VISCOFAN, S.A.

Annual Accounts and Directors' Report

31 December 2006

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

KPMG Auditores S.L.
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Arcadio M. Larraona, 1
31008 Pamplona

Auditors' Report on the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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 2006, 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, 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 2006. On 31 March 2006 we issued our unqualified audit report on the 2005 accounts.

In our opinion, the annual accounts for 2006 present fairly, in all material respects, the shareholders' equity and financial position of Viscofan, S.A. at 31 December 2006 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 2006, 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 2006. 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.

KPMG AUDITORES, S.L.

Signed

Juan José Llorente
30 March 2007

VISCOFAN, S.A.

Balance Sheets
at 31 December 2006 and 2005

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Assets	2006	2005
Fixed assets		
Intangible assets (note 5)	1,424	2,759
Tangible assets (note 6)	41,934	45,951
Investments (note 7)	203,688	202,142
	247,046	250,852
Deferred expenses	4	3
Current assets		
Stocks (note 8)	14,777	14,267
Debtors (note 9)	43,389	30,422
Short-term investments	512	12
Own shares (note 10 (e))	3,004	367
Cash in hand and at banks	228	507
Prepayments	95	137
	62,005	45,712
	309,055	296,567

Shareholders' Equity and Liabilities	2006	2005
Shareholders' equity (note 10)		
Share capital	14,388	14,388
Share premium	49,406	54,654
Reserves	154,573	127,332
Profit for the year	20,834	34,309
	239,201	230,683
Deferred income (note 11)	115	168
Long-term creditors		
Loans (note 12)	9,959	13,165
Other creditors (note 13)	4,862	4,881
	14,821	18,046
Current liabilities		
Loans (note 12)	25,013	25,966
Group companies (note 14)	12,176	6,051
Trade creditors (note 15)	8,436	7,744
Other creditors (note 16)	8,919	6,734
Trade provisions	40	25
	54,584	46,520
Provisions for charges and liabilities (note 4 (o)	334	1,150
	309,055	296,567

The accompanying notes form an integral part of the annual accounts for 2006.

VISCOFAN, S.A.

Statements of Profit and Loss
for the years ended 31 December 2006 and 2005

(Expressed in thousands of Euros)

Expenses	2006	2005
Operating expenses		
Materials consumed (note 8)	50,127	51,310
Personnel expenses (note 19)	28,978	26,421
Amortisation and depreciation (notes 5 and 6)	8,525	10,245
Changes in trade provisions (notes 8 and 9)	(350)	(51)
Other operating expenses		
External services	30,136	18,783
Local taxes	658	722
Other management expenses, current (note 4(o))	334	1,150
	118,408	108,580
Operating profit	8,684	1,845
Financial expenses		
Interest and similar expenses (note 20)	1,317	1,086
Changes in provisions for investments	(7)	7
Exchange losses	1,278	1,283
	2,588	2,376
Net financial income	11,028	3,630
Profit on ordinary activities	19,712	5,475
Extraordinary losses and expenses		
Changes in provisions for tangible and intangible assets and own shares (notes 5,6 and 7)	397	(32,872)
Losses on fixed assets and own shares	-	767
Extraordinary expenses	88	53
	485	(32,052)
Net extraordinary income	-	33,370
Profit before income tax	19,703	38,845
Income tax (note 17)	(1,131)	4,536
Profit for the year	20,834	34,309

Income	2006	2005
Operating income		
Net sales (note 18)	126,432	109,549
Increase in stocks of finished products and work in progress	346	341
Other operating income	314	535
	127,092	110,425
Financial income		
Dividends (note 14)	12,377	4,419
Other interest and similar income	460	449
Exchange gains	779	1,138
	13,616	6,006
Extraordinary profit and income		
Profit on sale of fixed assets	11	2
Extraordinary income	426	1,251
Capital grants taken to income (note 11)	39	65
	476	1,318
Net extraordinary expense	9	-

The accompanying notes form an integral part of the annual accounts for 2006.

Appendix III

VISCOFAN, S.A.

Source and Application of Funds
for the years ended 31 December 2006 and 2005
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Applications	2006	2005
Acquisitions of fixed assets		
Intangible assets	1,530	1,527
Tangible assets	3,853	5,077
Investments	2,004	9,327
Deferred expenses	1	3
Write-down of revaluation reserve on disposal of fixed assets	2	1
Share capital reduction	-	2,924
Dividends	8,980	8,654
Provision for own shares	3,307	339
Disposal of own shares	27	-
Cancellation or transfer to short term of long-term debt	4,403	8,015
Disposal or adjustment to the value of emission rights	1,106	-
Total applications	25,213	35,867
Increase in working capital	9,045	-
	34,258	35,867

Sources	2006	2005
Funds generated from operations		
Profit for the year	20,834	34,309
Amortisation and depreciation	8,525	10,245
Net profit on disposal of fixed assets	(11)	(2)
Changes in provisions for intangible assets	11	(276)
Changes in provisions for tangible assets	(72)	(72)
Changes in provisions for investments	458	(32,524)
Deferred income	(373)	(1,215)
	29,372	10,465
Long-term debt	1,178	4,401
Net capital grants received	12	6
Grants for emission rights	1,414	1,188
Disposal of fixed assets		
Intangible assets	2,257	-
Tangible assets	25	7
Investments	-	3,899
Total sources	4,886	19,966
Decrease in working capital	-	15,901
	34,258	35,867

Movement in working capital

	2006		2005	
	Increases	Decreases	Increases	Decreases
Stocks	510	-	1,049	-
Debtors	12,967	-	-	3,074
Current liabilities	-	8,064	-	13,311
Short-term investments	500	-	-	-
Own shares held in the short-term	2,637	-	117	-
Cash in hand and at banks	-	279	436	-
Prepayments	-	42	32	-
Provisions for liabilities and charges	816	-	-	1,150
	17,430	8,385	1,634	17,535
Movement in working capital	-	9,045	15,901	-
	17,430	17,430	17,535	17,535

This Appendix forms an integral part of note 25 to the annual accounts for 2006, in conjunction with which it should be read.

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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, plastic and collagen 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 head and registered 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 cellulose, 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 2006, 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.

These annual accounts for 2006 will be submitted for approval by the shareholders within the periods established by prevailing legislation. The directors consider that the annual accounts will be approved without significant changes.

As required by Spanish accounting principles, the balance sheet, statement of profit and loss and disclosure of source and application of funds for 2006 include comparative figures for 2005, which formed a part of the annual accounts approved by the shareholders at their annual general meeting held on 22 May 2006. As permitted by such principles, the Company has opted to omit comparative data for 2005 from the notes to the accounts for 2006.

The directors have prepared the consolidated annual accounts for 2006 separately under International Financial Reporting Standards adopted by the European Union (IFRS-EU).

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 2006 be distributed as follows:

	Thousands of Euros
Interim dividend (note 24)	6,625
Voluntary reserves	14,209
	20,834

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:

- 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.

- The Company follows the policy of registering CO^2 emission rights as intangible assets that cannot be amortised. Freely received rights under the National Assignation Plan are stated at the market price prevailing at the time they were received with deferred income booked for the same amount.

During 2005 the Company received free emission rights equivalent to 53,140 tonnes under the Nation Assignation Plan 2005-2007 approved by Royal Decree 1866/2004. This plan also stipulates that the same emission rights be assigned in 2007 as in 2005 and 2006. During 2006 the Company used emission rights amounting to 50,604 tonnes (see notes 4(i) and 4(o)).

(b) Tangible assets

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

Interest in group and associated companies 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 and other materials consumed and goods for resale are stated at weighted average cost, including costs incurred in transporting goods to factories or warehouses.
- Finished and semi-finished goods are stated at weighted average cost of raw and other materials, and includes the applicable portion of 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.

(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) Deferred income

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.

CO^2 emission rights received free of charge under the National Assignation Plan (see note 4(a)) are recorded as intangible assets and deferred income when received at the prevailing market price and taken to extraordinary income when the related CO^2 emissions occur.

(j) Income tax

Income taxes are calculated based on 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.

Following prudent 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.

Interests 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.

(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 are 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. 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.

(o) Provisions for emission rights

Since 2006 the companies included in the National Assignation Plan whose activities produce CO^2 emissions must provide CO^2 emission rights equivalent to emissions produced during the year in the opening months of the following year (see notes 4(a) and 4 (i)).

The obligation to provide CO^2 emission rights for emissions produced during the year are recognised as short-term provisions under provisions for liabilities and charges in the balance sheet and under other operating expenses in the statement of profit and loss. The value of this obligation is equivalent to the relevant CO^2 emission rights booked under intangible assets in the balance sheet (see note 4 (a)).

5. Intangible Assets

Details and movement in 2006 are as follows:

	Thousands of Euros				
	31.12.05	Additions	Disposals	Transfers	31.12.06
Cost					
Research and development costs	14,738	-	-	-	14,738
Software	4,972	61	(2)	64	5,095
Concessions, patents and licences	36	-	-	-	36
Rights over leased assets	63	34	-	-	97
Greenhouse gas emission rights	1,188	1,414	(2,256)	-	346
Software in progress	61	21	-	(64)	18
	21,058	1,530	(2,258)	-	20,330
Accumulated depreciation					
Research and development costs	(14,738)	-	-	-	(14,738)
Software	(3,523)	(581)	1	-	(4,103)
Concessions, patents and licences	(36)	-	-	-	(36)
Rights over leased assets	(2)	(16)	-	-	(18)
	(18,299)	(597)	1	-	(18,895)
Provisions	-	(34)	23	-	(11)
	2,759	899	(2,234)	-	1,424

At 31 December 2006 intangible assets include fully amortised items with a cost of Euros 16,908,880.

Greenhouse gas emission rights include free of charge rights allocated by the National Assignation Plan (see notes 4(a), 4(i) and 4(o)).

6. Tangible Assets

Details of the revalued cost of tangible assets and restated accumulated depreciation at 31 December 2006 and movement for the year are as follows:

	Thousands of Euros				
	31.12.05	Additions	Disposals	Transfers	31.12.06
Revalued cost					
Land and buildings	19,716	78	-	187	19,981
Plant and machinery	131,220	2,001	(29)	272	133,464
Other installations, equipment and furniture	26,257	382	-	721	27,360
Other tangible assets	8,080	103	(29)	-	8,154
Advances and tangible assets under construction	1,180	1,289	-	(1,180)	1,289
	186,453	3,853	(58)	-	190,248
Restated accumulated depreciation					
Buildings	(7,849)	(753)	-	-	(8,602)
Plant and machinery	(107,554)	(5,402)	29	-	(112,927)
Other installations, equipment and furniture	(17,298)	(1,553)	-	-	(18,851)
Other tangible assets	(7,506)	(220)	15	-	(7,711)
	(140,207)	(7,928)	44	-	(148,091)
Provisions	(295)	-	72	-	(223)
	45,951	(4,075)	58	-	41,934

As permitted by relevant legislation, in 1996 the Company revalued its tangible assets for a total of Euros 9,282,000 (see note 10 (d)) as permitted by Navarra Regional Law 23/1996. At 31 December 2006 the net book value of the revalued assets is Euros 943,000 and the related depreciation charge for the year Euros 141,000.

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

Details of fully depreciated tangible assets in service at 31 December 2006 are as follows:

	Thousands of Euros
Buildings	1,406
Plant and machinery	80,599
Other installations, equipment and furniture	11,697
Other tangible assets	6,984
	100,686

At 31 December 2006 plant and machinery include assets used for carrying out research and development projects (see note 5), as follows:

	Thousands of Euros
Cost	8,834
Accumulated depreciation	(7,847)
	987

Details of assets acquired from group companies at 31 December 2006, are as follows:

	Thousands of Euros
Cost	2,198
Accumulated depreciation	(1,785)
	413

7. Investments

Details and movement in 2006 are as follows:

	Thousands of Euros			
	31.12.05	Additions	Disposals	31.12.06
Interests in group companies	235,829	2,003	-	237,832
Short-term securities portfolio	42	-	-	42
Guarantee deposits	4	1	-	5
	235,875	2,004	-	237,879
Provisions	(33,733)	(4,699)	4,241	(34,191)
	202,142	(2,695)	4,241	203,688

Details of direct and indirect interests 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.

During 2006 the Company has subscribed a Euros 2,000,000 share capital increase carried out by Koteks Viscofan, d.o.o.

Details of foreign currency investments at 31 December 2006 are as follows:

	Thousands of Euros
US Dollars	101,174
Czech Crowns	18,001
Serbian Dinar	11,311
Pounds Sterling	1,841
Polish Zloty	447
	132,774

None of the group or associated companies are listed on the stock exchange.

8. Stocks

Details at 31 December 2006 are as follows:

	Thousands of Euros
Goods for resale	966
Raw materials and other supplies	6,776
Finished products	3,840
Semi-finished products	3,830
	15,412
Provisions	(635)
	14,777

Changes in the provision for obsolescence during 2006 are as follows:

	Thousands of Euros
Balance at 1 January 2006	941
Allowance for the year	4,263
Recoveries for the year	(4,569)
Balance at 31 December 2006	635

The total cost of materials consumed in 2006 was as follows:

	Thousands of Euros
Raw and other materials consumed and goods for resale	
Net purchases	50,576
Change in stocks	(449)
	50,127

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

9. Debtors

Details at 31 December 2006 are as follows:

	Thousands of Euros
Trade debtors	19,070
Group companies	20,272
Sundry debtors	288
Personnel	12
Public entities	3,846
	43,488
Provisions for bad debts	(99)
	43,389

Details of balances receivable in foreign currencies are as follows:

	Thousands of Euros
Trade debtors	16,119
Group companies	9,553
	25,672

Debtor balances with public entities include the following:

	Thousands of Euros
Navarra Regional Government, VAT	152
Tax authorities, income tax (note 17)	363
Tax authorities, deductions pending application (note 17)	1,703
Tax authorities, loss carryforwards pending offset (note 17)	1,628
	3,846

Changes in the provision for bad debts during 2006 are as follows:

	Thousands of Euros
Balance at 1 January 2006	167
Allowance for the year	56
Recovery of balances	(100)
Balances written-off	(24)
Balance at 31 December 2006	99

10. Shareholders' Equity

Details of shareholders' equity and movement during the year ended 31 December 2006 are shown in Appendix II, which forms an integral part of this note.

(a) Share capital

At 31 December 2006 share capital is represented by 47,959,806 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.

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 2006 the Company was aware of the following shareholders who each hold an interest of above 5%:

Name	% interest
Bestinver Gestión SG IIC	8.64

(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 2006 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 assets by Euros 9,282,000 (see note 6). The resulting revaluation reserve, which comprises the revaluation of fixed assets, 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 2006 the Company holds 581,071 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.

Details of movement in own shares during 2006 is as follows:

	Number of shares	Thousands of Euros
Balance at 31 December 2005	76,102	367
Acquisitions	507,459	5,971
Disposals	(2,490)	(27)
Provisions made	-	(3,307)
Balance at 31 December 2006	581,071	3,004

(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 to shareholders at 31 December 2006.

11. Deferred Income

Details and movement within deferred income at 31 December 2006 are as follows:

	Thousands of Euros					
	31.12.05	Additions	Value adjustments	Transfer to profit	Sales	31.12.06
Capital grants	130	12	-	(39)	-	103
Grants for greenhouse gas emission rights	38	1,414	(1,068)	(334)	(38)	12
	168	1,426	(1,068)	(373)	(38)	115

Details of capital grants are as follows:

	Thousands of Euros
Original grants	
Received in prior years	2,229
During the year	12
	2,241
Income recognised	
At the beginning of the year	(2,099)
During the year	(39)
	(2,138)
	103

Grants for rights over emission of greenhouse gases comprise amounts pending use by the Company (see notes 4 (a), 4 (i) and 4 (o)).

12 Short and Long-Term Loans

Details at 31 December 2006 are as follows:

	Thousands of Euros	
	Long-term	Short-term
Credit facilities	4,213	18,612
Loans	5,746	6,293
Interest on loans	-	108
	9,959	25,013

Long-term maturities of loans at 31 December 2006 are as follows:

Maturity	Thousands of Euros
2008	8,359
2009	800
2010	800
	9,959

Loans and credit facilities bear interest at variable market rates.

The Company has credit and discount facilities with a total limit of Euros 41,818 thousand.

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 2006 the Company has contracted the following interest rate swap agreements:

	I.R.S. (Interest rate Swap)
Notional amount (thousands of Euros)	23,611
Date of contract	02.05.03
Inception date	06.05.03
Maturity date	30.06.08
Interest rate paid by the Company	3%
Interest rate received by the Company	Euribor 3 months

13. Other Long-Term Creditors

Details at 31 December 2006 are as follows:

	Thousands of Euros
Loans received	6,059
Short-term maturities (note 16)	(1,197)
	4,862

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 are guaranteed by financial entities (see note 23).

Long-term maturities are as follows:

	Thousands of Euros
2008	1,092
2009	1,069
2010	906
2011	569
Thereafter	1,226
	4,862

14 Balances and Transactions with Group Companies

Balances due to group companies at 31 December 2006 are expressed in Euros and the following currencies:

	In thousands of corresponding currency	Thousands of Euros
Euros	-	11,972
US Dollars	264	204
		12,176

Transactions carried out with group companies during the year ended 31 December 2006 are as follows:

	Thousands of Euros
Income	
Sales and services rendered	57,373
Dividends	12,377
Other operating income	37
Expenses	
Materials consumed	29,948
Other operating expenses	489

15 Trade Creditors

Trade creditors at 31 December 2006 comprise balances in respect of purchases or services rendered.

This balance includes approximately Euros 1,163,191 in US Dollars.

16 Other Creditors

Details at 31 December 2006 are as follows:

	Thousands of Euros
Public entities	2,252
Other debts	4,677
Salaries payable	1,990
	8,919

Details of balances due to public entities at 31 December 2006 are as follows:

	Thousands of Euros
VAT and personal income tax	21
Social security	697
Other items	317
German tax authorities, income tax (note 17)	1,217
	2,252

Details of other debts are as follows:

	Thousands of Euros
Purchases of fixed assets	797
Current portion of loans received (note 13)	1,197
Other creditors	2,683
	4,677

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	19,703
Permanent differences	
Dividends from subsidiaries	509
Provisions in subsidiaries	(4,308)
Tax exempt dividends	(12,292)
Other items	176
Taxable accounting income	3,788
Tax at 35%	1,326
Deductions	
Investment, research and development and job creation	(1,326)
Total income tax	-
Withholdings and payments on account	(363)
Income tax recoverable (note 15)	(363)

Tax exempt dividends reflect those received from the subsidiaries Gamex CB, S.r.o., Viscofan do Brasil and Naturin GmbH & Co, which are tax exempt.

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

	Thousands of Euros
Tax at 35%	1,326
Deductions pending application	
- Generated during the year	(1,146)
- Generated in prior years	(1,148)
Expense for Naturin Gmbh & Co (note 16)	1,217
Capitalisation of Naturin Gmbh & Co loss carryforwards	(1,628)
Other items	248
Income tax	(1,131)

During the year deductions of Euros 2,294,000 were capitalised under the standard and special tax deduction regimes of the Regional Government of Navarra, Euros 1,326,000 of which have been applied.

At 31 December 2006 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.

In accordance with German legislation, the Company pays part of the income tax of the German subsidiary Naturin Gmbh & Co. The Company has therefore estimated an expense of Euros 1,217,000 in this respect.

During 2006 the Company capitalised Euros 1,628,000, representing the part of the tax credits generated by its German subsidiary Naturin Gmbh & Co. applicable to the Company, considering that their future utilisation is reasonably assured (see note 9).

Details of deductions applicable in the short 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
2003	2013	172
2004	2014	1,273
2005	2015	19
2006	2016	239
		1,703
		(note 9)

The above amount relates entirely to credits pending application under the standard tax regime in Spain.

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 2006 the Company has open to inspection by the tax authorities all main applicable taxes since 1 January 2003 (1 January 2002 for income tax). The directors do not expect that significant additional liabilities would arise in the event of inspection.

18 Net Sales

The directors of the Company consider that the disclosure of a breakdown of net sales 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 2006 are shown in note 14.

19 Personnel Expenses

Details are as follows:

	Thousands of Euros
Wages and salaries	22,980
Social charges	5,998
	28,978

The average headcount, distributed by category, is as follows:

Management	12
Technicians and department heads	93
Administrative staff	35
Specialised personnel	100
Other employees	376
	616

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	395
Interest on short-term debt	908
Other financial expenses	14
	1,317

21. Transactions in Foreign Currency

Details for the year ended 31 December 2006 are as follows:

	Thousands of Euros
Income	
Sales	67,862
Expenses	
Purchases of raw and other materials consumed	7,925
Other operating expenses	2,359
Personnel expenses	112

22 Information Relating to the Directors

As foreseen in articles 27 and 30 of its bylaws, the board of directors of the Company receive remuneration equivalent to 1.5% of profit before tax, which amounted to Euros 304,683. In accordance with the same articles, the executive committee receive 1.5% of profit before tax amounting to Euros 304,683. 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.

Details of remuneration by director are as follows:

	Euros			
Name	Committee	Board	Other Group Companies Boards	Total
Mr. Jaime Echevarría Abona	101,561	38,086	111,988	251,635
Mr. José María Cuevas Salvador	101,561	38,086	-	139,647
Mr. Nestor Basterra Larroudé	101,561	38,086	55,994	195,641
Mr. Inigo Soláun Garteiz-Goxeascoa	-	38,085	-	38,085
Ms. Agatha Echevarría Canales	-	38,085	-	38,085
Mr. José Cruz Pérez Lapazarán	-	38,085	-	38,085
Mr. Gregorio Marañón Bertrán de Lis	-	38,085	-	38,085
Mr. Alejandro Legarda Zaragüeta	-	38,085	-	38,085
	304,683	304,683	167,982	777,348

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.

During 2006 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, management positions or functions in companies with statutory activities identical, similar or complementary to that of the Company, other than the following:

Name	Company	Position
Mr. Jaime Echevarría Abona	Naturin GMBH & Co KG	Chairman, Board of directors
	Naturin Limited	Chairman, Board of directors
	Gamex, CB, s.r.o.	Chairman, Board of directors
	Viscofan CZ	Chairman, Board of directors
	Viscofan USA Inc	Chairman, Board of directors
	Viscofan Poland Sp. Z.o.o.	Chairman, Board of directors
	Viscofan Centroamérica Comercial	Chairman, Board of directors
	Viscofan Canada, Inc	Chairman, Board of directors
	Teepak USA, LLC	Chairman, Board of directors
	Viscofan Do Brasil	Member, Consultative Council
	Teepak de Mexico, S. de R.L. de C.V.	Chairman, Board of directors
	Viscofan de México, S. de R.L. de C.V	Chairman, Board of directors
	Koteks Viscofan d.o.o.	Chairman, Board of directors
Mr. Nestor Basterra Larroudé	Naturin GMBH & Co KG	Director
	Viscofan USA Inc	Director

23 Guarantees, Commitments and Contingent Liabilities

a) At 31 December 2006 the Company had extended guarantees of approximately Euros 48,425,027 to Group companies. It has also extended bank guarantees of Euros 3,107,280, 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 21,317,000, Norwegian Crowns 1,503,914, Canadian Dollars 190,000, Japanese Yen 33,400,496, Pounds Sterling 75,000 and Polish Zlotys 2,724,000 for collections to be made in respect of sales in 2006.

24 Subsequent Events

On 30 January 2007, as agreed by the directors of the Company at their meeting held on 25 January 2007, a gross interim dividend of Euros 0.14 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 2006 profits, which considers own shares, is as follows:

	Thousands of Euros
Net profit of the Company for the year ended 31 December 2006	20,834
Less, mandatory appropriations to the legal and statutory reserves	-
Maximum distributable profits	20,834
Interim dividend agreed by directors of the Company (note 3)	6,625
Forecast cash and cash equivalents	
Cash and cash equivalents at 25 January 2007	223
Projected collections for one year	123,281
Projected payments for one year, including interim dividend	(123,362)
Projected cash balances at 25 January 2008	142

25 Source and Application of Funds

The statements of source and application of funds for the years ended 31 December 2006 and 2005 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 9,345,000 and Euros 4,393,000 respectively.

During 2006 the Company has incurred expenses for environmental protection and improvements amounting to approximately Euros 952,000.

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 services for the year ended 31 December 2006 amounting to Euros 79,001. These amounts include the total fees for 2006, irrespective of invoice date.

VISCOFAN, S.A.
Details of Direct Shareholdings in Group and Associated companies

31 December 2006
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Group companies	Percentage interest	Cost	Shareholders' equity		Activity	Registered offices
		Thousands of Euros	Currency	Amounts in thousands		
Industrias Alimentarias de Navarra, S.A.U.	100.00%	15,602	EUR	34,422	Manufacture and marketing of tinned vegetables	Villafranca (Navarra)
Naturin GmbH & Co. KG	100.00%	89,436	EUR	60,935	Manufacture and marketing of artificial casings	Weinheim (Germany)
Naturin Inc Delaware	100.00%	7,219	USD	1,007	Financial activity	Dover (USA)
Naturin Verwaltung, GmbH	100.00%	21	EUR	24	Financial activity	Weinheim (Germany)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	53,138	USD	67,763	Manufacture and marketing of artificial casings	Sao Paulo (Brazil)
Viscofan Poland Sp.z.o.o.	100.00%	447	PLN	2,002	Commercial activity	Krakaw (Poland)
Gamex CB Sro	100.00%	7,498	CZK	316,380	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofán USA Inc.	100.00%	34,729	USD	37,841	Manufacture and marketing of artificial casings	Montgomery (USA)
Naturin LTD	100.00%	1,841	GBP	2,055	Commercial activity	Seven Oaks (UK)
Viscofan CZ, S.r.o.	100.00%	10,503	CZK	398,923	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan de México S.R.L. de C.V.	99.99%	5,918	MXP	82,174	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan Centramérica Comercial, S.A.	99.50%	166	USD	209	Commercial activity	San José (Costa Rica)
Koteks Viscofan, d.o.o.	100.00%	11,311	CSD	552,241	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Viscofan de México Servicios, S.R.L. de C.V.	99.80%	3	MXP	50	Provision of services	San Luís de Potosí (Mexico)
		237,832				

VISCOFAN, S.A.
Details of Indirect Shareholding in Group Companies

31 December 2006
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Percentage interest	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. de C.V.	0.01%	Manufacture and marketing of artificial casings	San Luís de Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	0.20%	Provision of services	San Luís de Potosí (Mexico)
Teepak Holdings de México, S.R.L. de C.V.	100.00%	Holding company	Zacapu Michoacán (Mexico)
Teepak de México, S.R.L. de C.V.	100.00%	Manufacture and marketing of artificial casings	Zacapu Michoacán (Mexico)
Teepak Servicios de México, S.R.L. de C.V.	100.00%	Provision of services	Zacapu Michoacán (Mexico)
Zacapu Power, S.R.L. de C.V.	100.00%	Operation of co-generation plant	Zacapu Michoacán (Mexico)
Viscofan Canadá Inc.	100.00%	Commercial activity	Quebec (Canada)
Teepak USA, LLC	100.00%	Manufacture and marketing of artificial casings	Danville, Illinois (USA)
Viscofan Centroamérica Comercial, S.A.	0.50%	Commercial activity	San José (Costa Rica)

This Appendix forms an integral part of note 7 to the annual accounts for 2006, in conjunction with which it should be read.

Appendix II

VISCOFAN, S.A.

Detail and Movement in Shareholders' Equity
31 December 2006

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

			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 2005	14,388	54,654	2,935	367	25	119	114,896	8,990	34,309	230,683
Distribution of 2005 profit										
Voluntary reserves	-	-	-	-	-	-	30,577	-	(30,577)	-
Interim dividends and distribution of share premium	-	(5,248)	-	-	-	-	-	-	(3,732)	(8,980)
Release of revaluation reserve	-	-	-	-	-	-	-	(2)	-	(2)
Transfer to own share reserve										
Creation	-	-	-	5,971	-	-	(5,971)	-	-	-
Write-back	-	-	-	(27)	-	-	-	-	-	(27)
Provision for own shares	-	-	-	(3,307)	-	-	-	-	-	(3,307)
Profit for 2006	-	-	-	-	-	-	-	-	20,834	20,834
Balances at 31 December 2006	14,388	49,406	2,935	3,004	25	119	139,502	8,988	20,834	239,201

This Appendix forms an integral part of note 10 to the annual accounts for 2006, in conjunction with which it should be read.

Appendix III

VISCOFAN, S.A.

Source and Application of Funds
for the years ended 31 December 2006 and 2005
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Applications	2006	2005
Acquisitions of fixed assets		
Intangible assets	1,530	1,527
Tangible assets	3,853	5,077
Investments	2,004	9,327
Deferred expenses	1	3
Write-down of revaluation reserve on disposal of fixed assets	2	1
Share capital reduction	-	2,924
Dividends	8,980	8,654
Provision for own shares	3,307	339
Disposal of own shares	27	-
Cancellation or transfer to short term of long-term debt	4,403	8,015
Disposal or adjustment to the value of emission rights	1,106	-
Total applications	25,213	35,867
Increase in working capital	9,045	-
	34,258	35,867

Sources	2006	2005
Funds generated from operations		
Profit for the year	20,834	34,309
Amortisation and depreciation	8,525	10,245
Net profit on disposal of fixed assets	(11)	(2)
Changes in provisions for intangible assets	11	(276)
Changes in provisions for tangible assets	(72)	(72)
Changes in provisions for investments	458	(32,524)
Deferred income	(373)	(1,215)
	29,372	10,465
Long-term debt	1,178	4,401
Net capital grants received	12	6
Grants for emission rights	1,414	1,188
Disposal of fixed assets		
Intangible assets	2,257	-
Tangible assets	25	7
Investments	-	3,899
Total sources	4,886	19,966
Decrease in working capital	-	15,901
	34,258	35,867

Movement in working capital

	2006		2005	
	Increases	Decreases	Increases	Decreases
Stocks	510	-	1,049	-
Debtors	12,967	-	-	3,074
Current liabilities	-	8,064	-	13,311
Short-term investments	500	-	-	-
Own shares held in the short-term	2,637	-	117	-
Cash in hand and at banks	-	279	436	-
Prepayments	-	42	32	-
Provisions for liabilities and charges	816	-	-	1,150
	17,430	8,385	1,634	17,535
Movement in working capital	-	9,045	15,901	-
	17,430	17,430	17,535	17,535

This Appendix forms an integral part of note 25 to the annual accounts for 2006, in conjunction with which it should be read.

VISCOFAN, S.A.

Directors' Report
31 December 2006

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Business performance and situation of the Viscofan Group

Viscofan S.A. has made considerable progress in trade and operations in 2006. Sales have reached Euros 126.4 million, 15.4% up on the same period in the prior year.

Sales have benefited from a more rational competitive environment with a certain recovery following the slump in average prices of a number of products affecting the sector in recent years. Accordingly, the average price of cellulose and collagen casing has risen on the prior year which, together with increased volume of demand, have resulted in improved sales.

The recovery of sales and greater productivity during the year have mitigated the rise in energy costs in 2006, primarily due to the increase in the price of petrol, and better operating profits.

Operating profit has increased from Euros 1.8 million in 2005 to Euros 8.6 million this year due to a rise in sales volume, greater efficiency and a decrease in amortisation and depreciation charges.

Dividends received from Viscofan S.A. subsidiaries have generated net financial income of Euros 11.0 million in 2006 compared to Euros 3.6 million the previous year.

In 2006 the Group has recognised a net extraordinary expense of Euros 9 million, in contrast with the Euros 33.4 million net extraordinary income booked in 2005, due to the application of financial provisions of Euros 32.5 million that year.

Consequently, profit before income tax is down from Euros 38.8 million in 2005 to Euros 19.7 million in 2006 in spite of the aforementioned improvement in operating profit and net financial income.

The capitalisation of tax deductions has reduced income tax expense for the year by Euros 1.1 million compared to the Euros 4.5 million income tax expense in 2005.

Net profit is down from Euros 34.3 million to Euros 20.8 million in 2006 mainly because of the aforementioned application of investment provisions.

Important events

At 31 December 2005 the companies Teepak LLC (USA), Teepak Inc. (Canada), Teepak Holding de México S. de R.L. de C.V., were acquired and fully consolidated in the Viscofan Group with effect from 1 January 2006.

This acquisition has changed the sector, with Viscofan consolidating its leadership in the artificial casings market while incorporating fibrous casing production into the Group and thereby becoming the only producer of all types of artificial casings. This incorporation has also extended the number of factories in the US Dollar zone, which make Viscofan less vulnerable to future exchange rate fluctuations and allow it to regionalise production and markets, with consequent savings.

In May and September 2006 Viscofan S.A. signed the collective labour agreements for its Navarra (Spain) production centres which are applicable for the period from 2005 to 2009, both inclusive. These agreements maintain the 1,712-hour work period and establish salary increases of between 0.3 and 0.75 percentage points each year above the CPI increase.

Outlook for the Company

Improved competitiveness in the artificial casings market and consolidation of Viscofan's leadership leave the Group in a very favourable position to capture market growth whilst continuing to implement measures aimed at improving its efficiency and therefore profitability.

In order to maximise economies of scale of the Viscofan Group, during the coming year, distribution of the cellulose casing production of Viscofan S.A. will be aimed at providing services mainly to customers in Europe, Asia and Africa.

This new distribution of production and sales will affect the Company's activity and require additional effort from Viscofan personnel.

Furthermore, the installation of new co-generation plants has been started in 2007, which will increase the energy capacity of Viscofan and at the same time replace old co-generation plants, which have been fully depreciated, and contribute to the improvement in the environmental impact of the production process.

Main Group investments and research and development activities

During the year Viscofan S.A. has made investments of approximately €3.9 million essentially on improving Company efficiency and performance and environmental protection.

Through its R&D department in Navarra, Viscofan S.A.'s research and development activities are focussed on a drive for greater production efficiency and the creation of new products in the meat-processing sector in which the Company operates.

In the field of research and development the Company has obtained important institutional support both from the Regional Government of Navarra and the Spanish Ministry if Industry (CDTI).

Patents are applied for where considered relevant by technicians and experts.

Acquisition of treasury shares

At their annual general meeting the shareholders agreed to acquire treasury shares in 2006, which were acquired in 2007.

Risk management

Due to the globalisation of its sales, the Group carries out a number of transactions in currencies other than Euros. General group policy is to hedge against these companies' commercial transaction risks by contracting exchange rate insurance to cover the collection period of the Group's product sales. Long-term insurance is not contracted.

No exchange hedges are contracted to cover Parent company investments in subsidiaries which operate with other currencies or profits contributed by these companies. The Group has shown that it is capable of competing in competitive price markets and therefore does not consider this to be a factor of risk, albeit a determining factor in sales profitability.

The Group's level of leverage and the amounts drawn down on its credit facilities lead us to believe that the Company will be able to meet its financial needs.

The Parent company has contracted several interest rate swap operations to mitigate the risks of exposure to interest rate fluctuations.

Operations with the board of directors or persons acting on their behalf, carried out during 2005, 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.

In 2006 the directors have not participated in any operations other than the ordinary activity of the Company or Group companies or carried out in abnormal market conditions.

Subsequent events

At the meeting held on 25 January 2007, the board of directors of Viscofan agreed to distribute a dividend on account of profit for 2006 for a gross amount of Euros 0.14 per share for all of the shares comprising the share capital of the Parent Company, representing a rise of 79.5% compared to the dividend on account of the 2005 profit distributed the prior year. The aforementioned dividend was paid on 30 January 2007.

VISCOFAN, S.A.

31 December 2006

ANEXO CUENTAS ANUALES

DILIGENCIA: Para hacer constar por el Secretario del Consejo de Administración D. Juan Mª Zuza Lanz, que el Consejo de Administración en la sesión del 29 de marzo de 2007 ha formulado las cuentas anuales del ejercicio anual terminado en 31 de diciembre de 2006 constando en todas las hojas la firma del que suscribe a efectos de identificación, las cuales vienen constituidas por los documentos anexos que preceden a este escrito y que se detallan a continuación:

Balance de situación: 1 hoja
Cuenta pérdidas y ganancias: 1 hoja
Memoria: en 28 páginas, numeradas correlativamente del 1 al 28, inclusive y 3 Anexos.

D. Jaime Echevarría Abona

D. Jose María Cuevas Salvador

D. Nestor Basterra Larroudé

D. Iñigo de Solaun Garteiz-Goxeascoa

Dª. Agatha Echevarría Canales

D. José Cruz Pérez Lapazarán

D. Gregorio Marañón Bertrán de Lis

D. Alejandro Legarda Zaragüeta

Secretario del Consejo de Administración
D. Juan Mª Zuza Lanz

ANEXO INFORME DE GESTION

VISCOFAN, S.A.

DILIGENCIA: Para hacer constar por el Secretario del Consejo de Administración D. Juan Mª Zuza Lanz, que el Consejo de Administración en la sesión de 29 de marzo de 2007 ha formulado el Informe de Gestión de 2006, constando en todas las hojas la firma del que suscribe a efectos de identificación, todo ello en 4 folios de papel común números correlativos del 1 al 4.

A continuación, los miembros del Consejo de Administración de la sociedad firman el citado documento rubricando el presente folio que queda incorporado como anexo al Informe de Gestión de la Sociedad correspondiente al ejercicio 2006.

D. Jaime Echevarría Abona

D. Jose María Cuevas Salvador

D. Nestor Basterra Larroudé

D. Iñigo de Solaun Garteiz-Goxeascoa

Dª. Agatha Echevarría Canales

D. José Cruz Pérez Lapazarán

D. Gregorio Marañón Bertrán de Lis

D. Alejandro Legarda Zaragüeta

Secretario del Consejo de Administración
D. Juan Mª Zuza Lanz