



- * Develop formulas for own products with unique distinguishing properties that are difficult to imitate.
- * Develop unique processes with which we can create technological barriers to competition.
- * Innovate in all aspects of our commercial policy, including an innovative management of our brands and other classical elements of our marketing mix.

Details are given below of the most significant actions during the year.

Dairy division

The activities performed by Puleva Biotech for Puleva Food in child nutrition during 2005 were focused on supporting the launching of baby formula and toddler milks and the new cereal baby foods. The developments of dairy products included the launching of products for sectors of the population with special needs, such as “Max Defensas”, a fermented milk product incorporating probiotic bacteria, intended for children aged 4-12. The Puleva Calcio range was extended with a milk containing soy isoflavones, “Puleva Calcio Soja”. Work has also been done on pleasure-seeking dairy products, including new spreads and new drinks, and tests have continued on new materials that could be applied to PET technology.

The development was concluded for Lactimilk of ready-to-serve dairy products and existing ranges have been extended. One of the new projects commenced was a series of developments in the line of generating value for products in the fats area.







A technological process was developed in 2005 to increase the resistance of rice to cooking



Rice division

Collaboration with Herba Ricemills continued in 2005 in the rice and rice-products sector. The project continued to define the properties of new rice varieties and rice flours, including both nutritional composition and functional properties, paying special attention to brown rice flour with different levels of dietary fibre content.

Within the range of precooked dishes, apart from counselling on the use of food additives to enhance the organoleptic properties and monitor some of the new products, a technological process has been developed to increase the resistance of rice to cooking, improving the preparation of risotto rices.

In the nutritional field, a study was begun to determine the glycemic index of rice. In the initial phase, the experimental methodology has been perfected for use in the definition of properties of the different rice varieties and rices submitted to different physical processes.





Sugar division

Work was completed successfully in 2005 prior to expiry of the technology transfer contract for the production of fructo-oligosaccharides (FOS), including use of the products generated, exploration of alternative means of production and demonstration of the greater functional properties of our products through in vitro and in vivo studies.

A viability plan has been drawn up and the investments required for industrial implementation of the entire FOS production process have been estimated. Exploration has also begun of new areas for collaboration in forthcoming years, including the development of new products and optimisation of some of the existing production processes.

Collaboration with foreign subsidiaries

Puleva Biotech's research activities in 2005 also included the development of new processes, products and improvements in the Group's overseas companies. For example, it worked on reducing the retrogradation of refrigerated cooked rice for the Danish company Danrice, for use in products to be eaten cold. Work has also been done for the subsidiary Alimentos Kern in Guatemala to develop a new range of beverages.





Panzani backs the Ebro Puleva R+D+i`excellence

Panzani bases its R+D+I policy on two organisations:

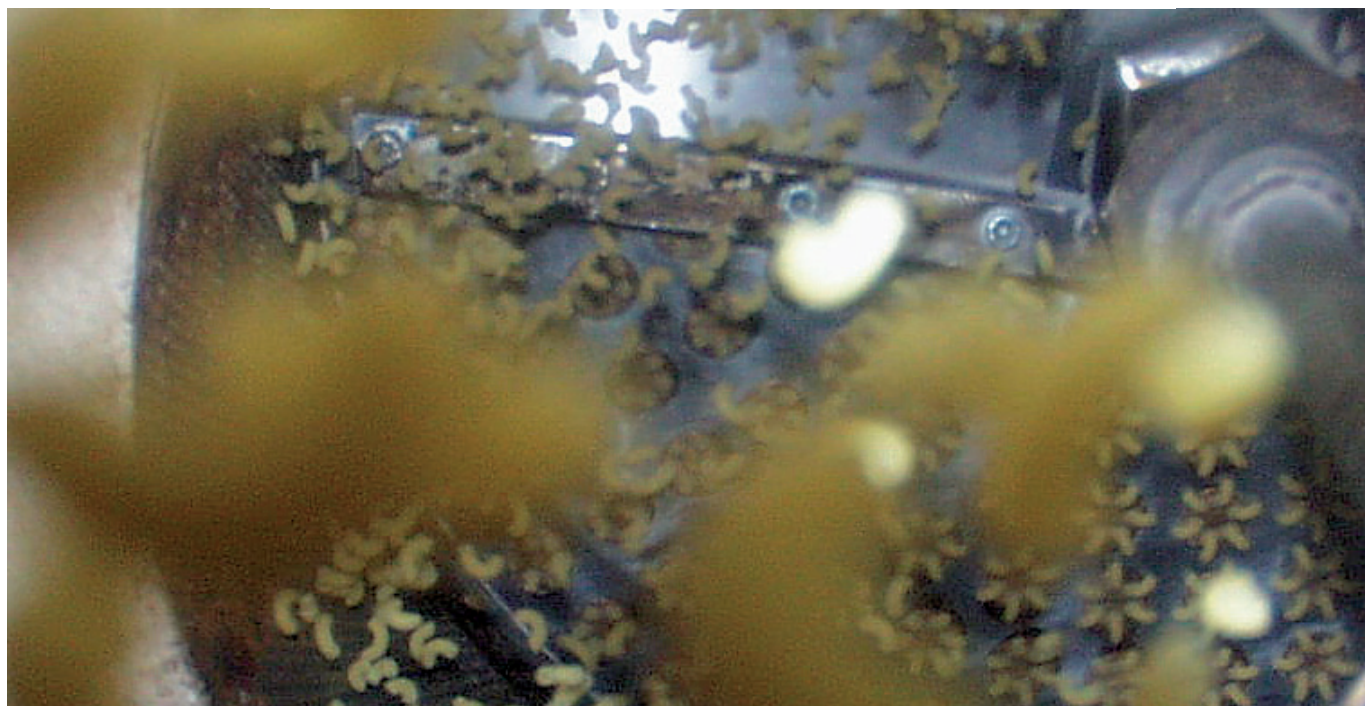
- * The European Research Centre for Cereals, Rice and Pastas (CRECEPAL), created in 1973.
- * The Culinary Technical Studies and Research Centre (CEREC), created in 2005.

Last year, it focused on the development and relaunching of Panzani's "Qualité Or" pasta range, the development and launching of the "Panzani Express" pastas and "Ferrero" couscous in doy-bag and the development of a new rice-drying technology patented by Panzani.

The field of action of CRECEPAL embraces different areas of know-how: cereal raw materials, food processing procedures and ingredients and methods of preparation; it also includes internal and external project management, creativity and innovation techniques, definition of the properties of raw materials and finished products, industrial transfer, technical support and inter-factory coordination of processes.

The activities performed by CEREC in 2005 include the development and launching of a range of Panzani white sauces, the Lustucru fresh filled pasta range in one-serving packs and Lustucru gnocchis, and the development and relaunching of the Giovanni Panzani sauces.

CEREC focuses its research on fresh and frozen pastas and sauces, fresh and frozen pre-cooked dishes and room-temperature sauces.





THE REWARD FOR EXCELLENT RESEARCH: RECOGNITION OF OUR QUALITY

During 2005, the Group continued developing an advanced policy to guarantee the quality of its products and production processes. A good reflection of these efforts can be seen in the 14001 quality certificates obtained by five Puleva Food plants (Granada, Seville, Lugo, Leon and Mollerusa).

The rice division made considerable progress during the year in its automation. Three new metal detectors have been installed in pre-packing processes at the San Juan de Aznalfarache factory. These detectors were also fitted in all the packaging lines that did not have them and new machinery was installed, improving the efficiency of the process and enabling greater flexibility in the use of different formats. Labelling was also automated to ensure improved traceability of our products. And finally, new machinery has been installed to eliminate foreign bodies in cargo rice (husked rice) prior to storage. The Coria del Río factory now has a new metal detector at the end of the processing line and a second stone catcher was also installed.

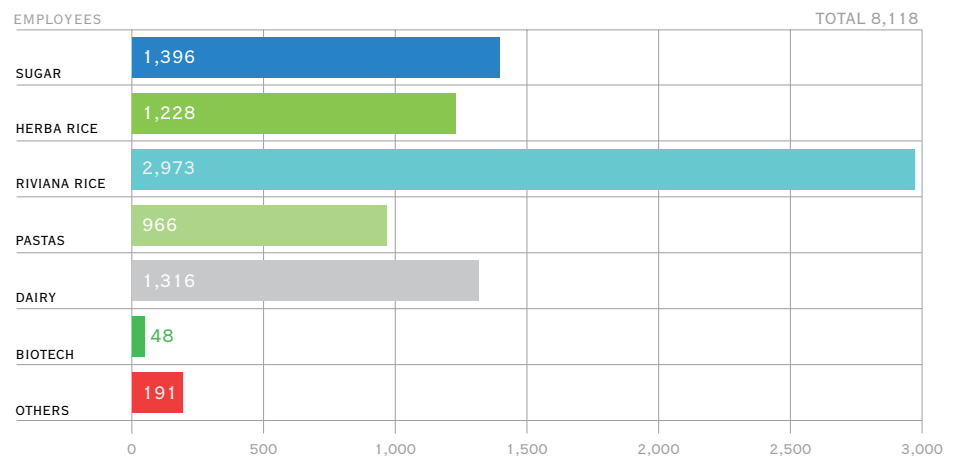
Finally, the new Packaging Centre in Benavente is worth special mention in the sugar business. This Centre is equipped with state-of-the-art technology and food safety systems that make it a pioneer in Europe and will enable processed sugar products to be supplied in ideal quality conditions to the EU distribution market. The Group has fourteen certificates for quality systems that meet the requirements of the standard EN-UNE 9001:2000, following certification of the Payment per Richness (PPR) Laboratory at the Peñafiel sugar factory. The IFS (International Food Standard) Certificate, the highest European distinction for food safety, is expected to be obtained during the first quarter of 2006 for the Benavente Packaging Centre. The PPR Laboratory at Miranda de Ebro is also expected to be certified.



our human capital

EBRO PULEVA'S MOST VALUABLE ASSET

None of the success achieved in 2005 would have been possible without a large group of professionals behind all our actions. Actions and programmes have been developed and implemented in all business areas of the Group to increase the personal and professional capacity of our human capital, considering this element to be the most valuable asset Ebro Puleva has for its business development.



Ebro Puleva's Human Resources policy is geared towards giving its employees stability and job security with a view to creating a strong tie with the company. It acts on five main aspects in this regard: training, welfare benefits, health and occupational hazard prevention, employee participation in management and pay policy.

Training

One of the mainstays of the Human Resources measures in the dairy division was employee training. Some 667 employees participated in the Integral Training Plan 2005, 166 of whom were women and 501 men, with an aggregate duration of 4,202 hours and a total cost of around 112,000 euro.



TRAINING



HEALTH



MANAGEMENT





More than 190 training actions were organised under the training plan 2005 in the sugar division, with an aggregate training time of over 26,000 hours and more than 2,300 participants. The training programme designed to update professional competence has now completed the second phase, aimed at executives, technical experts and middle management. The first cycle has also begun of refresher courses in computing skills, this time for the employees of the operating centres in Madrid and Barcelona.

Some 14 training courses were run on Industrial Safety, Computing and Languages within the Spanish companies of the rice division. A total of 250 employees participated in these programmes, representing 50% of the total workforce, with an aggregate cost of more than 60,000 euro.

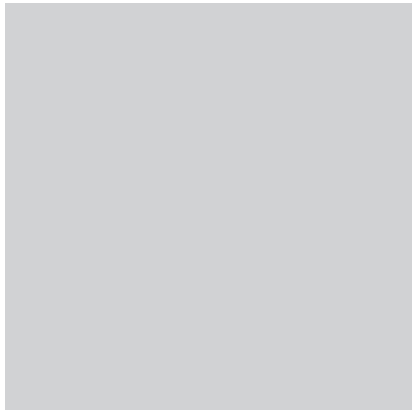
Panzani invests one million euro every year in the training of its employees, with the aim of increasing the excellent quality of its processes, human resources and materials, at a time when the French company is acutely aware of the need for large organisations to adapt to the new social demands. It also has agreements with educational and training institutions whereby tens of scholarship holders benefit every year from training within the group linked to areas such as marketing, commercial activities or finance.

Welfare benefits

The Ebro Puleva Group has a Medical Service at the disposal of its employees in their respective work places. This service watches over the health of our employees through annual medical check-ups arranged with their respective mutual insurance companies and studying hazard prevention measures, providing a first aid service for employees while at work.

On this subject, we highlight the highly qualified Occupational Hazard Prevention Service in our dairy division, which has been singled out by public and private institutions to give courses and speeches, including the University of Granada, the

Our human capital
is our most
valuable asset



Department of Education of the Andalusian Regional Government and the Andalusian Training Centre of the Ministry for Home Affairs.

Occupational Hazard Prevention and Medical Service

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Management participation actions

This includes initiatives promoted by the company to encourage employees to participate in the corporate management, contributing ideas and suggestions that could improve, among others, the areas of Occupational Safety, Quality and Process Enhancement. This type of initiatives gives the company a chance to improve in working costs and organisation and help to encourage an improved working atmosphere.

Pay policy

More than one hundred executives of different Ebro Puleva companies are included in a variable pay programme which bases the variable part of their salary on a number of collective (of the Group overall and the different business units) and job-specific objectives.

The most important factor for calculating the variable remuneration is the EVA (Enterprise Value Added) or creation of value for shareholders, bringing the objectives of our shareholders in line with those of our different teams.

A similar group benefits from the payment in kind programme, whereby taxation of their salaries can be optimised through the receipt of certain benefits, such as medical insurance, company car, nursery service or housing rent. This pay policy includes the delivery of shares in Ebro Puleva, S.A.: under current tax laws employees may receive up to 12,000 euro in company shares without considering them remuneration for the purpose of personal income tax. During 2005, 49 employees from different companies in the Group received shares in the company for an overall sum of 381,800 euro.





W We are
dedicated
to our people
in all areas

AZUCARERA EBRO OPERATIONS OPTIMISATION PLAN

The main activities included within the Operations Optimisation Plan were:

- I** Pursuance of the Continuous Improvement Project at all sugar factories in the following areas:
 - * Staff suggestions. 2,840 ideas for improvement have been submitted, 50% of which were implemented.
 - * Working groups. 26 groups were set up to solve different technical and organisational problems in the different work places.
 - * Meetings were held with all employees before and after the campaigns, informing them on the targets and results obtained at all the sugar factories.
- II** Launching of the Clean and Orderly Plan at all sugar factories.
- III** Commencement of the continuous improvement project in the R+D laboratory and the Benavente Packaging Centre.
- IV** Arrangement of tutorials to optimise the following points: external costs, sugar quality (granulometry) and functioning of the lime kilns.



CORPORATE RESPONSIBILITY IN EBRO PULEVA

Ebro Puleva is aware that its first commitment as sector leader is to its shareholders, to whom it must respond in terms of yield and creation of value.

The Group is also aware that with a forward-looking approach its profits will be greater and more sustained if the social and environmental settings in which it operates and the related interest groups also benefit from its actions.

This conviction, considered strategic, is behind our Corporate Responsibility policy, which we created and uphold as the operative materialisation of Ebro Puleva's undertakings and its commitment to sustainable development.

Ebro Puleva is firmly committed to the people, social groups and settings in which it interacts and bases its business conduct on principles of integrity, transparency and sustainable value creation



SOCIAL ACTION

CORPORATE GOVERNANCE



ENVIRONMENT





Code of Conduct for Ebro Puleva employees

The Ebro Puleva Group wants to gear all its actions towards goals of leadership and business excellence, supporting its growth and management on ethical principles and values based on integrity:

- * both in internal relationships, favouring a respectful working climate, dedicated to persons;
- * and in its external commitments to customers, consumers, suppliers, setting, shareholders, rivals and society in general.

The Ebro Puleva Code of Conduct combines the ethical values of its employees and those of the company to achieve a consistent line of behaviour among all those who work or have any relations with us.

The Ebro Puleva Code of Conduct has been created to inspire stable Rules of Conduct to guide the Management Committee of each company in the Group in laying down specific Rules of Conduct for their particular area.

GENERAL COMPANY RULES

The policy of the Ebro Puleva Group goes beyond mere observance of and compliance with all the laws and regulations applicable to each business and requires:

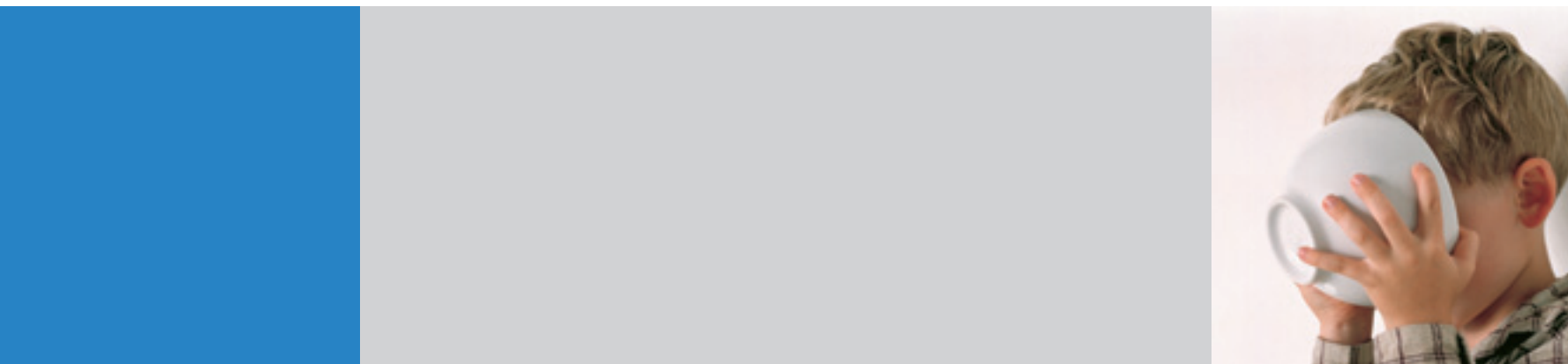
- * Not making decisions without considering their ethical value.
- * Having the courage to reject unethical alternatives, just as others are rejected on the grounds of being economically unviable
- * Taking into account the side effects of each action.
- * When making decisions, considering the groups involved and respecting their rights.
- * Harmonising the ethical requirements with other achievements.
- * Seeking at all times the maximum credibility possible.
- * Abstaining from undue use of the Ebro Puleva Group's market position. There is no problem in mentioning the advantages deriving from our position, achieved through the legitimate success of our businesses, but without imposing them on other persons or organisations.
- * Involving executives and employees in actions to improve the future yield of the company
- * Continuous training of executives and employees as the basis for achieving leadership and adapting expeditiously to changes in the environment.

RELATIONS WITH CONSUMERS AND CLIENTS

The first ethical duty of the Ebro Puleva Group to its consumers and clients is to maintain close contact and ensure permanent quality control of its products and services so that, through food, it not only nourishes consumers but also improves their health and well-being.

The second is to seek maximum transparency in information and credibility, upholding a high degree of trust between the Ebro Puleva Group and our consumers and clients, by paying special attention to personal relations and respecting rivals.

Information concerning clients is always confidential.



RELATIONS WITH SUPPLIERS

Fair treatment of all suppliers is a basic principle.

When choosing suppliers, all the relevant factors should be given unbiased consideration, regardless of the quantity of the purchase or service.

Influences seeking favourable treatment must be avoided. No group employee may receive gifts from suppliers or manufacturers of products consumed within the company, in the form of money, services or items, promotional or otherwise, with a high value or reasonably exceeding the habitual compliments. In the same way, the company will avoid giving gifts that could make our suppliers uncomfortable or be misinterpreted by third parties.

The prices and other information given by suppliers is confidential and must not be used outside the Ebro Puleva Group, unless authorised in writing.

It is essential for suppliers competing for contracts with the Ebro Puleva Group to trust the integrity of our selection process.

No employee or collaborator of the Ebro Puleva Group may attempt to unduly influence the government authorities or civil servants, or consider obtaining any favours from any political party.

RELATIONS WITH GROWERS AND CATTLE FARMERS

The Ebro Puleva Group is obliged to guarantee and give equal treatment to all growers and cattle farmers, regardless of their production or size, being transparent in relations with growers, cattle farmers and their associations, avoiding any practices that may favour some to the detriment of others.

The Ebro Puleva Group must supply all the information it has on applicable techniques, to enable growers and cattle farmers to optimise their yield. It will also support all R+D actions created by mutual agreement with the corresponding associations.

The Ebro Puleva Group will collaborate with growers, cattle farmers and their organisations to defend their rights against the government and third parties.

COMMITMENT TO THE ENVIRONMENT

The Ebro Puleva Group has a serious commitment to respect and preserve the environment. It has adopted an ambitious environmental policy, which it promises to fulfil, and to update as new challenges arise in the future.

The Group considers it its duty to train all its employees in the techniques to be used for quality control processes and environmental policy.

RELATIONS WITH THE MEDIA

No Ebro Puleva employees may supply any information on the company to the media without first informing and obtaining authorisation from the Ebro Puleva Communications Department, which will be responsible for media relations.

Unless expressly authorised, no Ebro Puleva employees may use or disclose information to third parties on the company, executives or colleagues for their own benefit or if this might damage the reputation of the company or its members.

RELATIONS WITH SHAREHOLDERS

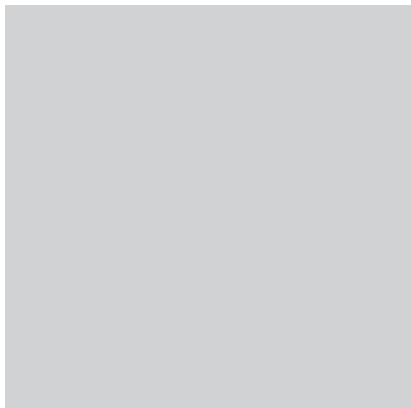
These are based on the following principles:



- * Maximising profit and adequate remuneration of shareholders. This is unquestionably one of the priority objectives of the Ebro Puleva Group, and to achieve it, the organisation will apply all the necessary resources and means to secure a steady, sustainable growth of the business.
- * Prompt, fair information. The Ebro Puleva Group will inform promptly on all significant events relating to its business through the official bodies, and immediately afterwards to the different external agents, media and analysts who can and should spread the news.
- * Protection and respect of the rights of minority shareholders. No shares in the Ebro Puleva Group will be bought or sold internally for speculation and special care will be taken in the decision-making process regarding the acquisition or disposal of shares, to ensure that there is no unfair or abusive use of information.

CONCLUSION

Through this Code of Conduct, the Group endeavours to involve shareholders, executives and employees, and the society at large, in improving the future yield of the company.







SOCIAL
ACTION





SOCIAL AND CULTURAL ACTIONS

One of the priority objectives of Ebro Puleva is to participate in initiatives that contribute to the socioeconomic development of the geographical areas in which it operates, including support and assistance for the most needy.

Our actions also include, albeit to a lesser extent, participating in cultural, research and sports projects.

Much of Ebro Puleva's social commitment is coordinated and promoted mainly by the Ebro Puleva Foundation. This notwithstanding, the different companies in the Group make their own particular contributions to any events or associations they consider especially important in their respective areas of interest.

 Committed to society



The Foundation

The Ebro Puleva Foundation is a private, national, cultural, non-profit entity belonging to the Ebro Puleva Group. It was set up in Granada on 9 June 1998 and is entered under no. 376 in the Register of Foundations of the Ministry of Culture. It is governed by its Bylaws and the provisions of the Foundations Act 50/2002 of 26 December and other applicable legislation. It is a member of the Spanish Association of Foundations.

The associations with which it collaborates act mainly in respect of: babies & toddlers, the elderly, sectors of society in situations of inequality or at risk of social exclusion, drug addicts, the disabled, etc., and their aid is given through two channels: financing programmes and product donation programmes.

In 2005 the Foundation collaborated with over 55 local and national entities, including, among others: Aldeas Infantiles, Nuevo Futuro, Cerebral Palsy Association (ASPA-CE), Spanish Cancer Association, Spanish Red Cross, Messengers of the Peace, Anesvad, Madre Coraje NGO, Salamanca Diabetes Association, Toledo Foundation of the National Paraplegics Hospital, Remar, Volan, etc. It has also sent aid overseas, for example collaborating financially and by sending products, to alleviate the effects of the catastrophes in Pakistan and Guatemala or the Asian *tsunami*.

Although its main aim is to start up social development projects, the Ebro Puleva Foundation also used part of its funds to promote educational and cultural activities in 2005. It was the principal sponsor of the 54th International Music and Dance Festival in Granada, patron of the Royal Association of Friends of the Reina Sofía National Art Gallery (Madrid), it collaborated in financing summer courses at Granada University and continued to support the Esteban Vicente Contemporary Art Museum in Segovia.

Food Bank

One of the priority institutions for Ebro Puleva in its product donation programmes are Food Banks. During 2005, the Group collaborated with the Food Banks in Valladolid, Salamanca, Seville, Granada and Madrid, making contributions with a retail selling price of over 500,000 euro. Food banks are non-profit volunteer organisations aiming to obtain and make use of surplus food, forwarding them to welfare centres and, through them, to the needy. Our subsidiary Riviana has a similar initiative in the United States, donating its rice products to different local food banks, including those of Houston, Memphis and Arkansas. In 2005, the value of these donations was 271,000 US dollars.



Other activities

The Group companies are also very active in supporting specific local actions, mainly through the financing of festive and sports events held in their local areas. Examples of this support include sponsorship by Azucarera Ebro of the International Cross Country Event in Venta de Baños (Palencia), Guadalcacín Football Club or the Fun Run in San José de la Rinconada, among others.

Apart from all these actions, during 2005 Ebro Puleva also collaborated in the VI Quixote Centenary Celebrations, publicising and promoting the Centenary image in the advertising campaigns of the Group's brands and sponsoring different cultural activities held as part of the celebrations.

W We owe our
position to
society, it is
the base of
our success



ENVIRONMENT





COMMITMENT TO SUSTAINABILITY: THE ENVIRONMENT

Ebro Puleva strives to maintain the highest quality and meet the most stringent requirements in its activities, considering this an essential component of its business model. It is committed to the well-being of society, the health of citizens and preservation of the environment, following at all times principles of sustainable development.

During 2005 the Group continued to pursue its advanced policies in Environment, Food Safety and Quality, Industrial Safety and Occupational Hazards that respect the environment and social aspects, with a view to achieving sustainable development in a context of prevention and ongoing improvement.

An increasing number of work places have been certified under the environmental management standard ISO 14001



Dairy division

Puleva Food currently has two Environmental Management Systems certified as meeting the requirements of Standard EN-UNE 14001:2004. The Ebro Puleva dairy division plans to obtain two further environmental certificates in 2006 under the same standard, for its Leon and Lugo plants, following those already obtained in Granada (dairy and cogeneration factories).

True to the Group's environmental policy, Puleva Food has invested considerable funds in the prevention of pollution and application of the best available technologies. The following investments were made in 2005:

- * Seville factory: replacement of oil boilers and burners with natural gas
- * Lugo factory: hazardous waste warehouse
- * Granada factory: replacement of oil boiler and burner with natural gas

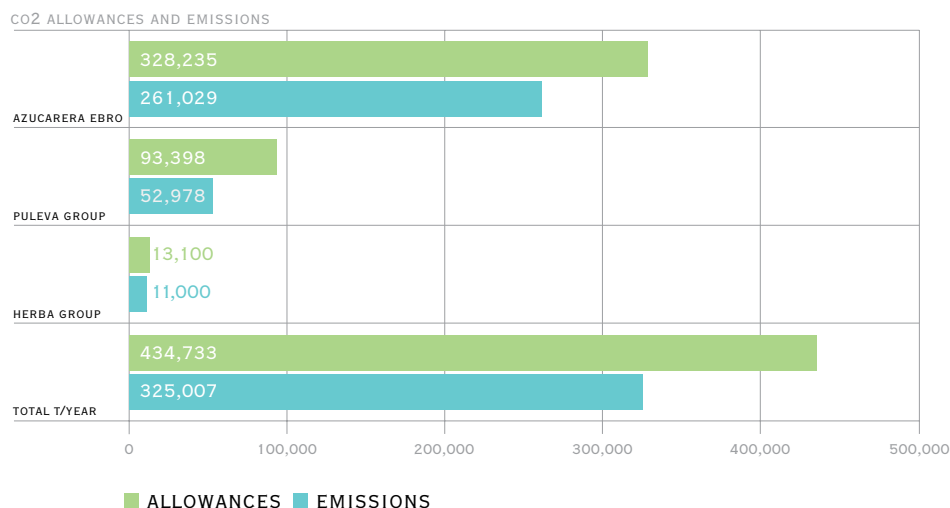
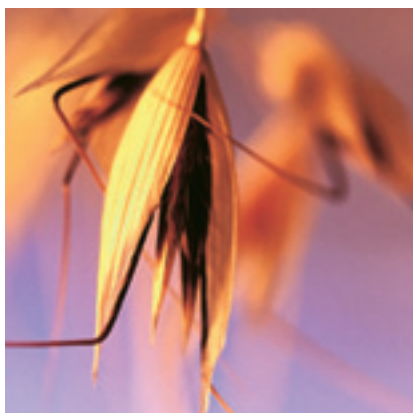
The aggregate investments made by Puleva Food in environment totalled 155,600 € last year.

Technically, there are no contingent liabilities at present in environmental aspects, despite which civil liability insurance has been taken out, making it unnecessary to make extraordinary provisions for possible contingencies in forthcoming years, since moreover, as mentioned earlier, significant actions have been taken in respect of prevention.

Puleva Biotech remains in the vanguard of research waste processing

Rice division

A noise map of the San Juan de Aznalfarache factory (Seville) and the surrounding area was drawn up to study how the different points of the factory affected residents in the area. Based on the results of this study, action was taken in respect of the parts causing the greatest problems, installing silencers in the chimneys of the three boilers, altering the elevator engine system in the vaporising section and modifying the chain transmission system. The noise level was thus brought down and less maintenance is required. The packaging process has been modernised, enabling the use of new box formats that reduce the use of cardboard. Finally, at the Coria del Río factory waste is separated entirely into card, plastic, inert substances, etc., separating and selling polypropylene waste.



M Major investments were made in all the divisions to minimise the impact of their activities on the environment

Rice division

Of the total investments made in 2005, the sum entirely or partly invested in environmental actions was 4.8 million euro. These investments were made mainly to improve the quality of effluent, minimise emissions, waste management, etc. and, as a result, excellent results have been obtained in the external audits made by AENOR (Standard ISO 14001), customer audits, government inspections, etc.

Numerous actions were taken during the year, including the new water settler at the Toro factory; waterproofing of the settling ponds, removal and channelling of gases from the pellets area to the gas washer and the new internal sewage network at La Bañeza; the new stone catchers for the beet washer at Guadalcacin and new aerators in the settling pond at Guadalete. Equipment has also been installed at all the factories in the sugar division to control greenhouse gas emissions.





RESEARCH FOR SUSTAINABLE DEVELOPMENT

During 2005, Puleva Biotech S.A. continued its environmental protection policy with the management and selective collection of waste generated both in the activities performed at its laboratories and in the industrial production of functional ingredients.

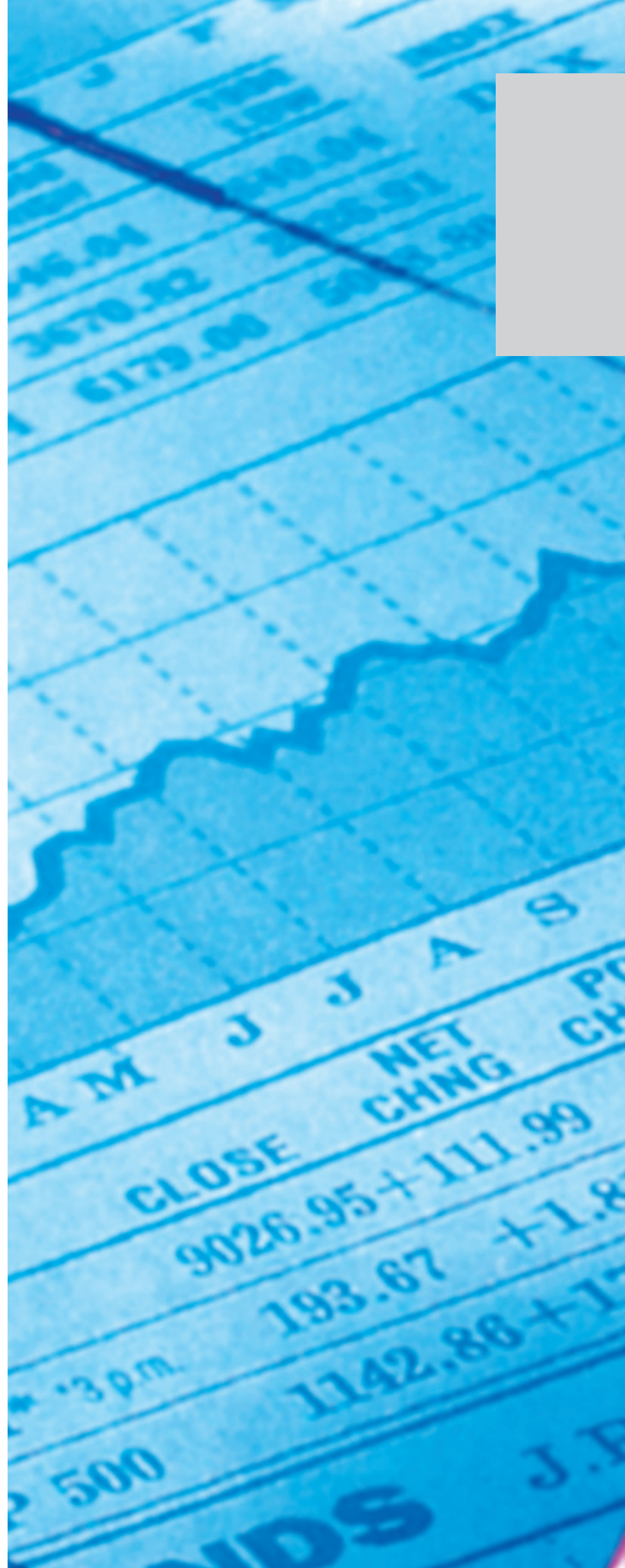
Early last year, in view of the significant increase in Omega-3 oil production, Puleva Biotech applied for registration as an industrial waste producer, submitting a plan for management of the waste produced in this activity.

Simultaneously, it has been working on reducing the volume of waste, both in the industrial process and in the R+D+I activities. Considerable progress has been made in this regard by eliminating containers for transporting crude oils (supply in tankers) and significantly reducing the by-products from the Omega-3 oil purification processes.

An inactivation procedure has been designed for the biological waste deriving from the production of probiotic microorganisms from breast milk ("Hereditum").



CORPORATE GOVERNANCE



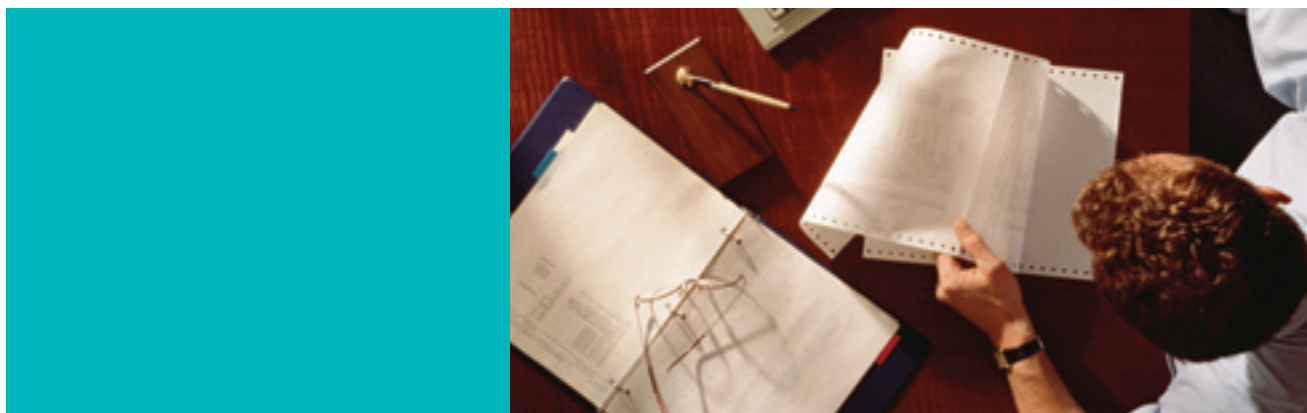


COMMITMENT TO SOCIETY: CORPORATE GOVERNANCE

Ebro Puleva remains in the vanguard in Corporate Governance, in coherence with the legal requirements and the transparency and rigour demanded by society and the regulatory authorities in recent years.

Since Spain joined the European Community in 1986, several reforms have been undertaken in Spanish law, affecting companies in general and listed companies in particular. The legal framework currently governing which companies issuing listed shares is an extremely important competitive factor, analysed and assessed by the markets and investors in general as a decisive element in the degree of confidence of the market in issuing companies. In this context, complementing the legal reforms, several initiatives have been taken in recent years in respect of the self-regulation of listed companies based statutory freedom and the power of self-organisation allowed under Spanish law in the governance structure of listed companies. One of these initiatives gave rise to the recommendations set out in the Olivencia Code (1998) and the Aldama Code (2003), supplementing the regulatory framework updated with the new aspects introduced by the Financial System (Reform Measures) Act 44/2002 of 22 November, the Listed Companies Transparency Act 26/2003 of 17 July, and the Order ECO/3722/2003 of 26 December on the annual corporate governance report and other reporting instruments of listed companies.

I In the vanguard in
Corporate Governance



In anticipation of these measures, at its Annual General Meeting on 25 June 2003 Ebro Puleva approved Regulations for the Organisation and Functioning of the General Meeting and altered several articles of its Bylaws to adapt them to the legislative reforms approved or being processed, in line with the recommendations of the Aldama Report. Also before it became mandatory, the Board approved an Annual Report on Corporate Governance, for 2002, which included information on different aspects of the company: shareholding structure and relations with significant shareholders, General Meeting of Shareholders, Board of Directors and transparency. The Corporate Governance Report 2005, approved by the Board on 23 February 2006, is the company's fourth such report and is adjusted to the contents and structure stipulated in the National Securities Market Commission Circular 1/2004 of 17 March.

There have been some significant changes recently affecting listed companies, some of them referring to good corporate governance. The Spanish-domiciled European Company Act 19/2005 of 14 November introduced several amendments to the current Corporations Act. Other important provisions include the Order of the Finance Ministry EHA 3050/2004 of 15 September on reporting on related-party transactions by companies issuing securities admitted to listing on official OTC markets, and Royal Decree 1333//2005 of 11 November developing the Stock Market Act 24/1988 of 28 July, on market abuse.

E

Ebro Puleva is among the first to apply many of the recommendations of the new Code of Good Governance

The latest trends in corporate governance are set out in the Draft Unified Code of Recommendations on Good Governance in Listed Companies. Although this was still a draft at the time of printing this annual report, since it is very close to final approval, it is considered advisable to alter certain provisions of the company's internal regulations to adjust them partially to these recommendations. In this regard, the Board of Directors of Ebro Puleva resolved on 23 February 2006 to submit to the General Meeting proposals to alter the Bylaws and Regulations of the General Meeting, and to reform the Regulations of the Board and the Code of Market Conduct. Among other proposals regarding good corporate governance, it is proposed introducing the following:

- * Narrowing of the spread between the maximum and minimum number of Directors, to between seven and fifteen members (up to now the limits were nine and twenty-one).
- * When the Chairman is the senior executive of the company, create the figure of a Vice-Chairman elected from among the non-executive directors, to act as a counterweight and avoid excessive concentration of powers in the Chairman of the Board.
- * Eliminating the incompatibility of being a director after reaching the age of seventy, since neither the Aldama Code nor the current draft of the Unified Code of Recommendations on Good Corporate Governance make any recommendation whatsoever regarding the convenience of limiting the maximum age of directors, apart from the fact that it is sometimes convenient or useful to have members on the Board who, considering their vast experience, may exceed that age.

With these novelties, Ebro Puleva continues to show its determination to remain in the vanguard of the latest trends in good corporate governance

Financial and stock market report



Financial and stock market report

CONSOLIDATED AND AGGREGATED INFORMATION

This section of the Annual Report includes information to show the progress of Group businesses, in great detail and with a breakdown of major items. We aim to provide all the information necessary to enable shareholders and potential investors in our company to study the developments of the year. To facilitate this analysis, we include consolidated information and a breakdown for each business.

We closed the year of this report with optimism, posting the best results in the history of Ebro Puleva; we have grown in turnover and diversified our product portfolio. At the same time, the necessary steps have been taken to improve our efficiency and production capacity. We believe the groundwork has now been laid to face new challenges on more open markets with greater competition.

The following information shows the evolution of the financial fundamentals of the Ebro Puleva Group:



FINANCIAL ANALYSIS

STOCK MARKET ANALYSIS



ACCOUNTS



FINANCIAL ANALYSIS

CONSOLIDATED FIGURES			
Thousand euro	2004	2005	2005/2004
Net Turnover	1,844,610	2,359,866	27.9%
Net Sales	1,795,778	2,173,849	21.1%
% Turnover	97.4%	92.1%	
EBITDA	252,122	295,160	17.1%
% Turnover	13.7%	12.5%	
EBIT	186,014	207,682	11.6%
% Turnover	10.1%	8.8%	
EBIT + Net Financial Income	165,844	173,355	4.5%
% Turnover	9.0%	7.3%	
Profit Before Tax	174,432	220,056	26.2%
% Turnover	9.5%	9.3%	
Taxes	(41,349)	(61,298)	(48.2%)
% Turnover	(2.2%)	(2.6%)	
Net Profit	126,573	155,641	23.0%
% Turnover	6.9%	6.6%	
Average working capital	426,853	450,453	5.5%
Capital employed	1,219,230	1,534,318	25.8%
ROCE (1)	15.5	13.5	
Capex	102,524	99,664	2.8%
Average workforce	5,261	8,118	54.3%
	31.12.04	31.12.05	2005/2004
Capital and reserves	961,160	1,076,582	12.0%
Net debt	472,123	931,322	97.3%
Average Net Debt	352,088	841,427	139.0%
Leverage (2)	0.37	0.78	
Total assets	2,167,244	2,988,903	

(1) $ROCE = \frac{\text{Operating Income CAG last 12 months}}{\text{Intangible Assets} - \text{Property, plant \& equipment} - \text{Working Capital}}$

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

The **turnover** increased considerably year on year (+27.9%). For the first time the Ebro Puleva figures include the twelve-month results of the Riviana Group and eight months of the Panzani Group, which gives our group a new sector of business.

By segments, we highlight the diversification of our product portfolio following the incorporation of Panzani, leader of the French food pasta sector. Counting just eight months of sales, it contributes 12.3% to the Group turnover.

CONSOLIDATED FIGURES			
Business Division - Thousand euro	2004	2005	2005/2004
Sugarc	734,097	652,314	(11.1%)
% Total	39.8%	27.6%	
Rice	605,107	781,522	29.2%
% Total	32.8%	33.1%	
Diary	497,078	518,137	4.2%
% Total	26.9%	22.0%	
Pasta		289,488	
% Total		12.3%	
Others	8,328	118,405	1321.8%
% Total	0.5%	5.0%	
Total Turnover	1,844,610	2,359,866	27.9%

With the recent acquisitions, sales off the domestic market have grown strongly, accounting for 54.4% of the turnover in 2005 and making the Group's activities more balanced.

Geographical Markets - Thousand euro	CONSOLIDATED		
	2004	2005	2005/2004
Spain	1,342,183	1,284,698	(4.3%)
% Total	72.8%	54.4%	
Europe	349,451	757,287	116.7%
% Total	18.9%	32.1%	
America	118,785	335,723	182.6%
% Total	6.4%	14.2%	
Others (including intercompany sales)	34,191	(17,842)	(152.2%)
% Total	1.9%	(0.8%)	
Total Turnover	1,844,610	2,359,866	27.9%

The new incorporations have clearly been a success, as reflected in the growth recorded in the year, and in the future they will be fundamental for meeting the challenge of an increasingly more global and more competitive market.

If the sales of the new businesses are excluded, sales for the year are slightly down on 2004, owing to the situation of the sugar sector in Europe in 2005. A new regulatory framework for the sector (CMO) was negotiated this year, culminating in an agreement reached by the Ministers of Agriculture of the European Union on 24 November 2005 and approval on 20 February 2006 of the corresponding regulations. This process has altered the behaviour of market agents, who have been forced to seek new positions owing to the prevailing uncertainty, thereby pushing selling prices down.

The EBITDA rose by 17.1%. Our dedication to products with a higher value added, the restructuring in progress, the operating enhancements and the integration of new companies have enabled us to cope with the situation on the sugar market and the hike in the prices of oil and oil products.

Thousand euro	CONSOLIDATED FIGURES		
	2004	2005	2005/2004
Net Turnover	1,844,610	2,359,866	27.9%
EBITDA	252,093	295,160	17.1%
% Turnover	13.7%	12.5%	

The **operating and financial income** are also slightly up on 2004. We are still growing in spite of the increase in debt servicing deriving from the acquisitions made in recent years, and despite the fact that the current asset restructuring, which will streamline the resources employed, is not yet reflected in the accounts.

	CONSOLIDATED FIGURES		
Thousand euro	2004	2005	2005/2004
Net Turnover	1,844,610	2,359,866	27.9%
EBIT + Net Financial Income	165,869	173,355	4.5%
% Turnover	9.0%	7.3%	

Other operating income and expenses (non-recurring)

Ebro Puleva continues to shed non-strategic assets and properties, generating capital gains and cash flow to finance the Group's strategy, maintaining our position as a Spanish food group and consolidate our status as one of the principal international enterprises in the sector. Disinvestments were made during the year to the tune of 116.5 million euro, generating capital gains of 69 million. The expenses of this nature corresponding to the restructuring of our business operations, through which we hope to increase our productivity and competitive capacity.

The **net profit** posted this year is an all-time high in Ebro Puleva, up more than 29 million euro, 23%, over last year.



	CONSOLIDATED FIGURES		
Thousand euro	2004	2005	2005/2004
Net Turnover	1,844,610	2,359,866	27.9%
Net Profit	126,573	155,641	23.0%
% Turnover	6.9%	6.6%	

Our **debt** has increased, due to the investment of 437 million euro in Panzani. If this effect is excluded, the Group's debt would have been down 187 million euro. An abridged cash flow statement is set out below, showing the large flow of investment

payments, reflecting the strong rate of the Group's expansion (both organic and through purchases) and its capacity to generate cash and meet debt repayment.

Cash Flow Statement (Thousand euro)	CONSOLIDATED FIGURES	
	2004	2005
Total net cash flows from operations	189,589	221,057
Total net cash flows from investments	(324,782)	(286,166)
Total net cash flows from financing	149,564	36,773
Translation differences in flows from foreign companies	(497)	1,326
Increase/(Reduction) in cash in hand and at banks and liquid assets	14,144	(27,011)
Cash in hand and at banks and liquid assets at beginning of the year	96,154	109,673
Effect of exchange rate at year-end on the opening balance	(625)	(466)
Cash in hand and at banks and liquid assets at year end	109,673	82,196

The recent purchases of Panzani and Riviana were financed with a syndicated loan of 440 million dollars obtained in May 2005 and the novation of another at the same date for 426 million euro, producing a natural hedging of assets and liabilities. As a result of the growth of resources and cash generation capacity, the leverage has been maintained at 86%.

Net Debt (Thousand euro)	CONSOLIDATED FIGURES		
	2004	2005	2005/2004
Capital and reserves	961,160	1,076,582	12.0%
Net Debt	472,123	931,322	97.3%
Average Net Debt	352,088	841,427	139.0%
Leverage (2)	49.1%	86.5%	76.1%
Leverage Av.Net Debt	36.6%	78.2%	113.4%
EBITDA	252,122	295,160	17.1%
Hedging	1.87	3.16	

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

After eliminating the acquisitions effect, adjustment of the **average workforce** continues under the restructuring and reorganisation plans, optimising both human and material resources.

Average Workforce	CONSOLIDATED FIGURES		
	2004	2005	2005/2004
Consolidated	5,261	8,118	54.3%
Contribution new businesses:	953	3,939	313.3%
Riviana	953	2,973	212.0%
Panzani		966	
Comparable Average Workforce	4,308	4,179	-3.0%



INFORMATION ON THE CORE BUSINESSES

Sugar Business

Azucarera faced a year of transition in 2005 culminating in the reform of the CMO adopted by the European Union at the end of the year. This sector was also hit by the higher cost of oil and oil products, which dented year-on-year margins in spite of the improvement in factory yields and commercial progress.

The consumption of sugar on the market has remained at around 1.3 million tonnes. Consumption by industrial clients rise slightly, offsetting the slide on the distribution market.

	SUGAR BUSINESS		
Sales (Tous)	2004	2005	2005/2004
Industrial Sugar	616,411	590,197	(4.3%)
% Sales	74.0%	75.0%	
Distribution Sugar	173,445	160,902	(7.2%)
% Sales	20.8%	20.4%	
Export Sugar	42,605	36,268	(14.9%)
% Sales	5.1%	4.6%	
Total Sales	832,461	787,367	

The production results were not particularly good in the South due to the severe drought. In contrast, it was a good agricultural year for beet in the North and Centre regions, as confirmed by the excellent production levels.

The EBITDA dropped 21.5% year on year, owing to the negative evolution of the market and a higher cost of the sugar produced in the southern campaign, in turn due to the higher cost of oil products and the adverse weather conditions.

	SUGAR BUSINESS		
Thousand euro	2004	2005	2005/2004
Net Turnover	734,097	652,314	(11.1%)
Net Sales	710,866	624,993	(12.1%)
% Turnover	96.8%	95.8%	
EBITDA	152,251	119,505	(21.5%)
% Turnover	20.7%	18.3%	
EBIT	118,205	86,273	(27.0%)
% Turnover	16.1%	13.2%	
EBIT + Net Financial Income	112,937	81,052	(28.2%)
% Turnover	15.4%	12.4%	
Average working capital	149,385	155,162	3.9%
Capital employed	555,498	559,623	0.7%
ROCE	21.0	15.6	
Capex	41,461	34,584	16.6%

Rice Business

The impressive growth in this business is due to the incorporation for the first time of a full year of the Riviana Group and its success in 2005.

The Rice Business contributed net sales of 760.9 million euro to the Group, up 31%. The sales of branded rice increased by 33%, a far larger growth than that of industrial sales. This was achieved through the strong brand presence of Riviana and a firm commitment to products with a higher value added.

	RICE BUSINESS (HERBA & RIVIANA)		
Thousand euro	2004	2005	2005/2004
Branded Rice	252,424	335,888	33.1%
% Sales	43.6%	44.1%	
Industrial Rice/Others	310,661	374,588	20.6%
% Sales	53.6%	49.2%	
Central America	16,421	50,386	206.8%
% Sales	2.8%	6.6%	
Total Sales	579,506	760,862	

Riviana has played a prominent role in this development, increasing its share of the distribution market by 4% to 27% by year end. This progression is based on a solid position in the two categories with the greatest growth on the market, brown rice and specialities, in which it doubles the average segment growth and strengthens its position in the instant rice segment.

In the European Business, the cups of rice for microwave preparation are progressing, with growth of around 50% in both volume and turnover. The Group has created Bosto Poland, a new subsidiary in the expansion area of the EU.

The EBITDA has risen by 26.9% year on year (+17.5 million euro), pushed up by the good commercial performance. Although lower costs had been expected following the entry into force of the new CMO, expectations have not been entirely met owing to the increased demand for rice from the East European countries that recently joined the European Union.



	RICE BUSINESS (HERBA & RIVIANA)		
Thousand euro	2004	2005	2005/2004
Net Turnover	605,107	781,522	29.2%
Net Sales	579,506	760,862	31.3%
% Turnover	95.8%	97.4%	
EBITDA	64,924	82,416	26.9%
% Turnover	10.7%	10.5%	
EBIT	50,767	59,777	17.7%
% Turnover	8.4%	7.6%	
EBIT + Net Financial Income	47,465	57,967	22.1%
% Turnover	7.8%	7.4%	
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%

An ambitious investment plan has been implemented during 2005. Some of the most important investments have been made to enlarge the microwave rice plant in Seville and start work on the new plant in Jerez for microwave technology products (pasta and rice).



Dairy Business

We have undertaken numerous actions this year to maximise the installed capacity and streamline the cost structure, selling the Leyma brand and the Arteixo factory and converting the Jerez plant to be used in the rice business.

Puleva has continued to build up its range of enriched and nutritional products with a high value added, linked to health and well-being (Omega-3, Calcium), in which it has a clear leadership. New dairy products have been launched, such as Puleva Calcio Soja, a milk containing soy isoflavones supplementing the range of high calcium products, and Puleva Max Defensas, a fermented dairy product that incorporates probiotic bacteria, aimed at children aged 4-12.



Lactimilk, with its brands Ram and El Castillo, operates in the segment of classic milks with local tradition, in which customers value convenience and accessibility. Lactimilk has brought out new formats and more convenient and manageable packs.

Sales have recorded an outstanding performance, even though sales of the Leyma brand ceased in August, when the brand was sold.

	DAIRY BUSINESS		
Thousand litre	2004	2005	2005/2004
Puleva Brand	443,202	455,769	2.8%
% Sales	53.2%	57.9%	
Lactimilk Brand	145,393	151,130	3.9%
% Sales	17.5%	19.2%	
Others	81,420	77,455	(4.9%)
% Sales	9.8%	9.8%	
Total Sales	670,015	684,354	

Our EBITDA in this division was up 16.1% in respect of 2004, representing 10.4% of the turnover, thanks to the satisfactory evolution of the sales mix, a favourable trend in milk prices at source and a cost-checking and productivity enhancement policy. It should be noted that owing to the date of the restructurings, they have not had a full impact on the 2005 results.

The ROCE is very positive, 16.6% compared to 14.3% in the previous year. The efforts made to optimise working capital were accompanied with investments in new PET lines, to obtain a distinguishing, quality format.

	DAIRY BUSINESS		
Thousand euro	2004	2005	2005/2004
Net Turnover	497,078	518,137	4.2%
Net Sales	497,078	518,137	4.2%
% Turnover	100.0%	100.0%	
EBITDA	46,620	54,121	16.1%
% Turnover	9.4%	10.4%	
EBIT	31,078	37,507	20.7%
% Turnover	6.3%	7.2%	
EBIT + Net Financial Income	26,645	37,387	40.3%
% Turnover	5.4%	7.2%	
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%



Pasta Business-Panzani

This business was incorporated in the Ebro Puleva Group for the first time in 2005, following the acquisition of Panzani, S.A.S., leader of the French pasta sector. The figures presented here correspond to a period of eight months, from May to December 2005.

The company operates on the following markets: dry and fresh pasta, sauces, couscous and rice, under the brands Panzani, Lustucru, Toreau Ailé, Ferrero and Regia, and it is undisputed leader in all these sectors in France. It also has prominent positions in Belgium, Czech Republic and Canada.

	BUSINESS FRANCE
Sales (Thousand euro)	2005
Pasta	139,491
% Net Sales	48.2%
Sauces	37,370
% Net Sales	12.9%
Rice	36,805
% Net Sales	12.7%
Others	75,892
% Net Sales	26.2%
Total Sales	289,558

Panzani has confirmed its leadership, taking advantage of all the synergies generated upon its inclusion in the Group and anticipating the change and growth of the market.

Panzani is going to launch new products such as microwave pastas, gnocchi for frying and fresh precooked dishes, to be put on the market in 2006. It is also extending its activities to new ranges of products such as frozen foods.

	BUSINESS FRANCE
Thousand euro	2005
Net Sales	289,588
% Net Sales	100.0%
EBITDA	44,416
% Net Sales	15.3%
EBIT	31,492
% Net Sales	10.9%
EBIT + Net Financial Income	27,215
% Net Sales	9.4%
Average working capital	28,889
Capital employed	217,927
ROCE	14.5%
Capex	15,964



STOCK MARKET INFORMATION

Significant Aspects

The diversification strategy followed in recent years and resulting in purchases such as Riviana and Panzani have been viewed positively on the market, which has, once again, demonstrated its confidence in us; consequently, our market capitalisation grew considerably over 2005.

We made four presentations in 2005 corresponding to the quarterly publication of results. These presentations were attended by senior executives of the company, an aspect highly appreciated by investors.

The management of Ebro Puleva, S.A., together with its Investor Relations department, participated in twelve road shows and nine seminars/conferences and, through one-on-one meetings, we have met individually with more than 230 institutional officers in Spain and abroad, 51% more than in 2004.

We gave papers at the following conferences: SCH S&M Cap Conference Madrid, Deutsche Bank Iberia Mid Cap Conf Madrid, Deutsche Bank PanEuropean Mid Cap Conference London, Banesto Iberian Mid Cap Conference Madrid, Espirito Santo Iberian Mid Cap Conference Madrid and BPI Iberian Mid Cap Conference Madrid.

Presentations of Ebro Puleva were made to the equities sales teams of the broker-dealers Ahorro Corporación, Chevreux and Fortis.

Ebro Puleva, S.A. is a member of the Spanish Investor Relations Association, aiming to guarantee the best practices in communication with its shareholders and the financial community in general.

The Ebro Puleva Share on the Stock Exchange

According to the information filed with the National Securities Market Commission (CNMV) at the time of preparing this report, Ebro Puleva has a free float of 63.7%.

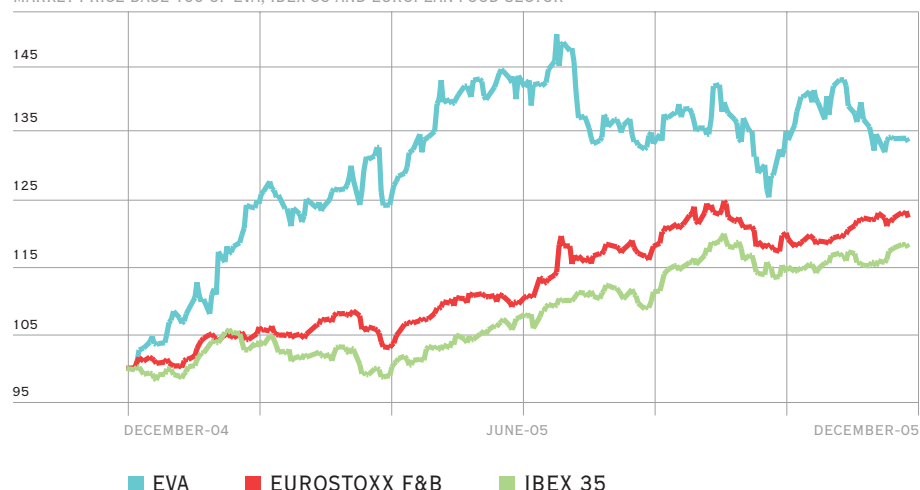
The average daily trading of the Ebro Puleva share (EVA) during 2005 was 678,281, a significant leap of 44.3% in comparison with the 469,933 (not counting the placement of the Südzucker block) in the previous year.

The EVA share turnover in 2005 was 1.12 times the total number of shares of the company.

We estimate that more than 30% of our capital is currently held by international institutional investors.

During 2005 the Ebro Puleva share increased in value by 33.6%, outperforming the DJ Eurostoxx Food & Beverage Index representing the rest of the food sector in Europe by 12 percentage points and Ibex-35 by more than 15 points.

MARKET PRICE BASE 100 OF EVA, IBEX 35 AND EUROPEAN FOOD SECTOR



Indexes on which EVA is listed	Weighting
Spain MA Madrid	1.32%
Spain MA Consumer Goods	10.76%
IBEX Medium Cap	6.89%
DJ Euro Stoxx EUR	0.05%
DJES Fd&Bvr EUR Pr	1.47%
DJ Stoxx 600 EUR P	0.02%
DJS Fd&Bvr EUR Pr	0.47%
DJES Small EUR Pr	0.74%
DJS Small 200 EUR	0.42%
BBG World Index	0.01%
BBG World Food Index	0.33%
BBG Europe World Index	0.02%
BBG Europe Food Index	0.57%
BBG World Level 1 Index	0.01%
BBG World Consumer Non Cyclical Index	0.05%
BBG Europe World Level 1 Index	0.02%
BBG Europe Consumer Non Cyclical Index	0.16%

Five Years since the Azucarera Ebro Agrícolas-Puleva Merger

The merger between Azucarera Ebro Agrícolas, S.A. and Puleva, S.A. was made on 7 February 2001. From then up to end 2005, the Ebro Puleva, S.A. share has increased in value by 63%, outperforming Ibex 35 by 54 percentage points and the European Food Sector by 61 points.

MARKET PRICE BASE 100 OF EVA, IBEX 35 AND EUROPEAN FOOD SECTOR



Dividends 2005

During 2005, dividends of 0.33 euro per share were distributed among the shareholders of Ebro Puleva, S.A., in quarterly interim dividend payments of 0.0825 euro gross per share.

For 2006, at the forthcoming AGM the Board will propose raising the dividend against the 2005 profits to 0.34 euro/share, in four quarterly payments of 0.085 euro/share.

This would give an overall distribution of almost 52.5 million euro, representing a pay-out of 34%.

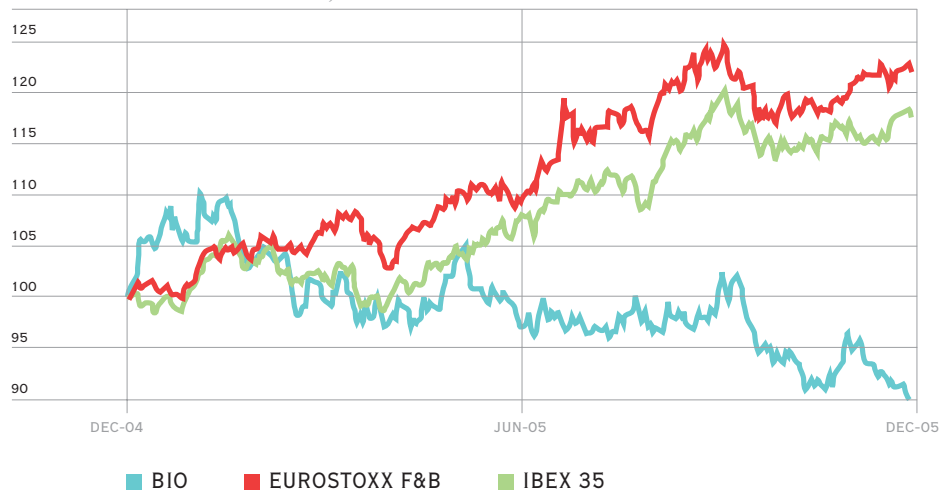
The payments would be made on the following dates: 3 April, 3 July, 2 October and 27 December 2006.

Thousand Euro	2004	2005	2005/2004
Capitalisation at 31 Dec.	1,615,583	2,158,726	33.6%
Price per share (euro)	10.50	14.03	33.6%
EBIT	186,014	207,682	11.6%
Operating Profit	197,552	257,677	30.4%
Net Profit	126,573	150,641	23.0%
Gross Dividend	50,776	52,299	3.0%
EPS	0.82	1.01	23.0%
DPS	0.33	0.34	3.0%
Pay-out/EBIT	27.3%	25.2%	(7.7%)
Pay-out/Net Profit	40.1%	33.6%	(16.2%)
PER	12.8	13.9	8.7%

Puleva Biotech, S.A.

Performance of the Puleva Biotech share in 2005:

MARKET PRICE BASE 100 OF BIO, IBEX 35 AND EUROPEAN FOOD SECTOR



Broker-dealers that have monitored the performance of Ebro Puleva in 2005

Ahorro Corporación, Banesto Bolsa, Banco Espiritu Santo, Bestinver, BBVA, BNP Paribas, BPI, Caja Madrid, Cheuvreux, Citi Group, Deutsche Bank, ESN, Fidentiis, Fortis Bank (Beta), Ibersecurities, Invercaixa, Kepler, Link Securities, Safei, Santander Investment, Societe Generale and Venture Capital.