January-December 2006 highlights

- Best Net profit ever of €31.3MM, a rise of 58.9% vs. 2005.

- Improvement of 1.5 p.p. in the EBITDA margin as a result of improved efficiency, in spite of great efforts to consolidate the Group's latest acquisitions, and a sharp increase in energy costs occurred in 2006.

- Consolidated EBITDA grew by 45.6% compared to the previous year, 25.2% in organic terms[1].

- The EBIT came to €46.6MM, up 74.4% on the previous year. The EBIT adjusted after impairment test was twice as high as the year before due to the positive impact of the €7.3MM that arose from the valuation of the companies acquired by Viscofan at their reasonable value compared with their purchase price.

- Sound performance of Revenues (+32.7% on 2005), backed by the strength of demand and a better price scenario in the casings market, and the acceleration in growth in tinned vegetables.

- Achievement of the main financial targets for 2006. These targets had already been revised upwards in the press release on the results to September 2006.

Variation in consolidation perimeter

- On 31st December 2005 the companies Teepak LLC (USA), Teepak Inc. (Canada) and Teepak Holding de México S. de R.L. de C.V. were acquired and were added to the consolidation perimeter for the Viscofan Group using the global integration method with effect as of 1st January 2006.

Important events

- In July 2005 the company Koteksprodukt was included in the consolidation perimeter for the Viscofan Group using the global integration method, which means that comparisons with the previous year will be affected among other things by the fact that Koteksprodukt was included for only 5 months in 2005 compared to the full 12 months in 2006.

- In the first quarter of 2006 a number of different agreements were reached with the Trades Unions at the Danville Plant in the USA, which permitted the company among other things to reduce its liabilities for post-retirement benefits; extend the collective agreement until March 2010 with an annual increase in hourly costs of 0.25USD (in 2006 this increase was lower than the annual inflation rate); and the possibility of cutting staff numbers at the plant by up to 25% linked to improvements in efficiency and productivity.

[1] Organic growth compares companies under the same consolidation perimeter and over the same time period. This means that the figures for organic growth for 2006 include the consolidated results of all Viscofan companies, except for the contribution made by Teepak for the whole year and the contribution made by Koteks from January to July 2006. These figures do include however the contribution made by Koteks from August to December 2006 and during the same period in 2005.

§ In the first half of 2006, the process of transferring production of plastic casings from the Weinheim plant in Germany to the Ceske Budejovice in the Czech Republic and the Itú plant in Brazil was completed. The aim of this move was to improve efficiency in plastics production.

§ In December 2006 a labour agreement was signed with the employees of Naturin GMBH&Co. KG in Germany, which is to run until 2011. This agreement includes among other things, an increase in annual working hours from 1,650 to 1,738 hours without any increase in salary in return; the reduction by 4.94 percentage points in the salary increases established in the Collective Agreement for the Chemical Industry for the period 2007 to 2009; and a 25% reduction in the bonus for working in special conditions and the cancellation of voluntary bonuses for working night-shifts or Sundays. In addition, over the five years of the life of this Collective Agreement, the possibility of reducing company staff levels by up to 5.6% for operational reasons has been agreed.

§ The Board of Directors of Viscofan agreed to the distribution of an interim dividend from 2006, for a gross amount of 0.14 euros per share, an increase of 79.5% compared to the interim dividend paid from 2005. Payment of this dividend took place on 30th January 2007.

Results 2006 Consolidated Group

Viscofan Group Profit and loss account ('000 €)

	Jan-Dec' 06	Jan-Dec' 05	% Change	Oct-Dec' 06	Oct-Dec' 05	% Change
Revenues	**497,160**	**374,692**	**32.7%**	**127,076**	**100,243**	**26.8%**
Other operating income	3,596	5,794	-37.9%	1,161	4,404	-73.6%
Variation in stocks of finished products □ and work-in-progress	-3,744	4,900	c.s	614	1,526	-59.8%
Net purchases	-149,398	-131,132	13.9%	-36,628	-34,826	5.2%
Personnel expenses	-128,223	-104,703	22.5%	-33,714	-28,487	18.3%
Other operating expenses	-135,781	-92,142	47.4%	-35,167	-25,623	37.2%
EBITDA	**83,610**	**57,409**	**45.6%**	**23,342**	**17,237**	**35.4%**
Depreciation and amortisation	-37,022	-30,703	20.6%	-12,707	-7,338	73.2%
EBIT	**46,588**	**26,706**	**74.4%**	**10,635**	**9,899**	**7.4%**
Gain (Loss) after impairment test	7,311	0	n.s.	7,311	0	n.s.
EBIT adjusted after impairment test	**53,899**	**26,706**	**101.8%**	**17,946**	**9,899**	**81.3%**
Financial result	-8,019	-2,335	243.4%	-2,134	-1,243	71.7%
Profit before taxes	**45,880**	**24,371**	**88.3%**	**15,812**	**8,656**	**82.7%**
Income tax	-14,580	-4,676	211.8%	-5,709	-1,721	231.7%
Profit after taxes	**31,300**	**19,695**	**58.9%**	**10,103**	**6,935**	**45.7%**
Minority interests	0	0	n.s.	0	10	n.s.
Net profit	**31,300**	**19,695**	**58.9%**	**10,103**	**6,945**	**45.5%**

Audited data

In a year marked by the acquisition of Teepak in North America, the restructuring and the integration of its different production plants into the Group, the integration of Koteks in Serbia, the completion of the transfer of plastics production from Germany to the Czech Republic and Brazil, and a sharp increase in energy prices, Viscofan has obtained its best Net profit ever of €31.3MM, a rise of 58.9% on the previous year.

Viscofan has far surpassed its main forecasts for the year, which had already been revised upwards in September 2006. This success was due to the exceptional performance of demand in the last quarter, and the continued improvements in efficiency achieved in the different group companies.

During the last quarter of this year, organic growth[2] in Group revenues accelerated, backed by the strength of demand in the casings market, together with a more favourable price environment in the sector, especially in the cellulose segment, and the solid performance of our tinned vegetables division.

In December 2006 accumulated Revenues were over €497MM, up by 32.7% year-on-year. In 4Q06 the Group achieved the highest revenues for the whole year at €127MM.

In organic terms[2] the Group finished the year with growth levels of 13.1%, leaded by the casings business, with an increase of 14.3% compared to the previous year, while the good Christmas sales of tinned foods allowed accumulated growth in this division to rise to 8.0% for the year.

Cost of sales has increased by 21.3%, a sign of the improvements in efficiency achieved by the Group, not only in the search for ways of reducing raw material costs, but also by improving the production process, which have allowed the Group to increase its gross margin.

In addition, the initiatives implemented to adapt the structures of the different companies to the new dimension of the Group, together with the agreement reached in Teepak USA in 1Q06, have enabled Viscofan to contain personnel expenses, which rose by 22.5% to €128.3MM. In 2006 Group workforce have been reduced by 413 people, nevertheless the integration of Teepak has meant an increase in the Group's total workforce, which at year-end was made up of 4,213 people, as compared to 3,443 in December 2005.

The accumulated EBITDA for the Group for 2006 was over €83.6MM (+45.6.% year-on-year) and €23.3MM in the last quarter of 2006 (+35.4% up on the same period in 2005). The consolidated EBITDA margin for the year was 16.8%, 1.5 p.p. higher than the margin obtained in 2005, while the EBITDA margin for the quarter came to 18.4% (+1.2 p.p. vs. 4Q05).

In organic terms[2] the EBITDA for the Group for 2006 was up 25.2% on 2005, and for the seventh quarter on a row we have improved our year-on-year quarterly margins.

The accumulated EBITDA for the year includes positive non recurrent results for a total of €5.2MM which can be broken down as follows:

- Reduction in personnel cost of €13.7MM, as a result of the agreement reached in March 2006 with the employees of the plant in Danville, USA enabling the reduction of liabilities for post-retirement benefits.
- Increase in operating costs of €8.5MM as a result of the restructuring carried out in different group companies, especially in Teepak, Koteks and Naturin to adapt the personnel structure with the new dimension of the company; the payment made in return for the cancellation of post-retirement commitments in the USA, together

[2] See note 1

with other one-off costs incurred during the relocating of the production of both fibrous converting operations from the plant in North Kansas City (Teepak USA) to Montgomery (Viscofan USA), and the transfer of plastics production from Germany to the Czech Republic and Brazil.

During the last quarter of this year, a valuation has been carried out on the companies purchased by Viscofan, which has shown profits due to the difference between the purchase price of these companies and their reasonable value estimated at a net value of €7.3MM, of which €15.8MM is due to the increased value of the Teepak companies, with a -€6.1MM fiscal impact, and €2.3MM from the reversion of goodwill from Tripasin. It should be mentionated that this valuation has no effect in terms of cash.

The increased value of these assets has been reflected in the depreciations, with an increase in the total figure to €37.0MM (20.6% higher than the accumulated figure for 2005), and the accounting of deferred taxes due to the aforementioned valuation.

Excluding the differences in the consolidation perimeter 2006 vs. 2005, depreciation remained stable compared with the previous year thanks to the proper maintenance policy carried out by Viscofan in its production plants, which has enabled a high degree of control over the production process and has lengthened the useful life of company assets.

Thus, despite that new companies have joined the Group, consolidated capex for 2006 came to €32.1 MM, 16% less than the previous year. The most significant amounts of these investments (€7.6MM) were dedicated to the companies acquired in 2005 and 2006, mainly to adapt their production plants to Viscofan's production standards.

The accumulated EBIT before adjustments for valuation of assets increased by 74.4% year-on-year, driven by the improvement in the EBITDA and the stability of depreciation, reaching €46.6MM in financial year 2006. If adjustments for valuation of assets are included, the EBIT was two times higher than in the previous year.

Losses arising from the financial results amount €8.0MM, compared to losses of €2.3MM recorded in 2005. This is due to increased debt as a result of the acquisition of Teepak at year-end of 2005, to the increased cost of the debt, and to worse results in the "exchange rates and others" account (-€1.5MM vs. +€1.5MM in 2005) due to the less favourable performance of the dollar against the € in financial year 2006, as opposed to the more favourable exchange rate trend in 2005.

The net consolidated debt has continued falling in the last quarter of the year, and at year-end this figure stood at €111.8MM. The increase in net debt compared to the previous year was €33.7MM, mainly due to the acquisition of Teepak North America in January 2006. The figure for financial leverage as at December 2006 was 41.7%.

Profit before taxes for 2006 came to €45.9MM vs. €24.4MM in 2005 as a result of both operational improvements, and the adjustments due to higher reasonable value the companies acquired by Viscofan compared with their purchase price.

The fiscal impact of non recurrent results of Teepak and the improved operating results in countries with higher tax rates leaded to a tax rate of 32%, and taxes of €14.6MM, of which €5.7MM can be explained by deferred taxes due to the higher valuation of the acquired assets and to the cancellation of the liabilities arising from the post-retirement benefits at the Danville plant.

Net profit for 2006 rose by 58.9% year-on-year, reaching an amount of €31.3MM at year-end 2006, a figure much higher than that set out in the forecasts for annual results presented in September 2006. The solid performance in 4Q06 is also reflected in the Net profit, which was over €10.1MM, 45.5% higher than in 4Q05.

In organic terms[3] the accumulated net profit for 2006 was 16.2% higher than in the previous year.

Results 2006: Casings

In thousand €

	Jan-Dec' 06	Jan-Dec' 05	% Change	Oct-Dec' 06	Oct-Dec' 05	% Change
Revenues	**416,109**	**299,643**	**38.9%**	**105,914**	**81,284**	**30.3%**
EBITDA	**77,995**	**53,463**	**45.9%**	**21,744**	**16,751**	**29.8%**
Margin EBITDA	***18.7%***	***17.8%***	**0.9 p.p.**	***20.5%***	***20.6%***	**-0.1 p.p.**
EBIT	**43,651**	**25,222**	**73.1%**	**9,641**	**9,732**	**-0.9%**
EBIT adjusted after impairment test	**50,962**	**25,222**	**102.1%**	**16,952**	**9,732**	**74.2%**
NET PROFIT	**29,938**	**19,168**	**56.2%**	**9,679**	**6,788**	**42.6%**

Audited data

The casings market showed a solid performance during 2006, boosted mainly by the good performance of the markets in Asia, Latin America and Eastern Europe, which has enabled the market to continue growing not only in terms of the number of metres sold but also in terms of their value.

In this competitive environment, Viscofan has consolidated its position as leader in the artificial casings sector, after achieving sharp growth in its main business lines. The growth in cellulose casings was particularly noteworthy, thanks to the recovery of part of the fall in average prices suffered by the sector over the last ten years, and to the fact that demand continued to grow strongly.

Revenues from casings were up 38.9% compared to 2005, and a rise of 14.3% in organic terms[3]. The performance in the last quarter of the year was particularly noteworthy enabling Viscofan to continue with double-figure growth rates, and to achieve for the first time a quarterly revenues of more than €105MM.

The consolidated EBITDA for the casings business for 2006 was €78.0MM, up 45.9% compared with the previous year (24.0% in organic terms), showing the improvements made over the year in terms of efficiency in production in all the Group factories, the completion of the transfer of plastics production to the Czech Republic and Brazil, the excellent degree of integration of the new companies acquired, the savings arising from the new collective agreement in Teepak North America and reduced recurrent costs after a better fit between personnel resources and the new dimension of the company.

In 4Q06, the Group obtained the highest quarterly EBITDA in its history at €21.7 MM, up 29.8% on the previous year, as a result of both the strength of demand and the measures implemented to improve efficiency and profitability.

[3] See Note 1

These solid results have been accompanied by a significant effort from Viscofan to improve its competitive advantages:

- In 2006, labour agreements have been signed in Spain, USA, and Germany aiming for an improvement in the competitiveness of the production centres.
- Workforce in the casing business were reduced by 428 people.
- The transfer of plastics production from Germany to the Czech Republic and Brazil has been completed.
- In Teepak the finishing plant in North Kansas City has been closed and this operation has been transferred to the finishing plant that Viscofan already owned in Montgomery. The sales office in Miami has been closed, and Naturin Canada and Teepak Canada have been integrated into Viscofan Canada.
- The production structure of Koteks in Serbia has been improved.
- Efforts to improve production efficiency in the group's different plants have continued, as the implementation of measures to maximise Group synergies.

Thus, in spite of the sharp increase in energy costs, which were twice as high as in 2005, the EBITDA margin in 2006 increased by 0.9 percentage points to 18.7%, while the organic EBITDA margin (excluding the impact of the incorporation of Teepak and the additional months in which Koteks was included in the consolidation perimeter) rose by +1.5 p.p. compared with the previous year to 19.3%. In quarterly terms the EBITDA margin in 4Q06 came to 20.5%, in line with the EBITDA for 4Q05 (20.6%).

The adjustments arising from the valuation of the companies acquired by Viscofan at their reasonable value compared to their purchase price led to a higher level of depreciations associated with these assets, which has been shown in a sharp increase in the allowance for depreciation in the last quarter of 2006. However, the EBIT before adjustments for valuation of assets rose by 73.1% compared to 2005 to €43.7MM, as a result of the company's strong operating performance.

Net profit in the casings business was €29.9MM, (up 56.2% on 2005), and €9.7MM in the last quarter of 2006 (+43.0% vs. 4Q05). In organic terms[4], Net profit rose by +12.3% compared to the previous year.

Results 2006: Tinned Vegetables

In thousand €

	Jan-Dec' 06	Jan-Dec' 05	% Change	Oct-Dec' 06	Oct-Dec' 05	% Change
Revenues	81,051	75,049	8.0%	21,162	18,959	11.6%
EBITDA	5,615	3,946	42.3%	1,598	486	228.8%
Margin EBITDA	*6.9%*	*5.3%*	1.7 p.p.	*7.6%*	*2.6%*	5.0 p.p.
EBIT	2,937	1,484	97.9%	994	167	495.2%
EBIT adjusted after impairment test	2,937	1,484	97.9%	994	167	495.2%
NET PROFIT	1,362	527	158.4%	424	157	170.1%

Audited data

In financial year 2006, Revenues from the tinned vegetables division was more than €81MM, of which €21MM was obtained in the last quarter of 2006, up 8.0% and 11.6% respectively compared to the previous year. This growth has been driven by the favourable trend in the demand for asparagus, which has enabled the Group to increase its market

[4] See Note 1

share by 2.3 p.p. compared to the previous year and to an increased contribution from the new products marketed under the Carretilla brand.

The improvement in revenues, with a better mix of sales, cost control and reduced advertising costs, has resulted in a year-on-year improvement of 1.7 p.p. in the accumulated EBITDA margin. The rise in the EBITDA margin in the last quarter of 2006 was particularly significant, 0.5 p.p. higher than the obtained in 4Q05, and only 0.7 p.p. lower than the margin for 3Q06 in spite of the higher advertising costs incurred in the Christmas campaign.

In this way, the EBITDA for 2006 rose by 42.3% to €5.6MM, while in the last quarter of 2006 the figure was €1.6.MM three times higher than that obtained in the same period the year before.

Accumulated depreciation for 2006 was €2.7.MM, slightly higher than the €2.5MM recorded in 2005.

The improvement in operating profitability, especially in the last quarter, together with the stability of depreciation levels, has enabled this business to achieve an accumulated EBIT for 2006 of €2.9MM, practically twice the amount reached in 2005, with €1MM obtained in the last quarter (6 times the EBIT obtained in 4Q05).

Net profit stands at €1.4MM, 2.6 times higher than in 2005, as a result of a strong increase in EBIT, and lower taxes due to tax deductions of €0.3MM granted for R&D activities, which were recorded in 3Q06.

APPENDIX

Balance Sheets

	Dec '06	Dec '05	%Change
Tangible assets	285,990	237,239	20.5%
Goodwill	0	2,301	n.s.
Other intangible assets	11,373	7,897	44.0%
Non-Current Financial Assets	1,587	1,533	3.5%
Investment in Associates accounted for using the equity method	0	0	n.s.
Deferred tax assets	13,696	8,211	66.8%
Othen non-current assets	0	0	n.s.
NON CURRENT ASSETS	**312,646**	**257,181**	**21.6%**
Stocks	132,968	112,959	17.7%
Commercial debts and other receivables	101,109	83,218	21.5%
Other financial current assets	152	41,787	-99.6%
Assets corresponding to tax on current earning	0	0	n.s.
Other current assets	0	0	n.s.
Cash and cash equivalents	12,233	13,906	-12.0%
Non current assets held for sale	0	0	n.s.
CURRENT ASSETS	**246,462**	**251,870**	**-2.1%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**559,108**	**509,051**	**9.8%**
Share capital	14,388	14,388	0.0%
Other Reserves	52,686	57,936	-9.1%
Retained earnings	208,354	184,463	13.0%
Own shares	-3,004	-706	325.5%
Exchange rate differences	-4,293	-4,310	-0.4%
EQUITY	**268,131**	**251,771**	**6.5%**
Minority interest	0	0	n.s.
NET EQUITY	**268,131**	**251,771**	**6.5%**
Loans	61,165	80,301	-23.8%
Financial liabilities	5,501	4,675	17.7%
Deferred income tax liabilities	34,783	18,346	89.6%
Provisions	41,951	31,654	32.5%
Other non-cureent liabilities	3,064	0	n.s.
NON CURRENT LIABILITIES	**146,464**	**134,976**	**8.5%**
Loans	63,026	53,472	17.9%
Trade creditors	71,682	58,581	22.4%
Other financial liabilities	1,342	0	n.s.
Provisions	6,676	10,251	-34.9%
Income tax for current liabilities	1,787	0	n.s.
Other current liabilities	0	0	n.s.
Liabilities linked to non-current assets held for sale	0	0	n.s.
CURRENT LIABILITIES	**144,513**	**122,304**	**18.2%**
NET DEBT	**111,806**	**78,080**	**43.2%**

Audited Data

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