public opinion.

e) Powers of organization of the Board of Directors and amendments to the Regulations of the Board of Directors.

Finally, at the General Shareholders' Meeting of the Company held on June 18, 2007, the following resolution was adopted:

"Render null the authorization to acquire treasury shares granted to the Board of Directors at the General Shareholders' Meeting held on May 22, 2006.

To authorize the Board of Directors so that, though the individual, company or entity deemed appropriate, it may purchase and sell on the market shares of the Company itself, at the price quoted on the day of such transaction, up to the maximum number of shares permitted by Spanish Corporation Law and related provisions, at a price of no less than 100% and no more than 5000% of their nominal value.

This authority is given to the Board of Directors for a maximum period of 18 months from the date of the present resolution.

This authorization is granted to the Board of Directors subject to the legal restrictions on the acquisition of treasury shares and, specifically, the provisions of Article 75 of the revised Spanish Corporation Law.

Should the Board of Directors be required to make use of the authorization granted at the General Shareholders' Meeting, the treasury shares of the Company would be subject to the restrictions provided for under Article 79 of said law."

This resolution was adopted by majority. Voting in favor were thirty-four million seven hundred and thirty-five thousand three hundred and twenty-nine (34,735,329) shares. Abstaining were twenty-eight thousand one hundred (28,100) shares. Votes against were two thousand thirty-two (2,032) shares.

h) Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company. This exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;

The Company is not party to any agreements of this kind.

i) Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

There are agreements of this kind between the company and three managers.

Annual Corporate Governance Report

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

Annual Corporate Governance Report Viscofan S.A.

at 31 December 2007

(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 Complete the following table about the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
06/18/2007	14,189,052.60	47,296,842	47,296,842

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

NO

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

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
BESTINVER GESTION SGIIC	0	4,001,330	8.460
MARATHON ASSET MANAGEMENT, LLP	0	2,760,394	5.836
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5.002

(*) Through:

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
BESTINVER BOLSA F.I.	2,257,735	4.774
BESTINFOND F.I.	979,849	2.072
BESTINVER MIXTO F.I.	411,012	0.869
SOIXA SICAV	157,268	0.333
TEXRENTA INVERSIONES SICAV	32,290	0.068
BESTINVER RENTA F.I.	24,077	0.051
CORFIN INVERSIONES SICAV	14,795	0.031
RODAON INVERSIONES SICAV	13,492	0.029
INV. EN BOLSA SIGLO XXI SICAV	10,179	0.022
TIBEST CINCO SICAV	10,545	0.022
LOUPRI INVERSIONES	8,911	0.019
ATON INVERSIONES SICAV	7,462	0.016

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
TIGRIS INVERSIONES SICAV	6,978	0.015
MERCADAL DE VALORES SICAV S.A.	6,591	0.014
H202 INVERSIONES SICAV	5,989	0.013
DIVALSA INVERSIONES SICAV	5,853	0.012
ENTRECAR INVERSIONES SICAV	5,261	0.011
PASGOM INVERSIONES SICAV	5,222	0.011
ACC. CUP. and OB. SEGOVIANAS SICAV	4,229	0.009
CARTERA MILLENNIUM SICAV	4,348	0.009
RENVASA	4,395	0.009
ZAMARRON SICAV	4,252	0.009
ARTICA XXI, SICAV S.A.	3,638	0.008
CAMPO DE ORO SICAV	3,286	0.007
LINKER INVERSIONES SICAV	3,110	0.007
HELDALIN INVERSIONES SICAV	2,352	0.005
OPEC INVERSIONES, SICAV, S.A.	1,671	0.004
TAWARZAR	1,878	0.004
IBERFAMA SICAV, S.A.	1,479	0.003
JORICK INVESTMENT	1,600	0.003
TRASCASA	1,583	0.003
MA-PENSION RESERVES INVEST	255,350	0.540
VERIZON INVESTMENT MANAGEMENT	185,800	0.393
TENNESSEE CONSOLIDATED	115,200	0.244
PENNSYLVANIA PUBLIC SCHOOL	102,328	0.216
FEDEX CORPORATION EMPLOYEES	100,700	0.213
MARATHON LONMR. INTL INV	96,860	0.205
GM INVESTMENT MANAGEMENT CORP	81,066	0.171
MARATHON GLOBAL EQUITY FUND	77,820	0.165
ABP INVESTMENTS	75,550	0.160
OMERS ADMINISTRATION CORP	67,200	0.142
FORD FOUNDATION	65,400	0.138
MD DANA	63,200	0.134
VANGUARD GLOBAL EQUITY FND	60,700	0.128
MARATHON EUROPEAN HEDGE FUND	57,500	0.122
SBC PENSION MASTER TRUST	55,320	0.117
KAISER PERMANENTE	51,100	0.108
MARATHON LONMR. INTL GROUP	45,486	0.096
JOHNSON JOHNSON US PEN	43,900	0.093
MINNESOTA STATE BOARD OF INV	43,354	0.092
DANA CORPORATION	42,340	0.090
MARATHON LONMR. GLOBAL GRP	42,154	0.089
IBM US PENSION FUND	40,960	0.087
GM VEBA	35,050	0.074

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
GM CANADA PENSION PLANS	34,150	0.072
CANADIAN PACIFIC RAILWAY	30,800	0.065
PENSION DANMARK	29,800	0.063
BILL MELINDA GATES - EUROPE	28,540	0.060
LAEGERNES PENSIONSINVEST2	25,700	0.054
MITCHELLS BUTLERS COMMON	23,900	0.051
GLAXOSMITHKLINE	23,600	0.050
OPSEU PENSION TRUST	23,200	0.049
MARATHON EXEMPT FUND	21,900	0.046
OIL INVESTMENT COMPANY	21,550	0.046
ARIA	21,411	0.045
ASTRA ZENECA PENSION FUD	21,250	0.045
COMMONWEALTH BANK OFFICERS	21,133	0.045
SURREY CC PENSION FUND	21,350	0.045
HALLIBURTON COMMON INV FUND	20,300	0.043
HOWARD HUGHES MEDICAL	20,200	0.043
MONTGOMERY COUNTY EMPLOYEES	20,300	0.043
ACCIDENT COMPENSATION CORP	20,000	0.042
MARATHON LDN INT INV FUND	18,900	0.040
MARATHON LONMR. GLOBAL INV	18,950	0.040
HEALTH EMPLOYEES SUPER	18,250	0.039
MACARTHUR FOUNDATION (MAC23)	18,200	0.038
CADBURY SCHWEPPES PENSION	17,400	0.037
MERCHANT NAVY OFFICERS PEN	17,500	0.037
UNIVERSITY OF MICHIGAN	16,480	0.035
ONFA DECOM FUND	16,150	0.034
TOWER ASSET MANAGEMENT LTD	16,200	0.034
WORKERS COMPENSATION BOARD	16,200	0.034
MITTAL STEEL USA INC PENSION	15,500	0.033
PNC FINANCIAL SERVICES GROUP	15,400	0.033
PEARSON GROUP PENSION PLAN	14,970	0.032
HENRY SMITH CHARITY	14,500	0.031
MAPLE - BROWN ABBOT	14,800	0.031
ONFA USED FUEL FUND	14,810	0.031
BWXTY-12LLC	14,100	0.030
AUSTRALIAN SUPER	13,850	0.029
MANITOBA MARATHON POOLED FUND	13,250	0.028
XL RE LTD	13,150	0.028

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MARKS SPENCER PENSION	12,700	0.027
ABB INC. MASTER TRUST	12,400	0.026
ESSEX COUNTY COUNCIL	12,400	0.026
HARMSWORTH PENSION SCHEME	12,500	0.026
JOEP	11,600	0.025
JOHNSON JOHNSON UK GROUP	11,850	0.025
PRUDENTIAL STAFF PENSION	11,600	0.025
TIFF INTERNATIONAL EQUITY	11,550	0.024
TIFF MULTI ASSET FUND	11,200	0.024
FAIRFAX COUNTY UNIFORMED	9,850	0.021
NORTHWESTERN UNIVERSITY	9,200	0.019
SOUTHERN CALIFORNIA EDISON	9,050	0.019
NUFFIELD FOUNDATION CHARITIES	8,300	0.018
INTECH INTERNATIONAL SHARES	7,004	0.015
STANLIB FUNDS LIMITED	6,950	0.015
EMERGENCY SERVICES SUPER	6,410	0.014
ROCKEFELLER FOUNDATION	6,610	0.014
DIVERSIFIED FUND OF CANADA	5,638	0.012
INSURANCE COMMISSION	5,600	0.012
CABLE WIRELESS COMMON	5,000	0.011
LAEGERNES PENSIONSINVESTV	2,650	0.006
HENRY J KAISER FAMILY	2,400	0.005
MA-HEALTH CARE SECURITY TRUST	2,600	0.005
ONCHENA S.L.	2,366,000	5.002

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

Name or company name of the shareholder	Date of the transaction	Description of the transaction
MS. MARIA DEL CARMEN CAREAGA SALAZAR	12/26/2007	Exceeded 5% of the share capital

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

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. JAIME ECHEVARRIA ABONA	111,954	57,897	0.354
MR. JOSE MARIA CUEVAS SALVADOR	10,640	0	0.022
MS. AGATHA ECHEVARRIA CANALES	16,749	0	0.035
MR. ALEJANDRO LEGARDA ZARAGUETA	8,000	0	0.017
MR. INIGO SOLAUN GARTEIZ-GOXEASCOA	25,382	25,835	0.107
MR. JOSE CRUZ PEREZ LAPAZARAN	210	0	0.000
MR. NESTOR BASTERRA LARROUDE	87,694	6,118	0.198

(*) Through:

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MS. CONCEPCION CANALES JAUREGUIBEITIA	57,897	0.122
MS. M ANGELES BUSTILLO BASTERRA	25,835	0.055
MR. IGNACIO BASTERRA MARTINEZ	6,118	0.013
% of total voting rights held by the Board of Directors		**0.741**

Complete the following tables about members of the Company's Board of Directors who hold rights to shares of the Company:

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

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

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

NO

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

NO

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

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

NO

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

At financial year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
236,385	0	0.500

(*) Through:

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

Date of release	Total direct shares acquired	Total indirect shares acquired	% of total share capital
05/22/2007	484,265	0	1.010
Capital gain/(loss) on treasury shares disposed of during the period			0

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

Extract of the Minutes of the General Shareholders Meeting held on June 18, 2007 on second call:

It was resolved to revoke the authorization to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on May 22, 2006.

It was resolved to authorize the Board of Directors to buy and sell on the market, through the person, Company or entity that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Joint Stock Companies Law and related provisions, at a minimum price of 100 percent (100%) and a maximum of five thousand percent (5,000%) of the par value.

This authorization is conferred upon the Company's Board of Directors for a maximum term of 18 months from the date of this resolution.

This authorization is conferred upon the Board of Directors subject to the legal limitations existing for the acquisition of treasury shares and, more specifically, to the provisions of Article 75 of the Consolidated Joint Stock Companies Law.

In the event the Board of Directors should need to exercise the authorization conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 79 of the Consolidated Joint Stock Companies Law´.

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

NO

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

Indicate whether there are by-law restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to a by-laws restriction	**0**

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

NO

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

NO

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

B. STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1 Board of Directors

B.1.1 Describe the maximum and minimum number of Directors set forth in the By-Laws:

Maximum number of Directors	9
Minimum number of Directors	3

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

Name or company name of the Representing	Director	Position on the Board	Date first elected	Date last elected	Election procedure
MR. JAIME ECHEVARRIA ABONA	–	CHAIRMAN	10/17/1975	06/27/2005	VOTING AT SHAREHOLDER MEETINGS
MR. JOSE MARIA CUEVAS SALVADOR	–	VICE CHAIRMAN	01/09/1987	06/18/2007	VOTING AT SHAREHOLDER MEETINGS
MS. AGATHA ECHEVARRÍA CANALES	–	DIRECTOR	06/24/1998	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. ALEJANDRO LEGARDA ZARAGÜETA	–	DIRECTOR	05/22/2006	05/22/2006	VOTING AT SHAREHOLDER MEETINGS
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	–	DIRECTOR	01/29/1999	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	–	DIRECTOR	01/19/1998	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. JOSE CRUZ PEREZ LAPAZARAN	–	DIRECTOR	06/24/1998	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. NESTOR BASTERRA LARROUDÉ	–	DIRECTOR	07/27/1997	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
Total number of Directors					**8**

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

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

EXECUTIVE DIRECTORS

Name or company name of the Committee	Director who has proposed the nomination	Position on the Company's organizational chart
MR. JAIME ECHEVARRIA ABONA	–	CHAIRMAN

Total number of executive Directors	**1**
% of the entire Board	**12.500**

PROPIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR. JOSE MARIA CUEVAS SALVADOR

Profile

Madrid. Law Degree, Univ. Complutense. Graduate in corporate executive management, IESE (Univ. Navarra). Extensive business activity. Has been Vice Chairman of SARRIÓ, S.A. Director of RENO DE MEDICI, S.A., and RENTA 4; Chairman of VALLEHERMOSO, S.A., of 21 INVEST, Vice Chairman of the Superior Board of Official Chambers of Commerce, Industry and Navigation. Was Chairman CEOE from 1984 to 2007.

Currently Director of Iberpapel Gestión, S.A. and Vice Chairman of UNICE.

Name or company name of the Director

MR. ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial Engineer, Escuela Sup. Ingenieros Ind. [Engineering School], San Sebastián and Master's in Economics and Business Administration, IESE (Barcelona). Extensive experience in industry. In 1989, was named Economic-Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) and in 1992, General Manager of the company.

Name or company name of the Director

MR. GREGORIO MARAÑÓN BERTRAN DE LIS

Profile

Law Degree, Univ. Complut. Madrid, Executive Management Prog. IESE. Experience in law and in the financial sector. Chairman, Roche Farma, Universal Music Spain, Logista, Real Fábrica de Tapices, Altadis (Executive Comm.), Lafarge Asland (Chairman Organization and Compensation Comm.), Sogecable (Audit Comm.), PRISA, Unión Radio and SER. Chairman of the Board, Advisor, Spencer Stuart. Member of Consejos asesores Apax and Aguirre Newman. Academic Real Acad. Bellas Artes San Fernando, Chairman, Sponsorship Teatro Real and Real Fundación Toledo.

Name or company name of the Director

MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA

Profile

Law Degree, Univ. Valladolid. Has engaged in professional activities at companies as Sole Director of Productos Fotográficos, VALCA, S.A., and INVELASA, S.A. (PATRICIO ECHEVARRIA, S.A.). Director of GARTEIZ, S,A., PRADO HNOS, S,A., GARATE ANITUA and CIA. S.A. and SEBASTIÁN DE LA FUENTE, S.A.E. Director of Iberpapel Gestión ,S.A.

Name or company name of the Director

MR. JOSE CRUZ PEREZ LAPAZARAN

Profile

Agricultural Engineer, Politéc. Madrid. Experience Public Admin., Agriculture, Spain and abroad. Was General manager Agricultural and Industrial Struct., Govt. of Rioja, Director, Agriculture, Livestock and Forestry, Govt. Navarra, Chairman of the Board, Sdades Publicas and Professor Projects and Food Technology Depts. Univ. Zaragoza and Univ. Pública, Navarra. Currently Deputy at the National Assembly, Agric., Fishing and Foodstuffs Committee, Congress and Senate and Senate European Union, Labor and Defense Committees. Gran Cruz Merito Agrario [Merit Cross for Agriculture]

Name or company name of the Director

MR. NESTOR BASTERRA LARROUDÉ

Profile

Law Degree, Graduate in Economics, Univ. de Deusto, MBA, IESE. Professional career in international and Spanish corporate banking. Currently Head of the Major Corporations Department, Banco Santander Central Hispano. Director of Amistra SGC, S.A.

Total number of independent Directors	**6**
% of total Directors	**75.000**

OTHER EXTERNAL DIRECTORS

Name or company name of the Director	**Committee that proposed his/her nomination**
MS. AGATHA ECHEVARRÍA CANALES	APPOINTMENTS AND COMPENSATION COMMITTEE
Total number of other external Directors	**1**
% of total Directors	**12.500**

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

Name or company name of the Director	**Reasons**	**Company, officer o shareholder to which Director has ties**
MS. AGATHA ECHEVARRÍA CANALES	FAMILY TIES TO	MR. JAIME ECHEVARRIA ABONA

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

Name or company name of the Director	Date of the change	Previous status	Current status
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	11/11/2007	PROPIETARY	INDEPENDENT
MS. AGATHA ECHEVARRÍA CANALES	11/11/2007	INDEPENDENT	OTHER EXTERNAL
MR. NESTOR BASTERRA LARROUDÉ	11/11/2007	PROPIETARY	INDEPENDENT

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

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

NO

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

NO

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

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

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRIA ABONA	GAMEX CB S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	INDUSTRIAS ALIMENTARIAS DE NAVARRA, S.A.U.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	KOTEKS VISCOFAN	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	NATURIN GMBH & CO. KG	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	NATURIN LIMITED	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	TEEPAK DE MEXICO. S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	TEEPAK USA. LLC	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CANADA. INC	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN POLAND SP. Z O.O.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN USA INC.	CHAIRMAN
MR. NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA, S.A.U.	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	NATURIN GMBH & CO. KG	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	DIRECTOR
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL, LTDA	MEMBER OF THE ADVISORY BOARD

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

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRIA ABONA	IBERPAPEL GESTION, S.A.	CHAIRMAN
MR. JOSE MARIA CUEVAS SALVADOR	IBERPAPEL GESTION, S.A.	DIRECTOR
MR. ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES and AUXILIAR DE FERROCARRILES, S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	SOGECABLE, S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	PROMOTORA DE INFORMACIONES S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	ALTADIS, S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.	CHAIRMAN
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	IBERPAPEL GESTION, S.A.	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTION, S.A.	DIRECTOR

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

YES

Explanation of the rules

The Company's Board of Directors at its meeting held on January 8, 2008, unanimously adopted the following resolution:

Pursuant to Recommendation 26 of the Unified Code of Good Governance of Listed Companies, it is resolved that the Company's Directors may not sit on more than ten Boards of Directors in addition to the Viscofan, S.A. Board.

The following are excluded from the computation of this maximum:

- Sitting on Boards of Grupo Viscofan S.A. companies
- Sitting on [Boards of] holding companies owned by the Director or his/her close relatives.

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

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

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

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

	Data in thousands of Euros
Compensation	
Fixed Compensation	0
Variable Compensation	0
Per diems	128
Bylaws-mandated payments	1,002
Options on shares and/or other financial instruments	0
Other	0
Total	**1,130**

	Data in thousands of Euros
Other Benefits	
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favor of Directors	0

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

	Data in thousands of Euros
Compensation	
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Bylaws-mandated payments	223
Options on shares and/or other financial instruments	0
Other	0
Total	**223**

	Data in thousands of Euros
Other Benefits	
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favor of Directors	0

c) Total compensation by type of director:

Breakdown of Directors	By company	By group
EXECUTIVE	240	148
PROPIETARY	0	0
EXTERNAL INDEPENDENT	805	75
OTHER EXTERNAL	85	0
Total	**1,130**	**223**

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

Total Director compensation (in thousands of Euros)	**1,353**
Total Director compensation/earnings attributed to parent company equity holders (stated as a %)	**2.9**

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

Name or company name	Title
MR. JOSE ANTONIO CANALES GARCIA	GENERAL MANAGER VISCOFAN GROUP
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR. CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR. PEDRO ERASO ZABALZA	HEAD OF EXTRUSION VISCOFAN GROUP
MR. JOSE VICENTE SENDIN AZANZA	HEAD OF CONVERTING VISCOFAN GROUP
MR. JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR. ANDRES DIAZ ECHEVARRIA	HEAD OF PRODUCTION VISCOFAN, S.A.
MR. JOSE ANTONIO MORIONES GUINDA	TECHNICAL ADVISER PRODUCTION DEPARTMENT VISCOFAN, S.A.
MR. JUAN JOSE ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN, S.A.
MR. MANUEL NADAL MACHIN	HEAD OF IT VISCOFAN, S.A.
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN, S.A.
MR. MIROSLAV KAMIS	GENERAL MANAGER GAMEX CB SRO., VISCOFAN CZ, S.R.O.
MR. JUAN CARLOS GARCIA DE LA RASILLA PINEDA	GENERAL MANAGER KOTEKS VISCOFAN D.O.O.
MR. WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN GMBH CO. KG
MR. BERTRAM TRAUTH	GENERAL MANAGER NATURIN GMBH CO. KG (INCORPORATED - 2007)
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN GMBH CO. KG
MR. ALFRED BRUINEKOOL	GENERAL MANAGER NATURIN UK, LTD.
MR. YUNNY SOTO	GENERAL MANAGER VISCOFAN CENTROAMERICA COMERCIAL, S.A.
MR. OSCAR PONZ TORRECILLAS	GENERAL MANAGER VISCOFAN DE MEXICO S.R.L. DE C.V. (INCORPORATED 2007)
MR. LUIS BERTOLI	GENERAL MANAGER VISCOFAN DO BRASIL S. COM. E IND. LTDA.
MR. WALDEMAR SZYMANSKI	GENERAL MANAGER VISCOFAN POLAND SP. Z.O.O.
MR. JOSE MARIA FERNANDEZ MARTIN	GENERAL MANAGER VISCOFAN USA INC.
MR. ALEJANDRO MARTINEZ CAMPO	GENERAL MANAGER INDUSTRIAS ALIMENTARIAS DE NAVARRA, S.A.U.
Total executive management compensation (in thousands of Euros)	**2,630**

B.1.13 Identify, on an aggregate basis, if there are indemnity or "golden parachute" provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control.
Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

Number of beneficiaries	**3**

	Board of Directors General	Shareholders Meeting
Body that authorizes the provisions	YES	NO
Is the General Shareholders Meeting informed of the provisions?		NO

B.1.14 Describe the process to set the compensation of the members of the Board of Directors and the relevant provisions of the By-Laws with regard thereto.

Process to set the compensation of the members of the Board of Directors and by-law provisions

Pursuant to Article 27 of the by-laws:

´Board compensation shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case´.

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

´Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case´.

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

´Proposing to the Board of Directors:

i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,

ii.- executive Directors' individual compensation and all other terms of their contracts.

iii.- the basic terms of senior manager's contracts.´

Process for setting the compensation of the members of the Board of DIrectors and By-laws provisions

In fiscal year 2007, the distribution of compensation for the Board and the Committee has been governed by the principle of equal distribution among its members.

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

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

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

YES

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

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

YES

Matters covered by the report on compensation policy

The Report explains the functions performed by of the various corporate bodies and the internal rules governing compensation policy . On the one hand, it refers to the Appointments and Compensation Committee, which drafts the proposal for the Board of Directors, and to the Board, which has the exclusive power to make Board compensation decisions, pursuant to the Board Rules and, on the other hand, it refers to the Company's By-laws approved by the General Shareholders Meeting.

The Company's By-laws set forth the following:

Article 27: ´Board compensation shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case.´

Article 30: ´Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case´.

The Report also explains the various types of compensation and how they apply to each body, distinguishing between the Board and the various committees, and to the internal distribution among the various members of each of the committees.

Finally, the Report breaks down the total compensation received by each of the Directors individually in 2007.

Role of the Compensation Committee

Pursuant to Article 14 of the Board Rules, the following shall be among the missions of the Appointments and Compensation Committee:

´f) Proposing to the Board of Directors:

i.- the compensation policy for Directors and senior managers, as well the distribution of Directors' compensation,

ii.- executive Directors' individual compensation and all other terms of their contracts.´

Has external advice been provided?	**NO**

Name of external advisors

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

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

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

YES

Description of amendments
At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the ´Conthe Unified Code.´ The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of an appraisal procedure for the Board and the Committee and enhanced information regarding Directors' compensations.

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

Pursuant to Article 26 of the By-laws:

´The representation and management of the Company shall be vested in the Board of Directors, which shall comprise a minimum of three and a maximum of nine members.

The Board shall be elected by the shareholders at the General Shareholders Meeting, in compliance with the provisions set forth in Article 137 of the Spanish Corporation Law.´

And Article 27 sets forth that:

´Directors need not be shareholders. The term of office for Directors is six years from the date they are elected.

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

The General Shareholders Meeting, or in its stead the Board of Directors itself, may appoint from among the Directors a Chairman, a First Vice Chairman, a Second Vice Chairman, a Third Vice Chairman and a Secretary (who need not be a Director) of the Board of Directors; they shall also serve as such at the General Shareholders Meeting. The appointment of the Chairman and any of the Vice Chairmen by the Board of Directors itself shall comply with the requirements set forth in Article 141.2 of the Spanish Corporation Law for purposes of Article 30 of these By-laws.´

In this respect, Article 6 of the Board Rules sets forth:

´The Board of Directors shall comprise the number of Directors determined by the shareholders at the General Shareholders Meeting within the limits set forth in the By-laws.

The Board shall propose to the shareholders at the General Shareholders Meeting the number that based on the changing circumstances of the Company is the most appropriate to ensure due representativity and effective functioning of the Board.´

And Article 8 sets forth that:

´The shareholders at the General Shareholders Meeting or the Board of Directors itself shall elect the Directors in the circumstances set forth in the law. The proposals submitted to the shareholders at the General Shareholders Meeting by the Board with respect to elections or reelections with the limits set forth in the By-laws shall rely on proposals by the Appointments and Compensation Committee for independent Directors and be based on a prior report by the Appointments and Compensation Committee for all other Directors. A reasonable number of independent Directors shall be included on the Board and there shall generally be a majority of external Directors. Directors shall serve for the terms of office set forth in the By-laws.´

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

The mission of the Appointments and Compensation Committee shall be as follows:

a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
b) Propose to the Board of Directors the election or reelection of independent Directors.
c) Report to the Board of Directors on the election or reelection of all other Directors.
d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board.
e) Report to the Board of Directors on matters of gender diversity.
f) Propose to the Board of Directors:
    i.- The compensation policy for Directors and senior managers, as well the distribution of Directors' compensation,
    ii.- Executive Directors' individual compensation as all other terms of their contracts,
    iii.- The basic terms of senior managers' contracts.´

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

Pursuant to Article 27 of the Board of Directors' Rules on the separation of Directors:

'Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.´

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

YES
Measures to mitigate risks
The duties of Chief Executive Officer are included in the position of Chairman of the Board. Pursuant to Article 9 of the Board of Directors' Rules, the exercise of the powers vested in the Chairman shall be subject to prior resolution of the Board or to ratification by the Board when the urgency of the matter makes it inadvisable to postpone such exercise awaiting a prior resolution. The duties of Chief Executive Officer are included in the position of Chairman of the Board. Pursuant to Article 9 of the Board of Directors' Rules, the exercise of the powers vested in the Chairman shall be subject to prior resolution of the Board or to ratification by the Board when the urgency of the matter makes it inadvisable to postpone such exercise awaiting a prior resolution. Pursuant to Article 16 of the Board of Directors' Rules: ´Each year the Board of Directors shall evaluate: The Chairman's and Chief Executive Officer's performance based on the report submitted to it by the Appointments and Compensation Committee.´

Article 9 of the Board Rules also sets forth that the Chairman's term of office shall be the same as his/her term as Director.
With respect to the separation of Directors, pursuant to Article 27 of the Board Rules:
´ Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:
a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
Thus, there are sufficient control measures limiting the actions of the Chairman and permit his/her separation in the event that such actions are not in the best interest of the Company.

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

NO

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

NO

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

Description of the resolution:

ALL

Quorum %	
The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors	62.50
Percentage required for majority	
Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.	51.00

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

NO

B.1.24 Does the Chairman have a tie-breaking vote?

YES

Matters on which a tie-breaking vote may be cast

Pursuant to Article 28 of the by-laws:
Resolutions shall be adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.
Article 7 of the Board Rules sets forth the same thing.

B.1.25 Indicate whether the By-Laws or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the Chairman	Age limit for the CEO	Age limit for Directors
0	0	0

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

NO

Maximum number of years in office	**0**

B.1.27 If the number of women directors is scant or nil, describe the reasons therefor as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives
The Company has one female Director due to her valuable contributions and experience in several areas of general and special interest to the Company: economic-legal training, experience in audit, knowledge of industry and the sector. The Company has always proposed its Directors based on objective criteria stressing the experience and qualifications of persons regardless of their sex. The Company is willing to propose the nomination of female candidates for Director when their personal circumstances make them suitable candidates. According to Board Rules, the Appointments and Compensation Committee is also responsible for informing the Board on matters of gender diversity that may arise.

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

NO

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

At its meeting held on May 09, 2005, the Company's Board of Directors approved the Rules on Remote Voting and Proxy; these include the proxy voting procedures at meetings of the Board of Directors. This procedure does not differ from the general procedure for general proxy voting powers.

The procedure contemplates the possibility proxy voting:

a) By means of electronic communication through the Company's website.
b) By mail.

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

Number of Board Meetings	**12**
Number of Board Meetings the Chairman did not attend	**0**

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

Number of Executive or Delegate Committee Meetings	**10**
Number of Audit Committee Meetings	**8**
Number of Appointments and Compensation Committee Meetings	**2**
Number of Appointments Committee Meetings	**0**
Number of Compensation Committee Meetings	**0**

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

Number of Directors' failures to attend during the fiscal year	**2**
Failures to attend as a percentage of total votes during the fiscal year	**2.080**

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

NO

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

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

In order to prevent any qualified auditor's opinion on the accounts prepared by the Board of Directors submitted for approval to the General Shareholders Meeting, the Board Rules require that the accounts be prepared in accordance with applicable accounting principles.

Prior to the preparation of the final accounts, the auditors review the proforma accounts.

The Audit Committee meets with the auditors periodically in order to ensure their independence as well as to prevent exceptions in the annual accounts and to ensure that the accounts are prepared in accordance with applicable accounting principles. To such end, a preclosing was carried out for the Group on October 30, 2007.

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

NO

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

Procedure for election and separation
Pursuant to Article 11 of the Board Rules: ´The election and separation of the Secretary of the Board and, as appropriate, of the Assistant Secretary, shall be approved by the full Board, based on a report by the Appointments and Compensation Committee.´

Does the Appointments Committee report the election?	**YES**
Does the Appointments Committee report the separation?	**YES**
¿Does the full Board approve the election?	**YES**
¿Does the full Board approve the separation?	**YES**
Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?	**YES**

Remarks
The Board has explicitly entrusted the Secretary with ensuring compliance with the recommendations on good governance. However, this circumstance has not been formalised in writing.

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

At the General Shareholders Meeting held on June 18, 2007, the Company's shareholders resolved to change the auditor and approved the appointment of a new audit firm to audit the Company's individual and consolidated accounts, with such appointment being for the legal minimum period of three fiscal years.

There is full cooperation with the auditors and all information the Company and its group have is made available to the auditors. With respect to the analysts and investment banks, the mechanisms set forth in Article 34 of the Board Rules, in addition to compliance with applicable regulations, ensure the preservation of independence.

Article 34,- Communications with shareholders and with the Securities Markets.

The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the Company's By-laws, 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 public on:

a) Relevant facts that could materially influence the formation of stock market prices.
b) Substantial amendments to the Company governance rules.
c) Treasury share policies that Company may propose to carry out exercising the authorizations conferred by the shareholders at the General Shareholders Meeting.

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

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

YES

Outgoing auditor	**Incoming auditor**
KPMG AUDITORES	ERNST & YOUNG, S.L.

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

NO

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

NO

	Company	Group	Total
Amount for work other than audit work (thousands of Euros)	0	0	0
Amount for work other than audit work/Total amount invoices by the audit firm (as a %)	0.000	0.000	0.000

B.1.38 State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

NO

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

	Company	Group
Number of consecutive years	1	1

	Company	Group
Number of years audited by the current audit firm/ Number of years the Company has been audited (as a %)	4.0	6.0

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

Name or company name of the Director	**MR. JAIME ECHEVARRIA ABONA**
Name of the company in question	**VISCOFAN CENTROAMERICA COMERCIAL S.A.**
% Shareholding	**0,000**
Title or duties	**CHAIRMAN OF THE BOARD OF DIRECTORS**

Name or company name of the Director	**MR. JAIME ECHEVARRIA ABONA**
Name of the company in question	**VISCOFAN POLAND S.P. Z.O.O.**
% Shareholding	**0,000**
Title or duties	**CHAIRMAN OF THE BOARD OF DIRECTORS**

Name or company name of the Director	**MR. JAIME ECHEVARRIA ABONA**
Name of the company in question	**KOTEKS VISCOFAN D.O.O.**
% Shareholding	**0,000**
Title or duties	**CHAIRMAN OF THE BOARD OF DIRECTORS**

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN DE MEXICO S. DE R.L. DE C.V.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN DO BRASIL SOC. COM. E IND. LTDA.
% Shareholding	0,000
Title or duties	MEMBER OF THE ADVISORY BOARD

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN CZ. s.r.o.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN USA INC
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	TEEPAK DE MEXICO. S. DE R.L. DE C.V.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	NATURIN GMBH & CO KG
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	GAMEX. C.B.s.r.o.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	TEEPAK USA. LLC
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	NATURIN LIMITED
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN CANADA INC
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. NESTOR BASTERRA LARROUDÉ
Name of the company in question	VISCOFAN USA INC
% Shareholding	0,000
Title or duties	DIRECTOR

Name or company name of the Director	MR. NESTOR BASTERRA LARROUDÉ
Name of the company in question	INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.
% Shareholding	0,000
Title or duties	DIRECTOR

Name or company name of the Director	MR. NESTOR BASTERRA LARROUDÉ
Name of the company in question	NATURIN GMBH & CO KG
% Shareholding	0,000
Title or duties	DIRECTOR

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

YES

Description of procedure

Pursuant to Article 18 of Viscofan's Board Rules:

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

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

YES

Description of procedure
Article 17 of the Board of Directors' Rules sets forth the following: ´Directors shall receive the information required to carry out their work in due time and depth with respect to the matters in question. They may gather additional information when they so deem advisable; such information shall be channeled through the Secretary of the Board of Directors. Before each meeting of the Board of Directors, the Directors receive the most relevant information on the Agenda items that will be discussed as far in advance as the circumstances permit.´

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

YES

Description of rules
Board Rules: CHAPTER VIII. Separation of Directors. Article 27,- Separation of Directors. Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases: a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service. b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

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

NO

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

NO

Decision made	**Substantiated explanation**

B.2 Committees of the Board of Directors

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

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	**Title**	**Category**
MR. JAIME ECHEVARRIA ABONA	CHAIRMAN	EXECUTIVE
MR. JOSE CRUZ PEREZ LAPAZARAN	DIRECTOR	INDEPENDENT
MR. JOSE MARIA CUEVAS SALVADOR	DIRECTOR	INDEPENDENT

EXECUTIVE OR DELEGATE COMMITTEE

Name	Title	Category
MR. JAIME ECHEVARRIA ABONA	CHAIRMAN	EXECUTIVE
MR. JOSE MARIA CUEVAS SALVADOR	DIRECTOR	INDEPENDENT
MR. NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

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

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

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group,monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	YES
Periodically review the internal control and riskmanagement systems, in order for themain risks to be properly identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior rmanagement takes into account the conclusions and recommendations contained in its reports.	YES
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	NO
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	YES

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

Committee name	**APPOINTMENTS AND COMPENSATION COMMITTEE**

Short description

Governed by the Board Rules:

Article 14,- Appointments and Compensation Committee.

There shall be an Appointments and Compensation Committee of the Board of Directors.

The mission of the Appointments and Compensation Committee shall be as follows:

a) Ensure the appropriateness and integrity of the selection of Directors and senior managers.
b) Propose to the Board of Directors the election or reelection of independent Directors,
c) Report to the Board of Directors on the election or reelection of all other Directors.
d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board,
e) Report to the Board of Directors on matters of gender diversity.
f) Propose to the Board of Directors:

i.- the compensation policy for Directors and executives, as well as the distribution of Directors' compensation,

ii.-executive Directors' individual compensation as all as other terms of their contracts.

iii.- the basic terms of executives' contracts.

The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee. The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

Committee name	**EXECUTIVE OR DELEGATE COMMITTEE**

Short description

Company By-laws:

Article 30:

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

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

Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Corporation Law.

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

Board Rules:

Article 12,- Executive Committee.

The Executive Committee shall comprise the number and type of members set forth in the By-laws. The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Appointments and Compensation Committee. The members of the Executive

Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

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

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

Committee name	**AUDIT COMMITTEE**

Short description

Company By-laws:

Article 30:

2- The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

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

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

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

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

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

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

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

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
b) 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 204 of the Spanish Corporation Law.
c) Supervise, when appropriate, the internal audit services.
d) Become familiar with the Company's financial reporting process and its internal control systems.
e) Maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Rules:

Article 13,- Audit Committee.

There shall be an Audit Committee of the Board of Directors.

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

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
c) Supervise, when appropriate, the internal audit services.
c) Become familiar with the Company's financial reporting process and its internal control systems.
d) With respect to the independent auditors:
   i.- Submit to the Board proposals for the selection, appointment, reappointment and replacement of the independent auditor.
   ii.- Receive regularly from the external auditor information on the audit plan and the results of its performance, and verify that Management takes into accounts its recommendations,
   iii.- Ensure the independence of the external auditor and to such end:

1.- That the Company reports to the CNMV [The Spanish Securities and Exchange Commission] as a material fact the change of auditor and includes with the report a declaration of any disagreements with the outgoing auditor and, if any the content thereof;

2.- That it is ensured that the Company and the auditor comply with prevailing standards on the rendering of services other than audit services, the auditor's business concentration limits and, in general, all other standards established to ensure the independence of the auditors;

3.- That in the event of the resignation of the independent it reviews the circumstances triggering the resignation.

e) Report on the Annual Accounts, as well as on the half-yearly and quarterly financial statements, which must be filed with the regulatory or market oversight agencies, mentioning the internal control systems, the monitoring of follow-up and compliance through internal auditing, when appropriate, as well as, when applicable, the accounting criteria applied. It shall also inform the Board of any change in accounting criteria and balance sheet and off-balance sheet risks.
f) Prepare an annual report on the Committee's activities.

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

Committee name	APPOINTMENTS AND COMPENSATION COMMITTEE

Short description

Board Rules:

Article 14,- Apppointments and Compensation Committee.

There shall be an Appointments and Compensation Committee of the Board of Directors.

The mission of the Appointments and Compensation Committee shall be as follows:

a) Ensure the appropriateness and integrity of the selection of Directors and senior managers.
b) Propose to the Board of Directors the election or reelection of independent Directors,
c) Report to the Board of Directors the election or reelection of all other Directors.
d) Report on the appointment and separation of executives that the Chief Executive Officer proposes to the Board.
e) Report to the Board of Directors on matters of gender diversity.
f) Propose to the Board of Directors:

i.- the compensation policy for Directors and senior managers, as well the distribution of Directors' compensation,

ii.- executive Directors' individual compensation as all other terms of their contracts,

iii.- the basic terms of senior managers' contracts.

The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee. The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Committee.

Committee name	EXECUTIVE OR DELEGATE COMMITTEE

Short description

Company By-laws:

Article 30:

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

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

Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Joint Stock Companies Law.

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

Board Rules:

Article 12,- Executive Committee.

The Executive Committee shall comprise the number and type of members set forth in the By-laws. The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Appointments and Compensation Committee. The members of the Executive Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Committee.

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

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

Committee name	AUDIT COMMITTEE

Short description

Company By-laws:

Article 30:

2. - The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

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

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

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

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

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

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

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

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

a) Report to the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
b) 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 204 of the Spanish Corporation Law.
c) Supervise, when appropriate, the internal audit services.
d) Become familiar with the Company's financial reporting process and its internal control systems.
e) Maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Rules:

Article 13,- Audit Committee.

There shall be an Audit Committee of the Board of Directors.

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

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

a) Inform the shareholders at the General Shareholders Meeting regarding matters brought forth by the shareholders with respect to matters within its competence.
b) Supervise, when appropriate, the internal audit services.
c) Become familiar with the Company's financial reporting process and its internal control systems.
d) With respect to the independent auditors:
    i.- Forward to the Board proposals for the selection, appointment, reappointment and replacement of the independent auditor.
    ii.- Receive regularly from the external auditor information on the audit plan and the results of its execution and verify that Management takes into accounts its recommendations,
    iii.- Ensure the independence of the external auditor and to such end:

1.- That the Company reports to the CNMV [The Spanish Securities and Exchange Commission] as a material fact the change of auditor and includes with the report a declaration of any disagreements with the outgoing auditor and, if any the content thereof;

2.- That it is ensured that the Company and the auditor comply with prevailing standards on the rendering of services other than audit services, the auditor's business concentration limits and, in general, all other standards established to ensure the independence of the auditors;

3.- That in the event of the resignation of the independent it reviews the circumstances triggering the resignation.

e) Report on the Annual Accounts, as well as on the half-yearly and quarterly financial statements, which must be filed with the regulatory or market oversight agencies, mentioning the internal control systems, the monitoring of follow-up and compliance through internal auditing, when appropriate, as well as, when applicable, the accounting criteria applied. It shall also inform the Board of any change in accounting criteria and balance sheet and off-balance sheet risks.

f) Prepare an annual report on the Committee's activities.

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

Committee name	**APPOINTMENTS AND COMPENSATION COMMITTEE**

Short description

It is governed by the Board Rules available on the Company's web page and which has been submitted to the CNMV.

At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the ´Conthe Unified Code.´

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of a evaluation mechanism for the Board and the Committee and adding information regarding Directors' compensations.

Committee name	**EXECUTIVE OR DELEGATE COMMITTEE**

Short description

It is governed by Article 30 of the Company's By-laws for the Executive Committee and the Audit Committee and in the Board Rules available on the Company's web page and which has been submitted to the CNMV.

At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the ´Conthe Unified Code.´

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of an appraisal procedure for the Board and the Committee and enhanced information regarding Directors' compensations.

Committee name	AUDIT COMMITTEE

Short description

It is governed by Article 30 of the Company's By-laws for the Executive Committee and the Audit Committee and in the Board Rules available on the Company's web page and which has been submitted to the CNMV.

At the meeting of Viscofan, S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the ´Conthe Unified Code.´

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of a performance appraisal for the Board and the Committee and enhanced on Directors' compensations.

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

NO

If not, explain the composition of your Executive Committee

The composition of the Executive Committee reflects the participation of the various Directors according to their category, although not in the same proportion because, for operational reasons and reasons of efficiency, it is advisable to keep its size and composition appropriate to is nature of an Executive Committee so that it is not simply a duplication of the Board of Directors.

C - RELATED-PARTY TRANSACTIONS

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

YES

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

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

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

C.5 State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Article 127 ter of the Companies Law.

NO

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

Board Rules.

Article 22,- Duty of loyalty.

The Company's Directors, in fulfilling their duty of loyalty, shall be bound to report to the Board, prior to occurrence or as soon as they aware of the existence, of any situation of conflict of interest with the Company and its group of companies. This includes the obligation to resign immediately in the event of the persistence of such conflict or if their presence on the Board is contrary to the Company's interests.

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

Any situations of conflict of interest in which Directors find themselves shall be included in the annual corporate governance report.

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

In its various facets this Director's duty of loyalty also encompasses activities engaged in by related persons, as defined in these rules.

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

NO

Identify the subsidiaries listed in Spain:

D - RISK CONTROL SYSTEMS

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

Viscofan has carried out a process of identifying the principal risks inherent in its activity. These include the most specific risks that could have a significant impact on the activity of the listed Company or its subsidiaries:

a) Market risks. Competition, prices. Technological developments.

Given the special characteristics of the sector, the qualitative differentiation in the supply of products that Viscofan Group can offer to the market is particularly significant. To do so, Viscofan has been acquiring over the year several active companies specializing in various types of artificial packaging to build a full range of products: cellulose, collagen, plastics and fibrous.

Viscofan Group bolsters its R & D and innovation activity by registering its own industrial property rights and collaborating in the acquisition of joint rights in fields in which it believes it is more advisable to participate in projects with non-Group third parties. It also promotes collaboration with research centres for the development of new technologies related to its activity.

b) Exchange rate risk.

The location of production in areas with currencies other than those of the points of sale has traditionally had an impact on the Group's earnings. In order to reduce our dependence on foreign exchange and particularly on the U.S. dollar, production has been distributed geographically, making the location of the productive processes flexible and basing it on the destination market for the production in order to dampen the effect of these fluctuations. In addition to this natural hedging, exchange rate hedging is normally executed to cover the period from invoicing to collection.

c) Credit risk.

Viscofan has executed a global hedge enabling it to unify hedging for all the Group's companies to supplement the system for monitoring the performance of payment obligations.

d) Risk of property damage, machinery breakdown, and loss of earnings due to property damage or machinery breakdown.

Both during operations and, in cases in which production facilities are improved or expanded, during the assembly and testing phase, the Group has executed a global hedge program that, by providing hedging unified with respect to terms and limits, enables it to minimize this type of risk, particularly in cases in which the number of production centres available within the Group for the manufacture of a given product is more limited.

f) Third party liability risk.

Viscofan has implemented internal control systems to ensure the quality of its products and the product production process, as well as any other related activity necessary for their manufacture and sale.

Nonetheless, the risk of claims for damages caused by a product itself or by engaging in Group activities is covered by global third party liability policies that unify the coverage of risks at Viscofan and its subsidiaries.

g) Goods transport risk.

Although Viscofan has followed the policy of distributing production geographically, making the location of the productive processes flexible and basing it on the destination market, there is a continuous volume of raw materials and semi-finished and finished products traffic among the various Group companies and to the end customer.

In order to minimize the risks inherent in this traffic, Viscofan has taken out a transport insurance policy at the Group level, with automatic coverage sufficient for all transport that may be generated.

In specific cases in which transport carries a very high cost, Viscofan takes out specific policies to cover that risk.

h) Environmental risk.

Viscofan Group constantly monitors environmental risks in all countries in which it operates in order to reduce them and to decrease any potential liability deriving from such risks. In addition, it has taken out several global policies covering all Group companies.

At the production centres located in Spain, progress is being made on the gradual implementation of the Best Available Techniques (BATs) deriving from Community Directive IPPC 96/61/EC on integrated pollution prevention and control, as well as arranging for the Integrated Environmental Authorization.

In addition to these risks, there are other risks inherent in the Company's activity, which because of their nature require other controls, These risks are described below:

A,- Because its primary activity involves foodstuffs, and more specifically meats, the company focuses on risks deriving from potential occurrences of cases of foodborne illnesses that could cause a severe decline in demand, a changed in consumer habits, or a shortage of raw materials. Prevention of these risks cannot be controlled by Viscofan. Nevertheless it seeks to minimize their effects by marketing its products in all geographic areas, thus diminishing the impact of the reduction of demand on a given area could cause.

B,- With respect to the canning industry, we should note the seasonality of activity with respect to the manufacture of canned asparagus, tomato products and olives. These seasonality increases the risk of crop problems, which could result in a price increase for raw materials or a shortage in such supply. In order to blunt the effects of this risk, various direct and indirect measures have been taken to diversify contracts for raw materials and the activity by manufacturing and marketing alternative products that lessen the potential impact.

There are also specific risks inherent to the activity within the group; they may have a greater impact if there are inefficiencies in the heating process cause deficiencies in the elimination of the various pathogens. In order to prevent this risk, IAN has implemented a system of automated parametrisation of the process that permits detection of any anomaly of the functioning of the heating process.

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

NO

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

Risk that materialized during the fiscal year

Circumstances that gave rise to it

No risk that affected the Company's or the Group's activity occurred.

Operation of control systems

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

YES

If so, describe its duties:

Name of the committee or body	AUDIT COMMITTEE

Description of functions

The Board of Directors is vested with the ultimate oversight function. The Audit Committee operates within the Board with control functions with respect to some of the risks indicated. To carry out these functions it is strengthening the establishment of internal auditing with advisory services being performed by an outside company. The internal audit program includes the assessment of the universe of risks in order to identify the areas of greatest exposure. These will be prioritized in the annual audit plan. The tests and reviews to be performed each fiscal year are to be included in this plan. The work will focus on obtaining a diagnostic of current controls as well as proposing future improvements.

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

In order to identify and ensure compliance with the various regulations to which the Company and the Group are subject at all levels, Viscofan, S.A. has an internal legal advisory department whose objectives include the carrying out of all the companies' activities in due compliance with regulations applicable at all levels.

To achieve this it also has local advisory services at each of the locations where the Group has a presence and where even prior to a presence such services are necessary on a one-off or ongoing basis.

In addition, the Company has external advisors at all levels for all one-off and aspects for which it deems it advisable to strengthen its internal structure by obtaining the opinion of independent experts.

E - GENERAL SHAREHOLDERS' MEETING

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

NO

	Quorum differing from that set forth in Article 102 of the Stock Companies Law for general circumstances	Quorum differing from that set forth in Article 103 of the Stock Companies Law for the special circumstances set forth in Article 103
Quorum required on first call	0	0
Quorum required on second call	0	0

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

NO

Describe the differences with the rules provided by the Spanish Corporation Law.

E.3 Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Spanish Corporation Law.

With respect to shareholders' rights to information, challenge, procedures, approval of Minutes and other matters related to Shareholders Meetings, the provisions set forth in the Spanish Corporation Law, Viscofan, S.A.'s Rules for General Shareholders Meetings and other applicable regulations shall apply.

The Rules for General Shareholders Meetings specifically govern the following shareholders' rights:

CHAPTER IV

Article 11.- Right to access to information.

The Company shall use all means at its disposal to ensure access to information for the Company's shareholders.

Article 12.- Shareholders Meeting documentation.

At the time to Notice of Meeting is published, the Company shall make available to the shareholders the documentation on the times to be discusses at the General Shareholders Meeting included on the Agenda. This documentation shall be available in hard copy at the corporate domicile as well as in digital form on the Company's web page. In addition, the Company shall send at no cost such information to the shareholders so requesting,.

Article 13.- Request for information.

Up to seven days prior to the date set for the holding of the General Shareholders Meeting, and during the Meeting, with respect to the items included on the Agenda, shareholders may also ask Management for information or clarifications and may ask questions about the information provided, as well as any other information accessible to the public provided by the Company since the last General Shareholders Meeting. Management shall provide such information immediately or in writing unless it is prejudicial to the Company's interests.

CHAPTER V

Article 14.- Right to attend.

Shareholders holding shares with a total par value of at least €450 who at least five days before the Shareholders Meeting have them registered in the pertinent stock ledger shall have the right to attend (pursuant to Article 22 of the Bylaws). Shareholders who do not hold the number of shares required to attend may form groups for such purpose.

Article 15.- Shareholder accreditation.

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

Article 16.- Proxy Voting.

All shareholders with the right to attend by proxy at the General Shareholders Meeting .

Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.

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

As has been the practice for Notices of General Shareholders Meetings in recent years, in order to encourage shareholders participation, the Board resolved to distribute an attendance fee of 0.005 Euros per share to all shares present or represented by proxy at the General Shareholders Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders Meeting held on June 18, 2007.

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

YES

Description of measures

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

With respect to the measures for independence and proper operation set forth in Article 23 of the Rules for Viscofan General Shareholders Meetings, Paragraph B) Interventions and information sets forth the following:

´ ´B,-) Interventions and information

1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so dictated, the Chair may set a maximum duration for interventions of less than five minutes, in all cases treating all shareholders requesting interventions equally and respecting the principle of non-discrimination.

2. Directors shall be bound to provide the information requested, except under the circumstances set forth in Article 13 above or when the information requested is not available at the Shareholders Meeting. In such case, such information shall be provided in writing within seven days following the adjournment of the Shareholders Meeting, to which end the shareholder shall indicate the domicile or address to which to send the information.

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

4. In exercising his/her powers of running the Shareholders Meeting and notwithstanding other actions the Chair may:

(i) ask those wishing to take the floor to clarify issues that were not understood or were not sufficiently explained during the intervention;

(ii) call to order shareholders who take the floor so that they limit their intervention to matters that may properly come before the Shareholders Meeting and refrain from making improper statements or from exercising their rights in any way that may be deemed abusive;

(iii) announce to shareholders taking the floor that their time limit is about to run out so that they can adjust their interventional accordingly. When the time allotted for their intervention has run out or if they persist in the behaviors described in sub-paragraph (ii) above, the floor may be taken from them.´ ´

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

No changes have been made

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

Attendance information

Date of the General Shareholders Meeting	% of physical presence	% represented	% voting remotely: Electronic voting	% voting remotely: Other	Total
06/18/2007	2.810	56.766	0.004	12.910	72.490

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

On second call, the shareholders at Viscofan, S.A.'s General Shareholders Meeting held on June 18, 2007, adopted the following resolutions:

1.- The Balance Sheet, Income Statement, Notes, Management Report and the corporate management performed during the fiscal year ended December 31, 2006, of the company Viscofan, S.A. as well as the Balance Sheet, Income Statement, Notes, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders Equity, the consolidated Management Report and corporate management performed during the fiscal year ended December 31, 2006, for the companies of which Viscofan is the parent company were approved.

Viscofan's individual balance sheet and the declaration of the dividend distributed in the month of January 2007, in the amount of 0.14 Euros per share and the one-off dividend charged against fiscal year 2007 earnings were approved.

The partial return of the issue premium in the amount of 0.160 was also approved; it shall be paid out to shareholders beginning on June 27, 2007.

Taking into account the interim dividend in the amount of 0.14 Euros per share and the General Shareholders Meeting attendance fee in the amount of 0.005 Euros, total compensation per share equals 0.305 Euros.

The resolution was adopted by majority vote. Thirty four million six hundred twenty five thousand five hundred sixteen (34,625,516) shares voted in favor.

Fifty nine thousand ninety-nine (59,099) shares abstained. Eighty thousand eight hundred and forty-six (80,846) shares voted against.

2.- It was resolved to appoint Ernst & Young, S.L. as the auditors for the accounts of Viscofan, Sociedad Anonima and the consolidated accounts of the group of companies for the group of companies of which Viscofan is the parent company, for fiscal years 2007 through 2009, both inclusive.

The resolution was adopted by majority vote. Thirty four million seven hundred six thousand three hundred sixty-two (34,706,362) shares voted in favor.

Fifty nine thousand ninety-nine (59,099) shares abstained. There were no votes against.

4.- It was resolved to reelect as the Company's independent Director Mr. Jose Maria Cuevas Salvador for a term of six years.

The resolution was adopted by majority vote. Thirty million seventy four thousand five hundred fourteen (30,074,514) shares voted in favor. Four million four hundred twenty two thousand eight hundred twenty-four (4,422,824) shares voted against. Two hundred sixty eight thousand one hundred twenty-three (268,123) shares abstained.

5.- It was resolved to decrease the Company's share capital by 198,889.20 Euros (one hundred ninety eight thousand eight hundred eighty-nine Euros and twenty euro cents), in order to amortise treasury shares, amortising 662,964 (six hundred sixty two thousand nine hundred sixty-four) , with the consequent amendment to Article 5 of the Company's By-laws.

The resulting share capital after the decrease is 14,189,052.60 Euros (fourteen million one hundred eighty nine thousand fifty-two Euros and sixty euro cents) represented by 47,296,842 shares (forty seven million two hundred ninety six thousand eight hundred forty-two shares) with a par value of 0.30 Euros (30 euro cents) each.

The resolution was adopted by majority vote. Thirty four million seven hundred thirty five thousand three hundred twenty-nine (34,735,329) shares voted in favor. Twenty eight thousand one hundred (28.100) shares abstained. Two thousand thirty-two (2,032) shares voted against.

6.- It was resolved to renew for a maximum of 18 months the authorization conferred upon the Board of Directors to trade on the market in Company shares at the price prevailing on the transaction date, for the maximum number of shares permitted by Spanish Corporation Law and related provisions, at a minimum price of 100% and a maximum price of 5.000% of the par value.

The resolution was adopted by majority vote. Thirty four million seven hundred thirty five thousand three hundred twenty-nine (34,735,329) shares voted in favor. Twenty eight thousand one hundred (28,100) shares abstained. Two thousand thirty-two (2,032) shares voted against.

7.- Finally, it was resolved to delegate to the Board of Directors the appropriate interpretation, cure, application, supplement, development and execution of the resolutions adopted and to empower Mr. Jaime Echevarria Abona and Mr. Jose Antonio Canales Garcia to joint and several or either one of them individually have recorded in public instruments from among the resolutions adopted those that so require and to file the reports or applications for registration required by Law.

The resolution was adopted by majority vote. Thirty four million seven hundred thirty seven thousand (34,737,361) shares voted in favor. Twenty eight thousand one hundred (28,100) shares abstained. There were no votes against.

E.9 Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' Meeting	**1,500**

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

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

´ Proxy Voting. Any shareholder entitlted to attend may be represented by proxy at the General Shareholders Meeting . Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.'

Article 23 of the Company's By-laws is worded along the same lines:

'Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, provided that the identity of the individual exercising voting rights is duly ensured.

Such proxy shall be conferred specially for each Shareholders Meeting´.

E.11 Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:

NO

E.12 Indicate the address and manner for accessing corporate governance content on your website.

This information is available to the general public and to shareholders on the Company's web page (www.viscofan.com), in the section Shareholders and Investors, under the Corporate Governance tab.

F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of conformance to the recommendations of the Unified Good Governance Code.

If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.
   See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

b) The mechanisms in place to resolve any conflicts of interest that may arise.
   See sections: C.4 and C.7

Not Applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;

b) In the event of amendments of the By-Laws, to each article or group of articles that are substantially independent of one another.
   See section: E.8

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.
   See section: E.4

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company. It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:

a) The company's policies and general lines of strategy, and in particular:
   i) The strategic or business Plan as well as the management targets and annual budgets;
   ii) The investment and financing policy;
   iii) The design of the structure of the corporate group;
   iv) The corporate governance policy;
   v) The corporate social responsibility policy;
   vi) The policy for compensation and assessment of the performance of senior managers;
   vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
   viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

   See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:
   i) At the proposal of the chief executive of the Company, the appointment and, if applicable,
   removal of senior managers, as well as their severance packages.

   See section: B.1.14

   ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

   See section: B.1.14

   iii) The financial information that the Company must periodically make public due to its status as listed company.
   iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
   v) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favorable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

See sections: C.1 and C.6

Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

   See section: B.1.1

Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

    See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.

    See section: B.1.3

Explain

Director Ms. Agatha Echevarria Canales cannot be considered independent, since she has family ties to the Chief Executive Officer that prevent her categorization as such.

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

See sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors represents at least one-third of the total number of directors.

    See section: B.1.3

Complies

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nominating Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

    See sections: B.1.3 and B.1 4

Complies

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

a) Selection procedures do not have an implied bias that hinders the selection of women directors; proprietary directors and the rest of its capital.

b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3

Compiles in part

The Company has one female Director due to her valuable contributions and experience in several areas of general and special interest to the Company: economic-legal training, experience in audit, knowledge of industry and the sector.

The Company has always proposed its Directors based on objective criteria stressing the experience and qualifications of persons regardless of their sex.

The Company is willing to propose the nomination of female candidates for Director when their personal circumstances make them suitable candidates.

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

    See section: B.1.42

Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.

    See section: B.1.21

Explain

Although this possibility has not been formalised, there is no impediment whatsoever to the Board of Directors meeting pursuant to Article 139 of the Stock Companies Law with the attendance of one half plus one of the Directors, acting on all the Agenda items that the Directors deem appropriate.

Given the composition of the Board, which comprises 75% independent Directors, the coordination and attention to their concerns is ensured.

18. The Secretary of the Board takes particular care to ensure that the Board's actions:
a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;
b) Comply with the company's bylaws and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;
c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: B.1.34

Complies

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: B.1.29

Complies

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: B.1.28 and B.1.30

Complies

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

22. The full Board evaluates the following on a yearly basis:
a) The quality and efficiency of the Board's operation;
b) On the basis of a report submitted to it by the Nominating Committee, how well the Chairman and chief executive of the company have carried out their duties;
c) The performance of its Committees, on the basis of the reports furnished by them.

See section: B.1.19

Compiles in part

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

The first appraisal called for in the Board Rules will be carried out in 2008.

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the By-laws or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.
See section: B.1.42

Complies

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.
See section: B.1.41

Complies

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Complies

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

a) Directors apprise the Nominating Committee of their other professional duties, in case they might detract from the necessary dedication;
b) Companies lay down rules about the number of boards on which their directors may sit.
See sections: B.1.8, B.1.9 and B.1.17

Complies

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

a) On the proposal of the Nominating Committee, in the case of independent directors.
b) Subject to a prior report from the Nominating Committee, in the case of other directors.
See section: B.1.2

Complies

28. Companies post the following director information on their websites, and keep such information updated:

a) Professional and biographical profile;
b) Other Boards of Directors of listed or unlisted companies on which they sit;
c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
d) Date of their first and subsequent appointments as a company director; and
e) Shares held in the company and options thereon held by them.

Complies

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

See section: B.1.2

Explain

The Company takes into account the recommendation that the independent Directors' term of office should not be longer than twelve years. Nevertheless, this recommendation is not considered to be advisable based on other factors that ensure their independence, including their experience, knowledge and past contributions, since by ignoring these facts, their independence would be questioned simply due to the fact of having served the Company for a period of time.

The Company therefore believes that, given the professional track record, experience, knowledge and contributions of the Directors that would be affected by this recommendation, and having analyzed the performance of their functions as Company Directors, the passage of time is a factor that rather than compromising their independence, has contributed to improving their contributions to the Company in all cases because they are more familiar with the sector, the Company's activity, its environment and the applicable circumstances.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, A.3 and B.1.2

Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the bylaws, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Companies Law, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Complies

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies

35. The compensation policy approved by the Board specifies at least the following points:

a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;

b) Variable compensation items, including, in particular:
   - i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.
   - ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;
   - iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
   - iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.

d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
   - i) Duration;
   - ii) Notice periods; and
   - iii) Any other provisions relating to hiring bonuses, as well as indemnity or "golden parachute" provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See section: B.1.15

Complies

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3 and B.1.3

Complies

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Not Applicable

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Compensation Committee in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.

See section: B.1.16

Complies

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:

a) A breakdown of the compensation of each director, to include where appropriate:
   - i) Attendance fees or other fixed compensation received as a director;
   - ii) The additional compensation received as chairman or member of a Board committee;
   - iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
   - iv) Contributions on the director's behalf to defined contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
   - v) Any severance package agreed or paid;
   - vi) Any compensation received as a director of othercompanies in the group;
   - vii) Compensation for the performance of senior management duties by executive directors;
   - viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.

b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
   - i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
   - ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
iv) Any change during the year in the terms for the exercise of previously-awarded options.

c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Complies

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: B.2.1 and B.2.6

Compiles in part

The composition of the Executive Committee reflects the participation of the various types of Directors according to their category, although not in the same proportion because, for operational reasons and reasons of efficiency, it is advisable to keep its size and composition appropriate to its nature of an Executive Committee so that it is not simply a duplication of the Board of Directors. The Secretary of the Committee is the Secretary of the Board.

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Nominating and Compensation Committee as a separate committee of the Board, or a Nominating Committee and a Compensation Committee.

The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Committee or committees are set forth in the Regulations of the Board, and include the following:

a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.
b) These Committees are formed exclusively of external directors and have a a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
c) Committee Chairmen are independent directors.
d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Compiles in part

The Chairman of the Appointments and Compensation Committee is the Chairman of the Board.

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

Explain

Such supervision is entrusted to the Board of Directors as an exclusive power pursuant to Article 5 of the Board Rules:

´The following constitute matters within the exclusive powers of the full Board of Directors, in addition to those reserved to it by law:

a) The Company's general policies and strategies, and in particular:
   iv) The corporate governance policy;
   v) The corporate social responsibility policy´

46. **The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.**

Complies

47. **Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.**

Explain

The internal audit function has been performed in a disseminated, fragmented fashion and was partially entrusted to various persons and departments within the Company. In order to unify and formalise this function and its competencies, the Audit Committee has defined a plan that has commenced with identification and systematization. With the support of external advisors, this will lead to the formalisation this fiscal year of the internal audit function for coming years, focusing on controls and reviews of the areas representing the greatest risks to the Company.

48. **The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.**

Compiles in part

The Audit Committee has temporarily assumed the internal audit function and is performing the functions inherent in such activities as explained under recommendation 47 above.

49. **Risk control and management policy specifies at least:**

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
b) The determination of the risk level the company sees as acceptable;
c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: D

Compiles in part

The Company has identified the principal risks to which it is exposed, as well as the level of risk deemed acceptable. The Audit Committee is actively working to gradually improve controls and ensure that the measures proposed are carried out.

50. **The Audit Committee's role is:**

1. With respect to the internal control and reporting systems:

a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.

c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.
2. With respect to the external auditor:
a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
c) To monitor the independence of the external auditor, to which end:
   i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
   ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
   iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
d) In the case of groups, the Committee favors the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Compiles in part

The Audit Committee has been conferred all the powers and functions indicated in the recommendation and performs them through periodic meetings it holds over the course of the fiscal year. Many of these meetings are held in the presence of the independent auditors, Management or Company staff performing functions related to those conferred upon the Audit Committee or with areas in which it deems advisable to gather information.

However, no mechanism as such has been formalised to permit employees to communicate any potentially material irregularities that they note within the Company. However, there are de facto mechanisms that make this possible and the availability of the Audit Committee to address such situations is implicitly included in the functions assigned to it.

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:
a) The financial information that the Company must periodically make public due to its status as a listed company.
   The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
b) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

Compiles in part

Article 5 of the Board Rules,- Exclusive powers of the Board.

´The following constitute matters within the exclusive powers of the full Board of Directors, in addition to those reserved to it by law:

v) The creation or acquisition of shares in special purpose vehicles or in entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature that due to their complexity may impede the Group's transparency.

d) Transactions that the Company executes with Directors, major shareholders or shareholders represented on the Board, or with related persons (´related-party transactions´).´

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: B.1.38

Complies

54. The majority of the members of the Nominating Committee –or of the Nominating and Compensation Committee, if one and the same– are independent directors.

See section: B.2.1

Complies

55. The Nominating Committee has the following duties, in addition to those stated in the earlier Recommendations:

a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

c) To report on senior manager appointments and removals that the chief executive proposes to the Board.

d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Compiles in part

The Appointments and Compensation Committee is specifically vested with all the functions set forth in this recommendation except for paragraph b). While it is not literally conferred so specifically, it constitutes one of the Committee's powers, considering the general functions attributed and also considering its mission of ensuring the appropriateness and integrity of the selection of Directors and senior managers included in Article 14 of the Board Rules.

56. The Nominating Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And that any board member may request that the Nominating Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies

57. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

a) To propose to the Board of Directors:
   i) The compensation policy for directors and senior managers;
   ii) The individual compensation of executive directors and other terms of their contracts.
   iii) The basic terms and conditions of the contracts with senior managers.

b) To ensure compliance with the compensation policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

G - OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

In this section, you may include any other information, clarification or comment relating to the prior sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this Report.

Binding definition of independent director:

NO

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in subsection 5 of the Unified Good Governance Code:

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 04/18/2008

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO

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"Viscofan is committed to preserving its leadership position on the casings market in the long-term. Not only does it have a unique strategic position in the sector, suitable technology and a sound financial position, but it also relies on the best-in-class professionals in the sector and the support of our shareholders, without whom Viscofan would not be enjoying the leadership position it currently holds. Therefore, I should like to thank you all once again for your contribution towards the company's successful value creation."

Annual Report 2007

This report is also available at internet: www.viscofan.com

General public and shareholders may request copies of this report from Viscofan´s shareholder attention service by calling 948 198 436 (in Spain), or via email to: info_inv@viscofan.com

Published and designed
Gosban
Tel.: 902 431 766
www.gosban.com

Publication date: May 2008