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Viscofan

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Viscofan Today

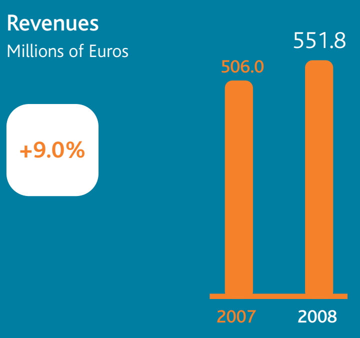
DISTRIBUTORS OF ARTIFICIAL CASINGS
IN MORE THAN 100 COUNTRIES
ACROSS 5 CONTINENTS

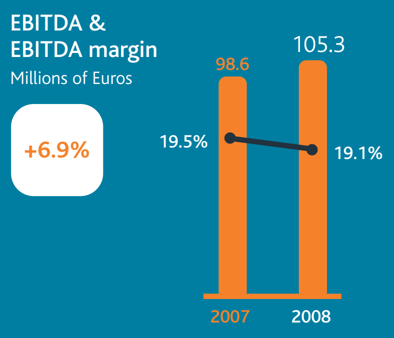
THE WORLD LEADER
IN THE MANUFACTURE AND SALE OF ARTIFICIAL CASINGS

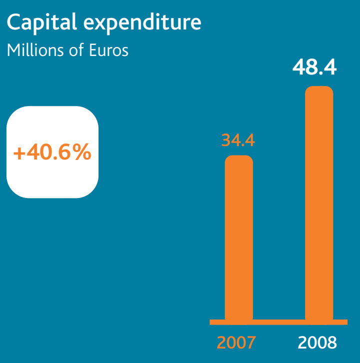
Viscofan

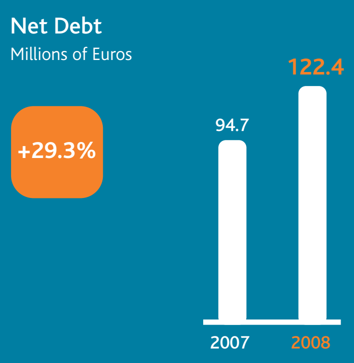
ONLY PRODUCER
OF ALL TYPES OF ARTIFICIAL CASINGS: CELLULOSE, COLLAGEN, FIBROUS AND PLASTIC USING PROPRIETARY TECHNOLOGY

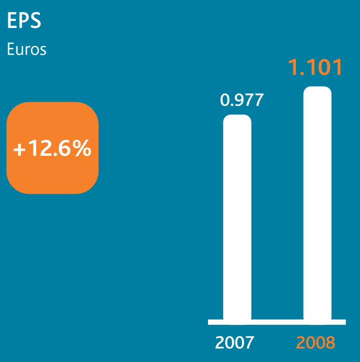
Vegetable Food
IAN GROUP, LEADING SPANISH
DISTRIBUTOR OF ASPARAGUS

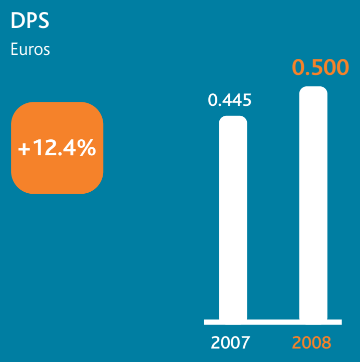

Revenues
Millions of Euros
+9.0%
506.0
551.8
2007
2008


EBITDA &
EBITDA margin
Millions of Euros
+6.9%
98.6
105.3
19.5%
19.1%
2007
2008


Capital expenditure
Millions of Euros
+40.6%
34.4
48.4
2007
2008


Net Debt
Millions of Euros
+29.3%
94.7
122.4
2007
2008


EPS
Euros
+12.6%
0.977
1.101
2007
2008


DPS
Euros
+12.4%
0.445
0.500
2007
2008

Letter from the Chairman

Dear Shareholder,

Everyone knows that since August 2007 the global economy has been immersed in one of the greatest economic crises in recent history and that it will no doubt mark the end of a stage characterized by a sustained economic growth cycle throughout the world supported by easy access to credit.

In fiscal year 2008, Viscofan had to face up to fast changes in financial and economic conditions, which are a clear sign both of the volatility of prices of raw foodstuffs and energy sources, particularly oil, which in less than six months reached historic peaks of US$ 150 per barrel of Brent to return to US$ 50, and of the foreign exchange rate, particularly the US$ to € exchange rate, which moved from US$ 1.60 to the € to US$ 1.25 to the € during the same period.

Along with this volatility, many measures were implemented by governments, central banks and regulatory bodies, which in seeking solutions are changing the market conditions of all the economies, impacting directly or indirectly on the artificial casings market.

It is paradoxical that, although this is a global crisis, with a common financial origin, that has spilled over to economies to differing extents, depending on their output profile and on their trade and capital account balance, it is precisely the geographical diversification that characterizes Viscofan, and its world leadership, which has enabled it to counteract its impact and fair well in this environment.

Thanks to this diversification, Viscofan has been present in all areas in which the growth of the artificial casings market has been highest, which no doubt, together with the effort made in the consolidation and integration of the companies acquired in recent years, the financial and commercial discipline that has enabled us to distance ourselves from practices that were destroying value for the industry, and the improvement in our production processes, has enabled us to achieve the results presented in this annual report.

During the 2008 financial year, the Group's consolidated net turnover grew by 9.0% to €552 million, despite the difficulties deriving from the depreciation of the US dollar which, as a result of our internationalization, is the main functional currency for Viscofan.

While it is true that in FY 2008 Viscofan benefited from higher growth in the artificial casings market vis-à-vis average historic growth levels, it should also be noted that Viscofan was in the best position to capture that growth thanks to its sustained vocation for the creation of long-term value. This has enabled it to continue working on operational improvements, production structure streamlining by way of downsizings, and strict austerity in our cost policy. All of which, albeit creating some short-term tension, has led the Company to attain such growth while maintaining adequate profitability in an adverse environment with higher raw materials and energy prices and an unfavourable foreign exchange rate.

All this explains why, in the 2008 financial year, the Group's consolidated EBITDA exceeded €105 million, an increase of 6.9% over the same period of the previous year, and €51 million in terms of net profit, which means an increment of 11.3% on the net profit made in 2007, and marks three continuous years of sustained growth in profits.

In the current environment of uncertainty, Viscofan has established clear and realistic objectives, supported by sound strategic pillars (consolidation, globalization, service, efficiency, and research, development and innovation), which have enabled us to maintain a suitable balance between risks assumed and profitability obtained in the past, that will serve as a support and reference to implement solutions to the challenges we are facing in this new period in a resolute and flexible manner.

Viscofan, the company with the greatest geographical diversification and production range in the sector, has based itself on these pillars to develop a new strategy that seeks the sustained creation of value by means of greater leadership and improved margins, supported by our financial strength and economy of scale.

The positive results of the 2008 financial year and those obtained in the early months of the year, together with the strategy undertaken, have been favourably assessed by the financial markets. This is proven by the fact that, in a clearly bearish environment on the national and international stock markets, Viscofan shares have performed soundly, a slight fall of 2.9% in the price of Viscofan shares seen in 2008 against a sharp fall of 39% of the Ibex 35.

This good performance has protected the share value in the current context; moreover, in line with the policy carried out in recent years, the shareholder return has also grown along with the improvement in profits for the fourth year running. Consequently, the General Meeting of Shareholders has been asked to distribute a total of €0.50 per share by way of dividends, a refund of the share premium and payment of the fee for attending the General Meeting of Shareholders, all in all, a 12.4% increase over the previous year.

All this bears witness to Viscofan's sound financial statements. With financial leverage of 40% in a credit tightening environment, the Company has managed to increase its investments and profit from exceptional growth opportunities in the market in 2008, and has diversified its source of income with the expansion of the cogeneration plant in Spain, while maintaining adequate shareholder remuneration, which, together with the redemption of 0.28% of the company's shares, means to give back to shareholders more than €25 million.

This letter would not be complete without giving my personal thanks for the support given both by the shareholders and by more than 3,976 professionals who endeavour every day to give this company more value. I would like to end with a special mention for José María Cuevas Salvador, who died last October and who, for the last 21 years on the Board of Directors, particularly since holding the position of Vice Chairman, contributed very significantly to Viscofan's development and leadership.

Jaime Echevarría Abona.

Viscofan Worldwide

NORTH AMERICA
932 employees
Revenue: €159.2 million
Extrusion and converting of cellulose and fibrous casings
4 manufacturing sites
3 sales offices

SOUTH AMERICA
446 employees
Revenue: €72.5 million
Extrusion and converting of cellulose and plastic casings
2 manufacturing sites
2 sales offices

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, vegetable business working under IAN Group labels in Spain, and fifteen sales offices.

EUROPE/ASIA

2,353 employees

Renevue: €226.9 million

Extrusion and converting of cellulose, collagen and plastic casings

5 manufacturing sites

9 sales offices

IAN GROUP

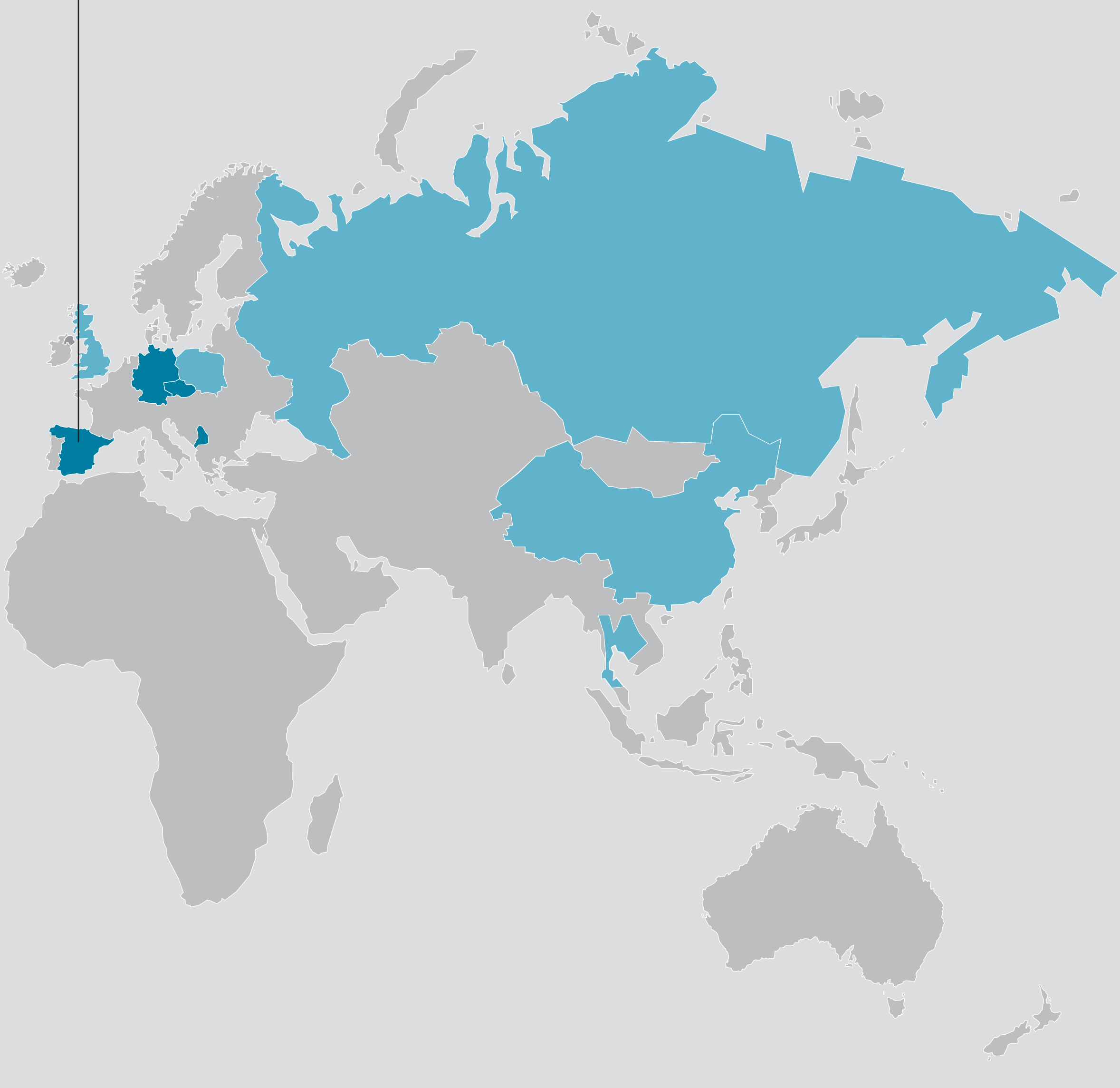
245 employees

Revenue: €93.2million

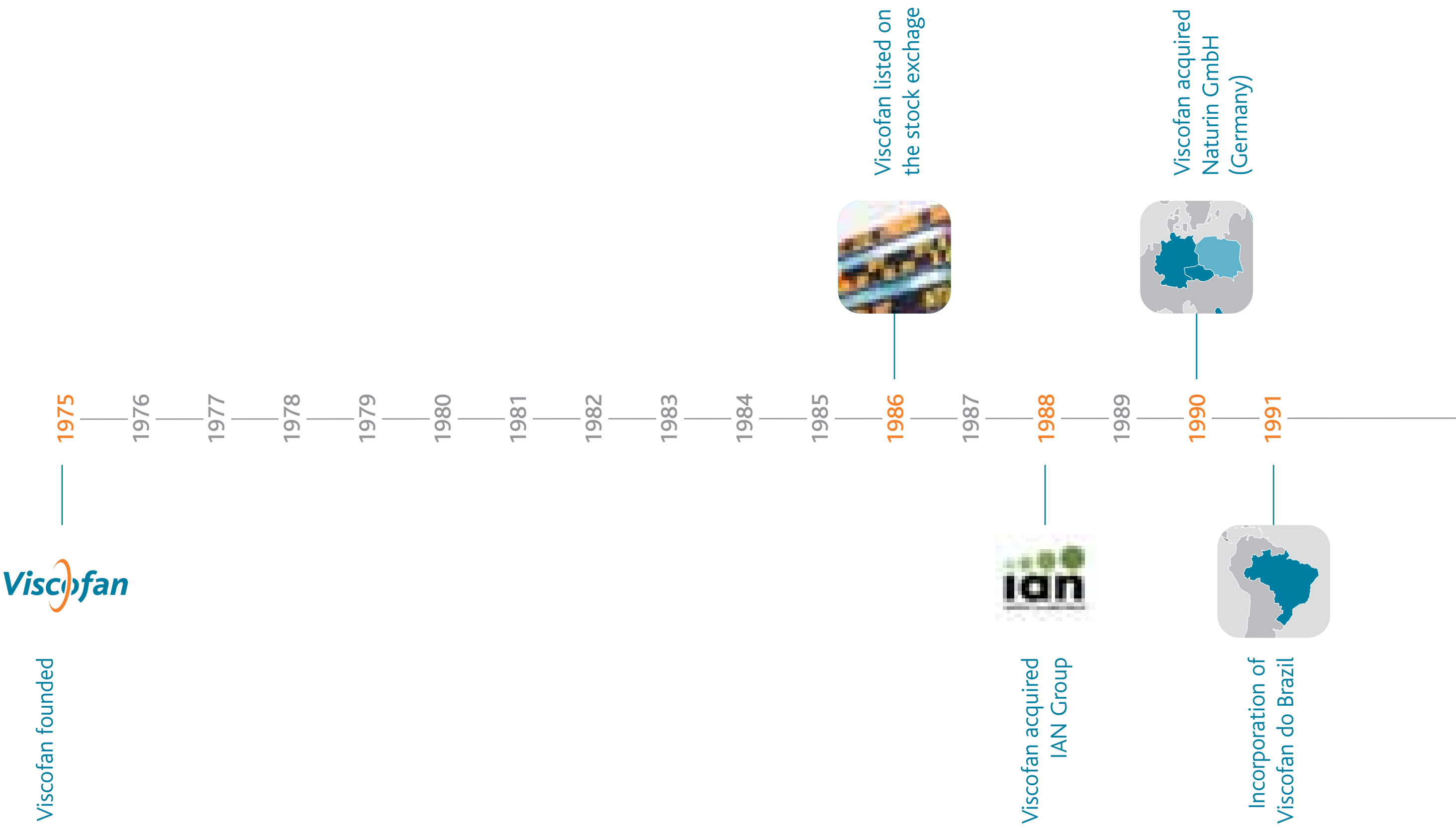
Production and sales of preserved vegetables

3 manufacturing sites

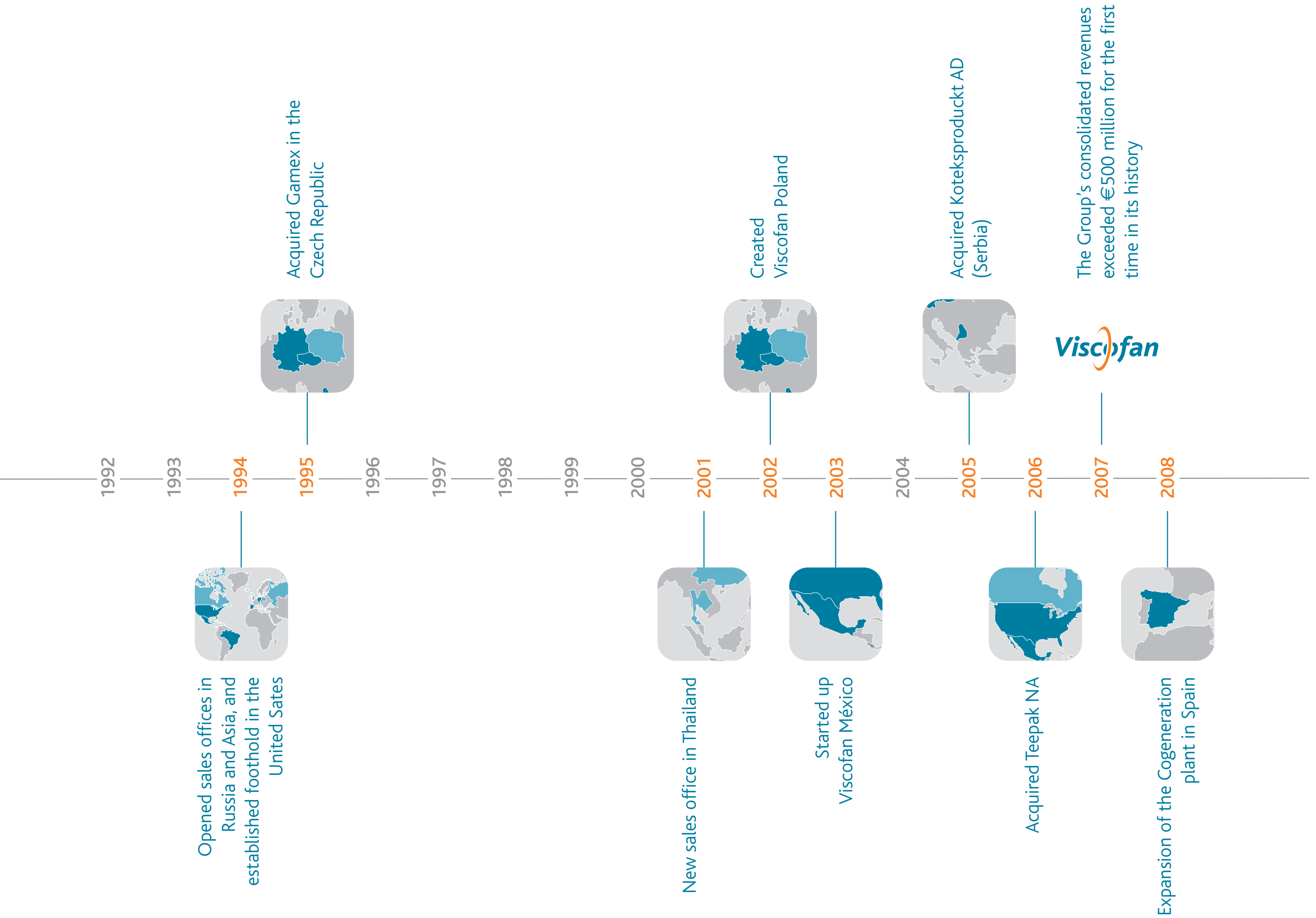
1 sales office.



Milestones of Company history



Viscofan


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
Viscofan
The Group's consolidated revenues exceeded €500 million for the first time in its history
2008
Expansion of the Cogeneration plant in Spain

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 it off 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.

IAN GRUP

Vegetable food

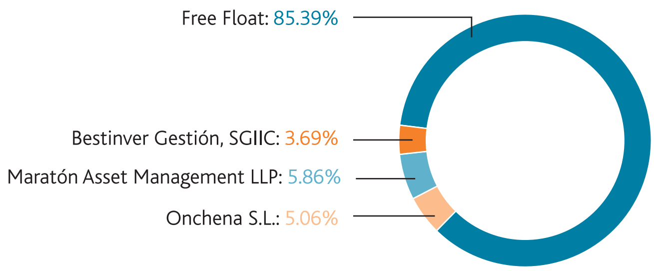
Through the IAN Group, Viscofan distributes a wide range of preserved vegetables, including asparagus, pulses, peppers, tomato sauce, olives and more. It also markets tomato-based sauces, vegetable-based ready cooked meals and salads..

In 2008 Viscofan continued to take steps to facilitate transparency, fluid communications and shareholder involvement with the Company, especially through the General Shareholders Meeting.

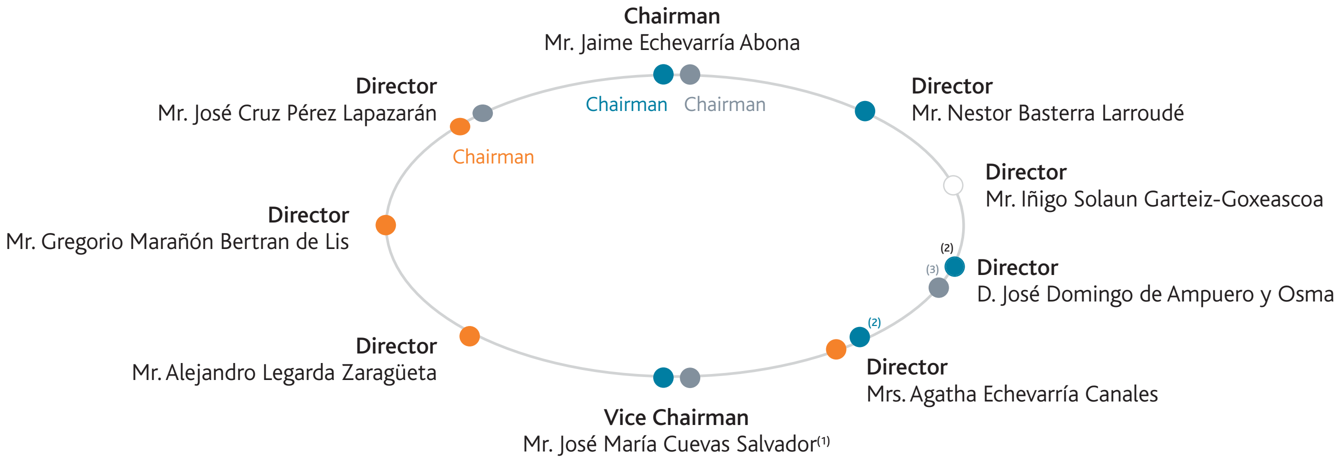
Group structure

Group structure

Significant shareholdings at December 2008.



Board of Directors

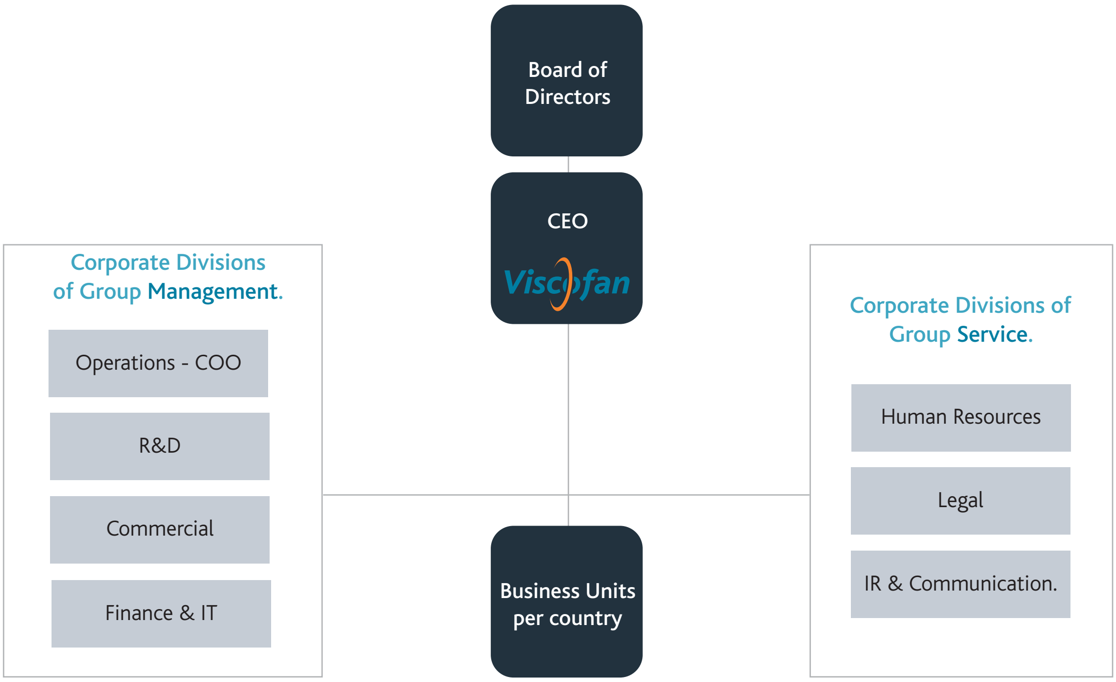


Secretary (non-voting): Mr. Juan María Zuza Lanz

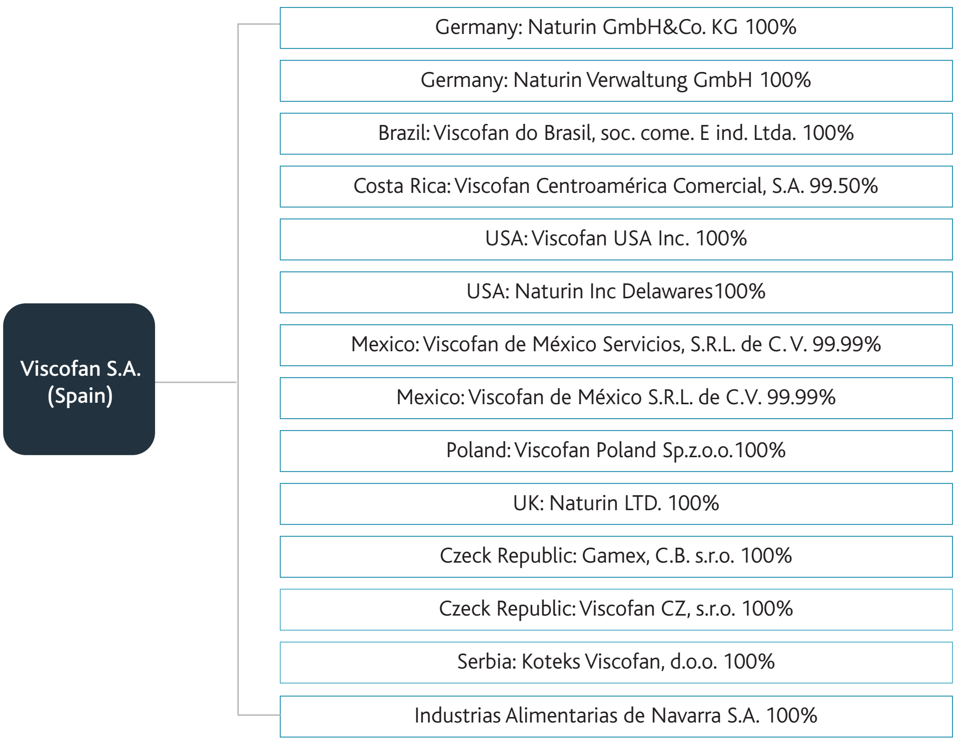
Executive Committee
Audit Committee
Appointments and Remuneration Committee

(1) Until October 2008
(2) From February 2009
(3) From April 2009

Organisational chart of the Viscofan Group



Direct Interest in Group companies



The Viscofan Group wants to continue its progress in the creation of value for its shareholders, for which purpose it has defined a new strategy with the same goal: to strengthen its leadership on the market and to improve the profitability of its operations.

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

Strategic Initiatives for 2009-2011

- Be aligned with the rest of the Group
- Enhance added value
- Organic growth
- New business
- Excellence Centres by family

VALUES

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

Creation of value, the epicentre of our corporate strategy

Market

The artificial casings market has once again displayed great dynamism, despite the world economic and financial crisis, with growth in 2008 being further proof of the high potential of this market.

Given the sophistication of the production processes, the products themselves and consumers' requirements, constant adaptation and anticipation are necessary to develop casings to suit the needs of food processors, mostly meat processors, although new sectors are gradually being introduced, such as related fish or vegetable food companies.

The sausage is proving to be a very versatile food, easy to prepare, with a very wide range of possibilities, ranging from the most basic cooked sausage to exclusive products with long maturing periods. The sausage is probably the cheapest way of accessing animal protein, which is enabling new pockets of the population to adopt it in their diets, and its consumption is increasing in areas where the current economic crisis has forced consumers to adopt new alternatives to facilitate saving.

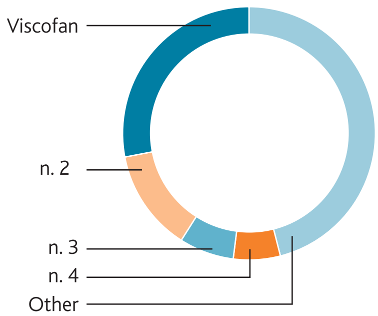
The development of the artificial casings market is especially significant in certain emerging areas, such as Asia, Eastern Europe and Latin America, where, in addition to a population that is growing at higher rates than in other more developed regions, they are changing their consumer habits as a result of the globalization, industrialization and economic development of those regions.

Constant progress in artificial casing is still seen to be a substitute for the use of gut casing, which allows the food industry to produce casings to produce sausages in a more hygienic, productive and versatile way. The shortage of pig gut in the 2008 financial year gave a new impetus to meat producers to migrate their production structure to other alternatives, particularly collagen casings.

The combination of all these factors was especially significant in 2008 and led to ever increasing volumes in a market that still has large growth potential, since the size of the natural gut market is double the collagen gut market and the expense per capita in the most populated regions of the world is clearly below its potential limit.

Viscofan has a clear vocation as leader in this market. It specializes in artificial casings, whether made of cellulose, collagen, fibrous or plastic, in order to provide customers with the best alternative, adapting to their production requirements and the characteristics of their products. For that purpose, Viscofan has the widest technology and the greatest geographical presence on the market, placing the customer at the centre of its operating decisions.

SHARE OF ARTIFICIAL CASINGS MARKET (2008)[1]



1 Includes the cellulose, collagen, fibrous, tubular plastic and bag segments
Source: Viscofan Group.

2009-2011 strategy

Viscofan successfully ended the 2006-2008 strategic period, which was characterized by the integration of Teepak into the Viscofan Group, the establishment of a stricter business discipline in the casings market, the relocation of production and distribution facilities, the development of a complete range within the families of artificial casings, and the transfer of plastics from Germany to Brazil and the Czech Republic.

During this period, Viscofan increased its turnover by 47%, its EBITDA by 83%, net profit by 261% and the stock market capitalization by 47.6%.

Once this stage is completed, the Viscofan Group wants to continue its progress in the creation of value for its shareholders, for which purpose it has defined a new strategy with the same goal: to strengthen its leadership on the market and to improve the profitability of its operations.

This new strategy is adapted to the new circumstances of the market, and to Viscofan's actual positioning which, based on the same strategic pillars (Consolidation, Globalization, Service, Efficiency, and Research, Development and innovation), is developing strategic new initiatives which make use of and build new competitive advantages for the Viscofan Group.

The strategic initiatives for the 2009-2011 period are summarized below:

- Be aligned with the rest of the Group
- Enhance added value
- Organic growth
- New business
- Excellence centres by family

Constant progress in artificial casing is still seen to be a substitute for the use of gut casing, which allows the food industry to produce sausages in a more hygienic, productive and versatile way.

Be aligned with the rest of the Group

The Viscofan Group has experienced marked growth in recent years, both through growth within the company and through selective acquisitions that have created value for shareholders.

Following this consolidation process, the Group acquired a very significant size, even larger than its three main competitors put together, but to achieve even further economies of scale greater integration is necessary among the various Group companies.

For that reason a thorough review of the group processes was made, identifying areas for improvement within the fields of Production, Centralization and Talent Drive.

In Production tasks have commenced that will improve our efficiency and our production and technological excellence, our quality and maintenance systems, while creating a management team for strategic production projects.

The Centralization of activities essentially aims to look for savings and best practice. For that reason, the activities involved in the Purchasing of the Group's main raw materials and supplies have been centralized, along with the design of the logistics process, production planning, integration of information systems to facilitate coordination and standardization of information, while creating the internal auditing department to improve control of the Group's processes and operations.

All of these initiatives are driven by the principle of sustainability and talent management as a source of competitive advantage, involving specific developments of talent and knowledge management, as well as improved internal communications within the Viscofan Group.

Faced with a better alignment of the organization, the Group has strengthened its corporate structure, incorporating the General Operations Department for the entire Group, and the corporate Human Resources Department, which will contribute towards improved monitoring and the introduction of the Viscofan Group's new strategy.

Enhance added value

In an environment such as the current one, customers' requirements, far from relaxing, have increased. Not only are they looking for a more appropriate price/quality relationship in their products, but they wish to improve their competitiveness by increasing productivity, with special emphasis on reducing production costs and inventories.

Under these circumstances, Viscofan is maintaining a high level of commitment with its customers, aiming for an improvement in the quality of our products, with clear emphasis on the attributes that facilitate the production process for our customers, with project teams intended to shorten order delivery periods and the development of new products that facilitate the replacement of natural gut with artificial casing.

While maintaining adequate business discipline, all this results in a recovery in prices to adapt to the reality of the market and the added value provided by artificial gut for our customers.

Organic growth

The artificial casings marked has proved to be a market with great growth potential in which, apart from a few very specific periods related to food or exceptional crises, has managed to maintain a constant growth, even in adverse economic situations.

This is because the reasons for the growth of the market are maintaining their trend: on the one hand, the growth in the world population, new consumer habits in emerging areas, and the stake in the industrialization and automation of the food industry, facilitating the migration from natural to artificial casing.

The low level of world penetration of artificial casing is particularly significant, especially in the emerging areas of Asia, Eastern Europe and Latin America, which explains the high growth rates observed in these regions, and Viscofan's stake for attaining higher growth in these areas.

For that purpose, Viscofan has an adequate geographical presence, being present in the most significant markets, and with the widest commercial network in the market, enabling us to offer our products in virtually any country of the world, as demonstrated by our sales in over 100 countries.

This company expansion has resulted in a higher investment to adapt the production capacity to the growth in demand observed in 2008 and planned for the next few years.

New business

In its constant quest for growth, the Viscofan Group is using additional sources of income, making use of its production structure and its broad knowledge in handling the technology required for producing artificial casing.

New business lines have been launched in this context, from the development of the Collagen Carriers Cells "CCC" for the cultivation of stem cells *in vitro*, from a new Bioengineering Division within the Group, to the installation of new high-performance cogeneration motors that will increase the company's energy capacity to over 45 MW, equivalent to the average electricity consumption requirements of 7,000 inhabitants.

Excellence centres by families

Strengthening the leadership on our market involves a new management model that leverages on all the comparative advantages offered by the Viscofan Group.

Four centres of excellence have thus been set up within the Viscofan Group, which will be work centres that stand out for their management, proactivity, service, knowledge, innovation and quality of production.

The development of best practices and technological progress made are transferred from these centres of excellence to the rest of the production plants, generating a greater use for the entire Group, and a significant contribution to the generation of value.

Based on the characteristics of each of the production centres, four centres of excellence have been designated within the Viscofan Group, specializing in each of the artificial gut technologies on the market.

Hence, the Cáseda plant in Spain is the centre of excellence for cellulose casings, the Weinhein plant in Germany is the collagen centre of excellence, the Danville plant in USA is the fibrous centre of excellence and the Ceske Budejovice is the centre of excellence for the production of plastics.

Viscofan has maintained a solid business trend, as reflected by the accelerated revenues growth in the last quarter of the year, which rose 14.7% vs. Q407, to €144.1 million

Business performance

2008 highlights

January

Interim dividend against earnings for the 2007 financial year, agreed by the Company's Board of Directors, for a gross amount of €0.190 per share

February

Results for 2007 published

March

IAN launches two new Pic-Nic salads: Light and Rustic

April

Publication of the results for the first quarter 2008.

IAN sets up a JV in China: Lingbao Baolihao Food Industrial Co., Ltd. for asparagus processing

May

June

Viscofan holds the Company's General Meeting of Shareholders.

Partial return of the share issue premium for an amount of €0.250 per share.

Inauguration of the expanded Cáseda cogeneration plant (Spain)

July

Publication of the results for the first half of 2008.

August

September

October

The resolution passed by the Company's General Meeting of Shareholders was implemented, thus 561,963 of Viscofan S.A.'s own shares were redeemed, thereby reducing the share capital.

The share capital following the reduction amounts to €14,020,463.70 represented by 46,734,879 shares with a nominal value of €0.30 each.

Publication of the results for the third quarter 2008.

November

Carretilla reached third place in the share of the prepared dishes line, and is the second manufacturer's brand in the pepper category.

December

Viscofan obtained authorization for the installation of the high-voltage line intended for a new stage of expansion of the Cáseda cogeneration plant (Spain).

2008 Financial Results

KEY FINANCIAL FIGURES

	2008	2007	2006	08/07 Diff.	CAGR 2006-08
Millions of Euros					
Revenue	551.8	506.0	497.2	9.0%	3.5%
EBITDA	105.3	98.6	83.6	6.8%	8.0%
% EBITDA margin	19.1	19.5	16.8	-0.4 p.p.	2.3 p.p.
EBIT	67.9	60.5	46.6	12.2%	13.4%
% EBIT margin	12.3	12.0	9.4	0.3 p.p.	2.9 p.p.
Adjusted EBIT	67.9	60.5	53.9	12.3%	8.0%
Profit before taxes	60.3	55.2	45.9	9.3%	9.5%
Net profit attributable to equity holders	51.4	46.2	31.3	11.3%	18.0%
Capital expenditure	48.4	34.4	32.2	40.7%	14.6%
Total equity	303.3	295.8	268.1	2.5%	4.2%
Net debt	122.4	94.7	111.8	29.3%	3.1%
Market capitalisation at year-end	657.1	684.9	685.4	-4.1%	-1.4%
Average headcount	4,085	4,120	4,438	-0.8%	-2.7%
Net debt / Total equity (%)	40.4	32.0	41.7	8.4 p.p.	-1.3 p.p.
ROE (*) (%)	17.2	16.4	12.0	0.8 p.p.	5.1 p.p.
Euros					
Year-end share price	14.1	14.5	14.3	-2.9%	-0.5%
Earning per share	1.100	0.977	0.657	12.6%	18.7%
DIvidend per share (**)	0.500	0.445	0.305	12.4%	17.9%

(*) Net profit / Average total equity

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

Highlights of January-December 2008 Results

- +11% growth in year-on-year Net income for 2008 to €51.4 million, (+17% for recurrent[1] items).
- €106 million in consolidated recurrent[1] EBITDA[2] for the year (+6% vs. 2007)
- The EBITDA margin for the year was a solid 19% despite the decline in EBITDA margin for the vegetable foods division and the increase in raw materials and energy costs.
- Growth in consolidated revenues for all the Group's geographic areas (Europe, North America and Latin America) to €552 million (+9% vs. 2007), offsetting the significant depreciation of the USD against the €.
- 40.4% financial leverage[3], which reflects the company's strong financial position.
- The Viscofan Group achieved record figures for the key financial indicators for the third year running. Despite the climate of uncertainty, it hit its key financial targets for 2008 in terms of revenues, EBITDA, and particularly net profit.

Consolidated Group Results for 2008

2008 was characterized by a great deal of volatility in the global macroeconomic climate, with a considerable rise in the cost of raw materials and energy prices. These cost increases have been accompanied by considerable weakness of the USD against the €, which in the second half of the year began to turn around as global economic growth slowed.

In this environment, Viscofan has maintained a solid business trend, as reflected by the accelerated revenues growth in the last quarter of the year, which rose 14.7% vs. Q407, to €144.1 million, driven by the good performance of the casings division, with 18.1% growth vs. Q407, despite a slight decline in the revenues of the vegetable foods division (-0.6% vs. Q407).

This greater growth resulted in €551.8 million in cumulative revenues as at December 2008, 9.0% more than in 2007, achieving record annual revenues for the fourth year running. Achievement of this record was attributable to the traditional casings business as well as to the sales of electricity in Spain, whose revenues were €9.8 million in the second half of the year thanks to the new cogeneration plant built this year.

[1] Recurrent EBITDA exclude -€0.3 million associated with the staff restructuring costs and capital gains deriving from the expropriation of land in Serbia in 2008; versus -€1.2 million recorded in 2007 as a result of the staff restructuring and cancellation of post-retirement benefits in the U.S. Recurrent Net income excludes tax impact linked with the afore-mentioned non recurrent items.

[2] EBITDA = Operating profit – Depreciation and Amortization

[3] Leverage = Net Debt / Equity

It should be noted that the consolidated revenue growth was achieved in a climate in which, with the exception of the Czech crown and the Polish zloty, all functional currencies of the Group depreciated against the €, with the significant depreciation of the US$ against the € (7.3%) and the pound sterling (16.4%).

The greater volume of production, together with the considerable pressure on raw materials costs for the casings business as well as the vegetable foods business, translated into a significant increase in the consumption[4], which was 14.4% higher than in 2007.

Other operating expenses increased by 16.3% against 2007 to reach €156.0 million as a result of higher energy expenses (+37.9% vs. 2007) caused on the one hand by the significant increase in the price of energy and the greater consumption of gas associated with the increase in capacity at the new cogeneration plant in Spain, and on the other hand by the higher transportation cost deriving from the increase in the price of oil as well as the greater sales volume.

Personnel expense declined by 1.4% to €128.3 million compared to 2007 personnel expense, after excluding the non-recurrent expenses associated with the staff restructuring (-€0.5 million in 2008 and –€1.2 million in 2007), personnel expense was 0.9% less than in 2007.

Investments made during 2008 to improve our production and automate our processes, not just contained our personnel expense, but improve our production margin and productive efficiency. As of year-end 2008 the Group had reduced total headcount by 152 from the prior year (3.7% of total headcount) even reaching highest-ever production level.

Non-recurrent operating losses were -€0.3 million, comprising severance payments associated with the staff restructuring (-€0.5 million) and compensation for the expropriation of land belonging to Viscofan in the Vojvodina region of Serbia. This compensation resulted in capital gains of +€0.2 million, versus -€1.2 million non recurrent items recorded in 2007.

Cumulative 2008 EBITDA was 6.9% higher than the prior year, (+5.9% on a recurrent basis), totaling €105.3 million, due primarily to the casings business, whose EBITDA rose by 8.6% year on year, as opposed to a 14.9% decline for the IAN Group.

[4] Consumption = variation in stock + net purchases

Viscofan Group has a solid financial position, with net debt of €122.4 million as at December 31, 2008, that is, €27.7 million more than as at year-end 2007, and financial leverage of 40.4%.

The EBITDA achieved in Q408 contributes significantly to this EBITDA growth. At €28.7 million, it was the highest quarterly EBITDA for the year, and was 20.4% higher than the EBITDA obtained in the same period last year, and It consolidated the growth trend observed from the beginning of the second half of 2008.

2008 cumulative EBITDA margin was 19.1%, only 0.4 p.p. less than 2007 EBITDA margin, with Q408 EBITDA margin being particularly significant at 19.9%. It was the first time in 2008 that the quarterly EBITDA margin was higher than that of year ago (+0.9 p.p. vs. Q407).

Matching market growth and investments, together with the proper maintenance carried out during these years has allowed reducing depreciation expenses by 1.6% vs. 2007 to €37.5 million.

The improvement in EBITDA, together with the aforementioned decline in depreciation and amortisation expense was reflected in cumulative 2008 EBIT, which at €67.9 million was 12.2% higher than that obtained in 2007.

Net financial losses were -€7.6 million, 42.2% more than in 2007, versus the decline in cumulative financial losses as of September 2008 (-41.0% vs. 9M07). This is due primarily to the exchange losses on currency hedges, mainly on USD, as a result of the strong appreciation of the dollar in the last quarter of the year.

Viscofan Group has a solid financial position, with net debt of €122.4 million as at December 31, 2008, that is, €27.7 million more than as at year-end 2007, and financial leverage[5] of 40.4%.

The increase in net debt in 2008, despite the company's solid cash flow generation, was mainly attributable to:

- Acceleration of the investment plans, totalling €48.4 million for the year, in order to adapt capacity to the pace of growth of the casings market.
- Advance payments of taxes,
- Increase in working capital due to the repayment of non-interest bearing loans in the last quarter of the year, and
- Higher value of inventories as a result of the higher price of raw materials.

Viscofan Group's consolidated gross debt was €136.4 million, with €83.3 million being short term, primarily lines of credit (€57.4 million), and €53.2 million long term.

[5] See note 3

The artificial casings market experienced strong global growth in 2008, particularly in emerging regions of Asia, Eastern Europe and Latin America.

2008 cumulative profit before taxes was €60.3 million, 9.3% up on the prior year as a result of the strength of revenues and the containment of operating expenses. In Q408 despite the negative effect of the foreing exchange rates, cumulative profit before taxes was €14.5 million 9.4% higher than in Q407.

As a result of tax allowances and tax credits, cumulative taxes for the year were €8.9 million, 1.1% less than year ago, and means an effective tax rate of 14.7% (1.5 p.p. less than 2007).

Thus, in a particularly adverse and volatile year, Viscofan achieved record net profits of €51.4 million, 11.3% higher than in 2007, (+17% on a like-for-like basis), and above the Company's target.

2008 Results: Casings

The artificial casings market experienced strong global growth in 2008, particularly in emerging regions of Asia, Eastern Europe and Latin America.

This strength in demand, coupled with higher recovering of prices established in the second half of the year, sales of electricity from the cogeneration plant in Spain (€9.8 million in H208), and the recovery of the USD against the €, led to the accelerated growth in revenues in the last quarter of the year, with the full-year 2008 figure totalling €458.6 million (9.7% up on 2007).

Viscofan achieved a new record quarterly revenues, with net turnover of €121.2 million in Q408 and 18.1% growth over Q407.

It is particularly significant that despite the depreciation of the USD against the € by more than 7%, all the Group's[6] regions had positive growth rates, in Europe (+12.9%), with €226.9 million, as well as in Latin America (+22.1%), with €72.5 million, and North America (+1.0%) with €159.2 million.

In order to meet this demand, Viscofan Group pushed significantly its production in a period characterized by inflationary pressures hanging over from year-end 2007. While they declined steadily throughout 2008, these pressures implied higher per-unit raw materials costs than in 2007.

[6] Revenues by origin of sales

In this environment, cumulative 2008 consumption was €111.7 million, +17.1% on the prior year, primarily driven by a greater volume of production and higher prices for some raw materials as cellulose and glycerine.

In addition, the better price for glycerine in the last quarter of the year was not sufficient to offset the significant increase in the average price for the basket of all raw materials. This effect, together with the faster pace of sales in the last quarter of the year explains the year-on-year increase in consumption in Q408 (+23.3% vs. Q407), to €29.3 million.

Other operating expenses grew 18.4% over 2007 as a result of the increase in energy expenses (+38.4%) due to the sharp increase in gas prices and the coming on-line of the new cogeneration plant in June. Excluding energy-related expenses, other operating expenses grew 7.6% over 2007.

It is particularly significant that the improvements introduced by the Group with respect to operating efficiency enabled it to increase its production volume to satisfy the growing market demand while it reduced headcount requirements. Therefore, as at year-end 2008, the casings business has a workforce of 3,731, versus 3,867 at month-end December 2007.

Thus, cumulative personnel expense as of December 2008 was €118.8 million, 1.7% decline from 2007. On a like-for-like basis, that is, excluding the additional costs associated with the staff restructuring recorded in 2008 and 2007 (-€0.5 million and -€1.2 million, respectively), personnel expense decreased 1.2% from the previous year.

Solid revenues, driven by the growth in volume as well as better average prices, together with ongoing cost control in a period characterized by inflationary pressures on production factors, translated into improved EBITDA, which grew 8.6% to €99.2 million and €99.6 million on a like-for-like basis (+7.5% vs. 2007).

Q408 EBITDA grew 22.6% to €26.8 million as a result of a combination of increased revenues and better performance with respect to operating expenses.

Solid revenues, driven by the growth in volume as well as better average prices, together with ongoing cost control in a period characterized by inflationary pressures on production factors, translated into improved EBITDA, which grew 8.6% to €99.2 million.

2008 cumulative EBITDA margin for the year was 21.6%, only 0.2 p.p. less than 2007 EBITDA margin, while in Q408, Viscofan achieved a significant improvement of EBITDA margin (+0.8 p.p. vs. Q407), to 22.1%.

Cumulative depreciation was €34.4 million, 2.0% less than the previous year. Combined with higher EBTIDA, this resulted in 2008 EBIT of €64.8 million (+15.1% vs. 2007).

The use of tax credits and the Company's operating strength drove net profits for the business, which were €47.3 million (+8.1%), setting a new record for the fourth year running. Excluding non-recurrent items, net profits were €47.5 million, 13.3% higher than year ago on a like-for-like basis.

2008 Results: IAN Group

In 2008, IAN Group's revenues totalled €93.2 million, 6.0% growth despite the recession experienced by the Spanish economy, which has had a negative impact on consumption by Spanish households. This is particularly true for higher value added products such as asparagus in vegetable foods, where the Carretilla brand has maintained a solid market share, 15.8%, more than 11 p.p. higher than its closest competitor.

This increase in revenues was based on price increases intended to pass along a portion of the cost increase for some raw materials at origin, and on greater sales of lower value added products, primarily tomato-based products. Nonetheless, the deterioration of the economy and decline in consumption in Spain, particularly in November and December, caused Q408 revenues to decline 0.6% from year ago, to €22.9 million.

The increase in sales was not sufficient to offset the rising cost of raw materials, primarily asparagus. Together with a less favourable sales mix and the general increase in sales of products under private label brands, hurt gross margin, which was 38.3% vs. 40.3% in 2007.

Cumulative consumption[7] as of December 2008 increased 9.5% vs. 2007, to €57.5 million. A decrease in sales and slight recovery of margins during the quarter resulted in better performance for quarterly consumption, which was €14.3 million, 0.1% down from Q407.

[7] See note 4

This resulted in EBITDA margin of 6.5%, down 1.6 p.p. from the previous year, but in line with 2006 EBITDA margin and significantly higher than the 2004 and 2005 margins. In the context of a recession like the present, this demonstrates the solid containment of expenses and improved operations achieved in these years. During the quarter, the decline in EBITDA margin slowed; at 8.2% it was down only 0.4 p.p. from Q407.

2008 EBITDA was €6.1 million, down 14.9% from the previous year.

The decline in EBITDA together with an increase in depreciation and amortisation expense led to a decline of 27.1% in EBIT from year ago, to €3.1 million.

The use of tax credits offset the decline in operating profits. Thus, cumulative net profits were €4.1 million, 67.1% more than in 2007.

The Company adopts business management criteria that contribute towards a sustainable and economically viable development.

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.

By-laws do not establish restrictions on voting rights. The requirement that at least 1,500 shares must be held to be able to attend the General Meeting does not hinder the right to vote or involve any limitation thereon, since the shares can be grouped under voting pools or votes can be cast by proxy or by distance voting made available to the shareholder by the Company. Consequently, in order to foster equal treatment of all Company shareholders, the principle of "one share, one vote" is established.

In 2008 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 sixth 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.

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 nonbinding, Viscofan has adopted most of the Code's recommendations.

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 the measures adopted, 72.48% of the Company share capital was present or represented at the last General Meeting held on 3 June 2008, a similar participation to the previous General Meeting held on 18 June 2007. Of that percentage, 1.57% was present directly, 61.66% by representation and 9.26% by postal voting, electronic voting being insignificant. These figures confirm the high rates of shareholders' participation in General Meetings of Viscofan in 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 shareholder 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 2008, the Board met 12 times.

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

During the 2008 financial year, the Executive Committee consisted of three members, one executive and two independent members. During the 2009 financial year, it was increased to four members: one executive, one external and two independent members, and is delegated all the Board's decision-making powers other than those which cannot be delegated and the sale and exchange of and lien on immovable property and industrial facilities. The Executive Committee, which met eight times in 2008, is required to inform the Board promptly of matters dealt with and resolutions passed.

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 7 times in 2008.

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 2008.

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 external. 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.

Euros

	Executive Committee	Board	Audit Committee	Per diems	Boards of other Group companies	**Total**
Mr. Jaime Echevarría Abona	173,194	66,494	-	10,000	142,600	**392,288**
Mr. José María Cuevas Salvador	173,194	54,124	-	7,000	-	**234,318**
Mr. Nestor Basterra Larroudé	173,194	66,494	-	10,000	78,800	**328,488**
Mr. Iñigo Soláun Garteiz-Goxeascoa	-	66,494	-	10,000	-	**76,494**
Mrs. Agatha Echevarría Canales	-	66,494	12,000	10,000	-	**88,494**
Mr. José Cruz Pérez Lapazarán	-	66,494	12,000	10,000	-	**88,494**
Mr. Gregorio Marañón Bertrán de Lis	-	66,494	12,000	10,000	-	**88,494**
Mr. Alejandro Legarda Zaragüeta	-	66,494	12,000	10,000	-	**88,494**
	519,582	**519,582**	**48,000**	**77,000**	**221,400**	**1,385,564**

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.

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 are addressed by the use of strict quality plans under the ISO9001

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 began a plan in 2008 to establish an internal programme with the advice of an external company, which includes an evaluation of the universe of risks in order to identify the areas of greatest exposure, which will be prioritized in the annual audit plan. This plan included tests and revisions to be made in each financial year, aiming to obtain a diagnosis of the current controls as well as proposals for future improvement. This project progressed very favourably this year, the Internal Audit Department being incorporated into the Viscofan Group early in 2009.

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.

Similarly and in order to deal with the current world crisis, a multidisciplinary internal risk committee has been set up, responsible for assessing, monitoring and supervising collections, in order to reduce the risks of clients associated with bad debts.

Share price information

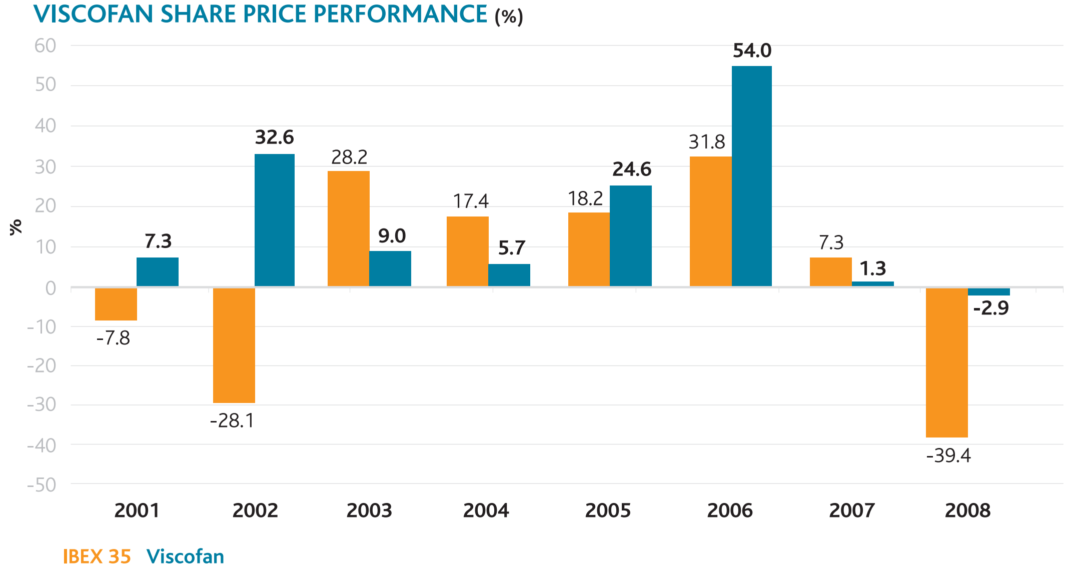
Stock market performance

2008 was a year clearly marked by the global economic and financial crisis that started in the summer 2007 with the subprime mortgage crisis breaking in USA. Since then, the increase in late payments, insolvencies and the uncertainty over the valuation of assets has resulted in an exceptional credit crunch, which first affected companies in the financial sector and then the entire economic system in view of the difficulty experienced by companies throughout the world in accessing finance, the reduction in investment and the decline in consumption, which have continued despite State aid and the coordination of monetary policies by the main central banks throughout the world.

The need for liquidity, the uncertainty over the actual value of assets and the forecast business results in a world recession have especially affected equity markets which, although the most liquid in the world financial system, have still fallen sharply, both in terms of value and traded volumes.

Consequently, in a context in which the main stock market indices lost between 31% (FTSE) and 43% (CAC), Viscofan's shares performed exceptionally well. The share price was down 2.9% compared to the previous year end. However, if we consider the dividend payout and the return of the issue premium made that year, those investors who bought Viscofan shares at 2007 year end prices and sold them at 2008 year end prices made a positive return on their investment of +0.2%, making it the fourth most profitable share investment on the Spanish market. This performance compares very favourably with the 39.4% fall on the Ibex 35, or the 46.5% fall on the Ibex Medium Cap of which Viscofan forms part.

VISCOFAN SHARE PRICE PERFORMANCE (%)



Viscofan's consistent creation of value for its shareholders is especially significant. By way of example, shareholders who bought shares at the 2000 year end and held them to the 2008 year end tripled the value of their investment, compared to a 1% increase for investments tracking the IBEX 35. This creation of value has also been reflected in a constant shareholder remuneration policy, which has followed a rising trend throughout Viscofan's history and enabled shareholders to participate in the Company's results. Dividends per share proposed for this year amount to €0.500, a figure that more than quadruples the payout proposed in 2000.

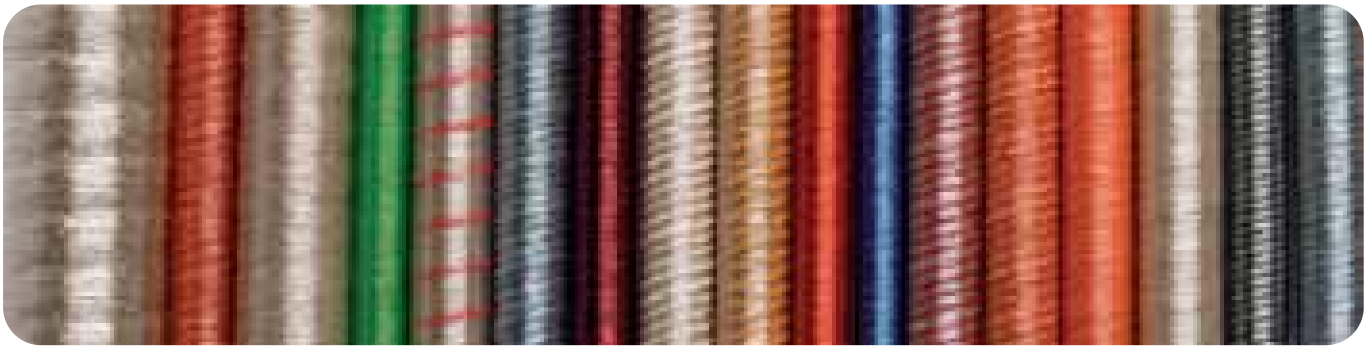
The Company thus closed the year with a capitalization of €657.1 million, compared to the €222.2 million at the end of 2000, climbing 25 places in the company capitalization ranking in just one year, to position 59 on the whole Spanish stock market, and to third position by stock market capitalization in the food subsector.

This good performance is explained by the Company's sound results, the favourable prospects for growth and creation of value in the medium term, and a better understanding of the company by investors.

VISCOFAN VS. IBEX 35 PERFORMANCE PROFITABILITY (%)

		Selling (*)							
Buying (*)		**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
2000	**Viscofan**	**7.3**	**42.2**	**54.9**	**63.7**	**104.0**	**214.1**	**218.2**	**209.0**
	IBEX 35	-7.8	-33.7	-15.1	-0.3	17.8	55.3	66.7	0.9
2001	**Viscofan**		**32.6**	**44.5**	**52.7**	**90.2**	**192.8**	**196.7**	**188.1**
	IBEX 35		-28.1	-7.9	8.1	27.8	68.5	80.8	9.5
2002	**Viscofan**			**9.0**	**15.1**	**43.4**	**120.9**	**123.8**	**117.3**
	IBEX 35			28.2	50.4	77.8	134.3	151.5	52.3
2003	**Viscofan**				**5.7**	**31.6**	**102.7**	**105.4**	**99.4**
	IBEX 35				17.4	38.7	82.8	96.2	18.9
2004	**Viscofan**					**24.6**	**91.8**	**94.4**	**88.7**
	IBEX 35					18.2	55.8	67.2	1.3
2005	**Viscofan**						**54.0**	**56.0**	**51.5**
	IBEX 35						31.8	41.4	-14.3
2006	**Viscofan**							**1.3**	**-1.6**
	IBEX 35							7.3	-35.0
2007	**Viscofan**								**-2.9**
	IBEX 35								-39.4

(*) Last trading day



Shareholder's return: Dividend payout and share buyback

In 2008, the company remunerated its shareholders a gross amount of €0.445 per share by way of dividends and a refund of the issue premium and General Meeting of Shareholders' attendance fee. This amounted to an outlay of more than €20.8 million in 2008, an 11.4% increase on 2007.

Viscofan's Board of Directors resolved to declare an interim dividend out of earnings for 2008 in the amount of €0.205 per share gross, amounting to a 7.9% increase on the interim dividend declared in 2007 and paid last year. The aforesaid dividend was paid on 28 January 2009. In line with improved profitability and profits, the Board of Directors has proposed an additional payment to shareholders of €0.290 per share 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 2008 therefore stands at €0.500 per share, 12.4% up on the previous year's figure.

Shareholder remuneration accounts for 45.4% of earnings per share generated in 2008, above average for listed companies in Spain, and fulfils the Company's undertaking to reward shareholders in consonance with improved performance achieved during the year, allowing them to benefit from the Company's favourable trend over an especially difficult period in terms of liquidity.

The Board has also proposed to the General Meeting to redeem 131,197 treasury shares, equivalent to 0.28% of the share capital and this move will boost earnings per share.

Viscofan has proved to be a good story as the world leader in the artificial casings sector, with a sound stock market performance, and has become a benchmark in terms of value and liquidity in the small and medium-sized capitalization universe.

Viscofan, its shareholders and investors

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

2008 was particularly active as a result of relations with investors, due to the general fall in valuations on the world stock markets and the financial difficulties affecting investment banking and the rest of the financial sector in particular, which reduced its business, especially affecting the liquidity of some small companies, and monitoring of analysis and coveraging by the financial community.

In this context, Viscofan has proved to be a good story as the world leader in the artificial casings sector, with a sound stock market performance, and has become a benchmark in terms of value and liquidity in the small and medium-sized capitalization universe. Not only has the company climbed 25 places in the capitalization ranking on the Spanish stock market, but it has also improved its ranking in terms of actual volume traded, which amounted to 77.5% of the average shares in circulation compared to the 77.1% of the previous year, with an actual daily trading average close to €2 million.

As a result of these developments, by the end of December 2008 nineteen research companies, both national and international, repeatedly covered the Company, which enjoyed full support by the market: an average of over 85% maintained a positive recommendation on the share throughout the year.

The Investor Relations Department and the Shareholder Office make different communication channels available to the financial community and private investors to facilitate a better understanding of the Company's trend and to deal with information requirements that both bodies are able to present.

The main communication channels comprised the Company presentation at seminars and events held by the financial community, roadshows with institutional investors promoted by the Company or by brokers, presentation of results, General Meeting of Shareholders, visits arranged to Viscofan's head office, telephone calls to a dedicated telephone number solely for the attention of investors and shareholders (+34 948 198 436), availability of email (info_inv@viscofan.com), information published on the web page www.viscofan.com, and press releases and periodic public information provided for the CNMV.

As a result of this communication policy, meetings were held throughout 2008 with 171 investors, in 7 financial markets of different countries, and the Company complied with its commitment to respond to telephone calls and emails sent to the Department within 24 hours.

STOCK EXCHANGE HIGHLIGHTS

Share price €	2008	2007	2006	2005
Year-end price	14.06	14.48	14.29	9.28
Average	13.79	16.42	11.72	8.38
High	15.94	18.40	14.71	9.97
Low	9.85	13.52	9.18	7.20

	Year-end 2008	Year-end 2007	Year-end 2006	Year-end 2005
% annual change Viscofan	-2.9	1.3	54.0	24.6
% annual change IGBM (Madrid all-share)	-40.6	5.6	34.5	20.6
% annual change IBEX	-39.4	7.3	31.8	18.2
% annual change IBEX Medium Cap	-46.5	-10.4	42.1	37.1
% annual change IBEX Small Cap	-57.3	-5.4	54.4	42.5
% annual change food sector	-25.7	-13.8	25.4	31.5

Stock exchange trading data	2008	2007	2006	2005
Market capitalisation at year-end (millions of euro)	657.09	684.86	685.35	445.07
Traded volume (millions of euro)	493.7	598.5	372.1	309.0
Daily average trading volume (millions of euro)	1.9	2.4	1.5	1.2
Traded shares	36,199,693	36,441,110	31,732,853	36,831,430
Daily average of traded shares	142,518.48	144,036.01	124,932.49	146,738.76

Ratio per share	Year-end 2008	Year-end 2007	Year-end 2006	Year-end 2005
Total shares	46,734,879	47,296,842	47,959,806	47,959,806
Earnings per share € (1)	1.101	0.977	0.657	0.410
Proposed dividend per share € (2)	0.500	0.445	0.305	0.193
Viscofan PER	12.78	14.82	21.92	22.63

(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

The Viscofan Group and its market trend cannot be understood without taking into account the excellence of its personnel, that is, the stakeholders to whom the Company dedicates the most resources, after trade creditors: €103 million in 2008 for salaries, wages and other payments, compared to €177 million paid to trade creditors, €38 million paid to the treasuries of different countries or €28 million allocated to remunerate the shareholder in dividends and the buy-back of shares.

This remuneration effort is also accompanied by staff rightsizing and austerity policies which, thanks to process automation and improved production efficiency, have made it possible to reduce headcount by 152 persons among the various Group companies, mostly workers, thus reducing consolidated payroll costs by 1.4% compared to the previous year.

The Group employed 3,976 people by 2008 year end, of whom 3,731 belonged to the casings division and 245 to the vegetable food division.

Staff are widely distributed over the various countries in which the Company has a strategic presence: Brazil, Canada, China, Costa Rica, Czech Republic, Germany, Mexico, Poland, Russia, Serbia, Spain, Thailand, UK and USA operating in a rich and complex multicultural environment, which is both a challenge and an opportunity for the international development of the Group's employees.

A clear example of this enrichment was provided in 2008, when the process of integrating the companies acquired by Viscofan since 2005 was completed, in order to adapt to the business culture that characterizes the Viscofan Group, in which many projects for the transfer of knowledge between different production centres were implemented, and specific global training seminars were held for Group employees.

Once that process has been completed, Viscofan wants to leverage on the potential of that human capital, and for that purpose has created the new Corporate Human Resources Department, in order to define the priority skills for the Viscofan Group, as well as pool efforts and coordinate the tasks required for the development and maintenance of talent within the various Group companies.

The staff comprise 29% women and 71% men, similar to last year's percentage.

The training of Viscofan workers is key to achieving the Company's objectives, and a source of competitive advantage to maintain leadership and create value. For this reason, the Viscofan Group, through the Human Resources Departments of its various subsidiaries, promotes training for its employees by means of external courses and internal courses providing the necessary training for the position held.

The Viscofan Group's aims comprise the development of initiatives for the professional and personal betterment of employees, and the promotion of dialogue allowing a better use of the talent of the Viscofan team.

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

	2008	2007	% change
Management	69	65	+6.2%
Technicians and Department Heads	571	538	+6.1%
Administrative staff	328	331	-0.9%
Specialised personnel	651	717	-9.2%
Operatives	2,357	2,477	-4.8%
	3,976	**4,128**	**-3.7%**

Viscofan, a commitment to quality and safety

Quality

The Viscofan Group's commitment to quality is undeniable.
On the basis of that commitment, Viscofan group companies renewed their Quality certification annually under Quality Management Standard 9001:2000. This year, the Montgomery site was also certified and the San Luis de Potosí site will be certified in the short term.

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 46. From the corporate research and development centre in Spain, the research and development of the centres of excellence is coordinated and supported with specific research and development activities conducted at each production plant, as well as coordination of the multidisciplinary work teams that exchange best practices across production sites.

The Cáseda site (Spain) as a centre of excellence for cellulose is the main research and development centre for this technology, Weinheim (Germany) being the main research and development centre for collagen technology, while Danville (USA) directs its efforts at fibrous technology, and the plastics production technology is concentrated both in the Czech Republic and in Brazil.

The product development units 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 twenty 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.
- Research into production alternatives for technology advancement to increase added value or reduce significantly artificial casing production costs.
- 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.

Viscofan has a long track record of working with public and private research centres, Spanish and international, to foment specialisation and gain access to the cutting-edge technologies it needs to carry on its research and development activity.

Support from international research centres

Viscofan has a long track record of working with public and private research centres, Spanish and international, 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, 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.
- AINIA. Food technology centre based in Spain that provides support for the research and development carried out by its members, mainly in the areas of quality, food safety, sustainability, environment and design and industrial production.

Viscofan Bioengieneering, our technology at the service of research and medicine

Viscofan Bioengineering combines natural sciences and engineering to provide innovative products based on collagen as new solutions for cellular biology, tissue engineering and regenerative medicine.

This technology is the result of the joint work of Viscofan and specialist research centres in Germany and Spain, where Viscofan provides its knowledge on the properties, processing and production of collagen on a large scale to the food industry, and where the research centres have contributed to the specifications to achieve excellent biomedical properties for collagen.

Collagen is an animal protein that can be extracted from different tissues with different morphologies. In combination with a large number of physical and chemical methods for processing collagen, there are many possibilities for adapting the characteristics of the product. This, combined with the excellent biocompatibility inherent in collagen, makes this biopolymer a very versatile raw material for customized solutions in the field of research and biomedical development.

In 2009 the cell collagen carriers (CCC) are being developed, comprising cultivation matrix "ready for use" with CCC and the biocompatible membranes of collagen. Further product developments include collagen tubes for the preservation of cells, medicines, etc., and collagen thread.

In view of the results obtained, Viscofan Bioengineering is actively seeking to establish alliances with companies and centres interested in cellular biology, tissue engineering and regeneration medicine, particularly with commercial companies.

Viscofan and the sustainability

Viscofan believes that leadership on the market must be accompanied by a suitable relationship between its production activities and the environment in which it operates, with a particular commitment to sustainability.

In this context, Viscofan believes that close dialogue with the Administration is vital for positively constructing the best solutions in the field of sustainability, and for providing meeting points that benefit society as a whole. Collaboration initiatives with the Administration include annual and periodic inspections of the production sites. The Company also asks for analyses to be made by authorized external laboratories on the discharge generated by the production activities.

The Company adopts business management criteria that contribute towards a sustainable and economically viable development. The environment department must supervise and adopt the necessary measures for production to comply with the standards fixed by the Viscofan Group and by the current legislation in each country.

In this connection, major objectives involve increasing the level of responsibility for our environment, and promoting the development and installation of environmentally-friendly technologies.

In order to coordinate and supplement the efforts made in this field in the Group's various subsidiaries, in 2008, the General Department of Operations was given the necessary competence to perform this task.

Various initiatives were implemented in 2008, which can be grouped into 2 strategic lines:

- Contribute towards the prevention of climate change
- Sustainability in the use of resources

Climate change

In Spain, the New National Plan for the Allocation of gas emission rights, established more stringent requirements than in the preliminary stage, for the period 2008-2012, in view of which Viscofan is making substantial investments, in order to improve the energy performance of its facilities, and reduce CO_2 emissions.

The start of operations of the expansion of the Cáseda cogeneration plant (Spain) should be mentioned. This new plant involves an additional installed capacity of 16.6MW and, thanks to the technology used, enables the heat produced by the combustion of gas for our production process to be reused.

In this way, not only is the demand for thermal and electrical energy needed by the casings production plant in Cáseda satisfied, but electrical energy equivalent to the annual average lighting for a population of 7,000 inhabitants is generated.

For the construction of this cogeneration plant, in which almost €10.5MM has been invested, the most modern solutions available in terms of sustainability have been sought, and the energy efficiency obtained enables the level of CO_2 to be reduced by 32,500 Tonnes.

The second stage of expansion of the cogeneration plant is currently under way. With an investment of €14.0MM, the Group will have an additional installed capacity similar to that of 2008. Thanks to its high level of energy efficiency, this new stage will contribute towards reducing the volume of CO_2 emitted into the atmosphere compared with the other viable alternatives for heat and electricity generation.

The reduction in greenhouse gas emissions is a general line followed by all the Group's plants, where specific energy-saving projects are implemented, not only in the EU plants but also in Mexico, USA and Serbia.

This undertaking has led to the Viscofan Group's energy consumption, where 85% of the plants of the entire Group use natural gas compared to other fossil fuel alternatives more harmful to the environment.

The achievements made in the optimization of the use of resources over the last five years should be pointed out, where the Group has moved on from destroying 19% of waste to destroying 4% and reutilizing 68% of the total waste generated by it.

Sustainability in the use of resources

An appropriate environmental policy, besides contributing favourably to sustainable development, may give rise to a better economic use, thanks to the reuse and minimization of use of raw materials.

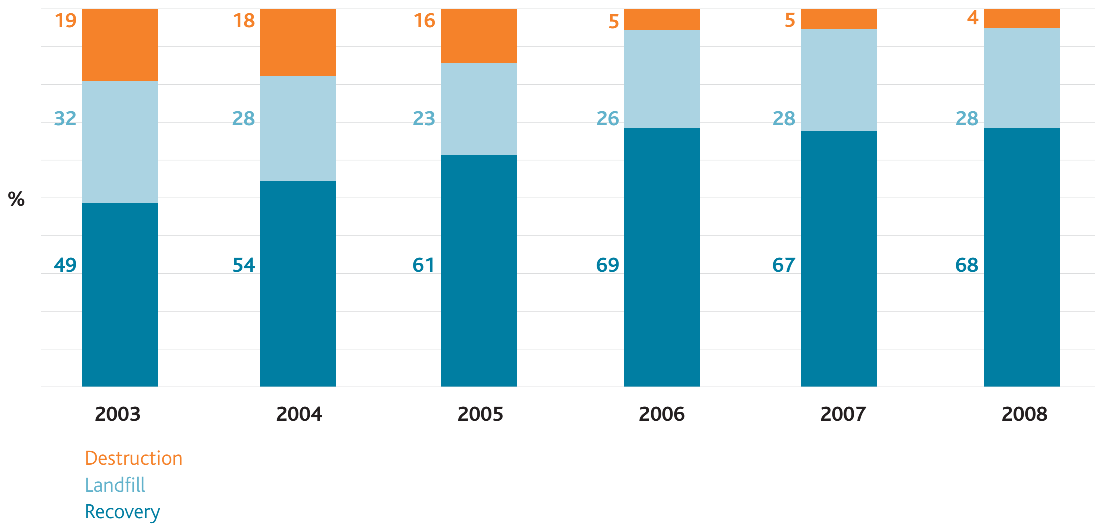
In this context, the achievements made in the optimization of the use of resources over the last five years should be pointed out, where the Group has moved on from destroying 19% of waste to destroying 4% and reutilizing 68% of the total waste generated by it.

Nevertheless, the goals set have not yet been reached, and further efforts are being made for a better utilization of resources, mainly in USA, where work is under way on a project for the recovery of specific by-products, while in Brazil investments have been made in the modernization of the water treatment plant, which have improved the quality of waste that goes into the river.

The Viscofan Group's European plants have been included in the European Register of chemical substances (REACH, 1907/2006/EC), with which our suppliers have also been asked to register.

Viscofan is continuing to develop its environmental policies, in which productive excellence and economic development have to continue to respect the environment in which the various activities of the Company and its Group of companies are carried out.

VISCOFAN GROUP WASTE MANAGEMENT (%)



Viscofan, S.A. and Subsidiaries

Consolidated Financial Statements and Management Report

Prepared under International Financial Reporting Standards Endorsed by the European Union
(Free transaltion from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ERNST & YOUNG

Ernst & Young, S.L.

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

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
VISCOFAN, S.A.

We have audited the consolidated financial statements of VISCOFAN, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2008, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated cash flow statement 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 financial statements 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 financial statements, 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 2008, those of 2007. Our opinion refers only to the consolidated financial statements for 2008. On March 28, 2008, we issued our audit report on the 2007 consolidated financial statements, in which we expressed an unqualified opinion.

In our opinion, the accompanying 2008 consolidated financial statements 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, 2008 and the consolidated results of its operations, the changes in consolidated equity contained in the consolidated statement of recognised income and expense and the consolidated cash flow 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 2007 consolidated financial statements.

ERNST & YOUNG

2

The accompanying consolidated management report for the year ended December 31, 2008 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 financial statements. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated financial statements for the year ended December 31, 2008. 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 Zubeldia

March 31, 2009

Consolidated balance sheets at 31 December 2008 and 2007

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

Assets	**Note**	**2008**	**2007**
Property, plant and equipment	6	277,940	279,017
Intangible assets	7	11,976	9,919
Deferred tax assets	9	15,286	9,717
Other financial assets	8	1,583	977
Total non-current assets		**306,785**	**299,630**
Inventory	10	156,540	143,013
Trade and other receivables	11	118,343	104,817
Prepayments		172	1,213
Other financial assets	8	612	-
Cash and cash equivalents	12	14,014	17,107
Total current assets		**289,681**	**266,150**
Total assets		**596,466**	**565,780**

Equity and liabilities	**Note**	**2008**	**2007**
Share capital	13	14,020	14,189
Share premium	13	30,165	41,844
Other reserves	13	3,281	3,281
Accumulated gains	13	277,163	243,739
Treasury shares	13	(1,699)	(3,728)
Currency translation differences	13	(19,617)	(3,518)
Hedge transaction reserves	13	(38)	-
Total equity	**13**	**303,275**	**295,807**
Deferred income	14	3,111	3,543
Borrowings	15	53,151	40,344
Other financial liabilities	15	5,051	5,259
Deferred tax liabilities	9	28,272	28,333
Provisions	16	35,393	36,906
Total non-current liabilities		**124,978**	**114,385**
Borrowings	15	83,287	71,442
Other financial liabilities	15	4,142	1,242
Trade and other payables	17	53,558	44,494
Provisions	16	4,569	2,259
Other current liabilities	17	21,710	31,740
Current tax liabilities	9	947	4,411
Total current liabilities		**168,213**	**155,588**
Total equity and liabilities		**596,466**	**565,780**

Consolidated income statements for the years ended 31 December 2008 and 2007

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

	Note	2008	2007
Sales and services rendered	20	551,818	506,024
Other income	21	7,094	4,652
Changes in inventories of finished goods and work		(2,143)	6,346
Work performed by the Group on non-current assets		355	236
Consumption of raw material and other consumables	10	(167,088)	(154,296)
Employee benefits expense	23	(128,291)	(130,093)
Depreciation and amortization	6 & 7	(37,459)	(38,075)
Other operating expenses	22	(156,436)	(134,317)
Finance revenue	24	22,730	11,424
Finance costs	24	(30,299)	(16,750)
Profit before tax		**60,281**	**55,151**
Income tax expense	9	(8,878)	(8,973)
Profit for the year		**51,403**	**46,178**
Basic earnings per share (in euros)	**25**	**1.1005**	**0.9772**
Diluted earnings per share (in euros)		**1.1005**	**0.9772**

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

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

(Thousands of euros)

	2008	2007
Cash flows from operating activities		
Profit before tax	60,281	55,151
Adjustments for:		
Depreciation and amortization	37,459	38,075
Changes in provisions	(1,637)	(5,361)
Capital grants	(405)	-
Gain (loss) on disposal of non-current assets	65	574
Interest income	(1,066)	(1,158)
Interest expenses	7,771	7,093
Foreign currency translation differences (net)	864	108
	103,332	**94,482**
Changes in working capital, net of the impact of acquisitions and currency translation differences		
Inventory	(15,239)	(13,254)
Trade and other receivables	(17,080)	(2,931)
Trade and other payables	(5,237)	275
Funds obtained from operations	**65,776**	**78,572**
Income tax receipts (payment)	**(9,917)**	**(7,721)**
Cash flows from operating activities	**55,859**	**70,851**
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(44,123)	(32,884)
Payments for the acquisition of financial assets	(3,277)	(41)
Proceeds from disposals of property, plant and equipment	2,242	1,271
Proceeds from other assets	776	-
Contribution to US pension plan	(1,091)	(1,965)
Cash flows from investing activities	**(45,473)**	**(33,619)**
Cash flows from financing activities		
Changes in borrowings	25,904	(8,294)
Acquisition of treasury shares	(6,070)	(5,129)
Compensation to shareholders		
Dividends	(8,908)	(6,625)
Return of share premium	(11,679)	(7,562)
Interest received	1,066	1,224
Interest paid	(7,426)	(7,159)
Other payments from financing activities	(2,487)	(521)
Foreign currency translation differences (net)	(864)	(108)
Cash flows from financing activities	**(10,464)**	**(34,174)**
Impact of changes in exchange rates on cash and cash equivalents	**(3,015)**	**1,816**
Net increase (decrease) in cash and cash equivalents	(3,093)	4,874
Cash and cash equivalents	17,107	12,233
Cash and cash equivalents at December 31	**14,014**	**17,107**

Consolidated statements of recognised income and expense for the years ended 31 December 2008 and 2007

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

(Thousands of euros)

	2008	2007
Profit (loss) recognized directly in equity		
In other reserves		
Actuarial gains (losses) on pension plans		
Germany	1,017	-
United States	(2,316)	-
Tax effect	464	-
	(835)	**-**
Hedges taken to reserves		
Remeasurement of hedge derivatives	(79)	-
Tax effect	41	-
	(38)	**-**
Translation differences	**(16,099)**	**775**
Total profit (loss) recognized directly in equity	(16,972)	775
Profit for the year	51,403	46,178
Total recognized income and expenses for the year	**34,431**	**46,953**

Viscofan, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

31 December 2008 and 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 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, to a lesser extent, 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, plastic and collagen casing sectors, as explained in more breakdown in Appendix 1, which forms an integral part of Note 2.

Viscofan, S.A.'s shares are quoted on the Madrid, Barcelona and Bilbao stock exchanges.

(2) Viscofan Group

Details of the subsidiaries and associates comprising the Viscofan Group at 31 December 2008 and 2007, 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 2008 were as follows:

In April 2008, through the subsidiary, Industrias Alimentarias de Navarra, S.A., the Group acquired 50% of the voting rights upon incorporation of the company, Lingbao Baolihao Food Industrial Co., Ltd, which processes asparagus in the Chinese region of Henan.

In 2007 there were no changes to the consolidation scope.

(3) Basis of Preparation

The consolidated Financial Statements have been prepared on the basis of the accounting records of Viscofan, S.A. and the companies forming the Group. The consolidated Financial Statements for 2008 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 2008 and 2007, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognized income and expenses for the year then ended. The Group adopted EU-IFRS on 1 January 2004 and applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

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 financial statements. The only standards approved which would have had elements applicable to the VISCOFAN Group are as follows:

• IFRS 8: Operating Segments. This standard would lead to changes in the disclosures in the 2009 financial statements; however, it would not impact consolidated profit or consolidated equity.

• IFRS 23: According to this standard, commencing in the first financial year after December 31, 2008, the Group would have to capitalize all finance costs directly attributable to the acquisition, construction or production of property, plant and equipment. To date the Group has not capitalized these expenses. If it had applied the new standard in 2008 profit for the year would have increased by approximately 27 thousand euros.

On occasions the IFRSs contemplate more than one alternative accounting treatment for a transaction. The Group adopted the following criteria for the most significant transactions where alternative accounting treatments are available:

• Interests in joint ventures can be consolidated by the proportional method or the equity method. The Group has applied the latter.

• Grants can be recognized as a reduction in the cost of the assets for which the grant was provided or as deferred income. The Group has applied the latter.

• Actuarial gains and losses on pension plans may be deferred under certain conditions or recognized in the year incurred. The Group applies the latter option, using the additional alternative offered in this case, which is to recognize them off the income statement, directly in equity.

• Certain assets can be measured at market value or historic cost less, if applicable, any depreciation/amortization or impairment losses. The latter criteria is applied by the Viscofan Group.

The directors of the Parent Company consider that the consolidated Financial Statements for 2008, prepared on 30 March 2009, will be approved by the shareholders without significant changes.

(3.1) Bases of preparation of the consolidated financial statements

These consolidated Financial Statements have been prepared based on a historical cost basis except for derivative financial instruments, which have been recorded at fair value at 31 December 2008 and 2007.

(3.2) Comparison of information

These consolidated Financial Statements present for comparative purposes, for each of the headings on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of recognized income and expenses, and the notes to the consolidated financial statements, in addition to the consolidated figures for 2008 the corresponding figures for 2007 included in the consolidated Financial Statements approved by the shareholders at their general meeting on June 3, 2008.

Except for the matter described in Note 4.16 regarding the recognition of actuarial gains and losses, the Viscofan Group's accounting policies explained in Note 4 have been applied in a consistent manner in the years ended December 31, 2008 and 2007. The effect of this change in the accounting criteria on consolidated equity has not been significant.

(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 Financial Statements are detailed below.

(a) Relevant accounting estimates and assumptions

- Pension plans: Note 4.16
- Provisions: Note 4.17
- Useful lives of property, plant and equipment and intangible assets: Notes 4.4 and 4.5
- Assessment of impairment of assets: Note 6
- Recoverability of deferred tax assets: Note 9

(b) Changes in accounting estimates

Although estimates were based on the best information available at 31 December 2008, 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

The main sources of uncertainty which could affect profit (loss) for the year in the future are due to contingent assets and liabilities (Note 16.7).

No uncertainties due to the current global economic climate were perceived which would have required special analysis or the solution of which would significantly have affected the Group's consolidated financial statements.

(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 Financial Statements 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

Subsidiaries

All the subsidiaries were consolidated using the full consolidation method.

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 Financial Statements or Financial Statements of subsidiaries are included in the consolidated Financial Statements 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.

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.

Business combinations

Jointly controlled companies which by virtue of a contractual agreement are managed and controlled by more than two partners are consolidated by the equity method.

Under the equity method, investments in jointly controlled companies are recognized on the consolidated balance sheet at cost plus any post-acquisition changes in the Group's investment based on its share of the investee's net assets, less any impairment losses. The consolidated income statement reflects the percentage share of the investee's profit (loss).

(4.3) Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated Financial Statements are presented in thousands of euros, which is the functional and presentation currency of the Parent 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.

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.

The Group does not carry out business in hyperinflationary countries.

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 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) Investment property

At 2007 and 2008 year end the VISCOFAN Group had no assets which by their nature must be classified as investment property.

(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, are stated at fair value, which is generally the market value of the rights at the beginning of the corresponding calendar year. Said value is recognized as a credit to "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.

Emission rights are not amortized.

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

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

(b) Operating leases

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

(4.7) 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. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date. At December 31, 2008 and 2007 the Group had no financial assets classified as financial assets at fair value through profit.

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) Available-for-sale financial assets

Are all those which do not fall within the above categories or are not financial assets at fair value through profit and loss. These are recognized at their fair value at year end. Changes in fair value are charged or credited to equity until divested or impaired, at which time the cumulative amount up to that date is transferred to the consolidated income statement. At 2007 and 2008 year end the Group has no assets thus classified.

(d) 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.

(e) 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.

(f) 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).

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.

(g) 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.

At December 31, 2007 and 2008 there were no financial liabilities at fair value through profit and loss.

(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:

• 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.

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 commitments

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 commitments with employees when they fall due or pay additional amounts in the event the insurer does not pay all employee benefits relating to employee service in the current and prior periods.

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

Defined benefit plan costs are recognized under employee benefits in the consolidated income statement and comprise current service costs plus the effect of any reduction or liquidation of the plan. Interest costs arising due to the commitment and finance income earned on plan assets are recognized in finance income (cost).

Actuarial gains or losses, which until 2007 inclusive were recognized in profit and loss, from 2008 onwards are recognized directly in equity, as prescribed by IAS 19.93A. The directors' understanding is that by applying this criterion, the Financial Statements provide more reliable and relevant information since the volatility in financial markets and interest rates allow external factors beyond the Group's control to have a direct impact on the measurement of related liabilities and assets, and consequently, may distort the Group's operating results. Group policy has been to use financial instruments to hedge risks, as far as possible, and in no event for speculative purposes. The decision to change this criterion was taken at the beginning of the year and its effect was already included in the interim financial information prepared at June 30, 2008. This change of criterion does not significantly effect the financial statements.

A description of each of the Group's defined benefit pension plans is included in Note 16.

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 seniority bonuses. To cover these commitments the Parent Company externalized these commitments through insurance policies.

(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.

(d) Equity-settled transactions

The Viscofan Group does not have any share option plans or any programs which would lead to equity-settled payments with Board members, senior executives or employees.

(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 expenses

LA 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 Financial Statements 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.

(4.23) Non-current assets and disposal groups held for sale

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

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and
- When it is highly probable that they will be sold.

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

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

Related liabilities are classified as "Liabilities associated with non-current assets held for sale."

At 2007 and 2008 year end the Group had no assets or liabilities which must be classified in these categories.

(4.24) Discontinued operations

In the last two years the Group has not discontinued or disposed of any business area or significant geographic area.

(4.25) Related-party disclosures

Related-party transactions are recognized according to the measurement bases described within this Note 4. The only transactions with related parties are described in Note 26 ("Information on the Board of Directors of the Parent Company and Key Group Personnel").

(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 2008 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. The Group aims to achieve three objectives from the installation of this plant: reduce energy costs, attain self-sufficiency, and reduce CO_2 emissions into the atmosphere. These activities are not organized as business segments nor do they constitute segments on which the Group is obliged to provide disclosures.

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 2008 and 2007 are included in Appendix 2, which forms an integral part of these notes.

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement in 2008 and 2007 are included in Appendix 3, which forms an integral part of these notes to the consolidated financial statements.

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

Thousands of euros	Cost	Depreciation
At 1 January 2007	1,322	(352)
Depreciation	-	(34)
At 31 December 2007	1,322	(386)
Depreciation	-	(44)
At 31 December 2008	1,322	(430)

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	2008		2007	
	Minimum payments (Note 15)	Interest	Minimum payments (Note 15)	Interest
Up to 1 year	114	42	68	41
Between 1 and 5 years	737	123	774	158
Total	**851**	**165**	**842**	**199**

Details of fully depreciated property, plant and equipment in use at 31 December 2008 and 2007 are as follows:

Thousands of euros	2008	2007
Buildings	2,550	2,049
Plant and machinery	180,345	146,593
Other installations, equipment and furniture	24,498	22,056
Other property, plant and equipment	10,979	11,986
	218,372	**182,684**

The Group's buildings, plant and equipment were partly financed by government grants of 76 and 1,075 thousand euros in 2008 and 2007, respectively (see Note 14).

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

Firm commitments to purchase property, plant and equipment at year end amounted to 11,524 thousand euros: These commitments were mainly related to the enlargement of the cogeneration plant at the Parent's production facility in Cáseda.

The Group did not have any investment property at the end of 2007 and 2008.

Impairment test

As stated in Note 4, the Group identified indications of impairment in the property, plant and equipment of Koteks Viscofan, d.o.o., a subsidiary that in recent years has accumulated losses and has carried out an impairment test. The recoverable amount of the property, plant and equipment was determined through its value-in-use, using cash flow projections from financial budgets approved by Management for the coming years.

Based on the results obtained it was determined that the assets are not impaired and that their value will be recovered in the normal course of business.

(7) Other Intangible Assets

Details of other intangible assets and movement in 2008 and 2007 are included in Appendix 4, which forms an integral part of these notes to the consolidated financial statements.

Under the National Assignment Plan 2008-2012 approved by Royal Decree 1370/2006 and National Assignment Plan 2005-2007 approved by Royal Decree 1866/2004, the Group received free emission rights equivalent to 92,489 tons in 2008 and 107,636 tons in 2007. The Group consumed 92,180 tons in 2008 and 87,811 tons of emission rights in 2007.

Details of the cost of fully amortized intangible assets in use at 31 December 2008 and 2007 are as follows:

Thousands of euros	**2008**	**2007**
Software	6,710	3,868
Concessions, patents and licences	36	36
	6,746	**3,904**

(8) Other Current and Non-Current Financial Assets

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

Thousands of euros	**2008**	**2007**
Investment in associates	998	-
Held-to-maturity investments	565	89
Loans and receivables	20	888
Provisions	-	-
Total, non-current	**1,583**	**977**
Loans and receivables	11	-
Financial assets at fair value from hedging transactions (Note 15)	601	-
Total, current	**612**	**-**

The Group owns 50% of Lingbao Baolihao Food. This company is domiciled in Lingbao (China) and produces asparagus. At year end this company had not yet commenced activity. The following table provides financial information regarding this investment:

Thousands of euros	**2008**	**2007**
Share in the associate's balance sheet:		
Current assets	636	-
Non-current assets	616	-
Current liabilities	(254)	-
Non-current liabilities		-
Net assets	**998**	**-**
Share of associate's income and profit:		
Income	-	-
Profit	-	-

Apart from the contribution to the company's share capital upon formation, no transactions have been carried out with this associate.

Details of current and non-current financial assets held in foreign currencies are shown in Note 18.

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

Thousands of euros	**2008**	**2007**
Balance at 1 January	-	(1)
Cancellation of financial assets	-	1
Balance at 31 December	**-**	**-**

(9) Income tax

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

Thousands of euros	**Assets**		**Liabilities**		**Net**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Temporary differences						
Non-current assets	165	165	27,303	27,023	(27,138)	(26,858)
Current assets	6,080	1,459	931	677	5,149	782
Non-current liabilities	4,792	5,168	38	-	4,596	5,168
Current liabilities	325	1,040	-	633	483	407
	11,362	**7,832**	**28,272**	**28,333**	**(16,910)**	**(20,501)**
Other borrowings						
Tax credits for loss carryforwards	993	-	-	-	993	-
Unused tax credits	2,931	1,885	-	-	2,931	1,885
	3,924	**1,885**			**3,924**	**1,885**
	15,286	**9,717**	**28,272**	**28,333**	**(12,986)**	**(18,616)**

Non-current deferred tax assets for the years ended December 31, 2008 and 2007 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.

The deferred tax assets on current assets are basically generated by provisions in respect of inventories which are not tax deductible in certain countries. The tax effect of eliminating the margin on inventory stock acquired between Group companies is likewise included. Finally, this also includes temporary differences which arise in certain countries, basically the US, as a result of applying different measurement bases for stock bought from Group companies.

Deferred tax assets on non-current deferred tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 16 have led to adjustments in tax assessment basis in the different countries.

The breakdown of changes in deferred tax assets and liabilities from temporary differences which have been recognized against the tax expense / (income) on deferred income on the consolidated income statement and against consolidated equity is as follows:

Thousands of euros	**2008**	**2007**
Consolidated Income Statement		
Non-current assets	167	4,362
Current assets	4,275	664
Non-current liabilities	(702)	(843)
Current liabilities	(45)	3,090
	3,695	**7,273**
Consolidated statement of equity		
Non-current assets	(447)	-
Current assets	92	-
Non-current liabilities	325	-
Current liabilities	(75)	-
	(105)	**7,273**
Total changes in taxes and deferred tax liabilities due to temporary differences	**3,590**	**7,273**

The breakdown of deferred taxes charged directly against equity in 2008 is as follows:

Thousands of euros	**2008**
Actuarial gains (losses) on pension plans	
United States	750
Germany	(286)
Unrealized gains (losses) on cash flow hedges	42
Changes due to translation differences	(611)
	(105)

The major components of income tax expense for the years ended December 31, 2008 and 2007 are as follows:

Thousands of euros	**2008**	**2007**
Current income tax		
Income tax expense for the year	12,573	16,472
Current income tax of previous years	-	(226)
	12,573	**16,246**
Deferred income tax		
Origination and reversal of temporary differences	(3,695)	(7,273)
	(3,695)	**(7,273)**
	8,878	**8,973**

A reconciliation between tax expense (income) and the product of profit before tax multiplied by the tax rate prevailing in Spain at December 31, 2008 is as follows:

Thousands of euros	**2008**	**2007**
Profit before tax for the year	60,281	55,151
30% tax rate (32.5% in 2007)	18,084	17,924
Effect of application of tax rates in each country	(220)	396
Deductions generated in 2008	(4,001)	(1,993)
Tax assets from corporate restructuring	-	(3,510)
Adjustment in deferred taxes due to lower tax rates in certain countries[1]	-	(3,763)
Tax incentives recognized in the Czech Republic[2]	(1,958)	-
Tax credits arising from losses at Koteks Viscofan, d.o.o.	(993)	
Other	(2,034)	(81)
	8,878	**8,973**

[1] In 2007 lower tax rates were approved in Germany and the Czech Republic.

[2] In 2008 tax incentives which had been approved in the Czech Republic were used. These had not been recognized until present due to uncertainty regarding their application.

At December 31, 2008 the breakdown of unused tax loss carryforwards from the Serbian subsidiary, Koteks Viscofan, d.o.o., is as follows:

		Thousands of euros
Arising in	**Last year for utilization**	**2008**
2006 and earlier	2013	5,160
2007	2017	2,110
2008	2018	2,661
		9,931

The Group has estimated the taxable profit it expects to obtain in the coming years at Koteks Viscofan, d.o.o. and has analyzed the reversal of taxable temporary differences, identifying those that reverse in years in which they can be used. Based on this analysis, the Group recognized deferred tax assets amounting to 993 thousand euros in respect of tax loss carryforwards still to be offset, as it considers probable that sufficient future taxable profit will be generated to offset this amount, applying the prevailing tax rate of 10% in Serbia.

In addition the Group has recognized 2,931 thousand euros in deductions still pending application: 2,229 thousand euros in respect of the parent, Viscofan, S.A. and 702 thousand euros in respect of the subsidiary, Industrias Agroalimentarias de Navarra, S.A. All were generated in 2008 and can be applied in the next ten years.

The Group has tax incentives of 9.7 million euros in the Czech Republic. The amounts have not been assessed by the tax authorities nor have they been recognized as there are doubts regarding the recoverable amount, due to uncertainty as to whether the last year for their application is 2010 or 2012, and moreover to certain interpretations regarding fulfillment of all the official requirements, which might affect their recoverability.

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 2008 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 financial statements.

(10) Inventories

Details of inventories at 31 December 2008 and 2007 are as follows:

Thousands of euros	**2008**	**2007**
Goods for resale	49,888	32,306
Raw materials and other supplies	43,078	45,934
Semi-finished products	26,150	23,852
Finished products	37,424	40,921
	156,540	**143,013**

Raw materials and other supplies consumed in 2008 and 2007 amounted to euros 167.088 thousand and euros 154.296 thousand, respectively.

At 31 December 2008 and 2007 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.

(11) Trade and other receivables

Details at 31 December 2008 and 2007 are as follows:

Thousands of euros	2008	2007
Trade receivables	101,612	93,150
Other receivables	6,346	4,772
Advances to employees	119	129
Public entities	11,607	8,676
Others	152	478
Provisions for bad debts	(1,493)	(2,388)
	118,343	**104,817**

At December 31, 2008, 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
2008	101,612	84,282	10,913	3,040	488	2,889
2007	93,150	74,224	12,975	2,968	1,079	1,904

(12) Cash and cash equivalents

Cash and cash equivalents at 31 December 2008 and 2007 comprise cash balances with Group companies and banks. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

(13) Equity

(13.1) Share capital

Movements in shares in circulation during 2008 and 2007 were as follows:

	Shares		Thousands of euros	
	2008	2007	2008	2007
At 1 January	47,296,842	47,959,806	14,189	14,388
Capital decrease	(561,963)	(662,964)	(169)	(199)
At 31 December	46,734,879	47,296,842	14,020	14,189

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

At 31 December 2008 the share capital of the Parent Company is represented by 46,734,879 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, 2008, the Parent Company is aware of the following shareholders with shareholdings greater than 3%:

Entity	%
Marathon Asset Management, LLP	5.86
Onchena, S.L.	5.06
Bestinver Gestión, S.A.	3.69

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 2008, the Group's target was to maintain a solid capital position. The gearing ratios at December 31, 2007 and 2008 were as follows:

Thousands of euros	2008	2007
Net financial debt		
Borrowings and finance leases (Note 15)	145,631	118,287
Cash and cash equivalents (Note 12)	(14,014)	(17,107)
Other financial assets (Note 8)	(612)	-
Total financial debt	131,005	101,180
Equity		
Total equity (Note 13)	303,275	295,807
Gearing ratio	0.43	0.34

(13.2) Share premium

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

In 2008 and 2007, a portion of the share premium was returned to shareholders, for a total amount of 11,679 and 7,562 thousand euros, respectively.

(13.3) Other reserves

The breakdown of this balance is as follows:

Thousands of euros	
Conversion to IFRS reserve	(5,826)
Legal revaluation reserve	8,988
Merger reserve	119
Balance at December 31, 2008	**3,281**

There were no movements in this account in 2007 and 2008.

(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 9,282,000 euros. The resulting revaluation reserve, which comprises the revaluation of items of property, plant and equipment, net of a 3% tax charge, amounts to 9,003,000 euros.

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

- Offset prior years' losses.
- Increase share capital.
- Increase distributable reserves after 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 Financial Statements for the year the operation was carried out.

(13.4) Retained earnings

Movements in the years ended December 31, 2008 and 2007 were as follows:

Thousands of euros	Legal reserve	Special reserve	Voluntary reserves	Other reserves in consolidated companies	Profit (loss) for the year	Total
Balance at January 1, 2007	**2,935**	**25**	**142,505**	**31,588**	**31,300**	**208,353**
Appropriation of profit (loss) for the year						
Reserves	-	-	20,834	10,466	(31,300)	-
Dividends	-	-	(6,625)	-	-	(6,625)
Cancellation of treasury shares	-	-	(7,879)	-	-	(7,879)
Other movements	-	-	40	(1)	-	39
Transfers (Note 13.5)	-	-	3,673	-	-	3,673
Profit for the year	-	-	-	-	46,178	46,178
Balance at December 31, 2007	**2,935**	**25**	**152,548**	**42,053**	**46,178**	**243,739**
Appropriation of profit (loss) for the year						
Reserves	-	-	30,677	15,501	(46,178)	-
Dividends	-	-	(8,908)	-	-	(8,908)
Cancellation of treasury shares	-	-	(7,931)	-	-	(7,931)
Actuarial gains (losses)				(835)		(835)
Other movements	-	-	(305)			(305)
Profit for the year	-	-	-	-	51,403	51,403
Balance at December 31, 2008	**2,935**	**25**	**166,081**	**56,719**	**51,403**	**277,163**

(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 2008 and 2007 the Parent Company had appropriated to this reserve the minimum amount required by law.

(b) Voluntary reserves

These reserves are freely distributable.

(13.5) Movement in treasury shares

Movement in treasury shares in 2008 and 2007 was as follows:

	2008		2007	
	Number of shares	**Thousands of euros**	**Number of shares**	**Thousands of euros**
Balance at 1 January	236,385	3,728	581,071	3,004
Acquisitions	456,775	6,071	324,868	5,207
Disposals	-	-	(6,590)	(78)
Cancellation	(561,963)	(8,100)	(662,964)	(8,078)
Transfer (Note 13.4)	-	-	-	3,673
Balance at 31 December	**131,197**	**1,699**	**236,385**	**3,728**

The shareholders at their Ordinary General Meeting on June 3, 2008 agreed to renew, up to a maximum of 18 months, the authorization granted to the Board of Directors to buy and sell Company shares on the stock market at the quoted price on the day of the transaction, up to the legal maximum number of shares permitted by Spanish Corporation Law and related provisions, at a minimum price of 100% of the nominal share value and a maximum price of 5,000 times that value.

(13.6) Hedge transaction reserves

Net changes in the value of derivatives designated as hedges are reflected in this consolidated balance sheet account.

(13.7) Distribution of Dividends

Parent Company profits for the year ended 31 December 2007 were distributed, as approved by the shareholders at their annual general meeting held on 3 June 2008, as follows:

	Thousands of euros
Dividends	8,908
Voluntary reserves	21,492
Distributable profits attributable to the parent	30,400

The proposed distribution of dividends is equivalent to euros 0.19 per share for all the shares comprising share capital.

Details of the distribution of the Parent Company's 2008 dividends proposed by the directors of the Parent Company, pending approval at the shareholders' general meeting, are as follows:

	Thousands of euros
Dividends	9,554
Other reserves	22,641
Distributable profits	**32,195**

The proposed distribution of dividends is equivalent to euros 0.205 per share.

At 31 December 2008 and 2007 details of non-distributable reserves are as follows:

Thousands of euros	2008	2007
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	57,554	42,053
	63,676	**48,175**

(14) Deferred Income

Movement in deferred income during 2008 and 2007 was as follows:

Thousand of euros	01.01.07	Additions	Taken to income	31.12.07	Additions	Taken to income	31.12.08
Capital grants	2,856	1,075	(491)	3,440	76	(405)	3,111
Grants for emission rights of greenhouse gases	12	112	(21)	103	2,127	(2,230)	-
	2,868	**1,187**	**(512)**	**3,543**	**2,203**	**(2,635)**	**3,111**

Details of capital grants in 2008 and 2007 are as follows:

Thousand of euros Granting entity	2008	2007
Navarre regional government	1,028	1,298
FEOGA	1,330	1,543
Ministry of Science and Technology	663	488
Spanish Autonomous Communities	90	111
	3,111	**3,440**

(15) Current and Non-Current Financial Liabilities

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

Thousands of euros	2008	2007
Non-current		
Borrowings	52,414	39,570
Finance lease liabilities (Note 6)	737	774
Other financial liabilities	5,051	5,259
Total non-current	**58,202**	**45,603**
Current		
Borrowings	83,173	71,374
Finance lease liabilities (Note 6)	114	68
Other financial liabilities	4,142	1,242
Total current	**87,429**	**72,684**

Details of the carrying amount of financial liabilities in foreign currency, their classification by maturity and effective interest rates are shown in Note 18. Loans and other borrowing facilities accrue interest at variable market rates.

At 31 December 2008 the Group has a limit on its borrowing facilities and discount lines of euros 107,096 thousand (euros 78,917 thousand in 2007) of which euros 61,156 thousand has been drawn down at 31 December 2008 (euros 46,726 thousand in 2007).

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

	2008	2007
	I.R.S.	**I.R.S.**
Notional amount (thousands of euros)		2,146
Date of contract		02.05.03
Inception date		06.05.03
Expiry		30.06.08
Interest rate paid by the Company		3%
Interest rate collected by the Company		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 2008 and 2007 is as follows:

Thousands Currency	2008	2007
US Dollar	48,855	37,718
Canadian Dollar	1,170	1,238
Japanese Yen	15,789	40,571
Polish Zloty	1,480	3,138
Pound Sterling	360	-
Euro	4,800	-

The breakdown of fair value measurement of derivative financial instruments contracted by the Group at 31 December 2008 and 2007 is as follows:

Thousands of euros	**2008**	**2007**
	Asset /(Liability)	**Asset /(Liability)**
Exchange rate insurance		
Other current financial assets (Note 8)	601	760
Other current financial liabilities	(1,260)	-
IRS (Interest Rate Swap)	-	18
	(659)	**778(*)**

(*) In 2007 the positive fair value of the derivatives arranged by the Group was included in current financial liabilities.

The value of derivatives recognized against profit and loss and directly against equity in each year is as follows:

Thousands of euross	**2008**		**2007**	
	Profit (loss)	**Equity**	**Profit (loss)**	**Equity**
Exchange rate insurance	(580)	(79)	760	-
IRS (Interest Rate Swap)	18	-	(42)	-
	(562)	**(79)**	**(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.

"Current liabilities - Other financial liabilities" and "Non-current liabilities - Other financial liabilities", besides the fair value of the derivatives, 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.

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

(16) Current and Non-Current Provisions

Details at 31 December 2008 and 2007 are as follows:

Thousands of euros	31.12.08	31.12.07
Non- Current		
Provisions for employee benefits		
Defined benefit	33,526	33,543
Taxes	20	110
Provisions for other litigation	1,520	2,740
Others	327	513
Total non-current	**35,393**	**36,906**
Current		
Restructuring provision	563	1,019
Guarantees / Refunds	740	589
Safety in the workplace provision	1,379	606
Emission rights	1,819	45
Others	68	-
Total current	**4,569**	**2,259**

(16.1) Provisions for defined benefit plans

The Group made contributions to nine defined benefit plans, six in the US and three in Germany through its subsidiaries, Viscofan USA Inc and Naturin Gmbh & Co KG.

The net commitment related to pension plans in the US is as follows:

Thousands of euros	2008	2007
Pension for Hourly Employees (1)	4,595	1,925
Salaried Employees Pension Plan (2)	1,410	256
Pension for Hourly Employees Service Center (3)	269	76
Non qualified pension plans (4)	1,557	1,512
	7,831	**3,769**

(1) Life pension for employees and ex-employees of the Danville plant (of the absorbed company, Teepak USA), has 608 beneficiaries, currently in force.

(2) Life pension with 249 participants likewise from the absorbed company, Teepak USA. This plan was frozen in September 2005. There are no unrecognized costs for past services and the only costs recognized in the income statement relate to finance costs arising from the commitment and from expected income from the plan assets.

(3) Although not officially frozen this plan has not been in force since 2006 given that it applied to Teepak USA's NQC Service Center which was closed that year. There are 165 beneficiaries between retired employees and ex-employees. As with the above plan there are no unrecognized costs for past services.

(4) Three different pension plans are included, with a total of eight beneficiaries who receive a monthly income for life and who are all ex-senior management of the subsidiary. These plans have no assets nor unrecognized costs for past services, hence the only cost recognized in the income statement is the finance cost of the commitment.

Of the three plans in Germany, one consists of life-pension provision to employees upon retirement, another current employees' right to seniority bonuses and the third is the legal obligation established under the German Chemical Industry labor agreement, whereby a company must offer semi-retirement to 5% of its employees on reaching 60 and assume part of the cost of their pension.

The commitment related to each of the above plans is as follows:

Thousands of euros	**2008**	**2007**
Life pension	18,247	19,373
Seniority bonuses	2,429	2,566
Semi-retirement	4,651	4,718
	25,327	**26.657**

The number of beneficiaries of each plan is as follows:

	2008		**2007**	
	Employees	**Retired and ex-employees**	**Employees**	**Retired and ex-employees**
Life pension	645	1,150	669	1,149
Seniority bonuses	645	-	669	-
Semi-retirement	54	-	52	-

The following table summarizes the components of the net benefit expense recognized in the 2008 and 2007 income statements for the pension plans, except those classified as "Non-qualified":

Thousands of euros			
Net benefit expense 2008	**United States**	**Germany**	**Total**
Current service cost	240	529	769
Interest cost	1,873	1,355	3,228
Expected return on plan assets	(2,106)	-	(2,106)
Recognized expense (net income)	**7**	**1,884**	**1,891**

Net benefit expense 2007	**United States**	**Germany**	**Total**
Current service cost	281	609	890
Interest cost	1,919	1,151	3,070
Expected return on plan assets	(2,137)	-	(2,137)
Actuarial gain/(loss)	(1,252)	(1,516)	(2,768)
Recognized expense (net income)	**(1,189)**	**244**	**(945)**

The "non-qualified" plans bore interest costs of 121 thousand euros in 2007 and 113 thousand euros in 2008. There are no costs for current services as all the plans are linked to former employees of the US subsidiary.

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

Thousands of euros			
Benefit asset/(liability) 2008	**United States**	**Germany**	**Total**
Present value of the obligation	(32,637)	(25,327)	(57,964)
Present value of plan assets	26,363	-	26,363
	(6,274)	**(25,327)**	**(31,601)**
"Non-qualified" plans and other	(1,557)	-	(1,557)
Others			(368)
Recognized benefit liability	**(7,831)**	**(25,327)**	**(33,526)**

Benefit asset/(liability) 2007	**United States**	**Germany**	**Total**
Present value of the obligation	(30,527)	(26,657)	(57,184)
Present value of plan assets	28,270	-	28,270
	(2,257)	**(26,657)**	**(28,914)**
"Non-qualified" plans and other	(4,629)	-	(4,629)
Recognized benefit liability	**(6,886)**	**(26,657)**	**(33,543)**

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

Thousand of euros	**United States**	**Germany**	**Total**
Obligation at January 1, 2007	35,492	28,262	63,754
Current service cost	281	609	890
Interest cost	1,919	1,150	3,069
Benefits paid	(2,263)	(1,848)	(4,111)
Actuarial (gains)/losses	(1,253)	(1,516)	(2,769)
Translation differences	(3,649)	-	(3,649)
Obligation at December 31, 2007	**30,527**	**26,657**	**57,184**
Current service cost	240	529	769
Interest cost	1,873	1,355	3,228
Benefits paid	(2,173)	(2,197)	(4,370)
Actuarial (gains)/losses	388	(1,017)	(629)
Translation differences	1,782	-	1,782
Obligation at December 31, 2008	**32,637**	**25,327**	**57,964**

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, 2007	29,603
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**
Actual return on plan assets	(2,267)
Contribution by the Company	1,091
Benefits paid	(2,172)
Translation differences	1,441
Fair value of plan assets at December 31, 2008	**26,363**

The Group expects to contribute 1,455 thousand euros to eligible assets of pension plans in the US in 2009.

The percentage weight of plan assets by category in 2008 and 2007 is similar, as follows:

Equities	33%
Fixed-income investments	67%

The principal actuarial assumptions used are as follows:

United States	**2008**	**2007**
Annual discount rate	6.5%	6.25%
Expected rate of return on assets	7.5%	7.5%
Expected rate of salary increases	2.5%	2.5%
Germany		
Annual discount rate	5.75%	5.25%
Expected rate of salary increases	2%	2%
Expected age of retirement for employees	60-65	60-65

The mortality tables used to quantify the defined benefit obligation was as follows:

Germany:	Richttafeln 2005 G
United States:	RP 2000 Annultant

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 153 thousand euros in 2008 (2007: 167 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.

(16.2) Provisions for other litigation

Movement at 31 December 2008 and 2007 is as follows:

Thousands of euros	2008	2007
Balance at 1 January	2,740	2,687
Translation differences	(352)	194
Allowances	71	-
Applications	(939)	(141)
Balance at 31 December	**1,520**	**2,740**

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 2009. 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 2008.

(16.3) Restructuring provision

The movement in this heading at December 31, 2008 and 2007 is as follows:

Thousands of euros	2008	2007
Balance at 1 January	1,019	1,516
Charge	185	697
Utilized (payments made)	(641)	(1,194)
Balance at 31 December	**563**	**1,019**

In line with Group policy to reduce costs, in 2007 and 2008 decisions were focused on restructuring certain activities to improve efficiency in certain production processes. These decisions led to the elimination of employee positions in certain of the subsidiaries. Of the amount provisioned, 432 thousand euros relate to termination benefits paid in January 2009 to employees of a subsidiary in Germany.

(16.4) Provision for guarantees / refunds

The provision for guarantees mainly corresponds to products sold by the German subsidiary in the years ended 31 December 2008 and 2007. This provision has been estimated based on historical information of the Group.

(16.5) 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 2008.

(16.6) Emission rights provision

Gas emission expenses were 1,819 thousand euros in 2008.

The criterion for estimating these expenses consists of a market price valuation of the Company's emission rights in 2008.

(16.7) Contingent assets and liabilities

At year end there were tax and labor-related legal proceedings underway against the Brazilian subsidiary amounting to three million euros. As stated in Note 16.2, at December 31, 2008 a provision of 1.5 million euros had been set aside. None of the unresolved litigation is for significant amounts. All the litigation cases which have not been recognized as liabilities are cases which the Group's legal advisor in Brazil classifies as an improbable risk or are for amounts which, if settled, cannot be quantified at the present date.

The most significant contingent assets at December 31, 2008 are as follows:

• 3,667 thousand euros are included under "Financial liabilities" as a provision for interest on a third party's claims. The litigation underway in respect of these claims might give rise to no obligation to pay all or part of the claims and, therefore, this would have a positive impact in future years.

• As stated in Note 9, in the Czech Republic there are tax credits which have not been recognized due to uncertainties regarding their recoverability.

• Legal proceedings have been started in the US for claims against a supplier of auxiliary raw materials. If the Group wins the claim it could obtain up to a maximum 1,600 thousand euros from the resolution of this litigation, expected in 2010.

(17) Trade payables, other payables and other current liabilities

Details of trade and other payables are as follows:

Thousands of euros	2008	2007
Trade payables	53,558	44,494
Other current liabilities		
Salaries payable	5,639	8,081
Public entities	9,120	9,223
Other payables	6,951	14,436
	21,710	**31,740**

"Other payables" mainly comprise suppliers of property, plant and equipment.

(18) Risk Management

(18.1) 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 38% and 16% 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	**31.12.08**	**31.12.07**
+5%	6,811	5,010
- 5%	(6,163)	(4,542)

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

Thousands of euros	**US Dollar**		**Czech Crown**		**Brazilian Real**		**Other**	
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**
+5%	3,038	3,373	1,515	1,265	2,745	2,634	3,023	559
- 5%	(2,749)	(3,728)	(1,371)	(1,398)	(2,483)	(2,912)	(2,735)	(618)

Details of the Group's exposure to exchange rate risks at 31 December 2008 and 2007 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.

Thousands of euros	**US Dollar**	**Czech Crown**	**Serbian Dinar**	**Mexican Peso**	**Brazilian Real**	**Others**	**Total**
At 31 December 2008							
Assets							
Non-current financial assets	76	-	20	157	222	5	480
Other financial assets	-	-	-	-	-	-	-
Total non-current assets	**76**	**-**	**20**	**157**	**222**	**5**	**480**
Trade and other receivables	33,489	2,606	1,306	14,208	10,697	4,709	67,015
Other financial assets	482	114	-	21	-	37	654
Cash and cash equivalents	48	2,865	13	3,315	2,728	775	9,744
Total current assets	**34,019**	**5,585**	**1,319**	**17,544**	**13,425**	**5,521**	**77,413**
Total assets	**34,095**	**5,585**	**1,339**	**17,701**	**13,647**	**5,526**	**77,893**

Thousands of euros	US Dollar	Czech Crown	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
Liabilities							
Borrowings	23,404	-	-	-	-	-	23,404
Other financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total non-current liabilities	**23,404**	**-**	**-**	**-**	**-**	**-**	**23,404**
Borrowings	19,067	12,804	-	-	-	4,177	36,048
Trade and other payables	9,521	3,420	944	5,649	4,034	1,983	25,551
Total current liabilities	**28,588**	**16,224**	**944**	**5,649**	**4,034**	**6,160**	**61,599**
Total liabilities	**51,992**	**16,224**	**944**	**5,649**	**4,034**	**6,160**	**85.003**

Thousands of euros	US Dollar	Czech Crown	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	2,527	717	2,776	9,094	6,528	59,880
Other financial assets	873	-	-	-	5,798	12	6,683
Cash and cash equivalents	1,364	276	190	2,315	322	2,602	7,069
Total current assets	**40,475**	**2,803**	**907**	**5,091**	**15,214**	**9,142**	**73,632**
Total assets	**40,910**	**2,803**	**939**	**5,323**	**15,402**	**9,144**	**74,521**
Liabilities							
Borrowings	32,055	-	-	-	-	2,076	34,131
Other liabilities	-	-	-	-	188	-	188
Total non-current liabilities	**32,055**	**-**	**-**	**-**	**188**	**2,076**	**34,319**
Borrowings	10,756	11,467	442	-	-	228	22,893
Trade and other payables	12,293	1,171	829	6,361	3,304	1,489	25,447
Total current liabilities	**23,049**	**12,638**	**1,271**	**6,361**	**3,304**	**1,717**	**48,340**
Total liabilities	**55,104**	**12,638**	**1,271**	**6,361**	**3,492**	**3,793**	**82,659**

(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 borrowing facilities to settle the market positions of its short-term investments. Given the dynamic nature of its underlying business, the Group aims to be flexible with regard to financing through drawdowns on its contracted credit lines.

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

The following ratios show the level of liquidity at December 31, 2008 and 2007.

Thousands of euros	**2008**	**2007**
Current assets	289,682	266,150
Current liabilities	(168,212)	(155,588)
Provision for gas emission rights	1,819	45
Working capital	**123,289**	**110,607**
Current liabilities for emission rights, net of provision	166,393	155,543
% working capital/current liabilities without emission rights provision	**74.1%**	**71.1%**
Cash and cash equivalents	14,014	17,107
Available borrowing facilities	38,982	32,191
Available discount lines	14,275	18,897
Cash and available on credit and discount lines	**67,271**	**68,195**
% cash and cash equivalents+ available on credit and discount lines /Current liabilities without emission rights provision	**40.4%**	**43.8%**

The undiscounted contractual maturity dates of financial liabilities at December 31, 2008 were as follows:

Thousands of euros	Up to 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	Total
Bank borrowings					
Loans	7,071	16,709	45,728	-	69,508
Borrowings (*)	16,997	37,474	6,686	-	61,157
Advances on invoices and discount lines (**)	3,418	-	-	-	3,418
Accrued interest payable	1,505	-	-	-	1,505
Finance leases	14	99	356	381	850
Derivatives	767	494	-	-	1,261
Other financial liabilities	1,338	1,543	4,280	771	7,932
Current provisions	-	2,750	-	-	2,750
Trade and other payables	76,214	-	-	-	76,214
	107,324	**59,069**	**57,050**	**1,152**	**224,595**

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

(**) "Advances on invoices and discount lines" includes all discounted bills which had matured at December 31; however, no policies maturing after that date are included.

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

The Group has no significant assets which earn income other than the financial assets linked to pension plans in the US and their impact on the income statement is determined by the expected future gains thereon (see Note 16.1).

The Company's exposure to interest rate risk is mainly related to loans and borrowing facilities received from financial entities at floating interest rates. At 2008 and 2007 year end, the Group had no external financing at fixed interest rates. Financing at floating interest rates is for the most part linked to Euribor and Libor dollar. The Group is likewise exposed to interest rate changes used to calculate the pension plan obligations in the US and Germany (Note 16.1).

At December 31, 2008 the Group had no interest rate hedges, hence it was exposed to changes in interest rates.

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

Thousands of euros	Pension plan commitments							
	USA		Germany		Euribor		Libor -dollar USA	
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**
+1%	(316)	(330)	(260)	(275)	(838)	(747)	(441)	(467)
- 1%	316	330	260	275	799	721	416	436

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 2008							
Assets							
Trade and other receivables	118,343	-	-	-	-	-	118,343
Other financial assets	612	-	-	-	-	-	612
Total assets	**118,955**	**-**	**-**	**-**	**-**	**-**	**118,955**
Liabilities							
Borrowings							
Debt principal	83,287	19,353	16,562	13,067	3,787	382	136,438
Interest	3,430	1,595	1,014	517	125	11	6,692
Trade and other payables	53,558	-	-	-	-	-	53,558
Other financial liabilities							
Debt principal	4,142	1,367	1,027	947	939	771	9,193
Interest	276	152	111	80	51	23	693
Total Liabilities	**144,693**	**22,467**	**18,714**	**14,611**	**4,902**	**1,187**	**206,574**
At 31 December 2007							
Assets							
Trade and other receivables	104,817	-	-	-	-	-	104,817
Other financial assets	-	-	-	-	-	-	-
Total assets	**104,817**	**-**	**-**	**-**	**-**	**-**	**104,817**
Liabilities							
Borrowings							
Debt principal	71,442	15,902	7,052	4,891	12,499	-	111,786
Interest	4,325	1,815	1,100	783	562	-	8,585
Trade and other payables	44,494	-	-	-	-	-	44,494
Other financial liabilities							
Debt principal	1,242	1,254	1,171	874	949	1,011	6,501
Interest	293	237	180	128	88	45	971
Total Liabilities	**121,796**	**19,208**	**9,503**	**6,676**	**14,098**	**1,056**	**172,337**

(19) Environmental Information

The breakdownof costs and accumulated depreciation of property, plant and equipment in respect of the Group's environmental activities at 31 December 2008 and 2007 are as follows:

Thousands of euros	2008		2007	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Vapour boiler	1,091	(541)	1,091	(432)
Water-cooler circuit	697	(329)	697	(266)
Waste management plant	1,886	(1,218)	1,827	(1,036)
Gas washers	3,057	(2,450)	3,057	(2,153)
Purifier	4,179	(1,699)	1,552	(227)
Others	4,775	(2,546)	3,788	(1,689)
	15,685	**(8,783)**	**12,012**	**(5,803)**

During 2008 and 2007 the Parent Company incurred expenses for protection and improvement of the environment amounting of 876 y 941 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.

(20) Ordinary Income

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

(21) Other Income

Details of other income are as follows:

Thousands of euros	2008	2007
Government grants	1,968	1,198
Surplus provision for fixed assets - not applied (see Note 6)	182	72
Gains on sale of fixed assets	396	138
Other income	4,548	3,244
	7,094	**4,652**

(22) Other Operating Expenses

Details of other expenses are as follows:

Thousands of euros	2008	2007
Research and development costs	849	767
Repairs and maintenance	19,510	20,817
Administrative and selling costs	57,834	46,352
Supplies	70,910	50,975
Losses on sale of fixed assets	461	129
Other expenses	6,872	15,277
	156,436	**134,317**

The Group has no significant operating leases.

(23) Personnel Expenses

Details of personnel expenses during 2008 and 2007 are as follows:

Thousands of euros	2008	2007
Wages and salaries	100,194	101,366
Indemnity payments	846	1,738
Contributions to defined benefit plans (Note 16.1)	769	(1,623)
Provisions for other benefits (Note 16.2)	-	877
Company social security contributions	23,672	25,303
Other welfare benefits and taxes	2,810	2,432
	128,291	**130,093**

Group employees in 2008 and 2007, by professional category and gender, were as follows:

	Headcount at 2008 year end			Average number of employees in 2008
	Men	**Women**	**Total**	
Executives	62	7	69	69
Technicians and middle management	446	125	571	585
Administrative personnel	146	182	328	333
Specialized personnel	552	99	651	652
Unskilled workers	1,601	756	2,357	2,446
	2,807	**1,169**	**3,976**	**4,085**

	Headcount at 2008 year end			Average number of employees in
	Men	Women	Total	2007
Executives	57	8	65	68
Technicians and middle management	414	124	538	507
Administrative personnel	154	177	331	331
Specialized personnel	581	136	717	715
Unskilled workers	1,708	769	2,477	2,499
	2,914	**1,214**	**4,128**	**4,120**

(24) Financial Income and Expense

Details of financial income and expense are as follows:

Thousands of euros	**2008**	**2007**
Financial income		
Other financial income	1,066	1,157
Exchange gains	21,664	9,549
Net profits on adjustment to fair value of derivative financial instruments	-	718
Total financial income	**22,730**	**11,424**
Financial expenses		
Other financial expenses	7,771	7,093
Exchange losses	22,528	9,657
Total financial expenses	**30,299**	**16,750**

(25) Earnings per Share

(25.1) 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	**2008**	**2007**
Profit attributable to ordinary equity holders of the Parent Company	51,403	46,178
Weighted average number of ordinary shares in circulation	46,707,907	47,255,226
Basic earning per share (in euros)	1.1005	0.9772

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

	2008	2007
Weighted average number of ordinary shares in circulation	46,971,981	47,603,804
Effect of treasury shares	(264,074)	(348,578)
Average number of ordinary shares in circulation at 31 December	**46,707,907**	**47,255,226**

(25.2) 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.

(26) 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 519,582 and euros 500,949 for 2008 and 2007, respectively, and another 1.5% of the Parent Company's profit before income tax for the executive board, which amounted to euros 519,582 and euros 500,949 for 2008 and 2007, 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	173,194	66,494	-	10,000	142,600	392,288
Mr. José María Cuevas Salvador	173,194	54,124	-	7,000	-	234,318
Mr. Nestor Basterra Larroudé	173,194	66,494	-	10,000	78,800	328,488
Mr. Iñigo Soláun Garteiz-Goxeascoa	-	66,494	-	10,000	-	76,494
Mr. Agatha Echevarría Canales	-	66,494	12,000	10,000	-	88,494
Mr. José Cruz Pérez Lapazarán	-	66,494	12,000	10,000	-	88,494
Mr.Gregorio Marañón Bertrán de Lis	-	66,494	12,000	10,000	-	88,494
Mr. Alejandro Legardea Zaragüeta	-	66,494	12,000	10,000	-	88,494
	519,582	**519,582**	**48,000**	**77,000**	**221,400**	**1,385,564**

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.

In 2007 and 2008, members of the Board of Directors had not carried out any transactions with the Company or Group companies.

The directors of 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
	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

Key management personnel received compensation amounting to 2,857 thousand euros in 2008 and 2,630 thousand euros in 2007, as shown below: .

Name	Position	Company
Mr. José Antonio Canales	Managing Director	Viscofan Group
Ms. Elena Ciordia	Legal Director	Viscofan Group
Mr. Gabriel Larrea	Commercial Director	Viscofan Group
Mr. César Arraiza	Financial Director	Viscofan Group
Mr. Armando Ares	Director of Investor Relations and Communication	Viscofan Group
Mr. Pedro Eraso	Director of Extrusion	Viscofan Group
Mr. José Vicente Sendin	Director of Converting	Viscofan Group
Mr. José Ignacio Recalde	Research and Development Director	Viscofan Group
Mr. Andrés Díaz	Director of Production	Viscofan Group
Mr. José Antonio Moriones	Technical Advisor to Production Management	Viscofan, S.A.
Mr. Juan José Rota	Director of Human Resources	Viscofan, S.A.
Mr. Manuel Nadal	IT Director	Viscofan, S.A.
Mr. Ricardo Royo	Financial Director	Viscofan, S.A.
Mr. Miroslav Kamis	Managing Director	Gamex Cb S.R.O, Viscofan Cz, S.R.O.
Mr. Juan Carlos García De La Rasilla	Managing Director	Koteks Viscofan, D.O.O.
Mr. Wilfred Schoebel	Director of Production	Naturin Gmbh & Co. Kg
Mr. Bertram Trauth	Managing Director	Naturin Gmbh & Co. Kg
Mr. Alfred Bruinekool	Managing Director	Naturin UK, Ltd
	Commercial Director	Naturin Gmbh & Co. Kg
Mr. Yunny Soto	Managing Director	Viscofan Centroamérica Comercial, S.A.
Mr. Óscar Ponz	Managing Director	Viscofan De México S.R.L. De C.V,
Mr. Luis Bertoli	Managing Director	Viscofan Do Brasil S. Com. E Ind. Ltda.
Mr. Waldemar Szymanski	Managing Director	Viscofan Poland Sp. Z.O.O.
Mr. José Maria Fernández	Managing Director	Viscofan Usa Inc..
Mr. Alejandro Martínez Campo	Managing Director	Industrias Alimentarias de Navarra, S.A.U.

(27) Audit Fees

The auditors of the consolidated Financial Statements of the Group and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services for the years ended 31 December 2008 and 2007 as follows:

Thousands of euros	2008	2007
Principal auditor		
Audit services	118	113
Other services	10	-
	128	113

Audit services detailed in the above table include the total fees for services rendered in 2008 and 2007, irrespective of the date of invoice.

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

Thousands of euros	2008	2007
Audit services	437	371
Other services	98	-
	535	**371**

(28) Subsequent Events

On 28 January 2009, as agreed by the directors at their meeting held on 8 January 2009, a gross interim dividend of euros 0.205 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 2008 profits, which includes treasury shares, is as follows:

		Euros
I. Balance at January 8, 2009		126,334
II. Cash flows from/(used in) operating activities		
- Trade and other receivables	144,215,000	
- Other income	315,000	
- Payments to suppliers and other payables	(86,066,000)	
- Payments to employees	(25,467,238)	
- Interest expense	(1,383,955)	
- Other payments	(1,200,000)	
		30,412,807
III. Cash flows from/(used in) investing activities		
- Dividends received	27,338,915	
- Purchases of property, plant and equipment	(36,527,800)	
		(9,188,885)
IV. Cash flows from/(used in) financing activities		
- Proceeds from non-current borrowings	2,000,000	
- Shareholder remuneration	(23,040,295)	
		(21,040,295)
V. Balance at January 8, 2010		**309,961**

Viscofan, S.A. and Subsidiaries
Consolidated Management Report

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

Consolidated Management Report

Business performance and situation of Viscofan Group companies

2008 has been marked by great volatility in the macroeconomic climate worldwide, with steep increases in raw material and energy costs. These impacts were accompanied by a very weak US dollar against the euro, which in the second half of the year gradually reversed with the slowing of world economic growth.

Against this backdrop Viscofan has consolidated its business growth, as shown by increased revenues in 4Q08, which rose to 144.1 million euros, up 14.7% compared to 4Q07, boosted by the excellent performance of the casings division which was up 18.1% on 4Q07, compared to a slight drop in income from the vegetable division (-0.06% versus 4Q07).

This higher growth enabled the Group to achieve accumulated income of 551.8 million euros at December 2008, 9% more than in 2007, a new record high for the fourth consecutive year. This record achievement is due to both the traditional casings business and electricity sales, which in the second half of the year obtained revenues of 9.8 million euros thanks to the new cogeneration plant.

It is worth highlighting that increased revenues have been consolidated in the context of depreciation of all the currencies in the countries where the Group operates, except for the Czech crown and Polish zloty, against the euro, particularly significant in the case of the US dollar (7.3%) and the pound sterling (16.4%).

Higher production volume together with tremendous raw material price pressure, in both the casings and the vegetable businesses, has led to a significant increase in the consumption of goods for resale[1], which rose 14.4% compared to 2007.

Other operating costs, at 156 million euros, rose 16.3% compared to 2007, due to higher electricity costs (up 37.9% on 2007) resulting from the marked increase in electricity and gas prices together with greater consumption of the latter due to the increased capacity of the cogeneration plant in Spain, as well as from increased transport costs due to fuel price increases and the higher sales volume.

Employee benefits expense was 128.3 million, 1.4% down on 2007. The containment of employee benefits expense is especially significant bearing in mind that the Viscofan Group achieved record production levels in 2008 and that at 2008 year end the Viscofan Group had reduced its total workforce by 152 employees compared to 2007 (3.7% of total workforce) due to enhanced production methods and process automation introduced in the year.

In 2008 accumulated EBITDA[2], at 105.3 million euros, was up 6.9% on 2007, due mainly to the casings business, which saw its year-on-year EBITDA[2] rise 8.6% compared to a drop of 14.9% in the IAN Group.

The EBITDA[2] of 28.7 million euros achieved in 4Q08 was the highest quarterly EBITDA[2] of the year, up 20% on 4Q07, and a major contributor to overall EBITDA growth, consolidating the growth tendency seen in the second half of 2008.

1. Consumption: Change in stock + Supplies

2. 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.

The accumulated EBITDA margin in 2008 was 19.1%, only 0.4 p.p. down on that of 2007. Especially significant was the EBITDA of 4Q08 which at 19.9% was the first quarterly EBITDA in 2008 to surpass the same quarter in 2007 (up 0.9 p.p. on 4Q07).

Timing investments to market growth, together with their adequate monitoring in latter years, has enabled the Group to reduce amortizations by 1.6% compared to 2007 to 37.5 million euros.

The improved EBITDA, together with the reduction in amortizations, is reflected in the accumulated operating profit for the year[3] , which at 67.9 million euros, is a 12.2% increase on that of 2007.

Net finance loss stood at -7.6 million euros, up 42.2% on 2007, contrasting with the decrease seen in accumulated finance costs at September 2008 (-41.0% compared to 9 million in 2007). This is mainly due to exchange losses on exchange risk hedges, principally US dollars, as a result of the US dollar's appreciation in 4Q08.

The Viscofan Group's financial position is solid, with net borrowings of 121.8 million at December 31, 2008, up 27.1 million on 2007 year end and financial gearing[4] of 40.2%.

The increase in borrowings in 2008, despite the Company's sound cash-flow generation, is due mainly to:

- Planned investments (45.3 million euros were invested in 2008) were brought forward to step up capacity in response to faster growth in the casings market,
- Prepayments of tax,
- The increase in current assets due to the repayment of loans with no financial cost in the last quarter of 2008,
- Higher inventory values due to raw material price increases.

The Viscofan Group has consolidated gross debt of 136.4 million euros, of which 83.3 million is short term, mainly borrowing facilities (57.4 million), and 53.2 million is long term.

Accumulated profit before tax for 2008 is 60.3 million, up 9.3% on 2007 as a result of steady income and the containment of operating expenses.

Accumulated tax payable for 2008 was 8.9 million euros, 1.1% less than in 2007, as a result of taking advantage of tax credits and deductions for investments. This represents a tax rate of 14.7%, 1.5 p.p. less than in 2007.

Hence, in a particularly difficult and volatile 2008, Viscofan obtained a record-breaking profit of 51.4 million euros, up 11.3% on 2007.

Forecast for the Group

a) Casings

In 2008 the casings market saw strong growth, led by developing countries, especially in Latin American and Asia.

The global economic crisis, together with a more restrictive risk management policy, will tend to slow down market growth compared to that seen in 2008.

Given this context, the Viscofan Group has defined a strategy with two clear objectives: consolidate its market leadership and increase operating profit.

To achieve this it will implement measures aimed at improving economies of scale, with better alignment of the organization, while maintaining a disciplined commercial policy and improving efficiency and productivity at existing plants, in which it will continue to invest at the same pace to ensure that production capacities can satisfy market demands. In addition, it will introduce a management model which includes centers of excellence by product group.

3. Operating profit: Profit before taxes, before finance income and costs

4. Financial gearing: Net financial liabilities / Equity

Meanwhile, the Group plans to complete the second phase of enlargement of its co-generation facility at the production plant in Cáseda (Spain), by starting up two new engines with a combined capacity of 16.6MW, in addition to the 28.6 MW already in operation. This project is a very efficient method of augmenting Viscofan's energy capacity in Spain and, therefore, will help to reduce the environmental impact of generating electricity.

b) Vegetable products

In an especially adverse climate due to the decline in the Spanish economy and stagnant consumption, the IAN Group will continue with its current strategy, whereby it aims to maintain income levels, boosting sales of products marketed under the “Carretilla” brand, increasing the range of convenience and healthy products, while seeking to rationalize costs.

At the same time, work will continue on fitting out the facilities in China which are part of the joint venture in Lingbao Baolihao Food Industrial Co. Ltd. for the production and sale of preserved white asparagus. This facility is expected to commence activity in 2010.

Principal Group investments and R&D activity

In 2008 the Group invested 48.4 million euros, a considerable increase on the 34.4 million euros invested in 2007.

This increase is basically due to the investment in enlarging the cogeneration plant in Cáseda (Spain), to complete the first phase, which came on line in 2008, and the second phase, which is expected to commence activity at 2009 year end.

To respond to the rapid market growth seen in 2008, the Viscofan Group has made investments aimed at increasing production capacity at its plants as well as technological advances and improved efficiency.

In preserves, investments were mainly made to comply with safety and environmental standards, to develop new ready meals product lines, and to build the asparagus production plant in China.

Viscofan has a proactive policy in terms of R&D activities in respect of both business lines, supported by technology and research centers in various countries:

•In casings the emphasis is on, inter alia, developing new products, or perfecting existing products with the aim of increasing market share in the main groups of meat casings or other areas of strategic interest. Alongside this, activities continue to innovate and improve production processes in order to achieve optimum industrialization and maximize production output by introducing technological advances and developing advanced engineering solutions.

•As for diversification, the support of technology and research centers in various countries has given rise to a new bioengineering application: Collagen as a matrix for growing stem cells “in vitro.”

•In vegetables, the Group continues to push forward with the development of new products, with ready meals the business line with the best prospects from both a growth and added value standpoint.

Acquisition of treasury shares

On October 13, 2008, the public deed for the 168,588.90 euro capital decrease due to the cancellation of 561,963 Viscofan S.A. treasury shares was registered at the Mercantile Register. Share capital after the decrease stood at 14,020,463.70 euros and consisted of 46,734,879 shares. The Company spent over 8 million euros to remunerate shareholders.

Under the authorization granted at the previous General Shareholders' Meeting, the Parent gradually acquired treasury shares in 2008. At December 31, 2008 the Company owned 131,197 shares, with a nominal value of 0.30 euros each, in total equivalent to 0.28% of the Company's voting rights.

Risks and uncertainty

The Viscofan Group produced higher revenues in a period of high volatility and uncertainty and is well placed to take advantage of market increases in its main businesses. However, it must be remembered that due to the nature of its transactions, the Group is exposed to various operational, financial, and economic risks. The Group manages risk according to the policies approved by the Board of Directors.

Among the specific risks worthy of particular note are less favorable exchange rates; increases in production costs, such as energy and raw material prices; or worse market conditions due to the global economic crisis.

Risk management policy

Due to the globalization of sales, the Group carries out numerous transactions in currencies other than those between companies located in the eurozone. It is general Group policy to insure against the exchange rate risk associated with these companies' commercial transactions by arranging exchange rate insurance to cover only the collection period of the sales of group products, not any longer. Normally it is the Group manufacturing company which is exposed to exchange rate risk, as the commercial divisions or customers only work in the currency of their area.

No exchange rate hedges were arranged to cover the Parent's investments in subsidiaries which operate in other currencies or for the profit repatriated from these. The Group has shown that it can compete in very competitive price markets. Therefore, this is not considered to be a factor to be referred to as a risk factor; however, it is a determining factor in the profit from sales.

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

The Group's financial leverage together with the borrowing facilities available to it suggest that the Group will be able to meet its funding requirements on favorable terms.

Transactions with directors or anyone acting on their behalf carried out in the year to which the Financial Statements refer, with the quoted company or any group company, when these transactions are not part of the normal business of the company or are not carried out on an arm's length basis:

In 2008, there were no transactions carried out by the directors with the Company or Group companies which were not part of the normal course of the Company's business or carried out on an arm's length basis.

Subsequent events

The Company's Board of Directors agreed to increase the capital of Koteks Viscofan d.o.o. by 4,000 thousand euros in 2009 in order to repay loans and reduce its exposure to Serbian currency fluctuations, as well as improve the structure of its balance sheet and finance investments to improve the plant. The Company has paid the equivalent of 1,400 thousand euros of this amount in 2008.

It likewise agreed to increase the capital of Viscofan México S.R.L. de C.V. by 6,000 thousand euros in 2009 in order to repay intragroup loans and improve its balance sheet structure given the solid growth in that company's activity. This amount has been paid in full by February 2009.

In January 2009 the Company distributed an interim dividend of 0.205 euros gross per share, representing a payment of 9,554 thousand euros.

Viscofan, S.A.'s board of directors, in the meeting held in February 2009, at the proposal of the Appointment and Remuneration Committee, agreed to appoint Mr. José Domingo Ampuero Osma as an independent board member to replace Mr. José María Cuevas Salvador (deceased). They likewise agreed, after receiving a report from the Appointment and Remuneration Committee, to appoint Ms. Agatha Echevarría Canales and Mr. José Domingo Ampuero Osma as members of the Company's Executive Committee.

Details of the Viscofan Group
31 December 2008
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 (Navarre)
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 Verwaltungs 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, Mr.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)
Lingbao Baolihao Food	-	50,00%	Asparagus production	Lingbao (China)
Stephan & Hoffmann AG	-	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 Mexico Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis de Potosí (Mexico)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu Michoacan (Mexico)
Viscofan Canadá Inc	-	100.00%	Commercial activity	Quebec (Canada)

In 2008, apart from the capital contribution upon the formation of Lingbao Baolihao Food, there were the following changes in the structure of the Viscofan Group:

- The Parent fully subscribed the capital increase carried out by Koteks Viscofan d.o.o. equivalent to 4,000 thousand euros.
- On January 1, 2008, Viscofan USA Inc. absorbed its wholly owned subsidiary, Teepak USA, LLC.
- On January 1, 2008, Viscofan de México, S.R.L. de C.V. absorbed Teepak Holding de México S. de R.L. de C.V. and Viscofan de México Servicios, S.R.L. de C.V. absorbed Teepak de México, S.R.L. de C.V, and Teepak Servicios de México, S.R.L. de C.V. The absorbing companies wholly owned the absorbed companies.

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

Details of the Viscofan Group
31 December 2007
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 (Navarre)
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 Verwaltungs 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, Mr.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 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 Mexico Servicios, S.R.L. de C.V.	99.8%	0.20%	Services rendered	San Luis de Potosí (Mexico)
Teepak Holdings de Mexico, S.R.L. de C.V.	0.01%	99.99%	Holding	Zacapu Michoacan (Mexico)
Teepak Mexico S.R.L. de C.V.	0.01%	99.99%	Manufacture and marketing of artificial casings	Zacapu Michoacan (Mexico)
Teepak Servicios de Mexico, S.R.L. de C.V.	99.99%	0.01%	Services rendered	Zacapu Michoacan (Mexico)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu Michoacan (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)

The variations in the Viscofan Group corporate structure 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 subscribed the entire rights issues 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.

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

Segment reporting
31 December 2008 and 2007
Appendix 2

(Free transaltion 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 and others		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Income and expenses								
Sales and services rendered	458,623	418,065	93,270	88,032	(75)	(73)	551,818	506,024
Material consumed	(111,711)	(95,398)	(57,520)	(52,552)	-	-	(169,231)	(147,950)
Other operating income	6,511	3,805	938	1,083	-	-	7,449	4,888
Other operating expenses	(288,648)	(270,216)	(33,613)	(32,343)	75	73	(322,186)	(302,486)
	64,775	**56,256**	**3,075**	**4,220**	**-**	**-**	**67,850**	**60,476**
Financial loss	(6,680)	(4,107)	(889)	(1,218)	-	-	(7,569)	(5,325)
Income tax expense	(10,840)	(8,469)	1,962	(504)	-	-	(8,878)	(8,973)
Profit for the year	**47,255**	**43,680**	**4,148**	**2,498**	**-**	**-**	**51,403**	**46,178**
Assets and Liabilities								
Total segment assets	509,765	486,025	86,701	79,755	-	-	596,466	565,780
Total segment liabilities	248,183	230,915	45,008	39,058	-	-	293,191	269,973
Other segment information								
Capital expenditure								
- Property, plant and equipment	41,672	30,255	2,478	2,291	-	-	44,150	32,546
- Intangible assets	3,747	1,833	232	37	-	-	3,979	1,870
Depreciation and amortization								
- Property, plant and equipment	(32,136)	(32,579)	(2,907)	(2,786)	-	-	(35,043)	(35,365)
- Intangible assets	(2,304)	(2,555)	(112)	(155)	-	-	(2,416)	(2,710)
Cash Flows								
Cash flows from operating activities	51,477	69,823	2,427	(1,045)	-	-	53,904	68,778
Cash flows from investing activities	(41,307)	(29,558)	(3,075)	(2,096)	-	-	(44,382)	(31,654)
Cash flows from financing activities	(13,552)	(35,367)	937	3,117	-	-	(12,615)	(32,250)

Geographical segments	Europe		North America		South America		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Ordinary income								
from external clients	320,122	289,033	159,164	157,587	72,532	59,404	551,818	506,024
Segment assets	378,109	352,494	153,571	143,221	64,786	70,065	596,466	565,780
Other segment information								
Capital expenditure								
- Property, plant and equipment	30,855	22,763	4,135	7,129	9,160	2,654	44,150	32,546
- Intangible assets	3,500	639	401	1,224	78	7	3,979	1,870
Cash flows								
Cash flows from operating activities	46,619	41,941	1,729	11,342	5,556	15,495	53,904	68,778
Cash flows from investing activities	(33,961)	(22,307)	(2,961)	(7,802)	(7,460)	(1,545)	(44,382)	(31,654)
Cash flows from financing activities	(12,048)	(14,439)	39	(1,736)	(606)	(16,075)	(12,615)	(32,250)

Details and movement in property, plant and equipment
31 December 2008 and 2007
Appendix 3

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

(In thousands of euros)

	01.01.07	Translation differences	Additions	Disposals	Transfers
Revalued cost					
Land and buildings	183,414	1,298	262	(48)	(14,852)
Plant and machinery	399,585	(2,773)	6,739	(5,724)	24,829
Other installations, equipment and furniture	58,756	(30)	2,735	(131)	566
Other property, plant and equipment	20,412	(416)	1,858	(1,592)	203
Advances and assets under construction	8,497	119	20,952	(54)	(10,754)
	670,664	**(1,802)**	**32,546**	**(7,549)**	**(8)**
Restated accumulated depreciation					
Buildings	(62,081)	(158)	(4,256)	2	(124)
Plant and machinery	(259,490)	(779)	(25,419)	4,717	(7,920)
Other installations, equipment and furniture	(44,269)	(470)	(3,847)	82	6,459
Other property, plant and equipment	(18,608)	298	(1,843)	1,588	1,438
	(384,448)	**(1,109)**	**(35,365)**	**6,389**	**(147)**
Provisions	(226)	-	-	72	-
	285,990	**(2,911)**	**(2,819)**	**(1,088)**	**(155)**

31.12.07	Translation differences	Additions	Disposals	Transfers	31.12.08
170,074	(3,780)	1,065	(2,425)	1,926	166,860
422,656	(10,556)	13,209	(4,059)	16,654	437,904
61,896	(159)	2,282	(493)	2,039	65,565
20,465	(172)	437	(2,237)	214	18,707
18,760	(699)	27,157	(21)	(21,134)	24,063
693,851	**(15,366)**	**44,150**	**(9,235)**	**(301)**	**713,099**
(66,617)	1,102	(4,268)	616	-	(69,167)
(288,891)	7,765	(25,810)	2,254	-	(304,682)
(42,045)	108	(4,020)	482	34	(45,441)
(17,127)	113	(945)	2,172	-	(15,787)
(414,680)	**9,088**	**(35,043)**	**5,524**	**34**	**(435,077)**
(154)	-	-	72	-	(82)
279,017	**(6,278)**	**9,107**	**(3,639)**	**(267)**	**277,940**
				(note 7)	

Details and movement in intangible assets
31 December 2008 and 2007
Appendix 4

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

(In thousands of euros)

	01.01.07	**Translation differences**	**Additions**	**Disposals**	**Transfers**
Cost					
Technology and contracts	6,896	(727)	-	-	-
Trademark and customer portfolio	2,672	-	-	-	-
Software	9,796	35	624	(254)	182
Concessions, patents and licences	1,966	-	1,224	-	-
Issue rights	346	-	22	(353)	(11)
Prepayments	-	-	-	-	-
	21,676	**(692)**	**1,870**	**(607)**	**171**
Accumulated amortisation					
Technology and contracts	(973)	157	(788)	-	-
Trademark and customer portfolio	(712)	-	(534)	-	-
Software	(8,280)	(26)	(481)	253	1,024
Concessions, patents and licences	(338)	-	(907)	-	(894)
	(10,303)	**131**	**(2,710)**	**253**	**130**
	11,373	**(561)**	**(840)**	**(354)**	**301**

	31.12.07	Translation differences	Additions	Disposals	Transfers	31.12.08
	6,169	457	196	-	-	6,822
	2,672	-	-	-	-	2,672
	10,383	(93)	747	(8)	301	11,330
	3,190	71	-	-	-	3,261
	4	-	2,127	(307)	-	1,824
	-	-	1,155	-	-	1,155
	22,418	**435**	**4,225**	**(315)**	**301**	**27,064**
	(1,604)	(229)	(614)	-	-	(2,447)
	(1,246)	-	(534)	-	-	(1,780)
	(7,510)	88	(783)	8	(34)	(8,231)
	(2,139)	(6)	(485)	-	-	(2,630)
	(12,499)	**(147)**	**(2,416)**	**8**		**(15,088)**
	9,919	**288**	**1,809**	**(307)**	**267(*)**	**11,976**
					(note 6)	

(*) Transfers recognized under "Intangible assets" were made from "property, plant and equipment".

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)

Ernst & Young, S.L.

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

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of VISCOFAN, S.A.:

We have audited the financial statements of VISCOFAN, S.A., which comprise the balance sheet at December 31, 2008 and the income statement, the statement of changes in equity, the cash flow statement 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 financial statements 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 financial statements, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

The accompanying 2008 financial statements are the first prepared by the directors under the Spanish GAAP enacted by Royal Decree 1514/2007. In this regard, in accordance with section one of Transitional Provision Four of said Royal Decree, these financial statements have been considered as first-time financial statements and, therefore, no comparative figures are included. Note 22 to the financial statements, "Issues relating to the transition to new accounting principles," provides the balance sheet and income statement included in the approved 2007 financial statements, which were prepared in accordance with generally accepted accounting principles and standards in force in Spain at that time. In addition, there is an explanation of the main differences between the accounting criteria applied in 2007 and those currently applicable, as well as the quantification of the impact on equity at January 1, 2008 (the date of transition) caused by the change in accounting criteria. Our opinion refers only to the financial statements for 2008. On March 28, 2008 we issued our audit report on the 2007 financial statements, prepared in conformity with generally accepted accounting principles and standards in force in Spain for that year, in which we expressed an unqualified opinion.

In our opinion, the accompanying 2008 financial statements give a true and fair view, in all material respects, of the equity and financial position of VISCOFAN, S.A. at December 31, 2008 and the results of its operations, changes in equity and cash flow for the year then ended, and contain the required information necessary for their adequate interpretation and understanding, in conformity with the applicable accounting principles and standards generally accepted in Spain.

The accompanying 2008 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the financial statements for the year ended December 31, 2008. 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 Zubeldia

March 31, 2009

Balance sheet
at December 31, 2008

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

Assets	**Notes**	**2008**
NON-CURRENT ASSETS		**299,590**
Intangible assets	**5**	**3,558**
Software		707
Other intangible assets		2,851
Property, plant and equipment	**6**	**52,383**
Land and buildings		11,828
Plant and other PP&E items		34,730
Property, plant and equipment under construction and prepayments		5,825
Investment in group companies and associates	**7**	**241,223**
Equity instruments		241,223
Financial investments	**8**	**90**
Equity instruments		42
Other financial assets		48
Deferred tax assets	**16**	**2,336**
CURRENT ASSETS		**75,422**
Inventories	**9**	**16,294**
Commercial inventories		1,947
Raw materials and other consumables		6,441
Work in progress		4,658
Finished products		3,248
Trade and other receivables	**8**	**55,023**
Trade receivables		24,444
Trade receivables from group companies and associates		28,012
Other receivables		260
Receivable from employees		20
Other receivables from public administrations	16	2,287
Investments in group companies and associates	**8**	**3,755**
Loans to companies		3,572
Other financial assets		183
Investments	**8**	**12**
Other financial assets		12
Accruals		**142**
Cash and cash equivalents	**10**	**196**
Cash		196
TOTAL ASSETS		**375,012**

Equity and Liabilities	Notes	2008
EQUITY		**276,617**
CAPITAL AND RESERVES		**276,826**
Share capital	**11.1**	**14,020**
Issued capital		14,020
Share Premium	**11.2**	**30,165**
Reserves	**11.3**	**202,145**
Legal and statutory reserves		2,935
Other reserves		199,210
Treasury shares and equity investments	**11.7**	**(1,699)**
Profit for the year	**3**	**32,195**
UNREALIZED GAINS (LOSSES) RESERVE	**12**	**(346)**
Hedging instruments		**(346)**
GRANTS, DONATIONS AND LEGACIES	**13**	**137**
NON-CURRENT LIABILITIES		**28,421**
Borrowings	**15**	**25,761**
Payable to credit institutions		21,725
Liabilities from capital leases		32
Other financial liabilities		4,004
Deferred tax liabilities	**16**	**2,660**
CURRENT LIABILITIES		**69,974**
Provisions	**14**	**1,697**
Borrowings	**15**	**33,303**
Bank borrowings		27,591
Finance leases		43
Derivatives		1,261
Other financial liabilities		4,408
Payables to group companies and associates	**15**	**7,512**
Trade and other payables	**15**	**27,462**
Suppliers		4,801
Suppliers, group companies and associates		9,483
Other payables		9,457
Employee benefits payable		146
Current tax liabilities	16	2,070
Other payables to public administrations	16	1,369
Customer advances		136
TOTAL EQUITY AND LIABILITIES		**375,012**

Income statement
for the year ended December 31, 2008

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

	Notes	2008
CONTINUING OPERATIONS		
Revenue	**17.1**	**155,346**
Sale of goods		153,641
Rendering of services		1,705
Changes in inventory of finished goods and work in progress		**409**
Cost of sales		**(65,842)**
Consumption of goods for resale		(39,573)
Consumption of raw materials and other consumables	17.2	(26,013)
Impairment of goods for resale, raw materials and other consumables	9	(256)
Other operating income		**4,228**
Ancillary income		3,166
Grants related to income	13	1,062
Employee benefits expense		**(30,851)**
Wages, salaries, et al		(24,184)
Social security costs, et al	17.3	(6,667)
Other operating expenses		**(44,426)**
External services	17.4	(42,090)
Taxes		(588)
Losses on, impairment of and change in trade provisions	8.1	(51)
Other operating expenses		(1,697)
Depreciation and amortization	**5 & 6**	**(7,795)**
Grants related to non-financial assets and other grants	**13**	**48**
Impairment gains (losses) on disposal of non-current assets		**102**
Impairment gains and losses	5 & 6	172
Gains (losses) on disposals	5 & 6	(70)
OPERATING PROFIT		**11,219**
Finance income	**17.5**	**25,422**
From equity investments		25,329
In group companies and associates		25,329
From marketable securities and other financial instruments		93
Of group companies and associates		67
Of third parties		26
Finance costs	**17.6**	**(2,405)**
Third-party borrowings		(2,405)
Exchange gains (losses)		**(637)**
FINANCE INCOME		**22,380**
PROFIT BEFORE TAX		**33,599**
Income tax	**16**	**(1,404)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**32,195**
DISCONTINUED OPERATIONS		
Profit (Loss) alter tax for the year from discontinued operations		-
PROFIT FOR THE YEAR	**3**	**32,195**

Statement of changes in equity for the year ended December 31, 2008

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

A) Statement of recognized income and expenses for the year ended December 31, 2008

	Notes	2008
PROFIT FOR THE PERIOD		32,195
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		
From measurement of financial instruments		-
Available-for-sale financial assets		-
Other income/expense		-
From cash flow hedges	15.2	(494)
Grants, donations and bequests received	13	2,003
From actuarial gains and losses and other adjustments		-
Tax effect		(453)
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		1,056
AMOUNTS TRANSFERRED TO INCOME STATEMENT		
From measurement of financial instruments		-
Available-for-sale financial assets		-
Other income/expense		-
From cash flow hedges	15.2	(370)
Grants, donations and bequests received	13	(2,130)
Tax effect		751
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		(1,749)
TOTAL RECOGNIZED INCOME AND EXPENSE		31,502

Statement of changes in equity for the year ended December 31, 2008

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

B) Statement of all changes in equity for the year ended December 31, 2008

	Issued capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3)
BALANCE AT DECEMBER 31 2007	**14,189**	**41,844**	**192,808**
Adjustments for conversion to new accounting principles (Note 22.2)	-	-	26,176
ADJUSTED BALANCE AT JANUARY 1, 2008	**14,189**	**41,844**	**218,984**
Total recognized income and expense	-	-	-
Transactions with shareholders and owners			
Capital decreases	(169)	-	(7,931)
Dividends paid	-	(11,679)	(8,908)
Transactions with treasury shares or own equity instruments (net)	-	-	-
Other changes in equity	-	-	-
BALANCE AT DECEMBER 31, 2008	**14,020**	**30,165**	**202,145**

Treasury shares and equity investments (Note 11.7)	Profit for the year (Note 3)	Net unrealized gains (losses) reserve (Note 12)	Grants, donations and bequests received (Note 13)	TOTAL
-	**-**	**-**	**-**	**248,841**
(3,728)	-	259	225	22,932
(3,728)	**-**	**259**	**225**	**271,773**
-	**32,195**	**(605)**	**(88)**	**31,502**
-	-	-	-	(8,100)
-		-	-	(20,587)
2,029	-	-	-	2,029
-	-	-	-	-
(1,699)	**32,195**	**(346)**	**137**	**276,617**

Cash flow statement
for the year ended December 31, 2008

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

	Notes	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		**33,599**
Adjustments to profit		**(13,939)**
Depreciation and amortization	5 & 6	7,795
Impairment losses	5 & 6	(172)
Changes in provisions		411
Grants released to income	13	(1,110)
Finance income	17.5	(25,396)
Finance costs	17.6	2,405
Exchange gains (losses)		(129)
Change in fair value of financial instruments		767
Other income and expenses		1,490
Change in working capital		**(10,887)**
Inventories		(1,702)
Trade and other receivables		(11,988)
Other current assets		(180)
Trade and other payables		3,907
Other current liabilities		(924)
Other cash flows from operating activities		**20,837**
Interest paid		(2,112)
Dividends received		23,686
Interest received		45
Income tax receipts (payments)		(814)
Other payments (receipts)		32
CASH FLOW FROM OPERATING ACTIVITIES		**29,610**

	Notes	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on investments		**(23,404)**
Group and associates		(4,000)
Intangible assets		(1,239)
Property, plant and equipment		(15,165)
Other financial assets		(3,000)
Proceeds from disposals		**750**
Other financial assets		750
CASH FLOWS FROM INVESTING ACTIVITIES		**(22,654)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from and payments on equity instruments		**(6,353)**
Acquisition of own equity instruments		(6,353)
Proceeds from and payments of financial liabilities		**19,536**
Issues		
Bank borrowings		25,000
Other borrowings		1,178
Repayment and redemption of		
Bank borrowings		(3,371)
Other borrowings		(3,271)
Dividends paid and payments on other equity instruments		**(20,587)**
Dividends		(20,587)
CASH FLOWS FROM FINANCING ACTIVITIES		**(7,404)**
NET FOREIGN EXCHANGE DIFFERENCE		-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(448)**
Cash and cash equivalents at January 1		**644**
Cash and cash equivalents at December 31		**196**

Viscofan, S.A.
Notes to the financial statements
for the year ended December 31, 2008

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

1. ACTIVITY

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. On the same date the directors approved the Group's consolidated financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

2.1 True and fair view

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

These financial statements have been prepared by the directors of the parent company and will be submitted for approval by the shareholders in general meeting. It is expected that they will be approved without modification.

The directors have prepared the consolidated annual accounts for 2008 separately under International Financial Reporting Standards adopted by the European Union (IFRS-EU).

2.2 Comparison of information

The 2008 financial statements are the first financial statements to be prepared based on the new Spanish GAAP approved by Royal Decree 1514/2007 of November 16. The Company has opted to measure its assets and liabilities as per the new accounting principles at the transition date.

The Company has taken January 1, 2008 as the transition date and, accordingly, presents no comparative figures in these financial statements.

The main differences between the accounting principles applied in the previous years and those applied this year, as well as the quantification of the impact of this change in principles at January 1 and at December 31, 2007 on equity and on 2007 results, are explained in Note 22 "Issues related to the transition to the new accounting principles." In addition, this note includes the balance sheet and the income statement for the year ended December 31, 2007 approved by the shareholders in General Meeting on June 3, 2008.

2.3 Critical issues concerning the assessment of uncertainty

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

Impairment of investments in group companies

When measuring investments in group companies estimates must be made to determine their fair value to assess if there is any impairment. To determine their fair value the Company's directors estimate expected future cash flows from the ordinary activities of the investees as well as from their disposal.

3. APPROPRIATION OF PROFIT

The appropriation of 2008 profit proposed by the directors, which is expected to be approved by the shareholders in general meeting, is as follows:

(Thousands of euros)	**2008**
Proposed appropriation	
Profit for the year	32,195
	32,195
Appropriation to	
Voluntary reserves	22,641
Dividends	9,554
	32,195

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

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

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

4.1 Intangible assets

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

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

The Company assesses the intangible asset's useful life to be either finite or indefinite. At December 31, 2008 all the Company's assets had a finite useful life.

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

Software

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

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

CO_2 emission rights

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

In 2008 the Company received free emission rights equivalent to 430,315 tonnes for 2008 through 2012, 86,063 tonnes per year, under the National Assignment Plan 2008-2012 approved by Royal Decree 1370/2006. The Company estimates that in 2008 it used all the emission rights it was granted for the first year (Notes 5, 13 and 14).

4.2 Property, plant and equipment

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

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

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

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

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

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

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

4.3 Impairment of non-financial assets

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

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

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized. The Company assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If there is any indication of impairment, the Company estimates the asset's recoverable amount.

4.4 Leases

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

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

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

4.5 Financial assets

Recognition and measurement

Loans and receivables

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

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

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

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

Investments in group companies, joint ventures and associates

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

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. In the case of non-monetary contributions to a Group company for the purpose of a business, however, the investment is measured at the carrying amount of the assets constituting the business. The initial value includes preferential subscription and similar rights.

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

When an investment is classified as an investment in a Group company, joint venture or associate, cost value is deemed to be the asset's recognized carrying amount, whereas previously recognized value adjustments are shown in equity until the investment is either sold or impaired.

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

Available-for-sale financial assets

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

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

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

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

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

Hedging derivatives

This category includes derivatives classified as hedging instruments.

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

Cancelation

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

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

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

Interest and dividends received from financial assets

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

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

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

4.6 Impairment of financial assets

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

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

Debt instruments

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

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

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

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

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

Equity instruments

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in fair value. Accordingly, in all cases, the Company considers that equity instruments are impaired when their value has decreased over 18 months and by 40% of their initial quoted price without having recovered their initial value.

In the case of equity instruments measured at fair value and included in the available-for-sale financial asset portfolio, impairment losses are measured as the difference between acquisition cost and fair value, less any impairment loss previously recognized in the income statement. Underlying capital losses recognized in equity as "Unrealized gains (losses) reserve" are recorded in the income statement when it is determined that the decline in the fair value is due to impairment. If, in a subsequent period, impairment losses are partially or totally recovered, the related amount is recognized in equity as "Unrealized gains (losses) reserve."

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

For investments in group companies, joint ventures and associates, the reversal of an impairment loss is recognized in the income statement and is limited to the carrying value of the investment that would have been recognized on the reversal date had the original impairment not occurred, whereas an impairment loss recognized in previous years from available-for-sale financial assets measured at cost cannot be reversed.

4.7 Financial liabilities

Recognition and measurement

Trade and other payables

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

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

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

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

Hedging derivatives

This category includes derivatives classified as hedging instruments.

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

Cancelation

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

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

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

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

4.8 Hedge accounting

The Company uses fair value hedges for trade receivables denominated in foreign currency.

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

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

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

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

For the purpose of hedge accounting, hedges are classified as "Cash flow hedges" when they hedge exposure to cash flow variations that are attributable to changes in the cash flows due to fluctuations in the exchange rates of purchases and sales carried out in foreign currencies. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; gains or losses are taken to the income statement in the year or years in which the hedged item affects profit or loss.

4.9 Treasury shares

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

4.10 Inventories

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

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

The Company measures inventory at weighted average cost.

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

4.11 Cash and cash equivalents

This heading includes cash and current accounts.

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

4.12 Grants

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

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

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

4.13 Provisions

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

Provisions are measured at the present value of the best estimate of the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, recognizing provision discount adjustments as a finance cost as they accrue.

No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for CO_2 emission rights

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

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

4.14 Provisions for long-term employee benefits

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

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

4.15 Income tax

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

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

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

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

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

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

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

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

4.16 Classification of current and non-current assets and liabilities

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

4.17 Income and expenses

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

Trade receivables

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

4.18 Transactions in foreign currency

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

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

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

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

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

4.19 Environmental assets and liabilities

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

5. INTANGIBLE ASSETS

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
Cost					
Patents	36	-	-	-	36
Software	5,391	152	-	-	5,543
Greenhouse gas emission rights	105	1,697	(105)	-	1,697
Payments on account for non-current intangible assets	67	1,087	-	-	1,154
	5,599	2,936	(105)	-	8,430
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Software	(4,520)	(316)	-	-	(4,836)
	(4,556)	(316)	-	-	(4,872)
Impairment losses	(101)	-	101	-	-
Net carrying amount	**942**				**3,558**

5.1 Significant movements

At 31 December 2008 intangible assets include fully amortized items with a cost of 4,391 thousand euros

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

5.2 Other information

The Company has no intangible assets located outside Spain, nor has it made any acquisitions from group companies at December 31, 2008.

At December 31, 2008 there are firm purchase commitments for software of 372 thousand euros, which will be financed using the Company's capital and undrawn credit facilities. These commitments, together with the investments in progress, are due to the implementation of new software in the Company, mostly in the area of production.

6. PROPERTY, PLANT AND EQUIPMENT

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
Cost					
Land	206	-	-	-	206
Buildings	19,772	567	-	1,265	21,604
Plant and other PP&E items	173,421	7,568	(2,228)	7,626	186,387
Property, plant, and equipment under construction and payments on account	8,967	5,749	-	(8,891)	5,825
	202,366	13,884	(2,228)	-	214,022
Accumulated depreciation					
Buildings	(9,259)	(681)	-	-	(9,940)
Plant and other PP&E items	(146,843)	(6,798)	2,022	-	(151,619)
	(156,102)	(7,479)	2,022		(161,559)
Impairment losses					
Buildings	(44)	-	2	-	(42)
Plant and other PP&E items	(107)	-	69	-	(38)
	(151)	-	71	-	(80)
Net carrying amount	**46,113**				**52,383**

6.1 Significant movements

In 2008 the main investments were related to the first phase of the enlargement of the cogeneration plant. This investment amounted to 11.6 million euros, of which 6.6 million euros were under construction or had been prepaid in 2007. It is hoped that three objectives will be achieved through this investment: reduce energy costs, be self-sufficient and reduce CO_2 emissions into the atmosphere. The remaining additions relate to the acquisition of plant and machinery to increase productivity and the production capacity at the Company's manufacturing plants.

The Company constantly seeks to increase efficiency and productivity and, consequently, has in progress or has prepaid investments for future acquisitions. The main investment in progress relates to prepayments made for the second phase of the cogeneration plant at Cáseda (Spain) which amounts to approximately 3.2 million euros. The rest of the items in progress relate basically to machinery and facilities aimed at greater efficiency; however, the fitting out of the new offices where it is expected the Company will relocate in the first half of 2009 is also included, at 0.7 million euros.

In 2008 property, plant and equipment carried at 206 thousand euros was sold, generating gains of this amount. The machinery was sold to the group company, Gamex CB S.r.o.

All transfers in 2008 are due to the inclusion of assets which were under construction.

The Company took advantage of the tax provisions included in Regional Law 23/1996 regarding the remeasurement of assets and that year increased the cost and cumulative depreciation of its property, plant and equipment, which gave rise to net unrealized gains of 9,282 thousand euros (Note 11.4). The carrying amount of these remeasured assets at December 31, 2008 was 770 thousand euros and the depreciation charge for the year was 81 thousand euros.

6.2 Finance leases

The net carrying amount of property, plant and equipment held under finance leases at December 31, 2008 is as follows:

(Thousands of euros)	2008
Plant	
Cost	148
Accumulated depreciation	(53)
	95

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

The reconciliation between the total future minimum lease payments and the present value at December 31, 2008 is as follows:

(Thousands of euros)	Future minimum payments	Present value (Note 15.1)
Within one year	47	43
Between one and four years	37	32
	84	**75**

The principal terms of finance lease agreements are as follows:

- The lease is for a term between 2 and 4 years.
- The interest rate is floating and is linked to 12-month Euribor plus a fixed spread of between 0.6 and 1.1 percentage points.
- Repair and maintenance expenses are assumed by the lessor.
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

6.3 Operating leases

The Company rents the building in Urdiain (Navarra) where it carries out its activity and a commercial office in Moscow at an annual cost of 46 thousand euros in both cases. The Company rents the Urdiain building under a lease agreement which is tacitly renewed each year. The agreement signed in respect of the commercial office is likewise for one year, renewable annually. Neither includes a purchase option.

In addition, the Company plans to move its central offices in Pamplona to a new rented building for which it signed a lease agreement in December 2008 valid until December 31, 2028. Thereafter, the lease will be automatically renewed if both parties are in agreement.

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

(Thousands of euros)	2008
Within one year	261
Between one and five years	1,044
More than five years	3,915
	5,220

6.4 Other information

The Company has acquired the following property, plant and equipment from group companies at December 31, 2008:

(Thousands of euros)	2008
Plant and machinery	
Cost	2,282
Accumulated depreciation	(1,958)
Other property, plant and equipment	
Cost	34
Accumulated depreciation	(33)
	325

No property, plant and equipment items were located outside Spain at December 31, 2008.

At December 31, 2008 the Company had firm purchase commitments for property, plant and equipment totaling 8,798 thousand euros from investments under construction or prepayments made (Note 6.1) which will be financed with Company capital or undrawn credit facilities.

The breakdown of fully depreciated property, plant and equipment at December 31, 2008 is as follows:

(Thousands of euros)	2008
Buildings	1,696
Plant and machinery	100,486
Plant and other PP&E items	13,851
Other property, plant and equipment	4,825
	120,858

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

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

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

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

(Thousands of euros)	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
Equity instruments	242,679	4,000	-	-	246,679
Impairment losses	(5,456)	-	-	-	(5,456)
	237,223	**4,000**	**-**	**-**	**241,223**

In 2008 the Company fully subscribed the 4,000 thousand euro capital increase carried out by Koteks Viscofan, d.o.o..

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

The information relating to group companies, joint ventures and associates at December 31, 2008 is as follows:

	Thousands of euros				Local currency (thousands)				
	Net carrying amount	Dividends distributed in 2008	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
Industrias Alimentarias de Navarra, S.A.	15,602	-	100%	EUR	10,938	28,400	2,285	41,623	2,883
Naturin GMBH & Co	89,436	9,846	100%	EUR	29,604	22,790	8,651	61,045	13,241
Naturin Inc. Delaware (*)	1,763	-	100%	USD	10	983	(19)	974	(19)
Naturin Verwaltung, GMBH	21	-	100%	EUR	26	(2)	1	25	-
Viscofan do Brasil, soc. com. E ind. Ltda	53,138	12,754	100%	BRL	86,868	34,222	50,101	171,191	65,609
Viscofan Poland Sp.z.o.o.	447	-	100%	PLN	2,000	176	422	2,598	560
Gamex CB Sro	7,498	2,729	100%	CZK	250,000	20,361	49,763	320,124	43,379
Viscofan USA Inc.	34,729	-	100%	USD	35,587	19,085	5,163	59,835	10,851
Naturin LTD	1,841	-	100%	GBP	10	1,610	48	1,668	72
Viscofan CZ, S.r.o	10,503	-	100%	CZK	345,200	115,298	167,035	627,533	133,959
Viscofan de México S.R.L. de C.V.	7,741	-	99.99%	MXP	107,000	23,017	10,221	140,238	63,259
Viscofan Centroamérica Comercial, S.A.	166	-	99.50%	USD	200	116	143	459	243
Koteks Viscofan, d.o.o.	18,322	-	100%	CSD	1,567,738	(639,783)	(239,533)	688,421	(98,340)
Viscofan de México Servicios, S.R.L. de C.V.	16	-	99.99%	MXP	103	6,018	435	6,556	2,235
	241,223	**25,329**							

(*) The acquisition cost of the investment was 7,219 thousand euros and the related impairment provision amounted to 5,456 thousand euros.

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

The description of the main activity and registered address of each of the companies listed above at December 31, 2008 is as follows:

Company	Activity	Registered office
IIndustrias Alimentarias de Navarra, S.A.	Manufacture and sale of preserved vegetables	Villafranca (Navarre)
Naturin GMBH & Co	Manufacture and sale of artificial casings	Weinheim (Germany)
Naturin Inc. Delaware	Finance company	Dover (USA)
Naturin Verwaltung, GMBH	Finance company	Weinheim (Germany)
Viscofan do Brasil, soc.com. e ind. Ltda	Manufacture and sale of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o.	Commercial office	Krakow (Poland)
Gamex CB Sro	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan USA Inc	Manufacture and sale of artificial casings	Montgomery (USA)
Naturin LTD	Commercial office	Sevenoaks (United Kingdom)
Viscofan CZ, S.r.o	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	Manufacture and sale of artificial casings	San Luis de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	Commercial office	San José (Costa Rica)
Koteks Viscofan, d.o.o.	Manufacture and sale of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	Service company	Zacapu Michoacán (Mexico)

As stated in Notes 2 and 4.5, the Company has assessed impairment of subsidiaries where there are objective indications of impairment.

- Koteks Viscofan, d.o.o: This company made a loss of 2,941 thousand euros in 2008, which together with prior years' losses and the devaluation of the Serbian currency have led to the value of the company's assets being considerably lower than the cost of the investment. The Company has assessed the possibility that the carrying amount of the investment may not be recoverable. For this reason, the Company has calculated the present value of the future cash flows from the investment which Koteks Viscofan, d.o.o. is expected to generate. As a result of this assessment it was determined that the amount of the investment will be recoverable in the future, and no provision has been made for the value of the investment.
- Naturin Inc. Delaware: This company's main assets are its investments in Stephan & Hoffmann AG, which has land and a warehouse in Germany as its main assets. The recoverable amount of this investment has been estimated on the basis of the fair value of said land and warehouse.

Information on indirect investments in group companies and associates at December 31, 2008 is as follows:

Company	Indirect investment	Activity	Registered office
IAN Perú, S.A.	100%	Asparagus production	Cañete (Peru)
Lingbao Baolihao Food	50%	Asparagus production	Lingbao (China)
Stephan & Hoffmann AG	100%	Holding company	Weinheim (Germany)
Viscofan de México S.R.L. de C.V.	0.01%	Manufacture and sale of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	0.50%	Commercial office	San José (Costa Rica)
Viscofan de México Servicios, S.R.L. de C.V.	0.01%	Service company	San Luís de Potosí (Mexico)
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial office	St. Laurent, Quebec (Canada)

8. FINANCIAL ASSETS

The breakdown of financial assets, except for the investments in group companies, joint ventures and associates (Note 7), at December 31, 2008 is as follows:

(Thousands of euros)	Equity instruments	Loans, derivatives and other financial assets	Total
Non-current financial assets			
Loans and receivables	-	48	48
Available-for-sale financial assets			
Measured at cost	42	-	42
	42	**48**	**90**
Current financial assets			
Loans and receivables	-	58,790	58,790
	-	58,790	58,790
	42	**58,838**	**58,880**

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Equity instruments	Loans, derivatives and other financial assets	Total
Non-current financial assets			
Investments	42	48	90
	42	**48**	**90**
Current financial assets			
Trade and other receivables	-	55,023	55,023
Investments in group companies and associates			
Loans to companies	-	3,572	3,572
Loans and receivables	-	183	183
Investments	-	12	12
	-	**58,790**	**58,790**
	42	**58,838**	**58,880**

8.1 Loans and receivables

The breakdown of financial assets included in this category at December 31, 2008 is as follows:

(Thousands of euros)	2008
Non-current financial assets	
Deposits given and prepayments	48
	48
Current financial assets	
Trade and other receivables	55,023
Loans to group companies (Note 19.1)	3,500
Short-term interest on loans granted to group companies (Note 19.1)	72
Dividends receivable from group companies	183
Deposits given and other receivables	12
	58,790

Trade and other receivables

The breakdown of "Trade and other receivables" at December 31, 2008 is as follows:

(Thousands of euros)	2008
Trade receivables	24,444
Receivable from group companies and associate (Note 19.1)	28,012
Other receivables	260
Receivables from employees	20
Other receivables from public administrations (Note 16)	2,287
	55,023

The breakdown of "Trade and other receivables" denominated in foreign currency at December 31, 2008 is as follows:

(Thousands of euros)	2008
US Dollar	24,510
Canadian Dollar	1,206
Australian Dollar	123
Japanese Yen	176
Norwegian Crown	62
Pounds Sterling	951
Polish Zloty	846
	27,874

Impairment losses

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

(Thousands of euros)	2008
Balance at January 1	-
Allowance for the year	51
Transfer to irrecoverable debts	(41)
Balance at December 31	**10**

Loans to Group companies

The amount under "Loans to group companies" relates to a loan granted to Koteks Viscofan, d.o.o. which matures on December 31, 2009. The loan earns interest equivalent to 90-day Euribor plus 0.5 percentage points.

9. INVENTORIES

The movements in "Impairment losses" are as follows:

(Thousands of euros)	Goods for resale, raw material and other consumables	Work in progress and finished products	Total
Balance at January 1	106	679	785
Impairment losses	256	66	322
Recoveries in value	-	-	-
Balance at December 31	**362**	**745**	**1,107**

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

At December 31, 2008 there were no firm purchase commitments for raw materials or for the sale of finished goods other than those related to purchase and sales orders from the Company's normal business activity.

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

10. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" at December 31, 2008 is as follows:

(Thousands of euros)	2008
Cash	97
Current accounts	99
	196

Current accounts were at market interest rates.

Cash and cash equivalents are unrestricted.

11. EQUITY - CAPITAL AND RESERVES

11.1 Issued capital

At January 1, 2008, the Company's share capital consisted of 47,296,842 shares with a par value of 0.30 euros each. The shares were fully subscribed and paid in.

At the general meeting held on June 03, 2008, the shareholders authorized a 168,588.90 euro capital decrease through the buyback and cancellation of 561,963 treasury shares held by the Company.

Consequently, at December 31. 2008, share capital consisted of 46,734,879 shares with a par value of 0.30 euros each. All the shares are of the same class and bear the same voting and economic rights, except treasury shares.

At December 31, 2008 the Company had no shareholders whose ownership interest was more than 10%.

The percentage of treasury 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.

11.2 Share premium

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

(Thousands of euros)	
Balance at January 1	41,844
Partial repayment of share premium	(11,679)
Balance at December 31	**30,165**

On June 03, 2008 the shareholders at their general meeting agreed to partial repayment of share premium of 0.25 euros per share, which was paid to shareholders on June 25, 2008.

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

11.3 Reserves

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

(Thousands of euros)	Balance at January 1	Capital decrease	Other changes(*)	Transfers	Balance at December 31
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional					
Law 23/1996	8,988	-	-	(26)	8,962
Merger reserves	119	-	-	-	119
Voluntary reserves	150,366	(7,931)	47,668	26	190,129
	162,408	**(7,931)**	**47,668**	**-**	**202,145**

(*) Under "Other changes" 26,176 thousand euros are included from the impact of the application of Spanish GAAP 2007 (Note 22.2) and 21,492 thousand euros relat to the distribution of profit from 2007.

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

At December 31, 2008 this reserve is higher than the legally stipulated minimum.

11.4 Revaluation reserve Navarra Regional Law 23/1996

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

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

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

11.5 Merger reserves

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.

11.6 Voluntary reserves

These reserves are freely distributable to shareholders at December 31, 2008.

11.7 Treasury shares

At 31 December 2008 the Company holds 131,197 treasury shares. Details of movement in treasury shares during 2008 is as follows:

	Number of shares	(Thousands of euros)
Balance at December 31, 2007	236,385	3,728
Acquisition	456,775	6,071
Cancellation	(561,963)	(8,100)
Balance at December 31, 2008	**131,197**	**1,699**

12. EQUITY - NET UNREALIZED GAINS (LOSSES) RESERVE

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

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
Hedging derivatives (Note 15.2)	259	(494)	148	(370)	111	(346)
	259	**(494)**	**148**	**(370)**	**111**	**(346)**

13. EQUITY - GRANTS RECEIVED

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

(Thousands of euros)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Balance at December 31
Non-repayable grants	154	24	(7)	(48)	14	137
Grants for greenhouse gas emission rights	71	1,979	(594)	(2,082)	626	-
	225	**2,003**	**(601)**	**(2,130)**	**640**	**137**

"Grants for greenhouse gas emissions" includes the amount of those rights which the Company has not yet consumed (Notes 5 and 14). At December 31, 2008 the Company had received no rights which had not been consumed and had recognized 2,082 thousand euros for this effect under "Other operating income - Ancillary income" on the income statement.

In addition, throughout 2008 the Company received 1,062 euros in operating grants from the Navarre Regional Government. These grants mainly finance the employee benefits expenses of those involved in the research and development of each of the projects in 2008.

14. PROVISIONS AND CONTINGENCIES

The breakdown of "Provisions" at December 31, 2008 is as follows:

(Thousands of euros)	Non-current	Current	Total
Provision for greenhouse gas emission rights	-	1,697	1,697
	-	**1,697**	**1,697**

The movements in these items are as follows:

(Thousands of euros)	Balance at January 1	Allowances	Utilized and payments	Balance at December 31
Provision for greenhouse gas emission rights	2	1,697	(2)	1,697
	2	**1,697**	**(2)**	**1,697**

15. FINANCIAL LIABILITIES

The breakdown of "Financial liabilities" at December 31, 2008 is as follows:

(Thousands of euros)	Bank borrowings	Derivatives and other financial liabilities	Total
Non-current financial liabilities			
Trade and other payables	21,757	4,004	25,761
	21,757	4,004	25,761
Current financial liabilities			
Trade and other payables	27,634	39,382	67,016
Hedging derivatives	-	1,261	1,261
	27,634	40,643	68,277
	49,391	**44,647**	**94,038**

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Bank borrowings	Derivatives and other financial liabilities	Total
Non-current financial liabilities			
Borrowings	21,757	4,004	25,761
	21,757	4,004	25,761
Current financial liabilities			
Borrowings	27,634	5,669	33,303
Borrowings from group companies and associates	-	7,512	7,512
Trade and other payables	-	27,462	27,462
	27,634	40,643	68,277
	49,391	**44,647**	**94,038**

15.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31, 2008 was the following:

(Thousands of euros)	2008
Non-current	
Loans and borrowings	21,725
Obligations under finance leases (Note 6.2)	32
	21,757
Current	
Loans and borrowings	27,527
Obligations under finance leases (Note 6.2)	43
Accrued interest payable	64
	27,634
	49,391

Loans and borrowings

The breakdown of "Loans and borrowings" at December 31, 2008 is as follows:

(Thousands of euros)	Amount pending payment	Accrued finance cost (Note 17.6)
Loans	26,600	778
Borrowings	22,652	1,310
	49,252	**2,088**

The loans and borrowings accrue floating interest at market rates.

The Company has been granted credit facilities up to a total limit of 36,813 thousand euros.

The breakdown by maturities of loans and borrowings at December 31,2008 is as follows:

(Thousands of euros)	2008
2010	6,750
2011	5,950
2012	5,950
2013	3,075
	21,725

At December 31, 2008, the Company has undrawn discount facilities amounting to 6,262 thousand euros.

15.2 Derivatives and other financial liabilities

The breakdown of "Financial liabilities" thus classified at December 31, 2008 is as follows:

(Thousands of euros)	2008
Non-current	
Loans at a subsidized interest rate	4,004
	4,004
Current	
Borrowings from group companies and associates (Note 19.1)	7,512
Trade and other payables	27,462
Loans at a subsidized interest rate	1,293
Payable to shareholders and directors (Note 19.2)	1,039
Payable to suppliers of non-current assets	2,030
Security deposits received and other financial liabilities	25
Other borrowings	21
Hedging derivatives	1,261
	40,643

Loans at a subsidized interest rate

At December 31, 2008 the Company has obtained loans at a subsidized interest rate from entities reporting to the Navarre Regional Government, the CDTI (Industrial Technological Development Centre) and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the related implicit interest accrued by these as a result of discounting the cash flows on the basis of market interest rates at the date obtained.

(Thousand of euros)	Nominal value	Fair value
Non-current		
Loans at a subsidized interest rate	4,671	4,004
Current		
Loans at a subsidized interest rate	1,326	1,293
	5,997	**5,297**

The total amount recognized under finance costs in 2008 related to these loans is 311 thousand euros (Note 17.6).

The breakdown by maturity of the non-current loans with a subsidized interest rate at December 31, 2008 is as follows:

(Thousands of euros)	2008
2010	1,172
2011	825
2012	727
2013	695
2014 and beyond	585
	4,004

Payable to suppliers of non-current assets

"Suppliers of non-current assets" basically includes suppliers who are working on the second phase of the cogeneration plant at the Company's plant in Cáseda and others involved in the remodeling of the new offices.

Hedging derivatives

The breakdown of "Hedging derivatives" at December 31, 2008 is as follows:

(Thousands of euros)	Notional value	Fair value
Exchange rate hedges for cash flows from foreign currency transactions	57,523	(1,261)
		(1,261)

In 2008 the Company transferred a positive 370 thousand euros from equity to the income statement for the effect of the exchange rate hedge. These amounts were recognized under exchange gains (losses), as well as the amounts hedged.

The fair value of the foreign exchange hedges at December 31, 2008 was 1,261 thousand euros (liability), of which 767 thousand euros were recognized as an increased exchange loss on the income statement, as they were associated to accounts receivable in foreign currency, the balance of which had been restated at the exchange rate prevailing at year end on the income statement. The remaining 494 thousand euros which are included under equity, net of the tax effect, relate to exchange rate hedges which will be sold in 2009, therefore, there are no related accounts receivable

Trade and other payables

The breakdown of "Trade and other payables" at December 31, 2008 is as follows:

(Thousands of euros)	**2008**
Suppliers	4,801
Suppliers, group companies and associates (Note 19.1)	9,483
Other payables	9,457
Employee benefits payable	146
Current deferred tax liabilities (Note 16)	2,070
Other payables to public administrations (Note 16)	1,369
Customer advances	136
	27,462

16. TAXES

The breakdown of balances relating to income tax assets and liabilities at December 31, 2008 is as follows:

(Thousands of euros)	**2008**
Deferred tax assets	
Temporary differences	234
Unused tax credits and rebates	2,102
Other payables to public administrations	
VAT	1,348
Grants received (Note 13)	935
Withholdings and payments on account	4
	4,623
Deferred tax liabilities	(2,660)
Current income tax liabilities (Note 15.2)	(2,070)
Other payables to public administrations (Note 15.2)	
Personal income tax withholdings	(780)
Social security	(589)
	(6,099)

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

16.1 Income tax

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

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	**Increase**	**Decrease**	**Total**	**Increase**	**Decrease**	**Total**
Income and expenses for the year						
Continuing operations			32,195			(694)
Discontinuing operations			-			-
			32,195			**(694)**
Income tax						
Continuing operations			1,404			(297)
Discontinuing operations			-			-
			1,404			**(297)**
Income and expenses for the year before tax			**33,599**			**(991)**
Permanent differences	168	-	168	-	-	-
Temporary differences						
Arising in 2008	370	(4,283)	(3,913)	2,624	(2,003)	621
Arising in prior years	4,951	-	4,951	370	-	370
Tax result			**34,805**			**-**

Increases from permanent differences are due to nondeductible expenses relating to fines and penalties.

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

(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**
Income and expenses for the year before tax	33,599	(991)
Tax charge (tax rate: 30%)	10,080	(297)
Deduction for double taxation on dividends	(7,456)	-
Deductions for research and development	(1,229)	-
Investment tax credits	(1,964)	-
Non-deductible expenses	50	-
Tax expense (income)	**(519)**	**(297)**
Expense for Naturin Gmbh & Co(*)	1,923	
Tax expense (income)	**1,404**	

(*) In accordance with German legislation, the Company pays part of the income tax of its German subsidiary Naturin Gmbh & Co.

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

(Thousands of euros)	Income statement	Recognized directly in equity
Current income tax	-	-
Changes in deferred taxes		
From cash flow hedges	-	(259)
Grants, donations and bequests received	-	(38)
Other temporary differences	(311)	-
Deductions generated in 2008	(3,193)	-
Deductions applied in 2008	2,985	-
	(519)	**(297)**

Refundable income tax was calculated as follows:

(Thousands of euros)	2008
Current income tax	-
Withholdings	(4)
Total income tax refund	**(4)**

16.2 Deferred tax assets and liabilities

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

		Change in		
(Thousands of euros)	**Balance at January 1**	**Income statement**	**Equity**	**Balance at December 31**
Deferred tax assets				
Trade receivables	124	56	-	180
Inventories	-	54	-	54
Deductions pending application	1,894	208	-	2,102
	2,018	**318**	**-**	**2,336**
Deferred tax liabilities				
Non-current investments in group companies	(2,709)	201	-	(2,508)
Cash flow hedges	(111)	-	259	148
Non-repayable grants	(97)	-	38	(59)
Other financial liabilities	(241)	-	-	(241)
	(3,158)	**201**	**297**	**(2,660)**
	(1,140)	**519**	**297**	**(324)**

The Company has unused deductions of 2,102 thousand euros, recognized under "Deferred tax assets", the breakdown of which is as follows:

(Thousands of euros)		
Arising in	**Last year for utilization**	**Deductions**
2008	2018	2,102
		2,102

17. INCOME AND EXPENSES

17.1 Revenue

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

(Thousands of euros)	2008
By business segment	
Sale of meat, cellulose, plastic and collagen casings	133,929
Sale of replacement parts and machinery	6,415
Sale of energy	13,189
Other sales	108
Services provided	1,705
	155,346
By market segments	
National market	22,285
Foreign market	133,061
	155,346

Given that 45% of exports were to group companies, the sales to third parties were not significant enough to warrant a breakdown by geographical area.

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	2008
Consumption of raw materials and other consumables	
Purchases in Spain	12,093
EU acquisitions	11,022
Imports	3,323
Changes in raw material and other consumables	(425)
	26,013

The breakdown of “Consumption of goods” is as follows:

(Thousands of euros)	2008
Purchases of goods for resale	
Purchases in Spain	7,387
EU acquisitions	31,485
Imports	1,502
Change in goods for resale	(801)
	39,573

17.3 Social security costs, et al

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

(Thousands of euros)	2008
Social security	5,935
Other employee welfare expenses	732
	6,667

17.4 External services

The breakdown of “External services” is as follows:

(Thousands of euros)	2008
Research expenses	440
Lease payments	480
Repairs and maintenance	8,487
Independent professional services	3,521
Transportation services	3,184
Insurance premiums	748
Bank services	132
Publicity, advertising and public relations	339
Utilities	19,937
Other services	4,822
	42,090

18. FOREIGN CURRENCY

The Company makes sales in currencies other than its functional currency. The breakdown of transactions carried out in currencies other than the euro during the year ended December 31, 2008 is as follows:

(Thousands of euros)	2008
Revenue	
Sales	72,173
Goods for consumption	
Purchases of raw materials and other consumables	(8,308)
Purchases of goods for resale	(946)
Other operating income	
Ancillary income	733
Employee benefits expense	
Wages and salaries	(73)
Social security costs, et al.	(7)
Other operating expenses	
External services	(2,294)
Taxes (other than income tax)	(476)

19. RELATED PARTY DISCLOSURES

The related parties with which the Company performed transactions in 2008 and the nature of the relationship are as follows:

	Nature of the relationship
Viscofan group companies	Group companies
Directors	Board members
Senior executives	Executive

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

19.1 Related entities

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
Customers (Note 8.1)	26,580	1,432
Current loans (Note 8.1)	3,572	-
Current dividends receivable	183	-
Suppliers (Note 15.2)	9,483	1
Current accounts payable (Note 15.2)	7,512	-

Transactions entered into with related parties were as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
Revenue		
Sale of casings	46,285	5,489
Sale of replacement parts and machinery	6,278	125
Services provided	1,674	31
Goods for consumption		
Purchases of casings and other	36,472	-
Sale of replacement parts - machinery	5	1
Other income		
Other operating income	1,071	-
Employee benefits expense		
Other employee benefits expense	8	-
Other operating expenses		
External services	755	2
Net finance income (expense)		
Finance income - dividends (Note 17.5)	25,329	-
Finance income - interest (Note 17.5)	67	

19.2 Directors and senior executives

As set out in articles 27 and 30 of the Company's bylaws, members of the board of directors receive remuneration equivalent to 1.5% of profit before tax, which amounted to Euros 519,582. In accordance with the same articles, the executive committee receive 1.5% of profit before tax amounting to Euros 519,582. 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.

The breakdown of the remuneration earned by members of the Company's Board of Directors and senior executives is as follows:

Name	Committee	Board	Audit committee	Per diems	Boards of other group companies	Total
D. Jaime Echevarría Abona	173,194	66,494	-	10,000	142,600	392,288
D. José María Cuevas Salvador	173,194	54,124	-	7,000	-	234,318
D. Nestor Basterra Larroudé	173,194	66,494	-	10,000	78,800	328,488
D. Iñigo Soláun Garteiz-Goxeascoa	-	66,494	-	10,000	-	76,494
Dª. Agatha Echevarría Canales	-	66,494	12,000	10,000	-	88,494
D. José Cruz Pérez Lapazarán	-	66,494	12,000	10,000	-	88,494
D. Gregorio Marañón Bertrán de Lis	-	66,494	12,000	10,000	-	88,494
D. Alejandro Legarda Zaragüeta	-	66,494	12,000	10,000	-	88,494
	519,582	**519,582**	**48,000**	**77,000**	**221,400**	**1,385,564**

At December 31, 2008, the Company had no pension plans or life insurance policies for former or current members of the Board of Directors nor had it given any guarantees on their behalf. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2008 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 have also confirmed that they hold no positions, except for below mentioned, and carry out no duties in companies with identical, similar or complementary activities to those of the Company, nor do they perform activities on their own behalf or on behalf of third parties that are identical, similar or complementary to those of the Company.

Name	Company	Position
D. 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, s.r.o.	Chairman, Board of directors
	Viscofan USA Inc.	Chairman, Board of directors
	Viscofan Poland Sp. Z.o.o.	Chairman, Board of directors
	Viscofan Centroamérica Comercial, S.A.	Chairman, Board of directors
	Viscofan Canada, Inc.	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
D. Nestor Basterra Larroudé	Naturin GMBH & Co KG	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director

Senior executives received wages totaling 1,607 thousand euros. The Company has no commitments related to pensions, life insurance or share options. No loans or advances have been granted to senior executives.

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

20.1 Credit risk

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

The maximum exposure to credit risk at December 31, 2008 was as follows:

(Thousands of euros)	**2008**
Non-current financial investments	90
Trade and other receivables	55,023
Current loans to group companies	3,572
Current financial investments	12
	58,697

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

Operating activities

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

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

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

The breakdown, by counterparty, of the concentration of credit risk related to "Trade and other receivables" at December 31, 2008 is as follows:

(Thousands of euros)	**Rest**
Not due	21,743
Past due, not impaired	
Less than 3 months	2,899
3 - 6 months	61
6 - 9 months	-
9 - 12 months	-
More than 12 months	1
	24,704
Doubtful	10
Impairment allowances	(10)
Total	**24,704**

Investing activities

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

20.2 Market risk

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

Foreign currency risk

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

As described in Note 18, the Company carries out major transactions in foreign currencies, in particular, dollars. The Viscofan Group's policy is to arrange exchange rate hedges to cover the net cash flows from these transactions. All income in dollars included in the dollar accounts receivable at December 31, 2008 were hedged at that date.

Maximum exposure to foreign currency risk for accounts receivable at December 31, 2008 was as follows:

(Thousands of euros)	**Receivables**	**Payables**
In US dollars	24,510	189
In Canadian dollars	1,206	-
In pounds sterling	951	2
Rest	1,207	15
	27,874	**206**

Interest rate risk

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

The Company manages its interest rate risk by distributing financing received between fixed and floating rates. Nonetheless, given the current economic climate in which there is an observable tendency for interest rates to fall and it is expected that these will remain in low figures for the medium term, the Company has elected not to arrange hedges for any of its current loans.

20.3 Liquidity risk

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

The percentages at December 31, 2008 were as follows:

(Thousands of euros)	**2008**
Current assets	75,422
Current liabilities	(69,974)
Provision for greenhouse gas emission rights	1,697
Working capital	**7,145**
Current liabilities for emission rights, net of provisions	68,277
% working capital/current liabilities for emission rights, net of provisions	**10.46%**
Current liabilities for emission rights, net of provisions	68,277
Cash and cash equivalents	196
Available borrowing facilities	14,325
Available discount lines	6,262
	20,783
% cash and cash equivalents+ available on credit and discount lines /Current liabilities for emission rights, net of provisions	**30.44%**

The undiscounted contractual maturity dates of financial liabilities at December 31, 2008 were as follows:

(Thousands of euros)	Up to 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	Total
Bank borrowings					
Loans	1,220	3,655	21,725	-	26,600
Borrowings (*)	10,423	12,229	-	-	22,652
Accrued interest payable	64	-	-	-	64
Liabilities from capital leases	11	32	32	-	75
Derivatives	767	494	-	-	1,261
Other financial liabilities	3,462	946	3,419	585	8,412
Payable to group companies	7,512	-	-	-	7,512
Trade and other payables	27,462	-	-	-	27,462
	50,921	**17,356**	**25,176**	**585**	**94,038**

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

21. OTHER INFORMATION

21.1 Employees

The headcount by professional category is as follows:

	Average headcount at year end			Average headcount during the year
	Hombres	Mujeres	Total	
Senior executives	13	1	14	14
Engineers and technicians	95	11	106	102
Administrative personnel	6	33	39	34
Specialized personnel	80	19	99	96
Laborers	288	84	372	378
	482	**148**	**630**	**624**

The Board of Directors consists of 7 members, 6 men and 1 woman.

21.2 Audit fees

Ernst & Young, S.L., the auditor of the Company's financial statements and all other companies with which it has any of the relationships referred to in Additional Provision Fourteen of the Measures to Reform the Financial System Law, agreed with the Company the following fees for the years ended December 31, 2008 and 2007:

(Thousands of euros)	2008	2007
Fees for audit of the financial statements	84	81
Other services	10	-
	94	**81**

The above amounts include all 2007 and 2008-related fees, irrespective of when they were actually billed.

21.3 Information on environmental issues

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

(Thousands of euros)	Balance at January 1	Additions	Disposals	Balance at December 31
Cost	9,794	123	-	9,917
Accumulated depreciation	(5,309)	(959)	-	(6,268)
	4,485			**3,649**

The additions related to the cogeneration plant which will lead to a significant reduction in the greenhouse gas emissions into the atmosphere are not included in the additions in 2008.

2008 expenses to protect and improve the environment were ordinary and amounted to 876 thousand euros.

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

22. TRANSITION TO THE NEW ACCOUNTING PRINCIPLES

22.1 General overview

As described in Note 2.2, the accompanying financial statements are the first that the Company has prepared under the new accounting principles approved by Royal Decree 1514/2007. The Company chose to measure all assets and liabilities at January 1, 2008, the transition date, in accordance with the new accounting principles and transitory provisions set forth in that decree.

Pursuant to the transitory provisions, the Company has availed itself of the following exceptions for first-time application of the new accounting principles:

- Finance costs are capitalized as of the transaction date, instead of retroactively.
- Financial instruments were classified in various categories depending on the Company's intentions at the transition date.

The Company took January 1, 2008 as its transition date and, consequently, has not included comparative figures in these financial statements.

The impact of adjustments made to comply with first-time application was recognized in equity pursuant to Transitional Provision Two of Royal Decree 1514/2007.

22.2 Main differences between the accounting policies applied in 2007 and 2008

Differences which impact equity at the transition date

The reconciliation of equity and profit (loss) for the year shown below and the explanatory notes thereto illustrate the main differences in accounting criteria applied in 2007 and 2008.

(Thousands of euros)	Comment	Equity(*)
Under former accounting policies		248,841
Loans at a subsidized interest rate	a	562
Derecognition of the impairment provision for investments in group companies	b	23,140
Transfer of treasury shares to equity	c	(1,254)
Measurement of cash flow hedges	d	259
Reclassification of non-repayable grants	e	225
Under new accounting principles		**271,773**

(*) Net of tax effect

Differences at the transition date recognized in equity were as follows:

(Thousands of euros)	2008
Reserves	26,176
Treasury shares (Note 11.7)	(3,728)
Net unrealized gains (loss) reserve (Note 12)	259
Grants, donations and bequests received (Note 13)	225
	22,932

a) Loans at a subsidized interest rate

Under Spanish GAAP 2007, after initial recognition loans and accounts payable are measured at amortized cost. This adjustment reflects the impact on equity between the nominal value and the amortized cost of the loans received at interest rates lower than market rates.

b) Measurement of investments in group companies

Under Spanish GAAP 2007, the impairment loss recognized on the carrying amount of an investment in group companies or associates, is the difference between cost and the higher of fair value less costs to sell and the present value of future cash flows derived from the investment. Under the previous accounting principles any impairment loss recognized corresponded to the difference between cost and the underlying carrying amount of the investment adjusted by any unrealized gains existing at the acquisition date which prevailed at year end.

The Company remeasured impairment of all its investees at January 1, 2008, derecognizing any provisions which under Spanish GAAP 2007 are no longer applicable, as set out below:

(Thousands of euros)	Adjustment net of tax effect
Naturim GMBH & Co.	13,361
Viscofan USA Inc	6,273
Koteks Viscofan, d.o.o.	3,504
Viscofan de México Servicios, S.R.L. de C.V.	2
	23,140

c) Treasury shares

Treasury shares are recognized as a reduction in equity. Consequently, the 1,254 thousand euros recognized under assets according to the previous GAAP were derecognized and equity reduced by this amount.

d) Measurement of cash flow hedges

At the transition date, the Company had exchange rate insurance designated as hedges for exchange rate risk. Under the new accounting principles, these hedges are measured at fair value, with any gains or losses temporarily recognized in equity and taken to the income statement in the year or years in which the hedged transaction affects profit or loss. At January 1, 2008 the foreign exchange hedges were recognized at a fair value of 370 thousand euros, credited to equity under "Unrealized gains (losses) reserve", after the tax effect of 111 thousand euros had been deducted.

e) Reclassification of non-repayable grants and greenhouse gas emission rights

Under former Spanish GAAP non-repayable grants as well as gas emission rights were included under "Deferred income." Under the new accounting principles these are recognized in equity, net of the related tax effect. Consequently, at the transition date 219 thousand euros, less the related tax effect of 66 thousand euros, in respect of non-repayable grants were reclassified under equity. Gas emission rights received, amounting to 103 thousand euros, less the related tax effect of 31 thousand euros, were likewise reclassified.

Significant differences which had no impact on equity at the transition date

In addition, the following significant differences between the accounting criteria applied in 2007 and those currently applicable arose; however, these had no impact on the Company's equity at the transition date.

a) Assets acquired under finance leases

After the transition date, assets acquired under finance leases are presented on the balance sheet according to their nature instead of as "Fixed assets - Intangible assets."

In addition, at the transition date, finance costs related to existing finance leases, which were recognized under "Deferred expenses" according to the former accounting principles, have been used to reduce the corresponding financial liability.

b) Accumulated amortization/depreciation and impairment provisions

Under the new accounting principles, accumulated amortization/depreciation and impairment provisions are presented net of the amount corresponding to the related assets.

c) *Extraordinary income and expenses*

Income and expenses which were considered as extraordinary under the previous accounting standards are classified according to their nature under the new standards.

22.3 Balance sheet and income statement included in the 2007 financial statements

Pursuant to Transitional Provision Four of Royal Decree 1514/2007, the balance sheet and profit and loss account included in the 2007 financial statements are presented below in thousands of euros.

Balance sheet at December 31, 2007

ASSETS	2007	LIABILITIES	2007
FIXED ASSETS	**258,488**	**SHAREHOLDERS' EQUITY**	**248,841**
Intangible assets	1,029	Share capital	14,189
Tangible assets	46,026	Share premium	41,844
Investments	211,433	Reserves	162,408
		Profit for the year	30,400
Deferred expenses	**5**	**Deferred income**	**322**
		LONG-TERM CREDITORS	**6,464**
		Amounts owed to credit institutions	1,600
		Other creditors	4,864
CURRENT ASSETS	**62,662**	**CURRENT LIABILITIES**	**65,526**
Stocks	14,913	Amounts owed to credit institutions	26,097
Debtors	44,387	Group companies	14,502
Short-term investments	1,315	Trade creditors	11,968
Own shares	1,254	Other creditors	12,916
Cash in hand and at banks	644	Trade provisions	43
Prepaid expenses	149		
		Provisions for charges and liabilities	**2**
TOTAL ASSETS	**321,155**	**TOTAL LIABILITIES**	**321,155**

Profit and loss account for year ended December 31, 2007

EXPENSES	**2007**	**INCOME**	**2007**
Operating expenses		Operating income	
Material consumed	50,021	Net sales	127,443
Personnel expenses	29,175	Increase in stocks of finished products and work in progress	505
Amortization and depreciation	8,587	Other operating income	945
Changes in trade provisions	51		
Other operating expenses			
External services	32,739		
Local taxes	630		
Other management expenses, current	21		
OPERATING PROFIT	**7,669**	**OPERATING LOSS**	**-**
Financial expenses		Financial income	
Interest and similar expenses	1,411	Dividends	23,906
Exchange losses	1,374	Other interest and similar income	500
		Exchange gains	897
NET FINANCIAL INCOME	**22,518**	**FINANCIAL LOSSES**	**-**
PROFIT ON ORDINARY ACTIVITIES	**30,187**	**LOSSES ON ORDINARY ACTIVITIES**	**-**
Extraordinary losses and expenses		Extraordinary profit and income	
Changes in provisions for tangible and intangible assets and own shares	(2,533)	Profit on sale of fixed assets	39
Extraordinary expenses	459	Extraordinary income	49
		Capital grants taken to income	33
NET EXTRAORDINARY INCOME	**2,195**	**NET EXTRAORDINARY LOSS**	**-**
PROFIT BEFORE INCOME TAX	**32,382**	**LOSSES BEFORE INCOME TAX**	**-**
Income tax	1,982		
PROFIT FOR THE YEAR	**30,400**	**LOSS FOR THE YEAR**	**-**

23. EVENTS AFTER THE BALANCE SHEET DATE

The Company fully subscribed the 6,000 thousand euro capital increase carried out by Viscofan de México, S. de R.L. de C.V. and that of 4,000 thousand euros carried out by Koteks Viscofan, d.o.o. on January 26, 2009.

On January 28, 2009 the interim dividend in respect of 2008 profit was paid, at a total cost of 9,554 thousand euros.

Viscofan, S.A.
Management report 2008

Management report 2008

Business performance and situation of the Viscofan Group

In 2008 Viscofan, S.A. posted revenue of 155.3 million euros, 21.9% up on 2007.

The increase in revenue is due to several factors. Firstly, due to outstanding growth worldwide in the artificial casing market, especially in developing areas; secondly an increase in the average selling price in the cellulose casing segment and finally, the start-up of the new cogeneration plant in Spain, which in the second half of 2008 contributed considerably to a steep increase in revenue. All of these have more than helped to counterbalance the 7%+ depreciation of the US dollar against the euro.

The sharp increase in the cost of raw materials in 2008 together with the aforementioned increase in sales volume, led to a 32.7% increase in the consumption of raw materials and other consumables[1] compared to 2007. The improved production facilities helped contain staff costs to a 5.7% increase while other operating costs increased 31.7%, mainly due to higher energy costs, due to an increased unit cost and the increase in the electricity production capacity resulting from the enlargement of the cogeneration plant.

In addition, the efforts in recent years to limit investments have made it possible to reduce depreciation and amortization to 7.8 million euros, a 9.3% reduction compared to 2007.

As a result, operating profit rose 45.8% to 11.2 million euros.

Once again, the strong individual results of the other group companies have led to increased dividends from these; however, the increase in finance costs and exchange losses, together with the absence of more positive results from the use of financial provisions in investments in group companies (2.9 million euros recognized in 2007) have had a negative impact on Viscofan S.A.'s finance income, which has fallen by 10.5% to 22.4 million euros compared to the 25 million euros recorded in 2007.

Profit before tax was 33.6 million euros, up 2.8% on 2007 thanks to the higher operating profit which offset the reduction in finance income.

By using and taking advantage of investment-related deductions and investments in R&D it has been possible to reduce the tax burden, thus Viscofan S.A.'s tax expense was 1.4 million euros compared to 2 million euros in 2007.

As a result, net profit for 2008 rose to 32.2 million euros, up 4.8% on the 30.4 million euros obtained in 2007.

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.

1. Consumption consumables and changes in inventories

In 2009, 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 second 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

Additions to property, plant and equipment and intangible assets at Viscofan S.A. rose to 16.8 million euros (2007:12.7 million euros), mainly incorporated in the cogeneration plant at the manufacturing facility in Cáseda (Spain), the investment in enhanced automization in the finishing process at Urdiain and investments in systems together with recurring investments in maintenance and operational and environmental improvements at the various production facilities located in Spain.

Viscofan S.A., through its R&D department in Navarre, centralizes coordination of the R&D activities of the rest of the Viscofan Group and this center has established itself as the specialist center in the cellulose casing segment. Efforts in the area of R&D activities are focused on improving production efficiency as well as developing innovative processed meat products, the Company's business segment.

In the field of research and development the Company has obtained important institutional support both from the Regional Government of Navarre and the Spanish Ministry of Industry (CDTI).

Patents are applied for where considered relevant by technicians and experts.

Acquisition of own shares

On October 13, 2008, the deed for the 168,588.90 euro capital decrease related to the cancellation of 561,963 of Viscofan S.A.'s own shares was inscribed in the Mercantile Register. Share capital after the decrease stood at 14,020,463.70 euros and consisted of 46,734,879 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 2008. At December 31, 2008 the Company owned 131,197 shares, with a nominal value of 0.30 euros each, in total equivalent to 0.28% of the Company's voting rights.

Risks and uncertainty

Viscofan S.A. has produced higher revenues in a period of high volatility and uncertainty and is well placed to take advantage of market increases in its main businesses. However, it must be remembered that due to the nature of its transactions, Viscofan's and its subsidiaries' activities are exposed to various operational, financial and economic risks. The group manages risk according to the policies approved by the Board of Directors.

Among the specific risks worthy of particular note are less favorable exchange rates, increases in production costs, such as energy and raw material prices, or worse market conditions due to the global economic crisis.

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 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.

Although Viscofan's credit risk is not highly concentrated, in 2008 it pooled, improved and widened its coverage of collection risk for the entire 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.

Operations with the board of directors or persons acting on their behalf, carried out during 2008, 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 2008 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

The Company's Board of Directors agreed to increase the capital of Koteks Viscofan d.o.o. by 4,000 thousand euros in 2009 in order to repay loans and reduce its exposure to Serbian currency fluctuations, as well as improve the structure of its balance sheet and finance investments to improve the plant. The Company has paid the equivalent of 1,400 thousand euros of this amount in 2008.

It likewise agreed to increase the capital of Viscofan México S.R.L. de C.V. by 6,000 thousand euros in 2009 in order to repay intragroup loans and improve its balance sheet structure given the solid growth in that company's activity. This amount has been paid in full by February 2009.

In January 2009 the Company distributed an interim dividend of 0.205 euros gross per share, representing a payment of 9,554 thousand euros.

Viscofan, S.A.'s board of directors, in the meeting held in February 2009, at the proposal of the Appointment and Remuneration Committee, agreed to appoint Mr. José Domingo Ampuero Osma as an independent board member to replace Mr. José María Cuevas Salvador (deceased). They likewise agreed, after receiving a report from the Appointment and Remuneration Committee, to appoint Ms. Agatha Echevarría Canales and Mr. José Domingo Ampuero Osma as members of the Company's Executive Committee.

IINFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT ACCORDING TO ART. 14 OF LAW 6/2007 REFORMING THE SECURITIES MARKET LAW.

The current explanatory report was prepared by the Board in its meeting held on March 30, 2009 as part of the Management Report included in the Company's Annual Report and was incorporated as part of the Management Report as established by Article 116 bis of 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 attached thereto and the percentage of total share capital that it represents;

Articles of association:

Article 5: Share capital stands at 14,020,463.70 euros and consists of 46,734,879 shares of 0.30 euros 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, 2008, direct or indirect shareholdings exceeding 3% of share capital that the Company was aware of are as follows:

Marathon Asset Management, LLP: 2,737,788 shares, equivalent to 5.860% of Viscofan's share capital calculated based on a total of 46,734,879 shares.

Bestinver Gestión S.A.: 1,722,874 shares, equivalent to 3.68% of Viscofan's share capital calculated based on a total of 46,734,879 shares.

Onchena S.L.: 2,366,000 shares, equivalent to 5.06% of Viscofan's share capital calculated based on a total of 46,734,879 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;

There are no specific regulations for changing the articles of association other than those applicable under the relevant legislation.

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 3, 2008, the following resolution was adopted:

“Annul the authorization to acquire treasury shares granted to the Board of Directors at the General Shareholders' Meeting held on June 18, 2007

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.”

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.

Madrid, March 30, 2009

Sample Annual Corporate Governance Form for Listed Stock Companies

(Free transaltion 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 2008

(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
06/03/2008	14,020,463.7	46,734,879	46,734,879

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
MARATHON ASSET MANAGEMENT, LLP	0	2,737,788	5.858
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5.063
BESTINVER GESTIÓN SGIIC	0	1,722,874	3.686

Name or company name of the indirect holder of the stake	Throught: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	ABB INC. MASTER TRUST	11,242	0.024
MARATHON ASSET MANAGEMENT, LLP	ABP INVESTMENTS	86,350	0.185
MARATHON ASSET MANAGEMENT, LLP	ACCIDENT COMPENSATION CORP	15,828	0.034
MARATHON ASSET MANAGEMENT, LLP	AMERICAN COLLEGE OF SURGEONS	4,508	0.010
MARATHON ASSET MANAGEMENT, LLP	ARIA	14,777	0.032
MARATHON ASSET MANAGEMENT, LLP	ASTRA ZENECA PENSION FUD	16,722	0.036
MARATHON ASSET MANAGEMENT, LLP	AUSTRALIAN SUPER	15,458	0.033
MARATHON ASSET MANAGEMENT, LLP	BILL MELINDA GATES - EUROPE	32,140	0.069
MARATHON ASSET MANAGEMENT, LLP	BWXTY-12LLC	14,100	0.030
MARATHON ASSET MANAGEMENT, LLP	CABLE WIRELESS COMMON	4,719	0.010
MARATHON ASSET MANAGEMENT, LLP	CADBURY SCHWEPPES PENSION	15,565	0.033
MARATHON ASSET MANAGEMENT, LLP	CANADIAN PACIFIC RAILWAY	36,190	0.077

Name or company name of the indirect holder of the stake	Throught: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	COMMONWEALTH BANK OFFICERS	17,068	0.037
MARATHON ASSET MANAGEMENT, LLP	DANA CORPORATION	38,707	0.083
MARATHON ASSET MANAGEMENT, LLP	EMERGENCY SERVICES SUPER	5,377	0.012
MARATHON ASSET MANAGEMENT, LLP	ESSEX COUNTY COUNCIL	11,488	0.025
MARATHON ASSET MANAGEMENT, LLP	FAIRFAX COUNTY UNIFORMED	9,850	0.021
MARATHON ASSET MANAGEMENT, LLP	FEDEX CORPORATION EMPLOYEES	100,700	0.215
MARATHON ASSET MANAGEMENT, LLP	FORD FOUNDATION	71,400	0.153
MARATHON ASSET MANAGEMENT, LLP	FORT MARATHON	14,550	0.031
MARATHON ASSET MANAGEMENT, LLP	GLAXOSMITHKLINE	21,607	0.046
MARATHON ASSET MANAGEMENT, LLP	GM CANADA PENSION PLANS	34,150	0.073
MARATHON ASSET MANAGEMENT, LLP	GM INVESTMENT MANAGEMENT CORP	95,636	0.205
MARATHON ASSET MANAGEMENT, LLP	GM VEBA	38,718	0.083
MARATHON ASSET MANAGEMENT, LLP	HALLIBURTON COMMON INV FUND	7,953	0.017
MARATHON ASSET MANAGEMENT, LLP	HARMSWORTH PENSION SCHEME	4,928	0.011
MARATHON ASSET MANAGEMENT, LLP	HEALTH EMPLOYEES SUPER	12,868	0.028
MARATHON ASSET MANAGEMENT, LLP	HENRY J KAISER FAMILY	2,076	0.004
MARATHON ASSET MANAGEMENT, LLP	HENRY SMITH CHARITY	5,919	0.013
MARATHON ASSET MANAGEMENT, LLP	HOWARD HUGHES MEDICAL	22,900	0.049
MARATHON ASSET MANAGEMENT, LLP	IBM US PENSION FUND	38,779	0.083
MARATHON ASSET MANAGEMENT, LLP	INSURANCE COMMISSION	4,652	0.010
MARATHON ASSET MANAGEMENT, LLP	INTECH INTERNATIONAL SHARES	5,528	0.012
MARATHON ASSET MANAGEMENT, LLP	JANA IMPLEMENTED CONSULTING PLATFORM	8,045	0.017
MARATHON ASSET MANAGEMENT, LLP	JOEP	10,152	0.022
MARATHON ASSET MANAGEMENT, LLP	JOHNSON JOHNSON UK GROUP	9,697	0.021
MARATHON ASSET MANAGEMENT, LLP	JOHNSON JOHNSON US PEN	49,098	0.105
MARATHON ASSET MANAGEMENT, LLP	KAISER PERMANENTE	51,100	0.109
MARATHON ASSET MANAGEMENT, LLP	LAEGERNES PENSIONSINVEST2	22,137	0.047
MARATHON ASSET MANAGEMENT, LLP	LAEGERNES PENSIONSINVESTV	2,651	0.006
MARATHON ASSET MANAGEMENT, LLP	MA-HEALTH CARE SECURITY TRUST	2,088	0.004
MARATHON ASSET MANAGEMENT, LLP	MA-PENSION RESERVES INVEST	257,504	0.551
MARATHON ASSET MANAGEMENT, LLP	MACARTHUR FOUNDATION (MAC23)	11,437	0.024
MARATHON ASSET MANAGEMENT, LLP	MANITOBA MARATHON POOLED FUND	14,750	0.032
MARATHON ASSET MANAGEMENT, LLP	MAPLE - BROWN ABBOT	14,374	0.031
MARATHON ASSET MANAGEMENT, LLP	MARATHON EUROPEAN EQUITY FUND	14,475	0.031
MARATHON ASSET MANAGEMENT, LLP	MARATHON EUROPEAN HEDGE FUND	57,500	0.123
MARATHON ASSET MANAGEMENT, LLP	MARATHON EXEMPT FUND	12,521	0.027
MARATHON ASSET MANAGEMENT, LLP	MARATHON GLOBAL EQUITY FUND	39,075	0.084
MARATHON ASSET MANAGEMENT, LLP	MARATHON INTL EQUITY FUND	4,910	0.011
MARATHON ASSET MANAGEMENT, LLP	MARATHON LDN INT INV FUND	24,240	0.052
MARATHON ASSET MANAGEMENT, LLP	MARATHON LONDON GLOBAL GRP	35,976	0.077
MARATHON ASSET MANAGEMENT, LLP	MARATHON LONDON GLOBAL INV	11,038	0.024

Name or company name of the indirect holder of the stake	Throught: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	MARATHON LONDON INTL GROUP	149,918	0.321
MARATHON ASSET MANAGEMENT, LLP	MARATHON LONDON INTL INV	129,679	0.277
MARATHON ASSET MANAGEMENT, LLP	MARATHON NEW GLOBAL FUND	86,247	0.185
MARATHON ASSET MANAGEMENT, LLP	MARKS SPENCER PENSION	11,755	0.025
MARATHON ASSET MANAGEMENT, LLP	MERCHANT NAVY OFFICERS PEN	15,193	0.033
MARATHON ASSET MANAGEMENT, LLP	MINNESOTA STATE BOARD OF INV	43,354	0.093
MARATHON ASSET MANAGEMENT, LLP	MITCHELLS BUTLERS COMMON	26,952	0.058
MARATHON ASSET MANAGEMENT, LLP	MITTAL STEEL USA INC PENSION	20,198	0.043
MARATHON ASSET MANAGEMENT, LLP	MONTGOMERY COUNTY EMPLOYEES	20,300	0.043
MARATHON ASSET MANAGEMENT, LLP	MP PENSION	8,123	0.017
MARATHON ASSET MANAGEMENT, LLP	NORTHWESTERN UNIVERSITY	9,800	0.021
MARATHON ASSET MANAGEMENT, LLP	NUFFIELD FOUNDATION CHARITIES	2,674	0.006
MARATHON ASSET MANAGEMENT, LLP	OIL INVESTMENT COMPANY	23,950	0.051
MARATHON ASSET MANAGEMENT, LLP	OMERS ADMINISTRATION CORP	80,400	0.172
MARATHON ASSET MANAGEMENT, LLP	ONFA DECOM FUND	17,650	0.038
MARATHON ASSET MANAGEMENT, LLP	ONFA USED FUEL FUND	23,082	0.049
MARATHON ASSET MANAGEMENT, LLP	OPSEU PENSION TRUST	20,617	0.044
MARATHON ASSET MANAGEMENT, LLP	PEARSON GROUP PENSION PLAN	8,960	0.019
MARATHON ASSET MANAGEMENT, LLP	PENNSYLVANIA PUBLIC SCHOOL	85,845	0.184
MARATHON ASSET MANAGEMENT, LLP	PENSION DANMARK	22,650	0.048
MARATHON ASSET MANAGEMENT, LLP	PNC FINANCIAL SERVICES GROUP	15,400	0.033
MARATHON ASSET MANAGEMENT, LLP	PRUDENTIAL STAFF PENSION	10,424	0.022
MARATHON ASSET MANAGEMENT, LLP	SBC PENSION MASTER TRUST	55,320	0.118
MARATHON ASSET MANAGEMENT, LLP	SOUTHERN CALIFORNIA EDISON	8,758	0.019
MARATHON ASSET MANAGEMENT, LLP	STANLIB FUNDS LIMITED	5,932	0.013
MARATHON ASSET MANAGEMENT, LLP	SURREY CC PENSION FUND	19,225	0.041
MARATHON ASSET MANAGEMENT, LLP	TENNESSEE CONSOLIDATED	67,219	0.144
MARATHON ASSET MANAGEMENT, LLP	TIFF INTERNATIONAL EQUITY	8,465	0.018
MARATHON ASSET MANAGEMENT, LLP	TIFF MULTI ASSET FUND	16,517	0.035
MARATHON ASSET MANAGEMENT, LLP	TOWER ASSET MANAGEMENT LTD	16,851	0.036
MARATHON ASSET MANAGEMENT, LLP	UNIVERSITY OF MICHIGAN	13,429	0.029
MARATHON ASSET MANAGEMENT, LLP	VANGUARD GLOBAL EQUITY FND	53,995	0.116
MARATHON ASSET MANAGEMENT, LLP	VERIZON INVESTMENT MANAGEMENT	185,800	0.398
MARATHON ASSET MANAGEMENT, LLP	WORKERS COMPENSATION BOARD	19,500	0.042
MARATHON ASSET MANAGEMENT, LLP	XL RE LTD	5,885	0.013
MS. MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	2,366,000	5.063
BESTINVER GESTIÓN SGIIC	ACC. CUP. Y OB. SEGOVIANAS SICAV	3,002	0.006
BESTINVER GESTIÓN SGIIC	BESTINFOND F.I.	430,624	0.921
BESTINVER GESTIÓN SGIIC	BESTINVER BESTVALUE SICAV	71,019	0.152
BESTINVER GESTIÓN SGIIC	BESTINVER BOLSA F.I.	875,191	1.873
BESTINVER GESTIÓN SGIIC	BESTINVER MIXTO F.I.	188,990	0.404

Name or company name of the indirect holder of the stake	Throught: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
BESTINVER GESTIÓN SGIIC	DIVALSA INVERSIONES SICAV	3,872	0.008
BESTINVER GESTIÓN SGIIC	JORICK INVESTMENT	1,046	0.002
BESTINVER GESTIÓN SGIIC	LINKER INVERSIONES SICAV	2,220	0.005
BESTINVER GESTIÓN SGIIC	LOUPRI INVERSIONES	6,011	0.013
BESTINVER GESTIÓN SGIIC	SOIXA SICAV	118,437	0.253
BESTINVER GESTIÓN SGIIC	TEXRENTA INVERSIONES SICAV	22,462	0.048

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
MARATHON ASSET MANAGEMENT, LLP	02/18/2008	Exceeded 3% of the share capital
BESTINVER GESTIÓN SGIIC	11/03/2008	Decreased 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	0.363
MR. JOSE MARIA CUEVAS SALVADOR	10,640	0	0.023
MS. AGATHA ECHEVARRIA CANALES	16,749	0	0.036
MR. ALEJANDRO LEGARDA ZARAGÜETA	8,250	0	0.018
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	25,382	25,835	0.110
MR. JOSE CRUZ PEREZ LAPAZARAN	210	0	0.000
MR. NESTOR BASTERRA LARROUDE	87,694	6,118	0.201

Name or company name of the indirect holder of the stake	Throught: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MR. JAIME ECHEVARRIA ABONA	MS. CONCEPCION CANALES JAUREGUIBEITIA	57,897	0.124
MR. IÑIGO SOLAUN GARTEIZ- GOXEASCOA	MS. Mª ANGELES BUSTILLO BASTERRA	25,835	0.055
MR. NESTOR BASTERRA LARROUDÉ	MR. IGNACIO BASTERRA MARTINEZ	6,118	0.013

% of total voting rights held by the Board of Directors	0.750

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
131,197	0	0.280

(*) Throght:

Total	0

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
03/03/2008	473,827	0	1.002
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 03, 2008 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 June 18, 2007.

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 (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.

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

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal 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 Director	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	06/03/2008	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	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	–	DIRECTOR	01/19/1998	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. JOSE CRUZ PEREZ LAPAZARAN	–	DIRECTOR	06/24/1998	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. NESTOR BASTERRA LARROUDÉ	–	DIRECTOR	07/27/1997	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
Total number of Directors					**8**

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

Name or company name of the Director	Director Category	Date
MR. JOSE MARIA CUEVAS SALVADOR	INDEPENDENT	10/27/2008

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 Director	Committee 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**

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

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 Board of Official Chambers of Commerce, Industry and Navigation. Was Chairman CEOE from 1984 to 2007.
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 names Economic-Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) and in 1992, Managing Director 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 in the financial sector. Chairman, Roche Farma, Universal Music Spain, and Logistics. Director of Altadis, Sogecable (Audit Comm), PRISA, Unión Radio and SER. Chairman of the Advisory Board Spencer Stuart. Member of the advisory board Vodafone, Apax and Aguirre Newman. President, Sponsorhip Teatro Real, Real tapices y Real Fundación Toledo. Academic of the Real academia Bellas Artes de San Fernando.

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 Y 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 Managing Director 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 Senator at the National Assembly, Agric., Fishing and Foodstuffs Committee, Congress and Senate and Senate European Union Commissions, 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	MR. JAIME ECHEVARRIA ABONA

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

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

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

NO

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

YES

Name of the Director	Reasons
MR. JOSE MARIA CUEVAS SALVADOR	Death

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	VISCOFAN CANADA. INC	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
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

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 Y AUXILIAR DE FERROCARRILES. S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	PROMOTORA DE INFORMACIONES S.A.	DIRECTOR
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:

	in thousands of euros
Compensation	
Fixed Compensation	0
Variable Compensation	0
Per diems	125
Bylaws-mandated payments	1,039
Options on shares and/or other financial instruments	0
Other	0
Total	**1,164**

	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:

	in thousands of euros
Compensation	
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Bylaws-mandated payments	221
Options on shares and/or other financial instruments	0
Other	0
Total	**221**

	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	250	142
External Representing a Controlling Shareholder	0	0
External Independent	826	79
Other External	88	0
Total	**1,164**	**221**

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

Total Director compensation (in thousands of euros)	**1,385**
Total Director compensation/earnings attributed to parent company equity holders (stated as a %)	**3.0**

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

Name or company name	Title
MR. JOSE ANTONIO CANALES GARCIA	MANAGING DIRECTOR VISCOFAN GROUP
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR. CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR. PEDRO ERASO ZABALZA	HEAD OF 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 GROUP
MR. JOSE ANTONIO MORIONES GUINDA	TECHNICAL ADVISER PRODUCTION DEPARTMENT VISCOFAN S.A.
MR. JUAN JOSÉ ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN S.A.
MR. MANUEL NADAL MACHIN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN S.A.
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.
MR. MIROSLAV KAMIS	MANAGIN DIRECTOR GAMEX CB SRO., VISCOFAN CZ, S.R.O.
MR. JUAN CARLOS GARCIA DE LA RASILLA PINEDA	MANAGING DIRECTOR KOTEKS VISCOFAN D.O.O.
MR. WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN GMBH CO. KG
MR. BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN GMBH CO. KG
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN GMBH CO. KG & MANAGING DIRECTOR NATURIN UK, LTD.
MR. YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL S.A.
MR. OSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO S.R.L. DE C.V.
MR. LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S. COM. E IND. LTDA.
MR. WALDEMAR SZYMANSKI	MANAGING DIRECTOR VISCOFAN POLAND SP. Z.O.O.
MR. JOSE MARIA FERNANDEZ MARTIN	MANAGING DIRECTOR VISCOFAN USA INC.
MR. ALEJANDRO MARTINEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.

Total executive management compensation (in thousands of euros)	**2,857**

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 Joint Stock Companies 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 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´.

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 executives' contracts.´

Process for setting the compensation of the members of the Board of DIrectors and By-laws provisions

In fiscal year 2008, 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 shown in the General shareholder meeting held o 3rd June 2008, 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 Joint Stock Companies 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 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´.

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 executives, 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 Joint Stock Companies 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 Joint Stock Companies 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 executives, as well the distribution of Directors' compensation,

ii.-executive Directors' individual compensation as all other terms of their contracts,

iii.- the basic terms of executives' contracts.´

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

Each year the Board of Directors shall appraise:

a) the quality and effectiveness of the functioning of the Board itself;

b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Appointments and Compensation Committee; and

c) the operation of the Board Committees, based on the report forwarded to it by each of these.

The Rules of the Board of Directors in the wording adopted by the Board itself in its meeting of January 8, 2008 include:

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 conflict of interest or the circumstances set forth in the law disqualifying their service;

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

c) Proprietary directors shall tender their resignation when the shareholder they represent substantially sells its interest.

Article 28, - Duties of Directors after separation.

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

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

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

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	-

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.

The Company's By-laws set forth the following:

Art. 23: All shareholders with the right to attend may be represented at the General Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising the voting rights.

Such proxy authority shall be conferred specially for each Shareholders' Meeting.

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

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

Each share entitles to one vote.

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

Pursuant to Article 16 of the By-laws of the Shareholders' Meeting:

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

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

In addition, Article 22 of the same By-laws establishes the main rules for remote means of voting.

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

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

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

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

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

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

Number of Board Meetings	12
Number of Board Meetings the Chairman did not attend	0

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

Number of Executive or Delegate Committee Meetings	8
Number of Audit Committee Meetings	7
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	0
Failures to attend as a percentage of total votes during the fiscal year	0.000

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 and submitted for adoption to the General Shareholders' Meeting, the Board Rules require that the accounts be prepared in accordance with applicable accounting principles.

To ensure the accounting principles are applied appropriately, the Board maintains permanent contact with the statutory auditors via the Audit Committee. This facilitates the work with the Group's Financial Department for any matter the statutory auditors might raise.

Furthermore, a pre-closing is conducted each year on October 31 to anticipate and correct any incidents that may have arisen in the year as appropriate.

In addition, the Annual Internal Audit Plan includes tasks for reviewing the accounting closing processes of the main subsidiaries so that the financial information reported can be improved from one year to the next both in terms of quality and timing.

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

Part of the work of the Secretary to the Board of Directors is to ensure compliance with internal regulations applicable to the Company and each of its bodies, which include the good governance recommendations, although this function has not been specifically detailed in the related rules that govern the work of the Secretary.

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 as a way of ensuring independence and avoiding any excessive link with the Company.

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:

NO

Outgoing auditor	Incoming auditor

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.

YES

	Company	Group	Total
Amount for work other than audit work (thousands of euros)	0	98	98
Amount for work other than audit work/Total amount invoices by the audit firm (as a %)	0.000	18.320	18.320

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	2	2

	Company	Group
Number of years audited by the current audit firm/ Number of years the Company has been audited (as a %)	8.3	13.3

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	Name of the company in question	% Shareholding	Title or duties
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CENTROAMERICA COMERCIAL S.A.	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	VISCOFAN POLAND S.P. Z.O.O.	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	KOTEKS VISCOFAN D.O.O.	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DE MEXICO S. DE R.L. DE C.V.	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	VISCOFAN USA INC	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DO BRASIL SOC. COM. E IND. LTDA.	0.000	MEMBER OF THE ADVISORY BOARD
MR. JAIME ECHEVARRIA ABONA	NATURIN GMBH CO KG	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	GAMEX. C.B.s.r.o.	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CANADA INC	0.000	CHAIRMAN OF THE BOARD OF DIRECTORS
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC	0.000	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.	0.000	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	NATURIN GMBH CO KG	0.000	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. Normally, before every board meeting or committee meeting, directors receive the most relevant information regarding all the items of the agenda as soon as practicable.

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:

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

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

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 risk management systems, in order for the main 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 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 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 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 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 absolute 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 Joint Stock Companies 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.

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.- 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 executive officers.

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 executives, as well the distribution of Directors' compensation,

ii.-executive Directors' individual compensation as all other terms of their contracts,

iii.- the basic terms of executives' contracts.

The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee. 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 Joint Stock Companies 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 has traditionally sought to reflect the composition of the Board of Directors such that all types of Directors existing on the Board are represented, while maintaining a reduced size that allows it to keep its identity against the Board itself. In its meeting of February 27, 2009, in the aim of improving the balance between these two objectives, the Board of Directors increased the number of Directors on this Committee to four

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 reviewed the risks inherent in its business, giving special attention this year to identifying risks arising from the exceptional external economic circumstances, given the potential indirect effects that it may have on the Company and its Group, all in the context of the usual risk identification process. The most specific risks which may have higher impact on the listed Company or its subsidiaries are as follows:

a) Market risks. Competition, prices. Technological developments

Viscofan is paying particular attention to the current economic setting and the rapid change taking place in consumer trends, the availability of cash, financing possibilities, raw material and energy costs and the capacity for customers and sector companies to react.

Viscofan has established the means to adjust to this context by adapting its investments and capacity to supply the various markets with the products in greatest demand, while at the same time continuing to look to the more distant future to prepare for foreseeable changes in demand over the longer term.

To do so, Viscofan has been specialising in all the types of artificial casings on offer on the market until completing its entire product range: cellulose, collagen, plastics and fibrous casings.

The Viscofan Group continues to bolster its R&D and innovation activities 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, taking advantage of the synergies this type of agreement can provide. It also promotes collaboration with research centres to develop new technologies related to its activity.

b) Exchange rate risk.

The geographical distribution policy implemented by Viscofan to mitigate the effects of these fluctuations, making the location of the productive processes flexible and basing it on the destination market, has helped minimise the effect that our dependence on foreign currencies and particularly the US dollar had on Group results.

In addition to these measures, exchange-rate hedging has been taken out to reduce the effect that exchange rates could still have on the Group income statement.

However, the exceptional economic circumstances have given rise to unusual and unexpected currency fluctuations that could have an impact on results, although this is partly offset by the fact that fluctuations have been both positive and negative.

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 fulfilment of payment obligations.

In addition, in the period this monitoring system was stepped up via the creation of an Internal Risk Analysis Committee that meets periodically to analyse the credit situation; plan for possible delays or cases of non-payment; review and if applicable change the due date conditions, be these general or specific; monitor the debt situation for the insurance coverage at all times; check the acceptance of orders and their preparation; adjust delivery conditions; and any other aspect that allows the Group to know and improve its general credit situation.

d) Risk of property damage, machinery breakdown, and loss of earnings due to these two aspects.

Both during operations and, in cases in which production facilities are improved or expanded, during the implementation and testing phase, the Group has executed a global hedge program that, by providing unified hedging in respect of conditions and limits, enables it to minimise 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 introduced internal control systems to ensure the quality of its products and their manufacturing processes, 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 conducting Group activities is covered by global civil 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 material and semi-finished and finished product flows between the various Group companies and to the end customer.

In order to minimise 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 one-off cases in which transport carries a very high cost, Viscofan takes out specific policies to cover that risk.

h) Environmental risk.

The 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 this respect, Viscofan is continuing with its policy of environmental investment and the monitoring and observation of best practices, as well as establishing an atmosphere of transparency and dialogue with the competent bodies.

Viscofan has also taken out various global insurance policies to cover possible risks at all Group companies.

In addition to these risks, there are other risks inherent in the Company's activity, which because of their nature require separate monitoring. These risks are described below:

A,- Since its primary activity involves foodstuffs, and more specifically meats, the company focuses on risks deriving from potential cases of food-borne illnesses that could cause a severe decline in demand, a change in consumer habits, or a shortage of raw materials.

Prevention of these risks cannot be controlled by Viscofan. Nevertheless it seeks to minimise their effects by marketing its products in all geographic areas, thus diminishing the impact that the reduction of demand in a given region could cause.

B,- With respect to the canning industry, we should underline the seasonality of activity with respect to the manufacture of canned asparagus, tomato products and olives, which increases the risk of unforeseen events in harvests that can result in increased costs or the scarcity of raw materials. In order to reduce the effects of this risk, various direct and indirect measures have been taken to diversify contracts for raw materials and business by manufacturing and marketing alternative products that lessen the potential impact.

There are also specific canning industry risks inherent to the activity at the Group. These may have a greater impact if there are inefficiencies in the heating process causing shortcomings in the elimination of the various pathogens.

In order to prevent this risk, IAN has implemented a system of automated process parameterisation that permits the detection of any anomaly in its functioning.

In the risk analysis mentioned, internal risks have also been identified related to improving internal organisational structures, improved development of market opportunities, service quality excellence and leadership in the ability to innovate. Awareness of these internal risks helps to focus the various initiatives already adequately in place, concentrating initially on improving internal communication channels; on the communication regarding the Group strategy, culture and organisation; on the standardisation of processes at the various subsidiaries; and on systems integration and both managerial and technical staff training.

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

NO

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

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

YES

If so, describe its duties:

Name of the committee or body	AUDIT COMMITTEE

Description of functions

Ultimate responsibility for risk control and management lies with the Board of Directors, as established in Article 5 of the Board Rules. Within this, in the internal audit plan the Audit Committee has included a valuation and control system that consists of identifying the main risks, analysing the probability they shall materialise, possible results, establishment of tolerance thresholds and the introduction of corrective measures in the event one or more of these risks were to materialise.

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

To improve the knowledge of regulations affecting the Company and its corporate Group, the Group's legal department carries out a global internal assessment which includes keeping track of the identification of rights and responsibilities that could affect Group activity and the establishment of protective measures both to safeguard these rights and ensure compliance with such responsibilities.

Furthermore, when circumstances require greater knowledge of local regulations via the activities of a local expert, the Group has external partners that provide such monitoring either continuously or on a one-off basis.

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 of the in Article 103 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 Companies Law for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Companies Law.

E.3. Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Companies 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 Joint Stock Companies Law, Viscofan SA'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 nominal 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 y Liquidacion de Valores, S.A. (Iberclear) or, as appropriate, the entity or entities competent to perform such function or Iberclear member entities shall provide to the shareholders the pertinent certificates or any other document evidencing ownership of the shares after publication of the Notice of Meeting.

Article 16.- Proxy Voting.

All shareholders with the right to attend 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 3, 2008.

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	Other	Total
06/ 03/2008	1.570	61.658	0.000	9.256	72.484

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 03, 2008, 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, 2007, 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, 2007, 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 2008, in the amount of 0.19 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 0.250 was also approved; it shall be paid out to shareholders beginning on June 25, 2008.

Taking into account the interim dividend in the amount of 0.19 euros per share and the General Shareholders Meeting attendance fee in the amount of 0.005 euros, total compensation per share equals 0.445 euros.

The resolution was adopted by majority vote (33,714,600) shares voted in favor. No shares abstained neither shares voted against.

2.- For information purposes, the shareholders are presented with the following explanatory reports by the Board of Directors:

a) Explanatory report prepared pursuant to Art. 116-bis of the Spanish Securities Market Act (Ley del Mercado de Valores).

b) Report on amendments to the Rules of the Board of Directors.

c) Annual Corporate Governance Report.

3.- It was resolved to re-elect the following as the Company's Directors for a six year period:

1) Gregorio Marañón Bertrán de Lis, independent Director. Votes in favour twenty-nine million, seven hundred and ninety thousand, nine hundred and twenty-one (29,790,921) shares. Votes against three million, nine hundred and twenty-three thousand, four hundred and seventy-nine (3,923,479) shares. Abstentions two hundred (200) shares. The resolution was adopted by a majority vote.

2) Mr José Cruz Pérez Lapazarán, independent Director. Votes in favour twenty-nine million, four hundred and five thousand, eight hundred and forty-one (29,405,841) shares. Votes against four million, three hundred and eight thousand, five hundred and fifty-nine (4,308,559) shares. Abstentions two hundred (200) shares. The resolution was adopted by a majority vote.

3) Mr Iñigo de Solaun Garteiz-Goxeascoa, independent Director. Votes in favour twenty-nine million, seven hundred and ninety-two thousand, three hundred and eighty-two (29,792,382) shares. Votes against three million, nine hundred and twenty-two thousand and eighteen (3,922,018) shares. Abstentions two hundred (200) shares. The resolution was adopted by a majority vote.

4) Mr Nestor Basterra Larroude, independent Director. Votes in favour twenty-nine million seven hundred and ninety-two thousand, three hundred and eighty-two (29,792,382) shares. Votes against three million, nine hundred and twenty-two thousand and eighteen (3,922,018) shares. Abstentions two hundred (200) shares. The resolution was adopted by a majority vote.

5) Ms Agatha Echevarría Canales, external Director. Votes in favour twenty-nine million, three hundred and thirty-six thousand, five hundred and five (29,336,505) shares. Votes against four million, three hundred and seventy-seven thousand, eight hundred and ninety-five (4,377,895) shares. Abstentions two hundred (200) shares. The resolution was adopted by a majority vote.

4.- It was resolved to reduce the Company capital, in the aim of cancelling treasury shares, in the amount of €168,588.90 (one hundred and sixty-eight thousand, five hundred and eighty-eight euros and ninety eurocents), with the cancellation of 561,963 (five hundred and sixty-one thousand, nine hundred and sixty-three) treasury shares of the Company and the resulting amendment to Article five of the By-laws.

The share capital resulting from the reduction is €14,020,463.70 (fourteen million, twenty thousand, four hundred and sixty-three euros and seventy euro cents) represented by 46,734,879 (forty-six million, seven hundred and thirty-four thousand, eight hundred and seventy-nine) shares of €0.30 (30 eurocents) nominal value each.

Votes in favour thirty-three million, seven hundred and fourteen thousand, six hundred (33,714,600) shares. There were no votes against or abstentions.

The resolution was adopted unanimously.

5.- It was resolved to renew the authorisation for the Board of Directors to buy and sell Company's shares on the market, at the listed price on the transaction date, up to the maximum number of shares allowed by the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas, hereinafter "LSA") and concordant provisions at a minimum price of 100% and a maximum of 5,000 times the face value and for a maximum of 18 months.

Votes in favour thirty-three million, six hundred and ninety thousand, three hundred and sixty-five (33,690,365) shares. Abstentions twenty-four thousand, two hundred and thirty-five (24,235) shares. There were no votes against. The resolution was adopted by a majority vote.

6.- The report on the remuneration policy for the Directors, in compliance with Recommendation 40 of the Unified Good Governance Code, was adopted by consultative vote.

Upon being submitted to this vote, there were votes in favour of thirty-three million, four hundred and one thousand, two hundred and twenty-three (33,401,223) shares. Abstentions three hundred and thirteen thousand, one hundred and seventy-seven (313,177) shares. Votes against two hundred (200) shares.

7.- Lastly, it was resolved to delegate to the Board of Directors the appropriate interpretation, correction, application, supplementation, development and implementation of the resolutions adopted and to authorise Mr Jaime Echevarría Abona and Mr Jose Antonio Canales Garcia jointly and severally and indistinctly to have recorded in public instruments, from among the resolutions adopted, those that are so required and to file the accounts or registration applications required by law.

Votes in favour thirty-three million, seven hundred and twelve thousand, one hundred (33,712,100) shares. Abstentions two thousand five hundred (2,500) shares. There were no votes against. The resolution was adopted by a majority vote.

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 COMPLIANCEWITH 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, E.1 and E.2

Complies

2. ***When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:***

a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

b) The mechanisms in place to resolve any conflicts of interest that may arise.
   See sections: C.4 and C.7

Not Applicable

3 ***Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:***

a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;

b) In the event of amendments 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 paragraphs: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14

ii) The 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

Complies

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2. Companies where there is more than one shareholder represented on the Board and these are not linked between themselves

See section: B.1.3, A.2 and A.3

Complies

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3

Complies

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and 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

Complies 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 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

The current makeup of the Board of Directors, in which 75% are independent Directors, safeguards the coordination and consideration of its priorities, even though none of the independent Directors have been specifically authorised to seek the convening of the Board or to include new items on the agenda, since there is no obstacle whatsoever to the Board of Directors meeting in accordance with Article 139 of the LSA when half plus one of its members are present and all items on the agenda that the Directors may consider appropriate are transacted.

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

Complies

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the 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

Complies

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See paragraphs: A.2, A.3 and B.1.2

Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the 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 paragraphs: 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 paragraphs: 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 paragraph: 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 paragraph: B.1.15

Complies

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable 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 paragraphs: 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.

Not Applicable

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 paragraph: 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 paragraphs: B.2.1 and B.2.6

Complies in part

The composition of the Executive Committee has traditionally sought to reflect the composition of the Board of Directors such that all types of Directors existing on the Board are represented, while maintaining a reduced size that allows it to keep its identity against the Board itself.

In its meeting of February 27, 2009, in the aim of improving the balance between these two objectives, the Board of Directors increased the number of Directors on this Committee to four.

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 paragraphs: B.2.1 and B.2.3

Complies 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;

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 Audit Committee has begun a process of updating, extending, identifying and regulating the internal audit function, which is at a very advanced stage and is enabling the definitive, permanent, distinct allocation of human resources and equipment plus the comprehensive definition of this function in relation to the Company and its governance bodies as well as assuming all responsibilities specific to itself.

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.

Complies in part

Via its Audit Committee, the Company has made considerable progress in introducing the internal audit function via collaboration with external experts in the field that shall complete their work during this year.

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 liabilitie 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;

e) 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

Complies in part

In the internal audit function on which it is working with the external expert consultants in the matter, in identifying the main risks, the Audit Committee has included analysing the probability they shall materialise, possible results, establishment of tolerance thresholds, introduction of corrective measures and a contingency plan if one or more of these risks were indeed to materialise. This is in order to develop a comprehensive, systematic risk management and control map.

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 paragraphs: B.1.35, B.2.2, B.2.3 and D.3

Complies 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 and in fact it is possible to do this kind of communications.

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
b) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See paragraphs: B.2.2 and B.2.3

Complies in part

d) Among the responsibilities of the Audit Committee, the Board Rules include the following:
e) Reporting on the Annual Accounts, as well as on the half-yearly and quarterly financial statements that must be filed with the regulatory or market oversight bodies, stating the internal control systems, the checks on monitoring and compliance through internal auditing when appropriate, as well as, where applicable, the accounting criteria applied. It shall also report to the Board on any change in accounting criteria and balance sheet and off-balance sheet risks.

The Audit Committee should therefore inform the Board of Directors regarding the decisions relating to point a).

However, in accordance with the provisions of Article five of the Board Rules, the decisions included in items b) and c) are authorisations that are the sole competence of the Board of Directors and it is not specifically provided that the Audit Committee shall report on these.

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See paragraph: B.1.38

Complies

54. The majority of the members of the Nominating Committee -or of the Nominating and Compensation Committee, if one and the same- are independent directors.

See paragraph: 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 paragraph: B.2.3

Complies in part

The Appointments and Compensation Committee is vested with all the functions generally set forth in this recommendation, although these do not specifically include that of examining or organising the replacement of the Chairman and Chief Executive or if applicable, submitting proposals to the Board for such a replacement to take place in an orderly and planned manner. However, this is part of the general responsibility of ensuring the appropriateness and integrity of the selection of Directors and executive officers 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 paragraphs: B.1.14 and B.2.3

Complies

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

G. OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

In this section, you may include any other information, clarification or comment relating to the 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:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in subsection 5 of the Unified Good Governance Code:

NO

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 03/30/2009

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO

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"In the current environment of uncertainty, Viscofan has established clear and realistic objectives, supported by sound strategic pillars, which have enabled us to maintain a suitable balance between risks assumed and profitability obtained in the past, that will serve as a support and reference to implement solutions to the challenges we are facing in this new period in a resolute and flexible manner"

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This report is also available at internet: www.viscofan.com

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