QUARTELY ADVANCE OF RESULTS CORRESPONDING TO:

QUARTER: **FIRST** YEAR: **2001**

1-) GENERAL INFORMATION

COMPANY NAME

VISCOFAN SA, INDUSTRIA NAVARRA DE ENVOLTURAS CELULOSICAS

MAIN OFFICE:

C/ITURRAMA 23, ENTREPLANTA 31007 PAMPLONA NAVARRA

NIF : A-31/06550-1

Those persons who assume responsability, for this information and their respective positions

D. JUAN IGNACIO VILLEGAS DIAZ (CHIEF EXECUTIVE OFFICER)

2-)QUATERLY BALANCE OF RESULTS

Milions Ptas

	INDIVIDUAL		CONSOLIDATED	
	PRESENT BUSINESS YEAR	PREVIOUS BUSINESS YEAR	PRESENT BUSINESS YEAR	PREVIOUS BUSINESS YEAR
NET TURNOVER	4.060	4.521	15.001	15.548
RESULT BEFORE TAX	345	1.122	271	903
RESULT AFTER TAX	345	986	212	663
Result attributable to Minority Interests			1	-2
RESULT ATTRIBUTABLE TO THE PARENT COMPANY			213	661
SHARE CAPITAL	2.438	2.438		
AVERAGE NUMBER OF EMPLOYEES	587	614	3.174	3.459

3-) BUSINESS PERFORMANCE

On the 29th January 2001 a dividend of 8 pesetas per share was paid on the basis of the results for the financial year 2000.

The net turnover was 15.001 million pesetas, a fall of 3.5% compared with the first quarter of 2000. The sales of casings as a whole fell in monetary terms by 6.8% in comparison with an increase in turnover for the tinned foods division of 8.6%.

The effect of Bovine Spongiform Encephalopathy (BSE) which was already noted in the last quarter of the previous year, has been very severe during the first quarter of this year, as we expected. This effect is most strongly felt in Central Europe, especially in Germany, where the estimation of the drop in meat consumption is

around 40% during this first quarter, although at present its influence on meat consumption seems to have waned slightly.

We do not have reliable continental statistics about the effect of this disease on global consumption of meat products, but it does appear to be true that some of the main transformers of meat have at times been working at half capacity. This effect has obviously been more severe for packers of beef-based meat products.

The parent company Viscofan S.A., had sales of 4.060 million pesetas, while in the first quarter of 2000 there were sales of 4.521 million pesetas. This fall is due to a reduction in production levels as a result of the fall in demand which was caused by the impact of Bovine Spongiform Encephalopathy on meat consumption. This problem has had two effects, one on sales volume, and the other on price because of the competition between cellulose casing manufacturers who have been making an all-out attempt to maintain sales levels. The growth in sales of collagen casings in the parent company has not been enough to redress the negative impact of these two effects.

The results of the parent company are 345 million pesetas, down 65% on the same period of the previous year. Beside the constant pressure on sales prices as a result of the circumstances mentioned above, especially in cellulose casings, we have had a negative effect during this quarter due to the increase in the prices of raw materials (cellulose, glycerine and soda), and the effect of the increase in the price per therm of natural gas (a negative impact of 54 million pesetas on the results).

The German subsidiary, Naturin, has been the most affected because of the drop in meat consumption in the internal market (the main market for this company), which is estimated to be around 40% during the first quarter, although now, when this report is being presented, this situation is improving. The increase in the price of the raw material, collagen also had a notable impact on company results This was another consequence of Bovine Spongiform Encephalopathy which had caused a reduction in the slaughter of cattle and a resulting fall in the supply of cow hides in Europe. This problem of increases in the price of raw materials seems likely to continue until the supply of cow hides increases.

Our subsidiary in Brazil has been affected by a significant devaluation of the local currency with respect to the American dollar, which has had a negative effect, only for this concept, of 100 million pesetas on the results of this subsidiary. This together with the fall in turnover of almost 10%, as a result of a fall in demand and of the financial problems in Argentina has caused a fall in the net results of the Brazilian company of 56%.

Viscofan USA, on the other hand, has had a considerably more favourable performance. Now the problems arising from the relocation of the business to Montgomery have been overcome (they had a significant effect on the results for the whole of the previous financial year), the company is in a stable, competitive position that will allow it to face the future with confidence. Although the net results are still negative, they have improved notably compared to the first quarter of 2000, which is a positive trend which we are convinced we can maintain over the coming months.

EBITDA were 16.68% of turnover as compared to 17.65% obtained in the first quarter of 2000, despite the unfavourable environment in which the sector is currently working.

The financial results were –710 million pesetas in comparison with -471 million pesetas in the first quarter of 2000. The differences in exchange rates in this period totalled –187 million pesetas (-39 million pesetas in the first quarter of 2000), as a result of the exchange rate cover against the American dollar carried out mainly in the parent company. The increase in the cost of the debt by a total of 97 million pesetas, was due to a higher level of debt and to an increase in interest rates between the two periods being compared.

The consolidated pre-tax results for this quarter are 271 million pesetas as compared to 903 million pesetas in the first quarter of 2000. The contribution from the different companies in the Group is significantly lower than in the first quarter of 2000, with the exception of the United States subsidiary mentioned above.

The consolidated net profits are 213 million pesetas as compared to 661 million pesetas in the first quarter of the previous year. These net profits are up by 120% on the net profits obtained by the Group in the 4th quarter of the year 2000.

The financial year in perspective.

Over the rest of the year we can expect varied developments in the three main factors that have caused the fall in prices: Bovine Spongiform Encephalopathy, the increase in competition in the cellulose casing market with the resulting effect on prices, and the costs of raw materials,

On the one hand, Bovine Spongiform Encephalopathy which had an enormous effect on the fall of meat products in general throughout the first quarter, is having a less significant effect in this second quarter and we expect this trend to continue over the whole financial year. This circumstance may therefore lead to a gradual improvement in sales volumes and in results.

As for the pressure on prices of cellulose casings as a consequence of the competitive situation, there are hopeful signs that this competitive pressure may begin to lift during this year.

Finally, as regards the increase in the prices of raw materials which have dealt a severe blow to the results for this quarter, some of them, such as the therm and glycerine, are showing signs of falling. Others, such as cellulose or cowhides remain stable. We have begun operations to diversify our supply from geographically distant sources and to introduce technological changes that will lead to a reduction in raw material costs. We believe these operations will help to reduce the impact of these high prices, but the positive impact will only become apparent in the third quarter of this year.

For all these reasons, the company expects a gradual improvement in quarterly results depending on the rhythm of improvement in the aforementioned external factors.

4-)DISTRIBUTION OF DIVIDENDS DURING THE PERIOD

	% Par Value	Pesetas perr Share	Amount MILIONS/PTS
1. ORDINARY SHARES	16	8	387,02
2. PREFERENCE SHARES	0	0	0
3.NON-VOTING SHARES	0	0	0

In January 29TH , a dividend of 8 ptas per share was paid, againts 2000 profits.

5-) KEY EVENTS

		YES	NO
1. Acquisitions or transmissions of investments in the capital of companis quotes on the stock-exchange determine the obligation of communication dealt with art. 53 of the LMV.	3200		X
2.Acquisition of treasury stock determine the obligation of communication according to 1st additional provision of the L.S.A.	3210	X	
3. Other significant increases or decreases of fixed and other non current asset (holdings greater than 10% in unquoted companies, relevant material investments or disinvestments, etc...)	3220		X
4. Increases or reductions of capital stock or of security value.	3230		X
5. Emissions, reimbursements or cancellations of debet securities.	3240		X
6. Changes of Administrators or of the Administration Council	3250		X
7. Modification to the carters (statutes)	3260		X
8. Transformations, fusions or brek-ups.	3270		X
9. Changes in the institutional regulation of the sector with signifi-cant incidence with regards the economic or financial situation.	3280		X
10. Lawsuits, litgations or contentiouses which may significantly affect the hereditary situation of the Association or the Group	3290		X
11.Competitive situatins, temporary recieverships.	3310		X
12. Special limitation agreements, cession or reliquisment, total or patial, of the political and economic rights of the shares.	3320		X
13. Strategic agreements with national or international groups (interchange of share packets, etc.)	3330		X
14. Other key events	3340		X

2- Acquisiton of treasury stock.

The Board of Directors of the company, on the authorisation of the Last General Shareholders Meeting, decided to purchase shares in the market. At the end of March we had a portfolio of 456.866 securities, at an effective cost of 396.089.134 pesetas.