

# EBRO PULEVA Annual Report 06

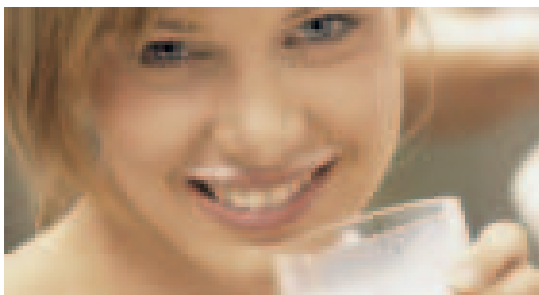
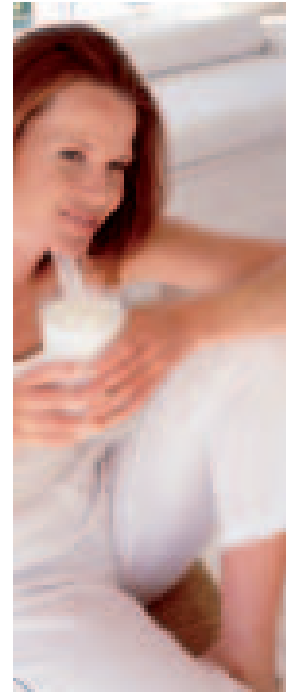






# Contents

●	An overview of Ebro Puleva	Ebro Puleva at a glance	4
		Financial highlights	5
		International presence	6
		Business profile	8
		Ebro Puleva in figures	10
●	Chairman's Statement		12
●	Ebro Puleva today	01 Summary of the year	16
		02 Evolution towards a new business model: Strategic Plan 2006-2009	18
		The starting point	19
		The new Strategic Plan 2006-2009	20
		The meal solutions concept	22
		03 Business areas	24
		Rice	28
		Sugar	34
		Dairy	38
		Pasta	42
		Biofuels	46
		04 Leadership through an advanced R+D+I policy	48
●	Financial Information and Annual Accounts	05 Financial information	58
		06 06 Stock Market information	67
		07 Auditors' Report, Individual Annual Accounts and Directors' Report	71
		08 Auditors' Report, Consolidated Annual Accounts and Directors' Report	102



# Ebro Puleva at a glance

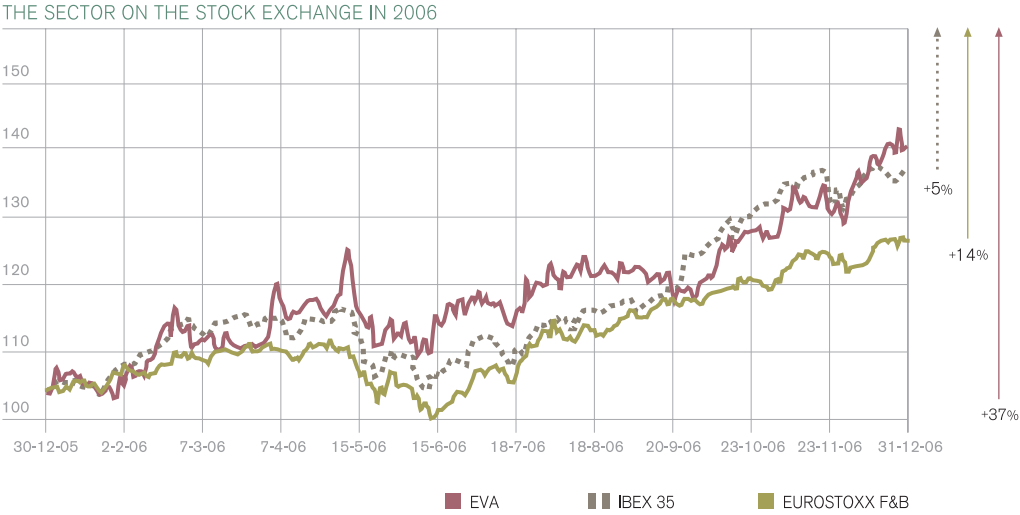


- World leader of the rice sector
- Second manufacturer worldwide in the pasta sector
- Leading rice and pasta manufacturer in USA and Canada
- Leading food group in Spain in terms of turnover, profits, market capitalisation and international presence
- Leading Spanish sugar group
- No. 1 in the marketing of high value-added dairy products in Spain
- More than 60 brands in 22 countries in Europe, America, North Africa and Asia



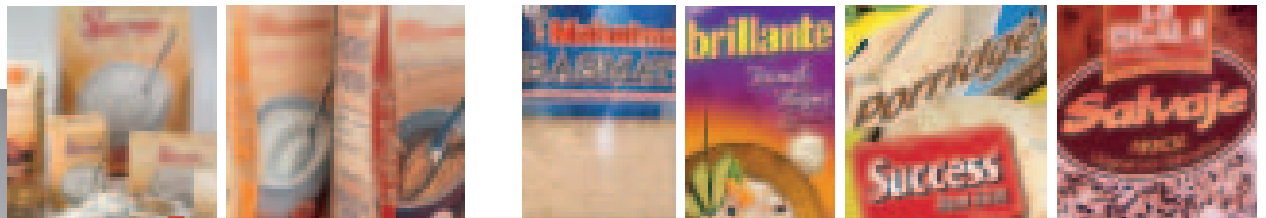


All our financial parameters have recorded solid growth



# Financial highlights





# Ebro Puleva Business profile

## Sugar

All sugar-related businesses -production and marketing of sugar, alcohol, animal feed and by-products- are performed through Azucarera Ebro, a company created in 1998 out of the merger of Ebro Agrícolas and the centenarian Sociedad General Azucarera de España. Leader in sugar consumption and distribution in Spain, it represents approximately 40% of Ebro Puleva's total turnover.

## Rice

This is one of the most international businesses of Ebro Puleva. Its origins in Spain date back to 1950, and in 1986 it embarked on its international expansion, eventually becoming the leading rice group worldwide, with a vast network and an extensive portfolio of leading brands in Europe, USA, Canada and North Africa. It represents almost one-third of the Group's total business.



### PRINCIPAL BRANDS

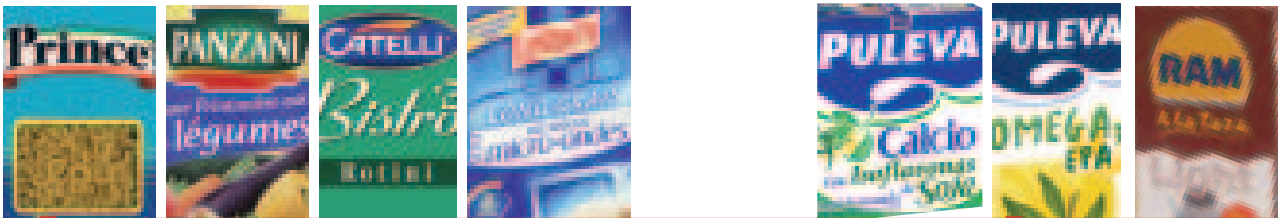
Azucarera  
Sucran

### PRINCIPAL BRANDS

**In Spain:** Brillante, Cigala, Nomen, La Fallera y Rocío.  
**In Europe, Morocco, USA and Canada:** Oryza, Reis Fit, Ris Fix, Bosto, Riceland, Risella, Riziana, Gour-

met House, Peacock, Phoenix, Miura, Mahatma, Success, Carolina, Water Maid, River S&W, Lustucru, Taureau Ailé, Minute, etc.





## Biofuels

Dosbio 2010 is the Group's subsidiary engaged in biofuels. It manages our 50% share in the bioethanol plant in Babilafuente (Salamanca) and several cogeneration plants at other production plants. It is currently embarking on new projects in bioethanol and

biofuels. As yet it makes just a token contribution to the Group's overall business, but it has a promising future.



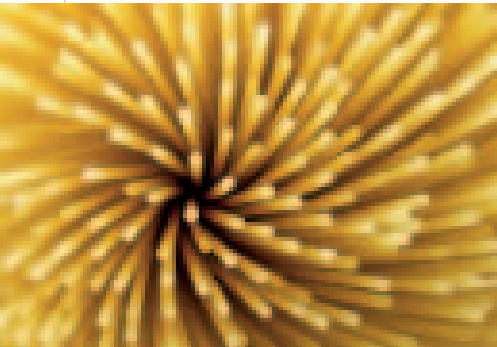
## Biotechnology

Developed by Puleva Biotech, this business engages in the research, development, manufacture and marketing of new products based on natural ingredients, with positive health effects, able to enhance consumers' quality of life.



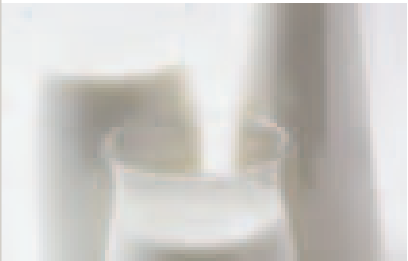
## Pasta

Although it has been going for barely two years, this division is, together with rice, the most international business of the Ebro Puleva Group. This business is performed by New World Pasta and Panzani. New World Pasta is the leading pasta manufacturer in USA and Canada. Panzani is No. 1 in France and the Czech Republic in the sectors of dry and fresh pasta, sauces, couscous and semolina. Apart from these countries, Panzani also operates in Belgium, Hungary, UK, Mexico and Portugal. With the leadership and major market shares of both these companies, the Ebro Pulega Group is now the second pasta manufacturer worldwide. This business currently represents 23% of the Group's total business.



## Dairy

The dairy division operates mainly in the marketing of differentiated dairy products with a high value added, bolstered by a powerful research and innovation line and focusing on consumer health. This innovational focus is complemented by the development of other dairy products geared towards values such as convenience or flavour. The business overall accounts for approximately 20% of the Group's total turnover.



### PRINCIPAL BRANDS

Panzani, Lustu-  
cru, Regia, Ferre-  
ro, Catelli, Skin-  
ner, Ronzoni,  
Healthy Harvest,  
American Beauty,  
Prince, San Gior-  
gio, Lancia y Cre-  
amette

### PRINCIPAL BRANDS

Hereditum Eupoly-DHA  
Eupoly-EPA

### PRINCIPAL BRANDS

Puleva El Castillo  
Ram Nadó

### PRINCIPAL BRANDS

Dosbio 2010



# International

## **AMERICA**

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### **CANADA**

- Healthy Harvest, Catelli, Minute, Lancia, Splendor,

### **UNITED STATES**

- American Beauty, Carolina, Creamette, Gourmet House, Healthy Harvest, Light N Fluffy, Mahatma, Minute, P&R, Prince, River, Ronzoni, Skinner, Success, Water Maid

### **MEXICO**

- Panzani

### **PUERTO RICO**

- El Mago, Prince, Ronzoni, Sello Rojo

### **URUGUAY**

## **EUROPE**

---

### **GERMANY**

- Oryza, Reis-Fit

### **BELGIUM**

- Bosto, Panzani

### **CZECH REPUBLIC**

- Panzani

### **DENMARK**

- Ris-Fix, Danrice

## **EUROPE**

---

### **SPAIN**

- Arotz, Azucarera, Brillante, El Castillo, La Cigala, La Fallera, Nomen, Puleva, Puleva Biotech, Ram, Rocío

### **FINLAND**

- Risella

### **FRANCE**

- Panzani, Lustucru, Taureau Ailé, Regia, Ferrero, Sucran

### **GREECE**

- Riziana

### **HUNGARY**

- Riceland, Panzani

### **ITALY**

### **POLAND**

- Bosto

### **PORTUGAL**

- Cigala, Puleva, Panzani

### **UNITED KINGDOM**

- Success, Phoenix, Peacock, Chinatown, Daawat, Tarrantella, Panzani, Gourmet House, Sunrich, Trout Hall

## **AFRICA**

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### **ALGERIA**

- Panzani, Lustucru, Herba

### **EGYPT**

- Herba Egypt

### **LIBYA**

- Herba

### **MOROCCO**

- Cigala, Miura

## **ASIA**

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### **ISRAEL**

- Cigala

### **THAILAND**

- Herba Bangkok

Presence





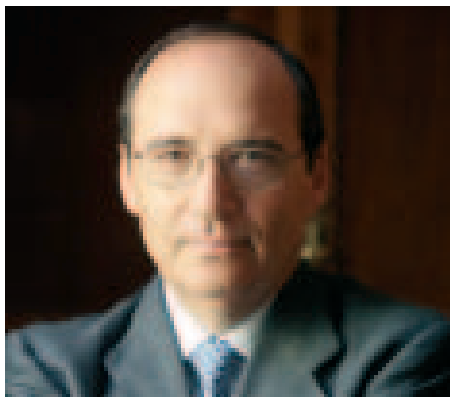
# Ebro Puleva in figures

CONSOLIDATED FIGURES					
Thousand of euro	2004	2005	2005-2004	2006	2006-2005
Net turnover	1,814,359	2,128,956	17.3%	2,448,794	15.0%
EBITDA	248,489	281,564	13.3%	306,005	8.7%
EBIT	182,871	197,052	7.8%	211,216	7.2%
Operating profit	194,408	247,117	27.1%	250,747	1.5%
Net profit	126,573	155,641	23.0%	180,363	15.9%
Average working capital	426,853	451,215	5.7%	493,143	9.3%
Capital employed	1,219,230	1,535,036	25.9%	1,654,931	7.8%
ROCE (1)	15.5	13.5		12.8	
Capex	102,524	8	2.8%	298,225	199.2%
Average workforce	5,261	6,296	19.7%	6,784	7.8%
STOCK MARKET HIGHLIGHTS					
	2004	2005	2005-2004	2006	2006-2005
Number of shares	153,865,392	153,865,392	0.0%	153,865,392	0.0%
Market capitalisation at year-end	1,615,587	2,158,731	33.6%	2,954,216	36.8%
EPS	0.82	1.01	23.0%	1.17	15.9%
Dividend per share	0.33	0.34	3.0%	0.36	5.9%
Theoretical book value per share	6.25	7.00	12.0%	7.72	10.3%
	31-12-04	31-12-05	2005-2004	31-12-06	2006-2005
Capital and reserves	961,160	1,076,582	12.0%	1,187,962	10.3%
Net debt	472,123	931,322	97.3%	1,134,894	21.9%
Average net debt	352,088	841,427	0.0%	1,046,354	0.0%
Leverage (2)	0.37	0.78		0.88	
Total assets	2,167,244	2,988,903	37.9%	3,363,715	12.5%

(1) ROCE = (Operating profit CAG last 12 months / (Intangible assets + property, plant & equipment + working capital))

(2) Ratio of Average Net Financial Debt to Capital and Reserves

BUSINESSES (THOUSAND EURO)					
<b>Sugar Business</b>	<b>2004</b>	<b>2005</b>	<b>2005-2004</b>	<b>2006</b>	<b>2006-2005</b>
Net turnover	734,097	652,314	-11.1%	687,011	5.3%
EBITDA	152,251	119,505	-21.5%	96,955	-18.9%
EBIT	118,205	86,273	-27.0%	64,818	-24.9%
Operating profit	72,126	83,733	16.1%	31,844	-62.0%
Average working capital	149,385	155,162	3.9%	149,766	-3.5%
Capital employed	555,498	559,623	0.7%	543,599	-2.9%
ROCE	21.0	15.6		11.9	
Capex	41,461	34,584	16.6%	27,368	-20.9%
<b>Rice Business (Herba+Riviana)</b>	<b>2004</b>	<b>2005</b>	<b>2005-2004</b>	<b>2006</b>	<b>2006-2005</b>
Net turnover	574,856	688,648	19.8%	696,655	1.2%
EBITDA	61,291	68,820	12.3%	71,343	3.7%
EBIT	47,624	49,147	3.2%	51,368	4.5%
Operating profit	47,086	46,932	-0.3%	40,722	-13.2%
Average working capital	130,389	166,035	27.3%	191,208	15.2%
Capital employed	238,251	455,937	91.4%	501,656	10.0%
ROCE	15.2	13.1		10.2	
Capex	25,164	25,727	2.2%	23,098	-10.2%
<b>Dairy Business</b>	<b>2004</b>	<b>2005</b>	<b>2005-2004</b>	<b>2006</b>	<b>2006-2005</b>
Net turnover	497,078	518,137	4.2%	504,140	-2.7%
EBITDA	46,620	54,121	16.1%	55,460	2.5%
EBIT	31,078	37,507	20.7%	40,176	7.1%
Operating profit	31,111	31,473	1.2%	38,097	21.0%
Average working capital	71,042	79,597	12.0%	87,508	9.9%
Capital employed	217,432	225,904	3.9%	223,511	-1.1%
ROCE	14.3	16.6		18.0	
Capex	36,948	17,501	52.6%	14,625	-16.4%
<b>Pasta Business (Panzani+NWP)</b>	<b>2005</b>	<b>2006</b>	<b>2006-2005</b>		
Net turnover	289,588	592,722	104.7%		
EBITDA	44,416	92,093	107.3%		
EBIT	31,492	66,408	110.9%		
Operating profit	33,957	63,758	87.8%		
Average working capital	28,889	57,592	99.4%		
Capital employed	217,927	361,120	65.7%		
ROCE	14.5	18.4	0.0		
Capex	15,964	19,419	21.6%		



# Chairman's Statement

Dear shareholders,

It is a pleasure for me to share with you all the company's development and achievements during 2006. I began my work as Chairman of Ebro Puleva two years ago now. After a first year of consolidating our initial, major investments, Riviana and Panzani, this year we have presented the new Strategic Plan 2006/2009, which I consider fundamental for the future evolution of our company.

The essential goals of this Strategic Plan are a balanced diversification (in both businesses and geographical areas), focus on the brand business (without relinquishing our industrial activity with higher value added) and a coherent business management focusing on the meal solutions concept (aiming to provide the best meal solutions for consumers in terms of functionality, convenience and pleasure, through constant innovation geared at meeting market demands). In this regard, development of the different divisions of the Group has been marked in 2006 by intense innovation and all the companies have worked on the evolution, renovation and broadening of their respective product portfolios, laying the groundwork for future growth under the parameters of quality, health and convenience.

Within these goals set in our Strategic Plan, two major acquisitions were made in 2006: in June we announced the purchase of New World Pasta, leader of the sector in USA and Canada, for US\$362.5 million. This put us in second position worldwide on the pasta market, with leadership in Europe, USA and Canada. This purchase also consolidated the Group's strength in the US food sector, a market in which we were already No. 1 in the rice segment following the successful acquisition of Riviana.

The other major transaction of the year, announced one month later, was the purchase from Kraft Foods of its rice brand Minute Rice in USA and Canada for US\$280 million. Minute Rice is leader in the quick-cook rice segment, so is a perfect complement to our product range in the USA. Through its purchase we also opened the door to the Canadian rice market, where the Group previously had no brand presence.

The incorporation of Minute Rice, added to the acquisition of New World Pasta, gave our North American business overall considerable weight within the Group. Almost one-third of the total consolidated EBITDA and one-fifth of the total turnover now comes from our American companies. These purchases push Ebro Puleva further up the ranking of US food enterprises, putting us up amongst the top twenty.

The generation of synergies is one of the greatest values added of these acquisitions. Through a total coordination among New World Pasta, Riviana and Panzani, we are able to share knowledge, technology, experience and innovation, which will result in major synergies in industrial, commercial, technological and administrative aspects. This will all have a positive bearing on the launching of joint projects, cost savings and development of new business opportunities.

2006 was also an intense, positive year for the Group's activities in Spain.

The sugar business completed its first year under the new regulatory framework introduced following the CMO reform. The abandoning of quota production sought by this reform fell far short of expectations in the different countries, so European authorities are now studying the possibility of making changes to encourage farmers to stop growing beet. The decisions of beet growers in the central region of Spain led this year to the shutdown of the small sugar factory in Ciudad Real, conducted within a framework

of full entente between management and union representatives. Meanwhile, the huge surplus of sugar on the European market has put a squeeze on prices and made competition very fierce. Even against this difficult backdrop, Azucarera Ebro has managed to keep ahead of forecasts, with an EBITDA of 97 million euro. Another highlight of the year was the opening of the new Packaging Centre in Benavente, where we will use new formats and complement our offer with products having a higher value added, anticipating a greater penetration on the European market.

The principal company in our dairy division, Puleva Food, has once again chalked up a profit, despite the hike in energy costs and raw material prices towards the end of the year. True to its goal of maximising consumers' well-being by developing innovating products with a high value added, it has become further consolidated on the market as a premium brand through its constant innovation and research, aimed at expanding its product portfolio. During the year, it launched a new range of ready-to-eat products for children and developed a new humanised milk and new packaging technologies to make them easier to use and enhance preservation of their nutritional properties. Lactimilk, which manages the brands Ram, El Castillo and Nado, has also improved its yield, tripling its contribution to the Group EBITDA and increasing its operating margin.

The rice business was hit in 2006 by the rising prices of its raw material, pushed up by the short supply in Europe, in turn due to the drought, and the increased demand from the new EU member states. This situation was further aggravated by the detection of genetically modified rice in the United States, which meant that imports from North America had to be cut, even though there was no health risk. Ebro Puleva correctly anticipated this shortage and embarked on an ambitious supply diversification plan: we are currently building plants in Egypt and Morocco, and our presence in Thailand and Uruguay guarantee supplies on profitable terms. We have also broadened the scope of action of our brands, with Brillante successfully branching into pasta and purées, while organic growth has continued in Finland, Hungary, Poland and Libya, where advertising campaigns have been launched to boost our brands.

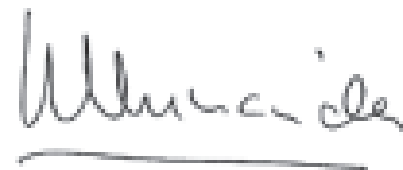
Cost-cutting and austerity maintained their importance, along with the shedding of non-strategic businesses and assets (including especially this year those in Central America), with the dual aim of reducing the debt incurred for the heavy investments made in recent years and concentrating our efforts and resources in our core businesses. We made considerable progress towards achieving both these goals during 2006.

As a result of all this work, the Ebro Puleva Group reaffirmed itself in 2006 as undisputed leader in the Spanish food sector, world leader in the rice sector and number two in the pasta sector, consolidating its position as one of the most important enterprises on the world food market. Our turnover rose 15% year on year to 2,448 million euro, while net profit was up 16% to 180 million euro.

All this has been reflected in the outstanding performance of our share on the stock market, increasing its value by 37% over the year, outstripping IBEX-35 by more than 5 points over the same period. At year-end, Ebro Puleva had a market capitalisation of 2,954 million euro, which is a landmark in our short history as a Group.

2006 was, therefore, extremely positive for the strengthening and progress of the Group. All its achievements were made possible by a highly coherent management team and the efforts and dedication of all the professionals forming part of Ebro Puleva, to whom I express my heartfelt gratitude. We will continue this year to work with the same zeal and enthusiasm, striving to make Ebro Puleva an international benchmark in the food sector.

We hope you, our shareholders, will continue to back us with your priceless support and confidence in this new era.



Antonio Hernández Callejas  
Chairman of Ebro Puleva







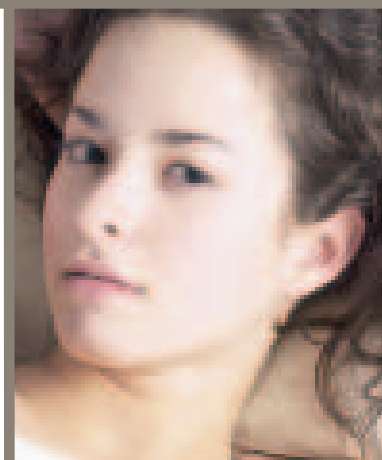
## EBRO PULEVA today

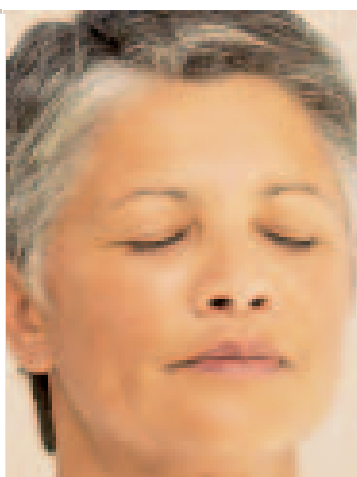


# Summary of the year

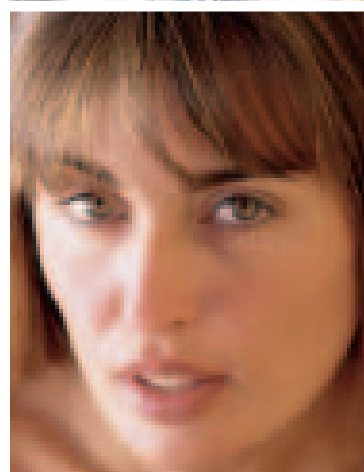
<p><b>January</b> <b>1</b></p> <p>Riviana announced the shutdown of its Abbeville plant in an effort to streamline costs and become more competitive.</p>	<p><b>February</b> <b>2</b></p> <p>Presentation of the results of the Ebro Puleva Group for 2005, posting a consolidated net profit of 155.6 million euro.</p>	<p><b>March</b> <b>3</b></p> <p>Ebro Puleva announced the sale of real estate in Venta de Baños (Palencia) for 9.5 million Euro, generating capital gains of almost nine million euro</p> <p>The Group's R+D activity was considerably strengthened following Puleva Biotech's acquisition of 60% of the capital of Española de I+D, S.A., a company with a long track record in the</p>	<p>development of new and/or improved products and technologies, technology transfer and specialised technical assistance.</p>
<p><b>April</b> <b>4</b></p> <p>The Board of Directors of Ebro Puleva approved the launching of DOSBIO 2010, S.L. All the Group's energy assets are to be grouped together under this new company, with registered office in Granada.</p> <p>Guillermo Mesonero-Romanos Aguilar tendered his resignation as Vice-Chairman of the Ebro Puleva Group. Upon recommendation by the</p>	<p>Board, the General Meeting appointed José Barreiro Seoane, who had been an independent director of the company since May 2005, new Vice-Chairman.</p> <p>Presentation of the first quarter results of 2006, posting a net profit of over 37 million euro.</p>	<p><b>May</b> <b>5</b></p> <p>Ebro Puleva signed an exclusive bargaining agreement with a business consortium consisting of Grupo Nacional de Chocolates, S.A. and Florida Ice &amp; Farm Co. (FIFCO) for the sale of its juice and biscuit businesses in Central America. The price agreed for both business lines was US\$205 million.</p>	<p><b>June</b> <b>6</b></p> <p>Ebro Puleva made an important strategic move in the pasta sector, closing a deal to purchase New World Pasta, sector leader in USA and Canada. This transaction, valued at US\$362.5 million, was arranged without borrowing and was not subject to approval by any authorities.</p>
<p><b>July</b> <b>7</b></p> <p>Presentation of the first half results of 2006, with a net profit of 68 million euro, up 42% year on year.</p> <p>Ebro Puleva reached an agreement in principle with Kraft Foods to purchase its Minute Rice business in the USA and Canada for almost \$280 million, pending approval by the US and Canadian Anti-Trust Authorities.</p>	<p><b>August</b> <b>8</b></p> <p>Incorporation of Herba Egypt.</p>		<p><b>October</b> <b>10</b></p> <p>Ebro Puleva announced that the US Anti-Trust Authorities had given the go-ahead to the agreement in principle reached with Kraft Foods to purchase Minute Rice, by not raising any objections within the time stipulated in law.</p>

The launching of the Strategic Plan 2006-2009 marks the beginning of a new era in the different businesses

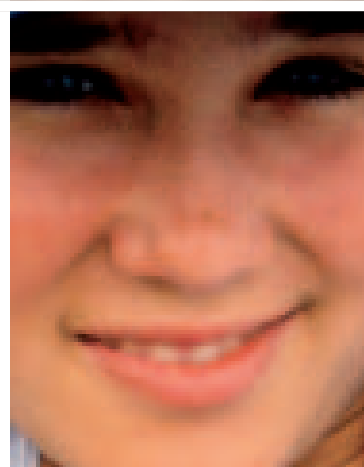




Ebro Puleva began the formalities for installing its future biodiesel plant in Jédula (Cádiz).

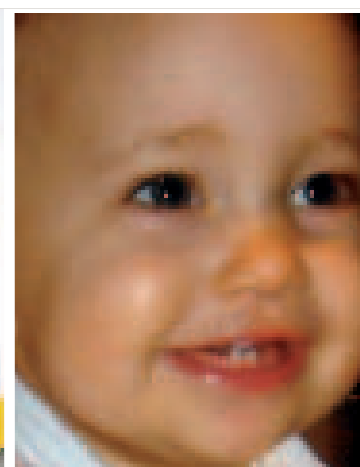
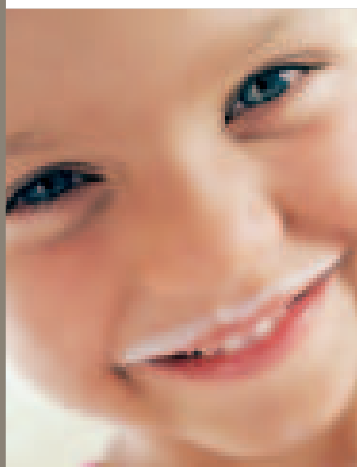


Presentation of Ebro Puleva consolidated accounts for the first nine months of 2006 and the year-end outlook. It posted a net profit of 130.7 million euro, up 4.3% year on year.



December 12

Resolution of the Board, based on the 2006 results, to propose distribution of dividends of 0.36 euro/share at the forthcoming AGM.



# 01 Evolution towards a new business model: Strategic Plan 2006-2009



## The starting point

A phase begun five years earlier with the merger between Azucarera Ebro Agrícolas and Puleva, creating the largest Spanish food group, was concluded in 2005. Herba was then fully consolidated and a growth strategy was developed for the rice business entailing the purchase of several brands and businesses in Europe. This diversification processes culminated in the purchase of Riviana, leading rice producer in the USA, and Panzani, leader in the French fresh pasta, dry pasta, sauces, rice and couscous sector.

With this new structure, Ebro Puleva was in a position to be able to face the uncertain situation of its sugar business in the face of the impending reform of the CMO for sugar. That reform has now been made, its effects on future years are becoming constantly clearer and Ebro Puleva has a promising future as a diversified group, present in numerous sectors and geographical areas, focusing more and more on brand businesses with potential for further growth, both organic and through acquisitions, not only in its fully integrated businesses (sugar, rice, dairy and pasta), but also in other new lines of business currently under development (biofuels) or that may be developed in the future.

## The new Strategic Plan 2006-2009

The Board of Directors of Ebro Puleva formally approved the Strategic Plan for this four-year period at its meeting of 20 December 2006, although it had actually been working intensely on it for the past year. The acquisitions of NWP and Minute® are entirely within the bounds of the new Plan.

In its Strategic Plan 2006-2009, Ebro Puleva has set itself the target of leading the meal solutions sector, with the aim of providing consumers with the best possible meal solutions in terms of functionality, convenience and pleasure, through constant innovation geared towards meeting the demands on the market. And we hope to become leaders of this sector throughout Europe, North America and the Mediterranean countries, focusing on numerous own brands in retail, without relinquishing our industrial activity with higher value added.

As mentioned earlier, two major acquisitions were made in 2006 within the bounds of the Strategic Plan: in June we announced the purchase of New World Pasta, sector leader in USA and Canada, for USD\$362.5 million. This made us the second pasta manufacturer worldwide, with leadership in Europe, USA and Canada.

The other major operation of the year, announced a month later, was the purchase from Kraft Foods of its Minute® rice brand in USA and Canada, for US\$280 million. Minute® is leader of the quick-cook rice segment, so is a perfect complement to our product array in USA. Through its acquisition, we also opened the door to the Canadian rice market, where the Group had not previously established any brand presence.

The incorporation of Minute®, together with the acquisition of New World Pasta, gave the North American business considerable weight within our Group. Almost one-third of the total consolidated EBITDA and one-fifth of the total turnover are now contributed by our American companies. These purchases also push Ebro Puleva further up the ranking of US food enterprises, putting us up amongst the top twenty.

The generation of synergies is one of the greatest values added of these acquisitions. Through a total coordination among New World Pasta, Riviana and Panzani, we are able to share knowledge, technology, experience and innovation, which will result in major synergies in industrial, commercial, technological and administrative aspects. This will all have a positive bearing on the launching of joint projects, cost savings and development of new business opportunities.

We have taken on  
a marked international and  
brand-based nature



We have a  
new profile:  
we are now a  
geographicall  
y and  
sectorally  
diversified  
Group



# Our next goal is to be leaders in meal solutions

## The meal solutions concept

Through the different acquisitions that have shaped the current structure of the Group, Ebro Puleva has traditionally based its actions on a product approach, and its business units are organised accordingly. In the future, we aim to refocus, creating an approach of solving consumers' eating requirements. We aim to take the preferences and expectations of our end customers, segmented by age and sex insofar as this entails different needs, and on that basis, through constant R+D+I, create the solutions that the different segments of the population need for breakfast, lunch, afternoon tea or evening meal. The product can no longer be the defining element of the value chain in the future, it must be the consumer.

Based on two of our existing products, rice and pasta, we will endeavour to apply technological concepts (freezing and microwave products are already available, we will add others) which enable us to move away from commoditisation of products and help meet consumer requirements in respect of nutrition, convenience or single-serving packs, producing value added for our company and barriers to competition through permanent renewal.



### AN IMPORTANT PLAYER ON THE UNITED STATES FOOD MARKET

The significant leap made by Ebro Puleva on the US food market in just three years is the result of an excellent, well-planned strategic approach. It staged a brilliant entry in 2004 with the purchase of Riviana. The knowledge and experience acquired on this market through our US company and its size, yield and growth potential were decisive in making it one of the geographical markets of greatest interest for the Group. Consequently, in 2006 Ebro Puleva made an enormous investment drive to conquer the market once and for all, acquiring two major businesses: New World Pasta and Minute®.

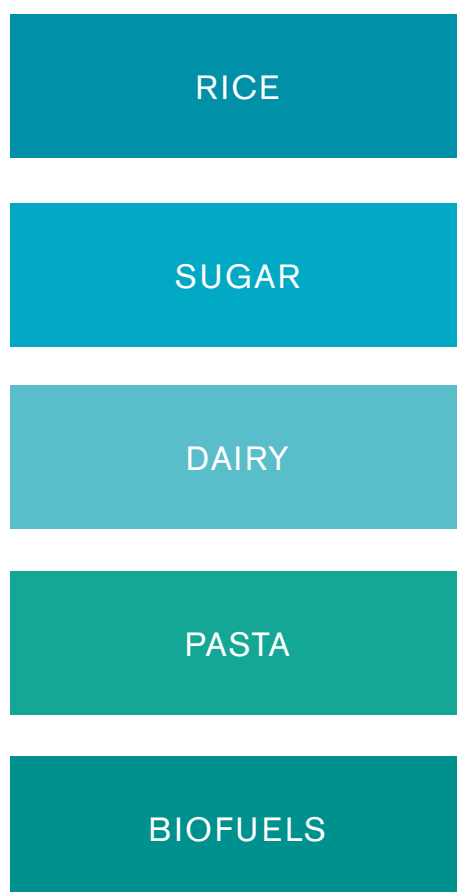
The US triangle has made Ebro Puleva an important player on the United States food market. It is now one of the top twenty food enterprises by sales and has a much higher position in the grocery segment. Ebro Puleva is number one in rice, with a 21% market share. It is also number one in the pasta sector, with a market share of 28.5% in USA and 40.9% in Canada. Ebro Puleva expects to generate an EBITDA of over US\$100 million in North America in 2007 and it has solid grounds to be optimistic about the future: firstly, the unyielding growth of this market; secondly, the constant population growth in the USA, especially the Hispanic population, large consumers of our rice and pasta products; and finally, Ebro Puleva's offer of healthy food is entirely in keeping with the new consumer trends among North Americans.





# 02 Business areas



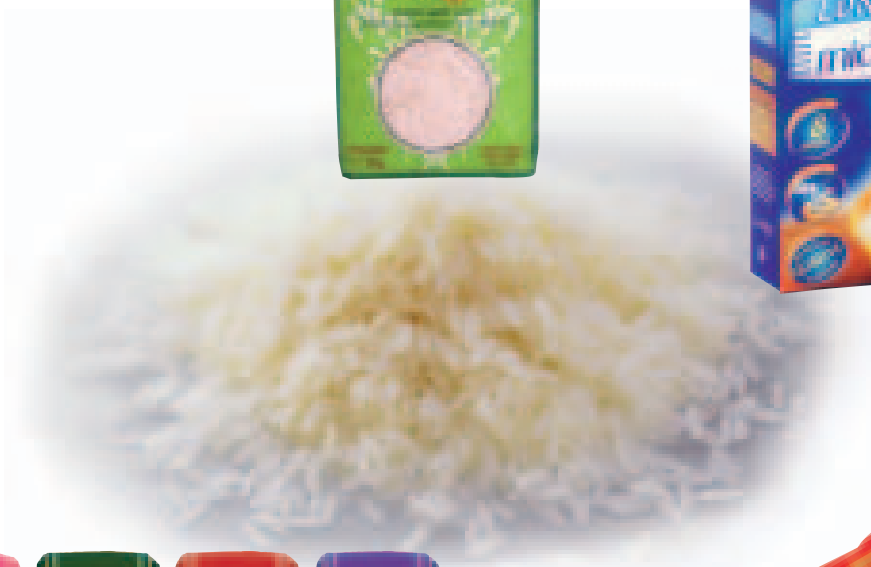


## Creating value through innovation

A permanent commitment to innovation was the common factor in all the business areas of the Ebro Puleva Group in 2006. Aware of the high level of competition on the food market and the difficulties for growth deriving from operating on a mature market, Ebro Puleva has continued to give prime importance to research, development and innovation, striving to strengthen its leading position, generate new differential products that give a greater value to the Group's business and obtain maximum returns for its shareholders.

The activities of all the Group divisions have revolved around this concept of innovation as the key to the future, giving their respective product portfolios the necessary parameters of quality, health, convenience, evolution, renovation and extension.







## RICE

### A new development model

The major achievements of the Ebro Puleva rice division in 2006 included the strengthening of its worldwide leadership of the rice sector through the acquisition of Minute®, the penetration of new countries and markets, the constant drive of its brand business, the focusing of its commercial activities and a well - selected diversification of supplies.

One of the most significant aspects for the evolution of the business was the shortage of rice at most sources of supply. This caused a price hike on the raw materials markets, creating a complicated international panorama for rice operators. This situation was due to a number of different factors, including the smaller rice harvests in southern Spain due to the drought, the increased demand for rice following the incorporation of new member states in the European Union, depletion of Intervention stocks and the appearance in USA of varieties of genetically modified rice (GMO), which forced Ebro Puleva to immediately halt its imports of American rice.

This made it necessary to introduce a new development model to mitigate the adverse effects of this market situation and take advantage of the consequent opportunities to position ourselves at a vantage for the future.

In this respect, the rice division has diversified its sources of supply, opening up to competitive, quality sources. In this line, it has set up subsidiaries in Thailand (Herba Bangkok) and Egypt (Herba Egypt), indica and japonica rice producing countries, respectively, to buy, transform and export rices to our consumer markets in Europe and USA.



# The new development model will put us in an excellent position within the sector

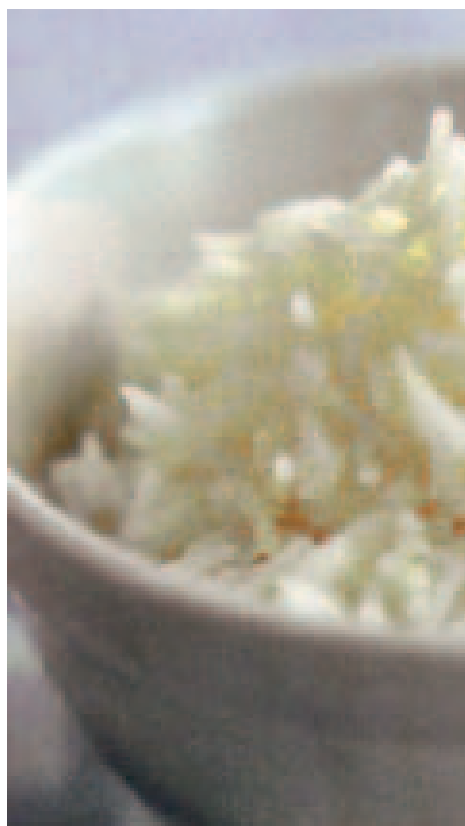
Herba Bangkok has closed preferential agreements with the leading operators in the Asian country and will, as a result, become the principal exporter of Thai rice to Europe next year. Along the same lines, there are very advanced plans to increase the value added of these exports, for example by supplying fully processed, packaged rices to consumer countries, which will considerably increase the overall yield of the business.

Herba Egypt was set up with an ambitious industrial and commercial project intended to convert it into the leading producer and exporter of this important country. To carry out this project, a rice mill strategically situated in the heart of the Nile Delta was purchased in mid-2006. An investment of the order of ten million euro is envisaged and the factory is expected to commence production in the second quarter of 2007. This plant will process local short-grain rice, of good quality and at very competitive prices.

Herba sought alternative sources to make up the shortage due to the paralysed US rice imports, and has found a reliable, high-quality option in Uruguay.

All these actions have been accompanied by a systematisation of the supply management processes. A corporate purchases organisation has been set up to manage and channel all purchases of rice for the division from outside the EU. This brings obvious benefits and synergies, not only in purchase prices and logistics costs, but also for defining and guaranteeing the quality of products acquired for all the Group's subsidiaries.

But with a view to responding to the new consumer trends, the new development model has also contemplated the focusing of commercial activity. In the industrial area, the industrial product lines with the greatest value added have been boosted, in view of Ebro Puleva's competitive edge in high levels of technology, product quality and service quality. We are leaders in the industrial supply of ingredients for baby food (special flours), breakfast cereals, frozen foods (technologically differentiated, high quality product) and other industries in the sector (technologically developed rice for quick cooking). In the brand segment, special emphasis has been placed on giving this activity a greater weight by maintaining a high level of investment in advertising, twenty million euro, to distinguish our brands from rival and private label brands. New brands have also been incorporated in the Group's portfolio, including especially the acquisition of Minute® from the Kraft Group. To relaunch the brands used in Puerto Rico (Sello Rojo® and El Mago®), the company Herba Puerto Rico was organised and established in 2006, aiming to achieve greater awareness of these brands and make them more competitive. The raw material for this new company will be supplied from Egypt.







Product and process innovation has been constant throughout all the companies in the division



Our product ranges have also been broadened with products differentiated from the commodities of the sector, through special rices (basmati, bomba, etc.) or convenience solutions (quick cook, ready meal, etc), which set our brands apart from the rest of the market, while securing greater returns.

The entire rice division has been especially active in this respect. Herba Nutrición developed new ranges of precooked products under the Brillante® brand, based on pasta and purées, which, just like rice, can be microwaved and are ready to eat. These categories, always in the cup format, accounted for 13% of the total turnover of our brands in Spain during 2006. The sales of precooked rices have progressively increased, with a year-on-year growth in 2006 of 45%.

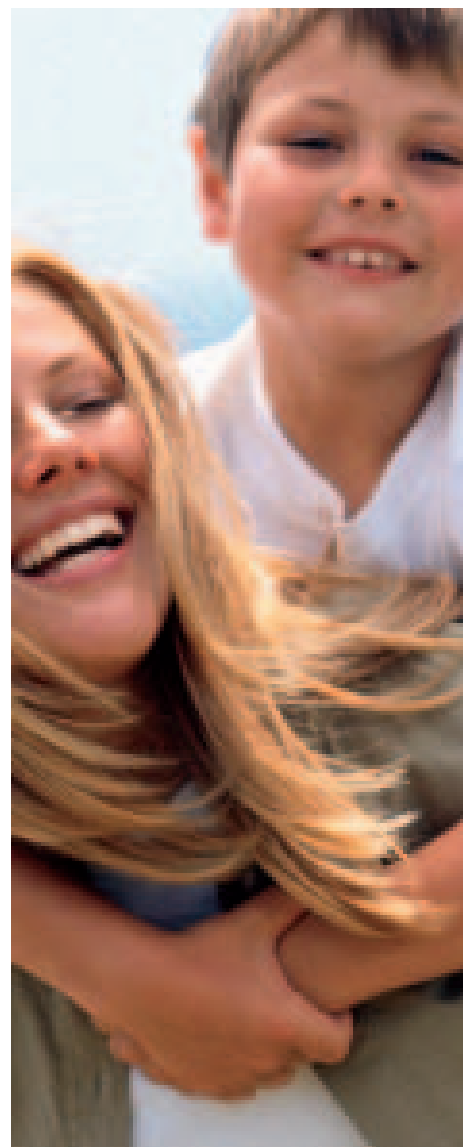
The precooked products plant in Jerez, which commenced production after a total investment of €8.4 million, has developed a new form of packaging, doypacks, for rice and pasta dishes for some of the Group's companies outside Spain. These doypacks have gone down well on the different European markets.

Riviana has also structured its activities around this concept of innovation, launching a wide range of rice in a cup recipes under the brand Success®. In view of the enormous success of the first phase of this product range in the south of the United States, a second phase commenced mid-year in the north of the country, increasing the number of varieties offered. A new range of precooked and brown long-grain rices has also been developed under the Success® brand, corresponding to health and convenience values.

The Belgian company Herto has developed a new line of products, called “healthy snacks”, which have been presented to some of the principal companies in the sector for appraisal. Viability studies are being made with a view to introducing them on the Spanish market.

And in general, all the companies in the division have launched new categories of precooked rices and some, such as the Danish subsidiary Danrice, have even developed new frozen products in individual packs (*IQF*) based on pulses and functional pastas.

The implementation of this new development model will reap significant benefits for the rice division in coming years, giving it considerable competitive edge and making it a benchmark in the sector.



We are leaders in industrial supplies of ingredients for baby foods, breakfast cereals and frozen foods

#### MULTIPLICATION OF VALUE THROUGH INTEGRATION

2006 was an especially important year for obtaining synergies and integration of the different companies making up the Ebro Puleva Group. The rice division was especially active in this regard, developing initiatives and highly interesting projects in the commercial, industrial, financial and IT areas.

The most prominent actions in the commercial area were performed in Spain, Belgium, United Kingdom and Portugal. In Spain, commercial teams have been set up jointly with Puleva Food to sell through the hotel and catering distribution channel. There are mixed rice/dairy sales teams and delegates in Galicia and the Canary Islands, who conduct commercial actions with customers in respect of both families of products. In Portugal, following the Spanish model, Arrozeiras Mundiarroz was seen as an ideal vehicle for distributing the Puleva products: both commercial organisations have merged, designing a new network which, with the collaboration of a peninsular logistics operator, handles the sales of products from both business areas. In Belgium, close collaboration has been established with the Panzani Group, commissioning the marketing and distribution of its products in that country to the subsidiary Boost Nutrition. The savings thus obtained by the Group in logistics and commercial management have been calculated at around one million euro. Finally, in the UK some of the Panzani products, namely semolina and couscous, were introduced under the brand portfolio of S&B Herba Foods in 2006, and precooked dishes and new ranges under the Tarantella® brand are expected to be launched in 2007.

In the industrial area, the main integration measures have focused on setting up multi-product manufacturing units, with the aim of meeting supplies for different divisions. Accordingly, the precooked dishes plant in Jerez has been designed to produce not only rices for distribution in the Herba Group, but also pasta in doypack format for sale through Panzani, its main customer in this product line.

In the field of information technologies, SAP has been installed in our Portuguese subsidiary, where it was implemented following the current business model in Herba España, with the necessary adaptations to the Portuguese market. The first achievements were the immediate implementation and savings on installation costs, and effective results; the medium and long-term challenge in this area is to improve the quality of the information, as a vehicle for achieving efficiency in business management.

Within the financial area, a process is being developed to integrate the cash management of the different international companies in the Herba Group. This new corporate finance management in the rice division is intended to optimise the cost of bank financing for the entire business, improve working capital ratios and manage more efficiently the Group's collections and payments. This project is expected to be concluded during the first half of 2007.



## SUGAR

### First year under the new regulatory framework

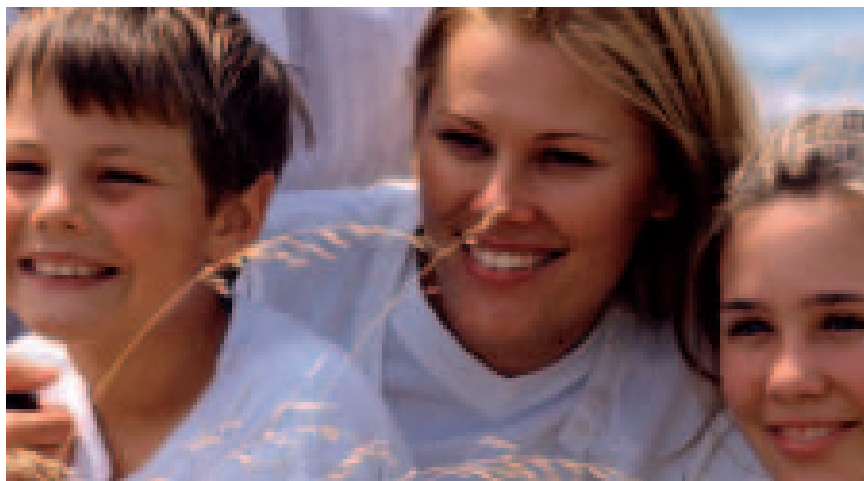
The performance of the sugar division in 2006 was satisfactory, surpassing the forecasts made at the beginning of the year and obtaining an EBITDA of €97 million.

The development of this business was marked by the fact that it was the first year under the new regulatory framework imposed after the reform of the Common Market Organisation (CMO) for Sugar. This reform seeks to lower the level of sugar quota production in the European Union, achieving a balance between supply (internal production + imports) and demand. The most important aspects of this reform are:

- Progressive lowering of sugar reference prices, from €648.8/tonne in the 2005/06 marketing year in Spain to €404.4/tonne in 2009/10. This is a drop of 37.7% in four years.
- Lowering of quota beet prices, which in Spain fall from €49.87/tonne in the 2005/06 marketing year to €26.29/tonne in 2009/10, down 47.3%.
- Aids for farmers to compensate the drop in prices, equivalent to 60% of the reduction.
- Creation of a production royalty of €12/tonne of sugar, substituting the former production levy.
- Promotion of a thorough restructuring of the sector through the granting of aids to countries that abandon all or part of their quota and close factories.

The Benavente Packaging Centre will make us a benchmark in the production of special sugars and high value added products





Reactions to the entry into force of the new framework commenced in this first year. Following the publication of the new CMO regulations and the ensuing drop in beet prices, growers in Castile-La Mancha decided to abandon the crop, causing the shutdown of the Azucarera Ebro factory in Ciudad Real. Similarly, at the three factories in Andalusia, traditional beet growers have abandoned sowing in a quantity of 450,000 tonnes, although these losses were partly offset by the incorporation of new growers. Consequently, the level of contracting is some 150,000 tonnes below the total allowance for the region.

With a view to maintaining sustained, stable activity within this new environment, Azucarera has been making considerable efforts in recent years to adjust its agricultural and industrial activity. During 2006, it made further progress towards optimising management of its operating plant, aiming to strengthen its competitive position in respect of products and costs.

In the industrial area, actions have been directed at enhancing the product portfolio to meet the needs and new demands of its customers. It managed to improve the quality of its sugar, obtaining a high percentage of EPA 1003 quality sugar, i.e. top - of - the - range sugar.

The division has continued its efforts to cut maintenance costs at its production plants without impairing their operating reliability, by using the most modern preventive maintenance techniques.

One of the most important new developments during the year was the start-up and opening of the Packaging Centre in Benavente. With a total investment of 24 million euro, this new plant has a production capacity of over 200,000 tonnes of sugar a year and incorporate the most sophisticated packing and packaging machinery currently available in the European Union. Its start-up had enabled a broadening of the product portfolio and the manufacturing of different ranges of high value-added products for the French market, where we aim to gain ground in the short term to establish ourselves as a stable supplier in the future. The Benavente Packaging Centre will put Azucarera Ebro at the head of packed sugar distribution, in terms of both the number of references and the variety of products and presentations.

The commercial activity has been marked by the strong pressure applied by some European operators on the deficit markets in order to encourage manufacturers to abandon production. The most significant results of these actions have been the disappearance of production in Ireland and a 50% reduction in Italy.

Sugar consumption in the internal market remained on a par with the previous year, approximately 1.3 million tonnes, and our market share was slightly smaller, at 53.8%, although this was offset with sales to Intervention, in a total of 52,500 tonnes of sugar, with which Azucarera curbed much of the imbalance on the market.

The most noteworthy aspect in the evolution of sales of this division was the significant increase in tonnes sold within the European Union, 30,000 tonnes more than the previous year. The rest of the quota sugar exports rose to 44,429 tonnes, taking advantage of the favourable situation in the level of refunds.

We continue  
improving our  
competitive  
position  
through  
constant  
optimisation  
of our  
production  
centres

In order to consolidate the volume of sales on the market and increase consumer awareness of the Azucarera® brand, the first publicity campaign of this brand was run in 2006, both on television and in magazines. As a result, spontaneous awareness of Azucarera® rose from 29.6% to 37.4% and prompted awareness from 69.1% to 79.4%.

Finally, within the evolution towards high value added formats, Azucarera Ebro launched new pure packs for white sugar and brown cane sugar (PPC), which on the one hand replace the former 1 kg plastic bags and the 1/2 kg cardboard boxes for brown sugar and, on the other hand, extend the range of white sugar products.

With all these actions and its excellent commercial and logistics strength, the division has closed the year with a turnover 5% up on 2005, starting to show that it will be able to work in the new scenario created after the CMO reform, maintaining a business with an attractive size and yield.





## DAIRY

### Triumph of a strategy of quality, differentiation and technological innovation

The principal company in this division, Puleva Food, has in 2006 closed yet another positive year. True to its goal of maximising consumers' well-being by developing innovating products with a high value added, it has become further consolidated on the market as a premium brand.

Its market approach, based on adequate segmentation and definition of its customers' changing needs, has been accompanied during 2006 by constant innovation and research aimed at expanding its product portfolio. During the year, it launched a new range of ready-to-eat products for children under the name Puleva Peques3® and developed a new humanised milk through Puleva Peques2®, as well as new packaging technologies to make them easier to use and enhance preservation of their nutritional properties.

It has also worked on consolidating the products launched in recent years, rewarded with a reinforced leadership in all varieties of value added milk.

In this regard, the performance of Puleva Max®, Puleva Calcio Soja® and Puleva Peques® was outstanding. The Puleva Calcio products have a 40% share in the value of this category, which will be raised in 2007 with Puleva Calcio Complet®, a synthesis product (skimmed milk enriched with calcium, omega-3, oleic acid, fibre, phosphorus and vitamins) put on the market in mid-2006, focusing on digestibility. The range geared towards meeting the nutritional needs of children has also recorded solid growth: Puleva Peques® has cornered 30% of the market share in the segment of liquid milk for children under three, and in the three to twelve age range, Puleva Max® has recorded an outstanding sales performance, giving it a market share of 58%, making Puleva Food clear leader of growth milks. Similarly, the work on containers and groupings in the milk-drink category has reinforced its leadership, with a 28% share in value.





Puleva is  
number 1 in  
the high value  
added milks  
segment





## Healthy eating and commitment to consumers are the driving forces behind our development

In the field of heart-healthy milks, the role of Puleva Omega-3® is still extremely important, as it remains undisputed number one on the market, with a 61% market share.

Its commitment to consumers has not materialised exclusively in the development of healthy products, but also in the launching of campaigns to encourage correct eating habits and healthy lifestyles. Within the framework of the NAOS Strategy (Nutrition, Physical Exercise and Obesity Prevention), it has promoted a large number of activities such as conferences, presentations, talks and workshops in cooperation with the food sections of certain Pharmaceutical Associations, to inform on basic aspects of eating habits and lifestyles to preserve good health and reduce the risk of suffering certain diseases and disorders.

In the classical milk line, Lactimilk has improved its yield, tripling its contribution to the Group's EBITDA with 3.4 million euro while increasing its operating margin. These achievements were not easy, considering the complex situation of a segment marked by the shortage and high prices of the raw material and being a product with scarce differentiation and a low price.

The El Castillo® range has been increased with the development of dairy products with special culinary properties, designed especially for catering, while the Ram® brand pursued the format innovation strategy that gave it such good results in 2005.

Lactimilk has continued working on its brand awareness, running three television advertising campaigns in 2006, one for El Castillo® and the other two for Ram®, for its classical milk and thick chocolate drink.



We use state-of-the-art technologies to manufacture differential, high-quality nutritional products



#### REWARD FOR A HIGH VALUE ADDED STRATEGY

Puleva's strategic positioning in the Spanish dairy sector is clearly set apart from those of the rest of the sector. Its main competitive edge derives from its anticipation in establishing a model of food based on health and constant gearing towards consumer needs and demands. This strategy has won it recognition on the market, where it is absolute leader in the segment of high value added milks. Since Puleva assumed innovation as the focal point of its strategic policy, it has recorded continuous sustained growth, a significant increase in brand awareness and, most importantly, full consumer confidence. According to figures published by Nielsen, in 2006 Puleva had a 49% share of the high-calcium segment (28% the second operator) and 33% in the area of special milks (6% its immediate rival). Its commitment to innovation has led it to develop a wide range of functional products, which have at the same time enabled it to improve the average price and, consequently, the profitability of the business. As a result, Puleva led sales in value on the dairy market once again in 2006, with a 16.6% market share. The product portfolio renovation undertaken during the year and actions taken in the commercial and marketing areas make for excellent prospects in 2007.



## PASTA

### Moving towards world leadership in pasta

2006 was undoubtedly a crucial year for clarifying the role Ebro Puleva is to play in the world pasta sector. The creation of this division in 2005 and its growth in just two years with the successive purchases of Panzani and New World Pasta, show how important and strategic this role is.

The sum of New World Pasta and Panzani have put us into second place in the world ranking of this sector, with market shares of over 35% in France, 40% in Canada, 28% in USA, 21% in the Czech Republic and a smaller presence in the UK, Belgium, Hungary, Algeria, Mexico and Portugal. Within the Group, this division accounted for 24% of sales and 29% of EBITDA in 2006, bearing in mind that New World Pasta contributed just seven months. Considering the outstanding progress of both these companies over the period and the synergies that will be generated between them, the prospects for the coming year are excellent and it will more than likely become the first division of the Ebro Puleva Group. In order to ensure adequate coordination between the two businesses and boost their complementary nature, at the end of the year the board of directors of Ebro Puleva appointed Guy Callejon, then General Manager of Panzani, new head of the pasta division.

Panzani maintained a satisfactory development throughout the year, considerably increasing its sales figures in all the categories in which it operates, with growth of more than ten per cent in sauces and couscous. This growth was achieved mainly as a result of important innovations to expand and renovate its product portfolio. In this regard, Panzani brought two new categories onto the market: fresh and frozen precooked meals. Its fresh precooked dishes were launched under the Lustucru® brand and developed in two phases: the first in March with three product references and the second in October with a further two varieties. The frozen precooked category was put on the market in January under the Panzani® brand.

In just two years we have become the second pasta manufacturer in the world





Our products are benchmarks in France, USA and Canada

The eleven references in this range went down well among consumers, with sales of the order of 500 tonnes during the year. This category has also been introduced in the Food Service canal with seven varieties.

In the dry pasta area, the Panzani® quick cook range has been renovated and the Qualité Or Panzani® and Giovanni Panzani® ranges have been extended. Ferrero® has also increased its couscous portfolio, and three new references were put on the market in the Panzani Express® doypack range.

The innovations were also extended to sauces, rices, fresh pasta and fresh sauces, publishing new recipes, extending the product range and bringing out new formats.

Panzani continued working on its cost-cutting policy during 2006, at the beginning of the year, we announced measures to reorganize its La Montre factory, which will help to make it more competitive, producing the corresponding effects in 2007 and 2008.

We could conclude that the intense activity performed by Panzani this year has not only had a positive bearing on its financial results, contributing €61.9 million to the Group's consolidated EBITDA, but also lays the groundwork for future growth.

The most recent addition New World Pasta has completed seven productive months, demonstrating a rapid adaptation to the Ebro Puleva Group and posting an EBITDA of over €30 million.

Over this period the company has worked on improving all the processes in the value chain and on the future development of its product portfolio, based on the same values of convenience, health and pleasure upheld by Ebro Puleva. In this aspect, the US company has an important asset, its brand Healthy Harvest® for whole wheat pasta. This healthy line of products was created back in the years when the USA was experiencing the phenomenon of the Atkins diet, the focal point of which was low consumption of carbohydrates. New World Pasta moved ahead of its rivals, seeking a niche in the market where the development of pasta was compatible with the principles preached by Dr. Atkins. The success of this concept became one of its principal strategic assets, with a cumulative growth of around 30% in USA and Canada since it was launched.

The size and profitability of the US market, the know-how of Panzani in commercial, industrial, technological and marketing aspects and the synergies generated with Riviana in logistics and commercial distribution will have a positive effect, multiplying the value of New World Pasta in coming years.



## OUR POTENTIAL IN PASTA

### PANZANI:

- PANZANI
- LUSTUCRU
- TAUREAU AILÉ
- FERRERO
- REGIA

### NEW WORLD PASTA:

- HEALTHY HARVEST
- RONZONI
- CATELLI
- AMERICAN BEAUTY
- CREAMETTE
- PRINCE
- SKINNE
- SAN GIORGIO

### PANZANI MARKET SHARES IN FRANCE 2006:

- DRY PASTA: **35.8 (+2%)**
- SAUCES: **36.9 (+10,3%)**
- RICE: **31.8 (+3,5%)**
- FRESH PASTA: **32 (+5,1%)**
- COUS-COUS: **32.5 (+10,4%)**





## BIOFUELS

### The birth of a new business

In April, Ebro Puleva took a step forward in boosting a new line of business, biofuels, announcing the start-up of the company Dosbio 2010, S.L. This new company, with registered office in Granada, has been created to bring together under one roof all the Group's energy assets.

Ebro Puleva's interest in biofuels dates back to 2001, when it formed a joint venture with Abengoa to build a bioethanol plant in Babilafuente (Salamanca). The necessary restructuring required by the CMO Sugar reform and the Group's commitment to its employees and to growers were driving forces behind this decision.

The biofuels business combines intrinsic conditioning factors that should have a positive bearing on its future: it promotes the development of renewable energies, helps to reduce dependence on external energy sources, aids compliance with the Kyoto objectives by reducing CO<sub>2</sub> emissions, and opens up new development channels for agricultural activity, introducing the possibility of growing non-food crops. But at the same time specific legislation needs to be passed to back and promote these new fuels, making their use compulsory and providing incentive for energy crops. Some important progress has been made in this area in recent months, with the approval in the European Union of the binding target of achieving a proportion by the year 2020 of 10% biofuels in the global fuel consumption for transport. Since this is, as yet, an emerging sector, it is logical to expect small revolutions during the first few years, putting it in an optimum situation for competition, coinciding in time with the start-up of the Ebro Puleva business project.

The bioethanol plant in Babilafuente is now operational and work has begun on building the biodiesel plant in Jédula



## Specific legislation in Spain and the European Union will promote the development of the sector and its viability for farmers



Accordingly, during 2006 and the following three years, Dosbio will be mainly concerned with the planning, management and start-up of our future production plants and management of the Babilafuente complex.

Following a joint investment with Abengoa of 170 million euro, the industrial complex consists of a bioethanol plant with an annual production capacity of 200 million litres and a cereal consumption of 585,000 tonnes a year, a cogeneration plant with an installed capacity of 25 MW, which supplies electricity to the external grid, and a cellulosic bioethanol pilot plant (using as its raw material cereal straw with enzymatic hydrolysis technology). This plant, still under construction, will be a pioneer experience worldwide and will have an annual production capacity of five million litres.

The cereal-based bioethanol plant, which reached full performance in July, has produced a final output of one hundred million litres, half its annual capacity. The ethanol produced has been exported to countries such as France, Sweden and Germany, to be mixed directly in a proportion of five per cent ethanol (e5) for conventional engines, or in higher proportions, up to 85%, in flexi fuel or bi power engines, which were launched on the market during the year.

Ebro Puleva reached an agreement with Ford, Volvo and Saab in this respect, to offer this type of cars to all Spanish employees of the company with significant discounts, thus helping to promote their use. The entire fleet of commercial vehicles of the Group is also being gradually replaced and towards the end of the year agreements were reached with distributors to install two E-85 pumps at the Puleva Food workplace in Granada and the Herba plant in Seville.

Dosbio has also made considerable progress in 2006 towards starting up its biodiesel project in Andalusia. The biodiesel plant is to be erected on the land of the former sugar factory in Jédula, a municipal district of Arcos de la Frontera, and will have a production capacity of the order of 200,000 tonnes a year. With an estimated investment of around thirty million euro, work recently commenced on building the plant, so the factory could start operating in the second quarter of 2008.

The raw materials to be used by this plant will mainly consist of rape or sunflower oils and seeds. Dosbio has worked hard on this during 2006 and, in collaboration with Azucarera Ebro, sowing of rape has begun on different plots of land with a view to applying the best techniques and seed varieties of this crop. Since the crop is not new in the area, the biofuels division trusts that it will shortly be included in the crop rotation of many growers in Andalusia.

# 03 Leadership through an advanced R+D+I policy



## Innovation and Research, properties of a leader

Differentiation in the product range, anticipation of changes in consumer habits and the commitment to offering consumers healthy food are some of the essential features of the Ebro Puleva Group. This reputation has been gained as a result of the powerful research, development and innovation (R+D+I) force within the company and the firm belief that constant innovation in products, technologies and formats is the variable factor that distinguishes us and gives us competitive edge and strength. With this innovation policy, Ebro Puleva has positioned itself as pioneer and international benchmark in the research and development of products applied to the food sector.

During 2006, the Group's high R+D+I potential was boosted even further with the incorporation of Española de I+D, S.A. The company's R+D+I division is now based on six pillars: Puleva Biotech, European Research Centre for Cereals, Rice and Pastas (CRECERPAL), the Culinary Technical Studies and Research Centre (CEREC), the Riviana Tech Center, the Azucarera Ebro R+D Centre and Española de I+D. The interaction and collaboration of all these centres is an important strategic asset for Ebro Puleva to successfully meet the huge challenges in the food world.

# Innovation is our competition variable

The goals pursued by the Group in R+D+I are to:

- Contribute to the development of Ebro Puleva by researching and developing new products and processes.
- Innovate in technologies that permit the development of own processes and the raising of technological barriers.
- Maintain a continuous flow of products under development.
- Provide customers with innovational solutions.

All these goals are in keeping with the development of healthy, convenience and gastronomically attractive foods, based at all times on a strict policy of food safety.

During 2006, the activities performed within the framework of R+D+I were intended to benefit all the Group's business lines. Without prejudice to the actions developed jointly, each of the centres in this division focuses its efforts primarily at the development of a given branch of the Ebro Puleva business.

**AZUCARERA EBRO R+D CENTRE:** Development of processes, technologies and products for the sugar division and the biofuels division.

**CEREC:** Development of the pasta division in its range of fresh pasta, fresh precooked dishes, sauces and frozen foods.

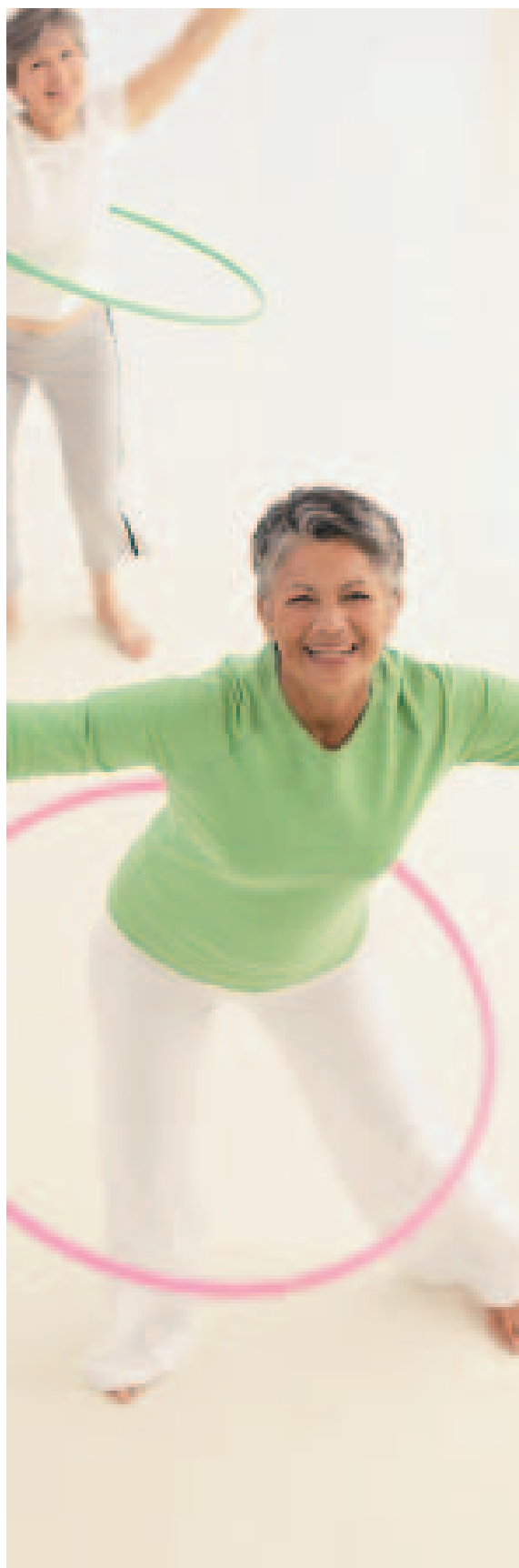
**CRECERPAL:** Development of the pasta division in the categories of dry pasta, rice, couscous and new doypack formats.

**ESPAÑOLA DE I+D:** Development of products, processes and technologies for the rice division.

**PULEVA BIOTECH:** Development of products, processes, technologies and nutritional assessments for the dairy division and the rice division; collaboration in process enhancement and product development with Española de I+D and the Azucarera Ebro R+D Centre.

**TECH CENTER:** Development of products, processes and technologies for the rice division in the USA.





We describe below the most significant actions performed in each division.

## Rice Division

In close cooperation with Herba Ricemills and Puleva Biotech, Española de I+D has designed an extensive research and development programme to lay new scientific and technological bases for the establishment of new and/or improved rice products and processes.

During 2006 the line of convenience foods making up the “side dishes” range of Herba Nutrición was improved, including a new generation of products based on pulses and vegetables, which, being designed to just heat and eat, only need one minute in the microwave.

With Boost Nutrition, the Belgian rice subsidiary, work has been directed at converting a rice-flakes product into crunchy flakes ready to eat, especially suitable for breakfast, combined with milk, yoghurt, etc.





## Sugar Division

The goals set for the Azucarera Ebro R+D Centre in 2006 included, among others, to develop and maintain analytical techniques required in the sugar division, run tests on raw material, end products and other important materials, provide analytic support for internal R+D projects or those developed in collaboration with external bodies, predict the technological value of beet to be processed at the factories, participate in the continuous enhancement of sugar and alcohol processes and cooperate in industrial optimisation by solving short and medium-term problems in factories, participate in the development of new technology and new products and seek new applications for by-products of the sugar manufacturing process.

Major breakthroughs have been achieved in the optimisation of processes, sugar quality, consumption of principal materials and auxiliary products. We have continued to search for new applications for the sugar manufacturing by-products.

Outstanding results were obtained in the use of evocol in fertilisation, and in soil bioremediation, and the first steps were taken for its use in the preparation of feed for aquaculture.

An enzymatic process has been developed jointly with Puleva Biotech for the production of syrup from invert sugar, meeting the conditions laid down by the Technical Sanitary Regulations for Sugars and taking account of the competition with products obtained from starch. The goal of obtaining a premium product with the best possible specifications for competing on grounds of quality has been achieved.





## Dairy Division

In the dairy division, all R+D+I work has been done by Puleva Biotech, focusing on both the development of new products, processes and technologies and the field of nutritional evaluation.

Within the development of new products, the Puleva Infant Foods line was relaunched in 2006. Some of the most important achievements were the launching of ready-to-eat products under the Puleva Peques 3 brand, and the development and launching of Puleva Peques 2: a humanised baby milk for children aged from 6 months. This category of products, which was enormously successful for Puleva Food in the past, incorporates values added for the future development of this range, such as the greater convenience for consumers and ease of use.

In the area of dairy products, the division has developed and launched the Puleva Complet range: a new category of high-digestibility dairy products obtained through the development of an exclusive process in which the main carbohydrate in milk is hydrolysed. Puleva Complet is also enriched with essential nutrients, such as fibre, calcium, vitamins, minerals and omega-3 fatty acids.

Work has also been done on innovation of the El Castillo Debic, S.A. range, completing the development of dairy products designed especially for catering.

Finally, nutritional evaluation studies have been conducted in different population groups in respect of Puleva Omega-3 and Puleva Max.

Thanks to our high R+D+I potential, we are pioneers in the development of new products, technologies and formats

# Our R+D+I lines up with our commitment to offer healthy food

## Pasta Division

With the ultimate aim of maintaining leadership positions at all times and meeting new consumer demands, both CRECERPAL and CEREC, the R+D+I centres of this division, have worked intensely during 2006 on renovating and broadening the product portfolio. Innovations have been made in all the existing ranges within the Group's portfolio and two new categories have been incorporated: fresh precooked dishes and frozen dishes.

The new range of frozen foods put eleven references on the market and penetrated the Food Service category with seven varieties. Fresh precooked dishes were launched with five recipes under the Lustucru® brand.

In the dry pasta area, the Panzani® quick cook range has been renovated and the Qualité Or Panzani® and Giovanni Panzani® ranges have been broadened. Ferrero® also increased its couscous portfolio and put three new references on the market in the Panzani Express® doypack range.

There have also been important innovations in the sauces, fresh pasta and fresh sauces category, both in the inclusion of new recipes and in the broadening of ranges and new formats.







## Biofuels Division

The first research and development work for this division commenced in the second half of 2006. This work was developed jointly by the Azucarera Ebro R+D Centre and Puleva Biotech.

### THE INCORPORATION OF ESPAÑOLA DE I+D CONSOLIDATES OUR EXCELLENCE IN INNOVATION

Within the framework of upholding an advanced innovation policy as one of the principal strategic assets of the Group, last April the Board of Directors of Puleva Biotech, S.A. approved the acquisition of 60% of the capital of Española de I+D, S.A.

Founded in 1985, Española de I+D has a long track record in the development of new and/or improved products and technologies, technological transfer and specialised technical assistance.

Española de I+D, S.A. also specialises in:

- Bread and pastry-making
- Technology of rice and rice products
- Modern catering (fast food, catering)

In barely eight months, the activities of Española de I+D in the field of research, development and innovation have been combined with technical support provided to different companies in the Ebro Puleva Group. These tasks were very varied: transfer of quality control techniques and processing operations control, adjusted optimisation of manufacturing conditions, restructuring of production processes, rice characterisation, preparation of technical reports, etc. The cooperation and coordination of work with the different R+D+I of the Group have already had a beneficial effect on the different Ebro Puleva business areas.

Excellence  
through  
innovation



# Financial Information and Annual Accounts





# Analysis of the Financial Information

## Consolidated and Aggregated Information

We present consolidated information and a breakdown for each business, which we consider important for analysing the company. We hope thus to provide our shareholders and other potential investors in our company with all the necessary information to acquire a simple comprehension of the progress of our businesses and the important factors for their future evolution.

We close yet another year with positive results. Last year we reported the best results in our history, this year we close with two-digit growth. Not only are we the largest company in the Spanish food sector, but we have also achieved a prominent position on the world rice and pasta markets. We believe we have completed a cycle, in which our business has been restructured and reorganised, strengthening international development, innovation and differentiation strategies and achieving adequate sizes of areas subject to severe regulatory change. From now on, without ruling out the possibility of making acquisitions on markets with a high potential, we will focus on consolidating our Group and broadening our product array on markets in which we are already present.

In accordance with the International Financial Reporting Standards, the results of our Central American businesses up to the effective date of sale and the net proceeds on that sale are recorded as Discontinued Operations on the Profit and Loss Account for the period and the prior periods since their incorporation. The information we give herein reflects that circumstance.



CONSOLIDATED FIGURES					
Thousand euro	2004 (*)	2005 (*)	2005-2004	2006	2006-2005
Net Turnover	1,814,359	2,128,956	17.3%	2,448,794	15.0%
Net Sales	1,765,527	2,080,975	17.9%	2,395,398	15.1%
% Turnover	97.3%	97.7%		97.8%	
EBITDA	248,489	281,564	13.3%	306,005	8.7%
% Turnover	13.7%	13.2%		12.5%	
EBIT	182,871	197,052	7.8%	211,216	7.2%
% Turnover	10.1%	9.3%		8.6%	
EBIT + Net Financial Income	162,778	163,590	0.5%	162,616	-0.6%
% Turnover	9.0%	7.7%		6.6%	
Profit Before Tax	171,365	210,361	22.8%	200,099	-4.9%
% Turnover	9.4%	9.9%		8.2%	
Taxes	(40,558)	(58,744)	-44.8%	(71,734)	22.1%
% Turnover	-2.2%	-2.8%		-2.9%	
Net Profit	126,573	155,641	23.0%	180,363	15.9%
% Turnover	7.0%	7.3%		7.4%	
Average working capital	426,853	451,215	5.7%	493,143	9.3%
Capital employed	1,219,230	1,535,036	25.9%	1,654,931	7.8%
ROCE (1)	15.5	13.5		12.8	
Capex	102,524	99,664	2.8%	298,225	199.2%
Average workforce	5,261	6,296	19.7%	6,784	7.8%
	31-12-04	31-12-05	2005/2004	31-12-06	2006/2005
Capital and Reserves	961,160	1,076,582	12.0%	1,187,962	10.3%
Net Debt	472,123	931,322	97.3%	1,134,894	21.9%
Average Debt	352,088	841,427	139.0%	1,046,354	24.4%
Leverage (2)	0.37	0.78		0.88	
Total assets	2,167,244	2,988,903		3,363,715	

(1) ROCE = (Operating profit CAG last 12 months / (Intangible assets - property, plant & equipment - working capital))

(2) ) Ratio of Average Net Financial Debt to Capital and Reserves (excluding minority interests)

(\*) The turnover is different from the figure given last year due to a reclassification of trade expenses made in Panzani in 2005 and to the recording of our Central American businesses in 2004 and 2005 as discontinued operations

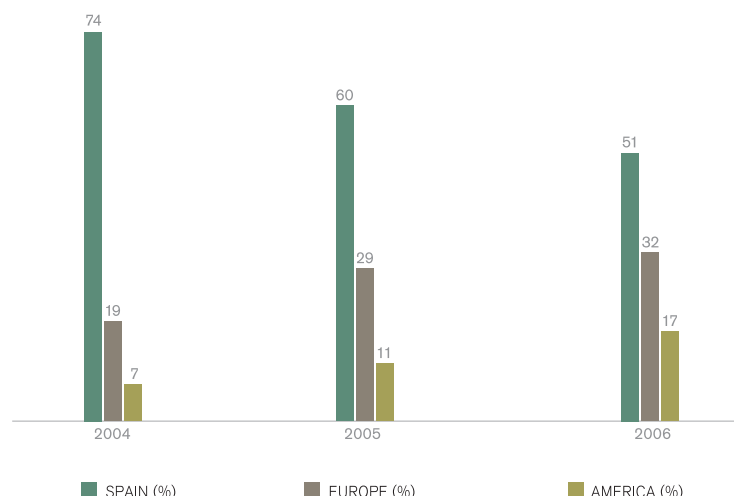
The turnover grew considerably in respect of 2005 (+15.0%). This is partly due to the contributions of the Panzani Group, incorporated in Ebro Puleva for a full year (compared to eight months in 2005), New World Pasta, incorporated for seven months and Minute Rice for two months.

CONSOLIDATED					
BUSINESS DIV. - Thousand euro	2004	2005	2005-2004	2006	2006-2005
Sugar	734,097	652,314	-11.1%	687,011	5.3%
% Total	40.5%	30.6%		28.1%	
Rice	574,856	688,648	19.8%	696,655	1.2%
% Total	31.7%	32.3%		28.4%	
Dairy	497,078	518,137	4.2%	504,140	-2.7%
% Total	27.4%	24.3%		20.6%	
Pasta	0	289,588		592,722	104.7%
% Total		13.6%		24.2%	
Rest (including intercompany sales)	8,328	(19,731)	-336.9%	(31,734)	60.8%
% Total	0.5%	-0.9%		-1.3%	
Total turnover	1,814,359	2,128,956	17.3%	2,448,794	15.0%

The composition and its growth are the best confirmation that the strategy designed by the company, based on geographical and business diversification, resizing of the different areas and boosting of innovation and solutions adapted to consumers, really works.

The businesses performed in Spain account for around 50% of the total. Next year its weight will be further reduced, once the businesses acquired in 2006 are fully incorporated. Apart from growing in countries and currencies that stabilise our performance in the face of fluctuations in macroeconomic variables, all the core businesses now represent more than 20% of the total. Attention is drawn to the reduced weight of the sugar business, which was one of the goals set by the Group to cope with the new sugar CMO.

#### GEOGRAPHICAL DISTRIBUTION OF SALES



Our Group is consolidated leader on the United States rice and pasta market, consisting of 300 million inhabitants, with a size equivalent to Europe and highly positive population trends (growing weight of the Hispanic community) in the segments in which we participate. The Group's contribution to the resources generated in dollars has grown rapidly.

CONSOLIDATED			
Thousand euro	2004	2005	2006
EBITDA generated in \$	11,367	24,969	60,292
EBITDA Group	248,489	281,564	306,005
%	4.6%	8.9%	19.7%

**Ebitda grew** by 8.7%, owing to a combination of the following factors:

- The incorporation of leading brands and enterprises in their different product categories, positioning us as No. 1 on the US rice market and No. 2 on the world pasta market.
- A very positive evolution of new products, focused on meeting customers' needs in convenience, pleasure and ease of use.
- The pressure on prices of the raw material, rice, due to the drought that hit Spain during the period and the impossibility of importing the commodity from the USA following the appearance of genetically modified rice, which is prohibited in the European Union.
- The unstable situation of the sugar market during the first half of the year, which put a squeeze on sales margins.

CONSOLIDATED					
Thousand euro	2004	2005	2005-2004	2006	2006-2005
Net Turnover	1,814,359	2,128,956	17.3%	2,448,794	15.0%
EBITDA	248,489	281,564	13.3%	306,005	8.7%
% Turnover	13.7%	13.2%		12.5%	

The financial expense increased during the year as a result of the financing required to purchase the Panzani Group (in May 2005), New World Pasta and the brand Minute Rice (both this year), and as a result, the **EBIT plus financial expenses** stabilised in respect of the previous period, due to the strong growth in funds generated.

CONSOLIDATED					
Thousand euro	2004	2005	2005-2004	2006	2006-2005
Net Turnover	1,814,359	2,128,956	17.3%	2,448,794	15.0%
EBIT + Net financial income	162,778	163,590	0.5%	162,616	-0.6%
% Turnover	9.0%	7.7%		6.6%	

One of the consequences of the new regulation of the sugar market during the year was the shutdown of the Ciudad Real factory, extending the existing Redundancy Plan. These measures and the actions taken to optimise the production structure in Riviana and Panzani produced an extraordinary expense on the profit and loss account of approximately 50 million euro, which, despite the increase in capital gains on the sale of assets, caused a reduction of the **Profit Before Tax** by 4.9%. This margin includes divestments in non-strategic assets and properties, but does **not include the sale of assets in Central America**, the gains on which have, in accordance with the International Financial Reporting Standards, been recorded under Discontinued Operations. Had they been incorporated as operating profit for the period, the Profit Before Tax would have been 272 million euro, with a year-on-year growth of 29%.

The Net Profit and Earnings Per Share continue their two-digit growth, up 15.9% year on year, which was in turn 23% up on the previous year.

CONSOLIDATED					
Thousand euro	2004	2005	2005-2004	2006	2006-2005
Net Turnover	1,814,359	2,128,956	17.3%	2,448,794	15.0%
Net Profit	126,573	155,641	23.0%	180,363	15.9%
% Turnover	7.0%	7.3%		7.4%	

The **debt** reflects the recent acquisitions. Despite this, leverage is below one. Cash generation shows smaller operating flows, owing to the increase in interest payments on the debt and an increased investment in working capital, due to the hike in raw material costs and the adopting of strategic positions on a rice market submitted to strong price pressure.

CONSOLIDATED					
Cash flow statement (thousand euro)	2004	2005	2005-2004	2006	2006-2005
Total net cash flows from operations	189,589	221,057	16.6%	171,639	-22.4%
Total net cash flows from investments	(324,782)	(286,166)	-11.9%	(362,719)	26.8%
Total net cash flows from financing	149,564	36,773	-75.4%	187,651	410.3%
Translation differences in flows from oversea companies	(497)	1,326	-366.8%	(2,641)	-299.2%
Increase/(reduction) of cash, banks & liquid assets	14,144	(27,011)	-291.0%	(6,070)	-77.5%
Cash, banks & liquid assets at beginning of period	96,154	109,673	14.1%	82,196	-25.1%
Effect of year-end exchange rate on opening balance	(625)	(466)	-25.4%	(1,056)	126.6%
<b>Cash, banks &amp; liquid assets at end of period</b>	<b>109,673</b>	<b>82,196</b>	<b>-25.1%</b>	<b>75,070</b>	<b>-8.7%</b>



The recent purchases of Panzani, Riviana and the Minute Rice brand were financed with a syndicated loan of US\$440 million obtained in May 2005 and novated in November 2006, a loan of US\$190 million and the novation of another loan denominated in euro, under which there was a balance outstanding at the date of this report of €284 million, thus producing a natural hedging of assets and liabilities.

CONSOLIDATED					
Net debt (thousand euro)	2004	2005	2005-2004	2006	2006-2005
Capital and Reserves	961,160	1,076,582	12.0%	1,187,962	10.3%
Net Debt	472,123	931,322	97.3%	1,134,894	21.9%
Average Debt	352,088	841,427	139,0%	1,046,354	24.4%
Leverage	49.1%	86.5%	76.1%	95.5%	10.4%
Leverage AD (2)	36.6%	78.2%	113.4%	88.1%	12.7%
EBITDA	248,489	281,564	13.3%	306,005	8.7%
Hedging	1.90	3.31		3.71	

(2) Ratio of Average Net Financial Debt to Capital and Reserves (excluding minority interests).

## Information on the core businesses

### Sugar Business:

This was the sector's first year under the new regulatory framework, which aims to reduce production in Europe by lowering prices and offering incentives to abandon quota.

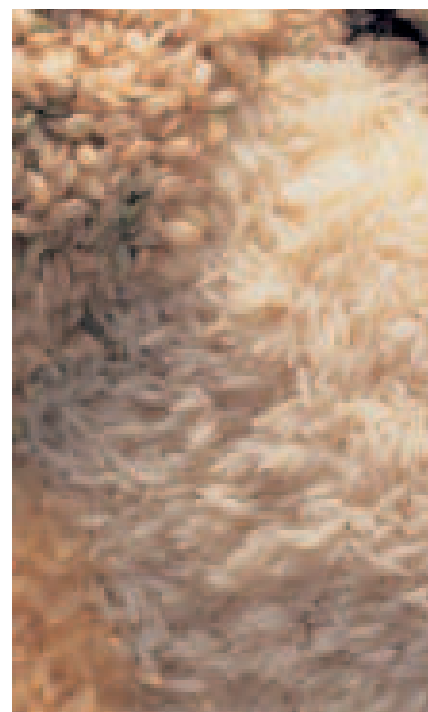
Our share of the domestic market fell slightly to 53.8%, although this was offset by the sales to Intervention of 52,500 tonnes, made with the aim of limiting the imbalance on the market, brought about by the aggressiveness of our European rivals on deficit markets such as the Spanish market.

SUGAR BUSINESS					
Sales (tonnes)	2004	2005	2005-2004	2006	2006-2005
Industrial Sugar	616,411	590,197	-4.3%	544,952	-7.7%
% Sales	74.0%	75.0%		61.9%	
Distribution Sugar	173,445	160,902	-7.2%	155,032	-3.6%
% Sales	20.8%	20.4%		17.6%	
Export Sugar	42,605	36,268	-14.9%	128,149	253.3%
% Sales	5.1%	4.6%		14.6%	
Intervention sugar	0	0		52,500	
% Sales	0.0%	0.0%		6.0%	
<b>Total sales</b>	<b>832,461</b>	<b>787,367</b>	<b>-5.4%</b>	<b>880,633</b>	<b>11.8%</b>

The highlight in the evolution of our sales is the quantitative leap in tonnes sold within the EU, with a year-on-year growth of 30,000 tonnes. The remaining quota sugar exports rose to 44,429 tonnes, taking advantage of a favourable situation in the level of refunds. Exports of surplus sugar also grew, with good international prices.

In the southern campaign, the quality and yields of the sugar produced were better than the previous year, although the costs of production rose due to the higher fuel prices. The northern campaign is expected to be more or less on a par with last year.

EBITDA was 18.9% down, due to the evolution of market prices, pushed down by the new sector regulations.



SUGAR BUSINESS					
Thousand euro	2004	2005	2005-2004	2006	2006-2005
Net Turnover	734,097	652,314	-11.1%	687,011	5.3%
Net Sales	710,866	624,993	-12.1%	657,770	5.2%
% Turnover	96.8%	95.8%		95.7%	
EBITDA	152,251	119,505	-21.5%	96,955	-18.9%
% Turnover	20.7%	18.3%		14.1%	
EBIT	118,205	86,273	-27.0%	64,818	-24.9%
% Turnover	16.1%	13.2%		9.4%	
EBIT + Net Financial Income	112,937	81,052	-28.2%	60,411	-25.5%
% Turnover	15.4%	12.4%		8.8%	
Average working capital	149,385	155,162	3.9%	149,766	-3.5%
Capital employed	555,498	559,623	0.7%	543,599	-2.9%
ROCE	21.0	15.6		11.9	
Capex	41,461	34,584	16.6%	27,368	-20.9%

The redimensioning of the business entails reducing investments, which are concentrated on improving factory productivity and a progressive reduction of average resources employed.

#### Rice Business:

We closed the year with a very important transaction: the purchase of the Minute Rice brand from Kraft Foods concluded in October. By virtue of this purchase, we incorporate a business with net sales of approximately US\$90 million and EBITDA of US\$37 million. The transaction makes us undisputed leaders of the quick cook rice segment in the USA, gives us a national brand with recognised prestige and one which greatly complements the brands of our subsidiary Riviana.

The world rice markets were marked in 2006 by widespread tension caused by the shortage of this cereal at certain sources, which in turn caused the logical price hikes on the raw material markets. Apart from this, certain varieties of genetically modified rice that were not permitted in the European Union were detected in exports from the USA in August 2006; these supplies had to be cut, causing a further increase in the costs of indica rice varieties (those usually imported by Europe).

We reacted to this situation by diversifying our sources of supply (setting up subsidiaries in Thailand and Egypt, producers of indica and japonica rice, respectively), handling the GMO situation (halting imports from the USA and seeking alternatives in other countries such as Uruguay), taking positions on value added markets (purchase of Minute Rice), launching new products and precooked dishes (new mixes of brown rice, rice biscuits with new flavours and textures, microwave pastas and purées) and broadening our range of products (launching of microwave rice in cup in south-east and north-east USA under the Success brand).

RICE BUSINESS (HERBA + RIVIANA)					
Sales (thousand euro)	2004	2005	2005-2004	2006	2006-2005
Branded Rice	252,424	345,055	36.7%	347,733	0.8%
% Sales	46.0%	51.7%		51.7%	
Industrial Rice	246,827	254,100	2.9%	249,002	-2.0%
% Sales	44.9%	38.0%		37.0%	
Otros productos	50,004	68,833	37.7%	75,765	10.1%
% Sales	9.1%	10.3%		11.3%	
<b>Total sales</b>	<b>549,255</b>	<b>667,988</b>	<b>21.6%</b>	<b>672,500</b>	<b>0.7%</b>

EBITDA grew by 3.7%. This includes the two-month contribution by the Minute brand which, after deducting that contribution, reflects a slight year-on-year improvement on the US market, which absorbs expenses of €5.5 million incurred in launching new products. The EBITDA of the European Group dropped by 2.6 million euro, due to the supply problems described above, which put a tight squeeze on margins and led to smaller sales, owing to the impossibility of selling US rice in the EU member states.

The restructuring of production in Louisiana continued, ceasing all operations at the Abbeville plant.



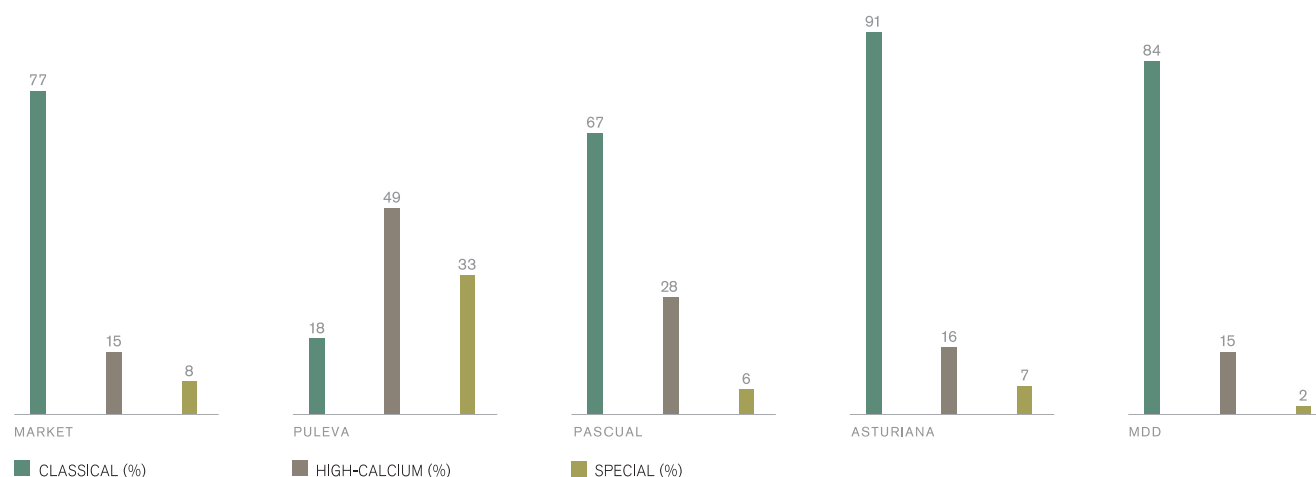
RICE BUSINESS (HERBA + RIVIANA)					
Thousand euro	2004	2005	2005-2004	2006	2006-2005
Net Turnover	574,856	688,648	19.8%	696,655	1.2%
Net Sales	549,255	667,988	21.6%	672,500	0.7%
% Turnover	95.5%	97.0%		96.5%	
EBITDA	61,291	68,820	12.3%	71,343	3.7%
% Turnover	10.7%	10.0%		10.2%	
EBIT	47,624	49,147	3.2%	51,368	4.5%
% Turnover	8.3%	7.1%		7.4%	
EBIT + Net Financial Income	44,399	48,202	8.6%	45,562	-5.5%
% Turnover	7.7%	7.0%		6.5%	
Average working capital	130,389	166,035	27.3%	191,208	15.2%
Capital employed	238,251	455,937	91.4%	501,656	10.0%
ROCE	15.2	13.1		10.2	
Capex	25,164	25,727	2.2%	23,098	-10.2%

### Dairy Business:

True to its strong innovation vocation, the strategy of this business segment in 2006 was based once again on the launching of new concepts and products and consolidation of those launched in previous years.

Our Puleva brand strengthened its leadership in all varieties of value added milk. A comparison of the product mixes of the major dairy groups illustrates the different market focuses.

PRODUCT MIX (C.A.G. ON 06 SOURCE: NIELSEN)



Puleva Max, which defines an entire category of products, is now leader of the growth milk segment with a 58% share. During the year the company launched Puleva Calcio Complet (enriched milk with enhanced digestibility) which, together with Puleva Calcio Soja, completes our offer of "high-calcium" products. Very positive evolutions have also been recorded in infant milks, as Puleva Peques has now conquered over 30% of the liquid infant milks segment for under threes.



Sales have dropped slightly by 2.7%, mainly due to the sale in 2005 of the Leyma brand, which was formerly part of the Lactimilk Group. Lactimilk's profit-making policy based on a strategy of format differentiation and progressive raising of prices, relinquishing discount volumes with negative contributions, has also had a bearing on the lower sales figure.

DAIRY BUSINESS					
Sales (Thousand litres)	2004	2005	2005-2004	2006	2006-2005
Puleva Brand	443,202	455,769	2.8%	457,313	0.3%
% Sales	66.1%	66.6%		70.0%	
Lactimilk Brand	145,393	151,130	3.9%	115,972	-23.3%
% Sales	21.7%	22.1%		17.7%	
Others	81,420	77,455	-4.9%	80,475	3.9%
% Sales	12.2%	11.3%		12.3%	
<b>Total sales</b>	<b>670,015</b>	<b>684,354</b>	<b>2.1%</b>	<b>653,760</b>	<b>-4.5%</b>

EBITDA grew by a modest 2.5%, despite the market value established for our brands and the constant innovation in products, as our rivals, particularly private brands, have gained ground, putting a squeeze on margins.

Through restructuring, we have improved the quality of our profit and loss account, with better margins over sales and continuous improvement of the Dairy Group ROCE.

DAIRY BUSINESS					
Thousand euro	2004	2005	2005-2004	2006	2006-2005
Net Turnover	497,078	518,137	4.2%	504,140	-2.7%
Net Sales	497,078	518,137	4.2%	504,140	-2.7%
% Turnover	100.0%	100.0%		100.0%	
EBITDA	46,620	54,121	16.1%	55,460	2.5%
% Turnover	9.4%	10.4%		11.0%	
EBIT	31,078	37,507	20.7%	40,176	7.1%
% Turnover	6.3%	7.2%		8.0%	
EBIT + Net Financial Income	26,645	37,387	40.3%	39,993	7.0%
% Turnover	5.4%	7.2%		7.9%	
Average working capital	71,042	79,597	12.0%	87,508	9.9%
Capital employed	217,432	225,904	3.9%	223,511	-1.1%
ROCE	14.3	16.6		18.0	
Capex	36,948	17,501	52.6%	14,625	-16.4%

### Pasta Business:

This is the business most recently incorporated in the Group. It consists of two sound leaders on their respective markets on both sides of the Atlantic: Panzani, incorporated in May 2005, and New World Pasta, incorporated in June 2006. The decision to move into this business, clearly complementing the rice business, is the greatest move made by Ebro Puleva and it will become its largest sector of activity next year.

The novelty this year was New World Pasta, purchased on 27 May 2006 for US\$362,500. New World Pasta operates on the US and Canadian markets, where it is leader in dry pasta, with annual net sales of over US\$300 million. It sells its products under a broad array of brands, including Healthy Harvest, Ronzoni, Creamette, San Giorgio, American Beauty, Prince and Skinner, in USA and Catelli Blue, Healthy Harvest and Lancia in Canada.

The American pasta market suffered a set back some years ago due to the phenomenon of low carbohydrate diets. This situation was aggravated by an increase in competition from companies outside the USA and, in the case of New World Pasta, high leverage and reporting problems which drove the company into Chapter 11 in 2004.

When we bought the company it had overcome this situation. One of its greatest assets is its positioning in the segment of healthy foods with its brand Healthy Harvest, under which it sells whole wheat pasta, recording growths of the order of 30% p.a. in USA and Canada.

Since it joined the Group just seven months ago, it has contributed some €30,172 thousand to our EBITDA, rounding off a brilliant year, in which it improved all the processes in the value chain. The prospects of this company are excellent, exploiting the opportunities available on the healthy eating and convenience food market along with the Ebro Puleva Group. Significant synergies are obtained with Riviana, too, especially in logistics and commercial distribution.

Panzani increased the volume of its sales during the year, despite already being leader on the markets in which it operates and in stable categories. Its greatest growth was over 10% in sauces.

The favourable evolution of sales was backed by the new products, microwave pasta, new varieties of sauces and new gnocchi. Sales of frozen pasta were also strong, having begun last year with 500 tonnes sold and are expected to triple in volume in the coming year.

A process was begun during the year to adapt the La Montre plant, intended to improve its cost structure to assure its competitiveness. Following these actions and the entry into force of the Trading Act, which brought in a reform making it impossible to fully pass on the increased cost of the raw materials in the price of our products during the year, funds generated from operations are expected to increase next year.

PASTA BUSINESS			
Thousand euro	2005	2006	2006-2005
Dry pasta	94,364	294,838	212.4%
% Sales	32.6%	49.7%	
Fresh pasta	45,127	72,893	61.5%
% Sales	15.6%	12.3%	
Sauces	37,370	61,862	65.5%
% Sales	12.9%	10.4%	
Rice	36,805	60,579	64.6%
% Sales	12.7%	10.2%	
Others	75,922	102,550	35.1%
% Sales	26.2%	17.3%	
<b>Total sales</b>	<b>289,588</b>	<b>592,722</b>	<b>104.7%</b>

PASTA BUSINESS			
Thousand euro	2005	2006	2006-2005
Net Sales	289,588	592,722	104.7%
% Turnover	100.0%	100.0%	
EBITDA	44,416	92,093	107.3%
% Turnover	15.3%	15.5%	
EBIT	31,492	66,408	110.9%
% Turnover	10.9%	11.2%	
EBIT + Net Financial Income	27,215	61,394	125.6%
% Turnover	9.4%	10.4%	
Average working capital	28,889	57,592	99.4%
Capital employed	217,927	361,120	65.7%
ROCE	14.5	18.4	
Capex	15,964	19,419	21.6%



# Stock Market Information



## Significant Aspects

### From Azucarera to Food Group:

The diversification strategy implemented in 2006 through purchases such as New World Pasta and Minute was viewed positively on the market, which has, once again, demonstrated its confidence in us; consequently, our market capitalisation grew considerably during the year, from 2,159 to 2,954 million euro.

2006 was an especially dynamic year from the point of view of shareholding movements. We estimate that more than 30% of the share capital is currently held by international institutional investors.

According to information filed with the National Securities Market Commission (CNMV), Ebro Puleva has a free float of 55.5%.

## Activities of the Investor Relations Department

### Presentations:

Four presentations were made during 2006 of quarterly results, plus the following monographic presentations:

- “First Reading of the CMO Sugar Reform”, describing the most important aspects of the new CMO Sugar.
- “A Strategy in Biofuels”, in which we explained the most important variables of this business.
- “Biofuels in Ebro Puleva, S.A.: DOSBIO 2010”, in which we announced the incorporation of Dosbio 2010, the group company bringing together our energy investments and businesses.
- “More Pasta in the New World”, in which we announced the purchase of New World Pasta.
- “From Bulk to Grain”, in which we explained the change of strategic focus in our Rice Division and gave details on the purchase of Minute Rice.

These presentations were attended by senior executives of the company, an aspect highly appreciated by investors.

### Roadshows, seminars and meetings

Through roadshows, seminars, conferences and one-on-one meetings, the Investor Relations Department established individual encounters with 286 institutional officers in Spain and abroad; 24% more than in 2005 and 88% more than in 2004.



We gave papers at conferences organised by SCH S&M Cap Conference Madrid, Société Generale European Small and Mid Niza, Small Shareholder Forum Madrid, Caja Madrid ESN Small y Mid Cap London, Banesto Iberian Mid Cap Conference Madrid, UBS Spain Investor, Espirito Santo Iberian Mid Cap Conference Madrid, BPI South Europe Conference Paris and BPI Iberian Mid Cap Conference Oporto.

## Changes in shareholding structure

Certain changes occurred during 2006 within the shareholding body of Ebro Puleva:

- Instituto Hispánico del Arroz increased its interest from 11.3% to 12.4%.
- In February, Alycesa purchased 6.260% of the shares previously held by Grupo Torras, raising its interest to 8.446%.
- Also in February, Blanca Hernández and Juan Domingo Ortega joined the Board, the latter with a shareholding representation of 2%.
- In March, Corporación Económica Damm informed the CNMV that it held 5.011% of the company, putting representatives on the Board.
- In September, Caja Duero increased its shareholding interest to 6.010%.
- In October, Caixa Galicia sold its stake of 3.440%.
- In November, Casa Grande de Cartagena announced a 5% stake in Ebro Puleva.

## Our share: EVA

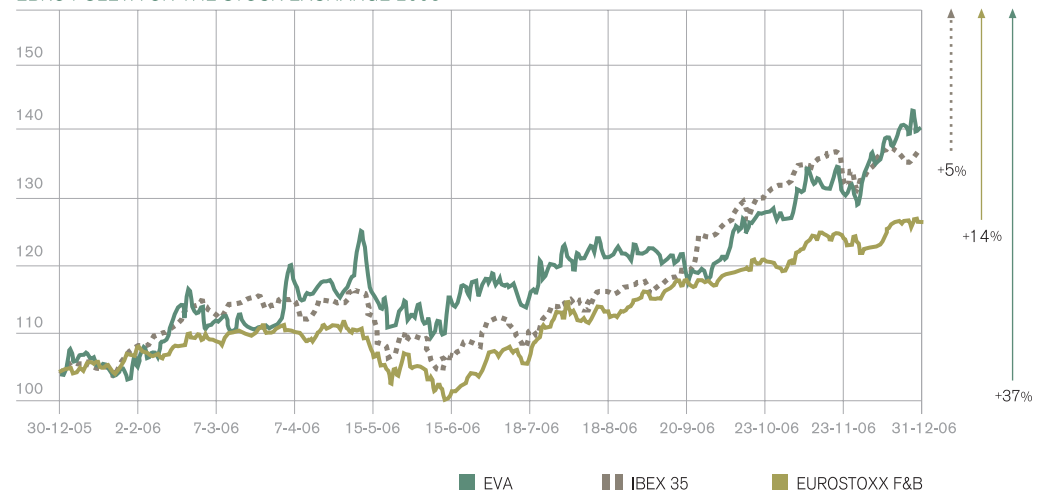
### Principal statistics:

The average daily trading of the Ebro Puleva share (EVA) during 2006 was 701,282, 3.4% more than in 2005 and a significant 49.3% more than in 2004.

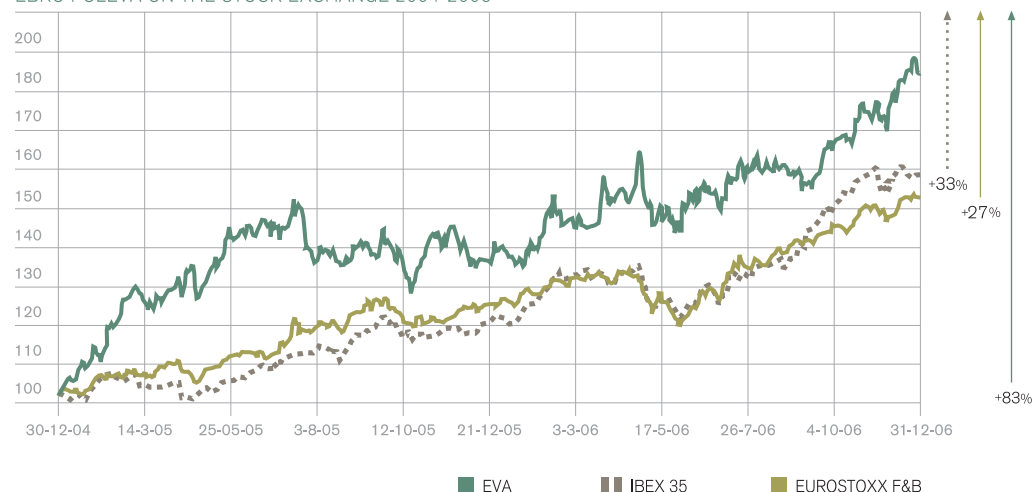
The EVA share turnover was 1.15 times the total number of shares of the company, quite significant considering our free float is 55.5%.

The share increased in value by 36.8%, outperforming the DJ Eurostoxx Food & Beverage Index by 14.1 percentage points and Ibex-35 by more than 5 points.

EBRO PULEVA ON THE STOCK EXCHANGE 2006



EBRO PULEVA ON THE STOCK EXCHANGE 2004-2006



## ANALYSTS THAT MONITOR THE PERFORMANCE OF EVA

Ahorro Corporación	Deutsche Bank	Link Securities
Banesto Bolsa	ESN	Nmás1
Banco Espirito Santo	Fidentiis	Safei
BBVA	Fortis Bank	Santander Investment
BPI	Ibersecurities	Societe Generale
Caja Madrid	Intermoney	UBS
Chevreaux	Invercaixa	Venture Capital
Citi Group	Kepler Equities	

## Dividends 2006

Dividends of 0.34 euro per share were distributed among the shareholders of Ebro Puleva, S.A. against the 2005 results, in quarterly interim dividend payments of 0.085 euro gross per share.

At the forthcoming AGM, the Board will propose raising the dividend against the 2006 net profit, payable in 2007, to 0.36 euro/share, in four quarterly payments of 0.090 euro/share.

This would give an overall distribution of almost 55.4 million euro, representing a pay-out of 31%.

The payments would be made on the following dates: 2 April, 2 July, 2 October and 26 December 2007.

SUMMARY					
Thousand euro	2004	2005	2006	2006-2005	CAGR 2006-2004
Shares	153,865,392	153,865,392	153,865,392		
Capitalisation at 31 Dec	1,615,583	2,158,726	2,954,216	36.8%	35.2%
Price per Share in EUR	10.50	14.03	19.20	36.8%	35.2%
EBIT	186,014	197,052	211,216	7.2%	6.6%
Operating Profit	197,552	247,117	250,747	1.5%	12.7%
Net Profit	126,573	155,641	180,363	15.9%	19.4%
Gross Dividend	50,776	52,299	55,392	5.9%	4.4%
EPS	0.82	1.01	1.17	16.1%	19.6%
DPS	0.33	0.34	0.36	5.9%	4.4%
Pay Out/EBIT	27.3%	25.2%	26.2%		
Pay Out/Net Profit	40.1%	33.6%	30.7%		
PER	12.8	13.9	16.4		