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Viscofan

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Viscofan Today

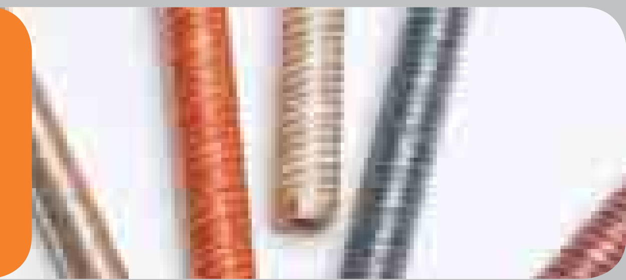
DISTRIBUTORS OF ARTIFICIAL CASINGS

IN MORE THAN 120 COUNTRIES

ACROSS 5 CONTINENTS

THE WORLD LEADER

IN THE MANUFACTURE AND SALE OF ARTIFICIAL CASINGS



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 and vegetable food

	2009	%y-o-y	2008
Market capitalization Millions of euros	827.7	+26.0	657.1
Revenue Millions of euros	583.4	+5.7	551.8
EBITDA Millions of euros	129.0	+22.5	105.3
EBITDA Margin %	22.1	+3.0p.p.	19.1
Net Debt Millions of euros	90.5	-26.1	122.4
EPS Euros	1.379	+25.3	1.101
DPS Euros	0.623	+24.6	0.500

Letter from the Chairman

Dear shareholder,

It is a pleasure for me to be able to write to you for the first time as Chairman of the Viscofan Group, with the Board of Directors having entrusted me with this role following the resignation of Mr. Jaime Echevarria on December 31.

Firstly, I would like to thank Mr. Echevarría for the excellent job he has done over these last 34 years. Thanks to him, Viscofan is has turned into one of the greatest success stories in corporate Spain; a group of people with motivation, initiative, and capacity for work has transformed the industry, and from its beginnings in a small town in Navarra Viscofan has become a leading global player, producing in 7 countries, with sales offices in 14, and sales in more than 120 countries across all the continents.

I find a Group in an excellent situation: consolidated revenues rose 6% in 2009 to more than €583Mn, driven by the Group's special focus on value, which also helped us to achieve 23% growth in EBITDA, to €129 million and net profit of €64 million, 25% up on 2008, all of this while maintaining a cautious approach to risk management.

These results are particularly significant given the current backdrop, and they are mainly the result of the performance of the artificial casings business, where the excellent quality of our operations (including efficiency improvements and production speed, the incorporation of best practices, cost savings and control) together with the commercial drive to increase our value proposition have led to a 4 p.p. improvement in EBITDA margin to 25%, level that seemed impossible just 4 years ago following the acquisitions of Tripasin, Koteks, and Teepak.

Viscofan's achievements in R&D are also key to understanding its performance over the last few years. The R&D department has come up with new solutions that have increased the value proposition of our artificial casings with the backing of an extraordinary know how and an increasingly tight relationship with the sales and production departments. Important advances have also been made in new areas, such as the new bioengineering division and the collaboration agreements reached with prestigious universities in Spain, Germany, and the United States.

It is a market that still has major growth potential, and Viscofan will remain the leading player with its focus on quality, service, efficiency, and profitability, driven by ambitious improvement projects for this year, 2010, amongst which I would like to highlight:

- The introduction of a converting plant in the biggest emerging market in the world: China.
- The consolidation and expansion of non-edible collagen production at Koteks (Serbia).
- The new advances in our centres of excellence in Spain, Germany, and the United States, which enable us to push technological frontiers and thereby provide us with a sustainable competitive advantage in what is a complex and demanding sector. And also the production support in the Czech Republic, which helps us to improve our quality, service, and operating efficiency.
- The progress in Brazil and Mexico, focused on strengthening our excellent position in Latin America.

• The installation of two engines in Cáseda (Spain) which will replace those installed in 1993 and reinforce the energetic efficiency in this manufacturing site.

Undoubtedly, in the current environment the success of all these projects depends to a large extent on the recovery in volumes and our natural rate of growth in this market; also on our commitment to an ongoing improvement in competiveness, and on the continuation of our controlled cost and investment policies, which have enabled us to tackle the difficulties of 2009.

At the same time, I would also like to draw attention to the excellent results in the vegetable food division. The IAN Group has once again demonstrated the strength of its leadership position, and in what have been particularly adverse conditions: economic crisis and falling consumption in Spain, with consumers, big retail chains, and other competitors all shifting towards low prices against a backdrop of high raw material costs. Even faced with such conditions, it managed to produce positive results, despite sacrificing margins, thanks to the leading position of its Carretilla brand, the contracts with distribution brands, and the advances made in new added-value products, area in which the Group continues to work in order to broaden its product range and improve quality for the consumer.

All these projects enjoy the backing of a solid financial situation (26% net debt over Equity) that enables us to continue investing in growth but without having to renounce increases in shareholder remuneration. This means that for this year we have proposed for approval an overall remuneration of €0.623 per share, in the form of interim dividend, issue premium, and AGM attendance bonus. This represents a 25% increase on the same period last year. With this increase, shareholders will participate in the growth in last year's results and in the strength of the company's cash flow, which made possible an increase in both shareholder remuneration and investments (+2.8%) as well as a reduction in net debt of 26%.

This solid financial position enables us to take on 2010 with certain guarantees, despite the huge uncertainties that continue to hang over the global economy, with the unprecedented measures that have been taken by both public and private institutions to restore and strengthen growth. In such an environment, our customers have increased their demands in order to improve their on competitiveness, and the Viscofan Group is responding to these new needs, prioritising our activities so as to provide the most advanced technology and know-how in order to contribute to the value-creation process with the most complete artificial casings solution in any market in the world.

At Viscofan, we continue to set ourselves ambitious growth targets, not just in revenues but also in profitability, and for this reason I would like to thank publically the exceptional group of individuals, which through its hard work and commitment on a daily basis, combines its vast knowledge and best efforts with a clear focus on the production and service excellence that make this Group a unique leader. This gratitude would not be complete without an emotional remembrance to Mr. Iñigo Solaun, Director of Viscofan until his retirement on December 31, and who sadly died in February, leaving with us the memory of his fine human and professional qualities, remembrance that I extend to all those Viscofan colleagues that, like him, died last year.

And, for the first time as Chairman of Viscofan, I would not like to finish this letter without thanking you personally for your confidence as a shareholder in this company, a leader with a clear commitment to value creation, and from which position I hope to count on your support for a future full of opportunities.

Your faithfully,

José Domingo de Ampuero y Osma

Viscofan Worldwide

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

NORTH AMERICA
866 employees
Revenue: €174.7 million
Extrusion and converting of cellulose and fibrous casings
4 manufacturing sites
3 sales offices.

SOUTH AMERICA
433 employees
Revenue: €74.3 million
Extrusion and converting of cellulose and plastic casings
2 manufacturing sites
2 sales offices.

Manufacturing sites

Commercial offices
*China: New manufacturing site expected for 2011

EUROPE/ASIA

2,253 employees

Renevue: €241.1 million

Extrusion and converting of cellulose, collagen and plastic casings

5 manufacturing sites

8 sales offices.

IAN GROUP

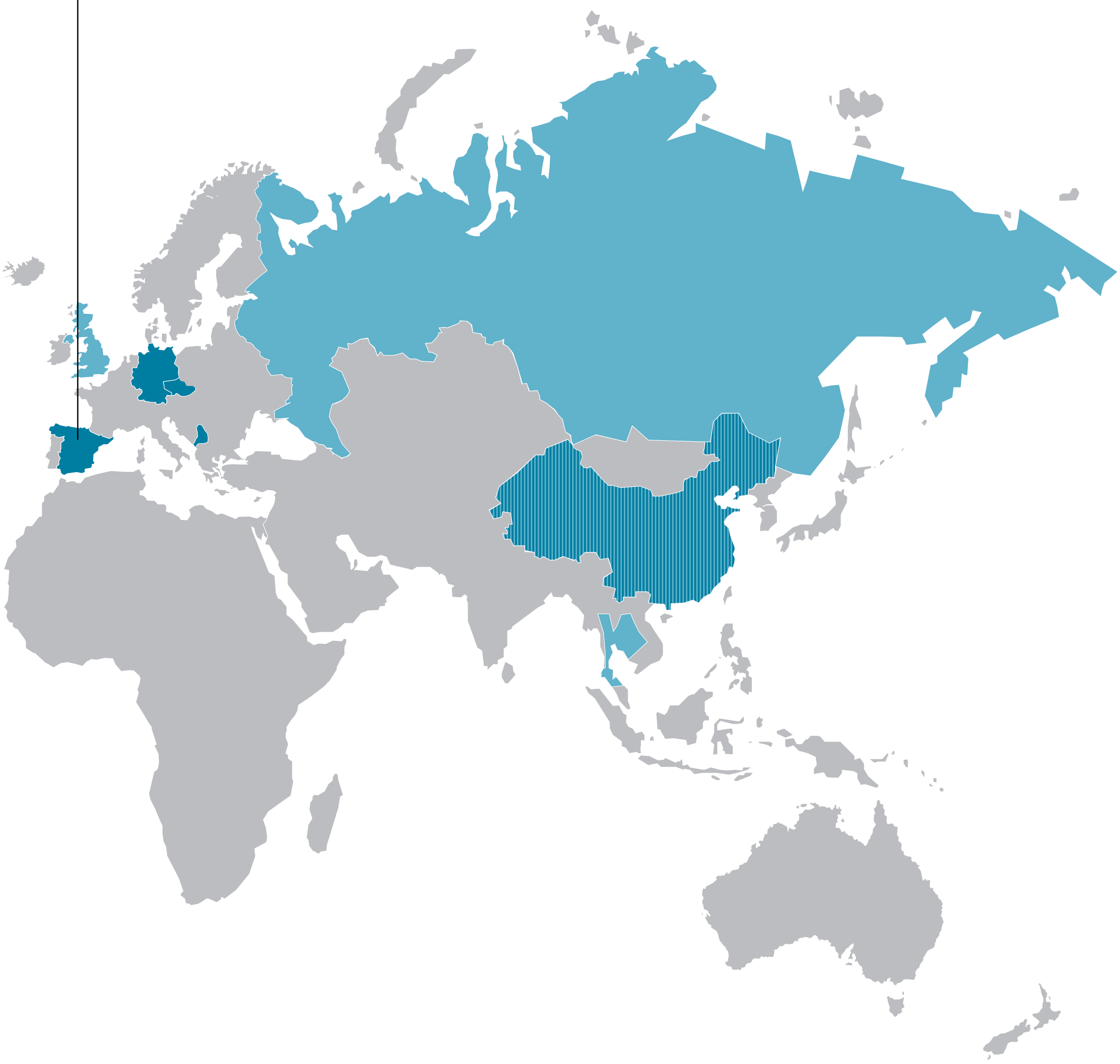
228 employees

Revenue: €93.3million

Production and sales of preserved vegetables

3 manufacturing sites

1 sales office.



Milestones of Company History

Viscofan listed on the stock Exchange

Viscofan acquired Naturin GmbH & Co (Germany)

1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992

Viscofan founded

Viscofan acquired IAN Group

Incorporation of Viscofan do Brazil

Viscofan

1993

Started up first cogeneration plant in Cáseda (Spain)

1994

Opened sales offices in Russia, and Asia, and established foothold in the United States. Started up of the collagen activity in Cáseda (Spain)

1995

Acquired Gamex in the Czch Republic and Trificel in Sao Paulo (Brazil)

1996

1997

1998

Viscofan USA plant moved from Michigan to Alabama

1999

2000

2001

New sales office in Thailand

2002

2003

Started up Viscofan México

2004

Created Viscofan Centroamerica Comercial SA in Costa Rica

2005

Acquired Koteksprodukt AD (Serbia) and the assets of AB Tripasin (Sweden).

2006

Acquired Teepak NA (USA and México)

2007

Viscofan

The group´s consolidated revenues exceeded €500 million for the first time in its history

2008

Expansion of the cogeneration plant in Cáseda (Spain)

2009

Incorporation of Viscofan Technology (Suzhou) Co. Ltd in Suzhou (China)

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 technologies: 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 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 and hog 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.

Struc

Viscofan views good corporate governance as highly important. When the Code of Good Corporate Governance was published, the Company started a process of review and ongoing improvement of its corporate governance. Viscofan aims to incorporate best practices with respect corporate governance.

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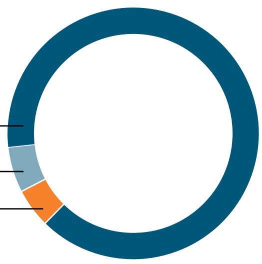
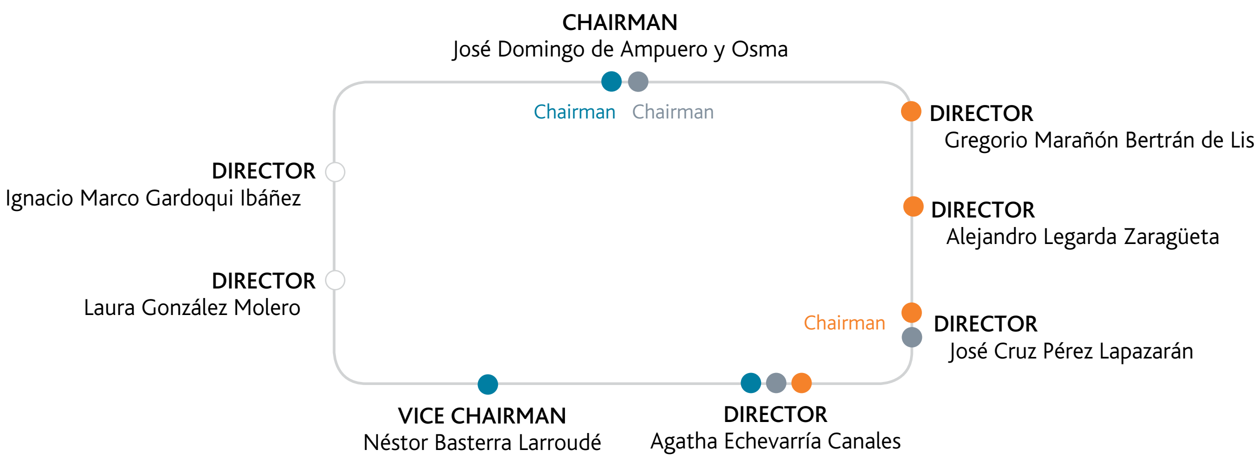
Group Structure

Group Structure

Significant shareholdings at December 2009



Board of Directors



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

Executive Committee
Audit Committee
Appointments and Remuneration Committee

Organisational Chart of the Viscofan Group

Board of Directors

Chief Executive Officer
José Antonio Canales

Corporate Management

Divisions of Group Management

Chief Operating Officer
Andrés Díaz

Chief R&D Officer
Iñaki Recalde

Chief Commercial Officer
Gabriel Larrea

Chief Financial Officer
César Arraiza

Divisions of Group Services

Chief Human Resources Officer
Juan José Rota

Chief Legal Officer
Elena Ciordia

Chief IR&Communication Officer
Armando Ares

Chief Strategic projects Officer
José Vicente Sendín

Chief Skinless extrusion Officer
Pedro Eraso

Regional Management

SPAIN
Viscofan S.A.

GERMANY
General Manager: Bertram Trauth
Naturin Viscofan GmbH

CZECH REPUBLIC
General Manager: Miloslav Kamis
Viscofan CZ s.r.o
& Gamex CB s.r.o.

SERBIA
General Manager:
Juan Carlos Gª de la Rasilla
Koteks Viscofan d.o.o

US
General Manager:
José María Fernández
Viscofan USA Inc.

MEXICO
General Manager: Óscar Ponz
Viscofan de México S.R.L. de C.V.

BRAZIL
General Manager: Luis Bertoli
Viscofan do Brasil, soc.
come. E ind. Ltda

CHINA
General Manager: Juan Negri
Viscofan Technology
Suzhou Co. Ltd.

UNITED KINGDOM
Commercial Office

RUSSIA
Commercial Office

CANADA
Commercial Office

COSTA RICA
Commercial Office

THAILAND
Commercial Office

Stra

Viscofan's aim is to lead the way in this market: it specialises in artificial casings, whether they be cellulose, collagen, fibrous, or plastic-based, its target being to offer customers the best possible alternative by adapting to their production needs and the specific characteristics of their products.

Corporate strategy

Strategic vectors

THE MISSION

To meet the needs of the worldwide food industry with artificial casings, generating value for our stakeholders

Strategic Pillars

Consolidation

Globalisation

Service

Efficiency

R+D+i

Strategic Initiatives for 2009-2011

B – Be aligned with the rest of the Group

E – Enhance added value

O – Organic growth

N – New business

E – Excellence Centres by family

VALUES

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

Value creation, the heart of our corporate strategy

Market

The incorporation of artificial casings into production processes represents a highly significant qualitative leap for meat processors, enabling them to improve both their quality and productivity and to combine a better range of products with substantial production savings.

The advantages of artificial casings, growing populations, and the globalisation of eating habits all remain solid driving factors behind the growth in our market. As a result, and despite the deep economic crisis, growth in the artificial casings market has remained positive at around 1% in global volumes, in contrast to the 1% contraction in global GDP during 2009.

The high degree of uncertainty last year affected market growth: it remained solid in some areas (basically North America and Asia) but was negative in others (Eastern Europe), leaving an overall increase in volumes of 1%, which is below the estimated natural growth rate for the sector of 3-5%.

Production of artificial casings on a large scale continues to represent a major technological challenge. In addition to this challenge, there is then the huge variety of sausage products whose versatility and tradition give rise to numerous variations depending on the country and production methods: from the most basic cooked sausages to exclusive, well-matured products.

At the same time, every year brings new demands and new developments as a result of the sophistication of the production processes, the products themselves, and consumer needs, all of which require continuous adaptation and forward thinking in the development of casings so as to meet our customers' demands.

Viscofan's aim is to lead the way in this market: it specialises in artificial casings, whether they be cellulose, collagen, fibrous, or plastic-based, its target being to offer customers the best possible alternative by adapting to their production needs and the specific characteristics of their products. With this in mind, Viscofan has invested in a wide-range of technology and has created the biggest global reach in the sector, placing its customers at the very heart of its operating decisions.

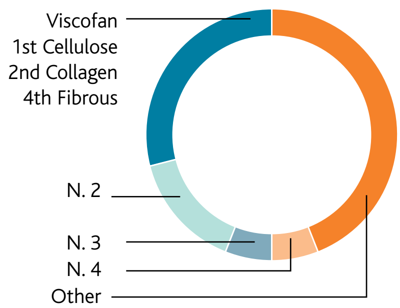
Our casings represent a clear value proposition for our clients' operations, helping to increase their production speed and reduce production losses, to automate tasks, and to ensure consistency, supply, quality, and hygiene, all of which become key and differentiating elements for each of them.

The incorporation of animal protein into the daily diet of the world population has been a strong trend for several years now as a result of the globalisation of eating habits, and it pretty much ensures that growth in the artificial casings market will continue despite the backdrop of global economic crisis.

Particularly significant is the development of the artificial casings market in certain emerging regions, such as Asia and Latin America, where as well as faster growing populations than in more developed regions consumer habits are changing swiftly on the back of globalisation, and the industrialisation economic development of these areas, which continue to show penetration levels in terms of artificial casings that are far lower than in other more industrialised countries.

The continued advance in the substitution of artificial casings for natural gut is enabling the food industry to produce sausages with an increasing level of hygiene, productivity, and versatility.

SHARE OF ARTIFICIAL CASINGS MARKET (2009)[1]



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

Particularly significant is the development of the artificial casings market in certain emerging regions, such as Asia and Latin America, where as well as faster growing populations than in more developed regions consumer habits are changing swiftly on the back of globalisation, and the industrialisation economic development of these areas

Be ONE: Strategy (2009-2011)

In 2009, the Viscofan Group announced its "Be ONE" strategy for 2009-2011, which, based on the strategic cornerstones of Consolidation, Globalisation, Service, Efficiency, and R&D&i, develops new strategic initiatives to take advantage of our economies of scale and technological, geographical, and competitive position that is unique in the market, and with which we aim to strengthen our leadership position in the sector.

The strategic initiatives for 2009-2011 can be summarised as:

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

Rather than causing us to make a strategic review of our operations, the global economic crisis and new geopolitical backdrop resulting from it have led us to push ahead even more decidedly with our original objectives, with a special focus on value protection and creation as opposed to other growth alternatives.

As a result of this value focus, financial targets for 2010 and 2011 were reached in 2009, although several operational initiatives are underway that should continue to bring improvements, which will undoubtedly generate increased value for our shareholders.

Be aligned with the rest of the Group

The Viscofan Group has undergone strong growth in recent years, not only organic, but also via selective acquisitions that have created value for shareholders.

Following this consolidation process, the Group has now achieved a quite significant critical mass, and is now bigger than its three main competitors together. However, in order to improve its economies of scale, Viscofan now requires a greater level of integration between the different Group companies.

Viscofan offers its clients a clear value proposition: new growth opportunities and an important source of production savings within an environment that involves the continuous search for production optimisation and excellence. The value proposition is well recognised by our clients and it forms the basis of our current leadership position.

Advances in the centralisation of activities:

- 2009 saw the first centralised purchases of the main raw materials and also certain ancillary raw materials. As a result, and despite the fact that the prices of some of the Group's raw materials reached all-time highs, it was able to partially offset this increase with a more efficient assignation of purchase volumes in the various locations and with more sizeable volume-based discounts with certain suppliers.

- In the same way, thanks to the development of new collagen suppliers, the Group was also able to ensure significant supplies of what is a key raw material during a period of shortages.

- Viscofan continues to work on increasing its number of raw material suppliers, as well as on homogenising them so that the materials can be used at all the Group's plants.

- In a year in which there has been particular concern regarding working capital, the advances made in the centralisation of the logistics process have made it possible to contain transport costs and improve the flow of goods, all of which has been reflected in the inventory level.

- In the integration of IT systems, the process continues for integrating ERPs in Spain, Germany, Brazil, the US, and Mexico, as well as the introduction of new systems for logistics management and financial consolidation, systems that will enable even faster decisions in the future.

Enhance added value

The current economic situation has significantly modified the practices in the global food industry. Our customers are looking for greater value proposition in our products, now that production processes have largely been readjusted so as to maximise savings and productivity at installations.

Against such a backdrop, the benefits stemming from the incorporation of artificial gut into the sausage-making process become that much more visible, helping to boost production speeds, to automate the production process, and to further continuous production, reducing our customers' loss of raw materials, and also improving the standardisation of their quality and health controls. All this, combined with the development of new products in cooperation with our customers, enabling them to offer new forms of sausage and to diversify their range of products.

Viscofan offers its customers a clear value proposition: new growth opportunities and an important source of production savings within an environment that involves the continuous search for production optimisation and excellence.

The value proposition is well recognised by our customers and it forms the basis of our current leadership position.

All of this, while maintaining sufficient commercial rigour, the result being a recovery in prices to a level more akin to real market conditions and the added value that artificial casings offer our customers.

Organic growth

Against a backdrop of significant economic contraction, the casings market has once again demonstrated the base on which its growth is founded, which augers well for positive growth rates over the coming years based on the following: expanding populations, the increased presence of animal proteins in diets, and the progressive replacement of natural gut with artificial casings.

This growth potential is particularly significant in emerging markets in Asia and Latin America, where the consumption of casings is significantly lower than in other more developed regions and where there is a large discrepancy between meat consumption and the use of artificial casings in the production process.

Viscofan can boast a multinational presence along with unique technological solutions, combination that enables it to take advantage of growth in virtually all the markets around the world.

With this objective in mind, Viscofan has created a new company in Suzhou (China), which is to focus on the finishing phase of artificial casings production. Via this new production centre, Viscofan aims to accelerate the development of the artificial casings market in what is set to be one of the biggest markets in the word. The proximity to our customers will enable us to improve our service and to build close relationships, secure supplies, and tailor-made services, all of which will undoubtedly help to improve our share of this market.

Investment is estimated at €7 million, and will basically be on installations, machinery, and systems, with the start up due at the beginning of 2011.

We will be incorporating technological improvements into the centres of excellence that will result in higher production speeds for cellulose in Spain and collagen in Germany. In the US, we want to improve our position in fibrous: we have made huge advances at the operational level but these now need to be repeated in our sales volumes.

New businesses

2009 saw the completion of the extension to the co-generation plant at the Cáseda production centre in Spain, which with an installed capacity of 44.9MW generated revenues of more than €20 million and at the same time boosted the Group's energy self-sufficiency and improved the plant's calorie capacity. The cogeneration plant also improved Viscofan's environmental sustainability, providing it with the best available technology in terms of gas-fired co-generation, which reduces CO_2 emissions per MW produced.

This year (2010) has seen the replacement of two motors originally installed at the Cáseda plant in 1993 with two nearly-new motors that should provide greater guarantees regarding the thermo-energetic generation, improving the installed capacity slightly to 45.5MW.

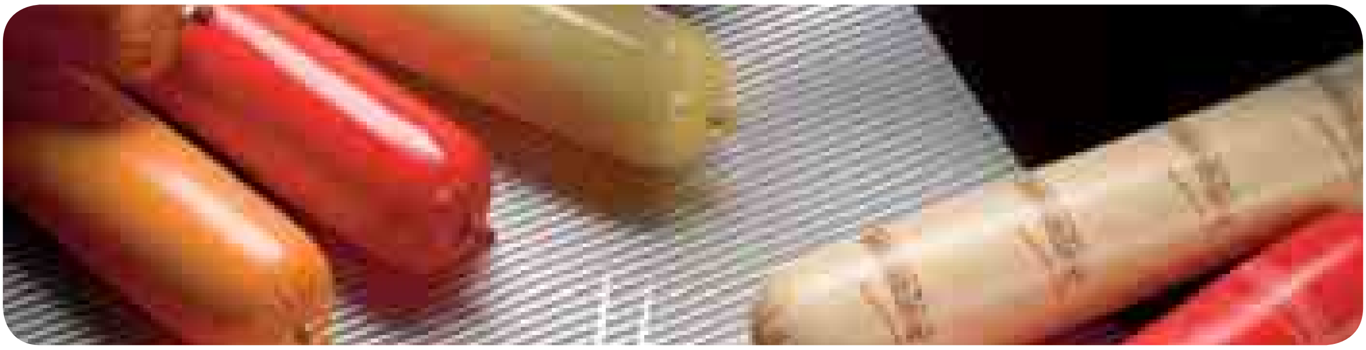
Due to the volatility of electricity pool prices in Spain, Viscofan has adopted a tariff scheme set by the Government for the next 12 months, which together with a guaranteed gas price allows for improved visibility regarding the division's likely returns in 2010.

Elsewhere, in Bio-engineering, two major potential markets have been identified: "Life Sciences", relating to the investigation and cultivation of cells based on collagen; and "Healthcare", where, based on tissue engineering and regenerative medicine, our collagen could provide positive results medium/long term.

Development and innovation in this area are the result of collaboration agreements with prestigious Spanish and German organisations, amongst others, which helps to optimize the resources devoted to the research and development associated with this new application.

Excellence centers by family

Strengthening our leadership means a new management model in order to make the most of all the competitive advantages within the Viscofan Group. This management model is based on the performance of the centres of excellence, which stand out for their management, proactive approach, service, knowledge, innovation and production quality, and for their contribution to the rest of the Group's production centres.



As a result, at Viscofan we have incorporated into our operations a permanent improvement model, under which our production centres present a structure that keeps the balance between its competitiveness in costs and technology.

The low-cost centres, as they grow in structure, either find themselves in a more inflationary environment than other more developed economies, they lose cost competitiveness, which is offset by the technological improvements resulting from the best practices and automation of processes that come from our centres of excellence, which in turn feed back into the system with the transfer of non-competitive capacity to low-cost centres due to their inferior technology or the lower value perceived by the client.

By freeing up non-competitive capacity in our centres of excellence, we also free up resources for attaining new levels of excellence, with technological upgrades that create new best-practice benchmarks and feed back into the system in what is a permanent improvement model.

The Cáseda plant in Spain is the centre of excellence in cellulose casings, while the Weinhein plant in Germany is the centre of excellence for collagen, Danville's plant in the US concentrates the production of fibrous casings, while the production of plastics is based in our plants in Ceske Budejoviece (Czech Republic) and Sao Paulo (Brazil).

There are concrete initiatives based on this model that will be developed during the course of 2010 and 2011:

We will be incorporating technological improvements into the centres of excellence that will result in higher production speeds for cellulose in Spain and collagen in Germany. In the US, we want to improve our position in fibrous: we have made huge advances at the operational level but these now need to be repeated in our sales volumes.

In North America, where our plants are less energy efficient than in Europe, we are working on improvements to increase productivity and energy savings.

In Europe, production of curved non-eatable collagen is to be transferred from Germany to Serbia during the 2010-2011 period.

Busi

Against a background of negative global economic growth, marked by falling demand and reduced credit access, the Viscofan Group grew its cumulative net revenue as of December 2009 by 5.7% to over €583.4MM.

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Business performance

Highlights 2009

January

Interim dividend paid out of the profits for 2008, agreed by the Company's Board of Directors, in the sum of €0.205 per share, gross.

February

Publication of results for 2008.

Appointment of Mr José Domingo de Ampuero y Osma to the Company's Board of Directors and Executive Committee.

Appointment of Ms Agatha Echevarría Canales to the Company's Executive Committee.

March

IAN expands its product offering with the launch of two new Pic-Nic salads, Russian salad and crab stick and pineapple salad.

April

Publication of results for the first quarter of 2009.

Appointment of Mr José Domingo de Ampuero y Osma to the Appointments and Remuneration Committee.

May

June

Viscofan General Shareholders' Meeting.

The Company refunds part of the share premium in the sum of €0.29 per share.

July

Publication of results for the first half of 2009.

Further expansion of the cogeneration station at the Cáseda plant (Spain), to a new installed capacity of 45 MW.

August

September

Incorporation of Viscofan Technology (Suzhou) Co. Ltd in China, dedicated primarily to the artificial casing finishing phase.

October

Amortization of 131,197 Viscofan treasury shares, reducing the share capital accordingly.

The share capital remaining after the reduction is €13,981,104.60 represented by 46,603,682 shares.

Publication of results for the third quarter of 2009.

November

IAN Group awarded a DICOA prize for its commitment to R&D, the use of robotics and the automation of its production process.

December

Interim dividend paid out of the profits for 2009, agreed by the Company's Board of Directors, in the sum of €0.260 per share, gross.

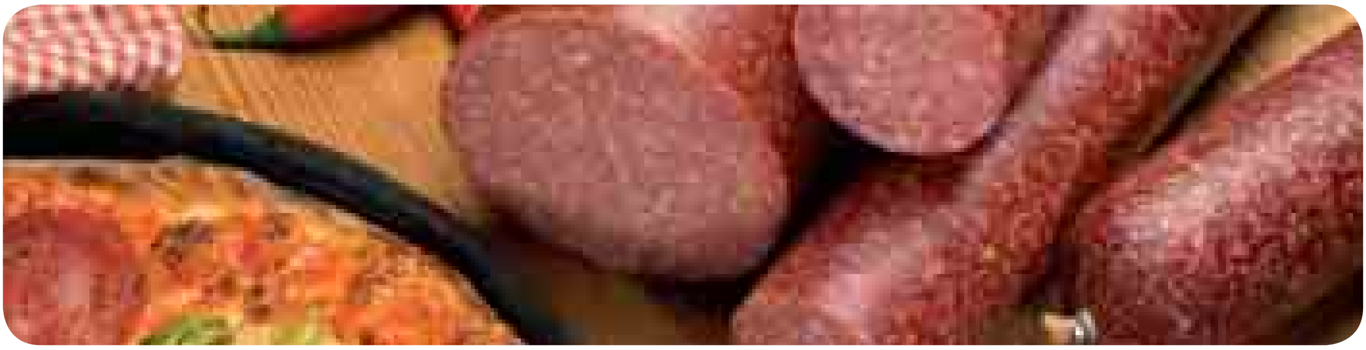
2009 Financial Results

KEY FINANCIAL FIGURES

	2009	2008	2007	y-o-y 09/08	CAGR 2007-09
Millions of Euros					
Revenue	583.4	551.8	506.0	5.7%	4.9%
EBITDA	129	105.3	98.6	22.5%	9.4%
% EBITDA margin	22.1	19.1	19.5	3.0 pp	2.6 pp
EBIT	91.3	67.9	60.5	34.5%	14.7%
% EBIT margin	15.6	12.3	12.0	3.3 pp	3.6 pp
Profit before taxes	86.0	60.3	55.2	42.6%	15.9%
Net profit	64.3	51.4	46.2	25.0%	11.6%
Capital expenditure	46.3	45.1	34.4	2.8%	10.4%
Total equity	345.2	303.3	295.8	13.8%	5.3%
Net debt	90.5	122.4	94.7	-26.1%	-1.5%
Market capitalisation at year-end	827.7	657.1	684.9	26.0%	6.5%
Average headcount	3,899	4,085	4,120	-4.6%	-1.8%
Net debt / Total equity (%)	26.2	40.4	32.0	-14.2	-5.8
ROE (*) (%)	19.8	17.2	16.4	2.7	3.4
Euros					
Year-end share price	17.8	14.1	14.5	26.3%	7.0%
Earning per share	1.379	1.101	0.977	25.3%	12.2%
DIvidend per share (**)	0.623	0.500	0.445	24.6%	11.9%

(*) Net profit / Average total equity

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



Key points of the January-December 2009 results

- +25% year-on-year net profit growth to €64.3MM.
- +22% year-on-year consolidated EBITDA[1] growth to €129.0MM.
- +3.0 p.p. year-on-year improvement in the consolidated EBITDA margin, now up at 22.1%.
- Against the background of the global economic recession, consolidated revenue was once again robust, up 6% compared to 2008 to over €583.4MM.
- The casings division is the main driver of revenue and profit growth, with a cumulative 2009 EBITDA margin of 25.3% (+3.7 p.p. compared to 2008).
- The vegetable food division (IAN Group) posted stable revenue numbers despite the economic crisis in Spain and the competition in the sector.
- Operating strength, the focus on value creation and risk control have translated into a further reduction in net debt[2] in €32MM (-26%) compared to 2008 to €90.5MM, in a year that saw an increase in shareholder returns and the completion of ambitious capital expenditure programmes.
- In a climate of major uncertainty and greater than expected weakness of the US dollar, the Viscofan Group achieved new highs in its key financial indicators, and exceeded its EBITDA and net profit guidance for full-year 2009.

Consolidated Group 2009 Results

Against a background of negative global economic growth, marked by falling demand and reduced credit access, the Viscofan Group grew its cumulative net revenue as of December 2009 by 5.7% to over €583.4MM.

It is especially telling that despite the challenging environment the Viscofan Group's two main divisions posted positive revenue growth over the year: +6.9% in casings and +0.1% in the vegetable food division.

Production improvements and centralised procurement of the main raw materials offset the upward pressure on the cost thereof. Accordingly, the Viscofan Group's consumption costs[3] in 2009 were 3.1% down on the prior year to €163.9MM, representing 28.1% of revenue compared to 30.7% in 2008.

The gross margin[4] was up by over 2 p.p. on the prior year as a result of the Viscofan Group's special focus on value. To achieve this, a very disciplined sales strategy was followed, continuing to push up prices against a background of greater uncertainty and rising unit costs in our main raw materials.

[1] EBITDA = Operating profit (EBIT) + Depreciation & amortisation of non-current assets
[2] Net debt = Short and long-term bank debt and other negotiable securities - Cash and cash equivalents
[3] Consumption costs = Change in inventories + Net purchases
[4] Gross margin = (Revenues – Consumption costs) / Revenues

Over the course of 2009 the Group's production base continued to improve as part of the Be ONE strategy, through automation programmes, best practice implementation and workforce restructuring, which saw 196 staff being cut as of the end of December 2009, bringing the total down to 3,780 (-4.9% compared to the Group's workforce at end 2008).

This effort was particularly marked in last quarter 2009, when personnel expenses amounted to €35.5 million (17.3% up compared to last quarter 2008), as a result of the costs associated with staff restructuring (indemnities, voluntary redundancies, early retirements, etc.), primarily in Spain, the United States and Germany. This quarter saw the recognition of a non-recurring sum of €1.5MM associated with the cost of 20 redundancies in Germany as a result of the transfer of non-edible collagen capacity to Serbia over the course of 2010 and 2011.

Over the year as a whole, personnel expenses amounted to €134.0MM, 4.5% up on 2008 primarily as a result of the aforementioned restructuring costs.

At €164.8MM, cumulative Other operating expenses as of December 2009 were up 5.3% compared to those recognised over the same period the prior year. Cost reduction and control initiatives, across both the casings and the vegetable food divisions, partly offset the rise in energy expenses (+7.0% compared to 2008) that mainly stemmed from the ramp-up in co-generation capacity in Spain in the second half of this year.

The revenue growth and the production improvements implemented resulted in a 3.0 p.p. improvement in the 2009 EBITDA margin, which stood at 22.1%, despite a worse performance of the vegetable food business.

As a result, cumulative EBITDA as of December 2009 amounted to €129.0MM, 22.5% up on FY 2008. Excluding the €1.5MM in non-recurring expenses associated with the restructuring of the non-edible collagen operations in Germany, EBITDA amounted to €130.6MM (23.6% up compared to 2008).

EBIT[5] was 34.5% up on 2008 at €91.3MM, driven by the aforementioned improvement in EBITDA and the maintenance of depreciation and amortisation (€37.7 million; +0.7% compared to 2008).

The net financial loss of -€5.3MM was 30.2% down thanks to lower financial expenses as a result of the lower debt levels and the lower borrowing cost in a year marked by reduced credit access.

[5] EBIT = EBITDA – Amortization and depreciation

The revenue growth and the production improvements implemented resulted in a 3.0 p.p. improvement in the 2009 EBITDA margin, which stood at 22.1%.

At the end of 2009 net debt stood at €90.5MM, down over €31.9MM even after investing €46.3MM in major expansion and improvement programmes, including the expansion of the co-generation plant, new production lines in Germany, and the land for the new Chinese subsidiary, and having set aside over €35MM for dividend payments and share premium refunds, 22.7% up on the payments and share buybacks carried out in 2008.

Financial leverage[6] stood at 26.2% compared to 40.4% in December 2008, thanks to the strength of operating cash flows and control of working capital, on the back of Viscofan's focus on value, controlling the risk of customer default and greater efficiency in inventory management.

The extraordinary growth in operating profit, together with the fall in financial expenses resulted in pre-tax profit rising 42.6% on 2008 to €86.0MM.

The tax expense amounted to €21.7MM, representing an effective tax rate of 25.2%, compared to the €8.9MM in 2008 as a result of the tax credits enjoyed that year by various Group subsidiaries.

As a result, net profit hit a new historic high for the fourth year running, rising to €64.3MM in 2009, 25.0% up on that posted the prior year.

With year-on-year growth of 32.1%, the cumulative net profit at the casings division as of December 2009 represented a new annual high of €62.4MM.

2009 Results: Casings

Following the market growth seen in 2008, in 2009 the artificial casings market enjoyed a lower level of growth as a result of the global economic climate, marked by sharp inventory adjustments, the reining in of expansion programmes and specific difficulties in particular markets.

Against this background, the Viscofan Group posted cumulative net revenue as of December 2009 of €490.1MM, up 6.9% on the same period the prior year. This growth was possible thanks to the Viscofan Group's focus on value and the boosting of the average price of the main categories of artificial casings, especially those made from cellulose and collagen.

In turn, the implementation of Phase II of the new co-generation plant made it possible to increase electricity sales in Spain to €20.8MM compared to the €13.2MM generated in 2008, despite the marked fall in the unit price of electricity in Spain.

The Viscofan Group enjoyed higher revenue across all the main geographic regions[7], including:

• In Europe, net revenue rose to €241.1MM, +6.2% compared to the same period the prior year.
• In North America, sales were up +9.8% on 2008 at €174.7MM.
• In Latin America, revenue was up +2.5% on 2008 at €74.3MM.

Excluding the impact of the change in exchange rates, cumulative revenue was up +5.8% on the prior year, slowing slightly in the last quarter of 2009 primarily as a result of the price increases applied in the second half of the prior year and the weakening of the US dollar in the last quarter 2009 (fall in USD/EUR exchange rate: 12% in fourth quarter 2009 compared to fourth quarter 2008).

The main raw materials used in the production of artificial casings (cellulose and collagen skins) hit unit price highs in the course of 2009. Notwithstanding this, the ongoing production improvements completed in 2009 with a view to improving production throughput and productivity made it possible to achieve significant input savings, which were -6.5% down on 2008 at €104.5MM.

As a result of the improvements in the production process, the automation and the synergies resulting from the workforce restructuring in the Be ONE strategic plan, the casings division had a workforce of 3,552 at the end

[6] Financial leverage = Net debt / Equity
[7] Revenue by origin of sales

of 2009, 179 down on the end of December 2008, 88 (49% of the total) of which were net exits in the fourth quarter 2009.

Accordingly, cumulative personnel expenses as of December 2009 were up 4.9% on 2008 to €124.7MM, and 17.9% compared to last quarter 2008.

This acceleration in personnel expenses, was largely due to the restructuring and voluntary redundancy costs incurred in 2009, and most particularly in last quarter 2009 when non-recurring costs of €1.5MM were recognised in respect of personnel restructuring in Germany in connection with the transfer of the non-edible collagen production capacity to Serbia over the course of 2010 and 2011.

On the other hand, Other operating expenses were up 6.8% on 2008 at €144.1 million, mainly driven by the higher energy expenses (+7.3%) as a result of the ramp-up in co-generation capacity in Spain from July 2009, partly offset by reining in all other operating expenses.

The sales drive, based on commercial discipline against a background of great uncertainty, combined with cost control of operating expenses resulted in cumulative EBITDA for the year of €124.1MM, up 25.1% on the prior year.

FY 2009 was marked by the robustness of the margins achieved in the casings division, which quarter after quarter were consistently above those achieved in the same period the prior year. Accordingly, the 25.3% EBITDA margin was 3.2 p.p. above the last quarter 2008 margin, and 3.7 p.p. above that achieved in full-year 2008.

Cumulative depreciation and amortization as of December amounted to €35.0MM, 1.7% up on 2008.

As a result, 2009 EBIT was up +37.5% at €89.1MM.

With year-on-year growth of 32.1%, the cumulative net profit at the casings division as of December 2009 represented a new annual high of €62.4MM.

The strength of the Carretilla brand was particularly marked in last quarter when, thanks to the success of the Christmas campaigns, revenue rose 7.7% on fourth quarter 2008 to €24.6MM.

2009 Results: IAN Group

Lower consumption, and the search by most consumers and retail chains for the biggest price cuts as a result of the economic crisis in Spain negatively affected the performance of the vegetable food market, and to a greater extent higher value added products.

Against this background, and despite competitive pressures in the marketplace to provide an outlet for output surpluses (particularly in the asparagus segment), the leadership of the Carretilla brand, contracts with retail brands, the sales of tomato derivatives as a result of a change in market trends towards basic low-cost products, and the growth of new products despite the recession in the retail market, made it possible to post 2009 revenue of €93.3MM, slightly above (+0.1%) that posted the prior year.

The strength of the Carretilla brand was particularly marked in last quarter when, thanks to the success of the Christmas campaigns, revenue rose 7.7% on fourth quarter 2008 to €24.6MM.

Maintaining the level of the cumulative revenue nevertheless required a major sales effort via special campaigns that cut the gross margin by 2.0 p.p. in 2009 compared to 2008.

So as to offset this fall in the gross margin, the IAN Group put in place a major cost reduction and control programme.

Moreover, the top goal in 2009 of those working in the R&D field was the development of new ready-cooked meals so as to round off its range, along with organoleptic improvements across the range so as to improve the consumer experience.

Cumulative EBITDA margin as of December 2009 was down 1.3 p.p. to 5.2%. It should be emphasised that, against a background of economic weakness such as we are seeing at present, the IAN Group has continued to improve its EBITDA margin quarter on quarter.

In FY 2009, EBITDA amounted to €4.9MM (-19.9% compared to 2008), €1.5MM of which was posted in last quarter (down on 18.1% compared to last quarter 2008), representing the fourth consecutive quarter of EBITDA improvements.

Cumulative depreciation and amortisation as of December 2009 was €2.7MM, down 10.2% as a result of the containment of capital expenditure programmes carried out over the past number of years.

The cumulative net profit in 2009 was €1.8MM. It should be emphasised that the cost reduction policies and the IAN Group's low financial leverage in a climate like this resulted in free cash flows and positive net profit in all quarters, with of particular note the €1.1 MM net profit posted in last quarter 2009.

Cumulative 2009 net profit was down -56.1% on 2008 as a result of the decline in operating profits and the use of tax credits recognised in FY 2008.

Respon

Viscofan adopts corporate management criteria that contribute to a sustainable and economically viable development.

nsibility

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 nonbinding, 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 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 for the Board of Directors: These rules contain measures to help ensure the company is properly run, by setting down the principles of action of the Board of Directors, including an evaluation mechanism, organisational and operating requirements, the Directors' standards of conduct, 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 registered as well in the Registro Mercantil de Navarra (Register of Companies of Navarre).

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.

During last years, 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.

The company offers an attendance fee to those shares present or represented in the General Meeting that have duly evidenced their attendance or representation thereat. For 2010, this fee has been increased to €0.006/share.

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

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

As a result of these measures, attendance at the last General Meeting held on June 3 2009 represented 79.54% of capital, 7p.p. more than at the previous General Meeting held on June 3 2008. Of this percentage, 1.14% were present and 64.82% were represented, having exercised their right to delegate. 13.58% voted by postal ballot, while the amount of electronic voting was insignificant. These figures firmly establish a high rate of shareholder involvement in Viscofan General Meetings over recent years, above the average for listed companies.

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

Board of Directors

The Board of Directors is the body in charge of representing and managing the Company.

Its basic function is the overall supervision of all the aspects that form part of Viscofan, and, as appropriate, of those companies that make up the Viscofan group.

In addition to those matters reserved solely for the Board by law, matters that are the sole province of the plenary Board meeting include the company's general policy and strategy, and in particular, among others: the strategic or business Plan, the investment and financing policy, policy on corporate governance and corporate social responsibility; remuneration policy, the naming and evaluation of senior management; risk control and management policy, as well as the periodic monitoring of internal information and control systems, including financial information; Group structure; related-party transactions; information policy relating to shareholders, markets, and public opinion; the duties of organisation of the Board itself.

To perform the functions to the required standards of diligence, the Board holds regular meetings. In 2009, 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.

Furthermore, as explained in the Annual Corporate Governance Report, the Board has followed the proposals made by the Remuneration and Appointments Committee on the appointment of independent directors and it has kept the information relating to the profile of all its directors, their voting rights in the Company, and the remuneration policy adopted, including the remuneration received from all items during 2009, which were submitted for a consultative vote at the General Meeting held on June 3 2009.

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.

Board Committees

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

Executive Committee

During 2009, it was made up of four Directors, one executive Director, two independent Directors, and one external Director. This committee has been entrusted with all the decision-making powers of the Board, except those which cannot be delegated, and the sale, exchange and encumbrance of real property and industrial facilities. The Executive Committee, which met on 11 occasions in 2009, must in timely fashion report to the Board on its discussions and resolutions.

Following the resignation of Mr. Jaime Echevarría Abona as of 31 December 2009, the Executive Committee is currently made up of three directors: one executive Director and two independent Directors.

Audit Committee

In 2009, the Audit Committee was made up of three independent Directors and one external Director. And in 2010, following Board changes, it is now made up of four Directors, all of whom are independent.

Among others, the Audit Committee has the following functions: to supervise the internal audit services, to become familiar with the Company's financial reporting process and its internal control systems, to make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, to ensure the independent nature of the latter, to review the audit plan and its results, and to check that senior management takes its recommendations into account, to report on the Annual Accounts, and the half-yearly and quarterly financial statements, mentioning the internal control systems, the control of their supervision and compliance via the internal audit, when taking place, and, as appropriate, the accounting criteria applied. It must also report to the Board on any change in accounting criteria and balance sheet and off-balance sheet risks. The Audit Committee met 8 times in 2009.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is made up of three Directors: one executive Director and two independent Directors.

Its role is to propose the appointment of independent Directors and to report on the remaining Directors and on the appointments and separations of senior management, to report to the Board on matters of gender diversity, and to propose to the Board the remuneration policy for Directors and senior management and the remuneration of individual executive Directors and senior managers as well as the conditions of their contracts. The Appointments and Remuneration Committee met three times in 2009.

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. In 2009, the Board comprised eight Directors, one of whom, the Chairman, was an executive Director, six were independent (75%) and one was external.

As a result of the Board changes following the resignations of Mr. Jaime Echevarría Abona and Mr. Iñigo Soalun Garteiz as of 31 December 2009 and the appointments made to replace them, the Board currently comprises eight Directors, one of which, the Chairman, is an executive Director, and seven are independent.

The current composition of the Board complies with current good corporate governance guidelines, with independent Directors accounting for 87.5%.

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.

In 2009, the Board received a total remuneration from the company and its group of subsidiaries in the form of bylaws-mandated payments and fees of €1,552 thousands.

Related party transactions and conflicts of interest

In accordance with the Board's rules, directors may not hold, 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.

The Board comprises eight Directors, one of whom, the Chairman, is an executive Director, and seven are independent.

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 abstain from voting on those issues in which they have an interest and to resign forthwith if the conflict of interest persists or if their presence on the Board runs counter to the interests of Viscofan. Directors are further obliged to report to the Board any family, economic or other ties that might give rise to conflicts of interest.

Risk control

Suitable risk control is a key element of managing a modern business. Via the Audit committee, Viscofan initiated a plan in 2008 to establish an internal audit programme in conjunction with an external audit firm that includes an evaluation of the risk universe so as to identify the areas of highest exposure. The project made good progress throughout the whole of 2009, improving and fine-tuning the identification, classification, arranging, and updating of risks, at the same time establishing a protocol for continuous reviews and supervision.

The aim of the project is to incorporate new risks that the company can identify externally; general or specific circumstances inherent in society or the sector, and then adopt the necessary measures to minimise these risks through the introduction of the most suitable procedures for any given moment.

The activity in this area during 2009 focused on two fronts:

I,- The Audit Committee asked the internal audit to review and improve procedures to minimise the main risks identified.

II,- And the Company has incorporated and improved as part of its day to day activity the measures identified and introduced previously.

Details of the financial, operative, and strategic risks identified and the measures adopted to minimise them are developed further in paragraph d) Risk control systems from the Annual Corporate Governance Report.

Viscofan in the stock market

Share price information

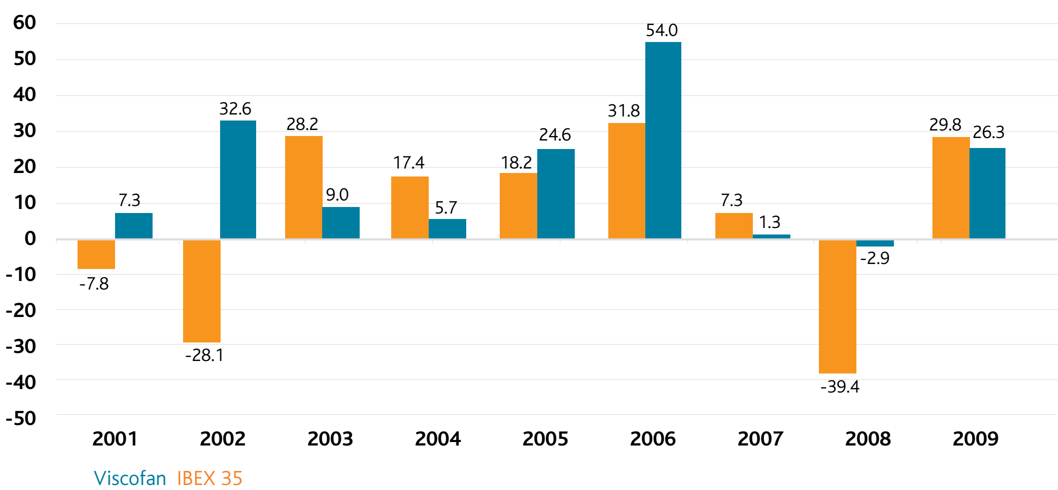
The performance of financial markets in 2009, and especially that of equity markets, has been characterised by the effects of the global economic and financial crisis together with the stimulus packages introduced by the different national and international bodies and the restructuring plans announced by companies in their attempt to offset the worst effects of the current crisis.

Uncertainty over the real impact of the measures adopted (especially in the financial sector) continued to weigh on markets during the first few months of the year, but after touching their low for the year markets then recovered gradually and closed the year in positive territory, albeit with the main global markets still below their 2007 and 2008 highs.

The strength and visibility of Viscofan's results meant that its share price was less volatile than most, and over the year as a whole it rose 26.3% to €17.76. In a year of so much uncertainty and volatility in stock markets, it is particularly significant the fact that Viscofan's shares closed above their 2008 year-end price in 95% of 2009's trading sessions.

The share price performance was accompanied by an increase in shareholder remuneration. The General Shareholders' Meeting in June 2009 approved a shareholder remuneration of €0.500 gross per share, €0.005 of which related to the attendance bonus. The overall remuneration represented a 12.4% increase on the previous year.

STOCK MARKET PERFORMANCE (%)



VISCOFAN VS. IBEX 35 PERFORMANCE PROFITABILITY (%)

Buying (*)		Selling (*) 2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	**Viscofan**	**7.3**	**42.2**	**54.9**	**63.7**	**104.0**	**214.1**	**218.2**	**209.0**	**290.3**
	IBEX 35	-7.8	-33.7	-15.1	-0.3	17.8	55.3	66.7	0.9	31.1
2001	**Viscofan**		**32.6**	**44.5**	**52.7**	**90.2**	**192.8**	**196.7**	**188.1**	**263.9**
	IBEX 35		-28.1	-7.9	8.1	27.8	68.5	80.8	9.5	42.2
2002	**Viscofan**			**9.0**	**15.1**	**43.4**	**120.9**	**123.8**	**117.3**	**174.5**
	IBEX 35			28.2	50.4	77.8	134.3	151.5	52.3	97.8
2003	**Viscofan**				**5.7**	**31.6**	**102.7**	**105.4**	**99.4**	**151.9**
	IBEX 35				17.4	38.7	82.8	96.2	18.9	54.3
2004	**Viscofan**					**24.6**	**91.8**	**94.4**	**88.7**	**138.4**
	IBEX 35					18.2	55.8	67.2	1.3	31.5
2005	**Viscofan**						**54.0**	**56.0**	**51.5**	**91.4**
	IBEX 35						31.8	41.4	-14.3	11.2
2006	**Viscofan**							**1.3**	**-1.6**	**24.3**
	IBEX 35							7.3	-35.0	-15.6
2007	**Viscofan**								**-2.9**	**22.7**
	IBEX 35								-39.4	-21.4
2008	**Viscofan**									**26.3**
	IBEX 35									29.8

(*) Last trading day

As a result, and taking into account dividend payments and the share redemption premium also distributed last year, investors who bought shares in Viscofan at the 2008 closing price and sold them at the 2009 closing price made a total return of 29.9%. Viscofan's performance compares very favourably with the 13.8% rise in the Ibex Medium Cap index (in which it is included) over the same period, and is marginally inferior to the 29.8% rise registered by the Ibex 35.

This solid performance did not go unnoticed in the investor community, which against a backdrop of lower volumes and decreasing market liquidity included Viscofan amongst its favourite stocks, helping to increase traded volume over the full year by 16.3% to a total of 42.1 million shares (90.4% of the company's share capital) worth more than €663 million (+34% on the cash value traded in 2008).

The consistency of Viscofan's value creation is particularly significant, and shareholders who bought stock at the close of 2000 and held it until the close of 2009 would have multiplied the value of their initial investment 3.9 times, compare with a return of just 31.1% for those investors who replicated the IBEX 35. This value creation has also been evident in the company's consistent shareholder remuneration policy, which has maintained a rising trend throughout the company's history, ensuring that shareholders participate in the company's results. The payout proposed for this year is €0.623 per share, more than 6 times the remuneration in 2000.

Viscofan closed 2009 with a capitalisation of €827.7 million, compared with €222.2 million at the end of 2000. This made it the 54th largest company on Spain's continuous market by stock market capitalisation (59th at the end of 2008) and the second largest in the IGBM's food and beverage sector.

The reasons behind this upbeat performance are the company's solid results, the favourable outlook for growth and value creation medium term, and an improved understanding of the company among the investor community.

Shareholder remuneration: Dividend and share buybacks

In 2009, the Company rewarded its shareholders in terms of dividends, an issue premium refund and a General Meeting attendance bonus in the amount of €0.500 per share gross. Shareholder remuneration thus amounted to over €23.3 million in 2009, 12.3% up on 2008.

Viscofan's Board agreed the distribution of an interim dividend on 2009 results of €0.260 per share gross, payment of which was made on 22 December 2009, ahead of the traditional January payment so as to take advantage of the more favourable tax treatment of dividends in 2009 (versus 2010). Meanwhile, in line with the improvement in returns and earnings, the Board has proposed an additional remuneration to shareholders of €0.357 per share in the form of a share premium redemption and of €0.006 per share in the form of General Shareholders' Meeting attendance bonus. As a result, the total shareholder remuneration proposed for 2009 stands at €0.623 per share, 24.6% up on the previous year's figure.

This shareholder remuneration implies that 45.2% of 2009 earnings per share will be paid out, thereby meeting the Company's target of remunerating this year's shareholders in line with the improvement seen in its results, thus ensuring that they participate in Viscofan's positive performance, making visible the cash flow generated during a period in which access to liquidity remains difficult.

Viscofan, its shareholders and investors

Through its Investor Relations Department and the Shareholder Desk, one of Viscofan's objectives is to create value for investors by improving transparency and providing them with relevant information in order to gain a better understanding of the company, its results, its strategy, and operations.

Viscofan is in close contact with the financial markets and its agents and, with a growing trading volume in its shares, it is able to boast one of the best rotation indices among small and medium capitalisation stocks. Against a backdrop of decreasing liquidity levels, Viscofan's average daily trading ratios continue to improve, both in terms of share volume (90.4% rotation of total number of listed shares) and average daily cash value traded, which has risen to €2.6 million versus €1.9 million last year.

In 2009, a total of 17 research companies (both national and international) covered the company on an ongoing basis, 96% of which had a positive recommendation throughout the year.

The Investor Relations Department and the Shareholder Desk provide the financial community and private investors with different communication channels in order to promote a better understanding of the company's progress and to make available the information required by both.

The main communications channels used by the company have been presentations at seminars and events for the financial community, road shows with institutional investors set up either by the company or brokers, results presentations, the General Shareholders' Meeting, meetings in Viscofan's Head Offices, telephone calls to a number set up specially for attending investors and shareholders (+34 948 198 436), electronic mail (info_inv@viscofan.com), information on the website www.viscofan.com, as well as notices and periodic public information sent to the CNMV.

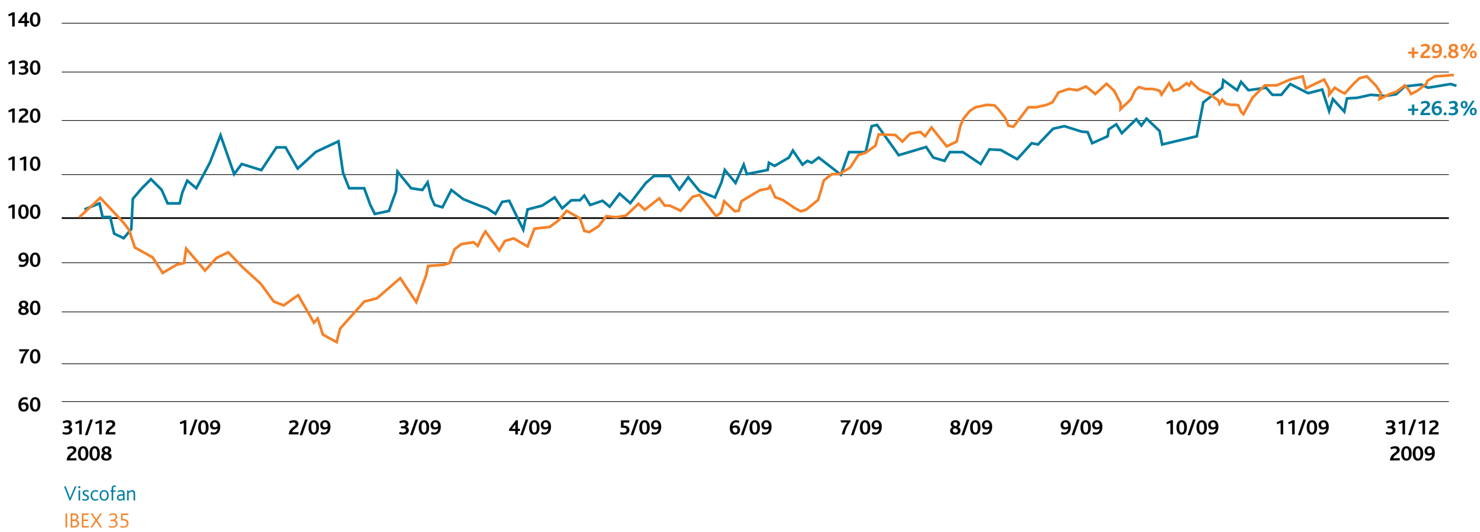
The result of all this was that in 2009 Viscofan held 170 meetings with investors (171 in 2008) in 12 financial centres in different countries (7 in 2008).

STOCK EXCHANGE HIGHLIGHTS

Share price (€)	2009	2008	2007	2006
Year-end price	17.76	14.06	14.48	14.29
Year high	18.20	15.94	18.40	14.71
Year low	12.81	9.85	13.52	9.18
Viscofan shares in the Stock market.				
	Year-end 2009	Year-end 2008	Year-end 2007	Year-end 2006
% annual change Viscofan	26.3%	-2.9%	1.3%	54.0%
% annual change IGBM (Madrid all-share)	27.2%	-40.6%	5.6%	34.5%
% annual change IBEX 35	29.8%	-39.4%	7.3%	31.8%
% annual change IBEX Medium Cap	13.8%	-46.5%	-10.4%	42.1%
% annual change IBEX Small Cap	17.6%	-57.3%	-5.4%	54.4%
% annual change Spanish food sector	7.0%	-25.7%	-13.8%	25.4%
Stock market trading data				
	2009	2008	2007	2006
Market capitalisation at year-end (millions of euro)	827.68	657.09	684.86	685.35
Traded volume (millions of euro)	663.1	493.7	598.5	372.1
Daily average trading volume (millions of euro)	2.6	1.9	2.4	1.5
Traded shares	42,112,723	36,199,693	36,441,110	31,732,853
Daily average of traded shares	165,798.12	142,518.48	144,036.01	124,932.49
Share ratios				
	Year-end 2009	Year-end 2008	Year-end 2007	Year-end 2006
Listed shares	46,603,682	46,734,879	47,296,842	47,959,806
Earnings per share (1)	1.379	1.101	0.977	0.657
Proposed dividend per share (2)	0.623	0.500	0.445	0.305

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

SHARE PRICE VISCOFAN VS. IBEX 35 (YEAR 2009)



Human Resources

The Viscofan Group and its market performance cannot be properly understood without taking into account the high quality of its staff, with personnel costs of €134 million accounting for 23% of the Group's total revenues in 2009,

As of the close of 2009, the Group's human resources included a workforce of 3,780, compared with 3,976 at the end of 2008, The staff cuts introduced during the course of 2009 were the result of the efforts made on workforce reduction policies and cost cutting, thanks to the automation of processes and improvements in production efficiency in lower added-value tasks,

A workforce that is well spread out across the different countries in which the company is strategically placed (Brazil, Canada, Costa Rica, the Czech Republic, China, Germany, Mexico, Russia, Serbia, Spain, Thailand, the UK and the US) and that forms a rich and complex multicultural environment, which at the same time provides a challenge and an opportunity to develop internationally for the Group's employees, with numerous projects to transfer knowledge between the different production centres and the development of specific global training seminars for Group employees,

YEAR-END WORKFORCE EVOLUTION

	2006	2007	2008	2009
Europe	2,395	2,363	2,353	2,253
North America	1,148	1,076	932	866
Latin America	410	428	446	433
IAN	260	261	245	228
TOTAL group	**4,213**	**4,128**	**3,976**	**3,780**

Viscofan wants to make the most of these human resources, and to do this the Corporate Human Resources Department is introducing projects to help define and supervise the Viscofan Group's priority roles, to coordinate the efforts and steps necessary to attract, develop, and retain the talent at the different companies that make up the Group.

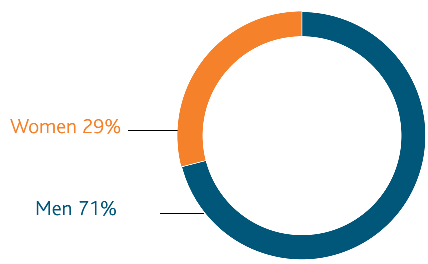
Employee training at Viscofan is a key process in the Company achieving its goals and constitutes a source of competitive advantage in maintaining the Company's lead position and creating value, Therefore, the Viscofan Group, through the Human Resources Departments of its various subsidiaries, promotes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

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

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

	2009	2008	2007	% y-o-y 09/08
Management	73	69	65	+5.8%
Technicians and Department Heads	647	571	538	+13.3%
Administrative staff	318	328	331	-3.0%
Specialised personnel	651	651	717	0.0%
Operatives	2,091	2,357	2,477	-11.3%
	3,780	**3,976**	**4,128**	**-3.7%**

BREAKDOWN OF WORKFORCE BY SEX



Viscofan and customers, a commitment to quality, service and food safety

The Viscofan Group places customers at the core of its operating decisions, continuously trying to provide them with the best value proposition in order to strengthen their competitive advantages and help them improve the efficiency and productivity of their operations.

In this respect, Viscofan is able to boast the largest commercial network in the industry, and a level of service by its technicians that is well recognised throughout the market. In its continuous improvement model, and via multidisciplinary teams from its sales, operations, and R&D departments, the Viscofan Group identifies those areas of most concern to the meat industry, developing and incorporating the relevant improvements.

Maintaining our leadership position in the global market in an environment as dynamic as the current one would be impossible without Viscofan's excellent level of service and diversification, and as a result of our presence in 14 countries we are able to provide suitable casings solutions to more than 2,000 customers in 120 countries around the globe. The confidence placed in us by our customers is a reason to be proud but it is also a challenge.

In the search to provide our customers with a better service, we have introduced important modifications in order management over the last few years, in an attempt to simplify the number of contacts in the orders and claims processes, taking advantage of a single scale in the casings market, which helps to speed up management and improve our customer service.

Quality

The Viscofan Group's commitment to quality is undeniable.

On the basis of this commitment, Viscofan group companies have managed to renew each year their Quality certification under Quality Management Standard ISO 9001:2008. This year, a new quality certification is expected in Montgomery (USA).

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.

At the same time, Viscofan has Halal and Kosher certifications across all its product ranges, meaning that it is prepared to supply these products to any market in the world.

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 several 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. The main objective of the Research and Development team during 2009 was the development of new ready-cooked meals in order to round of the product range. There were also organoleptic improvements across the whole meal range as a result of modifications and adjustments in the different processes in order to improve the customer experience.

IAN employs 8 research and development specialists.

Viscofan regularly collaborates with universities and research centres. In addition, the group has significant support in Spain from CDTI (the centre for technical industrial development) and local government bodies.

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.

2009 also saw important advances in the development of collagen moulds for cells (CCC), ready-to-use culture platforms with CCC, and biocompatible collagen membranes. Other product developments include collagen tubes for keeping cells, medicines, etc, and collagen string.

On the back of these results, Viscofan Bioengineering has made and continues to make new alliances with companies and centres interested in cellular biology, tissue engineering, and regenerative medicine, in particular with companies of a commercial nature.

Viscofan and sustainability

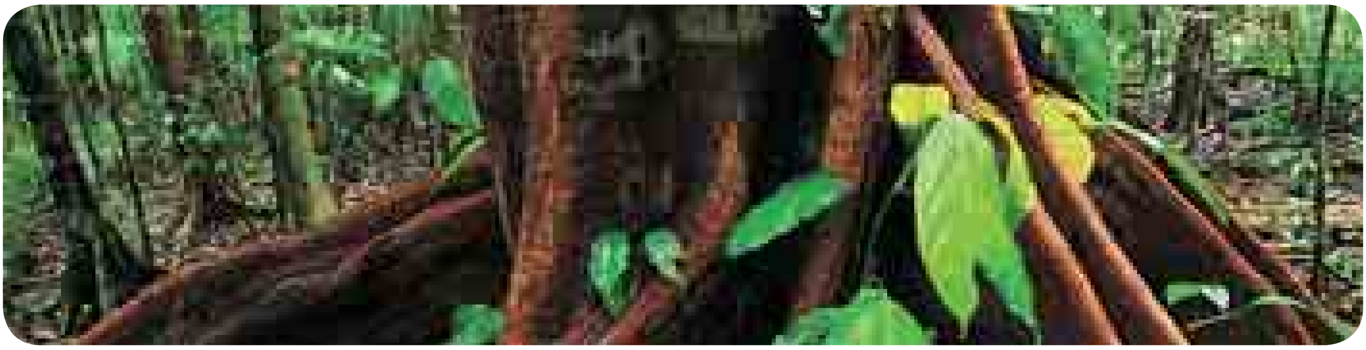
The Viscofan Group adopts corporate management criteria that contribute to a sustainable and economically viable development as a result of which its market leadership is also accompanied by an acceptable relationship between the Group's productive activity and the environment in which it operates.

In order to coordinate and combine the efforts made in this field by the Group's different subsidiaries, Chief Operating Officer was given the necessary powers back in 2008. The environmental department is responsible for supervising and adopting the measure required to ensure that production activity meets the standards set by the Viscofan Group and by the prevailing legislation in each country.

To facilitate this, Viscofan maintains a fluid dialogue with government bodies, which help to work towards the best solutions in the field of sustainability and to find points of agreement that benefit the wider community. Cooperation with government includes annual and periodic inspections of production facilities. The Company also has waste emissions generated by the manufacturing process analysed by approved external laboratories.

The strategic building blocks on which the Group's environmental projects are built are:

• Contribution to avoiding climate change
• The sustainable use of resources



Climate change

Spain's new National Allocation Plan for gas emission rights has established more demanding requirements than in its initial phase, for 2008-2012, as a result of which Viscofan is making significant investments, the aim being to improve the energy performance of its installations and to reduce its CO_2 emissions.

It is worth highlighting the start up of the extension to the co-generation plant in Cáseda (Spain), in two different stages in 2008 and 2009, which should mean a new total capacity of 44.6MW.

The new co-generation plant has changed our relationship with energy: by generating our electricity and heat at the same time, we are making a significant contribution to primary energy savings in the energy mix while at the same time meeting the thermal and electric energy demands of the gut production plant at Cáseda (Navarra). In addition, we generate enough electricity for distribution through the grid to supply a European town of 52,300 inhabitants during a whole year (this includes lighting, air conditioning, and domestic appliances).

The complete construction of the new co-generation phase has been our most ambitious project in investment terms, having invested more than €25 million over the last two years (27% of the Viscofan Group's total investments during 2008 and 2009), and it incorporates the latest solutions in terms of sustainability and energy efficiency in the field of co-generation technology. Viscofan's production of high-efficiency electricity in Cáseda currently accounts for 4% of total electricity production in Navarra.

What is more, now that the co-generation plant is complete, the Viscofan Group contributes to reducing CO_2 emissions, compared with other valid thermo-electric production alternatives of a similar capacity. The amount of CO_2 emitted into the atmosphere for each MW of electricity generated was reduced by 3.5% in 2009 (compared to 2008) and by 32.7% compared to 2007 (before the installation of the new co-generation plant in Spain).

	2007	2008	2009	2009 vs. 2008	2009 vs. 2007
tn. CO_2/Mwh generated	0.89	0.62	0.60	-3.5%	-32.7%

Greenhouse gases are being reduced throughout all the Group's plants, and specific energy-saving projects have been introduced not only in EU plants, but also in those in Mexico, the US, and Serbia.

The Group's energy consumption profile is a direct result of this commitment: 85% of all Viscofan's plants are using natural gas rather than alternative fossil fuels that a more harmful to the environment.

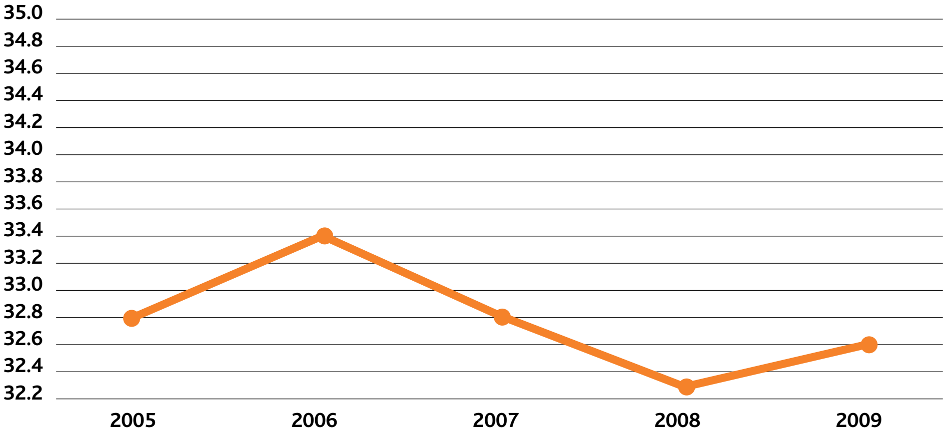
The sustainable use of resources

Important advances have been made over the last 5 years in optimising the use of resources. Despite significant production increases during this period, waste volumes in 2009 (32.6 million tonnes) were 0.6% lower than in 2005. And whereas the Group destroyed 16% of its waste in 2005 and recovered just 59%, last year it destroyed just 4%, recovering 67%.

The proportion of waste destroyed actually rose in 2009 (from 3% to 4% of total Group waste), and this was the result of production advances that have cut the volume of recoverable waste, above all in the US. At the same time, the start up of the industrial waste water treatment plant in Brazil has improved the quality of river waste, although the Group is in the process of looking for alternatives for a more effective destruction of these, and also to reduce its landfill management.

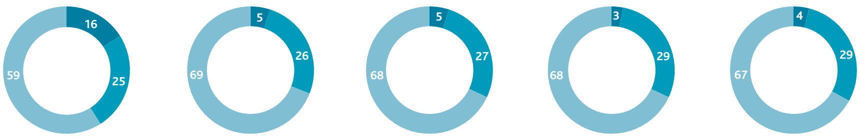
Meanwhile, the European plants of the Viscofan Group have joined the European Registry of chemical substances (REACH, 1907/2006/EC), and we have also asked our suppliers to apply. Viscofan continues to make advances with its environmental policies, as part of which production excellence and economic development must continue to be respected.

WASTE REDUCTION AT THE VISCOFAN GROUP (THOUSAND TONS)



WASTE MANAGEMENT

(% OF TOTAL TONNAGE GENERATED)



Landfill Destruction Recovery

Fina
State

Viscofan, S.A. and subsidiaries

Consolidated Financial Statements and Management Report

Prepared under International Financial Reporting Standards Endorsed by the European Union

31 December 2009 and 2008

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

ERNST & YOUNG

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 VISCOFAN Group), which comprise the consolidated statement of financial position at December 31, 2009 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 consolidated financial statements, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

In accordance with Spanish mercantile law, for comparative purposes the Parent Company's directors have included for each of the headings presented in the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes thereto, in addition to the figures of 2009, those of the prior year. Our opinion refers only to the consolidated financial statements for 2009. On March 31, 2009 we issued our audit report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

In our opinion, the accompanying 2009 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of VISCOFAN, S.A. and its subsidiaries at December 31, 2009 and the consolidated results of its operations, changes in consolidated equity and consolidated cash flow for the year then ended and contain the required information necessary for their adequate interpretation and understanding, in conformity with the International Financial Reporting Standards adopted by the European Union which are consistent with those applied in the previous year.

ERNST & YOUNG

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The accompanying 2009 consolidated management report contains such explanations as the directors of VISCOFAN, S.A. consider appropriate concerning the situation of VISCOFAN, S.A. and its subsidiaries, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the consolidated financial statements for the year ended December 31, 2009. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of VISCOFAN, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed on the original)

Javier Escurra Zubeldia

March 29, 2010

Consolidated statements of financial position as at 31 December 2009 and 2008

[Thousands of euros]

Assets	Note	2009	2008
Property, plant and equipment	6	289,105	277,940
Intangible assets	7	14,342	11,976
Deferred tax assets	9	8,051	15,286
Investments in associates	8	1,333	998
Other financial assets	8	507	585
Total non-current assets		**313,338**	**306,785**
Inventory	10	150,045	156,540
Trade and other receivables	11	123,796	118,343
Prepayments		47	172
Other financial assets	8	3,000	612
Cash and cash equivalents	12	25,763	14,014
Total current assets		**302,651**	**289,681**
Total assets		**615,989**	**596,466**

Equity and liabilities	Note	2009	2008
Share capital	13	13,981	14,020
Share premium	13	16,650	30,165
Other reserves	13	267,319	229,041
Profit for the year		64,259	51,403
Treasury shares	13	-	(1,699)
Interim dividend	13	(12,117)	-
Currency translation differences		(5,673)	(19,617)
Hedge transaction reserves	13	788	(38)
Total equity	13	**345,207**	**303,275**
Deferred income	14	2,998	3,111
Borrowings	15	46,241	53,151
Other financial liabilities	15	5,007	5,051
Deferred tax liabilities	9	25,252	28,272
Provisions	16	37,213	35,393
Total non-current liabilities		**116,711**	**124,978**
Borrowings	15	70,042	83,287
Other financial liabilities	15	3,442	4,142
Trade and other payables	15	48,161	53,558
Provisions	16	7,855	4,569
Other current liabilities	15	24,031	21,710
Current tax liabilities		540	947
Total current liabilities		**154,071**	**168,213**
Total equity and liabilities		**615,989**	**596,466**

Consolidated income statements for the years ended 31 December 2009 and 2008

[Thousands of euros]

	Note	2009	2008
Sales and services rendered	20	583,414	551,818
Other income	21	8,077	7,094
Changes in inventories of finished goods and work		12,702	(2,143)
Work performed by the Group on non-current assets		253	355
Consumption of raw material and other consumables	10	(176,631)	(167,088)
Employee benefits expense	23	(134,047)	(128,291)
Depreciation and amortization	6 & 7	(37,735)	(37,459)
Other operating expenses	22	(164,767)	(156,436)
Operating profit		**91,266**	**67,850**
Share of results from associates - net of tax	8	(17)	-
Finance revenue	24	15,610	22,730
Finance costs	24	(20,897)	(30,299)
Profit before tax		**85,962**	**60,281**
Income tax expense	9	(21,703)	(8,878)
Profit for the year		**64,259**	**51,403**
Basic earnings per share (in euros)	**25**	**1.3788**	**1.1005**
Diluted earnings per share (in euros)		**1.3788**	**1.1005**

Consolidated statements of comprehensive income for the years ended December 31, 2009 and 2008

[Thousands of euros]

	2009	2008
Net profit for the year	64,259	51,403
Profit (loss) recognized directly in equity		
In other reserves		
Actuarial gains (losses) on pension plans		
Germany	(1,539)	1,017
United States	(1,312)	(2,316)
Tax effect	938	464
	(1,913)	**(835)**
Hedges taken to reserves		
Remeasurement of hedge derivatives	1,262	(79)
Tax effect	(474)	41
	788	**(38)**
Translation differences	13,944	(16,099)
Total profit (loss) recognized directly in equity	**12,819**	**(16,972)**
Transfers to the consolidated income statement		
From cash flow hedges	103	-
Tax effect	(65)	-
	38	**-**
Total recognized income and expenses for the year	**77,116**	**34,431**

Consolidated statements of changes in equity for the years ended 31 December 2009 and 2008

[Thousands of euros]

	Equity attributed to the parent								
	Equity								
	Share capital	Share premium	Reserves	Treasury shares and participa-tions	Interim dividend	Profit (loss) attributable to the parent	Unrealized gains (losses) reserve	Translation differences	Total equity
Balance at January 01, 2008	**14,189**	**41,844**	**200,843**	**(3,728)**	**-**	**46,178**	**-**	**(3,518)**	**295,808**
Total recognized income and expense	**-**	**-**	**(835)**	**-**	**-**	**51,403**	**(38)**	**(16,099)**	**34,431**
Transactions with shareholders and owners	**(169)**	**(11,679)**	**(7,931)**	**2,029**	**-**	**(8,908)**	**-**	**-**	**(26,658)**
Capital increases / (decreases)	(169)	-	(7,931)	-	-	-	-	-	(8,100)
Dividends paid	-	(11,679)	-	-	-	(8,908)	-	-	(20,587)
Transactions with treasury shares or participations (net)	-	-	-	2,029	-	-	-	-	2,029
Other changes in equity	**-**	**-**	**36,964**	**-**	**-**	**(37,270)**	**-**	**-**	**(306)**
Transfers between equity accounts	-	-	37,270	-	-	(37,270)	-	-	-
Other changes	-	-	(306)	-	-	-	-	-	(306)
Balance at December 31, 2008	**14,020**	**30,165**	**229,041**	**(1,699)**	**-**	**51,403**	**(38)**	**(19,617)**	**303,275**
Total recognized income and expense	**-**	**-**	**(1,913)**	**-**	**-**	**64,259**	**826**	**13,944**	**77,116**
Transactions with shareholders and owners	**(39)**	**(13,515)**	**(1,660)**	**1,699**	**(12,117)**	**(9,552)**	**-**	**-**	**(35,184)**
Capital increases / (decreases)	(39)	-	(1,660)	-	-	-	-	-	(1,699)
Dividends paid	-	(13,515)	-	-	(12,117)	(9,552)	-	-	(35,184)
Transactions with treasury shares	-	-	-	1,699	-	-	-	-	1,699
Other changes in equity	**-**	**-**	**41,851**	**-**	**-**	**(41,851)**	**-**	**-**	**-**
Transfers between equity accounts	-	-	41,851	-	-	(41,851)	-	-	-
Balance at December 31, 2009	**13,981**	**16,650**	**267,319**	**-**	**(12,117)**	**64,259**	**788**	**(5,673)**	**345,207**

Consolidated statements of cash flows for the years ended 31 December 2009 and 2008

[Thousands of euros]

	2009	2008
Cash flows from operating activities		
Profit before tax	85,962	60,281
Adjustments for:		
Depreciation and amortization	37,735	37,459
Changes in provisions	3,805	(1,637)
Capital grants	(456)	(405)
Gain (loss) on disposal of non-current assets	663	65
Interest income	(680)	(1,066)
Interest expenses	4,845	7,771
Foreign currency translation differences (net)	1,122	864
	132,996	103,332
Changes in working capital, net of the impact of acquisitions and currency translation differences		
Inventory	10,881	(15,239)
Trade and other receivables	(444)	(17,080)
Trade and other payables	(1,627)	(5,237)
Funds obtained from operations	141,806	65,776
Income tax receipts (payment)	(17,814)	(9,917)
Cash flows from operating activities	**123,992**	**55,859**
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(47,321)	(44,123)
Payments for the acquisition of financial assets	(26)	(3,277)
Proceeds from disposals of property, plant and equipment	1,764	2,242
Proceeds from other assets	3	776
Contribution to US pension plan	(1,611)	(1,091)
Cash flows from investing activities	**(47,191)**	**(45,473)**
Cash flows from financing activities		
Changes in borrowings	(20,534)	25,904
Acquisition of treasury shares	-	(6,070)
Compensation to shareholders		
Dividends	(21,671)	(8,908)
Return of share premium	(13,515)	(11,679)
Interest received	680	1,066
Interest paid	(4,877)	(7,426)
Other payments from financing activities	(3,303)	(2,487)
Foreign currency translation differences (net)	(1,122)	(864)
Cash flows from financing activities	**(64,342)**	**(10,464)**
Impact of changes in exchange rates on cash and cash equivalents	**(710)**	**(3,015)**
Net increase (decrease) in cash and cash equivalents	11,749	(3,093)
Cash and cash equivalents	14,014	17,107
Cash and cash equivalents at December 31	**25,763**	**14,014**

Viscofan S.A. and subsidiaries

Notes to the consolidated financial statements as at December 31, 2009 and 2008

(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) 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). During 2009, its main office was moved to Tajonar (Navarra). However, the registered address continues to be 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 detail 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 2009 and 2008, as well as certain additional information, are shown in Appendix 1, which forms an integral part of this note.

In 2009 Viscofan Technology (Suzhou) Co. Ltd. has been incorporated into the Group. The share capital of this company upon its incorporation was fully subscribed by Viscofan, S.A. Since its incorporation and throughout 2009, this company has mainly engaged in acquiring the rights of usage for land where construction of a new production plant is planned. In addition, it has carried out various tasks related to the commencement of its activity, such as obtaining permits, negotiating construction contracts, etc. Its commercial activity and production are expected to commence in the last quarter of 2010 and the first quarter of 2011.

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

(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 2009 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 2009 and 2008, 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 accounting policies in force at December 31, 2009 are the same as those in 2008, with the exception of the following standards and interpretations which have been issued or amended:

- IFRS 7 - Financial Instruments: Disclosures. The amended standard requires more disclosures on the determination of fair value and liquidity risk. Fair value determination of items recognized at fair value must be broken down by the nature of the assumptions using a three-level hierarchy for each category of financial instrument. Additionally, for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances is required, as well as for significant transfers between Level 1 and Level 2 of the fair value hierarchy. The disclosures regarding the fair value of financial assets valued at fair value are included in Note 18.2.
- IFRS 8 - Operating segments: The standard requires disclosure of information on Group operating segments and eliminates the requirements to identify the Group's primary segments (business) and secondary segments (geographic). Adopting this standard has had no impact on the Group's financial position or results. The Group has determined that the operating segments are the same as the business segments identified previously in accordance with IAS 14 "Segment Reporting."
- IAS 1- Presentation of Financial Statements: The standard introduces the statement of comprehensive income, which includes all the items of recognized income and expenses, whether in one statement or two related statements. The Group has elected to present two statements.
- Revised IAS 23 - Borrowing Costs: The standard has been revised to require that interest costs on qualifying assets are capitalized. The Group has adopted this policy prospectively pursuant to the transitional provisions of the standard. The effects of adopting this change have not had any impact on the Group's profit for 2009 as the investments made in 2009 have not required long construction periods.
- IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets: This amendment establishes the date it comes into effect and the transition measures for the changes in the classification of financial assets. Adopting these amendments has had no impact on the Group's financial position or results.

The following standards or interpretations which have been issued or modified have not had any impact on the 2009 consolidated financial statements:

- IFRS 2 Share-based payments – Vesting conditions and cancellations
- IAS 27 Consolidated and Separate Financial Statements, Cost of Investments in a Subsidiary, Jointly Controlled Entity or Associate.
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial instruments: Recognition and Measurement
- IFRIC 11 IFRS 2—Group and treasury share transactions
- IFRIC 13 Customer Loyalty Programs
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In addition, the following EU-approved standards and interpretations have been published. However, these are not yet applicable and the Group will apply these in the years when they are mandatory:

- Revised IFRS 3 "Business combinations" and amendment to IAS 27 "Separate and Consolidated Financial Statements." Applicable to periods commencing on or after June 30, 2009, including the amendments to IFRS 7, IAS 21, IAS 28; IAS 31 and IAS 39.

The revised IFRS 3 introduces significant changes in the recognition of business combinations. The changes affect the valuation of non-controlling interests, the recognition of transaction costs, the initial recognition and the remeasurement of contingent liabilities and business combinations achieved in stages.

The amendments to IAS 27 specify the circumstances in which an entity is obliged to prepare consolidated financial statements, how parents have to recognize ownership changes in subsidiaries and how a subsidiary's losses must be shared between controlling and non-controlling interests.

The Group has reviewed these amendments and interpretations and has concluded that they will not have a significant impact on its financial position and results.

Other standards and interpretations issued which are not yet mandatory have not been applied. In many cases, this is due to the fact that they had not been endorsed by the European Union at the date these consolidated financial statements were prepared. The Viscofan Group estimates that all EU-approved standards which are not yet mandatory would not have a significant impact on these consolidated financial statements.

IFRS improvements

In May 2008 the IASB first published IFRS improvements within the framework of an annual process of improvements aimed at eliminating inconsistencies and clarifying certain standards, including specific transitional provisions for each standard. Adopting the following amendments has led to a change in accounting policies; however, this has had no impact on the Group's financial position or results.

- IAS 1 – "Presentation of financial statements": Assets and liabilities classified as held for trading conform to IAS 39 "Financial Instruments: Recognition and Measurement." They are not automatically classified as current in the statement of financial position. This amendment has had no impact on the Group's 2009 consolidated financial statements.
- IAS 16 – "Property, Plant and Equipment Net selling price" is replaced by "fair value less cost to sell." This amendment has had no impact on the Group's financial position.
- IAS 20 – "Accounting for government grants and disclosure of government assistance": Loans granted with no or low interest will not be exempt from the requirement to impute interest. The Group already applied this standard; therefore, it has had no impact on the Group's financial position.
- IAS 23 – "Borrowing costs": The definition of borrowing costs has been revised to consolidate into a single entry the two entries considered components of "Borrowing costs" (the interest cost calculated using the effective interest rate method pursuant to IAS 39). This amendment has had no impact on the Group's financial position.
- IAS 36 – "Impairment of Assets". When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has had no impact on the Group's financial position or results.
- IAS 38 – "Intangible Assets": Advertising and promotional activity are recognized as an expense when the entity has a right to have access to the goods or the service has been rendered. This amendment has no impact for the Group since it does not undertake this type of promotional activity.

None of the remaining amendments from IFRS improvements have had any impact on the Group's financial position or results.

On occasions the IFRS offer more than one option for recognizing a transaction. For major transactions affected by this situation the Group adopted the following criteria:

- 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 are applied by the Viscofan Group.

The Parent's directors expect these 2009 consolidated financial statements, which were prepared on March 26, 2010, to be approved by the shareholders in general meeting without modification.

(3.1) Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings on the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the consolidated figures for 2009 the corresponding figures for 2008 included in the consolidated financial statements approved by the shareholders at their general meeting on June 03, 2009.

(3.2) 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 2009, 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.

(3.3) 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 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 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.

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 statement of financial position 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 result of measuring investments in associates using the equity method (after eliminating intra-group transactions) is recognized under “Other reserves” and “Share of results from associates -net of tax” on the consolidated statement of financial position and consolidated income statement, respectively.

(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.

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.

Translation differences related to foreign businesses recognized in equity are recognized on one line in the consolidated income statement when these are recognized in profit (loss) at the time such businesses are sold.

(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 work performed by the Group on non-current assets in the consolidated income statement.

The cost of assets acquired or produced subsequent to January 01, 2009 which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalization requirements described above.

The Group 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 2008 and 2009 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

The Viscofan Group recognizes emission rights when it owns them. Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognized as a credit to "Deferred income" (Note 14) on the consolidated statement of financial position. Rights acquired from third parties are recognized at their acquisition cost.

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

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

Emission rights are not amortized. However, any differences from market value are provisioned.

(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 and 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.

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) Financial assets at fair value with changes in fair value through profit and losss

These are assets classified as held for trading, as the Group expects to obtain gains from their price fluctuations and they have been recognized in this category since their initial recognition.

Assets included in this category are recorded in the consolidated statement of financial position at fair value and fluctuations in their value are recognized under "Finance costs" and "Finance revenue," as applicable, on the consolidated statement of income.

The Viscofan Group classifies derivatives in this category when they do not meet the conditions necessary to be recognized as hedges as per the requirements of IAS 39 "Financial Instruments" (Note 4.9).

At December 31, 2009 and 2008 no assets have been classified in this category on the consolidated statement of financial position.

(b) 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.

(c) Held-to-maturity investments

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

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

(d) Available-for-sale financial assets

Are all those which do not fall within the above categories. 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 to the consolidated income statement.

(e) 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.

(f) 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.

(g) 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.

(h) Financial liabilities

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

(4.8) Derivatives and hedge accounting

Under the Group's finance policies derivatives may not be acquired or held for trading. If any derivative does not qualify fulfill the requirements to be considered a hedge it is recognized as a financial instrument held for trading.

Derivatives are recognized initially at cost. Subsequent to initial recognition derivatives are stated at fair value. Any gains or losses arising from such changes in value are recognized in the consolidated income statement unless the derivative has been designated as a cash flow hedge.

For accounting purposes, hedges are classified as:

- Fair value hedges and hedges of net investment in a foreign entity: At December 31, 2009 and 2008, as well as throughout both years, the Viscofan Group did not use this type of hedges.
- 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.

When arranging each hedge transaction the Viscofan Group formally documents each transaction for which hedge accounting will be applied. The documentation identifies the hedge instrument, the item hedged, the nature of the risk to be hedged and how the effectiveness of the hedge will be measured. In addition, hedges are assessed on an ongoing basis to determine that they are highly effective (80%-125%).

Cash flow hedges are recognized as follows:

- Changes in the market value of hedging derivatives are recognized, in the case of the ineffective portion of the hedges in the consolidated income statement. Those related to the effective portion are recognized under "Unrealized gains (losses) reserve" and "Translation differences" in the consolidated statement of financial position. The cumulative gain or loss recognized in these headings is transferred to the related consolidated income statement heading (i.e. the heading affected by the hedged item) as it impacts profit or loss in the year in which the item is sold.
- When hedging of futures transactions gives rise to a non-financial asset or non-financial liability, their amount is taken into account when determining the initial carrying amount of the asset or liability which gives rise to the transaction hedged.
- When hedging futures transactions gives rise to a financial asset or liability, this balance is recognized under "Unrealized gains (losses) reserve" until the risk hedged in relation to the futures transaction impacts the consolidated income statement.
- If the hedged transaction does not give rise to an asset or liability, the amounts debited or credited to "Unrealized gains (losses) reserve" in the consolidated statement of financial position are taken to the consolidated income statement in the same period as the hedged transaction.
- When the hedge is discontinued, the cumulative gain or loss recognized in "Unrealized gains (losses) reserve" is held under this heading until the hedged transaction is carried out, at which time the gain or loss on the transaction is adjusted by the cumulative gain or loss. If the forecast transaction is no longer expected to occur, the gain or loss previously recognized in this heading is taken to the consolidated income statement.

All the hedging instruments used by the Viscofan Group in 2009 and 2008 were derivatives not traded in organized financial markets. Consequently, these are measured using assumptions based on market conditions at year end.

- The fair value of interest rate swaps is measured as the value of the rate swap spreads discounted to present value at market interest rate
- Exchange rate futures contracts are measured by discounting to present value future cash flows based on forward exchange rates at year end.
- The market value of purchase-sale agreements of non-financial items to which IAS 39 is applicable, is calculated from the best estimate of the future price curves of these items available at year end.

(4.9) Parent treasury shares

Treasury shares acquired by the Group have been presented separately as a reduction in equity in the consolidated statement of financial position, 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 results 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 Reserves, with no recognition in the consolidated income statement.

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.

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 consolidated income statement for the year. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances the amount of the write-down is reversed against the 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 statement of financial position 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 statement of financial position reflect the present value of defined benefit plans at year end, less the fair value of the assets related to those benefits.

Defined benefit plan costs are recognized under employee benefits 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 and losses are recognized directly in equity as set out in IAS 19.93A.

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 has commitments with its employees for early retirement and seniority bonuses. To cover these commitments the Parent 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 in the consolidated statements of financial position are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related 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 consolidated income statement as a reduction in the associated expense and is limited to the amount of the provision.

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

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

(d) Emission rights provision

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

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

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

(4.18) Revenue recognition

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

(a) Goods sold

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

- The Group has transferred the significant risks and rewards of ownership of the goods to the buyer.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and incurred costs or to be incurred 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 aforementioned conditions are not recognized in the consolidated statement of financial position. At year end the Group reassesses unrecognized deferred tax assets.

(d) Classification and offsetting

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to 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 statement of financial position under non-current assets or liabilities, irrespective of the date of realization or settlement.

(4.20) Earnings per share

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

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

In the case of the Viscofan Group's financial statements for the years ended December 31, 2009 and 2008 there is no difference in basic earnings per share and diluted earnings per share as there were no instruments potentially convertible into ordinary shares during those years.

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

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

- Assets are classified as current when they are expected to be realized, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date.
- 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 2008 and 2009 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 and Key Group Personnel").

(4.26) Dividends

The interim dividend approved by the Board of Directors in 2009 is included as a reduction of the Viscofan Group's equity.

(5) Segment Reporting

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

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

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

c) for which discrete financial information is available.

Given the characteristics of the Viscofan Group's activities, its reported segments relate to strategic business units which are defined by the products manufactured and sold.

The Viscofan Group's operating segments are as follows:

- 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 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 internationally and operates basically in three geographic areas; Europe and Asia, North America and South America. The vegetable products segment mainly operates in Europe, chiefly in Spain.

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 2009 and 2008 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 2009 and 2008 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 2008	1,505	(410)
Depreciation	-	(73)
At 31 December 2008	1,505	(483)
Depreciation	-	(73)
At 31 December 2009	1,505	(556)

The main item included under "Property, plant and equipment" is a warehouse corresponding to the vegetable preserves division, The lease agreement is dated March 8, 1999, has duration of 180 months and the purchase option is 360 thousand euros.

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

Thousands of euros	2009		2008	
	Minimum payments	**Interest**	**Minimum payments**	**Interest**
	(note 15)		(note 15)	
Up to 1 year	111	33	114	42
Between 1 and 5 years	655	89	737	123
Total	**766**	**122**	**851**	**165**

Details of fully depreciated property, plant and equipment in use at 31 December 2009 and 2008 are as follows:

Thousands of euros	2009	2008
Buildings	5,894	2,550
Plant and machinery	187,799	180,345
Other installations, equipment and furniture	26,981	24,498
Other property, plant and equipment	8,218	8,383
	228,892	**215,776**

The Group's buildings, plant and equipment were partly financed by government grants of 242 and 76 thousand euros in 2009 and 2008, 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 non-current property, plant and equipment at year end 2009 and 2008 amounted to 3,604 thousand euros and 11,524 thousand euros, respectively. 2009 commitments basically relate to the construction of a warehouse in China for the recently incorporated Group company. In 2008 the commitments were largely related to extending the cogeneration plant at the Parent's production plant in Cáseda. This cogeneration plant commenced activity in 2009.

The Group did not have any investment property at the end of 2008 and 2009.

Impairment test

The only indications of impairment of property, plant and equipment noted by the Group were at 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.

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.

Operating leases

The Group leases various warehouses and other PP&E items in various countries. Nevertheless, the only lease agreement which entails significant future minimum payments relates to its headquarters in Tajonar (Navarre), signed in December 2008 and in effect until December 31, 2028. Thereafter, the lease will be automatically renewed if both parties are in agreement. The future minimum payments in respect of this lease agreement at December 31 are as follows:

Thousands of euros	2009	2008
Up to 1 year	261	261
Between 1 and 5 years	1,044	1,044
More than 5 years	3,654	3,915
	4,959	**5,220**

(7) Other Intangible Assets

Details of other intangible assets and movement in 2009 and 2008 are included in Appendix 4, which forms an integral part of these notes to the consolidated financial statements.

In 2009 the Group received free emission rights equivalent to 206,370 tons (2008: 92,489 tons) as per the 2008-2012 National Allocation Plan approved by Royal Decree 1370/2006. The Group consumed 163,026 tons in 2009 and 92,180 tons of emission rights in 2008.

Details of the cost of fully amortized intangible assets in use at 31 December 2009 and 2008 are as follows:

Thousands of euros	2009	2008
Software	5,115	6,710
Concessions, patents and licences	1,360	36
	6,475	**6,746**

(8) Investments in associates and Other Financial Assets under Current and Non-current Assets

The breakdown of these headings is as follows:

Thousands of euros	2009	2008
Investments in associates	1,333	998
Total	**1,333**	**998**
Non-current assets - Other financial assets		
Held-to-maturity investments	445	565
Loans and receivables	20	20
Available-for-sale financial assets	42	-
Provisions	-	-
	507	**585**
Total, non-current	**1,840**	**1,583**
Loans and receivables	442	11
Financial assets at fair value from hedging transactions (Note 17)	2,558	601
Total, current	**3,000**	**612**

Investments in associates

The Group owns 50% of Lingbao Baolihao Food. This company is domiciled in Lingbao (China) and produces asparagus. It was incorporated in 2008; however, production did not commence that year. In 2009 it commenced production and a capital increase of 567 thousand euros was carried out, resulting in the Group contributing 284 thousand euros.

The movement in the carrying amount of this investment in an associate is as follows::

Thousands of euros	2009	2008
Ligbhao Baolihao Food:		
Balance at January 1	998	-
Increase in investment	284	998
Profit for the year	(17)	-
Translation differences	68	-
Balance at December 31	**1,333**	**998**

The following table provides all the significant financial information regarding this investment:

Thousands of euros	2009	2008
Current assets	1,048	1,272
Non-current assets	2,812	1,232
Current liabilities	(1,194)	(508)
Non-current liabilities	-	-
Net assets	**2,666**	**1,996**
Ordinary revenues	1,364	-
Operating profit (EBIT)	6	-
Profit for the year	(34)	-

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

(9) Income tax

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

Thousands of euros	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Temporary differences						
Non-current assets	136	165	23,970	27,303	(23,834)	(27,138)
Current assets	2,192	6,080	525	931	1,667	5,149
Non-current liabilities	2,547	4,792	498	38	2,049	4,754
Current liabilities	551	325	259	-	292	325
	5,426	11,362	25,252	28,272	(19,826)	(16,910)
Other borrowings						
Tax credits for loss carryforwards	1,169	993	-	-	1,169	993
Unused tax credits	1,456	2,931	-	-	1,456	2,931
	2,625	3,924			2,625	3,924
	8,051	**15,286**	**25,252**	**28,272**	**(17,201)**	**(12,986)**

Non-current deferred tax liabilities for the years ended December 31, 2009 and 2008 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	2009	2008
Consolidated income statement		
Non-current assets	(2,900)	167
Current assets	3,269	4,275
Non-current liabilities	3,697	(702)
Current liabilities	(367)	(45)
	3,699	3,695
Consolidated equity		
Non-current assets	(404)	(447)
Current assets	213	92
Non-current liabilities	(1,150)	325
Current liabilities	558	(75)
	(783)	(105)
Total changes in taxes and deferred tax liabilities due to temporary differences	**2,916**	**3,590**

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

Thousands of euros	2009	2008
Actuarial gains (losses) on pension plans		
United States	(433)	750
Germany	(505)	(286)
Unrealized gains (losses) on cash flow hedges	539	42
Changes due to translation differences	(384)	(611)
	(783)	**(105)**

The major components of income tax expense for the years ended December 31, 2009 and 2008 are as follows:

Thousands of euros	2009	2008
Current income tax		
Income tax expense for the year	17,407	7,222
Current income tax of previous years	-	-
	17,407	7,222
Deferred income tax		
Change in deductions pending application	773	(1,046)
Change in unused tax credits	(176)	(993)
Origination and reversal of temporary differences	3,699	3,695
	4,296	1,656
	21,703	**8,878**

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

Thousands of euros	2009	2008
Profit before tax for the year	**85,962**	**60,281**
30% tax rate	25,788	18,084
Effect of application of tax rates in each country	1,038	(220)
Deductions generated in 2009	(4,008)	(4,001)
Tax incentives recognized in the Czech Republic	(1,414)	(1,958)
Tax credits arising from losses at Koteks Viscofan, d.o.o.	-	(993)
Other	299	(2,034)
	21,703	**8,878**

At December 31, 2009 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**	**2009**
2006 and earlier	2013	5,160
2007	2017	2,110
2008	2018	2,661
2009	2019	1,758
		11,689

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 1,169 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 (2008: 993 thousand euros).

In addition the Group has recognized 1,456 thousand euros in deductions still pending application: (31 December 2008: 2,931 thousand euros). 715 thousand euros of the deductions correspond to the Parent, Viscofan, S.A. and 741 thousand euros to the subsidiary, Industrias Alimentarias de Navarra, S.A.U. All the deductions were generated in 2009 and can be used over the next ten years.

The Group has tax incentives of 8.3 million euros in the Czech Republic. (December 31, 2008: 9.7 million euros) 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 2012 or 2013, 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 2009 the Parent 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 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 2009 and 2008 are as follows:

Thousands of euros	2009	2008
Goods for resale	32,612	49,888
Raw materials and other supplies	40,593	43,078
Semi-finished products	25,497	26,150
Finished products	51,343	37,424
	150,045	**156,540**

At 31 December 2009 and 2008 there are no inventories with a reimbursement period greater than 12 months from the consolidated statement of financial position.

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

(11) Trade and other receivables

Details at 31 December 2009 and 2008 are as follows:

Thousands of euros	2009	2008
Trade receivables	107,154	101,612
Other receivables	7,377	6,346
Advances to employees	148	119
Public entities	10,690	11,607
Others	143	152
Provisions for bad debts	(1,716)	(1,493)
	123,796	**118,343**

At December 31, 2009, 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
2009	107,154	89,739	13,797	1,781	486	1,351
2008	101,612	84,282	10,913	3,040	488	2,889

All the provisions for bad debts relate to debt shown in the last two columns of the above table.

(12) Cash and cash equivalents

Cash and cash equivalents at 31 December 2009 and 2008 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 2009 and 2008 were as follows:

	Shares		Thousands of euros	
	2009	2008	2009	2008
At 1 January	46,734,879	47,296,842	14,020	14,189
Capital decrease	(131,197)	(561,963)	(39)	(169)
At 31 December	**46,603,682**	**46,734,879**	**13,981**	**14,020**

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

At 31 December 2009 the share capital of the Parent is represented by 46,603,682 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'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, 2009, the Parent is aware of the following shareholders with shareholdings greater than 3%:

Entity	%
Marathon Asset Management, LLP	5.019
Onchena, S.L.	5.077

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.

The Viscofan Group's primary objective is to maintain a healthy capital position. The gearing ratios at December 31, 2008 and 2009 were as follows:

Thousands of euros	2009	2008
Net financial debt		
Borrowings and finance leases (Note 15)	124,732	145,631
Cash and cash equivalents	(25,763)	(14,014)
Other financial assets (Note 8)	(3,000)	(612)
Total financial debt	**95,969**	**131,005**
Equity		
Total equity	345,207	303,275
Gearing ratio	**0.28**	**0.43**

(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 2009 and 2008, a portion of the share premium was returned to shareholders, for a total amount of 13,515 and 11,679 thousand euros, respectively.

(13.3) Reserves

The breakdown and movements of reserves are as follows:

Thousands of euros	Legal reserve	Revaluation reserves	Merger reserve	Retained earnings and other reserves	Total
Balance at January 1, 2008	**2,935**	**8,988**	**119**	**188,801**	**200,843**
Capital decreases	-	-	-	(7,931)	(7,931)
Actuarial gains (losses)	-	-	-	(835)	(835)
Other movements	-	-	-	(306)	(306)
Appropriation of 2007 results	-	-	-	37,270	37,270
Balance at December 31, 2008	**2,935**	**8,988**	**119**	**216,999**	**229,041**
Capital decreases	-	-	-	(1,660)	(1,660)
Actuarial gains (losses)	-	-	-	(1,913)	(1,913)
Transfers	-	(83)	-	83	-
Appropriation of 2008 results	-	-	-	41,851	41,851
Balance at December 31, 2009	**2,935**	**8,905**	**119**	**255,360**	**267,319**

(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 2009 and 2008 the Parent had appropriated to this reserve the minimum amount required by law.

(b) Revaluation reserve Navarre Regional Law 23/1996

As permitted by legislation prevailing at that time, in 1996 the Parent 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.

(c) Non distributable reserves

At December 31, 2009 and 2008, the non-distributable reserves were as follows:

Thousands of euros	2009	2008
Legal reserve	2,935	2,935
Legal revaluation reserves	8,905	8,988
Differences arising from converting share capital to thousands of euros	25	25
Other reserves in consolidated companies	70,948	51,728
	82,813	**63,676**

(13.4) Unrealized asset and liability revaluation reserve

Movements in the years ended December 31, 2009 and 2008 were as follows:

Thousands of euros	Interest rate swaps	Exchange rate insurance	Raw material derivatives	Total
Balance at January 01, 2008	-	-	-	-
Changes in market value	-	(38)	-	-
Balance at December 31, 2008	-	(38)	-	(38)
Changes in market value	(55)	(43)	886	788
Taken to profit and loss	-	38	-	38
Balance at December 31, 2009	**(55)**	**(43)**	**886**	**788**

(13.5) Movement in treasury shares

Movement in treasury shares in 2009 and 2008 was as follows:

	2009		2008	
	Number of shares	Thousands of euros	Number of shares	Thousands of euros
Balance at 1 January	131,197	1,699	236,385	3,728
Acquisitions	-	-	456,775	6,071
Cancellation	(131,197)	(1,699)	(561,963)	(8,100)
Balance at 31 December	**-**	**-**	**131,197**	**1,699**

The shareholders at their Ordinary General Meeting on June 3, 2009 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 the nominal share value and a maximum price of 100 times the nominal share value.

(13.6) Distribution of Dividends

Parent profits for the year ended 31 December 2008 were distributed, as approved by the shareholders at their annual general meeting held on 3 June 2009, as follows:

Thousands of euros	
Dividends	9,553
Voluntary reserves	22,642
Distributable profits attributable to the parent	**32,195**

The proposed distribution of dividends is equivalent to euros 0,205 per share for all the shares comprising share capital,

Details of the distribution of the Parent's 2009 dividends proposed by the directors of the Parent, pending approval at the shareholders' general meeting, are as follows:

Thousands of euros	
Dividends	12,117
Other reserves	27,179
Distributable profits	**39,296**

On December 15, 2009, based on projected profit for 2009, the Board of Directors approved an interim dividend for 2009 of 12,117 thousand euros, equal to 0.26 euros per share. This dividend was paid on December 22, 2009. The amount of the dividend is less than the maximum limit permitted by prevailing legislation on distributable profit after the previous year end.

The statement required by current legislation and prepared by the Parent's Board of Directors in respect of the distribution of the interim dividend for 2009, which takes into account treasury shares, is as follows:

Thousands of euros		
I. Balance at December 15, 2009		**383**
II. Cash flows from/(used in) operating activities		
- Trade and other receivables	126,751	
- Other income	314	
- Payments to suppliers and other payables	(82,895)	
- Payments to employees	(27,718)	
- Interest expense	(1,068)	
- Other payments	(1,000)	
		14,384
III. Cash flows from/(used in) investing activities		
- Dividends received	27,400	
- Purchases of property, plant and equipment	(3,745)	
		23,655
IV. Cash flows from/(used in) financing activities		
- Proceeds from non-current borrowings	(9,094)	
- Dividends paid	(28,894)	
		(37,988)
V. Balance at December 15, 2010		**434**

(14) Deferred Income

Movement in deferred income during 2009 and 2008 was as follows:

Thousands of euros	01.01.08	Additions	Taken to income	31.12.08	Additions	Taken to income	31.12.09
Capital grants	3,440	76	(405)	3,111	242	(457)	2,896
Grants for emission rights of greenhouse gases	103	2,127	(2,230)	-	2,539	(2,437)	102
	3,543	**2,203**	**(2,635)**	**3,111**	**2,781**	**(2,894)**	**2,998**

Details of capital grants in 2009 and 2008 are as follows:

Thousands of euros		
Granting entity	**2009**	**2008**
Navarre regional government	1,151	1,028
FEOGA	1,210	1,330
Ministry of Science and Technology	466	663
Spanish Autonomous Communities	69	90
	2,896	**3,111**

(15) Current and Non-Current Financial Liabilities Trade and other payables

a) Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities is as follows:

Thousands of euros	2009	2008
Non-current		
Borrowings	45,586	52,414
Finance lease liabilities (Note 6)	655	737
Other financial liabilities	5,007	5,051
Total non-current	**51,248**	**58,202**
Current		
Borrowings	69,931	83,173
Finance lease liabilities (Note 6)	111	114
Financial assets at fair value from hedging transactions (Note 17)	533	1,260
Other financial liabilities	2,909	2,882
Total current	**73,484**	**87,429**

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 2009 the Group has a limit on its borrowing facilities and discount lines of euros 122,788 thousand (euros 107,096 thousand in 2008) of which euros 47,287 thousand has been drawn down at 31 December 2009 (euros 61,156 thousand in 2008).

Current and non-current "Other financial liabilities" as well as the fair value of derivatives include mainly the loans with interest rates subsidized by entities such as the Regional Government of Navarre, loans, the Center for the Development of Industrial Technology (CDTI) and the Ministry of Science and Innovation. The Group recognizes the implicit interest on these loans using market interest rates.

The loans received do not contain covenants which, if not met, could lead to the early repayment of the debt.

b) Current and non-current financial liabilities

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

Thousands of euros	2009	2008
Trade payables	**48,161**	**53,558**
Other current liabilities		
Remuneration pending payment	7,039	5,639
Payable to Public Administrations	9,389	9,120
Other payables	7,603	6,951
	24,031	**21,710**

"Other payables" mainly includes suppliers of non-current assets.

(16) Current and Non-Current Provisions

Details at 31 December 2009 and 2008 are as follows:

Thousands of euros	31.12.09	31.12.08
Non- Current		
Provisions for employee benefits		
Defined benefit	35,559	33,526
Taxes	-	20
Provisions for other litigation	1,294	1,520
Others	360	327
Total non-current	**37,213**	**35,393**
Current		
Restructuring provision	2,835	563
Guarantees / Refunds	710	740
Safety in the workplace provision	1,873	1,379
Emission rights	2,432	1,819
Others	5	68
Total current	**7,855**	**4,569**

(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	2009	2008
Pension for Hourly Employees (1)	4,888	4,595
Salaried Employees Pension Plan (2)	1,129	1,410
Pension for Hourly Employees Service Center (3)	220	269
Non qualified pension plans (4)	1,480	1,557
	7,717	**7,831**

(1) Life pension for employees and ex-employees of the Danville plant (of the absorbed company, Teepak USA), has 599 beneficiaries (608 in prior year), currently in force.
(2) Life pension with 248 participants (249 in 2008) 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. In 2009 and 2008 there were a total of 165 beneficiaries including 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	2009	2008
Life pension	19,625	18,247
Seniority bonuses	2,411	2,429
Semi-retirement	5,435	4,651
	27,471	**25,327**

The number of beneficiaries of each plan is as follows:

	2009		2008	
	Employees	**Retired and ex-employees**	**Employees**	**Retired and ex-employees**
Life pension	622	1,153	645	1.150
Seniority bonuses	622	-	645	-
Semi-retirement	72	-	54	-

The following table summarizes the components of the net benefit expense recognized in the 2009 and 2008 income statements for the pension plans, except those classified as "Non-qualified":

Thousands of euros

Net benefit expense 2009	United States	Germany	Total
Current service cost	236	1,077	1,313
Interest cost	2,071	1,406	3,477
Expected return on plan assets	(1,950)	-	(1,950)
Recognized expense (net income)	**357**	**2,483**	**2,840**

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**

The "non-qualified" plans bore interest costs of 113 thousand euros in 2008 and 131 thousand euros in 2009. 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) 2009	United States	Germany	Total
Present value of the obligation	(33,698)	(27,471)	(61,169)
Present value of plan assets	27,460	-	27,460
	(6,238)	(27,471)	(33,709)
"Non-qualified" plans	(1,479)	-	(1,479)
Others			(371)
Liability recognized in the consolidated statement of financial position	**(7,717)**	**(27,471)**	**(33,559)**

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	(1,557)	-	(1,557)
Others			(368)
Liability recognized in the consolidated statement of financial position	**(7,831)**	**(25,327)**	**(33,526)**

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

Thousands of euros	United States	Germany	Total
Obligation at January 1, 2008	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
Current service cost	236	1,078	1,314
Interest cost	2,071	1,406	3,477
Benefits paid	(2,381)	(1,879)	(4,260)
Actuarial (gains)/losses	2,316	1,539	3,855
Translation differences	(1,181)	-	(1,181)
Obligation at December 31, 2009	**33,698**	**27,471**	**61,169**

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, 2008	28,270
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
Actual return on plan assets	2,829
Contribution by the Company	1,611
Benefits paid	(2,381)
Translation differences	(962)
Fair value of plan assets at December 31, 2009	**27,460**

The Group expects to contribute 1,645 thousand euros to eligible assets of pension plans in the US in 2010.

The percentage weight of plan assets by category in 2009 and 2008 is similar, as follows:

Monetary assets	0-5%
Equities	28-38%
Fixed-income investments	62-72%

The principal actuarial assumptions used are as follows:

United States	**2009**	**2008**
Annual discount rate	5.75%	6.5%
Expected rate of return on assets	7.5%	7.5%
Expected rate of salary increases	2.5%	2.5%
Germany		
Annual discount rate	5.25%	5.75%
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 220 thousand euros in 2009 (2008: 153 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 2009 and 2008 is as follows:

Thousands of euros	2009	2008
Balance at 1 January	1,520	2,740
Translation differences	457	(352)
Allowances	20	71
Applications	(703)	(939)
Balance at 31 December	**1,294**	**1,520**

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 2010. 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 2009.

(16.3) Restructuring provision

The movement in this heading at December 31, 2009 and 2008 is as follows:

Thousands of euros	2009	2008
Balance at 1 January	563	1,019
Charge	2,742	185
Utilized (payments made)	(470)	(641)
Balance at 31 December	**2,835**	**563**

In line with Group policy to reduce costs, in 2008 and 2009 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. Consequently, most of the provision set aside in 2009 relates to termination benefits for 20 employees of the Group's subsidiary in Germany who were made redundant due to the transfer of production of non-edible collagen to Serbia during 2010 and 2011.

(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 2009 and 2008. 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 2010. 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 2009.

(16.6) Emission rights provisionn

Gas emission expenses were 2,432 thousand euros.

The criterion for estimating these expenses consists of a market price valuation of the Company's emission rights in 2009.

(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, 2009 a provision of 1.5 million euros was set aside (December 31, 2008: 1.5 million euros). 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, 2009 are as follows:

- 4,016 thousand euros are included under "Financial liabilities" as a provision for interest on a third party's claims (2008: 3,667 thousand euros). 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) Derivatives

All the Group's derivatives at December 31, 2009 and 2008 were designated as cash flow hedges.

The breakdown of the balances at December 31, 2009 and 2008 which include the values of derivatives at those dates is as follows:

	2009		**2008**	
	Current financial assets	**Current financial liabilities**	**Current financial assets**	**Current financial liabilities**
Interest rate hedges	-	79	-	-
Exchange rate insurance	1,293	454	601	1,260
Raw material hedges	1,265	-	-	-
	2,558	**533**	**601**	**1,260**

Part of the fair value of the exchange rate insurances at year end was recognized as finance income or expense on the consolidated income statements for 2009 and 2008. The amount recognized directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable which are recognized in the consolidated statements of financial position at the exchange rate at year end.

(17.1) Interest rate hedges

In 2009 the Group arranged three interest rate hedges (At December 31, 2008: none), the details of which are given below:

		2009	
	I.R.S (I)	**I.R.S (II)**	**I.R.S.(III)**
Notional contract amount(1)	5,000	5,000	5,000
Notional contract amount(1)	4,375	5,000	4,350
Effective start date	20.08.09	18.09.09	01.06.09
Expiry date	20.05.13	18.12.13	01.06.13
Fixed interest rate	2.07%	2.29%	2.45%

(1) Thousands of euros

The expiry dates of the notional amounts of these financial instruments is as follows:

Year	**2010**	**2011**	**2012**	**2013**
2009	3,800	3,800	3,800	2,325

(17.2) Exchange rate insurance

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

The nominal value of the main exchange rate insurances in effect at December 31, 2009 and 2008 is as follows:

Thousands

Currency	2009	2008
US dollar	82,413	48,855
Canadian dollar	1,160	1,170
Japanese yen	23,343	15,789
Polish zloty	-	1,480
Sterling pounds	500	360
Euros	-	4,800

(17.3) Raw material hedges

A major portion of the Group's production costs are energy costs. Accordingly, in order to mitigate the adverse effect of variations in energy prices in 2009 the Group signed hedge agreements in certain of the casing factories.

During 2009, the Company signed two swap agreements, each with a notional value of 666,667 MWh, for 2010 and 2011, whereby it will pay 1.7270 and 1.7915 euro cents per kilowatt/hour during 2010 and 2011, respectively.

(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 45% and 25% of the Group's total sales and expenses, respectively, are in this currency..

The following table shows the sensitivity of consolidated profit to a possible change in the exchange rate of certain currencies of countries where the Group conducts business:

Thousands of euros	US Dollar		Czech Crown		Brazilian Real		Other	
	31.12.09	**31.12.08**	**31.12.09**	**31.12.08**	**31.12.09**	**31.12.08**	**31.12.09**	**31.12.08**
+5%	6,035	6,811	(610)	(720)	1,188	439	(265)	(474)
- 5%	(5,461)	(6,163)	552	651	(1,075)	(397)	240	429

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	
	31.12.09	**31.12.08**	**31.12.09**	**31.12.08**	**31.12.09**	**31.12.08**	**31.12.09**	**31.12.08**
+5%	3,921	3,038	1,687	1,515	3,614	2,745	2,813	3,023
- 5%	(3,548)	(2,749)	(1,527)	(1,371)	(3,270)	(2,483)	(2,545)	(2,735)

Details of the Group's exposure to exchange rate risks at 31 December 2009 and 2008 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 Crone	Serbian Dinar	Mexican Peso	Brazilian Real	Others	Total
At 31 December 2009							
Assets							
Non-current financial assets	73	-	20	6	307	6	412
Other financial assets	-	-	-	-	-	-	-
Total non-current assets	73	-	20	6	307	6	412
Trade and other receivables	39,893	4,615	755	5,297	13,947	3,118	67,625
Other financial assets	-	-	-	17	-	-	17
Cash and cash equivalents	5,365	481	131	1,389	5,150	4,290	16,806
Total current assets	45,258	5,096	886	6,703	19,097	7,408	84,448
Total assets	**45,331**	**5,096**	**906**	**6,709**	**19,404**	**7,414**	**84,860**
Liabilities							
Borrowings	18,784	-	-	-	-	-	18,784
Other financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total non-current liabilities	**18,784**	**-**	**-**	**-**	**-**	**-**	**18,784**
Borrowings	12,815	8,730	-	-	-	2,313	23,858
Trade and other payables	7,523	3,027	723	4,456	4,791	1,792	22,312
Other financial liabilities	-	314	-	-	-	-	314
Total current liabilities	20,338	12,071	723	4,456	4,791	4,105	46,484
Total liabilities	**39,122**	**12,071**	**723**	**4,456**	**4,791**	**4,105**	**65,268**

Thousands of euros	US Dollar	Czech Crone	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**
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**

(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, 2009 and 2008:

Thousands of euros	2009	2008
Current assets	302,651	289,681
Current liabilities	(154,071)	(168,213)
Provision for gas emission rights	2,432	1,819
Working capital	**151,012**	**123,287**
Current liabilities for emission rights, net of provision	151,639	166,394
% working capital/current liabilities without emission rights provision	**99,59%**	**74,10%**
Cash and cash equivalents	25,763	14,014
Available borrowing facilities	66,621	38,982
Available discount lines	8,879	14,275
Cash and available on credit and discount lines	**101,263**	**67,271**
% cash and cash equivalents+ available on credit and discount lines /Current liabilities without emission rights provision	**66.78%**	**40.43%**

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

Thousands of euros	Up to 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	Total
2009					
Bank borrowings					
Loans	6,845	14,824	45,090	-	66,759
Borrowings (1)	5,493	39,509	496	-	45,498
Advances on invoices and discount lines (2)	1,789	-	-	-	1,789
Accrued interest payable	1,471	-	-	-	1,471
Finance leases	29	82	655	-	766
Other financial liabilities	1,616	1,826	4,452	555	8,449
Other current liabilities	24,031	540	-	-	24,571
Trade and other payables	48,161	-	-	-	48,161
	89,435	**56,781**	**50,693**	**555**	**197,464**

(1) 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..

(2) 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..

Thousands of euros	Up to 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	Total
2008					
Bank borrowings					
Loans	7,071	16,709	45,728	-	69,508
Borrowings (1)	16,997	37,474	6,686	-	61,157
Advances on invoices and discount lines (2)	3,418	-	-	-	3,418
Accrued interest payable	1,505	-	-	-	1,505
Finance leases	14	99	356	381	850
Other financial liabilities	1,338	2,804	4,280	771	9,193
Other current liabilities	21,710	947	-	-	22,657
Trade and other payables	53,558	-	-	-	53,558
	105,611	**58,033**	**57,050**	**1,152**	**221,846**

(1) 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..

(2) 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. As explained in Note 17, in 2009 the Group arranged hedges to partially mitigate the risk of a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

At December 31, 2009 and 2008 the structure of financial liabilities (excluding hedging derivatives) once hedges through the derivatives arranged have been taken into account is as follows:

Thousands of euros	2009	2008
Bank borrowings	116,283	136,438
Other financial liabilities (excluding hedging derivatives)	7,916	7,933
Total financial liabilities	**124,199**	**144,371**
Fixed interest rate	13,725	-
Variable interest rate	**110,474**	**144,371**

Financing at floating interest rates is for the most part linked to Euribor and Libor dollar. The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in US and Germany (Note 16.1).

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

Thousands of euros	Pension plan commitments				Financial debt			
	USA		Germany		Euribor		Libor dólar -USA	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
+1%	(332)	(316)	(264)	(260)	(843)	(838)	(340)	(441)
- 1%	332	316	264	260	811	799	334	416

(18.2) Measurement and maturities of financial instruments

Below is a breakdown of the undiscounted values of financial instruments or types of financial instruments by maturity:

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 2009							
Assets							
Trade and other receivables	123,796	-	-	-	-	-	123,796
Other financial assets	3,000	507	-	-	-	-	3,507
Total assets	**126,796**	**507**	**-**	**-**	**-**	**-**	**127,303**
Liabilities							
Borrowings							
Debt principal	68,571	17,792	17,408	8,371	2,670	-	114,812
Interest	4,341	1,156	711	276	67	-	6,551
Trade and other payables	48,161	-	-	-	-	-	48,161
Other current liabilities	24,571	-	-	-	-	-	24,571
Other financial liabilities							
Debt principal	3,442	1,234	1,168	1,326	724	555	8,449
Interest	211	125	94	65	32	14	541
Total Liabilities	**149,297**	**20,307**	**19,381**	**10,038**	**3,493**	**569**	**203,085**

Thousands of euros	Less than 1 year	1 –2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
Al 31 de diciembre de 2008							
Assets							
Trade and other receivables	118,343	-	-	-	-	-	118,343
Other financial assets	612	585	-	-	-	-	1,197
Total assets	**118,955**	**585**	**-**	**-**	**-**	**-**	**119,540**
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 current liabilities	22,657	-	-	-	-	-	22,657
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	**167,350**	**22,467**	**18,714**	**14,611**	**4,902**	**1,187**	**229,231**

The comparison between the carrying amounts and fair values of the Viscofan Group's financial instruments at December 31, 2009 and 2008 is as follows:

	2009		2008	
(Thousands of euros)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Derivatives	2,558	2,558	601	601
Other financial assets	949	949	596	596
Trade and other receivables	123,796	123,796	118,343	118,343
Cash and cash equivalents	25,763	25,763	14,014	14,014
	153,066	**153,066**	**133,554**	**153,554**
Financial liabilities				
Bank borrowings	116,283	116,283	136,438	136,438
Derivatives	533	533	1,260	1,260
Other financial liabilities	7,916	7,916	7,933	7,933
Other current liabilities	24,571	24,571	22,657	22,657
Trade and other payables	48,161	48,161	53,558	53,558
	197,464	**197,464**	**221,846**	**221,846**

As shown in the above table, the Viscofan Group recognizes all financial assets and liabilities at fair value, which it classifies using a three-level hierarchy:

- Level 1: Assets and liabilities listed on liquid markets. The Group does not have nor has had assets or liabilities listed in liquid markets either in 2009 or 2008.
- Level 2: Assets and liabilities whose fair values are determined via valuation techniques which use market assumptions. All the asset and liability derivatives at December 31, 2009 and 2008 are included in this level.
- Level 3: Assets and liabilities whose fair value is determined using valuation techniques which do not use observable market assumptions. In 2009 and 2008 the Group does not have nor has had assets or liabilities which it had to classify in this level.

(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 2009 and 2008 are as follows:

Thousands of euros	2009		2008	
	Cost	**Accumulated depreciation**	**Cost**	**Accumulated depreciation**
Vapour boiler	4,840	(1,119)	1,091	(541)
Water-cooler circuit	3,436	(1,982)	697	(329)
Waste management plant	3,983	(2,412)	1,886	(1,218)
Gas washers	3,419	(2,767)	3,057	(2,450)
Purifier	4,252	(1,994)	4,179	(1,699)
Others	2,216	(1,102)	4,775	(2,546)
	22,146	**(11,376)**	**15,685**	**(8,783)**

During 2009 and 2008 the Parent incurred expenses for protection and improvement of the environment amounting of 908 y 876 thousand of euros, respectively.

The directors of the Parent 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. (Appendix 2)

(21) Other Income

Details of other income are as follows:

Thousands of euros	2009	2008
Government grants	1,011	1,968
Surplus provision for fixed assets - not applied (see Note 6)	42	182
Gains on sale of fixed assets	279	396
Other income	6,745	4,548
	8,077	**7,094**

(22) Other Operating Expenses

Details of other expenses are as follows:

Thousands of euros	2009	2008
Research and development costs	1,048	849
Repairs and maintenance	23,629	19,510
Administrative and selling costs	55,327	57,834
Supplies	75,189	70,910
Losses on sale of fixed assets	942	461
Other expenses	8,632	6,872
	164,767	**156,436**

The Group has no significant operating leases.

(23) Personnel Expenses

Details of personnel expenses during 2009 and 2008 are as follows

Thousands of euros	2009	2008
Wages and salaries	101,306	100,194
Indemnity payments	1,259	661
Current service cost of defined benefits (Note 16.1)	1,314	769
Provisions for other benefits (Note 16.2)	2,742	185
Company social security contributions	24,561	23,672
Other welfare benefits and taxes	2,865	2,810
	134,047	**128,291**

Group employees in 2009 and 2008, by professional category and gender, were as follows:

	Average headcount at 2009 year end			Average number of employees in 2009
	Men	Women	Total	
Executives	65	8	73	72
Technicians and middle management	509	138	647	631
Administrative personnel	140	178	318	328
Specialized personnel	538	113	651	644
Unskilled workers	1,418	673	2,091	2,224
	2,670	**1,110**	**3,780**	**3,899**

	Average 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**

(24) Financial Income and Expense

Details of financial income and expense are as follows:

Thousands of euros	2009	2008
Financial income		
Other financial income	680	1,066
Exchange gains	14,930	21,664
Total financial income	**15,610**	**22,730**
Financial expenses		
Other financial expenses	4,845	7,771
Exchange losses	16,052	22,528
Results of associates	17	-
Total financial expenses	**20,914**	**30,299**

The breakdown of "Other finance costs" is the following:

Thousands of euros	2009	2008
Bank borrowings and other financial liabilities	3,318	6,649
Net finance cost of pension plans	1,527	1,122
	4,845	**7,771**

(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 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	2009	2008
Profit attributable to ordinary equity holders of the Parent	64,259	51,403
Weighted average number of ordinary shares in circulation	46,603,682	46,707,907
Basic earning per share (in euros)	1.3788	1.1005

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

	2009	2008
Weighted average number of ordinary shares in circulation	46,603,682	46,971,981
Effect of treasury shares	-	(264,074)
Average number of ordinary shares in circulation at 31 December	**46,603,682**	**46,707,907**

(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 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's profit before income tax for the board directors and another 1.5% of the Parent's profit before income tax for the Executive Committee. The Board of Directors and the Executive Committee, in accordance with the aforementioned bylaw articles, decide the respective share that the members of each body shall receive.

Details of remuneration are as follows:

Euros	Committee	Board	Audit Committe (per diems)	Board of Directors (per diems)	Boards of other Group companies	Total
2009	**628,740**	**550,743**	**56,000**	**78,000**	**238,620**	**1,552,103**
2008	**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 shares on the stock exchange.

In 2008 and 2009, 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 Viscofan GmbH	Chairman to the Board of Directors
	Naturin Limited	Chairman to the Board of Directors
	Naturin Inc. Delaware	Chairman to the Board of Directors
	Stephan & Hoffmann	Chairman to the Board of Directors
	Gamex, CB, 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 Technology Suzhou Co. Ltd	Chairman to the Board of Directors
	Viscofan Centroamérica Comercial, S.A.	Chairman to the Board of Directors
	Viscofan Canada, Inc.	Chairman to the Board of Directors
	Viscofan Do Brasil	Member of Consultant Board
	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
	Industrias Alimentarias de Navarra, S.A.U.	Chairman to the Board of Directors
Mr. Nestor Basterra Larroudé	Naturin Viscofan GmbH	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director
	Viscofan Technology Suzhou Co. Ltd	Director

As a result of the changes approved and effective December 31, 2009, during the first months of 2010 steps were taken to renew the Board of Directors and the Company's governing bodies.

These changes are the following:

- Jaime Echevarría Abona stepped down as a Board member, and therefore, relinquished his position as Chairman of the Board, President of the Executive Committee, and President of the Appointments and Remuneration Committee.
- Iñigo Solaun Garteiz-Goxeascoa also resigned from his position on the Board.
- To substitute Mr. Echevarría Abona, José Domingo de Ampuero y Osma was named Chairman of the Board (and Board member), President of the Executive Committee as well as President of the Appointments and Remuneration Committee.
- Nestor Basterra Larroudé was named First Vice Chairman of the Board, while Agatha Echevarría Canales was appointed as member of the Appointments and Remuneration Committee.
- Ignacio Marco-Gardoqui Ibáñez, a shareholder in the Company, was appointed to the Board through the co-option method in substitution of Jaime Echevarría Abona.

Apart from these changes, all Viscofan Group subsidiaries where Mr. José Domingo de Ampuero y Osma subsitutes Mr.Jaime Echevarría Abona as Chairman of their Board of Directors are taking the necessary steps to bring about this change.

Key management personnel, as shown below, received compensation amounting to 3,177 thousand euros in 2009 and 2,857 thousand euros in 2008:

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 cellulose & fibrous extrusion	Viscofan Group
Mr. José Vicente Sendin	Director of Strategic Projects	Viscofan Group
Mr. José Ignacio Recalde	Research and Development Director	Viscofan Group
Mr. Andrés Díaz	Director of Production	Viscofan Group
Mr. Juan José Rota	Director of Human Resources	Viscofan Group
Mr. José Antonio Moriones	Technical Advisor to Production Management	Viscofan, S.A.
Mr. Manuel Nadal	IT Director	Viscofan, S.A.
Mr. Ricardo Royo	Financial Director	Viscofan, S.A.
Mr. Jesús Calavia	Director of Production	Viscofan, S.A.
Mr. Miloslav 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. Wilfried Schobel	Director of Production	Naturin Viscofan Gmbh
Mr. Bertram Trauth	Managing Director	Naturin Viscofan Gmbh
Mr. Alfred Bruinekool	Managing Director	Naturin, Ltd
	Commercial Director	Naturin Viscofan Gmbh
Mr. Yunny Soto	Managing Director	Viscofan Centroamérica Comercial, S.A.
Mr. Juan Negri	Managing Director	Viscofan Technology (Suzhou) Co. Ltd
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., in liquidation
Mr. José Maria Fernández	Managing Director	Viscofan Usa Inc..
Mr. Alejandro Martínez Campo	Managing Director	Industrias Alimentarias de Navarra, S.A.U.

(*) Mr. Waldemar Szymansky left the Viscofan Group on December 31, 2009

(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 2009 and 2008 as follows:

Thousands of euros	2009	2008
Principal auditor		
Audit services	116	118
Other services	25	10
	141	**128**

Audit services detailed in the above table include the total fees for services rendered in 2009 and 2008, irrespective of the date of invoice.

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

Thousands of euros	2009	2008
Audit services	421	437
Other services	98	98
	519	**535**

Viscofan S.A. and subsidiaries
Management report 2009

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

Business performance and situation of Viscofan Group companies

Against a backdrop of global recession, marked by a decrease in demand and limited access to credit, in 2009 the Viscofan Group's net turnover for the year rose by 5.7% to more than €583.4m.

It is especially noteworthy that despite the difficult economic climate, the Viscofan Group's two main divisions have achieved positive revenue growth: casings, 6.9% and the vegetable division, 0.1%.

Production improvements and central purchasing of the main raw materials have offset the pressure from their rising costs. As a result, in 2009 the Viscofan Group's consumption costs [1] were €163.9m, 3.1% lower than in 2008 and represent 28.1% of revenue compared to 30.7% in 2008.

Gross margin[2] was up by 2% compared to 2008 due to the Viscofan Group's special emphasis on value. This has been achieved by strong commercial discipline, increasing prices despite a climate of greater uncertainty and increases in unit costs of our principal raw materials.

In 2009 the Group's productive structure has been enhanced as part of the BE ONE strategy. This promotes mechanization plans, the transfer of best practices and production restructuring projects. These have led to a reduction of 196 employees in 2009, taking the Group's headcount to 3,780 employees (4.9% lower than year end 2008).

This effort was especially significant in Q4 2009, when employee benefits expense rose to €35.5m (up 17.3% on 4Q 2008) as a result of workforce restructuring costs (termination benefits, voluntary redundancies, early retirements, etc.) principally in Spain, USA and Germany. Q4 2009 saw the recognition of a non-recurring cost of €1.5m associated to termination benefits for 20 employees in Germany due to the transfer of non-edible collagen capacity to Serbia. This will take place throughout 2010 and 2011.

Employee benefits expense for the year was €134m, up 4.5% on 2008, due mainly to the aforementioned restructuring costs.

"Other operating expenses" rose 5.3% in the year to €164.8m. Cost control and austerity initiatives, in both the vegetable and casings division have partially offset the increase in energy costs (up 7% in 2008). The higher energy costs are mainly due to the increase in the cogeneration capacity in Spain during the second half of 2009.

The increase in revenue and the implementation of enhanced production methods have given rise to a 3% increase in 2009 EBITDA, [3] which climbed to 22.1% of sales, despite a poorer performance in the vegetable business.

Consequently, cumulative EBITDA at December 2009 stood at €129m, up 22.5% on 2008. Excluding the €1.5m non-recurring expense due to the restructuring of non-edible collagen in Germany, EBITDA rose to €130.6m (up 23.6% on 2008).

EBIT[4] rose by 34.5% in 2009, reaching €91.3m, boosted by the aforementioned improvement in EBITDA and amortization/depreciation remaining at the same level (€37.7m, 0.7% more than in 2008).

Net finance loss[5], at €5.3m was down 30.2% due to lower finance costs as a result of lower indebtedness and lower borrowing costs in a year marked by restricted access to credit.

[1] Consumption costs = Consumption of raw materials and other consumables
[2] Gross Margin = (Sales and services rendered - consumption costs) /Sales and services rendered
[3] EBITDA = Operating profit + amortization /depreciation expense
[4] EBIT = operating profit
[5] Net finance profit (loss) = Finance income - finance costs

Net debt[6] at 2009 year end was €90.5m. This was down more than €31.9m, even after investing €46.3m in major expansion and improvement plans (inter alia, the extension of the cogeneration plant, the roll out of new production lines in Germany, the acquisition of land at the Zacapu plant in Mexico and the acquisition of the rights of usage for land at the new subsidiary in China) and paying dividends and share premiums amounting to €35m (up 22.7% in respect of the amount paid in dividends and repurchasing shares in 2008).

Gearing [7] stood at 26.2% compared to 40.4% at December 2008. This was due to strong operating cash flows, the control of working capital by monitoring the risk of customer default and more efficient management of inventory levels.

The extraordinary growth in operating profit, coupled with the fall in finance costs, has led to a 42.6% increase in profit before tax, up to €86m.

Income tax expense was €21.7m at an effective tax rate of 25.2%, compared to €8.9m recognized in 2008, a year when the Group took advantage of extraordinary tax breaks in various countries.

As a result, in 2009 net profit at €64.3m has climbed to a record level for the fourth year in a row, up 25% on 2008.

Forecast for the Group

a) Casings

In 2009, as a consequence of the global economic crisis and the Viscofan Group's focus on quality, in the casings market less growth was observed than in 2008. However, in the principal areas of emerging countries its performance was still positive.

In 2010, after a year marked by customer's reducing their stock levels, and delaying or canceling their plans to expand capacity, the forecast is for markets to return to a normal pace of growth in terms of volumes, i.e., growth of 3%-5%.

In this environment, the Viscofan Group will continue with its BE ONE strategy, with one main objective: strengthen its market leadership and enhance profit levels.

To achieve this it has implemented measures to improve its economies of scale, with better alignment within the organization, maintaining a disciplined commercial policy and improving efficiencies and productivities at current plants. The Group expects to continue with a high level of investment in these to adjust production capacity to market requirements and to introduce a management model based on centers of excellence by product families.

In August 2009, Viscofan founded Viscofan Technology Suzhou Co. Ltd. in Suzhou Industrial Park in China with share capital of €7.5m to be paid in within two years. The share capital was fully subscribed by Viscofan S.A. and €3.5m has already been paid in. The Group is currently immersed in the start up of the converting plant in China and expects it to be fully operative in early 2011.

In addition, it is likewise promoting projects related to technological improvements and the transfer of production capacities to other countries, such as from Germany to Serbia in 2010-2011.

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.

[6] Net debt = Financial liabilities with financial institutions (current and non-current) – Cash and other cash equivalents
[7] Gearing = Net borrowings / Equity

Principal Group investments and R&D activity

In 2009 the Group invested €46.3m, slightly more than the 45.3m euros invested in 2008.

The level of investment is due largely to the extension of the cogeneration plant in Cáseda, Spain, to complete the second phase which commenced activity in July 2009.

The Viscofan Group's investments have been aimed at increasing the capacity of its production plants, technological improvements and efficiencies.

In vegetable products, the investments were mainly made to comply with safety and environmental standards, to develop new ready meal product lines and the start up of the asparagus production plant in China.

Viscofan has a proactive R&D policy for both business lines, supported by technological and research centers in various countries:

- In the casings division, the Group's efforts are focused on the product (development of new products, enhancement of present products to increase market share in the principal meat casing families, etc.) and the processing (innovation and improved industrialization of production processes, introduction of technological advances and development of advanced engineering solutions to maximize productive output, etc.).
- In the vegetable products division, the Group continues to push forward with the development of new products, increasing the ready meals' range; the business line with the best prospects from both a growth and added value standpoint.
- Furthermore, Viscofan's research activity has likewise been aimed at diversification in areas where its present knowledge will enable it to obtain future profits. This has borne fruit in the form of a new bioengineering application: the use of collagen derivatives as a matrix for growing stem cells "in vitro".

Acquisition of treasury shares

On December 31, 2009 the Group had no treasury shares.

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

The control and management of financial risk is based on measuring Value at Risk (VaR) to reply to the following question: What is the most pessimistic scenario based on a certain confidence level? This is a statistical estimation of risk which includes a specific time frame (hours, days, months, years), an estimated confidence level of between 95-99%, and a maximum loss expressed as a percentage. Viscofan uses the Montecarlo simulation method to calculate VaR.

These analyses quantify Viscofan's exposure to changes in foreign currency and interest rates. There are two types of foreign currency risk. The first is related to the statement of financial position items including certain assets (buildings and machinery...) and liabilities (bank debt, payables...) reflected in foreign currency, which might lose value based on fluctuating exchange rates. The second is related to cash flow exposure due to type of currency. Viscofan covers the latter using EBITDA for the following year to carry out its simulations.

Decisions regarding the amount to hedge for each currency are made based on the result of analyses for currencies in which a relevant net risk has been detected, depending on the degree of risk the company is willing to assume.

In order to mitigate interest rate risk, the Viscofan Group has arranged various interest rate swaps.

The increased activity of the co-generation plant in Cáseda has increased the Group's exposure to energy markets, due to income from sales of electricity as well as expenses from its gas supply. This has created the need to monitor and intervene in the futures markets to ensure uninterrupted operations, and to sign up for the tariff plan for the next year in order to guarantee positive operating margins.

Counterparty risk materializes in the possibility that customers might not comply with payment commitments. The Group has an insurance policy to cover its customer risk. However, due to the general economic climate the insurance coverage offered by suppliers has deteriorated; consequently, procedures have been tightened and internal controls have been intensified to avoid increased delinquency. In addition, an interdepartmental Risk Committee has been formed to ensure compliance.

The degree to which the Group is leveraged, as well as the availability of credit facilities indicate that it will be able to comfortably meet its financial needs; therefore, its liquidity risk is not relevant, despite the financial restrictions which marked 2009.

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 2009, 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

As a result of the changes approved and effective December 31, 2009, during the first months of 2010 steps were taken to renew the Board of Directors and the Group's governing bodies.

These changes are the following:

- Jaime Echevarría Abona stepped down as a Board member, and therefore, relinquished his position as Chairman of the Board, President of the Executive Committee, and President of the Appointments and Remuneration Committee; he has decided to concentrate on other personal endeavors now that his brilliant trajectory at the Company has reached its end.
- Iñigo Solaun Garteiz-Goxeascoa also resigned from his position on the Board.
- To substitute Mr. Echevarría Abona, José Domingo de Ampuero y Osma was named Chairman of the Board (and Board member), President of the Executive Committee as well as President of the Appointments and Remuneration Committee.
- Nestor Basterra Larroudé was named First Vice Chairman of the Board, while Agatha Echevarría Canales was appointed as member of the Appointments and Remuneration Committee.
- Ignacio Marco-Gardoqui Ibáñez, a shareholder in the Company, was appointed to the Board through the co-option method in substitution of Jaime Echevarría Abona.

Apart from these changes, the subsidiaries of the Viscofan Group are also undergoing transitions due to the resignation of Jaime Echevarría Abona and substitution by José Domingo de Ampuero y Osma.

Madrid, 26 March 2010.

Appendix I
VISCOFAN, S.A. AND SUBSIDIARIES
Details of the Viscofan Group
31 December 2009

	Percentage interest	
Group companies	**Direct**	**Indirect**
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-
Naturin Viscofan GmbH	100.00%	-
Naturin Inc Delaware	100.00%	-
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-
Viscofan Poland Sp.z.o.o., in liquidation	100.00%	-
Koteks Viscofan, d.o.o.	100.00%	-
Gamex, C.B. s.r.o.	100.00%	-
Viscofan USA Inc.	100.00%	-
Naturin LTD	100.00%	-
Viscofan CZ, s.r.o.	100.00%	-
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-
IAN Perú, S.A.	-	100.00%
Lingbao Baolihao Food	-	50.00%
Stephan & Hoffmann AG	-	100.00%
Naturin Verwaltung GmbH	-	100.00%
Viscofan de México S.R.L. de C.V.	99.99%	0.01%
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%
Zacapu Power S.R.L. de C.V.	-	100.00%
Viscofan Canadá Inc	-	100.00%

In 2009, in addition to the contribution of the capital of Viscofan Technology (Suzhou) Co. Ltd upon its incorporation, the Viscofan Group's structure changed as follows:

- The parent fully subscribed a capital increase carried out by Koteks Viscofan d.o.o. for an amount equivalent to 4,000 thousand euros.
- The parent fully subscribed the capital increase carried out by Viscofan de México S.R.L. de C.V. for an amount equivalent to 6,000 thousand euros.
- On July 10, 2009 ownership of Naturin Verwaltung GmbH passed from Visfocan S.A. to Naturin Viscofan GmbH.
- On September 7, 2009 this change in the Company's legal status, as well as its new name, Naturin GmbH & Co KG, was registered. Its new name is Naturin Viscofan GmbH.
- On September 11, 2009 the Board of Directors of Viscofan Poland Sp z.o.o. agreed that the company's winding up should commence and appointed a liquidator.

Activity	Registered offices
Manufacture and marketing of tinned vegetables	Villafranca (Navarre)
Manufacture and marketing of artificial casings	Weinheim (Germany)
Financial activity	Dover (USA)
Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Commercial activity	Krakow (Poland)
Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Commercial activity	Seven Oaks (United Kingdom)
Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Manufacture and marketing of artificial casings	Suzhou (China)
Asparagus production	Lima (Peru)
Asparagus production	Lingbao (China)
Financial activity	Weinheim (Germany)
Financial activity	Weinheim (Germany)
Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)
Commercial activity	San José (Costa Rica)
Services rendered	San Luis de Potosí (Mexico)
Cogeneration plant	Zacapu Michoacán (Mexico)
Commercial activity	Quebec (Canada)

Appendix I
VISCOFAN, S.A. AND SUBSIDIARIES
Details of the Viscofan Group
31 December 2008

	Percentage interest	
Group companies	**Direct**	**Indirect**
Industrias Alimentarias de Navarra, S.A.U.	100.00%	-
Naturin GmbH & Co. KG	100.00%	-
Naturin Inc Delaware	100.00%	-
Naturin Verwaltung GmbH	100.00%	-
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-
Viscofan Poland Sp.z.o.o	100.00%	-
Koteks Viscofan, d.o.o.	100.00%	-
Gamex, C.B. s.r.o.	100.00%	-
Viscofan USA Inc.	100.00%	-
Naturin LTD	100.00%	-
Viscofan CZ, s.r.o.	100.00%	-
IAN Perú, S.A.	-	100.00%
Lingbao Baolihao Food	-	50.00%
Stephan & Hoffmann AG	-	100.00%
Viscofan de México S.R.L. de C.V.	99.99%	0.01%
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%
Zacapu Power S.R.L. de C.V.	-	100.00%
Viscofan Canadá Inc	-	100.00%

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

- The parent fully subscribed a capital increase carried out by Koteks Viscofan d.o.o. for an amount 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.

Activity	Registered offices
Manufacture and marketing of tinned vegetables	Villafranca (Navarre)
Manufacture and marketing of artificial casings	Weinheim (Germany)
Financial activity	Dover (USA)
Financial activity	Weinheim (Germany)
Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Commercial activity	Krakow (Poland)
Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Commercial activity	Seven Oaks (United Kingdom)
Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Asparagus production	Lima (Perú)
Asparagus production	Lingbao (China)
Holding company	Weinheim (Germany)
Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)
Commercial activity	San José (Costa Rica)
Services rendered	San Luis de Potosí (Mexico)
Cogeneration plant	Zacapu Michoacán (Mexico)
Commercial activity	Quebec (Canada)

Appendix II
VISCOFAN, S.A. AND SUBSIDIARIES
Segment reporting 31 December 2009 and 2008

(In thousands of euros)

Business Segments	**Casings**	
	2009	**2008**
Income and expenses		
Sales and services rendered	490,493	458,623
Material consumed	(104,467)	(111,711)
Other operating income	7,687	6,511
Other operating expenses	(304,252)	(288,648)
	89,461	**64,775**
Financial loss	(4,970)	(6,680)
Income tax expense	(21,684)	(10,840)
Profit for the year	**62,807**	**47,255**
Assets and Liabilities		
Total segment assets	539,398	509,765
Total segment liabilities	237,835	248,183
Other segment information		
Capital expenditure		
- Property, plant and equipment	41,404	41,672
- Intangible assets	4,163	3,747
Depreciation and amortization		
- Property, plant and equipment	(31,465)	(32,136)
- Intangible assets	(3,561)	(2,304)
Cash Flows		
Cash flows from operating activities	110,312	51,477
Cash flows from investing activities	(46,303)	(41,307)
Cash flows from financing activities	(51,106)	(13,552)

Tinned Food		Eliminations and others		Consolidated	
2009	**2008**	**2009**	**2008**	**2009**	**2008**
93,289	93,270	(368)	(75)	583,414	551,818
(59,462)	(57,520)	-	-	(163,929)	(169,231)
643	938	-	-	8,330	7,449
(32,665)	(33,613)	368	75	(336,549)	(322,186)
1,805	**3,075**	**-**	**-**	**91,266**	**67,850**
(334)	(889)	-	-	(5,304)	(7,569)
(19)	1,962	-	-	(21,703)	(8,878)
1,452	**4,148**	**-**	**-**	**64,259**	**51,403**
76,591	86,701	-	-	615,989	596,466
32,947	45,008	-	-	270,782	293,191
763	2,478	-	-	42,167	44,150
97	232	-	-	4,260	3,979
(2,651)	(2,907)	-	-	(34,116)	(35,043)
(58)	(112)	-	-	(3,619)	(2,416)
13,680	2,427	-	-	123,992	53,904
(888)	(3,075)	-	-	(47,191)	(44,382)
(13,236)	937	-	-	(64,342)	(12,615)

Appendix II
VISCOFAN, S.A. AND SUBSIDIARIES
Segment reporting 31 December 2009 and 2008

(In thousands of euros)

Geographical segments	**Europe and Asia**	
	2009	**2008**
Ordinary income from external clients	334,342	320,122
Segment assets	388,263	378,109
Other segment information		
Capital expenditure		
- Property, plant and equipment	30,855	30,855
- Intangible assets	4,190	3,500
Cash flows		
Cash flows from operating activities	86,683	46,619
Cash flows from investing activities	(32,624)	(33,961)
Cash flows from financing activities	(49,420)	(12,048)

North America		South America		Consolidated	
2009	2008	2009	2008	2009	2008
174,727	159,164	74,345	72,532	583,414	551,818
144,855	153,571	82,871	64,786	615,989	596,466
7,532	4,135	3,780	9,160	42,167	44,150
70	401	-	78	4,260	3,979
28,465	1,729	8,844	5,556	123,992	53,904
(10,802)	(2,961)	(3,765)	(7,460)	(47,191)	(44,382)
(12,554)	39	(2,368)	(606)	(64,342)	(12,615)

Appendix III
VISCOFAN, S.A. AND SUBSIDIARIES
Breakdown and movements in property, plant and equipment 31 December 2009 and 2008

(In thousands of euros)

	01.01.08	Translation differences	Additions	Disposals
Revalued cost				
Land and buildings	170,074	(3,780)	1,065	(2,425)
Plant and machinery	422,656	(10,556)	13,209	(4,059)
Other installations, equipment and furniture	61,896	(159)	2,282	(493)
Other property, plant and equipment	20,465	(172)	437	(2,237)
Advances and assets under construction	18,760	(699)	27,157	(21)
	693,851	(15,366)	44,150	(9,235)
Restated accumulated depreciation				
Buildings	(66,617)	1,102	(4,268)	616
Plant and machinery	(288,891)	7,765	(25,810)	2,254
Other installations, equipment and furniture	(42,045)	108	(4,020)	482
Other property, plant and equipment	(17,127)	113	(945)	2,172
	(414,680)	9,088	(35,043)	5,524
Provisions	(154)	-	-	72
	279,017	**(6,278)**	**9,107**	**(3,639)**

Transfers	31.12.08	Translation differences	Additions	Disposals	Transfers	31.12.09
1,926	166,860	1,726	3,375	(432)	5,350	176,879
16,654	437,904	10,582	16,718	(8,613)	17,895	474,486
2,039	65,565	-	2,232	(873)	3,009	69,933
214	18,707	31	721	(638)	3,284	22,105
(21,134)	24,063	1,665	19,121	(332)	(30,441)	14,076
(301)	713,099	14,004	42,167	(10,888)	(903)	757,479
-	(69,167)	(835)	(4,203)	253	15	(73,937)
-	(304,682)	(7,417)	(24,478)	7,872	1,652	(327,053)
34	(45,441)	(34)	(4,233)	734	(793)	(49,767)
-	(15,787)	(73)	(1,202)	581	(870)	(17,351)
34	(435,077)	(8,359)	(34,116)	9,440	4	(468,108)
-	(82)	-	(226)	42	-	(266)
(267)	**277,940**	**5,645**	**7,825**	**(1,406)**	**(899)**	**289,105**

Appendix IV
VISCOFAN, S.A. AND SUBSIDIARIES
Breakdown and movements in intangible assets 31 December 2009 and 2008

(In thousands of Euros)

	01.01.08	Translation differences	Additions	Disposals
Cost				
Technology and contracts	6,169	457	196	-
Trademark and customer portfolio	2,672	-	-	-
Software	10,383	(93)	747	(8)
Concessions, patents and licenses	3,190	71	-	-
Issue rights	4	-	2,127	(307)
Prepayments	-	-	1,155	-
	22,418	435	4,225	(315)
Accumulated amortization				
Technology and contracts	(1,604)	(229)	(614)	-
Trademark and customer portfolio	(1,246)	-	(534)	-
Software	(7,510)	88	(783)	8
Concessions, patents and licenses	(2,139)	(6)	(485)	-
	(12,499)	(147)	(2,416)	8
	9,919	**288**	**1,809**	**(307)**

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

Transfers	31.12.08	Translation differences	Additions	Disposals	Transfers	31.12.09
-	6,822	(232)	-	-	-	6,590
-	2,672	-	-	-	-	2,672
301	11,330	158	1,490	(12)	1,299	14,265
-	3,261	3	2,678	-	696	6,638
-	1,824	-	2,539	(1,668)	-	2,695
-	1,155	-	92	-	(1,093)	154
301	27,064	(71)	6,799	(1,680)	902	33,014
-	(2,447)	102	(568)	-	-	(2,913)
-	(1,780)	-	(534)	-	-	(2,314)
(34)	(8,231)	(83)	(801)	12	-	(9,103)
-	(2,630)	7	(1,716)	-	(3)	(4,342)
(34)	(15,088)	26	(3,619)	12	(3)	(18,672)
267(*)	**11,976**	**(45)**	**3,180**	**(1,668)**	**899(*)**	**14,342**

Fina
Stater

Viscofan, S.A.

Financial Statements for the year ended December 31, 2009

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

ERNST & YOUNG

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, 2009 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.

In compliance with Spanish mercantile law, for comparative purposes the Company's directors have included for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and in the notes thereto, in addition to the figures of 2009, those of the prior year. Our opinion refers only to the financial statements for 2009. On March 31, 2009 we issued our audit report on the 2008 financial statements, in which we expressed an unqualified opinion.

In our opinion, the accompanying 2009 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, 2009 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, which are consistent with those applied in the previous year.

ERNST & YOUNG

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The accompanying 2009 management report contains such explanations as the directors consider appropriate concerning the situation of VISCOFAN, S.A., 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, 2009. 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 Escurra Zumeta

March 29, 2010

VISCOFAN, S.A.
Balance sheet at December 31, 2009

(Thousands of euros)

ASSETS	Notes	2009	2008
NON-CURRENT ASSETS		**321,589**	**299,590**
Intangible assets	**5**	**7,120**	**3,558**
Concession rights		2,496	-
Software		1,876	707
Other intangible assets		2,748	2,851
Property, plant and equipment	**6**	**58,554**	**52,383**
Land and buildings		12,810	11,828
Plant and other PP&E items		45,258	34,730
Property, plant and equipment under construction and prepayments		486	5,825
Investment in group companies and associates	**7**	**254,752**	**241,223**
Equity instruments		254,752	241,223
Financial investments	**8**	**90**	**90**
Equity instruments		42	42
Other financial assets		48	48
Deferred tax assets	**16**	**1,073**	**2,336**
CURRENT ASSETS		**65,610**	**75,422**
Inventories	**9**	**17,246**	**16,294**
Commercial inventories		1,757	1,947
Raw materials and other consumables		5,918	6,441
Work in progress		4,808	4,658
Finished products		4,763	3,248
Trade and other receivables	**8**	**43,237**	**55,023**
Trade receivables		26,721	24,444
Trade receivables from group companies and associates		14,590	28,012
Other receivables		43	260
Receivable from employees		13	20
Other receivables from public administrations	**16**	1,870	2,287
Investments in group companies and associates	**8**	**2,338**	**3,755**
Loans to companies		2,059	3,572
Other financial assets		279	183
Investments	**8**	**2,540**	**12**
Derivatives		2,527	-
Other financial assets		13	12
Accruals		**107**	**142**
Cash and cash equivalents	**10**	**142**	**196**
Cash		142	196
TOTAL ASSETS		**387,199**	**375,012**

VISCOFAN, S.A.
Balance sheet at December 31, 2009

(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2009	2008
EQUITY		**282,271**	**276,617**
CAPITAL AND RESERVES		**280,936**	**276,826**
Share capital	**11.1**	**13,981**	**14,020**
Issued capital		13,981	14,020
Share Premium	**11.2**	**16,650**	**30,165**
Reserves	**11.3**	**223,126**	**202,145**
Legal and statutory reserves		2,935	2,935
Other reserves		220,191	199,210
Treasury shares and equity investments	**11.7**	**-**	**(1,699)**
Profit for the year	**3**	**39,296**	**32,195**
Interim dividend	**3.1**	**(12,117)**	**-**
UNREALIZED GAINS (LOSSES) RESERVE	**12**	**1,147**	**(346)**
Hedging instruments		1,147	(346)
GRANTS, DONATIONS AND LEGACIES	**13**	**188**	**137**
NON-CURRENT LIABILITIES		**32,176**	**28,421**
Borrowings	**15**	**28,274**	**25,761**
Payable to credit institutions		24,306	21,725
Liabilities from capital leases		30	32
Other financial liabilities		3,938	4,004
Deferred tax liabilities	**16**	**3,902**	**2,660**
CURRENT LIABILITIES		**72,752**	**69,974**
Provisions	**14**	**2,943**	**1,697**
Borrowings	**15**	**34,392**	**33,303**
Bank borrowings		30,076	27,591
Finance leases		33	43
Derivatives		79	1,261
Other financial liabilities		4,204	4,408
Payables to group companies and associates	**15**	**10,052**	**7,512**
Trade and other payables	**15**	**25,365**	**27,462**
Suppliers		2,328	4,801
Suppliers, group companies and associates		7,305	9,483
Other payables		9,955	9,457
Employee benefits payable		880	146
Current tax liabilities	16	712	2,070
Other payables to public administrations	16	3,795	1,369
Customer advances		390	136
TOTAL EQUITY AND LIABILITIES		**387,199**	**375,012**

VISCOFAN, S.A.
Income statement for the year ended December 31, 2009

(Thousands of euros)

	Notes	2009	2008
CONTINUING OPERATIONS			
Revenue	**17.1**	**168,766**	**155,346**
Sale of goods		167,102	153,641
Rendering of services		1,664	1,705
Changes in inventory of finished goods and work in progress		**1,667**	**409**
Cost of sales		**(69,624)**	**(65,842)**
Consumption of goods for resale	17.2	(46,404)	(39,573)
Consumption of raw materials and other consumables	17.2	(23,176)	(26,013)
Impairment of goods for resale, raw materials and other consumables	9	(44)	(256)
Other operating income		**8,583**	**4,228**
Ancillary income		8,231	3,166
Grants related to income	13	352	1,062
Employee benefits expense		**(31,054)**	**(30,851)**
Wages, salaries, et al		(24,574)	(24,184)
Social security costs, et al	17.3	(6,480)	(6,667)
Other operating expenses		**(50,310)**	**(44,426)**
External services	17.4	(47,646)	(42,090)
Taxes		(141)	(588)
Losses on, impairment of and change in trade provisions	**8.1**	(294)	(51)
Other operating expenses	**14**	(2,229)	(1,697)
Depreciation and amortization	**5 & 6**	**(7,843)**	**(7,795)**
Grants related to non-financial assets and other grants	**13**	**29**	**48**
Impairment gains (losses) on disposal of non-current assets		**(90)**	**102**
Impairment gains and losses	5 & 6	40	172
Gains (losses) on disposals	5 & 6	(130)	(70)
OPERATING PROFIT		**20,124**	**11,219**
Finance income		**23,167**	**25,422**
From equity investments	7.1	23,101	25,329
In group companies and associates		23,101	25,329
From marketable securities and other financial instruments		66	93
Of group companies and associates		63	67
Of third parties		3	26
Finance costs	**17.5**	**(1,475)**	**(2,405)**
Third-party borrowings		(1,475)	(2,405)
Exchange gains (losses)		**653**	**(637)**
FINANCE INCOME		**22,345**	**22,380**
PROFIT BEFORE TAX		**42,469**	**33,599**
Income tax	**16**	**(3,173)**	**(1,404)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**39,296**	**32,195**
DISCONTINUED OPERATIONS			
Profit (Loss) alter tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR	**3**	**39,296**	**32,195**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2009

(Thousands of euros)

A) Statement of recognized income and expenses for the year ended December 31, 2009

	Notes	2009	2008
PROFIT FOR THE PERIOD		**39,296**	**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	**12**	**1,638**	**(494)**
Grants, donations and bequests received	**13**	**2,444**	**2,003**
From actuarial gains and losses and other adjustments			**-**
Tax effect		**(1,224)**	**(453)**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**2,858**	**1,056**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flow hedges	**12**	**494**	**(370)**
Grants, donations and bequests received	**13**	**(2,371)**	**(2,130)**
Tax effect		**563**	**751**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**(1,314)**	**(1,749)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**40,840**	**31,502**

VISCOFAN, S.A.
Statement of changes in equity for the year ended December 31, 2009

(Thousands of euros)

B) Statement of all changes in equity for the year ended December 31, 2009

	Issued capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3)	Treasury shares and equity investments (Note 11.7)	Profit for the year (Note 3)	Interim dividend (Note 3)	Net unrealized gains (losses) reserve (Note 12)	Grants, donations and bequests received (Note 13)	TOTAL
ADJUSTED BALANCE AT JANUARY 1, 2008	**14,189**	**41,844**	**218,984**	**(3,728)**	**-**	**-**	**259**	**225**	**271,773**
Total recognized income and expense	-	-	-	-	32,195	-	(605)	(88)	31,502
Transactions with shareholders and owners									
Capital decreases	(169)	-	(7,931)	-	-	-	-	-	(8,100)
Dividends paid	-	(11,679)	(8,908)	-	-	-	-	-	(20,587)
Transactions with treasury shares or own equity instruments (net)	-	-	-	2,029	-	-	-	-	2,029
Other changes in equity	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2008	**14,020**	**30,165**	**202,145**	**(1,699)**	**32,195**	**-**	**(346)**	**137**	**276,617**
Total recognized income and expense	-	-	-	-	39,296	-	1,493	51	40,840
Transactions with shareholders and owners									
Capital decreases	(39)	-	(1,660)	-	-	-	-	-	(1,699)
Dividends paid	-	(13,515)	-	-	(9,554)	(12,117)	-	-	(35,186)
Transactions with treasury shares or own equity instruments (net)	-	-	-	1,699	-	-	-	-	1,699
Other changes in equity	-	-	22,641	-	(22,641)	-	-	-	-
BALANCE AT DECEMBER 31, 2009	**13,981**	**16,650**	**223,126**	**-**	**39,296**	**(12,117)**	**1,147**	**188**	**282,271**

VISCOFAN, S.A.
Cash flow statement for the year ended December 31, 2009

Thousands of euros)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**42,469**	**33,599**
Adjustments to profit		**(11,061)**	**(13,939)**
Depreciation and amortization	5 & 6	7,843	7,795
Impairment losses	5 & 6	(40)	(172)
Changes in provisions		3,506	411
Grants released to income	13	(381)	(1,110)
Results on disposal of property, plant and equipment		129	-
Finance income		(23,167)	(25,396)
Finance costs	17.5	1,475	2,405
Exchange gains (losses)		923	(129)
Change in fair value of financial instruments		(1,576)	767
Other income and expenses		227	1,490
Change in working capital		**1,244**	**(10,887)**
Inventories		(1,361)	(1,702)
Trade and other receivables		5,461	(11,988)
Other current assets		35	(180)
Trade and other payables		(1,812)	3,907
Other current liabilities		(1,079)	(924)
Other cash flows from operating activities		**12,513**	**20,837**
Interest paid		(1,260)	(2,112)
Dividends received		14,989	23,686
Interest received		76	45
Income tax receipts (payments)		(1,725)	(814)
Other payments (receipts)		433	32
CASH FLOW FROM OPERATING ACTIVITIES		**45,165**	**29,610**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(26,730)**	**(23,404)**
Group and associates		(8,550)	(4,000)
Intangible assets		(3,161)	(1,239)
Property, plant and equipment		(15,014)	(15,165)
Other financial assets		(5)	(3,000)
Proceeds from disposals		**2,102**	**750**
Group companies and associates		1,500	-
Property, plant, and equipment		599	-
Other financial assets		3	750
CASH FLOWS FROM INVESTING ACTIVITIES		**(24,628)**	**(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		**14,595**	**19,536**
Issues			
Bank borrowings		15,705	25,000
Accounts payable to Group and associated companies		10,000	-
Other borrowings		1,214	1,178
Repayment and redemption of			
Bank borrowings		(11,075)	(3,371)
Other borrowings		(1,249)	(3,271)
Dividends paid and payments on other equity instruments		**(35,186)**	**(20,587)**
Dividends		(35,186)	(20,587)
CASH FLOWS FROM FINANCING ACTIVITIES		**(20,591)**	**(7,404)**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(54)**	**(448)**
Cash and cash equivalents at January 1		**196**	**644**
Cash and cash equivalents at December 31		**142**	**196**

Viscofan S.A.

Notes to the financial statements for the year ended December 31, 2009

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

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

Its industrial installations are located in Cáseda and Urdiáin (Navarra). During 2009, its main office was moved to Tajonar (Navarra). Its registered address is still 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.

At the same date the Group's corresponding consolidated financial statements for 2009 have been also prepared.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

These financial statements have been prepared by the directors of the company and will be submitted for approval by the shareholders in general meeting within the periods established by prevailing legislation. The directors of the Company consider that no significant changes will be made to the 2009 financial statements as a result of these meetings.

The directors have prepared the 2009 financial statements separately, applying the international financial reporting standards adopted by the European Union (IFRS-EU).

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

2.1 True and fair view

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

2.2 Comparison of information

In compliance with Spanish mercantile law, for comparative purposes for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and in the Notes thereto, in addition to the figures for 2009, those of 2008 have been included. The Notes likewise contain quantitative information from 2008, unless an accounting standard specifically states that this is not required.

2.3 Critical issues concerning the assessment of uncertainty

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

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 2009 profit proposed by the directors, which is expected to be approved by the shareholders in general meeting, is as follows:

(Thousands of euros)	2009
Proposed appropriation	
Profit for the year	39,296
	39,296
Appropriation to	
Voluntary reserves	27,179
Dividends	12,117
	39,296

3.1 Interim dividend

On December 15, 2009, the Board of Directors approved an interim dividend against 2009 profit of 12,117 thousand euros based on profit projections for the period. This dividend was paid on December 22, 2009. The amount of the dividend is less than the maximum limit established by prevailing legislation relating to distributable profit from the previous year end.

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

(Thousands of euros)	
Available cash at December 15, 2009	383
Cash flows from/(used in) operating activities	
Trade and other receivables	126,751
Other income	314
Accounts payable and suppliers	(82,895)
Payments made to employees	(27,718)
Interest paid	(1,068)
Other payments	(1,000)
Cash flow related to investment activities	
Dividends	27,400
Purchases of property, plant and equipment	(3,745)
Cash flow related to financing activities	
Repayment of non-current borrowings	(9,094)
Dividends paid	(28,894)
Projected liquidity at December 15, 2010	**434**

3.2 Limitations on the distribution of dividends

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

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

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

4.1 Intangible assets

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

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

The Company assesses the intangible asset's useful life to be either finite or indefinite. At December 31, 2009 all the Company's assets had a finite useful life.

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

Concession rights

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

Software

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

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

CO_2 emission rights

It is Company policy to recognize CO2 emission rights as a non-amortizable intangible asset. The rights allocated free of charge under the National Assignment Plan are measured at the prevailing market price at the date received, recognizing deferred income for the same amount.

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

During 2009, in compliance with Article 19.4 of Law 1/2005, dated March 9, the Company obtained an individual new entry assignment of emission rights from the Ministry of the Environment and Rural and Marine Affairs. The assignment is equivalent to 329,656 tons for the 2008-2012 period, broken down as 41,956 rights for 2008 and 71,925 rights for each of the successive years.

Therefore, as of 2009 the Company will receive 86,063 tons corresponding to the first plan, and 71,925 tons as a result for the new entries. They are recognized at the market price of these rights at January 1 each year.

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

4.2 Property, plant and equipment

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

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

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

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

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

The estimated useful lives of property, plant, and equipment at year end 2009 and 2008 are as follows:

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

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

4.3 Impairment of non-financial assets

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

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

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

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

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

4.7 Financial liabilities

Recognition and measurement

Trade and other payables

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

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

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

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

Hedging derivatives

This category includes derivatives classified as hedging instruments.

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

Cancelation

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

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

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

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

4.8 Hedge accounting

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

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

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

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

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

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

4.9 Treasury shares

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

4.10 Inventories

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

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

The Company measures inventory at weighted average cost.

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

4.11 Cash and cash equivalents

This heading includes cash and current accounts.

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

4.12 Grants

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

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

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

4.13 Provisions

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

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

Provision for CO_2 emission rights

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

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

4.14 Provisions for long-term employee benefits

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

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

4.15 Income tax

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

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

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

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

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

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

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

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

4.16 Classification of current and non-current assets and liabilities

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

4.17 Income and expenses

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

Trade receivables

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

4.18 Transactions in foreign currency

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

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

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

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

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

4.19 Environmental assets and liabilities

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

4.20 Termination benefits

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

5. INTANGIBLE ASSETS

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment loss	Transfers	Balance at December 31
2009					
Cost					
Patents	36	-	-	-	36
Concession rights	-	1,935	-	692	2,627
Software	5,543	982	-	401	6,926
Greenhouse gas emission rights	1,697	2,444	(1,697)	-	2,444
Payments on account for non-current intangible assets	1,154	243	-	(1,093)	304
	8,430	5,604	(1,697)	-	12,337
Accumulated amortization					
Patents	(36)	-	-	-	(36)
Concession rights	-	(131)	-	-	(131)
Software	(4,836)	(214)	-	-	(5,050)
	(4,872)	(345)	-	-	(5,217)
Impairment losses	-	-	-	-	-
Net carrying amount	**3,558**				**7,120**

2008					
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 December 31, 2009 and 2008, the cost value of fully amortized intangible assets amounted to 4,448 and 4,391 thousand euros, respectively.

Additions included under "Concession rights" include the amount paid to the proprietor of the Sangüesa substation to increase its electrical capacity; the Company has obtained the rights to connect to the substation in order to take advantage of the increased co-generation capacity established during the past two years.

"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, 2009 and 2008.

At December 31, 2009 and 2008 there are firm purchase commitments for software amounting to 222 and 372 thousand euros, respectively, 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	Disposal and reversal of an impairment loss	Transfers	Balance at December 31
2009					
Cost					
Land	206	-	-	-	206
Buildings	21,604	1,154	(285)	712	23,185
Plant and other PP&E items	186,387	12,863	(2,828)	5,219	201,641
Property, plant, and equipment under construction and payments on account	5,825	592	-	(5,931)	486
	214,022	14,609	(3,113)	-	225,518
Accumulated depreciation					
Buildings	(9,940)	(709)	108	-	(10,541)
Plant and other PP&E items	(151,619)	(6,789)	2,025	-	(156,383)
	(161,559)	(7,498)	2,133		(166,924)
Impairment losses					
Buildings	(42)	-	2	-	(40)
Plant and other PP&E items	(38)	-	38	-	-
	(80)	-	40	-	(40)
Net carrying amount	**52,383**				**58,554**
2008					
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 2009 the main investments were related to the first phase of the enlargement of the cogeneration plant. This investment amounted to 13.4 million euros, of which 4.8 million euros were under construction or had been prepaid in 2008. It is hoped that three objectives will be achieved through this investment: reduce energy costs, be self-sufficient and reduce CO2 emissions into the atmosphere.

The remaining additions and work in progress correspond mainly to plant and machinery purchased to increase the productivity and production capacity of the Company's manufacturing plants.

Additions recognized in 2008 were related mainly to the first phase of construction to increase the co-generation plant's capacity, which amounted to 11.6 million euros.

The Company disposed of property, plant, and equipment with a net carrying amount of 980 thousand and 206 thousand euros in 2009 and 2008, respectively. The gains on these disposals were 130 thousand and 70 thousand euros, respectively. Practically all the items sold during both periods went to Group companies.

All transfers in 2009 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 net carrying amount of these assets at year end 2009 and 2008 is 689 thousand and 770 thousand euros, respectively, while depreciation for these years amounted to 81 thousand euros each.

6.2 Finance leases

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

(Thousands of euros)	2009	2008
Plant		
Cost	183	148
Accumulated depreciation	(82)	(53)
	101	**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 is as follows:

	2009		2008	
(Thousands of euros)	Future minimum payments	Present value (Note 15.1)	Future minimum payments	Present value (Note 15.1)
Within one year	44	33	47	43
Between one and four years	31	30	37	32
	75	**63**	**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 1.25 percentage points.
- Repair and maintenance expenses are assumed by the lessor.
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

6.3 Operating leases

The Company rents the building in Urdiáin (Navarra) where it carries out its activity and a commercial office in Moscow at an annual cost of 111 and 92 thousand euros during 2009 and 2008, respectively. The Company rents the Urdiáin building under a lease agreement which is tacitly renewed each year. The agreement signed in respect of the commercial office is likewise for one year, renewable annually. Neither includes a purchase option.

In addition, the Company 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)	2009	2008
Within one year	261	261
Between one and five years	1,044	1,044
More than five years	3,654	3,915
	4,959	**5,220**

6.4 Other disclosures

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

(Thousands of euros)	2009	2008
Plant and machinery		
Cost	2,282	2,282
Accumulated depreciation	(2,010)	(1,958)
Other property, plant and equipment		
Cost	34	34
Accumulated depreciation	(34)	(33)
Property, plant, and equipment under construction	28	-
	300	**325**

At December 31, 2009 and 2008 no property, plant and equipment items were located outside Spain.

At December 31 of 2009 and 2008, the Company had firm purchase commitments for property, plant, and equipment totaling 103 and 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 is as follows:

(Thousands of euros)	2009	2008
Buildings	1,701	1,696
Plant and machinery	106,933	100,486
Plant and other PP&E items	15,028	13,851
Other property, plant and equipment	5,095	4,825
	128,757	**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
2009					
Equity instruments	246,679	13,550	(21)	-	260,208
Impairment losses	(5,456)	-	-	-	(5,456)
	241,223				**254,752**
2008					
Equity instruments	242,679	4,000	-	-	246,679
Impairment losses	(5,456)	-	-	-	(5,456)
	237,223				**241,223**

During 2009, the Company created Viscofan Technology (Suzhou) Co. Ltd. (China) which it owns it its entirety, and a share capital amounting to 7.5 million euros. At December 31, 2009, the Company had paid in 3.55 million euros.

In 2009, the Company fully subscribed the capital increases carried out by Viscofan de México S.R.L. de C.V. (6 million euros) and Koteks Viscofan, d.o.o. (4 million euros). During 2008, the Company fully subscribed the capital increase carried out by Koteks Viscofan, d.o.o. of 4 million euros.

In 2009, the Company transferred 100% of its ownership interest in Naturin Verwaltung, Gmbh to its subsidiary, Naturin Viscofan Gmbh.

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

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

	Thousands of euros			Local currency (thousands)					
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2009									
Industrias Alimentarias de Navarra, S.A.U.	15,602	-	100%	EUR	10,938	30,685	1,841	43,463	2,173
Naturin Viscofan, GMBH(3)	89,436	10,756	100%	EUR	29,604	20,686	8,490	58,780	12,832
Naturin Inc. Delaware (1)	1,763	-	100%	USD	10	964	(12)	962	(12)
Viscofan do Brasil, soc. com. e ind. Ltda	53,138	10,623	100%	BRL	86,868	55,726	42,738	185,331	62,635
Viscofan Poland Sp.z.o.o.	447	-	100%	PLN	2,000	598	1,166	3,765	991
Gamex CB Sro	7,498	1,722	100%	CZK	250,000	24,247	55,044	329,291	72,525
Viscofan USA Inc.	34,729	-	100%	USD	35,587	24,248	9,808	69,643	16,103
Naturin LTD	1,841	-	100%	GBP	10	1,658	113	1,782	162
Viscofan CZ, S.r.o	10,503	-	100%	CZK	345,200	282,333	177,666	805,199	192,774
Viscofan de México S.R.L. de C.V.(2)	13,741	-	99.99%	MXP	219,777	33,238	168,273	421,287	237,986
Viscofan Centroamérica Comercial, S.A.(2)	166	-	99.50%	USD	200	259	254	714	378
Koteks Viscofan, d.o.o.	22,322	-	100%	RSD	1,946,372	(879,317)	(242,484)	824,571	(102,993)
Viscofan de México Servicios, S.R.L. de C.V.(2)	16	-	99.99%	MXP	103	6,453	1,029	7,585	355
Viscofan Technology (Suzhou) Co. Ltd	3,550	-	100%	CNY	35,206	-	(1,343)	33,863	(975)
	254,752	**23,101**							

(1) The acquisition cost of the investment was 7,219 thousand euros and the related impairment provision amounted to 5,456 thousand euros.
(2) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies,
(3) On September 7, 2009 the Company's legal status was changed as well as its name (Naturin GmbH & Co). Its new name is Naturin Viscofan GmbH.

	Thousands of euros				Local currency (thousands)				
	Net carrying amount	Dividends distributed during the year	% of direct equity interest	Currency	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)
2008									
Industrias Alimentarias de Navarra, S.A.U.	15,602	-	100%	EUR	10,938	28,400	2,285	41,623	2,883
Naturin GMBH & Co (3)	89,436	9,846	100%	EUR	29,604	22,790	8,651	61,045	13,241
Naturin Inc. Delaware (1)	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. (2)	7,741	-	99.99%	MXP	107,000	23,017	10,221	140,238	63,259
Viscofan Centroamérica Comercial, S.A. (2)	166	-	99.50%	USD	200	116	143	459	243
Koteks Viscofan, d.o.o.	18,322	-	100%	RSD	1,567,738	(639,783)	(239,533)	688,421	(98,340)
Viscofan de México Servicios, S.R.L. de C.V.(2)	16	-	99.99%	MXP	103	6,018	435	6,556	2,235
	241,223	**25,329**							

(1) The acquisition cost of the investment was 7,219 thousand euros and the related impairment provision amounted to 5,456 thousand euros.
(2) The Company controls 100% of these subsidiaries through the ownership interests held in other Group companies,
(3) On September 7, 2009 the Company's legal status was changed as well as its name (Naturin GmbH & Co). Its new name is Naturin Viscofan GmbH.

The operating profit (loss) of the group companies, joint ventures and associates shown in the above table correspond entirely to continuing operations except for Viscofan Poland Sp.z.o.o; at year end 2009 this company was undergoing liquidation. Its activity was strictly commercial and has been transferred to other Group subsidiaries. It is expected that, once the process has been completed, the Company will recover the value of its investment. None of the companies is listed on the stock exchange.

The description of the main activity and registered address of each of the companies listed above at December 31 2009 and 2008 is as follows:

Company	**Activity**	**Registered office**
Industrias Alimentarias de Navarra, S.A.U.	Manufacture and sale of preserved vegetables	Villafranca (Navarra)
Naturin Viscofan GMBH	Manufacture and sale of artificial casings	Weinheim (Germany)
Naturin Inc.. Delaware	Finance company	Dover (USA)
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 (undergoing liquidation at December 31, 2009)	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	Seven Oaks (UK)
Viscofan CZ, S.r.o	Manufacture and sale of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	Manufacture and sale of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centroamérica Comercial, S.A.	Commercial office	San José (Costa Rica)
Koteks Viscofan, d.o.o.	Manufacture and sale of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	Service company	Zacapu Michoacán (Mexico)
Viscofan Technology (Suzhou) Co. Ltd.(*)	Manufacture and sale of artificial casings	Suzhou (China)

(*) At December 31, 2009, Viscofan Technology (Suzhou) Co. Ltd. had not begun production or commercial activities. During 2009, it was mainly devoted to obtaining the necessary permits and carrying out administrative procedures to set up the Company, including acquiring the rights to use the land upon which the manufacturing plant is going to be built (building is currently underway).

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: During 2009 and 2008, this company lost 2,583 and 2,941 thousand euros, respectively, 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, 2009 and 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%	Finance company	Weinheim (Germany)
Zacapu Power, S.R.L. de C.V.	100%	Cogeneration plant	Zacapu Michoacán (Mexico)
Viscofan Canada Inc.	100%	Commercial offiice	St. Laurent, Québec (Canada)
Naturin Verwaltung, GMBH	100%	Finance company	Weinheim (Germany)

8. FINANCIAL ASSETS

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

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	2009	2008	2009	2008	2009	2008
Non-current financial assets						
Loans and receivables	-	-	48	48	48	48
Available-for-sale financial assets						
Measured at cost	42	42	-	-	42	42
	42	42	48	48	90	90
Current financial assets						
Held-to-maturity investments	-	-	4	-	4	-
Loans and receivables	-	-	45,575	58,790	45,575	58,790
Available-for-sale financial assets						
Measured at fair value	-	-	9	-	9	-
Hedging derivatives (Note 15)	-	-	2,527	-	2,527	-
	-	-	48,115	58,790	48,115	58,790
	42	**42**	**48,163**	**58,838**	**48,205**	**58,880**

These amounts are disclosed in the balance sheet as follows:

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	2009	2008	2009	2008	2009	2008
Non-current financial assets						
Investments	42	42	48	48	90	90
	42	42	48	48	90	90
Current financial assets						
Trade and other receivables	-	-	43,237	55,023	43,237	55,023
Investments in group companies and associates						
Loans to companies	-	-	2,059	3,572	2,059	3,572
Loans and receivables	-	-	279	183	279	183
Investments						
Hedging derivatives	-	-	2,527	-	2,527	-
Current financial investments	-	-	13	12	13	12
	-	-	48,115	58,790	48,115	58,790
	42	**42**	**48,163**	**58,838**	**48,205**	**58,880**

8.1 Loans and receivables

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

(Thousands of euros)	2009	2008
Non-current financial assets		
Deposits given and prepayments	48	48
	48	**48**
Current financial assets		
Trade and other receivables	43,237	55,023
Loans to group companies (Note 19.1)	2,000	3,500
Short-term interest on loans granted to group companies (Note 19.1)	59	72
Dividends receivable from group companies	279	183
Deposits given and other receivables	-	12
	45,575	**58,790**

Trade and other receivables

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

(Thousands of euros)	2009	2008
Trade receivables	26,721	24,444
Receivable from group companies and associate (Note 19.1)	14,590	28,012
Other receivables	43	260
Receivables from employees	13	20
Other receivables from public administrations (Note 16)	1,870	2,287
	43,237	**55,023**

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

(Thousands of euros)	2009	2008
US Dollar	12,766	24,510
Canadian Dollar	911	1,206
Australian Dollar	532	123
Japanese Yen	284	176
Norwegian Crown	-	62
Pounds Sterling	1,060	951
Polish Zloty	-	846
	15,553	**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)	2009	2008
Balance at January 1	10	-
Allowance for the year	294	51
Transfer to irrecoverable debts	(26)	(41)
Balance at December 31	**278**	**10**

Loans to Group companies

At year end 2009 and 2008, loans to Group companies corresponded to the loan granted to Koteks Viscofan, d.o.o., which matured after the latest renewal on March 31, 2010. This loan bears interest at a 90-day Euribor plus a spread of 0.5.

8.2 Hedging derivatives

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

	2009		2008	
(Thousands of euros)	**Notional in euros**	**Fair value**	**Notional in euros**	**Fair value**
Exchange rate hedges (note 15.2)	65,416	1,262	57,523	(*)
Raw materials interest rate swap	-	1,265	-	-
	65,416	**2,527**	**57,523**	**-**

(*) At year end 2008, the fair value of exchange rate hedges was negative, and therefore they are recognized in liabilities.

Commodity swaps

During 2009, the Company signed swap agreements for a notional value of 666,667 MWh for both 2010 and 2011, respectively, for which it will pay a fixed amount of 1.7270 and 1.7915 euro cents per kilowatt/hour during 2010 and 2011, respectively.

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
2009			
Balance at January 1	362	745	1,107
Impairment losses	120	364	484
Recoveries in value	(76)	-	(76)
Balance at December 31	**406**	**1,109**	**1,515**
2008			
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, 2009 and 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 is as follows:

(Thousands of euros)	2009	2008
Cash	114	97
Current accounts	28	99
	142	**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, 2009, the Company's share capital consisted of 46,734,879 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, 2009, the shareholders authorized a 39,539.10 euro capital decrease through the buyback and cancellation of 131,197 treasury shares held by the Company.

Consequently, at December 31. 2009, share capital consisted of 46,603,682 shares with a par value of 0.30 euros each. All shares are of the same class, bear the same rights, except for own shares.

At December 31, 2008 and 2009 the Company had no shareholders whose ownership interest was more than 10%.

The Company did not acquire own shares during 2009. During 2009, the percentage of the Company's own shares was within limits allowed by current 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)	2009	2008
Balance at January 1	30,165	41,844
Partial repayment of share premium	(13,515)	(11,679)
Balance at December 31	**16,650**	**30,165**

On June 03, 2009 the shareholders at their general meeting agreed to partial repayment of share premium of 0.29 euros per share, which was paid to shareholders on June 25, 2009.

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	Appropriation of results	Transfers	Balance at December 31
2009					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,962	-	-	(57)	8,905
Merger reserves	119	-	-	-	119
Voluntary reserves	190,129	(1,660)	22,641	57	211,167
	202,145	**(1,660)**	**22,641**	**-**	**223,126**
2008					
Legal reserve	2,935	-	-	-	2,935
Revaluation reserve Navarra Regional Law 23/1996	8,988	-	-	(26)	8,962
Merger reserves	119	-	-	-	119
Voluntary reserves	176,542	(7,931)	21,492	26	190,129
	188,584	**(7,931)**	**21,492**	**-**	**202,145**

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, 2009 and 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 Voluntary reserves and merger reserves

These reserves are freely distributable to shareholders at December 31, 2009 and 2008.

11.6 Treasury shares

The movement in treasury shares at December 31 was the following:

	Number of shares	(Thousands of euros)
2009		
Balance at December 31, 2008	131,197	1,699
Acquisition	-	-
Cancellation	(131,197)	(1,699)
Balance at December 31, 2009	**-**	**-**
2008		
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
2009						
Hedging derivatives (Note 15.2)	(346)	1.638	(491)	494	(148)	1.147
	(346)	**1.638**	**(491)**	**494**	**(148)**	**1.147**
2008						
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
2009						
Non-repayable grants	137	-	-	(29)	9	117
Grants for greenhouse gas emission rights	-	2,444	(733)	(2,342)	702	71
	137	**2,444**	**(733)**	**(2,371)**	**711**	**188**
2008						
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 year-end 2009, the Company had 7,040 unused emission rights (it had none at year-end 2008).

Throughout 2008 and 2009, the Company received grants related to income totaling 352 and 1,062 thousand euros, respectively. These grants basically financed R&D expenses during both years.

14. PROVISIONS AND CONTINGENCIES

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

(Thousands of euros)	Non-current	Current	Total
2009			
Provisions for termination benefits and commitments with personnel	-	601	601
Provision for greenhouse gas emission rights	-	2,342	2,342
	-	**2,943**	**2,943**
2008			
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
2009				
Provisions for termination benefits and commitments with personnel	-	601	-	601
Provision for greenhouse gas emission rights	1,697	2,229	(1,584)	2,342
	1,697	**2,830**	**(1,584)**	**2,943**
2008				
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 is as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Non-current financial liabilities						
Trade and other payables	24,336	21,757	3,938	4,004	28,274	25,761
	24,336	21,757	3,938	4,004	28,274	25,761
Current financial liabilities						
Trade and other payables	30,109	27,634	39,621	39,382	69,730	67,016
Hedging derivatives	-	-	79	1,261	79	1,261
	-	27,634	39,700	40,643	69,809	68,277
	54,445	**49,391**	**43,638**	**44,647**	**98,083**	**94,038**

These amounts are disclosed in the balance sheet as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2009	2008	2009	2008	2009	2008
Non-current financial liabilities						
Borrowings	24,336	21,757	3,938	4,004	28,274	25,761
	24,336	21,757	3,938	4,004	28,274	25,761
Current financial liabilities						
Borrowings	30,109	27,634	4,283	5,669	34,392	33,303
Borrowings from group companies and associates	-	-	10,052	7,512	10,052	7,512
Trade and other payables	-	-	25,365	27,462	25,365	27,462
	30,109	27,634	39,700	40,643	69,809	68,277
	54,445	**49,391**	**43,638**	**44,647**	**98,083**	**94,038**

15.1 Bank borrowings

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

(Thousands of euros)	2009	2008
Non-current		
Loans and borrowings	24,306	21,725
Obligations under finance leases (Note 6.2)	30	32
	24,336	21,757
Current		
Loans and borrowings	30,024	27,527
Obligations under finance leases (Note 6.2)	33	43
Accrued interest payable	52	64
	30,109	27,634
	54,445	**49,391**

Loans and borrowings

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

	2009		2008	
(Thousands of euros)	**Amount pending payment**	**Accrued finance cost (Note 17.6)**	**Amount pending payment**	**Accrued finance cost (Note 17.6)**
Loans	31,740	715	26,600	778
Borrowings	22,590	490	22,652	1,310
	54,330	**1,205**	**49,252**	**2,088**

The loans and borrowings accrue floating interest at market rates.

At December 31 2008 and 2009, the Company has been granted credit facilities up to a total limit of 34,005 and 36,813 thousand euros, respectively.

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

(Thousands of euros)	2009	2008
2010	-	6,750
2011	8,440	5,950
2012	7,850	5,950
2013	6,245	3,075
2014	1,771	-
	24,306	**21,725**

At December 31 2009 and 2008, the Company has undrawn discount facilities amounting to 2,000 and 6,262 thousand euros, respectively.

15.2 Derivatives and other financial liabilities

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

(Thousands of euros)	2009	2008
Non-current		
Loans at a subsidized interest rate	3,938	4,004
	3,938	**4,004**
Current		
Borrowings from group companies and associates (Note 19.1)	10,052	7,512
Trade and other payables	25,365	27,462
Loans at a subsidized interest rate	1,311	1,293
Payable to shareholders and directors (Note 19.2)	1,313	1,039
Payable to suppliers of non-current assets	1,562	2,030
Security deposits received and other financial liabilities	12	25
Other borrowings	6	21
Hedging derivatives	79	1,261
	39,700	**40,643**

Loans at a subsidized interest rate

At December 31, 2009 and 2008 the Company has obtained loans at a subsidized interest rate from entities reporting to the Navarre Regional Government, the CDTI (Industrial Technological Development Center) and the Ministry of Science and Technology. The Company measures these loans at amortized cost, recognizing the related implicit interest accrued by these as a result of discounting the cash flows on the basis of market interest rates at the date obtained.

	2009		2008	
(Thousands of euros)	Nominal value	Fair value	Nominal value	Fair value
Non-current				
Loans at a subsidized interest rate	4,619	3,938	4,671	4,004
Current				
Loans at a subsidized interest rate	1,331	1,311	1,326	1,293
	5,950	**5,249**	**5,997**	**5,297**

The total amount recognized under finance costs in during 2009 and 2008 corresponding to these loans are 221 and 311 thousand euros, respectively (Note 17.5).

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

(Thousands of euros)	2009	2008
2010	-	1,172
2011	908	825
2012	869	727
2013	887	695
2014	532	375
2015 and beyond	742	210
	3,938	**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.

Hedging derivatives

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

	2009		2008	
(Thousands of euros)	Notional value	Fair value	Notional value	Fair value
Interest rate swap	9.375	(79)	-	-
Exchange rate hedges	(*)	(*)	57.523	(1,261)
		(79)	**-**	**(1,261)**

(*) At year end 2009, the fair value of exchange rate hedges was positive, and therefore is recognized under assets (Note 8.2).

• Interest rate swap

During 2009, the Company signed two swap agreements for which it pays a fixed interest of 2.07% (swap 1) and 2.29% (swap 2), at a three-month floating Euribor rate. Both swaps were designated as cash flow hedges of the interest rate risk inherent in the loans.

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

	2009		2008	
(Thousands of euros)	Swap 1	Swap 2	Swap 1	Swap 2
2010	1,250	1,250	-	-
2011	1,250	1,250	-	-
2012	1,250	1,250	-	-
2013	625	1,250	-	-
	4,375	**5,000**	**-**	**-**

• Exchange rate hedges

At year end 2009, the fair value of exchange rate hedges amounted to 1,262 thousand euros (Note 8.2), of which 810 thousand euros had been recognized as exchange gains in the 2009 income statement, due to the fact that they were linked to trade receivables denominated in foreign currency recognized at the prevailing year-end exchange rate. The remaining 452 thousand euros were directly recognized in equity net of the related tax effect, as this amount corresponds to exchange rate hedges to be sold during 2010; therefore, no related receivables exist.

At December 31, 2008, fair value was negative amounting to 1,261 thousand euros, of which 767 thousand euros were recognized as exchange losses in the year-end income statement. 494 thousand euros were directly charged to equity.

In 2008 and 2009 the Company transferred 494 thousand euros (exchange losses) from equity to the income statement, and 370 thousand euros (exchange gains) due to the currency hedge.

Trade and other payables

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

(Thousands of euros)	2009	2008
Suppliers	2,328	4,801
Suppliers, group companies and associates (Note 19.1)	7,305	9,483
Other payables	9,955	9,457
Employee benefits payable	880	146
Current deferred tax liabilities (Note 16)	712	2,070
Other payables to public administrations (Note 16)	3,795	1,369
Customer advances	390	136
	25,365	**27,462**

16. TAXES

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

(Thousands of euros)	2009	2008
Deferred tax assets		
Temporary differences	332	234
Unused tax credits and rebates	741	2,102
Other payables to public administrations		
VAT	1,240	1,348
Grants received (Note 13)	630	935
Withholdings and payments on account	-	4
	2,943	**4,623**
Deferred tax liabilities	(3,902)	(2,660)
Current income tax liabilities (Note 15.2)	(712)	(2,070)
Other payables to public administrations (Note 15.2)		
Personal income tax withholdings	(3,084)	(780)
Social security	(711)	(589)
	(8,409)	**(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 income and expenses for the year with tax results is the following:

	Income statement			Income and expense recognized directly in equity		
(Thousands of euros)	Increase	Decrease	Increase	Decrease	Increase	Decrease
2009						
Income and expenses for the year						
Continuing operations			39,296			1,544
Discontinuing operations			-			-
			39,296			1,544
Income tax						
Continuing operations			3,173			661
Discontinuing operations			-			-
			3,173			661
Income and expenses for the year before tax			**42,469**			**2,205**
Permanent differences	187	(545)	(358)	-	-	-
Temporary differences						
Arising in 2009	1,108	(2,755)	(1,647)	-	(4,082)	(4,082)
Arising in prior years	-	(781)	(781)	2,371	(494)	1,877
Tax result			**39,683**			**-**
2008						
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)	2009 Income statement	2009 Income and expense recognized directly in equity	2008 Income statement	2008 Income and expense recognized directly in equity
Income and expenses for the year before tax	42,469	2,205	33,599	(991)
Tax charge (tax rate: 30%)	12,741	661	10,080	(297)
Deduction for double taxation on dividends	(6,930)	-	(7,456)	-
Deduction for international double taxation (royalties)	(404)	-	-	-
Deductions for research and development	(1,287)		(1,229)	-
Investment tax credits	(1,210)	-	(1,964)	-
Deductions from foreign investments	(593)	-	-	-
Non-deductible expenses	(107)	-	50	-
Tax expense (income)	**2,210**	**661**	**(519)**	**(297)**
Foreign Income tax expense (*)	963		1,923	
Tax expense (income)	**3,173**	**661**	**1,404**	**(297)**

(*) The amount paid by Viscofan, S.A. for royalties and other foreign taxes. During 2008 the Company paid income tax for its German subsidiary Naturin Gmbh & Co. (current name Naturin Viscofan GmbH).

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

(Thousands of euros)	2009 Income statement	2009 Recognized directly in equity	2008 Income statement	2008 Recognized directly in equity
Current income tax	367	-	-	-
Changes in deferred taxes				
From cash flow hedges	-	640	-	(259)
Grants, donations and bequests received	-	21	-	(38)
Other temporary differences	729	-	(311)	-
Deductions generated	(3,494)	-	(3,193)	-
Deductions applied	4,608	-	2,985	-
	2,210	**661**	**(519)**	**(297)**

Refundable income tax was calculated as follows:

(Thousands of euros)	2009	2008
Current income tax	367	-
Withholdings	-	(4)
Income tax payable(*)	**367**	**(4)**

(*) "Income tax payable" includes 345 thousand euros corresponding to Naturin GmbH & Co's 2008 income tax (the subsidiary is currently known as Naturim Viscofan GMBH).

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 January 1
2009				
Deferred tax assets				
Trade receivables	180	(69)	-	111
Inventories	54	(18)	-	36
Deductions pending application	2,102	(1,361)	-	741
Other financial assets	-	185	-	185
	2,336	(1,263)	-	1,073
Deferred tax liabilities				
Non-current investments in group companies	(2,508)	(822)	-	(3,330)
Cash flow hedges	148	-	(640)	(492)
Non-repayable grants	(59)	-	(21)	(80)
Other financial liabilities	(241)	241	-	-
	(2,660)	(581)	(661)	(3,902)
	(324)	**(1,844)**	**(661)**	**(2,829)**
2008				
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 741 thousand euros, recognized under "Deferred tax assets", the breakdown of which is as follows:

(Thousands of euros)		
Arising in	**Last year for utilization**	**Deductions**
2009	2019	741
		741

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)	**2009**	**2008**
By business segment		
Sale of meat, cellulose, plastic and collagen casings	141,259	133,929
Sale of replacement parts and machinery	4,989	6,415
Sale of energy	20,787	13,189
Other sales	67	108
Services provided	1,664	1,705
	168,766	**155,346**
By market segments		
National market	30,385	22,285
Foreign market	138,381	133,061
	168,766	**155,346**

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

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

(Thousands of euros)	**2009**	**2008**
Consumption of raw materials and other consumables		
Purchases in Spain	9,214	12,093
EU acquisitions	10,210	11,022
Imports	3,348	3,323
Changes in raw material and other consumables	404	(425)
	23,176	**26,013**

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

(Thousands of euros)	2009	2008
Purchases of goods for resale		
Purchases in Spain	6,736	7,387
EU acquisitions	37,970	31,485
Imports	1,432	1,502
Change in goods for resale	266	(871)
	46,404	**39,573**

17.3 Social security costs, et al

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

(Thousands of euros)	2009	2008
Social security	5,852	5,935
Other employee welfare expenses	628	732
	6,480	**6,667**

17.4 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2009	2008
Research expenses	588	440
Lease payments	730	480
Repairs and maintenance	10,289	8,487
Independent professional services	4,177	3,521
Transportation services	2,507	3,184
Insurance premiums	1,873	748
Bank services	220	132
Publicity, advertising, and public relations	720	339
Utilities	22,294	19,937
Other services	4,248	4,822
	47,646	**42,090**

17.5 Finance costs

The breakdown of "Finance Costs " is as follows:

(Thousands of euros)	2009	2008
Loans	715	778
Credits	490	1,310
Loans with subsidized interest rates	221	311
Other financial liabilities	49	6
	1,475	**2,405**

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 is as follows:

(Thousands of euros)	2009	2008
Revenue		
Sales	65,817	72,173
Goods for consumption		
Purchases of raw materials and other consumables	(8,172)	(8,308)
Purchases of goods for resale	(505)	(946)
Other operating income		
Ancillary income	146	733
Employee benefits expense		
Wages and salaries	(77)	(73)
Social security costs, et al.	(14)	(7)
Other operating expenses		
External services	(1,756)	(2,294)
Taxes (other than income tax)	(297)	(476)

19. RELATED PARTY DISCLOSURES

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

19.1 Group companies

The balances with related entities are as follows:

(Thousands of euros)	Direct parent	Companies with an indirect investment
2009		
Customers (Note 8.1)	13,536	1,054
Current loans (Note 8.1)	2,059	-
Current dividends receivable	279	-
Suppliers (Note 15.2)	7,305	-
Current accounts payable (Note 15.2)	10,052	-
2008		
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)	2009 Direct parent	2009 Companies with an indirect investment	2008 Direct parent	2008 Companies with an indirect investment
Revenue				
Sale of casings	50,432	3,540	46,285	5,489
Sale of replacement parts and machinery	4,877	81	6,278	125
Services provided	1,664	-	1,674	31
Goods for consumption				
Purchases of casings and other	43,708	-	36,472	-
Sale of replacement parts – machinery	28	-	5	1
Other income				
Other operating income	4,098	101	1,071	-
Employee benefits expense				
Other employee benefits expense	7	-	8	-
Other operating expenses				
External services	1,128	-	755	2
Net finance income (expense)				
Finance income - dividends	23,101	-	25,329	-
Finance income - interest	63	-	67	
Revenue	45	-	-	-

19.2 Directors and senior executives

Members of the Board of Directors only receive the remuneration stipulated in Articles 27 and 30 of Company bylaws: 1.5% of pre-tax profit for the Board, and 1.5% of pre-tax profit for the Executive Committee. Based on the abovementioned Articles and Statutes, the Board of Directors and Executive Committee decide on the distribution among the respective members of these bodies.

The breakdown of the remuneration is as follows:

Euros	Committee	Board	Audit committee (per diems)	Board of directors (per diems)	Boards of other group companies	Total
2009	**628,740**	**550,743**	**56,000**	**78,000**	**238,620**	**1,552,103**
2008	**519,582**	**519,582**	**48,000**	**77,000**	**221,400**	**1,385,564**

At December 31, 2009, 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 2009 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
Mr. Jaime Echevarría Abona	Naturin Viscofan GmbH	Chairman, Board of directors
	Naturin Limited	Chairman, Board of directors
	Naturin Inc. Delaware	Chairman, Board of directors
	Stephan & Hoffmann A.G.	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ, s.r.o.	Chairman, Board of directors
	Viscofan USA Inc.	Chairman, Board of directors
	Viscofan Technology Suzhou Co. Ltd	Chairman, Board of directors
	Viscofan Centroamérica Comercial, S.A.	Chairman, Board of directors
	Viscofan Canada, Inc.	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	Viscofan de México, S. de R.L. de C.V.	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
	Industrias Alimentarias de Navarra, S.A.U.	Chairman, Board of directors
Mr. Nestor Basterra Larroudé	Naturin Viscofan GmbH	Director
	Viscofan USA Inc	Director
	Industrias Alimentarias de Navarra, S.A.U.	Director
	Viscofan Technology Suzhou Co. Ltd	Director

As a result of the changes approved and effective December 31, 2009, during the first months of 2010 steps were taken to renew the Board of Directors and the Company's governing bodies, and included:

- Jaime Echevarría Abona stepped down as a Board member, and therefore, relinquished his position as Chairman of the Board, President of the Executive Committee, and President of the Appointments and Remuneration Committee; he has decided to concentrate on other personal endeavors now that his brilliant trajectory at the Company has reached its end.
- Iñigo Solaun Garteiz-Goxeascoa also resigned from his position on the Board.
- To substitute Mr. Echevarría Abona, José Domingo de Ampuero y Osma was named Chairman of the Board (and Board member), President of the Executive Committee as well as President of the Appointments and Remuneration Committee.
- Nestor Basterra Larroudé was named First Vice Chairman of the Board, while Agatha Echevarría Canales was appointed as member of the Appointments and Remuneration Committee.
- Ignacio Marco-Gardoqui Ibáñez, a shareholder in the Company, was appointed to the Board through the co-option method in substitution of Jaime Echevarría Abona.

Apart from these changes, the subsidiaries of the Viscofan Group are also undergoing transitions due to the resignation of Jaime Echevarría Abona and substitution by José Domingo de Ampuero y Osma.

During 2009 and 2008, senior management received remuneration amounting to 1,749 and 1,607, respectively. The Company does not have any commitments with Board members in respect of pension, life insurance, or stock option plans. No loans or advances have been granted to current or former Board members.

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

20.1 Credit risk

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

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

(Thousands of euros)	2009	2008
Non-current financial investments	90	90
Trade and other receivables	43,237	55,023
Current loans to group companies	2,059	3,572
Current financial investments	2,540	12
	47,926	**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 90 days old, at which point they are submitted to the insurer to arrange recovery. In addition the Legal Department is notified so it can monitor collection and if necessary, subsequently, claim the debt through the courts.

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

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

(Thousands of euros)	2009	2008
Not due	22,496	21,743
Past due, not impaired		
Less than 3 months	4,151	2,899
3 – 6 months	117	61
6 – 12 months	-	-
More than 12 months	-	1
	26,764	24,704
Doubtful (more than 6 months)	278	10
Impairment allowances	(278)	(10)
Total	**26,764**	**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, 2009 were hedged at that date.

Maximum exposure to foreign currency risk for accounts receivable at December 31, 2009 was as follows:

	2009		2008	
(Thousands of euros)	Receivables	Payables	Receivables	Payables
In US dollars	12,461	619	24,510	189
In Canadian dollars	886	-	1,206	-
In pounds sterling	1,041	-	951	2
Rest	784	-	1,207	15
	15,172	**619**	**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. Company policy consists in maintaining a percentage of non-current net loans (net of non-current investments) received from third parties at a fixed interest rate. To manage this, the Company enters into interest rate swaps which are designated as hedges of the respective loans. At December 31, 2009, after taking into account interest rate swaps, 30% of non-current net financing was at a fixed rate (December 31, 2008: 0%).

20.3 Liquidity risk

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

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

(Thousands of euros)	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total
2009					
Bank borrowings					
Loans	1,010	6,424	24,306	-	31,740
Borrowings (*)	5,301	17,289	-	-	22,590
Accrued interest payable	52	-	-	-	52
Liabilities from capital leases	10	23	30	-	63
Derivatives	-	79	-	-	79
Other financial liabilities	179	4,025	3,197	741	8,142
Payable to group companies	10,052	-	-	-	10,052
Trade and other payables	25,365	-	-	-	25,365
	41,969	**27,840**	**27,533**	**741**	**98,083**
2008					
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
	Men	Women	Total	
2009				
Senior executives	13	1	14	14
Engineers and technicians	95	11	106	104
Administrative personnel	7	31	38	38
Specialized personnel	75	17	92	96
Laborers	259	70	329	335
	449	**130**	**579**	**587**
2008				
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**

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, 2009 and 2008:

(Thousands of euros)	2009	2008
Fees for audit of the financial statements	82	84
Other services	17	10
	99	**94**

The above amounts include all 2008 and 2009-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	9,917	408	(158)	10,167
Accumulated depreciation	(6,268)	(831)	69	(7,030)
	3,649			**3,137**

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 2009.

2009 and 2008 expenses to protect and improve the environment were ordinary and amounted to 908 and 876 thousand euros respectively.

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

22.EVENTS AFTER THE BALANCE SHEET DATE

Except for the matters indicated in Note 19.2, no significant events have taken place subsequent to year end which would have an effect on the financial statements at year-end 2009.

Viscofan S.A.
Management report 2009

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

Business performance and situation of the Viscofan Group

In 2009 Viscofan, S.A. posted revenue of 168.8 million euros, 8.6% up on 2008.

This notable increase is due to two factors. Firstly, in July, 2009, the second phase of expansion of the Spanish co-generation plan began; joint sales of electricity reached 20.8 million euros. The second factor affecting revenue was increased billing from artificial casings, resulting from a higher average price.

In 2009, the price per unit of cellulose and collagen casings rose considerably as compared to the unit price the prior year. This was partially offset by an increase in production efficiency thanks to the centralized purchase of raw materials by the Viscofan Group. All together, consumer expenses [1] increased 3.9% as compared to previous year, totaling 68.0 million euros.

Employee benefits expenses amounted to 31.1 million euros, 0.7% higher than the previous year: the headcount went from 624 to 587 employees as a result of the improvements made in the production plant as well as the reorganization of the Viscofan Group.

The boost in income and cost containment measures assisted in achieving an 2009 operating profit of 20.1 million euros, which is 79% over the year before.

"Employee benefits expense" went down 0.2%, to 22.3 million euros. Finance revenue dropped 8.9%, mainly from distributable reserves from Groups companies; this was counterbalanced by the 38.7% decrease in finance costs resulting from the Company's decline in debt, as well as falling interest rates and the positive effect of exchange differences.

Profit before tax was 42.5 million euros, up 26.4% on 2008 thanks to the higher operating profit.

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 3.2 million euros compared to 1.4 million euros in 2008.

As a result, net profit for 2009 rose to 39.3 million euros, up 22.1% on the 32.2 million euros obtained in 2008.

[1] Consumer expenses = Consumption of raw materials and other

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 in an environment in which growth recovery is uncertain.

The Company has plans to increase its automatic production processes in the upcoming year, as well as a to step up the rate of production of its cellulose and collagen casings. This should further boost the economies of scale as well as productive efficiency.

The Company is moving forward in improving and consolidating its energy production as a result of the increase in capacity carried out during 2009. Two outdated motors will be replaced by semi-new ones to assure the continuity of the Company's electrical power supply as well as to improve its efficiency. There is the risk from the changes in the price of electricity and the unit price for gas, so to protect itself from the effect of this volatility on the results of the co-generation division, the Company has changed to a fixed tariff for a year, and participating in the futures market to set a fixed price of gas per unit.

Viscofan SA's main R&D investments

20.2 million euros have been invested during 2009, as compared to 16.8 million invested in 2008: 13.4 million were devoted to the second stage of expanding the co-generation plant located in Cáseda (Spain). The remainder was spent on improving the production plant and on recurring investments in maintenance and enhancing environmental conditions.

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

At year-end 2009, the Company did not possess own shares.

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, the activities of Viscofan and its subsidiaries 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 policy

The control and management of financial risk is based on measuring Value at Risk (VaR) to reply to the following question: What is the most pessimistic scenario based on a certain confidence level? This is a statistical estimation of risk which includes a specific time frame (hours, days, months, years), an estimated confidence level of between 95-99%, and a maximum loss expressed as a percentage. Viscofan uses the Montecarlo simulation method to calculate VaR.

These analyses quantify Viscofan's exposure to changes in foreign currency and interest rates. There are two types of foreign currency risk. The first is related to balance sheet items including certain assets (building and machinery...) and liabilities (bank debt, payables...) reflected in foreign currency, which might lose value based on fluctuating exchange rates. The second is related to cash flow exposure due to type of currency. Viscofan covers the latter using EBITDA for the following year to carry out its simulations.

Decisions regarding the amount to hedge for each currency are made based on the result of analyses for currencies in which a relevant net risk has been detected, depending on the degree of risk the company is willing to assume.

In order to mitigate interest rate risk, Viscofan SA has obtained hedge agreements.

The increased activity of the co-generation plant in Cáseda has increased the Company's exposure to energy markets, due to income from sales of electricity as well as expenses from its gas supply. This has created the need to monitor and intervene in the futures markets to ensure uninterrupted operations, and to sign up for the tariff plan for the next year in order to guarantee positive operating margins.

Counterparty risk materializes in the possibility that the Company's clients might not comply with payment commitments. The Company has an insurance policy to cover its client risk. Due to the current economy in general, however, hedges provided by suppliers have deteriorated; consequently, procedures have been tightened and internal controls have been intensified to avoid increased delinquency.

The degree to which the Company is leveraged, as well as the availability of credit facilities indicate that it will be able to comfortably meet its financial needs; therefore, its liquidity risk is not relevant, despite 2009 financial restrictions.

Operations with the board of directors or persons acting on their behalf, carried out during 2009, 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 2009 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.

Events After the Balance Sheet Date

As a result of the changes approved and effective December 31, 2009, during the first months of 2010 steps were taken to renew the Board of Directors and the Company's governing bodies.

These changes are the following:

- Jaime Echevarría Abona stepped down as a Board member, and therefore, relinquished his position as Chairman of the Board, President of the Executive Committee, and President of the Appointments and Remuneration Committee; he has decided to concentrate on other personal endeavors now that his brilliant trajectory at the Company has reached its end.
- Iñigo Solaun Garteiz-Goxeascoa also resigned from his position on the Board.
- To substitute Mr. Echevarría Abona, José Domingo de Ampuero y Osma was named Chairman of the Board (and Board member), President of the Executive Committee as well as President of the Appointments and Remuneration Committee.
- Nestor Basterra Larroudé was named First Vice Chairman of the Board, while Agatha Echevarría Canales was appointed as member of the Appointments and Remuneration Committee.
- Ignacio Marco-Gardoqui Ibáñez, a shareholder in the Company, was appointed to the Board through the co-option method in substitution of Jaime Echevarría Abona.

Information 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 26, 2010 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;

Share capital stands at 14,020,463.70 euros and consists of 46,603,682 shares of 0.30 euros par value each. Share capital is fully subscribed and paid in.

All shares have the same voting and dividend rights, are renegotiated on OTC markets in Spain, and are represented by book entries.

Regarding this point, the following are the Company's bylaws:

Article 5: Share capital stands at 13,981,104.60 euros (thirteen million nine hundred and eighty-one thousand one hundred and four euros and 60 euro cents) and consists of 46,603,682 shares (forty-six million six hundred and three thousand six hundred and eighty-two) of 0.30 euros (30 euro cents) par value each.

Share capital is fully subscribed and paid in.

Article 6: All the shares are represented by book entries in accordance with the provisions of Royal Decree 116/1992 dated February 22. Iberclear (the Spanish clearing house) is in charge of keeping the accounting records"

Article 8: Each share confers the status of shareholder on its lawful owner and confers, at the very least, the right to participate in the distribution of earnings and any assets if the Company were liquidated, to exercise pre-emptive subscription rights in the issuance of new shares or convertible bonds, to attend and vote at the General Shareholders' Meetings and challenge the resolutions adopted, the right to receive information, and any other right which might be recognized by Law."

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, 2009, direct or indirect shareholdings exceeding 3% of share capital that the Company was aware of are as follows:

Marathon Asset Management, LLP: 2,338,952 shares which are indirectly distributed in direct holding, all under 3%, equivalent to 5.019% of Viscofan's share capital calculated based on a total of 46,603,582 shares.

Onchena S.L.: 2,366,000 indirect shares, owned directly by María del Carmen Careaga Salazar, equivalent to 5.077% of Viscofan's share capital calculated based on a total of 46,603,582 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.

In this respect, the bylaws regulate the voting rights as expressed in Article 8 (Section A).

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

The abovementioned are internally regulated by the Company bylaws and the Board of Directors Regulations.

According to the bylaws, Articles 26 and 27 determine the following, among other aspects:

The appointment of the Board of Directors shall rest with the General Meeting, in pursuance of article 137 of the Companies Act.

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.

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) Their permanence on the board places the company's interests at risk

c) The reasons for which they were appointed cease to apply

d) Proprietary directors should resign when the shareholders they represent dispose of a substantial portion of their ownership interest

Article 8 of the Board of Directors' Regulations states that 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.

No other specific regulations regarding the modification of bylaws exists apart from the applicable norms stated in Article 144 of the Revised Text of the Spanish Corporation Law.

Apart from the requirements regarding the adoption and incorporation of agreements by the General Shareholders Meeting, as stated in Article 21 of Company bylaws, Article 18 of the Board of Directors' Regulations coincide with Article 103.

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, 2009, 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 3, 2008.

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 minimum price of face value and a maximum of 100 times the face 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 26, 2010

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Gover

Annual Corporate Governance Report

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

2009

Annual Corporate Governance Report

Sample Annual Corporate Governance Form For Listed Stock Companies

31 December 2009

(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 /03/2009	13,981,104.60	46,603,682	46,603,682

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

NO

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

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5.077
MARATHON ASSET MANAGEMENT, LLP	0	2,338,952	5.019

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
MS. MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	2,366,000	5,077

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

Name or company name of the shareholder	Date of the transaction	Description of the transaction
MARATHON ASSET MANAGEMENT, LLP	10/27/2009	Exceeded 5% of the share capital
BESTINVER GESTIÓN SGIIC	12/30/2009	Decreased 3% 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 ECHEVARRÍA ABONA	111,954	57,897	0.364
MS. AGATHA ECHEVARRÍA 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. JOSÉ CRUZ PÉREZ LAPAZARAN	210	0	0.000
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	30,000	0	0.064
MR. NÉSTOR BASTERRA LARROUDÉ	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 ECHEVARRÍA ABONA	MS. CONCEPCION CANALES JAUREGUIBEITIA	57,897	0.124
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	MS. M ANGELES BUSTILLO BASTERRA	25,835	0.055
MR. NÉSTOR BASTERRA LARROUDÉ	MR. IGNACIO BASTERRA MARTINEZ	6,118	0.013

% of total voting rights held by the Board of Directors	0.794

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 orcorporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

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

NO

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

NO

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

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

NO

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

At financial year end

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0.000

(*) Through:

Total	0

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

Capital gain/(loss) on treasury shares disposed of during the period	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, 2009 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 03, 2008.

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 100 (one hundred) times 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 ECHEVARRÍA ABONA	-	CHAIRMAN	10/17/1975	06/27/2005	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. JOSÉ CRUZ PÉREZ LAPAZARAN	-	DIRECTOR	06/24/1998	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	-	DIRECTOR	02/27/2009	03/06/2009	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:

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

EXECUTIVE DIRECTORS

Name or company name of the Committee	Director who has proposed the nomination	Position on the Company's organizational chart
MR. JAIME ECHEVARRÍA 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. 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 BERTRÁN DE LIS
Profile
Law Degree, Univ. Complut. Madrid, Executive Management Prog. IESE. Experience in law a in the financial sector. Chairman of Roche Farma, Universal Music Spain and Logistics. Member of the board of Altadis, Sogecable (Audit Committee), PRISA (Chairman of the corporate governace committee and member of the Executive committee), Unión Radio and SER. Chairman of the Advisory Board in Spencer Stuart. Member of the Advisory Boards in Vodafone, Apax and Aguirre Newman. Chairman ot the Sponsorship Teatro Real, Real Fundación Toledo and Real Fábrica de Tapices. Academic of the Real Acad. Bellas Artes 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 and CIA. S.A. and SEBASTIÁN DE LA FUENTE, S.A E. Director of Iberpapel Gestión ,S.A.

Name or company name of the Director
MR. JOSÉ CRUZ PÉREZ LAPAZARÁN
Profile
Agricultural Engineer, Politéc. Madrid. Experience Public Administration, Agriculture Minister in Spain and abroad. He 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 of Food Technology Depts. In the Univ. of Zaragoza and Univ. Pública of Navarra. Currently senator at the National Assembly, Agric., Fishing and Foodstuffs Committee, Congress and Senate and Senate European Union, Labor and Defense Committees. Gran Cruz Merito Agrario [Merit Cross for Agriculture]

Name or company name of the Director
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA
Profile
Industrial Engineering and Master of Business Administration. University of Southern California. Los Angeles. U.S.A. His long professional career has led him to occupy various positions such as Vice President of Naviera Vizcaino, President of SA Power, Vice-President of BBVA Bancomer (Mexico), Chairman of Bodegas and Bebidas, Vice Chairman of Banco Bilbao Vizcaya Argentaria SA, Vice President of Iberdrola, and President of Cementos Lemona SA. He is currently Chairman of Autopista Vasco-Aragonesa SA. He is also Chairman of the Board of Santa and Real Casa de Misericordia de Bilbao, a member of the Board of Directors of the Association for the Advancement of Management, President of the Círculo de Empresarios Vascos and its Board of Directors.

Name or company name of the Director

MR. NÉSTOR BASTERRA LARROUDÉ

Profile

Law Degree, Graduate in Economics, Univ. de Deusto, MBA, IESE. Professional career in international and Spanish corporate banking. He was head of the Major Corporations Department in the Banco Santander. 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

MS. AGATHA ECHEVARRÍA CANALES

Company, officer o shareholder to which Director has ties

MR. JAIME ECHEVARRÍA ABONA

Reasons

FAMILY TIES

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

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

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

NO

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

NO

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

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

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRÍA ABONA	GAMEX CB S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	KOTEKS VISCOFAN	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	NATURIN LIMITED	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN CANADA. INC	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN USA INC.	CHAIRMAN
MR. NÉSTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR
MR. NÉSTOR 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 ECHEVARRÍA ABONA	IBERPAPEL GESTIÓN. S.A.	CHAIRMAN
MR. ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES. S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES S.A.	DIRECTOR
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	IBERPAPEL GESTIÓN. S.A.	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN. 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 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:

Compensation	**in thousands of euros**
Fixed Compensation	0
Variable Compensation	0
Per diems	134
Bylaws-mandated payments	1,179
Options on shares and/or other financial instruments	0
Other	0
Total	1,313

Other Benefits	**in thousands of euros**
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:

Compensation	in thousands of euros
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Bylaws-mandated payments	239
Options on shares and/or other financial instruments	0
Other	0
Total	239

Other Benefits	in thousands of euros
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	238	159
External Representing a Controlling Shareholder	0	0
External Independent	823	80
Other External	252	0
Total	1,313	239

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

Total Director compensation (in thousands of euros)	1,552
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. JOSÉ ANTONIO CANALES GARCÍA	MANAGING DIRECTOR VISCOFAN GROUP
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR. CÉSAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR. PEDRO ERASO ZABALZA	HEAD OF CELLULOSE AND FIBROUS EXTRUSION VISCOFAN GROUP
MR. JOSÉ VICENTE SENDÍN AZANZA	HEAD OF STRATEGIC PROJECTS VISCOFAN GROUP
MR. JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR. ANDRÉS DÍAZ ECHEVARRIA	HEAD OF OPERATIONS VISCOFAN GROUP
MR. JOSÉ ANTONIO MORIONES GUINDA	TECHNICAL ADVISER PRODUCTION DEPARTMENT VISCOFAN S.A.
MR. JUAN JOSÉ ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN GROUP
MR. MANUEL NADAL MACHIN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN S.A.
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.
MR. MILOSLAV 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 VISCOFAN GMBH.
MR. BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH.
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN VISCOFAN GMBH. & MANAGING DIRECTOR NATURIN UK, LTD
MR. YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL S.A.
MR. ÓSCAR 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. JOSÉ MARÍA FERNÁNDEZ MARTÍN	MANAGING DIRECTOR VISCOFAN USA INC.
MR. ALEJANDRO MARTÍNEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.

Total executive management compensation (in thousands of euros)	3,177

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 2009, 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 submitted to the General Shareholders' Meeting of 3 June 2009 explains the functions of the various corporate bodies and the internal rules governing the remuneration policy.

On the one hand, the Report refers to the Appointments and Remuneration Committee, which drafts proposals for the Board of Directors regarding the following aspects:

a) Policy for remunerating Board members and senior management;

b) Distribution of Board members' remuneration;

c) Individual remuneration of executive Board members;

And to the Board, which has the exclusive power to make decisions regarding the remuneration of Board members, pursuant to the Board Rules.

On the other hand, it refers to the Company's articles of association, 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 items of remuneration, how they are regulated, the competent body to make decisions on each of them, and how they apply to each body, distinguishing between the Board and the various committees, and the internal distribution of remuneration items among the members of each body. In short:

1. Payments to the Board and Executive Committee: as stipulated in the articles of association.
2. Executive Board members: receive no additional remuneration.
3. Members of the Audit / Appointments and Remuneration Committees: receive no additional remuneration.
4. Chairpersons and Vice-Chairpersons of the Board and committees: receive no additional remuneration.
5. Attendance fees: to be determined by the Board.
6. Other items: there is no additional direct or indirect remuneration.

Finally, the Report provides a breakdown of the total remuneration received by each of the Board members in 2008.

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:

NO

Description of amendments

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.

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

Quórum	**%**
The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors.	62.50

Percentage required for majority	**%**
Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.	51.00

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

NO

B.1.24. Does the Chairman have a tie-breaking vote?

YES

Matters on which a tie-breaking vote may be cast
Pursuant to Article 28 of the by-laws:
Resolutions shall be adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.
Article 7 of the Board Rules sets forth the same thing.

B.1.25 Indicate whether the By-Laws or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the Chairman	Age limit for the CEO	Age limit for Directors
0	0	0

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

NO

Maximum number of years in office	0

B.1.27. If the number of women directors is scant or nil, describe the reasons therefore as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives
The Company has one female Director, appointed member of the executive committee during 2009, 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 and 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 and 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	11
Number of Audit Committee Meetings	8
Number of Appointments and Compensation Committee Meetings	3
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	1
Failures to attend as a percentage of total votes during the fiscal year	1.060

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 In coordination with the Group's Finance Department, which makes it possible to plan appropriate actions on an ongoing basis to facilitate the work of the external auditors, and anticipate and immediately resolve any questions they may 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 internal annual audit plan includes the revision and standardisation of the accounting period closing processes of the Group companies, as a preventive action to ensure that the financial information generated facilitates early internal identification of any aspects that may need to be adjunsted prior to or during the work of the external auditors.

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, specially on board and committee meetings, 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.

The fiscal year ended 31 December 2009 is the third year and, therefore, the last in which, according to the legislation in force, the current external auditors must be kept. Consequently, it has not been possible to propose any change of external auditor.

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 and that the information is available to everyone at the same time and under the same conditions, to ensure equal ease of access to it.

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)	17	106	123
Amount for work other than audit work/Total amount invoices by the audit firm (as a %)	17.110	18.930	18.660

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	3	3

	Company	Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	12.0	18.8

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

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

YES

Description of procedure

Pursuant to Article 18 of Viscofan's Board 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:

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

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

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

YES

Description of rules

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 ECHEVARRÍA ABONA	CHAIRMAN	EXECUTIVE
MS. AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	DIRECTOR	INDEPENDENT
MR. NÉSTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

Name	Title	Category
MR. JOSÉ CRUZ PEREZ LAPAZARAN	CHAIRMAN	INDEPENDENT
MS. AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR. ALEJANDRO LEGARDA ZARAGÜETA	DIRECTOR	INDEPENDENT
MR. GREGORIO MARAÑÓN BERTRÁN DE LIS	DIRECTOR	INDEPENDENT

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Title	Category
MR. JAIME ECHEVARRÍA ABONA	CHAIRMAN	EXECUTIVE
MR. JOSÉ CRUZ PEREZ LAPAZARAN	DIRECTOR	INDEPENDENT

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

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group,monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	YES
Periodically review the internal control and riskmanagement systems, in order for themain risks to be properly identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior rmanagement takes into account the conclusions and recommendations contained in its reports.	YES
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	NO
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	YES

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

Committee name

APPOINTMENTS AND COMPENSATION COMMITTEE

Short description

Governed by the Board Rules:

Article 14,- Appointments and Compensation Committee.

There shall be an Appointments and Compensation Committee of the Board of Directors.

The mission of the Appointments and Compensation Committee shall be as follows:

a) Ensure the appropriateness and integrity of the selection of Directors and 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 simple majority vote of the members attending the meeting and the Chairman shall have the tie-breaking vote.

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

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

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
b) Propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 204 of the 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 Board.

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 increase the regulation for the Audit and Appointments Committees, defining its funtions and faculties 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 Unified Code.

The amendments introduced related to this Executive committee consist primarily in the articulation of an appraisal procedure for that committee.

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 Unified Code.

The amendments introduced consist primarily of increase regulation of the Audit Committee.

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.2.6. 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 in the Article 22, related to the duty of loyalty, sets forth the following:

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.

The Company, through the Audit Committee and with the support of external advisers, has been improving and strengthening the identification, classification, management and updating of external risks and has established a protocol for their ongoing review and monitoring with the aim of:

Incorporating any new risks that the company may identify in view of external causes, or general or specific circumstances inherent to the company or sector.

Incorporate the necessary measures to reduce those risks by establishing the most appropriate procedures at any given time.

In accordance with the proposals of the Audit Committee, the company shall adapt its risk policy to cover the risks identified, so as to ensure a reduction of the maximum impact should they materialise.

In 2009, work in this area was focused on two fronts:

(i) The Audit Committee entrusted the internal audit team with revising and improving the procedures to minimise the main risks identified, which are described below, and

(iii) In the course of its operations, the Company incorporated or improved the measures previously identified and implemented.

FINANCIAL RISKS:

A) INTEGRITY OF THE PREPARATION OF THE FINANCIAL INFORMATION

The Group's financial information is generated locally by each subsidiary's financial team. Following the acquisitions undertaken, it was necessary to guarantee the integrity of the financial information to be reported by the new subsidiaries to the parent company, where the information presented to the financial markets is consolidated.

Measures taken:

- The Group is establishing training policies, as well as policies to standardise, improve, monitor and control the information, and has reliable IT tools that facilitate the loading of data and its transmission to the parent company.
- The company has introduced a new consolidation tool that facilitates and enhances the consolidated financial information, and has implemented IT system integration projects in several subsidiaries with the objective of achieving greater standardisation of information.

B) PROFITABILITY AND SUCCESS OF THE INVESTENTS UNDERTAKEN

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

Measures taken:

- The investment authorisation and monitoring procedure has been improved with the creation of an Internal Interdepartmental Committee to oversee fulfilment of the plans approved for each subsidiary and correct allocation of the resources available.

C) CUSTOMER ARREARS

The risk of outstanding customer debts is rising within the Viscofan Group due to the geographic relocation of customers, making it more difficult to pursue payment in the event of arrears.

Although an unfavourable economic climate exacerbates this situation, it is eased by the unlikelihood of adverse financial circumstances occurring simultaneously in all the geographic regions in which the Viscofan Group markets its products.

Measures taken:

- In view of the recession and the resultant increase in this risk, an Internal Interdepartmental Risk Committee has been set up to monitor customer arrears and the internal customer credit management procedures have been improved to permit the suspension of supply in the event of a risk of non-payment.
- The corporate process for accepting new customers has also been improved, including risk controls and guarantees prior to commencement of the commercial relationship.

OPERATIONAL RISKS:

D) SHORTAGE OF RAW MATERIALS

Access to raw materials such as cellulose, manila hemp and hides may be temporarily affected as they are also used by other larger industrial sectors which process them differently to our sector. A shortage of these raw materials could lead to an excessive increase in prices or a limitation of supply, which would affect the Group's production rate.

Moreover, the growth of the market makes greater availability of raw materials necessary.

In particular, the vegetable food division depends on seasonal factors related to asparagus and tomato harvests.

Measures taken:

- Rolling out to all the Group's production plants of a corporate procurement procedure that enables diversification and approval of suppliers so that there are several alternatives at different geographic points around the world to alleviate temporary shortages in a given region.

E) RISKS OF PROPERTY DAMAGE AND CONTINUITY OF PRODUCTION

The economic protection of the Group's assets, as well as the capacity to continue production in the event of damage or production stoppages due to accidents, negligence or unforeseen circumstances.

Measures taken:

- In order to increase the security of its production centres, the Group has engaged the services of a global risk engineering firm to identify, evaluate, homogenise and improve the level of protection against exposure to this type of risk.
- Improvements and additions have also been made to the existing protocol for the contracting of external companies that perform work at the production centres which may involve this type of risk.

STRATEGIC RISKS:

F) COMPETITIVE ENVIRONMENT OF THE SECTOR

Current and potential players in the competitive environment and their competitive strategies can affect the success of the Group.

In addition, certain conditions of the competitive environment can be conducive the appearance of substitute products. Periods of economic crisis or a context of rising prices can increase the attractiveness of substitute products, both within and outside of the sector.

Measures taken:

- Due to the company's multinational commercial presence and the great diversity of markets in which it operates, it is studying various options to enable it to improve its market research and, therefore, increase its knowledge of the competitive environment of the sector.
- The company has set up a Costs Working Group, whose main mission is to standardise costs-related information across all Group companies, to make it possible to integrate and analyse that information, creating a benchmarking system within the Group to propose actions geared towards the rationalisation and reduction of costs where possible.

G) MEDIA RISK IN THE EVENT OF EPIDEMICS AND OTHER HEALTH DISASTERS

The media effect of global epidemics is difficult to control and constitutes a risk that cannot be insured by the market. Bearing in mind that part of the products marketed by the Group are of animal origin, mainly bovine, this risk exists and has materialised on several occasions over the years.

In the case of local epidemics, the risk is smaller, thanks to the Group's global presence and the versatility and flexibility of its production centres.

This risk is increasing in the case of IAN, S.A.U., whose products go straight to the end consumers without any further processing.

Measures taken:

- The existing response protocols for product recalls and communication in the event of a food crisis have been enhanced, guaranteeing the safety of consumers and describing in detail the steps to be taken by the different agents involved.

H) EXCHANGE RATE / INTEREST RATE

The Group has unmatched currency positions, therefore, significant exchange rate variations in relation to the Group's currency, the euro, can affect not only the Group results, but also the recoverability of assets and bond ratings.

In addition, the Group has an external debt, the cost of which is indexed to changes in the interest rates of international markets.

Measures taken:

- During the fiscal year, Value At Risk methodologies were applied to measure the Group's exposure to both exchange rate and interest rate risks. The level of protection was set according to the level of risk assumed by the Group.

I) ENERGY MARKET

Since the expansion activities carried out in 2008 and 2009, there has been an increase in the Group's dependence on the supply price of gas and the sale price per kilowatt in the electricity market. Moreover, the weight of energy in the extrusion process is quite significant.

Measures taken:

- The Group went to the futures market to secure its operating margins in the sale of the energy produced at the Cáseda cogeneration plant.
- Furthermore, a large part of the year's investments were in energy-saving measures, such as the expansion of the cogeneration plant.

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.

YES

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

Risk that materialised during the fiscal year

Customer arrears

Circumstances that gave rise to it

In the context of the global financial crisis, some customers have delayed their payments or have even neglected to pay part of the sums owed.

Operation of control systems

The creation of the Internal Risk Committee together with the strengthening of the monitoring procedures implemented at the corporate level have made it possible to reduce this risk and, in the majority of cases, apply a variety of solutions to avoid customer arrears.

When, despite the measures put in place, this is not possible, the insurance cover taken out has made it possible to reduce the financial impact of this situation as much as possible.

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 the risk control and management policy lies with the Board of Directors, as established in Article 5 of the Board Rules. The Audit Committee entrusted the implementation of a risk evolution and control system to a team of experts. This contributed to the preparation of a map and the establishment of measures to reduce said risks, including the introduction of procedures and protocols, both preventive and for remediation should the risks identified materialise. The aforementioned measures were subsequently monitored and improved by the internal audit team.

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

The company identified and included this risk as one of the regulatory risks that can affect it:

A) COMPLIANCE WITH EXISTING REGULATIONS.

Compliance with environmental and food health and safety measures is important in the sector in which the Group operates, given the responsibilities implicit in those regulations.

At times, the diversity of international regulations is complicated by different reactions to certain events that translate into temporary restrictions of varying severity and scope in some countries (for example, emergency regulations in the event of listeriosis episodes, etc.) that have an impact on the import of our products or, at least, how our products are processed.

The measures, procedures and protocols that the company has implemented to avoid or minimise the impact of this risk are:

ISO quality - The Group has obtained ISO certification at its most important production centres.

Legal management - The company has a multidisciplinary internal legal team that has the support of local external advisers with in-depth knowledge of the legislation applicable in both the Group's operating centres and the locations of the various customers, suppliers, etc.

Third party liability programme - Comprehensive third party liability insurance is in place for all Group companies, to cover, among other things, possible risks that may arise due to an unwitting breach of local legislation.

E - GENERAL SHAREHOLDERS' MEETING

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

NO

	%Quorum differing from that set forth in Article 102 of the Stock Companies Law for general circumstances	%Quorum differing from that set forth in Article 103 of the Stock Companies Law for the special circumstances set forth in Article 103
Quorum required on first call	0	0
Quorum required on second call	0	0

E.2 Indicate and, if applicable, explain whether there are differences with the rules provided by the 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 attendace, representation, vote, proxy voting, 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 par value of at least €450 who at least five days before the Shareholders Meeting have them registered in the pertinent stock ledger shall have the right to attend (pursuant to Article 22 of the Bylaws). Shareholders who do not hold the number of shares required to attend may form groups for such purpose.

Article 15.- Shareholder accreditation.

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

Article 16.- Proxy Voting.

All shareholders with the right to attend by proxy at the General Shareholders Meeting .

Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.

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

As has been the practice for Notices of General Shareholders Meetings in recent years, in order to encourage shareholders participation, the Board resolved to distribute an attendance fee of 0.005 euros per share to all shares present or represented by proxy at the General Shareholders Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders Meeting held on June 3, 2009.

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 Chair of the Board of Directors.

In addition to the existing regulations to guarantee the rights of shareholders during the General Meeting, Article 23 of the Rules for General Shareholders' Meetings specifically establishes detailed measures to ensure independence and proper functioning during the General Meeting and ensure that any shareholders that so wish are given the opportunity to take part in the discussions and receive any information requested.

B,-) Interventions and information

1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so 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		Total
			Electronic voting	Other	
06/03/2009	1.140	64.820	**0.000**	**13.580**	79.540

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, 2009, 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, 2008, 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, 2008, 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 2009, in the amount of 0.2050 euros per share and the one-off dividend charged against fiscal year 2008 earnings were approved.

The partial return of the issue premium in the amount of 0.29 was also approved; for a total amount of 13,553,114.91 Euros, it shall be paid out to shareholders beginning on June 25, 2009.

Taking into account the interim dividend in the amount of 0.2050 euros per share and the General Shareholders Meeting attendance fee in the amount of 0.005 euros, total compensation per share equals 0.5 euros.

The resolution was adopted by majority vote 36,955,125 shares voted in favor, 51,212 shares abstained and 36,229 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) Annual Corporate Governance Report.

This point was not voted on as it is merely informative in nature.

3.- It was resolved to elect Mr. José Domingo de Ampuero y Osma as the Company's Directors for a six year period, replacing the deceased Mr. José María Cuevas Salvador.

Votes in favour 31,027,301 shares. Abstentions 35,112 shares. Votes against 5,980,453 shares.

4.- It was resolved to reduce the Company capital, in the aim of cancelling treasury shares, in the amount of €39,359.10 with the cancellation of 131,197 treasury shares of the Company and the resulting amendment to Article five of the By-laws.

The share capital resulting from the reduction is €13,981,104.60 represented by 46,603,682 shares of €0.30 (30 eurocents) nominal value each.

Votes in favour 37,009,654 shares. Abstentions 33,212 shares. There were no votes against.

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 face value and a maximum of 100 times the face value and for a maximum of 18 months.

Votes in favour 37,009,804 shares. Abstentions 33,062 shares. There were no votes against.

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.

Votes in favour 36,340,141 shares. Abstentions 43,467shares. Votes against 659,258 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. José Antonio Canales García 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 37,009,804 shares. Abstentions 33,062 shares. There were no votes against.

E.9 Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' Meeting	1,500

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

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

´Proxy Voting. Any shareholder entitlted to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.'

Article 23 of the Company's By-laws is worded along the same lines:

'Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, provided that the identity of the individual exercising voting rights is duly ensured.

Such proxy shall be conferred specially for each Shareholders Meeting´.

Moreover, when it publishes notice of the General Shareholders' Meeting, the company provides the relevant forms and the rules for appointing a proxy and voting remotely, either electronically or by post, for any shareholders wishing to exercise this option.

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, as well as being provided as part of the documentation for each General Shareholders' Meeting under the Shareholders' Meetings 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 sections: 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 sections: 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 sections: 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 sections: 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 sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors represents at least one-third of the total number of directors.

See sections: 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 current composition of the Board includes one female Board member who, in 2009, was also elected to the Executive Committee. The proposal for her appointment was based on her training and professional experience in several areas that give the company a broad perspective of various disciplines that affect its development and daily activities, as well as her links with and in-depth knowledge of the business sector.

Both the Appointments and Remuneration Committee of which she is currently a member and the Board are actively seeking new opportunities to propose new female Board members to the General Shareholders' Meeting based on their professional profiles and experience, bearing in mind that the interests of the company must prevail at all times.

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.

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

Not Applicable

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.

Explains

The report does not specifically detail the individual remuneration by director, which consists exclusively of 1.5% of liquid pre-tax profits for the board, and the same sum (1.5% of liquid pre-tax profits) for the Executive Committee.

Compliance with recommendation 40, combined with the online publication of the remunerations policy provide full information on the remuneration awarded the board and its different committees.

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.

Complies

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies

49. Risk control and management policy specifies at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.

b) The determination of the risk level the company sees as acceptable;

c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;

d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See paragraphs: D

Complies

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 ability of the Audit Committee to address any potentially significant irregularities that may occur is implicitly established in its general functions and guarantees the availability of this channel for anyone who decides to use it. However, a procedure that guarantees the exercising of this option has not yet been formally recorded in the internal rules.

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

The following matters:

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.

Are specifically regulated as exclusive powers of the Board of Directors and it is not specifically stipulated that the Audit Committee must report to it on them.

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

Partially Complies

Although included within the general function of ensuring that the election of Board members and senior executives is carried out correctly, in accordance with Article 14 of the Board Rules, the Appointments and Remuneration Committee has not been specifically assigned the duty of organising the succession of the Chairman and the Chief Executive and, where appropriate, making proposals to the Board for such successions to take place in an orderly and well-planned manner.

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

03/26/2010

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO

Dire

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“This solid financial position enables us to take on 2010 with certain guarantees, despite the huge uncertainties that continue to hang over the global economy, with the unprecedented measures that have been taken by both public and private institutions to restore and strengthen growth. In such an environment, our customers have increased their demands in order to improve their on competitiveness, and the Viscofan Group is responding to these new needs, prioritising our activities so as to provide the most advanced technology and know-how in order to contribute to the value-creation process with the most complete artificial casings solution in any market in the world.”

Annual Report 2009

This report is also available at internet: **www.viscofan.com**

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