

annual report

EBRO PULEVA





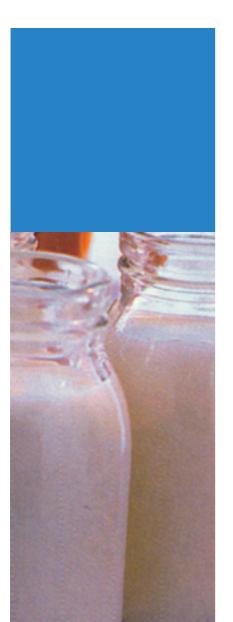
EBRO PULEVA





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Ebro Puleva at a glance



- ★ World leader of the rice sector
- * Second European group in the pasta sector
- ★ Leading Spanish sugar group
- * Present in more than 20 countries in Europe, America and North Africa

LEADER



Leading food group in Spain in terms of turnover, profits, market capitalisation and international presence

- Leadership positions on the markets on which it operates (Europe, Morocco, North America, Central America)
- No. 1 company in the marketing of dairy products in Spain





NO.1 COMPANY

BUSINESSES

SUGAR BUSINESS						
Thousand euro	2004	2005	2004/2005			
Net turnover	734,097	652,314	(11.1%)			
EBITDA	152,251	119,505	(21.5%)			
EBIT	118,205	86,273	27.0%			
Ordinary profit	72,126	83,733	16.1%			
Average working capital	149,385	155,162	3.9%			
Capital employed	555,498	559,623	0.7%			
Capex	41,461	34,584	16.6%			

RICE BUSINESS (HERBA+RIVIANA)						
Thousand euro	2004	2005	2004/2005			
Net turnover	605,107	781,522	29.2%			
EBITDA	64,924	82,416	26.9%			
EBIT	50,767	59,777	17.7%			
Ordinary profit	50,230	57,492	14.5%			
Average working capital	130,389	166,035	27.3%			
Capital employed	238,251	455,937	91.4%			
ROCE	15.2	13.1				
Capex	26,663	29,776	11.7%			

DAIRY BUSINESS						
Thousand euro	2004	2005	2004/2005			
Net turnover	497,078	518,137	4.2%			
EBITDA	46,620	54,121	16.1%			
EBIT	31,078	37,507	20.7%			
Ordinary profit	31,111	31,473	1.2%			
Average working capital	71,042	79,597	12.0%			
Capital employed	217,432	225,904	3.9%			
ROCE	14.3	16.6				
Capex	36,948	17,501	52.6%			

BUSINESS FRANCE-PANZANI					
Thousand euro	2004	2005			
Net turnover	n.a	289,588			
EBITDA	n.a	44,416			
EBIT	n.a	31,492			
Ordinary profit	n.a	33,957			
Average working capital	n.a	28,889			
Capital employed	n.a	217,927			
ROCE	n.a	14.5			
Сарех	n.a	15,964			

Chairman's Statement

2005 WAS A YEAR OF INTERNATIONAL GROWTH AND CONSOLIDATION, OPENING THE DOORS TO NEW LINES OF BUSINESS AND NEW COUNTRIES

The turnover grew by 28% to 2,360 million euro

DEAR SHAREHOLDERS,

It is a pleasure for me to address you all for the first time as Chairman of the Ebro Puleva Group and share with you the company's development and achievements during 2005.

We could define 2005 as a year of international growth and consolidation, opening the doors to new lines of business and new countries, concentrating resources and integrating businesses, generating value and obtaining synergies, cutting costs... In short, a year of great success and satisfaction.

All this is reflected in the splendid performance of our share on the market, which increased its value by 33.6% during the year, outperforming IBEX-35 by 15 points during the same period. By year-end, Ebro Puleva had a market capitalisation of more than 2,150 million euro, 34% more than in 2004 and, consequently, a landmark in our as yet short history as a Group.

We began the year with a major operation, further advancing the process of diversification and optimising of the Group's balance sheet: the acquisition of Panzani, leader of the pasta, semolina and sauces sector in France. Its incorporation in the Group brought considerable satisfaction not only by raising our financial figures, but also through the commercial, production, intercompany sales and other synergies obtained, which have already been channelled into numerous joint projects.

But Panzani was not the only international incorporation. Ebro Puleva continued to consolidate its multinational vocation, purchasing the rights over the Tarantella brand in the United Kingdom, which opened the doors to the organic foods segment, and extending its rice business to countries such as Poland and Thailand, organising the companies Bosto Poland and Herba Bangkok. It has also strengthened its position as indisputable leader in Morocco and finally pulled out of Chile, selling the 51% stake it still held in Inversiones Greenfields to ED&F Man Sugar, in accordance with the divestment policy adopted for activities contributing smaller growth returns and yield to the Group.

Finally, the purchase of Riviana Foods has proved to be a success, based on the fantastic results posted by the company in the past year. 2005 was also an intense, positive year for the Group's activities in Spain.

The dairy business achieved a very favourable development as a result of the stabilisation of the price of the raw material and efficient operation of the companies in this area, which closed the year with a 4% increase in sales. The division has now settled on a final framework, resolving its problem of excess industrial capacity. This will improve its economic ratios in 2006.

The sugar business began to feel the effects of the market's reaction as it anticipated approval of the CMO reform, pulling its EBITDA down by 21%. Now that the reform has been approved by the Council of Ministers of the EU, we can say that after a difficult transition and a more than likely reduction in production quota, we predict a business smaller in size, but more sustainable and stable in the medium term. This reform also paves the way for a very important, profitable business, biofuels, to which Ebro Puleva is firmly committed.

The rice division concluded its first year under the new CMO for rice. Over 2005 it strengthened its leadership in the range of microwave rices and continued to swing the business from industrial sales to brand sales. Sales rose 29% and the division's EBITDA grew 27% year on year to 82 million euro.

Puleva Biotech maintains its vital role in one of the strategic areas of Ebro Puleva: innovation. During 2005 it extended its research and development lines to include the enhancement of processes and products throughout all the Group's areas of business.

One aspect worth highlighting from 2005 was the Group's policy of cost-cutting and austerity, designed to improve the yield, and its divestment of non-strategic assets and business, with the dual aim of lowering the Group's debt following the heavy investments in Riviana and Panzani while concentrating efforts and resources in our core businesses.

As a result of this work, in 2005 the Ebro Puleva Group strengthened its position as indisputable leader of the Spanish food sector and world leader of the rice sector, consolidated as one of the most important enterprises in the European food business. Turnover grew by 28% to 2,360 million euro, giving a net profit of 156 million euro, 23% up on 2004.

2005 also witnessed the triumphant completion of a strategic plan begun in 2000. A new era begins now, in which we will continue to grow, explore and pursue new business opportunities, committed to diversification and working hard to establish Ebro Puleva as an international benchmark in the food sector.

We hope to count on your continued support and confidence to achieve all this.

Inna de

Antonio Hernández Callejas Chairman of Ebro Puleva

A new era begins now, in which we will continue to grow, explore and pursue new business opportunities

Ebro Puleva today

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overview of the year

JANUARY



FEBRUARY



On 23 February, the Board of Directors of Ebro Puleva of EDFO Puleva unanimously resolved to make an irrevocable bid to purchase 100% of Panzani for 337 million euro.

Presentation of the results of the Ebro Puleva Group for 2004, showing a consolidated net profit of almost 121 million euro

MARCH



APRIL



Subscription of syndicated loan to finance the acquisition of Panzani. The transaction was arranged as a 9-year Club Deal Ioan, with Caixa Galicia as agent, for 440 million euro.

Closing of the Panzani transaction for a total price of 639 million euro, including its debt.



Upon

recommendation by the Board of Directors, the General Meeting appointed Antonio Hernández Callejas Chairman. His predecessor, José Manuel Fernández Norniella, was appointed Honorary Chairman of the Company.

AUGUST



Cost-cutting programme in Riviana.

SEPTEMBER



OCTOBER



Preliminary agreement to sell Catesa Foods, S.L, which manages Ebro Puleva's agricultural business in Tenerife: Growing of tropical fruits, ornamental plants and flowers. The agreed price The agreed price was 31.5 million euro in two payments, one in 2005 and the other after the due diligence in January 2006.

Presentation of the consolidated accounts of the Ebro Puleva Group for the first nine months of 2005 and forecast year-end results.

MAY



Appointment of José Barreiro Seoane as independent director by the procedure of cooptation.

JUNE







Strategic agreement with Leite Rio S.L for the latter to supply certain products to the Ebro Puleva dairy division and purchase the Arteixo factory, taking over the workforce and the Leyma brand for an overall sum of 12.5 million euro.

Commencement of the conversion of the Jerez de la Frontera dairy factory into a new plant producing precooked rice and pasta dishes.

Ratification of three property sales for an aggregate sum of 78.6 million euro, namely land in Villarrubia (Cordoba) and two properties in Madrid (head offices of the parent company Ebro Puleva in calle Villanueva and head offices of the subsidiary Azucarera Ebro in calle Ruiz de Alarcón).

Organisation and funding of Bosto Poland, based in Warsaw, with the objects of marketing rice and pasta.

NOVEMBER



The transfer of 51% of Inversiones Greenfields to EDF Man Holdings was completed on 8 November. The transaction entailed the sale of all the Group's assets in Chile, on conclusion of the takeover bids

over the shares in lansa S.A. and Campos Chilenos S.A.

Moving of the registered office of the Ebro Puleva Group from calle Villanueva number 4 to Paseo de la Castellana number 20, floors 3 and 4.





Resolution by the Board, in view of the 2005 profits, to submit a proposal at the AGM to distribute dividends of 0.34 euro per share. The final framework of the dairy division has now been defined

The doors have been opened to new sectors through Panzani 02

international expansion

PASTA, A NEW BUSINESS OPPORTUNITY

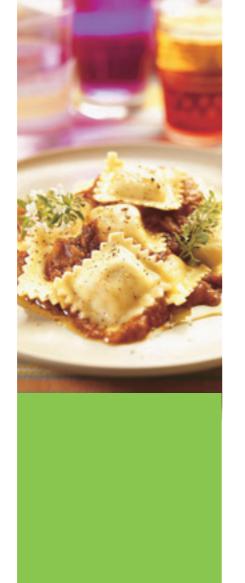
The process for purchasing Panzani, leader of the French pasta, rice, semolina and sauces sectors, was completed on 1 May last year. During the eight months it has contributed to the Group's accounts, the turnover of the Pasta Division totalled 289.5 million euro, with an Ebitda of 44.4 million. These figures prove that the new member of the group is financially sound and that this was a good buy.

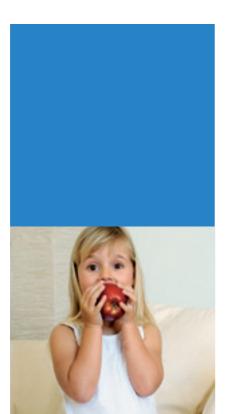
Through the acquisition of Panzani, Ebro Puleva has entered new segments, completing its portfolio with leading products and increasing the weight of brand businesses in the company's overall business. Moreover, fulfilling one of our objectives, it has also launched the group not only in France, but also on other international markets.

Panzani is leader in France and number two in Europe in the pasta, rice, semolina and sauces sectors. It ranks first in the French rice sector with two brands: Lustrucu, focusing on conventional rices, and Taureau Ailé, geared more towards exotic rices.

It is also leader on the French market of sauces for pasta and rice, and in the fresh pasta sector. It is second in the semolina sector, wilth the brands Regia and Ferrero.

Panzani is one of the European leaders in the pasta and sauce sectors







New products such as pasta in *doybag* and *gnocchis* for microwave have been launched



WITH THE ACQUISITION OF PANZANI, EBRO PULEVA HAS RISEN FROM TENTH TO SIXTH PLACE IN THE RANKING OF EUROPEAN MID-CAPS IN THE FOOD SECTOR

Consolidation of a new era

For Panzani, 2005 was a time of preparation for the changes in commercial law (Jacob Act). It set itself three priorities to meet these changes with all the necessary guarantees: strengthen the leadership positions of its brands, begin to establish synergies with Ebro Puleva and decide on channels for growth in forthcoming years.

Despite the difficult situation marked by the stability of food consumption and the deflation of prices, these efforts have enabled the company to increase its market shares. Panzani now has market shares of 35.6% in dry pastas, 35% in sauces, 32.7% in rice, 33.6% in fresh pasta and 33.9% in couscous, making it undisputed leader in all these market segments.

The first synergies between Panzani and the Ebro Puleva Group were also achieved during 2005. The commercial synergies were obtained mainly in the fresh pasta, dry pasta, rice, semolina and couscous markets and will enable Panzani to expand rapidly onto the international market. Intercompany sales and production synergies are essentially related with rice, where Panzani obtained 4 million euro by subcontracting its production for the Ebro Puleva Group. Finally, through synergies in the purchasing of raw materials and packaging, as well as services such as insurance, auditors, advertising, etc., it is expected to gain 2-3 million euro.

Panzani has also laid the foundations of its growth strategy for the coming years and, on the basis thereof, it has developed and launched new products such as microwave pasta dishes, *gnocchis*, etc., and other new ranges to be put on the market during 2006.

Outside France, Panzani has achieved leadership in the Czech Republic, cornering a market share of 21% in three years, while at the same time launching its products on the Hungarian, Canadian and British markets.

Still growing

The excellent performance of Panzani within the Group has been confirmed in the early months of 2006, ratifying the success of this acquisition in 2005. As a result of the rapid international expansion of the Panzani Group, it has in a very short time come to account for around 12% of the Group's turnover.













THE SYNERGIES ACHIEVED WITH PANZANI ARE A TRUE REFLECTION THAT EBRO PULEVA HAS FINALLY ESTABLISHED ITSELF AS ONE OF THE WORLD LEADERS IN ITS SECTOR













PANZANI: ACQUISITION OF A LEADER

Although the Panzani group only joined Ebro Puleva very recently, they have already embarked on a large number of joint projects. Apart from its largest financial investment, the French company is a leader within Ebro Puleva and, as such, it has pinpointed and used the strengths and opportunities offered by our Group.

Three groups of synergies have been established in these first eight months. The first includes the synergies deriving from the savings and discounts that can be obtained as a result of the increased volumes (Panzani + Ebro Puleva) and products placed with services and suppliers outside the group, e.g. R+D+I, consultancy, consumption of materials, equipment and services, advertising, etc.

The second group encompasses synergies deriving from the intercompany production and sale of non-brand products. One example of the projects brought to fruition in this sense is **S&B** Herba Foods, which has stopped buying supplies from third parties to buy couscous and semolina from Panzani. The fields of action are very extensive and may range from rice and sugar to frozen foods, couscous, dry pasta, fresh pasta, doybag, etc.

The third group comprises commercial synergies, perhaps the most important and most creative. Here the prestige of the Panzani products combines with the good management and local knowledge of the other companies in the Ebro Puleva Group.

In this specific field, 2006 will be full of major challenges. One of these will be when the microwave rice-in-the-cup produced at our Seville plant is put on the market in France under the Taureau Ailé brand. The Group has consolidated its position as leader on the Moroccan market

CONSOLIDATION AS A MULTINATIONAL

Up to 2004, the Ebro Puleva Group followed a strategy of growth and diversification on new markets through the purchase of new businesses in other countries. In 2005 this expansion policy was complemented with internal growth, generating and using synergies and opportunities arising ghrough the integration of our international businesses. As a result, the Group is now leader in Europe, Morocco, USA and Central America.

During 2005, we concentrated on the international consolidation of the Group and integration of the businesses acquired, designing and executing a plan of action to confirm and strengthen our multinational nature: creation of value, generation of synergies and expansion into other markets.

One of the actions taken to broaden and diversify our portfolio of international products was to buy the rights over the Tarantella brand in the UK. This brand is used for the sale of tinned organic tomato products and different kinds of pulses, and is sold nationwide through most supermarkets, wholesalers, independent groups and cooperatives.

The rice business was boosted with the opening of two new companies, Bosto Poland and Herba Bangkok. The first, based in Warsaw, will market indica rice from Spain under the Bosto brand in Poland, and pasta under the Panzani brand. The company set up in Thailand will guarantee supplies of Asian rice.

On the Moroccan market, Ebro Puleva has consolidated its position as leader in 2005, greatly increasing the volume of sales of the brands Cigala and Miura, giving our subsidiary Mundiriz a market share of almost 50%. Owing to the complementary nature of rice and pasta, our ample international presence and our extensive commercial network, the catalogues of both products have crossed in other countries, such as Hungary, Czech Republic, United Kingdom or Denmark.

We have also achieved an impressive growth in the recognition of our brands as a result of investments in advertising during the year -15% more than the previous year - and the Group's ability to adapt its creativity to suit the peculiarities of each country.

We could consider 2005 a year of international consolidation and growth, during which we have strengthened our leader status in the countries in which we were already present, opened up new businesses in other countries, and recognised advantages and opportunities giving us our multinational profile. All this will enable us to continue pursuing our growth strategy during 2006.













In 2005, our international expansion was complemented with internal growth WE HAVE BOOSTED THE RICE BUSINESS WITH NEW COMPANIES IN POLAND AND THAILAND



INTEGRATION OF RIVIANA

- * Commencement of operating improvements, through investment in automation and modernisation
- Optimisation of the costs programme, through: Shutdown of redundant plants: Abbeville and Mobile 12% cut in the total workforce USA
- * Joint work in respect of raw materials
- * Launching of new range of microwave rices
- * Introduction of Panzani pasta in Canada

INTERNACIONAL INVESTMENTS

- * New wild rice plant (Minnesota, USA)
- * New mill and reform and automation of packaging at our Coruche plant (Portugal)
- ***** Expansion of storage capacity at the Larache factory (Morocco)
- * New Boil in the Bag line in Euryza (Germany)
- * New Boil in the Bag line in Riviana (Houston, USA)
- * New flour plant, consisting of flour mill, packaging line, warehouse and office in Liverpool (UK)
- * Expansion of sortex and warehouse in Cambridge (UK)

business areas

03

BALANCE, EXPANSION AND GROWTH

The Ebro Puleva Group has made further headway towards its goal of achieving an increasingly more balanced diversification of its business areas, opening the doors to new sectors and, consequently, to new opportunities, reducing the relative weight of the sugar business and optimising overheads in all divisions, with a view to consolidating the Group's profile as leader on all the markets in which we operate, enhance all operating results and maximise the yield for our shareholders.

Since its creation in 2001, Ebro Puleva has structured its operations around three core businesses: sugar, rice and dairy. The Group was leader from the outset in each of these businesses, since the principal companies had long-standing, extensive experience in their respective markets.

The takeover of the French company Panzani in 2005, as part of the Group's strategy of expansion, diversification and investment in sectors with a high value added, opened the doors to a new business that has taken a strong hold within the Group: the world of pasta, semolinas and sauces.



RICE

SUGAR









RICE





FIRST CAMPAIGN UNDER THE NEW CMO

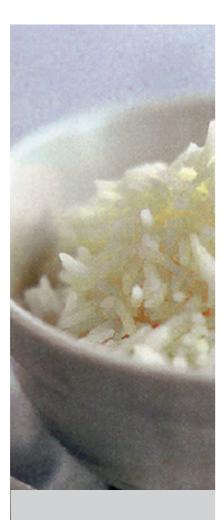
The Group has confirmed its leadership in this sector in its first year within the new Common Market Organisation (CMO) for rice. The importance attached by Ebro Puleva to its rice brands, headed by Herba, was bolstered by the acquisitions of Riviana and Panzani in 2005.

The Ebro Puleva rice division held on to its worldwide leadership in the rice sector during 2005, with a 40% market share in Spain (Herba Nutrición), 30% in Europe (Herba Foods) and 17% in the USA (Riviana).

The entry into force of the new CMO rice at the end of 2004 was one of the most significant events in this division during 2005, producing considerable effects throughout the year. The drastic cut in the intervention price was only partly passed on to the real market prices at source, significantly curtailing the prospects of lowering costs. The new EU member states from Eastern Europe pushed up the demand for rice and, consequently, prices. The supply deficit had to be met by importing rice from outside the EU and releasing part of the intervention stocks. As a result, certain tensions appeared in the sector throughout 2005, which are likely to continue into the rice marketing year 05/06. Even so, the net turnover of this division rose by 29% to around 782 million euro in 2005.

The Group's rice division has grown by 29%

The restructuring and integration of Riviana guarantees Ebro Puleva's expansion on the American continent



The Herba Group embarked on a major reorganisation in 2005 to cope with the relentless opening-up to other markets in recent years. It has structured the resources of each of its international subsidiaries around a new, single commercial model. This new structure combines human factors in twelve European countries, able to meet the demand of any customer in the area thanks to the Group's capillary distribution network in Europe.

Within Spain, Nomen Alimentación completed its integration in Herba Nutrición to optimise the synergies between the two companies.

On a commercial level, we are leaders in microwave rices. To meet the strong demand for these products, the former dairy factory in Jerez de la Frontera (Cadiz) is being converted into a modern plant to produce precooked rice and pasta in doybags and cups. These products are clearly successful, as illustrated by the Ready





We have a greater presence than any other rice producer in Europe and USA

to Serve range "A Comer con Brillante", sales of which continue to boom, accounting for 13% of the turnover of Herba Nutrición, compared to 7% in 2004. It has now broadened its array of ready to serve products with "Vasitos Brillante Integral" (brown rice) and "Vasitos Brillante Salvaje con Basmati" (wild & Basmati rice), which have gone down very well among consumers. Proof of its acceptance is the "Top 2005 distribution" prize awarded to the latter variety by the journal Distribución y Actualidad. Further success has been reaped on an international plan by our Finnish subsidiary Risella, with its traditional rices and a new range of pre-cooked rice dishes; and by the British firm Vogan. Both of these, acquired in 2004, have reinforced Ebro Puleva's presence on their respective markets during 2005.



Ebro Puleva's determination to swing the balance towards the brand market was the key factor in raising the profit margin of the rice division by 100 basis points during 2005. Consequently, we plan to continue buying businesses in 2006 that fit in which our strategy of growing in leader brands.





RIVIANA 2005, AN INVESTMENT THAT HAS PROVED PROFITABLE IN THE GROUP'S INTERNATIONAL EXPANSION

One year later, Riviana is still producing highly satisfactory results in terms of increased turnover and optimisation of resources. This success is largely attributable to sustained demand, a good rice harvest and a more aggressive management.

During the past year it began to streamline its structure to optimise earnings. The first measures in this process are a 12% cut in the total US workforce, the shutdown of redundant plant, such as those at Abbeville and Mobile, and the sale of the China Doll brand, owing to its poor performance.

With the aim of establishing Riviana as a leader in innovation on the US market, it has participated in different collaboration projects with other Group companies, through which industrial processes have been improved and new products and new formats have been developed. In November 2005, it began marketing in Minnesota one of our most successful products, microwave rices, under the Gourmet House brand. These products, which have a novel format for American consumers, will give our US subsidiary a new channel for value added growth in its brand businesses. Finally, we took advantage of Riviana's strength in North America to launch one of our latest acquisitions, Panzani pasta, in Canada.

With Riviana restructured and integrated within the Group's activity, our expansion on the American continent can be considered consolidated and making constant headway.

The valuation made for this acquisition has proved to be very favourable for the Ebro Puleva shareholders, since Riviana has posted a year-end EBITDA of 38.5 million euro.



SUGAR



THE MAJOR EFFORTS MADE IN RECENT YEARS TO ADJUST OUR AGRICULTURAL AND INDUSTRIAL ACTIVITIES WILL ENABLE US TO MAKE AN ADEQUATE MANAGEMENT OF THE TRANSITION PROCESS



READY FOR THE NEW REGULATORY FRAMEWORK

On 20 February, the EU Council of Ministers approved the final text of the new CMO sugar, which will be applicable for the marketing years 06/07 to 14/15. Anticipating the changes to come, Ebro Puleva has, over the past few years, developed a strategy to optimise the competitive position of our sugar division, bringing it in line with the most efficient European producers.

The objectives of the new CMO include defining a stable framework in the medium term for both beet growing and the sugar industry within the European Union and achieving a balance between supply (internal production + imports) and demand. To do this, the EU considers it necessary to lower the level of quota sugar production (17.4 mill. t/year) by no less than 5 mill. tonnes in the medium term (2012/2013).

The CMO also contemplates a progressive lowering over four years of the reference price for sugar by 36% and for beet by 45%, forcing the least competitive regions to abandon the market.

In order to mitigate the adverse effects deriving from these measures and help with the costs of withdrawing production, the EU has set up a large restructuring fund for this initial four-year period, financed with taxes on carry-over production.

In 2005 we stepped up our presence on the nearby markets and renewed our range of distribution products

The new specialities centre due to come on stream in 2006 in Benavente will make us one of the most powerful and competitive producers

Any regions or countries that cut their production by more than 50% will receive additional incentives, both for those who abandon production and for those that enable the remaining production to be maintained for five marketing years.

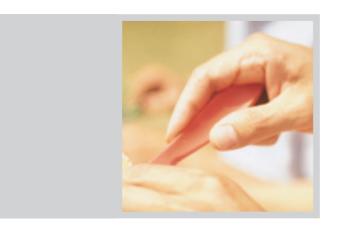
Azucarera has for many years now been making considerable efforts to adjust its agricultural and industrial activity and it is now in an excellent position to adequately manage the transition, combining maintenance in the medium term of a significant volume of sugar production with the development of a powerful biofuels business based on agricultural-energy products.

Prices were extremely volatile in 2005, owing to the existence of vast stocks in the EU and movements as certain producers took position on the market, anticipating a change in the present situation following the entry into force of the new CMO as from 01.07.2006. In this context, Azucarera has generally maintained its participation in the different sectors of the Spanish market, while strengthening our presence on nearby markets and significantly renewing our range of distribution products.

The new specialities centre due to come on stream in 2006 in Benavente (with an investment of more than 24 mill. \in) will make us one of the most powerful, versatile and competitive producers of this type of product.

In Short

- * We are ready for the new legal framework.
- * After overcoming the turbulence of the transitional period, we will be left with a business with an attractive size and profitability.









DAIRY



RESTRUCTURING AND COST-CUTTING HAVE BEEN KEY FACTORS FOR OUR SUCCESS



THE SUCCESS OF INNOVATION, RESEARCH AND KNOWLEDGE

2005 was, without doubt, a successful year for the dairy division, especially in Puleva Food. This success is especially meaningful considering it was achieved in a year marked by fierce competition among the principal distribution chains and a significant growth of their brands.

The key factors of this success lie in an exhaustive knowledge of consumers, continuous innovation and research to broaden the range of products offered, and in promoting health care as a competition variable.

2005 was, therefore, another year of triumphs for the Puleva brand, which consolidated its leadership on the principal dairy markets in which it operates while remaining true to its peculiar market focus. This focus is based on three strategic pillars:

- **1.** Having the best knowledge of consumers and using it as the base for making commercial decisions.
- **2.** Being strongly committed to innovation, with the launching of new products, advertising, promotional activity, etc.
- **3.** Heavy investment in the brand.

Gearing our activities to suit consumer needs is an essential value.

The use of more convenient, functional formats has given very good results

Ebro Puleva is a benchmark on the market in high value added milks

Puleva has recorded growth in all its varieties of functional milks. Among products beneficial for cardiovascular disorders, the performance of Puleva Omega 3 has been outstanding, with a market share of over 60%, and its high calcium milks account for over 40% in value. In the child nutrition segment, the company's efforts have won it leadership in growth-promoting milks for children aged 4-12, where Puleva Max has achieved a market share of more than a 50% and Puleva Peques, for toddlers, almost 20%. Puleva has also consolidated its position in milkshakes, thanks to the excellent performance of the PET bottle.

In 2005 the company also moved into bifunctional foods, launching its Puleva Calcio Soja (*Puleva Calcium Soy*), which bolstered the solid position already held by Puleva Calcio as a benchmark brand. Within the Puleva Max range, towards the end of the year it put Max Defensas on the market, a fermented dairy product based on prebiotics obtained from breast milk, which is proving to be well accepted on the market.

These breakthroughs have made Ebro Puleva a benchmark on the market and, consequently, the Group's major rivals have begun to imitate our actions. During the coming year the Puleva brand will continue concentrating on the development of value products through an adequate segmentation of the markets and continuous dedication to innovation.

In the segment of classic milks, Lactimilk has continued to pursue the strategy it launched in late 2004, of offering consumers its products in easy-to-carry packs more suited to the new social reality, with fewer people in the home. The launching of the pack of 4 litre cartons for whole, semi-skinned and skinned milk in Ram was thus extended to the 1.5 litre bottle, especially important for El Castillo. With this strategy, the distribution and market share of the Ram brand in this segment improved, and El Castillo was consolidated as a leading regional brand in plastic bottles.

The success of Ram Thick Chocolate Drink (*Ram Chocolate a la Taza*), leader in its category, is particularly noteworthy, with a cumulative 81% growth in sales in just two years.

Another important aspect in the development of the dairy division in 2005 was the reduction of costs by shedding excess plants and disengaging in businesses with a smaller value added. In this sense, the Arteixo factory (La Coruña) and the Leyma brand were sold and the Jerez plant was shut down and subsequently converted into a plant producing precooked rice and pasta dishes, owned by Herba.





04

quality and R+D+i

INNOVATION AND RESEARCH, PROPERTIES OF A LEADER

The tough competition in the food sector requires constant innovation in the products put on the market. Consequently, investment in research, development and innovation (R+D+I) has always been one of the strategic mainstays in Ebro Puleva management to develop a sustainable competitive edge.

One of Ebro Puleva's maxims has always been to take advantage creatively of the knowledge generated both internally and externally, forming its own innovation management framework.

The goals pursued by the Group in Research, Development and Innovation are to:

- * Contribute to the development of Ebro Puleva by researching and developing new products and processes.
- * Be an international benchmark in the research and development of products applied to the food sector.
- * Maintain a continuous flow of products under development.

The Ebro Puleva R+D+I area has a clear competitive edge in Puleva Biotech, a company engaged exclusively in developing projects that can be used in all the divisions of the Group, created on the basis of the R+D+I Department of Puleva Food, set up in 1974.

During 2005, the activities performed by Puleva Biotech benefitted all the Group's business divisions, guided at all times by four clear goals set within the company's R+D+I policy:

* Investigate the raw materials of our products and other sources of natural products, endeavouring to pinpoint new compounds or raw materials of interest for their effects on health or their properties in the production process.

Firm commitment to innovation



SUGAR

RICE





PASTA

