Viscofan
The casing company

Annual Report 2018

Key performance indicators

Shareholders

Market Capitalization
€2,242.6 Mn
€2,563.7 Mn in 2017
-12.5%

Proposed Remuneration per Share
€1.73
€1.55 in 2017
+11.6%

Revenue
€786.0 Mn
€778.1 Mn in 2017
+1.0%

EBITDA
€208.8 Mn
€211.2 Mn in 2017
-1.2%

EBITDA Margin
26.6%
27.1% in 2017
-0.5 p.p.

Net Profit
€123.7 Mn
€122.0 Mn in 2017
+1.4%

CAPEX
€71.6 Mn
€107.2 Mn in 2017
-33.2%

Net Bank Debt
€79.6 Mn
€41.1 Mn in 2017
+93.6%

Share price CAGR
13.1%
10 years

Society

Investment in Environment, Health and Safety

€5.7
Mn
€7.5 Mn in 2017

CO_2/ km produced
Base 2015

97
95 in 2017

Subproduct valorization

48%
56% in 2017

Waste and by-product

53.4
Thousand tonnes
46.5 in 2017

Water consumption / Casings produced
Base 2015

106
97 in 2017

Internal energy consumption

2,276
GWh
2,158 in 2017

CO_2 avoided due to energy optimization

91,715
tonnes

Market

Estimated market share in the gut and casings market

17%

Countries with commercial presence

> 100

Casings market growth in 2018

+2%

Countries with productive footprint

13

Casings portfolio: Cellulose, collagen, fibrous and plastics

>12,000

Sold references

Employees

Average workforce

4,641

4,554 in 2017

Training hours

115,162

136,800 in 2017

Women's workforce participation

29%

28.8% in 2017

Training investment

€2.2 Mn

€2.4 Mn in 2017

Health and Safety training

28,366 hours

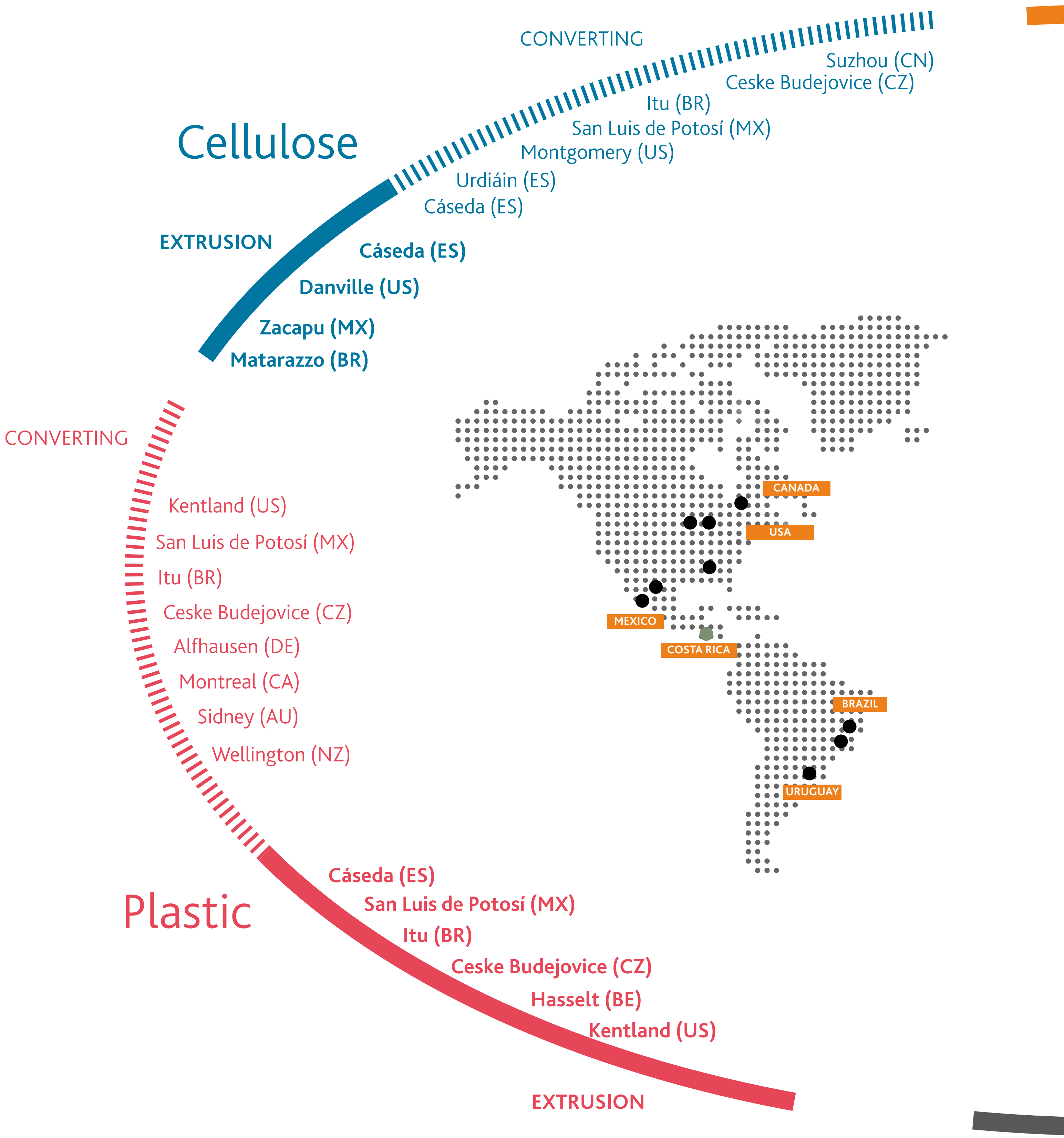
29,530 in 2017

Lost working time / Total working hours

0.38%

0.37% in 2017

PRODUCTIVE AND COMMERCIAL FOOTPRINT



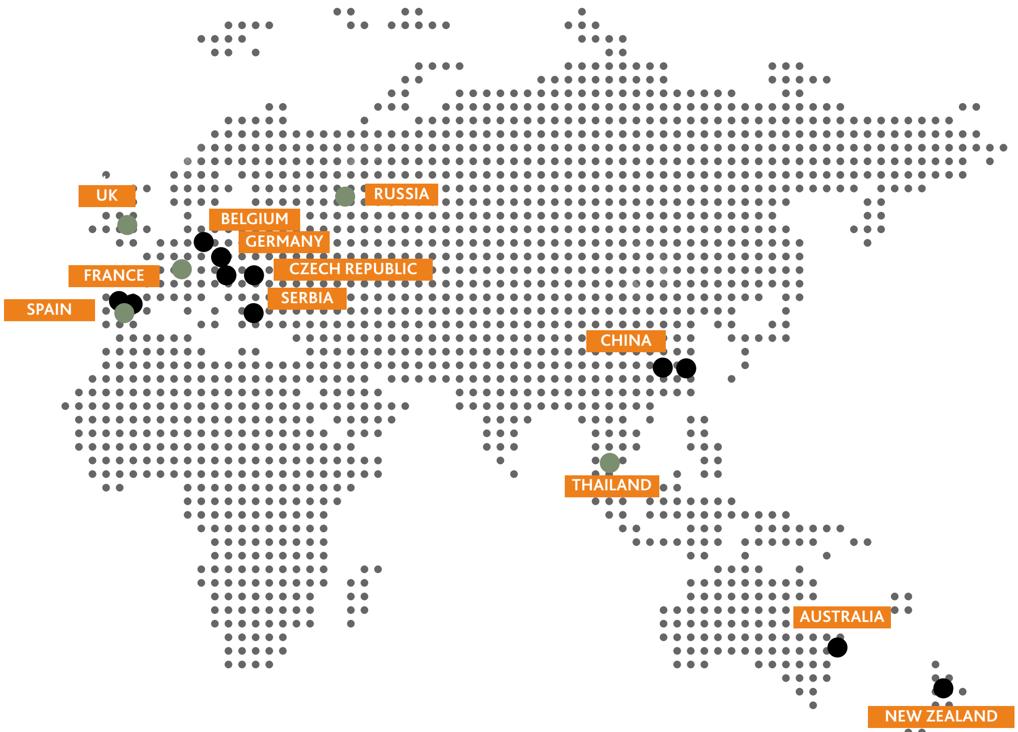
Collagen

EXTRUSION

Suzhou (CN)
Novi Sad (RS)
Weinheim (DE)
Pando (UY)
Cáseda (ES)

CONVERTING

Cáseda (ES)
Itu (BR)
Ceske Budejovice (CZ)
Suzhou (CN)



Headquarters

Tajonar (ES)

Representative offices & Commercial companies

Courcouronnes (FR)
San José (CR)
Bangkok (TH)
Moscow (RU)
Sevenoaks (GB)

CONVERTING

Sidney (AU)
Ceske Budejovice (CZ)
Montgomery (US)
Itu (BR)

EXTRUSION

Danville (US)
Cáseda (ES)

Fibrous

index

VISCOFAN, S.A. AND SUBSIDIARIES

Audit Report, Consolidated
Financial Statements and
Consolidated Management Report
at 31 December 31 2018

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of Viscofan, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Viscofan, S.A. (parent company) and subsidiaries (the Group), consisting of the statement of financial position at 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, all of the foregoing on a consolidated basis, and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2018 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under said regulations are described below under Responsibilities of the auditor in relation to the audit of the consolidated annual accounts.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

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Madrid Companies Register, page 87,250-1, folio 75, volume 9,267, book 8,054, 3rd section Entered in the Official Registry of Accounting Auditors under number S0242 - Company Tax ID No.: B-79 031290

Key aspects of the audit	Way in which they have been addressed in the audit
Revenue recognition	
The most significant item in the Group's income statement is sales (note 5.1 to the accompanying consolidated annual accounts). This item is a key indicator of the Group's business. The Group's revenues include a multitude of transactions and relate mainly to sales of artificial wrappings for cold meats and, to a lesser extent, sales of electricity produced through co-generation systems (Note 1 to the accompanying annual accounts). Proper control of these operations is essential to ensure that sales are recognised accordingly, and, therefore is a key aspect in our audit.	Our audit procedures have included validating the efficiency of the controls over the sales process and verification procedures such as: • Verifying the design and implementation and operational efficiency of the relevant controls that support the integrity of sales, including identifying the manual and automatic controls of the information systems throughout the process used to create orders, generate delivery notes and invoice sales. • Evaluating the adequacy of the revenue recognition criteria, taking into account the contract terms and obligations, reviewing customer orders. • Performing detailed tests on verifying, for a sample, the appropriate recognition of transactions through third-party supporting documentation. • Selecting and verifying, if appropriate, the entries recorded in revenue that we considered could give rise to unusual or irregular items. • Obtaining confirmation of the year-end balances for a sample of customers. • Verifying that sales have been recognised in the correct period based on established terms and conditions. • Assessing the reasonableness of fluctuations in sales and margins for 2018 compared with trends in the previous year. As a result of our tests, we have no relevant observations to make regarding this matter.

Other information: Consolidated management report

Other information refers exclusively to the consolidated Management Report for 2018, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in auditing regulations that distinguish two levels of responsibility:

a) A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report or where applicable, that the management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.

b) A general level applicable to other information included in the consolidated management report that consists of assessing and reporting on the consistency of that information with the consolidated annual accounts, on the basis of the understanding of the Group that we have obtained in the performance of the audit of those accounts, not including other information not obtained as evidence during the course of the audit and assessing and reporting on whether the content and presentation of that part of the consolidated management report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining information contained therein is consistent with that provided in the 2018 consolidated annual accounts and its content and presentation are in conformity with applicable regulations.

Directors' and Audit Committee's Responsibility in relation to the Consolidated Annual Accounts

The directors of the parent company are responsible for drawing up and signing the accompanying annual accounts such that they present fairly the Group's equity, financial situation and performance in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to permit the preparation of consolidated annual accounts that are free from material misstatements, due to fraud or error.

In drawing up the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as appropriate, matters relating to going concern and using the going concern basis of accounting, unless the directors either intend to liquidate the Group or to cease trading, or have no realistic alternative but to do so.

The parent company's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards prevailing in Spain will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit in conformity with auditing regulations in Spain, we exercise our professional judgement and maintain professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.

- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report.
However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the parent company's Audit Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control deficiency that we identify in the course of our audit.

We also provide the parent company's audit committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters communicated to the parent company's audit committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes the public disclosure of the matter concerned.

Information on other legal and regulatory requirements

Additional report for the parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit Committee dated 28 February 2019.

Term of engagement

We were appointed Group auditors for a three-year period as from the year ended 31 December 2017 at the Ordinary and Extraordinary General Meeting of shareholders held on 27 April 2017.

Services rendered

Non-audit services provided to the audited Group are detailed in note 26 to the consolidated annual accounts.

PricewaterhouseCoorpers Auditores, Sl.L (S0242)

David Zubizarreta Lecumberri (21650)
28 February 2019

VISCOFAN, S.A.

Auditor's report on the "Information concerning the System of Internal Control over Financial Reporting (SICFR)" for 2018

Auditor's report on the "Information concerning the System of Internal Control over Financial Reporting (SICFR)" of Viscofan S.A. for 2018

For the Directors:

At the request of the Board of Directors of Viscofan, S.A. (hereinafter, the Entity) and pursuant to our proposal letter dated 21 December 2018, we have applied certain procedures to the accompanying "Information concerning the SICFR" included in pages 56 to 67 of the Annual Corporate Governance Report" (ACGR) of Viscofan, S.A. for 2018, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and oversight of an appropriate internal control system, and for developing improvements to this system and preparing and establishing the content of the accompanying Information concerning the SICFR.

In this connection, it should be borne in mind that, irrespective of the design quality and efficiency of the Entity's system of internal control over its annual financial reporting, it can only provide reasonable - but not absolute - assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Accordingly, our internal control evaluation performed for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the system of internal control over the regulatory annual financial reporting.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the *Guidelines concerning the Auditor's Report on the Information concerning the System of Internal Control over Financial Reporting for listed entities* published by the National Securities Market Commission on its website, which lays down the work to be performed, the scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is limited and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on its effectiveness, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2018 described in the accompanying SICFR Information. Therefore, had we applied additional procedures to those determined by said Guidelines or had we performed an audit or review of the internal control system in relation to the regulatory annual financial reporting, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the Audit Law, we do not express an audit opinion in the terms envisaged in said legislation.

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Madrid Companies Register, page 87,250-1, folio 75, volume 9,267, book 8,054, 3rd section Entered in the Official Registry of Accounting Auditors under number S0242 - Company Tax ID No.: B-79 031290

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the SICFR – breakdown included in the management report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F of the model Annual Corporate Governance Report, as established in Circular 5/2013 of the National Securities Market Commission dated 12 June 2013, subsequently amended by Circular 7/2015 of the National Securities Market Commission dated 22 December 2015 and Circular 2/2018 of the National Securities Market Commission dated 22 June 2018.

2. Making enquiries of personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above and which will mainly comprise the information made directly available to the persons responsible for preparing the information on the SICFR. In this respect, that documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their functions supporting the Audit Committee.

4. Comparison of the information detailed in 1. above with the knowledge of the Entity's SICFR obtained from the application of the procedures performed within the framework of the audit of the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the SICFR and the information described in 1. above.

6. Obtaining the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the SICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively within the framework of the requirements of Article 540 of the Spanish Companies Act and Circular No. 5/2013 of the National Securities Market Commission of 12 June 2013, amended by Circular No. 7 2015 of the National Securities Market Commission of 22 December 2015 and Circular 2/2018 of the National Securities Market Commission of 12 June 2018, for the purposes of the description of the SICFR in Annual Corporate Governance Reports.

PricewaterhouseCoooers Auditores, S.L.

David Zubizarreta Lecumberri

28 February 2019

Viscofan, S.A. and Subsidiaries

Independent verification report of the 2018 Consolidated non-financial information statement concerning Viscofan, S.A. and Subsidiaries of 28 February 2019

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

Tel:+34 915 14 50 00
www.deloitte.es

INDEPENDENT VERIFICATION REPORT

To the shareholders of Viscofan, S.A.

Pursuant to Article 49 of the Code of Commerce, we have performed a verification, with a limited scope of assurance, of the non-financial information identified in the GRI table and in the non-financial information statement (hereinafter, NFIS) included in the Consolidated Management Report (hereinafter, CMR) concerning Viscofan, S.A and subsidiaries (hereinafter, Viscofan or the Group) corresponding to the financial year ending 31 December 2018.

The CMR includes information in addition to the details required by trade regulations in force in terms of non-financial reporting and the core Global Reporting Initiative standards to produce sustainability reports (hereinafter, GRI standards), which have not been included in our verification work. In this connection, our work has been limited exclusively to verifying the information identified in the "GRI Table" and in the "Contents of Law 11/2018" table from Chapter 7 of the CMR.

Responsibility of the Directors

Viscofan's Board of Directors is responsible for the preparation of the Group's Consolidated Management Report, in addition to its content. The NFIS featured in the CMR has been prepared in line with the contents of the trade regulations in force and following the core GRI standards, in addition to the other criteria set out pursuant to the provisions for each topic in the "GRI Table" and in the "Contents of Law 11/2018" table from Chapter 7 of the CMR.

This responsibility includes the design, roll-out and maintenance of internal control that is considered necessary to ensure the CMR is free from material misstatement, whether due to fraud or error.

The directors at Viscofan are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CMR is obtained.

Our independence and quality control

We have satisfied the independence requirements and other requirements set out in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectiveness, professional competence, diligence, confidentiality and professionalism.

Our company applies International Standard on Quality Control 1 (ISQC 1) and thus maintains a global quality control system that encompasses documented policies and procedures concerning compliance with ethics requirements, professional rules and the applicable legal and regulatory provisions.

The work team was made up of experts in reviewing Non-Financial Information and, specifically, information on economic, social and environmental performance.

Our responsibility

Our responsibility is to provide our conclusions in an independent limited assurance verification report based on the work carried out, which corresponds exclusively to the 2018 financial year. The data corresponding to previous years was not subject to the verification provided for in the trade regulations in force.

We have performed our verification work in line with the requirements established in the revised International Standard on Assurance Engagements 3000 in force "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the Guidelines on verification works concerning non-financial information statements issued by the Spanish Chartered Accountants Association.

In a work of limited assurance, the procedures carried out vary in nature and time, and their scope is smaller than reasonable assurance works; therefore, the assurance obtained is substantially smaller.

Our work has consisted of preparing questions for management, in addition to the different departments at Viscofan that have participated in the creation of the CMR, in the review of processes to gather and validate the non-financial information presented in the CMR and in the application of specific analytical procedures and sample revision tests described below:

- Meetings with Viscofan staff to understand the business model, the policies and management approaches applied, the main risks relating to these maters and obtain the necessary information for the external review.
- Analysis of the scope, relevance and integrity of the content included in the non-financial information of the CMR based on the materiality analysis performed by Viscofan and described in the "Materiality" chapter of the CMR, in addition to considering the content required in the trade regulations in force.
- Analysis of the processes to gather and validate the 2018 data presented in the CMR's non-financial information.
- Revision of information relative to risks, policies and management approaches applied in relation to the material aspects identified set out in the "Materiality" chapter of the CMR.
- Confirmation that the financial information used to respond to the contents of GRI and NFIS standards has been obtained from Viscofan's annual accounts.
- Confirmation, by tests, based on a sample selection of information corresponding to the contents of non-financial information included in the 2018 CMR and its appropriate compilation using the data supplied by Viscofan's sources of information.
- Submission of a representation letter by the Directors and Management.

Conclusion

Based on the procedures carried out in our verification and the evidence obtained, we have not identified any aspect that leads us to believe that:

a) The non-financial information identified in Viscofan's "GRI Table" corresponding to the financial year ending 31 December 2018 has not been prepared, in all its significant aspects, in line with the core GRI standards.

b) Viscofan's NFIS corresponding to the financial year ending 31 December 2018 has not been prepared, in all its significant aspects in line with the contents of the trade regulations in force and following the GRI standard criteria selected, in addition to the other criteria set out pursuant to the provisions for each topic in the "GRI Table" and in the "Contents of Law 11/2018" table from Chapter 7 of the CMR.

Use and distribution

This report has been prepared in response to the requirement established in the trade regulations in force in Spain, meaning it may not be appropriate for other purposes and jurisdictions.

Deloitte S.L.

Helena Redondo

28February 2019

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management report for the year ended

31 December 2018

Consolidated income statement
(Thousands of euros)

	Note	2018	2017
Sales and services rendered	5.1	786,049	778,136
Changes in inventories of finished goods and work in progress		25,097	18,809
Consumption of raw materials and other consumables		(252,646)	(229,549)
Other operating income	5.2	23,436	17,297
Staff costs	5.3	(189,135)	(184,280)
Other operating expenses	5.4	(189,208)	(189,889)
Amortization of intangible assets	9	(3,801)	(3,488)
Depreciation of property, plant and equipment	10	(58,637)	(52,894)
Impairment and gains (losses) on disposal of fixed assets		(320)	711
Negative differences from business combinations	8 b)	5,486	-
Operating profit		**146,321**	**154,853**
Finance income	5.5	309	279
Finance costs	5.5	(2,134)	(1,846)
Losses on non-trade receivables	5.5	4	527
Exchange differences	5.5	2,799	(8,456)
Pre-tax profit		**147,299**	**145,357**
Income tax expense	21	(23,588)	(23,338)
Profit for the year		**123,711**	**122,019**
Result attributable to the parent company		123,833	122,101
Result attributable to non-controling interests		(122)	(82)

Earnings per share, basic and diluted, from profit for the year attributable to equity holders of the parent (in euros)	6	2.6578	2.6200
Earnings per share, basic and diluted, from continuing operations attributable to equity holders of the parent (in euros)	6	2.6578	2.6200

Consolidated statements of other comprehensive income
(Thousands of euros)

	Note	2018	2017
Result attributable to the parent		123,833	122,101
Exchange differences on translation of foreign operations	15.4	(8,104)	(32,937)
Net change in cash flow hedges		(2,979)	(724)
Income tax effect		826	256
Other compehensive income to be reclassified to profit or loss in subsequent periods, net		(10,257)	(33,405)
Actuarial gains (losses) for pension plans		646	642
Income tax effect		(169)	(217)
Other compehensive income not to be reclassified to profit or loss in subsequent periods, net	17.1	477	425
Other comprehensive income for the year, net of tax		(9,780)	(32,980)
Total comprehensive income for the year, net of tax attibutable to shareholders in the parent company		114,053	89,121

Consolidated statements of financial position
(Thousands of euros)

Assets	Note	2018	2017
Intangible assets	9	22,915	19,293
Property, plant and equipment	10	479,479	469,799
Deferred tax assets	21	22,533	17,472
Other non-current financial assets	13	2,628	9,149
Total non-current assets		**527,555**	**515,713**
Inventories	11	284,341	238,530
Trade and other receivables	12.1	151,792	144,082
Receivables from public administrations	12.2	20,741	24,218
Income tax receivable	21	6,178	3,834
Prepayments		2,910	2,727
Current financial assets	13	9,175	3,557
Cash and cash equivalents	14	31,050	28,143
Total current assets		**506,187**	**445,091**
Total assets		**1,033,742**	**960,804**

Consolidated statements of financial position
(Thousands of euros)

Equity and liabilities	Note	2018	2017
Share capital	15.1	32,623	32,623
Share premium and Other reserves	15.2	701,389	650,585
Treasury shares	15.5	(5,289)	-
Profit for the year		123,833	122,101
Interim dividend	15.6	(35,818)	(28,894)
Adjustments for changes in value	15.3	(380)	1,772
Translation differences	15.4	(58,745)	(50,641)
Equity attributable to the parent company		757,613	727,546
Non-controlling interests		13	135
Total equity		757,626	727,681
Grants	16	2,135	2,482
Provisions	17	21,964	22,235
Non-current financial liabilities	19	56,971	74,336
Deferred tax liabilities	21	21,352	20,514
Total non-current liabilities		102,422	119,567
Current financial liabilities	19	79,494	19,386
Trade and other payables	18.1	71,397	71,869
Payables to public administrations	18.2	11,074	10,785
Income tax payable	21	5,984	6,517
Provisions	17	5,745	4,999
Total current liabilities		173,694	113,556
Total equity and liabilities		1,033,742	960,804

Consolidated statement of cash flows
(Thousands of euros)

	Note	2018	2017
Pre-tax profit for the year		**147,299**	**145,357**
Amortization of intangible assets	9	3,801	3,488
Depreciation of property, plant and equipment	10	58,637	52,894
Changes in provisions		2,831	(695)
Capital grants	16	(637)	(637)
Gains/(losses) on disposal and impairment of non-current assets		320	(711)
Negative differences from business combinations	8 b)	(5,486)	-
Finance income	5.5	(309)	(279)
Finance costs	5.5	2,130	1,846
Losses on non-trade receivables	5.5	4	(527)
Exchange differences, net	5.5	(2,799)	8,456
Adjustments to reconcile profits before tax using net cash flows		**58,492**	**63,835**
Inventories		(35,239)	(20,178)
Trade and other receivables		(9,354)	(10,004)
Trade and other payables		(3,587)	8,404
Changes in working capital		**(48,180)**	**(21,778)**
Income tax paid	21	(31,717)	(28,549)
Contributions and other payments related to pension plans	17	(629)	(1,577)
Cash flow from operating activities		**125,265**	**157,288**
Acquisition of subsidiaries, net of cash acquired		(7,128)	(8,792)
Payments for acquisition of property, plant, equipment and intangible assets	15.1	(71,949)	(111,561)
Gains on the sale of property		583	1,619
Interest charged		723	696
Cash flows from investment activities		**(77,771)**	**(118,038)**
Proceeds from borrowings	15.1	47,778	28,211
Repayment of borrowings	15.1	(8,907)	(11,382)
Acquisition of treasury shares		(5,289)	-
Dividends paid to shareholders in the parent company		(78,694)	(69,439)
Interest paid	15.1	(2,182)	(1,836)
Other financial liabilities (net)		2,486	(834)
Grants received	16	274	181
Cash flows from financing activities		**(44,534)**	**(55,099)**
Impact of changes in exchange rates on cash and cash equivalents		(53)	(1,062)
Net increase (decrease) in cash and cash equivalents		**2,907**	**(16,911)**
Cash and cash equivalents at 1 January	14	28,143	45,054
Cash and cash equivalents at 31 December	14	**31,050**	**28,143**

Consolidated statement of changes in equity
(Thousands of euros)

	Equity attributed to the parent									
	Share capital (Note 15.1)	Share premium and other Reserves (Note 15.2)	Treasury shares	Profit for the year attributable to the parent company	Interim dividend (Note 15.6)	Adjustments for changes in value (Note 15.3)	Conversion differences (Note 15.4)	*Total Equity attributed to the parent*	Non-controlling interests	*Total Net equity*
Balance at 1 January 2017	**32,623**	**592,185**	**-**	**125,084**	**(26,564)**	**2,240**	**(17,704)**	***707,864***	**217**	***708,081***
Total recognised income (expense)	**-**	**425**	**-**	**122,101**	**-**	**(468)**	**(32,937)**	***89,121***	**(82)**	***89,039***
Transactions with shareholders or owners	**-**	**-**	**-**	**(67,109)**	**(2,330)**	**-**	**-**	***(69,439)***	**-**	***(69,439)***
Dividends paid	-	-	-	(67,109)	(2,330)	-	-	*(69,439)*	-	*(69,439)*
Other changes in equity	**-**	**57,975**	**-**	**(57,975)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between equity accounts	-	57,975	-	(57,975)	-	-	-	-	-	-
Balance at 31 December 2017	**32,623**	**650,585**	**-**	**122,101**	**(28,894)**	**1,772**	**(50,641)**	***727,546***	**135**	***727,681***
Total recognised income and expense	**-**	**476**	**-**	**123,833**	**-**	**(2,152)**	**(8,104)**	***114,053***	**(122)**	***113,931***
Transactions with shareholders or owners	**-**	**(3)**	**(5,289)**	**(71,770)**	**(6,924)**	**-**	**-**	***(83,986)***	**-**	***(83,986)***
Dividends paid	-	-	-	(71,770)	(6,924)	-	-	*(78,694)*	-	*(78,694)*
Acquisition of treasury shares	-	(3)	(5,289)	-	-	-	-	*(5,292)*	-	*(5,292)*
Other changes in equity	**-**	**50,331**	**-**	**(50,331)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between equity accounts	-	50,331	-	(50,331)	-	-	-	-	-	-
Balance at 31 December 2018	**32,623**	**701,389**	**(5,289)**	**123,833**	**(35,818)**	**(380)**	**(58,745)**	***757,613***	**13**	***757,626***

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1. Description 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 artificial casings, mainly for use in the meat industry; manufacture and distribution of collagen-based products for food and bioengineering use; as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems. Its industrial installations are located in Cáseda and Urdiain (Navarra). The head office and registered office are located in Polígono Industrial Berroa, Calle Berroa nr. 15 4ª, 31192 in Tajonar (Navarre).

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

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

The Group's 2017 consolidated financial statements were approved at the General Shareholders' Meeting held on 25 May 2018.

The parent's directors expect these 2018 consolidated financial statements, which were prepared on February 28, 2019, to be approved by the General Shareholders´ Meeting without modification.

2. Viscofan Group

In February 2018, 100% of the shares of Transform Pack Inc. were purchased.

In November 2018, 100% of the shares of Globus Group Australia and New Zealand were purchased.

Vector UK Ltd was wound up in April 2018.

In November 2017, 100% of the shares of Supralon International AG and Supralon Verpackungs AG were acquired, including their subsidiaries (Supralon Produktions und Vertriebs GmbH and Supralon France SARL).

Through these acquisitions, the Group has reinforced its productive portfolio and opened new opportunities that expand the range of solutions available on the market. Furthermore, our commercial and productive presence has expanded to a new continent, Oceania. The fair value of net assets acquired, both in 2018 and 2017, is reflected in Note 8.

Details of the subsidiaries and associates comprising the Viscofan Group at December 31, 2018 and 2017, including certain additional information, are shown below:

2.1. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2018

Group companies	Stakeholding		Activity	Registered offices
	Direct	Indirect		
Gamex, C.B. s.r.o.	100.00%	-	Lease of an industrial warehouse (to the Group)/Other services	Ceske Budejovice (Czech Republic)
Jupiter PTY Ltd	100.00%	-	Provision of services	Bankstown (Australia)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Nanopack, Technology and Packaging S.L.	90.57%	-	Manufacture of interleaver film	Tajonar, Navarra (Spain)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Supralon Verpackungs AG	-	100.00%	Lease of an industrial machinery (to the Group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	-	100.00%	Manufacture and marketing of artificial casings	Alfhausen (Germany)
Supralon France SARL	-	100.00%	Marketing of artificial casings	Courcouronnes (France)
Supralon International AG	-	100.00%	Marketing of artificial casings	Schaan (Liechtenstein)
Transform Pack Inc	-	100.00%	Manufacture and marketing of artificial casings	New Brunswick (Canada)
Vector Europe NV.	100.00%	-	Marketing of artificial casings	Hasselt (Belgium)
Vector Packaging Europe NV.	-	100.00%	Manufacture and marketing of artificial casings	Hasselt (Belgium)
Vector USA Inc.	-	100.00%	Manufacture and marketing of artificial casings	Oak Brook, Illinois (USA)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan Globus Australia PTY Ltd	100.00%	-	Marketing of artificial casings	Bankstown (Australia)
Viscofan Globus New Zealand Ltd	100.00%	-	Marketing of artificial casings	Lower Hutt (New Zealand)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Provision of services	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan Uruguay, S.A.	100.00%	-	Manufacture and marketing of artificial casings	Montevideo (Uruguay)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, Michoacán (Mexico)

2.2. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2017

Group companies	Percentage of ii Stakeholding		Activity	Registered offices
	Direct	Indirect		
Gamex, C.B. s.r.o.	100.00%	-	Lease of an industrial warehouse (to the Group)/Other services	Ceske Budejovice (Czech Republic)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Nanopack, Technology and Packaging S.L.	90.57%	-	Manufacture of interleaver film	Tajonar, Navarra (Spian)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Supralon Verpackungs AG	-	100.00%	Lease of an industrial machinery (to the Group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	-	100.00%	Manufacture and marketing of artificial casings	Alfhausen (Germany)
Supralon France SARL	-	100.00%	Marketing of artificial casings	Courcouronnes (France)
Supralon International AG	-	100.00%	Marketing of artificial casings	Schaan (Liechtenstein)
Vector Europe NV.	100.00%	-	Marketing of artificial casings	Hasselt (Belgium)
Vector Packaging Europe NV.	-	100.00%	Manufacture and marketing of artificial casings	Hasselt (Belgium)
Vector UK Ltd.	-	100.00%	Marketing of artificial casings	Manchester (United Kingdom)
Vector USA Inc.	-	100.00%	Manufacture and marketing of artificial casings	Oak Brook, Illinois (USA)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Provision of services	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan Uruguay, S.A.	100.00%	-	Manufacture and marketing of artificial casings	Montevideo (Uruguay)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, Michoacán (Mexico)

3. Basis of preparation

The consolidated financial statements have been prepared based on the accounting records of Viscofan, S.A. and the companies comprising the Group. The consolidated financial statements for 2018 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at December 31, 2018 and 2017, 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 also applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

3.1. New and amended standards and interpretations

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended 31 December 2017, with the exception of the application of standards that came into force on 1 January 2018 and are applicable to the Group.

The Group has applied the following standards and amendments for the first time for its annual financial year beginning on 1 January 2018:

- IFRS 9 Financial Instruments

  Addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014 and replaced the IAS 39 guidelines on the classification and measurement of financial instruments. IFRS 9 maintains, but simplifies the current mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the business model at the entity and the contractual cash flow characteristics of the financial asset. Investments in equity instruments must be valued at fair value through profit or loss with the irrevocable option when initially presenting changes in fair value through non-recyclable other comprehensive income, provided that the instrument is not held as available for sale. If the equity instrument is held for trade, changes in fair value are presented through profit or loss. In relation to financial liabilities, there have been no changes in terms of classification and measurement, with the exception of the recognition of changes in credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. Under IFRS 9, there is a new impairment model, the estimated credit losses model, which replaced the impairment losses model set out in IAS 39 and that will give rise to the recognition of losses before occurred under IAS 39. IFRS relaxes the requirements concerning the effectiveness of the hedge. Under IAS 39, a hedge must be highly effective, both prospectively and retrospectively. IFRS 9 replaced this approach, requiring an economic relationship between the hedged item and the hedging instrument and requiring the same coverage ratio as the entity uses for its risk management. Contemporaneous documentation is still required, but it differs from the documentation prepared under IAS 39. Finally, broad information is required, including a reconciliation between initial and final amounts of the provision for expected credit losses, assumptions and data, and a reconciliation in the transition between the original classification categories under IAS 39 and the new classification categories under IFRS 9.

  IFRS 9 applies to years starting 1 January 2018 and is retroactive, although there is no need to restate comparative figures.

- IFRS 15 Revenue from Customer Contracts

  In May 2014, the IASB and FASB issued a joint, converged standard on the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer gains control of the good or service sold, i.e. when the customer is able to govern its use as well as benefit from the good or service. This IFRS includes new guidance to determine whether revenue must be recognised over time or at a specific moment in time. IFRS 15 demands ample information about recognised revenue as well revenue that is expected to be recognised in the future as regards existing contracts. It also requires quantitative and qualitative information on significant assessments made by management to determine the revenue to be recognised and on any changes to these assessments.

In April 2016, the IASB amended the standard so as to clarify its most complex aspects without changing its key principles.

IFRS 15 is effective for all years starting from 1 January 2018.

The adoption of these amendments had no material effect on the amounts recognised in the year. Most of the changes will not affect future years.

3.2. Published standards which are not applicable

The Group intends to adopt these standards, interpretations, and amendments thereof published by the IASB but not considered mandatory in the European Union at the date these consolidated financial statements were prepared. However, they will be applied when they come into force. The group's assessment of the impact of these new standards and interpretations is set out below:

(a) IFRS 16 – Leases.

Applicable for years beginning on or after 1 January 2019, the Group plans to adopt the new standard on the required date of application and intends to apply the simplified transition approach and will not restate the comparative figures for the year prior to the first adoption.

Under the new standard, most leases will have to be recorded on the balance sheet as an asset for the right of use and a liability for the amounts payable. The only exceptions are short-term, low-value leases.

At the reporting date, the Group has non-cancellable operating lease commitments. The Group has evaluated the potential effect of IFRS 16 on its Consolidated Financial Statements. in relation to the change in the definition of the lease term and the different treatment of variable lease payments and extension and termination options. The value of assets for right of use and lease liabilities that have to be recognised following the adoption of the new standard comes to 19.57 million euros.

Management does not believe that the impact on its consolidated financial statements will be material.

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

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

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

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

3.4. Comparison of information

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

3.5. Relevant accounting estimates, assumptions and judgments

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

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

(a) Taxes

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

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

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

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

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

Further details on taxes are disclosed in Note 21.

(b) Pension benefits

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

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

Details on the hypotheses used and a sensitivity analysis are provided in Note 17.1.

(c) Provisions for litigation and contingent assets and liabilities

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

The breakdown of provisions for litigations is shown in Note 17.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities are described in Note 17.7.

(d) Other accounting estimates and hypotheses

– Assessment of possible impairment losses on certain assets: (Notes 4.12 and 10).
– Useful life of property, plant, and equipment and intangible assets: (Notes 4.11 and 4.12)
– Measurement of derivative financial instruments: (Note 4.21)

4. Significant accounting principles

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

Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Customer Contracts has on the Group's financial statements.

As explained below, the application of IFRS 9 and 15 have had no significant impact on the Group's financial statements. In both cases, the analysis has been performed retrospectively, but without restating comparative information.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 in terms of the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment in the value of financial assets and hedge accounting

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes to accounting policies and reclassifications of sums recognised in financial statements. The new accounting policies are established in Note 3.1. Pursuant to the transitory provisions of IFRS 9, paragraphs (7.2.15) and (7.2.26), comparative figures have not been restated.

On 1 January 2018 (date on which IFRS 9 first came into force), the Group's management assessed which business models apply to the financial assets held by the Group and reclassified their financial instruments in the corresponding categories under IFRS 9.

There are no changes for significant amounts following the application of the standard.

Derivatives and hedge activities

Exchange rate insurance contracts and raw materials hedge contracts in force on 31 December 2017 classified cash flow hedges as provided for in IFRS 9. The Group's risk management strategies and hedge documentation are in line with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

IFRS 15 Revenue from Customer Contracts

The Group adopted IFRS 9 Revenue from Customer Contracts on 1 January 2018. Pursuant to the transitory provisions of IFRS 15, the Group has adopted the new rules retrospectively, without restating the 2017 figures. In any case, no significant impact has been identified following the application of IFRS 15. See Note 3.1.

A summary of the most significant principles is as follows:

4.1. Going concern basis

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

4.2. Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

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

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

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

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

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

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

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

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

4.3. Effects of changes in foreign exchange rates

(a) Foreign currency transactions and balances

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

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

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

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

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

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

(b) Translation of foreign operations

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

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

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

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

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

Translation differences arising as a result of the sale of foreign businesses recognised in equity are recognised as a single line item in the consolidated income statement when there is a loss of control of such businesses.

4.4. 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: For these purposes, current assets or liabilities are those that meet the following criteria:

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

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

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

4.5. Calculation of fair value

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

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

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

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

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

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

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

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

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

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

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

The fair values for the remaining financial assets and liabilities are disclosed in Notes 13 and 19, respectively.

4.6. Financial instruments- Initial recognition and subsequent measurement

(a) Classification

Since 1 January 2018, the Group has classified its financial assets in the following valuation categories:

- those valued subsequently at fair value (whether through profit or loss or through other comprehensive income), and

- those valued at amortised cost.

The classification depends on the business model at the entity to manage financial assets and the contractual terms of cash flows.

For assets valued at fair value, gains or losses are recognised through profit or loss or through other comprehensive income). For investments in equity instruments that are not held for sale, this will depend on whether the group made an irrevocable choice at the time of the initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group only reclassifies investments in debt when the business model is changed to manage these assets.

(b) Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to buying or selling the asset. Financial assets are derecognised when the rights to cash flows relating to the financial assets expire and the Group has substantially transferred all risks and rewards inherent to ownership.

(c) Measurement

Upon initial recognition, the Group measures a financial asset at its fair value, plus, for financial assets that are not measured at fair value through profit or loss, the costs of the transaction directly attributable to the acquisition of the financial asset. The costs of the financial asset transaction recognised at fair value through profit or loss are recognised as expenses on the income statement.

Financial assets with implicit derivatives are considered as a whole when establishing whether their cash flows are exclusively for the payment of the principal and interest.

Debt instruments

The subsequent measurement of debt instruments depends on the Group's business model to manage the asset and the cash flow characteristics of the asset. There are three measurement categories under which the Group classifies its debt instruments:

- Amortised cost: Assets held for the collection of contractual cash flows, when these flows only represent the payments of principal and interest, are valued at amortised cost. Interests income on these financial assets are included in financial income in accordance with the effective interest rate method. Any gains or losses arising when they are derecognised are directly recognised in profit or loss for the year and appear under other gains/(losses) along with gains and losses on exchange differences. Impairment losses appear as a separate item in the profit and loss statement.

- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and the sale of financial assets, when the cash flows of assets only represent the payments of principal and interest, are valued at fair value through profit or loss Changes in the carrying amount are taken to other comprehensive income, with the exception of the recognition of impairment losses or gains, interest income and gains or losses from exchange differences, which are recognised in the statement of profit or loss. When the financial asset is derecognised, the accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss and recognised in other gains/(losses). Interests income on these financial assets are included in financial income in accordance with the effective interest rate method. Gains and losses on exchange differences are presented in other gains and losses and impairment losses are presented as a separate item on the statement of profit or loss.

- Fair value through other profit or loss: Assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. Gains or losses on a debt investment recognised subsequently at fair value through profit or loss are recognised through profit or loss and presented net on the statement of profit or loss under other gains/(losses) in the year in which they occur.

Equity instruments

The Group subsequently measures all equity investments at fair value. When the Group's management has decided to present gains or losses at the fair value of equity investments through other comprehensive income, there is no subsequent reclassification of gains and losses at fair value through profit or loss following the derecognition of the investment in accounts. Dividends from these investments are recognised in profit or loss for the year as other income when the company's right to receive payments is established.

(d) Impairment

Since 1 January 2018, the Group measures against a prospective base of expected credit losses associated with its assets at amortised cost and fair value through other comprehensive income. The methodology applied for impairments depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group takes the simplified approach permitted under IFRS 9, which requires that expected losses during their useful life are recognised from the initial recognition of the receivables. See Note 12 for further details.

Accounts policies applied prior to 31 December 2017

The comparative information provided continues to be recognised in line with the Group's previous accounts policy.

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivable

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

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group did not hold any significant debt securities classified under this category during 2018 and 2017.

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

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

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

Derecognition

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

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

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

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

(b) Impairment and irrecoverability of financial assets

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

Financial assets carried at amortised cost

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

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

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

(c) Financial liabilities

Financial debt

Financial debt is initially recognised at fair value, net of the costs incurred in the transaction. Subsequently, financial debts are measured at amortised cost. Any difference between the income obtained (net of transaction costs) and the redemption value are recognised in profit or loss during the useful life of the debt in line with the effective interest rate method. Fees paid when taking out loans are recognised as the transaction costs of the loan, insofar as it is likely that part of the facility, or the entire facility, will be drawn down. In this case, fees differ until the amount is drawn down. Insofar as there is no evidence that it is likely that part of the facility, or the entire facility, will be drawn down, the fee is capitalised as an advanced payment for liquidity services and amortised in the period corresponding to the availability of the facility.

Preference shares with mandatory redemption on a specific date are classed as liabilities. Dividends on these preference shares are recognised in the statement of profit or loss as finance costs.

The fair value of the liability component of a convertible bond is established using the market interest rate for an equivalent non-convertible bond. This amount is recognised as a liability on the basis of amortised cost until it is extinguished following the conversion or maturity of the bonds. Other income obtained is assigned to the conversion option that is recognised and included in shareholders' equity, net of the income tax effect.

Finance debt is eliminated from the balance sheet when the commitment in the contract is repaid, cancelled or expires. The difference between the carrying amount of the financial asset that has been cancelled or transferred and the compensation paid, including any asset transferred other than cash or liability assumed, is recognised in the statement of profit or loss as finance income or costs.

When the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish part or all of the liability (debt-for-equity swap), a gain or loss is recognised in the statement of profit or loss for the year for the difference between the carrying amount of the financial liability and the fair value of equity instruments issued.

Finance debt is classified as a current liability unless the Group has an unconditional right to defer the repayment of the liability for at least 12 months after the balance sheet date.

Initial recognition and measurement

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

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

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

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Derecognition

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

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

4.7. Impairment of non-financial assets subject to depreciation or amortisation

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

(a) Calculation of recoverable amount

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

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

(b) Reversal of impairment

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

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

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.

4.8. Revenue recognition

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

Before recognising revenue, the Group:

- identifies the customer contracts
- identifies the separate performance obligation
- establishes the transaction price of the contract
- allocates the transaction price between the separate performance obligations, and
- recognises the revenue when each performance obligation is satisfied

Accounting policies and significant judgements

(a) Sale of artificial casings

The Group manufactures and sells artificial casings for cold meats. Sales are recognised when control of the products is transferred, i.e., when the products are delivered to the customer, this party has full discretion over the product and no obligations have been unfulfilled that may affect the customer's acceptance of the products. The delivery takes place based on agreements with customers (Incoterm) and it is at this time when risks of obsolescence and loss are transferred to the customer, and the Group has proof that all acceptance criteria have been met.

The products are often sold subject to volume discounts over a 12 month period. Income from these sales is recognised based on the price specified in the contract, net of estimated volume discounts. Accumulated experience is used to estimate and provide discounts, using the expected value method and ordinary income are only recognised insofar as it is highly likely that there is no significant reversal. No element of financing is considered to exist, as sales are completed with a credit term of 45-90 days, which is consistent with market practice.

An account receivable is recognised when the assets are delivered, as this is the time at which the consideration is unconditional, as only the passing of time is required for the payment to mature.

Management does not believe there is any significant judgement in terms of these sales.

(b) Sale of energy

Energy sales are recognised as energy is produced and made available to the customer. At this time, it is understood that there are no unfulfilled obligations. These sales are made at regulated tariffs in each location. No element of financing is considered to exist, as sales are completed with a credit term of 60 days.

Management does not believe there is any significant judgement in terms of these sales.

4.9. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the ordinary shares of 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 the ordinary shareholders of the parent 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, 2018 and 2017, 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.

4.10. Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred
- liabilities incurred with former owners of the acquired business
- equity investments issued by the group
- the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- the fair value of any previous equity interest in the subsidiary.

Identifiable assets acquired and contingent liabilities and liabilities assumed in a business combination, with limited exceptions, are initially measured at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-to-acquisition basis at fair value or by the proportionate share of the non-controlling interest in the acquiree's net identifiable assets.

Acquisition-related costs are recognised as an expense when incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the acquiree; and
- the fair value at the acquisition date of any previous equity interest in the acquired entity

the fair value of the identifiable net assets acquired is recognised as goodwill. If those amounts are less than the fair value of the acquired subsidiary's identifiable net assets, the difference is recognised directly in profit or loss as a purchase on very advantageous terms.

When the settlement of any part of the cash consideration is deferred, future amounts payable are discounted to their present value at the exchange date. The discount rate used is the entity's incremental borrowing interest rate, the rate at which a similar loan could be obtained from an independent lender under comparable terms and conditions.

The contingent consideration is classified as equity or financial liability. The amounts classified as a financial liability are subsequently restated to fair value with changes in fair value recognised in profit or loss.

If the business combination is carried out in stages, the carrying amount at the acquisition date of the acquiree's equity interest in the previously-held acquiree is measured again at its fair value at the acquisition date, recognising any resulting gain or loss in profit or loss.

4.11. Intangible assets

(a) Self-constructed assets

Expenditure on research activities is recognised 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 recognised in the consolidated income statement. Expenditure on development that was recognised initially as an expense is not recognised subsequently as part of the cost of an intangible asset. The Group has not capitalised any development expenses.

(b) Other tangible assets

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

Software maintenance costs are expensed as incurred.

(c) Useful lives and amortisation rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At 31 December 2018 and 2017, the Group had no intangible assets with indefinite useful lives, except for Goodwill discussed in Note 9.

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

	Estimate useful life (years)
Development costs	5
Industrial property and Rights of use	5-10
Concession land rights in China	50
Software	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 amortisation methods at the end of each financial year. Changes to initially established criteria are recognised as a change in accounting estimates.

4.12. 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 capitalised with a charge to work performed by the Group on non-current assets in the consolidated income statement.

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

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

(b) amortisation and depreciation

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

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

	Estimate useful life (years)
Buildings	30
Plant and equipment	10
Other installations, tools and furniture	5 - 10
Other tangible assets	3 - 15

The Group reassesses residual values, useful lives, and depreciation methods at the end of each financial year. Changes to initially established criteria are recognised 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 capitalised. Ordinary maintenance costs are expensed as they are incurred.

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

4.13. 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 recognised as non-current assets according to their nature and purpose. Each asset is depreciated/amortised 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 recognised 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 recognised as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit.

Starting 1 January 2019, the Group is expected to apply the new IFRS 16, the impact of which is described in Note 10.

4.14. Inventories

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

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

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

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

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

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

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

Volume discounts from suppliers are recognised when it is probable that the discount conditions will be met. Prompt payment discounts are recognised 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 consumables: the Group only makes adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or lower;

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

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

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

(a) Emission rights

The Viscofan Group records emission rights when it owns them under the "Inventories" heading.

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 recognised as a credit to "Grants" (Note 4.18) in the consolidated statement of financial position. Rights acquired from third parties are recognised at their acquisition cost.

These assets are measured using the cost method. At each year end they are analysed 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 derecognised from the provision made when the CO_2 emissions take place applying the FIFO method (first in, first out).

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

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

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

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

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

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

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

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

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

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

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

4.16. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions. Other short-term, highly-liquid investments are also included under this heading, provided that they were readily convertible into specified amounts of cash and had an original maturity of close to or not exceeding three months.

4.17. Dividend

The interim dividends approved by the Board of Directors in 2018 and 2017 are included as a reduction of the Viscofan Group's equity.

4.18. Government grants

Government grants are recognised 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 recognised at fair value in the same manner, with a debit to deferred income. They are transferred to "Other income" in the consolidated income statement in line with the depreciation of the related asset.

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

(b) Operating subsidies

Operating subsidies are recognised as "Other income" in the consolidated income statement.

Grants received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support not related to future expenses, are recognised as a credit to "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 recognised 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.

4.19. Employee benefits

(a) Liabilities for retirement benefits and other commitments

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

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

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

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

A description of each of the Group's defined benefit pension plans is included in Note 17.1.

(b) Termination benefits

The Group recognizes termination benefits unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and those affected have valid expectations that the process will be carried out, 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) Employee benefits

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

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

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

4.20. Provisions

(a) General criteria

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

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

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

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

(b) Onerous contracts provision

A provision for onerous contracts is recognised 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 provision

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

(d) Emission rights provision

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

4.21. Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is signed and subsequently restated to fair value at each balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The group designates certain derivatives as:

- fair value hedges of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a specific risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the start of the hedging relationship, the Group documents the economic relationship between hedging instruments and the hedged items, including whether it is expected that changes in the cash flows of hedging instruments offset changes in the cash flows of the hedged items. The Group documents its risk management target and strategy to undertake its hedging transactions.

The fair values of derivative financial instruments designated in hedging relationships are broken down in Note 20. Changes to hedging reserves included in shareholders' equity are shown in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives designated and classified as cash flow hedges is recognised under cash flow hedge reserves in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement for the year within other gains/(losses).

When option contracts are used to cover expected transactions, the Group only designates the intrinsic value of the option contract as the hedging instrument. Up until 31 December 2017, the Group classified currency option contracts as derivatives held for sale and recognised at fair value through profit or loss.

The gains or losses corresponding to the effective portion of changes in the intrinsic value of option contracts are recognised under cash flow hedge reserves in equity. Changes in the time value of option contracts related to the hedged item ("aligned time value") are recognised through other comprehensive income under hedge cost reserves in equity.

When forward contracts are used to cover expected transactions, the Group generally only designates the change in fair value of the forward contract relating to the cash component as the hedging instrument. The gains or losses relating to the effective portion of changes in the cash component of forward contracts are recognised under cash flow hedge reserves in equity. Changes in the forward element of the contract related to the hedged item ("aligned forward element") are recognised through other comprehensive income under hedge cost reserves in equity. In some cases, the gains or losses corresponding to the effective portion of changes in the fair value of the entire forward contract are recognised under cash flow hedge reserves in equity.

Accumulated amounts in equity are reclassified in the years when the hedged item affects profit or loss for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both deferred hedge gains and losses and the deferred time value or deferred forward points, as applicable, are included in the initial cost of the asset. Deferred amounts are ultimately recognised in profit for the year, as the hedged item affects profit or loss for the year (for example, via the cost of sales).

- Gains or losses corresponding to the effective portion of interest rate swaps covering floating rate loans are recognised in profit or loss under finance cost at the time as the interest cost on hedged loans.

4.22. 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 recognised 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 recognised, in the same or a different year, directly in equity, or from a business combination.

(a) Taxable temporary differences

Taxable temporary differences are recognised 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.

In the foreseeable future, the group does not intend to dispose of companies or repatriate dividends beyond the profit for the year.

(b) Deductible temporary differences

Deductible temporary differences are recognised provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilised, 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 utilised.

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 realised 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 utilised.

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

(d) Classification and offsetting

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

(e) Investment tax credits

The group has investment tax credits in certain subsidiaries. These tax credits are recorded by reducing the corporate income tax expense for the year in which they are applied.

4.23. Environmental issues

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

Costs incurred from these activities are recognised 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 recognised in the consolidated balance sheet based on the criteria for recognition, measurement, and disclosure detailed in Note 25.

4.24. Related party transactions

Transactions with related parties are accounted for in accordance with the measurement criteria detailed throughout this Note. The only transactions with related parties are detailed in Note 23 on "Information relating to directors of the parent and key management personnel of the Group".

5. Operating income and operating expenses

5.1. Sales and rendered services:

The sales and services provided in the consolidated income statement include the delivery of goods to customers, services rendered in the course of the Group's ordinary activities and the sale of energy, net of sales-related taxes.

The detail of this heading for 2018 and 2017 is as follows:

	Thousands of euros					
	Casings sales		Energy sales		Total sales and rendered services	
	2018	2017	2018	2017	2018	2017
Spain	70,294	70,197	37,729	37,529	108,023	107,726
Other European and Asian countries	339,560	326,421	-	-	339,560	326,421
North America	216,863	221,533	6,957	6,534	223,820	228,067
South America	114,646	115,922	-	-	114,646	115,922
Total	**741,363**	**734,073**	**44,686**	**44,063**	**786,049**	**778,136**

Disaggregation of revenue from customer contracts

Revenue from external customers can be traced to the sale of artificial casings generally made to manufacturers of cold meats, as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems.

In terms of the sale of artificial casings, the Group considers that there is only one type of customer contract: sales correspond to a single performance obligation (sale of casings) and are made at a moment in time.

In terms of the sales of electricity produced, they are recognised as the energy generated by cogeneration systems is produced and delivered, applying the tariffs in force.

As there are no other types of customer contract, the Group has disaggregated sales by geographic location.

5.2. Other operating income:

The breakdown of "Other Operating Income" for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Work performed by the Group on non-current assets	1,796	262
Capital Grants (Note 16)	637	637
Other Grants	1,357	2,221
Emission rights	43	53
Other income	19,603	14,124
Total other income	**23,436**	**17,297**

During 2018, Other income includes the amount of €15.4 million corresponding to compensation for patent infringement (€8.5 million) and the amount received resulting from the agreement reached with Crown Food España S.A.U. to end the legal action between both companies (€6.9 million).

In 2017, under this same item, €11 million were recognised corresponding to compensation for the fire in November 2016 at a spare parts warehouse on the site belonging to Naturin GmbH.

There is no breach of the conditions or contingencies associated to grants received.

5.3. Personnel expenses

The breakdown of "Personnel expenses" in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Wages and salaries	144,786	140,737
Indemnity payments	1,123	743
Current service cost of defined benefits (Note 17.1)	335	358
Social security contributions	28,231	27,354
Other welfare benefits and taxes	14,660	15,088
Total staff costs	**189,135**	**184,280**

Group employees during 2018 and 2017, by professional category and gender, were as follows:

	Year 2018					
	Executives	Technicians and supervisors	Administra-tives	Specialised personnel	Operators	*Total*
Men	98	804	49	647	1,676	*3,274*
Women	17	288	163	218	649	*1,335*
Total headcount at the end of year	115	1,092	212	865	2,325	*4,609*
Average number of employees (*)	109	1,095	231	823	2,383	*4,641*

(*) The workforce of the Globus companies in Australia and New Zealand, acquired in November 2018, is not included in the scope. The Viscofan Group is in the process of integrating these companies, which will make it possible to obtain and unify information related to labour management.

	Year 2017					
	Executives	Technicians and supervisors	Administra-tives	Specialised personnel	Operators	*Total*
Men	87	782	62	671	1,735	*3,337*
Women	15	280	145	241	730	*1,411*
Total headcount at the end of year	102	1,062	207	912	2,465	*4,748*
Average number of employees	99	1,028	191	879	2,357	*4,554*

Four parent employees have a recognized degree of disability equal to or higher than the legally-stipulated 33%, this information is given in accordance to Royal Decree 602/2016 of December 2. The breakdown by professional cathegory are 3 operators and 1 administrative employee.

In 2017, this figure stood at five employees: the breakdown by professional category was 3 operators, 1 administrative and 1 technician/middle management.

Due to the circumstances of the production process, since 3 May 2017, Viscofan S.A. has recognised, through Resolution 1187 of the Managing Director of the Navarre Employment Service, the recognition of exceptionality that justifies adopting alternative measures to comply with the reserve quota in favour of disabled workers and authorises, as an alternative measure, the conclusion of civil or commercial contracts with Special Employment Centres, for a period of three years.

5.4. Other operating expenses

The detail of "Other operating expenses" for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Research and development costs	2,517	2,535
Repair and maintenance	27,518	29,271
Environment	4,684	3,797
Power supplies	54,011	51,371
Plant expenses (surveillance, cleaning and others)	23,595	24,594
Leasing expenses	6,714	6,652
Insurance premium	4,519	4,477
Taxes	5,368	5,640
Administrative and sales costs	51,157	52,231
Other expenses	9,125	9,321
Other operating expenses	**189,208**	**189,889**

"Plant expenses" includes, among other things, the works carried out at the Weinheim plant (Germany) as a result of the fire that occurred in November 2016 and which lasted until the first half of 2017.

"Other expenses" includes those corresponding to the acquisition of the Transform Pack Inc. and Globus Group Australia and New Zealand, amounting to 1,419 thousand euros. Expenses relating to the acquisition of the Supralon Group companies amounting to 598 thousand euros were included in 2017.

5.5. Financial income and expense

The breakdown of financial income and expenses for 2018 and 2017, according to the origin of the items making it up, is as follows:

	Thousands of euros	
	2018	2017
Financial income	309	279
Bank borrowings and other financial liabilities	(1,705)	(1,431)
Net finance cost of pension plans	(429)	(415)
Financial expense	(2,134)	(1,846)
Losses on non-trade receivables	4	527
Exchange gains	18,588	12,370
Exchange losses	(15,789)	(20,826)
Exchange gains (losses)	2,799	(8,456)
Financial income (expenses) total	978	(9,496)

6. Earnings per share

6.1. Basic

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

	2018	2017
Average number of ordinary shares in circulation	46,603,682	46,603,682
Effect of treasury shares	-10,996	-
Weighted average number of ordinary shares in circulation at 31 December	46,592,686	46,603,682

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

	Thousands of euros	
	2018	2017
Weighted average number of ordinary shares in circulation	46,592,686	46,603,682
Profit attributable to shareholders in the parent company	123,833	122,101
Basic earnings per share (in euros)	**2.6578**	**2.6200**

6.2. 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.

7. Segment reporting

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

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

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

c) for which discrete financial information is available.

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

The Group also carries out production-related activities, and sells electricity through its cogeneration plants in Spain, Mexico, and Germany. These cogeneration activities have three aims: to decrease the cost of electricity while remaining self-sufficient, and at the same time reducing CO_2 emissions. Although the plants located in Spain and Mexico sell part of the energy produced to third parties, these activities are not organised as business segments, nor are they contemplated as business units to be reported on per se.

The main financial indicators by segment during 2018 and 2017 are as follows:

	Thousands of euros					
2018	Spain	Other European and Asian countries	North America	South America	Eliminations and other	*Consolidated*
Revenue from external customers	108,023	339,560	223,820	114,646	-	*786,049*
Revenue from other segments	83,809	237,418	80,365	31,428	(433,020)	-
Total revenue	191,832	576,978	304,185	146,074	(433,020)	*786,049*
Depreciation and amortization	(17,147)	(27,138)	(10,880)	(7,273)	-	*(62,438)*
Finance income	35	63	140	71	-	*309*
Finance costs	(765)	(612)	(284)	(473)	-	*(2,134)*
Exchange differences	(570)	1,179	107	2,083	-	*2,799*
Segment pre-tax profit	**30,363**	**75,501**	**7,560**	**34,301**	**(426)**	***147,299***
Total assets	**229,410**	**474,997**	**253,295**	**162,815**	**(86,775)**	***1,033,742***
Total equity and liabilities	**133,758**	**131,364**	**88,284**	**23,746**	**(101,036)**	***276,116***
Acquisition of assets	**27,636**	**27,192**	**9,729**	**7,036**	**-**	***71,593***

	Thousands of euros					
Year 2017	Spain	Other European and Asian countries	North America	South America	Eliminations and other	*Consolidated*
Revenue from external customer	107,726	326,421	228,067	115,922	-	*778,136*
Revenue from inter-segment	79,057	239,977	92,826	29,859	(441,719)	-
Total revenue	186,783	566,398	320,893	145,781	(441,719)	*778,136*
Depreciation and amortization	(13,576)	(23,974)	(10,849)	(7,983)	-	*(56,382)*
Finance revenue	15	65	157	42	-	*279*
Finance costs	(752)	(584)	(467)	(43)	-	*(1,846)*
Exchange differences	(2,391)	(5,585)	132	(612)	-	*(8,456)*
Segment profit	**19,577**	**79,310**	**18,009**	**28,417**	**44**	***145,357***
Total assets	**215,248**	**426,051**	**226,021**	**163,354**	**(69,870)**	***960,804***
Total equity and liabilities	**114,425**	**106,118**	**70,681**	**23,961**	**(82,062)**	***233,123***
Acquisition of assets	**54,220**	**35,523**	**10,538**	**6,882**	**-**	***107,163***

8. Business combinations

8.1 Acquisitions in 2018

a) Transform Pack Inc.

In February 2018, 100% of the shares of Transform Pack Inc. were purchased.

The fair value of the consideration at the acquisition date amounted to 2,232 thousand euros, 1,793 thousand euros of which were paid for in cash in 2018, leaving 439 thousand euros as a deferred amount that could be reduced by achieving certain sales goals included in the contract.

The incorporation of Transform Pack, its innovative spirit, combined with the know-how of Viscofan, our productive portfolio and our commercial network, opens up new opportunities that expand the range of solutions available on the market and that will make the development of this type of product available in many countries worldwide.

Amounts recognised at the acquisition date of the assets, liabilities, and contingent liabilities were recognised at their fair value, are as follow:

	Thousands of euros
Intangible assets (Note 9)	1,361
Property, plant and equipment (Note 10)	148
Deferred tax assets	243
Inventories	56
Receivables	55
Cash and cash equivalents	32
Total assets	**1,895**
Payables	(187)
Deferred tax liabilities	(340)
Total liabilities	**(527)**
Total identifiable net assets	**1,368**
Goodwill	864
Total purchase price	**2,232**

The goodwill generated and measured at cost amounts to 864 thousand euros, being the excess of the aggregate of the consideration transferred over the fair value of assets acquired and liabilities assumed.

The acquired business generated consolidated losses for the period for the Group amounting to 480 thousand euros during the period ranging from the acquisition date and year end, and revenue totalling 99 thousand euros, which were incorporated in the consolidated income statement.

Revenue generated during the entire year from the acquired business totalled 280 thousand euros, with net ordinary total losses of 1,069 thousand euros.

b) Globus Group Australia and New Zealand

In November 2018, 100% of the shares of Globus Group Australia and New Zealand were purchased.

The fair value of the consideration at the acquisition date amounted to 6,296 thousand euros, 5,536 thousand euros of which were paid for in cash in 2018, leaving 760 thousand euros as a deferred amount that could be reduced by achieving certain sales goals included in the contract.

The inclusion of Globus means that we will continue to expand our commercial and productive presence on a new continent, including the knowledge of this market and providing our customers with a better service and new solutions.

Amounts recognised at the acquisition date of the assets, liabilities, and contingent liabilities were recognised at their fair value, are as follow:

	Thousands of euros
Intangible assets (Note 9)	632
Property, plant and equipment (Note 10)	4,569
Inventories	13,703
Receivables	7,606
Cash and cash equivalents	168
Total assets	**26,678**
Current financial liabilities	(2,408)
Payables	(11,491)
Deferred tax liabilities	(997)
Total liabilities	**(14,896)**
Total identifiable net assets	**11,782**
Negative differences from business combinations	(5,486)
Total purchase price	**6,296**

The acquired business generated consolidated losses for the period for the Group amounting to 217 thousand euros during the period ranging from the acquisition date and year end, and revenue totalling 2,391 thousand euros, which were incorporated in the consolidated income statement.

Revenue generated during the 2018 tax year (July 2017 - June 2018) from the acquired business totals 34,396 thousand euros, with a net ordinary total of 91 thousand euros.

The profit arising from the transaction totalled 5,486 thousand euros, and is recognised on the consolidated income statement under “Negative difference on business combinations.”

The most relevant factors contributing to the generation of a negative difference on business combinations is primarily attributable to the company's need for a strategic lift and the impact of the depreciation of the Australian dollar on last year's statement of profit or loss.

Net assets recognised on the financial statements on 31 December 2018 were definitively measured at fair value for both tangible and intangible assets. The Group used an independent expert to carry out the main valuations.

8.2 Acquisitions in 2017

In November 2017, the Group, through its subsidiary Naturin Viscofan GmbH, acquired 100% of the shares of Supralon International AG and Supralon Verpackungs AG, including their subsidiaries (Supralon Produktions und Vertriebs GmbH and Supralon France SARL).

The fair value of the compensation received at the acquisition date amounted to 12 million euros, 10,5 million euros of which were paid in cash; an agreement was reached to pay the remainder in instalments.

With this acquisition, the Viscofan Group strengthens its position in plastics technology, broadens its product range and improves its supply capacity in Europe, one of the main markets for this type of casings.

Amounts recognised at the date of the assets, liabilities, and contingent liabilities were recognised at their fair value, are as follow:

	Thousands of euros
Intangible assets (Note 9)	1,403
Property, plant and equipment (Note 10)	4,843
Inventories	2,515
Receivables	2,968
Cash and cash equivalents	2,008
Total assets	**13,737**
Non-current financial liabilities	(279)
Current financial liabilities	(197)
Payables	(1,505)
Deferred tax liabilities	(1,142)
Total liabilities	**(3,123)**
Total identififiable net assets	**10,614**
Goodwill	1,386
Total purchase price	**12,000**

The goodwill generated and measured at cost amounted to 1,386 thousand euros, being the excess of the aggregate of the consideration transferred over the fair value of assets acquired and liabilities assumed.

The acquired business generated a consolidated profit for the period for the Group amounting to 203 thousand euros during the period ranging from the acquisition date and year end, and revenue totalling 1,807 thousand euros, which were incorporated in the consolidated income statement.

Revenue generated during the entire year from the acquired business totalled 17,042 thousand euros, with net ordinary losses of 213 thousand euros.

Net assets recognised on the 2017 financial statements were definitively measurements at fair value; obtained through an independent valuation of the land, buildings and machinery owned by Supralon Verpackungs AG and its subsidiaries. The remaining acquired net assets were also valued, including those which are intangible. The Group used an independent expert to carry out the main valuations.

9. Intangible assets

The breakdown and movements in other intangible assets during 2018 and 2017 are as follows:

	Thousands of euros							
	Customer portfolio	Software	Concessions, patents, licenses and use rights	Development	Goodwill (Note 8)	Prepayments	Amortization	*Total*
Balance at 1 January 2017	**621**	**32,882**	**20,131**	**-**	**3,520**	**239**	**(40,968)**	***16,425***
Translation differences	-	(1,188)	(1,292)	-	-	-	2,306	*(174)*
Inclusions (Note 8.2)	-	12	1,391	-	1,386	-	-	*2,789*
Additions	-	3,434	191	-	-	121	(3,488)	*258*
Disposals	-	(5)	-	-	-	-	-	*(5)*
Transfers	-	186	-	-	-	(183)	(3)	-
Balance at 31 December 2017	**621**	**35,321**	**20,421**	**-**	**4,906**	**177**	**(42,153)**	***19,293***
Translation differences	-	117	358	-	163	(5)	(489)	*144*
Inclusions (Note 8.1)	-	-	1,993	-	864	-	-	*2,857*
Additions	-	2,463	9	1,541	-	423	(3,801)	*635*
Disposals	-	(18)	(11)	-	-	(14)	29	*(14)*
Transfers	-	342	(244)	244	-	(342)	-	-
Balance at 31 December 2018	**621**	**38,225**	**22,526**	**1,785**	**5,933**	**239**	**(46,414)**	***22,915***

Net balances of this heading at December 31, 2018 and 2017 are the following:

	Thousands of euros					
	31.12.2018			31.12.2017		
	Cost	Amortization	*Total*	Cost	Amortization	*Total*
Customer portfolio	621	(154)	*467*	621	(124)	*497*
Software	38,225	(29,735)	*8,490*	35,321	(26,596)	*8,725*
Concessions, patents, licenses and use rights	22,526	(16,525)	*6,001*	20,421	(15,433)	*4,988*
Development	1,785	-	*1,785*	-	-	-
Good will (Note 8)	5,933	-	*5,933*	4,906	-	*4,906*
Prepayments	239	-	*239*	177	-	*177*
TOTAL	69,329	(46,414)	*22,915*	61,446	(42,153)	*19,293*

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

Details of the cost of fully amortized intangible assets in use at December 31, 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Software	22,704	19,926
Concessions, patents, licenses and use rights	12,544	12,917
Fully anortizated intangible assets	**35,248**	**32,843**

<u>Impairment test</u>

Below, we provide details of the calculation used in the impairment test for the different goodwill recognised at 31 December 2018.

a) Nanopack Technology & Packaging, S,L,

Goodwill for the sum of 3,520 thousand euros, recognised on the Group's consolidated balance sheet corresponds to Nanopack Technology & Packaging, S.L.; its CGU corresponds to the legal company or subgroup. It engages in manufacturing and marketing of film plastics and new products based on the acquired technology and its expected development.

The company acquired in 2015 is a start-up that is extremely focused on R&D&i in plastics technology in which they had made promising progress. As befits any company with these characteristics, it needs investment and commercial support to launch its novel products onto the market. After an improvement in CGU's revenue in 2018, it is expected to continue with increases in revenue in 2019, once the new products with high added value go on sale and following the completion of the stages prior to their launch, and once important customer accounts are consolidated following sales efforts underway, thus accelerating the foundations for growth in the future.

During 2017, the second complete year within the Group, Viscofan continued investing in increasing capacity and plant and equipment by following the initial plan, based on the forecasts of future growth expected by the Management, which is coherent with the long-term view and industrial vision of the Viscofan Group.

The assumptions include an increasing volume of sales during the first year's activity. 5-year projections were done, in which Management established forecasted revenue figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), market, competition scenarios, information on new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

The main assumption affecting cash flows arise from the projections made based on hypotheses on increases in average volumes and use of the installed capacity, as well as increases in sales prices and moderate costs.

The residual growth rate stands at 1.5%, in line with estimated long-term growth. The pre-tax discount rate is 9.4%.

The investments made in 2017 make it possible to achieve the level of production required to satisfy sales of the last projected year on which the residual value is calculated. Current investments should suffice to ensure that the plant remains operational and competitive.

The estimated residual value included a sustainable average flow and a growth rate of 1.5%. The sustainable average flow corresponds to cash flows during the last projected period.

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply the recognition of impairment.

- Sensitivity to reasonably possible changes in revenue does not entail the need to record any impairment losses.

The consolidated carrying amount totalled 6,228 thousand euros (goodwill totalling 3,520 thousand, with PP&E items amounting to 2,708 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2018, there were no indications that any impairment losses should be recorded.

b) CGU Supralon Group

Goodwill for the sum of 1,549 thousand euros, recognised on the Group's consolidated balance sheet corresponds to the Supralon Group, whose CGU corresponds to the legal company or subgroup, dedicated to the production and distribution of casings for the meat industry.

The company, acquired in 2017, is a company with a productive presence in Germany and commercial distribution in the main European markets.

During 2018, the first complete year within the Group, Viscofan continued investing and focussed efforts on optimising commercial resources and access to new customer accounts, following the initial plan set out by the Viscofan Group.

The assumptions include an increasing volume of sales during the first year's activity. 5-year projections were done, in which Management established forecasted business figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), market, competition scenarios, information on new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

The residual growth rate stands at 1.5%, in line with estimated long-term growth. The pre-tax discount rate is 9.4%.

The estimated residual value included a sustainable average flow and a growth rate of 1.5%. The sustainable average flow corresponds to cash flows during the last projected period.

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply the recognition of impairment.

- Sensitivity to reasonably possible changes in revenue does not entail the need to record any impairment losses.

The consolidated carrying amount totalled 7,204 thousand euros (goodwill totalling 1,549 thousand, with PP&E items amounting to 5,655 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2018, there were no indications that any impairment losses should be recorded.

c) Transform Pack Inc.

Goodwill for the sum of 864 thousand euros, recognised on the Group's consolidated balance sheet corresponds to the Transform Park Inc. whose CGU corresponds to the legal company or subgroup.

Transform Pack Inc., based in Moncton (Canada), is a pioneering company in the industry that is defined by the development of innovative products with value-added technology. Worth particular mention are the casings capable of transferring ingredients: spices, flavours, aromas and colours to cold meats and other meat products in natura. Transform Pack Inc. products significantly facilitate certain production processes of our customers and improve the consumer experience.

The incorporation of the Transform Pack Inc. team, its innovative spirit, combined with the know-how of Viscofan, our productive portfolio and our commercial network, opens up new opportunities that expand the range of solutions available on the market and that will make the development of this type of product available in many countries worldwide.

The assumptions include an increasing volume of sales during the first year's activity. 5-year projections were done, in which Management established forecasted revenue figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), market, competition scenarios, information on new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

The residual growth rate stands at 1.5%, in line with estimated long-term growth. The pre-tax discount rate is 9.4%.

The estimated residual value included a sustainable average flow and a growth rate of 1.5%. The sustainable average flow corresponds to cash flows during the last projected period.

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply the recognition of impairment.

- Sensitivity to reasonably possible changes in revenue does not entail the need to record any impairment losses.

The consolidated carrying amount totalled 2,446 thousand euros (goodwill totalling 835 thousand, with PP&E items amounting to 1,611 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2018, there were no indications that any impairment losses should be recorded.

10. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2018 and 2017 are as follows:

	Thousands of euros							
	Land and buildings	Plant and machinery	Other install., equip. and furniture	Other property, plant and equipment	Advances and assets under construct.	Amorti-zation	Impairment	*Total*
Balance at January 1, 2017	**234,275**	**725,432**	**83,342**	**30,500**	**33,511**	**(674,795)**	**(355)**	***431,910***
Translation differences	(5,722)	(29,834)	(872)	(1,611)	(246)	21,639	(10)	*(16,656)*
Acquisition of a subsidiary (Note 8.2)	4,170	545	7	116	5	-	-	*4,843*
Additions	12,042	17,695	3,895	2,006	67,779	(52,894)	72	*50,595*
Disposals	(3,250)	(3,328)	(240)	(892)	(353)	7,031	139	*(893)*
Transfers	9,333	39,305	1,339	777	(50,757)	3	-	-
Balance at December 31, 2017	**250,848**	**749,815**	**87,471**	**30,896**	**49,939**	**(699,016)**	**(154)**	***469,799***
Translation differences	(1,658)	(2,361)	(397)	236	27	1,400	-	*(2,753)*
Acquisition of a subsidiary (Note 8.1)	-	3,912	60	745	-	-	-	*4,717*
Additions	3,530	21,523	5,401	3,049	33,654	(58,637)	(371)	*8,149*
Disposals	(194)	(2,630)	(1,268)	(756)	(127)	4,537	5	*(433)*
Transfers	4,713	43,659	11,815	537	(59,933)	(791)	-	-
Balance at December 31, 2018	**257,239**	**813,918**	**103,082**	**34,707**	**23,560**	**(752,507)**	**(520)**	***479,479***

Net balances of this heading at December 31, 2018 and 2017 are the following:

	Thousands of euros					
	31.12.2018			31.12.2017		
	Cost	Depreciation and impairment	*Total*	Cost	Depreciation and impairment	*Total*
Land and buildings	257,239	(111,537)	*145,702*	250,848	(105,307)	*145,541*
Plant and machinery	813,918	(547,380)	*266,538*	749,815	(504,881)	*244,934*
Other installations, equipment and furniture	103,082	(69,872)	*33,210*	87,471	(66,815)	*20,656*
Other property, plant and equipment	34,707	(24,238)	*10,469*	30,896	(22,167)	*8,729*
Advances and assets under construction	23,560	-	*23,560*	49,939	-	*49,939*
TOTAL	1,232,506	(753,027)	*479,479*	1,168,969	(699,170)	*469,799*

In 2018, investments in property, plant and equipment in the Group totalled 67,157 thousand euros. The main projects have been the completion of the Cáseda plant (Spain), the installation of new technology to manufacture viscose-based casings and the installation and commissioning of a new edible collagen capacity in Serbia.

In 2017, investments in property, plant and equipment in the Group totalled 103,417 thousand euros. The main projects were the construction of a new plant to install fibrous production in Cáseda (Spain), improvement of capacity and processes in cellulose, fibrous, plastic and collagen, energy optimisation improvements as well as improving safety conditions in various facilities.

Details of fully depreciated property, plant, and equipment in use at December 31, 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Buildings	37,728	37,677
Plant and machinery	348,653	348,869
Other installations, equipment and furniture	54,524	51,669
Other property, plant and equipment	16,927	14,343
Fully depreciated property, plant and equipment	**457,832**	**452,558**

Certain Group's buildings, plant, and equipment were partly financed by government grants of 274 and 181 thousand euros in 2018 and 2017, respectively (Note 16).

The Group has insurance policies covering the various risks to which its items of property, plant, and equipment are exposed. The coverage of these policies is considered sufficient.

Within the framework of the annual investment plan, at year-end 2018 there were commitments to acquire PP&E for 4,850 thousand euros, which was mainly related to the improvement of technological processes.

At year-end 2017 there were commitments to acquire PP&E for 7,000 thousand euros, which was mainly related to the reconstruction of the building that burned down in Germany and innovation in technological processes.

Finance leases

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

	Thousands of euros	
	Cost	Amortization
At January 1, 2017	1,154	(575)
Net movement	(209)	9
At December 31, 2017	**945**	**(566)**
Net movement	28	(91)
At December 31, 2018	**973**	**(657)**

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

	Thousands of euros			
	2018		2017	
	Minimum payments (Note 19)	Interest	Minimum payments (Note 19)	Interest
Up to one year	35	1	157	5
Between one and five years	28	1	33	1
Total	63	2	190	6

Operating leases

The Group leases various warehouses and other PP&E items in various countries.

Lease-related expenses during the year totalled 6,714 thousand euros (2017: 6,652 thousand euros - Note 5.4).

The Group has assessed the potential effect of IFRS 16 on its consolidated financial statements, with the value of use right assets as follows:

	Thousands of euros			
2018	Up to one year	Between one and five years	More than five years	*Total*
Buildings	2,737	10,111	4,871	*17,719*
Machinery and other equipment	120	147	17	*284*
Other property, plant and equipment	759	804	3	*1,566*
Total	3,616	11,062	4,891	*19,569*

Commitments in 2018 have not substantially differed from those in 2017.

The minimum future payments on these contracts, by nature of the fixed assets in 2017, came to 7,613 thousand euros. The difference between the two periods corresponds to the estimates made to calculate future payments to be made under the new standard, IFRS 16, applicable from 1 January 2019.

	Thousands of euros			
2017	Up to one year	Between one and five years	More than five years	*Total*
Buildings	1,028	1,716	241	*2,985*
Machinery and other equipment	969	1,995	43	*3,007*
Vehicles	842	779		*1,621*
Total	**2,839**	**4,490**	**284**	***7,613***

Impairment test

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

11. Inventories

Details of inventories at December 31, 2018 and 2017 are as follows:

	Thousands of euros	
	2018	**2017**
Raw materials and other supplies	74,199	62,931
Semi-finished products	61,342	58,730
Finished products	134,666	107,678
Goods for resale	9,808	5,609
Greenhouse gas emission rights	2,610	2,064
Prepayments to suppliers	1,716	1,518
Total Inventories	**284,341**	**238,530**

The valuation adjustments in 2018, corresponding to impairment and obsolescence, entailed an expense of 1,696 thousand euros (an income of 139 thousand euros in 2017 and they are recognised under "Consumption of raw materials and other consumables" and “Changes in inventory of finished goods and work in progress” on the consolidated income statement and are recognised under "Consumption of raw materials and other consumables" and “Changes in inventory of finished goods and work in progress” on the consolidated income statement.

The emission rights consumed by the Company during 2018 and 2017 amounted to 258,960 and 250,324 tons, respectively.

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

12. Trade and other receivables

12.1. Trade and other receivables

The breakdown for "Trade and other receivables" at December 31, 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Trade receivables	153,015	143,673
Other receivables	1,804	3,454
Employee advances	237	343
Provisions for bad debts	(3,264)	(3,388)
Total trade and oher receivables	**151,792**	**144,082**

At December 31, 2018 and 2017, the age of balances receivable related to sales based on their maturity is the following:

	Thousands of euros					
	Not due	Due not impaired				
		< 30 days	31-60 days	61-90 days	> 90 days	*Total*
2018	131,523	15,673	3,077	785	734	*151,792*
2017	125,739	15,094	2,240	259	750	*144,082*

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

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

	Thousands of euros	
	2018	2017
Balance at 1 January	**(3,388)**	**(2,512)**
Translation differences	118	80
Provisions	(431)	(1,570)
Applications	437	614
Balance at 31 December	**(3,264)**	**(3,388)**

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

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

	Thousands of euros							
	Euros	US dollars	Czeck crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	52,645	62,173	8	18,728	969	8,597	8,672	*151,792*
2017	54,452	62,021	20	17,061	495	7,151	2,882	*144,082*

12.2. Receivables from public administrations

At December 31, 2018 and 2017, balances receivable from public administrations are as follows:

	Thousands of euros	
	2018	2017
VAT receivable	19,676	22,598
Other public authorities	1,065	1,620
Balance at 31 December	**20,741**	**24,218**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	5,954	-	617	10,007	2,118	64	1,981	*20,741*
2017	10,847	-	716	5,849	4,824	-	1,982	*24,218*

In 2018, VAT payable includes a balance to be recovered by ICMS (Brazilian VAT equivalent) amounting to 3,785 thousand euros. In this regard, Viscofan do Brasil has taken steps to enable it to compensate and recover these balances in the short term (see Note 13).

Impairment losses on financial assets

Trade and other receivables are subject to the expected credit loss model. However, the impairment identified is immaterial.

Cash and cash equivalents is also subject to the impairment requirements under IFRS 9, although the impairment identified is also immaterial.

To establish the expected credit loss, the Group applies the simplified approach set out under IFRS 9.

To measure expected credit loss, trade receivables have been grouped together based on the characteristics of the shared credit risk and the days past due.

The expected loss rates are based on the payment profiles of sales during a 36-month period prior to 1 January 2018 and the corresponding historic credit losses experienced during this period. Historic loss rates are adjusted to reflect annual, forward-looking information about macroeconomic factors that affect the ability of customers to repay accounts receivable.

Furthermore, the Group impairs these accounts receivable by assessing the specific risks of irrecoverability, as was the case in the previous year, to establish whether there is objective evidence that impairment has occurred. The Group considers that impairment occurs when the debtor experiences significant financial difficulties or when there is a non-payment or delay in payments of more than 180 days.

The accounts receivable for which an impairment provision was recognised are eliminated against the provision when there is no expectation that additional cash will be recorded.

13. Current and non-current financial assets

All derivative financial instruments at 31 December 2018 and 2017 are included in level 2: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

The breakdown at 31 December 2018 and 2017 of these current and non-current financial assets not including trade and other receivables is as follows:

	Thousands of euros				
		Measured at fair value			
	Amotised cost	With changes in P&L	With changes in OCI	*Carrying amount*	*Fair value*
Financial investments	1,726	266	-	*1,992*	*1,992*
Cash flow hedges	-	-	13	*13*	*13*
Guarantees and deposits	623	-	-	*623*	*623*
Non-current financial assets	**2,349**	**266**	**13**	***2,628***	***2,628***
Equity instruments	-	730	-	*730*	*730*
Loans and other receivables	57	-	-	*57*	*57*
Short term deposits	7,646	-	-	*7,646*	*7,646*
Cash flow hedges	-	41	701	*742*	*742*
Current financial assets	**7,703**	**771**	**701**	***9,175***	***9,175***
Total at 31 December 2018	**10,052**	**1,037**	**714**	***11,803***	***11,803***

	Thousands of euros				
	Loans and receivables	Available-for-sale	Hedges	*Carrying amount*	*Fair value*
Financial investments	7,884	266	-	*8,150*	*8,150*
Cash flow hedges	-	-	322	*322*	*322*
Guarantees and deposits	677	-	-	*677*	*677*
Non-current financial assets	**8,561**	**266**	**322**	***9,149***	***9,149***
Current deposits	-	750	-	*750*	*750*
Guarantees and deposits	40	-	-	*40*	*40*
Cash flow hedges	-	-	2,767	*2,767*	*2,767*
Current financial assets	**40**	**750**	**2,767**	***3,557***	***3,557***
Total at December 31, 2017	**8,601**	**1,016**	**3,089**	***12,706***	***12,706***

Within the sum of financial investments, the recoverable balance of ICMS (Brazilian VAT equivalent) is included, for the sum of 6,439 thousand euros. In the State of Sao Paulo, ICMS on imports is borne at a rate of 18%, whilst the ICMS charged depends on the State in which sales are made and can oscillate between 4% and 18% in the State of Sao Paulo alone. This is the reason for the debit ICMS balance which, the Sao Paulo state's tax authorities only permit recovery through offsetting against other balances generated by the same tax. In this regard, Viscofan do Brasil took steps to enable it to compensate and recover them within an estimated 2-3 years period.

A breakdown of financial instruments by maturity is as follows:

	Thousands of euros						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	*Total*
Cash flow hedges	742	13	-	-	-	-	*755*
Other financial assets	8,433	1,195	184	291	184	761	*11,048*
Total at December 31, 2018	**9,175**	**1,208**	**184**	**291**	**184**	**761**	***11,803***

	Thousands of euros						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	*Total*
Cash flow hedges	2,767	322	-	-	-	-	*3,089*
Other financial assets	790	7,065	157	82	63	1,460	*9,617*
Total at December 31, 2017	**3,557**	**7,387**	**157**	**82**	**63**	**1,460**	***12,706***

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	2,250	692	163	899	8	7,786	5	*11,803*
2017	4,974	281	504	6,798	8	135	6	*12,706*

Impairment losses on financial assets

All debt investments by the entity at amortised cost and at fair value through profit or loss and through other comprehensive income are considered as being under credit risk and, therefore, the value adjustment recognised during the year is limited to the losses expected in 12 months. The management believes that the investment is "low risk" when the risk of non-payment is low and the issuer has a strong ability to fulfil its contractual cash flow obligations in the short term.

The Group has not recognised any impairment in relation to these assets at 31 December 2018 (or 31 December 2017).

14. Cash and cash equivalents

"Cash and cash equivalents" at December, 31 2018 and 2017 correspond entirely to balances held by the Group in cash and credit accounts, and an account which earns interest at market rates. The Group had no banking overdrafts during the periods, with all its balances freely distributable.

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	9,010	9,788	896	1,245	1,549	6,370	2,192	*31,050*
2017	11,953	5,904	615	1,505	610	4,309	3,247	*28,143*

15. Equity

15.1. Share capital

At 31 December 2018 and 31 December 2017, the parent's share capital consisted of 46,603,682 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The shares were fully subscribed and paid in. The total capital value amounts to 32,623 thousand euros.

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

At December 31, 2018 and 2017, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of stakeholding	
	2018	2017
Corporación Financiera Alba, S. A.	13.00	11.32
APG Asset Management N.V.	10.07	5.17
Angustias y Sol, S.L.	5.27	5.00
Norges Bank	5.20	4.96
Marathon Asset Management, LLP.	4.93	4.93

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of 19 October, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, no notification was received at year-end 2018 and 2017.

Capital management

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

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

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

The Viscofan Group's primary objective is to maintain a healthy capital position. The leverage ratios as well as the analysis of net debt, at 31 December 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Cash and cash equivalents (Note 14)	31,050	28,143
Other S.T. financial assets (Note 13)	9,175	3,557
Financial liabilities (Note 19)	(136,465)	(93,722)
Total net financial debt	**(96,240)**	**(62,022)**
Total equity	**(757,626)**	**(727,681)**
Leverage ratio	**12.7%**	**8.5%**

	Thousands of euros	
	2018	2017
Cash and cash equivalents (Note 14)	31,050	28,143
Other financial assets, S.T. (Note 13)	9,175	3,557
Financial debt repayable in one year (Note 19)	(79,494)	(19,386)
Financial debt repayable in more than one year (Note 19)	(56,971)	(74,336)
Net debt	(96,240)	(62,022)

	Thousands of euros	
	2018	2017
Cash and cash equivalents (Note 14)	31,050	28,143
Other financial assets, S.T. (Note 13)	9,175	3,557
Gross debt at fixed interest rates	(88,479)	(77,811)
Gross debt at variable interest rates (Note 22.4)	(47,986)	(15,911)
Net debt	(96,240)	(62,022)

The change in net debt, at 31 December 2018 and 2017 is as follows:

	Thousands of euros								
			Liabilities included in cash flows from financing activities						
	Cash and cash equivalents	Other financial assets, S.T.	S.T. Financial debt	L.T. Financial debt	Interest	Assets suppliers	Other financial liabilites, S.T.	Other financial liabilites, L.T.	Total net debt
Balance at 1 January 2017	**45,054**	**1,460**	**(11,516)**	**(42,147)**	**(181)**	**(11,631)**	**(6,791)**	**(12,720)**	**(38,472)**
Cash flow	(15,849)	776	11,382	(28,211)	1,836	111,561	1,016	(958)	81,553
Adquisitions and other non-monetary changes	-	-	(6,598)	6,598	(1,892)	(107,163)	(1,782)	1,782	(109,055)
Variation in fair value	-	1,310	-	-	-	-	2,859	135	4,304
Translation differences	(1,062)	11	389	1,081	9	(846)	(38)	104	(352)
Balance at 31 December 2017	**28,143**	**3,557**	**(6,343)**	**(62,679)**	**(228)**	**(8,079)**	**(4,736)**	**(11,657)**	**(62,022)**
Cash flow	2,960	7,679	8,907	(47,778)	2,182	71,949	(9,558)	(607)	35,734
Adquisitions and other non-monetary changes	-	-	(66,533)	66,533	(2,169)	(72,922)	-	-	(75,091)
Variation in fair value	-	(2,027)	-	-	-	-	8,959	(493)	6,439
Translation differences	(53)	(34)	(2,272)	(279)	(4)	1,214	140	(12)	(1,300)
Balance at 31 December 2018	**31,050**	**9,175**	**(66,241)**	**(44,203)**	**(219)**	**(7,838)**	**(5,195)**	**(12,769)**	**(96,240)**

15.2. Share premium and other reserves

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

Changes in this item are as follows:

	Thousands of euros		
	Share premium	Other reserves	*Total*
Balance at 1 January 2017	12	592,173	*592,185*
Actuarial gains (losses)	-	425	*425*
Distribution of previous year's profit	-	57,975	*57,975*
Balance at 31 December 2017	12	650,573	*650,585*
Actuarial gains (losses)	-	476	*476*
Acquisition of treasury shares	-	(3)	*(3)*
Distribution of previous year's profit	-	50,331	*50,331*
Balance at 31 December 2018	12	701,377	*701,389*

(a) Legal reserves

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount of at least an amount equivalent to 20% of share capital. This reserve is not distributable to shareholders and its value at 31 December 2018 and 2017 amounts to 2,935 thousand euros.

(b) Revaluation reserve

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

Once the inspection period had past, during 2018 the balance may be used to:

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

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

(c) Treasury share reserves

Pursuant to Article 148 of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act, the Parent Company must establish an unavailable reserve equivalent to the value of treasury shares in its possession (see Note 15.5). These reserves must be held for both stakes and shares that have not been disposed of.

15.3. Valuation adjustments

Movements in the years ended December 31, 2018 and 2017 were as follows:

	Thousands of euros			
	Interest rate swaps	Exchange rate insurance	Raw material derivatives	*Total*
Balance at 1 January 2017	**(4)**	**(806)**	**3,050**	***2,240***
Gains/(losses), net of tax effects	-	274	-	*274*
Reclassification of gains/(losses) to the income statement, net of tax	4	806	(1,552)	*(742)*
Balance at 31 December 2017	**-**	**274**	**1,498**	***1,772***
Gains/(losses), net of tax effects	-	593	-	*593*
Reclassification of gains/(losses) to the income statement, net of tax	-	(274)	(2,471)	*(2,745)*
Balance at December 31, 2018	**-**	**593**	**(973)**	***(380)***

15.4. Exchange gains (losses)

The detail of the most significant translation differences by company for the years ended 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Koteks Viscofan, d.o.o.	(11,315)	(10,781)
Viscofan de México S.R.L. de C.V.	(9,546)	(8,533)
Viscofan do Brasil, soc. com. e ind. Ltda.	(40,364)	(30,376)
Viscofan Uruguay, S.A.	(16,840)	(14,792)
Rest of Group companies	19,320	13,841
Balance at December 31, 2018	**(58,745)**	**(50,641)**

15.5. Movement in treasury shares

At the Ordinary Meeting of 23 May 2018, an agreement was reached to invalidate the authorisation granted to the Board of Directors at the General Meeting of 30 April 2013 and new authorisation granted to the Board of Directors to acquire and hold treasury shares as follows:

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

In 2018, the following treasury shares acquisitions took place. At 31 December 2018, Viscofan, S.A. held a total of 103,682 treasury shares that represented 0.22% of the voting rights, acquired at a total price of 5,289 thousand euros.

In 2017, there were no changes in treasury shares.

15.6. Profit distribution and other remuneration paid to the shareholders

The proposed distribution of net profit of the parent for 2018, formulated by the Directors of the parent and pending approval by the General Shareholders' Meeting, corresponds to a total remuneration to shareholders of 1.73 euros per share, of which, the distribution of earnings in the form of dividends is 1.59 euros per share and 0.01 euros per share for the premium payment for attending the General Shareholders' Meeting in 2019.

Additionally, an extraordinary dividend of 0.13 euros per share (paid on 22 March 2018) was distributed for the extraordinary capital gain from the payment of compensation for the patent.

In relation to 2017, the total remuneration for shareholders amounted to a total of 1.55 euros per share. Of the above, the distribution of profit represented a per-share dividend of 1.54 euros and 0.01 euros corresponding to the payment of attendance fees related to the 2018 General Shareholders Meeting. This premium was recognised as an expense for the year.

Parent profits for the year ended 31 December 2017 were distributed as approved by the shareholders at their annual general meeting held on 25 May 2018.

	Thousands of euros	
	Proposed distribution for 2018	Distribution in 2017
Dividends	79,993	71,770
Voluntary reserves	11,260	18,360
Distributable profits to the parent company	**91,253**	**90,130**

On 22 November 2018, based on projected profit for the year, the Board of Directors approved an interim dividend for 2018 of 29,760 thousand euros, equal to 0.64 euros per share. This dividend was paid on December 20, 2018.

Total remuneration on 2018 profits came to 35,818 thousand euros, of which 6,058 thousand euros correspond to the extraordinary dividend and 29,760 thousand euros to the interim dividend.

The value 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 2018 is as follows:

	Thousands of euros
Cash available at 19/11/2018	**14,058**
Trade and other receivables	217,118
Trade and other payables	(144,470)
Payments to employees	(50,816)
Interest payments	(997)
Other payments	(5,800)
Cash flow from operating activities	**15,035**
Dividends received	86,258
Purchases of property, plant and equipment	(25,748)
Cash flow from investment activities	**60,510**
Variations in bank borrowings	5,289
Dividends paid	(74,566)
Acquisition of treasury shares	(12,000)
Cash flows from financing activities	**(81,277)**
Projected liquidity at 19/11/2019	**8,326**

16. Capital grants

The movements under this heading in 2018 and 2017 were as follows:

	Thousands of euros
Balance at 1 January 2017	**3,001**
Translation differences	(63)
Additions	181
Taken to profit	(637)
Balance at 31 December 2017	**2,482**
Translation differences	16
Additions	274
Taken to profit	(637)
Balance at 31 December 2018	**2,135**

The breakdown of capital grants during 2018 and 2017, all related to PP&E items, is as follows:

	Thousands of euros	
	2018	2017
Regional Government of Navarre	1,468	1,950
Ministry of Science and Technology	261	-
International organisations	406	532
Balance at 31 December	**2,135**	**2,482**

17. Current and non-current provisions

Details at 31 December 2018 and 2017 are as follows:

		Thousands of euros	
	Note	2018	2017
Defined benefit	17.1	18,012	18,361
Other employee benefits	17.2	3,566	3,277
Provisions for other litigation	17.3	312	554
Others		74	43
Total non-current provisions		**21,964**	**22,235**
Provisions for guarantees/repayments	17.4	1,818	1,512
Provisions for occupational risks	17.5	1,323	1,664
Provisions for emission rights	17.6	2,357	1,390
Others		247	433
Total current provisions		**5,745**	**4,999**

17.1. Provisions for defined benefit plans

The Group makes contributions to various different defined benefit plans. The most relevant plans are located in Germany.

Independent actuarial valuations are used for all of them and there are no assets assigned to pension plans.

- Pension plans in Germany

A contribution is made through the Naturin Viscofan GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At December 31, 2018, there were 386 employees, 442 retirees, and ex-employees. At December 31, 2017, there were 401 employees and 449 retirees and ex-employees.

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

The net obligation corresponding to pension plans amounts to 16,153 thousand euros at 31 December 2018, and 16,446 thousand euros at 31 December 2017.

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

	Thousands of euros					
	Germany		Plans in other countries		*Total*	
	2018	2017	2018	2017	*2018*	*2017*
Commitments at 1 January	**16,446**	**17,577**	**1,915**	**2,156**	***18,361***	***19,733***
Service cost for the current period (Note 5)	302	324	33	34	*335*	*358*
Interest cost	310	295	71	77	*381*	*372*
Payments made	(285)	(1,004)	(219)	(217)	*(504)*	*(1,221)*
Actuarial gains/(losses)	(620)	(746)	(26)	104	*(646)*	*(642)*
Translation differences	-	-	85	(239)	*85*	*(239)*
Commitments at 31 December	**16,153**	**16,446**	**1,859**	**1,915**	***18,012***	***18,361***
Amount corresponding to active beneficiaries	*9,049*	*9,381*	*349*	*341*	*9,398*	*9,722*
Amount corresponding to ex-employee beneficiaries	*2,690*	*2,822*	*-*	*-*	*2,690*	*2,822*
Amount corresponding to retired beneficiaries	*4,414*	*4,243*	*1,510*	*1,574*	*5,924*	*5,817*

b) The following table provides information relating to the amounts recognised in the consolidated income statement. Current service costs for the period are included in personnel expenses.

	Thousands of euros	
	2018	2017
Current service cost	**335**	**358**
Plans in Germany	302	324
Plans in other countries	33	34
Net financial cost	**381**	**372**
Interest payable for German plans	310	295
Interest payable for plans in other countries	71	77
Expense (income) recognised for the year	**716**	**730**

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

	Thousands of euros	
	2018	2017
Actuarial losses and gains	**646**	**642**
Arising from changes in demographic assumptions	96	(26)
Arising from changes in financial assumptions	355	669
Arising from experience	195	(1)
Tax effect	**(169)**	**(217)**
Net results recognised in the consolidated statement of comprehensive income	**477**	**425**

d) The principal actuarial assumptions used in the plans located in Germany are as follows:

	2018	2017
Annual discount rate	1.9%	1.9%
Expected rate of pension increases	2.0%	2.0%
Expected age of retirement for employees	65-67	65-67

The mortality tables used to quantify the defined benefit obligation were those corresponding to Heubeck Richttafeln 2005 G.

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

	Thousands of euros	
	2018	2017
Payable within the next 12 months	283	331
Payable within 1 and 2 years	303	354
Payable within 2 and 3 years	323	374
Payable within 3 and 4 years	359	398
Payable within 4 and 5 years	395	431
Payable within 5 and 10 years	2,564	2,715
Payable within more than 10 years	21,946	22,082

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

	Thousands of euros	
	2018	2017
Discount rate		
Increase of 50 basic points	(1,498)	(1,541)
Decrease of 50 basic points	1,720	1,773
Increase in pensions		
Increase of 50 basic points	1,166	1,184
Decrease of 50 basic points	(1,059)	(1,073)
Life expectancy		
Increase of 1 additional year	598	692

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

17.2. Other employee benefits and long-term remuneration

The movements at December 31, 2018 and 2017, are as follows:

	Thousands of euros	
	2018	2017
Balance at 1 January	**3,277**	**3,177**
Translation differences	(18)	(24)
Incorporations	-	115
Provisions	433	199
Payments	(126)	(190)
Balance at 31 December	**3,566**	**3,277**

Included under this heading are length-of-service bonus that the subsidiary Naturin Viscofan GmbH has established for its employees. When its employees complete 10 years of service, a payment of 1,000 euros, 25 and 40 years of service (both amounting to 1,000 euros plus the gross monthly salary multiplied by 1.6 and one day of holiday), and, if applicable, 50 years of service (one day of holiday). They are settled with lump sum payments on the date on which the workers complete the relevant years of service.

The hypotheses used for calculating the obligations were the same as those used for the pension plan of the same subsidiary as described in the previous point.

The number of beneficiaries amounts to 386 employees (401 in the previous period), while the obligation amounts to 2,754 and 2,593 thousand euros at 31 December 2018 and 2017, respectively. The beneficiaries received 126 thousand euros in payments during 2018 (2017: 166 thousand euros). The payable amount expected for 2019 totals 298 thousand euros.

Recognised service costs and financial expenses for the current period amounted to 163 thousand and 48 thousand euros, respectively (2017: 137 thousand and 43 thousand euros, respectively).

17.3. Provisions for other litigations

The movements at December 31, 2018 and 2017, are as follows:

	Thousands of euros	
	2018	2017
Balance at 1 January	**554**	**398**
Translation differences	(32)	(57)
Incorporations	-	117
Provisions	72	96
Payments	(282)	-
Balance at 31 December	**312**	**554**

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2018.

17.4. Provision for guarantees / refunds

A provision is recognised for warranty claims anticipated for products sold during the last year, based on past experience regarding the volume of returns. Most of these costs are expected to be incurred in the following year.

17.5. Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom are based in the US, related to workplace accidents. These claims did not arise as a result of a specific incident, but are customary practice in many companies. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2018.

17.6. Emission rights provision

The emission rights provision includes the estimated consumption of emission rights during 2018 and 2017 valued in accordance with the measurement standard described in Note 4.14.

17.7. Contingent assets and liabilities

(a) Contingent liabilities

At year end, there were a number of different legal claims filed against the Brazilian subsidiary totalling 4.47 million euros.

As indicated in Note 17.3, at 31 December 2018, a 0.3 million euro provision was recognised (2017: 0.4 million euros). In the opinion of the Group's legal advisors in Brazil, all those which are not recognised under liabilities are considered to be potential risks, or that possible related amounts cannot be determined at the moment. Based on historic experience, the materialized amount stands below 5% for all claims classified as possible.

Also, at year end, there were a number of ongoing lawsuits against Griffith Colombia, S.A. ("Griffith") which sold Viscofan Group products in Colombia. In the year ending 31 December 2012, Viscofan terminated its commercial relationship with Griffith. As a result of this termination, Griffith Colombia stopped paying invoices and, to date, Griffith owes Viscofan CZ, S.R.O. an amount acknowledged in a final ruling of approximately 800,000 euros. On the other hand, Griffith presented a claim in Colombia against Viscofan do Brasil, Viscofan CZ and Viscofan SA claiming compensation for the termination of the contract, with there having been no significant changes in the proceedings in 2018. Griffith also presented a claim of unfair competition in Colombia, without specific amount, against Viscofan do Brasil, Viscofan CZ and Viscofan SA that was rejected at first instance and partially upheld on appeal. In 2018, Viscofan do Brasil, Viscofan CZ and Viscofan SA appealed the ruling handed down in the appeal before the Supreme Court, which remains outstanding, which is considered unlikely to be successful. In conclusion, and in light of the circumstances addressed, it is believed that Griffith's claims represent a remote risk of a negative impact on Viscofan's financial statements.

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(b) Contingent assets

Viscofan S.A. filed legal proceedings before the Mercantile Court against Sayer Technologies S.L. for revealing confidential information. The case has been heard and the action is currently pending the first-instance ruling.

In terms of the electricity sector regulation in Spain, in September 2018, Viscofan, S.A. received the combined agreement from the Treasury of Navarre rejecting the applications for the refund of revenue obtained unduly in terms of the tax on Electricity Production corresponding to 2013, 2014 and 2015 on the basis that this tax breaches different legal provisions at a European level and in the Spanish Constitution. On 31 October 2018, Viscofan, S.A., filed an administrative economic claim against this rejection before the Administrative Economic Court of Navarre.

In July 2018, Supralon International AG initiated arbitration proceedings against Podanfol S.A. for different breaches of a supply contract it had entered into. In these proceedings, Supralon International AG is requesting the payment of contractual penalties for the sum of 3 million euros and damages for an amount yet to be defined.

18. Trade creditors, other accounts payable and payables to public authorities

18.1. Trade and other payables

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

	Thousands of euros	
	2018	2017
Suppliers	29,565	28,445
Amounts owed for services rendered and other payables	26,730	27,474
Customer advances	2,161	2,663
Remuneration pending payments	12,941	13,287
Balance at 31 December	**71,397**	**71,869**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	30,639	20,477	2,436	1,768	4,253	3,264	8,560	***71,397***
2017	35,919	18,028	2,138	4,072	3,368	3,954	4,390	***71,869***

18.2. Payable to public administrations

The breakdown of this heading is as follows:

	Thousands of euros	
	2018	2017
VAT payable	2,782	1,299
Amounts payable for withholdings	6,020	6,147
Payables to social security agencies	2,091	2,276
Other public authorities	181	1,063
Balance at 31 December	**11,074**	**10,785**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	6,894	98	469	500	1,875	701	538	*11,075*
2017	7,495	91	480	631	790	848	450	*10,785*

18.3. Information on average period of payments to suppliers in Spain in commercial transactions

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

	Days	
	2018	2017
Average supplier payment period	27.67	25.96
Ratio of transactions paid	28.13	25.96
Ratio of unpaid transactions	22.92	25.95

	Thousands of euros	
	2018	2017
Total payments made	132,840	127,742
Total unmade payments	12,801	10,112

19. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2018 and 2017, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	*Carrying amount*	*Fair value*
Bank borrowings	45,400	20,843	44,203	-	*110,446*	*110,446*
Accrued interest payable	170	49	-	-	*219*	*219*
Finance lease payables	18	17	28	-	*63*	*63*
Derivative financial instruments	(516)	1,562	495	-	*1,541*	*1,541*
Measured at fair value with changes in OCI	*(658)*	*1,562*	*495*	*-*	*1,399*	*1,399*
Measured at fair value with changes in P&L	*142*	*-*	*-*	*-*	*142*	*142*
Other financial liabilities	8,039	3,912	8,828	3,417	*24,196*	*24,196*
Measured at amorised cost	*8,039*	*3,912*	*8,828*	*3,417*	*24,196*	*24,196*
Total at December 31, 2018	**53,111**	**26,383**	**53,554**	**3,417**	***136,465***	***136,465***

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	*Carrying amount*	*Fair value*
Bank borrowings	2,418	3,768	55,968	6,678	*68,832*	*68,832*
Accrued interest payable	206	22	-	-	*228*	*228*
Finance lease payables	38	119	33	-	*190*	*190*
Derivative financial instruments	3	20	1	-	*24*	*24*
Other financial liabilities	7,363	5,429	8,617	3,039	*24,448*	*24,448*
Total at December 31, 2017	**10,028**	**9,358**	**64,619**	**9,717**	***93,722***	***93,722***

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

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

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

Financial liabilities for bank borrowings bearing interest at floating rates are referenced to Euribor or Libor plus an average spread of 0.683 percentage points (0.744 percentage points in 2017).

The average fixed interest rate on financial liabilities for bank borrowings in 2018 is 1% (1.067% in 2017).

"Other financial liabilities" at 31 December 2018, both current and non-current, mainly includes:

- A loan of the parent amounting to 2,500 thousand euros. The nominal amount received from COFIDES (Compañía Española de Financiación del Desarrollo) totalled 5,000 thousand euros. It accrues interest at market rates.
- Loans with granted interest rates by entities such as the CTDI and the Ministry of Economy and Competitiveness amounting to 10,588 thousand euros.
- Tangible and intangible assets suppliers, amounting to 7,838 thousand euros.

On December 31, 2017 it mainly includes:

- A loan of the parent amounting to 3,333 thousand euros. The nominal amount received from COFIDES (Compañía Española de Financiación del Desarrollo) totalled 5,000 thousand euros. It accrues interest at market rates.
- Loans with granted interest rates by entities such as the CTDI and the Ministry of Economy and Competitiveness amounting to 10,211 thousand euros.
- Tangible and intangible assets suppliers, amounting to 8,079 thousand euros.

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

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	*Total carrying amount*
2018	116,558	10,413	5,681	-	-	-	3,813	*136,465*
2017	80,371	10,091	1,393	-	21	-	1,846	*93,722*

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

	Thousands of euros	
	2018	2017
Limit	115,238	112,009
Amount draw down	37,542	2,993
Drawable amount	77,696	109,016

The undiscounted value of financial liabilities classified by maturity, without taking into account derivative financial instruments, at December 31, 2018 and 2017 is as follows:

	Thousands of euros						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	*Total*
Borrowings - debt principal	66,243	12,539	12,539	12,447	6,678	-	*110,446*
Interest	845	450	313	180	42	-	*1,830*
Financial liabilities - borrowings	**67,088**	**12,989**	**12,852**	**12,627**	**6,720**	**-**	***112,276***
Debt principal	11,985	3,577	2,503	1,541	1,236	3,417	*24,259*
Interest	53	37	22	9	6	6	*133*
Other financial liablities	**12,038**	**3,614**	**2,525**	**1,550**	**1,242**	**3,423**	***24,392***
Total at December 31, 2018	**79,126**	**16,603**	**15,377**	**14,177**	**7,962**	**3,423**	***136,668***

	Thousands of euros						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	*Total*
Borrowings - debt principal	6,186	22,690	11,440	11,440	10,398	6,678	*68,832*
Interest	820	684	368	229	108	39	*2,248*
Financial liabilities - borrowings	**7,006**	**23,374**	**11,808**	**11,669**	**10,506**	**6,717**	***71,080***
Debt principal	12,948	2,966	2,031	2,302	1,351	3,039	*24,637*
Interest	72	52	37	21	9	11	*202*
Other financial liablities	**13,020**	**3,018**	**2,068**	**2,323**	**1,360**	**3,050**	***24,839***
Total at December 31, 2017	**20,026**	**26,392**	**13,876**	**13,992**	**11,866**	**9,767**	***95,919***

At 31 December 2018, the Group had reverse factoring facilities with a joint limit of 5,600 thousand euros (5,600 as at 31 December 2017), as well as multi-risk policies totalling 8,000 thousand euros, as in December 2017.

20. Derivatives

The breakdown of balances which include the values of derivatives at December 31, 2018 and 2017 is as follows:

	Thousands of euros					
	2018				2017	
	Measured at fair value with changes in OCI		Measured at fair value with changes in P&L		Financial assets	Financial liabilities
	Financial assets	Financial liabilities	Financial assets	Financial liabilities		
Exchange rate insurance	13	-	-	-	4	1
Raw materials hedges	-	495	-	-	318	-
L.T. Derivatives	**13**	**495**	**-**	**-**	**322**	**1**
Exchange rate insurance	701	48	41	142	1,004	23
Raw materials hedges	-	856	-	-	1,763	-
S.T. Derivatives	**701**	**904**	**41**	**142**	**2,767**	**23**
Total	**714**	**1,399**	**41**	**142**	**3,089**	**24**

20.1. Raw material hedges

A significant amount of the Company's production costs is linked to energy costs. For this reason, and in order to mitigate the negative effect that variations in energy prices could have on energy prices, in 2018 the Company entered into hedging contracts on the cost of gas for a total of 840,000 MWh, covering gas purchases for the period from February 2019 to January 2020, the contracted prices of which range from 2.05 to 2.368 euro cents per kilowatt hour. The amount contracted in 2016, for 2018, amounted to a total of 540,000 MWh. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption.

The valuation formula used included, among other variables, Brent forward prices; and there are no significant inefficiencies.

20.2. Forward exchange contracts

Part of the fair value of the exchange rate insurances at year end was recognised as income or expense on the consolidated income statements for 2018 and 2017. The amount recognised directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable recognised in the consolidated statements of financial position at the exchange rate at year end. No significant inefficiencies were noted in 2018 and 2017 in any derivative financial instruments contracted.

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

The nominal value of the main exchange rate insurances in effect at December 31, 2018 and 2017, is as follows:

	Thousands of euros	
	2018	2017
US dollar	94,950	51,700
Pounds sterling	9,850	6,600
Canadian dollar	4,000	600

21. Income tax

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

	Thousands of euros					
	Activos		Pasivos		Net	
	2018	2017	2018	2017	2018	2017
Non-current assets	9,404	4,818	18,917	17,069	(9,513)	(12,251)
Current assets	8,355	7,447	1,740	2,047	6,615	5,400
Non-current liabilities	3,820	4,285	196	340	3,624	3,945
Current liabilities	954	922	499	1,058	455	(136)
Total at 31 December	**22,533**	**17,472**	**21,352**	**20,514**	**1,181**	**(3,042)**

Deferred tax assets, on current assets, are mainly due to the effect on tax of the elimination of the margin in inventory acquired between Group companies, as well as provisions on inventories that are not tax-deductible in some countries. With respect to the deferred tax asset from non-current assets, this relates mainly to the activation of tax credits for tax losses. In addition, deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 17 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended 31 December 2018 and 2017, mainly relate to the application of different amortisation rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealised gains on PP&E items acquired in different business combinations.

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

	Thousands of euros	
	2018	2017
Non-current assets	(3,972)	(5,628)
Current assets	(935)	(63)
Non-current liabilities	182	319
Current liabilities	(152)	1,205
Consolidated income statement	**(4,877)**	**(4,167)**
Non-current assets	1,234	825
Current assets	(280)	256
Non-current liabilities	139	145
Current liabilities	(439)	(499)
"Other comprehensive income" on the consolidated statements of comprehensive income	**654**	**727**
Total changes in taxes and deferred tax liablities	**(4,223)**	**(3,440)**

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

	Thousands of euros	
	2018	2017
Actuarial gains/(losses) on pension plans		
Germany	166	217
Other countries	3	-
Unrealized gains/(losses) on cash flow hedges	826	(256)
Changes due to translation differences	(341)	766
Charged directly against "Other comprehensive income" on the consolidated income statement	**654**	**727**

The major components of income tax expense for the years ended December 31, 2018 and 2017, are as follows:

	Thousands of euros	
	2018	2017
Income tax expense for the year	28,529	28,050
Adjustment to income tax from prior years	(64)	(546)
Current income tax	**28,465**	**27,504**
Origination and reversal of temporary differences	(4,877)	(4,166)
Deffered income tax	**(4,877)**	**(4,166)**
Income corporate tax on profit from continuing operations	**23,588**	**23,338**

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

	Thousands of euros	
	2018	2017
Profit before tax for the year	**147,299**	**145,357**
28% tax rate	41,244	40,700
Effect of application of tax rates in each country	(5,820)	(5,813)
Deductions generated	(10,941)	(9,056)
Adjustment to income tax from prior years	(64)	(546)
Change rate impact in USA (2017) and Spain (2016)	-	(732)
Impact of permanent differences	(831)	(1,215)
Tax on income expense	**23,588**	**23,338**

During 2016 the Chinese subsidiary Viscofan Technology (Souzhou) Co. Ltd.'s rating was again deemed as "High Tech" for 3 years and therefore its tax rate dropped from 25% to 15%.

Viscofan CZ, s.r.o. obtained investment incentives from the Czech Republic's Ministry of Industry and Commerce which will materialize in deductions in upcoming years. The maximum amount of the deduction is 3.65 million euros corresponding to investments of up to 16.23 million euros over the next 9 years. The deduction to be applied each year may not cause the effective corporation tax expense to be less than that from the two preceding years. In 2018 and 2017 no deductions were applied because the aforementioned requirement was not met.

Koteks Viscofan, d.o.o. may avail itself of a tax incentive which would reduce the corporate income tax quota 83% in tax returns presented until 2021 thanks to investments and the creation of jobs in the Serbian Republic.

In addition, Uruguay's Ministry of Economy and Finance approved in 2012 the exemption from corporation tax for an amount related to the eligible investment, which will be applicable for a period of 25 years. The exemption may not exceed a maximum percentage of net tax revenue (90% in the first half of the 25-year period and thereafter will fall to 10%).

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2018	2017
Current tax	28,529	28,050
Withholdings and payments on account	(28,723)	(25,367)
Total at December 31,	**(194)**	**2,683**

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

	Thousands of euros	
	2018	2017
Tax assets receivable	6,178	3,834
Tax liabilities payable	(5,984)	(6,517)
Total at December 31,	**194**	**(2,683)**

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed, that in Spain is currently 4 years. At 31 December 2018, the parent and subsidiaries in Spain are open to inspection of all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

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

22. Policy and Risk management

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The *risk control system is described in section E. Risk management and control systems* of the Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, their materiality in 2018, and response and supervision plans. We will now focus on the financial risks described below.

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

22.1. Exchange rate risk

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

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

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

	Thousands of euros			
	2018		2017	
	+ 5%	- 5%	+ 5%	- 5%
US dollar	6,279	(5,681)	5,631	(5,094)
Czech Crown	(1,468)	1,328	(1,522)	1,378
Brazilian Real	999	(905)	696	(630)
Chinese Yuan Renmimbi	710	(643)	1,016	(920)

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			
	2018		2017	
	+ 5%	- 5%	+ 5%	- 5%
US dollar	8,378	(7,593)	7,031	(6,360)
Czech Crown	2,183	(1,975)	2,562	(2,317)
Brazilian Real	5,001	(4,525)	4,926	(4,456)
Chinese Yuan Renmimbi	3,350	(3,031)	3,048	(2,757)

22.2. Credit risk

The Viscofan Group's main financial assets are cash balances, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk.

The Group's credit risk relates mainly to trade receivables. Amounts reflected on the consolidated balance sheet, net insolvency provisions, estimated based on experiences gleaned from prior years, age, and valuation in the current economic environment. This would be the maximum amount of exposure to this type of risk.

There is no significant concentration of credit risk within the Group; its exposure is spread among a large number of counterparties and customers. No customers or associated group companies represented sales and amounts receivable higher than 10% of total risk.

The Group has a credit policy, with exposure risk managed as part of its normal course of business. Credit evaluation of customers is performed in all cases where amounts exceed a set limit. It is habitual practice of Group companies to partially cover non-payment risk through contracting loan guarantee and sureties covering approximately 90% of each customers´ debt. For countries at risk, coverage is reduced to 80%. In Countries without insurance coverage, guarantees such as advances and deposits on account are mandatory.

Credit risk arising from liquid funds and derivative financial instruments is limited due to the fact that counterparties are banking institutions with high credit ratings assigned by international agencies.

The Directors consider that on 31 December 2018, there were no significant assets which might be impaired as concerns their net realisable value.

22.3. Liquidity risk

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

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

The following ratios show the level of liquidity at December 31, 2018 and 2017:

	Thousands of euros	
	2018	2017
Current asstes	506,187	445,091
Current liabilities	(173,694)	(113,556)
Working capital	**332,493**	**331,535**
Current liabilities	173,694	113,556
% working capital/current liabilities	**191.42%**	**291.96%**
Cash and cash equivalents	31,050	28,143
Available credit facilities (Note 19)	77,696	109,016
Cash and available on credit and discount	**108,746**	**137,159**
% cash and cash equivalents+available on credit and discount/current liabilities	**62.61%**	**120.79%**

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 19.

Certain of the Group's non-current loans must meet a series of ratios calculated based on its consolidated financial statements. Lack of compliance represents an increase in finance costs and, depending on the case, represents the early termination of a contract. As of 31 December 2018 and 2017, all the main ratios have been satisfactorily met and neither Viscofan, S. A. nor any of its material subsidiaries were in breach of their financial commitments or any kinds of obligation that could trigger their early redemption.

In 2018 and 2017 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2019.

22.4. Interest rate risks in cash flows and fair value

The Group manages interest rate risk by maintaining a balanced portfolio of fixed and floating rate loans and credits. The Group's policy is to hold between 50% and 85% of its loans at a fixed interest rate. To manage it, the Group receives fixed-interest loans. At 31 December 2018, approximately 62% of the Group's loans are remunerated at a fixed interest rate (2017: 81 %).

The Group does not own significant remunerated assets.

At 31 December 2018 and 2017 the structure of financial liabilities subject to interest rate risk, once hedges through the derivatives arranged have been taken into account, is as follows:

	Thousands of euros	
	2018	2017
Bank borrowings	110,728	69,250
Other financiasl debt	16,358	16,369
Financial debt total	**127,086**	**85,619**
Fixed interest rate (*)	79,100	69,708
Variable interest rate	47,986	15,911

(*) Granted loans included

In 2018 and 2017, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in Germany (Note 17.1).

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			
	2018		2017	
	+ 1%	- 1%	+ 1%	- 1%
Pension plans commitments				
Germany	(163)	163	(164)	176
Plans in other countries	(20)	19	(21)	22
Financial debt				
Euribor	(319)	320	(171)	169
Libor	-	-	(16)	16

22.5. Fuel price risk (gas and other oil derivatives)

The Viscofan Group is exposed to variations in Brent prices, which is the main indicator affecting the price of gas and other fuels used in producing its casings.

The Group policy is to set the prices for main fuels through the arrangement of year-long contracts with suppliers, or by using hedging policies (Note 20.1). It thus attempts to mitigate the impact of Brent variations on the consolidated income statement.

The following table reflects the sensitivity to a possible Brent price fluctuation on 10% of operating results.

	Thousands of euros	
	2018	2017
+ 10%	2,709	2,614
- 10%	(2,709)	(2,625)

23. Transactions and balances with related parties

The operations with directors and members of senior management are detailed in Note 24. No material transactions have been carried out with the Company or its group of companies that were outside the ordinary course of business of the company or were not carried out under normal market conditions.

Financial debt includes a 5 million euros loan granted in 2018 by Banca March, a financial entity linked to Corporación Financiera Alba, S.A., which owns 13% of the Company's shares at year-end 2018 (2017: 11.32%). At 31 December 2017, this included a loan of 2.5 million euros granted in 2013 by said financial entity, which was renegotiated and completely repaid in 2018, the payment of which totalled 2,538 thousand euros, including financial expenses. Viscofan S.A. has also underwritten exchange rate insurance with the financial entity associated with Corporación Financiera Alba, S.A., worth 24 thousand euros at 31 December 2018 (0 thousand euros in 2017). No additional services were received by companies related to this shareholder in 2018 or 2017. All transactions took place in normal market conditions.

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

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

The breakdown for Board remuneration in 2018 and 2017 is as follows:

	Thousands of euros							
	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: membership of commisions	Other concepts	*Total*
Mr. José Domingo de Ampuero y Osma	585	239	-	212	129	-	10	*1,175*
Mr. José Antonio Canales García	450	47	-	163	99	-	25	*784*
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	33	-	-	53	-	*166*
Mr. José María Aldecoa Sagastasoloa	-	80	30	-	-	42	-	*152*
Mr. Nestor Basterra Larroudé	-	184	33	-	-	54	-	*271*
Ms. Agatha Echevarría Canales	-	153	33	-	-	59	-	*245*
Mr. Jaime Real de Asúa y Arteche	-	80	33	-	-	30	-	*143*
Mr. Juan March de la Lastra	-	80	30	-	-	20	-	*130*
Mr. Santiago Domecq Bohórquez	-	80	30	-	-	30	-	*140*
Ms. Laura González Molero	-	47	18	-	-	17	-	*82*
Mr. Alejandro Legarda Zaragüeta	-	33	15	-	-	13	-	*61*
Total 2018	**1,035**	**1,103**	**255**	**375**	**228**	**318**	**35**	***3,349***

	Thousands of euros						
	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Variable long-term remuneration	Remuneration: membership of commisions	*Total*
Mr. José Domingo de Ampuero y Osma	362	350	-	147	-	-	*859*
Mr. José Antonio Canales García	357	-	-	285	-	-	*642*
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	30	-	-	65	*175*
Mr. José María Aldecoa Sagastasoloa	-	80	33	-	-	30	*143*
Mr. Nestor Basterra Larroudé	-	330	33	-	-	100	*463*
Ms. Agatha Echevarría Canales	-	255	33	-	-	100	*388*
Mr. Jaime Real de Asúa y Arteche	-	80	33	-	-	30	*143*
Mr. Juan March de la Lastra	-	80	33	-	-	20	*133*
Mr. Santiago Domecq Bohórquez	-	80	33	-	-	30	*143*
Mr. Alejandro Legarda Zaragüeta	-	80	30	-	-	30	*140*
Total 2017	**719**	**1,415**	**258**	**432**	**-**	**405**	***3,229***

Remuneration paid to Mr. Alejando Legarda Zaragüeta correspond until the month of May 2018, when he stepped down as member of the parent's Board of Directors, in accordance with the decision made during the General Shareholders' Meeting held on 25 May 2018.

During the same meeting, Ms. Laura González Molero was appointed as an independent director of the parent company.

The two Executive directors, Mr José Domingo de Ampuero y Osma and Mr José Antonio Canales García earned a variable compensation totalling 375 thousand euros in the short term and 228 thousand euros in the long term (2017: 432 thousand euros). These were calculated based on EBITDA, net profit, sales, and share price values which were determined in accordance with the annual and multi-year plan as well as personal performance.

Under "Other items", 35 thousand euros correspond to life and accident insurance premiums, health insurance and company cars.

During 2018, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 50 thousand euros (the same amount as in 2017).

At 31 December 2018 and 2017, no advances or loans had been granted to the Viscofan Group, nor did the Group have any pension commitments or other non-current savings plans. Likewise, no type of guarantee was granted on behalf of any present or former members of the Board of Directors, related individuals or entities. In addition, no remuneration was based on shares or share options.

In 2018 and 2017 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on non-market conditions.

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

In 2018, all the Group companies had no legal person administrators in any companies

The Viscofan Group has contracts with its two executive directors which include golden parachute clauses. The termination of these contracts in certain objective terms not attributable to these board members, may entitle them to indemnification worth twice their fixed remuneration, comprising two years of non-competition.

The breakdown of parties holding executive positions during 2018 follows:

Corporate management	
Mr. César Arraiza	Chief Financial Officer & IT
Mr. José Angel Arrarás	R&D and Quality Officer
Mr. Andrés Díaz	Chief Operations Officer
Mr. Gabriel Larrea	Chief Commercial Officer
Mr. Oscar Ponz	Chief Plastic Business Unit Officer

Corporate services	
Mr. Armando Ares	Chief IR & Corporate Communications Officer
Ms. Elena Ciordia (*)	Chief Legal Officer
Mr. José Antonio Cortajarena (*)	Chief Legal Officer and vice secretary of Board of Directors
Mr. Javier García	Chief Internal Audit
Mr. José Ignacio Recalde	Chief Technology & Diversification Officer
Mr. Juan José Rota	Chief Human Resources Officer
Mr. Ricardo Royo	Chief Europe Business Officer

Subsidiaries management	
Mr. Eduardo Aguiñaga	General Manager Mexico
Ms. Belén Aldaz	Human Resources Manager Spain
Mr. Luis Bertoli	General Manager Brazil
Mr. Jesús Calavia	Industrial Manager Spain
Mr. Domingo González	General Manager USA
Mr. Miloslav Kamis	General Manager Czech Republic
Mr. Angel Maestro	General Manager Uruguay
Mr. Iñigo Martinez	General Manager Serbia
Mr. Juan Negri	General Manager Asia Pacific
Ms. María Carmen Peña	Financial Manager Spain
Mr. Bertram Trauth (**)	General Manager Germany
Mr. Wilfried Schobel (**)	General Manager Germany

(*) Ms. Elena Ciordia held office until December 2018. Mr. José Antonio Cortajarena was appointed Chief Legal Officer and Vice Secretary of the Board of Directors in December 2018.

(**) Mr. Bertram Trauth served in his post until his retirement in December 2018, when Mr. Don Wilfried Schobel was appointed as General Manager in Germany

Effective 1 January 2019, Mr. César Arraiza was appointed Chief Strategy, Organization & Systems Officer,

On 1 January 2019, Ms. María Carmen Peña was appointed CFO of the Viscofan Group.

In 2018, remuneration received by key management personnel totalled 4,679 thousand euros. This remuneration includes a payment for multi-year complements of 678 thousand euros. During 2017, remuneration amounted to 4,161 thousand euros and did not include any additional payments for multi-year allowances. This amount does not include the abovementioned payments made to Mr José Antonio Canales García and Mr José Domingo de Ampuero y Osma, which is reflected further on.

25. Environmental information

The cost of items related to the Group's environmental projects on 31 December 2018 was 50,279 thousand euros (2017: 44,562 thousand euros), with an accumulated amortisation of 24,432 thousand euros (2017: 22,578 thousand euros).

In accordance with the 2013-2020 National Emission Allowance Assignment Plan, and after applying the inter-sectoral adjustment factors outlined in Appendix II to EU Decision 2013/448/EU to non-electricity generators, and the 1.74% annual factor reduction in electricity generators, in accordance with Articles 9 and 9 bis of Directive 2003/87/EC, the Group was assigned emission allowances equivalent to 356,915 tones.

The emission rights consumed by the Company during 2018 and 2017 amounted to 258,960 and 250,324 tons, respectively.

In 2018, the Group incurred in environmental protection and improvement costs amounting to 4,684 thousand euros. In 2017 this amount totalled 3,797 thousand euros.

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

The Parent's Directors do not deem it necessary to make any additional provisions to cover environmental contingencies and expenses.

26. Audit fees

The auditors of the Group's consolidated Financial Statements, PricewaterhouseCoopers Auditores, S.L. in 2018, 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, with the exception of "Other Services, which are based on their invoicing date, for the year ended 31 December 2018 and 2017 as follows:

	Thousands of euros		
2018	At parent company	At other companies	*Total*
PwC Auditores, S.L.	85	77	*162*
PwC Network	-	424	*424*
Audit services	85	501	*586*
PwC Auditores, S.L.	4	-	*4*
Other audit related services	4	-	*4*
PwC Network	-	6	*6*
Other services	-	6	*6*
Total at 31 December 2018	89	507	*596*

	Thousands of euros		
2017	At parent company	At other companies	*Total*
PwC Auditores, S.L.	84	76	*160*
PwC Network	-	405	*405*
Audit services	84	481	*565*
PwC Auditores, S.L.	4	-	*4*
PwC Network	-	-	-
Other services	4	-	*4*
Total at 31 December	88	481	*569*

27. Events after the balance sheet date

In order to simplify the Group's shareholder structure, on 7 January 2019, Viscofan Canada Inc, in which Viscofan S.A. holds a 100% indirect shareholding, started the liquidation process of Transform Pack Inc. All assets, liabilities, rights and obligations have been transferred to Viscofan Canada Inc.

Furthermore, the winding up process has begun for Supralon International AG, whose headquarters are in Liechtenstein and which is 100% owned by Viscofan, S.A. To fulfil the legal requirements of the process, the company's name has been changed to Supralon International AG under liquidation.

At its meeting of 24 January 2019, the Board of Directors of Viscofan S.A. has agreed to execute a capital reduction for a nominal amount of 72,577.40 euros, through the amortisation of the 103,682 own shares in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

The share capital remaining after the reduction is set at 32,550,000 euros represented by 46,500,000 shares with a par value of 0.70 euros per share.

On 6 February 2019, Viscofan S.A purchased 1,100 shares in Nanopack Technology & Packaging, S.L. for the nominal sum of 110,000 euros. Thus, the direct shareholding of Viscofan, S.A. in this subsidiary has increased from 90.57% to 95.35%.

In its meeting held on 28 February 2019, the Board of Directors agreed to propose a final dividend payment amounting to 0.95 euros per share on 6 June 2019 to the Shareholders' Meeting. Therefore, the total payout to shareholders comes to 1.73 euros per share, including the interim dividend of 0.64 euros per share paid out on 20 December 2018, the aforementioned final dividend of 0.95 euros per share and a premium for attending the Shareholder's Meeting of 0.01 euros per share and the extraordinary dividend of 0.13 euros per share paid out on 22 March 2018. This proposal is 11.6% higher than the total payout of 1.55 euros approved the previous year.

There are no significant events other than those mentioned above, from year-end to the date of preparation of these financial statements.

Magament report

Letter from the Chairman

Dear Shareholder,

We have hit the half-way mark on our 2016-2020 MORE TO BE strategic plan, a period in which Viscofan has been strengthened as the leading casing company with the deployment of initiatives that involve a very in-depth transformation.

Far from being content with the leadership position we have achieved, we have maintained our road map with the conviction that only those companies capable of leading technology, service and costs will be able to face the challenges of the sector and the opportunities that open up in a world as dynamic as the current one.

Last year's letter highlighted the record time construction of the new cellulose and fibrous plant in Cáseda (Spain), and this year, I'm pleased to let you know that this new technology is already a reality: it is no longer a pilot project, and now sells its products with high levels of customer acceptance, with productive and quality ratios that improve significantly compared to our previous standard. These results encourage us to complete the final modules in order to achieve a critical mass that maximises investment returns and prepares us for the expected growth in these technologies without the need for significant additional investments.

The casings market continues to grow every year, now exceeding 60 billion meters per year, and with it our commitment to reach millions of homes around the world. This is a challenge that involves solving new challenges and finding opportunities wherever they may occur.

Proving once again that our vocation for growth has no borders is the recent acquisition of Globus in Australia and New Zealand, curiously in the geographical antipodes of Spain, where our Group was founded more than 40 years ago. Other examples of new horizons, this time technological, are the aforementioned plant 4 in Cáseda, the acquisition at the beginning of the year of Transform Pack, a Canadian company specialising in the transfer of ingredients, which opens doors to new concepts of added value in the sector, and our progress in more diversified areas such as collagen hydrolysates and bioengineering, where in 2018 we were approved by the Spanish authorities to conduct clinical trials in human hearts, a sample of our ability to make innovative products with the highest quality standards.

Our company is prepared to grow and better adapt to this environment than any other company in our sector, and this is backed by achievements that are detailed throughout this annual report: excellent production and safety numbers in practically all our plants, improvement in market share, distance of profitability from the main casing producers, solid balance sheet and generation of cash flow to support our growth plans, without renouncing new highs in shareholder remuneration, are some indicators of this improvement.

Despite this, it has not been an easy year. Our transformation has coexisted with an environment characterised by volatility, as a result of global uncertainties, something that has impacted not only our market, but also economic and political relations around the world.

In this sense, our results, even with a new historical maximum revenue, have come in below our initial expectations. We have grown in volumes in all our technologies, accompanying our commercial activity with a pricing strategy that puts into value the benefits provided by our casings to customers and consumers, and that adapts to the costs in our sector. Once again, the erosion in exchange rates, especially the US dollar and the Brazilian real, has been the main difficulty in improving our results on the previous year, together with increases in the cost of raw materials and energy.

We have grown and strengthened our leadership, although the reduction of our expectations has affected stock performance, which has gone from historical highs to annual minimums in the last quarter, causing our share price to fall by 12.5% during the year. Our performance has been better than that of reference indices such as the Ibex 35, which dropped by 15%, or the EuroStoxx 600, which dropped 13.2%.

In a changing environment, with the imbalances and uncertainties we are facing, Viscofan once again supports its commitment to the objectives of sustainable development and the 2030 agenda by renewing our support for the Global Compact. The non-financial information included in this integrated annual report shows that our transformation process is also a success thanks to a solid positioning to guarantee long-term sustainability. We have built a unique business model around our values and principles: the largest commercial portfolio in the market; the most advanced technology

Having concluded the first part of our strategic plan, we are now beginning a phase in which the results of our transformation will be more visible

applied to our processes to improve our products, our cost structure and our impact on the environment; and being present in more countries and continents than any other company in our sector. Above all, Viscofan has a formidable team of more than 4,600 people who share values and a commitment to continuous improvement as a constant source of competitive advantage, whom I would like to thank for their tireless work this year.

Having concluded the first part of our strategic plan, we are now beginning a phase in which the results of our transformation will be more visible. Investment needs are significantly reduced to around 60 million euros, while we will resume the growth trend in revenues, EBITDA and pre non-recurring net profit. Increased cash flows in a very healthy balance sheet will allow us to continue promoting growth and remuneration for our shareholders.

Based on the 2018 results, the Board of Directors has approved the largest distribution of dividends in our history: a payment of €1.60 per share, to which must be added €0.13, distributed as an extraordinary dividend due to the distribution of the extraordinary benefit from the compensation for patent infringement. A direct payment of more than 80 million euros, which is 11.6% higher than that proposed the previous year and 28% more than the amount distributed before the MORE TO BE period began. A direct payment that has been supplemented by the indirect payment of 5 million euros from the amortisation of treasury shares acquired during the year and which was approved by the Board of Directors last January.

I would like to wrap up by thanking you on behalf of the Board of Directors and the entire Viscofan team for your support and confidence, and convey my commitment to continue promoting Viscofan as a leader and benchmark of sustainable value creation to all our shareholders in this promising future that is presented to us and that we look at with hope and optimism.

José Domingo de Ampuero y Osma
Chairman

Financial results

Context

The market of casings grew around 2% in volumes over the year, likewise the growth obtained by Viscofan.

In 2018, the Viscofan Group has maintained an intense operational, investment and commercial activity in line with the initiatives promoted in the MORE TO BE strategic plan focused on achieving triple leadership in service, cost and technology.

Among these initiatives, the start-up of the new cellulose and fibrous plant in Caseda (Spain) stands out, with an accumulated investment of €71.2 million, of which €20.3 million was invested in 2018.

Production began in the new facilities in the first months of the year, and in less than twelve months, better ratios of productive speed, efficiency and product quality have been obtained compared to traditional technology, both in cellulose and fibrous casings.

The plant project continues to advance according to the plans in place, about one third of the project in cellulose has been completed and 80% of the total planned for fibrous, with the total capacity expected to be available in 2020.

In 2018, small-calibre collagen capacity was installed in the Novi Sad (Serbia) plant to respond to the growth of this technology and improve the level of service for our customers.

Together with these initiatives, the Viscofan Group is still immersed in its MORE TO BE strategy for the operational improvement of the Group's plants, which have achieved record productivity levels.

In February 2018, Transform Pack Inc. was acquired in Canada, a company specialised in the transfer of ingredients. The development of this technology makes it possible to provide spices, flavours, aromas, and colours from the casings.

In November 2018, Viscofan also acquired the Globus companies in Australia and New Zealand for AUD13.3 million, of which AUD8.7 million were disbursed at the end of 2018. The Group incorporates its main distributor in these countries. Globus has a long history as a supplier of casings, films and bags, among others, as well as having extensive knowledge in the sale of equipment for the food industry, which will improve Viscofan's proximity and service in this region that, with this acquisition, expands its presence to a new continent.

All this investment activity has been accompanied by a commercial activity that has sought to combine growth and price improvement amid higher costs of raw materials and energy.

The casings market grew in volumes of around 2% over year, in line with the growth obtained by the Viscofan Group. Commercially-speaking, it should be noted that all reporting areas grew in volumes during the year, and in the last quarter the expected rate of growth in the Group was regained thanks to the strength of the volumes in Latin America and the recovery in Asia.

The Viscofan Group is still immersed in its MORE TO BE strategy for the operational improvement of the Group's plants, which have achieved record productivity levels.

Viscofan has reached a new historical high in its revenue figure, however, the weak performance in the third quarter and the increase in energy costs in the second half of the year has meant that the results are slightly below those shown in the initial guidance in terms of revenue and EBITDA.

In the other business divisions, it is worth mentioning the authorisation from the Spanish Agency for Medicines and Medical Devices to start carrying out the first clinical trials within the Cardiomesh project, a collagen film manufactured by Viscofan that is implanted in hearts to improve the cardiac activity of people with severe heart failure. The R&D activity for the development of collagen hydrolysates is very far along, expecting more significant commercialisation in 2019.

All of these activities have been accompanied by a high level of investments in the three years of the MORE TO BE strategic plan. However, the solidity of cash generation has allowed us to maintain the balance sheet strength with a net bank debt at the end of 2018 of 0.4 times EBITDA, and to continue to pay increasing amounts to our shareholders with the distribution of an ordinary dividend of €1.60 per share. The payment of an extraordinary dividend must be added to this payment, charged to the non-recurring results from the compensation for patent infringement of €0.13 per share, and the repurchase of shares worth €5.3 million.

The progress made in the MORE TO BE strategic plan, the positioning of Viscofan, the incorporation of the new companies and the development and implementation of the new technology place Viscofan in a privileged position to continue consolidating its leadership in the sector with new growth of revenues, EBITDA and recurring net profit expected for 2019.

Changes in the scope of consolidation

Globus

In November 2018, the Viscofan Group acquired 100% of the Globus companies in Australia and New Zealand, which were added to the consolidation perimeter of the Viscofan Group on 1 December 2018 using the full consolidation method.

Transform Pack Inc.

In February 2018, the Viscofan Group signed a SPA agreement with a group of private investors and the province of New Brunswick (Canada) for the cash purchase of 100% of Transform Pack Inc.

The acquired company was added to the Viscofan Group consolidation scope on 1 March 2018 using the full consolidation method.

Supralon

In November 2017, the Viscofan Group signed a SPA agreement with a group of private investors for the cash purchase of 100% of Supralon International AG, Supralon Verpackungs AG and their subsidiaries. Supralon Produktions und Vertriebs GmbH and Supralon France SARL.
The subsidiaries were included in the Viscofan Group consolidation scope as of December 1, 2017 using the full consolidation method.

2018 results analysis

Selected figures. Viscofan Group income statement ('000€)

	Jan-Dec' 18	Jan-Dec' 17	Change	Like-for-like (2)
Revenue	786,049	778,136	1.0%	2.9%
Recurring EBITDA (1)	189,708	206,763	-8.2%	-1.3%
Recurring EBITDA Margin(1)	24.1%	26.6%	-2.5 p.p.	-1.1 p.p.
EBITDA	208,759	211,235	-1.2%	
EBITDA Margin	26.6%	27.1%	-0.5 p.p.	
Operating profit	146,321	154,853	-5.5%	
Net profit	123,711	122,019	1.4%	

(1) Recurring results: a) In 2018, the figure does not include the €15.4 million impact recorded in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A. €5.5 million of negative goodwill recorded with the acquisition of the Globus companies, net of €1.8 million recorded in Other operating expenses related to consultancies and lawyers for said litigation and the acquisition of companies. b) In 2017, it does not include the positive impact of €4.5 million corresponding to the net impact of the collection of the compensation for the fire in Germany once the non-recurring expenses of inventories, clearing and cleaning were deducted; and the management expenses associated with the purchase of Supralon companies in Europe, among others.
(2) Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates, the effect of the change in the consolidation scope and the non-recurring gains of the business.

In like-for-like terms , revenue was up 2.9% in 2018 vs. 2017, that is, without taking into account the impact of the new acquisitions that contribute + 2.0 p.p. to the growth of the Group.

Revenue

Revenue in 2018 amounted to €786 million, a 1% increase on the previous year. By revenue type, reported casing sales contributed €741.4 million (+1.0% vs. 2017) and revenue from co-generation sales totalled €44.7 million (+ 1.4% vs. 2017).

In like-for-like terms[1], revenue was up 2.9% in 2018 vs. 2017, that is, without taking into account the impact of the new acquisitions that contribute + 2.0 p.p. to the growth of the Group, or the performance of the exchange rates, which negatively affects 2018 growth by -3.8 p.p.

The breakdown and geographical[2] performance of revenue in 2018 is as follows:

— Europe and Asia (56.9% of the total): Reported revenue stands at €447.6 million, up 3.1% on 2017. On a like-for-like basis, revenues grew by 0.6% in 2018 vs. 2017.
— North America (28.5% of the total): Revenue amounted to €223.8 million, a decline of 1.9% on 2017, caused mainly by the weakness of the US$ against the €, while in like-for-like terms revenue increased + 2.7% vs. 2017.
— Latin America (14.6% of the total): Revenue stood at €114.6 million, down 1.1% on 2017 caused by the weakness of the Brazilian real against the euro (-16.3%). In like-for-like

1. Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates, the effect of the change in the consolidation scope and the non-recurring gains of the business.
2. Income by origin of sale.

terms, revenue from Latin America was up 11.9% in 2018 vs. 2017

Other operating income

Other operating income through to December came to €21.0 million, including €8.5 million received in January 2018 as compensation for patent infringement and a further €6.9 million in June 2018 resulting from the agreement reached with Crown Food España S.A.U. to end the legal actions.

Operating expenses

Consumption costs[3] rose by 8% in 2018 vs. 2017 to €227.6 million. This increase is due to increased costs of raw materials, mainly caustic soda (+ 28% on the previous year) and glycerine (+ 40% on the previous year).

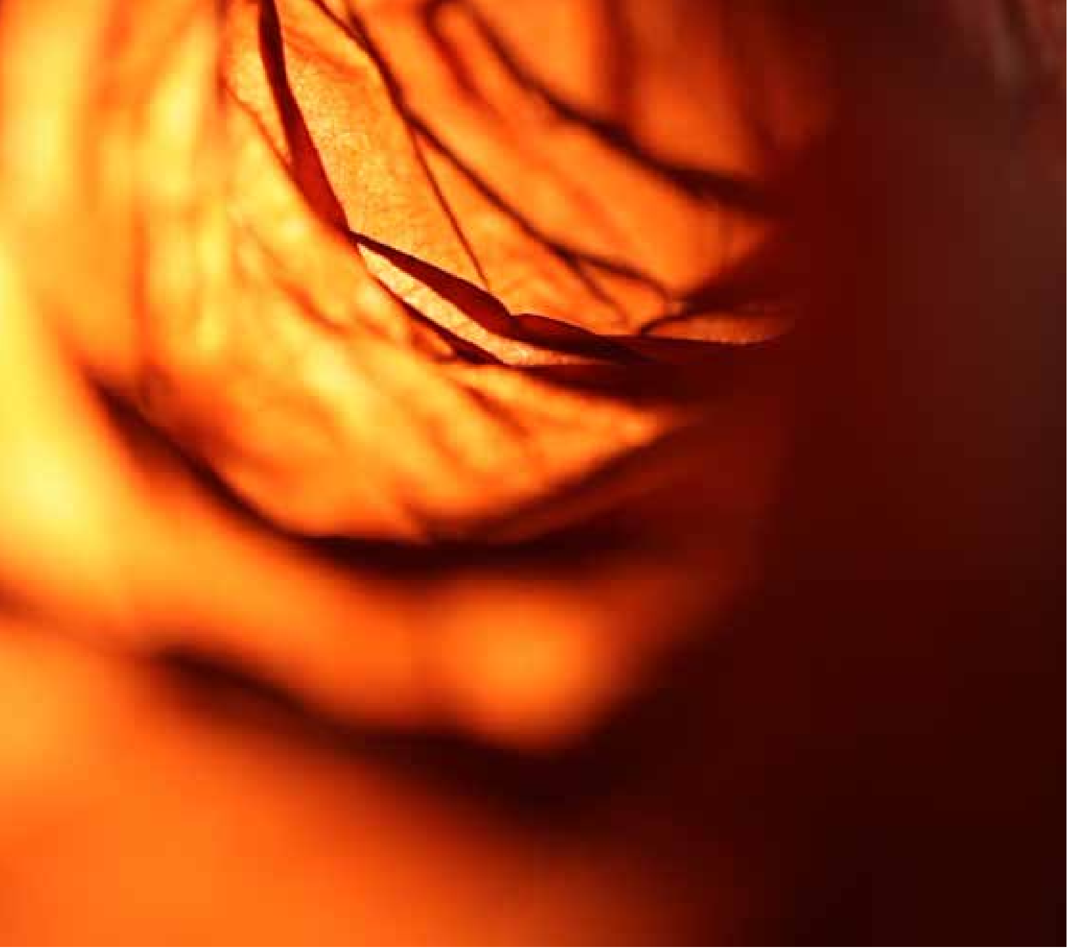
The increased prices of production inputs are from commercial activity aimed at adapting sales prices, especially in the second half of the year. The gross margin[4]accumulated in the year stands at 71.1% (-1.8 p.p. vs. 2017).

Personnel expenses in 2018 grew by 2.6 % vs. 2017 to €189.1 million with the average workforce increasing by 1.9% to 4,641 (excluding the incorporation of 98 people in December of this year after the acquisition of Globus in Australia and New Zealand). The increase in hired staff, especially in Spain (+ 7.0% on the previous year) is associated with the start-up of the new plant.

The "Other operating expenses" have been kept under control and are down 0.4% on 2017 to €189.2 million, despite the fact that the expenses for energy supply increased by 5.1% compared to the previous year. These savings are due, in part, to the good maintenance of the plants and the productive efficiencies obtained.

With the performance of other operating expenses, it should be noted that savings have been obtained despite the inclusion of higher plant expenses and other expenses associated with the start-up of a new module for the production of state-of-the-art cellulose in the Cáseda (Spain) plant.

3. Consumption costs = Net purchases +/- Changes in inventory of finished goods and work in progress.
4. Gross margin = (Revenue - Consumption costs) / Revenue



Profit from the business combination

Subsequent to the acquisition of the Globus companies in Australia and New Zealand, according to accounting standards on business combinations, independent experts must assign a purchase price to the net fair value of the acquired assets and liabilities.

The share of the Viscofan companies in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination. This difference was recognised in the profit for the year once the acquisition cost and the valuation of the net assets acquired had been reevaluated, generating a gain of €5.5 million in the consolidated financial statements of the Viscofan Group as a result of the higher appraisals by independent experts of the tangible and intangible assets of the group of companies acquired.

Operating profit

Like-for-like[1] EBITDA in 2018 is down by -1.3% vs. 2017 due to the increased costs with raw materials and energy, amid higher fixed and personnel expenses mostly associated with the commissioning of the new plant in Spain.

In reported terms, accumulated EBITDA stood at €208.8 million, -1.2% less than in 2017. The unfavourable performance of exchange rates negatively affected EBITDA reported for 2018 by more than €14.2 million or 6.9 p.p. However, the impact of exchange rates was offset by the profit obtained from compensation for patent infringement and the allocation of the purchase price of Globus assets, which have also generated a non-recurring accounting profit in the year.

Cumulative depreciation and amortisation costs in the year to date have risen by 10.7% vs. 2017 to €62.4 million, reflecting the investments made in the course of the MORE TO BE strategic plan, which has led to growth in assets and the improvement of the industrial park, with the new production plant in Cáseda being noteworthy.

As a result, the Group obtained a cumulative operating profit of €146.3 million, 5.5% less than 2017.

Non-recurring impacts

A comparison of the information on non-recurring business impacts during 2018 and 2017 follows, which contributed €19.1 million and €4.5 million respectively in operating profits.

In 2018 a gain of €5.5 million was reported corresponding to the negative goodwill from the lower cost of business combination over the corresponding value of the identifiable assets acquired less that of the liabilities assumed from the acquisition of the Globus companies in Australia and New Zealand.

In 2018, €15.4 million in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A.

The expenses of non-recurring third parties, including advisors and lawyers related to the law suit against Mivisa Envases S.A. and the acquisition of companies amount to €1.8 million.

In 2017, a positive impact of €4.5 million was recorded in EBITDA from the net impact of compensation for the fire in Germany following the deduction of, inter alia, non-recurring stock, clearance and cleaning costs and the management costs associated with the acquisition of the Supralon companies in Europe, among others.

Net financial result

In 2018, net profit was a positive +€1.0 million owing to the positive exchange differences of +€2.8 million, compared with a net financial loss of -€9.5 million in 2017, when foreign exchange differences were negative at -€8.5 million.

Net profit and taxes

Cumulative profit before tax through to December 2018 amounted to €147.3 million, with corporate income tax totalling €23.6 million at an effective tax rate of 16.0% (16.1% in the same period in the previous year).

The difference between the theoretical tax rate (28%) and the effective tax rate (16.0%) basically corresponds to the difference between the different tax rates for non-resident subsidiaries in Navarre (tax address for Viscofan S.A.) that pay taxes in each of the countries they operate in, applying the prevailing corporate income tax rate (or equivalent tax) for the period and the consideration of tax deductions for investments in some Group companies.

Finally, the Net profit accumulated to December is €123.7 million, 1.4% higher than the same period of the previous year.

Net profit

€123.7 million

+1.4% vs 2017

Investment 2018

€71.6 million

→ Advanced technology for casing **production based in viscose**
→ **Fibrous new technology**
→ New generation implementation for **cellulose casing**

55% process improvements
25% ordinary investments
12% capacity and machinery
8% energy equipment and in plant safety, hygiene and environmental improvements.

Investment

€71.6 million was invested over the year compared to €107.2 million in 2017, with the most significant investment of both years being the construction of the Cáseda (Spain) plant and the installation of new technology for the production of viscose-based casings (cellulose and fibrous).

Production began in 2018 and new machinery was installed to increase the volume of production under this technology, with the aim of obtaining productive savings in 2019 and 2020. It should be noted that the meters produced using the new technology have shown greater levels of efficiency and productive speed, and a high degree of customer satisfaction.

In 2018 new edible collagen capacity was also installed and started up in Serbia.

Following the large investment effort made in the first phase (2016-2018) of the MORE TO BE strategic plan, the last years of this period (2019-2020) are characterised by a lower investment requirement in absolute terms, although in 2019, investment in additional machinery needed to complete the new technology project in Caseda is planned, and capacity increase projects remain in line with the expected growth needs in the market and with process improvements and energy optimisation.

The breakdown by type of the €71.6 million invested in 2018 is as follows:

- Around 12% of investment was in capacity and machinery.
- Around 55% of investment was in process improvements.
- Around 8% of investment was in energy equipment and in plant safety, hygiene and environmental improvements.
- The remaining 25% was spent on ordinary investments.

Dividend

The Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.95 per share, with an amount of €44.2 million to be paid out on 6 June 2019.

This means total shareholder remuneration amounts to €1.73 per share, consisting of:

- Ordinary remuneration stands at €1.60 per share, equivalent to the distribution of 60% of the net profit composed by the interim dividend of €0.64 per share (paid on 20 December 2018), the proposal of a complementary dividend of €0.95 per share (to be paid on 6 June 2019) and a Meeting attendance bonus of €0.01 per share.
- Additionally, an extraordinary dividend of €0.13 per share (paid on 22 March 2018) was distributed for the extraordinary capital gain from the payment of compensation for the patent.

The remuneration proposed is 11.6% higher than the total remuneration of €1.55 per share approved last year, implying a distribution of €80.5 million.

Treasury shares

During the year, the company acquired 103,682 shares at a cost of €5.3 million. Subsequently, in January 2019, the Board approved the execution of a capital reduction for a nominal amount of €72,577.40, through the redemption of the 103,682 existing shares.

Equity

The Group's Net equity in 2018 stood at €757.6 million, up 4.1% year-on-year due to the booking of a Net profit of €123.8 million from which is deducted €35.8 million as interim and extraordinary dividends against 2018 earnings (+24% vs. 2017).

Bank debt

The increase in shareholder remuneration, the stepping-up of the pace of investment projects, and the acquisition of Transform Pack Inc. and Globus companies in Australia and New Zealand were largely financed by cash flows from transactions, leaving Net bank debt[5] in December 2018 at €79.6 million compared with €41.1 million at the end of December 2017.

Dividends

€1.73

per share

+11.6% vs. 2017

Financial commitments

Based on estimated growth, the Group plans to invest to strengthen its leadership position in the casings market and to continue improving the service it provides, as well as to upgrade its existing industrial equipment and operations. This forecast includes commitments such as capacity expansions, technological updates, optimisations of processes and environmental investments in safety and health. Thus, at year-end 2018, investment commitments totalled €4.9 million (€7.0 million at 2017 year-end).

At 31 December 2018, the Group has constructions and other items contracted under finance leases, the minimum payments and current value of which amount to €0.1 million (€0.2 million at 2017 year-end).

The Group also has various premises and other items of property, plant and equipment under lease arrangements. At 31 December 2018, the amount of the assets for right of use amounts to €19.6 million.

5. Net bank debt = Non-current bank debt + Current bank debt - Cash and cash equivalents

Non-financial statement

Basis of presentation

The non-financial statement included in this report has been prepared following the standard Global Reporting Initiative (GRI) in its standard version

See information about companies that form part of the Viscofan Group as of 31 December 2018 in note 2 of the consolidated annual report.

Scope

This non-financial statement covers the period between 1 January and 31 December 2018, corresponding to the fiscal year of the Viscofan Group, comprised of Viscofan S.A. and all subsidiaries with the exception of the Globus companies acquired in November 2018, where the processes have not yet been implemented in accordance with the policies and standards of the Viscofan Group.

Legal Basis and Principles

The non-financial statement has been formulated using the records of Viscofan, S.A. and its Group companies, and has been prepared in accordance with law 11/2018, of 28 December, amending the Commercial Code, the revised text of the Law on Corporations approved by the Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on non-financial information and diversity.

The non-financial statement included in this report has been prepared following the standard Global Reporting Initiative (GRI) in its standard version, in accordance with the essential scope according to the requirements of the GRI guide. The United Nations Global Compact, of which Viscofan is a partner, has also been used as a reference.

Comparison of information

The non-financial statement presents the comparative information with respect to the previous fiscal year, provided that this is relevant for the adequate understanding of the non-financial statement and that there are standardised criteria with respect to the previous fiscal year, including, where appropriate, changes in the scope. In some circumstances, it is impracticable to reclassify the comparative information of previous years in order to achieve comparability with the figures for the current period. For example, some data have been calculated for the first time in this non-financial statement, meaning that they have not been previously recorded and, as such, it is not possible to calculate the necessary comparative data. This non-financial statement is the first to follow the GRI standard, maintaining (insofar as possible) the same indicators that the company had previously reported, and making a footnote of the indicators published in previous years whose calculation has been restated according to the current GRI guide.

Materiality

The Viscofan Group regards Corporate Responsibility as the way in which it relates to its different stakeholders, and generates proposals of value.
This commitment stems from the Company's mission to "Meet the world's food industry needs through customised casings which add value to our stakeholders" and is implemented through specific initiatives and monitoring tasks.
In 2018, a new materiality analysis was carried out with the advice of an independent expert to identify the most significant economic, environmental and social impacts of society that substantially influence the valuations and decisions of the stakeholders.

Three aspects were taken into account during the preparation of the materiality analysis:

a) Relevance for our stakeholders

The Viscofan Group is aware of the essential role played by stakeholders in the success of the company, which is why it has identified and established appropriate communication channels to ensure an open dialogue and to be aware of their needs and expectations, resulting in continuous learning. This aspect was taken into account when identifying and analysing the materiality of the aspects. The details of stakeholders and the communication channels used are as follows:

Stakeholder & Communication channels

Stakeholder		Communication channels
Shareholders		General Shareholders' Meeting, roadshows, conferences, telephone and mail contact, corporate website, sharehol-der service office
Employees		Intranet, global opinion poll, meetings and presentations, training sessions, direct relationship with managers, inter-nal magazine, whistleblowing channel, bulletin boards and information screens
Market	Customers	Customer satisfaction surveys, seminars and events organised by Viscofan, telephone and email technical assistance and continuous service, end-to-end claims and complaints system, active presence in trade fairs, visits to and from customers, local presence through agents and distributors, access to an extranet for customers accessi-ble at www.viscofan.com
	Suppliers	Direct contact, collaboration agreements, training, assess-ments and audits
	Industry associations	Viscofan is part of and promotes various associations and groups seeking to find ways of collaboration in the industry to increase its contribution to society
Society	Local communities	Direct local contact, collaboration agreements, sponsor-ships
	Governments and legal organisations	Contact with governmental institutions, associations, lawyers.
	Research centres and institutes	Collaboration with research centres and institutes in different countries

In addition to the communication channels for the identification of material aspects, the reporting standards used by similar companies and the main customers have been analysed, as well as different means of communication to extract the trends of the most relevant aspects for society.

b) Review and analysis of national and international reporting standards and guidelines

The following was taken into account in this phase:

- Corporate Social Responsibility Trends.
- United Nations Global Compact and Sustainable Development Goals (SDG).
- Reporting standards. Sustainability Accounting Standards Board
- Requirement of analysts and institutions.
- Regulatory analysis. Law 11/2018, of 28 December, which amends the revised text of the Companies Act approved by Legislative Royal Decree 1/2010, 2 July, and Law 22/2015, 20 July, from Account Auditing, in subjects of non-financial and diversity information.

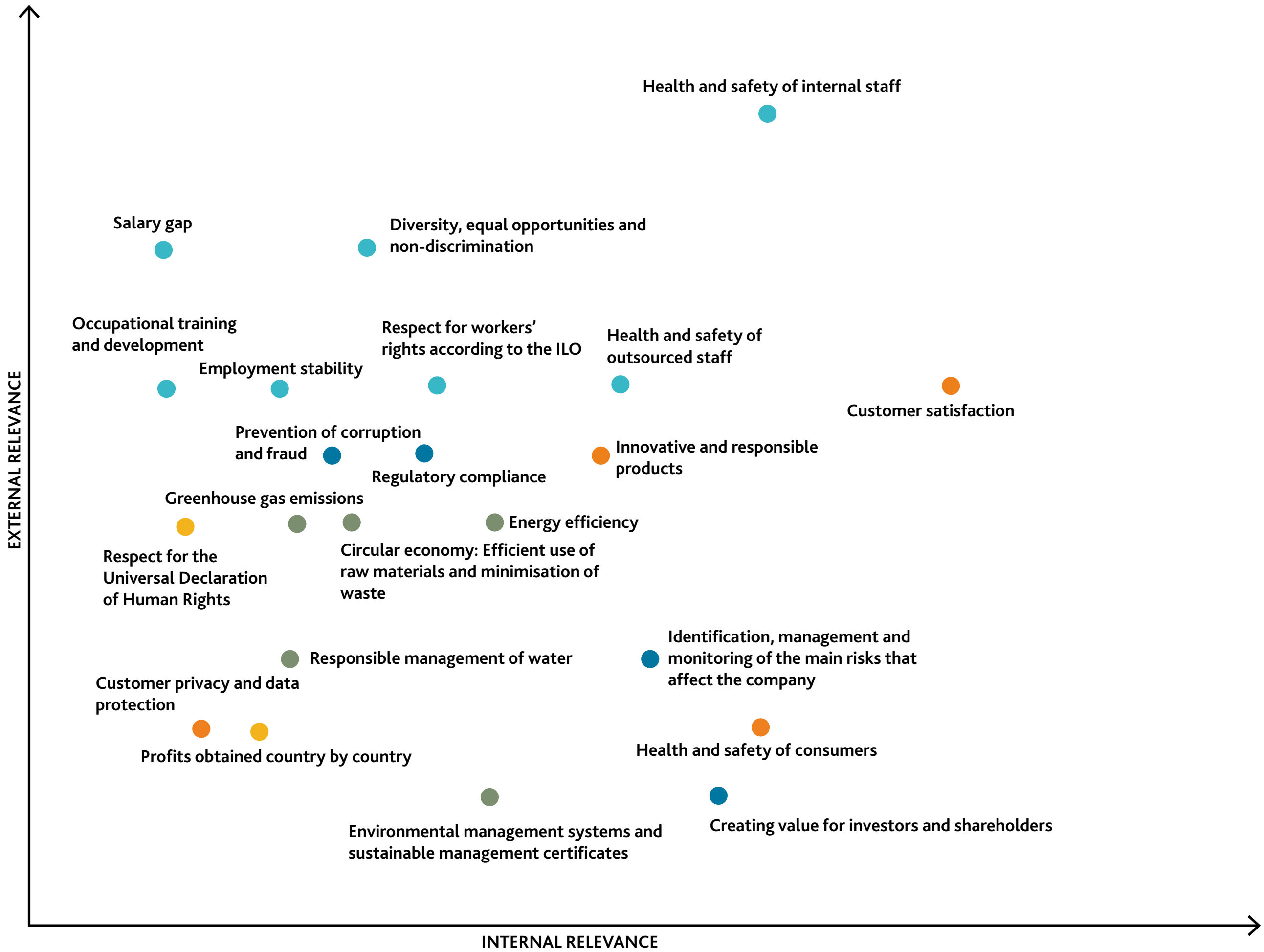
c) Internal assessment

The relevant issues from the assessment of external importance with stakeholders and the policies, guidelines and reporting standards have been valued internally, being presented to managers of different areas of the Viscofan Group to assess their impact on operations and the reputation of the Group in a questionnaire with 46 relevant topics that have been obtained.

Creation of the materiality matrix

To prioritise the objective results, externally, the number of times the topics relevant to the stakeholders and the policies, guidelines and reporting standards that have been published were weighted, while internally the relevant topics were weighted according to the impact on operations and reputation. As a result, a materiality matrix has been obtained with the vertical axis representing the external importance, and the horizontal axis the internal importance.

MATERIALITY MATRIX



The most relevant material aspects identified by category are the following:

Governance/Economics

— Identification, management and monitoring of the main risks that affect the company
— Prevention of corruption and fraud
— Regulatory compliance
— Creating value for investors and shareholders

Customers

— Customer satisfaction
— Health and safety of consumers
— Customer privacy and data protection
— Innovative and responsible products

Work management

— Respect for workers' rights according to the ILO
— Occupational training and development
— Health and safety of internal staff
— Health and safety of outsourced staff
— Diversity, equal opportunities and non-discrimination
— Employment stability
— Salary gap

Environmental issues

— Environmental management systems and sustainable management certificates
— Circular economy: Efficient use of raw materials and minimisation of waste
— Responsible management of water
— Energy efficiency
— Greenhouse gas emissions

Social

— Respect for the Universal Declaration of Human Rights
— Profits obtained country by country

GENERATED AND DISTRIBUTED VALUE MATRIX

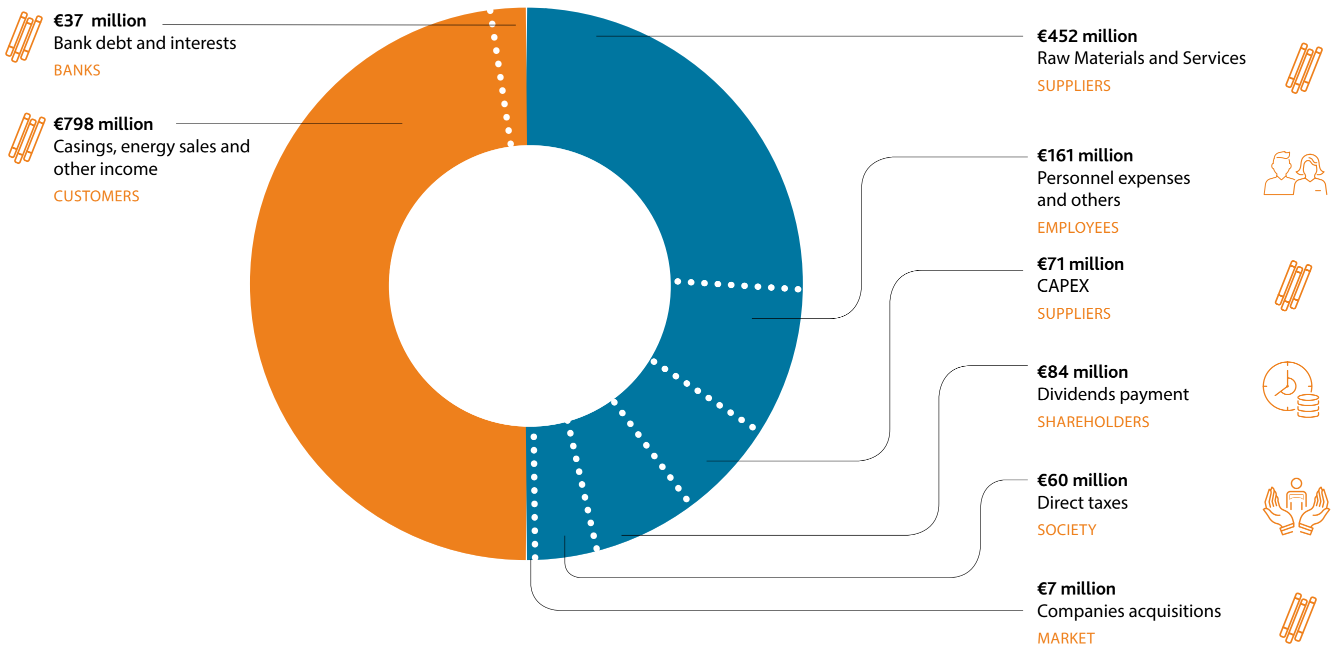
The calculation was made following the cash-based approach.

Economic value generated

€835 million

Economic value distributed

€835 million



Business Model

Mission, vision and values

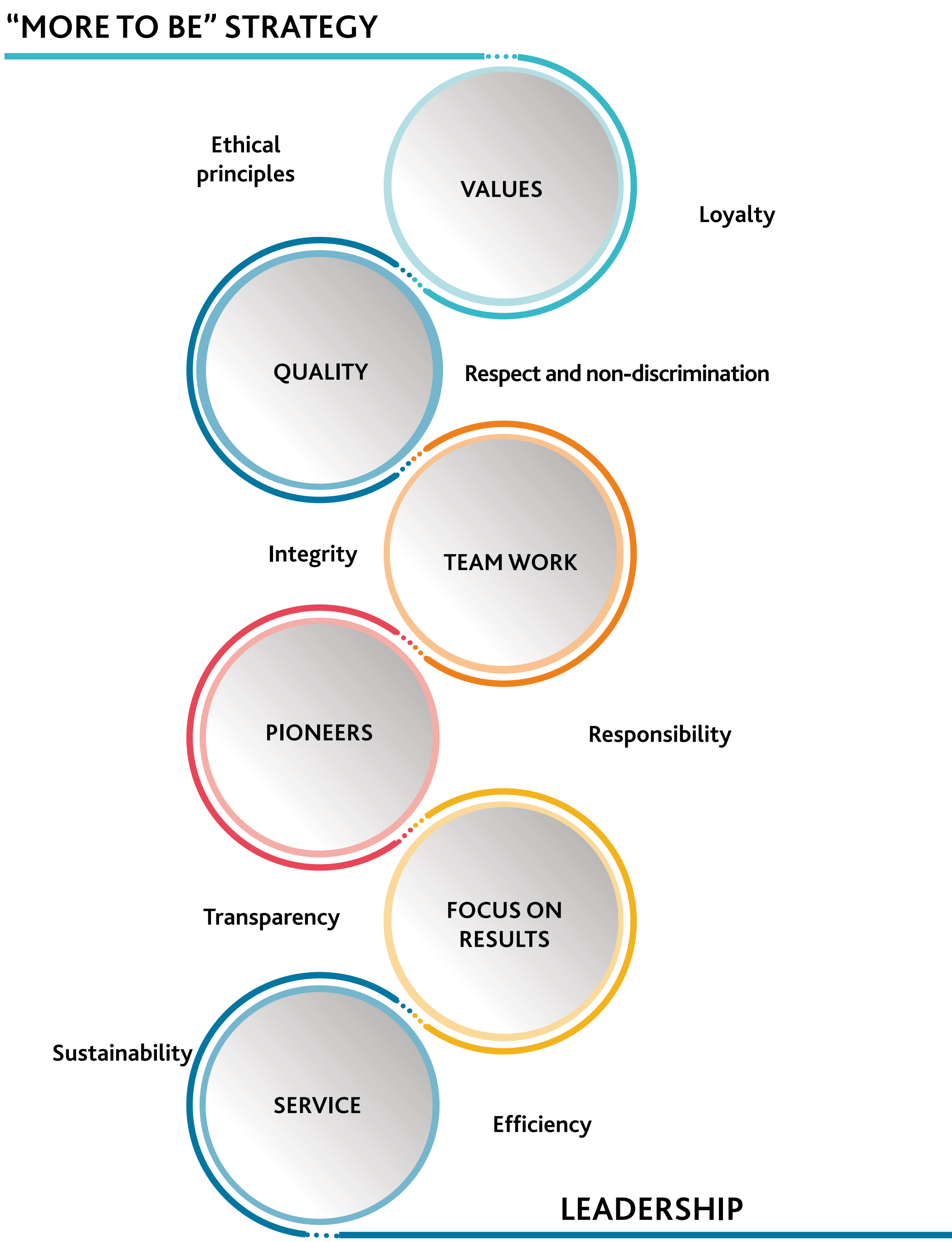
The Viscofan Group aims to meet food industry needs through the production and sale of customized casings, and to seize the business opportunities that arise from know-how achieved by the company through the production and sales of collagen-based products for food and bioengineering uses.

Casings play a fundamental role in the production value chain of cold meats, as they contribute to their final appearance and at the same time can provide improvements in productivity and added value to meat processors.

The Viscofan Group has achieved world leadership with a technological proposal and a unique production and commercial presence in the sector.

For 2020 the Viscofan Group has a clear vision: To become a real global leader, "The Casing Company" with the aim of achieving a triple leadership in service, cost and technology in all the meat casing markets where the Viscofan Group is present.

This ambitious vision is executed through the strategic plan MORE TO BE, based on the company's values (service, quality, team work, learning and focus on results) and on the non-negotiable ethical principles that arise from fundamental human rights (respect and non-discrimination, responsibility, efficiency, loyalty, integrity and sustainability).



Market environment

Introduction to the casings market

Casings are soft, cylindrical containers mainly used to keep mixtures of meat, either fresh or processed. Casings can be animal gut or customized.

The Viscofan Group is world leader in customized casings, also known as artificial casings because traditionally these products have replaced animal gut (mainly bladders and intestines) used by meat processors to stuff the meat.

The human being has stuffed meat in animal gut from ancient times, but customized casings originated at the beginning of the 20th century when, due to the difficulties faced in obtaining animal gut, volatility in prices and problems for the industrialization of sausages production, other alternatives emerged in different countries based on different materials that could be used for sausage and cold meat production as an alternative to animal gut. This change involves a qualitative jump for meat processors, achieving better quality, productivity and food safety standards.

The casings market exceeds 60 billion meters and has an estimated value of €4.3 billion. Meat processors get to decide whether to use animal gut (approximately half of the market) or customized casings made up of different materials, according to production and product specifications, combining a better range of casings with substantial production savings. As a result, the higher production requirements and meat processors' sophistication, the greater the tendency toward customized casings rather than animal gut.

Customized casings of natural origin

Cellulose | Fibrous | Collagen

Customized casings of synthetic origin

Plastic

Cellulose

Approximately 13% of the total casings market. Cellulose casings are made from high quality 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 a viscose that is then extruded in either cylindrical or tubular form, according to the customer's requirements.

Fibrous

Account for around 7% of the total casings market. Cellulose casings reinforced with manila hemp, which makes for high strength and highly uniform calibre needed for producing sausages. Fibrous casings are primarily used for large sausages and slicing meats such as mortadella, ham, pepperoni, etc.

Collagen

Approximately 22% of the market is represented by casings that use collagen as their raw material. Collagen is obtained from cow and pork 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 between both collagen casings 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.

Plastic and others

Approximately 11% of the market. Plastic casings are made from a range of polymers. These are highly versatile casings providing barrier properties, mechanical strength, thermal shrinkage, and heat resistance, depending on the application requirements of the product.

Analysis on the growth factors within the casings sector

Throughout history this market has proven to be correlated with population and population growth, the evolution food consumption habits and the sophistication of meat processors, who may decide to use animal guts or customized casings in their production process. These factors are behind a growth in volume of between 2% and 4%, which is the historic average of the casings market.

In 2018, the casings market grew in volume by around 2%. This growth was in the low range of historical growth due to the performance in Asia that contrasts with the momentum of other emerging regions such as Latin America, Eastern Europe and Africa. The growth in volume coexisted with a very volatile currency environment, especially in the case of the US dollar and the Brazilian real, which in average terms depreciated by 4.4% and 16.3% against the European currency, respectively, which has meant that value of the casings market in euros has not grown compared to the previous year.

Evolution of the population

The world grows in terms of population at a yearly average rate of 1% according to FAO, which expects it to increase from 7.6 billion in 2018 to 7.8 billion in 2020 and to 8.2 billion in 2025.

Emerging markets are still behind population growth, in this sense, Asia, Africa and Latin America make up more than 90% of the annual world population growth.

The bigger demographic mass is led by these emerging markets, which steadily grow in importance with regard to the total. In 2018, around 84% of the population was concentrated in these areas.

The growth of the population is accompanied by the increase in wealth. The IMF estimates GDP growth per capita of 3% in 2019 and in following years. An estimated growth that is greater in emerging regions, although it is still an economic situation with a large imbalance, with the GDP per capita of the emerging areas standing at US$5,240, compared to US$47,980 in developed regions.

Eating habits

The main international organisations continue to project increases in demand per capita for the coming years, in line with the trends that indicate a greater weight of protein in eating habits aided by the increase in the purchasing power of the middle classes, and the growth of the population in cities. In this sense, according to the FAO, it is expected that the population will continue to grow in cities, with 55% of the total world population concentrated in urban centres.

Technological development and sophistication of meat processors

Meat processors need greater flexibility and customisation to adjust to the new preferences of consumers and to the dynamism of the environment, which includes volatility of costs of production input, increases in labour costs, requirements on the quality/price bundle imposed by supply chains, regulatory development, globalisation and the size of meat processing companies, which makes faster and more efficient production increasingly important, with stability in quality parameters, seeking greater automation and lower production waste.

In this sense, the development of customized casings has proven to be a great ally, to be competitive in a world with an evident imbalance between emerging and developed areas. In 2018, 84% of the population lives in emerging areas, and 64% of the meat production corresponds to these areas, a percentage that is reduced to 36% in the case of the casings market.

Position of Viscofan in the casings market

In 2018 the Viscofan Group continued to reinforce its leadership position by revenue while improving its value proposal and position in the market. The wide geographical, technological and product range have permitted this behaviour, which means being “The Casing Company”, the world casings leader, with an estimated market share above 17% and 33% in the customized casings segment.

Geographic diversification:

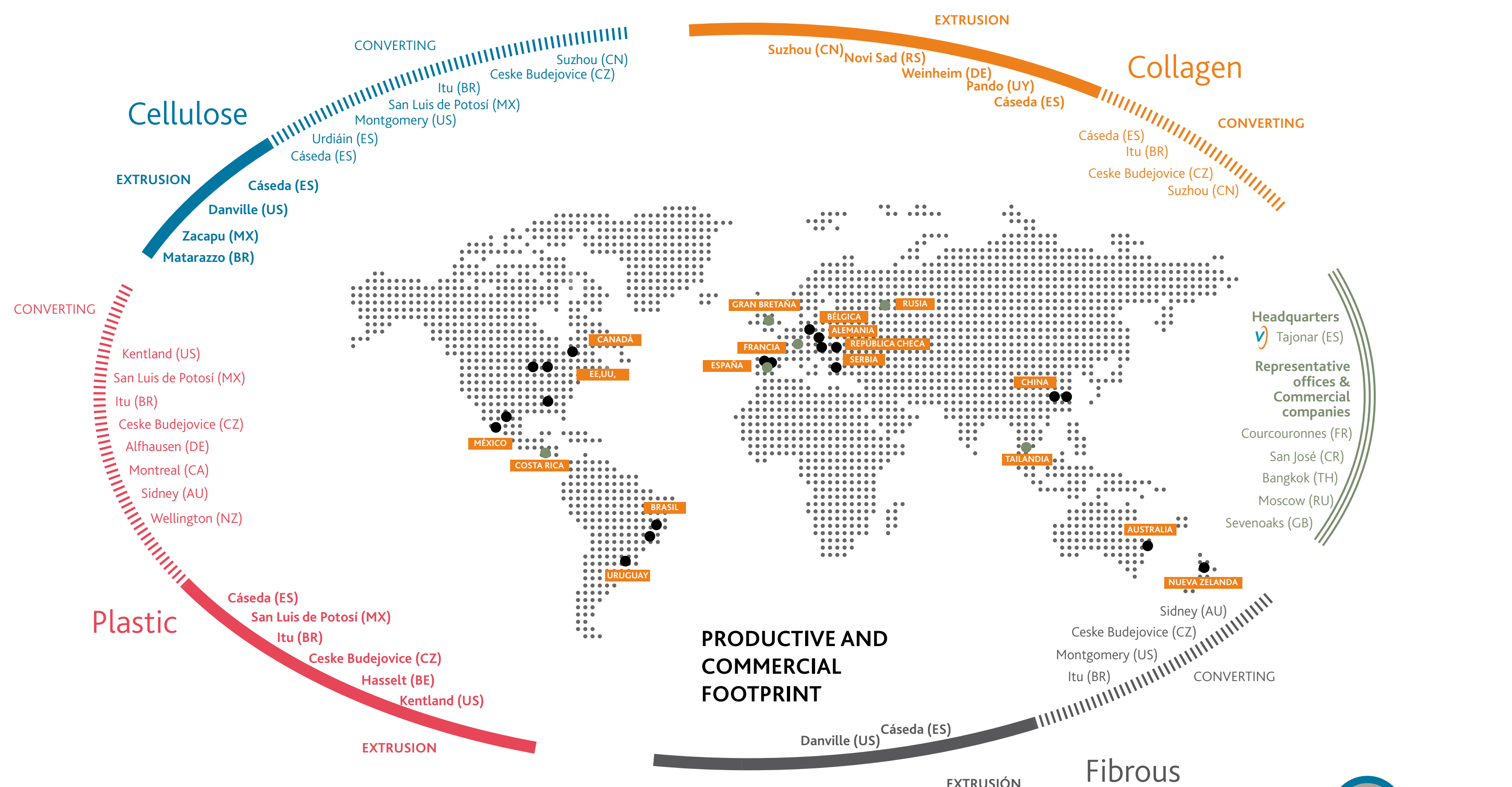
Viscofan has the largest production and commercial presence of the market. Headquartered in Navarre (Spain) and with 22 manufacturing plants across Spain, Germany, Belgium, Czech Republic, Serbia, United States, Canada, Mexico, Brazil, Uruguay, China, Australia and New Zealand.

Products are distributed to over 100 countries around the world, with a large network of distributors, agents and own commercial offices in Spain, Germany, Belgium, Czech Republic, Serbia, United Kingdom, France, Russia, United States, Mexico, Canada, Brazil, Costa Rica, Thailand, China, Australia and New Zealand.

Technological and product diversification:

Technology diversity makes it possible to offer the market a global solution, being the only one in the sector with proprietary technology in the main available technologies: cellulose, fibrous, plastic and collagen.

This technology diversity makes it possible for the Viscofan Group to offer an extensive product portfolio, adapted to the different needs of customers, and helping them, in turn, to develop the product range of our customers. In this sense, in 2018 almost 55% of casings sales came from customers who buy products from the four main technologies.



In such a demanding environment, the Viscofan Group bolstered its leading position in revenue in the sector while continuing to develop the activities included in its MORE TO BE 2016-2020 strategic plan.

MORE TO BE strategy

Casings

In previous strategic periods named Be ONE and Be MORE, the Viscofan Group transformed itself, adjusting to macroeconomic and market environments in order to create long-term value, with a clear focus on developing competitiveness in cost and then improve its technological capacity.

The transformation of the Viscofan Group is not unconnected with the transformation of today's world, which has also affected the needs of our customers, market possibilities and the new world cost and funding structure.

In such a demanding environment, the Viscofan Group bolstered its leading position in revenue in the sector while continuing to develop the activities included in its MORE TO BE 2016-2020 strategic plan, a natural evolution in the context of the transformation of Viscofan and the environment, focused on leading in all the main casings market in terms of service, cost, and technology.

The current strategy means a step further in the track record that began with the Be ONE (2009-2011) strategic plan. After the acquisitions carried out, this strategic plan decided to restructure operations, perform a management plan to improve economies of scale, which the Viscofan Group didn't have before. This approach made Viscofan become a very efficient company, which gave cost optimisation the greater weight of management.

Once that goal was accomplished, Be MORE (2012-2015) strategic plan committed to greater development. The best technological improvements introduced, without giving up competitive cost advantage, gave us a more global presence in collagen and in other families, enabling us to reach other markets and a new scale.

But if we really want to be a global leader, we have to lead our key markets. In order to reach that, we need to continue progressing in costs, technology and, of course, going a step forward in our level of service.

And that is exactly what guided the Viscofan Group towards its new vision: Become an authentic global leader.

This vision means that:

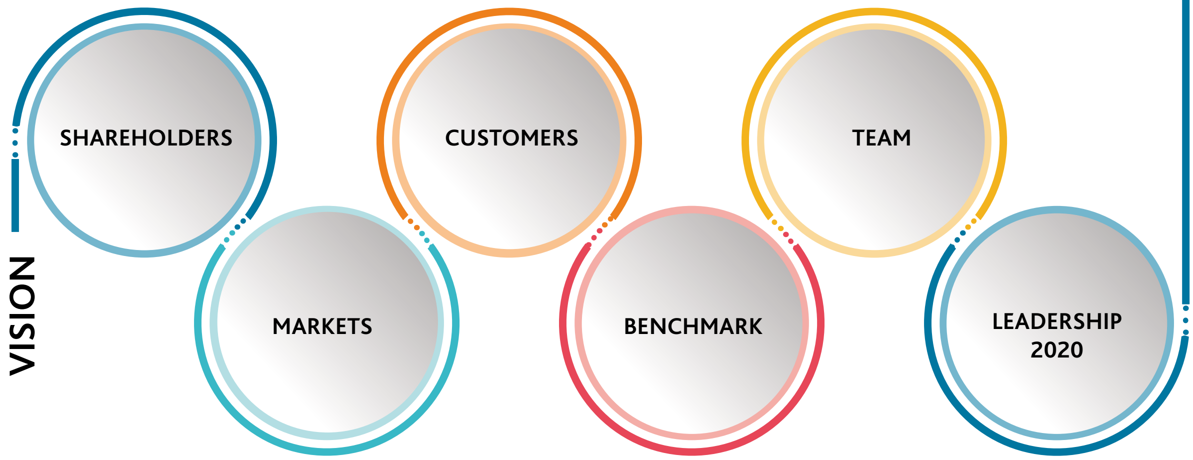
- THE CASING COMPANY puts all its efforts in creating value for SHAREHOLDERS sustainably.
- THE CASING COMPANY is the global leader in all families of meat casings and actively promotes the development of NEW MARKETS.
- THE CASING COMPANY is the preferred option of our CUSTOMERS and desired by competitors.
- THE CASING COMPANY is BENCHMARK of the sector in efficiency and productivity in all its casing technologies.
- THE CASING COMPANY has THE BEST MARKET TEAM, attracts and maintains talent and develops its capacities.
- Ultimately, THE CASING COMPANY leads in SERVICE, it leads in TECHNOLOGY and it leads in COST.

This vision means that...

THE CASING COMPANY puts all its efforts in creating value for SHAREHOLDERS sustainably.

THE CASING COMPANY is the preferred option of our CUSTOMERS and desired by competitors

THE CASING COMPANY has THE BEST MARKET TEAM, attracts and maintains talent and develops its capacities.



THE CASING COMPANY is the global leader in all families of meat casings and actively promotes the development of NEW MARKETS.

THE CASING COMPANY is BENCHMARK of the sector in efficiency and productivity in all its casing technologies

Ultimately, THE CASING COMPANY leads in SERVICE, it leads in TECHNOLOGY and it leads in COST.

Strategic initiatives

This triple leadership arises with the conviction that a global leader creates value when it is productive for its stakeholders, and at the same time sustainable, in the long term. In order to achieve this, the Viscofan Group performs multiple initiatives that can be grouped in three strategic pillars and throughout all organisational departments:

SERVICE AXIS

This axis groups all initiatives aimed at offering solutions to meet needs, and addressable with a greater range of products, greater proximity, better assistance, greater adaptability, etc.

An example of initiatives aimed at improving the service area is the investment in the new plant in Spain where new cellulose and fibrous technology has been developed and installed. This project allows us to develop new products for the market, as well as gain proximity with European fibrous customers. In this sense, sales in 2018 show a high degree of customer satisfaction.

Since November 2018, Viscofan has been present in Oceania for the first time in its history thanks to the acquisition of the Globus companies in Australia and New Zealand, a geographic complement to improve proximity in the region. With this acquisition, Viscofan incorporates its main distributor in these countries, which has a long history as a supplier of casings, films and bags, among others, as well as a great knowledge in the sale of equipment for the food industry.

TECHNOLOGY AXIS

Our productive process is based on proprietary technology where know-how of people is essential. This continuous improvement production model is based on Excellence Centres and technology transfer to other centres.

As a result of this model of continuous improvement, in 2018 new production modules were commissioned and installed under a new technology to produce viscose-based casings (cellulose and fibrous) in Cáseda (Spain). It is a production plant with the most advanced technology in the market for producing these types of casings, and which is an advance for Viscofan in terms of efficiency and productive speed.

In 2018, production improvements were also made in fibrous technology in North America, the technological improvement in plastics was consolidated as a result of the acquisitions of Vector and Supralon in previous years, and production improvements in high calibre collagen technology continued.

The acquisition of Transform Pack Inc in Canada is also included in this axis. Completed in February 2018, it allows Viscofan to incorporate specialised technology for transferring ingredients to food, to add spices, flavours, aromas, and colours.

COST AXIS

In 2018 steps have been taken to launch projects aimed at improving costs, seeking to save on costs with the homologation of new suppliers, the increase in the collagen capacity in Serbia has enabled economies of scale, and the development of more efficient technologies in production.

Meanwhile, in 2018 the Viscofan Group faced the inflation of raw material, particularly high in the case of caustic soda, glycerine and co-generation gas. The productive improvements achieved in 2018, which has been one of the years with the highest plant production efficiencies, with the exception of the new Cáseda plant, have partially offset this increase in production input costs. In line with this cost context, commercial activity has sought to increase prices in a broad customer base, especially since the third quarter of the year, in order to adapt them to this inflation environment.

In terms of environmental management, the plants in Belgium and Uruguay have obtained the ISO 14001 certification, which means guaranteeing Viscofan's commitment to sustainability in the use of resources, improving the way in which we reduce the impact on the environment, which in turn generates internal profit by improving the use of resources.

R+D 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.

The cold meat production sector requires high performance products at very competitive costs, in order to enable large scale production. Responding to this demand implies a huge technological and development challenge that Viscofan performs successfully as the major casings supplier, using the four most common materials that are currently available in the market: cellulose, collagen, fibrous and plastic, thus offering the complete range of customized casings and being the only supplier able to offer it.

Therefore, Viscofan takes the view that its leading position in the highly competitive world market can only be sustained by cutting-edge efforts in research and development of its technology and products. Only through the application of this philosophy will Viscofan be able to continue advancing in its leadership of innovation in the global casings market, benefiting all of its stakeholders.

Constant innovation required by our globalised world must be taken into account. The products of Viscofan must be compatible with the food habits and uses of millions of world consumers, their preferences and evolution over time. 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 them, and develop its own technologies to create an enduring competitive edge.

The complexity of Viscofan's production process and the sophisticated technology underlying its products mean that research and development units are structured into teams specialised by casing type, mainly at centres of excellence (i.e. sites that stand out due to their management, proactivity, service, knowledge, productive quality innovation and are a reference of best practices for the rest of production sites of the company).

In 2018, the average R&D workforce comprised 133 employees across the Group. The corporate research and development centre in Spain coordinates, manages and supports the specific research and development activities conducted at each production plant, and coordinates the multidisciplinary teams which exchange best practices, technological knowledge and ideas across product sites.

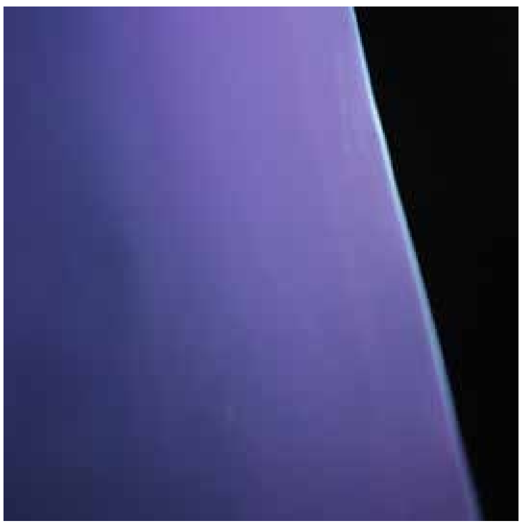
R&D team

133 people

→ The corporate research and development centre in Spain coordinates, manages and supports the specific research and development activities conducted at each production plant.

→ Coordination among multidisciplinary teams is established to exchange best practices, technological knowledge and ideas across productive centers.

The goal is to harmonise and align production standards worldwide, based on the most advanced concepts and processes relating to both manufacturing technologies and philosophies of control, quality and product features that have made Viscofan what it is today.



Technology is transferred from centres with technology development units for both products and processes to all the Group's other facilities. The goal is to harmonise and standardise production standards worldwide, based on the most advanced concepts and processes relating to both manufacturing technologies and philosophies of control, quality and product features that have made Viscofan what it is today.

At present, there are strategic product and technology development projects across the entire casings range in progress (cellulose, collagen, fibrous and plastic casings), 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. On-going Research, Development and Innovation projects focus mainly on:

— **The development of new products according to the target markets defined in the expansion plan**, and new generation implementations, designed and oriented towards offering products with differential performance and features.

— **The development of active casings** that are able to confer functionalities to the meat product they contain.

— **The development of production alternatives and technological solutions** through radical breakthroughs which allow an increase in added value or significantly reduce production costs for meat casings through modernisation, streamlining and simplification, improving Viscofan's competitiveness.

— **Research aimed at developing technological** processes that enable an adequate range of materials to manufacture casings.

— **Technological support for improving existing products and processes,** and for the Company's international expansion, all this adhering to Viscofan's technological and quality standards and current regulations, as well as the optimisation of production costs.

— **Innovative uses of raw materials** that we use and of which we have extensive know-how.

Support from international research centres

Viscofan has a long track record of working with institutions and research centres in different countries. In particular, Viscofan plays an active role in the customized 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 International de la Peliculle Cellulosique (CIPCEL). Based in Brussels, comprises the leading producers of regenerated cellulose film products.

— Collagen Casing Trade Association (CCTA). Also based in Brussels, comprises the leading producers of collagen casings worldwide.

— 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 Technological Centre based in Spain that supports R&D of its partners, especially in the areas of quality, food safety, sustainability, environment, design and industrial production.

— ANICE. The Spanish National Association of the Meat Sector is the biggest meat association in Spain to give advice, represent and defend the sector's interests.

— National Centre for Technology and Food Safety (CNTA), the purpose of which is to provide advanced technological services to improve competitiveness in the food sector through quality and innovation and under the principle of food safety.

— AIMPLAS. The Plastics Technology Centre offers integral solutions to companies within the plastic sector through the technical implementation of R+D+i projects.

— NAITEC. Multidisciplinary Technology Centre for the Industry.

Viscofan also collaborates with different universities and research centres:

— University of Navarre (Spain)

— Public University of Navarre (Spain)

— South Carolina University (USA)

— MORE Institute Research (Germany)

— Hochschule Manheim Fraunhofer Institute (Germany)

— Tübingen University (Germany)

— Sao Paulo University (Brazil)

— Suzhou University (China)

The principal issues on which these collaborations are based are: food safety, analysis and development of new materials, process and food industry engineering, advanced physical and chemical analysis, basic research on materials and alternative uses and other packaging systems.

Moreover, Viscofan is importantly supported by the different administrations of the countries where it develops R&D activities, for example: the Center for Industrial Technical Development (CDTI) and the Ministry of Economy and Competitiveness (MINECO) in Spain, the Federal Ministry of Education Research in Germany, the National Council of Science and Technology (CONACYT) in Mexico and the Institute of Technological Research (IPT) in Brazil.

Viscofan plays an active role in the customized 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.

Bioengineering

1. Medical collagen

- → Collagen suspension Viscolma® and collagen membranes that are used as coating, as a quality collagen source or as medical implants
- → Cardiomesh. This product combines a CCC collagen membrane with allogeneic stem cells from fatty tissue to treat patients with heart failure.

2. Nutraceutical collagen

- → COLLinstant®, a high quality collagen hydrolyzate. These collagen hydrolysates are used as a component of nutritional supplements that improve the health of skin, bones and articulations.

Bioengineering

Collagen is the most abundant protein in the human body and therefore there are numerous applications and uses that can be given to this material. Therefore, Viscofan is developing more and more businesses and activities around collagen. We started with medical applications and we also recently added advanced nutrition.

2018 has been a very important year for the Bioengineering unit, in which we have begun to develop the two alternative markets in which Bioengineering is involved: the medical and nutraceutical markets.

In the nutrition market, we have started to market COLLinstant®, a high quality collagen hydrolyzate. These collagen hydrolysates are used as a component of nutritional supplements that improve the health of skin, bones and articulations. As the biggest global manufacturer of collagen casings, with COLLinstant® Viscofan will now access this high-potential market.

In the case of medical collagen, we produce the collagen suspension Viscolma® and collagen membranes that are used as coating, as a quality collagen source or as medical implants. Viscofan works with its customers in the development of medical products with this unique collagen. Since 2017, the new medical plant that has been installed has been equipped with cutting-edge technology to process collagen, and it worked under a quality management system certified by ISO 13485, which is required for medical products.

An example of the use of solutions developed with Viscofan's collagen materials is the product VB-C01 for cardiac repair, the Cardiomesh project. This product combines a CCC collagen membrane with allogeneic stem cells from fatty tissue to treat patients with heart failure. The trial has been approved by the Spanish Medicines Agency and recruitment began last October. This trial is financially supported by the Spanish Ministry for the Economy and Competitiveness, and Viscofan works on it through a research consortium with the Clinical University of Navarre, the Hospital Gregorio Marañón of Madrid and the Minimal Invasive Surgery Centre Jesús Usón in Cáceres.

2018 closes in Bioengineering as a year of consolidation of the productive units and startup of alternative businesses that are called to a more significant contribution to the group's profit.

Expected results in 2019

The first few months of 2019 confirm the growth trend in market volumes, although there is still certain pressure on the prices of raw materials and energy. The Viscofan Group faces the second half of the 2016-2020 MORE TO BE strategic plan with the aim of reducing its cost structure and continuing to improve the levels of service and technological development.

As such, the Viscofan Group expects to increase revenue by between 6% and 8%, recurring EBITDA by between 10% and 13%, and recurring Net Profit by between 8% and 14%, based on an investment of €60 million (down by over 15% compared to the investments made in 2018) and considering an average exchange rate of US$/€ 1.13.

Growth figures while progress is being made in the projects framed within the 2016-2020 MORE TO BE strategic plan. Period that until now has required a significant investment and operational effort to carry out a large number of projects that are now a reality and will allow the Group to improve the value proposition in the service, technology and cost areas. In 2019, the Group will carry out an intense operational activity consolidating and advancing in the projects framed within this strategic plan, including the installation of the necessary capacity to complete the new technology project in Caseda.

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GUIDANCE 2019

Capex
-16%

Recurring EBITDA
+10%/13%

Revenue
+6%/8%

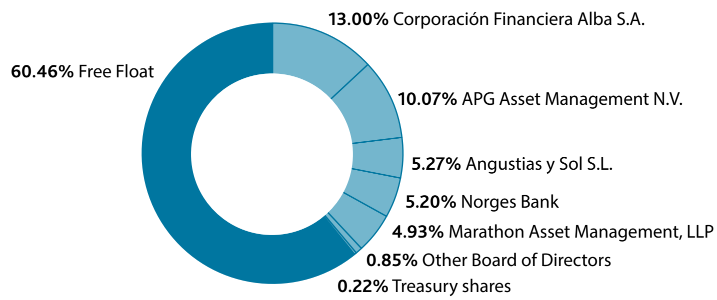
Recurring net result
+8%/14%

Corporate governance

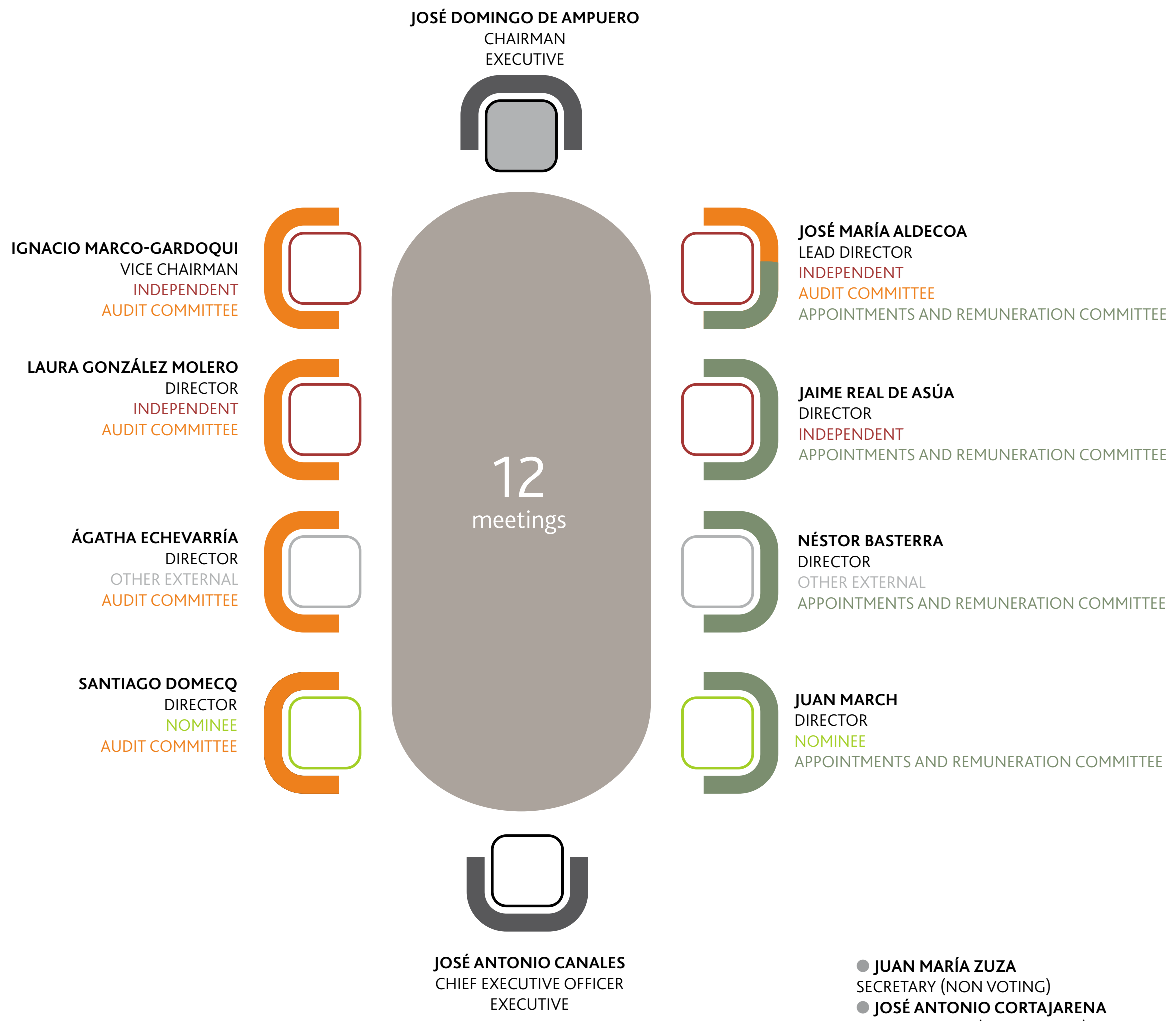
Organisational structure

Shareholder structure

At 31 December 2018, the Parent Company is aware of the following significant interests:



Board of directors (31 december 2018)



- **JUAN MARÍA ZUZA**
  SECRETARY (NON VOTING)
- **JOSÉ ANTONIO CORTAJARENA**
  VICE SECRETARY (NON VOTING)

The Viscofan Board of Directors is composed of a total of 10 directors, of which two are executive, two are nominee, two are classified as other external, and the other four are independent. The secretary and vice secretary do not hold the position of directors.

On 25 May 2018, Alejandro Legarda, an independent director until that date, ended his term, and the General Shareholders' Meeting appointed Laura González Molero as Independent Director to cover the vacancy. Likewise, and as a result of the agreements reached at the General Shareholders' Meeting, the Delegate Committee was decommissioned, the composition of the Audit Committee and the Appointments and Remuneration Committee was modified, and Ignacio Marco-Gardoqui was appointed as sole vice chairman of the Board of Directors.
Subsequently, José Antonio Cortajarena was appointed vice secretary non-board member of the board on 27 December.

JOSÉ DOMINGO DE AMPUERO
CHAIRMAN
Executive Director

Industrial Engineer from Bilbao's Higher School of Industrial Engineers and Master of Business Administration from the University of Southern California. Los Angeles. USA.

His extensive professional career has led him to hold various important positions, such as Vice-Chairman of Naviera Vizcaína, Chairman of S.A. de Alimentación, Vice-Chairman of BBVA Bancomer (Mexico), Chairman of Bodegas y Bebidas, Vice-Chairman of Banco Bilbao Vizcaya Argentaria S.A., Vice-Chairman of Iberdrola, Chairman of Cementos Lemona S.A. and member of the Board of Directors of the Asociación para el Progreso de la Dirección.

He is currently Chairman of Autopista Vasco-Aragonesa S.A. and director of Corporación Financiera Alba S.A. and Tubacex S.A.

Amongst other activities, he is member of the Basque Business Circle, and its former chairman, member of the Board of Caridad de la Santa y Real Casa de Misericordia of Bilbao, and its former chairman.

He is the Executive Chairman of Viscofan S.A.

JOSÉ ANTONIO CANALES
GENERAL MANAGING DIRECTOR
Executive Director

Degree in Economics and Business from Deusto Business School, Advanced course of studies in International Transport & Distribution at the London School of Foreign Trade.

He has in-depth knowledge of the casings business, thanks to his experience within the Viscofan Group, which he joined in 1996 as Managing Director of Viscofan do Brasil Sociedad Comercial e Industrial Ltda, where he led the expansion of the Viscofan Group in South America until his appointment in 2006 as Managing Director of Viscofan, S.A. and the Group of companies of which it is the parent company, a position he currently holds, and from which he has significantly contributed to strengthening Viscofan's leadership and its international expansion.

He is a member of the Board of Directors of Maxam Corporation Holding, S.L, and board member representing Viscofan Group in Fundación Cetena (CEMITEC).

He is also a member of the Board of Directors of Asociación Centro Rafaela María de Acción Social, for the integration of people with disabilities in Vizcaya.

In 2014 he joined the Board of Directors of Viscofan S.A. as Executive Director.

IGNACIO MARCO-GARDOQUI
Independent Director

Economics degree from Deusto University.

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

He also has developed wide experience in several industrial companies, belonging to several Board of Directors. Currently he is director of Minerales y Productos Derivados and Teknia Group.

He was a director of Tubacex and Progénika Biopharma until 2018, and he previously was member, among others, of the Boards of Directors of Técnicas Reunidas, Banco del Comercio, IBV, Banco de Crédito Local, Schneider Electric Spain, Iberdrola Ingeniería y Construcción (Iberinco S.A.) and Chairman of Naturgás.

He is the Vice Chairman of the Board of Directors of Viscofan S.A. and Chairman of its Audit Committee.

JOSÉ MARÍA ALDECOA
LEAD DIRECTOR
Independent Director

Technical Engineer in Electronics from the University of Mondragón and Senior Business Management Programme from IESE.

Throughout his long professional career, he has held various posts at Copreci (1971-1982), Managing Director of Fagor Electrónica and member of the Board of Directors of Fagor, S. Coop. (1982-1991).

Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Board member of Asociación Europea de Componentes Electrónicos (EECA)

Since 1992, he has been developing his professional career at MONDRAGON CORPORACION as Vice Chairman (1992-2006), managing the Components Division (1992-1999) and the Automotive Division (1999-2006). He was appointed Chairman in 2007, which is a position he held until July 2012.

He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong and Thailand, the integration of the production plants in the industrial park of Kunshan, China.

He has sat on the Board of Directors of various automotive and components companies (Copreci in the Czech Republic and Mexico, Fagor Ederlan in Brazil and Slovakia, Paranoa-Cicautxo in Brazil, FPK, Chairman of Vitorio Luzuriaga), and he was director (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.

He was an independent director and member of the Delegated Committee of Gamesa Corporación Tecnológica, S.A. from 2012 to 2017.

He is member of the Board of Directors of Viscofan, S.A, of the Audit Committee and of the Appointments and Remuneration Committee. In 2014 he was appointed as Lead Director

NÉSTOR BASTERRA
Other External Director

Law degree and Economics graduate from the University of Deusto. He also holds an MBA from IESE.

He has spent most of his professional career working in banking, both internationally and in Spain, as head of the Capital Markets and Corporate Banking departments in Bank of America and Banco Santander.

He is currently the Vice-chairman of Iberpapel Gestión S.A. and Board Member of Amistra SGIIC S.A.

He is member of the Board of Directors of Viscofan, S.A, and of its Appointments and Remuneration Committee.

ÁGATHA ECHEVARRÍA
Other External Director

Law degree and Business Studies graduate from Universidad Pontificia de Comillas (ICADE).

She has broad professional experience in a number of multi-nationals, including the audit firm Touche and Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A.

She has advised family businesses on their business strategies and is currently a Board Member of Papelera Guipuzcoana de Zicuñaga, SA and Banca March SA, forming part of its Audit Committee and the Global Risk and Technological Change Committee.

She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

JAIME REAL DE ASÚA
Independent Director

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

He is currently Non-executive Chairman of the Board of Directors of Elecnor S.A., Chairman of its Executive Committee and member of its Appointments and Remuneration Committee. He is also Chairman of the Committee of Elecnor Infraestructuras and Director of Enerfín Sociedad de Energía, S.L., and of Celeo Concesiones e Inversiones, S.L.U., belonging to the Elecnor Group, Director of Cantiles XXI, S.L, and Tasdey S.A. and member of the BBVA Advisory Board of the Northern Zone.

He has also been Chairman and Director of Adhorna Prefabricación S.A. until its takeover merger by Elecnor in 2015. He was also a director of Internacional de Desarrollo Energético, S.A. (IDDE) between 1987 and 2012.

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

He is member of the Board of Directors of Viscofan, S.A, and Chairman of its Appointments and Remuneration Committee.

LAURA GONZÁLEZ MOLERO
Independent Director

Degree in specialised industrial pharmacy from the Complutense University of Madrid and Executive MBA from the IE Business School 1999.

She has held the position of CEO in large international corporations in the Health Care and Chemical sectors in Europe.

She was Chairwoman for Latin America at Merck Serono Biopharmaceuticals and Bayer Healthcare, having resided in Brazil and the United States, where she was responsible for more than two thousand five hundred employees and managed business figures in excess of one billion dollars, which has made her an international benchmark in these sectors. Her work as an executive has been rewarded on numerous occasions.

She was an independent Director of Viscofan from 2010 to 2016, and a member of its Appointments and Remuneration Committee, where she carried out an important job promoting and consolidating the functions of this Committee, as well as contributing diversity to the Board's decision-making through her participation in the various debates and deliberations where her criteria and opinion have contributed to the development of the Viscofan Group until the end of her mandate as an independent Director in 2016, when her professional commitments prevented her from considering her renewal as a Director.

She is currently an independent Director of Acerinox S.A., Ezentis S.A. and Bankia S.A., member of the Advisory Board of ISS in Spain, a member of Women Corporate Director and International Women Forum and a member of the board of trustees of the Adecco Foundation, among others.

She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

JUAN MARCH
Nominee Director

Degree in Administration and Business Management from Universidad Carlos III of Madrid. He has completed the Global Markets Training Program of J. P. Morgan and the Owner/President Management Program of Harvard Business School.

He has developed his professional career at J.P. Morgan, London/Madrid.

He was General Manager and Chairman of March Asset Management SGIIC, Madrid.

He is currently Executive Chairman of Banca March S.A., Vice-Chairman of Corporación Financiera Alba and Board Member of the Juan March Foundation.

Likewise, he was member of the Board of Directors and the Executive Committee of ACS, of the Board of Directors of Acerinox, S.A., and of the Board of Directors and of the Strategic Committee of Indra Sistemas, S.A.

Nominee Director of Viscofan, S.A, representing Corporación Financiera Alba S.A. and member of its Appointments and Remuneration Committee.

SANTIAGO DOMECQ
Nominee Director

He has studies at the School of Economic and Business Sciences of Universidad Pontificia Comillas-ICADE (Madrid) and at the School of Economic and Business Sciences of the University of Cádiz (UCA). Specialisation course in Managing Agrifood Companies (DEA) at the International Institute San Telmo (Seville).

Throughout his broad professional experience as a businessman he was, among others, Director of Coca-Cola Iberian Partners, S.L. until 2015, and prior to that, from 1997 Director of Refrescos Envasados del Sur, S.A. (RENDELSUR), company that joined Coca-Cola Iberian Partners S.L. in 2013.

Currently he is Director of Algar Aguas de Cádiz, S.A., Member of the Provincial Board of Cádiz, Member of the Natural Park of Los Alcornocales and Member of the Provincial Environment Council.

He is the Sole Director of Angustias y Sol, S.L and of its group of subsidiary companies operating in the financial, agriculture and livestock sectors, among others.

Nominee Director of Viscofan, representing Angustias y Sol S.L., and member of its Audit Committee.

JUAN MARÍA ZUZA
Secretary Non-Director

Law degree from the University of Navarre.

Practising lawyer with his own law office, founded by him, ZUZA ABOGADOS. Working mainly in the area of civil and mercantile private litigation, and qualified in Navarre Local Law. He has been a faculty member of the two law schools in Navarre since they were first created.

He is member of the Advisory Board of Civil Local Law of Navarre, appointed by the Lawyers' Associations of the Autonomous Community of Navarre.

He is on the list of arbitrators in Mercantile Law of the Arbitration Court of the Chamber of Commerce and Industry in Navarre and has been Treasurer for the governing committee of the professional association of lawyers (Colegio de Abogados) in Pamplona for ten years.

He also is member of Fundación Universidad-Sociedad and Member of the Guarantees Committee of the School of Legal Sciences of the Public University of Navarre.

He was awarded the Order of Merit in Law Practise by the Plenary of the General Council of Spanish Lawyers. He was also awarded the 2nd Class Distinguished Cross of the Order of St. Raimundo de Peñafort by the Ministry of Justice.

He has experience as a legal advisor to, and member of, many Boards of Directors, particularly in the role of Secretary of the Board.

JOSE ANTONIO CORTAJARENA
Vice Secretary Non-Director

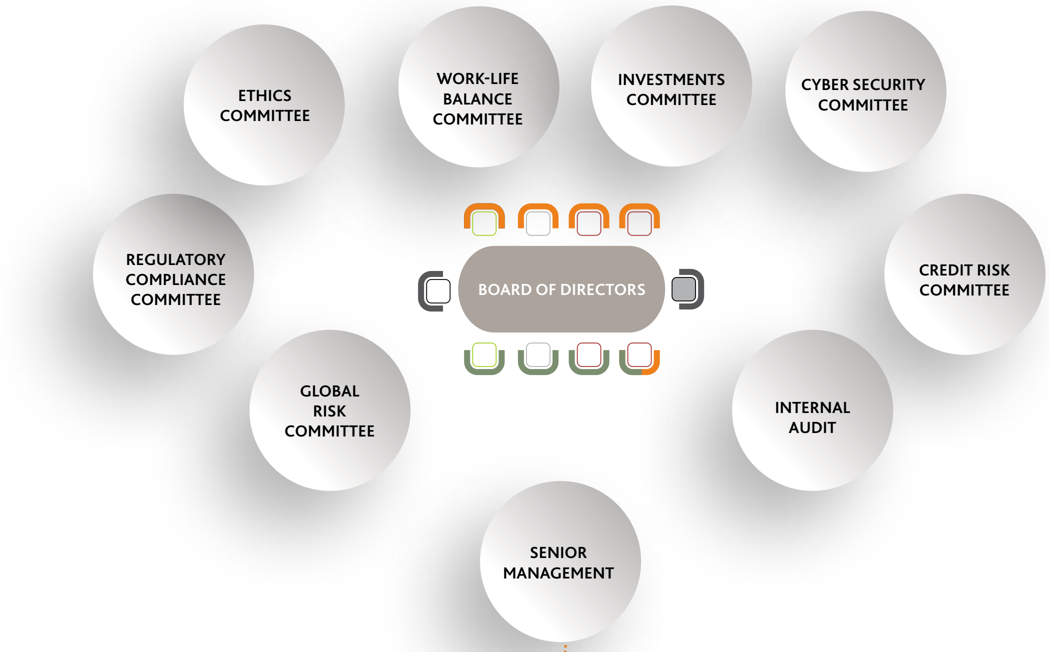
Law degree from the Basque Country University and Master's degree in Corporate Legal Services. IE Business Law. State Lawyer (on leave).

Lawyer with extensive experience in different areas of Law (mainly corporate governance, capital markets, M&A, contracting, arbitration and litigation) from holding the position of General Secretary and Vice Secretary of the Board of Directors of Siemens Gamesa Renewable Energy S.A. (formerly Gamesa Corporación Tecnológica S.A, 2007-2017) and for his active service as a State lawyer (1998-2007) and lawyer for EY Legal (1990-1993). As a member of Gamesa's senior management, he was also appointed Corporate General Manager of the Group (2013-2017).

He has also been a member of various collegiate bodies and Boards of Directors in public sector organisations and companies and has provided advisory services as secretary of their governing bodies.

In his teaching activity he has been a professor, among others, at the School of Legal Practice of the University of Navarre and member of its Office for Professional Guidance and is the author of several monographs and articles in several legal publications.

Organisational chart of the group (31 december 2018)



JOSÉ ANTONIO CANALES
Chief Executive Officer

CORPORATE MANAGEMENT DIVISION

CÉSAR ARRAIZA
Chief Financial Officer & IT

JOSÉ ÁNGEL ARRARÁS
R&D and Quality Chief Officer

ANDRÉS DÍAZ
Chief Operations Officer

GABRIEL LARREA
Chief Commercial Officer

ÓSCAR PONZ
Chief Plastic Business Unit Officer

CORPORATE SERVICE DIVISION

ARMANDO ARES
Chief IR & Corporate Communications Officer

ELENA CIORDIA
Chief Legal Officer (until Dec. 2018)

JOSÉ ANTONIO CORTAJARENA
Chief Legal Officer (From Dec.2018) and Deputy Secretary

JAVIER GARCÍA
Chief Internal Audit Officer

IÑAKI RECALDE
Chief Technology & Diversification Officer

JUAN JOSÉ ROTA
Chief Human Resources Officer

RICARDO ROYO
Chief Europe Business Officer

REGIONAL UNIT MANAGEMENT

EDUARDO AGUIÑAGA
General Manager Mexico

BELÉN ALDAZ
Human Resources Manager Spain

LUIS BERTOLI
General Manager Brazil

JESÚS CALAVIA
Industrial Manager Spain

DOMINGO GONZÁLEZ
General Manager USA

MILOSLAV KAMIS
General Manager Czech Republic

ÁNGEL MAESTRO
General Manager Uruguay

IÑIGO MARTíNEZ
General Manager Serbia

JUAN NEGRI
General Manager Asia-Pacific

MARÍA CARMEN PEÑA
Financial Manager Spain

BERTRAM TRAUTH
General Manager Germany (Until Dec. 2018)

WILFRIED SCHOBEL
General Manager Germany (From Dec. 2018)

Note: Elena Ciordia held office until December 2018. José Antonio Cortajarena was appointed legal director and deputy secretary of the board in December 2018. Bertram Trauth held office until his retirement in December 2018, when Wilfried Schobel was appointed as General Manager in Germany. On 1 January 2019, César Arraiza was appointed Chief Strategy, Organization & Systems Officer, with responsibility in formulating strategies and supporting the business units in their execution, the organisational design and the management of the Group's information systems, and Mary Carmen Peña was appointed as CFO of the Viscofan Group.

Good governance practices

General principles of good governance in the Viscofan Group

Viscofan, as the holding company of a group of companies present in 18 countries, including those newly acquired in Australia and New Zealand, considers that good corporate governance is an essential factor for the generation of value, the improvement of economic efficiency, the integration of the business and the reinforcement of the trust of its shareholders and other stakeholders through the proper division of functions, duties and responsibilities between the governing and management bodies of the company.

To this end, Viscofan adds a strategic value to its good corporate governance to provide a high level of trust to make its business goals and structure compatible with the protection of shareholders' and other stakeholders' interests.

In recent years, Viscofan has progressively reinforced its structure to ensure the incorporation of the principles and best practices of good corporate governance both nationally and internationally, adapting them to the circumstances of the group until reaching the best level of compliance.

The Viscofan Board of Director's commitment to Good Governance is manifested in its Corporate Social Responsibility (CSR) Policy, which was approved by the board to promote the development of a culture of best practices in CSR and contribute to improving the welfare of people, promote the economic, environmental and social development of the communities in which the Viscofan Group is present, and create sustainable value through ethical behaviour for all its stakeholders: shareholders, employees, customers, suppliers and society.

To this end, the Regulations of the Boards of Directors were amended in 2018, adding new functions to the Audit Committee, which must periodically assess the adequacy of the company's corporate governance system in order to fulfil its mission of promoting corporate interest and taking into account the interests of other stakeholders. It must also review the CSR policy and ensure that it is aimed at creating value, and monitor and assess the degree of CSR compliance.

Good governance bodies

The governance structure of Viscofan is based on two main bodies: the General Shareholders's Meeting and the Board of Directors

Shareholders and the General Meeting

The General Shareholders´ Meeting 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. The General Meeting of Shareholders is one of the most important moments of corporate life and will shaping. Viscofan has established the principle of "one share, one vote", which promotes equality among all of the company's shareholders.

There is only one class of shares, giving the same rights and obligations to all of the Company's shareholders. There are no restrictions to voting and no limit to the number of votes that can be cast by one single shareholder.

Over recent years, Viscofan has taken a number of steps to facilitate transparency, fluid communications and shareholder involvement. A particularly noteworthy initiative is a bonus for attendance payable to the shares present or represented at the General Shareholders´ Meeting that have duly evidenced their attendance or representation thereat, which is recorded in the Policy to encourage shareholders to take part in the General Meeting of Shareholders approved by the Board of Directors.

In 2018, a proposal was submitted again for a bonus per share of €0.01. Likewise, at the 2018 General Shareholders' Meeting, it was agreed to reduce the number of shares required to attend the meeting (from 1,000 shares to 100 shares), without prejudice to the shareholders' right to group for this purpose and also to facilitate shareholders with the option of remote voting or, where appropriate, voting by proxy through electronic means, including the possibility that said proxy contain voting instructions.

With the same purpose of encouraging and facilitating the participation of shareholders in the General Shareholders' Meeting, Viscofan published on its website an attendance, proxy appointment or remote voting card to make it easier for shareholders to exercise their rights through its use and a questionnaire to respond to the most commonly asked questions, formal and tangible, directed by its shareholders, depository institutions and other intermediaries on the development of the General Meeting and other items included in the agenda, and it continues to promote continuous dialogue with shareholders, their representatives and advisors through the Investor Relations Department and the Shareholder Desk to ensure access to information that is necessary for them to exercise their rights and take appropriate decisions.

As from the notice of the General Shareholders´ Meeting, Viscofan includes a link on the landing page of its website with direct access to all the information related to the General Meeting, including electronic means for the delegation of votes and distance vote, and the card that can be used to exercise such rights, along with a list of questions received on the General Meeting and answer to them.

As a result of these measures, at the General Meeting held on 25 May 2018, 80.37% of the company's share capital participated, 79.12% in 2017 and 80.08% in 2016, maintaining the high attendance percentage in the General Meetings of the last years, above the average for listed companies, which is especially significant taking into account the company's high free-float.

General Shareholders´ Meeting participation

General Meeting	25/5/18	27/4/17	21/4/16
% Attending in person	18.22%	17.20%	13.90%
% Proxy	53.83%	21.53%	18.08%
% Remote	8.31%	40.39%	48.10%
Total participation	80.37%	79.12%	80.08%

Electronic forum

To facilitate communication among shareholders with reference to the General Meeting , in which they can publish:

→ Any supplementary proposals to the agenda announced in the notice of the General Meeting.
→ Requests of support for such proposals.
→ Initiatives to reach the percentage required to exercise statutory non-controlling shareholder rights.
→ Offers or requests to act as a voluntary proxy.

INVESTOR RELATIONS AND SHAREHOLDER'S OFFICE:
+34 948 198 436

INVESTOR RELATIONS E-MAIL:
info-inv@viscofan.com

Board of Directors

The Board of Directors is the body in charge of the representation and administration of the Company, with its general principle of action to maximise the value of the company in a sustained manner. Its essential function is the general supervision of all aspects that form part of the Viscofan S.A. company and, as the case may be, of the companies that comprise its group of companies, and the Board must always follow the criteria of the unity of purpose, the independence of criteria, equal treatment to the shareholders and be guided by the social interest, understood as sustainably maximising the economic value of the company (Art.4 of the Board of Directors Regulations).

The Board of Directors consists of ten directors, of which two are executive, two are nominees, representing the shareholders Corporación Financiera Alba, S.A., and Angustias y Sol S.L., two are other external and the other four are independent, thus complying with the recommendations for good corporate governance in that the number of nominee and independent directors should constitute an ample majority on the Board of Directors. The secretary and vice secretary do not hold the position of directors.

In terms of gender diversity on the Board of Directors, 20% of the members are women and 80% are men.

In order to perform the functions with the required rigor and efficiency, the Board of Directors of the Company prepares an annual schedule of meetings of the Board and the various committees, so that the directors can better plan their time and to encourage commitment to, and attendance of meetings. Furthermore, the annual plan includes visits to some of the Group's centres and involvement of the management to better monitor the implementation of the Group strategy and the management of each of its companies. The Board holds regular meetings for which directors receive the information they need well in advance, including, as appropriate, the minutes or reports of the different Board Committees.

The Board met on 12 occasions in 2018, and the Board Chairman attended all the meetings. All meetings were attended by all the directors in person, or by proxy with specific instructions. The percentage of meetings attended in person of the total votes during 2018 was 95.83%.

Likewise, the Board of Directors carries out its annual evaluation of the quality and efficiency of operation, diversity and competences of the Board itself and of the Committees, coordinated by the Secretary and conducted by the Lead Director in the case of the Executive Chairman, to whom the Appointments and Remuneration Committee submits its report, where it analyses the formal and material aspects of its activity, the performance of the directors and Chairmen of each of the Committees and that of the Board itself, including any observations that may be useful to improve its work.

The Board of Directors consists of ten directors, of which two are executive, two are nominees, two are other external and the other four are independent, thus complying with the recommendations for good corporate governance in that the number of nominee and independent directors should constitute an ample majority on the Board of Directors.

In 2016, the company commissioned Spencer Stuart as an independent external advisor to evaluate the Board and its Committees with highly satisfactory results. Actions are still being carried out to guarantee the participation of the directors, facilitating their dedication and attendance to the meetings, to provide them with tools to give more in-depth knowledge of specific aspects of the activity and specific environments of the different production centres, thus improving the monitoring of the strategy of the Group and of each of its companies. The participation of an external advisor is again planned for the evaluation process for 2019.

Full information of the Board of Directors is permanently accessible in the "Corporate Governance" section of the Company's website, which also includes individualised information of the category of each of the directors, reviewed every year, once it has been verified by the Appointments and Remuneration Committee, membership in the different Committees, and other relevant details, as referred above in this report.

A new remuneration policy for directors was approved at the 2018 General Meeting held on 25 May, which came into force on that date and which is available on the company's website.

Board of Directors Committees

The Board has created two committees in support of its functions: The Audit Committee and the Appointments and Remuneration Committee.

On 25 May 2018, the Delegated Committee in effect until that date was decommissioned as a result of there being two executive directors, the adaptation of the size of the Board to the recommendations of good Governance, together with a greater specialisation and assignment of functions to the Board Committees and the development of Board meetings and committees that have improved their Visibility of the Company, empowered to request the presence of senior management and other Group employees to inform at its meetings.

Therefore, by replacing its activity with that of the Board as a whole and of the Committees in the functions assigned to them, increased fieldwork and preparation of the topics to be discussed by the Group's senior management is also required.

Until its decommissioning on 25 May 2018, the Delegated Committee comprised three directors, the Chairman and the two Vice chairmen. The Delegated Committee met 5 times in 2018 and complied with its delegated board duty.

Full information of the Board of Directors is permanently accessible in the "Corporate Governance" section of the Company's website http://www.viscofan.com/corporate-responsibility/corporate-governance

Audit Committee
11 meetings

The Audit Committee comprises five members, 40% women and 60% men. All non-executive and the majority are independent, appointed by the Board of Directors pursuant to a report by the Appointments and Remunerations Committee, bearing in mind accounting, auditing and risk management knowledge, skills and experience. Its Chairman is the independent director Ignacio Marco-Gardoqui.

The functions of the Audit Committee include those established by law, including supervising the preparation and integrity of the Company's financial information, and reviewing the ICFR; review, analyse and comment on the financial statements and other relevant financial information with Senior Management, internal and external auditors; supervise the adequacy of the control policies and procedures in place, reviewing the internal control and risk management systems; supervise internal audit services and verify that Senior Management takes their recommendations into account; propose an external auditor, ensure its independence, review the audit plan and the results of its execution.

It shall also supervise compliance with the internal codes of conduct and the rules of corporate governance, be aware of and, where appropriate, respond to initiatives, suggestions or complaints raised by shareholders regarding the scope of their duties, establish and supervise a mechanism that allows employees to confidentially and, if appropriate, anonymously, communicate their concern about possible irregular practices of potential importance, especially in accounting, financial or auditing, human rights and corruption within the company.

This last aspect, the new wording of the 2018 Board of Directors Regulations, includes new functions for the Audit Committee who must also periodically evaluate the adequacy of the company's corporate governance system and review, assess and monitor the Corporate Social Responsibility policy, in addition to supervising the non-financial reporting and diversity process.

To better fulfil its functions, the Audit Committee may seek the advice of external professionals. The Audit Committee issues its own annual report of activities, available to the public on the company's website.

In 2017 the Audit Committee put forward to the Board of Directors the designation of PricewaterhouseCoopers S.L. as the new Accounts Auditor of Viscofan S.A. and the consolidated Group for 2017, 2018 and 2019.

The Audit Committee met 11 times in 2018. Throughout its relationship with its external auditor (PricewaterhouseCoopers S.L. in accordance with the approval by the 2017 General Shareholders´ Meeting as accounts auditor for 2017, 2018 and 2019 years) and as one of its obligations, it ensured that the financial statements were presented without reservations or qualifications, and with total independence. Whenever the Audit

Committee considered it appropriate, it required the presence of members of the management team, the internal audit and external auditors.

As in preceding fiscal years, the Audit Committee has revised and analysed, prior to its submission to the Board of Directors and disclosure to the CNMV and the stock markets, the financial statements both of Viscofan S.A as well as of its Group, and the contents of the quarterly, six-month and annual reports, to confirm that the information contained is reliable, comprehensible, relevant and that accounting criteria consistent with the previous year-end has been followed, for which it has been provided with the assistance of the Group's Senior Management, especially of the areas in charge of the Consolidation and Financial functions, as well as of external and internal auditors.

Among subjects regarded by the Committee are the analysis on the acquisition of companies Transform Pack Inc., Globus Australia PTY Ltd, Globus New Zealand Ltd and Jupiter PTY Ltd. and the monitoring of "Purchase Price Allocation", done in accordance with current regulations. Also the monitoring of indemnifications for infringement received and the agreement reached with Crown Food Spain, S.A., the monitoring of the balance of ICMS receivable in Brazil and its recoverability plan, among others. The Committee has analysed and approved the work plan for 2018 fiscal year developed by this area, has carried out a recurring supervision of its execution and has been directly informed about any incidences during its development. In relation to Directive 2014/95/UE, the Spanish legislation in force and Law 11/2018, about non-financial information, the Committee has promoted and supervised its compliance with the Social Corporate Responsibility policy and has monitored the reporting process of the non-financial statement added in the management report.

Regarding the functions developed by the Group's Intern Audit area, on which it reports functionally to the Audit Committee, the Committee has analysed and approved the work plan for the 2018 fiscal year elaborated by this area, has carried out a recurring supervision of its execution and has been directly informed about any incidences during its development

Finally, it informed the Board of Directors of all of its activities, also delivering all the minutes of its sessions to the Board Members, as well as the information related to the risk map and the tax issues.

Appointments and Remuneration Committee

9 meetings

The Appointments and Remuneration Committee is made up of four non-executive directors appointed by the Board of Directors: two independent, one classified as other external and one nominee. It is chaired by the independent director Jaime Real de Asúa.

The Appointments and Remuneration Committee met on 9 occasions in 2018 and, whenever considered appropriate, the presence of senior management members was requested.

It fulfilled its normal duties, as established in the regulations and those set out in the Company By-Laws and the Board of Directors Regulations.

Pursuant to the functions entrusted to it, in 2018, the Committee reviewed the qualification of directors, it prepared reports for the assessment of executive directors and the assessment of the Committee itself and it headed the assessment of the Board and its committees regarding its activities in 2018.

Likewise, it analysed the competencies, knowledge and necessary experience in the Board, it requested the presence of the Lead Director to know the concerns of the non-executive directors, it made recommendations to the Board of Directors for proposals and reports for the re-election or appointment of Directors, whose appointments will be proposed to the Company's General Shareholders' Meeting for its approval.

Finally, regarding this section of capturing and retaining talent and guaranteeing their continuity, it has reviewed the plans for the succession of the Chairman, the Director General Manager and Senior Management, and the talent management policy.

In terms of remuneration, in 2018 this Committee prepared and submitted to the Board of Directors, for approval by the General Shareholders' Meeting, a new remuneration policy for directors for the next three years that the 2018 General Shareholders' Meeting approved with the majority vote of the shareholders (95.35%). It is worth highlighting the incorporation of new good governance practices into the new policy, such as the claw-back clauses for variable remuneration paid in accordance with the recommendations of the Code of Good Governance, seeking to make moderation and supervision in remuneration compatible with attracting and retaining talent needed to help reinforce Viscofan's leadership in a competitive environment.

Likewise, the Committee has fulfilled its mission in relation to the preparation of the Annual Report on Directors' Remuneration, as well as in the setting and review of the objectives to which the annual variable remuneration is subject, and has monitored the compliance with the requirements for the three-year remuneration, both for the directors and senior management, as well as, ultimately, the salary policy for senior management.

The Committee for work-life balance of employees of the Viscofan Group also reported to this committee.

The composition, functions, organisational and operational rules, as well as the duties assigned to each one of the Board committees are detailed in the internal regulations of the company, described further on, and in the Annual Corporate Governance Report.

In 2018 the Bylaws, the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors were amended to adapt them to legislative changes and corporate governance recommendations.

Upon call notice of the General Shareholders´ Meeting, as mentioned above, the annual activities report of the Audit Committee and those of the Appointments and Remunerations Committee, as well as the independent reports of the auditor and related party transactions drafted by the Audit Committee are all published. All information on the Committees, functions, composition and activities, as well as its different reports and the proposal on the Board's remuneration referred to above can be consulted on the company website www.viscofan.com.

Compliance system

Code of conduct

The Viscofan Code of Conduct contains the ethical principles and guidelines for conduct to be followed by the administrators, directors and employees of the Viscofan Group, as well as any person who works for the Viscofan Group, in the development of their professional activity.

The general ethical principles included in such Code can be summarised in: Respect and Defence of Human Rights; Sustainability; Integrity, Responsibility and Transparency; Respect and Non-Discrimination; Efficiency; and Loyalty.

The Board of Directors has among its functions to ensure the correct application of this Code of Conduct, and to that end, it has the collaboration of the Compliance Committee and the Ethics Committee, who supervise and monitor compliance with the Code of Conduct.

INTERNAL REGULATIONS IN THE SCOPE OF THE GOOD GOVERNANCE POLICY

The internal rules governing the aforementioned bodies, supplemented by the applicable rules to ensure good corporate governance in the Viscofan Group, are available to shareholders and the general public on the Company's website (www.viscofan.com), as well as in compulsory publications and registration, on the website of the CNMV (www.cnmv.es) and the Mercantile Registry of Navarre www.rmbmnavarra.com, respectively.

The internal regulations are principally made up of:

— **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 Shareholders' Meeting, the Board of Directors and its committees.

— **Regulations of the General Shareholders´ Meeting:** This text lays down the regulations 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, holding and recording General Meetings of Shareholders and of access to prior and General Meeting information by shareholders.

— **Regulations of the Board of Directors:** These set down the principles of action of the Board of Directors, including an appraisal mechanism, and its organisational and operating rules, the standards of conduct of Directors, their duties (including the duty to avoid conflict of interest) and the overarching principles that should guide their decisions. They also govern committees existing within the Board of Directors, their organisational and operational rules, and their remit and powers. On 25 May 2018, the Board of Directors approved new text for the Board of Directors Regulations that is available on the company's corporate website.

Likewise, within the regulatory compliance system, the Viscofan Group has approved and made available to employees on the internal network, action policies in the following areas:

Good Governance

— **Anti-corruption policy:** This policy is intended to minimise the risk of employees and third parties committing any type of corruption, and to reinforce the Group's position in the event of any breach to avoid actions involving bribery, extortion and other forms of corruption.

— **Risk Control and Management Policy:** The purpose of the Risk Control and Management Policy is to set the basic principles and the general action framework to control and manage risks of all nature faced by the Viscofan Group in order to identify, measure, prevent and mitigate their impact in its activity, in case of any occurrence.

— **Corporate Social Responsibility Policy**: It acknowledges the commitment of the Viscofan Group to developing its activities responsibly, maximising the creation of sustainable and shared value for its stakeholders (shareholders, employees, the market and the society as a whole), identifying, preventing and correcting the possible negative impacts of its actions.

— **Human Rights Policy:** The Viscofan Group aims to highlight its support and contribution to the spreading and respect of Human Rights within its scope of action, with its adherence to the United Nations Global Compact with regard to Human Rights, work, environment, anti-corruption and with the incorporation of the Human Rights Policy and the Global Compact to its internal regulations. By doing so, it emphasises its promotion and compliance, by incorporating the policy to the organisational and compliance control structure of the Group.

— **Communication policy with shareholders, institutional investors and its representatives or advisors:** In order to ensure on-going communication and give certainty to shareholders on the transparency and access to information and pay particular attention to their points of view on corporate governance rules and practices, among others, the Company's Board of Directors approved a Communication policy with shareholders, institutional investors and their representatives or advisors based on the principles of equality, transparency and legality.

— **Internal Code of Conduct on Matters Relating to the Securities Market:** 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.

— **Board Remuneration Policy:** The Board of Directors approved the remuneration policy that includes the characteristics of the remuneration system of the directors who perform executive functions, including the objectives and metrics of the variable remuneration, expost adjustments, the table with all the remuneration components and the summary of the main contractual conditions of the executive directors, as well as the characteristics of the remuneration system of the directors in their condition as such. Including the maximum amount of the annual remuneration to be paid to all directors.

— **Director Selection Policy:** The Appointments and Remunerations Committee drafts this policy in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board.

— **Policy to encourage shareholders to take part in the General Shareholders´ Meeting:** attendance fee. All shareholders may exercise their attendance and participation rights in accordance with objective non-discrimination criteria and, therefore, the application of this policy will benefit all shareholders who comply with such requirements.

Commercial:

— **Commercial Practices Manual:** The commercial activity has the opportunity and the obligation of providing a reliable picture of the quality and good practices of the Viscofan Group, to all those interlocutors with which we are likely to have a relationship.

This document notes the guidelines and standards that have to be taken into account throughout the development of a commercial activity within the Viscofan Group. Its aim is to ensure the security of such activity and reduce its risks, by guiding and setting the conduct guidelines that are admitted by the organisation.

— **Policy of Business Courtesies:** Around the world there are generally accepted customs and practices which include awards, gifts or other courtesies as a show of cordiality, fondness and appreciation. However, under the guise of business courtesies, there might be a granting of advantages with the hidden purpose of influencing decisions of one of the parties to the commercial relationship, vitiating it.

The purpose of the policy of business courtesies of the Viscofan Group is to establish an objective criterion that sets the difference between business courtesies and the eventual granting of advantages with another purpose, as to avoid the latter.

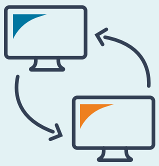
— **Policy to outsource commercial services**: distributors, agents and other: The policy to outsource commercial services is developed due to the growing need of incorporating new control guarantees in business management. An important part of our sales takes place through external business services and, therefore, their correct identification, follow-up and control are required for smooth business operation

Financial and tax resources

— **Policy on Internal Control of the Financial Information:** Viscofan trades in the Spanish stock market, and therefore the internal control systems of the Viscofan Group need to be able to give reasonable assurance on the financial information that is prepared, showing an accurate, true, correct, complete and homogeneous picture of the economic situation, complying with the applicable legal obligations of Viscofan SA and of each of the companies comprising the Group.

This policy includes the basic general principles of the Policy on Internal Control of the Financial Information, which shall be further developed in manuals and guidelines.

— **Tax Strategy**: It embodies the principles and basic lines that will govern the tax strategy of the Viscofan Group in accordance with the applicable legislation and with best tax practices, avoiding risks and inefficiencies and ensuring adequate coordination of tax practise in each jurisdiction and its alignment with the long-term business strategy of the Group and the achievement of corporate profit.



Information and systems

— **Personal Data Protection Policy:** The protection of natural persons with regard to the processing of personal data is a fundamental right that must be respected.

The Data Protection Policy establishes the commitment of the Viscofan Group with personal data privacy and protection of all natural persons linked with the Viscofan Group. The purpose of the Personal Data Protection Policy is to ensure personal data protection, setting the common principles and guidelines for the Viscofan Group in compliance with and adequacy of the applicable legislation.

— **IT Security Policy:** The information storage, management and use environment is evolving exponentially, and the Viscofan Group is aware of the importance of information security for the proper conduct of its activities. The policy therefore establishes the basic principles of security, the organisational structure, and indicates the actions necessary to guarantee the security of the systems and networks of the Viscofan Group.

— **Authorisation Policy on Computer Access and Profiles:** The computer systems and networks of the Viscofan Group form a unit of work and information the protection of which requires the creation of measures that ensure its correct use. Resources management must be performed through authorisations. In the area of computing, authorisation access and user permissions are used as a security system to limit and control access to computer systems and networks.

— **Password Policy:** One of the basic principles to ensure security of computer systems and networks within the Viscofan Group, is to regulate and limit their access.

— **Computer Systems and Networks Management Policy**: This document outlines the Computer Systems and Networks Management Policy of the Viscofan Group. The computing departments manage and support the computer systems and networks of the Viscofan Group, to assist the operational processes of the Group and match its objectives and strategies. Its management must ensure availability, and combine both the functionality and operability of systems and networks, and their security.

— **Policy on Audiovisual Information Control:** Viscofan's leadership of the casings sector is greatly underpinned by the development and constant evolution of manufacturing technologies in the different product families. Protecting this technology and its know-how is vital for the company to continue the creation of value in the long-term. This, and the fact that capturing audiovisual means are readily available, requires standardisation in its use through the Policy on Audiovisual Information Control.

People

— **Policy on Staff Selection and Recruitment:** The activity and the development of the Viscofan Group are largely determined by the effort, work and commitment of the people that make it up. This requires a solid policy on staff selection and recruitment so as to ensure objectivity and qualification of new staff, and the selection of the people who best meet the requirements in each case.

— **Policy on New Recruits' Reception:** The purpose of the reception policy reflected in this document is to ensure an appropriate reception, with an overall and efficient view, to all our new staff members of the Viscofan Group, so as to guarantee their knowledge of the position, duties to be performed and the internal rules and procedures that have to be complied with, and to speed up the adaptation of new employees to the Group.

— **Training Policy:** The aim of the Training Policy is to guarantee that Viscofan Group's employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

— **Staff Leave Procedure:** The aim of the Staff Leave Procedure of the Viscofan Group is to establish a smooth and safe process that is able to guarantee business security and continuity due to any person's leave, with the same guarantees and level of confidentiality, and avoiding the loss of other resources.

— **Policy on Business Expenses:** The international expansion of the Viscofan Group and its commitment to deliver products in the world market result in the need for continuous staff movements and give rise to numerous expenses away from the location of each company, its offices or production plants.

Such expenses and the requirements that must be met in accordance with the internal regulations and applicable laws have to be regulated in each case, so that they are borne by the different companies of the Group.

— **Code of conduct for trips and stays abroad:** It sets out the action principles and behavioural patterns that must be followed by directors, managers and employees of the Viscofan Group in their trips, travel or stays, both temporary and permanent, in countries other than their country of origin, as a result of their professional relationship with the Viscofan Group.

Production

— **EHS (environment, health & safety) policy:** This is the commitment to undertake industry best practices on this matter, as befits our position and world leading vocation.

— **Basic principles in safety, health and hygiene matters**: The basic principles in safety, health and hygiene matters embody the commitment of the Viscofan Group to implement and follow-up a Prevention Management System to ensure safety, health and hygiene at the facilities of the Viscofan Group, in accordance with the applicable rules in each case and based on the internal requirements set across the Group or in each one of the companies. The main purpose of these principles is prevention, through the performance and implementation of effective actions prior to the materialisation of risks, in order to avoid them, or to reduce their impact if they were to take place.

— **Food Regulation Policy:** Its purpose is to ensure compliance with and adequacy to food regulations that are applicable to the activities and products of the Viscofan Group, identifying the necessary channels for their control, analysis and monitoring.

— **Control procedure instructions in case of product recall:** The purpose of this procedure is to set action recommendations to ensure the quick identification and recall of products that might represent a risk for food safety, in case of crisis, in order to protect consumers, brand image in the market and the interests of the Viscofan Group and its customers.

— **Policy on Management of Purchases for Assets and Contracts for Services:** The management of purchases for assets and contracts for services must satisfy the needs of the Viscofan Group as best possible. This policy aims to increase the activity's security and control and reduce its risks, by guiding and setting the conduct guidelines that are admitted by the Group.

Regulatory system supervision

In order to watch and monitor the adequate implementation and follow up of the regulations, and the management and maintenance of an internal channel for complaints, the Viscofan Group has specific committees:

Regulatory Compliance Committee: Its duties includes that of overseeing risks specific to the Company in relation to criminal liability or any other breach (internal or external) of Company regulations.

Ethics Committee: Responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group, as a result of a breach of the Viscofan Group's internal regulations or any other circumstance. To this end, Viscofan has a channel for complaints that is also accessible to all employees, to communicate any signs that might be seen as a risk, available through Vinsite (internal communication platform for employees of the Viscofan Group), mail or physical mail to the Ethics Committee at Viscofan's head offices in Navarre.

In 2018 the Ethics Committee met on 4 occasions and completed the investigation of 3 matters raised.

Fight against corruption

The Viscofan Group is firmly committed to and ensures that its operations are based on the rule of law, ethical principles and fighting corruption. Commitment underlying Principle 10 of the Global Compact of which Viscofan is a signatory "Companies must work against corruption in all its forms, including extortion and bribery". From this premise, Viscofan worked in 2018 on preparing an anti-corruption policy that was approved by the Board of Directors in January 2019.

This policy is governed by the principle of zero tolerance towards any breach, and is a reflection of Viscofan's commitment to the fight against bribery, extortion and other forms of corruption. Its purpose is to minimise the risk of any act of such nature being carried out by employees and third parties, thus reinforcing the position of the Group in the event of any breach.

To avoid any type of corruption, this policy establishes a series of guidelines that define actions that are not allowed and that may be subject to corruption: Bribery, extortion, facilitating payments and influence peddling, gifts, business courtesies, donations and sponsorships, relationships with third parties.

Neither have there been any acts that have been subject to relevant legal actions related to unfair competition, monopolistic practices and against free competition, nor have processes or complaints been opened due to breaching laws or regulations in the social and economic field.

The Code of Conduct, which is provided in the protocol for welcoming new employees, also includes the prevention of corruption in all its forms. This policy, which is applicable to 100% of the business units, is supported by the policy of Human Rights which, among its commitments, lays down that the Viscofan Group will fight corruption in all its forms, including extortion and bribery.

Viscofan has its own presence in 18 countries and sells in more than 100 countries around the world, some of them listed as having a high risk of corrupt practices, although no cases of corruption have been reported on which the Ethics Committee have had to take action.

The Global Risk Committee carries out an analysis of fraud risks, and its different forms are regulated in various policies; and sets specific controls and mechanisms to reduce their likelihood. Identified risks are conflict of interest and internal fraud, private corruption, and fraud and misleading advertising.

The Code of Conduct, which is provided in the protocol for welcoming new employees, also includes the prevention of corruption in all its forms. This policy, which is applicable to 100% of the business units, is supported by the policy of Human Rights.

Risk management

The Global Risk Committee met four times in 2018 to update the methodology of the Risk Management process and the composition of the risk map.

In line with the corporate social responsibility policy, risk management aims to balance the will of value creation for our stakeholders and the risks associated with business, commercial, operational, labour, financial and social initiatives.

The risk management system of the Viscofan Group is regulated by the Policy on risk management control approved in 2017, whose object is to establish basic principles and the general framework for acting for the control and risk management of any nature to which the Viscofan Group faces with the purpose of identifying, measuring, preventing and mitigating their possible impact on its activity in the case of occurrence.

Likewise, the Company's Risk Management System is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies, specific policies, and local policies. This risk management system and its policies come within the limits provided for in the rules and regulations applicable to the activity of the Viscofan Group.

These policies are applicable to all the companies of the Viscofan Group over which the parent company has effective control, and encompass the employees, including senior management, and the actual Company Board of Directors.

There are several bodies within the Viscofan Group in charge of the supervision and control of different risks that could arise in the course of Viscofan activities with different level of occurrence and materiality:

— Board of directors
— Audit committee
— Internal audit
— Regulatory compliance committee
— Ethics committee
— Global risk committee
— Credit risk committee
— Investments committee
— Cyber-safety committee. Created in 2018
— Senior management
— Employees

See section E.2 of the Annual Corporate Governance Report for a more detailed description of the bodies of the company responsible for the preparation and execution of the Risk Management System, including taxation.

The Global Risk Committee met four times in 2018 to update the methodology of the Risk Management process and the composition of the risk map.

Risk map

The Viscofan Group, through the different risk control and supervision bodies, entrusts the Global Risk Committee with the preparation of an inherent and residual map of risks that, due to their materiality, may compromise the creation of value for its stakeholders and therefore may hinder the attainment of its objectives, which is included in the MORE TO BE strategic plan and that materialise in the search for triple leadership in service, technology and costs.

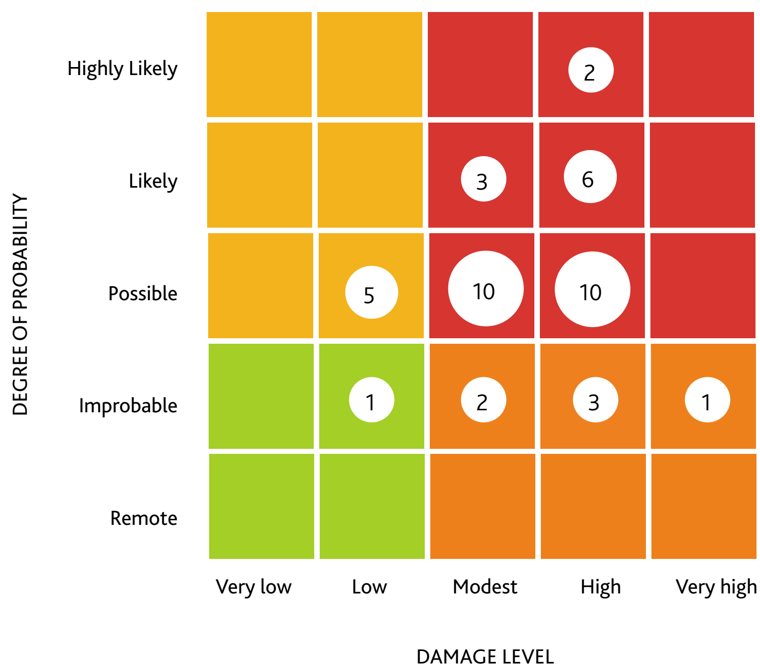
The organisation's risk map has been defined in accordance with the code of ethics, internal regulation and the Strategic Plan MORE TO BE, which encompasses the period from 2016-2020, and is presented adopting the COSO reference framework, grouping the existing risks in four categories:

1. Strategy,
2. Transactions,
3. Information,
4. Compliance.

Knowing the location of each risk on the inherent and on the residual map requires an on-going dialogue between the interest groups through the channels established by the company. This system enables the Organisation to measure the effectiveness of the mitigating measures adopted and to focus on the risks that are still outside of the comfort zone, adding corrective and preventive measures that allow the impact and/or probability of the risk occurring to be lowered.

In line with the task of adapting to the environment, especially in the area of risk management, the methodology for the realisation of the risk map was revised is 2018. In this revision, the risk map has been simplified, merging or deleting risks with a very high or redundant correlation, the weighting in the risk assessment of the main party responsible for the risk has been increased in the new model, and KRIs (Key Risk Indicators) have added or refined to reach at total of 218 to be periodically assessed.

As a result of the risk assessment carried out in the last quarter of 2018, the Group's risk map has been updated. The assessment of the inherent risk (before mitigating and/or corrective measures) of the 43 identified risks is shown below:



The inherent risks identified as being most critical (having a major expected impact and greater probability of occurrence) are:

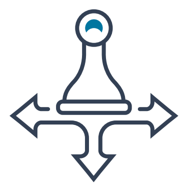
— **Competitive environment of the sector.** Competitors: The strategies of our competitors could affect our position and, therefore, the achievement of our objectives, especially price drops and greater commercial efforts in certain markets.

— **Exchange rate**: It is associated with fluctuations between one currency and another, whereby changes in currency value lead to changes in the valuation of total wealth. Especially due to the fluctuation of the Euro against US$, given the long exposure of the Viscofan Group to the US currency, with a higher percentage of revenue in US$ than that of costs.

— **Budget control**: The budget process requires several assumptions that are required to set budgets and objectives. Errors or simply variations beyond the expected tolerances can affect the development of the corresponding operational and financial plans.

— **Cybersecurity**: A cyber-attack is a malicious action that aims to damage the availability of assets, data confidentiality or the integrity of an organisation's information. The risk of an attack is a growing issue, due to the increase in Viscofan's visibility in recent years as sector leader and example of best industry practices, due to greater mobility of our human teams and due to the opening up of our industrial environment to the Internet (remote access to entities and persons outside Viscofan). An organisation that is aware of the risk that exists both inside and out of its perimeter can minimise the likelihood of being attacked.

— **Environmental issues**: Industrial processes involve the use of natural resources and although the Group is fully aware of its responsibility with respect to the environment, our production processes could involuntarily affect or damage its immediate environment.



— **Competitive environment of substitute products:** The Group evolves its processes and products in line with meeting its strategic objectives, as our competitors evolve theirs. As a result of this evolution, our competitors could obtain products that could replace our current products in quality and/or price.

— Customer discontent: Customer satisfaction is the basis for continuity, stability and loyalty of relationships. It is mainly linked to product quality and to customer-orientation and services provided. Shortcomings in any of these aspects can lead to customer loss.

— Framework and tax compliance: Multinational presence and the large number of commercial transactions and financial operations are subject to regulation and tax laws in the different countries, which may take back or generate resources for the Group.

— Scarcity of raw materials: The Viscofan Group needs to purchase certain specific raw materials in multiple locations, which means that our production process may be affected in the event of shortages and/ or lack of quality in such items. The strategies of our suppliers could also affect our production process.

— Group cohesion: The internationalisation and dispersion of the productive centres could affect the communication and interaction of the people who work there with the rest of the organisation. Likewise, the variety of cultures and countries in which the Group operates is a daily challenge when establishing operational and commercial practices consistent with such diversity

— Reputation: The value creation and sustainability are closely linked to the impact of our business activity, the results obtained and the adaptation to the expectations of our stakeholders and the environment in which they are developed.

The information in reference to risk management has been developed in section E) of the Annual Corporate Governance Report. In this section, the Viscofan Group describes the main risks and uncertainties, the bodies responsible for drawing up and enforcing the risk management system, the description of the main risks, level of tolerance and risks occurred in the year.

Commercial management

The position of Viscofan as “The Casing Company” saves costs and facilitates interaction with meat processors, who decide to use technology according to product specifications.

Product families and divisions. Our range of products

Viscofan offers the widest range of solutions for the production of sausages in a market, the meat industry, that seeks to meet consumer demands.

In response to all these needs, Viscofan, as the world leader in the production and distribution of casings, is the only company whose products are manufactured with the main four customized casing technologies: cellulose, collagen, fibrous and plastic, and combines all its efforts to improve and evolve year after year, offering a wide range of innovative products and solutions.

Each of our casings is developed to reduce time and eliminate production stages, allowing substantial saving, and fostering the production of new products and appliances (different cold meats, such as mortadellas, frankfurters, mini-snacks, salamis, etc.).

Viscofan offers a Technical Support service for customers. This service is a competitive advantage and provides great assistance to customers at deciding, from our wide range of casings, which one fits better to the needs of each product. This work is especially important because we are increasingly seeing that our customers do not divide by technology, but rather use various technologies for different products, depending on the degree of sophistication of the meat processor.

The position of Viscofan as “The Casing Company” saves costs and facilitates interaction with meat processors, who decide to use technology according to product specifications. In this regard, 53.8% of revenue came from customers who purchased products in all our technologies compared to 53.1% in 2017. A trend that is gaining greater weight in terms of the sophistication of meat processors.

Cellulose casings

Cellulose casings are made from natural cellulose. They are used primarily in the production of industrially cooked sausages.

Small size cellulose casing is characterised by its high elasticity, consistency of size and homogeneity. The easy peel of this casing guarantees a fast and uninterrupted production process. It also stands out for the excellent smoking properties and for the perfect absorption of colour and flavour. It can be printed in a large variety of colours and stripes; what's more, the transparency and brightness that they deliver to the product gives them a very appetizing appearance. It is especially designed for those more traditional applications, such as frankfurters, Vienna sausages, hot-dogs and raw-cured products.

Collagen casings

They are made using collagen as a raw material, a protein that is extracted from the skin of cattle and pigs. Following a complex treatment, collagen is suitable for further processing and can be shaped into casings.

It is an alternative to animal guts. They are casings that improve the appearance of the product, thanks to their smoked properties and perfect development of colour and flavour, fulfilling the consumer's wish to obtain a product with a classic and appetizing appearance; ideal both for cooked and raw-cured sausages. Collagen has great resistance because it stands fast filling, over cooking and hanging. As a result, it is very efficient in the production process.

Collagen products stand out for being very uniform (standard size), and small sizes have good properties for frying and for achieving a perfect "bite".

The classic collagen sheet (Coffi), and the pleated collagen with a net (Coffinet) offer new possibilities that go beyond traditional shapes, making it possible to produce cooked hams, cylindrical sausages and marinated and smoked items.

Fibrous casings

Fibrous casings are made with a mixture of cellulose and abaca paper, a paper obtained from vegetable fibers that provides high strength and a standardized size to the casing, but less elasticity than that of the cellulose casing.

Fibrous casing is mainly used for large sausages, products such as mortadella or salamis, which require excellent size consistency, high mechanical resistance during the production process and ease of peeling.

They transfer colour and aroma homogeneously. The variety of colours available adds value to the final product by improving its visual appearance, making it look really appetising.

Plastic casings and specialities

Plastic casings are made from a range of polymers. There is a wide variety of types (in tube format and also in film format) that allow us to offer the most suitable product for each type of application. The tubular plastic casings are extremely resistant to the filling process and their barrier properties maintain the constancy of the aroma, colour and weight of the product during its distribution and sale. These barrier properties maximise product life and cooking performance.

The plastic casings offered by Viscofan also incorporate exceptional characteristics such as a great ease of product moulding, peeling and slicing, and they maintain the organoleptic properties of the final product during its useful life.

Within the plastics division there is a family of products focused on food packaging. Viscofan specialises in two of these types of products. On the one hand the "Nanopack" plastic films, which are sheets for separation of sliced foods. These films - also called interleavers - enhance the visual characteristics of the product, its colour and brightness, and its presentation, since they avoid slices of the product from sticking together. On the other hand, retractable bags and "Vector" packaging films extend the catalogue of retractable bags that the company has had for many years, adding a new technology that provides options and properties to cover with a wider range of applications in the meat and dairy sector.

Our catalogue also contains products that can transfer spices, aromas, flavours or colours, depending on the added value requirements requested by our customers.

Machinery solutions

The machines sold by Viscofan are intended to help our customers use our casings. These machines have been designed for casings for which the meat machinery market does not offer adequate solutions due to their special application.

Trademarks

The Viscofan Group carries out its commercial activity through a series of trademarks, in particular: Viscofan-The Casing Company®, Viscofan Bioengineering®, Naturin®, Vector®, Nanopack-Technology and Packaging®, Supralon®; Collinstant® (in bioengineering); Edicurve®, Efidry® and the most recent Vispice® and V-Film® in the products area.

Service quality and customer satisfaction

The Viscofan Group places the customer at the centre of its operational decisions, continuously trying to provide him with the best value proposition in order to strengthen efficiency and have a greater diversification in the product, while maintaining strict quality and food safety controls.

In this respect, Viscofan has the largest commercial network in the industry and the level of service of its technicians is widely recognised throughout the market. As artificial casing experts, we are the only company of the sector offering a global and integrated service to our customers, so we can offer the casing alternative that better suits customer's needs.

In a continuous improvement model, through multidisciplinary teams representing sales, production, and research & development areas, the Viscofan Group identifies the issues the meat industry is more concerned about and analyses, develops and implements the related improvements.

Thinking of maintaining our leading position in the global market, in an environment as dynamic as the present one, would be impossible if it wasn't because of without Viscofan's excellent level of service and diversification; as a result of our presence in 18 countries, we are able to provide suitable casing solutions to more than 1,689 customers in 100 different countries.

In addition to quality of service and customer satisfaction service quality and customer satisfaction, another key objective for Viscofan is to ensure the safety of customers and consumers, thereby Viscofan has a very comprehensive end-to-end system of claims and complaints that facilitates dialogue and communication to register, identify, monitor and analyse any dissatisfaction or complaint placed by the customer with regard to a product or service provided by the Viscofan Group to its customers. It is a transversal system in which the departments involved must analyse the cause of the dissatisfaction and provide the corrective actions that will be established in the organisation to avoid its repetition.
The system is established as a result of the Group's philosophy of continuous improvement. Any dissatisfaction is analysed, making it possible to control both the material that is returned as a result of the complaints and the compensations paid to customers.
In 2018, a total of 3,036 claims were registered by our systems, including service, administrative or product complaints, compared to the 2,748 claims in the previous year.

The Group's global presence exposure has been recognised on several occasions. Viscofan received, among others, the Aster Award for Business Trajectory 2013, granted by ESIC (Business and Marketing School), the Award for a Trajectory of Internationalisation was granted to Viscofan by the Business Circle, along with Wharton University of Pennsylvania; and the export award granted by the Chamber of Commerce and Industry of Navarre.

Meanwhile, the Supply Chain department has the purpose of improving the service to our customers and optimising working capital. To attain these objectives, initiatives have been carried out to improve and standardise the supply chain management tools to meet the standards demanded by various customers and the coordination of corporate teams has been strengthened, as well as simplifying the number of people involved in the assessment of the orders and the complaints, taking advantage of a unique scale in the casings market, which contributes to streamlining procedures and improving the service for our customers.

Additionally Viscofan's sales team is keen to receive feedback on their products and know to what extent their customers' satisfaction is achieved. For this reason there's a satisfaction assessment system that allows them to collect customers' opinion. The survey measures four parameters mainly (Product Quality, Delivery Service, Financial Competitiveness and Technical Assistance). Up to date the evidence has shown a level of satisfaction above the average set as objectives.

Labelling of products and services

The Viscofan Group provides an adequate extent of information and labelling with regard to the characteristics of its products and services.

In this respect, it is crucial for the Viscofan Group to provide reliable and explicit information on its products, upholding commercial practices that preserve the interests of the recipients of such information, making it easier to choose the most suitable product in relation to their interests. Viscofan's Code of Conduct establishes that "relationships with customers will be based on respect and transparency".

Therefore, commercial messages fall within the principles of transparency and veracity where no subjective comparisons are made nor information that could collide with third party rights is provided. These action policies expand to all geographical areas where the Viscofan Group has a commercial presence.

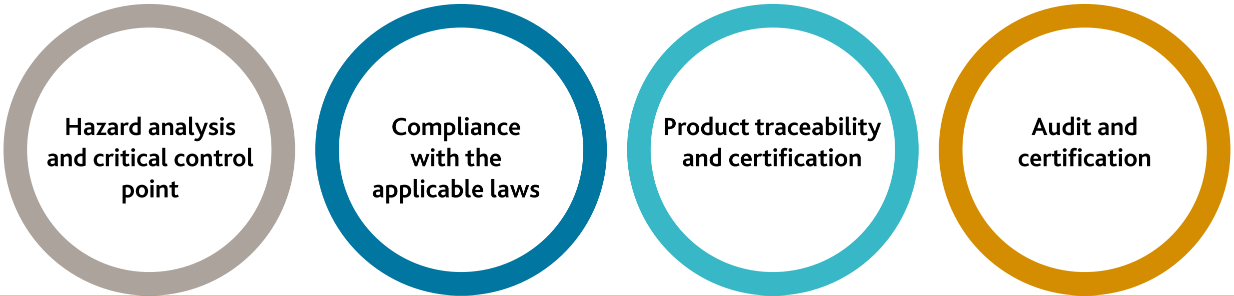
There were no sanctions or reports of breaches related to marketing communications or labelling of products and services in 2018.

Customer safety

Product safety and food hygiene from the supplier to the customer

One of the main purposes of casing is to protect the meat it contains. Processed meat is a basic food product for thousands of millions of people across the world. Viscofan, as leader in this sector, is highly aware of industry requirements that ensure both the production process and the resulting end-product strictly comply with legal specifications and have passed appropriate controls to achieve an optimal quality and ensure the safety and hygiene of the product to customers.

On the other hand, to guarantee at all times the excellence of products and services, ensured for customers and for the final consumer, Viscofan has a product safety and food hygiene system that covers all of these aspects: Manufacturing facilities are built following food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested to adhere to specifications agreed previously with certified suppliers, systems for detecting any defective materials in the production process are in place, pest control is implemented and policies to monitor hazardous substances, personal hygiene and visitors are also arranged.



Product safety and quality system

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

1. Hazard analysis and critical control point: Viscofan has a hazard analysis and critical control point (HACCP) system in place. The Company formed an inter-disciplinary team that assesses every step of the production process to detect possible hazards (physical, chemical and microbiological pollution, including allergens), identify critical control points, establish relevant controls and take any required corrective action. The system is annually updated in line with any changes in the production process.

2. Compliance with the applicable laws: Casings manufacturing is becoming more tightly regulated, in the area of food safety, by countries and supranational institutions, making up a growing and constantly changing battery of rules.

This regulatory framework directly affects the activity of different production plants due to laws in the country of origin and requirements in the receiving countries, and internationally recognised standards.

Given how complex this situation is, the Patents & Regulatory Affairs Division reinforces the compliance of our products with different food safety regulations. This division's main functions are as follows:

- Monitoring food industry regulatory frameworks at a national and international level, especially any regulation concerning the casings sector, and ensuring said regulations are adopted and complied with internally.
- Review regulatory compliance in each of the production plants, coordination and establishment of action plans.
- Liaising with public agencies and trade associations related with the regulation of matters affecting the food and meat product casings industry.

3. Product traceability and certification: 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 Regulation (CE) 178/2002.

4. 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 successfully certified every year in accordance with the most stringent standards on the market (British Retail Consortium Standards).

What's more, Viscofan has internationally developed certifica tions for meat processors to homologate new suppliers and commercialise their products in the main distribution chains around the world:

— BRC - Global Standard for Food Safety: The global standard for food safety is aimed at ensuring that suppliers comply with the requirements that guarantee the safety of food.

— BRC/IoP - Global Standard For Packaging and Packaging Materials: This certification is aimed at producers of packages and materials in contact with food.

Certificates that prove the organisation's commitment to safety, health and quality at its work centres and for its products, as well as in all the activities carried out around the world. This highlights the company's continued interest in offering and ensuring compliance with the highest standards.

The certification, by means of an audit by an accredited external entity, guarantees that the Viscofan group plants have the necessary systems to identify and control the hazards that may adversely affect food safety through a Hazard Analysis and Critical Control Point system (HACCP) and with the firm commitment of the company's management team.

Certifications

Underlying key aspects

→ Ensure food safety. Efficient and dynamic control of risks.

→ Compliance with applicable legislation in producing countries and with the requirements of the receiving countries and with internationally recognised standards.

→ Reduction of costs of possible errors of any production chain.

→ Organised and efficient communication of all interested parties (internal, suppliers, customers, authorities).

→ Provide trust to customers/ consumers.

The Viscofan Group also has Halal and Kosher certifications. These certifications, referring to food products, are based on regulations that are key to attend different markets and to explore new growth opportunities. The Halal certification is specifically designed for products sold in Muslim countries and Islamic communities, while Kosher certification is a requirement for food consumption by the Jewish community.

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

Customer privacy and data protection

Another important aspect in relationships with customers is the attention to the privacy and protection of their data. In this sense, Viscofan also has a complaints system to report incidents and/or violations to the customer's privacy, as well as the loss of customer data. No incidents were reported in this area in 2018.

Certifications

Certifications	ISO 9001	BRC
Germany	✔	BRC Food
Belgium	✔	BRC Packaging
Brazil *	✔	BRC Food and BRC Packaging
Canada	✔	BRC Food
China	✔	BRC Food and BRC Packaging
Spain	✔	BRC Food and BRC Packaging
Mexico	✔	BRC Packaging
Nanopack	✔	BRC Packaging
Czech Republic	✔	BRC Food and BRC Packaging
Serbia	✔	BRC Packaging
Uruguay	✔	BRC Food
USA	✔	BRC Packaging and SQF M-2**

✔ Certified
*The Viscofan Group is expecting to extend BRC Packagin certification to the Ermelino plant in Brazil
**SQF. Food safety system based on hazards analysis

Management of the supply chain

Viscofan Group is committed to its suppliers and establishes with them relationships based on respect and trust, on the quality of products and services, and on the reciprocal opportunity for growth and learning.

Responsible management

In 2018, the Viscofan Group allocated €452 million, which reflects the distribution of wealth among suppliers of goods and services.

The Viscofan Group carries out its activities by transforming raw materials through a physical and chemical complex process into casings customised to meet the requirements of our customers.

Aware of the strategic importance and the impact an adequate supply of raw materials and services has over the entire organisation, as well as the optimal management of the supply chain, the Viscofan Group is committed to its suppliers and establishes with them relationships based on respect and trust, on the quality of products and services, and on the reciprocal opportunity for growth and learning.

This is a commitment that we believe must be two-way and shall engage all the employees in the organisation in the use of best practices in product purchase management and any other service contracted.

Under this premise, Viscofan is considering new actions to be carried out so that the management of the supply chain is developed in accordance with ethical standards and environmental criteria, in line with the Group's ethical code.

Viscofan uses different raw materials in its production process. According to the technology used and the desired final product, different materials are required. The most important raw materials in our production process are the following:

Cellulose

Cellulose is a linear polymer composed of glucose units found in the wall of cells in plants, wood and natural fibres, usually combined with other substances such as lignin, hemicelluloses, and other components. To produce casings, the cellulose chain must be broken to re-polymerise it with the appropriate structure for its extrusion in the form of a casing. This process requires cellulose with a high level of purity, also called “Premium cellulose” or “special cellulose” by our approved suppliers.

Abaca paper

It is obtained from a herbaceous plant called musa textiles. Paper made from its fibres has a high mechanical and moisture resistance, and is used at Viscofan to produce fibrous casings. Abaca fibre is also used by other industries to produce high quality paper and non-woven textiles for various uses such as tea bags, paper money, and filters.

Skins of cattle and swine

Collagen is a very common long fibrous protein with very remarkable chemical and mechanical properties; it has been used for many years as a basic raw material for several applications, as well as for sausage casings. Among others, it is used in the fields of biomedicine and cosmetics, as well as applications in the food industry. It is also the basic material for the large gelatine industry. The corium, or inner part of the skin of cattle is mainly used to produce collagen casings, which is very rich in collagen, and it can also be obtained from pig skin for applications in very specific markets.

Plastic polymers

Plastic casings are obtained by treating different plastic polymers widely used in different industries. The most commonly used polymers are polyethylene, polypropylene and polyamides.

Purchases of these raw materials, together with auxiliary raw materials for chemical processing - such as glycerine and caustic soda - represent 52% of the Group's total supply.

Viscofan has established a supplier approval system, included in the purchasing management policy, that allows a non-discriminatory treatment in the selection processes of suppliers and contractors, while seeking to ensure their compliance with quality, safety and cost criteria. In addition to this commitment, Viscofan expects suppliers to be innovative and efficient, to meet the legal and functional requirements, as well as the ethical practices required. In this sense and in accordance with our code of conduct and with our Human Rights policy, Viscofan rejects any type of child labour and, in accordance with this, our suppliers are asked to make a commitment similar to that included in our code of ethics.

In particular, our approval system for suppliers of raw materials and packaging includes a declaration of conformity on their performance commitments in accordance with internationally accepted ethical principles and human rights.

As of 2017, all the companies that make up the Viscofan Group have begun to request this commitment in the field of human rights and environmental criteria from 100% of the new suppliers of raw materials, and it is foreseen that this commitment will be ratified by 100% of the suppliers of raw materials in 2020.

To this end, all suppliers of raw materials, packaging and maintenance must approve an internal accreditation procedure comprising an on-site auditing by the quality team of Viscofan, or the completion of a questionnaire. In both cases, among other matters, the following systems are assessed: quality management (ISO 9001, IFS), food safety management in the case of suppliers of raw materials (FSSC 22000, BRC Global Standard, BRC Packaging), occupational health and safety management (OHSAS 18001/ISO 45001), environmental management (ISO 14001) and human rights management (UN Global Compact, BSCI).

For the production of collagen, the acquisition of animal hide (mainly cows) is required. In Europe this must comply with the European regulations of welfare of animals at the time of slaughter.

Commitment with local suppliers

The activity of Viscofan Group in those countries where the company operates is aimed at generating value to all stakeholders, these including local suppliers. In 2018, 54% of raw material purchases made were from suppliers based in the countries where our plants are located, thus favouring the economic development of those regions (55% in 2017).

Supplier average payment period

In 2015, Law 31/2014 of December 3, modifying Corporate Enterprises Act with regards to corporate governance, took effect. It establishes that companies unable to present condensed income statements must mention their average payment periods to suppliers; these calculations must be based on the criteria approved by the Ministry of Finance and Public Administrations, in accordance with guidelines established in the third section of the Second Final Provision of Organic Law 2/2012, dated April 27, on budget stability and sustainability.

In compliance with this requirement, the average payment period of the Viscofan Group during 2018 was 28 days (2017: 26 days), which is lower than the maximum established by the late payment legislation.

The calculation of the average payment period was conducted as indicated in the Resolution of January 29, 2016, passed by the Spanish Institute of Accounting and Audits of Accounts ("Instituto de Contabilidad y Auditoría de Cuentas" - ICAC, in Spanish), on the information that needs to be included in the accounts annual report with regard to the supplier average payment period applicable to commercial transactions.

Note 18 of the notes to the consolidated financial statements reflects information on the average payment period to suppliers during the year.

Work management

Composition of the team

The Viscofan Group's leadership is underpinned by the differential value of know-how and commitment of all employees. An average workforce of 4,641 people formed by a multicultural, competitive, qualified team in constant training, which grows and shares solid values and common ethical principles, despite having different cultures.

International staff in a Global Group

Viscofan consist of a large group of people who are spread across different areas where the company has a strategic presence: Spain, Germany, Brazil, Canada, China, Costa Rica, United States, Mexico, United Kingdom, Czech Republic, Russia, Serbia, Thailand, Uruguay, Belgium, France, Australia and New Zealand. 18 countries where the company is present, and which reflect its international character.

A rich and complex multicultural environment, which is both a challenge and an opportunity for the international development of all the employees. In fact, there are numerous projects to transfer knowledge between the different production plants, and to develop specific global training seminars for Group workers.

At Management Committee level (see details in the section on Corporate Governance), it should be noticed that 83% of the members were hired from the local community, that is, they were born in the country where they hold office.

International mobility is constant in Viscofan. An example of this is that in 2018 an average of 41 employees participated in international projects, sent abroad for long periods of time. The vast variety of nationalities both of origin and destination is the result of an internationalisation strategy and the initiatives to strengthen international mobility and transfer some of the best practices through benchmarking from the Group to all its subsidiaries.

Average workforce

4,641 people

Average workforce by country

			TOTAL	% covered by collective agreement
Spain	605	189	794	66%
Czech Republic	374	301	675	100%
Germany	494	74	568	77%
Serbia	321	174	495	0%
Belgium	60	12	72	0%
United Kingdom	10	3	13	0%
France	8	2	10	0%
Russia	5	2	7	0%
China	213	133	346	0%
Thailand	4	8	12	0%
Europe and Asia	**2,094**	**898**	**2,992**	**55%**
Canada	34	8	42	0%
United States	333	181	514	46%
Mexico	436	112	548	100%
North America	**803**	**301**	**1,104**	**71%**
Brazil	324	130	454	100%
Uruguay	66	12	78	0%
Costa Rica	6	7	13	0%
Latin America	**396**	**149**	**545**	**83%**
TOTAL	3,293	1,348	4,641	62%

Note: The scope of the Globus companies in Australia and New Zealand, acquired in November 2018, is not included in the scope. The Viscofan Group is in the process of integrating these companies, which will make it possible to obtain and unify information related to labour management. By way of information, as of 31 December 2018, Globus companies have 98 employees, 76 men and 22 women.

Age

The workforce has become younger in recent years, with the average age being 41 in 2018. Of the total of the average workforce, 34% are people under 35 years old, 40% are between 35 and 50 years old, and 26% are over 50 years old. In line with the principle of contributing to avoid child labour, at Viscofan there are no employees under the age of 17.

Average workforce by age

	2017			2018		
	Men	Women	TOTAL	Men	Women	TOTAL
Between 17 and 35 years	1,046	505	1,551	1,046	514	1,560
Between 35 and 50 years	1,294	531	1,825	1,335	551	1,886
More than 50 years	901	277	1,178	912	283	1,195
TOTAL	3,241	1,313	4,554	3,293	1,348	4,641

Average workforce by category

	2017			2018		
	Men	Women	TOTAL	Men	Women	TOTAL
Directors	85	14	99	92	17	109
Technicians and supervisors	765	264	1,029	832	263	1,095
Administratives	46	145	191	55	176	231
Specialists	653	226	879	611	212	823
Labourers	1,692	664	2,356	1,703	680	2,383
TOTAL	3,241	1,313	4,554	3,293	1,348	4,641

Categories

The industrial nature of Viscofan needs to combine a great number of skilled labourers with specialised staff. This is an increasingly demanding and global industry in terms of requirements, which implies greater knowledge and expertise of the workforce. To take on this challenge, the Group constantly invests in staff's know-how, added to the continuous training effort carried out in the organisation.

In this sense, Viscofan has 957 employees with university degrees, of which 37 hold a doctorate. This aspect clearly distinguishes the nature of the group of people that comprises the organisation, this being an essential element to achieve excellent levels in production as well as maintaining the level of innovation that is fundamental in our activity.

Categories. Management

	2018	%
Men	92	84%
Women	**17**	**16%**
TOTAL	109	

	2018	%
Between 17 and 35 years	6	5%
Between 35 and 50 years	50	46%
More than 50 years	**53**	**49%**
TOTAL	109	

Categories. Type of contract

The learning requirements, the complexity of the production process and the long-term growth vision are reflected in the composition of the workforce.

In 2018, 98.1% of the workforce (4,555 employees) were hired on a full-time basis. Of these workers, 91.9% had a permanent contract and 8.1% a temporary contract.

			TOTAL
Open-ended contracts	2,998	1,189	4,187
Temporary contracts	244	124	368
Part-time contracts	51	35	86
TOTAL	3,293	1,348	4,641

Growing group

In 2018 Viscofan's average workforce increased once again due to the hiring of additional staff to improve the level of service and increase its global leading position. This year, the net change in average workforce was 88 people, giving rise to an average workforce of 4,641 people. An increase of 1.9% on 2017 and which is mainly due to the increase in the workforce in Spain due to the start-up of a factory with new production technology in Caseda for cellulose and fibrous casings, as well as to the incorporation of the staff from the new Supralon (November 2017), and TransformPack (February 2018) acquisitions. Staff from Globus joined this team in November 2018.

The need for training in the production process, the strategies for creating long-term value, and the high level of commitment of the people who make up our team are reflected in the voluntary turnover rate of the average workforce for 2018, which stands at 4.2%.

The breakdown of dismissals by category, age and gender based on the business activity of the Viscofan Group, as a result of the needs of the market and the different locations, the lack of competitiveness and efficiency, is as follows:

Average workforce net change. 2018 vs. 2017

Breakdown by age	
Between 17 and 35 years	9
Between 35 and 50 years	62
More than 50 years	17
TOTAL	88
Breakdown by category	
Directors	10
Technicians and supervisors	67
Administratives	40
Specialists	-56
Labourers	27
TOTAL	88
Breakdown by gender	
Men	53
Women	35
TOTAL	88

Dismissals

Breakdown by age	
Between 17 and 35 years	47
Between 35 and 50 years	38
More than 50 years	13
TOTAL	98
Breakdown by cathegory	
Directors	1
Technicians and supervisors	15
Administratives	3
Specialists	10
Labourers	69
TOTAL	98
Breakdown by gender	
Men	70
Women	28
TOTAL	98

Efficient and competitive team

Employees are a fundamental part of the MORE TO BE Strategic Plan. Thus, their commitment, constantly evolving work and improvement are a clear competitive advantage for the Group.

The average revenue per employee in the Viscofan Group is above the average of other companies in the sector. This ratio decreased in 2018 with respect to 2017 as a consequence of the erosion in revenues due to the variation in exchange rates.

The importance of these stakeholders - the employees - can be seen in the generated and distributed resources table. Viscofan Group employees have received €161 million of distributed costs.

Competitive remuneration

The activity and the development of the company are largely determined by the know-how of the employees.

In this regard, Viscofan's contracting policy is based on objectivity, equal opportunities and training, and one of its aims is to favour gender diversity, among other aspects.

This implies a competitive remuneration, adapted to the capacities and competences of the different profiles required according to the industrial or commercial process, and also according to the realities of the multitude of countries in which Viscofan is present.

Revenue per employee

	2016	2017	2018 *
Average workforce	4,363	4,554	4,641
Revenue. Mn €	731	778	784
Revenue per employee (Thousand €)	167.5	170.9	169.0

*It excludes Globus

Average compensation

Breakdown by age	
Between 17 and 35 years	19,033
Between 35 and 50 years	27,951
More than 50 years	40,195
TOTAL	28,106

Breakdown by category	
Directors	115,182
Technicians and supervisors	39,827
Administratives	29,721
Specialists	23,062
Labourers	20,322
TOTAL	28,106

Within the area of remuneration, about 62% of the company's employees are covered by general collective bargaining agreements, therefore improving the minimum conditions set by different labour legislations. Collective Bargaining Agreements regulate the remuneration received by the workers who sign them, and in particular establish an equity criterion between similar jobs, thus avoiding gender discrimination and the salary gap between equivalent jobs. However, the mathematical calculation of the remuneration gap, understood as the difference between the average hourly remuneration for men and women and the average hourly remuneration for men stands at 26.5%, with the average remuneration for the Group being €28,106: €30,404 for men and €22,487 for women. This difference relates to multiple factors, from the gender composition of the Group to its geographical presence, the occupation, the different specialisation requirements of the jobs, the night shifts needed for a continuous production process of 24 hours, bonuses awarded for dangerous work, seniority, etc. which are in line with the industrial context, the composition of the workforce and the historical trajectory of the Viscofan Group.

The individual remuneration of all the members of the Board of Directors is detailed in note 24 of the company's annual accounts in accordance with the remuneration policy of the Board as shown in the Remuneration Report available on the company's website, www.viscofan.com.

The Group makes contributions to various different defined benefit plans. The relevant information is in note 17 of the consolidated annual accounts.

Promotion and career development

Within a group that is ever growing a growing team, the policy on staff selection and recruitment is key to ensure continuity in leadership. In this sense, development and recognition of merits of Viscofan group's staff is being promoted stepped up by listing the company's job vacancies in internal information channels and the intranet. In 2018, the talent-attraction strategy was consolidated through international management tools for selection, hiring, internal mobility and expatriation processes.

Viscofan also aspires to be a company where the talent of its employees can develop and reach its highest level. In this sense, several of its corporate directors have been recognised with awards for the best professional career, as is the case of the Group's Financial Director and R&D Director.

Equality and work-life balance policies

We are committed to creating a working environment for our employees that allows them to develop and give the best of themselves. A place where they feel integrated and provides them with the opportunity to take part in the future of the company, regardless of their race, ethnicity, gender or gender identity, sexual orientation, age, religion or nationality, among others.

Within this subject, the 2016-2019 II Equality Plan is being executed in Viscofan S.A. The objective, as with the preceding plan, is to propose improvements and establish equality and work-life balance objectives within the company. Through the GEW (Gender Equality in the Workplace) process, the plan has focused on four main areas: Leadership; Policy and strategy; People; and Process management and relationship with the environment; so that a specific action plan is in place for each through to 2019.

The Viscofan Group has created a Corporate Equality committee, reporting to the Appointments and Remuneration Committee, which analyses opportunities and monitoring initiatives to facilitate a balance between the professional activity and the family. This Committee met twice in 2018. By way of example, in 2018, thanks to the proposal of this Committee, a license was established for the birth of children and death of spouses and children, a universal measure for all the Group companies located in countries whose legislation does not include it.

To Increase women's employability within an industrial sector which has traditionally employed manpower is one of Viscofan's equality objectives. In 2018, the average workforce of women increased by 35 people to 1,348, which represents 29% of the total workforce.

Likewise, in the opinion survey carried out in 2018, all the Group employees were specifically asked about issues of gender and work-life balance so as to consider the application of specific measures. As such, the Group is analysing the possibility of incorporating flexible organisation systems in the future that are not included in legal regulations.

In this regard, it should be noticed that Naturin Viscofan GmbH, the German subsidiary of the Viscofan Group, has been certified by the "Berufundfamilie", which recognises the best work-family reconciliation policies of companies in that country.

In addition, in order to promote and improve the management of this matter, the Viscofan Group participates as a Collaborating entity and member of the Management Committee of the Observatory of conciliation and joint responsibility of the Pontifical University of Comillas.

Development and retention of talent. Committed team

The Viscofan Group, via the Human Resources departments of its various subsidiaries, promotes personal development through initiatives that enhance knowledge management and enable employees' skills to be harnessed with a view to achieving the Group's objectives. Training is a primordial goal within the Group for its personnel. Training is continuous, thereby boosting personal and professional development. With this aim, the Human Resources team managed more than 115,00 training hours in 2018, an average of 24.8 hours per employee.

For this commitment to human capital training, the group has invested about €2.2 million, of which €0.7 million correspond to training and explicit awareness in health and safety (more information in the workplace safety section).

Within the training plan, subjects related to aspects of Human Rights have been addressed, such as the use of non-sexist language, corporate social responsibility, gender equality and sexual harassment, for a total of 2,247 hours.

Likewise, looking towards the promotion of employment, the Group also fosters participation in the main universities of the countries where it develops its activity. With the purpose of attracting and developing talent, and average of 55 internships took place in 2018.

In line with the results obtained from the Work Environment surveys, the purpose of the Viscofan Group is to forward enhace the development of a

Training

Training Viscofan Group	Men	Women	TOTAL
Number of hours	81,776	33,386	115,162
Average number of hours per employee	24.8	24.8	24.8
% of employees who have received training	85.8%	83.4%	85.1%

Training in Spain (hours)	Men	Women	TOTAL
Directors	623	201	824
Technicians and supervisors	4,685	1,956	6,641
Administratives	100	991	1,091
Specialists	1,031	424	1,455
Labourers	2,449	629	3,078
TOTAL	8,888	4,201	13,089

high-performance culture for individuals and evaluate the establishment of objectives by means of an assessment process. In particular, performance assessment consists of a process of planning, monitoring and evaluation of those objectives defined by the leaders of a group for the members in their teams. This methodology improves the professional capacity of each person and aligns individual's expectations with the strategy and objectives as a company.

In 2018, 31% of the Group's staff was subject to a performance assessment process, compared to 27% the previous year.

There is also an assessment on a bilateral basis that the Group promotes through global opinion surveys (Viscofan Opinion Survey). In 2018, the third opinion poll of the Viscofan Group was held, with 70% of employees from around the world taking part, to learn more about our strengths and our areas of improvement.

As strong points, workers pointed out quality and customer service and sustainable commitment. Certain aspects in need of improvement were also detected, such as remuneration, internal communication and the development of careers and training, on which the Group is developing initiatives as mentioned above.

Workplace and safety

Corporate workplace safety policies are the responsibility of the Environment Health and Safety (EHS) department, working in close partnership with the corporate and local Human Resource departments. In this regard, measures and investments continue to be implemented to improve working conditions. In addition, the Viscofan Group works to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates, in this way extending best health and safety practices to its production centres.

Viscofan considers that accidents may be prevented, and that is why not only does the Group work to have safer facilities but to make all staff aware of the importance of attitude in relation to safety. For Viscofan, the material aspects that affect safety are essentially based on the characteristics of the position and the activities that are required, and it is not relevant to disaggregate the management of safety in our systems due to gender.

Viscofan still makes huge efforts to standardize its procedures while also communicating its policies throughout the companies using specific courses and informational materials, available to employees at their areas of work.

Performance assessment

	2017				2018			
			TOTAL	% on average workforce			TOTAL	% on average workforce
Directors	57	10	67	68%	71	13	84	77%
Technicians and supervisors	287	111	398	39%	466	144	610	57%
Administratives	20	76	96	50%	26	85	112	48%
Specialists	138	66	204	23%	154	92	246	28%
Labourers	295	149	444	19%	239	168	407	17%
TOTAL	797	412	1,209	27%	956	502	1,458	31%

In order to carry out these initiatives, the Group has an EHS policy, approved by the Board of Directors, pointing out the following relevant guidelines with regard to workplace safety:

— Provide employees with a safe and healthy workplace.

— Identify and comply with applicable legislation and regulation in terms of Environment, Health and Safety (EHS) in each of the locations where the group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.

— Ensure that management, employees and all staff working for the organisation (or on its behalf) are aware of this policy and are trained, according to their responsibilities, to comply with it.

— Set indicators to assess the evolution of our performance in these areas.

— Promote a culture of continuous improvement in EHS, defining objectives and implementing corporate standards.

— Develop a cooperation relationship with stakeholders, so as to enable open and objective dialogue and help ease joint responsibility on these issues.

Occupational safety and health

	2016	2017	2018 *
Hours lost per accident	26,728	31,228	32,864

2018			TOTAL
Number of accidents	121	40	161

2018	
Number of accidents	161
Number of working hours	8,751,368
Work-related accidents. Frequency *	18

*Number of accidents occurred per million hours worked

Work-related accidents. Severity *	0.38%

*Number of hours lost due to accident between hours worked

Absenteeism 2018	
Index	3.92%

Health and Safety training			TOTAL
Number of hours	23,261	5,104	28,366
Average hours per employee	7.1	3.8	6.1
% of employees who have received training	87%	87%	87%

Explanatory note: The number of hours lost due to sickness and accidents is taken into account in the indicator calculation.

Alongside this, certain specifications are determined within the Collective Bargaining Agreements of the different locations in which the Viscofan Group is present in matters related to health and safety.

Ensuring the health and safety of workers is a priority for Viscofan. The figure regarding loss of work hours due to accident or illness incidents have been re-assessed in relation with the variable remuneration of the management staff.

There were no fatal accidents in 2018.

Providing safety training to prevent and mitigate accidents, as well as to prompt importance on safe behaviour patterns, is the basis to the wellbeing of our employees. In 2018 we accumulated more than 28,000 hours of training in safety and prevention, an average of six hours per employee. This training includes basic prevention measures that have to be adopted in the workplace, or the relevance of daily healthy-habits the notable role of mid-level management staff and the improvement of their leadership with regard to security.

The importance that the Viscofan Group concedes to occupational health and safety can be seen in the investments made to improve the machines in Montgomery (USA), fire-fighting facilities in Weinheim (Germany), Zacapu and San Luis Potosi (Mexico), and ergonomic adaptations in the new plant 4 in Caseda (Spain).

Group's plants with OHSAS 18001

Certifications	OHSAS 18,001
Spain *	✔
Germany	✔
Serbia	✔
Czech Republic	✔
USA	
Mexico	✔
Brazil	✔
China	✔
Uruguay	✔
Belgium **	✔

*The Nanopack plant is pending in Spain
** The plant in Belgium has obtained the ISO 45001 (2018) certificate as a replacement for OHSAS 18001.

At the same time, it is also reflected in the inclusion of the OHSAS 18.001 certification in all the production plants as it is regarded in the objectives to be achieved throughout the MORE TO BE 2016-2020 period. This is an internationally recognised standard that indicates the requirements for the establishment, implementation and operation of an effective Occupational Health and Safety Management System.

In 2018, the plant in the Czech Republic certified its health and safety management system according to the OHSAS 18,001 standard and the Belgium plant under the ISO 45001 standard (2018) which replaces the OHSAS 18001.

The global nature of our company means the volume and the frequency of occasional trips is significantly high, and consequently one of the objectives of Viscofan is to promote a greater level of safety in such displacements. In order to achieve this, there are "Risk-Assessment Reports" in those countries where the group is present, either way at a productive or subsidiary commercial stage, and which include recommendations, emergency telephones, a directory of medical facilities, etc.

Defence of human rights

Viscofan's Code of Conduct states that all the employees, upon their scope of action, must contribute to the compliance and protection of human rights, and shall avoid any misbehaviour contrary to these principles.

The Viscofan Group highlights its support and contribution to the transmission and respect of Human Rights by adhering to the United Nations Global Compact and its ten principles on human rights, labour, environment and anti-corruption, its commitment to the Sustainable Development Goals (SDG) of the 2030 Agenda, as well as the incorporation of a Human Rights Policy approved by the Company's Board of Directors.

Based on this policy, the Viscofan Group seeks to respect Human Rights throughout all its activities, anywhere in the world. This policy is based on the following principles: universality, progressivity, integrity and complementarity, inalienability, transnationality and international protection

Viscofan's Code of Conduct states that all the employees, upon their scope of action, must contribute to the compliance and protection of human rights, and shall avoid any misbehaviour contrary to these principles.

The employees of the Viscofan Group, as for their geographical and cultural diversity, will especially abstain from any misbehaviour involving discrimination on the grounds of race, sex, nationality, language, religion, ideology or any other individual, social or personal circumstance (disability, economic position, trade union membership, etc.), and promote dignity at work, preventing any type of exploitation, with special care taken to avoid child labour.

The Anti-Corruption Policy also seeks to minimise the risk of acts of corruption, bribery, extortion and other acts of this nature that may undermine human rights and be an obstacle to sustainable development affecting the most vulnerable unprotected societies.

Therefore, the Viscofan Group puts all the means available to avoid our activities and decisions from having a negative impact on human rights. In this sense, the Group has mechanisms to address claims and concerns on this matter, covered by the Ethics Committee.

The Viscofan Group sets common basic guidelines on Human Rights, which are related to various areas of the organisation, from Human Resources, to supplier relationship management. Guidelines on aspects like freedom of association, abolition of child and forced labour, equality, or facilitating access to the labour market of anyone with a disability.

Viscofan understands that training in human rights and Corporate Social Responsibility (CSR) is a fundamental tool to improving human rights, therefore provides training in this area. In 2017, 398 employees in the main offices and production centres of Cáseda and Urdiain (Spain) received specific training in this aspect. This training was continued in the USA centres in 2018.

This training plan has also addressed issues relating to gender equality and sexual harassment, and the use of non-sexist language through courses taught in Spanish centres.

With regard to people with disabilities, Viscofan has 90 people with disabilities (82 men and 8 women) among its workers and has signed contracts with special employment centres to carry out certain tasks that contribute to the development of our production activity.

Human Rights training

	Men	Women
Training hours in Human Rights (*)	1,577	670

(*) RSC, Gender equiality, Harassment, Intimidation, etc...

Furthermore, in line with the commitment taken on, in 2018 Viscofan successfully audited its Caseda plant in one of the most widely used social audit processes in the world, SMETA, which offers a globally recognised method for assessing chain of supply activities such as labour rights, health and safety, work environment and commercial ethics, and has joined Sedex, the largest collaborative platform to responsibly share data on supply chains.

As signatories of the Global Compact, the Viscofan Group protects free association of employees. Within equality and protection of employee's interests, about 62% of the company's employees are covered by general collective conditions governing their work activity, therefore improving the minimum conditions set by different labour legislations. The employees of the plants of Spain, Czech Republic, United States, Mexico, Brazil and Germany are protected by collective agreements.

China approved a new regulation in 2017 which enables employees' representation, thus bringing the possibility of employees' right to association in 100% of the companies that belong to the Viscofan Group.

The minimum remuneration of employees is considered in accordance with the salary level and regulations of each country where Viscofan carries out its activities. Given the training needs, the characteristics of the production process, and the internal policies of the Viscofan Group that respect current legislation in each country, the minimum remuneration of the workforce is above the minimum wage established in the country.

Within the Collective Bargaining Agreements of the different locations in which the Viscofan Group is present, certain specifications are determined in terms of the notice periods for operational changes.

Within the Code of Conduct, Viscofan rejects any form of child labour. As stated in the section on labour management, there are no staff under the age of 17 hired at Viscofan. Likewise, the Viscofan Group requires suppliers to have a similar commitment in accordance with our code of ethics.

To defend and protect human rights Viscofan promotes dignity at work and the prevention of forced labour. This risk has been specifically included by the Global Risk Committee in its risk matrix so as to detect any breach thereof.

Within these objectives, the Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a risk for the Viscofan Group, as a result of a breach of the internal regulations or any other circumstance. To this end, Viscofan has a channel for complaints that is also accessible to all employees, to communicate any evidence that might be seen as a risk, available through Vinsite (internal communication platform for employees of the Viscofan Group), mail or physical mail to the Ethics Committee at the Group's head offices in Navarre.

No cases of human rights violations were reported in 2018, nor has any case of forced labour or child exploitation been registered through the whistleblowing channel.

Environment

Viscofan has been participating in the United Nations Global Compact since 2015, clearly in line with its aim towards sustained growth, and with the Sustainable Development Objectives concerning the environment.

Management approach

Viscofan is a global company that operates in a world whose population and consumption rates increase. The greater use of natural resources and the growing social awareness towards its efficient use therefore require a perspective that joins together economic growth and environmental and social needs to enable a sustainable future. As such, Viscofan acknowledges and undertakes to responsibly protect and preserve the environment and to efficiently use energy and resources. We also believe in the effectiveness of dialogue with our different stakeholders in order to get to know about their concerns and different improvement proposals on this matter.

Viscofan has been participating in the United Nations Global Compact since 2015, clearly in line with its aim towards sustained growth, and with the Sustainable Development Objectives concerning the environment (climate change, conservation of marine resources, protection of ecosystems, sustainable water management).

This company's commitment is based on human rights and on the following principles:

— Maintain a preventive approach that favours the Environment.

— Undertake initiatives to promote greater environmental awareness.

— Encourage the development and dissemination of environmentally friendly technologies.

In this way, the Environment, Health and Safety (EHS) corporate policy, defining the values of the organisation and laying down as priorities:

— Identify and comply with applicable legislation and regulation in terms of EHS in each of the locations where the group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.

— Pursue constant improvement in all areas of operation, especially in those related to environment, health and safety of employees.

— Responsibly use raw materials, energy and water.

— Ensure that management, employees and all staff working for the organisation, or on its behalf, are aware of this policy and are trained, according to their responsibilities, to comply with it.

— Set indicators to assess the evolution of our performance in these areas.

— Promote a culture of continuous improvement in EHS, defining objectives and implementing corporate standards.

— Develop a cooperation relationship with stakeholders, so as to enable open and objective dialogue, and help ease joint responsibility on these issues.

To ensure the application of the principles contained in the policy, EHS Management guidelines have been developed by the Viscofan Group, setting the common implementation bases for safety, occupational health and environment management systems. It covers a total of 15 guidelines, specifying requirements for many other areas such as regulatory compliance, risk identification and assessment, and environmental aspects or emergency preparedness. Such work continued in 2018 with the implementation at Vector Europe, Supralon and the US subsidiaries.

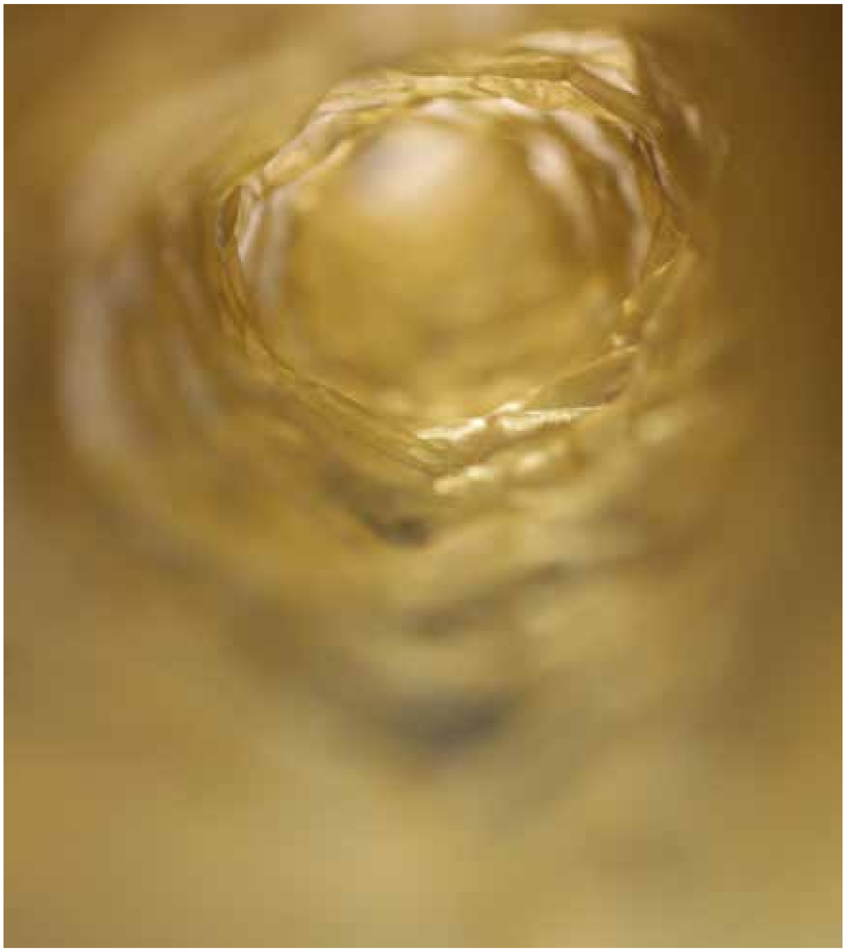
The importance given to the EHS area is reflected in the advances in environmental management systems and the achievement of sustainable management certificates. In this regard, the ISO 14001 certification in all the production plants should be highlighted as one of the objectives to be achieved in the "2016-2020 MORE TO BE" period. In 2018 the Group made progress in that direction, Viscofan's plants of Belgium and Uruguay certified their environmental management systems according to ISO 14001 standards.

With these certifications the Viscofan Group substantially exceeds the target of certifying quality management systems in at least half of the manufacturing plants (ISO 14001) Although, the target for 2019 is to continue with the certification process of those plants that haven't yet obtained it.

Group's plants with ISO14.001

Certifications	ISO 14001
Spain	✔
Germany	✔
Serbia	✔
Czech Republic	✔
USA	
Mexico	✔
Brazil Itu	✔
China	✔
Uruguay	✔
Belgium	✔

*The Nanopack plant in Spain and the Supralon plant in Germany are pending, and the United States is planning to be certified in the 2016-2020 MORE TO BE strategic period.



Focal points

The Viscofan Group's basic tenets are two-fold, covering and guiding all of the company's environmental projects:

— The sustainable use of resources

— Contribute to avoiding climate change

The sustainable use of resources

The Viscofan Group will approach its sustainability target as it strengthens its capabilities of more efficiently employing available resources, including yet not limited to raw materials, energy or water resources.

Viscofan's manufacturing plants in 13 different countries (including Australia and New Zealand), each one with its specific environmental legislation, present a particular challenge to establish uniform reporting criteria. New resources and tools were incorporated in 2016 to unify the reporting criteria throughout all Group manufacturing plants. New environmental management indicators were established for the MORE TO BE 2016-2020 strategic period, which, including water management, extend the raw materials-production-waste management cycle and also establish direct and indirect CO_2 emissions measurements.

Viscofan also encourages measures to promote the values and commitments of the Group among employees with respect to environmental management, highlighting the realisation of training, which is an essential element in the management approach.

Water management

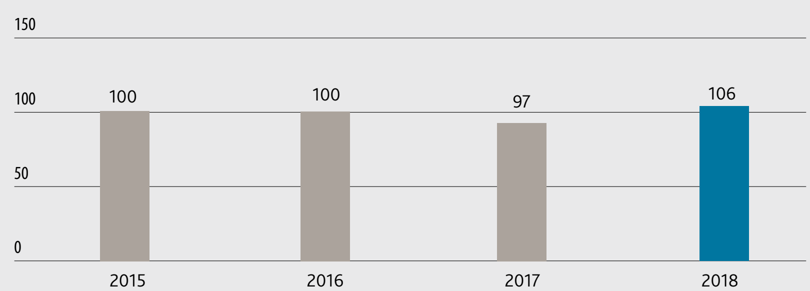
As we are working in an environment where there is a growing demand for industrial water, responsible water management is one of the cornerstones sustaining Viscofan's environmental policy. Viscofan's production process requires the use of water, mainly in phases of the process that involve washing the casings. In general terms, water is obtained from different sources depending on the location of the production plant: surface water, groundwater or municipal supplies. Once the water has been used, the production plants have water treatment plants to treat it before being poured into freshwater or municipal treatment plants.

When managing the impacts related to water use, the Viscofan group has identified key management indicators with a double purpose: optimise water consumption at the company subsidiaries whenever possible and improve the water purification process with a view to reducing the pollution load thereof.

A baseline of 100 was set for the 2015 water usage intensity ratio (cubic metres per metre of production) to track the intensity of our water consumption in the following years.

Water consumption increased in 2018, mainly due to the inefficiencies inherent in the startup processes of the new plant in Caseda (Spain) and increased

Water consumption in cbm / Metres produced



* Does not include Supralon, Transform Pack and Globus

production linked to the expansion of capacity in Serbia.

Moreover, the Viscofan Group continues to work on water recycling projects at the production plants in Koteks (Serbia), Pando (Uruguay) and Suzhou (China), where we have managed to reuse 26,635 m3 in 2018 and 9,510 m3 in 2017.

There was no record in 2018 of the organisation's water capture significantly affecting any water sources. All captures are strictly regulated by the public sector, which assign permits and determine the maximum permitted capture volumes to preclude significant effects.

Additionally, in terms of waste treatment, Viscofan is aware that proper water management also includes correctly purifying its wastewater and minimising the impact of its activities on the environment. To improve waste management, several projects are being carried out in different plants of the Group.

In Koteks (Serbia), the wastewater treatment plant was expanded in 2018; an improvement project is underway in Caseda (Spain), which is expected to end in 2019. Due to the increase in production capacity at the plant in Suzhou (China), the wastewater treatment capacity was expanded in 2017 with a new technology consisting in the installation of membranes; this and other alternatives are being considered to give more capacity to this plant in 2019.

Water consumption by source

m^3	2016	2017	2018 *
Surface water	3,361,935	3,301,733	3,755,026
Groundwater	2,380,630	2,443,000	2,636,088
Local water supply	2,990,228	2,809,491	3,021,961
Rainwater	0	0	0
Waste water	0	0	0
TOTAL	8,732,793	8,554,224	9,413,076

%	2016	2017	2018 *
Surface water	38%	39%	40%
Groundwater	28%	28%	28%
Local water supply	34%	33%	32%
Rainwater	0%	0%	0%
Waste water	0%	0%	0%
TOTAL	100%	100%	100%

* Does not include Supralon, Transform Pack and Globus

Water discharge by destination

m^3	2016	2017	2018 *
Surface freshwater	4,035,741	3,930,315	4,279,567
Local treatment plant	3,467,453	3,300,921	3,387,789
TOTAL	7,503,194	7,231,236	7,667,357

%	2016	2017	2018 *
Surface freshwater	54%	54%	56%
Local treatment plant	46%	46%	44%
TOTAL	100%	100%	100%

* Does not include Supralon, Transform Pack and Globus

Raw materials and waste

Within the circular economy, an essential point of the EHS policy is to use raw materials efficiently, contribute to minimising the generation of waste, and, insofar as possible, estimate the damages.

This commitment starts in all production locations by choosing the raw materials, both main ones (cellulose, collagen skin, manila hemp, polyamides and natural gas) and auxiliary substances, used for the chemical and mechanical transformation of raw materials throughout the productive process.

Within the objective of an efficient management of raw materials, the Viscofan Group carried out several projects in 2018, including the installation of a new technology for the production of viscose (cellulose and fibrous) casings, which is a step forwards in reducing production waste, among other aspects.

Waste and intensity ratio

	2016	2017	2018 *
TOTAL waste. In tonnes (T)	44,201	46,498	53,423
Waste in T./ Metres produced. Base 100 year 2016	100	104	119

* Does not include Supralon, Transform Pack and Globus

The Group's commitment continues with the reduction of waste generation and the optimisation of its management, prioritising recovery or recycling above other systems such as destruction or disposal.

Waste disposal methods have been determined locally based on local regulations and good practices within the Group, taking into consideration the characteristics of the production process and the raw materials used.

The number of tonnes of waste increased in 2018, mainly due to the inefficiencies inherent in the start-up processes of the new plant in Caseda (Spain) and the increased production associated with the expansion of Serbia capacity.

The Viscofan Group has implemented an environmental management system with a view to preventing spills and leaks, in which it has established management mechanisms and technical control elements. Should they occur, this system has detection, reporting and anomaly correction methods, including ones for predictive purposes.

There were no spills or leaks at Viscofan Group facilities in 2018 that had to be reported to the competent authorities, understood as those that cause damage to the external environment of the facility and must be reported to the corresponding administration.

Management of waste and by-products by category

	2016			2017			2018		
	Non-hazardous	Hazardous	TOTAL	Non-hazardous	Hazardous	TOTAL	Non-hazardous	Hazardous	TOTAL
Reused	0.0%	18.3%	18.3%	0.1%	16.0%	16.1%	0.1%	6.3%	6.4%
Recycled	11.0%	0.0%	11.0%	11.7%	0.1%	11.7%	7.6%	5.6%	13.2%
Composted	29.6%	0.0%	29.6%	27.0%	0.1%	27.1%	26.3%	0.0%	26.3%
Recovered	0.4%	0.1%	0.6%	0.5%	0.2%	0.6%	2.2%	0.2%	2.3%
Incinerated	7.7%	0.2%	7.9%	7.2%	0.2%	7.4%	7.0%	0.5%	7.5%
Landfill	29.3%	2.4%	31.7%	33.2%	2.1%	35.3%	37.6%	1.2%	38.8%
Other	0.0%	0.9%	0.9%	0.1%	1.6%	1.7%	1.2%	4.3%	5.5%
TOTAL	78.0%	22.0%	100.0%	79.7%	20.3%	100.0%	81.9%	18.1%	100.0%

* Does not include Supralon, Transform Pack and Globus

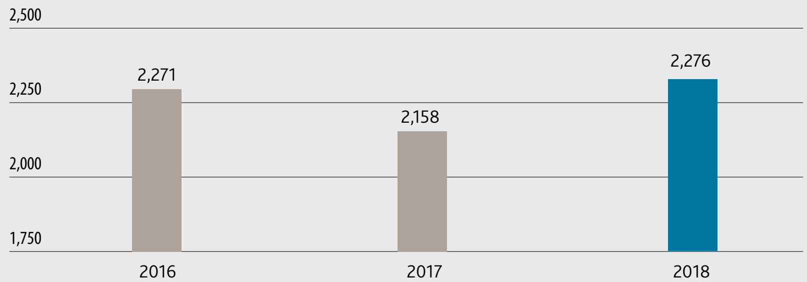
Contribution to prevent climate change

The Viscofan Group's sustainability approach also focuses on an efficient use of energy with low environmental impact. We strive to promote the rational and efficient use of energy throughout Viscofan's chain of value. To do so, our strategy entails reducing greenhouse gas emissions while mitigating the adverse effects of these gases on our environment.

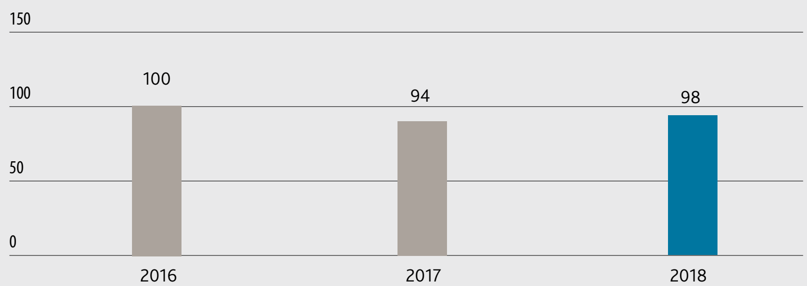
The casing production process requires a lot of heat, especially in the drying processes. The current technology for obtaining thermal energy through renewable sources is inefficient, making it difficult to ensure the continuity of energy supply in a continuous 24 hours a day and 365 days a year production process.

We understand that efficiency in the use of energy, reducing our energy requirements and making maximum use of the different ways in which this energy is present in our processes, is key to achieving the objective of helping to prevent climate change. Viscofan's strategy for reducing overall CO_2 emissions includes using heat, even in the effluents from our production processes, and replacing systems requiring elevated amounts of energy with more efficient systems.

Energy consumption within the organization (Giga Wh)



Energy intensity. Base 100 year 2016



Internal consumption in KWh /Metres produced

The Viscofan Group also established the energy intensity indicator for analysing the efficiency of harnessing the different forms of energy throughout the organisation. The calculation was made on baseline of 100 for 2016, dividing consumed energy in absolute terms by metres of production.

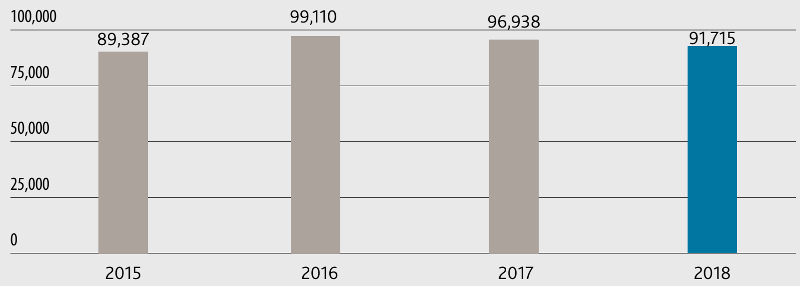
With energy efficiency in mind, also including the reduction of greenhouse gas emissions, Viscofan invests continuously in new, more efficient technologies in different areas of its processes.

In 2017, at the Caseda plant (Spain), an investment was made to install an energy exploitation system in the drying air that was completed in 2018 with the installation of a second phase of the heat recovery system. Another example was the new and more efficient energy model implemented in Zacapu (Mexico) for reducing gas consumption by 34% and CO_2 emissions by over 1,300 tonnes monthly.

The efficient use of energy when manufacturing packaging is a competitive advantage. As such, the Viscofan Group has cogeneration plants that have allowed greater energy and production savings in Caseda (Spain), with an installed capacity of 48MW, in Zacapu (Mexico), with 0.6MW, and in Weinheim (Germany), with 8.7MW.

Below is the figure of equivalent tons of CO2 avoided by using cogeneration compared to that theoretically emitted to obtain the steam obtained in cogeneration using conventional boilers in the plants at Cáseda (Spain), Zacapu (Mexico) and Weinheim (Germany).

CO_2 avoided by energy optimization



In tonnes

CO_2 Emissions

Tonnes	2016	2017	2018
Direct	384,292	375,561	378,128
Indirect	119,069	154,144	164,138
TOTAL	503,361	529,705	542,266

* Supralon Transform Pack Inc and Globus companies are not included in this calculation.

CO_2 emissions intensity (Base 100 year 2015)	2016	2017	2018
CO_2 emissions intensity	90	95	97

* Supralon Transform Pack Inc and Globus companies are not included in this calculation.

The Viscofan Group sells part of the electricity obtained from the Caseda and Zacapu cogeneration facilities that is not used in the production process. The breakdown by sales made in megawatts is as follows: 391.038 MWh at Caseda and 752 MWh at Naturin.

This energy management models lets the Group produce over half of its total energy using ISO 50001 certified energy efficiency management systems. This energy efficiency management system prepares us for compliance with RD 56/2016 on energy efficiency, which concerns energy audits and transposes the European Union's Energy Efficiency Directive (2012/27/EU).

The use of cogeneration as energy and heat generation sources entails a reduction in emissions compared with other conventional steam generation systems. The avoided CO2 emissions in Cáseda, for instance, was 30.5%.

Moreover, with the intention of improving management and analysing polluting gases, information was collected in 2018 from the EHS corporate department regarding other emissions, at a consolidated level. This is the case of nitrogen oxide (NOX) emissions, for which 643 tonnes were recorded in 2018.

Financial resources dedicated to environment, health and safety projects

This growing commitment to sustainability is also apparent in the financial dimension, where the 2018 investments in environmental and H&S projects stood at €5.7 million, representing 7.9% of the Group's total investments.

A large part of the total investment went to the installation of a new gas washer for plant 4 at Caseda, a sulphates crystalliser at Caseda, extension of the water treatment plant at Caseda, the extension of the waste water treatment plant in Serbia, and improvements in fire protection at different Group plants; property security and ergonomic improvements.

There is more information about the resources destined to the protection of the environment in note 25 of the consolidated annual accounts.

Our relationship with the community

Viscofan believes that it is essential to maintain a fluid dialogue with local institutions to understand the needs that these societies have and formalise collaborative actions and investment initiatives, whether short-term or oriented towards the sustainability of longer-term projects.

Pursuant to its CSR policy, the Viscofan Group is firmly committed to carrying out its activity in a responsible manner, thereby contributing to improving the welfare of people by promoting the economic, environmental and social development of the communities in which the Group operates. This commitment leads it to contribute its own resources and know-how to support social initiatives that contribute to the improvement of the environments with which the Group interacts.

Under this premise, Viscofan understands that it is essential to maintain a fluid dialogue with local institutions to understand the needs that these societies have and formalise collaborative actions and investment initiatives, whether short-term or oriented towards the sustainability of longer-term projects.

To this end, Viscofan supports social investment initiatives in different areas and fields of action. These are some of the initiatives with which we have worked and collaborated in 2018:

— **Ayuda en Acción (Help in Action).** In Mexico, Viscofan works with the Mexican Association to Help Children With Cancer (AMANC). 2018 is the fourth year that Viscofan has been supporting this initiative. This new contribution of 5,000 dollars supports the work that this association carries out in the state of San Luis Potosí, where Viscofan has a production centre. The donation will go to supporting treatments, easing the burden of housing, and providing psychosocial support to sick children and their families.

— **In Spain, Viscofan S.A. is a co-sponsor of the sixth edition of the "Impulso Emprendedor"** (Entrepreneurial Drive) promoted by the Navarran European Business Innovation Centre, whose purpose is to create innovative companies in the region. Viscofan participates as a co-sponsor and mentor in one of the selected projects, providing its corporate vision and knowledge.

— **Viscofan is part of the CETENA** (Cemitec) foundation, which was founded to promote and develop scientific research, technology development and boosting innovation activities to improve company competitiveness.

— **Orizont Project.** Viscofan is collaborating with this project led by the Government of Navarre, which aims to finance and advise on various agri-food entrepreneurship projects intended to be implemented in the region.

— **Museo del Prado Foundation.** Viscofan's desire to promote art and culture was supported by a series of lectures on pictorial art at the Prado Museum.

— **Library of the Monastery of Leyre.** Viscofan has renewed its commitment to this project for a further two years, restoring several books of the Monastery of Leyre (Navarre) dating back to the 16th and 17th centuries.

In addition to these initiatives, Viscofan maintains contact and collaborates with local institutions, business institutions, research centres and training centres such as Universities and vocational training centres, both private and public, to encourage local development. This collaboration ranges from collaborative framework agreements in the form of scholarships and work experience, research and development projects, participations in meetings and forums, and collaboration with local development clusters. This collaboration activity was recognised with the University-Enterprise Award, granted by the Red Española de Fundaciones Universidad Empresa (REDFUE).

As a result of some of these relationships, there are now common projects with which it collaborates and for which financial support has been received through grants and loans from official organizations.

Viscofan is aware of the social impact generated by its activity, ranging from direct or indirect employment generated by its implementations, to the financial benefit it obtains from its activity in each of the different companies in which it operates (note 7 of the Viscofan S.A. financial statements) for which it contributes through taxes. In 2018, income tax payments amounted to 31.7 million euros as a result of its business activity in different countries. There is more information about taxes in note 21 of the consolidated report. There is information about capital grants in note 18 of the consolidated annual accounts. Finally, at 31 December, the loan from COFIDES (Spanish Development Finance Company) for 2.5 million euros is included in the financial statements. There are also loans with the CDTI and the Ministry of Economy and Competitiveness in Spain for 10.6 million euros (note 19 of the consolidated accounts).

Viscofan on the stock market

Viscofan on the stock market

During the year, overall over 29.8 million shares in Viscofan were traded, with a trading volume of €1.669 billion, which is equivalent to a daily average of €6.5 million.

Stock markets

In 2018, the world experienced a slowdown in economic growth compared to 2017, especially in the second half of the year, a trend that is expected to continue in 2019. According to estimates from the International Monetary Fund (IMF), global GDP will grow by + 3.7% in 2018 and + 3.5% in 2019, down from 3.8% in 2017. The worsening in the performance and outlook is due to the uncertainty caused by commercial tensions, particularly between the USA and China, the economic slowdown in Europe and the instability experienced in several emerging countries. This context has coexisted with a high volatility of the currency market, as well as the price of oil.

Given this adverse context, the main global equity indices closed the year with declines. Of note in Europe is the Euro Stoxx 600, which closed 2018 with a decline of -13.2%, in Spain the Ibex 35 with -15.0%, the German DAX -18.3% and the French CAC with -11.0%. In the United States, the S&P 500 index recorded a depreciation of -6.2%.

Viscofan shares

Viscofan shares are listed on the Spanish stock markets of Madrid, Barcelona and Bilbao. In addition, the shares traded on the continuous market since its flotation in December 1986, belong to the Ibex 35 index, the Madrid Stock Exchange General Index (IGBM) and form part of the Consumer Goods segment of the food subsector, as well as the Euro Stoxx Food & Beverage index and the Eurostoxx 600 index.

In the first nine months of the year, Viscofan shares maintained a positive trend, marking a new record high of €66.20 per share in September. However, the announcement in the 3Q18 results publication of the non-compliance of the initial growth targets expected for the year caused shares to fall, reversing this trend. Viscofan shares closed 2018 with a securities listing of €48.12, registering an interannual decrease of -12.5% and -9.7% after including the dividends paid during the year.

During the year, overall over 29.8 million shares in Viscofan were traded, with a trading volume of €1.669 billion, which is equivalent to a daily average of €6.5 million.

Creating shareholder value

Throughout the different strategic plans, the Viscofan Group has built a sound and flexible business model. This characteristic entails the creation of cash flows that allow investment projects to be carried out in order to improve value creation, which is shared with shareholders in cash and at the same time maintaining a sound balance sheet structure.

In this respect, the stock market continues to recognise the Viscofan Group's value creation, and is combined with the Group's commitment to shareholder remuneration. Thus, in the last ten years the average annual return has been 13% and 15%, taking into account shareholder remuneration. Analysing the creation of value over time, this is greater for shareholders who have held shares in Viscofan for a longer period of time. For example:

The investment of a shareholder who invested 1,000 euros in Viscofan shares at the end of December 2008, and held them at 31 December 2018, was worth 3,417 euros, and in these 10 years this individual also received 803 euros in dividends, a combined return of 322%.

The Viscofan Group is immersed in the strategic plan known as MORE TO BE, which covers the period between 2016 and 2020, looking ahead in its value creation proposal that entails the objective of leading the main packaging markets in service, technology and cost. An ambitious and investment-intensive target, with €265 million earmarked for investments between 2016 and 2018 but without requiring additional efforts from shareholders while maintaining a sound balance sheet.

Alongside this, the financial and operational strength of the company allows for a further increase in shareholder remuneration. As such, the ordinary dividend proposed by the Board of Directors for 2018 amounts to €1.60 per share. The payment of an extraordinary dividend must be added to this payment, charged to the non-recurring results from the compensation for patent infringement of €0.13 per share. This joint proposal increases total remuneration by 11.6% as compared to the total of 1.55 euros per share approved for the previous year.

In terms of profitability, the total dividend proposed for 2018 is 3.1% of the average share price during the year.

Likewise, during the year, the company acquired 103,682 shares at a cost of €5.3 million. Subsequently, in January 2019, the Board approved the execution of a capital reduction for a nominal amount of €72,577.40, through the redemption of the 103,682 existing shares.

In terms of profitability, the total dividend proposed for 2018 is 3.1% of the average share price during the year.

Viscofan, its shareholders and investors

One of Viscofan's objectives, through its Department of Investor and Shareholder Relations, is to create value for the investor community by improving accessibility, the transparency of information and providing shareholders with relevant information in order to gain a better understanding of the company itself and its results, strategy and operations.

Viscofan return vs. Ibex 35

Buy (31/12)		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TSR
2008	Viscofan	26.3%	101.7%	103.8%	204.5%	194.1%	213.4%	295.7%	233.2%	291.3%	242.2%	**13.1%**
2008	*Ibex 35*	*29.8%*	*7.2%*	*-6.8%*	*-11.2%*	*7.8%*	*11.8%*	*3.8%*	*1.7%*	*9.2%*	*-7.1%*	*-0.7%*
2009	Viscofan		59.7%	61.4%	141.0%	132.8%	148.1%	213.3%	163.8%	209.7%	170.9%	**11.7%**
2009	*Ibex 35*		*-17.4%*	*-28.3%*	*-31.6%*	*-16.9%*	*-13.9%*	*-20.1%*	*-21.7%*	*-15.9%*	*-28.5%*	*-3.7%*
2010	Viscofan			1.1%	51.0%	45.8%	55.4%	96.2%	65.2%	94.0%	69.7%	**6.8%**
2010	*Ibex 35*			*-13.1%*	*-17.2%*	*0.6%*	*4.3%*	*-3.2%*	*-5.1%*	*1.9%*	*-13.4%*	*-1.8%*
2011	Viscofan				49.4%	44.3%	53.8%	94.1%	63.5%	91.9%	67.9%	**7.7%**
2011	*Ibex 35*				*-4.7%*	*15.8%*	*20.0%*	*11.4%*	*9.2%*	*17.2%*	*-0.3%*	*0.0%*
2012	Viscofan					-3.4%	2.9%	30.0%	9.4%	28.5%	12.4%	**2.0%**
2012	*Ibex 35*					*21.4%*	*25.9%*	*16.9%*	*14.5%*	*23.0%*	*4.6%*	*0.7%*
2013	Viscofan						6.6%	34.6%	13.3%	33.0%	16.4%	**3.1%**
2013	*Ibex 35*						*3.7%*	*-3.8%*	*-5.7%*	*1.3%*	*-13.9%*	*-2.9%*
2014	Viscofan							26.3%	6.3%	24.8%	9.2%	**2.2%**
2014	*Ibex 35*							*-7.2%*	*-9.0%*	*-2.3%*	*-16.9%*	*-4.5%*
2015	Viscofan								-15.8%	-1.1%	-13.5%	**-4.7%**
2015	*Ibex 35*								*-2.0%*	*5.2%*	*-10.5%*	*-3.6%*
2016	Viscofan									17.4%	2.7%	**1.3%**
2016	*Ibex 35*									*7.4%*	*-8.7%*	*-4.4%*
2017	Viscofan										-12.5%	**-12.5%**
2017	*Ibex 35*										*-15.0%*	*-15.0%*

Communication channels

Viscofan provides the investment community with a multitude of communication channels: presentations at seminars and events organised by the financial community, road shows with institutional investors, whether they be promoted by the company or by brokers, earnings presentations, the General Meeting of Shareholders, organised visits to Viscofan's head office, telephone calls to a dedicated investor and shareholder helpline, a special e-mail address, the notifications and regular public information submitted to the CNMV (Spanish National Securities Market Commission), as well as the information published on the website www.viscofan.com, especially in the Investor Relations section in which Viscofan makes the latest news, relevant facts, reports and quarterly presentations of results, annual report, share price performance, etc. available to the public.

The communication effort carried out throughout all these years has been recognised by the investment community. Institutional Investor in its "All European Executive Team" awarded Viscofan in 2016 the 1st CEO for Sell-Side and 2nd Best CEO combined, and 3rd IR for Sell-Side of the Paper & Packaging sector. Also in previous years, in 2015 the 2nd Best IR for Sell-Side and in 2012 the 1st Best IR professional for the Sell-Side in the packaging and food sector.

Bidirectional communication is important, since the questions and concerns of the Financial Community are taken into account and transmitted within the company, making it possible to have a better overall view of it. In 2018, the most frequent questions were related to the development of the MORE TO BE strategic plan, the increase in sales prices, the decrease in sales in China and other countries of the Asian continent in the third quarter, the price inflation of the raw materials (caustic soda and glycerine), shareholder remuneration, the impact of exchange rate variations, investments made, especially in fibrous and plastic technologies, and the acquisitions of Supralon, Transform Pack and Globus.

Viscofan maintains fluid communication with the financial markets, so that in 2018 a total of 15 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis.

At the same time, in 2018 Viscofan held 210 face-to-face meetings with investors, both shareholders and non-shareholders interested in the company, in 2017 there were 257. These meetings were held in 6 different countries.

Viscofan maintains fluid communication with the financial markets, so that in 2018 a total of 15 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis.

Communication with shareholders

INVESTOR AND SHAREHOLDER PHONE: +34948198436

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info-inv@viscofan.com

WEBSITE, INVESTOR RELATIONS SECTION
www.viscofan.com/investor-relations

Stock exchange highlights

	Strategy M ORE TO BE 2016-2020			Strategy Be MORE Period				Strategy Be One Period		
Share price €	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Year-end price	48.12	55.01	46.85	55.64	44.07	41.35	42.81	28.66	28.36	17.76
Year high	66.20	56.33	56.06	60.93	48.36	43.70	42.81	30.59	29.65	18.20
Year low	46.20	46.75	41.84	43.04	36.24	35.65	28.45	22.51	17.64	12.81

Viscofan in the stock market evolution	Year end 2018	Year end 2017	Year end 2016	Year end 2015	Year end 2014	Year end 2013	Year end 2012	Year end 2011	Year end 2010	Year end 2019
% annual change Viscofan	-12.5%	17.4%	-15.8%	26.3%	6.6%	-3.4%	49.4%	1.1%	59.7%	26.3%
% annual change IGBM	-15.0%	7.6%	-2.2%	-7.4%	3.0%	22.7%	-3.8%	-14.6%	-19.2%	27.2%
% annual change IBEX 35	-15.0%	7.4%	-2.0%	-7.2%	3.7%	21.4%	-4.7%	-13.1%	-17.4%	29.8%
% annual change Euro STOXX 600	-13.2%	7.7%	-1.2%	6.8%	4.4%	17.4%	14.4%	-11.3%	8.6%	28.0%
% annual change Medium Cap	-13.7%	4.0%	-6.6%	13.7%	-1.8%	52.0%	13.8%	-20.7%	-5.6%	13.8%
% annual change Sub sector Food and beverages IGBM	-8.4%	5.2%	-5.4%	26.4%	-5.2%	4.7%	25.0%	-6.3%	25.3%	7.0%

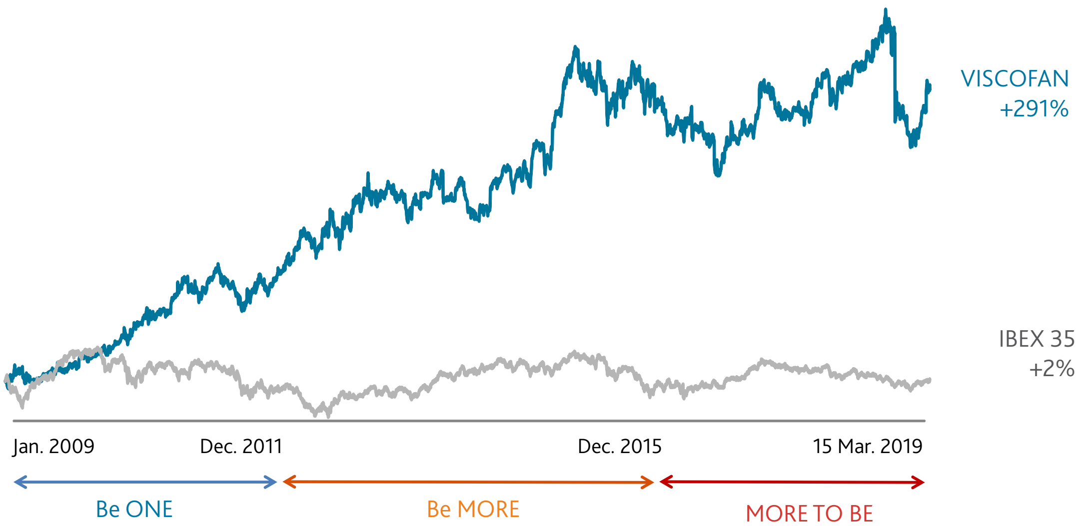
Stock market trading data	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market capitalization at year-end (million of €)	2,242.6	2,563.7	2,183.4	2,593.0	2,053.6	1,927.1	1,995.1	1,335.7	1,321.7	827.7
Traded volume (million of €)	1,669.1	1,995.2	2,707.1	3,179.9	3,233.0	2,506.4	1,426.9	1,274.1	925.4	663.1
Daily average trading volume (million of €)	6.5	7.8	10.5	12.3	12.6	9.8	5.6	5.0	3.6	2.6
Traded shares	29,807,220	38,658,041	54,701,597	58,329,352	78,062,343	63,212,344	41,360,939	47,049,517	41,668,063	42,112,723
Daily average of traded shares	116,891	151,600	212,022	225,210	304,931	247,892	161,566	183,787	162,766	165,798

Share ratios	Year end 2018	Year end 2017	Year end 2016	Year end 2015	Year end 2014	Year end 2013	Year end 2012	Year end 2011	Year end 2010	Year end 2019
Listed shares	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682
Earnings per share (1)	2.658	2.620	2.684	2.575	2.284	2.178	2.254	2.172	1.745	1.379
Remuneration per share (2)	1.600	1.550	1.450	1.350	1.180	1.120	1.100	1.000	0.800	0.623

(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: dividends, capital reimbursement, refund of issue premium and bonus for attending the General Meeting

Annual evolution Viscofan vs. Ibex 35



Point of contact for report-related queries

For questions regarding this report, please contact the Department of Investment Relations and Communication:

- Telephone no.: +34948198436

- E-Mail: info-inv@viscofan.com

Events after the balance sheet date, alternative performance measures and GRI indicators table and contained in law 11/2018

Events after the balance sheet date

The events after the balance sheet date are described in note 27 of the Viscofan, S.A. and subsidiaries financial statements.

Alternative performance measures

The Viscofan Group has included in this report various Alternative Performance Measures (hereinafter APMs), as established in APM Guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the National Securities Market Commission (the CNMV).

This involves a series of measures designed using the financial information of Viscofan, S.A. and its subsidiary companies, and they are complementary to the financial information drawn up in agreement with International Financial Reporting Standards (IFRS). Under no circumstance should they be assessed separately or considered a substitute.

They are measures used internally in decision making processes and which the Board of Directors decides to report externally if it believes they provide additional information that is useful in the analysis and assessment of the Viscofan Group's results and its financial situation.

The APMs included in this report are as follows:

— The EBITDA, or operating income before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

— Consumption costs: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors consumption costs as one of the main cost components for Viscofan. The weight of net income for this cost component on income or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and consumption costs must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.

— Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.

— Like-for-like income and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period, the effect of the change in the consolidation scope, and the non-recurring gains of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like income and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.

GRI indicators table and contained in law 11/2018

GRI 102: GENERAL CONTENTS				
GRI Standard	Description	Section-Comments	Page No.	Omission
1. Organisational profile				
102-1	Name of the organisation	Viscofan Group		
102-2	Activities, brands, products and services.	Business model	21-33.	
		Commercial management	60-67.	
102-3	Location of the headquarters	Polígono Industrial Berroa C/Berroa. 15 – 4ª planta 31192 Tajonar (Navarra) - España		
102-4	Location of the operations	Business model	25.	
102-5	Property and legal status	Corporate Governance	16, 34-55.	
102-6	Markets served	Business model	21-33.	
102-7	Size of the organisation	Financial results	6,7. 8-13.	
102-8	Information about employees and other workers	Work management	71-81.	
102-9	Supply chain	Management of the supply chain	68-70.	
102-10	Significant changes in the organisation and its supply chain	Letter from the Chairman	2.3.	
		Financial results	6,7. 8-13.	
		Basis of presentation	16.	
102-11	Precautionary principle or approach	Environmental issues	84-91.	
102-12	External initiatives	Letter from the Chairman	2, 3.	
		Basis of presentation	16.	
		Defence of human rights	82,83.	
		Environmental issues	84-91.	
102-13	Affiliation to associations	MORE TO BE strategy	26-33.	
		Our relationship with the community	92, 93.	
2. Strategy				
102-14	Statement of senior management responsible for decision-making	Letter from the Chairman	2.3.	
102-15	Main impacts, risks and opportunities	Risk management	56-59.	
3. Ethics and integrity				
102-16	Values, principles, standards and rules of conduct	Good governance practices	41-48.	
		Defence of human rights	82, 83.	
		Fight against corruption	55.	
102-17	Mechanisms of advice and ethical concerns	Good governance practices	41-48.	
4. Governance				
102-18	Governance structure	Corporate Governance	34-55.	
		Organisational structure	34-40.	
		Good governance practices	41-48.	
102-19	Delegation of authority	Good governance practices	41-48.	

GRI Standard	Description	Section-Comments	Page No.	Omission
4. Governance (cont.)				
102-20	Executive responsibility regarding financial, environmental and social issues	Good governance practices	41-48.	
		Fight against corruption	55.	
		Environmental issues	84-91.	
		Defence of human rights	82,83.	
102-21	Consultation with stakeholders regarding financial, environmental and social issues	Materiality	17-20.	
102-22	Composition of the senior governance body and its committees	Organisational structure	34-40.	
		Good governance practices	41-48.	
120-23	Chairman of the senior governance body and its committees	Organisational structure	34-40.	
120-24	Appointment and selection of the senior governance body	Good governance practices	41-48.	
102-25	Conflicts of interest	Good governance practices	41-48.	
102-26	Function of the senior governance body in the selection of objectives, values and strategy	Good governance practices	41-48.	
102-27	Collective knowledge of the senior governance body	Good governance practices	41-48.	
102-28	Performance assessment of the senior governance body	Good governance practices	41-48.	
102-29	Identification and management of financial, environmental and social impacts	Good governance practices	41-48.	
		Risk management	56-59.	
		Materiality	17-20.	
		Environmental issues	84-91.	
102-30	Efficacy of the risk management processes	Good governance practices	41-48.	
		Risk management	56-59.	
102-31	Assessment of financial, environmental and social issues	Good governance practices	41-48.	
102-32	Function of the senior governance body in the preparation of sustainability reports	Good governance practices	41-48.	
102-33	Communication of critical concerns	Good governance practices	41-48.	
		Work management	71-81.	
		Viscofan on the stock market	96-101.	
102-34	Nature and total number of critical concerns	Compliance system	49-54.	
102-35	Remuneration policies	The Board of Directors annual remuneration report is available at www.viscofan.com		
102-36	Process for determining the remuneration	Good governance practices	41-48.	
102-37	Involvement of stakeholders in the remuneration	The Board of Directors annual remuneration report is available at www.viscofan.com		

GRI Standard	Description	Section-Comments	Page No.	Omission
5. Participation of stakeholders				
102-40	List of stakeholders	Materiality	17-20.	
102-41	Collective bargaining agreements	Defence of human rights	82,83.	
102-42	Identification and selection of stakeholders	Basis of presentation	16.	
102-43	Approach for the participation of stakeholders	Materiality	17-20.	
		Good governance practices	41-48.	
		Viscofan on the stock market	96-101	
		Management of the supply chain	68-70	
		Work management	71-81.	
		Environmental issues	84-91.	
		Our relationship with the community	92,93.	
102-44	Key issues and concerns mentioned	Viscofan on the stock market	96-101.	
6.Practices for preparing reports				
102-45	Entities included in the consolidated financial statement	Consolidated financial statement of the Viscofan group		
102-46	Definition of the contents of the reports and the coverage of the issue	Basis of presentation	16.	
		Materiality	17-20.	
102-47	List of material issues	Materiality	17-20.	
102-48	Re-expression of the information	No significant re-expressions in the period		
102-49	Changes in the preparation of reports	Basis of presentation	16.	
102-50	Period covered by the report	The integrated annual report reflects the financial, social and environmental activity carried out by the Viscofan Group in 2018.		
102-51	Date of last report	2017 Annual Integrated Report, Financial Statement and Annual Accounts		
102-52	Cycle of the preparation of reports	Annual		
102-53	Point of contact for report-related queries	Viscofan on the stock market	96-101	
102-54	Declaration of preparation of the report in accordance with GRI standards	Basis of presentation	16.	
102-55	Table of GRI contents	Table of GRI indicators		
102-56	External verification	Table of GRI indicators		

GRI 103: MANAGEMENT APPROACH

GRI Standard	Description	Section-Comments	Page No.
GRI. 103: Management approach			
103-1	Explanation of the material issue and its coverage	Materiality	17-20.
103-2	The management approach and its components	Materiality	17-20.
		See sections: Commercial management; Supply chain management; Labour management; Environmental issues; Defence of Human Rights; Fight against corruption.	
		The policies of the different areas are detailed in the Good Governance Practices, within the Corporate Governance section.	
103-3	Assessment of the management approach	Materiality	17-20.

GRI 200: FINANCIAL

GRI Standard	Description	Section-Comments	Page No.
GRI 201: Financial performance			
201-1	Direct generated and distributed financial value	Materiality	17-20.
		Work management	71-81.
		Environmental issues	84-91.
		Our relationship with the community	92,93.
		Viscofan on the stock market	96-101
201-2	Financial implications and other risks and opportunities derived from clima-te change	Environmental issues	84-91.
201-3	Obligations of the benefits plan and other retirement plans	Financial results	6, 7, 8-13.
201-4	Financial aid received from the government	Our relationship with the community	92,93.
GRI 202: Presence in the market			
202-1	Ratio of standard initial category salary by gender compared to the local minimum wage	Defence of human rights	82,83.
202-2	Proportion of senior management hired from the local community	Work management	71-81.
GRI 203: Indirect financial impacts			
203-1	Investments in infrastructure and supported services		
203-2	Significant indirect financial impacts	Business model	21-33.
GRI 204: Purchase practices			
204-1	Proportion of expense with local suppliers.	Management of the supply chain	68-70.
GRI 205: Anti-corruption			
205-1	Transactions assessed for corruption-related risks	Fight against corruption	55.
205-2	Communication and training about anti-corruption policies and procedures	Fight against corruption	55.
205-3	Confirmed cases of corruption and measures taken	Fight against corruption	55.
GRI 206: Unfair competition			
206-1	Legal actions related to unfair competition, monopolistic practices and against free competition	Fight against corruption	55.

GRI 300: ENVIRONMENTAL ISSUES			
GRI Standard	**Description**	**Section-Comments**	**Page No.**
GRI 302: Energy			
302-1	Energy consumption within the organisation	Environmental issues	89
302-3	Energy intensity	Environmental issues	89
302-4	Reduction of energy consumption	Environmental issues	89-91.
GRI 303: Water			
303-1	Water extraction by source	Environmental issues	86,87.
303-2	Water sources significantly affected by water extraction	Environmental issues	86,87.
303-3	Recycled and reused water	Environmental issues	86,87.
GRI 305: Emissions			
305-1	Direct emissions of GHG (scope 1)	Environmental issues	89-91.
305-2	Indirect emissions of GHG from generating energy (scope 2)	Environmental issues	89-91.
305-4	Intensity of GHG emissions	Environmental issues	89-91.
305-5	Reduction of GHG emissions	Environmental issues	89-91.
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	Environmental issues In 2018, information was collected from the EHS corporate department of regarding other issues, at a consolidated level.	89-91.
GRI 306: Efluentes y residuos			
306-1	Wastewater according to its quality and destination	Environmental issues	86,87.
306-2	Waste by type and disposal method	Environmental issues	88.
306-3	Significant spills/leaks	Environmental issues	88
306-5	Bodies of water affected by wastewater and/or run-off		
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental legislation and regulations	Environmental issues Note 25 of the Consolidated Annual Accounts Report	84-91.
GRI 308: Environmental evaluation of suppliers			
308-1	New suppliers that have passed screening filters according to environmental criteria	Management of the supply chain	68-70.

GRI 400: SOCIAL

GRI Standard	Description	Section-Comments	Page No.
GRI 401: Employment			
401-1	New employee hiring and staff rotation	Work management	74.
401-3	Parental leave	Work management	77.
GRI 402: Worker-company relations			
402-1	Minimum warning periods for operational changes	Defence of human rights	83.
GRI 403: Workplace health and safety			
403-1	Representation of workers in formal worker-company health and safety committees	Work management	79-81.
403-2	Types of accidents and frequency of accidents, occupational illnesses, days lost, absenteeism and number of deaths due to work-related accidents or occupational illnesses	Work management	79-81.
GRI 404: Training and teaching			
404-1	Average number of training hours per employee	Work management	78.
404-2	Programmes to improve employee skills and transition assistance programmes	Work management	76,78,79.
404-3	Percentage of employees who receive periodic performance and professional development assessments	Work management	79.

SOCIAL. HUMAN RIGHTS

GRI Standard	Description	Section-Comments	Page No.
GRI 405: Diversity and equal opportunities			
405-1	Diversity in governing bodies and employees	Organisational structure	44.
		Work management	71-73.
405-2	Ratio of base salary and remuneration of women to men	Work management	75,76.
GRI 406: Non-Discrimination			
406-1	Cases of discrimination and corrective actions undertaken	Defence of human rights	82,83.
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	Defence of human rights	82,83.
GRI 408: Child labour			
408-1	Operations and suppliers with significant risk of cases of child labour	Defence of human rights	82,83.
GRI 409: Forced or compulsory labour			
409-1	Operations and suppliers with significant risk of cases of forced or compulsory labour	Defence of human rights	82,83.
		Management of the supply chain	68-70

GRI 412: Assessment of human rights			
GRI Standard	**Description**	**Section-Comments**	**Page No.**
412-1	Operations subject to impact assessments or reviews on human rights	Defence of human rights	82,83.
412-2	Training of employees in human rights policies or procedures		82,83.
GRI 413: Local communities			
413-1	Operations with local community participation, impact assessments and development programmes	Our relationship with the community	92,93.
		Environmental issues	84,85.
GRI 414: Social assessment of suppliers			
414-1	New suppliers that have passed screening filters according to social criteria	Management of the supply chain	68-70
414-2	Negative social impacts on the supply chain and measures taken	Management of the supply chain	68-70
		Defence of human rights	82,83.
GRI 416: Health and safety of customers			
416-1	Assessment of the health and safety impacts of the categories of products or services	Commercial management	60-67.
GRI 417: Marketing and labelling			
417-1	Requirements for information and labelling of products and services	Commercial management	64
GRI 418: Customer privacy			
418-1	Complaints based on violations of the customer's privacy and loss of the customer's data	Commercial management	67

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF		Standard used
Business Model	Description of the group's business model	GRI 102-2 Activities, brands, products and services
		GRI 102-4 Localisation of the activities
		GRI 102-6 Markets served
		GRI 102-15 Key impacts, risks and opportunities
		GRI 102-7 Size of the organisation
Information on environmental issues	Policies	GRI103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-11 Precautionary principle or approach
		GRI 102-30 Efficacy of the risk management processes
		GRI 201-2 Financial implications and other risks and opportunities derived from climate change
	General	GRI 102-15 Main impacts, risks and opportunities
		GRI 102-29 Identification and management of financial, environmental and social impacts
		GRI 102-31 Assessment of financial, environmental and social issues
		GRI 102-11 Precautionary principle or approach
		GRI 102-30 Efficacy of the risk management processes
		GRI 307-1 Non-compliance with environmental legislation and regulations (Autonomous Community)
	Contamination	GRI 103-2 Management Approach (with a view to GRI 302 and 305)
		GRI 302-4 Reduction of energy consumption
		GRI 305-5 Reduction of GHG emissions
		GRI 305-7 NOx, SOx and other significant atmospheric emissions
	Circular Economy and prevention and waste management	GRI 103-2 Management Approach (Effluents and waste)
		GRI 303-3 Recycled and reused water
		GRI 306-1 Wastewater according to its quality and destination
		GRI 306-2 Waste by type and method of disposal
		GRI 306-3 Significant spills/leaks
	Sustainable use of resources	GRI 303-1 Water extraction by source
		GRI 303-2 Water sources significantly affected by water extraction
		GRI 303-3 Recycled and reused water
		GRI 102-2 Management approach (Energy)
		GRI 302-1 Energy consumption within the organisation (energy from renewable and non-renewable sources)
		GRI 302-3 Energy intensity
		GRI 302-4 Reduction of energy consumption

CONTENTS OF LAW 11/2018 INF		
Contents of Law 11/2018 INF		Standard used
Information on environmental issues	Climate Change	GRI 305-1 Direct emissions of GHG (scope 1)
		GRI 305-2 Indirect emissions of GHG from generating energy (scope 2)
		GRI 305-4 Intensity of GHG emissions
		GRI 102-15 Main impacts, risks and opportunities
		GRI103-2 The management approach and its components
		GRI 201-2 Financial implications and other risks and opportunities derived from climate change
		GRI 305-5 Reduction of GHG emissions
		GRI 103-2 Management Approach (Reduction of GHG emissions)
	Protection of biodiversity	Non material
Information on social and staff-related issues	Policies	GRI103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
		GRI 102-35 Remuneration policies
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
	Employment	GRI 102-7 Size of the organisation
		GRI 102-8 Information about employees and other workers
		GRI 405-1. b) The percentage of employees by employment category for each of the following diversity categories: gender and age group
		GRI 102-8 Information about employees and other workers
		GRI 401-1.b) Total number and turnover rate of personnel during the reporting period, by age group, gender and region (in relation to dismissals)
		GRI 405-2: Ratio of base salary and remuneration of women to men for each job category
		GRI 405-2 Ratio of standard initial category salary by gender compared to the local minimum wage
		GRI 102-35 Remuneration policies
		GRI 102-36 Process for determining remuneration (for the management approach)
		GRI 201-3 Obligations derived from social benefit plans and other retirement plans
		GRI 103-2 Management Approach (work disconnection)
		GRI 405-1. b) Percentage of employees by employment category for each of the following diversity categories (iii. Vulnerable groups).

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF		Standard used
Information on social and staff-related issues	Work organisation	GRI 102-8. c) The total number of employees by type of employment contract (full-time or part-time) and by gender.
		GRI 103-2 Management Approach (Organisation of work)
		GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths (section a)
		GRI 401-3 Parental leaves
		GRI 103-2 Management approach
	Health and safety	GRI 103-2 Management Approach (Health and Safety)
		GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths
	Social Relations	GRI 102-43 Approach for the participation of stakeholders (regarding unions and collective bargaining)
		GRI 402-1 Minimum warning periods for operational changes
		GRI 102-41 Collective bargaining agreements
		GRI 403-1 Representation of workers in joint health and safety committees
	Training	GRI 103-2 Management Approach (Training and Teaching)
		GRI 404-1 Average training hours per employee per year
	Accessibility	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
	Equality	GRI 103-2 Management Approach (Diversity and equal opportunities)
		GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
		GRI 103-2 Management approach (Employment)
		GRI 406-1 Cases of discrimination and corrective actions undertaken
Information on social and staff-related issues	Policies	GRI 103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
		GRI 412-2 Training of employees in human rights policies or procedures
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
Information on social and staff-related issues	Human Rights	GRI 103-2 Management Approach (Assessment of Human Rights)
		GRI 414-2 Negative social impacts on the supply chain and measures taken
		GRI 412-1 Operations subject to impact assessments or reviews on human rights
		GRI 102-17 Mechanisms of advice and ethical concerns
		GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution
		GRI 419-1 Non-compliance with laws and regulations in the social and economic fields
		GRI 103-2 Management Approach (Non-discrimination, Freedom of association and collective bargaining, Child Labour, Forced or compulsory labour and Human Rights)

CONTENTS OF LAW 11/2018 INF		
Contents of Law 11/2018 INF		Standard used
Information related to the fight against corruption and bribery	Policies	GRI103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
		GRI 205-2 Communication and training about anti-corruption policies and procedures
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
		GRI 205-1 Transactions assessed in relation to corruption-related risks
	Corruption and bribery	GRI 103-2 Management Approach (with a view to GRI 205 Anti-corruption) - Presenting indicator 205-2 also covers this requirement of law
		GRI 103-2 Management Approach (Anti-corruption)
		GRI 201-1 Direct economic value generated and distributed (Investments in the Community)
		GRI 203-2 Significant indirect financial impacts
Company information	Policies	GRI103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
		GRI 203-2 Significant indirect financial impacts
		GRI 204-1 Proportion of expense with local suppliers.
		GRI 413-1 Operations with local community participation, impact assessments and development programmes
		GRI 413-2 Operations with significant negative impacts -real or potential- in local communities
		GRI 102-43 Approach for the participation of stakeholders (regarding the community)
		GRI 102-13 Affiliation to associations
		GRI 201-1 Direct economic value generated and distributed (Investments in the Community)

CONTENTS OF LAW 11/2018 INF		
Contents of Law 11/2018 INF		Standard used
Company information	Outsourcing and suppliers	GRI 103-3 Management Approach (Environmental and social assessment of suppliers)
		GRI 102-9 Supply chain
		GRI 308-1 New suppliers that have passed assessment and screening filters
		according to environmental criteria
		GRI 407-1 Operations and suppliers whose right to freedom of association and collective bargaining could be at risk
		GRI 409-1 Operations and suppliers with significant risk of cases of forced or compulsory labour
		GRI 414-1 New suppliers that have passed screening filters according to social criteria
		GRI 414-2 Negative social impacts on the supply chain and measures taken
		GRI308-1 New suppliers that have been assessed according to environmental criteria
	Consumers	GRI 103-2 Management Approach (Health and Safety of Customers)
		GRI 416-1 Assessment of the health and safety impacts of the categories of products or services
		GRI 416-2 Cases of non-compliance related to the health and safety impacts of the categories of products and services
		GRI 417-1 Requirements for information and labelling of products and services
		GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution
		GRI 418-1 Substantial complaints related to gaps in customer privacy and loss of customer data.
	Tax information	GRI 201-1 insofar as it affects payments to public administrations
		GRI 201-4 Financial aid received from the government

2018 ANNUAL CORPORATE GOVERNANCE REPORT

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

Issuer identification:

End of year reference date: 31/12/2018

Company Tax ID No. (C.I.F.) A31065501

Registered Name: Viscofan S.A.

Registered Address:
Polígono Industrial Berroa 15-4ª planta
31192 Tajonar. Navarra-Spain

2018 ANNUAL CORPORATE GOVERNANCE REPORT. CONTENTS

A. OWNERSHIP STRUCTURE OF THE COMPANY

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

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

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 274147 and dated 25 January 2019, the Company's Board of Directors has agreed to execute a capital reduction for a nominal amount of 72.577.40 euros, through the amortisation of the 103.682 own shares in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

The share capital remaining after the reduction is set at 32,550,000 euros represented by 46,500,000 shares with a par value of 0.70 euros per share.

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

Yes ☐ No X

Type	Number of shares	Par value per unit	Unitary number of voting rights	Rights and obligations conferred

Remarks:

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

Name or company name of the Shareholder	% Voting rights attributed to the shares		% of voting rights from *financial instruments*		% total voting rights
	Direct	Indirect	Direct	Indirect	
CORPORACION FINANCIERA ALBA, S.A.	13.004%	0.000%	0.000%	0.000%	13.004%
APG ASSET MANAGEMENT N.V.	10.067%	0.000%	0.000%	0.000%	10.067%
NORGES BANK	5.201%	0.000%	0.000%	0.000%	5.201%
MARATHON ASSET MANAGEMENT, LLP	0.000%	4.928%	0.000%	0.000%	4.928%

Remarks:

Details of the indirect investment:

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	% Voting rights attributed to the shares	% of voting rights from financial instruments	% total voting rights
MARATHON ASSET MANAGEMENT, LLP	OTHER COMPANY SHAREHOLDERS	4.928%	0.000%	4.928%

Remarks:

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

Name or company name of the shareholder	Date of the transaction	Description of the transaction
APG ASSET MANAGEMENT N.V.	10.12.18	10% of the share capital has been exceeded due to the acquisition of shares.
NORGES BANK	02.11.18	5% of the share capital has been exceeded due to the acquisition of shares.
NORGES BANK	22.03.18	3% of the share capital has been exceeded due to the acquisition of shares.
NORGES BANK	16.03.18	3% of the share capital has been reduced due to the sale of shares.

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

Name of director (person or company)	% Voting rights attributed to the shares		% of voting rights from *financial instruments*		% total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSE DOMINGO DE AMPUERO Y OSMA	0.131%	0.000%	0.000%	0.000%	0.131%	0.000%	0.000%
JOSÉ ANTONIO CANALES GARCÍA	0.037%	0.015%	0.000%	0.000%	0.052%	0.000%	0.000%
IGNACIO MARCO-GARDOQUI IBAÑEZ	0.065%	0.011%	0.000%	0.000%	0.076%	0.000%	0.000%
JOSÉ MARÍA ALDECOA SAGASTASOLOA	0.002%	0.000%	0.000%	0.000%	0.002%	0.000%	0.000%
NESTOR BASTERRA LARROUDÉ	0.456%	0.000%	0.000%	0.000%	0.456%	0.000%	0.000%
AGATHA ECHEVARRÍA CANALES	0.092%	0.000%	0.000%	0.000%	0.092%	0.000%	0.000%
JAIME REAL DE ASÚA ARTECHE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
SANTIAGO DOMECQ BOHORQUEZ	0.000%	5.270%	0.000%	0.000%	5.270%	0.000%	0.000%
JUAN MARCH DE LA LASTRA	0.000%	0.039%	0.000%	0.000%	0.039%	0.000%	0.000%
LAURA GONZÁLEZ-MOLERO	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

% of voting rights of the Board of Directors:	6.12%

Remarks

Details of the indirect investment:

Name of director	Name or company name of	% voting	% of voting	% total	% of voting rights

(person or company)	the direct shareholder	rights attributed to the shares	rights from financial instruments	voting rights	that can be transferred through financial instruments
JOSÉ ANTONIO CANALES GARCÍA	OTHER COMPANY SHAREHOLDERS	0.015%	0.000%	0.015%	
JUAN MARCH DE LA LASTRA	ATACAMPA S.A.	0.039%	0.000%	0.039%	
IGNACIO MARCO-GARDOQUI IBAÑEZ	PROMOCIONES GARDAL XXI, S.L.	0.011%	0.000%	0.011%	
SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL, S.L.	5.270%	0.000%	5.270%	

Remarks:

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, except those shown in the section

Related name (person or company)	Type of relationship	Short description

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

Related name (person or company)	Type of relationship	Short description

A.6 Describe the relationships, unless they are scarcely relevant to the two parties, between the significant shareholders or those represented on the board, and the directors, or their representatives, in the case of legal entity administrators.

Explain, if applicable, how significant shareholders are represented. Specifically, indicate the directors who have been appointed on behalf of significant shareholders, those whose appointment would have been encouraged by significant shareholders, or those who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such associating relationships. In particular, mention, where appropriate, the existence, identity and position of board members, or representatives of directors of the listed company who are, in turn, members of the administrative body, or their representatives, in companies that hold significant participations of the listed company or in entities of the group of said significant shareholders.

Name or company name of the associated director or representative	Name or company name of the associated significant shareholder	Company name of the significant shareholder's group company	Relationship / position description
JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA S.A.		Corporate. José Domingo de Ampuero y Osma is a Member of the Board of Directors of Corporación Financiera Alba S.A.
JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA S.A.		Corporate. Juan March de Lastra is Vice Chairman of the Board of Directors of Corporación Financiera Alba S.A. and therefore holds the

			position of nominee director.
SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.		Corporate. Santiago Domecq holds 100% of the Share Capital of Angustias y Sol S.L. and therefore holds the position of nominee director.

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes ☐ No X

Parties involved in the shareholders' agreement	Affected share capital	Short description of the agreement	Agreement maturity date, if any

Remarks:

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

Yes ☐ No X

Parties involved in the arranged action	% of the share capital affected	Short description of the agreement	Agreement maturity date, if any

Remarks:

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year:

A.8 Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

Yes ☐ No X

Name (person or company):

Remarks:

A.9 Fill in the following tables about the Company's treasury stock:

At year-end:

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

103,682	0	0.222%

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 274147 and dated 25 January 2019, the Company's Board of Directors has agreed to execute a capital reduction for a nominal amount of 72,577.40 euros, through the amortisation of the 103,682 own shares in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

The share capital remaining after the reduction is set at 32,550,000 euros represented by 46,500,000 shares with a par value of 0.70 euros per share.

Explain the significant changes that occurred during the year:

Explain the significant changes
In 2018, the Company purchased 103,682 shares.

A.10 Describe the conditions and term of the current mandate from the general shareholders' meeting to the Board of Directors to issue, buy back and transfer treasury shares.

Extract of the Minutes of the General Shareholders Meeting held on 25 May 2018 on second call, the following resolution was adopted by majority:

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

The proposed authorisation has a maximum as established by law, from the date of the resolution and is granted to the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions contained in articles 146 and 509 of the Corporate Enterprises Act.

In the event of the Board needing to avail itself of the authorisation granted to it by the General Shareholders' Meeting, the shares in the Company's portfolio would be subject to the regime laid down by article 148 of the aforementioned law.

It is also proposed that the Board of Directors be delegated to carry out the redemption of the shares acquired by virtue of this authorisation, by means of a reduction in the Company's capital, determining their amount and their destination, all in accordance with the provisions established in current legislation.

It is expressly stated that this acquisition of treasury shares is also in accordance with the provisions established in current legislation with the possibility that the purpose of the acquisition, in addition to that indicated in the preceding paragraphs, is that they are to be granted directly to the Company's employees and/or Directors, or as a consequence of the option rights they hold, and therefore this resolution of the General Meeting states that the authorisation is also granted for this purpose, in accordance with the provisions of article 146.1.a), third paragraph of the aforementioned legal text.

A.11 Estimated floating capital:

	%
Estimated floating capital	60.46%

A.12 Indicate whether there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as authorisation or prior notice systems that are applicable to the acquisitions or transfers of the company's financial instruments by sectorial regulations.

Yes ☐ No X

Description of the restrictions

A.13 Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

Yes ☐ No X

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

Describe the approved measures and the terms on which the restrictions will become ineffective.

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

Yes ☐ No X

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

Indicate the different types of shares

B. GENERAL SHAREHOLDERS' MEETING

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

Yes ☐ No X

	Quorum differing from that set forth in Article 193 of the CEA for general circumstances	Quorum differing from that set forth in Article 194 of the CEA for the special circumstances set forth in Article 194
Quorum required on first call		
Quorum required on second call		

Description of the differences

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

Yes ☐ No X

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

	Quorum differing from that set forth in Article 201.2 of the CEA for the special circumstances set forth in Article 194.1	Other cases of reinforced majority
% established by the company for adopting agreements		

Description of the differences

B.3 Indicate the rules applicable to amendments to the company by-laws. In particular, report the majorities established for the modification of the Bylaws, and, if applicable, the rules established to safeguard member rights when modifying the Bylaws.

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

The requirements for passing resolutions set forth in article 20 of the Bylaws and articles 18 and 22 of the Regulations of the General Shareholders' Meeting match those stated above

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

			% voting remotely		
GSM date	% shareholders present	% Attending by proxy	Electronic vote	Other	Total
21/04/2016	13.90%	18.08%	0.00%	48.10%	80.08%
Of floating capital	0.55%	18.08%	0.00%	33.70%	52.33%
27/04/2017	17.20%	21.53%	0.00%	40.39%	79.12%
Of floating capital	0.26%	21.53%	0.00%	24.82%	46.61%
25/05/2018	18.22%	53.83%	0.00%	8.31%	80.36%
Of floating capital	0.54%	44.62%	0.00%	5.10%	50.26%

Remarks

B.5 Indicate whether there have been any items on the agenda at the general meetings held during the year that, for any reason, have not been approved by the shareholders.

Yes ☐ No X

Items on the agenda that were not approved	% against (*)

(*) If the non-approval of the item is due to a cause other than the vote against it, please explain in the text part and enter n/a in the "vote against %" column.

B.6 Indicate if there is a statutory restriction that establishes a minimum number of shares necessary to attend the general shareholders' meeting, or to vote remotely:

Yes X No ☐

Number of shares necessary to attend the General Shareholders' meeting:	100
Number of shares necessary to vote remotely	1

Remarks:

B.7 Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, transfer, contribution of essential assets to another company or other similar corporate operations must be submitted for the approval of the general shareholders' meeting.

Yes ☐ No X

Explanation of the decisions that must be submitted to the board, other than those established by Law

B.8 Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

The information is published on Viscofan's website whose address is: www.viscofan.com

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

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

C. CORPORATE GOVERNANCE STRUCTURE

C.1 BOARD OF ADMINISTRATORS

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of Directors	12
Minimum number of Directors	5
Total number of Directors set by the board	10

Remarks:

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

Name or company name of the director	Represen tative	Type of directorship	Position on the board	Date first elected	Date of last election	Election procedure
JOSE DOMINGO DE AMPUERO Y OSMA		EXECUTIVE	CHAIRMAN	27/02/2009	07/05/2015	GSM Agreement
JOSÉ ANTONIO CANALES GARCÍA		EXECUTIVE	GENERAL MANAGING DIRECTOR	11/04/2014	25/05/2018	GSM Agreement
IGNACIO MARCO-GARDOQUI IBAÑEZ		INDEPENDENT	VICE CHAIRMAN	01/01/2010	21/04/2016	GSM Agreement
JOSÉ MARÍA ALDECOA SAGASTASOLOA		INDEPENDENT	LEAD INDEPENDENT DIRECTOR	23/05/2012	25/05/2018	GSM Agreement
NESTOR BASTERRA LARROUDÉ		OTHER EXTERNAL	DIRECTOR	29/07/1997	25/05/2018	GSM Agreement
AGATHA ECHEVARRÍA CANALES		OTHER EXTERNAL	DIRECTOR	24/06/1998	25/05/2018	GSM Agreement
JAIME REAL DE ASUA Y ARTECHE		INDEPENDENT	DIRECTOR	11/04/2014	25/05/2018	GSM Agreement
JUAN MARCH DE LA LASTRA		NOMINEE	DIRECTOR	07/05/2015	07/05/2015	GSM Agreement
SANTIAGO DOMECQ BOHORQUEZ		NOMINEE	DIRECTOR	21/04/2016	21/04/2016	GSM Agreement
LAURA GONZÁLEZ-MOLERO		INDEPENDENT	DIRECTOR	25/05/2018	25/05/2018	GSM Agreement

Total number of Directors	10

Remarks:

On 25 May 2018, Alejandro Legarda Zaragüeta, an independent director until that date, ended his term

Indicate the severances that have occurred as a result of resignation, dismissal or any other cause on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of last election	Date of leaving	Specialised committee's he/she belonged to	Indicate whether they left before the end of their term
ALEJANDRO LEGARDA ZARAGÜETA	Independent	23/05/2012	25/05/2018	Audit Committee	No

Reasons for leaving and other remarks

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

EXECUTIVE BOARD MEMBERS

Name of director (person or company): JOSÉ DOMINGO AMPUERO OSMA

Position within company organisation: EXECUTIVE CHAIRMAN

PROFILE: JOSÉ DOMINGO AMPUERO OSMA

Industrial Engineer from Bilbao's Higher School of Industrial Engineers and Master of Business Administration from the University of Southern California. Los Angeles. USA.

His extensive professional career has led him to hold various important positions, such as Vice-Chairman of Naviera Vizcaína, Chairman of S.A. de Alimentación, Vice-Chairman of BBVA Bancomer (México), Chairman of Bodegas y Bebidas, Vice-Chairman of Banco Bilbao Vizcaya Argentaria S.A., Vice-Chairman of Iberdrola, Chairman of Cementos Lemona S.A. and member of the Board of Directors of the Asociación para el Progreso de la Dirección.

He is currently Chairman of Autopista Vasco-Aragonesa S.A. and director of Corporación Financiera Alba and Tubacex S.A.

Amongst other business activities, he is member of the Basque Business Circle, (formerly chairman), member of the Board of Caridad de la Santa y Real Casa de Misericordia of Bilbao, (formerly chairman).

He is the Executive Chairman of Viscofan S.A.

Name of director (person or company): JOSÉ ANTONIO CANALES GARCÍA

Position within company organisation: CEO

PROFILE: JOSÉ ANTONIO CANALES GARCIA
Degree in Economics and Business from Deusto Business School, Advanced course of studies in International Transport & Distribution at the London School of Foreign Trade.

He has in-depth knowledge of the casings business, thanks to his experience within the Viscofan Group, which he joined in 1996 as Managing Director of Viscofan do Brasil, where he led the expansion of the Viscofan Group in South America until his appointment in 2006 as Managing Director of Viscofan, S.A. and the Group of companies of which it is the parent company, a position he currently holds, and from which he has significantly contributed to strengthening Viscofan's leadership and its international expansion.

He is a board member of Maxam Corporation Holding, S.L., and board member of the Viscofan Group of the Cetena Foundation (CEMITEC).

He is also a member of the Board of Directors of Asociación Centro Rafaela María de Acción Social, for the integration of people with disabilities in Vizcaya.

In 2014, he joined the Viscofan S.A. Board of Directors as Executive Director

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

Remarks:

NOMINEE DIRECTORS

Name of director (person or company): JUAN MARCH DE LA LASTRA

Name or business name of the significant shareholder represented or proposing nomination:
CORPORACIÓN FINANCIERA ALBA S.A.

PROFILE: JUAN MARCH DE LA LASTRA
Degree in Administration and Business Management from Universidad Carlos III of Madrid. He has completed the Global Markets Training Program of J. P. Morgan and the Owner/President Management Program of Harvard Business School.

He has developed his professional career at J.P. Morgan, London/Madrid.

He has been Managing Director and Chairman of March Gestión de Fondos SGIIC, Madrid.

He is currently Executive Chairman of Banca March S.A, Vice Chairman of Corporación Financiera Alba S.A. and Board Member of the Juan March Foundation.

Likewise, he was member of the Board of Directors and the Executive Committee of ACS, of the Board of Directors of Acerinox, S.A and of the Strategic Committee of Indra Sistemas, S.A.

Nominee Director of Viscofan, S.A, representing Corporación Financiera Alba S.A. and member of its Appointments and Remuneration Committee.

Name of director (person or company): SANTIAGO DOMECQ BOHÓRQUEZ
Name or business name of the significant shareholder represented or proposing nomination: ANGUSTIAS Y SOL S.L.

PROFILE: SANTIAGO DOMECQ BOHORQUEZ
He has studies at the School of Economic and Business Sciences of Universidad Pontificia Comillas-ICADE (Madrid) and at the School of Economic and Business Sciences of the University of Cádiz (UCA). Specialisation course in Managing Agrifood Companies (DEA) at the International Institute San Telmo (Seville).

Throughout his broad professional experience as a businessman he was, among others, Director of Coca-Cola Iberian Partners, S.L. until 2015, and prior to that, from 1997 Director of Refrescos Envasados del Sur, S.A. (RENDELSUR), a company that joined Coca-Cola Iberian Partners S.L. in 2013.

Currently he is Director of Algar Aguas de Cádiz, S.A., Member of the Provincial Board of Cádiz, Member of the Natural Park of Los Alcornocales and Member of the Provincial Environment Council.

He is the Sole Administrator of Angustias y Sol, S.L and of its group of companies in the financial, agricultural and livestock sectors, among others.

Nominee Director at Viscofan representing Angustias and Sol S.L., and member of its Audit Committee.

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

Remarks:

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company): IGNACIO MARCO-GARDOQUI IBAÑEZ

PROFILE: IGNACIO MARCO-GARDOQUI IBAÑEZ

Economics degree from Deusto University.

Marco-Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and great recognition in the press world, where he has a strong reputation for his active contribution as an economic expert and columnist for Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several Board of Directors. Currently he is director of Minerales y Productos Derivados and Teknia Group.

He was a director of Tubacex and Progénika Biopharma until 2018, and he used to be on the Boards of Directors, among others, of Técnicas Reunidas, Banco del Comercio, IBV, Local Credit Bank, Schneider Electric Spain, Iberdrola Ingeniería y Construcción (Iberinco SA) and Chairman of Naturgás.

He is the Vice Chairman of the Board of Directors of Viscofan SA and Chairman of its Audit Committee.

Name of director (person or company): JOSÉ MARÍA ALDECOA SAGASTASOLOA

PROFILE: JOSÉ MARÍA ALDECOA SAGASTASOLOA

Technical Engineer in Electronics from the University of Mondragón and Programa de Alta Dirección de Empresas (PADE) from IESE.

Throughout his long professional career, he has held various posts at Copreci (1971-1982), Managing Director of Fagor Electrónica and member of the Board of Directors of Fagor, S. Coop. (1982-1991).

Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Board member of Asociación Europea de Componentes Electrónicos (EECA)

Since 1992, he has been developing his professional career at MONDRAGON CORPORACION as Vice Chairman (1992-2006), managing the Components Division (1992-1999) and the Automotive Division (1999-2006). He was appointed Chairman in 2007, which is a position he held until July 2012.

He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong and Thailand, the integration of the production plants in the industrial park of Kunshan, China

He has sat on the Board of Directors of various automotive and components companies (Copreci in Czech Republic and Mexico, Fagor Ederlan in Brazil and Slovakia, Paranoa-Cicautxo in Brazil, FPK, Chairman of Vitorio Luzuriaga), and he was director (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.

He was an independent director and member of the Executive Committee of Gamesa Corporación Tecnológica, S.A. from 2012 to 2017.

He is member of the Board of Directors of Viscofan, S.A, of the Audit Committee and of the Appointments and Remuneration Committee. In 2014 he was appointed as Lead Independent Director.

Name of director (person or company): JAIME REAL DE ASÚA Y ARTECHE

PROFILE: JAIME REAL DE ASÚA Y ARTECHE

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

He is currently Non-executive Chairman of the Board of Directors of Elecnor S.A., Chairman of its Executive Committee and member of its Appointments and Remuneration Committee. He is also Chairman of the Committee of Elecnor Infraestructuras and Director of Enerfín Sociedad de Energía, S.L., and of Celeo Concesiones e Inversiones, S.L.U., belonging to the Elecnor Group, Director of Cantiles XXI, S.L, and Tasdey S.A. and member of the BBVA Advisory Board of the Northern Zone.

He has also been Chairman and Director of Adhorna Prefabricación S.A. until its takeover merger by Elecnor in 2015. He was also a director of Internacional de Desarrollo Energético, S.A. between 1987 and 2012. (IDDE).

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

He is member of the Board of Directors of Viscofan, S.A, and Chairman of its Appointments and Remuneration Committee.

Name of director (person or company): LAURA GONZÁLEZ-MOLERO

PROFILE: LAURA GONZALEZ MOLERO

Degree in Pharmacy (industry specialisation) from the Complutense University of Madrid and Executive MBA from the IE Business School 1999.

She has held the responsibilities of CEO in large international corporations in the Health Care and Chemical sectors in Europe.

She has been the Chairman for Latin America at Merck Serono Biopharmaceuticals and Bayer Healthcare, having resided in Brazil and the United States, where she was in charge of more than two thousand five hundred employees, and managed business figures of over one billion dollars, which has made her an international benchmark in these sectors. Her work as an executive has been rewarded on numerous occasions.

He was an independent board member of Viscofan between 2010 and 2016, and a member of its Appointments and Remuneration Committee, where she carried out important work to promote and consolidate the functions of said Committee, as well as providing diversity to the Board's decision-making through her participation in the various debates and deliberations where her opinion has contributed to the development of the Viscofan Group until the end of her mandate as independent director in 2016, when her professional commitments prevented her from proposing her renewal as a director.

She is currently an independent director of Acerinox SA, of Ezentis SA and Bankia SA, a member of the ISS Advisory Board in Spain, a member of Women Corporate Director and of the International Women Forum and a member of the board of the Adecco Foundation, among others.

She is a member of the Board of Directors of Viscofan S.A and its Audit Committee

Total number of Independent Directors	4
% of total directors	40.00%

Remarks:

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

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

Name of director (person or company)	Description of the relationship	Motivated declaration

OTHER EXTERNAL DIRECTORS

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

Name of director (person or company): NÉSTOR BASTERRA LARROUDÉ

Reason: For having remained on the Board of Directors for more than 12 years

Company, officer or shareholder to which he has ties: None

PROFILE: NESTOR BASTERRA LARROUDÉ
Law degree and Economics graduate from the University of Deusto. He also holds an MBA from IESE.

He has developed his professional career in both international and Spanish banking, as head of Capital Markets and Corporate Banking departments at Bank of America and Banco Santander.

He is currently Vice President of Iberpapel Gestión S.A. and Board Member of Amistra SGIIC S.A.

He is a member of the Board of Directors of Viscofan S.A. and the Appointments and Remuneration Committee

Name of director (person or company): ÁGATHA ECHEVARRIA CANALES

Reason: For having remained on the Board of Directors for more than 12 years

Company, officer or shareholder to which she has ties: None

PROFILE: ÁGATHA ECHEVARRIA CANALES
Law degree and Business Administration degree from Universidad Pontificia de Comillas (ICADE).

She has broad professional experience in a number of multi-nationals, including the audit firm Touche and Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A.

She has advised family businesses on their business strategies and is currently a Board Member of Papelera Guipuzcoana de Zicuñaga, SA and Banca March SA, forming part of its audit committee and the Global Risk and Technological Change Committee.

She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

Total number of other External Directors	2
% of total directors	20.00%

Remarks:

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

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

Remarks:

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

	Number of female directors				% of total female directors of each category			
	Year 2018	Year 2017	Year 2016	Year 2015	Year 2018	Year 2017	Year 2016	Year 2015
Female Executives	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Female Nominee Directors	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	0	0	1	25.00%	0.00%	0.00%	20.00%
Other external	1	1	1	1	50.00%	50.00%	50.00%	50.00%
Total	2	1	1	2	20.00%	10.00%	10.00%	20.00%

Remarks:

C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors with regard to issues such as age, gender, disability, or professional training and experience. As a minimum, small and medium-sized companies, in accordance with the definition contained in the Accounts Auditing Law, will have to inform of the policy they have established in relation to gender diversity.

Yes ☐ No ☐ Partial Policies X

If you have ticked yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results during the year. The specific measures adopted by the board of directors and the appointments and remuneration committee should also be indicated to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons why.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained
The Viscofan Group does not have a specific policy on diversity of the Board of Directors; however, this subject is regulated by the policy of Directors Selection and the Regulations of the Board of Directors. The Policy on Selection of Directors establishes the principle of equality. Based on this, all candidates shall have the right to be considered for any vacancy produced in the Board, in accordance with objective criteria avoiding any implicit bias that may imply some discrimination, due to nationality, race, sex, ideology or any other aspect beyond their competencies, knowledge and professional experience. It also establishes that in the process of finding candidates, the Appointments and Remuneration Committee will take into account the diversity and, more specifically, the objective of representation that has been established for the less represented gender on the Board of Directors, including people of that gender from among potential candidates who meet the professional profile sought. At the same time, the Board of Directors Regulations contains in article 8 that the Board shall ensure that the selection procedures for their members favour diversity of gender, experience and knowledge and do not have an implicit bias that may imply any discrimination and, in particular, that facilitates the selection of female directors. In this aspect the regulation includes the need for establishing an objective of representation for the least represented gender in the board of directors and the drafting on how to reach this objective, mission of the Appointments and Remuneration Committee. The Appointments and Remuneration Committee considers that there is a need to analyse the implementation of the Director Selection Policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the director term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this aspect, the Committee works keeping in mind the 2020 objective, which the number of Directors represents at least 30% of the total members of the Board of Directors. The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the relevant factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality, to benefit social interest.

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

Explanation of measures
See previous point

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

Explanation of reasons

C.1.7 Explain the conclusions of the Appointments Committee regarding verification of compliance with the director selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female directors represent at least 30% of the total number of members of the board of directors.

The Appointments and Remuneration Committee considers that the director selection policy has been properly complied with, for a number of reasons: all the proposals made to the General Shareholders' Meeting were supported by a prior analysis of the needs of the Board, taking account of the competencies, knowledge and experience of the board members and candidates, valuing diversity, promoting the search for different alternatives for candidates that suit the profile, and performing the selection process in accordance with the principles set out in the said policy. The Committee considers that there is a need to analyse the implementation of the policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the director term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this regard, the Committee works by taking into account the 2020 objective. In fact, in the appointment proposals for the 2018 General Meeting, Laura González-Molero was proposed and finally appointed as director, increasing the number of female directors to 20%.

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

Name or company name of the shareholder	Arguments in support

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

Yes ☐ No X

Name or company name of the shareholder	Explanation

C.1.9 Indicate, if any, the powers and faculties delegated by the board of directors to board members or board committees:

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

C.1.10 Identify any members of the Board holding positions as directors, representatives of directors or managers in other companies belonging to the listed company's group:

Name or corporate name of the directorship	Registered name of the group company	Position	Does he/she/it have executive functions?

JOSÉ ANTONIO CANALES GARCÍA	VECTOR USA INC	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VECTOR PACKAGING EUROPE NV	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VECTOR EUROPE NV	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	NANOPACK TECHNOLOGY & PACKAGING S.L.	CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	GAMEX CB S.R.O.	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	KOTEKS VISCOFAN D.O.O.	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL LTDA	MEMBER OF THE ADVISORY BOARD	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN URUGUAY S.A.	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN USA INC	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN UK LIMITED	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CANADA INC	SECRETARY	NO
JOSÉ ANTONIO CANALES GARCÍA	ZACAPU POWER S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	SECRETARY	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON FRANCE SARL	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON PRODUKTIONS UND VERTRIEBS GMBH	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	TRANSFORM PACK INC.	SECRETARY	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN GLOBUS AUSTRALIA PTY LTD	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN GLOBUS NEW ZEALAND LTD	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	JUPITER PTY LTD	DIRECTOR	NO
JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR USA INC	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR PACKAGING EUROPE NV	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR EUROPE NV	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN	NO

JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S. DE R.L. DE C.V.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON VERPACKUNGS AG	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON FRANCE SARL	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	TRANSFORM PACK INC.	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN GLOBUS AUSTRALIA PTY LTD	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN GLOBUS NEW ZEALAND LTD	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	JUPITER PTY LTD	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR USA INC	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR UK LIMITED	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR PACKAGING EUROPE NV	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR EUROPE NV	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO

NÉSTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	SUPRALON FRANCE SARL	DIRECTOR	NO
ÁGATHA ECHEVARRÍA CANALES	SUPRALON VERPACKUNGS AG	DIRECTOR	NO

Remarks:

C.1.11 Detail, where applicable, any company directors or representatives of legal entity directors that are members of the board of directors or representatives of legal entity directors of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Company name of the listed company	Position
JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA S.A.	VICE CHAIRMAN
IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS S.A.	DIRECTOR
JOSÉ DOMINGO DE AMPUERO Y OSMA	TUBACEX S.A.	DIRECTOR
JOSÉ DOMINGO DE AMPUERO Y OSMA	CORPORACIÓN FINANCIERA ALBA S.A.	DIRECTOR
JAIME REAL DE ASÚA Y ARTECHE	ELECNOR S.A.	CHAIRMAN
NÉSTOR BASTERRA LARROUDÉ	IBERPAPEL GESTION. S.A.	VICE CHAIRMAN
LAURA GONZÁLEZ-MOLERO	ACERINOX S.A.	DIRECTOR
LAURA GONZÁLEZ-MOLERO	EZENTIS S.A.	DIRECTOR
LAURA GONZÁLEZ-MOLERO	BANKIA S.A	DIRECTOR

Remarks:

C.1.12 Indicate and, if applicable, explain whether the Company has established rules regarding the maximum number of boards of directors of which its directors may be members, identifying, if applicable, where this is regulated:

Yes X No ☐

Explanation of the rules and identification of the document where it is regulated
Pursuant to article 23 of the Board of Directors Regulations, Company directors cannot sit on more than three boards of directors of listed companies, in addition to the Board of Viscofan, S.A.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued during the year in favour of the Board of Directors (thousands of euros)	3,349
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	

Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	

Remarks:

C.1.14 Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position(s)
CÉSAR ARRAIZA	CHIEF FINANCIAL OFFICER& IT OFFICER VISCOFAN GROUP
JOSE ANGEL ARRARÁS	R&D AND QUALITY CHIEF OFFICER VISCOFAN GROUP
ANDRES DÍAZ	CHIEF OPERATION OFFICER VISCOFAN GROUP
GABRIEL LARREA	CHIEF COMMERCIAL OFFICER VISCOFAN GROUP
ÓSCAR PONZ	CHIEF PLASTIC BUSINESS UNIT OFFICER VISCOFAN GROUP
ARMANDO ARES	CHIEF OF INVESTOR RELATIONS AND COMMUNICATION OFFICER VISCOFAN GROUP
ELENA CIORDIA	CHIEF LEGAL OFFICER VISCOFAN GROUP (UNTIL DEC. 2018)
JOSÉ ANTONIO CORTAJARENA	CHIEF LEGAL OFFICER VISCOFAN GROUP (FROM DEC 2018) AND VICE SECRETARY OF THE BOARD OF DIRECTORS
JAVIER GARCÍA	CHIEF OF INTERNAL AUDIT OFFICER
JOSÉ IGNACIO RECALDE	CHIEF OF DIVERSIFICATION AND TECHNOLOGY OFFICER VISCOFAN GROUP
JUAN JOSÉ ROTA	CHIEF OF HUMAN RESOURCES OFFICER VISCOFAN GROUP
RICARDO ROYO	CHIEF EUROPE BUSINESS OFFICER VISCOFAN GROUP
JESÚS CALAVIA	INDUSTRIAL MANAGER VISCOFAN S.A. (SPAIN)
MARÍA DEL CARMEN PEÑA	FINANCIAL MANAGER VISCOFAN S.A. (SPAIN)
BELÉN ALDAZ	HUMAN RESOURCES MANAGER VISCOFAN S.A. (SPAIN)
EDUARDO AGUIÑAGA	MANAGING DIRECTOR OF VISCOFAN DE MEXICO S.R.L. DE C.V.
LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S. COM. E IND. LTDA.
DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC. AND CEO OF VECTOR USA
MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO, VISCOFAN CZ S.R.O.
ANGEL MAESTRO	MANAGING DIRECTOR VISCOFAN URUGUAY S.A.
IÑIGO MARTINEZ IRIARTE	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
JUAN NEGRI	MANAGING DIRECTOR PACIFIC ASIA
BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH (UNTIL DEC 2018)
WILFRIED SCHOBEL	MANAGING DIRECTOR NATURIN VISCOFAN GMBH (FROM DEC 2018)

Total senior management remuneration (thousands of euros)	4,679

Remarks:

Elena Ciordia held office until December 2018. José Antonio Cortajarena was appointed Chief Legal Officer and Vice Secretary of the Board of Directors in December 2018 (Relevant Event notified to the CNMV with registration number 272108 and dated 4 December 2018).

In accordance with the Relevant Event notified to the CNMV with registration number 269318 and dated 5 September 2018, César Arraiza was appointed Chief Strategy, Organization & Systems Officer on January 1, 2019, with responsibility in formulating strategies and supporting the business units in their execution, the organisational design and the management of the Group's information systems and Mrs. Mary Carmen Peña was appointed CFO of the Viscofan Group on 1 January 2019.

Mr Bertram Trauth held office until December 2018 when he retired and Mr Wilfried Schobel was appointed Managing Director of Naturin Viscofan GmgH in Germany.

C.1.15 Indicate whether there has been any change in the Board regulations during the year:

Yes X No ☐

Description of amendments:

The amendments made in 2018 to the Regulations of the Board of Directors are as follows:

Article 4. Function of the Board of Directors:

"The Board shall perform its duties in accordance with the applicable laws and regulations, adhering to the principles of good faith, ethics and respect for commonly accepted customs and good practices, and also strive to reconcile its own interests with the legitimate interests of its stakeholders, and with the impact of its activities on the environment and the broader community", was added.

Article 5: Non-delegable functions.

The following is added as a matter of exclusive knowledge of the Board of Directors in full: "Any directors who are involved, or who represent/are associated with the shareholders involved, must refrain from taking part in the deliberation and voting on the resolution in question.

Article 7: Operation of the Board

The following has been added: "Resolutions may only be adopted through voting by ballot and with no meeting if none of the directors opposes such a procedure."

Article 8: Appointment of board members.

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

Article 8 bis (moved to art. 9). Categories of directors.

CHAPTER IV. The Board's bodies.

The wording is updated with regard to the Vice-Chairpersons and includes the possibility of appointing a Vice-Secretary, who does not have to be a director.

Article 9 (moved to art. 10). Office of Chairman.

The following requirement has been added: "The appointment of an executive director as the Chair shall require a favourable vote by two-thirds of the members of the Board of Directors."

The following powers, *in italics*, have also been added to the Chairman of the Board of Directors:
"a) Convening and chairing the meetings of the Board of Directors, setting the agenda for the meetings and leading the discussions and deliberations.
b) Preparing a schedule of dates and matters to be discussed and submitting them to the Board.
c) Chairing the General Shareholders' Meeting.
d) Ensuring that the directors receive enough information in advance to deliberate on the items on the agenda.
e) Encouraging debate and the active participation of the directors during the meetings, safeguarding their freedom of opinion *and ensuring that enough time is devoted to discussing strategic matters.*
f) Informing the directors of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its group.
g) Organising and coordinating the regular assessment of the Board and, where appropriate, the Company's top executive.
h) Approving and reviewing the refresher training programmes for each director.
i) Any other powers that they are granted by the law and the bylaws."

Article 9. bis (moved to art. 11). The Lead independent Director.

The following powers have been added:

"d) Chair the Board of Directors in the absence of the Chair and Vice-Chairs, if any;
e) Maintain contact with investors and shareholders to find out their perspectives, for the purpose of forming an opinion regarding their concerns, in particular with regards to the corporate governance of the Company;
f) Coordinate the Chair's succession plan."

Article 10 (moved to art. 12). The Vice Chairman.

The text has been amended to adapt it to the new wording, as there are now several vice chairmen (not just three as previously established).

Article 11 (moved to art. 13). Office of Secretary.

The office of secretary has been removed from the Executive Committee

CHAPTER V - The Committees

The executive committee regulated in article 12 of the former Regulation of the Board of Directors has been decommissioned.

Article 14 - Board Committees has been added to the new Regulation of the Board of Directors, which establishes the following:

"The Board may set up specialised committees within it, determining their composition, appointing their members and establishing the powers and functions assumed by each of them, based on the provisions of the company bylaws.

Within the Board of Directors and by delegation thereof, there shall be at least one Audit Committee, and one or two separate Appointments and Remuneration Committees."

Article 13 (moved to art. 15). Audit Committee.

This article of the new regulation establishes that it shall be composed of a minimum of three and a maximum of six members (previously five). Moreover, the majority of the directors on this committee must be independent (previously two).

The following has been added in regards to its operation:

"The Audit Committee will meet every time the Chairman calls a meeting, through decision of the Board of Directors or following the request of the majority of its members.

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

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

Certain functions have also been outlined and added. *The changes to each point have been italicised:*

Point A Reporting to the General Shareholders' Meeting regarding matters that fall within its remit *and, in particular, regarding the result of the audit, explaining how this has helped to ensure the integrity of the financial information and the function that the Committee has performed in that process.*
Point C) (a) Monitoring *the efficiency of the Company's internal control, internal auditing and its risk management.*
Point C) (b) Overseeing the process of preparing and *presenting* the *compulsory* financial information relating to the Company and its group, ensuring that the financial information internal control system (SCIIF) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria *and presenting recommendations or proposals to the administrative body, designed to safeguard their integrity.*
Point C) (c) above has been split into:

- Point C) (c) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.
- Point C) (d) Reviewing, analysing and discussing the financial statements and other relevant financial

information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

Point C) (d) has been moved to point C) (e), deleting the following content: "Monitoring the suitability of the control policies and procedures in place."

Point C) (e) has been moved to point C), (f) adding the following content: "without undermining their independence. For such purposes, where appropriate, they may submit recommendations or proposals to the administrative body and respective period for their follow-up."

Point C) (f) has been moved to point C) (g). Within it, the following content has been added in italics (ii) "Approving the annual internal audit work plan*, ensuring that their activity focuses primarily on the main risks the Company is exposed to;* and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving an annual activities report and action plan to correct any deficiencies detected;

Point <u>D) In relation to the external auditor.</u>

<u>The following has been added:</u>

D) (a) Referring to the Board of Directors the proposals for selecting, appointing, re-electing and replacing the auditor, being responsible for the selection process, pursuant to the provisions of the current regulations and the terms of their recruitment, regularly gathering information from them about the audit plan and its implementation, and preserving their independence in the exercise of their duties.

D) (e) The following content in italics has been added:

Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, *including that their remuneration does not compromise their quality or independence*, and any others relating to the process of auditing the accounts:

(i) It shall be ensured that the Company publicly discloses to the *CNMV (National Securities Market Commission), as a relevant event,* any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.
iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, *so that it may be examined by the Committee*, and any other matters related to the process of performing the audit*, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.*
(iv) It shall ensure that the external auditor has a yearly meeting with the Board of Directors in a plenary session, to inform it of the work undertaken and developments in the Company's risk and accounting positions.

Point E) The following content in italics has been added:

Reporting to the Board, prior to the latter making any respective decisions *provided for in current regulations, in the bylaws and in these Regulations, particularly* with regards to:

(c) Any structural and corporate modification procedures that are planned by the Company and, specifically, their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.
(d) The related-party transactions.

Point H) The following content in italics has been added:

The duties of the Audit Committee shall be:
I) Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.
J) Reviewing the Company's corporate social responsibility policy, ensuring that it is geared towards value creation.
K) Monitoring the corporate social responsibility strategy and practices and assessing their compliance.
L) Evaluating all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
M) Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international reporting standards.
N) Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
Ñ) Monitoring and evaluating the company's interaction with its various stakeholders.

Article 14 (moved to art. 16). Appointments and Remuneration Committee or Committees.

May comprise up to six members (previously 5).

The content *in italics* has been added to the second and third paragraph:

"The members thereof shall be appointed ensuring that they have the right balance of knowledge, skills and experience for the functions they are called on to discharge and they shall automatically step down when they cease to serve as Company directors or at the discretion of the Board of Directors.

The Committee's Chairman shall be selected from the independent directors who sit on the Committee *or, as the case may be, each of the Committees."*

The following content in italics has been added to the end of the part regarding the Appointments Committee:

"The Appointments Committee shall consult with the Chairman of the Board of Directors and the top executive of the Company, especially on matters relating to executive directors.

Any director may request that the Appointments Committee consider any potential candidates who they believe to be suitable to cover vacancies on the Board.

The purpose of the Remuneration Committee shall be as follows:

a) Proposing a policy to the Board of Directors for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive directors, and overseeing adherence to this policy.
b) Propose to the Board the standard conditions for senior officer contracts.
c) Monitoring compliance with the remuneration policy set by the Company.
d) Periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the Company.
e) Ensuring that conflicts of interest do not undermine the independence of any external advice received by the Committee.
f) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

The Remuneration Committee shall consult with the Company's Chairman and top executive, especially on matters relating to executive directors and senior managers."

Article 15 (moved to art. 17). Board and Committee Meetings

The following content *in italics* has been added to paragraph two, followed by a new paragraph:

"In any event, the Board of Directors must meet at least once a quarter, *following the schedule of dates and matters established at the beginning of the year, notwithstanding any others that may arise during the year.*

Each member may individually propose other items for the agenda that were not originally included therein."

Article 16 (moved to art. 18). Assessment of the Board and Committees

The following content *in italics* has been added:

Each year the Board of Directors shall assess:
a) the quality and efficiency of the Board's operation, *based on a report drawn up by the Appointments Committee.*
b) the diversity of board membership and competences;
c) the performance of their duties by the Chairman of the Board and the company's top executive, based on the report drawn up by the Appointments Committee. If the Chair is an executive director, the Lead Director shall conduct the regular assessment of the Chair of the Board of Directors.
d) The performance and contribution of individual directors, with particular attention to the Chairmen of the committees.
e) the functioning *and composition* of the Board's committees, based on a report drawn up by each Committee.

Article 17 (moved to art. 19). Right to information.

The following content has been added:

"The notice of meetings shall indicate the items on the agenda upon which the directors must arrive at a decision or resolution or, in urgent cases, the prior consent of the majority of those present shall be required."

Article 18 (moved to art. 20). Right to external advice.

No amendments

Article 19 (moved to art. 21). Guidance for directors.

No amendments

Article 20 (moved to art. 22). Duties of the directors.

No amendments

Article 21 (moved to art. 23). The name has been changed from Due administration diligence to Due diligence

The following crossed out content has been deleted

"The Company's directors shall act with the due diligence of a prudent businessperson and loyal representative in the fulfilment of their obligations pursuant to the provisions of the law, the bylaws and director regulations ~~and so must attend and participate in the Board and Committee meetings they attend,"~~

Moreover, the following content in italics has been added:

"The Company's directors shall act with the due diligence of a prudent businessperson and loyal representative in the fulfilment of their obligations pursuant to the provisions of the law, the bylaws and the applicable regulations, *bearing in mind the nature of the position and the duties assigned to them.*

Directors shall devote sufficient time and adopt the necessary measures for the proper management and control of the Company, for which purpose they must attend and participate in the meetings of the Board and the committees to which they belong."

There are no substantial amendments in the following articles. However, due to the amendments mentioned above, the numbering of the articles has changed, moving each one down by two. For example: Article 22 is now article 24, and so on.

C.1.16 Indicate procedures for selection, appointment, re-election and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

The selection, appointment, re-election, assessment and removal processes of the Directors are regulated in the Bylaws, the Board Regulation and the Director´s Selection Policy. In their respective competencies, the General Shareholder´s Meeting, the Board of Directors and the Appointments and Remunerations Committee intervene in the different procedures.

The Board of Directors Selection Policy establishes that the Appointments and Remunerations Committee will be responsible for analysing the composition and structural needs of the Company's Board of Directors at all times, and for regulating the procedure to follow whenever there is a vacancy within the Board of Directors to ensure a search for candidates that is based on the principles of equality, transparency and legality, in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board, avoiding any implicit bias that may involve some type of discrimination and taking account of diversity, particularly the measures to be applied in order to meet the representation target for the least-represented gender on the Board of Directors and to facilitate the inclusion of female directors on the board.

Pursuant to Article 25 of the Articles of Association: Their appointment of directors will correspond to the General Shareholders meeting in accordance with article 242 of the Capital Companies Act.

Article 26 of the Bylaws states that:

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

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

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

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

Article 8 of the Regulations of the Board of Directors states that: The shareholders at the General Shareholders' Meeting or the Board of Directors itself shall appoint the directors in accordance with the provisions of the law.

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

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

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

Directors shall hold office for the term stipulated in the bylaws and may be re-elected once or several times.

Independent directors may not be re-elected or appointed for a new term with the same position when they have served as Company directors for twelve (12) consecutive years from the date of their first appointment.

Under no circumstance shall the provisions of the preceding paragraphs limit the power of the Company's general shareholders' meeting or, as the case may be, of the Board of Directors, to re-elect or appoint a specific candidate for director, and this shall only affect him/her being referred to as an independent director.

Likewise, article 16 of the Board of Directors Regulations regulates the Appointments and Remuneration Committee and its functions:

The mission of the Appointments and Remuneration Committee includes:

a) Assessing the necessary competences, knowledge and experience on the Board and, consequently, defining the functions and aptitudes required from the candidates that must cover each vacancy, and assessing the time and dedication needed so that they can effectively perform their duties.

b) Setting a representation objective for the gender less represented on the board of directors and preparing guidelines on how to achieve this objective.

c) Submitting proposals to the Board of Directors for independent directors to be appointed by co-optation or to be submitted to the decision of the general shareholders' meeting, as well as proposals for the re-election or removal of said directors.

d) Reporting the proposals for the remaining directors to be appointed by co-optation or to be submitted to the decision of the general shareholders' meeting, as well as proposals for their re-election or removal by the general shareholders' meeting.

e) Providing information about proposals for appointing and dismissing senior management and principal conditions of their contracts.

f) Reviewing and organising the succession procedure for the Chairman of the Board of Directors and the top executive and, as the case may be, submitting proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.

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

Article 30. Removal of directors.
Directors shall serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they shall tender their resignations in the following cases:
a) When they become subject to any of the disqualifications or prohibitions set down in law.
b) When their remaining on the Board could jeopardise the Company’s interests or when the reasons for which they were appointed 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.

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

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

The departure shall be reported to the CNMV (National Securities Market Commission) as a relevant event, and the reason for the departure shall be reported in the annual corporate governance report.

Article 31. Directors' Duties after Separation
After leaving upon completion of the period for which they were elected or for any other reason, the directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

C.1.17 Explain to what degree the self- assessment has led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments:
As a result of the assessments made during recent years, the Board of Directors has included the following measures: Drafting of an annual meeting calendar of the Board and the different committees to improve planning of the directors and to be able to facilitate their commitment and attendance to the meetings, in addition to the annual plan it includes visits to one of the Group centres, to be able to deepen in specific aspects of their activity and particular environment and, where applicable, promote continuous training in the knowledge of the activity of the Group of companies of which the Company is the mother company. Likewise, following the assessment process of the 2018 financial year, in terms of observations and improvement plans, it has been noted, as regards the Board of Directors: 1. That the Board continue with the effort of dedicating the necessary time to analysing the long-term strategy so that the session devoted to the strategic plan is monographic. 2. To consider increasing the number of women on the Board, and the international profile of the directors when incorporating new members. 3. Efforts should be made to continue making progress in anticipating, when possible, the distribution of documentation to be discussed at meetings.

Describe the assessment process and the areas assessed by the board of directors, assisted, where applicable, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been subject to assessment.

Description of the assessment process and assessed areas
In compliance with article 18 of Board Regulations, headed by the Appointments and Remuneration Committee or by the Lead independent Director, in the case of the Chairman, and coordinated by the Secretary of the Board, the Board makes an annual assessment of the Board itself and all its Committees, analysing, amongst other factors, a number of formal and relevant aspects of the activity of each one, in addition to the content of the meetings, access to business knowledge, information on factors that are required in order to carry out their duties, the presence of directors at the meetings of the Board and the various Committees, the quality of the debates and decision making, the performance of the directors and Chairmen of each of the committees and the Board itself, the qualification of the directors and the Board Secretary, the quality in the achievement of objectives. Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one. Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee. Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the Lead independent director.

After having carried out the 2016, 2017 and 2018 self-assessment process with the advice of an external consultant, the Company carried out the internal assessment of the Board, with the 2019 assessment process to be carried out with the advice of an external consultant, in accordance with the provisions of the Good Governance Code of listed companies (Recommendation 36).

C.1.18 For the years in which the assessment has been assisted by an external consultant, explain the business relationships that the consultant or any company of its group maintains with the company or any company of its group.

Not applicable.

C.1.19 Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 26 of the Regulations of the Board, with regard to the duty to avoid conflicts of interest, the directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director should continue in office.

Furthermore, according to article 30 of the Board of Director Regulations, Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

a) When they become subject to any of the disqualifications or prohibitions set down in law.
b) When their remaining on the Board could jeopardise the Company's interests or when the reasons for which they were appointed 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.

C.1.20 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

Yes ☐ No X

If applicable, describe the differences.

Description of the differences

C.1.12 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

Yes ☐ No X

Description of the requirements

C.1.22 Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

Yes ☐ No X

	Age limit
Chairman	
CEO	
Director	

Remarks

C.1.23 Indicate whether the bylaws or the Board Regulations establish a limited term of office or other stricter requirements in addition to those legally provided for independent directors, other than that established by law:

Yes ☐ No X

Additional requirements and/or maximum number of years holding position	

C.1.24 Indicate whether the bylaws or the Board of Directors Regulations establish specific rules for proxy voting in the Board of Directors in favour of other directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards.

Article 17, paragraph four of the Board of Directors Regulation states that: Directors should attend any meetings that are held in person. However, the directors may grant a proxy to another director. Non-executive directors may only grant a proxy to another non-executive director.

C.1.25 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

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

Remarks:

Indicate the number of meetings held by the coordinating director with the other directors that have not been attended or without representation by any executive directors:

Number Meetings	0

Remarks:

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

Number of Executive Committee Meetings	5
Number of Audit Committee Meetings	11
Number of Appointments and Compensation Committee Meetings	9
Number of Appointments Committee Meetings	-
Number of Remuneration Committee Meetings	-
Number of _________ Committee Meetings	-

Remarks:

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and provide information about member attendance:

Number of meetings attended by at least 80% of the directors in person	12
% of meetings attended in person of the total votes during the year	95.83%
Number of meetings attended by all the directors in person, or by proxy with specific instructions	12
% of votes issued, attended by all the directors in person and proxies with specific instructions, out of all votes during the year	100.00%

Remarks:

C.1.27 Indicate whether the individual and consolidated financial statements presented for Board preparation are certified beforehand:

Yes X No ☐

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

Name	Position
JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGING DIRECTOR
CÉSAR ARRAIZA	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MARÍA DEL CARMEN PEÑA	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

Remarks:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, other functions, as provided in article 15 of the Board Regulations:

"D) In relation to the external auditor:
b) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report."

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

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

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

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

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

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

C.1.29 Is the company Secretary a director?

Yes ☐ No X

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
JUAN MARIA ZUZA LANZ	

Remarks:

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Article 15 of the Board of Directors Regulations, confers upon the Audit Committee the following duties relating to the external auditor:

D) In relation to the external auditor:
(e) Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, including that their remuneration does not compromise their quality or independence, and any others relating to the process of auditing the accounts:

(i) It shall be ensured that the Company publicly discloses to the CNMV (National Securities Market Commission), as a relevant event, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.
ii) It shall likewise ensure that the Company and the auditor adhere to current regulations safeguarding the independence of auditors, and those governing the provision of non-auditing services and the limits on the concentration of the auditor's business.
iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, so that it may be examined by the Committee, and any other matters related to the process of performing the audit, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.
(iv) It shall ensure that the external auditor has a yearly meeting with the Board of Directors in a plenary session, to inform it of the work undertaken and developments in the Company's risk and accounting positions.
v) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.
(vi) Each year, it shall issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

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

g) Determining the policy on information to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 37 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information. This article regulates the following:

Article 37 - 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 Bylaws, as well as any information deemed by the Board to be in the interest of the public. The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant committee. The Board shall also immediately provide information to the public on: a) Relevant facts that could materially influence the formation of stock market prices. b) Substantial amendments to the Company governance rules. c) Treasury share policies that the Company may propose to carry out, exercising the authorisations 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 website up-to-date and to coordinate its content with the documents filed with and recorded at public registries. The communication policy with shareholders, institutional investors and their representatives or assessors establishes that communication and dialogue with the shareholders and institutional investors and their representatives and assessors, and with the financial market in general, is based on the principles of equality, transparency and legality, to facilitate the information needed to ensure the exercising of their rights and immediate, truthful and non-discriminatory decision-making, ensuring accessibility to this information for all shareholders.

C.1.31 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes ☐ No X

Outgoing auditor	Incoming auditor

Remarks:

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

Yes ☐ No X

Explanation of the disagreements

C.1.32 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

Yes ☐ No X

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)			
Amount of non-audit work / Amount of audit work (in %)			

Remarks:

C.1.33 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given to the shareholders in the General Shareholders' Meeting by the chairman of the audit committee to explain the content and scope of such reservations or qualifications.

Yes ☐ No X

Explanation of the reasons

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements for the company. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2

	Individual	Consolidated
Number of years audited by current audit firm / number of years the company or its group have been audited (%)	7.14%	8.00%

Remarks:

C.1.35 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

Yes X No ☐

Description of procedure
This aspect is regulated by Article 19 of the Board of Directors Regulations. Right to Information The Board members will receive the information required to carry out their work in due time and detail with respect to the matters in question, unless there are urgent reasons for calling a meeting or under exceptional circumstances. The notice of meetings shall indicate the items on the agenda upon which the directors must arrive at a decision or resolution or, in urgent cases, the prior consent of the majority of those present shall be required. The directors may gather additional information when considered advisable. The request shall be channelled through the Secretary of the Board."

C.1.36 Indicate and, if applicable detail, if the company has established rules that oblige the directors to report and, if applicable, resign in those events that can harm the credit and reputation of the company:

Yes X No ☐

If so, describe such rules:
It has been reported in point C.1.19 above

C.1.37 Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

Yes ☐ No X

Name of the director	Criminal Case	Remarks

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

Yes ☐ No ☐

Decision/action taken	Substantiated explanation

C.1.38 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.39 Individually identify in the case of directors and in aggregate terms for the other cases, and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	2
Beneficiary type	Description of the agreement
JOSÉ ANTONIO CANALES GARCÍA. MANAGING DIRECTOR	Indemnity of two years' fixed salary for cases provided for in the remuneration policy, with two years of non-competition.
JOSÉ DOMINGO DE AMPUERO Y OSMA. CHAIRMAN	Indemnity of two years' fixed salary for cases provided for in the remuneration policy, with two years of non-competition.

Indicate whether, apart from the events provided for by the regulations, these contracts must be disclosed to and/or approved by the company or group governance bodies: If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body that authorises the provisions	Yes	No

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

Remarks:

C.2 BOARD OF DIRECTORS COMMITTEES

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

Remarks:

The Board has created two committees in support of its functions: The Audit Committee and the Appointments and

Remuneration Committee On 25 May 2018, the Delegated Committee in effect until that date was decommissioned as a result of there being two executive directors, the adaptation of the size of the Board to the recommendations of good Governance, together with a greater specialisation and assignment of functions to the Board Committees and the development of Board meetings and committees that have improved their Visibility of the Company, empowered to request the presence of senior management and other Group employees to inform at its meetings. Therefore, by replacing its activity with that of the Board as a whole and of the Committees in the functions assigned to them, increased fieldwork and preparation of the topics to be discussed by the Group's senior management is also required. Until its decommissioning in 2018, the Delegated Committee comprised three directors, the Chairman and the two Vice chairmen. The Delegated Committee met 5 times in 2018 and complied with its delegated board duty. In the exercise of its duties it analysed the issues to be addressed by the Board of Directors and supervised the implementation at the Group's various subsidiaries of the strategy approved by the Board and, with the utmost transparency, submitted to the Board the proposals that arose so that the Board adopts the resolutions it considers appropriate. It also furnished all Board members with the minutes of its meetings. The Executive Committee carried out strategic analysis to study potential growth, both organic and acquisition-led, and a variety of investment possibilities. During 2018, the Board purchased 100% of the share capital of Transform Pack Inc. and made the necessary investments to install new technology cellulose and fibrous capacity in Caseda (Spain) thanks to support from studies carried out by the Delegated Committee. The Committee also looked at the various products and families (collagen, cellulose, fibrous and plastic). It has examined the progress of the corporate financial year, month by month, with regard to production and also with regard to the consolidated sales and results for the Group and each investee company. They have participated in the meetings not only the members of the Committee and the Secretary, but also, occasionally, when required by the Committee, on time and participating exclusively in that relating to the issues in which they were asked to report, the Managing Director and other members of Senior Management.

AUDIT COMMITTEE

Name	Position	Category
IGNACIO MARCO-GARDOQUI IBAÑEZ	CHAIRMAN	Independent
JOSÉ MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	Independent
SANTIAGO DOMECQ BOHORQUEZ	DIRECTOR	Nominee
AGATHA ECHEVARRÍA CANALES	DIRECTOR	Other External
LAURA GONZÁLEZ-MOLERO	DIRECTOR	Independent

% Nominee Directors	20.00%
% Independent Directors	60.00%
% Other External Directors	20.00%

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 266146 and dated 25 May 2018, a new composition of the Board derived from the re-election and appointment of Directors was established on said date, with the new composition of the Audit Committee being as stated above.

Explain the committee's duties including, if applicable, those in addition to the duties provided by law, and describe the procedure and organizational and operational rules and summarize the main actions taken during the year. Indicate the most important actions taken during the year for each of the duties, and how these duties (attributed by law, the bylaws or other corporate resolutions) were put into practice.

The Audit Committee is regulated by article 15 of the Board Regulations and article 33, section 1 of the Bylaws.

Below is an explanation about article 15 of the Board Regulations, regulating, in the broadest sense, its composition, the appointment and cessation of its members and their principal duties, calling meetings, and formulating and adopting resolutions.

Article 15 - Audit Committee
"There shall be an Audit Committee within the Board of Directors, which shall be composed of a minimum of three and a maximum of six members.

The Audit Committee shall be composed solely of non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors, and its members shall be appointed by the Board of Directors, subject to the legal requirements and a report from the Appointments and Remuneration Committee, with due consideration given to the knowledge, skills and experience in accounting, auditing and risk management of its directors and, above all, its Chairman, and overall, the members of the Committee shall have relevant technical expertise in relation to the sector to which the audited entity belongs.

The members of the Committee shall automatically cease to sit on the Committee when they cease to sit as directors of the Company or at the discretion of the Board of Directors.

Audit Committee members shall appoint a Chairman, selected from the independent directors that form the Committee, who shall be replaced every four years; the Chairman may be re-elected one year after they cease to serve as Chairman.

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

The Audit Committee shall be quorate with the attendance in person or by proxy 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 casting vote.

The Audit Committee shall have the power 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 provide access to the information they have.

The Audit Committee shall report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and shall provide all directors with the minutes of its meetings.

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

A) Reporting to the General Shareholders' Meeting regarding matters that fall within its remit and, in particular, regarding the result of the audit, explaining how this has helped to ensure the integrity of the financial information and the function that the Committee has performed in that process.

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

C) With respect to internal reporting and control systems

(a) Monitoring the efficiency of the Company's internal control, internal auditing and its risk management.

(b) Overseeing the process of preparing and presenting the compulsory financial information relating to the Company and its group, ensuring that the financial information internal control system (SCIIF) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria and presenting recommendations or proposals to the administrative body, designed to safeguard their integrity.

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

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

(e) Reviewing the internal control and risk management systems, including tax risks, so that the main risks can be correctly identified, managed and properly reported.

(f) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit, without undermining their independence. For such purposes, where appropriate, they may submit recommendations or proposals to the administrative body and respective period for their follow-up.

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

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

(ii) Approving the annual internal audit work plan, ensuring that their activity focuses primarily on the main risks the Company is exposed to; and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving an annual activities report and action plan to correct any deficiencies detected;

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

(iv) Proposing the budget for that service;

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

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

D) In relation to the external auditor:

(a) Referring to the Board of Directors the proposals for selecting, appointing, re-electing and replacing the auditor, being responsible for the selection process, pursuant to the provisions of the current regulations and the terms of their recruitment, regularly gathering information from them about the audit plan and its implementation, and preserving their independence in the exercise of their duties.

(b) Ensuring that the accounts prepared by the Board are put before the General Shareholders' Meeting without reservations or qualifications in the audit report.

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

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

(e) Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, including that their remuneration does not compromise their quality or independence, and any others relating to the process of auditing the accounts:

(i) It shall be ensured that the Company publicly discloses to the CNMV (National Securities Market Commission), as a relevant event, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.

ii) It shall likewise ensure that the Company and the auditor adhere to current regulations safeguarding the independence of auditors, and those governing the provision of non-auditing services and the limits on the concentration of the auditor’s business.

iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor’s independence, so that it may be examined by the Committee, and any other matters related to the process of performing the audit, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.

(iv) It shall ensure that the external auditor has a yearly meeting with the Board of Directors in a plenary session, to inform it of the work undertaken and developments in the Company’s risk and accounting positions.

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

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

(f) Ensure that the group's auditor also assumes responsibility for the audits of all the group companies.

E) Reporting to the Board, prior to the latter making any respective decisions provided for in current regulations, in the Bylaws and in these Regulations, particularly with regards to:

(a) The periodic financial information that the Company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

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

(c) Any structural and corporate modification procedures that are planned by the Company and, specifically, their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.

(d) The related-party transactions.

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

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

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

The duties of the Audit Committee shall be:

I) Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.

J) Reviewing the Company's corporate social responsibility policy, ensuring that it is geared towards value creation.

K) Monitoring the corporate social responsibility strategy and practices and assessing their compliance.

L) Evaluating all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

M) Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

N) Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

Ñ) Monitoring and evaluating the company's interaction with its various stakeholders."

Summary of its most important actions in 2018

The Audit Committee met eleven times in 2018, with the aim of following up on the issues summarised in the following sections. Eight of the meetings were attended by all the members of the Committee, and three of them were not attended by one of the members who delegated the Chairman with voting instructions on the items to be dealt with on the agenda.

The actions were as follows:

1. The person in charge of Internal Audit, the Chief Financial Officer, the Compliance Committee, the Ethics Committee and members of senior management whose presence has been requested by the Audit Committee to present aspects related to their areas in ten of the eleven meetings have also taken part in the meetings, limiting their presence to their respective interventions.
2. The presence of the external auditor, PwC, S.L. was also required in four of the meetings held for the purpose of reporting the schedule of actions, the most relevant aspects detected during the preliminary phase of the pre-closure review carried out as usual on 31 October and the final annual closure of 2018, which allow PwC and the Committee to identify and anticipate the external audit work as well as the issues that, due to their uniqueness or accounting impact, require a special mention or record in the Company's Annual Accounts.
3. As part of the assessment of the Board of Directors and the Committees arising from it, the quality and functioning of the Audit Committee was assessed, with a highly satisfactory result.
4. As in previous years, the Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it has had the necessary support from the group's senior management, especially from the areas in charge of the Consolidation and Financial functions, as well as from the external auditors and the Group's Internal Audit Department.
5. The Committee has reviewed the internal control systems set up by the Group, the results of the Internal Audit activity and the risk management systems, including fiscal systems.
6. The Audit Committee has continued to supervise the monitoring of the crime prevention system within the Group and has promoted the implementation of additional measures to control and supervise the compliance system. It has supervised the control activities carried out by both the Investment Committee and the Credit Risk Committee.

7. The Audit Committee has established the appropriate relations with the external auditor, PwC, S.L. which informed of the development of their activity to reasonably ensure that the accounts prepared by the Board are presented without qualifications in the audit report
8. With regard to the functions performed by the Group's Internal Audit Department, of which it reports functionally to the Audit Committee, the Committee analysed and approved the 2018 work plan drawn up by this Department, regularly monitored its execution and was directly informed of any incidents in its development.
9. In accordance with the Group's tax strategy, the Committee has supervised the monitoring of the principles and good practices included in the strategy, including the recommendations of the Code of Good Tax Practices, prior to their consideration by the Board of Directors.
10. During 2018, the Audit Committee reviewed the Annual Corporate Governance Report as a step prior to its approval by the Board of Directors, taking into account the recommendations of the CNMV; and in relation to Directive 2014/95/EU and its implementing regulations in Spain on non-financial information, the Committee oversaw compliance with the corporate social responsibility policy and coordinated the process of reporting non-financial information and diversity within the management report.

Identify the Directors who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the date on which they were appointed as Chairman.

Names of directors with experience	IGNACIO MARCO-GARDOQUI IBAÑEZ
Date that the chairman was appointed to his position	21-04-2016

Remarks:

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
JAIME REAL DE ASUA Y ARTECHE	CHAIRMAN	Independent
JOSÉ MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	Independent
JUAN MARCH DE LA LASTRA	DIRECTOR	Nominee
NESTOR BASTERRA LARROUDÉ	DIRECTOR	Other External

% Nominee Directors	25.00%
% Independent Directors	50.00%
% Other External Directors	25.00%

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 266146 and dated 25 May 2018, a new composition of the Board has been established as of that date derived from the re-election and appointment of Directors, with the new composition of the Appointments and Remuneration Committee as detailed above.

Explain the committee's duties including, if applicable, those in addition to the duties provided by law, and describe the procedure and organizational and operational rules and summarize the main actions taken during the year. Indicate the most important actions taken during the year for each of the duties, and how these duties (attributed by law, the bylaws or other corporate resolutions) were put into practice.

The Appointments and Remuneration Committee is regulated in article 33, paragraph 2 of the bylaws and in article 16 of the Regulations of the Board, which identically regulate its composition, the method for the electing and removal of its members and their main functions.

Below is the content referring to the Regulations of the Board as they are more comprehensive and complete in terms of the functions, procedures, rules of organisation and operation of the Appointments and Remuneration Committee. Article 16 establishes the following:

The Appointments and Remuneration Committee or Committees will be formed by a minimum of three and a maximum of six members and will be composed exclusively of non-executive directors appointed by the Board of Directors, two of which, at least, must be independent directors.

The members thereof shall be appointed ensuring that they have the right balance of knowledge, skills and experience for the functions they are called on to discharge and they shall automatically step down when they cease to serve as Company directors or at the discretion of the Board of Directors.

The Chairman shall be appointed from among the independent directors who form part of the Committee or, as the case may be, from each Committee.

The Appointments and Remuneration Committee or Committees will inform the Board of the matters dealt with and of the resolutions adopted and will send all the directors the minutes of their meetings.

It shall be the Appointment Committee's mission to:
a) Assess the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to efficiently perform their duties.
b) To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives.
c) To raise all proposals for nomination of Independent Directors to the Board of Directors for their appointment by co-option or by submission to decision of the Annual General Shareholders' Meeting, as well as all proposals for the re-election or removal of said Directors.
d) To report all proposals for appointment of the remaining Directors to the Board of Directors for their appointment by co-option or by submission to decision of the Annual General Shareholders' Meeting, as well as all proposals for their re-election or removal by the Annual General Shareholders' Meeting.
e) To report on proposals for the appointment or removal of senior managers together with the key terms of their contracts.
f) To assess and organise the succession of the Chairman of the Board of Directors and of the Company's top executive and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.

The Appointments Committee shall consult with the Chairman of the Board of Directors and the top executive of the Company, especially on matters relating to executive directors.

Any director may request that the Appointments Committee consider any potential candidates who they believe to be suitable to cover vacancies on the Board.

The purpose of the Remuneration Committee shall be as follows:
a) Proposing a policy to the Board of Directors for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive directors, and overseeing adherence to this policy.
b) Proposing to the Board of Directors the standard conditions for senior management contracts.
c) Monitoring compliance with the remuneration policy set by the Company.
d) Periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the Company.
e) Ensuring that conflicts of interest do not undermine the independence of any external advice received by the Committee.
f) To verify information regarding remuneration of directors and senior managers provided in various corporate documents, including the annual report on remuneration of directors.

The Remuneration Committee shall consult with the Company’s Chairman and top executive, especially on matters relating to executive directors and senior managers.

Summary of its most important actions

The Committee met nine times in 2018, and when it has deemed pertinent, it has required the presence of the executive Directors and members of senior management. It should be noted that after the last general shareholders' meeting held on 25 May 2018, the Lead independent Director joined as a Committee member.

The actions were as follows:

1. The Committee has complied with all the functions that are inherent to it, both by regulation, and those set out in the Company's Bylaws and the Board of Directors Regulations, and it has carried out actions related to the recommendations for compliance with the principles of good corporate governance.

2. During the year, the Committee reviewed the rating of the Directors as well as the confirmation of the non-existence of any situations of conflict of interest. It has also carried out the assessment of the Board of Directors and its Committees, as well as that of the Executive Chairman, led by the coordinating Director under the terms set forth in the internal regulations of the Company.
3. In terms of remuneration, in 2018, the Committee worked on the preparation and proposal of a new remuneration policy for Directors with the assistance of external consultant Willis Towers Watson, which submitted it to the Board of Directors which then submitted it to the General Shareholders' Meeting, being approved by the Board of Directors held on 25 May 2018. In addition, the Committee determined the individual remuneration for each Director for 2018 and prepared the proposal for the 2017 Remuneration Report that the Board of Directors presented to the General Shareholders' Meeting in 2018 for its consultative vote, and which was supported by the majority of the shareholders (>95% of the votes). The Committee also fulfilled its functions in relation to the remuneration for senior management and its application, including its annual variable remuneration proposal.
4. As a final point, the succession plan of the Chairman, CEO and Senior Management was reviewed in 2018.

C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the past four years.

	Number of female directors							
	Year 2018		Year 2017		Year 2016		Year 2015	
	Number	%	Number	%	Number	%	Number	%
Delegate Committee	N/A	N/A	1	33.33%	1	33.33%	1	33.33%
Audit Committee	2	40.00%	0	0%	0	0%	0	0%
Appointments and remuneration committee	0	0%	0	0%	0	0%	0	0%

Remarks:

On 25 May 2018, the Company's General Shareholders' Meeting approved the amendment of the Corporate Bylaws. Among others, article 13 was amended (is now article 12) when the Delegate Committee or Executive Committee was decommissioned.

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Committee name
AUDIT COMMITTEE

Short description
It is regulated in article 33 of the Company Bylaws, registered in the Mercantile Registry and published on the company's website in the form of a consolidated text, including all the provisions in force.

It is also regulated in article 15 of the Board of Directors Regulations that is available on the Company's website and has been communicated to the CNMV and is registered in the Mercantile Registry.

The Committee drafts an annual report of activities whose summary is included in point C.2.1.

A summary of said report is presented annually at the General Shareholders' Meeting.

The Committee also produces a report on auditor independence and a report on related-party transactions, which are made available to shareholders.

Committee name
APPOINTMENTS AND REMUNERATION COMMITTEE

Short description
It is regulated in article 33 of the Company Bylaws, registered in the Mercantile Registry and published on the company's website in the form of a consolidated text, including all the provisions in force.

It is also regulated in article 16 of the Board of Directors Regulations that is available on the Company's website and has been communicated to the CNMV and is registered in the Mercantile Registry.

The current text has been transcribed in point C.2.1 above.

The Committee drafts an annual report of activities whose summary is included in point C.2.1

In turn, the Committee chairman presented a summary of the annual activity report to the General Shareholders' Meeting.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures and competent bodies for approving related-party or intragroup transactions.

The following decisions are to be made by the Board of Directors, as one of the subjects of exclusive knowledge included in art. 5 of its Regulations:

f) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto (“related-party transactions”).

However, the Board’s authorisation shall not be required for related-party transactions that simultaneously meet the following three conditions:

1st. They are governed by standard agreements applied across the board to a large number of clients;
2nd. That they be executed at prices or rates that are laid down generally by a party acting as supplier of the goods or service in question;
3rd. The amount thereof is no more than 1% of the Company’s annual revenue.

The Board shall approve related-party transactions following a favourable report from the Audit Committee. Any directors who are involved, or who represent/are associated with the shareholders involved, must refrain from taking part in the deliberation and voting on the resolution in question.

Likewise, pursuant to article 529 (3) Section 2. Non-delegable powers of the Board of Directors of the Corporate Enterprises Act: "Under urgent circumstances for which due justification is provided, the decisions corresponding to the previous matters may be adopted by the delegated bodies or persons, which must be ratified by the Board of Directors held after the adoption of the decision."

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company’s significant shareholders.

Name or corporate the significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreements: loans	5,000
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreements: repayment of loans	-2,500
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Interest paid	38
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Exchange rate derivatives	24

Remarks:

Loans and exchange rate derivatives have been contracted with Banca March SA financial entity linked with Corporación Financiera Alba S.A. at 31st December 2018

D.3. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

Name or corporate name of director or senior manger	Name or corporate name of related party	Relationship	Nature of the transaction	Amount (thousands of Euros)

Remarks:

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction	Amount (In thousands €)

Remarks:

D.5 List the significant transactions carried out between the company or group of companies and with other related parties that have not been informed in the previous sections.

Corporate name of the related party	Brief description of the transaction	Amount (In thousands €)

Remarks:

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 24 of the Regulations of the Board regarding the duty of loyalty, establishes the obligation for Company directors to comply with the duties imposed by laws and bylaws with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company.

In compliance with the duty of loyalty, company directors will exercise their powers exclusively for the purposes for which they were conferred, perform their duties under the principle of personal responsibility with freedom of discretion or judgement and regardless of instructions from and associations with third parties.

The duty to avoid conflicts of interest is regulated in **Article 26 of the Board of Directors' Regulations**. It declares that:

The directors shall adopt the measures required to avoid any conflict with the interests of the Company and with their duties towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence thereof, with the obligation to immediately resign should said conflict persist or should their presence on the Board be contrary to the company's interests.

Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the resolutions or decisions affecting their capacity as members of the Board, such as their appointment for or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.

Any conflicts of interest involving the directors shall be included in the annual corporate governance report.

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

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies; neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in conflict with the interests of the Company.

The duty to abstain is regulated by **Article 27 of the Board of Directors Regulations.** It states the following:

"Directors must not use the name of the Company or its related companies, or take advantage of their position to conduct transactions for themselves or related parties.

A director's duty to abstain implies not making personal use of the company's assets, including any confidential information received while fulfilling their role as a director and not making any investments or conducting any commercial transactions related to the fulfilment of said role, for their own gain or that of related third parties.

Directors shall abstain from trading - or suggesting that anyone else trades - in the securities of the Company or its related companies, regarding which they have inside information due to the position they hold.

The directors may not take advantage of the business opportunities of the company and its related companies, obtain advantages or remuneration from third parties, except for mere courtesy services in compliance with current internal regulations."

Moreover, both the duty of loyalty and the duty to avoid conflicts of interest extends to related persons, whose definition is established in **Article 28 of the Board of Directors Regulations. Related persons.**

The directors' duty of loyalty to avoid conflicts of interest and to abstain in his/her different facets also covers the activities carried out by persons related to him/her, in accordance with the definition covered in this regulation.

For the purposes of this regulation, the following will be deemed to be related-persons:
1. The spouse or spousal-equivalent of a Director.
2. The ascendants, descendants and siblings of a Director or of their spouse.
3. The spouses of the ascendants, descendants and siblings of a Director.
4. The companies in which the director directly or indirectly has or may have control, holds a management position or has a significant participation, or their own or through a third party.

Where a director is a legal entity, the following will be deemed to be related persons:
1) The shareholders who, in relation to the legal entity administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
2) De jure or de facto administrators, official receivers, and those attorneys-in-fact with general powers of legal entity administrator.
3) Companies forming part of the same group, that constitute a decision-making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because said control corresponds to one or several natural persons acting together as one.
4) Those persons that, in accordance with the paragraph above, are related to the directors of the legal entity administrator.

Article 34 of the Board of Directors Regulations states the following regarding duties in relation to significant shareholders:

"Directors acting on behalf of major shareholders shall ensure that the aforesaid obligations of directors are extended to the shareholders, in addition to any legal obligations and those set out in the Articles of Incorporation. Any transactions performed with these major shareholders shall be approved by the Board in a plenary session and must be included in the Company's annual report and in the annual corporate governance report and comply with the current legislation." Lastly, **Article 36 of the Board of Directors Regulations**, regulating the use of voting by proxy, reads as follows: Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to: a) Their appointment, ratification or removal as a director; b) The decision on whether to pursue derivative suits against the director in question; c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests. Furthermore, the Viscofan Group Code of Conduct includes among its general ethical principles loyalty, in accordance with which directors, managers and employees of the Viscofan Group, as well as any person that develops his/her professional activity within the Viscofan Group, should act with loyalty in the permanent defence of the Group's interests and shall refrain in particular from carrying out any actions and operations, of whatever nature, that could mean a conflict between their personal interests and those of the Group, and even more so when those actions could be in the interest of competing companies. Likewise, among the action recommendations, the Code includes information regarding conflicts of interest: "Viscofan Group employees shall notify the Regulatory Compliance Committee, or, where applicable, the Viscofan S.A. Board of Directors, regarding any economic, family or any other link that could give way to conflicts of interest because it could compromise their impartial action. In the event of a conflict of interests, employees shall be governed by the principles of independence and abstention, and, by virtue of these, shall refrain from performing operations in which conflicts of interest exist, unless under the strict authorisation of the Viscofan S.A. Board of Directors."

D.7 Is more than one group company listed in Spain?

Yes ☐ No X

Identify the other listed companies in Spain and their relationship with the company:

Identity and relationship with other group listed companies

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the other listed company and other group companies.

Yes ☐ No ☐

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the other listed company and other group companies:

Mechanisms to resolve possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Risk Control and Management System in place at the company, including tax risk.

The risk management system of the Viscofan Group is regulated by the Risk Control and Management Policy approved in 2017, whose purpose is to establish basic principles and the general framework of action for the control and management of risks of any nature that the Viscofan Group faces in order to identify, measure, prevent and mitigate their possible impact on its activity in case of occurrence.

The control and risk management policy establishes 3 basic principles:

Integration:
The control and risk management of the Viscofan Group must guarantee the preventive identification of the different risks that may affect its activity, integrating, coordinating and directing all the actions aimed at preventing and mitigating these risks through a system that involves all companies over which it has an effective control, reaching all employees, including senior management, and the Board of Directors of the Company.

The Company's control and risk management is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies, specific policies, and local policies. This risk management system and its policies are framed within the limits set forth in the regulations applicable to the activity of the Viscofan Group.

Continuity:
The risk control and management must be periodically reviewed and updated to adapt to the situation of the Viscofan Group at all times in a way that guarantees continual preventive identification over time and the adaptation of mitigating measures and information systems and control of the different risks that may affect the performance of this activity in a socio-economic, political and changing environment in its different geographical locations, as well as the composition of the Viscofan Group over time.

Transparency:
The control and risk management must guarantee reliable information to all the interest groups: shareholders, market, employees and the entire company, of the inherent risks to the Viscofan Group and the systems developed for their prevention and mitigation that contributes to the compliance of the growing requirements for information in different areas of the company's activity.

The general policy on control and risk management and their basic principles are materialised via an integral continuous control and risk management system, supported by different internal bodies that have different duties and responsibilities, and by a consistent process, at least, in the following actions:

a) Identify the main strategic, operating, information and compliance risks, keeping in mind their capacity to negatively affect the creation of sustainable value and shared for their interest group on behalf of the Viscofan Group, and in accordance with their circumstances and the development of their activity within the Strategic Plan MORE TO BE 2016-2020.

b) Fix a level of risk that is considered acceptable in accordance with the circumstances of the Viscofan Group at all times via the establishment of tolerances and adopt the means of measurement and control that allow for appropriately monitoring its evolvement.

c) Identify, implement and maintain an integrated control system in the internal regulations of the Viscofan Group identifying or, where applicable, approving the codes, policies and procedures aimed at mitigating the identified risks in case they materialise.

d) Assess the suitability and efficiency of the control system and its application, as well as its compliance by all the Viscofan Group employees.

e) Review and, where appropriate, adapt and improve the compliance system, determining specific action plans in the event that the occurrence of any of the main risks adversely affects the creation of long-term sustainable value.

Knowing the location of each risk in the inherent map (that is, without applying the preventive, mitigating and / or corrective measures) and in the residual map (once such measures are applied), as well as its tolerance to risk, requires a continuous dialogue with the stakeholders through the channels established by the company. This system allows the Organisation to assess the effectiveness of the mitigating measures adopted and focus on the risks that remain outside the comfort zone, adding corrective and preventive measures to reduce the impact and / or the likelihood of the risk occurring.

Corporate risk management is not a serial process, where each component only affects the next, rather it is a multidirectional and iterative process in which one component can influence any other.
The Company's Risk Management System is monitored through various instances developed in point E.2. At this same point, the functions regulated specifically by the company are developed and attributed to the different bodies involved in risk management, which includes participation in the system for controlling and forecasting risks to staff from the investee companies (local level) and at corporate level.

The Global Risk Committee met four times in 2018 to update both the methodology of the Risk Management process and the composition of the risk map. In any case, there may be additional risks that are not identified and that could also negatively affect the attainment of the objectives of the Viscofan Group.

The organisation's risk map has been defined in accordance with the code of conduct, internal regulations and the MORE TO BE Strategic Plan covering 2016-2020, and is presented adopting the COSO reference framework, grouping existing risks in four categories:

1. Strategy,
2. Transactions,
3. Information,
4. Compliance.

The risks have been identified following the COSO reference framework, and are reflected in the Viscofan Group's risk map under qualitative and quantitative parameters. To summarise, the main risks are indicated that may affect the sustainability of the Viscofan Group and the achieving of the business objectives defined in the current strategic plan. MORE TO BE 2016-2020.

1. Strategic risks: Those risks that affect the objectives at a high level, aligned with the mission of the Viscofan Group. The company has identified the following specific risks, including the following within this category: Natural disasters, Country risk, Risks of the competitive environment and market of the sector (competitors, customers and substitute products), Reputational risk, Risk of ownership of the company, Obsolescence-innovation risk, Cybersecurity risk.

2. Information risks: Those risks that affect the reliability of information supplied and objectives regarding the availability of sufficient capital and resources to carry out the activity and achieve the financial objectives of the company. The company has identified the following specific risks, including the following within this category:
Computer contingencies, integrity of the preparation of financial information, financing and lack of liquidity, exchange rate, interest rate, budget control, and pension plans.

3. Transaction risks: Those risks that affect the objectives related to efficient use of resources and continued long-term activity, including reputational risks. The company has identified the following specific risks, including the following within this category: Material damage, Business continuity, Energy market, Customer discontent, Transport risk, Raw material shortage, Civil liability, Dissemination of know-how, Human capital, Group cohesion, Food risk, Sabotage.

4. Compliance risks: Those risks that affect the objectives related to compliance with applicable laws and regulations, including internal regulations, as well as the protection of employees and society. The company has identified the following specific risks, including the following within the category: Environmental, Occupational accidents, Occupational safety and health, Development of the regulatory framework, Compliance with multinational food legislation, Compliance obligations arising from commercial relations, Corporate risk, GDPR risk, Taxation.

The identification and management of the Group's risks allows the internal regulation and the internal control over financial reporting system and the code of conduct that are implemented throughout the Group to be continuously updated.

E.2 Identify the bodies responsible for preparing and implementing the risk control and management system in place at the company, including tax risk.

Name of the Committee or Body: BOARD OF DIRECTORS
Description of duties:
In powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Company Board of Directors Regulations, relating to Exclusive and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

Name of the committee or body: AUDIT COMMITTEE
Description of duties:
The Audit Committee, through its corresponding duties in relation to the information and internal control systems, is responsible for supervising the preparation and integrity of the financial information, for reviewing the correct design of the

SCIIF, for complying with the regulatory requirements, and for the correct application of the accounting criteria.

In addition, it is a specific function of the Audit Committee to supervise the adequacy of the control policies and procedures implemented and to review the internal control and risk management systems, so that the main risks are identified, managed and appropriately disclosed.

Name of the Committee or Body: INTERNAL AUDIT
Description of duties:
The objectives of the Internal Audit Department include the identification and assessment of all types of risks that the Organisation may face, providing assurance on the degree of internal control and, as such, it is empowered to assess and evaluate the systems and procedures for controlling and mitigating all risks, and the methods used. It has a broad presence on specific risk Committees: Global Risk Committee, Credit Risk Committee and Investment Committee.

Name of the committee or body: REGULATORY COMPLIANCE COMMITTEE
Description of duties:
The Regulatory Compliance Committee includes among their duties that of supervising specific risks of the Company in relation with the criminal responsibility or any other regulation incompliance of it and assess, analyse, implement or improve and monitor a system of compliance aimed at avoiding the criminal responsibility on behalf of the Company.

Name of the committee or body: ETHICS COMMITTEE
Description of duties:
At the request of the state or of a third party, the Ethics Committee is responsible for initiating the investigation into events or practices that may imply a breach of the regulations in force in the Viscofan Group from which a risk situation may arise.

Name of the committee or body: GLOBAL RISKS COMMITTEE
Description of duties:
The Global Risk Committee is a collegiate body whose purpose is to assess the identification, analysis and review of the main risks that affect the organisation, evaluate possible exposures to said risks and formulate the recommendations and actions necessary to manage the risks within reasonable margins.

Name of the Committee or Body: CREDIT RISK COMMITTEE
Description of duties:
The Credit Risk Committee is established as a body to control and supervise the risks associated with the management of customer collections. The objective of this Committee is to delve into the prevention, monitoring and solution of the risks mentioned, via the creation and implementation of the instruments considered most appropriate at the time.

Name of the committee or body: INVESTMENT COMMITTEE
Description of duties:
The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To this end, it meets quarterly to periodically monitor the correct application of the approved investments and control the efficiency in the use of the Group's resources and investments.

Name of the Committee or Body: CYBERSECURITY COMMITTEE
Description of duties:
The Committee is responsible for defining the Group's strategic objectives for Cybersecurity, encouraging the secure management of information and guaranteeing our state of protection, as well as periodically supervising compliance with regulations, risk projects and situations and incidents.

Name of the Committee or Body: SENIOR MANAGEMENT
Description of duties:
Senior management is responsible for identifying and assessing the risks faced by the Group in the course of its activity and taking appropriate measures to prevent these risks from occurring or, if they do occur, to reduce or eliminate their impact. Therefore, senior management plays an essential role in the design and implementation of control mechanisms, as well as in promoting compliance throughout the organisation.

Name of the committee or body: EMPLOYEES
Description of duties:
The other Viscofan Group employees must comply with the measures implemented in the risk control and prevention systems and, where appropriate, report any behaviour that they consider may pose a risk to the Viscofan Group.

To facilitate the coordination and better identification of the risks and risk prevention and control actions, local managers have been appointed to coordinate with the competent bodies at corporate level.

E.3 Indicate the main risks, including tax risks, and to the extent that those derived from corruption (the latter being within the scope of Royal Decree Law 18/2017) that could affect the attainment of business objectives, are significant.

The inherent risks identified with the highest level of criticality (greater expected impact and greater probability of occurrence) before corrective measures are:

- Competitive environment of the sector. Competitors: The strategies of our competitors could affect our position and, as a result, the attainment of our objectives, in particular, a decrease in price and greater commercial efforts in certain markets.

- Cybersecurity: A cyber-attack is a malicious action that aims to damage the availability of assets, data confidentiality or the integrity of an organisation's information. The risk of an attack is a growing issue, due to the increase in Viscofan's visibility in recent years as sector leader and example of best industry practices, due to greater mobility of our human teams and due to the opening up of our industrial environment to the Internet (remote access to entities and persons outside Viscofan). An organisation aware of the risk existing inside and outside its perimeter will minimise the probability of being attacked.

- Exchange rate: This is associated with the fluctuation of one currency with respect to another, implying that variations in the value of the currency entail variations in the valuation of total wealth. Especially due to the fluctuation of the Euro against the US $ given the long exposure that the Viscofan Group has to the North American currency, with the percentage of income received in US $ being higher than the costs.

- Environmental issues: Industrial processes involve the use of natural resources, and although the Group is fully aware of its responsibility with respect to the environment, our production processes could involuntarily affect or damage our immediate environment.

- Budget control: The budget process requires several assumptions to set budgets and objectives. Errors, or simply variations beyond the expected tolerances, could affect the development of the corresponding operational and financial plans.

- Competitive environment of substitute products: The Group progresses its processes and products in line with meeting its strategic objectives, just as our competitors progress with theirs. As a result of this progression, our competitors could obtain products that replace our current products in terms of quality and/or price.

- Customer discontent: Customer satisfaction is the basis for the continuity, stability and loyalty of relationships. It is mainly linked to product quality and to customer-orientation and services provided. Shortfalls in any of these aspects could result in us losing a customer.

- Group cohesion: The internationalisation and dispersion of the productive centres could affect the communication and interaction of the people who work in them with respect to the rest of the organisation. Likewise, the variety of cultures and countries in which the Group operates is a daily challenge when establishing operational and commercial practices consistent with such diversity.

- Environment and tax compliance: The multinational presence and the high number of commercial transactions and financial operations are subject to tax regulations and legislation in different countries that may detract or generate new resources for the Group.

- Reputation: Sustainability and creation of value is closely linked to the impact of our business activity, the results obtained and the adaptation to the expectations of our stakeholders and the environment in which they are developed.

- Lack of raw materials: The Viscofan Group needs to acquire certain specific raw materials in multiple locations, which means that our production process may be affected in case of shortages and/or lack of quality of such items. The strategies of our suppliers could also affect our production process

E.4 Identify if the company has risk tolerance levels, including tax risk.

The company has a risk map that rates quantitatively and qualitatively to define a level of tolerance for the risk identified. As a result, the accepted risk is supported by the defined strategy and is reviewed by the different risk committees.

Before establishing the preventive and corrective measures for each of the identified risks, the company and the different bodies that have been attributed said functions, as described above, deliberate on the probability of each risk occurring, the consequences of the different scenarios if they do occur, and the impact that said occurrence could have on the Group, on its activity and on its financial statements, as well as its ability to recover in each case.

This information is used to determine the criticality to adapt the prevention, mitigation and correction measures to be implemented.

There are key risk indicators (KRIs) defined for each risk, the results of which are periodically compared against their tolerance thresholds to refine the risk response strategies based on the observed results.

E.5 Identify any risks, including tax risk, which have occurred during the year.

Risk is inherent to the business activity, and although the company's diversification, both geographically (commercial and productive), as well as its product range, is a measure in itself that mitigates the risks identified in the risk map, the global nature assumes that there are adverse circumstances that occur during the year that hinder the attainment of the objectives established in the yearly budget.

In this context, some of the risks that have occurred with a more significant impact are indicated below:

1) Risks occurring during the year: Financial risk. Exchange rate

Circumstances responsible for this occurrence
In 2018, the exchange market faced a large volatility due to macroeconomic changes, economic and monetary policies carried out by competent authorities in different countries. In this regard, several of the currencies in which the Group operates have experienced a large fluctuation, notably the US dollar and the Brazilian real, and not just in average terms; the volatility between maximum and minimum exchange rates has been very pronounced this year and has had a significant impact on the performance of profit and loss and negative exchange differences.

Operation of control systems
Viscofan is attentive to the opportunities for contracting exchange rate hedges with the intention of covering transaction flows between different currencies when circumstances dictate. Over the last few years, the company has strengthened the treasury team and has contracted out reporting systems in order to improve the hedging capacity to minimise risk. However, the volatility of the currencies is also driving up the cost of the hedges.

2) Risks occurring during the year: Strategic risk. Competitive environment of the sector. Competitors.

Circumstances responsible for this occurrence
Over the course of the year, Viscofan has followed an active policy of increasing prices within its product catalogue to adapt sale prices to the cost environment. In some markets, particularly the Asian and Chinese markets, the difference in price compared to other alternatives has affected the expected sales volumes, despite allowing for a more sustainable price and cost environment.

Operation of control systems
Monitoring tasks have been carried out in this market, maintaining disciplined commercial policies that do not harm the financial objectives of profitability. Specific projects have been reinforced by expanding the portfolio of products that seek to improve service levels, quality and productivity that suppose increased protection of market share in adverse scenarios.

3) Risks occurring during the year: Transaction risk. Raw Materials

Circumstances responsible for this occurrence
Increase in the prices of energy, caustic soda and glycerine

Operation of control systems
Viscofan continues to improve the approval process for new suppliers and the search for alternatives in different geographic locations, which contributes to reducing the impact of the lack of raw materials. In the field of energy, Viscofan has also hedged prices to allow greater visibility of the cost structure and ensure supplies. Furthermore, with the aim of reducing its impact on the Group's profitability, commercial activity has focused on adapting sales prices to balance competitiveness and profitability in this new cost environment.

E.6 Explain the response and supervision plans for the main risks of the company, including tax risks, and the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise

The Group's risk response and supervision plans reduce the impact of a risk, the probability of occurrence, or both. Therefore, the inherent risk map becomes a residual risk map, which shows the significance of the risks once the prevention, mitigation or correction measures have been taken on the detected risks. Specifically, and in reference to the Group's most significant risks, such plans and actions consist of:

- Competitive environment of the sector. Competitors: Product prices have been revised to reflect the conditions observed in the raw materials market, comparing our rates comparatively with respect to competitors and reinforcing both our confidentiality protocols and the protection of our production processes and intellectual property.
- Cybersecurity: Procedures and tools that better mitigate the risk of being victim to a cyber-attack have been deployed, beginning with the creation of the Cybersecurity Committee, providing its corresponding organisation and action plan, maintaining and improving the business recovery plans in case of incidence, including the separation of networks, support for access regulation or penetration tests and updating policies, including the access control policy.
- Exchange rate: The Group remains attentive to business opportunities and the hedging of exchange rates available in each of the currencies in which it works, refusing to carry out these types of transactions in a speculative manner, and hiring additional expert knowledge for better decision making.

- Environmental issues: Now that the policy has been approved and implemented, the Group is continuing with its strategic certifications plan, which are essential for its activity, such as ISO 50,001, ISO 14,001 or OSHAS 18,001. Additionally, specific projects have been established where management and / or supervision improvement activities are required due to well-regulated business circumstances, and finally, contracting policies that cover us for unplanned circumstances.

- Budget control: Further investment has been made in the team in charge of this function, improving the information systems, establishing new multiannual planning and intensifying the continuous monitoring of the process and its results.

- Competitive environment of substitute products: True to its vocation of leadership, the Group continues to invest in areas that allow it to obtain a competitive advantage over its suppliers in both quality and price, while also intensifying Market observation so as to learn about innovations that the Market has to offer in advance.

- Customer discontent: Customer care and follow-up protocols are continuously improved, such as satisfaction surveys, the visiting procedure, the follow-up of complaints, and encouraging all the areas that at one time or another have contact with customers to work together as a team.

- Group cohesion: The Group encourages the establishment of international multicultural projects, the implementation of cohesion activities, both professional and by areas, the creation of high-performance teams, exchanges between centres to learn about and disseminate best practices, etc.

- Environment and tax compliance: The international presence of the Group means that it operates under tax systems with different obligations, schedules and standards, which is why it has invested in tools that allow us to better understand the peculiarities of the countries in which we operate so as to be able to reasonably comply with our tax obligations.

- Reputation: The news and responses from different stakeholders on relevant aspects are monitored in order to identify areas where there is a greater dispersion between expectations and results, as well as compliance with the code of conduct and the policies that have been implemented.

- Lack of raw materials: The Group continues with its supplier diversification policy, which allows for alternative sources of supply for each material, and collaborates intensively with suppliers with whom we are developing initiatives or processes in the same line as mentioned above.

F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (SCIIF)

Describe the mechanisms comprising the risk management and control systems for financial reporting (SCIIF) in the entity.

F.1 The entity's control environment

Give information, describing the key features of at least:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"viii) The control and risk management policy, and the periodic monitoring of internal information and control systems".

Furthermore, article 15 of the Viscofan Board of Directors Regulations lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

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

The Audit Committee was created in 1999 and its composition and activity have progressively adapted to the recommendations of the Code of Corporate Good Governance. It currently comprises five members, three of them independent directors, the fourth a nominee director and the fifth an external director. In 2018, the Committee met on eleven occasions, four of which with external auditors. Whenever considered appropriate, it has required the presence of members of the management team and the internal audit department.

The Committee carries out the tasks assigned to it, as established in the applicable regulations and those set out in the Company By-Laws and in the Board of Directors Regulations. By way of example, it presented a report to the General Shareholders Meeting on the Committee's activities.

The Committee oversees, analyses and reports on the activities performed by the Internal Audit department, the financial information preparation process, the interim financial statements, the projected cash flow statement prior to the approval of the interim dividend distribution, in addition to the Financial Reporting Internal Control System. The latter is subject to a continuous improvement process and was reviewed by PwC in 2018. The Committee has also supervised the progress made in the compliance system.

In its relations with the external auditor and as one of its duties, the Committee has ensured that the annual accounts are presented with no reservations or qualifications, and that the independence of the auditor is guaranteed.

Finally, it informed the Board of Directors of all its activities and submitted all the minutes of its meetings to the Directors, as well as information on the risk map and tax matters.

For its part, the general duties of the Internal Audit Department include the review and evaluation of the risk control and mitigation systems and procedures for all risks, as well as the methodologies used.

Specifically, with regard to the control of the financial information, it examines and assesses the reliability of the financial information, from an accounting and management point of view, checking that it is complete and correct. It also reviews the procedures for record purposes and proposes corrective measures, which are reported to the Audit Committee and to the Corporate Finance Division.

Furthermore, the Internal Audit Department reports the results of all the auditing, inspection and consulting activities to the Audit Committee and keeps it informed of the same, and, where appropriate, the Directors concerned are also informed.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter, SCIIF).

- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.
- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.
- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.
- Supervision of the appropriate design and use of the financial information systems. And of the Financial Departments of each of the companies in the Group.
- Compliance with the common accounting principles and policies.
- Dissemination of the SCIIF among the local organisation, identifying those responsible for the execution of each control activity.
- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.
- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc.).

Finally, all other Group Departments are to cooperate in the dissemination of the SCIIF within their area of responsibility. As such, each Department shall be responsible for applying the controls corresponding to their area and for coordinating with the other departments in applying the SCIIF. Corporate departments will be responsible for supervising and correcting the weaknesses identified by the Internal Audit Department under their duty to supervise the system.

F.1.2 Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination is via the corporate Human Resources Management platform and the corporate intranet, with the current organisation charts of each company and any major changes being managed and published on the latter.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the SCIIF at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

The body that approves the Code of Conduct is the Board of Directors, at the proposal of the Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The Code of Conduct in force in the Viscofan Group was approved by the Board of Directors at its meeting held on 29 February 2012. The principles of the Code of Conduct include regulatory compliance, integrity, responsibility, transparency and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

The Human Resources Department is responsible for the "Induction Procedure", by which each new employee receives a copy of the Code of Conduct and the policies coming within the compliance system. These establish the conduct guidelines required in order to ensure that Group personnel act correctly, regardless of the country or department in which they are to work. Lastly, each employee formally confirms their knowledge and understanding of these policies.

Additionally, each of the Group companies has a Local Compliance Supervisor appointed by the Board of Directors who is in charge of monitoring the Group's Compliance System and ensuring all local employees, technicians and managers receive the necessary training.

This compliance system has been widely disseminated and is available to employees on the Group Intranet.

In 2018, the policies approved in December 2017 on Data Protection, Control and Risk Management, Human Rights and the local Travel policy were incorporated into the compliance site. The Compliance system was strengthened with the development of an IT Security policy in 2018. An anti-corruption policy was also drafted, which was approved by the Board in 2019, and a revision of the Purchasing policy is pending approval.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Article 15 of the Board of Directors Regulations allocates the following role to the Audit Committee: "Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing."

For such purpose, a whistle-blowing channel was implemented and is operational, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of the Viscofan Group's compliance systems, especially when there are signs of non- compliance.

This whistle-blowing channel makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this whistle-blowing channel to the Ethics Committee, whose main objective is to manage the communications received via the Whistle-Blowing Channel and to analyse any practices that may be considered as non-compliances. The Ethics Committee reports directly to the Audit Committee.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in SCIIF assessment, covering at least accounting standards, audit, internal control and risk management.

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal controls included in the SCIIF.

To improve performance, in 2018 they attended seminars and courses organised by EY on the treatment of financial derivatives, on the new accounting developments and on the updates of the accounting regulations.

F.2 Financial reporting risk assessment

Provide information on, at least, the following:

F.2.1 What are the key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the SCIIF is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently, every quarter, the Internal Audit Division informs the Audit Committee of the main incidents identified in the period, together with a risk assessment based on quantitative criteria and/or qualitative criteria and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:

  ✓ Validity: All transactions generated in the period are valid.

  ✓ Integrity: All transactions have been recorded correctly.

  ✓ Registry: All transactions have been accurately entered into the accounts.

  ✓ Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.

  ✓ Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).

  ✓ Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information complied.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

In accordance with the Board of Directors Regulations, the Board shall be exclusively responsible for defining the structure of the corporate group. In turn, the Audit Committee shall oversee the appropriate scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures and special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. Corporate operations that could affect the scope are reported appropriately by the General Management and Legal Divisions.

The Audit Committee is informed about structural and corporative modification operations that are planned for its analysis and report to the Board of Directors regarding its economic conditions and accounting impact.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

In this way, except for the company Nanopack Technology y Packaging, S.L., the Parent company of the Group, that is Viscofan S.A., wholly owns the Group companies, either directly or indirectly and, in this latter case, the shareholding is always through other companies in the Group. In the case of Nanopack S.A., the Group has a 90.57% shareholding in Nanopack Technology y Packaging S.L.

In 2018, Vector Europe NV activity was transferred to Vector Belgium and Vector UK was liquidated on 10 April, confirmed by Companies House.

The preliminary steps that needed to be taken to liquidate the company that Supralon had in Liechtenstein, and which was incorporated into the Viscofan perimeter in the acquisition of the Supralon Group in November 2017, were also carried out in 2018. Specifically, the activity carried out by the company has been transferred to other subsidiaries of the group, the rental contract for the office and other relevant contracts have been cancelled and the employment relationship of the majority of employees has been terminated. As such, the company is expected to be fully liquidated during the first half of 2019.

TransformPack was acquired in January 2018, which is a company that develops added value products in Canada. In November 2018, Globus Group Pty Ltd was acquired in Australia, Globus Group New Zealand Limited and JUPITER PTY Ltd, which distribute casings in Oceania, so as to be closer to our customers and improve our service.

In addition, it is the exclusive knowledge of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 15 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements.

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group and the extent to which they affect its financial statements, in accordance with the description given in section E of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at the Audit Committee's proposal and representing the Group's General Management and its main divisions (Production, Financial, Legal and Commercial). Internal Audit is involved in the Risk Management process as an enabler and coordinator.

Specifically, risk management extends to the following risk categories, in accordance with the COSO internal control framework implemented in Viscofan:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

The risks derived from the integrity of the financial information are included in the aforementioned Information Risks category. Both the Risk Management process and the four categories are described in Section E of this report.

The Risk Management practices were updated in 2018, in line with international best practices in order to achieve a better alignment between objectives, risks and controls.

- Which of the entity's governance bodies supervises the process.

Article 15 of the Viscofan Board of Directors Regulations assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Reviewing the internal control and risk management systems, including tax risks, so that the main risks can be correctly identified, managed and properly reported."

In addition, all departments of the organisation, including the Internal Audit Department, collaborate with the Audit Committee through the Global Risk Committee, continuously identifying and assessing the risks faced by the organisation.

F.3 Control activities

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1 Procedures for review and authorisation of the financial information and the description of the SCIIF, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the SCIIF, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in assessing the SCIIF.

To do so, based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the most significant risk areas.

To facilitate the internal control a tool has been developed on Viscofan's intranet to implement the SCIIF controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits.

In the course of 2018, ongoing progress has been made in the preparation of documents describing the objectives of each control, the improvement and uniformity of evidence provided by the various subsidiaries and the inclusion of new controls, especially in the IT processes. The use of the GRC modules for Risk Management and Audit Management has also been extended.

At local level, each subsidiary has a person responsible for the SCIIF, who coordinates the launch, execution and supervision of the monthly controls.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The procedure for validation of the financial information reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board of Directors Regulations.

"Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements. Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed."

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the external auditor to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts.
All this complies with the following roles allocated by the Board Regulations (art. 15. D) to the Audit Committee in relation to the external auditor:

(b) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.
(c) Overseeing compliance with the audit agreement, collecting information on the audit plan and its execution and ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Committee pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2 Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, available on the Group intranet, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy.

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with Password Policy.
- Management of access to any computer system or network shall comply with the provisions of Authorisation policy on computer access and profiles. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.
- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data.
- The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the

Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

The main infrastructure of the Group is located in a main Data Processing Centre (CPD). In a second CPD the secondary infrastructure is housed to ensure the continuity of the service in case of disaster.

The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident. This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

F.3.3 Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

The Viscofan Group entrusts actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies to independent third-party experts. In addition to PPA (Purchase Price Allocation) processes when acquiring new businesses.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

In line with the evolution of technology, housing and maintenance services are contracted for the Group's main data centres, as well as plans that ensure business continuity in the event of computer incidents. Outsourced services are periodically monitored by checking the critical management indicators. A validation service has been implemented for cloud services offered by software companies for the access and use of their applications.

F.4 Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1 A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the SCIIF and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2 Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on SCIIF.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the controlling team ensures that at year-end, the accounting balances of the consolidation system coincide with the accounting balances of the financial modules of each subsidiary to ensure that the origin and destination information is the same.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report of the company and subsidiaries, the first draft of which is prepared directly in this system.

F.5. Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1 The SCIIF supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the SCIIF. Likewise, give information on the scope of the SCIIF assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

In accordance with the Board of Directors Regulations, article 15 point C), in relation to the information and internal control systems, the Audit Committee is responsible for: g) "Overseeing the internal auditing services, including in particular:

(i) proposing the selection, appointment, re-election and cessation of the Internal Audit Manager;

(ii) Approving the annual internal audit work plan, ensuring that their activity focuses primarily on the main risks the Company is exposed to; and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving an annual activities report and action plan to correct any deficiencies detected;

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

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

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

(vi) Verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Bylaws are:

1. Guaranteeing there is a suitable and adequate risk control system;

2. Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities;

3. Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;

4. Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures;

5. Identifying and assessing all types of risks faced by the Organisation;

6. Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;

7. Overseeing compliance with the law

The Internal Audit Department works under pluriannual plans, generally for three years, approved by the Audit Committee.

In compliance with the duties set forth in its Bylaws, the Internal Audit Division carries out the following reporting work:

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also periodically reports to the Audit Committee on the application of the audit plans and other relevant activities; Drafts and subsequently deals with the supervisors of the assessed Divisions, if applicable, the results of the job prior to the final issuing of the reports; Drafts the degree of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this subject to the Audit Committee".

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During the financial year of 2018, the Internal Audit work plan specifically focussed on:

- Participation in the **Investment Committee**, overseeing its activity.

  In 2018, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

  Investments are strictly monitored at all subsidiaries. A report is issued every month and emailed to the Committee members, making it possible to ensure that any possible deviations are quickly detected and the appropriate actions can be taken.

- Participation in the **Credit Risk Committee**, overseeing its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable.

  The Credit Risk Committee met in 2018 on four occasions.

  The key objective of the Credit Risk Committee is to report on the taking out of credit insurance, compliance with established procedures and the added risk involved in selling to some countries. Furthermore, a detailed analysis is made of the total exposure of customers, particularly those with the largest amounts of matured debt.

  Monitoring conducted by the Committee has made it possible to keep the amount of the debt covered compared to last year. During 2018, the default rate was maintained at a level considered satisfactory by the organisation.

- Participation in the **Global Risk Committee** previously described, performing the reassessment and the redefinition of some risks of the Risk Map already existing (defined in 2016 based on the new strategic plan for the period from 2016-2020, MORE TO BE), performing a redefinition of all the KRIs associated to each of these risks and performing, also, a monitoring of the values of these KRIs.

  The Committee has met four times throughout this year.

- The quarterly assessment of the SCIIF, reviewing the controls made and the quality of the evidence provided, establishing appropriate corrective measures in accordance with their materiality. Specifically, every quarterly closure is accompanied by a review of the most important controls, submitting the findings report to the Audit Committee prior to the approval of the financial information to be published.

- The review of different processes in various national and international subsidiaries in compliance with the annual Audit Plan approved for 2018.

- The monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past. To do so, it has a monitoring tool of the Internal Audit recommendations, with the creation of reports for Senior Management, and this application was added to the organisation's corporate systems in 2018.

The activity of the Internal Audit Department is considered to be satisfactory, mainly thanks to the high implementation rate for the improvements and recommendations made in order to correct the incidents detected.

The Audit Department prepares reports on its actions, reflecting the incidents detected during the work execution and suggestions for improvement. These reports are initially discussed with the heads of the subsidiaries or departments involved.

Once the reports have been discussed with the heads and the measures to be adopted have been established, the report is sent to the Audit Committee. Those incidents identified and which could affect the financial reporting, are quantified, where applicable, and reported to the Corporate Financial Department and also to the Local Financial Departments affects, so that they may be corrected.

F.5.2 Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

. In addition to the roles of the Internal Audit Division described in the previous point, the Board of Directors Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

“The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the

Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have."

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit.

At these meetings, the auditors report any weaknesses in internal control that may have been detected in the audit process and that affect the internal control system. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

F.6 Other relevant information

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

F.7 External audit report

Provide information about the following:

F.7.1 Whether the SCIIF information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annexe. Otherwise, explain the reasons why it was not.

SCIIF information has been submitted for review by our external auditors PwC, in accordance with the Professional Action Guidelines and the Audit Report form concerning SCIIF-related information on listed companies as established in the circular No.7/2015 of the CNMV from 22 December 2015.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The Bylaws of listed companies 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.

Compliant X Explain ☐

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Compliant X Partially compliant ☐ Explain ☐

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant X Partially compliant ☐ Explain ☐

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant X Partially compliant ☐ Explain ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Compliant X   Partially compliant ☐   Explain ☐

The Company's Management Report includes an analysis of the corporate social responsibility policy, it is included in the Non-Financial Statement section. This report is published on the Company website at the time of convening the general shareholders' meeting.

7. The company should broadcast its general meetings live on the corporate website.

Compliant ☐   Explain X

The Company considers that transmitting the General Shareholders' Meeting live on the website in a smaller company is not the most appropriate measure to facilitate shareholders' participation in the General Shareholder's Meeting, which is confirmed by the high number of shareholders who are physically present at the meeting or who attend remotely using the methods enabled for such purpose, so the company prefers to allocate the resources that would be allocated to this transmission to encouraging participation through the means enabled, by way of the attendance bonus and providing shareholders with as much information as possible by making available a large amount of information that is relative to the meeting at the time it is convened.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant X   Partially compliant ☐   Explain ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant X   Partially compliant ☐   Explain ☐

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant ☐   Partially compliant ☐   Explain ☐   Not applicable X

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant X   Partially compliant ☐   Explain ☐   Not applicable ☐

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant X Partially compliant ☐ Explain ☐

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Compliant X Explain ☐

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that the appointment or re-election proposals are based on a prior analysis of the board's needs.

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant X Partially compliant ☐ Explain ☐

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant X Partially compliant ☐ Explain ☐

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.
This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant X Explain ☐

17. Independent directors should be at least half of all directors.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of the total number of directors.

Compliant ☐ Explain X

The company considers that it complies with recommendation 17 in accordance with the principle of proportionality among shareholder participation and representation in the board of directors, according to which, the relationship between nominee directors and independent directors must reflect the relationship between the percentage of capital represented in the board of directors by the nominee directors and the rest of the capital. In the Code of Good Governance of the listed companies published by the CNMV, it specifically indicates that this proportional principle is not, however, an exact mathematic rule, but rather an approximate rule whose objective is to ensure that the independent directors have a sufficient weight in the board of directors and that no significant shareholder exercises a disproportionate influence in relation to their participation in the capital.

In this text it also clarifies that in certain situations it is considered that this percentage could be excessive and it is recommended to mitigate the application of this rule respect to those that however, do not have an elevated capitalisation considering as a reference those companies not included in the IBEX-35 index to those that would become excessively onerous the compliance of this rule, however respect to the companies in whose share ownership shareholders have presence that individually or together with others maintain an elevated percentage of its capital. For these cases it is recommended a percentage of, at least, one third.

In this sense, it is worth noting that in accordance with the principle of the standard, the inclusion in the Ibex can be used as a reference, but not as a mathematic demand, given that considering the inclusion in a reference index defined by a private institution that could be reviewed every quarter should not have been the principle of complying with or explaining for which the companies are governed their long-term corporate governance, but a reference. In this sense, the law and the code indicate as a quantitative objective criterion an elevated capitalisation and Viscofan is not included as a reference in the funds that they invest in companies of high capitalisation both in the national market and foreign investors, which are considered high capitalisation given a versatile capitalisation greater than 10 billion euros.

It is worth remembering that the criteria of including in the Ibex index are not exclusively of capitalisation, but that also influence the liquidity of the value, having companies with capitalisation greater than Viscofan that is not included in this index. However, despite all these considerations, and including even though a foreign decision to the Company, outside the scope of their control that could have as a purpose modifying the monitoring of the recommendations within the same fiscal year without the possibility of doing nothing to the respect, as in this case, the Code of good governance of the companies listed approved by Agreement of the Board of the National Stock Market Committee (CNMV) on 18 February 2015, establishes that the inclusion in the IBEX is the determining criteria regardless of the data objective of capitalisation, and in this sense, the Company does not follow the recommendation that the independent directors represent half of the board even considers that for its capitalisation should fulfil the recommendation that the number of independent directors must represent, at last, a third of the total directors. The Company fulfils this recommendation.

Moreover, the Company considers that the special characteristics of its activity and industrial sector, in which a high degree of specialisation and specific knowledge in areas are required that are not at the scope of persons outside this sector, making it suitable to ensure that the Board maintains sufficient presence of directors with a lot of experience that can guarantee an appropriate development of the Board's duties, especially in relation to the company's strategy and a continuity in that knowledge.

The temporary limitation of the independent directors does not allow guaranteeing this continued presence and the Company considers that it must combine both needs, above all to the view of the requirement for the companies that do not have a high capitalisation in accordance with the generally accepted criteria.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated: Background and professional experience.

a. Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
b. Statement of the director class to which they belong, in the case of nominee directors indicating the shareholder they represent or have links with.
c. Dates of their first appointment as a director and subsequent re-elections.
d. Shares held in the company, and any options on the same.

Compliant X Partially compliant ☐ Explain ☐

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee directorship.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

20. Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latters' number should be reduced accordingly.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant X Explain ☐

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant X Partially compliant ☐ Explain ☐

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes relevant or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the secretary of the board of directors, whether a director or otherwise.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board of directors. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

25. The appointments committee should ensure that non-executive directors have enough time to properly perform their duties.

The Board of Directors' Regulations should establish the maximum number of boards of directors that its directors may sit on.

Compliant X | Partially compliant ☐ | Explain ☐

26. The board of directors should meet with the necessary frequency to properly perform its functions and, at least, eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may individually propose the addition of other items.

Compliant X | Partially compliant ☐ | Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. And, when necessary, they should delegate with instructions.

Compliant X | Partially compliant ☐ | Explain ☐

28. When directors or the secretary express concern about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing them can request that they be recorded in the minute book.

Compliant X | Partially compliant ☐ | Explain ☐ | Not applicable ☐

29. The company should establish suitable channels for directors to obtain the advice and guidance they need to carry out their duties including, if required by the circumstances, external assistance at the company's expense.

Compliant X | Partially compliant ☐ | Explain ☐

30. Regardless of the knowledge required of the directors for exercising their duties, the companies should also offer directors refresher programmes when circumstances so advise.

Compliant X | Explain ☐ | Not applicable ☐

31. The agenda should clearly indicate those points on which the board of directors has to adopt a decision or agreement so that the directors may study or gather, in advance, the information required to make such decisions.

When, exceptionally, in urgent cases, the chairman wants to submit decisions or agreements that are not on the agenda to the board of directors for approval, prior and express consent will be required form the majority of directors present, which will be duly recorded in the minutes.

Compliant X | Partially compliant ☐ | Explain ☐

32. Directors shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the company and its group.

Compliant X | Partially compliant ☐ | Explain ☐

33. The chairman, as the party responsible for the efficient operation of the board of directors, besides exercising duties that are attributed to him or her by law and the bylaws, should draw up and submit a calendar and agenda to the board of directors; organise and coordinate the regular evaluation of the board and also, where applicable, of the company's chief executive officer; be responsible for managing the board and its effective operation; ensure that sufficient time is spent on the discussion of strategic matters, and agree on and review refresher programmes for each director, when circumstances so advise.

Compliant X | Partially compliant ☐ | Explain ☐

34. When there is a coordinating director, the bylaws or board of directors' regulations should attribute to him or her, besides the powers corresponding by law, the following duties: presiding over the board of directors in the absence of the chairman and the vice chairmen, if there are any; echoing the concerns of the non-executive directors; maintaining contact with investors and shareholders to learn their points of view for the purpose of forming an opinion regarding their concerns, in particular, in relation to the company's corporate governance; and coordinating the plan for the succession of the chairman.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

35. The secretary of the board of directors should especially ensure that the board of directors take the good governance recommendations contained in this good governance code into account when they are applicable to the company.

Compliant X Explain ☐

36. The board of directors, in plenary session, should evaluate and adopt, where applicable, an action plan once a year to correct deficiencies detected with regard to:

a. The quality and efficiency of the operation of the board of directors.
b. The operation and composition of its committees.
c. Diversity in the composition and powers of the board of directors.
d. The performance of their duties by the chairman of the board of directors and by the company's chief executive officer.
e. The performance and contribution of each director, paying special attention to the managers of the board's different committees.

The evaluation of the different committees will be based on the reports they submit to the board of directors and the latter will be evaluated based on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in carrying out an assessment by an independent external consultant, whose independence will be verified by the appointments committee.

The business relationships that the consultant or any company in its group maintains with the company or any group company must be listed in the annual corporate governance report.

The process and areas evaluated will be described in the annual corporate governance report.

Compliant X Partially compliant ☐ Explain ☐

37. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board of directors itself. The secretary of the board should also act as secretary to the executive committee.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all members of the board of directors should receive a copy of the executive committee's minutes.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

39. The members of the audit committee and, especially, its chairman should be appointed bearing in mind their knowledge and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Compliant X Partially compliant ☐ Explain ☐

40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function and ensures the proper operation of internal reporting and control systems and that reports to the non-executive chairman of the board or of the audit committee.

Compliant X Partially compliant ☐ Explain ☐

41. The head of the unit that assumes the internal audit function should present an annual work programme to the audit committee; directly report any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

42. Besides those set out in law, the following duties correspond to the audit committee:

1. With respect to internal control and reporting systems:

a) To monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, check for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

b) To strive for the independence of the unit that assumes the internal auditing function; propose the selection, appointment, re-election and removal of the person responsible for the internal auditing services; propose the budget for such service; approve the focus and work plan to ensure the activity is primarily focused on relevant risks for the company; receive regular information on its activities; and verify that senior management takes into consideration the conclusions and recommendations of its reports.

c) To establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect of the external auditor:

a) To investigate the issues giving rise to the resignation of any external auditor.

b) To ensure that the remuneration of the external auditor for his work does not compromise its quality or its independence.

c) To oversee that the company reports, as a relevant event, to the Spanish Securities Market Commission (CNMV) the change of auditor and accompanies it with a declaration on the eventual existence of disagreements with the outgoing auditor and, if any, the content thereof.

d) To ensure that the external auditor maintains an annual meeting with the board of directors, in plenary session, to inform it regarding the work performed and the financial position of and risks faced by the company.

e) To ensure that the company and the external 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, other regulations on the independence of the auditors;

Compliant X Partially compliant ☐ Explain ☐

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant X Partially compliant ☐ Explain ☐

44. The audit committee should be informed of any transactions that would implement structural and corporate changes that the company aims to make for their analysis and a preliminary report to the board of directors on their economic conditions and their accounting impact and, especially, where applicable, on the proposed exchange ratio.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

45. Control and risk management policy should specify at least:

a. The different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational) that the company is exposed to, including among financial or economic risks, contingent liabilities and other risks not on the balance sheet.

b. The determination of the risk level the company sees as acceptable.

c. Measures in place to mitigate the impact of risk events should they occur.

d. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant X Partially compliant ☐ Explain ☐

46. Under the direct supervision of the audit committee or, where applicable, of a specialist committee of the board of directors, there should be an internal risk control and management function exercised by one of the company's internal units or departments that has expressly been entrusted with the following duties:

a. Ensure the proper operation of the risk control and management systems and, in particular, ensure that all important risks that affect the company are appropriately identified, managed and quantified.

b. Actively participate in the preparation of risk strategy and in the major decisions about how to manage it.

c. Ensure that the risk control and management systems appropriately mitigate risk as part of the policy defined by the board of directors.

Compliant X Partially compliant ☐ Explain ☐

47. The members of the appointments and remuneration committee —or the appointments committee and the remuneration committee, if they are separate— should be appointed ensuring that they have the appropriate knowledge, aptitude and experience for the functions that they are called upon to perform and the majority of those members should be independent directors.

Compliant X Partially compliant ☐ Explain ☐

48. Large cap companies should have a separate appointments committee and remuneration committee.

Compliant ☐ Explain X Not applicable ☐

The composition and operation of the company is carried out according to the best practices and considering Viscofan as a medium capitalisation company according to the commonly accepted international standards and the company's corporate governance trajectory. The Company considers that its current size and that of the Board of Directors do not justify the separation of the committees, which would also entail the allocation of more resources to the Board of Directors to remunerate the members that form part of said committees.

49. The nomination committee should consult with the chairman of the board of directors and the company's chief executive officer, especially on matters relating to executive directors.

Any board member should be able to suggest directorship candidates to the appointments committee for its consideration.

Compliant X Partially compliant ☐ Explain ☐

50. The remuneration committee should exercise its functions independently and, besides the functions attributed to it by law, should also have the following duties:

a. To propose the standard conditions for senior officer employment contracts to the board of directors.

b. To check compliance with the remuneration policy set by the company.

c. To regularly review the remuneration policy applied to directors and senior management, including systems of remuneration in shares and its application, and also guarantee that their individual remuneration is proportionate to that paid to the other company directors and senior management.

d. To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee.

e. To verify information regarding remuneration of directors and senior executives provided in various corporate documents, including the annual report on remuneration of directors.

Compliant X Partially compliant ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to Executive Directors and senior officers.

Compliant X Partially compliant ☐ Explain ☐

52. The rules for the composition and operation of the supervision and control committees should be in the board of directors' regulations and should be consistent with those applicable to the committees that are applicable by law in accordance with the above recommendations, including:

a. They should be exclusively comprised of non-executive directors, and the majority should be independent directors.

b. They should be chaired by independent directors.

c. The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d. They may engage external advice, when they feel it necessary for the discharge of their functions.

e. Minutes should be taken of their meetings and should be available to all directors.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

53. One or several committees of the board of directors should be responsible for supervising compliance with the corporate governance rules, with internal codes of conduct and with the corporate social responsibility policy; these may be the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee that the board of directors, exercising its powers of self-organisation, decides to create for the purpose, which will have the following specific minimum duties:

a. Supervision of compliance with the internal codes of conduct and the company's corporate governance rules.

b. Supervision of the communications strategy and relationships with shareholders and investors, including small and medium shareholders.

c. Regular assessment of the suitability of the company's corporate governance system, so that it complies with its mission of promoting social interest and takes into account, as applicable, the legitimate interests of the other stakeholders.

d. Review of the company's corporate social responsibility policy, ensuring it is aimed at creating value.

e. Monitoring the corporate social responsibility strategy and practices and assess compliance therewith.

f. Supervision and assessment of the engagement processes for different interest groups.

g. Assessment of all aspects related to the company's non-financial risks – including operating, technological, legal, social, environmental, political and reputational risks.

h. Coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.

Compliant X Partially compliant ☐ Explain ☐

54. The corporate social responsibility policy should include the principles or commitments that the company assumes voluntarily in its relationship with the different stakeholders and should identify at least:

a. The goals of the corporate social responsibility policy and the development of support instruments.

b. Corporate strategy relating to sustainability, the environment and social matters.

c. Specific practices in matters relating to: shareholders, employees, clients, providers, social matters, environment, diversity, tax obligations, respect for human rights and prevention of illegal conduct.

d. The methods or systems for monitoring the results of applying the specific practices indicated in the previous letter, the associated risk and management of the same.

e. Mechanisms for supervising non-financial risk, ethics, and business conduct.

f. Channels of communication, participation and dialogue with stakeholders.

g. Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant X Partially compliant ☐ Explain ☐

55. The company should report, in a separate document or in the management report, on matters relating to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant X Partially compliant ☐ Explain ☐

56. The remuneration of the directors should be as necessary to attract and retain directors of the desired profile and to remunerate the dedication, qualification and responsibility that the role requires, but not so high that it compromise the non-executive director criteria of independence.

Compliant X Explain ☐

57. Remuneration linked to the company's performance and personal effort, and also remuneration comprising the granting shares, share options or rights to shares, or other share-based instruments and long-term savings systems such as pension plans, retirement schemes or other social benefit systems should be confined to executive directors.

The granting shares may be contemplated as remuneration for non-executive directors when they are obliged to retain them until the end of their tenure. The above will not be applicable to shares that the director has to sell to satisfy costs related to their acquisition.

Compliant X Partially compliant ☐ Explain ☐

58. In the case of variable remuneration, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

And, in particular, with regard to the variable components of the remuneration:

a. They should be related to pre-determined and measurable performance criteria and those criteria should consider the risk assumed to obtain a result.
b. They should promote the sustainability of the company and include non-financial criteria that should be appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk control and management policies.
c. They should be based on balance between compliance with objectives in the short, medium and long term, which allow performance to be remunerated for continued effort over a long enough period of time for their contribution to the creation of sustainable value to be appreciated, so that the elements for measuring this performance do not only revolve around specific, occasional or special events.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

59. Payment of a relevant part of the variable components of the remuneration should be a deferred for a sufficient minimum period to check that previously established performance conditions have been met.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

61. A relevant percentage of the variable remuneration of executive directors should be linked to the granting shares or share-based financial instruments.

Compliant ☐ Partially compliant X Explain ☐ Not applicable ☐

The current remuneration policy contemplates the possibility of granting shares, however, in the application of the 2018 variable remuneration of the executive directors, it will be paid in cash. This policy also includes annual short-term remuneration and long-term three-year remuneration, both based on a combination of parameters that encourage both the attainment of annual results and the success of the multi-year strategic plan, all aligned with the interests of the shareholders, since both take into account, among others, the performance of the value of the share and the shareholder's remuneration via dividend as part of their parameters.

Moreover, executive directors who have been company directors have acquired shares in the stock market voluntarily and in a personal capacity over the years. As a result of these acquisitions in the market, both the Chairman and the CEO have shares with a value greater than two years of fixed salary earned in their position as executives.

62. Once the shares or options or rights to actions corresponding to the remuneration systems have been attributed, the directors may not transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or rights until, at least, three years after they were attributed.

The above will not be applicable to shares that the director has to sell to satisfy costs related to their acquisition.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

63. Contractual agreements should include a clause that allows the company to claim a refund of variable components of remuneration when the payment was not adapted to performance conditions or when they were paid based on data which later proved to be incorrect.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

64. Payments for termination of contract should not exceed a set amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to check that the director has complied with the previously established performance criteria.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any relevant aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the code and date of adoption. In particular, please mention whether it has adhered to the Code of Good Tax Practices, of 20 July 2010.

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on: **28 February 2019**

List whether any directors voted against or abstained from voting on the approval of this Report.

YES: NO: x

Name or corporate name of the director who has not voted in favour of the approval of this report	Reasons (against, abstained, did not attend)	Explain the reasons

Remarks:

FINANCIAL STATEMENTS AND MANAGEMENT REPORT
APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT: The Secretary of the Board of Directors, Mr. Juan Mª Zuza Lanz, hereby certifies that the Board of Directors, at its meeting on February 28, 2019, approved the consolidated financial statements and the consolidated management report for the year ended December 31, 2018, which have been signed by him on each page for identification purposes. The consolidated financial statements comprise the attached documents preceding this certificate.

Mr. José Domingo de Ampuero y Osma Chairman	Mr. Ignacio Marco-Gardoqui Ibáñez Deputy Chairman
Ms. Agatha Echevarría Canales Member	Mr. Nestor Basterra Larroudé Member
Mr. José María Aldecoa Sagastasoloa Member	Mr. Jaime Real de Asúa Arteche Member
Mr. José Antonio Canales García Member	Mr. Juan March de la Lastra Member
Mrs. Laura González Molero Member	Mr. Santiago Domecq Bohórquez Member

Secretary to the Board of Directors

Mr. Juan Mª Zuza Lanz

Annual Report 2018
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by calling +34 948 198 436 (in Spain), or via email to: info-inv@viscofan.com

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