

Strategic Pillars

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

VISION: Our vision is to be a Group where our people work together to build a stronger leader in the artificial casing market, through innovative products and excellence in service. We want to bring to the industry the best solutions and practices.


STRATEGIC PILLARS	CONSOLIDATION	GLOBALISATION	SERVICE	EFFICIENCY	R+D+I
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STRATEGIC INITIATIVES FOR 2009-2011	B BE ALIGNED WITH THE REST OF THE GROUP	e ENHANCE ADDED VALUE	O ORGANIC GROWTH	N NEW BUSINESS	E EXCELLENCE CENTRES BY FAMILY
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VALUES	TEAMWORK	PIONEERS	FOCUS ON RESULTS	QUALITY	SERVICE
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Value creation, the heart of our corporate strategy

*THE MARKET FOR
ARTIFICIAL CASINGS,
INCLUDING CELLULOSE,
COLLAGEN, FIBROUS
AND PLASTIC CASINGS IS
ESTIMATED TO HAVE GROWN
BY BETWEEN 6% AND 7% IN
2010*



Market

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

Our casings provide a clear value proposition for the activities of our customers, making a positive contribution to increasing production speeds, reducing process losses, automating tasks and ensuring consistency and supply, quality and hygiene factors. As a result, our casings represent a clear and important differentiating element for each of our customers.

The advantages of artificial casings, growing populations and the globalisation of eating habits all remain solid driving factors behind the growth in our market.

The inclusion of animal protein in the daily diet of the world's population is a strong trend that has been observed in recent years as a result of the globalisation of eating habits. This trend has kept the growth prospects of the artificial casings market practically intact despite the backdrop of global economic crisis. The performance of the artificial casings market is especially significant in certain emerging areas, such as Asia and Latin America. There, in addition to having populations that are growing at a faster rate than other, more developed regions, eating habits are rapidly changing as a result of globalisation, industrialisation and the economic development of said regions, which continue to show significantly lower penetration levels for artificial casings than other, more industrialised countries.

This process of change was even more significant in 2010, when the technological renovation of industrial equipment was carried out by meat processors both in more developed countries (searching for new sources of savings and higher performance, in the face of sector-based competition arising out of the economic crisis) and also in emerging markets, notably in China (where economic development is encouraging sophistication in production processes and the incorporation of artificial casings in the manufacture of sausages). This has allowed the food industry to produce sausages and cold meats with greater hygiene and safety, productivity and versatility than with traditional animal gut. The market for artificial casings, including cellulose, collagen, fibrous and plastic casings, is estimated to have grown by around 6% to 7% in 2010, compared to historic growth rates of between 3% and 5%. There is therefore a need to increase the industry's capacity in order to satisfy this demand which has increased in nearly all regions.

Against this backdrop, the large-scale production of artificial casings continues to be a considerable technological challenge. This challenge is coupled with the wide variety of meat products, the versatility and tradition of which allow a large number of variations depending on the country and the style of production, from the most basic cooked sausages to exclusive products with long periods of maturing.

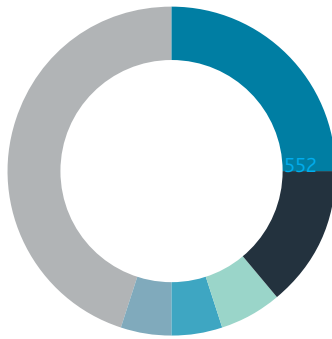
Chart of composition of artificial casings market by area

- Europe, 35%
- Northamerica, 24%
- Latinamerica, 15%
- Asia and other, 26%



Share of artificial casings market (2010)

- Viscofan
- N° 2
- N° 3
- N° 4
- N° 5
- Other



Includes the cellulose, collagen, fibrous, tubular plastic and bag segments

Source: Viscofan Group.

On the other hand, every year there are new demands and new developments as a consequence of more sophisticated production process, products and consumer's requirements, which mean for us that we have to adapt ourselves to these changes and even anticipate new casing properties in order to match the perfect casing with the need of our customers.

Viscofan's aim is to lead the way in this market: it specialises in artificial casings and has invested in a wide-range of technology (both in capacity and technological diversity) and has created the biggest global reach in the sector, placing its customers at the very heart of its operating decisions in order to provide the best possible solutions to meet their production needs and the characteristics of their products.

Be ONE: Strategy (2009-2011)

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

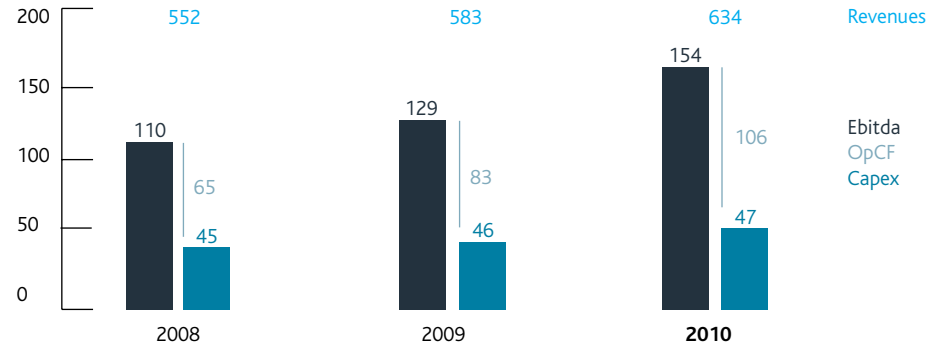
The strategic initiatives for 2009-2011 can be summarised as:

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

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

As a result of this value focus, in 2010 we exceeded the financial objectives established for the Be ONE strategy as a whole, although several operational initiatives are underway that should continue to bring improvements, which will undoubtedly generate increased value for our shareholders, as demonstrated by the new objectives published at the time of the results.

Improvements to revenue, EBITDA and OpCF to 2010 (millions of Euros)



Alignment with the rest of the organisation

The Viscofan Group has experienced strong growth in recent years, both through its own organic growth and through selective acquisitions that have created value for shareholders.

As a result of this consolidation process, the Group has grown in size. However, to achieve further economies of scale, more integration between the various Group companies is necessary.



Progress in centralising activities:

- The Group has continued to progress in its centralised management of the purchasing of raw materials, which has made it easier to accredit new suppliers of strategic raw materials and therefore to have access to a wider range of suppliers with the aim of diversifying risks and minimising the impact of price increases.
- The development of new collagen suppliers has been especially significant and has permitted the Group to ensure production capacity at times of scarcity, particularly in 2009.
- Viscofan is a multinational group with sales in more than 120 countries from all the continents, to which it distributes casings produced at its 12 production plants in 8 countries. To achieve this, the Group has redesigned the production, commercial distribution, technical assistance and

logistic processes that enhance the service we offer our customers around the world. Thus, not only has a suitable balance been found between transport costs and customer service, but it has also facilitated the management of working capital and inventories.

- In 2010 great progress was made in the integration of computer systems and in the implementation of new logistic and financial consolidation management systems, which have enabled even quicker decision-making. In barely three years, the Group has gone from having eleven ERP (Enterprise Resource Planning) systems to having four and intends to end 2011 with two major ERP systems that adapt to the different characteristics and sizes of the subsidiaries of the Viscofan Group.

Enhancing added value

The current economic situation has significantly changed the guidelines of behaviour in the worldwide food industry. Our customers want a greater value proposition in our products, once most of their production processes have been adjusted in order to maximise cost savings and productivity at their facilities.

In this context, the benefits of introducing artificial casings into the production process become even more visible, contributing positively to improving production speeds, automating the production process, giving more continuous production, reducing loss of raw materials for our customers, as well as improving the standardisation of their quality and hygiene controls. This is coupled with the development of new products, in mutual collaboration, which allow them to offer new types of sausages and to diversify their product range.

Viscofan offers its customers a clear value proposition: new growth opportunities with an important source of production savings in an environment where production optimisation and excellence is pursued. This value proposition is widely acknowledged by our customers and is the basis of our current leadership position. Maintaining suitable commercial discipline, this translates into a recovery in prices to adapt to the real situation of the market and of the added value that artificial casings provide.

Organic growth

Against a backdrop of deep economic crisis, the casings market has once again demonstrated its robust growth base, which allows it to forecast market growth in coming years based on population growth, the increase in animal protein in the daily diet and the progressive inclusion of artificial casings in the production processes for sausages, either as a replacement for natural gut or as a result of more sophistication on the part of meat processors and the opening of new markets.

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



USING THIS NEW CENTRE, VISCOFAN WILL ACCELERATE THE DEVELOPMENT OF THE ARTIFICIAL CASINGS MARKET IN THE COUNTRY, WHICH IS SET TO BECOME ONE OF THE WORLD'S LARGEST GEOGRAPHICAL MARKETS

Viscofan possesses a combination of a multinational presence and unique technological solutions in the market, which allows it to tap growth in practically all the countries in the world.

With this aim, Viscofan has created a new company in Suzhou (China) which already has production capacity for the finishing phase in the production of artificial casings. Using this new centre, Viscofan will accelerate the development of the artificial casings market in the country, which is set to become one of the world's largest geographical markets. The proximity of our customers allows us to improve our service and create relationships based on trust, secure supplies and develop specific solutions for our customers. This will without doubt help to augment our market share in China.

New businesses

In the course of 2010, Viscofan incorporated additional sources of revenues to its main business.

In this regard, the cogeneration plant in Spain performed well following the investment in new capacity in 2009 and the renovation of two engines, which helped to continue improvement in production efficiency ratios, to achieve greater savings in energy production and to increase electricity output that was sold to the electricity network.

In addition, in Bioengineering, two considerable potential markets were identified: "Life sciences", relating to research into and cultivation of cells based on collagen, and "Health care" where, based on tissue engineering and regenerative medicine, our collagen could provide positive results in the medium and long term.

Development and innovation in this area are supported by collaboration agreements with prestigious Spanish and German organisations, among others, thereby optimising the use of resources associated with the research and development of this new application.

Excellence centres by family

To strengthen its market leadership position, the Viscofan Group is implementing a new management model to leverage all the competitive advantages it possesses. This management model is based on the development of centres of excellence, i.e. sites that stand out due to their management, proactivity, service, knowledge, production innovation and quality, and on their contribution to the Group's other production plants.

Viscofan has implemented a continuous improvement process at its operations and our production plants possess a structure that balances cost competitiveness and technological expertise.



Thanks to this model, new records were set for speed and efficiency in the production of cellulose and collagen in Spain and Germany that, without any doubt, mean new direct cost savings for 2011.

Low-cost sites lose cost competitiveness as their structures grow or their inflationary environment increases in comparison with other, more developed economies. This is offset by the technological improvements that they receive via the best practices and process automation from the centres of excellence, which in turn feed back into the system of transferring non-competitive capacity to low-cost sites due to their lower technological content or lower value as perceived by customers. One example in this regard is the transfer of non-edible collagen from Germany to Serbia, and also the converting centre in China which, in addition to allowing Viscofan to develop further in China, has very competitive associated labour costs.

By freeing up non-competitive capacity at its centres of excellence, Viscofan also frees up resources earmarked for striving for new levels of excellence, via technological breakthroughs that involve new best practice benchmarks and benefit the continuous improvement model.

This model includes the initiatives that have already been tested at the centres of excellence, in the search for greater automation and the elimination of tasks with scarce added value, at production plants that, due to the development of local economies and other factors of the environment, are losing competitive capacity in labour costs and are progressing towards a more technological model that will allow them to continue to have competitive costs and the possibility of continuing to contribute positively to the Group's results.

The Cáseda plant in Spain is the centre of excellence for cellulose casings and the Weinhein plant in Germany is the centre of excellence for collagen. The Danville plant in the United States specialises in the production of fibrous casings and the production of plastics is carried out at the Ceske Budejovice site in the Czech Republic and the Sao Paulo site in Brazil.

