

# **Ebro Puleva**

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Madrid, 23 June 2005

## **Reference: Submission of a Reform Proposal on the Common Market Organisation for sugar**

Dear Sirs,

The European Commissioner for Agriculture and Rural Development, Mariann Fischer Boel, submitted yesterday, in Brussels, a Reform Proposal on the CMO for sugar within the European Union. The aforementioned proposal is a document intended for discussion and further approval by both Council and Parliament before coming into force. The document itself advises of the convenience for the whole process to be concluded by November this year.

The Proposal's philosophy, structure and details represent a significant progress since the approval of the White Paper by her predecessor in June 2004 and Ebro Puleva understand that the proposal is still open to some amendments that will affect mainly its technical aspects and details rather than its nature. In any case such technical aspects are the ones that will allow us to draw up a new economic pattern, which will represent the future scenario.

On this basis, we think it would be unwise, at this stage, to express any opinion on the future impact on our company. Nevertheless, we would like to outline some relevant items as follows:

1. Ebro Puleva, S.A. have been working since year 2000 with a view to face this new situation and, to this end, have made some acquisitions in the past, such as Puleva S.A., Herba, S.A., seven rice-related businesses and, more recently, Riviana and Panzani.
2. On the other hand, during the last years our Sugar Division has closed four sugar factories and other minor industrial settings. Furthermore, it has carried out an industrial, logistic and organisational restructuring process. All these actions have resulted in achieving industrial and economic ratios that are placed amongst the highest in Europe within this sector.
3. Nowadays, our Sugar Division, subsequent to the acquisition of Riviana Foods (September 2004) and Panzani (May 2005), represents a third of total Ebro Puleva Group generation. Therefore, any cut in our sugar activities, no matter how significant this might be, could be completely assumed by our Group.

4. The Reform Proposal foresees the establishment of certain indemnity procedures that would serve as compensation (maybe only partially) to the Company and its shareholders, as well as to the affected farmers.
5. Such Reform Proposal will also result in the releasing of significant financial resources that are now engaged in sugar activities.
6. The Reform application will not affect this year's results (2005) and will have only partial effects on next year's (2006); therefore, the Board of Directors will have sufficient time to analyse any related impacts and to take the necessary actions in this respect; we propose to keep the Market duly informed of any new understanding or estimation as the Reform becomes consolidated and achieves a full agreement.

Should you require further clarification, please do not hesitate to contact us at any time.

Yours faithfully,

Jaime Carbó Fernández  
Board Member  
General Manager