1. REVIEW OF THE YEAR

The business environment was particularly tricky this year. After the jump in commodity prices the year before, 2008 saw the global economic crisis unfold, with myriad implications for markets and consumer behavior.

For food markets, this situation has led to:

- huge volatility in commodity prices. Commodity prices began rising sharply around mid 2007, before declining across the board towards the middle of 2008, albeit without returning to starting levels; and
- a steady decline in disposable income levels, which affected consumer habits.

Against this backdrop, in 2008 the Ebro Puleva Group managed to achieve significant organic growth, boost margins and complete the business reorganization included in its Strategic Plan.

Ebro Puleva turned the threats in the market into opportunities:

- The company countered the cutbacks in consumption with growth based on anti-cyclical products, leading brands that consumers consider healthy, natural, easy to prepare and do not raise their overall food budget.
- Faced with uncertainty surrounding commodity prices, the Company diversified its supply sources, streamlined the value chain and implemented an aggressive commercial strategy.

The Ebro Puleva Group also completed its business restructuring with the disposal of the sugar business. On December 15, 2008, the Company, owner of 100% of Azucarera Ebro, S.L., signed an agreement to sell Azucarera Ebro, S.L. to Associated British Foods (ABF), which owns 100% of British Sugar.

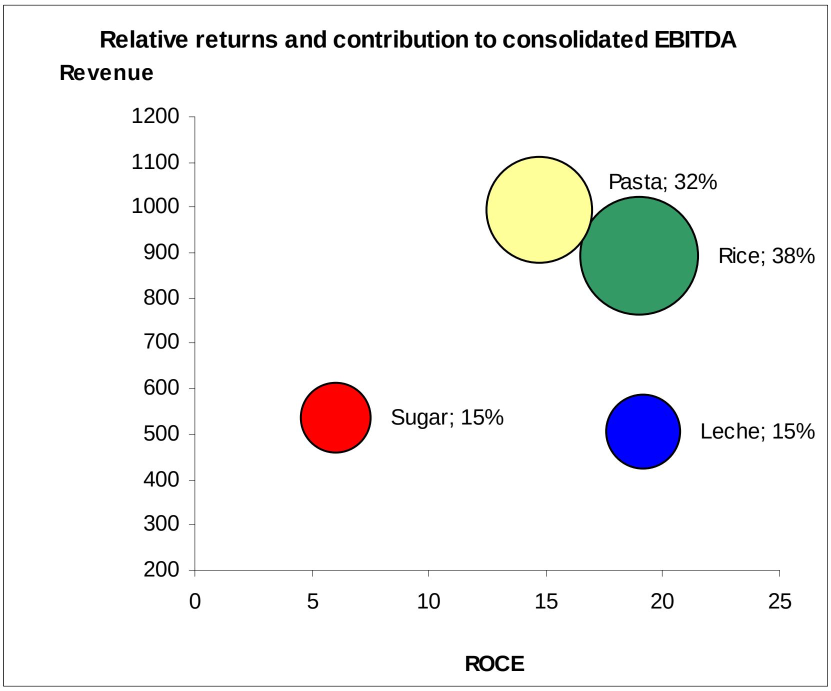
The terms of the sale (see Note 7 for more details) are:

- ABF will acquire the sugar business for 385 million euros, debt free. The amount of debt to be discounted will be the level at the closing date of the transaction.
- Ebro Puleva will receive approximately 141 million euros in other compensation, mainly the restructuring funds envisaged under the CMO sugar reform.
- The Ebro Puleva Group will also add to its real estate assets more than 200 hectares of land classified for various uses from Azucarera Ebro, S.L., valued at 42 million euros.

The sale will enable the Group to focus on consumer-oriented businesses with greater value-creation potential based on healthy products, with a strong element of innovation and backed by leading brands in its markets. At the same time, the sugar business will be merged with one of the industry's largest players, which has the ability to strengthen and integrate an international business.

Pursuant to the agreement, in accordance with International Financial Reporting Standards, the results from the sugar business up to the effective date of sale and the net gain on the disposal are presented as discontinued operations in the income statement for 2008 and of the years before its inclusion. Meanwhile, the related assets and liabilities are presented in a separate line in the balance sheet. The information included in this management report reflects this circumstance unless otherwise indicated.

The following chart shows the relative positions of the Group's businesses in 2008 before considering the sugar business as a discontinued operation.



In addition, the sale bolsters the consolidated balance sheet and leaves the Group well placed to take on new challenges and tap the opportunities that arise amid the crisis.

Financial highlights for the Group are as follows:

CONSOLIDATED FIGURES							
Thousands of euros	2005	2006	2007	2007/2006	2008	2008/2007	CAGR 2008/2005
Revenue	1,468,458	1,744,687	2,004,182	14.9%	2,367,902	18.1%	17.3%
EBITDA	166,708	210,257	226,854	7.9%	271,821	19.8%	17.7%
% of revenue	11.4%	12.1%	11.3%		11.5%		
EBIT	114,824	146,902	158,919	8.2%	201,821	27.0%	20.7%
% of revenue	7.8%	8.4%	7.9%		8.5%		
Profit before tax	135,689	173,031	82,851	-52.1%	103,454	24.9%	-8.6%
% of revenue	9.2%	9.9%	4.1%		4.4%		
Income tax	(33,987)	(59,079)	(20,629)	-65.1%	(29,549)	43.2%	-4.6%
% of revenue	-2.3%	-3.4%	-1.0%		-1.2%		
Profit for the year (continuing operations)	101,702	113,952	62,222	-45.4%	73,905	18.8%	-10.1%
% of revenue	6.9%	6.5%	3.1%		3.1%		
Profit for the year from discontinued operations	56,286	72,396	30,251	-58.2%	57,965	91.6%	1.0%
% of revenue	3.8%	4.1%	1.5%		2.4%		
Net profit for the year	155,641	180,363	90,577	-49.8%	130,637	44.2%	-5.7%
% of revenue	10.6%	10.3%	4.5%		5.5%		
Average working capital **(*)**	451,215	493,143	472,497	-4.2%	587,423	24.3%	
Capital employed **(*)**	1,535,036	1,654,931	1,675,831	1.3%	1,669,991	-0.3%	
ROCE **(1) (*)**	13.5	12.8	12.4		13.3		
Capex **(*)**	99,664	298,225	87,199	-70.8%	96,497	10.7%	
Average number of employees	4,913	5,476	6,064	10.7%	5,829	-3.9%	
	12/31/05	12/31/06	12/31/07	2007/2006	12/31/08	2008/2007	
Equity	1,076,582	1,187,962	1,198,245	0.9%	1,203,131	0.4%	
Net debt **(*)**	931,322	1,134,894	988,249	-12.9%	1,055,853	6.8%	
Average net debt **(*)**	841,427	1,046,354	1,129,254	7.9%	1,208,078	7.0%	
Gearing **(2)**	0.78	0.88	0.94		1.00		
Total assets	2,988,903	3,363,715	3,375,496		3,422,912		

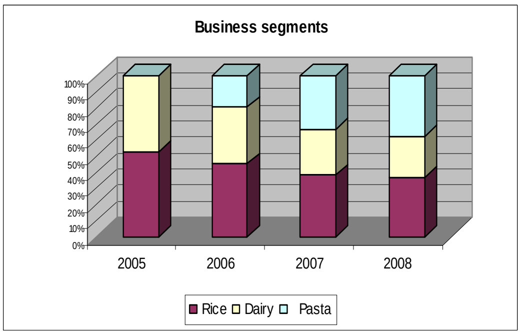
(*) To maintain these parameters' consistency, the calculation includes the sugar business' results in addition to its associated assets and liabilities

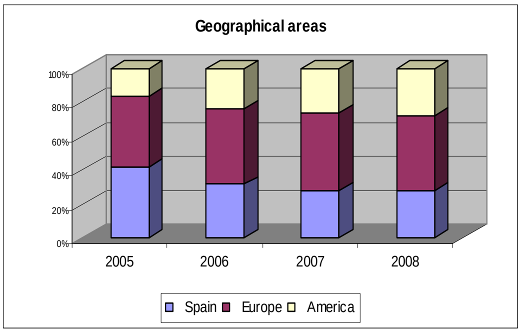
(1) ROCE = (Operating profit CAGR last 12 months/ (Intangible assets- Property, plant and equipment - working capital)

(2) Net interest-bearing loans and borrowings/equity (excluding minority interests)

Revenue increased 18% during the year. Of this, organic growth accounted for 14%, with the rest stemming from the inclusion for a full year of the business of the Birkel Group, which produces and sells pasta and pasta byproducts in Germany.

The structure of the Group affords it a highly balanced revenue mix and a strong capacity to weather crises. The business and geographical mixes are as follows:





The main income statement lines performed well in 2008, with double-digit growth in the main revenue lines. Consolidated operating cash flow (EBITDA) rose 20% to 271.8 million euros, driven by a hefty contribution from non-euro businesses, which accounted for around 40% of the total.

Meanwhile, ROCE (return on capital employed) for the Group also improved considerably, rising 7%, or 16% excluding the assets of the sugar business. In short, growth in operations came alongside substantial improvement in the return on assets.

Profit from continuing operations advanced 19%, in line with the growth in operating profit. At the bottom line, net attributable profit surged 44%. This included profit from the discontinued sugar business, which fared well thanks mainly to the adjustment of certain provisions for litigation that had favorable outcomes in 2008.

The volatility of commodities must be taken into account to better understand the performance of the balance sheet and average balance sheet ratios. Trends in rice and hard wheat prices led to an accumulation of stocks, especially rice, at the end of 2007 and beginning of 2008, in anticipation of further price increases. This move proved successful and enabled the Group to command excellent margins, although it required additional investment in working capital throughout the year. Debt levels at the end of the year showed that the situation had broadly returned to normal, although prices had not rebounded to the levels seen a year-and-a-half earlier.

The Group had a reasonable level of debt at the year-end, which, following the disposal of the sugar business, left it with a strong balance sheet.

Of equal importance is the future outlook. Ebro Puleva is committed to becoming a leader. Therefore, the group:

- has an advertising investment program and supports and reinforces its leading brands. Advertising spend in 2008 amounted to 86 million euros, 6% more than the year before.
- is committed to innovation, with spending on R&D amounting to 8 million euros in 2008. In January 2008, the Puleva Biotech, S.A subsidiary acquired Exxentia.
- invests in assets (CAPEX), placing it at the cutting edge of technology in the food industry. Work on the new rice plant in Memphis is proceeding well and the bulk of the plant should be completed by October 2009.
- is committed to organic growth in new countries. In 2008, Herba Rice India Ltd. was incorporated. This company was designed as the logistics platform in India.

In short, despite the tough environment, Ebro Puleva is strengthening its position (e.g. double-digit growth, sound ratios) and remains committed to consumers (trust, heath, convenience), to growing in the long term, and to reinforcing its leadership.

Results by business line

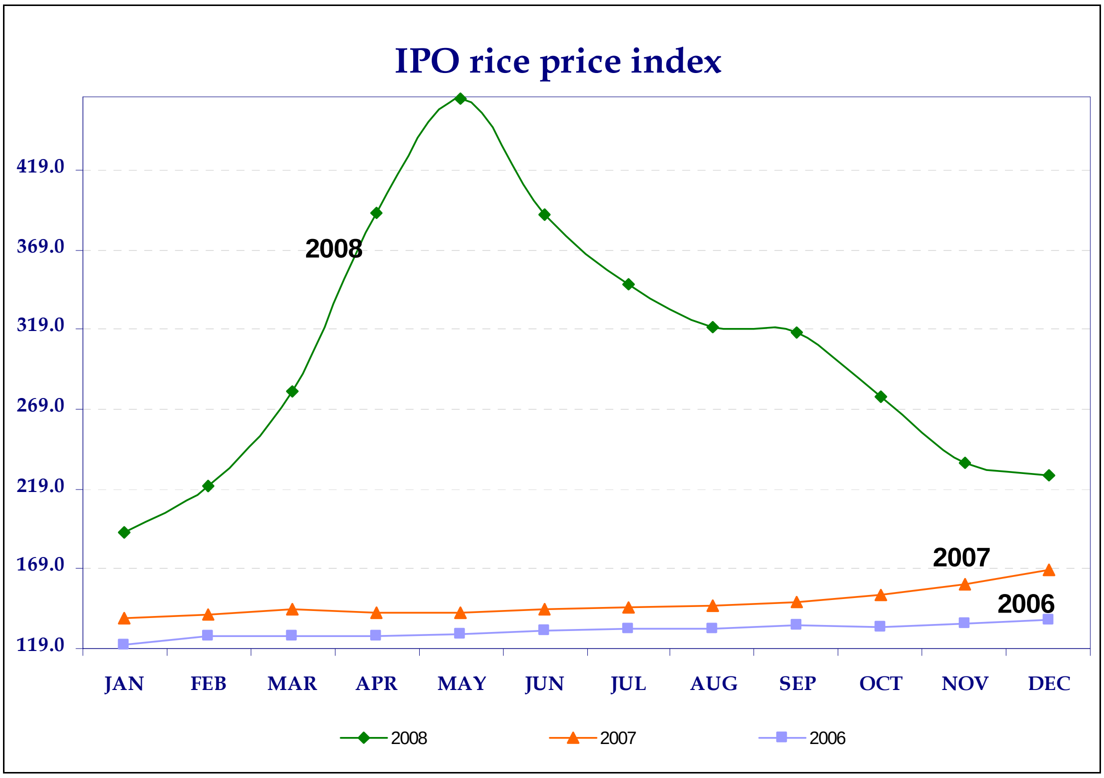
The Ebro Puleva Group is divided into the following business lines:

- ✓ Dairy business: basically milk, fermented products, dairy beverages and baby food. This business is carried out through the Puleva Food and Lactimilk groups.
- ✓ Rice business: includes the industrial and rice brand activity and other products. The Group has operations across Europe, the Mediterranean Basin, North America and Thailand through Herba and Riviana (USA).
- ✓ Pasta: includes the production and sale of dry and fresh pasta, sauces and semolina through the Panzani, New World Pasta and Birkel groups.
- ✓ Other businesses: includes R&D activities by the Biotech Exxentia group in neutraceuticals, real estate management, and other activities related to the food industry and other businesses.

RICE

RICE BUSINESS							
Thousands of euros	**2005**	**2006**	**2007**	*2007/2006*	**2008**	*2008/2007*	*CAGR 2008/2005*
Revenue	667,988	672,500	741,107	*10.2%*	890,969	*20.2%*	***10.1%***
EBITDA	68,820	71,343	96,194	*34.8%*	126,560	*31.6%*	***22.5%***
% of revenue	*10.3%*	*10.6%*	*13.0%*		*14.2%*		
EBIT	49,147	51,368	75,297	*46.6%*	105,724	*40.4%*	***29.1%***
% of revenue	*7.4%*	*7.6%*	*10.2%*		*11.9%*		
Average working capital	166,035	191,208	188,294	*-1.5%*	263,281	*39.8%*	
Capital employed	455,937	462,702	498,237	*7.7%*	556,299	*11.7%*	
ROCE	13.1	11.1	15.1		19.0		
Capex	25,727	23,098	22,046	*-4.6%*	20,044	*-9.1%*	

- 2008 was a tough year for the rice industry due to the crisis in commodity prices. The jump in market prices and fears of shortages led main rice-producing countries to adopt protectionist measures, pushing up prices globally to unprecedented levels. Prices peaked towards the middle of 2008, after which they began to correct.



- Ebro Puleva addressed this situation by:
    - following a pro-active commercial policy, leading the market and promptly passing on price increases; and
    - ensuring supply by diversifying sources and taking long positions at the beginning of the year, which enabled it to obtain healthy commercial margins.
- Revenue rose 21% thanks to prices and 3% to volume/product mix. The two subgroups into which this business segment is divided also performed well during the year.

- The Group remained committed to convenience products, achieving nation-wide distribution of its microwave rices in the US and commanding a 16.8% market share in volume (source: Nielsen scantrack, four weeks in December 2008).

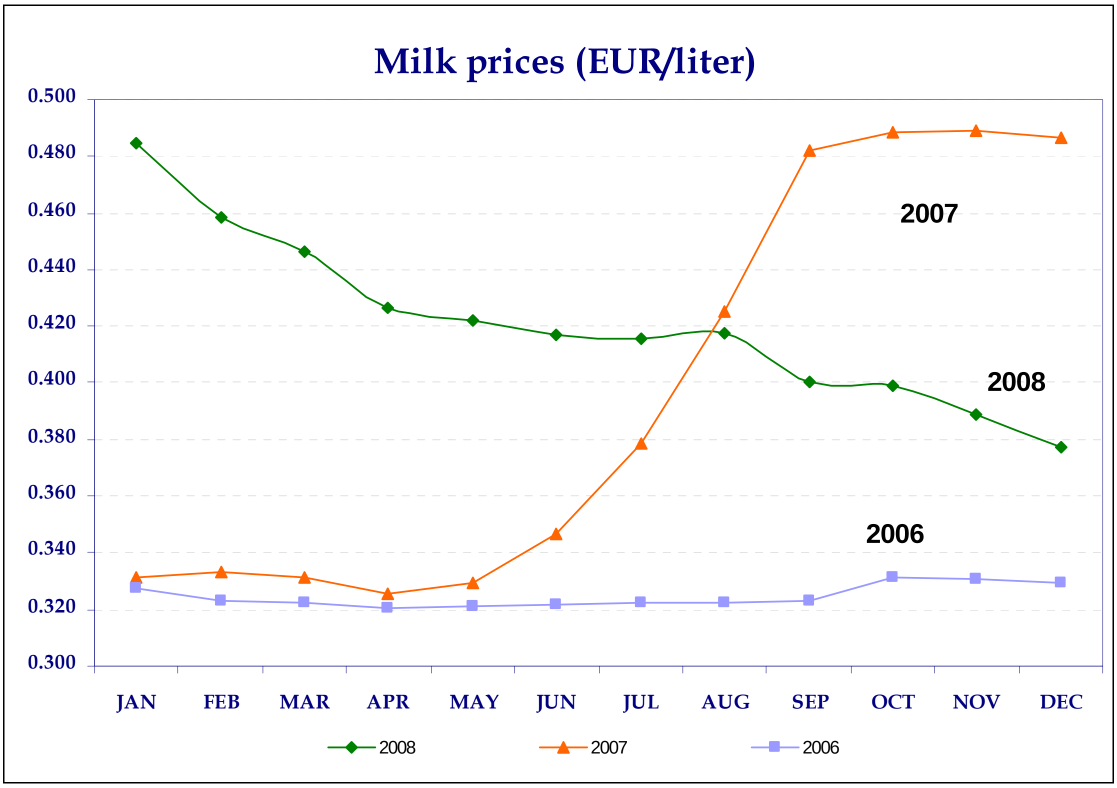
- The combination of strong revenue growth and a well-aimed supply policy drove a 31% increase in EBITDA to 126.6 million euros and a 19% ROCE for this segment in 2008.

- The main investments undertaken in this area were the new plant in Memphis, which is slated to come on stream towards the end of 2009, the enlargement and upgrade of the raw materials and finished products storage facilities in Egypt, and the acquisition of certain rice and frozen pasta production facilities in Denmark.

DAIRY BUSINESS

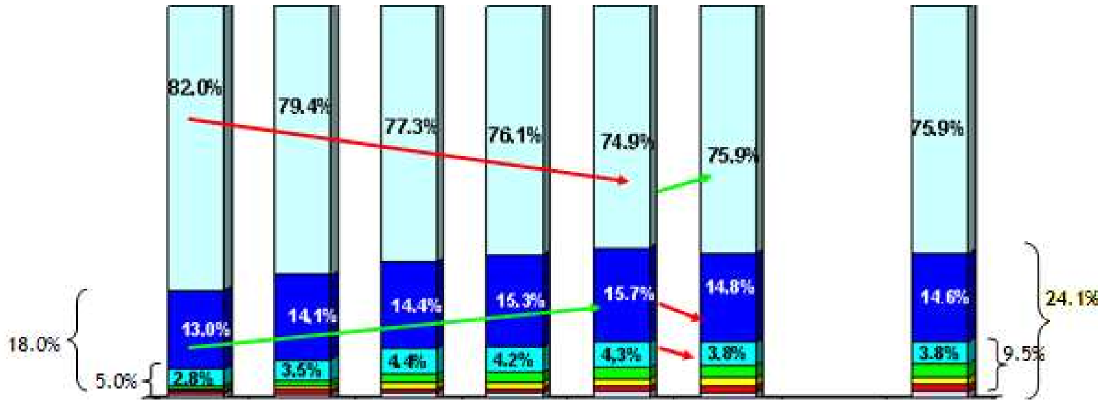
DAIRY BUSINESS							
Thousands of euros	2005	2006	2007	2007/2006	2008	2008/2007	CAGR 2008/2005
Revenue	518,137	504,140	527,489	4.6%	506,064	-4.1%	**-0.8%**
EBITDA	54,121	55,460	53,033	-4.4%	50,135	-5.5%	**-2.5%**
% of revenue	*10.4%*	*11.0%*	*10.1%*		*9.9%*		
EBIT	37,507	40,176	37,541	-6.6%	34,993	-6.8%	**-2.3%**
% of revenue	*7.2%*	*8.0%*	*7.1%*		*6.9%*		
Average working capital	79,597	87,508	74,072	-15.4%	60,738	-18.0%	
Capital employed	225,904	223,511	196,938	-11.9%	182,363	-7.4%	
ROCE	16.6	18.0	19.1		19.2		
Capex	17,501	14,625	16,872	15.4%	10,879	-35.5%	

- The economic crisis also affected the diary industry. Far higher milk supply prices than before inflation hit commodity prices (see chart below) and, accordingly, higher retail selling prices, prompted consumers to action.



- Since milk is a basic commodity, purchase volumes have not fallen. However, there have been :
    - a change in the product mix, with consumers attaching greater importance to price and choosing classic milks, helping to reserve their bearish trend

2008 CONSOLIDATED MANAGEMENT REPORT (IN THOUSAND EUROS)



		TAM ON03	TAM ON04	TAM ON05	TAM ON06	TAM ON07	TAM ON08	…	BIM ON08
	Classic	82.0%	79.4%	77.30%	76.1%	74.9%	75.9%		75.90%
	Calcium	13.0%	14.1%	14.40%	15.3%	15.7%	14.8%		14.60%
	Heart-healthy	2.8%	3.5%	4.40%	4.2%	4.3%	3.8%		3.80%
	Soy	0.4%	0.9%	1.30%	1.5%	1.8%	2.1%		2.20%
	Energy and growth	0.5%	0.7%	1.00%	1.2%	1.2%	1.3%		1.30%
	Infant	0.5%	0.5%	0.60%	0.6%	0.9%	1.1%		1.10%
	Enhanced	0.8%	0.9%	1.10%	1.1%	1.2%	1.1%		1.20%

Source: Nielsen scantrack 52 weeks

  - o a shift towards store brands, whose share of the overall long-life liquid milk market rose 5 percentage points in 2008 to 36.7%.

- In this situation, the Ebro Puleva Group has held steadfast in its endeavors to be the unrivalled leader in functional dairy products. The Group has opted to sacrifice volume in order to sustain the profitability of the business. Its goal is to continue offering highly innovative products, which are key to its recognition in the market.

- Revenue fell 4% in 2008 on the back of lower volume sales, but rose 24% in the range of baby foods, with the Puleva Peques brand achieving a 46.3% market share by volume.

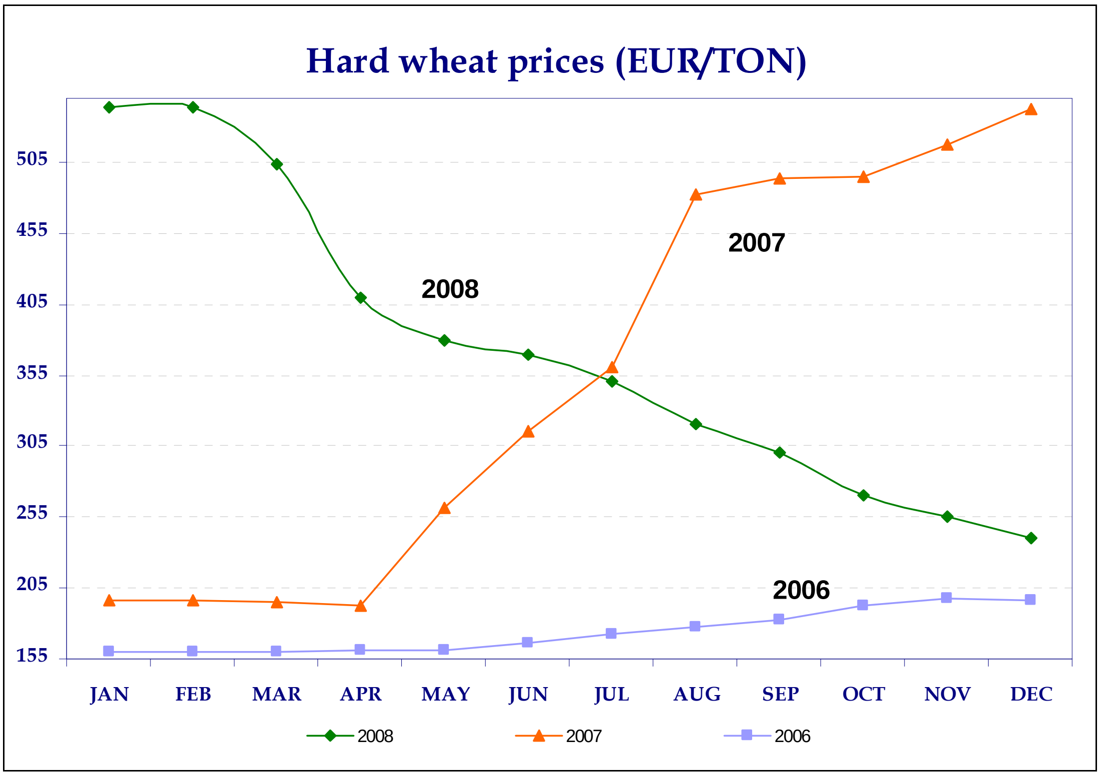
- EBITDA fell to 50.1 million euros, while ROCE advanced to 19.1% thanks to ongoing efforts to raise its industrial efficiency, which enabled the Group to scale back the use of resources for the third straight year.

- The main investments undertaken in the year relate to the installation and start-up of new packaging lines.

PASTA

PASTA BUSINESS							
Thousands of euros	2005	2006	2007	2007/2006	2008	2008/2007	CAGR 2008/2005
Revenue	291,041	588,573	762,489	*29.5%*	993,696	*30.3%*	***50.6%***
EBITDA	44,416	92,093	88,450	*-4.0%*	105,993	*19.8%*	***33.6%***
% of revenue	*15.3%*	*15.6%*	*11.6%*		*10.7%*		
EBIT	31,492	66,408	58,274	*-12.2%*	75,581	*29.7%*	***33.9%***
% of revenue	*10.8%*	*11.3%*	*7.6%*		*7.6%*		
Average working capital	28,889	57,592	69,642	*20.9%*	121,795	*74.9%*	
Capital employed	217,927	361,120	441,731	*22.3%*	511,570	*15.8%*	
ROCE	14.5	18.4	12.0		14.8		
Capex	15,964	19,419	23,677	*21.9%*	18,460	*-22.0%*	

- Wheat prices rose in 2007, but began declining steadily around the middle of 2008 as the economy cooled and the new harvests came in. As a result, once margins stabilized, earnings for this segment increased.



- Revenue for the pasta segment rose 30% in 2008, in part due to the consolidation for a full year of the Birkel Group, the German pasta subsidiary, and partly to the increase in prices led by rises in the last four months of 2007.

- Leadership in the pasta business is underpinned by the growth in the Group's brands, and the high degree of innovation and advertising spend behind its products. The Group spent 9 million euros more on advertising in 2008 than in 2007.

- In France, Panzani held its place in the market despite the growth of store brands, which affected other producers. The Group broadened its range of products by adding the Panzani Plus range, new sauces, fresh pasta cooked in a frying plan and couscous that does not stick.

- Meanwhile, the US subsidiary, New World Pasta, continued to overhaul its product range, launching new pre-cooked dishes under the Bistro name. Now fully integrated into the Group, New World Pasta has streamlined and diversified its supply mix and it is currently gearing efforts towards integrating the logistics and commercial platform with the Riviana Group's.
- This segment achieved a 14.8% ROCE in 2008, overcoming commodity price inflation, which triggered a sharp jump in working capital the year before.

2. OUTLOOK FOR THE GROUP

Prospects point to steadier commodity prices, at least in the first half of 2009, with harvests underway that should lock in global rice and grain supply, and with stable, if not slightly lower, oil and input prices.

Amid the economic crisis, Ebro Puleva stands out for its anti-cyclical characteristics. It operates in staple products, with leading brands in the industry that help it to take advantage of shifts in consumer patterns and remain among consumers' top choice in their shopping baskets.

Ebro Puleva remains committed to being the leader of "Meal Solutions" products and markets. Its strategy entails expanding in these products, combining its ability to streamline and diversify supply sources with recognized brands that set it apart from competitors and adapt to consumers' needs.

Having sold the sugar business, the Group will continue its endeavors to tap synergies across its segments and start preparing for the next step of its corporate development.

✓ **Rice business**

After an exceptional year, the Group will attempt to strengthen its brands. To do so, it has earmarked a hefty amount of advertising investment to back the launch of new ready-to-serve products.

On the industrial front, construction of the plant in Memphis will be completed. With a more efficient production process, this plant will gradually become responsible for a large part of the production in the US.

✓ **Dairy business**

The economic situation is causing products that are not differentiated and/or lack value to disappear. With prices having stabilized to some extent, this situation reinforces the Group's brand name and bodes well for its future.

The Group remains devoted to baby foods. After rigorous industrial tests, the new *Papiya!* brand ready-to-eat microwave milk and cereal baby formulas will be launched in 2009.

✓ **Pasta business**

The strategy for Europe entails boosting margins in a propitious setting for the consumption of the Group's products. Panzani has combined administrative and commercial processes, which should help drive earnings and make the company into a strong cash generator.

The Group will continue to reinforce its brands in the US market via actions that will enable it to be the leader in innovation and market recognition. This includes marketing initiatives, the launch of new items and efforts to shore up the position as the leader in the market for healthy, nutritious and natural products.

3. R&D&I

Ebro Puleva has always been a forerunner in new consumer trends and an international benchmark in R&D of products applied to the food industry. The Group remained firmly committed to R&D&I in 2008, aware that it is an essential tool for developing a quality and differentiated strategy. This entailed myriad nutritional assessment tests and constant innovation in products, technology and formats.

In January 2008, subsidiary Puleva Biotech, S.A. acquired Exxentia, a leader in biotechnology applied to the extraction of active principles from plants. Integrated into the Group's R&D&I activity, Exxentia and Puleva Biotech together form a strong R&D&I company in lipids, pro-biotics and tailored products that help improve cardiovascular health, control weight and obesity, ease pain in joints, improve cognitive development, slow the ageing process and strengthen the immune system, and in nutri-cosmetics.

In conjunction with Puleva Biotech, the Group has gradually built an R&D&I driver, with four research centers in France, the US and Spain, helping it conduct research in the field of cereals. These centers are:

1. CEREC, located in St. Genis Laval (France), with a staff of 14 and focused on the development of the pasta division's range of fresh pasta, fresh cooked meals, sauces and frozen food products.

2. CRECERPAL, with 10 researchers and based in Marseille, focused on research in the development of dried pasta, rice, couscous and new packaging technologies; e.g. the doypack format.

3. TECH Center, with nine researchers, a new product, process, and technologies research and developer for the rice division in the US.

4. Española de I+D, with 14 researchers, dedicated to the development of products and new and/or improved technologies, technology transfer, and technical assistance in rice technology and rice byproducts and in the modern restaurant business (fast food and catering).

In 2008, the Rice division mostly focused on prepared rice products (e.g. prevention of starch retrogradation, control of water migration to solids) and new grain-based food products (e.g. modification of starches for new applications, slow release carbohydrates).

During the year, research continued on baby food products, adding new functional components (DHA, arachidonic acid) to existing follow-up formulas and broadening the range by developing low lactose, vegetable- and cereal-based formulas.

In the Pasta segment, R&D activities continued on pre-cooked dishes, pasta for frying pan products, product quality enhancements, and dishes that do not get ruined while cooking.

4. TRANSACTIONS WITH TREASURY SHARES

In 2008, the Company purchased and sold own shares as authorized at the General Shareholders Meetings held on April 18, 2007 and June 9, 2008, duly notifying the Spanish National Securities Commission (the CNMV) in accordance with current reporting standards. In all, it bought 4,483,601 and sold 126,521 treasury shares in the year. At year-end, the Company held 5,078,735 treasury shares, representing 3.301% of its share capital. At the end of 2008, barring the potential delivery of some of these treasury shares for the extraordinary dividend in kind indicated in Notes 7 and 31, these shares were not earmarked for any specific purpose.

5. EMPLOYEES

The number of employees at Ebro Puleva has grown as new companies and businesses have been added. The Company has been able to mix a variety of cultures and skills with a constant flow of information and knowledge.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

The Ebro Puleva Group carries out several actions that enable it to identify, measure, manage and minimize the risks of its main businesses.

The main objective of its risk management policy is to guarantee the value of its assets and the continuing growth of the company. The ultimate aim of its capital management policy is to guarantee a financial structure based on compliance with rules and regulations existing in the countries where the Group operates. The Group’s capital management policy also seeks to obtain stable credit ratings and maximize shareholder value. The accompanying consolidated management report includes information on financial leverage.

Risk-related actions extend to the key variables for business management, such as the income statement, debt levels, and investment and to its strategy, enabling the Group to make crucial decisions in order to achieve the objectives indicated above.

The Group was the first in its industry to develop and encourage R&D, environmental and food quality, and internal audit. It has committees for environmental and food quality, commercial or counterparty risk, occupational hazard prevention and R&D. These committees are responsible for both preventing and mitigating risks.

Behind general risks affecting any business, there are certain specific risks related to the Group's type of business and how it carries out its business. The main risks and risk-control systems are as follows:

Industry risks

Legal/regulatory risk. The Group is subject to a series of legal regulations of various states and international bodies. These regulations establish from production quotas to intervention prices or customs protection. As a result of this risk, the Group's policy is to diversify its geographical and product mixes.

There is also a risk that it will not be able to appropriately protect its brands and intellectual property. To handle this risk, the Company thoroughly monitors its brands and intellectual property, protecting their use before the competent bodies and/or applying for patents where necessary.

Environmental and food quality risk. The Group's environmental policy is based on the principle of ongoing compliance with legislation. Accordingly, it has designed, developed and put into place an environmental management and food safety system that is UNE-EN-ISO 14001:2004 and UNE-EN-ISO 9001:2000 standard compliant and certified at most of its production centers in Europe, the US and Canada. In 2008, the pre-cooked meals plants of San Juan de Aznalfarache and Jerez obtained ISO 9001:2000 certification.

The Group also has a food quality and safety system in place that meets the requirements of the UNE-EN-ISO 17025 standard, endorsed by ENAC for the Spanish subsidiaries. Many of the subsidiaries are Certified Organic Producers. In food safety, the Group has reported no incidents and is still drawing up an HACCP (Hazard Analysis and Critical Control Point) system that meets the requirements of both Spanish and European Union legislation. IFS (International Food Security) certificates have been issued for the majority of the Group's handling processes.

Certain initiatives are also underway at the Group aimed at reducing atmospheric gas and waste emissions, improving water quality and reducing sewage waste, and enhancing energy and hydric efficiency, as well as programs to recycle physical waste, such as paper, aluminum and other materials. Finally, we would highlight some quality-enhancing initiatives carried out by the North American subsidiaries, such as the GMP (Good Manufacturing Practices) and the HAACP (Hazard Analysis and Critical Control Policy).

The Company provides appropriate and continuing education on food safety, and work safety and hygiene regulations. Similarly, quality controls are performed by the Group's own and third-party laboratories of its products and production materials.

Finally, the Group has taken out insurance policies to cover the potential risks related to food safety.

Supply risk. Ebro Puleva's business relies on the supply of raw materials, such as rice, durum and milk. There is a risk that it will not procure sufficient raw material of the quality that meets the Company's standards at an appropriate price. As a result of this risk, the Company has adopted a two-pronged strategy:

- to diversify its supply sources, setting up operations in the main producing markets where this business affords a competitive advantage; and
- to enter into long-term sourcing or cooperation agreements with producers considered relevant for the business.

Customer concentration risk and Credit risk. While the end customers of the Company's products are individual consumers, sales are made to a small number of customers, including large retail chains. The risks arising from this are twofold: 1) the potential loss of product references and 2) potential credit problems of direct customers.

The Group's policy rests on differentiating its products through innovation and its customer-based focus, backed by leading brands that enable it to find its own niche in distribution lines and among other industrial customers. In addition, with respect to credit risk the Group's policy has always been conservative. It has risk committees that regularly assess the situation, open positions and the automatic alerts placed in the systems, which have historically led to low default rates. The commercial and collection management departments also work together, and based on the credit ratings assigned by the credit insurance companies that operate with the Group, there are insurance policies that ultimately provide guarantees.

The Group is not exposed to significant concentration of credit risk.

Excess capacity risk. The consumer goods sector is exposed to potential excesses in installed capacity, which become particularly evident during the low points in business cycles. The best way to address this type of risk is through a strategy of ongoing product innovation and differentiation, earmarking 3.6% of revenue for advertising spend and investing heavily in R&D&I. The Group also endeavors to adapt and upgrade the structure of production, abandoning assets that are not considered efficient enough (e.g. the Herto plant or the León plant previously) and investing in new plants (Memphis) or production lines.

Risks specific to the Ebro Puleva Group

Risks related to productive assets. The Company's main assets have limited exposure to natural disasters, such as earthquakes or floods. In addition, all Group companies have insurance policies for all their assets, investments, and inventories.

Country risk. The company conducts business in some countries considered developing countries. Accordingly, certain investments are exposed to the typical risks of these countries, such as potential political changes that could affect market conditions, restrictions to capital movements, nationalization of assets or currency devaluation. Ebro Puleva has limited operations in these countries, mostly in the form of the positions to optimize supply (basically rice). Because of these potential contingencies, the Company has elected to diversify risks via operations in Europe, North and South America, Asia (Thailand and India) and Africa (Morocco and Egypt).

Risk related to the Group's growth strategy. In line with its strategy of becoming the leader in meal solutions, the Group could make certain acquisitions. These acquisitions could have negative implications if the Group fails to fully integrate the companies, brands and processes acquired. Ebro Puleva has a series of procedures for minimizing acquisition risk. The main ones are:

- Due diligence with renowned firms.
- Negotiation of the final price based on a risk analysis.
- Application for guarantees until litigation is resolved or the liability is clarified.
- Deferred payment or bank guarantee in case of potential contingencies.

In addition, certain investment alternatives (e.g. internal growth) pose a risk if the expected level of success is not achieved. As a result of these risks, a risk analysis is performed for all investment projects before any decisions are made to assess their economic and strategic viability. Investment decisions are made by the appropriate body based on a series of predefined limits. The main projects (i.e. over 2 million euros) require approval by the Board of Directors.

Foreign currency risk. Ebro Puleva, S.A. hedges transactions that could be subject to foreign currency risks either via financial derivatives or natural hedges through loan financing with cash flows generated in the same currency (see section on Financial Risks below).

Technological risk. The Group, through its biotech and R&D subsidiaries Puleva Biotech, Española de I+D and Crecerpal (Panzani subgroup), supports its main business lines by facilitating product and process development and innovation so they can leverage the commercial launch on the food market of new functional foods, such as Omega 3, and become a benchmark in biotechnology and innovation.

In line with the Group's philosophy, Puleva Biotech recently acquired Exxentia (see Note 5), which should help it expand and conduct new research projects, as well as broaden its existing product offering.

Labor risks. This relates to both attracting human resources and limiting labor risks. Accordingly, the company encourages both personal incentive and remuneration schemes for its main managers linked to results and the improvement in working conditions.

There is a series of protocols to prevent potential claims, including evacuation plans, first aid, etc. There are also specific programs designed to enhance the work environment and maximize protection levels, such as training courses for Group companies and the purchase of material and installations so employees can work properly.

Financial risk management and financial instruments

The Group's principal financial instruments comprise bank loans, overdrafts, capital instruments, cash and short-term deposits. The Group also has other financial assets and liabilities, such as trade receivables and trade payables. The Group enters into derivative transactions, including principally forward currency contracts and occasionally interest-rates options, swaps and combinations of the two. The purpose is to hedge the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The accounting policies followed to measure these financial instruments are described in Note 3.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk, risk of changes in the fair value of equity instruments and credit risk.

The Board of Directors reviews and adopts policies for managing each of these risks, as summarized below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group's policy is to manage borrowing costs using a combination of fixed and floating rates. The Group's policy is to minimize its exposure to this risk and therefore it closely monitors fluctuations in interest rates with the help of external experts. When necessary, the Group enters into interest rate derivatives. These derivative or structured instruments are designed to hedge the underlying debt obligations.

The French subsidiary, Panzani, has entered into two combined interest rate options: a cap with knock-out call and a floor with knock-in put, with notional amounts of 15 and 35 million euros, respectively.

Note 28 provides information on the Group's financial instruments exposed to interest rate risk.

Foreign currency risk

The ultimate goal of the risk management policy is to offset (at least partially) the potential declines in the value of assets denominated in foreign currency (i.e. other than the euro) by savings on the falls in value of the liabilities in these currencies.

As a result of significant investment operations in the United States, the Group's balance sheet can be affected significantly by movements in the USD/EUR exchange rate.

The Group seeks to mitigate the effect of its structural currency exposure by borrowing in US dollars. Its entire investment in the US is hedged in this manner.

Included under other loans at December 31, 2008 (2007) are the two loans for a total of 630 (630) million US dollars (see Note 22) designated as hedges of net investments in US subsidiaries and used to hedge the Group's foreign currency risks arising from these investments. Gains or losses on the translation of this loan to euros are recognized in equity to offset any gain or loss on the translation of the net investments in the subsidiaries.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating segment in currencies other than the unit's functional currency. With large transactions, the Group requires all operating segments to use forward currency contracts to eliminate foreign currency risk. The forward currency contracts must be in the same currency as the hedged item.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to match the terms of the hedged item in order to maximize hedge effectiveness.

Certain companies in the rice (Herba, S&B Herba and Euryza) and pasta (Panzani) businesses have forward exchange contracts (exchange insurance) to limit the exposure of their commercial transactions. These contracts have been arranged to limit foreign currency risk, but have not been classified as hedges.

Note 28 provides information on the Group's financial instruments exposed to foreign currency risk.

Liquidity risk

The Group's objective is to match the maturity profile of its debts to its ability to generate cash flow to settle these liabilities. For this, it maintains a balance between continuity of funding and flexibility through the use of revolving credit policies, bank loans with grace periods to adapt them to the return on the related assets, and forward purchase contracts.

7. ENVIRONMENTAL ISSUES

Note 29 provides information regarding the environment.

8. EVENTS AFTER THE BALANCE SHEET DATE

Except for the matter explained below, no significant events occurred between the balance sheet date and the date of preparation of these consolidated annual financial statements.

At its meeting of March 25, 2009, the Board of Directors proposed the following appropriation of 2008 results for approval by shareholders in their general meeting:

a) Profit in 2008 of the Ebro Puleva Group allows for the payment, as in previous years, of an ordinary cash dividend charged to unrestricted reserves of 0.36 euros per share, in four quarterly payments of 0.09 euros each, on April 2, July 2, October 2 and December 22, 2009, for a total amount of 55,391 thousand euros.

b) Separately, subject to the success of the sale of the sugar business (Azucarera Ebro, S.L. and some subsidiaries) and taking into account the expected returns on the sale (see Notes 7 and 31), the board proposes the payment of an extraordinary dividend comprising:

   b.1) an extraordinary dividend in cash with a charge to unrestricted reserves of 0.36 euro per share (in addition to the ordinary dividend) in three payments of 0.12 euros each in 2009 coinciding with the last three payments of the ordinary dividend (July 2, October 2, and December 22), for a total amount of 55,391 thousand euros.

   b.2) an extraordinary dividend in kind entailing the delivery of treasury shares up to the amount of the share premium (34,334 thousand euros) at an estimated exchange ratio, assuming a price of 9 euros per share, of 1 new share for every 40 existing shares. This would mean the delivery of approximately 3.8 million shares (representing around 2.5% of share capital). The ratio will be determined at the Board of Directors meeting immediately prior to the General Shareholders Meeting based on the trading price the day before. Delivery of the extraordinary dividend in kind would be made in the first few days of May 2009.

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9. ARTICLE 116 BIS OF THE SECURITIES MARKET LAW (data refer solely to the Ebro Puleva, S.A. parent company as the quoted company subject to this law).

Article 116 bis of the Securities Market Law, under the text of Law 6/2007, of April 12, requires companies whose securities are listed to present shareholders in their annual general meeting a report explaining the items covered in this article that must be disclosed in the management report for 2008.

a) The structure of capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents.

Share capital amounts to 92,319,235.20 euros and consists of 153,865,392 fully subscribed and paid bearer shares with a nominal value of 0.60 euros each, represented by book entries. All shares are of the same class and series.

The shares comprising share capital are considered transferable securities and subject to the regulations governing the Securities Market.

b) Any restrictions on the transfer of securities.

There are no restrictions on the transfer of securities.

c) Significant direct and indirect shareholdings.

Name or company name of shareholder	No. of direct voting rights	No. of indirect voting rights (*)	% of total voting rights
BESTINVER GESTIÓN, S.A., S.G.I.C.	0	6,242,154	4.057
CASA GRANDE DE CARTAGENA, S.L.	9,475,145	0	6.158
CAJA DE AHORROS DE SALAMANCA Y SORIA	9,247,898	0	6.010
HISPAFOODS INVEST, S.L.	10,346,192	0	6.724
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,262,722	10,346,192	15.344
INVERGESTIÓN, SOCIEDAD DE INVERSIONES Y GESTIÓN, S.A.	7,750,000	0	5.037
LOLLAND, S.A.	0	9,475,145	6.158
SOCIEDAD ANÓNIMA DAMM	0	7,710,000	5.011
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	12,995,941	8.446

Significant indirect shareholdings are through:

Name or company name of direct owner of the shareholding	No. of direct voting rights	% of total voting rights
BESTINVER BOLSA, F.I. (Bestinver Gestión, S.A., S.G.I.C.)	2,471,863	1.607
SOIXA S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	1,871,184	1.216
BESTINFOND, F.I. (Bestinver Gestión, S.A., S.G.I.C.)	1,060,693	0.690
BESTINVER MIXTO, F.I.	549,196	0.357

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Name or company name of direct owner of the shareholding	No. of direct voting rights	% of total voting rights
(Bestinver Gestión, S.A., S.G.I.C.)		
BESTINVER BESTVALUE, S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	196,515	0.128
TEXRENTA INVERSIONES S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	53,986	0.035
LOUPRI INVERSIONES S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	14,429	0.009
DIVALSA DE INVERSIONES S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	9,310	0.006
ACCIONES, QUPONES Y OBLIGACIONES SEGOVIANAS, S.A., S.I.M.C.A.V. (Bestinver Gestión, S.A., S.G.I.C.)	7,171	0.005
LINKER INVERSIONES, S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	5,303	0.003
JORICK INVESTMENT, S.I.C.A.V., S.A. (Bestinver Gestión, S.A., S.G.I.C.)	2,504	0.002
HISPAFOODS INVEST, S.L. (Instituto Hispánico del Arroz, S.A.)	10,346,192	6.724
CASA GRANDE DE CARTAGENA, S.L. (Lolland, S.A.)	9,475,145	6.158
CORPORACIÓN ECONÓMICA DAMM, S.A. (Sociedad Anónima Damm)	7,710,000	5.011
ALIMENTOS Y ACEITES, S.A. (Sociedad Estatal de Participaciones Industriales)	12,995,941	8.446

As the shareholdings indicated are at December 31, 2008, it is hereby expressly noted that on February 10, 2009, after the close of 2008, Bestinver Gestión, S.A., S.G.I.I.C. publicly notified through the Spanish Securities Exchange Commission that its stake had decreased to below 3% (to 2.995%). Accordingly, it is no longer considered a significant shareholder of Ebro Puleva, S.A.

d) Any restrictions on voting rights.

There are no restrictions on voting rights.

e) Agreements between shareholders.

The Company has not been notified of any agreements between shareholders.

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association.

The appointment and replacement of Board Members are regulated by the Corporate Bylaws (articles 19 and 20) and the Board Regulations (articles 21, 23 and 24).

The Board of Directors shall be composed of at least seven and at most fifteen members. The General Meeting is in charge of determining the composition, as well as the appointment and separation of Directors. The board currently comprises 14 Directors.

Directorships may be waived, canceled or reappointed and are for a term of four years. When their tenure expires, Directors may be reappointed one or more times for terms of equal duration.

The appointment of Board members expires when, after expiry of their tenure, the next General Meeting has been held or the legal period for holding the Meeting to approve the financial statements of the preceding year has elapsed.

If during the term of appointment there are vacancies, the board may provisionally appoint among shareholders the people to hold the post until the first General Meeting thereafter is held.

The candidates proposed by the Board for appointment or reappointment as Directors shall be of recognized standing and have adequate experience and expertise to perform their duties.

These proposals shall be made taking into account the existence of three types of director: (i) Executive; (ii) Non-Executive, who fall into two classes: those who are on the Board at the request of shareholders with significant stakes in the capital and those who may be considered independent according to applicable laws and regulations or the prevailing recommendations on good corporate governance; and (iii) those who do not fit into either of the above categories.

The distribution of the number of Directors among the types mentioned above shall be adjusted from time to time to the operating requirements and real structure of the company's shareholding body, on the basis of the ratio of capital held by controlling shareholders to capital held by institutional investors and minority shareholders.

In any case, any initiative taken by the Board in respect of its members shall be without prejudice to the sovereign power of the General Meeting of Shareholders to appoint and remove Directors, and any exercise by shareholders of their right to proportional representation.

Directors shall step down and tender their resignation in the following cases:

- When they are affected by one of the cases of incompatibility or disqualification established in Law, the Bylaws or these Regulations.

- When they step down from the executive post to which their appointment as Director was linked, when the shareholder they represent sells its entire shareholding or reduces it to a level that requires a reduction in the number of proprietary directors and, in general, whenever the reasons for their appointment no longer exist.

- When the Board, subject to a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted on his or her obligations or that there are reasons of corporate interest for demanding his or her resignation.

The Board of Directors shall propose to the General Meeting of Shareholders that a Director be removed if one of the circumstances described above occurs and the Director fails to tender his resignation.

Directors who give up their post before their tenure expires, through resignation or otherwise, should explain their reasons to all other members of the board. Irrespective of whether such resignation is filed as a significant event, the move for the same must be explained by the Company in the Annual Corporate Governance Report.

When the Board makes decisions about which a director has expressed reservations and he or she resigns, an explanation setting out their reasons should be provided under the terms mentioned in the preceding paragraph.

With regard to amendments of the corporate bylaws, there are no procedures or requirements other than those provided for by law with the exception of the stricter-than-standard quorum requirements for attendance at the generating meeting, which article 12 of the Bylaws stipulates at sixty per cent of the subscribed voting capital on first call and thirty per cent on second call, the same quorum for voting as included in the revised text of Spanish Corporation Law.

g) The powers of Board members and, in particular, the power to issue or buy back shares

Executive directors Antonio Hernández Callejas and Jaime Carbó Fernández have been granted the following powers:

1) To represent the company and sign on its behalf in all types of transactions, businesses and contracts comprising its corporate purpose. To enter into all types of works, service or supply contracts with the European Union, the Spanish central, regional, provincial, island or local governments and, in general, any public or private individual or company via public tender, auction, direct adjudication or any type of arrangement permitted by Law, presenting and signing the related proposals, accepting any projects awarded, performing any acts and signing any public or private documents required or suitable for their approval, compliance and settlement.

These powers shall be exercised jointly by two legal representatives when the amount of the transaction, business or contract exceeds 50,000 euros.

2) To plan, organize, oversee and control the performance of the company and all its businesses, workplaces and installations, reporting to the Chairman of the Board of Directors and proposing any amendments deemed appropriate regarding the organization of the company.

These powers may be exercised jointly and severally.

3) To sell, purchase, swap, replace, assign and dispose of the ownership or all types of assets, including properties and ownership interests, and to provide guarantees to subsidiaries or third parties. To set up and form part of other companies and acquire shares or ownership interests. To accept and appoint corporate positions in other companies and entities.

These powers shall be exercised jointly by two legal representatives.

4) To stipulate, set up, accept, modify, withdraw and cancel provisional or definitive guarantees, deposits and sureties at any public or private entity, including the Spanish Government Depository (Caja General de Depósitos) and the Bank of Spain.
These powers may be exercised jointly and severally.

5) Banking powers:

a) To open, use, settle and cancel current savings or loan accounts at any bank, including the Bank of Spain, or any other credit and savings banks, signing for these purposes as many documents as required or suitable, and to take out or withdraw from them through checks, money orders, drafts or transfers.

b) To arrange, execute and underwrite loans, signing as many private and public documents as necessary and reporting to the Board of Directors of the exercise of these powers at its first meeting thereafter.

These powers shall be exercised jointly by two legal representatives.

6) To issue, accept, collect, pay, endorse, contest, discount, guarantee and negotiate commercial or financial bills of exchange, promissory notes, checks, and other drafts and bills. To undertake and fix the terms of endorsements, certificate discounts and all kinds of commercial paper, together with orders to pay drawn on the Treasury, banks, savings institutions and other entities at which the Company holds securities, bills, cash or any other form of assets.

The powers to issue, accept and order payment shall be exercised jointly by two legal representatives.

7) To demand, collect and receive all money due to be credited or paid to the Company in cash, bills or any other type of payment by individuals, Banks or any other Entity, by the European Union, the Spanish state, regional, provincial, island or local governments and, in general, any public or private Entity. To give and receive receipts and vouchers and to fix and settle account balances. To determine the method of payment of amounts owed by the Company, grant extensions and set due dates and amounts.

To accept all kinds of personal guarantees and liens from debtors, including mortgages, movable and immovable collateral, transferred and registered pledges, along with agreements, clauses and terms that it deems appropriate and to cancel them once the amounts or credits under guarantee have been received.

These powers may be exercised jointly and severally by any of the Company’s legal representatives.

8) To make any type of payments, taking any step necessary to comply with all the Company’s obligations and to demand the necessary payment receipts and vouchers.

These powers shall be exercised jointly by two legal representatives when the amount of the payments exceeds 50,000 euros.

9) To represent the Company before third parties and any type of Government Authority, Chambers, Commissions or other, Committees, Associations, mutual Insurance Companies, Registries, Delegations, offices and Premises of the European Union, the Spanish state, regional, Provincial, island or local governments and other Spanish or foreign administrative, governmental or other centers or bodies, at any level or jurisdiction, or appoint an individual to represent the Company in this capacity. To exercise the rights and interests that, as appropriate, correspond to the Company. To execute inquiries and suits. To file any pertinent proceedings, requesting the data, copies or documents, and lodging prior or ex facto complaints, and lodging any type of legal appeals. To withdraw from proceedings, claims and appeals at any stage of the process, abide by or enforce any definitive rulings. To protest or file proceedings and certified notices or of other kind. To request reliable certificates, testimonies and copies of interest of the Company.

These powers may be exercised jointly and severally.

10) To appear and represent the Company before Criminal and Civil Courts, Prosecutors, Juries and other appellate, labor or other bodies in any jurisdiction and at all levels, both Spanish and of any other country or international organization, entering into any legal relationships deemed appropriate and complying in particular, solely by signing an administrative appeal, with the requirements provided under article 45.2,d) of Law 29/1998, dated July 13.

To grant and revoke powers in favor of attorneys and lawyers.

To exercise all types of pleas and claims, oppose any type of appeals against any procedures or appeals, either as plaintiff or defendant or in any other capacity. To file any type of ordinary or extraordinary claim or appeal, including appeals to the Supreme Court and appeals for judicial review. To withdraw any claims, proceedings, lawsuits and judicial reviews at any stage of the process. To testify in court as a legal representative of the Company and, as so required, ratify their testimony personally and expressly. To reach settlements and to submit any matters of interest to the Company to arbitration. To abide by or enforce any definitive legal rulings.

To represent the Company and participate on its behalf in all types of payments moratorium, bankruptcy, acquittance procedures, creditor agreements or winding up under the supervision of the court, certifying the Company’s credit items, obtaining guarantees and accepting their award as payment, granting or rejecting reductions or extensions. To appoint, accept and excuse bankruptcy receivers, Administrators, Experts and Adjustors, and propose and reject the recommendations made by them in their respective assessments. To compromise, agree on terms, acquittances and settlements covered by the collective labor agreement and sign them, following the matters through all procedures until abidance by or enforcement of the definitive judgments.

To choose the location and abide by express or implied jurisdictions.

These powers may be exercised jointly and severally.

11) To execute, with respect to management, the resolutions adopted by the Board of Directors or its Executive Committee subject to a report by the Nomination and Remuneration Committee; and, regarding company staff, hire, relocate, fine, suspend and fire employees, set wages, salaries and other emoluments of any Company employee; award termination benefits and, in general, decide on any matters related to personnel of the company. To appoint and remove proxies and agents.

These powers may be exercised jointly and severally.

12) To abide by and enforce the resolutions adopted at the General Shareholders' Meeting, by the Board of Directors, its Executive Committee or the Chief Executive Officer, issuing, as appropriate, any public deeds or other legally required public or private documents for this purpose.

These powers may be exercised jointly and severally.

13) To replace and/or grant to third parties, all or in part, the powers attributed to them, as well as remove powers in full or in part, including those granted previously, issuing the related public or private documents, and reporting the exercise of this power to the Board of Directors at its next meeting thereafter.
These powers must be exercised jointly, with the additional requirement of at least three legal representatives.

14) To attend and represent the Company at the General Meetings of shareholders and/or partners of all Ebro Puleva Group companies, and to pass as many resolutions as necessary without limitation.

These powers may be exercised jointly or separately.

Finally, neither Antonio Hernández Callejas, nor Jaime Carbó Fernández or any other Director or manager has been granted powers to issue or buy back shares.

h) Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company. This exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements.

There are no agreements of this type.

i) Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

In 2006, the Chairman, Mr. Antonio Hernández Callejas notified the Board of Directors that he would irrevocably forgo his entitlement to the safeguard clause originally included in his contract, which consisted of a net termination benefit equivalent to two years' total gross annual remuneration.

The General Director, Mr. Jaime Carbó Fernández, and the General Secretary Mr. Miguel Angel Pérez Álvarez have likewise forgone their entitlement to the safeguard clauses originally established in their respective contracts, which consisted of a net termination benefit, equal to two years' gross annual remuneration. The Board of Directors resolved to replace this termination benefit with the indemnity contemplated in cases of dismissal or change in control equal or similar to what they would have normally received under prevailing Employment Legislation in Spain.

As for other managers of Ebro Puleva, S.A. the contracts of three managers include safeguard clauses in the event of dismissal decided by the company or for changes in control which provide for termination benefits ranging from one to three years' annual remuneration.

In other cases of dismissal through no fault on the part of the employee, the indemnity contemplated in prevailing Employment Legislation in Spain shall be applied.

10. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with prevailing legislation, this section of the consolidated management report includes the Annual Corporate Governance Report for 2008 of Ebro Puleva, S.A. as required by the National Securities Commission (the CNMV).