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Auditors' Report on the Annual Accounts

(Translation from the original in Spanish)

To the Shareholders of
Viscofan, S.A.

We have audited the annual accounts of Viscofan, S.A. (the Company), which comprise the balance sheet at 31 December 2004, the related statement of profit and loss for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these annual accounts also include, for each individual caption in the balance sheet, the statement of profit and loss and disclosure of source and application of funds, comparative figures for the previous year. We express our opinion solely on the annual accounts for 2004. On 31 March 2004 we issued our unqualified audit report on the 2003 accounts.

In our opinion, the annual accounts for 2004 present fairly, in all material respects, the shareholders' equity and financial position of Viscofan, S.A. at 31 December 2004 and the results of its operations and source and application of funds for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2004, contains such explanations as the directors consider relevant to the situation of the Company, the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2004. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

Signed: KPMG AUDITORES, S.L.

Juan José Llorente
29 March 2005

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VISCOFAN, S.A.

Annual Accounts and Directors' Report

31 December 2004

(Translation from the original in Spanish)

VISCOFAN, S.A.

Notes to the Annual Accounts

31 December 2004

(Translation from the original in Spanish)

(1) Nature and Principal Activities

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

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

Its industrial installations are located in Cáseda and Urdiáin (Navarra). The registered head offices of the Company are located in Pamplona.

The Company is the parent of a group of companies which operate mainly in the food and plastic and collagen casing sectors.

(2) Basis of Presentation

The accompanying annual accounts have been prepared by the directors of the Company to present fairly the shareholders' equity, financial position, results of operations and changes in financial position for 2004, and to present the proposed distribution of profit for the year.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Company and in accordance with the criteria established in the Spanish General Chart of Accounts.

As required by Spanish accounting principles, the balance sheet, statement of profit and loss and disclosure of source and application of funds for 2004 include comparative figures for 2003, which formed a part of the annual accounts approved by the shareholders at their annual general meeting held on 14 June 2004. As permitted by such principles, the Company has opted to omit comparative data for 2003 from the notes to the accounts for 2004.

In accordance with Article 9 of Royal Decree 1815 of 20 December 1991, the Company is required to formulate consolidated annual accounts. However, in the interest of clarity, the directors have opted to present the consolidated annual accounts separately. At 31 December 2004 consolidated shareholders' equity and the profit for the year exceeds that presented in the individual accounts.

(Continued)

(3) Distribution of Profit

The board of directors will propose to the shareholders at their annual general meeting that the profit for the year ended 31 December 2004 be distributed as follows:

	Thousands of Euros
Interim dividend (note 24)	3,762
Voluntary reserves	4,689
	8,451

The directors propose the distribution of a dividend of Euros 4,882 thousand with a charge to share premium.

(4) Significant Accounting Principles

These annual accounts have been prepared in accordance with accounting principles established in the Spanish General Chart of Accounts, the most significant of which are as follows:

(a) Intangible assets

Intangible assets are stated as follows:

- Research and development projects are recorded at cost or at the established price in the case of projects presented to official entities responsible for the promotion of R&D activities. Amortisation is provided using the sum of digits method on conclusion of projects over a maximum of five years from the date costs are recorded. Costs are capitalised when technical success has been achieved and are otherwise expensed.

- Software is stated at cost and amortised on a straight line basis over the five-year period of expected use. Software maintenance costs are expensed when incurred.

- The rights to use and the option to purchase tangible assets contracted through lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are amortised on a straight line basis over the useful lives of the leased assets. The total lease instalments and the amount of the purchase option are recorded as a liability. The initial difference between the total debt and the cash value of the asset, equivalent to the financial cost of the operation, is recorded under deferred expenses and expensed over the term of the contract using the interest method. When the purchase option is exercised, the cost and accumulated depreciation of these goods is transferred to the corresponding tangible asset category.

(Continued)

(b) Tangible assets

Tangible assets are stated at cost, revalued in 1996, as permitted by legislation prevailing at that time, net of the corresponding accumulated depreciation.

Depreciation is provided on a straight line basis over the estimated useful lives of the related assets as follows:

Buildings	30
Plant and machinery	10
Other installations, equipment and furniture	10
Other tangible assets	5-15

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

(c) Investments

Variable income securities are stated at cost, which includes costs of acquisition.

Provision is made for decline in value of investments under the following circumstances:

- For quoted shares, when market value is below cost. Market value is determined as the lower of the average quotation of the last quarter and the closing quotation.

- For remaining investments, where circumstances so dictate. In the case of share capital holdings, where cost exceeds the underlying net book value, adjusted to take into account any latent unrecorded goodwill at year end.

Dividends received from group companies and other long-term investments are booked as income when their distribution is approved by the corresponding board of directors or annual general meetings of shareholders.

(d) Stocks

Stocks are stated at the lower of cost and market value. The cost of stocks is determined as follows:

- Raw materials and other supplies and goods for resale are stated at weighted average cost, including costs incurred until delivery to factories or warehouses.
- Finished and semi-finished products are stated at weighted average cost of raw and other materials, and includes direct and indirect labour, other manufacturing overheads and depreciation of fixed assets at factories.

Provision is made for stocks where cost exceeds market value or when circumstances indicate doubtful recovery of such costs.

(Continued)

(e) Debtors

In accordance with common business practice in Spain, a part of the Company's sales are collected by means of accepted or unaccepted notes. Notes receivable are generally discounted at banks with full recourse and are included in the accompanying balance sheet under trade debtors with an equivalent credit balance in short-term loans.

Discounting costs are expensed when incurred and are not deferred over the discount period, as the effect of such deferral would be immaterial to operating results.

Provision is made to cover possible losses arising on the settlement of balances receivable. The Company makes provision for doubtful accounts in respect of overdue balances and when circumstances indicate doubtful collection.

(f) Foreign currency transactions

Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses arising on settlement of balances are taken to profit or loss when they arise.

Balances receivable and payable in foreign currency at year end are expressed in Euros at the rates of exchange prevailing at 31 December. Unrealised foreign exchange losses are charged to expenses, while unrealised exchange gains are deferred. Balances subject to exchange rate insurance are stated at the insured rates of exchange.

(g) Current/long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

(h) Compensation for termination of employment

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued. Indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

(i) Capital grants

Capital grants are initially recorded as deferred income in the accompanying balance sheet. Income from capital grants is recognised in the statement of profit and loss on a straight line basis over the useful lives of the fixed assets for which the grants have been received.

(j) Income tax

Income taxes are calculated based on the profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, where applicable, are included in deferred tax assets or liabilities.

(Continued)

Following product criteria, tax credits in respect of loss carryforwards and deductions and credits pending application due to insufficient taxable profits, are recognised as deferred tax assets when they comply with prevailing accounting requirements and to the extent of forecast reversals within the carryforward period.

(k) Income and expense

Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

Nevertheless, in accordance with prudent criteria, the Company only records realised gains at year end, while expected liabilities and estimated losses are recognised as soon as they become known.

(l) Pension commitments

The Company has commitments with employees in respect of early retirement and seniority bonuses. The Company has externalised these commitments through insurance policies, the cost of which are booked under personnel expenses.

(m) Environmental issues

Long term assets used by the Company to minimise the environmental impact of its activity and protect and improve the environment are recorded as tangible assets at their cost of acquisition or production, as appropriate. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as detailed in note 4 (b).

Expenses incurred on activities to protect the environment from effects of Company operations are considered environmental expenses, as are those derived from environmental commitments. These amounts are charged as other operating expenses.

Provision is made for environmental expenses which at year end are considered likely or certain to be incurred although the exact amount or the date they will materialise is undetermined. Consequently, these provisions are best estimates made on the basis of the information available at the closing date.

(n) Financial instruments

Company policy is to contract hedging operations to mitigate the risk of exchange rate fluctuations on certain financing operations.

Interest receivable and payable is calculated applying the interest method in line with the interest payable on hedged items, and the resulting net amount is charged to financial expenses.

(Continued)

(ñ) Own shares

Own shares are stated at average cost of acquisition, which is the lower of the total balance paid on purchase and market value. As these shares were acquired without prior approval by the shareholders at their annual general meeting to reduce share capital, it is understood that they could be subsequently disposed of or, alternatively used to reduce share capital. Consequently, their market value is considered to be the lower of the average quotation of the last quarter of the year, the closing quotation, or the underlying net book value. Provision is made for the difference between the cost of acquisition and the lower of the closing quotation or the average quotation for the last quarter of the year with a charge to profit and loss and for the difference between the quotation and underlying net book value with a charge to reserves.

(5) Intangible Assets

Details and movement in 2004 are as follows:

	Thousands of Euros				
	31.12.03	Additions	Disposals	Transfers	31.12.04
Cost					
Research and development costs	14,738	-	-	-	14.738
Software	4,403	326	-	-	4.729
Concessions, patents and licences	36	-	-	-	36
Rights over leased assets	62	-	-	(36)	26
Software in progress	-	28	-	-	28
	19,239	354	-	(36)	19.557
Accumulated amortisation					
Research and development costs	(14,175)	(287)	-	-	(14.462)
Software	(2,305)	(633)	-	-	(2.938)
Concessions, patents and licences	(36)	-	-	-	(36)
Rights over leased assets	(35)	(10)	-	32	(13)
	(16,551)	(930)	-	32	(17.449)
Provisions	(551)	-	275	-	(276)
	2,137	(576)	275	(4) (note 6)	1.832

At 31 December 2004 intangible assets include fully amortised items with a cost of Euros 15,028,000.

(Continued)

(6) Tangible Assets

Details of the revalued cost of tangible assets and restated accumulated depreciation at 31 December 2004 and movement for the year are as follows:

	Thousands of Euros				
	31.12.03	Additions	Disposals	Transfers	31.12.04
Revalued cost					
Land and buildings	19,483	4	-	198	19,685
Plant and machinery	124,693	28	(61)	2,355	127,015
Other installations, equipment and furniture	23,003	-	(6)	1,498	24,495
Other tangible assets	7,807	-	(53)	198	7,952
Advances and work in progress	1,066	5,387	-	(4,213)	2,240
	176,052	5,419	(120)	36	181,387
Restated accumulated depreciation					
Buildings	(6,362)	(741)	-	-	(7,103)
Plant and machinery	(92,974)	(7,781)	43	-	(100,712)
Other installations, equipment and furniture	(14,101)	(1,678)	1	-	(15,778)
Other tangible assets	(6,944)	(318)	43	(32)	(7,251)
	(120,381)	(10,518)	87	(32)	(130,844)
Provisions	(444)	-	77	-	(367)
	55,227	(5,099)	44	4 (note 5)	50,176

As permitted by relevant legislation, in 1996 the Company revalued its tangible fixed assets for a total of Euros 9,282,000 (see note 10 (d)) as permitted by Navarra Regional Law 23/1996. At 31 December 2004 the net book value of the revalued assets is Euros 1,283,000 and the related depreciation charge for the year Euros 288,000.

Details of tangible assets used in environmental activities are included in note 26.

Details of fully depreciated tangible assets in service at 31 December 2004 are as follows:

	Thousands of Euros
Plant and machinery	53,575
Other installations, equipment and furniture	9,024
Other tangible assets	6,067
	68,666

(Continued)

At 31 December 2004 plant and machinery include assets used for carrying out research and development projects (see note 5), as follows:

	Thousands of Euros
Cost	8,520
Accumulated depreciation	(7,261)
	1,259

Details of assets acquired from Group companies at 31 December 2004, are as follows:

	Thousands of Euros
Cost	1,985
Accumulated depreciation	(1,467)
	518

(7) Investments

Details and movement in 2004 are as follows:

	Thousands of Euros			
	31.12.03	Additions	Disposals	31.12.04
Investment in group companies	221,946	4,568	(8)	226,506
Investment in associated companies	767	-	-	767
Short-term securities portfolio	42	-	-	42
Public entities, long term	-	3,127	-	3,127
Guarantee deposits	10	-	(5)	5
	222,765	7,695	(13)	230,447
Provisions	(57,424)	(12,602)	3,769	(66,257)
	165,341	(4,907)	3,756	164,190

Details of direct and indirect investments held in Group and Associated companies, and other information, are included in Appendix I. The directors have opted to omit certain information regarding Group companies as they consider that inclusion of this information could damage its interests and would not provide relevant information for the understanding of these annual accounts.

(Continued)

During 2004 the Company has set up Viscofan Centroamérica Comercial, S.A. through a capital payment of Euros 165,481.

During the year the Group company Viscofan de México, S.R.L.C.V. has recorded a share capital increase of Euros 4,403,175 which has been fully subscribed and paid by the Company.

Disposals in investments in Group companies reflect the sale to its subsidiary Industrias Alimentarias de Navarra, S.A. of the shareholding held by the Company in Comaro, S.A. The Group companies Industrias Alimentarias de Navarra, S.A. and Comaro, S.A. subsequently merged as a result of the absorption of Comaro by Industrias Alimentarias de Navarra, S.A., with effect for financial purposes as of 1 January 2004.

Long-term public entities reflect the balance corresponding to rights for deductions applicable at 31 December 2004, which are expected to be used in the long term (see note 17).

Details of foreign currency investments at 31 December 2004 are as follows:

	Thousands of Euros	
	Interests in group companies	Interests in associated companies
US Dollars	101,170	-
Czech Crowns	18,001	-
Pounds Sterling	1,841	-
Swedish Crowns	-	767
Polish Zloty	447	-
	121,459	767

None of the Group or Associated companies are listed on the stock exchange.

(8) Stocks

Details at 31 December 2004 are as follows:

	Thousands of Euros
Goods for resale	1,188
Raw materials and other supplies	5,990
Finished products	3,328
Semi-finished products	3,654
	14,160
Provisions	(943)
	13,217

At 31 December 2004 goods for resale include purchases for subsequent sale to Group companies amounting to approximately Euros 537,000.

(Continued)

Changes in the provision for goods for resale during 2004 are as follows:

	Thousands of Euros
Balance at 1 January 2004	1,556
Recoveries for the year	(613)
Balance at 31 December 2004	943

The total cost of materials consumed in 2004 was as follows:

	Thousands of Euros
Raw materials and other supplies and goods for resale	
Net purchases	51,078
Change in stocks	1,241
	52,319

Details of purchases made from Group companies are shown in note 14.

(9) Debtors

Details at 31 December 2004 are as follows:

	Thousands of Euros
Trade debtors	15,037
Group companies	16,631
Sundry debtors	42
Personnel	104
Public entities	1,912
	33,726
Provisions for bad debts	(230)
	33,496

Details of balances receivable in foreign currencies are as follows:

	Thousands of Euros
Trade debtors	12,758
Group companies	10,242
	23,000

Balances payable to Public entities are as follows:

	Thousands of Euros
Navarra Regional Government, VAT	1,160
VAT recoverable	10
Tax authorities	
Income tax (note 17)	1
Rights over deductions applicable in the short term (note 17)	741
	1,912

Changes in the provision for bad debts during 2004 are as follows:

	Thousands of Euros
Balance at 1 January 2004	1,505
Allowance for the year	215
Recovery of balances	(334)
Balances written off	(1,156)
Balance at 31 December 2004	230

(10) Shareholders' Equity

Details of shareholders' equity and movement for the year ended 31 December 2004 are shown in Appendix II, which forms an integral part of this note.

(a) Share capital

At their Annual General Meeting held on 14 June 2004 the shareholders agreed to reduce the Company's share capital by Euros 146,505 in order to redeem 488,349 own shares.

Consequently, at 31 December 2004 the share capital is represented by 48,346,579 bearer shares of Euros 0.30 par value each, subscribed and fully paid. All shares have the same voting and profit sharing rights, except own shares.

(Continued)

The percentage of own shares held by the Company is within the limits established by prevailing legislation.

All of the Company's shares are listed on the Spanish Stock Exchange.

At 31 December 2004 QMC Development Capital Fund, Plc held a 5.018% interest in the share capital of the Company. The Company is not aware of the existence of any other shareholder holding an interest in excess of 5% at that date.

At their general meeting held on 22 June 2000 the Company's shareholders authorised the board of directors to increase share capital within 5 years to a maximum of 50% of the share capital at that date, as permitted by article 151 3.b. of the Spanish Companies Act.

(b) Share premium

This reserve is freely distributable, subject to the same restrictions as those for the voluntary reserves.

(c) Legal reserve

Companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve may only be used to offset losses if no other reserves are available. At 31 December 2004 the balance of this reserve exceeds the minimum amount required by law.

(d) Revaluation reserve Navarra Regional Law 23/1996

As permitted by legislation prevailing at that time, at 31 December 1996 the Company revalued its tangible fixed assets by Euros 9,282,000 (see note 6). The resulting revaluation reserve, net of a 3% tax charge, amounts to Euros 9,003,000.

During 1999 this revaluation was inspected by the tax authorities and, accordingly, can be applied, free of tax, to:

- Offset prior years' losses.
- Increase share capital.
- Increase distributable reserves after 31 December 2006 to the extent that gains have been realised, that is, when the related assets have been depreciated, disposed of or otherwise written off.

(e) Own shares reserve

At 31 December 2004 the Company holds 58,065 own shares, for which a reserve has been made equal to the book value of these shares. This reserve is not distributable unless the shares are disposed of or redeemed by the Company.

(Continued)

Details of movement in own shares during 2004 are as follows:

	Number of shares	Thousands of Euros
Balance at 31 December 2003	435,491	2,616
Acquisitions	116,826	872
Disposals	(5,903)	(36)
Redemption	(488,349)	(3,022)
Provisions made	-	(180)
Balance at 31 December 2004	58,065	250

(f) Merger reserve

These reserves derive from the merger by absorption of Inversiones Legazpi, S.A. by the Company in 2002 and are subject to the same restrictions as voluntary reserves. Details of this operation are included in the notes to the annual accounts for the year in which this operation was carried out.

(g) Voluntary reserves

These reserves are freely distributable, except for an amount of Euros 276,000 equal to the unamortised research and development costs of the Company at 31 December 2004 (see note 5).

(11) Deferred Income

At 31 December 2004 deferred income comprises capital grants. Details are as follows:

	Thousands of Euros
Original grants	
Received in prior years	2,230
During the year	10
Cancellations of prior years	(17)
	2,223
Income recognised	
At the beginning of the year	(1,968)
During the year	(66)
	(2,034)
	189

(12) Short and Long-Term Loans

Details at 31 December 2004 are as follows:

	Thousands of Euros	
	Long-term	Short-term
Credit facilities	726	6,156
Loans	16,431	8,863
Interest on loans	-	48
	17,157	15,067

Long-term maturities of loans at 31 December 2004 are as follows:

Maturity	Thousands of Euros
2006	8,324
2007	5,493
2008	3,340
	17,157

Loans and credit facilities bear interest at variable market rates.

The Company has credit and discount facilities with a total limit of Euros 30,838,000.

The Company utilises financial derivative products mainly to eliminate or significantly reduce the risk of interest rate fluctuations which are, therefore, considered to be hedging operations. At 31 December 2004 the Company has contracted the following interest rate swap agreements:

	I.R.S. (Interest rate Swap)	
Notional amount (thousands of Euros)	5,000	23,611
Date of contract	03.02.03	02.05.03
Starting date	03.02.03	06.05.03
Maturity date	03.02.06	30.06.08
Interest rate paid by the Company	2,95%	3,00%
Interest rate received by the Company	Euribor 3 months	Euribor 3 months

(Continued)

(13) Other Long-Term Creditors

Details at 31 December 2004 are as follows:

	Thousands of Euros
Loans received	5,442
Short-term maturities (note 16)	(939)
	4,503

Loans received mainly comprise those obtained by the Company from the CDTI (Centre for the Development of Industrial Technology), the Government of Navarra and the Ministry of Science and Technology to finance research and development projects. The majority of these loans are interest free and guarantees have been extended to financial entities in relation thereto (see note 23).

Long-term maturities are as follows:

	Thousands of Euros
2006	975
2007	1,045
2008	809
2009	694
Thereafter	980
	4,503

(14) Balances and Transactions with Group Companies

Balances due to Group companies at 31 December 2004 are expressed in Euros and the following currencies:

	Currency	Thousands of Euros
Euros	-	7,442
US Dollars	156,272	115
		7,557

(Continued)

Transactions carried out with Group companies during the year ended 31 December 2004 are as follows:

	Thousands of Euros
Income	
Sales and services rendered	53,187
Dividends	6,703
Other operating expenses	159
Expenses	
Materials consumed	23,047
Other operating expenses	768
Financial expenses	79

(15) Trade Creditors

Trade creditors at 31 December 2004 comprise balances in respect of purchases or services rendered.

This balance includes approximately Euros 824,000 in US Dollars.

(16) Other Creditors

Details at 31 December 2004 are as follows:

	Thousands of Euros
Public entities	932
Other debts	2,140
Salaries payable	301
	3,374

Details of balances due to public entities at 31 December 2004 are as follows:

	Thousands of Euros
Personal income tax	441
Social Security	491
	932

Details of other debts are as follows:

	Thousands of Euros
Purchases of fixed assets	991
Current portion of loans received (note 13)	939
Other creditors	210
	2,140

(17) Taxation

The Company presents annual income tax returns. The standard rate of tax is 35%, which may be reduced by certain credits.

Due to the treatment permitted by fiscal legislation of certain transactions, the accounting profit differs from the profit for fiscal purposes. A reconciliation of accounting profit for the year with the taxable income that the Company expects to declare after approval of the annual accounts is as follows:

	Thousands of Euros
Accounting income, before tax	4,584
Permanent differences	
Dividends from subsidiaries	3,391
Provisions in subsidiaries	11,910
Other items	363
Tax exempt dividends	(6,448)
Taxable accounting income	13,800
Tax at 35%	4,830
Deductions	
Investment, research and development and job creation	(4,830)
	-
Withholdings and payments on account	1
Income tax recoverable (note 9)	1

Tax exempt dividends reflect those received from the subsidiaries Naturin GmbH & Co. and Viscofan do Brasil.

(Continued)

The income tax expense for the year is calculated as follows:

	Thousands of Euros
Taxable accounting income at 35%	4,830
Deductions applied	(4,830)
Rights over deductions pending application	
Generated during the year	(1,164)
Generated in prior years	(2,704)
Income tax recoverable	3,868 (notes 7 and 9)

At 31 December 2004 tax credits forecast to be offset in the following year total Euros 741,000 (see note 9). Tax credits to be offset in the long term are shown in investments (see note 7).

At 31 December 2004 the Company has recorded tax credits for deductions pending application, as they directly affect the future tax charge and because the directors consider that recoverability is reasonably guaranteed.

Details of deductions applicable in the short and long term for investment, job creation and research and development, which are booked under public entities, are as follows:

Year of origin	Maturity	Thousands of Euros
1999	2009	1,834
2000	2010	41
2001	2011	119
2002	2012	206
2003	2013	504
2004 (estimated)	2014	1,164
		3,868 (note 7)

The above amount relates entirely to credits pending application under the standard tax regime in Spain, except for the amount estimated for 2004, which corresponds to general and special credits granted by the Regional Government of Navarra.

The Company is obliged to maintain fixed assets for which credits have been taken for a period of five years.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2004 the Company has open to inspection by the tax authorities all applicable taxes since 1 January 2001 (1 January 2000 for income tax). The directors do not expect that significant additional liabilities would arise in the event of inspection.

(18) Net Sales

(Continued)

The directors of the Company consider that the disclosure of a breakdown of net turnover by geographical market may be of detriment to the Company. Accordingly, as permitted by prevailing legislation the directors have opted to omit such information.

Sales to Group companies during the year ended 31 December 2004 are shown in note 14.

(19) Personnel Expenses

Details are as follows:

	Thousands of Euros
Wages and salaries	19,651
Social charges	5,489
	25,140

The average number of employees, distributed by category, is as follows:

Management	7
Technicians and department heads	93
Administrative staff	36
Specialised personnel	95
Other employees	345
	576

Employee remuneration is not linked to the performance of Company shares on the stock exchange.

(20) Interest and Similar Expenses

Details are as follows:

	Thousands of Euros
Interest on long-term debt	640
Interest on short-term debt	507
Other financial expenses	24
	1,171

(21) Transactions in Foreign Currency

Details for the year ended 31 December 2004 are as follows:

	Thousands of Euros
Income	
Sales	57,330
Financial income	2,948
Expenses	
Purchases of raw materials and other supplies	6,700
Other operating expenses	1,891

(22) Information Relating to the Directors

As foreseen in articles 27 and 30 of its articles of association, the board of directors of the Company only receives remuneration equivalent to 1.5% of profit before tax, which amounted to Euros 70,883 for 2004. The executive committee receive, in accordance with the same articles, 1.5% of profit before tax amounting to Euros 70,883 for 2004. In accordance with the aforementioned articles, the board of directors and the executive committee decide on the distribution of this remuneration among the members of these bodies. In both cases it was unanimously agreed that remuneration would be distributed equally among the members.

The Company has not given any advances or loans to the members of the board of directors, and has no pension or life insurance commitments with the directors. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares. The Group has extended no guarantees to any of the directors and remuneration is not linked to the value of shares.

During 2004 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

The directors of the Company hold no shares or, except for the matter mentioned below, any management positions in companies with identical, similar or complementary activities to the Company. Nevertheless, the members of the board of directors hold management or related positions in other companies within the Company's group, in which no non-Group partners and shareholders hold direct or indirect interests. Details of these positions have not been included in this note, as such involvement does not impair the directors' diligence or loyalty or give rise to a possible conflict of interest, as defined by Law 26 of 17 July 2003, which modifies Law 24 of 28 July 1988 governing the securities market, and the Revised Spanish Companies' Act, approved by Royal Decree-Law 1564 of 22 December 1989.

(Continued)

(23) Guarantees, Commitments and Contingent Liabilities

a) At 31 December 2004 the Company had extended guarantees of approximately Euros 7,459,000 to Group companies. It has also extended bank guarantees of Euros 3,295,000, mainly for loans received from the CDTI, the Government of Navarra and the Ministry of Science and Technology (see note 13).

b) The Company has contracted exchange rate insurance of US Dollars 15,615,000, Pounds Sterling 46,000, Canadian Dollars 2,630,000, Japanese Yen 39,456,000 and Polish Zlotys 1,530,000 for collections to be made in respect of sales in 2004.

(24) Subsequent Events

a) On 27 January 2005, as agreed by the directors of the Company at their meeting held on 11 January 2005, a gross dividend on account of Euros 0.078 per share was distributed for all shares comprising the share capital of the Company.

The legally required cash flow statement prepared by the directors of the Company for the distribution of the dividend on account of 2004 profits, which considers own shares, is as follows:

	Thousands of Euros
Net profit of the Company for the year ended 31 December 2004	8,451
Less, mandatory appropriations to the legal and statutory reserves	-
Maximum distributable profits	8,451
Dividend on account agreed by directors of the Company (note 3)	3,762
Forecast cash and cash equivalents	
Cash and cash equivalents at 11 January 2005	774
Projected collections for one year	125,930
Projected payments for one year, including dividend on account	(126,550)
Projected cash balances at 12 January 2006	154

(25) Source and Application of Funds

The statements of source and application of funds for the years ended 31 December 2004 and 2003 are shown in Appendix III, which form an integral part of this note.

(26) Environmental Issues

The Company has certain tangible assets involved in environmental projects, the cost and accumulated depreciation of which total Euros 9,354,000 and Euros 2,644,000, respectively, at 31 December 2004.

During 2004 the Company has incurred expenses on environmental protection and improvements amounting to approximately Euros 1,156,000.

The directors of the Company consider that no additional provisions are required to cover the possible expenses or risks derived from environmental activities.

(27) Other Information

KPMG Auditores, S.L., the auditors of the annual accounts of the Company and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have agreed with the Company fees for professional audit services for the year ended 31 December 2004 of Euros 51,639.

These amounts include the total fees for 2004, irrespective of when they were invoiced.

VISCOFAN, S.A.

Directors´ Report

2004

(Translation from the original in Spanish)

1. Business Performance and Situation of the Company

In 2004 Viscofan, S.A. (hereinafter the Company) has recorded sales of Euros 115.9 million, up 3.1% on the previous year. These sales have been achieved despite this year's constant appreciation of the Euro against other currencies and the competitive sales environment of our markets. Both these factors have slowed down sales growth on all of the Company's lines.

All expense items have been controlled: stocks, personnel and external expenses are down on 2003, a result of the cost-control and savings policy, which will be reinforced in 2005.

For the first time this year the shareholders have received a bonus for attending the annual general meeting. These expenses totalled Euros 0.4 million.

Monitoring the main balance sheet items has resulted in an improved financial situation and a reduction in financial expenses of almost 28%.

Financial income is down on 2004 as a result of lower dividends received from subsidiary companies in line with the different investment needs of group companies.

Provisions for investments have increased compared to 2003 mainly due to restructuring expenses that our subsidiary Naturin will incur and which were recorded this year. Provisions have also been affected by the strength of the Euro against the other currencies in which foreign Group subsidiaries' equity are stated.

The Company, following Spanish accounting principles, has decided to capitalise available income tax deductions of Euros 3.9 million based on management's expectations that these will be recovered.

Profit after tax was Euros 8.5 million, down 59.8% on the Euros 21 million obtained in 2003.

Higher cellulose casing sales have improved the Company's market share in the sector. In view of the Group's consolidation and penetration in this market sector, the Company intends to undertake efforts to raise price levels overall, particularly in the lower-end price markets.

Collagen casing sales continue on the rise, a trend which the Company expects to continue this year.

The Company considers that the collagen-based product market offers significant growth potential as a substitution for natural casings.

2. Significant Events

The most significant events in 2004 are as follows:

- The opening of a plant in San Luis Potosí (Mexico) in mid-2004, overseeing sales to the Mexican market.
- Production capacity increases in the Brazilian plant.
- Continued reduction of bank debt, which allows the Company to consider all types of investment for the near future.
- Appreciation of the Euro against the Dollar.

3. Outlook for the Company

The Company's strategy is to consolidate its position in artificial cellulose casing markets and increase its sales and share in collagen markets.

3.1.- Sales

The Company expects sales increases to continue to rise, although more emphasis will be placed on achieving overall price increases than on securing greater sales volume.

3.2.- Investments

The Company does not foresee investments in capacity this year and will instead focus on efficiency improvements and environmental protection.

3.3.- Sector

The board understands that the Company and its subsidiaries are well-positioned in the sector, which is still undergoing restructuring and consolidation.

The Company strives to make the Viscofan Group an important player in this consolidation process and is therefore on the lookout for opportunities to improve its position within the industry.

4. Research and Development Activities

The Company places priority on maintaining adequate levels of research and development activities to ensure its leadership position in the sector in terms of new products, applications and productivity gains.

These activities are traditionally financed through grants from official organisations such as the Regional Government of Navarre and the Ministry of Industry (CDTI), and patents are applied for where relevant.

5. Acquisition of Own Shares

At their annual general meeting the shareholders agreed to decrease share capital by Euros 146,504.70 through redemption of 488,349 own shares, utilising Euros 3,023,551.73 for the subsequent acquisition of these redeemed shares.

As authorised, in 2004 the Company purchased 110,923 own shares.

At the date of this report the Company holds 361,076 own shares (0.74% of share capital).

(Continued)

6. Operations of Directors, or persons acting on their behalf, carried out during 2004, with the quoted company or a Group company when operations are different to the Company's ordinary activity or are not carried out in normal market conditions.

   The Directors have not participated in any operations different to the ordinary activity of the Company or Group companies or carried out in abnormal market conditions.

7. Interests held by the board of directors in the share capital of companies with statutory activities identical, similar or complementary to those of the Company, positions held, duties and activities performed in these companies.

   The directors of Viscofan, S.A. hold no shares and perform no functions in companies with an identical, similar or complementary statutory activity to that of the Company.

Pamplona, 28 March 2005

(Continued)

VISCOFAN, S.A.

Statements of Profit and Loss
for the years ended
31 December 2004 and 2003

(Expressed in Euros)
(Translation from the original in Spanish)

Expenses	2004	2003
Operating expenses		
Decrease in stocks of finished products and work in progress	1,783,164	857,381
Materials consumed (note 8)	52,318,588	44,070,379
Personnel expenses (note 19)	25,140,231	24,631,765
Amortisation and depreciation (notes 5 and 6)	11,447,892	11,961,092
Changes in trade provisions (notes 8 and 9)	(731,644)	616,733
Other operating expenses		
External Services	18,560,482	19,852,325
Local taxes	570,506	565,740
	109,089,219	102,555,415
Operating profit	7,179,452	10,869,447
Financial expenses		
Interest and similar expenses (note 20)	1,171,321	1,503,004
Exchange losses	1,600,562	2,304,487
	2,771,883	3,807,491
Net financial income	5,720,855	6,176,616
Profit on ordinary activities	12,900,307	17,046,063
Extraordinary losses and expenses		
Changes in provisions for tangible and intangible assets and own shares (notes 5, 6 and 7)	8,480,806	(3,766,098)
Losses on fixed assets and own shares	19,992	-
Extraordinary expenses	63,342	48,158
	8,564,140	(3,717,940)
Net extraordinary income	-	4,012,976
Profit before income tax	4,583,764	21,059,039
Income tax (note 17)	(3,867,670)	-
Profit for the year	8,451,434	21,059,039

Income	2004	2003
Operating income		
Net turnover (note 18)	115,856,560	112,341,562
Other operating expenses	412,111	1,083,300
	116,268,671	113,424,862
Financial income		
Dividends (note 14)	6,702,515	7,529,174
Income from other securities and loans	-	13,165
Other interest and similar income	435,231	473,918
Exchange gains	1,354,992	1,967,850
	8,492,738	9,984,107
Extraordinary profit and income		
Profit on sale of fixed assets	33,922	553
Extraordinary income	147,968	244,088
Capital grants taken to income (note 11)	65,707	50,395
	247,597	295,036
Net extraordinary expense	8,316,543	-

The accompanying notes form an integral part of the annual accounts for 2004.

VISCOFAN, S.A.

Balance Sheets

31 December 2004 and 2003

(Expressed in Euros)
(Translation from the original in Spanish)

Assets	2004	2003
Fixed assets		
Intangible assets (note 5)	1,831,625	2,136,508
Tangible assets (note 6)	50,175,613	55,226,824
Investments (note 7)	164,189,755	165,340,395
	216,196,993	222,703,727
Deferred expenses	28	310
Current assets		
Stocks (note 8)	13,217,772	16,270,568
Debtors (note 9)	33,496,410	32,747,009
Short-term investments	12,004	24,504
Own shares (note 10 (e))	250,378	2,615,967
Cash in hand and at banks	70,265	723,425
Prepayments	104,737	73,284
	47,151,566	52,454,757
	263,348,587	275,158,794

Shareholders' Equity and Liabilities	2004	2003
Shareholders' equity (note 10)		
Share capital	14,503,974	14,650,478
Share premium	59,546,328	64,477,679
Reserves	125,790,787	111,563,934
Profit for the year	8,451,434	21,059,039
	208,292,523	211,751,130
Deferred income (note 11)	188,604	262,382
Long-term creditors		
Loans (note 12)	17,156,796	28,797,092
Other creditors (note 13)	4,502,916	4,536,746
	21,659,712	33,333,838
Current liabilities		
Loans (note 12)	15,066,650	9,455,741
Group companies (note 14)	7,556,762	8,205,826
Trade creditors (note 15)	7,165,672	7,665,635
Other creditors (note 16)	3,373,731	4,372,430
Trade provisions	44,933	27,229
Accruals	-	84,583
	33,207,748	29,811,444
	263,348,587	275,158,794

The accompanying notes form an integral part of the annual accounts for 2004.

VISCOFAN, S.A.

Source and Application of Funds
for the years ended
31 December 2004 and 2003
(Expressed in thousands of Euros)
(Translation from the original in Spanish)

Applications	2004	2003	Sources	2004	2003
Acquisitions of fixed assets			Funds generated from operations		
Intangible assets	354	731	Profit for the year	8,451	21,059
Tangible assets	5,419	8,262	Amortisation and depreciation	11,448	11,961
Investments	7,695	8,004	Net profit on disposal of fixed assets	(34)	-
			Changes in provisions for intangible assets	(275)	(276)
			Changes in provisions for tangible assets	(77)	(70)
Transfer of loans to investments	-	225	Changes in provisions for investments	8,833	(3,420)
			Amortisation of deferred expenses	-	1
Write-down of revaluation reserve on disposal of fixed assets	4	-	Capital grants taken to income	(66)	(58)
Share capital reduction	3,022	-		28,280	29,197
Dividends	8,705	8,726			
			Long-term debt	917	14,110
Provision for own shares	179	-			
			Net capital grants received	(7)	162
Cancellation or transfer to short term of long-term debt	12,591	10,897			
			Disposal of fixed assets		
			Tangible assets	67	7
			Investments	13	9
Total applications	37,969	36,845	Total sources	29,270	43,485
Increase in working capital	-	6,640	Decrease in working capital	8,699	-
	37,969	43,485		37,969	43,485

Movement in working capital

	2004		2003	
	Increases	Decreases	Increases	Decreases
Stocks	-	3,053	485	-
Debtors	749	-	-	2,016
Current liabilities	-	3,396	8,666	-
Short-term investments	-	12	-	109
Own shares held in the short-term	-	2,366	436	-
Cash in hand and at banks	-	653	-	786
Prepayments	32	-	-	36
	781	9,480	9,587	2,947
Movement in working capital	8,699	-	-	6,640
	9,480	9,480	9,587	9,587

This Appendix forms an integral part of note 25 to the annual accounts for 2004, in conjunction with which it should be read.

VISCOFAN, S.A.

Details of Direct Shareholdings in Group and Associated companies

31 December 2004
(Translation from the original in Spanish)

Group companies	Percentage interest	Cost	Shareholders' equity		Activity	Registered offices
		Thousands of Euros	Currency	Amounts in thousands		
Industrias Alimentarias de Navarra, S.A.	100.00%	15,590	EUR	34,401	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin GmbH & Co	100.00%	89,436	EUR	61,426	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware	100.00%	7,219	USD	1,017	Financial activity	Dover (USA)
Naturin Verwaltung, GmbH	100.00%	21	EUR	25	Financial activity	Weinheim (Germany)
Viscofan do Brasil	100.00%	53,138	USD	44,988	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o.	100.00%	447	PLN	1,800	Commercial activity	Cracovia (Poland)
Gamex CB Sro	100.00%	7,498	CZK	297,848	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofán USA Inc.	100.00%	34,729	USD	32,873	Manufacture and marketing of artificial casings	Montgomery (USA)
Naturin LTD	100.00%	1,841	GBP	1,819	Commercial activity	Seven Oaks (UK)
Viscofan CZ, S.r.o.	100.00%	10,503	CZK	373,320	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L.C.V.	99.99%	5,918	USD	6,980	Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)
Viscofan Centramérica Comercial, S.A.	100.00%	166	USD	184	Commercial activity	Lagunilla Heredia (Costa Rica)
		226,506				
Associated companies						
Tripasin, AB	40.00%	767	SEK	17,197	Manufacture and marketing of artificial casings	Malmoe (Sweden)

VISCOFAN, S.A.

Details of Indirect Shareholding in Group Companies

31 December 2004
(Translation from the original in Spanish)

	Percentage ownership	Activity	Registered offices
IAN Perú S.A.	100.00%	Asparagus production	Cañete (Peru)
Naturin Vertriebs GmbH	100.00%	Commercial activity	Weinheim (Germany)
Naturin Canadá Vertriebs GmbH	100.00%	Commercial activity	Weinheim (Germany)
Stephan & Hoffmann AG	100.00%	Holding company	Weinheim (Germany)
Viscofan de México S.R.L.C.V.	0.01%	Manufacture and marketing of artificial casings	San Luis de Potosí (Mexico)

This Appendix forms an integral part of note 7 to the annual accounts for 2004, in conjunction with which it should be read.

VISCOFAN, S.A.

Detail and Movement in Shareholders' Equity

31 December 2004

(Expressed in thousands of Euros)
(Translation from the original in Spanish)

			Reserves							
	Share capital	Share premium	Legal reserve	Own shares reserve	Special reserve	Merger reserve	Voluntary reserves	1996 Revaluation reserve	Profit for the year	Total
Balances at 31 December 2003	14,650	64,478	2,935	2,616	25	119	96,874	8,995	21,059	211,751
Distribution of 2003 profit										
Voluntary reserves	-	-	-	-	-	-	17,286	-	(17,286)	0
Interim dividends and distribution of share premium	-	(4,932)	-	-	-	-	-	-	(3,773)	(8,705)
Share capital reduction	(146)	-	-	(3,022)	-	-	146	-	-	(3,022)
Release of revaluation reserve	-	-	-	-	-	-	-	(4)	-	(4)
Transfer to own share reserve										
Creation	-	-	-	872	-	-	37	-	-	909
Write-back	-	-	-	(37)	-	-	(872)	-	-	(909)
Provision for own shares	-	-	-	(179)	-	-	-	-	-	(179)
Profit for 2004	-	-	-	-	-	-	-	-	8,451	8,451
Balances at 31 December 2004	14,504	59,546	2,935	250	25	119	113,471	8,991	8,451	208,292

This Appendix forms an integral part of note 10 to the annual accounts for 2004, in conjunction with which it should be read.