



ANNUAL REPORT

2003
BEST Agrifund

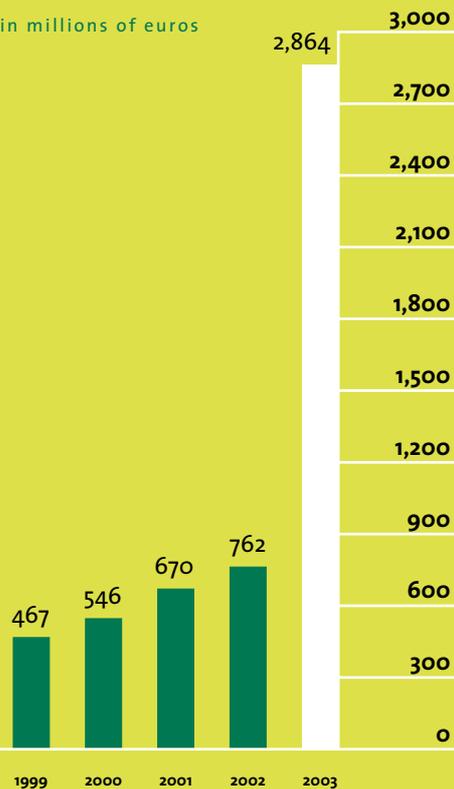


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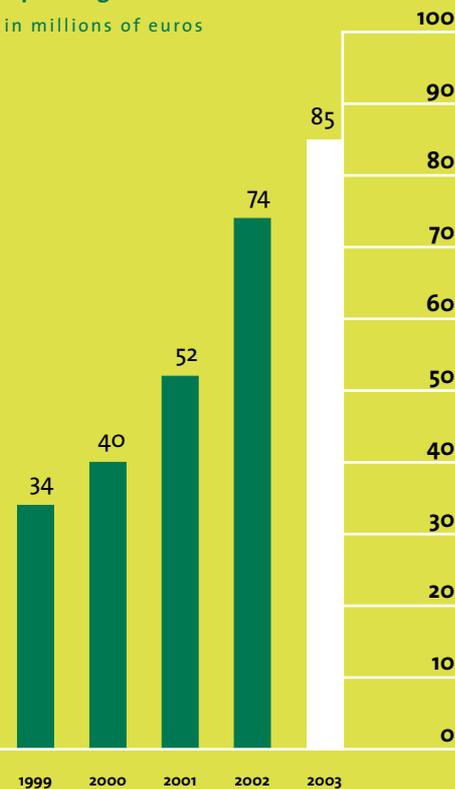
Turnover

in millions of euros



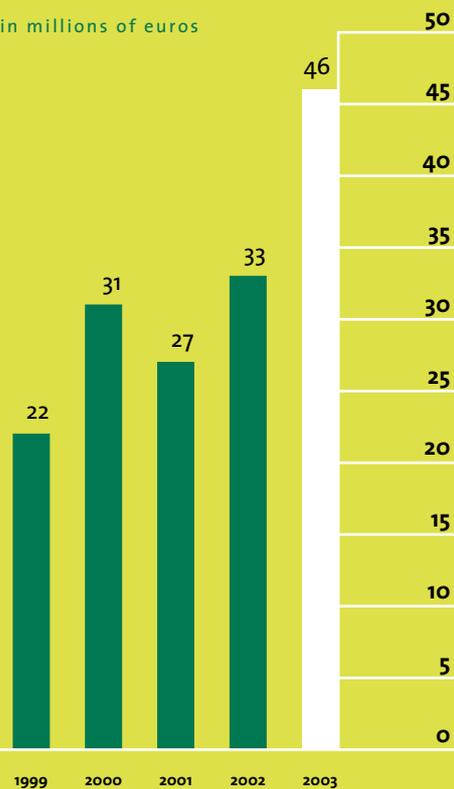
Operating result

in millions of euros

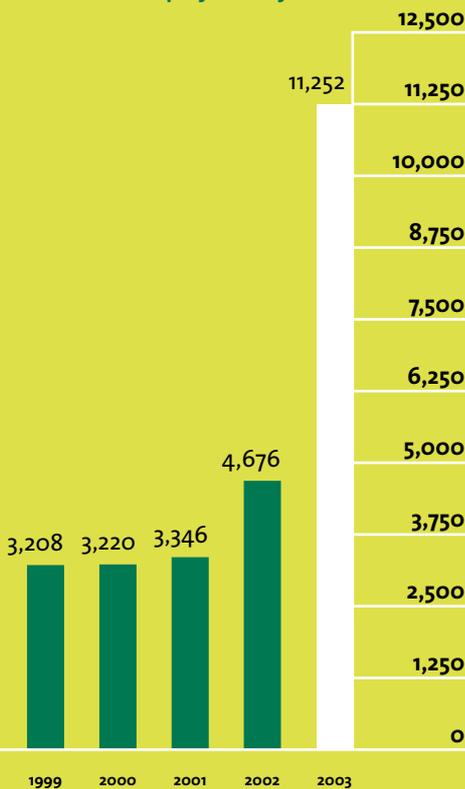


Result after taxes

in millions of euros



Number of employees at year end



Consolidated key figures

	2003 ⁵⁾	2002	2001	2000	1999
RESULT					
Turnover	2,864	762	670	546	467
Personnel costs	408	186	162	137	121
Added-value	985	532	441	370	309
Operating result	85	74	52	40	34
Result after taxes	46	33	27	31	22
CASH FLOW					
EBITDA	171	86	93	78	59
Cashflow	132	86	67	68	47
Investments in intangible fixed assets	23	108	24	1	0
Investments in tangible fixed assets	66	52	53	48	44
Acquisitions	166				
Depreciation	86	53	41	37	25
BALANCE SHEET					
Group equity	562	401	254	226	204
Total balance sheet capital	1,707	871	782	523	519
Net capital employed ¹⁾	926	517	386	333	304
Net liabilities ²⁾	401	158	145	135	128
RATIOS					
Added-value as a % of turnover	34%	70%	66%	68%	66%
Personnel costs as a % of turnover	14%	24%	24%	25%	26%
Operating result as a % of added-value	9%	14%	12%	11%	11%
Operating result as a % of turnover	3%	10%	8%	7%	7%
Result after taxes as a % of turnover	2%	4%	4%	6%	5%
Result after taxes as a % of average group equity	9.6%	10.6%	11.0%	16.0%	13.0%
Return on capital employed (ROCE)	11.8%	15.0%	14.5%	12.6%	11.9%
Solvency (group equity / total capital) ³⁾	36%	51%	44%	43%	39%
Turnover time average capital employed	4.0	1.8	1.9	1.7	1.6
Net debt / EBITDA	2.3	1.8	1.6	1.7	2.2
EBITDA / interest (= interest cover)	6.8	5.8	13.2	6.1	8.9
KEY DATA PER SHARE⁴⁾					
Dividend	174.00				
Shareholders' equity	8,574	7,518			
Profit per share	662	598			
OTHER KEY DATA					
Number of issued shares ⁴⁾	58,369	50,430			
Number of employees at year end	11,252	4,676	3,346	3,220	3,208
Average number of employees	8,610	4,739	3,233	3,160	3,229

The figures for 2002 and previous years are for Sobel N.V. BEST Agrifund N.V. is the actual continuation of this group of companies.

¹⁾ Total assets less cash and cash equivalents, financial fixed assets and non-interest bearing liabilities.

²⁾ Long-term liabilities and current interest bearing liabilities less liquid assets.

³⁾ Adjusted for cash and cash equivalents.

⁴⁾ Some data related to BEST Agrifund N.V. are stated; the remaining data is not relevant.

⁵⁾ As explained elsewhere in this annual report Moksels has been consolidated since 1 April and Dumeco since 1 July 2003.

BEST Agrifund N.V.



A.M.M. Lammers



D. van Doorn

Bestmeat Company B.V.



U.C. Tillmann



G.A. Janssen

Sobel N.V.



D. Kloosterboer



P.M.J. Beckers



Foreword by the Chairman of the Executive Board

This is the first, and possibly the last, annual report presented under the name BEST Agrifund N.V. At the time of writing this annual report, preparations for a name change are progressing at full speed. The name BEST Agrifund was created very quickly as speed was vital to the success of the strategic steps taken in 2003. Originally the idea that led to the name was the creation of an agricultural-strategic fund in order to achieve far reaching investments in the market. But, the word 'fund' implies that we observe our companies from a distance as investors. Everyone who has come to know us knows all too well that nothing could be further from the truth. Developing a strategy on the basis of changed conditions and then carrying it through is in our blood and will remain there. Which is why we are looking for a new name that reflects far more accurately what we actually are.

The major step we have taken to acquire a leading position in the supply of fresh and frozen meat in Western Europe could only be achieved successfully due to two fundamental factors. Firstly, BEST Agrifund was in a unique position of having a strategic majority shareholder. On the one hand this shareholder's aim, from its own perspective, is the long-term continuity of the company which is, therefore, in a position to develop further on the basis of a firm commitment. On the other hand this engenders a sustainable relationship with the agricultural world which, as far as the supply of raw materials is concerned, is crucial for the company's activities. This creates a natural, mutual dependency with the primary sector. Supply and demand, linked to the market. Having a strategic shareholder also allows the management to concentrate on optimising the operating activities with a clear focus on the

market without having to expend a great deal of time and energy on communicating with groups of anonymous shareholders who are often only concerned with their own short-term interests.

The second fundamental factor is our staff. A company cannot survive without excellent managers and staff and BEST Agrifund N.V. has these people. The philosophy that responsibility should rest as far down the company as possible means that our managers and staff are used to taking decisions. And, because they see the effects of these decisions immediately, their involvement with the company is considerable and their productivity is accordingly high. Our people are our greatest asset. And, over the past twenty years, this fundamental asset has enabled the company to develop into a robust, reliable, financially powerful international company. Without this development we would not have been able to take the major step to meat related activities.

Ton Lammers and the undersigned have been privileged to be able to lead this process and we will continue our efforts to further substantiate our long-term relationship with our stakeholders, and especially our customers, suppliers and shareholders. We are proud of our managers and staff who are also given every opportunity to further these aims each within his or her own scope.

Best, 25 March 2004

Daan van Doorn
Chairman, Executive Board

Organisation chart

Bestmeat



Sobel

Natural Organic Products



Gelatin Products



Healthcare Products



Profile

BEST Agrifund N.V. is an internationally operating concern with its roots in the agricultural sector. Since the 1930s the company has been active in the field of high-value foodstuffs and healthcare products for humans and animals. BEST Agrifund is the holding company of Bestmeat Company B.V. and Sobel N.V. BEST Agrifund is characterised by its small, professional holding company, which develops the strategy and creates the peripheral conditions that enable the optimum operation of the Bestmeat and Sobel divisions. The exchange of knowledge and skills is one way in which synergy between and within these divisions is created.

The activities are divided into:

- **Bestmeat** ('Food Products'): the development, manufacture and marketing of high-value foodstuffs which originate in the agricultural sector.
- **Sobel** ('Ingredients & Healthcare Products'): the development, manufacture and marketing of healthcare, food and technical application products based on natural raw materials.

The Bestmeat division, which comprises A. Moxsel A.G., Dumeco B.V. and CG Nordfleisch A.G., focuses primarily on the trade in and processing of meat and meat products which are supplied to supermarkets and industrial clients in the form of fresh and deep-frozen meat. Bestmeat also manufactures a wide range of convenience foods. Although the primary focus of Bestmeat's activities is the European market, its import and export activities on the global market are also of great strategic importance. In terms of size Bestmeat is the second largest player in the meat branch in Europe.

The Sobel division, which comprises Natural Organic Products, Gelatine Products and Healthcare Products, concentrates on the processing of slaughter by-products for application in several industries including food and pharmaceuticals. This division also processes risky animal material, which may no longer be used in the food chain, into raw materials for the energy sector in an environmentally-friendly manner. Sobel is active in high-value end markets with its unique gelatine, softgels and Soflets® products. Sobel is a leading player in all sectors.

The strategy of BEST Agrifund is aimed at ensuring that both Bestmeat and Sobel occupy leading positions in the markets in which they are active. By continuously seeking creative and unique industrial solutions new roads are opened and boundaries expanded. The role of the autonomous divisions and the philosophy that decisions should be taken as far down the organisation as possible contribute towards market-responsive business operations. BEST Agrifund's goal is to achieve an optimum balance between economic and social interests as well as the interests of its staff. As a result, BEST Agrifund offers clearly focussed sustainable and return-oriented future prospects for all the company's stakeholders.

With a total of around 14,000 staff and an anticipated 2004 turnover of € 6 billion, BEST Agrifund is one of the twenty largest companies in the Netherlands and the largest agricultural company. The company is not listed on the stock exchange and all the shareholders have an agricultural background. The company's headquarters are in Best, the Netherlands.

Personal information

(as at 1 April 2004)

EXECUTIVE BOARD

D. (Daan) van Doorn (55)

Chairman

A.M.M. (Ton) Lammers (56)

Vice-chairman

CORPORATE STAFF

R.A. (Ronald) Bobbe (40)

Director Corporate Finance, Audit and Control

C.W.D. (Cees) Bom (45)

Director Internal and General Affairs

DIVISIONS

Bestmeat Company B.V.

U.C. (Uwe) Tillmann (44)

Chairman Executive Board

G.A. (Geert) Janssen (60)

Vice-chairman Executive Board

H.J.A. (Harald) van Boxtel (35)

Financial Director

Sobel N.V.

D. (Dirk) Kloosterboer (49)

Chairman Executive Board

P.M.J. (Peter) Beckers (48)

Vice-chairman Executive Board

R.L.J.C. (Ronald) Snepvangers (34)

Chief Financial Officer

CORPORATE SOCIAL ADVISORY COUNCIL

A. Dijkhuizen

K. Grünert

J. Staman

M. Tielen

SCIENTIFIC ADVISORY COUNCIL

HEALTHCARE PRODUCTS

D.D. Breimer

K. Wiedhaup

M.A.H.M. Wiegerinck

SUPERVISORY BOARD

A.J.A.M. Vermeer (54, Dutch nationality),
Chairman

Resigns in accordance with the roster in 2005.

Chairman Zuidelijke Land- en Tuinbouworganisatie ZLTO (Southern Agriculture and Horticulture Organisation), Vice-chairman of the Supervisory Board of Rabobank Nederland, Vice-chairman Stichtingsbestuur Hogere Agrarische School Den Bosch.

J.A.J. Vink (56, Dutch nationality),

Vice-chairman

Resigns in accordance with the roster in 2006.

Chairman of the Board of Management CSM N.V., Member of the Supervisory Board of Wegener N.V., Member of the Supervisory Board of Nedalco B.V., Member of the Advisory Board of ABN-AMRO Bank N.V., Member of the Advisory Council of Wageningen University and Research Centre.

A.J.M. van Hoof (49, Dutch nationality)

Resigns in accordance with the roster in 2007.

Agricultural Entrepreneur, Member of the Board of Zuidelijke Land- en Tuinbouworganisatie ZLTO (Southern Agriculture and Horticulture Organisation).

G.J.P. van Oosten (46, Dutch nationality)

Resigns in accordance with the roster in 2006.

General Manager of Zuidelijke Land- en Tuinbouworganisatie ZLTO, Chairman Stichting Agro Keten Kennis.

J.M. Verhoeven (43, Dutch nationality)

Resigns in accordance with the roster in 2007.

Agricultural Entrepreneur. Member of the Board of Zuidelijke Land- en Tuinbouworganisatie ZLTO (Southern Agriculture and Horticulture Organisation).

H. Visser (59, Dutch nationality)

Resigns in accordance with the roster in 2005.

Until 2003 Member of the Executive Board of NUON N.V., Chairman of the Supervisory Board of Bever Holding N.V., Chairman of the Supervisory Board of Royal Huisman Shipyards B.V., Member of the Supervisory Board of Friesland Bank N.V., Member of the Board of AGCO Corporation, Member of the Board Stichting Preferente Aandelen OPG N.V.

Report of the Supervisory Board to the Shareholders

We are pleased to submit to you the 2003 Annual Report prepared by the Executive Board as well as the financial statements for 2003. After examining the report of BDO Accountants, which includes a positive auditor's opinion, the Supervisory Board has endorsed the financial statements. The Supervisory Board recommends that the General Meeting of Shareholders accordingly approves the financial statements as well as the Executive Board's dividend proposal.

COMPOSITION OF THE SUPERVISORY BOARD

All the Supervisory Board members were appointed by the General Meeting of Shareholders on 21 May 2003. Until 21 May 2003 Messrs. Vermeer, Vink, Visser and Van Oosten were members of the Supervisory Board of Sobel N.V. and were appointed as members of the Supervisory Board of BEST Agrifund N.V. Messrs. IJsebaert, Oomen and Troch took this opportunity to resign from the Supervisory Board of Sobel N.V. Messrs. Van Hoof and Verhoeven were appointed as new members of the Supervisory Board of BEST Agrifund. A further vacancy will be filled during the 2004 General Meeting of Shareholders. The profile sketch was the guideline for all appointments.

THE SUPERVISORY BOARD'S TASKS

The Supervisory Board is charged with supervising the company's general business progress and the Executive Board's management and advising the Executive Board. In the past year there were five plenary meetings of the Supervisory Board in its new form and two meetings not attended by the Executive Board. In addition, the Audit Committee and the Remuneration Committee each met once. During the Supervisory Board meetings the reorientation and implementation of BEST Agrifund's strategy was discussed in depth.

Particular attention was devoted to the acquisition of A. Moksel A.G., Dumeco B.V. and CG Nordfleisch A.G. in which context the financial structure and operating risks of BEST Agrifund were assessed and discussed. Other topics discussed during each Supervisory Board meeting were the general business progress of Bestmeat and Sobel and the financial development and risk management of BEST Agrifund.

During the past year both the staff who were already part of the group and the staff of companies which joined BEST Agrifund during the year worked extremely hard. The Supervisory Board would like to compliment the Executive Board and all the staff for their efforts and the results they achieved. The major strategic steps taken by BEST Agrifund during 2003 were made possible in part by their contribution.

Best, 25 March 2004

On behalf of the Supervisory Board,

A.J.A.M. Vermeer
Chairman



2003 Report of the Executive Board

MAJOR DEVELOPMENTS IN 2003

2003 was a very important year. The founding of BEST Agrifund N.V. set in motion the strategy developed over the foregoing years. BEST Agrifund offers clearly-focussed sustainable and return-oriented prospects for all the company's stakeholders.

Over the past years Sobel N.V., which now forms one of the two pillars of BEST Agrifund, gradually came to the conclusion that achieving further substantial growth in the processing of slaughter by-products, the manufacture of gelatine and the production of capsules for the pharmaceutical industry would be difficult. To develop new growth prospects, a second pillar alongside Sobel and under a joint holding company would have to be established. The sale in 2002 of the Sidmak medicines manufacturer helped make the (financial) implementation of the strategy possible. The processing of meat

into pre-packed meat products for supermarkets and the processing of meat into ready-to-eat meals was identified as the second pillar. In early 2003 the first step was taken with the acquisition of around 85% of A. Moxsel A.G. This company, which is listed on the German stock exchange, occupies a leading position in the meat industry particularly in Southern Germany. Then, in the spring of 2003, Dumeco B.V. – the largest meat processor in the Netherlands – was acquired. This transaction was based primarily on a share swap. Finally, at the end of 2003, the forthcoming acquisition of CG Nordfleisch A.G. – a major player especially in Northern Germany – was announced. This transaction was finalised as of 19 March 2004 after the receipt, on the same day, of the approval of the European monopolies authorities. Moxsel, Dumeco and Nordfleisch have been clustered into Bestmeat Company B.V., which is now the second pillar of BEST Agrifund.

Convenience food from Bestmeat.





BEST Agrifund profitable in first year of operations

In operational, financial and management terms Sobel and Bestmeat are entirely separate. This structure offers the best guarantee that Sobel and Bestmeat can develop autonomously while, at the same time, achieving clear synergy advantages under BEST Agrifund. Some of these synergy advantages will already become apparent in 2004. The full benefits of all the synergy advantages will be achieved in the ensuing years.

STRATEGY

BEST Agrifund's strategy is aimed at both Sobel and Bestmeat attaining a number one or number two position in the markets in which they are active.

Bestmeat The integration of Moksel, Dumeco and Nordfleisch has given Bestmeat a leading position in the European market for fresh and deep-frozen quality meat and convenience foods. Bestmeat's customers are the large supermarket chains and the meat processing industry. Bestmeat is well positioned within the Berlin-Paris-London geographical triangle – a market area containing over 200 million consumers. The company also has good contacts with meat exporting countries such as Brazil, Argentina and New-Zealand and a historical export position with several countries including Russia and Japan. This provides an excellent starting position from which to implement Bestmeat's strategy and, in the coming years, the company will concentrate on improving the efficiency of the livestock to consumer meat chain with considerable emphasis on food safety, animal welfare and overall quality. In 2003 Bestmeat grew exponentially. Nevertheless the company will continue to expand, both organically and



Ingredients production at Sonac.

through acquisitions, in the markets in which it is active. For the time being, however, the emphasis is on streamlining the activities within Bestmeat. To this end the maximum possible cost savings will be achieved, for example through the joint utilisation of human resources and means, and advantage will be taken of the synergy benefits.

Sobel is the leading player in its market segments in terms of both technology and market share.

- The subsidiary companies of Natural Organic Products (NOP), Sonac and Rendac occupy a leading position in the market for slaughter by-product processing and in the market for the disposal of animal residue and cadavers in the Netherlands and Belgium. This position stretches to cover a large part of Europe through the participating interest in SNP ($\pm 45\%$) in Germany and, therefore, indirectly in several eastern European countries.
- In the gelatine segment the subsidiary company Rousselot occupies strong positions in the markets for gelatine applications in the food, photographic and pharmaceutical industries.
- As far as pharmaceutical applications of gelatine are concerned the subsidiary company Banner is a world-class player with strong positions in the development, production and sale of soft capsules (softgels) and gelatine coated tablets (Soflets®) of, for example, vitamins, minerals and supplements (VMS), over the counter (OTC) medicines and prescription medicines (Rx).

Sobel is striving to gradually strengthen and expand its positions in the various markets.

FINANCIAL TARGETS

The company strives for a return on shareholders' equity of over 10%. This, plus a long-term view that takes the desired financing structure and adjustments for foreign currency exchange risks into account, is one of the criteria on which investment decisions are based.

The criteria governing the management of the group companies are:

- return on capital employed (ROCE): EBITA expressed as a percentage of the capital employed including goodwill paid;
- added-value expressed as a percentage of turnover with specific targets per group company and market (segments);
- return on turnover (ROS): EBITA expressed as a percentage of net turnover.

For the coming years the target is a return on capital employed of approximately 15%. Deviations from this figure are possible depending on, for example, the stage of life of particular markets. The added-value target is 27 to 28% of turnover and the ultimate return on turnover for the company as a whole must be around 4%. Although these percentages were higher in the year under review they will drop as the share in the food sector increases.

FINANCIAL REPORT

As 2003 is the first year for which financial statements have been drawn-up for BEST Agrifund, comparison with previous years is practically not possible. What is relevant for BEST Agrifund's results is the added-value: the difference between the sales price of products supplied by BEST Agrifund's results and the purchase price of the raw materials. The added-value of the group as a whole amounted to € 985 million (34%) on a turnover of € 2,864 million of which € 2,192 million was achieved by Bestmeat and € 674 million (2002: € 762 million) was generated by Sobel. The drop in Sobel turnover was due to the dollar exchange rate being lower than in 2002. This drop was the result of, on the one hand, conversion differences of companies active in the United States and, on the other hand, the fact that

Food safety at Bestmeat.



the pricing of a number of end products is dollar-related, which meant lower euro revenues. The total dollar effect on Sobel's turnover amounted to approximately € 30 million or 4.5%. The remainder was the result of lower volumes due to a reduction in the supply of raw materials.

In 2003 operating costs (including the amortisation of goodwill) amounted to € 900 million. This led to a group operating result of € 85 million. In 2003 Bestmeat achieved an operating result of € 36 million and Sobel € 58 million (2002: € 77 million). The remaining € 9 million negative was related to provisions for the anticipated incidental devaluation of certain assets as well as holding company costs. The result, after deducting interest charges (€ 25 million) and taxes (€ 17 million), was € 46 million. Compared with 2002 the group result improved by over € 13 million or 40%. The operating result (ROS) amounted to 1.6% of turnover for Bestmeat and 8.3% for Sobel (2002: 10.0%). The ROS of Bestmeat was lower in the first half of 2003 due to developments in the meat sector at that time and, in particular, the discrepancy between the prices for slaughter livestock and meat. In the third and fourth quarters of 2003 the price for slaughter livestock recovered and could also be translated into higher meat prices. To enable the investments necessary in the branch to be made Bestmeat's ROS must, in time, increase to at least 3%. Sobel's lower ROS was caused primarily by the lower dollar exchange rate and a lower margin on the gelatine products. The prices of the gelatine end product are quoted in dollars whereas the majority of the raw materials prices are fixed in euros. Overall the dollar's influence

on the operating result amounted to € 6 million, or around 10%. The remaining drop in operating result was due to worsening market conditions, especially for VMS products.

After deducting third party interests in the result (€ 7 million) a net profit of nearly € 39 million remained – an improvement of over € 9 million, or roughly 30%, compared with 2002.

■ Solvency/profitability/return

At the end of 2003 shareholders' equity amounted to € 562 million compared with € 401 million at the end of 2002. Taking cash and cash equivalents into account, solvency was 36%. The company strives for a solvency of at least 30%. As long as the financing of Bestmeat and Sobel is separated at a divisional level, however, a lower percentage at holding company level will suffice.

In 2003 the return on average shareholders' equity (ROE) was 9.6%. In the light of the far from ideal market conditions in the meat sector in the early part of the year this is a satisfactory return.

The company considers the return on capital employed (ROCE) to be an important management mechanism. In 2003 the ROCE was 12.6% for Sobel and 13.1% for Bestmeat, calculated on an annual basis (return in the second half of the year is always higher than in the first half of the year).



Gelatine from Rousselot used for cosmetic applications.

🔗 Financing

The two companies in the Bestmeat group (Moksel and Dumeco) and Sobel are financed entirely separately with loan capital, without obligations in either direction and without guarantees from BEST Agrifund. BEST Agrifund's role related to Bestmeat and Sobel is purely that of a shareholder.

The agreements with the loan capital providers related to Moksel and Sobel have always been fully adhered to. In the case of Dumeco a temporary deviation from the financing conditions in order to make a reorganisation possible was agreed. Currently a new agreement for the future financing of this company is being discussed.

Thanks to stringent control of operating capital, a restrictive investment policy and a share issue, around € 60 million of the net outstanding financial liability could be repaid during the year under review. On 31 December 2003, interest-bearing liabilities less investments and cash and cash equivalents amounted to a total of € 401 million.

ORGANISATION AND PERSONNEL

BEST Agrifund's management structure and style are characterised by a small but professional strategically-oriented and keenly focussed head office. Despite a close involvement with the sub-holdings, there is a clear 'hands off' approach as far as operational activities are concerned. Delegation is the rule of the day when it comes to responsibilities and authorities. Lines of communication are short, openness and transparency are intrinsic to the company's informal culture and unconventional paths may be taken in order to stimulate future innovative developments. By contrast, BEST Agrifund's financial and operational control systems are extremely strict.

Well trained and motivated staff are a critical success factor for BEST Agrifund. The company considers its staff to be its most important asset and this is reflected in BEST Agrifund's core values: enterprise and personal responsibility with a culture that takes all stakeholders into account rather than just the shareholders. This leads to socially responsible business practices whereby food safety is the key to success. Programmes aimed at increasing the exchangeability of managers between the business units and at attracting and retaining competent managers for the group will be developed at group level. These programmes will supplement the programmes already being implemented by the individual business units.

On 31 December 2003 BEST Agrifund employed 11,252 staff: 4,191 in the Netherlands and 7,061 in other countries. The increase of 6,576 compared with the previous year was mainly due to the acquisition of the Bestmeat companies. Most of the staff outside the Netherlands (1,844) work in Germany. In addition, an average of 1,800 external staff were involved in business operations.

Healthcare products from Banner.



RISK MANAGEMENT

General

BEST Agrifund is a young company which, due to dynamic market developments, is undergoing a clear transformation process. It does, however, have an extremely transparent (management) structure with a clear organisational focus and strategy, very strict financial control and committed shareholders. In addition, in operational, financial and management terms BEST Agrifund's sub-holdings - Bestmeat and Sobel – are totally separate from each other and from the holding. This structure, plus a solid financial foundation, means risks can be managed extremely well and opportunities can be acted upon.

As an internationally-operating company BEST Agrifund is vulnerable to various risks, which must be limited as far as possible. This is achieved by both implementing and complying with (quality) programmes aimed at pro-actively managing risks and by (centrally) insuring against those risks for which insurance with reasonable conditions is available in the market, such as fire, property damage and liability.

Operational

In the operational area proper quality systems must ensure that products that reach the consumer meet the highest possible standards. This applies to both Bestmeat's products (meat and meat products) and Sobel's products (including gelatine and capsules for drugs). As far as the so-called Category I and II materials and carcasses are concerned, totally separate processing guarantees that such products never

enter the food chain. In addition, considerable efforts are made to ensure the working areas are made as safe as possible for the staff.

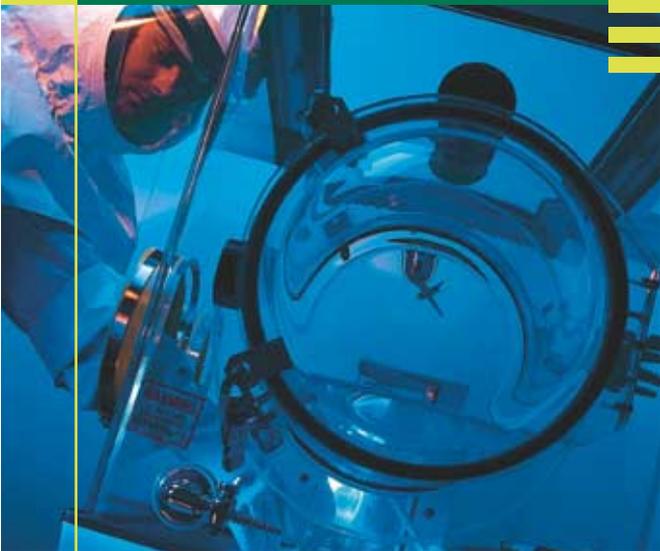
The risks over which less influence can be exerted and for which the consequences are more difficult to quantify are related to the supply side. For Bestmeat this means (live) pigs and cattle and for Sobel raw materials from the livestock sector. Both divisions face the same risk: a disruption of the supply, for example due to certain livestock diseases, can have a significant effect on business operations and results. Although these risks are, to some degree, limited by the preference for obtaining raw materials from well-known and reputable suppliers, these suppliers can also be affected by animal diseases in their branch.

Financial

Financial risks are spread due to the fact that BEST Agrifund N.V., as the holding company of Bestmeat and Sobel, is solely a shareholder and does not provide any loan capital. The companies which form part of Bestmeat Company and Sobel have their own, separate, financial contacts with banks with no inter-related guarantees and with no guarantees from BEST Agrifund.



Gelatine as a raw material in the production of matches.



Research at Banner.

As far as currencies are concerned, the major currency for BEST Agrifund, besides the euro, is the US dollar. Exchange rate fluctuations are absorbed to a certain extent because some dollar expenses can be paid for from dollar revenues. It is also a policy that, whenever possible, large transactions in foreign currencies are hedged.

CORPORATE GOVERNANCE

BEST Agrifund is a 'closed' public limited liability company. This means it is not possible for shares to be transferred and/or issued without the approval of the existing shareholders. BEST Agrifund is managed by an Executive Board under the supervision of a Supervisory Board. Certain major decisions by the Executive Board are subject to the prior approval of the Supervisory Board. The Supervisory Board and Executive Board focus continuously on the interests of BEST Agrifund and its associated companies with continuity being the guiding principal. As far as social issues are concerned, including socially responsible business practices, animal welfare and food safety, a Corporate Social Advisory Council has been established to advise the Executive Board.

The majority shareholder also sets great store by good Corporate Governance. In the interests of the company's continuity the majority shareholder's management and economic interests in BEST Agrifund have been separated. The shares have been assigned to a trust with its own management level.

Both the Supervisory Board and the Executive Board are appointed by the General Meeting of Shareholders on the basis of a binding recommendation by the Supervisory Board. This recommendation can be overruled by a majority of two thirds of the votes of a General Meeting of Shareholders at which at least half of the number of issued shares are represented.

Employee participation takes place at a decentralised level. Sobel Nederland B.V. has a Workers Council which handles topics for which participation is relevant. Bestmeat Company in the Netherlands has a Central Workers Council at the Dumeco level. In Germany employees participate in the companies concerned in accordance with the system applicable in Germany.

Although BEST Agrifund is not listed on the stock exchange both the Supervisory Board and the Executive Board wish to concur with the principals for proper business management and best practices formulated by the Tabaksblat Commission. During the current year the Supervisory Board and Executive Board will exchange views regarding this issue based on the specific identity of the company.

DIVIDEND PROPOSAL

The Executive Board proposes that a dividend of € 174 per share be paid out of the available profit over 2003 (€ 38.6 million).

On 31 December 2003 58,369 shares had been issued. This means that, assuming the financial statements are approved by the General Meeting of Shareholders, the total dividend payment to shareholders will amount to € 10.2 million. The interim dividend of € 5.1 million paid out on 15 January 2004 will be deducted so that the final dividend payment will amount to € 5.1 million. The final dividend will be made payable on 15 July 2004.

Quality control at Sonac.



PROSPECTS

The prospects for BEST Agrifund depend primarily on the results of the two pillars upon which the company is built: Bestmeat and Sobel. In the light of the prospects of these two sub-holdings, plus the fact that the companies acquired in 2003 will be fully consolidated in 2004, the expectation that, barring unforeseen circumstances, BEST Agrifund's result for 2004 will be higher than for the previous financial year is justified. This expectation is based on anticipated market developments (external factors) and the continuous improvement of streamlining, market-orientation and synergy effects within the company (internal factors). Turnover will increase substantially compared with 2003 as a result of the full consolidation of Moxsel and Dumeco and the consolidation of Nordfleisch.

In 2004 Bestmeat will integrate the three subsidiary companies Moxsel, Dumeco and Nordfleisch still further and will optimise the synergy advantages. This will contribute towards the anticipated increase in the result. Bestmeat is the European number-2 player in this industry which, from an international perspective, is in a transitional phase. Consolidations will continue throughout 2004 and the ensuing years. This will provide many opportunities for all players. Bestmeat has the financial means, knowledge, experience and market contacts that will enable it to play a leading role. Bestmeat is also ideally positioned, both operationally and strategically, for future market developments. Sobel expects its result for 2004 to be slightly better than in 2003. The picture for the various Sobel units is, however, mixed. The NOP companies are being confronted with a substantial reduction of Category I & II material. Due to a reduction in the supply of Category III material and an increase of blood and bone raw materials a shift towards the latter materials will also become apparent. On balance this will lead

to a lower result than in 2003. A slight improvement in the result is expected for Gelatine Products. The spearhead of the policy is further growth in the pharmaceutical segment and, in particular, in the food gelatine segment. Geographically growth will be achieved primarily in Asia (China). Healthcare Products expect a substantial increase in results in 2004 thanks to a combination of new product launches and cost reductions.



2003 Report of Bestmeat Company B.V.



Bestmeat (Food Products)	2003
amounts in millions of euros	
Turnover	€ 2,192
EBITA	€ 39
ROS (Return on Sales)	1.6%
Capital employed	€ 480
Return on capital employed (ROCE) (on annual basis)	13.1%
Average number of employees (on annual basis)	5,660
Average number of employees third parties (on annual basis)	1,800



Bestmeat has climbed to the European top within a very short space of time

PROFILE

Bestmeat Company B.V. is a sub-holding of BEST Agrifund and the parent company of three internationally-operating companies: A. Moxsel A.G., Dumeco B.V. and CG Nordfleisch A.G. Bestmeat is the number-2 player in its industry branch in Europe. The company employs over 9,500 people most of whom are active in the Netherlands and Germany. Around 28% of the production is exported to a number of countries including Italy, the United Kingdom and France.

Bestmeat was established at the end of 2002 with the aim of achieving a leading position in the European meat sector. During its very short history Bestmeat has been extraordinarily successful with achieving this goal. The first step - the acquisition of the German market leader, Moxsel - gave Bestmeat a firm foundation from which to expand into a leading European position. In July 2003, after the European monopolies authorities had approved the transaction, the second step was taken and the

Dutch market leader, Dumeco, was acquired. This acquisition meant that, in terms of turnover, Bestmeat had already attained the number-2 position in Europe. In November 2003 the acquisition of a third company, Nordfleisch, was announced and Bestmeat's European position was strengthened even further. In the space of just one year Bestmeat has set in motion an unparalleled process of consolidation within the international meat sector.

STRATEGY

General

Bestmeat's strategy is aimed at paralleling the opportunities for and interests of the agricultural sector and the needs of the consumer. The economic success of all the participating parties is vital for the achievement of a sustainable chain of added-value. Currently the market is still extremely fragmented and the approach to business is often opportunistic. Bestmeat's objective is to cluster its capacity and develop new, high-quality standards which are

Tracking and Tracing at Bestmeat.



tuned to the consumer. The priorities are transparency and food safety for the consumer, animal welfare and environmentally-friendly production.

Quality leader, innovation and service

Bestmeat's highest priorities are to ensure that its production and products are not only of the highest quality but are tuned to market trends and developments. This means that investments in technology and sustainable production are just as important as meeting the consumer demand. Bestmeat is responding to the substantial world-wide increase in demand for safe, high-quality meat. The continuous development of its assortment, coupled with the flexibility to cope with constantly changing market conditions, gives Bestmeat a competitive edge in the market. Bestmeat sets great store by partnership-oriented business relationships and service.

Self-service and convenience products

In the coming years the market share of pre-packed and ready-to-use products will increase still further. Bestmeat is the market leader in this segment and the achievement of synergy through the transfer of knowledge will lead to the further development of this specialism. In this context Bestmeat's centre of gravity is its Dutch and German home markets plus countries where consumer demand is quality-oriented, such as the United Kingdom and Italy.

Internationalisation

As the supply market is becoming more and more international the needs of consumers are becoming increasingly differentiated. Its subsidiary companies mean Bestmeat is not only in an excellent position for import activities but also has a wide range of products at its disposal. As far as export to countries such as Russia and Asia is concerned, the group also has considerable market know-how and volume synergy potential.

Expansion of the European Community

In addition to growth potential in Western Europe Bestmeat also has ample opportunities to achieve good market positions in Eastern Europe where, particularly in the new EU countries, the company has many years of experience, a thorough market knowledge and a good business network. Physical starting positions close to the internal borders of the new EU offer possibilities to profit from the growth opportunities in Eastern Europe in the coming years.

MARKET DEVELOPMENTS AND TRENDS

As a food concern with meat as its core activity Bestmeat operates within a very competitive market. Globally the meat sector is undergoing continuous growth mainly due to developments in Asia and South America. As a result, competition on the world market is far keener and the market is becoming increasingly international. Competition has become especially fierce in the EU countries where a fragmented market and changeable political policies give the agricultural sector very little scope for development. The consumer's explicit bias towards price and the increasing institutionalisation of discounters within the food trade only serve to make competition on the supply side even keener. As a consequence, the entire European meat sector is confronted with extreme pressure on margins. At the same time the trend towards pre-packed and ready-to-use products in the self-service and convenience segments is demanding enormous flexibility and

Continuous quality and taste control.



innovation from companies in the branch. Numerous occurrences in recent years, such as BSE and foot and mouth disease, have adversely affected consumer confidence, which has resulted in increasing demands for transparent and safe production processes. The willingness to make long-term investments and maintain the highest quality standards have, therefore, become critical success factors. In this context partnerships throughout the entire chain from producer to supply to the consumer form the basis for optimum quality. Size, cost leadership and result-orientation will also increase in importance in the on-going process of consolidation within the European food industry. In this situation motivated and qualified staff are essential.

OPERATIONAL PROGRESS

General

During 2003 Bestmeat via Moxsel and Dumeco slaughtered a total of 612,533 cattle and is thus the European market leader. As far as pigs are concerned the slaughter of 8,854,113 million animals means the company is now in second place in the European market. After the acquisition of Dumeco, 2003 was a year of integration. Thanks to the excellent regional coverage of its subsidiary companies Bestmeat achieved large volumes in its Dutch and German home markets with its range of products tuned to the wishes of the consumer. The company's export positions are also excellent.

The Netherlands

In mid 2003 an extensive reorganisation programme aimed at improving the result in both the short and long term was carried out at Dumeco. This reorganisation led to 375 jobs being lost, mainly at the management and overhead level, and the closure of one production facility. At the same time an organisation structure optimally tuned to the fast-changing conditions in the international meat market was created and the first steps towards the generation of synergy advantages within the new combination were taken.

One critical success factor for the project was the fact that all the measures that have been taken were worked out and implemented by special project groups of Dumeco staff. Thanks to the Dumeco staff's considerable involvement, motivation and efforts the company is sailing the right course for the future. Dumeco retained its market share and slaughtered more pigs than in the previous year.

Germany

The consumption of beef and pork in Germany is relatively stable and there is a clear trend towards more pre-packed fresh meat for the self-service segment. In Germany the share of fresh pre-packed meat sold via supermarkets is smaller than in the surrounding countries. Nevertheless the trend towards a substantially higher market share of discount supermarkets began earlier, which is why the share of fresh pre-packed meat is expected to increase substantially in the coming years. In 2003 Moxsel slaughtered 5% less cattle. In Germany as a whole 7.3% less cattle were slaughtered, which means Moxsel's market share increased. By contrast, the number of pigs slaughtered by Moxsel rose by 3% to 2.4 million.



2003 Report of Sobel N.V.



Sobel (Ingredients & Healthcare)

amounts in millions of euros

	2003	2002
Turnover	€ 674	€ 762
EBITA	€ 60	€ 83
ROS (Return on Sales)	8.2%	10.0%
Capital employed	€ 497	€ 515
Return on capital employed (ROCE) (on annual basis)	12.7%	15.0%
Average number of employees (on annual basis)	4,747	4,739



Sonac and Rendac: exemplary in completely separated processing of animal residues

PROFILE

Sobel N.V. is a sub-holding of BEST Agrifund and the parent company of three internationally-operating business units: Natural Organic Products (NOP), Gelatine Products and Healthcare Products. The companies within these business units concentrate on markets where Sobel occupies a leading position (number 1 or 2). This means that each of the three business units is at the top of its segment. World-wide Sobel employs over 4,650 staff.

Within NOP a clear separation between the activities of the Rendac and Sonac companies has been introduced. Rendac processes animal residues and risky materials (Category I and II materials) which may not be re-used in the food chain and which, after processing, serve as raw materials for energy suppliers. Rendac fulfils a social function in the combating of animal diseases by responsibly and safely rendering residual material and cadavers harmless. Sonac processes slaughter by-products approved for human consumption (Category III materials, animal bones and blood) for markets such as the food, pharmaceutical, pet food, animal feed and fertiliser industries.

Gelatine Products trades under the name Rousselot. Rousselot produces high-value gelatine from cattle and pork bones and hides and works on innovations based on other raw materials such as turkey bones and fish skins. Rousselot both manufactures and sells worldwide. The company's end products are used by the pharmaceutical, photographic & film and food industries.

The trade name of Healthcare Products is Banner. Banner is a trend-setter in the development and production of gelatine and non-gelatine based methods of drug delivery for the pharmaceutical, food supplement and cosmetics industries. The most important products are soft gelatine capsules (softgels) and gelatine coated tablets (Soflets®).



STRATEGY

🔗 Market leadership

Sobel's business units have built-up positions which are either unique or leading. Each business unit has one or more links with another company within the Sobel group. In this way the business units reinforce each other. Acquired (market) positions, knowledge and skills in the field of advanced process technologies, the production of specialities and the application of end products in high-value end markets characterise these links.

🔗 Higher returns through growth

Sobel's targets are aimed at increasing returns and turnover within its core activities. Growth will be achieved either organically or through acquisitions. Sobel's expansion is focussed primarily on Europe and the United States, but also on growth markets in Asia (especially China and India) and South America.

🔗 Natural Organic Products

The NOP companies have set themselves the target of continuing to fulfil a prominent role with regard to the supply of added-value in the market for slaughter by-products and the processing of animal residues and cadavers. The spearheads of the policy are responding to market developments and pro-actively seeking applications for existing and new markets, cost saving and growth through acquisitions.

🔗 Gelatine Products

Rousselot occupies leading positions in the pharmaceutical, photographic and film gelatine markets and is striving to both strengthen its position in the food gelatine market and expand its geographical positions especially in Asia and South America. Rousselot continues to combine the safeguarding of raw materials and global sourcing while responding flexibly to market demands.

🔗 Healthcare Products

Three (patented) new drug delivery technologies plus several patented pharmaceutical products offer Banner additional opportunities for growth in the pharmaceutical market and the market for vitamins, minerals and supplements (VMS). Research and development play a crucial role in Banner's expansion strategy. The company is making a major transition from contract-based production to a pharmaceutical drug delivery company with its own products and patented technologies. Cost leadership, especially in the VMS market remains a key policy element.



Rousselot reinforces top position due to increasing demand from pharmaceutical and food industries

MARKET DEVELOPMENT AND TRENDS

🌱 Natural Organic Products

The branch in which the NOP companies are active is characterised by a reducing livestock farming and slaughterhouse sector. This means that close ties with existing suppliers and a challenging approach in terms of price and service levels to (new) customers. A continuous focus on alternative processing methods which offer increased added-value at a reduced cost is also an objective. In addition, governments and society is paying more and more attention to food safety, quality and the environment.

🌱 Gelatine Products

Gelatine is a totally unique product which, on an annual basis, is showing a modest growth on the global market. The demand for gelatine for the production of photographic paper has dropped slightly because, due to the emergence of digital photography, more and more consumers are printing their own coloured photographs. The pharmaceutical and food

industries' demand for gelatine is, however, growing. There is also a geographical shift in demand: a slight reduction in Europe, no growth in the United States and robust growth in Asia. Authorities world-wide have approved Rousselot's gelatine for totally safe application in foods and drugs.

🌱 Healthcare Products

The market for healthcare products continues to be attractive for several reasons. The demand for healthcare products is showing a structural increase world-wide. This is due, on the one hand, to the increasing percentage of elderly people in the population and, on the other hand, to increasing public health awareness. Banner is active primarily in the VMS products and over-the-counter drugs (OTC) market and the prescription drugs (Rx) market. The growth expectations for these markets in the period up to 2005 are 4 – 5% and 7 – 8% respectively.



OPERATIONAL PROGRESS

🌿 Natural Organic Products

The entire physical separation of the Category I and Category II materials processing activities from the Category III materials processing activities has been substantiated by the introduction of the name Sonac. This means that not only are the activities separated but also the market approach, which is carried out under the names Sonac and Rendac.

The safe disposal of Category I and II material is characteristic of Rendac's activities and, in this respect, the Rendac companies in the Netherlands and Belgium played a major role in the efforts to combat Asian Influenza by processing a total of 73,000 tons of Asian Influenza related material. For the rest, fewer slaughters and a further reduction of the beef mountain led to volumes dropping by nearly 8.5% in the Netherlands, 3% in Belgium and 5% in Germany.

The lowering of Dutch government subsidies from 60% to 40% and a lower utilisation of

supply and production equipment capacity meant increased costs for suppliers of Category I and II material. This trend will continue in the coming years because governmental involvement is expected to decrease still further.

Adding value to Category III material is becoming even more difficult for Sonac because of a ban on the use of animal protein in animal feed. One major development in this context was the (partial) lifting of the ban by the European Union in 2003 which underlined the fact that this ban will disappear. This ban and the decreasing availability of raw materials resulting from the reduced number of slaughters has put raw material prices under increasing pressure. Due to its continuing loss making situation and the termination of production as a result of BSE in Canada the activities of Harimex in Canada were closed down. Activities related to Fibrimex will be started in the United States, in cooperation with third parties, under the name FXTP.

Production of softgels at Banner.





Evidence of innovative abilities of Banner due to introduction of new technologies and reinforcement of own product portfolio

■ Gelatine Products

The severance of Rousselot from the Degussa organisation was completed in 2003 with the establishment of Rousselot's own head office and the separation of IT services. In 2003 Rousselot sold 52,230 tons of gelatin, an increase of 6.3% compared with 2002. This was partly thanks to the expansion of the production capacity at Rousselot Kaiping (China) which, in 2003, was the last facility to be awarded ISO 9001 certification. Existing legislation in France forbidding the sale of dicalcium-phosphate as a raw material for the European animal feed industry has led to increased stocks for which a solution is being sought. A reduction in sales of gelatine to the photographic segment was amply offset by sales to the pharmaceuticals and food segment. The results of the gelatine activities did, however, come under pressure because the majority of the raw material was purchased in euros and sold in dollars.

■ Healthcare Products

In 2003 a new global structure was introduced within Banner. The name Banner Pharmacaps was changed to Banner. In 2003 the facility in Chatsworth (California) was closed and production moved to the factory in High Point (North Carolina). This meant extra efforts and costs were required in order to meet delivery times. Closer monitoring has made the process management faster and better. In 2003 work continued on the up-scaling and introduction of new technologies ('chewables', 'enteric' and non-animal softgels and Soflets®) and Banners' own product portfolio. Disappointing sales, especially of the VMS products, and a lower added-value put pressure on Banner's results. Despite increased added-value, the higher production costs due to work related to the closure of Chatsworth and several incidental quality problems meant Banner's result was far lower than in 2002.

Socially responsible business practices

GENERAL

Socially responsible business practices is a dynamic issue. BEST Agrifund will discuss the desired balance between Profit, People and Planet with its various stakeholders.

Sustainability throughout the entire chain is an element of BEST Agrifund's business practices because many companies are (in)directly related to agricultural production and the related natural resources. This is also relevant because our customers in all market segments specify stringent demands regarding the guaranteed quality and safety of the products they are supplied. Sustainability, safety and quality play a crucial role in the production processes and the products. A role that is becoming increasingly important for many groups in our society each of which has its own dynamic point of view.

BESTMEAT

Prevention is also a core issue for Bestmeat. The policy is aimed at food safety and measures to reduce the risks of animal diseases. This is necessary from both the social and economic perspective. The social perspective concerns food safety crises and outbreaks of animal diseases which lead to drastic situations, including the mass destruction of, often, healthy animals. Better management of animal diseases and threats to human health will mean less chance of social disruption and a reduction in food-related sickness costs. In economic terms crises lead to immense damages in the affected sector. Bestmeat is striving for improved accountability throughout the entire chain because this will lead to the risks of financial damage being limited. Effective risk management demands international cooperation by various organisations and authorities. In the light of the geographical spread of our activities we will endeavour to promote such cooperation, especially between the German and Dutch parties.

SOBEL

Risk management is the core issue in the endeavours to achieve sustainability. For the industrial companies belonging to the Sobel group this translates to, for example, considerable attention being paid to quality. All the companies have been awarded GMP, ISO and HACCP certification and have extremely effective tracking and tracing systems at their disposal. A global database related to the purchase of high-quality raw materials is kept up-to-date in the global sourcing programme. This covers aspects such as reliability, safety and quality for the supplier, the customer and the environment. Sobel's business units operate in international, high-value end markets, such as food and pharmaceuticals, in which Health, Safety and Environment programmes play a major role. In the NOP division a great deal of attention is devoted to preventative measures related to animal diseases. All the business processes have been set-up in accordance with high hygiene and decontamination standards. The division also has a well developed Early Warning System at its disposal which is aimed at the timely signalling of environmental indications in order to limit the risks of harm to humans, animals, the environment and the economy.

Financial statements

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Consolidated balance sheet

AS AT 31 DECEMBER 2003
(BEFORE PROFIT APPROPRIATION)

	2003	2002
ASSETS		
FIXED ASSETS		
Intangible fixed assets	126,078	108,642
Tangible fixed assets	646,987	327,110
Financial fixed assets	36,073	53,568
	809,138	489,320
CURRENT ASSETS		
Stocks	206,344	127,011
Receivables	542,132	173,599
Investments	10,221	2,124
Cash and cash equivalents	138,785	78,744
	897,482	381,478
Total assets	1,706,620	870,798
LIABILITIES		
GROUP EQUITY		
Shareholders' interests	500,438	379,139
Minority interests	61,071	22,218
	561,509	401,357
PROVISIONS	170,389	50,896
LONG-TERM LIABILITIES	358,224	214,670
SHORT-TERM LIABILITIES	616,498	203,875
Total liabilities	1,706,620	870,798

Consolidated profit and loss account

FOR 2003

	2003	2002
OPERATING INCOME		
Net turnover	2,874,649	749,415
Changes in stocks of finished products and semi-finished products	-26,864	7,273
Other operating income	16,100	5,511
Total operating income	2,863,885	762,199
OPERATING COSTS		
Raw materials and consumables	1,878,585	230,556
Work contracted-out and external expenses	397,580	216,932
Wages, salaries and social security charges	408,266	186,452
Depreciation on fixed assets	85,575	53,008
Other operating costs	8,791	1,712
Total operating costs	2,778,797	688,660
Operating result	85,088	73,539
FINANCIAL INCOME AND CHARGES		
Interest income and similar revenues	4,830	8,535
Income from non-consolidated participating interests	710	968
Interest charges and similar expenses	-29,936	-25,259
Total financial income and charges	-24,396	-15,756
Result from normal business operations before taxes	60,692	57,783
Taxes	14,365	24,639
RESULT AFTER TAXES	46,327	33,144
Minority interests in the result	7,684	2,966
Net result	38,643	30,178

Consolidated cash flow statement

	2003
CASH FLOW FROM OPERATING ACTIVITIES	
Result after taxes	46,327
Adjustments to reconcile net profit with net cash flow from operating activities	
Depreciation and amortisation	80,080
Extraordinary devaluation of assets	5,000
Changes to provision for deferred taxes	-3,231
Increase (decrease) of provisions	32,569
(Increase) decrease of current assets	
– trade debtors	3,876
– stocks	41,176
– pre-paid expenses and other current assets	20,024
Increase (decrease) of current liabilities	
– trade creditors	-13,965
– taxes and social security charges	-4,343
– various debts and accrued liabilities	-29,261
Net cash flow from operating activities	178,342
CASH FLOW FROM INVESTMENT ACTIVITIES	
Investments in intangible fixed assets	-3,961
Investments in tangible fixed assets (on balance)	-58,585
Investments in financial fixed assets	-12,173
Acquisition of companies (including loans issued)	-165,591
Net cash flow from investment activities	-240,310
CASH FLOW FROM FINANCING ACTIVITIES	
New placement of share capital and issue	95,936
Borrowing/repayment of bank loans	-16,147
Borrowing/repayment of loans and credits	23,101
Increase in minority interests	3,642
Redemption/issue of long-term receivables	-655
Net cash flow from financing activities	105,877
Exchange rate effect	8,261
Increase (decrease) of cash and cash equivalents and investments	52,170
Cash and cash equivalents and investments at start of the year	80,868
Cash and cash equivalents of acquired companies	15,968
Cash and cash equivalents and investments at year end	149,006

Accounting principles

GENERAL PRINCIPLES

The financial statements have been prepared in euros on the basis of historic cost prices.

Comparable figures

At the end of 2002 the new group structure under BEST Agrifund N.V. was established. A Moksel A.G. and its subsidiary companies have been included in the group since the second quarter of 2003 and the Dumeco group has formed part of the concern since July 2003. Since these dates these group companies have been included in the consolidated figures and the principles of valuation have been adjusted – where necessary – to bring them in line with the principles of BEST Agrifund N.V. The comparable figures for 2002 relate mainly to the figures for Sobel N.V., which have been adjusted to the new ownership situation. Where comparable figures would create confusion rather than clarification they have not been included. In the 2002 financial year the extraordinary result after taxes of Sobel N.V. amounted to € 110,448,000. This included a book profit from the sale of a participating interest, as well as reorganisation costs resulting from the termination of production activities. In conformance with amended regulations, reorganisation costs have been reclassified. The book profit of € 114,310,000 from the participating interest has, for the reason of clarity regarding the group's figures, been omitted from the comparable amounts for the 2002 financial year. For the aforementioned reasons it has also been decided to include the single 2002 result of Sobel N.V. (adjusted to the new situation) in the company profit and loss account.

Principles for consolidation

In the consolidated statements the financial data of BEST Agrifund N.V. and its subsidiaries are stated following the integral consolidation method.

In so far as joint ventures are concerned, consolidation has been effected in accordance with the proportional method.

A list of the consolidated group companies has been filed with the Trade Registry of the Chamber of Commerce in Eindhoven.

On the grounds of Section 402, Part 9 Book 2 of the Dutch Civil Code, the company profit and loss account is included in an abbreviated form.

Foreign currency conversion

The assets and liabilities of foreign group companies are converted into euros at the official exchange rates applicable at the end of the period under review. If this gives rise to differences compared with a foregoing period, these differences are credited to or debited from shareholders' equity. The amounts in the profit and loss account denominated in foreign currencies are converted at the average exchange rate during the period under review. The resulting difference between the application of the average exchange rates and the balance sheet rates is directly credited to or debited from shareholders' equity.

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are depreciated over their economic lifetime with a maximum of twenty years.

Tangible fixed assets

Tangible fixed assets are valued at acquisition price less depreciation. Tangible fixed assets are depreciated following the straight-line method on the basis of the period of use. This is as follows:

business premises	25 – 30 years;
plant and equipment	10 – 12.5 years;
other fixed business assets	3, 4 to 10 years.

Depreciation begins in the year in which the asset was taken into use. Assets no longer in use are valued at the directly realisable price.

Financial fixed assets

Participations are valued at net asset value in accordance with the valuation principles of the parent company. As an exception to this rule, non-consolidated minority interests are valued in accordance with the equity method based on the acquisition price of these participations. Other receivables are stated at face value.

Stocks

Stocks are valued at the lower of acquisition price and market value. The FIFO method is used to determine the value of the stocks. Stocks of finished products and semi-finished products are valued at manufacturing cost price. This cost price comprises the costs of raw materials and consumables, direct production costs and a proportional share of general production costs. Where necessary the valuation includes a reduction for obsolescence.

Receivables

Receivables are stated at face value where necessary less a provision for dubious debts.

Investments

Investments are valued at the lower of purchase price and market value.

Cash and cash equivalents

Cash and cash equivalents are valued at face value and are at the free disposal of the company unless stated otherwise.

Provision for deferred tax obligations

The provision for deferred tax obligations is for obligations arising from the difference between the valuation of assets and liabilities in the financial statements and the valuation for tax purposes.

In so far as deferred tax claims related to loss compensation or other tax facilities can be offset against deferred tax obligations, these are deducted from the provision. Active deferred tax for which there is insufficient surety that compensation with future profits is possible are valued for the record only. The provision is stated at face value on the basis of the applicable tax rate.

Pension provisions

A provision is included for pension obligations that are not placed with an insurance company. The provision for pension obligations includes a provision for back service obligations, a provision for existing pension obligations and a provision for future pension obligations. All these obligations are calculated on the basis of actuarial calculations and assume an interest percentage based on the market interest rate.

Other provisions

The provisions for reorganisations and other obligations are, to a great extent, formed for legal or actual obligations which exist on the balance sheet date and for which the amount, while it is not known exactly, can be reasonably estimated. Most of these obligations are related to historical events the settlement of which will occur after the balance sheet date.

Provisions for possible differences in the valuation of assets and other costs incurred by group companies are also included by way of a precaution. The continuing pressure on the livestock sector in the Netherlands and Germany could lead to a reduction in the number of animals and could, therefore, also have consequences for the existing capacity. The other provisions are stated at face value and the majority are of a long-term nature.

Liabilities

Long-term and current liabilities are stated at face value.

PRINCIPLES FOR THE DETERMINATION OF RESULT

Net turnover

The net turnover stated in the profit and loss account is the revenue from goods supplied to third parties less customer discounts (excluding payment discounts) and excluding sales taxes.

Costs

Costs are stated at purchase price.

Depreciation on fixed assets

Depreciation on intangible fixed assets is calculated on the basis of the purchase price taking into account the economic lifetime. The depreciation on tangible fixed assets incorporated into the profit and loss account is calculated on the basis of a fixed percentage of the purchase price taking into account the expected economic lifetime.

Taxes on the result

These taxes are calculated over the result taking into account loss compensation and tax facilities which have a permanent influence on the tax burden. The tax burden applicable in the countries in which the companies concerned are registered is used as a basis.

Financial income and expenses

This includes the costs of foreign currencies and interest swaps. The share of non-consolidated participations in the result is the group's share of the results of these participations.

Third party share in the result

This is the portion of the result of the company payable to other participating shareholders.

Notes to the consolidated balance sheet

AS AT 31 DECEMBER 2003

ASSETS

INTANGIBLE FIXED ASSETS

Intangible fixed assets comprises the costs related to goodwill, software development, intellectual property and patent and trademark rights.

Movements in intangible fixed assets were as follows:

	INTANGIBLE FIXED ASSETS
Book value on 1 January 2003	108,642
Changes to book value	
Changes due to the acquisition / sale of group companies	10,782
Investments	22,626
Depreciation in financial year	-8,647
Exchange rate differences	-7,325
Book value on 31 December 2003	126,078

The acquisition value on 31 December 2003 was € 279 million compared with € 118 million on 1 January 2003.

TANGIBLE FIXED ASSETS

	BUILDINGS AND LAND	PLANT AND EQUIPMENT	OTHER BUSINESS ASSETS	FIXED BUSINESS ASSETS UNDER CONSTRUCTION	NON- PRODUCTIVE ASSETS	TOTAL
Status on 1 January						
Purchase price	217,157	552,375	75,127	12,547	887	858,093
Cumulative depreciation	100,114	374,499	55,924	42	404	530,983
Book value	117,043	177,876	19,203	12,505	483	327,110
Changes in the book value						
Changes due to the acquisition / sale of group companies	231,047	94,875	19,427	6,411	250	352,010
Investments	15,477	29,341	14,217	5,456	1,242	65,733
Disposals	-1,571	-4,794	-652	-95	-36	-7,148
Reclassification	-4,228	1,440	3,176	-378	-10	0
Extraordinary devaluation		-5,000				-5,000
Depreciation	-18,288	-37,513	-14,788	-217	-627	-71,433
Exchange rate differences	-7,199	-6,421	-163	-486	-17	-14,286
Balance	215,239	71,928	21,217	10,691	802	319,876
Balance on 31 December						
Purchase price	641,974	906,373	155,864	23,248	7,114	1,734,573
Cumulative depreciation	309,692	656,569	115,444	52	5,829	1,087,586
Book value	332,282	249,804	40,420	23,196	1,285	646,987

The current value of the tangible fixed assets on 31 December 2003 was approximately € 1,300 million.

	2003	2002
FINANCIAL FIXED ASSETS		
Minority participating interests	11,219	37,721
Receivables from non-consolidated participating interests	2,864	177
Other receivables	21,990	15,670
Balance on 31 December	36,073	53,568
Minority participating interests		
Movements during the financial year were as follows:		
Balance on 1 January 2003	37,721	
Changes due to the acquisition / sale of group companies	-26,923	
Participating interests acquired during the financial year	605	
Share in the result	-59	
Dividend	-125	
Balance on 31 December 2003	11,219	

This relates to the following minority participating interests with a stake of at least 20%:

	PARTICIPATING INTEREST
Via SNP Handels- und Beteiligungsgesellschaft GmbH & Co KG (44.78%)	
– ASAP s.r.o. Vez (Czech Republic)	40.0%
– ASAVET s.r.o. Birkov (Czech Republic)	40.0%
– Sanrec GmbH, Elxleben (Germany)	55.0% ¹⁾
– SNP Usnice Spolka z.o.o., Usnice (Poland) via Sanrec 100% consequently	55.0% ¹⁾
– Profet Spolka z.o.o., Osetnica (Poland)	75.0% ¹⁾
– Ostbayerische Fleischmehlerzeugung GmbH, Plattling (Germany)	49.0%
Universal Medicare Limited (India)	24.0%
Helmut Kulesa GmbH, Buchloe (Germany)	100.0% ¹⁾
Helmut Kulesa GmbH & Co KG, Buchloe (Germany)	100.0% ¹⁾
Allwild Wildhandels und -verarbeitings GmbH, Buchloe (Germany)	100.0% ¹⁾
Ballering Export C.V., Son (The Netherlands)	50.0% ²⁾
Ballering Export B.V., Son (The Netherlands)	50.0% ²⁾
Ten Kate Boxtel B.V., Boxtel (The Netherlands)	50.0% ²⁾
Salvesen Boxtel B.V., Boxtel (The Netherlands)	50.0% ²⁾
Noordvlees B.V., Gieten (The Netherlands)	46.7%
Medaillon vlees B.V., Alphen aan de Rijn (The Netherlands)	50.0% ²⁾
Pigure Group B.V., Helvoirt (The Netherlands)	22.5%
Topigs België N.V., Wommelgem (Belgium)	50.0% ²⁾
Dumeco SAM, Monaco (Monaco)	50.0% ²⁾

¹⁾ Not consolidated due to the lack of certified financial statements for 2003 and the immaterial importance of this company for the picture of the financial statements.

²⁾ Not consolidated as there is not a dominant participation in the management of the company.

	2003	2002
Other receivables		
This relates to loans and mortgages issued (including to employees).		
Movements were as follows:		
Balance on 1 January	15,670	
Changes due to the acquisition / sale of group companies	3,208	
New loans in financial year	8,859	
Exchange rate differences	-305	
Redeemed / claimable in financial year	-5,442	
Balance on 31 December	21,990	
CURRENT ASSETS		
Stocks		
Raw materials and consumables	51,093	40,223
Semi-finished products	16,622	17,572
Finished products and trade goods	138,629	69,216
Balance on 31 December	206,344	127,011
Receivables		
Trade receivables	461,756	137,108
Other receivables and accrued assets	80,376	36,491
Balance on 31 December	542,132	173,599

Investments

€ 9,195 of the investments is not freely available due to the coverage of an insurance related risk.

Cash and cash equivalents

The relevant cash and cash equivalents are not committed in the context of the financing and are, therefore, at the disposal of the group.

LIABILITIES

SHAREHOLDERS' INTERESTS IN THE GROUP EQUITY

For a specification of movements in shareholders' equity please see the notes to the company balance sheet.

	2003	2002
Minority interests in group equity		
Balance on 1 January	22,218	
Changes due to the acquisition / sale of group companies	42,224	
Changes in minority interests	-1,461	
Share of the result	7,684	
Exchange rate differences	412	
Dividend	-10,006	
Balance on 31 December	61,071	
Provisions		
Deferred tax obligations	24,072	23,042
Pension obligations	15,226	8,477
Other provisions	131,091	19,377
Balance on 31 December	170,389	50,896
<p>Other provisions includes a provision for specific environmental risks, reorganisation costs and risks related to the anticipated lower utilisation of the company's production assets.</p>		
Deferred tax obligations		
Balance on 1 January	23,042	
Changes due to the acquisition / sale of group companies	4,250	
Withdrawal from / addition to the result	-3,231	
Exchange rate differences	11	
Balance on 31 December	24,072	

	2003	2002
LIABILITIES		
Long-term liabilities		
Owed to credit institutions	320,537	203,219
Other liabilities	37,687	11,451
Balance on 31 December	358,224	214,670
Current liabilities		
Owed to credit institutions	149,636	22,985
Repayment obligations	41,667	12,561
Suppliers and trade creditors	227,073	76,559
Liabilities related to assets under construction	326	109
Taxes and social security charges	40,054	21,697
Other liabilities and accrued liabilities	157,742	69,964
Balance on 31 December	616,498	203,875

The remaining terms of the obligations to credit institutions are as follows:

< 1 year	€ 191,000
1-5 years	€ 321,000
> 5 years	€ 32,000

Interest rates based on EURIBOR, which means they are variable, have been agreed for the majority of the loans. The surcharges depend on the net debt/EBITDA ratios. The interest rates for the long-term loans vary from 3.5% to 6.1%. In the past an interest swap amounting to € 25 million, whereby the interest rate has been fixed until February 2008, was agreed. The agreed percentages are 4.52% rising to 4.7975%. Currently only interest swaps with a term of six months or less are agreed.

Within the BEST Agrifund group financing is separated into three distinct and autonomous streams:

1. A. Moxsel A.G. and its group companies;
2. Dumeco B.V. and its group companies;
3. Sobel N.V. and its group companies.

Agreements have been reached with the credit institutions acting for the separate companies regarding ratios, which are tuned to the specific relationships of the companies. In broad terms these agreements concern: solvency ratios, the net debt position divided by the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio, interest cover in relation to EBIT and subsequently EBITDA, and fixed charges coverage ratio.

All the above mentioned ratios have been achieved by all the companies with the exception of Dumeco where, in consultation with its financiers, it was agreed that Dumeco may, temporarily, deviate from a ratio which was not met. At the time this report was prepared negotiations regarding the

refinancing of the existing financing of Dumeco are underway. The financing from the collateral is not, as such, a problem. The conditions related to the existing asset financing are considered in the context of a total financing of the company, whereby the company's current reorganisation plans are taken into consideration. The conditions will be drawn-up in more detail in consultation with the bankers.

The obligations to credit institutions are covered by the pledging of shares, the transfer of receivables, lien on receivables and stocks, unsecured transfer of ownership and securities. In addition, an entitlement to the first mortgage of € 106 million has been fixed on all register-bound goods of a group company.

Off balance sheet commitments

As stated in detail in the report of the Executive Board, in November 2003 87% of the shares in the meat company C.G. Nordfleisch A.G. (Hamburg) were acquired. The financial obligations related to this acquisition involve an amount of nearly € 5 million for the shares as well as the underwriting of bank and other debts. The concern has also bound itself to a capital increase of € 15 million.

A number of foreign group companies have long-term commitments related to the rental and operational leasing of assets. The composition of these commitments is as follows:

< 1 year	€ 14.0 million;
1 to 5 years	€ 31.0 million;
> 5 years	€ 9.0 million.

Group companies have outstanding liabilities on bills of exchange amounting to € 3 million. Group companies have also issued bank guarantees amounting to € 13 million.

When the shares in an associated company were acquired in 1995 a group company agreed to pay (in two installments) an amount of € 1,534,000 above the purchase price on the suspended condition that the company would once again pay out dividends.

An option right on the shares was agreed with the minority shareholder of a subsidiary company. This option can be exercised once only on 31 December 2005. The price of the total package amounts to at least € 12.53 million.

Legal actions have been instituted against BEST Agrifund N.V. and/or its group companies which are being contested. Although the outcome of these disputes cannot be predicted with any certainty, on the ground of legal advice and information received it is assumed that these actions will not have any significant detrimental effect on the consolidated financial position.

Notes to the consolidated profit and loss account

NET TURNOVER

The geographical composition of the turnover is as follows:

	2003	2002
Europe		
– The Netherlands	564,341	169,298
– Germany	1,046,271	19,158
– Belgium	111,953	74,624
– Italy	205,531	7,054
– United Kingdom	185,573	28,086
– Other EU countries	312,408	119,744
– Non-EU countries	54,985	20,185
	2,481,062	438,149
USA	191,044	167,005
Mexico	35,278	40,512
Canada	18,562	32,247
Far East	101,412	48,917
Other countries	47,291	22,585
	2,874,649	749,415

WAGES, SALARIES AND SOCIAL SECURITY CHARGES

In 2003 the average number of group employees was 8,610 (2002: 4,739).

In addition an average of around 1,800 employees of third parties were active within the company. The composition of the personnel costs is as follows:

Wages and salaries	247,196	127,924
Social security charges	61,422	40,662
Pensions	11,477	7,535
Reorganisation costs		3,863
	320,095	179,984
Wage costs third parties	88,171	6,468
	408,266	186,452

DEPRECIATION AND AMORTISATION ON FIXED ASSETS

	2003	2002
Intangible fixed assets	8,647	5,808
Tangible fixed assets	71,433	46,604
	80,080	52,412
Book losses / profits from sale of assets	964	668
Extraordinary devaluation	5,000	0
Available investment subsidies	-469	-72
	85,575	53,008

Taxes

In 2003 the effective tax rate on normal business operations amounted to 23.7% (2002: 42.6%). The reduction of the effective tax rate was linked to, among other issues, the method by which the acquired companies were financed and other tax measures.

Other information

REMUNERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD MEMBERS AND OUTSTANDING LOANS TO DIRECTORS

Remunerations to the Executive Board amounted, in total, to

The composition of this item is as follows:

Fixed salary ¹⁾	626	48%
Variable salary	300	23%
Pension contributions and other expenses	372	29%
Total	1,298	100%

Loans to finance the purchase of share certificates are provided to members of the Executive Board. The outstanding amount of these loans at the end of the year under review was € 9,074,000 compared with € 4,978,000 at the end of 2002. Interest of 4% per annum is added to the principal each year.

New loans amounting to € 5,744,000 were provided in 2003 in connection with an increase in the Directors' stock option package. During the period under review amounts totalling € 1,891,000 were redeemed.

In 2003 the remuneration paid to Supervisory Board members amounted to € 102,000.

¹⁾ The formation of BEST Agrifund N.V., which initially encompassed the activities of Sobel N.V. and was then expanded to include business activities in the meat sector, led to additional responsibilities for the members of the Executive Board. The fixed salary of the Executive Board has, consequently, been adjusted accordingly and fixed at € 763,000 per annum as of 1 July 2003.

Company balance sheet

AS AT 31 DECEMBER 2003
(BEFORE PROFIT APPROPRIATION)

ASSETS**FIXED ASSETS**

Tangible fixed assets
Financial fixed assets

2003	2002
3,300	–
502,282	541,342

505,582	541,342
---------	---------

CURRENT ASSETS

Claims on group companies
Taxes
Cash and cash equivalents

7,520	–
2,448	–
11,451	–

Total assets

21,418	0
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527,001	541,342
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LIABILITIES**SHAREHOLDERS' EQUITY**

500,438	379,139
---------	---------

CURRENT LIABILITIES TO GROUP COMPANIES

25,966	162,203
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OTHER CURRENT LIABILITIES

597	–
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Total liabilities

527,001	541,342
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Company profit and loss account

FOR 2003

	2003	2002
Company result	-3,088	-
Result of group companies	41,731	30,178
Net result as specified in the consolidated profit and loss account	38,643	30,178

Notes to the company balance sheet

ASSETS

FINANCIAL FIXED ASSETS

This item comprises the participating interests in group companies.

Consolidated participating interests are valued at net capital value.

Changes in the company's share were as follows:

	GROUP COMPANIES
Status on 1 January 2003	541,342
Expansion interests	80,134
Dividends received	-143,184
Result	41,731
Other movements	-4,460
Exchange rate differences	-13,281
<hr/>	
Balance on 31 December 2003	502,282

LIABILITIES**SHAREHOLDERS' EQUITY**

In the year under review the authorised capital rose from € 2,268,901 to € 4,500,000 and the nominal value of the shares was changed from € 453.78 to € 45 per share. On 31 December 2003 the authorised capital of the company was € 4,500,000, divided into 100,000 shares with a nominal value of € 45. In 2003 7,939 additional shares were placed and fully paid up. On 31 December 2003 58,369 shares had been issued and fully paid up. Shares were paid up either via a cash deposit or via the contribution of shares in acquired companies.

Changes to the separate components of the shareholders' equity were as follows:

	PAID-IN CAPITAL	SHARE PREMIUM RESERVE	STATUTORY RESERVES	OTHER RESERVES	TOTAL
Paid-in capital on 1 January 2003	2,269	315,034	41	99,692	417,037
Less: purchase of own shares				-37,897	-37,897
Status of shareholders' equity on 1 January 2003	2,269	315,034	41	61,795	379,140
New placement of purchased own shares				37,897	37,897
Share issue	357	57,682			58,039
Exchange rate differences				-13,281	-13,281
Changes to statutory reserve			-41	41	0
Balance on 31 December 2003	2,627	372,716	0	86,452	461,795
Undivided appropriated profit over financial year					38,643
Balance on 31 December 2003					500,438

Off balance sheet commitments

The company heads the Dutch fiscal entity for corporate income tax.

On the basis of this the company is severally liable for the corporate income tax of the fiscal entity as a whole.

Best, 25 March 2004

Executive Board

D. van Doorn, **Chairman**
A.M.M. Lammers, **Vice-chairman**

Supervisory Board

A.J.A.M. Vermeer, **Chairman**
J.A.J. Vink, **Vice-chairman**
H. Visser
G.J.P. van Oosten
A.J.M. van Hoof
J.M. Verhoeven

Other information

STATUTORY STIPULATIONS REGARDING THE APPROPRIATION OF PROFIT

Article 23 of the Articles of Association reads as follows:

clause 1 From the profit as shown in the financial statements approved by the General Meeting of Shareholders, such amounts will be reserved as the Executive Board, with the approval of the Supervisory Board, shall determine. The remaining profit is at the disposal of the General Meeting of Shareholders.

clause 2 The company may only pay out to shareholders and others so entitled the profit available for payment as dividend to the extent that its shareholders' equity is greater than the amount of the paid up capital increased by the legally obligatory reserves.

PROPOSED PROFIT APPROPRIATION

The proposed profit appropriation is as follows:

Profit over 2003		38,643
Dividend proposal		
Interim dividend 2003	5,078	
Final dividend 2003	5,078	
	<hr/>	
Dividend payable		10,156
<hr/>		
Addition to the general reserve		28,487

AUDITOR'S REPORT

We have audited the 2003 financial statements of BEST Agrifund N.V., Best. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an opinion regarding these financial statements based on our audit.

Our audit was conducted in accordance with auditing standards generally accepted in the Netherlands. These standards require that we plan and perform our audit in such a way as to obtain a reasonable level of assurance that the financial statements do not contain any material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes an assessment of the accounting principles and estimates used by the management when preparing the financial statements as well as an evaluation of the overall presentation of the financial statements. In our view our audit provides a proper basis for our opinion.

In our opinion the financial statements provide a true and fair picture of the level and composition of the capital on 31 December 2003 and of the result over 2003 in accordance with the accounting principles generally accepted in the Netherlands and comply with the legal requirements stipulated in Part 9 Book 2 of the Dutch Civil Code.

Tilburg, 25 March 2004

BDO Accountants

Glossary

Category I/II material Slaughter waste which may not, under any conditions, re-enter the food chain (formerly called High Risk Material (HRM) and Specific Risk Material (SRM))

Category III material Slaughter waste which under extremely stringent conditions is suitable for human and animal consumption (formerly called Low Risk Material (LRM))

EBITA Earnings before Interest, Tax and Amortisation

GMP Good Manufacturing Practice

GP Gelatine Products

HACCP Hazard Analysis Critical Control Points

HCP Healthcare Products

NOP Natural Organic Products

OTC Over the counter (non-prescription drugs)

ROCE Return on Capital Employed

ROE Return on Equity

ROS Return on Sales

Rx Prescription drugs

Soflets® Tablet coated with soft gelatine

Softgel Soft gelatine capsule

VMS Vitamins, Minerals and Supplements

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