

Ebro Puleva Consolidated Group

Balance sheets at december 31, 2005 and 2004
(thousands of euros)

| ASSETS | | | |
|--|------|------------------|------------------|
| | Note | 31/12/2005 | 31/12/2004 |
| Non-current assets | | | |
| Intangible assets | 9 | 164,438 | 79,441 |
| Property, plant and equipment | 10 | 961,738 | 811,737 |
| Investment properties | 11 | 12,225 | 17,940 |
| Financial assets | 12 | 33,675 | 49,959 |
| Investments in associates | 13 | 25,556 | 12,721 |
| Deferred tax assets | 25 | 112,047 | 113,312 |
| Goodwill | 14 | 620,846 | 193,389 |
| Other non-current assets | | 111 | 278 |
| | | 1,930,636 | 1,278,777 |
| Current assets | | | |
| Inventories | 15 | 450,866 | 406,750 |
| Trade and other receivables | 16 | 445,395 | 321,869 |
| Tax receivables | 25 | 48,537 | 35,066 |
| Derivatives and other financial instruments | 28 | 32 | 0 |
| Other non-current assets | | 16,947 | 15,109 |
| Current assets | 17 | 82,196 | 109,673 |
| | | 1,043,973 | 888,467 |
| Non-current assets held for sale | 7 | 14,294 | 0 |
| Total assets | | 2,988,903 | 2,167,244 |
| LIABILITIES | | | |
| | Note | 31/12/2005 | 31/12/2004 |
| Equity and liabilities | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 18 | 92,319 | 92,319 |
| Share premium | 18 | 34,333 | 34,333 |
| Revaluation reserve | 18 | 3,169 | 3,169 |
| Restricted reserves | 18 | 18,464 | 18,464 |
| Retained earnings | 18 | 943,241 | 837,345 |
| Translation differences | 18 | (14,941) | (23,784) |
| Treasury shares | 18 | (3) | (686) |
| | | 1,076,582 | 961,160 |
| Equity attributable to minority interests | | 21,473 | 18,596 |
| Non-current liabilities | | | |
| Deferred income | 19 | 15,961 | 21,075 |
| Provisions for pensions and other post-employment benefits | 20 | 38,846 | 24,084 |
| Other provisions | 21 | 150,533 | 133,088 |
| Financial liabilities | 22 | 693,827 | 400,152 |
| Other non-financial liabilities | 23 | 1,493 | 10,683 |
| Deferred tax liabilities | 25 | 115,360 | 65,561 |
| | | 1,016,020 | 654,643 |
| Current liabilities | | | |
| Financial liabilities | 22 | 329,708 | 191,966 |
| Derivatives and other financial instruments | 28 | 197 | 876 |
| Trade and other payables | 24 | 485,013 | 290,553 |
| Tax payable | 25 | 55,180 | 42,475 |
| Other current liabilities | | 4,730 | 6,975 |
| | | 874,828 | 532,845 |
| Total equity and liabilities | | 2,988,903 | 2,167,244 |

Notes 1 to 32 in the accompanying notes to the financial statements are an integral part of the consolidated balance sheet at December 31, 2005.

Ebro Puleva Consolidated Group

Income statements for the years ended december 31, 2005 and 2004
(thousands of euros)

| | Note | 31/12/2005 | 31/12/2004 |
|---|-----------|----------------|----------------|
| Revenues | 6 | 2,359,866 | 1,844,610 |
| Change in inventories of finished goods and work in progress | 6 | (43,434) | 4,861 |
| Capitalized expenses of Company work on assets | 6 | 4,391 | 7,711 |
| Other operating revenues | 8 | 105,197 | 75,707 |
| Consumption of goods and other external charges | 6 | (1,233,312) | (1,135,774) |
| Employee benefits expense | 8 | (299,497) | (210,536) |
| Depreciation and amortization | 6 | (87,478) | (66,108) |
| Other operating expenses | 8 | (548,056) | (322,919) |
| Operating profit | | 257,677 | 197,552 |
| Net finance revenue (cost) | 8 | (34,327) | (20,170) |
| Impairment of goodwill | 14 | (4,278) | (2,317) |
| Share of profit (loss) of associates | 13 | 984 | (633) |
| Profit before tax | | 220,056 | 174,432 |
| Income taxes | 25 | (61,298) | (41,349) |
| Profit for the year (from continuing operations) | | 158,758 | 133,083 |
| Profit (loss) for the year from discontinued operations | 7 | 0 | (3,548) |
| Profit for the year | | 158,758 | 129,535 |
| Attributable to: | | | |
| Equity holders of the parent | | 155,641 | 126,573 |
| Minority interests | | 3,117 | 2,962 |
| | | 158,758 | 129,535 |
| Earnings per share: | 18 | | |
| For profit from continuing operations | | | |
| Basic | | 1.012 | 0.846 |
| Diluted | | 1.012 | 0.846 |
| For profit for the year | | | |
| Basic | | 1.012 | 0.823 |
| Diluted | | 1.012 | 0.823 |

Notes 1 to 32 in the accompanying notes to the financial statements are an integral part of the consolidated income statement for the year ended December 31, 2005.

Ebro Puleva Consolidated Group

Statement of changes in equity (thousand of euros)

| STATEMENT OF CHANGES IN EQUITY | | | | | | | | | | | |
|--|------------------|--------------------|-----------------------|---------------|---------------|---------------------|---------------|--------------------|---------------------|-------------------------|-----------------|
| | Total equity | Minority-interests | Parent company equity | | | | | | | | |
| | | | Total | Share capital | Share Premium | Revaluation reserve | Legal reserve | Available reserves | | Translation Differences | Treasury shares |
| | | | | | | | | Retained Earnings | Profit for the year | | |
| Balance at January 1, 2004 | 919,445 | 22,288 | 897,157 | 92,319 | 34,333 | 3,169 | 18,464 | 756,083 | 0 | 0 | (7,211) |
| Dividends paid | (47,875) | (1,715) | (46,160) | 0 | 0 | 0 | 0 | (46,160) | 0 | 0 | 0 |
| Capital increase/decrease expenses | (100) | 0 | (100) | 0 | 0 | 0 | 0 | (100) | 0 | 0 | 0 |
| Acquisition/sale of treasury shares (net) | 6,525 | 0 | 6,525 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,525 |
| Gain (loss) on sale of treasury shares | 1,265 | 0 | 1,265 | 0 | 0 | 0 | 0 | 1,265 | 0 | 0 | 0 |
| Tax effect of preceding movements | (408) | 0 | (408) | 0 | 0 | 0 | 0 | (408) | 0 | 0 | 0 |
| Changes in consolidation scope | (4,248) | (4,248) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements | 92 | 0 | 92 | 0 | 0 | 0 | 0 | 92 | 0 | 0 | 0 |
| Total distribution of profit and transactions with shareholders | (44,749) | (5,963) | (38,786) | 0 | 0 | 0 | 0 | (45,311) | 0 | 0 | 6,525 |
| Profit (loss) for the year | 129,535 | 2,962 | 126,573 | 0 | 0 | 0 | 0 | 0 | 126,573 | 0 | 0 |
| Movement in translation differences | (21,499) | (691) | (20,808) | 0 | 0 | 0 | 0 | 0 | 0 | (20,808) | 0 |
| Sale and/or deconsolidation of Companies | (2,976) | 0 | (2,976) | 0 | 0 | 0 | 0 | 0 | 0 | (2,976) | 0 |
| Other movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total income and expense for the year | 105,060 | 2,271 | 102,789 | 0 | 0 | 0 | 0 | 0 | 126,573 | (23,784) | 0 |
| Balance at December 31, 2004 | 979,756 | 18,596 | 961,160 | 92,319 | 34,333 | 3,169 | 18,464 | 710,772 | 126,573 | (23,784) | (686) |
| Distribution of prior year profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 126,573 | (126,573) | 0 | 0 |
| Dividends paid | (50,890) | (115) | (50,775) | 0 | 0 | 0 | 0 | (50,775) | 0 | 0 | 0 |
| Acquisition/sale of treasury shares (net) | 683 | 0 | 683 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 683 |
| Gain (loss) on sale of treasury shares | 1,315 | 0 | 1,315 | 0 | 0 | 0 | 0 | 1,315 | 0 | 0 | 0 |
| Tax effect of preceding movements | (460) | 0 | (460) | 0 | 0 | 0 | 0 | (460) | 0 | 0 | 0 |
| Changes in consolidation scope | (956) | (956) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements | 44 | 0 | 44 | 0 | 0 | 0 | 0 | 44 | 0 | 0 | 0 |
| Total distribution of profit and transactions with shareholders | (50,264) | (1,071) | (49,193) | 0 | 0 | 0 | 0 | 76,697 | (126,573) | 0 | 683 |
| Profit (loss) for the year | 158,758 | 3,117 | 155,641 | 0 | 0 | 0 | 0 | 0 | 155,641 | 0 | 0 |
| Movement in translation differences | 9,807 | 831 | 8,976 | 0 | 0 | 0 | 0 | 133 | 0 | 8,843 | 0 |
| Fair value of financial instruments | | | | | | | | | | | |
| 1. Unrealized gains | (2) | 0 | (2) | 0 | 0 | 0 | 0 | (2) | 0 | 0 | 0 |
| Total income and expense for the year | 168,563 | 3,948 | 164,615 | 0 | 0 | 0 | 0 | 131 | 155,641 | 8,843 | 0 |
| Balance at December 31, 2005 | 1,098,055 | 21,473 | 1,076,582 | 92,319 | 34,333 | 3,169 | 18,464 | 787,600 | 155,641 | (14,941) | (3) |

Notes 1 to 32 in the accompanying notes to the financial statements are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2005.

Ebro Puleva Consolidated Group

Cash flow statements for the years ended december 31, 2005 and 2004
(thousands of euros)

| | 31/12/2005 | 31/12/2004 |
|---|------------------|------------------|
| Receipts from sales and services | 2,700,933 | 2,178,259 |
| Payments to suppliers and employees | (2,386,353) | (1,922,680) |
| Interest paid / collected | (28,529) | (13,145) |
| Dividends received | 15 | 0 |
| Other receipts / payments from continuing activities | (30,532) | (17,609) |
| Income tax paid | (34,477) | (34,966) |
| Net cash flows from operating activities | 221,057 | 189,859 |
| Purchase/sale of property, plant and equipment | 29,218 | (29,587) |
| Purchase of financial investments | (335,348) | (310,478) |
| Sale of financial investments | 13,091 | 5,048 |
| Other receipts / payments from investing activities | 6,874 | 10,235 |
| Net cash flows from investing activities | (286,166) | (324,782) |
| Transactions with treasury shares | 949 | 7,790 |
| Dividends paid to shareholders | (50,883) | (46,167) |
| Financial debt disposals | 371,421 | 392,106 |
| Repayment of borrowings | (285,335) | (203,368) |
| Other financial receipts / payments and government grants | 621 | (797) |
| Net cash flows from financing activities | 36,773 | 149,564 |
| Translation differences of flows from foreign operations | 1,326 | (497) |
| Increase (decrease) in cash and cash equivalents | (27,011) | 14,144 |
| Cash and cash equivalents at January 1 | 109,673 | 96,154 |
| Effect of foreign exchange rates on the opening balance | (466) | (625) |
| Cash and cash equivalents at December 31 | 82,196 | 109,673 |

Notes 1 to 32 in the accompanying notes to the financial statements are an integral part of the consolidated cash flow statement for the year ended December 31, 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

1. CORPORATE INFORMATION

Ebro Puleva, S.A. (the parent Company) is the outcome of the merger by takeover by Azucarera Ebro Agrícolas S.A. of Puleva S.A. Following said takeover merger, the board of directors resolved to change the name of the company from Azucarera Ebro Agrícolas, S.A. to Ebro Puleva, S.A. with effect from January 1, 2001.

Azucarera Ebro Agrícolas, S.A. was incorporated in Barcelona on May 11, 1998, registered on May 25 and commenced its activities with retroactive effect to April 1, 1998. It was established by the merger of Ebro Agrícolas, Compañía de Alimentación, S.A. and Sociedad General Azucarera de España, S.A.

The registered office of the company is at Madrid, Castellana, 20.

The parent Company is engaged in the manufacture, marketing, export and import of sugar, dairy, rice and products for human and animal consumption, by-products and waste, as well as agriculture and exploitation, leasing and conveyance of properties. The Company may perform all or part of its activities indirectly through the holding of stocks and shares in companies engaged in identical or similar activities.

The group currently operates on the domestic and international markets. The composition of its sales is described in Note 6 - Segment information.

All amounts in these consolidated annual accounts are expressed in thousand of euros (unless specified otherwise), which is the functional currency of the Ebro Puleva Group. Transactions in foreign currency are translated to euros in accordance with the accounting policies described in Note 3.

2. BASIS OF PRESENTATION AND COMPARABILITY OF INFORMATION

A) BASIS OF PRESENTATION

1. General accounting principles

The annual accounts for 2005 are the first prepared by the Group in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and European Council.

The Ebro Puleva Group's consolidated financial statements for 2004 were approved at the General Shareholders' Meeting of April 27, 2005. These annual accounts were prepared in accordance with generally accepted accounting principles in Spain (Spanish GAAP), which explains the differences in the amounts shown for 2004 for comparison, which were prepared under IFRS (including the application of IAS 32 and 39).

The disclosures required by IFRS regarding the transition from Spanish GAAP are included in Note 32.

The consolidated accounts for the year ended December 31, 2005, which were prepared by the directors of the parent company on February 23, 2006, are pending approval at the General Shareholders' Meeting. It is expected that they will be approved without modification. The annual accounts for 2005 for the Group's subsidiaries and associates are also pending approval at their respective shareholders' meetings. The consolidated financial statements have been prepared on a historical cost basis, except where the mandatory application of an IFRS required the corresponding restatement.

2. Use of judgments and estimates

The information contained in these annual accounts is the responsibility of the Group's directors.

In the preparation of the consolidated annual accounts, the Group's management has made some estimates regarding the assets, liabilities, revenues, expenses and commitments herein. These mainly relate to:

- * The measurement of assets and goodwill for the existence of impairment losses (Notes 3f, 3g and 3h).
- * The assumptions used in the actuarial estimation of pension and other post-employment benefits (Notes 3n and 20).
- * The useful life of property, plant and equipment and intangible assets (Notes 3e and 3f).
- * The assumptions used in estimating fair value of financial instruments (Note 3r).
- * The probability that liabilities of an unspecified amount or contingent liabilities may arise (Note 3o).

Although these estimations are made based on the best information available at the balance sheet date, events may occur in the future that require adjustments (positive or negative) to be made prospectively in subsequent years. The effects of changes in estimates are recognized in the annual accounts of the years in which they are made.

B) COMPARABILITY OF INFORMATION

For comparative purposes the Group has included together with the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the figures at December 31, 2005, those at December 31, 2004.

C) CHANGES IN CONSOLIDATION SCOPE

The main changes in the consolidation scope in 2004 and 2005 and the consolidation method used are shown in Notes 4 and 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting criteria applied to the preparation of the consolidated annual accounts are described here below:

A) CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include all the companies over which the Group has control. Control implies the power to establish financial and operating policies in order to profit from the company's activities.

Upon acquisition, the Group measures the company's assets, liabilities and contingent liabilities at fair value as at the acquisition date. If cost exceeds the fair value of the net assets acquired, the excess is recognized as goodwill. If the fair value of the net assets exceeds the cost, the excess is recognized directly in income. The results of companies acquired during the year are recognized in the income statement from the acquisition date.

Minority interests are stated at the minority proportion of the fair value of the acquiree's assets and liabilities.

The financial statements of some subsidiaries are adjusted, when necessary, to harmonize the accounting criteria and policies established for the Group. All material intragroup transactions and balances have been eliminated on consolidation.

Associates

The Group's investments in associates (i.e. companies in which the Group has significant influence, but not control) and joint ventures are accounted for under the equity method of accounting. Under this method, investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate less any impairment losses. The consolidated income statement reflects the percentage interest in the after-tax results of the associate.

B) FOREIGN CURRENCY TRANSLATION

The individual financial statements of Group companies are presented in local currency. In the consolidated financial statements, assets and liabilities are translated to euros at the year-end exchange rate. Income statement headings are translated at the average exchange rate for the year. Issued capital, share premium and reserves carried at historical cost. Translation differences arising from investments in Group companies and associates are recognized as a separate component of equity.

Translation differences involving minority interests are recognized in "Equity attributable to minority interests."

Goodwill and fair value adjustments to the carrying amounts of the net assets arising on the acquisition of the foreign operation are treated as part of the assets and liabilities of that foreign operation and therefore translated at the closing rate.

On the sale or disposal of an investment in a Group company or associate, the accumulative amount of the exchange differences in these companies to the date of sale or disposal is recognized in the income statement.

C) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currency are translated to euros at the exchange rate ruling at the date of the transaction. All differences in the settlement of these transactions and in the measurement of monetary assets and liabilities denominated in foreign currency are taken to profit or loss.

D) LIQUID ASSETS

These include cash and cash equivalents, which primarily comprise certificates of deposit, short-term deposits, short-term marketable securities, short-term government bonds and other money market assets with an original maturity of three months or less. These assets are recognized at cost, which is similar to realizable value.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the lower of:

- * Purchase price or cost of production, less the corresponding accumulated depreciation and any impairment.
- * The recoverable amount through the cash-generating unit to which the item belongs or through sales, capital gains or both.

In addition, certain assets are carried at the revalued amount, which is the fair value estimated by independent appraisers following the acquisition of subsidiaries or associates based on the measurement criteria explained in section a) above. When factors indicating possible obsolescence of assets are detected, the corresponding write-down provisions are recorded.

The costs of any extension, modernization or improvements that increase productivity, capacity or efficiency or prolong the useful life of the assets are capitalized as an increase in the cost of the corresponding assets. Maintenance and upkeep expenses are charged to the profit and loss account in the year in which they are incurred.

Depreciation is calculated by the straight-line method according to the estimated useful life of the respective assets, considering the depreciation actually suffered through operation, use and occupation, as indicated below:

| DEPRECIATION RATE | |
|--|-------------|
| Buildings | 1,0 to 3,0% |
| Plant and machinery | 2,0 to 20% |
| Other installations, tools and furniture | 8 to 25% |
| Other | 5,5 to 25% |

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the present value of the remaining balance of the liability. Each lease payment includes principal and interest. Interest on leases is calculated at a fixed rate of the outstanding principal. Leased assets are amortized on a straight-line basis according to the useful life shown previously.

Operating lease payments are expensed currently over the lease term.

F) INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Intangible assets are carried at cost, and are tested and adjusted for impairment losses regularly (see Note h). Intangible assets include:

- * **Research and development expenses:** Expenses incurred in research and development activities from which the Company reasonably expects returns and technical success, are recorded, itemized by projects, at their purchase price or cost of production, and amortized using the straight-line method over a period of four or five years. However, very small amounts are written off within one year.
- * **Patents and licenses:** Capitalized research and development expenses are stated as industrial property when the corresponding patents, etc.

are obtained. New trademarks purchased by group companies from third parties are also included, at acquisition cost. These expenses are amortized according to their estimated useful life, which in some cases exceeds five years. The useful lives of the licenses are assessed to be either finite or indefinite. These assets are amortized over the estimated useful life of the licenses, which ranges between 10 and 20 years.

* **Software:** This heading includes the amounts paid for access to ownership or the right to use computer programs, as well as the costs incurred by the Company in the development of software, when these are expected to be used over several years. Software is amortized on a straight-line basis over the estimated useful life, generally three years. Software maintenance expenses are recorded directly in the year incurred.

G) GOODWILL

Goodwill represents the excess of the cost of the acquisition of fully-consolidated subsidiaries over the fair value of the net assets acquired at the date of acquisition. The excess of the cost of investments in associates is recognized in the consolidated balance sheet under “Investments in associates” and the expense for potential impairment of this excess under “Share of profit (loss) of associates” in the consolidated income statement.

When new investments entail deferred payment, cost includes the present value of the outstanding balance. When the amount deferred may be affected by future events, the balance is estimated at the date of acquisition and recognized as a liability. Future changes in the deferred price lead to an adjustment to goodwill and the corresponding liability in that year.

Goodwill is not amortized, but is subject to annual impairment testing. Any impairment is recognized directly in the income statement and may not be reversed. Negative goodwill is recognized in profit and loss once the fair value of the net assets acquired is established.

On the sale or disposal of an investment in a Group company or associate, any goodwill allocated to the company is included in the gain or loss recognized from the sale or disposal.

H) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

The Group assesses the carrying amount each year of its assets to determine whether there is any indication that an asset may be impaired. Where the carrying amount of the asset exceeds its realizable value, an impairment loss is recognized in the income statement and the asset is written down to its recoverable amount.

An asset’s recoverable amount is the higher of its fair value and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount rate.

For potentially impaired assets that do not generate cash inflows that are independent of those from other assets, the impairment test is performed on the group of assets (cash-generating unit) to which it belongs.

The recoverable value of intangible assets with an indefinite useful life is assessed for impairment annually or whenever there is an indication that the intangible assets may be impaired.

I) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale and discontinued operations are measured at the lower of cost or fair value less costs to sell.

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and as a discontinued operation when the sale is like to occur in the short term (i.e. less than a year) and under the current conditions of the asset.

J) FINANCIAL ASSETS (INVESTMENTS)

Financial assets are recognized (or derecognized) on the trade date and initially measured at cost plus any attributable transaction costs.

Investments

Investment are recognized initially at fair value and classified as either available for sale or held for trading. Changes in the value of available-for-sale investments are taken directly to reserves until the investment is sold, at which time the cumulative gain or loss is included in the income statement. Changes in the value of assets classified as held for trading are always recognized in income.

Other loans and receivables

Other current and non-current non-trade receivables are carried at the amount received (amortized cost). Interest received is recorded as interest income in the year in which it is accrued, in accordance with financial criteria.

K) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized at the nominal amount, less any allowance for uncollectible amounts.

The amount related to discounted bills in trade and other receivables and interest-bearing loans and borrowings (current financial liabilities) is recognized until maturity.

L) INVENTORIES

Inventories are stated at purchase price or cost of production, using the average weighted value method.

The purchase cost includes the amount invoiced plus all additional expenses incurred until the assets reach the warehouse.

The cost of production is calculated as the sum of the purchase costs of raw materials and other consumables, the manufacturing costs directly attributable to the product and the corresponding part of the costs indirectly attributable to the products in question, insofar as they correspond to the production period.

When the market or replacement value of the inventories is lower than those indicated above, appropriate provisions for depreciation are recorded.

M) DEFERRED INCOME - GRANTS

Grants received by the Company are recorded according to the following principles:

- a) Outright capital grants: Stated at the amount awarded and released to the income statement using the straight-line method over 10 years, which is approximately equivalent to the average period of depreciation of the assets financed with the grants.
- b) Operating grants: Credited to income upon accrual.

N) PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a number of defined benefit and defined contribution plans. The cost of defined benefit plans are determined using the projected unit credit method. The commitments for defined benefits are determined by independent actuarial experts, annually for significant plans and periodically for all others. The actuarial assumptions used to determine the commitments vary depending on the economic circumstances of each country.

The plans may be funded by an external fund and internally via reserves. For externally funded defined benefit plans, the negative difference between the fair value of the underlying assets and the actuarial value of the obligation is recognized fully in the income statement bearing in mind actuarial gains and losses and past service costs. The positive difference is only recognized in the balance sheet if it represents a future economic benefit either through redemption of the plan or a decrease in future contributions. Actuarial gains and losses mostly arise from changes in the actuarial assumptions or differences between the previous actuarial assumptions and what actually occurred, and are recognized in the income statement each year.

For these plans, the actuarial cost recognized in the income statement is the sum of the service cost for the current year, interest costs, the expected return on plan assets, past service costs and the related actuarial gains and losses.

Contributions to defined contribution plans are recognized in the income statement when the contribution is made.

Under the applicable collective labor agreement and based on voluntary agreements reached with employees, Azucarera Ebro, S.L., Ebro Puleva, S.A., Puleva Food, S.L. and CATESA, are obliged to pay various types of annual supplements and bonuses for length of service to certain employees. Where applicable, they are also required to pay retirement bonuses to permanent employees who retire early or at the legal retirement age.

The recorded provision represents the current value, based on actuarial studies conducted primarily by independent actuaries, of the future payment commitments of these companies with both retired and current employees.

In accordance with prevailing legislation, this provision has been externalized (see Note 20). From 2002, these companies are required to make any annual contributions to the externalized retirement funds necessary to adjust the potential commitments accrued at the end of each year. These adjustments do not have a significant impact on consolidated results.

Under the applicable collective labor agreement and based on voluntary agreements reached with its employees, the Riviana Group is obliged to pay various types of annual supplements and bonuses for length of service to certain employees. Where applicable, it is also required to pay retirement bonuses to its permanent employees who retire early or at the legal retirement age. The recorded provision represents the current value, based on actuarial studies conducted primarily by independent actuaries, of the future payment commitments with both retired and current employees, less the present value of the financial assets in which the funds are invested. Actuarial gains and losses are recognized in full in the income statement. These funds are independently managed by a Management Committee made up of employees, managers and third parties.

In addition, in accordance with their respective collective labor agreements, some Riviana Foods Inc. subsidiaries pay their employees periodic bonuses based on years of service. This provision is calculated based on the present value of the commitments.

Some Group companies grant certain employees retirement bonuses voluntarily of an unspecified amount. The amount of these is insignificant and is recognized as an expense when payment is made. Other Group companies either do not have similar obligations or the amount is insignificant.

O) OTHER PROVISIONS

Other provisions are recognized when the Group has a present obligation (either legal or contractual) as a result of a past event, if it is probable that an outflow of cash will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group records provisions at the end of the year (at present value) to meet the estimated amounts of probable or certain liabilities arising from ongoing litigation or outstanding obligations.

Restructuring provisions are only recognized when a detailed formal plan is adopted for this purpose (e.g. identifying the operations involved, the locations affected, the function and number of employees to be compensated upon termination, the payments required and the date the plan will take effect) and when it is reasonably assured that the restructuring will be carried out (e.g. the plan has commenced or its main features have been announced).

In this respect, at December 31, 2005 the potential Sugar CMO restructuring (see Note 28) does not meet the criteria in the preceding paragraph. Therefore, no provision was made.

P) FINANCIAL LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings maturing in less than 12 months from the balance sheet date are classified as current liabilities, while those with longer maturity periods are classified as non-current liabilities.

All loans and borrowing are recognized at the original consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost. Interest on the loans and borrowings and the related costs are taken to the income statement based on financial criteria.

Q) INCOME TAXES

Income tax expense is recognized in the consolidated income statement except when the tax is directly related to equity, in which case the tax is recognized accordingly in this caption. Deferred income tax is determined using the liability method. According to this method, deferred income tax assets and liabilities are measured based on the temporary differences between the tax bases of assets and liabilities and their carrying amounts at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities relating to changes in equity are taken directly to equity. Deferred tax assets and liabilities are recognized only to the extent that it is probable that they will arise and adjusted subsequently if it is not probable that sufficient profits will be available.

R) FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its risks associated with interest rate and foreign currency fluctuation. Such derivatives, whether classified as hedges or not, are initially recognized at fair value. Fair value is considered to be market value for listed instruments or determined using option pricing models or discounted cash flow analysis for unlisted instruments. For the purposes of hedge accounting, the following criteria have been used:

- * Cash flow hedges: The effective portion of the net gains or losses arising from the remeasurement to fair value directly in retained earnings (equity) until the transaction is entered into or expected to take place, at which time it is transferred to the income statement. The ineffective portion is recognized directly in profit or loss.
- * Hedges of a net investment in foreign operations: Net gains or losses relating to the effective portion following the remeasurement to fair value are recognized directly in "Translation differences." The ineffective portion is recognized directly in profit or loss.
- * Measurement of financial instruments not designated as hedges or that do not meet the criteria for hedge accounting: Gains or losses relating to the remeasurement to fair value are recognized directly in profit or loss.

S) RECOGNITION OF REVENUES

Income and expenses are recorded following the accruals principle.

Ordinary revenue is recognized in the year when the gross economic benefits related to the Group's ordinary activities flow to the Group, provided that any increase in equity is not related to the contributions by owners of this equity and the benefits can be measured reliably. Ordinary revenue is recognized at the fair value of the consideration received or receivable.

Revenue from the rendering of services is only recognized when it can be measured reliably and in accordance with the stage of completion of the service at the balance sheet date.

The Group does not include in ordinary revenues the gross economic benefits received by the Group when it acts as third-party agent or commission agent. In these cases, it only recognizes the ordinary revenue related to its business.

Exchange of good or services for others of a similar nature and value are not regarded as a transaction that generates revenues.

The Group recognizes the net amount of purchase or sale contracts of non-financial assets settled in cash or another financial instruments. Contracts entered into or held with the aim of receiving or delivering these non-financial instruments are recognized in accordance with the terms of the purchase or sale contracts, or requirements of expected usage by the company.

Interest income is recognized on a time proportion basis of the outstanding principal and taking into account the effective yield.

T) ENVIRONMENTAL ISSUES

Environmental expenses are those incurred in connection with environmental activities carried out, or which should be carried out, to manage the environmental effects of the Group's operations, as well as those relating to environmental commitments.

Assets incorporated in the Group's equity in the long term for the primary purpose of minimizing the environmental impact of the Group's activities or protecting or improving the environment, including the reduction or elimination of future contamination caused by the Group's operations, are recorded as investments. For accounting purposes, these assets are recorded using the same criteria applied to property, plant and equipment.

4. SUBSIDIARIES AND ASSOCIATES

Ebro Puleva, S.A.'s direct or indirect investments in Group subsidiaries and associates are the following:

| Subsidiaries and associates | % Shareholding | | Parent Company | Registered address | Activity |
|--|----------------|----------|----------------|-----------------------|---|
| | 12/31/05 | 12/31/04 | | | |
| Azucarera Ebro S.L. (Group) (AE) | 100,00% | 100,00% | EP | Madrid (Spain) | Production and sale of sugar |
| Balmes 103 Gestión de Patrim., S.L. | 100,00% | 100,00% | EP | Madrid (Spain) | Real estate |
| Fincas e Inversiones Ebro, S.A. | 100,00% | 100,00% | EP | Madrid (Spain) | Crop farming |
| S.C.I. Bidassoa (A) | 100,00% | 100,00% | EP | ST. Jean (France) | Being liquidated |
| Cía. Agrícola de Tenerife, S.A. (CATESA) | 99,90% | 99,90% | EP | Tenerife (Spain) | Banana growing and canned vegetables |
| Puleva Food, S.L. (Group) (PF) | 100,00% | 100,00% | EP | Granada (Spain) | Production and sale of dairy products |
| Lactimilk, S.A. (Group) (LACT) | 100,00% | 100,00% | EP | La Coruña (Spain) | Production and sale of dairy products |
| Puleva Biotech, S.A. (C) | 77,23% | 74,98% | EP | Granada (Spain) | Development and marketing of new products |
| Jiloca Industrial, S.A. | 60,00% | 60,00% | EP | Teruel (Spain) | Production of organic fertilizer |
| Biocarbantes de C. y León, S.A. (B) | 50,00% | 50,00% | EP | Seville (Spain) | Production bioethanol |
| Beira Terrace Ltda. | 100,00% | 100,00% | EP | Porto (Portugal) | Real estate |
| Riviana Foods Inc (Group) (Riviana) | 100,00% | 100,00% | EP | Houston, Texas (USA) | Production and sale of rice |
| Panzani, SAS (Group) (Panzani) | 100,00% | n/a | EP | Lyon (France) | Production and sale of pasta and sauces |
| Lince Insurance Ltd. (D) | 100,00% | 100,00% | EP | Dublin (Ireland) | Insurance |
| Agroteo, S.A. | 73,00% | 73,00% | AE | Benavente (Spain) | Services for farmers |
| Azucarera Energías, S.L. | 60,00% | 60,00% | AE | Madrid (Spain) | Electricity cogeneration |
| Unión Azucarera, A.I.E. | 98,90% | 98,90% | AE | Madrid (Spain) | Joint venture |
| Compañía de Melazas, S.A. (B) | 50,00% | 50,00% | AE | Madrid (Spain) | Sale of molasses |
| Sucran France, SAS | 100,00% | n/a | AE | Lyon (France) | Sale of sugar |
| Malta Carrión, S.A. | 8,00% | 30,00% | AE | Madrid (Spain) | Production of malt |
| Ses Ibérica, S.A. (B) | n/a | 50,00% | AE | Madrid (Spain) | Being liquidated |
| Puleva Networks, S.A. | 100,00% | 100,00% | PF | Granada (Spain) | IT development and services |
| Puleva Salud, S.A. | 88,30% | 88,30% | PF | Granada (Spain) | Internet |
| Grelva, S.L. | 100,00% | 100,00% | PF | Granada (Spain) | Electricity cogeneration |
| Yofres, S.A. | 100,00% | 100,00% | PF | Granada (Spain) | Sale of fermented dairy products |
| Miguel Sancho Puleva, S.A. | 100,00% | 100,00% | PF | Granada (Spain) | Idle |
| Edda, S.A. | 100,00% | 100,00% | PF | Granada (Spain) | Idle |
| Uniasa, S.A. | 100,00% | 100,00% | PF | Granada (Spain) | Idle |
| Formalac, S.L. | 100,00% | 100,00% | PF | Granada (Spain) | Idle |
| Nutrilac, S.L. | 100,00% | 100,00% | PF | Granada (Spain) | Idle |
| Fundación Puleva | 100,00% | 100,00% | PF | Granada (Spain) | Foundation |
| JJ. Software de Medicina, S.A. (B) | 26,80% | 37,00% | PF | Madrid (Spain) | Sale of software |
| Castillo Castelló, S.A. | 80,00% | 80,00% | LACT | Lleida (Spain) | Sale of dairy products |
| Eurodairy, S.L. | 100,00% | 100,00% | LACT | Barcelona (Spain) | Sale of dairy products |
| Innovalact El Castillo, S.A. | 100,00% | 100,00% | LACT | Lleida (Spain) | Sale of dairy products |
| El Castillo Madibic, S.L. | 50,00% | 50,00% | LACT | Barcelona (Spain) | Sale and production of dairy products |
| Leyma Alimentación, S.A. | 100,00% | n/a | LACT | Coruña (Spain) | Sale of dairy products |
| Catesa Foods, S.L. (CF) (*) | 100,00% | n/a | CATESA | Tenerife (Spain) | Plant and banana growing |
| SAT Tejinaste (B) (*) | 32,80% | 32,80% | CF | Tenerife (Spain) | Sale of farming products |
| Interjardin, S.L. (B) (*) | 40,00% | 40,00% | CF | Tenerife (Spain) | Landscaping |
| Herba Foods S.L. (HF) | 100,00% | 100,00% | EP | Madrid (Spain) | Investment management |
| Herba Ricemills S.L. (HR) | 100,00% | 100,00% | EP | Madrid (Spain) | Production and sale of rice |
| Herba Nutrición S.L. (HN) | 100,00% | 100,00% | EP | Madrid (Spain) | Production and sale of rice |
| Fallera Nutrición, S. L. | 100,00% | 100,00% | HN | Valencia (Spain) | Production and sale of rice |
| S&B Herba Foods Ltd. (Group) | 100,00% | 100,00% | HF / R. Int. | London (UK) | Production and sale of rice |
| Rizerie Franco Americaine et Col., S .A. | 100,00% | 100,00% | EP | Paris (France) | Production and sale of rice |
| Herba Germany, GmbH | 100,00% | 100,00% | HF | Hamburg (Germany) | Patent holder |
| Riceland Magyarorszag | 100,00% | 100,00% | HF /EP | Budapest (Hungary) | Production and sale of rice |
| Danrice A.S. | 100,00% | 100,00% | HF | Orbaek (Denmark) | Production and sale of rice |
| Boost Nutrition C. V. (Boost) | 100,00% | 100,00% | HF / N.C. | Merksem (Belgium) | Production and sale of rice |
| Euryza | 100,00% | 100,00% | Boost | Germany | Production and sale of rice |
| Mundi Riso S.R.L. | 100,00% | 100,00% | HF | Vercelli (Italy) | Production and sale of rice |
| Herba Hellas, S.A. | 75,00% | 75,00% | HF | Thessalonica (Greece) | Production and sale of rice |
| Mundi Riz, S.A. | 100,00% | 100,00% | HF | Larache (Morocco) | Production and sale of rice |
| Arrozeiras Mundiarroz, S.A. | 100,00% | 100,00% | HF | Lisbon (Portugal) | Production and sale of rice |

| Subsidiaries and associates | % Shareholding | | Parent Company | Registered address | Activity |
|--------------------------------------|----------------|----------|----------------|--------------------|---|
| | 12/31/05 | 12/31/04 | | | |
| Josep Heap Properties, Ltd. | 100,0% | 100,0% | HF | Liverpool (UK) | Investment management and administration |
| Risella OY | 100,0% | 100,0% | HF | Helsinki (Finland) | Sale of rice |
| Bosto Poland, S.L. | 100,0% | n/a | HF | Warsaw (Poland) | Sale of rice |
| Nuratri, S.L. | 100,0% | 100,0% | HR | Granada (Spain) | Idle |
| Nutramas, S.L. | 100,0% | 100,0% | HR | Granada (Spain) | Idle |
| Nutrial, S.L. | 100,0% | 100,0% | HR | Granada (Spain) | Idle |
| Pronatur, S.L. | 100,0% | 100,0% | HR | Granada (Spain) | Idle |
| Vitasan, S.L. | 100,0% | 100,0% | HR | Granada (Spain) | Idle |
| Herto, N.V. | 66,7% | 66,7% | HF / N.C. | Idegem (Belgium) | Production and sale of rice |
| Riviana International Inc. (R. Int.) | 100,0% | 100,0% | Riviana | USA | Investment management |
| Riviana Puerto Rico | 100,0% | 100,0% | R. Int. | Puerto Rico | Sale of rice |
| Alimentos Kern, S. A. (Kern) | 100,0% | 100,0% | R. Int. | Guatemala | Production and sale of food |
| Pozuelo S. A. (Poz) | 92,8% | 92,8% | R. Int. | Costa Rica | Production and sale of food |
| Riviana de Centro America, S.A. | 92,8% | 92,8% | Poz / Kern | El Salvador | Sale of food |
| Distribuidora Tropical, S. A. | 88,2% | 88,2% | Poz | Nicaragua | Sale of food |
| Riviana de Panama S. A. | 92,8% | 92,8% | Poz / Kern | Panama | Sale of food |
| Riveland, Inc (B) | 50,0% | 50,0% | Riviana | USA | Electricity cogeneration |
| South LaFourche, Inc (B) | 50,0% | 50,0% | Riviana | USA | Electricity cogeneration |
| Jonesboro Gasifier, Inc | 100,0% | 100,0% | Riviana | USA | Electricity cogeneration |
| Jonesboro Power Island, Inc | 49,0% | 49,0% | Riviana | USA | Electricity cogeneration |
| Stuttgart Power Island, Inc | 51,0% | 51,0% | Riviana | USA | Electricity cogeneration |
| N&C Boost N. V. (N.C. Boost) | 100,0% | 100,0% | R. Int. | Belgium | Investment management |
| Mahatma Foods Ltd Australia | 100,0% | 100,0% | Riviana | Australia | Idle |
| Lastarmco Inc. (Louisiana) | 100,0% | 100,0% | Riviana | Louisiana (USA) | Idle |
| River Brand Rice Mills Inc. (Texas) | 100,0% | 100,0% | Riviana | Texas (USA) | Idle |
| Arkansas State Rice Milling Co | 100,0% | 100,0% | Riviana | Delaware (USA) | Idle |
| Louisiana State Rice Milling Co | 100,0% | 100,0% | Riviana | Delaware (USA) | Idle |
| Lustucru Riz | 99,8% | n/a | Panzani | Lyon (France) | Being liquidated |
| Lustucru Fraix | 99,8% | n/a | Panzani | Lyon (France) | Production and sale of fresh pasta |
| Ferico | 99,9% | n/a | Panzani | Lyon (France) | Production and sale of other pasta |
| Grands Moulins Maurel | 99,8% | n/a | Panzani | Lyon (France) | Production and sale of flour and semolina |
| Silo de la Madraque | 100,0% | n/a | Panzani | Lyon (France) | Production and sale of flour and semolina |
| Via Gio (A) | 99,8% | n/a | Panzani | Lyon (France) | Idle and being liquidated |
| Bastille (A) | 100,0% | n/a | Panzani | Lyon (France) | Idle and being liquidated |
| Siepa (A) | 98,1 % | n/a | Panzani | Lyon (France) | Idle and being liquidated |
| Sociadore (A) | 100,0% | n/a | Panzani | Lyon (France) | Farming |
| Alp' imprim (A) | 100,0% | n/a | Panzani | Lyon (France) | Printing |

(A) Companies not consolidated because they are in the process of being liquidated and/or are idle or make a negligible contribution to the Group (insignificant aggregate weight on the consolidated Group)

(B) Companies consolidated using the equity method.

(C) The directors of the parent company consider Ebro Puleva, S.A.'s 77.23% direct control (vs. 74.98% in 2004, after the cancellation of treasury shares in 2005) over Puleva Biotech, S.A. as treasury shares. Therefore, the full consolidation method has been applied to Puleva Biotech, S.A. The percentage shareholding deriving from the treasury shares acquired by Puleva Biotech, S.A., which at December 31, 2005 amounted to 3.40% of share capital, is considered a financial asset held for trading. Therefore, it is included in consolidated assets and measured in accordance with its classification (see Note 12).

(D) Although a subsidiary, consolidated under the equity method. Full consolidation would not have a significant impact.

(*) Companies sold in January 2006 (see Note 7)

Puleva Biotech, S.A. is the only listed subsidiary or associate. Its shares trade on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. 100% of its share capital is admitted to trading. The shares began trading on December 17, 2001. The average share price for the last quarter of 2005 (2004) and the price at December 31, 2005 (2004) were 2.46 and 2.36 (2.61 and 2.63) euros, respectively.

5. CORPORATE TRANSACTIONS PERFORMED DURING THE YEAR 2004 AND 2005 AND THEIR EFFECT ON THE BASIS FOR COMPARISON:

5.1 INTERNAL TRANSACTIONS IN 2004

a) **Dissolution of Nomen Alimentación, S.L. (sole partner company) with transfer of assets and liabilities to Herba Nutrición, S.L.**

On November 1, 2004, the sole partner of Nomen Alimentación, S.L. (sole partner company), Herba Nutrición, S.L. (sole partner company), agreed to dissolve Nomen Alimentación, S.L. (sole partner company), transferring all of its assets and liabilities to its sole partner. The transfer of assets and liabilities was approved by the Board of Directors of Herba Nutrición, S.L. (sole partner company), a wholly owned subsidiary of Ebro Puleva, S.A., in the meeting held on November 2, 2004.

This transaction is subject to the tax regime established in Chapter VIII, Title VII of Legislative Royal Decree 4/2004, dated March 5, which approves the revised text of the Corporation Tax Law. The process did not include the revaluation of assets. The dissolution of the abovementioned company was recorded in the Mercantile Register on December 31, 2004, the date on which the dissolution is considered effective for accounting and tax purposes.

Given that Nomen Alimentación, S.L. (sole partner company) was already consolidated using the full consolidation method in the previous year, this corporate transaction does not affect the comparability of the consolidated annual accounts of both years.

b) **Sale of shares or participation units between Group companies**

* Effective January 1, 2004, Puleva Food, S.L. sold its 100% share in Lactimilk, S.A. (100% of share capital) to Ebro Puleva S.A. Consequently, Lactimilk, S.A. is now wholly owned by Ebro Puleva, S.A.

* Also effective January 1, 2004, Puleva Food, S.L. sold its 80% share of Castillo Castelló, S.A., as well as the 100% share that this company owned in Eurodairy, S.L. to Lactimilk S.A. As a result of this transaction, the 80%-owned Castillo Castelló, S.A. and the 100%-owned Eurodairy, S.L. are now subsidiaries of Lactimilk, S.A.

Given that these subsidiaries were already consolidated using the full consolidation method in the previous year, this corporate transaction does not affect the comparability of the consolidated annual accounts of both years.

5.2 2005 INTERNAL TRANSACTIONS

a) Non-monetary contribution of foreign investments of the rice activity:

On March 31, 2005, Ebro Puleva S.A.'s Board of Directors approved the non-monetary contribution of shares of some of the foreign companies of the rice activity to the wholly owned subsidiary, Herba Foods, S.L.

The transaction was carried out under the fiscal neutrality regime in accordance with the provisions of Chapter VIII, Title VII of Legislative Royal Decree 4/2004 of March 5 which approves the revised text of the Corporation Tax Law. No assets were revalued and there was no tax effect.

The total amount of shares of Group companies and associates corresponding to investments of Ebro Puleva, S.A. contributed to Herba Foods, S.L. was 24,964 thousand euros, which is equal to the amount of the capital increase (6,000 thousand euros in issued capital and 18,964 thousand euros in share premium) carried out by Herba Foods, S.L. The shares of this capital increase were fully subscribed and recorded by Ebro Puleva, S.A. The detail of shares contributed to Herba Foods, S.L. and the corresponding percentage of ownership was the following (in thousands of euros):

| Company | Location | % ownership |
|-------------------------|--------------------|-------------|
| S&B Herba Foods Ltd. | London (UK) | 51% |
| Danrice, A/s | Orbaek (Denmark) | 100% |
| Riceland-Magyarors. Kft | Budapest (Hungary) | 76.7% |

Given that these subsidiaries were already consolidated using the full consolidation method, this corporate transaction does not affect the comparability of the consolidated annual accounts of both years.

b) Segregation of the plant activity in Tenerife (Spain)

On July 29, 2005, the Board of Directors of La Compañía Agrícola de Tenerife, S.A. (a 100%-owned subsidiary of Ebro Puleva, S.A.) approved the contribution of the Tenerife activity to Catesa Foods, S.L. (newly created sole shareholder company and wholly owned subsidiary of Compañía Agrícola de Tenerife, S.A.), thus creating an autonomous economic unit effective August 1, 2005.

The transaction was carried out under the fiscal neutrality regime in accordance with the provisions of Chapter VIII, Title VIII of Corporation Tax Law 43/1995 of December 27. No assets were revalued.

In November 2005, a preliminary agreement was signed for the sale of 100% of Catesa Foods, S.L. to a company outside the Group, which took place in January 2006. At December 31, 2005, the investment in Catesa Foods, S.L. was included in non-current assets held for sale (Note 7).

5.3 EXTERNAL CORPORATE TRANSACTIONS CARRIED OUT IN 2004 AND 2005 WHICH AFFECT THE BASIS OF COMPARISON – CHANGES IN THE CONSOLIDATION SCOPE:

In 2004, in addition to the changes described in 5.1 above, changes were made to the consolidation scope, the most significant of which were the following:

| COMPANIES ADDED 2004 TO THE CONSOLIDATION SCOPE: | | | |
|--|----------------|-----------|--|
| Company affected | Subgroup | % | Comments |
| Riviana Foods Inc. (USA) (Group) | Rice-USA | 100.0 (a) | Acquired by Ebro Puleva |
| S&B Herba Foods Ltd. (UK) | Rice | 100.0 (a) | Acquired by Ebro Puleva |
| Boost Distribution C.V. (Belgium) | Rice | 49.0 (a) | Acquired by Ebro Puleva |
| Herto, N.V. (Belgium) | Rice | 33.3 (a) | Acquired by Ebro Puleva |
| Vogan & Company Ltd. (UK) | Rice | 100.0 | Acquired by S&B Herba Foods |
| Risella OY (Finland) | Rice | 100.0 | Newly-formed company |
| Puleva Biotech, S.A. | Parent company | 4.98 | New acquisitions and trading portfolio transfers |
| Innovalact El Castillo, S.A. | Láctimilk | 100.0 | Newly-formed company |
| Lince Insurance Ltd. (Ireland) | Parent company | 100.0 | Newly-formed company |
| COMPANIES REMOVED 2004 FROM CONSOLIDATION SCOPE: | | | |
| Company affected | Subgroup | % | Comments |
| Josep Heap & Sons | Rice | 49,0 (a) | Sale of share through its acquisition by S&B Herba Foods |
| Inversiones Greenfields Ltd. (Group) | Parent company | 49,0 | Sale of share |

(a) At the end of March 2004, 100% of the Group's shares in Josep Heap & Sons were exchanged for 51% of S&B Herba Foods Ltd. (through the acquisition, as a wholly owned subsidiary, of the latter by the former) and therefore the Ebro Puleva group indirectly owns 51% of Josep Heap & Sons. In addition, effective September 1, 2004, the parent company acquired Riviana Foods Inc. (USA), which owned the remaining 49% of S&B Herba Foods Ltda. Consequently, at year end 2004, the Puleva Group also directly and indirectly owned 100% of this company. Riviana Foods Inc. also owns the remaining 49% of Boost Distribution C. V. (Belgium) and 33% of Herto, N.V. (Belgium). As a result of the acquisition of Riviana Foods Inc., the Ebro Puleva Group has increased its share in Boost Distribution C. V. (Belgium) to 100% and its share in Herto, N.V. (Belgium) to 66%.

Summary on companies added to the consolidation scope in 2004

With regard to the comparability of financial years, the preceding detail reveals that in 2004 the Ebro Puleva Group added 100% of the Riviana Group (as of September 1), 100% of S&B Herba Foods (as of April 1), 100% of Vogan & Company (as of May 1) and 33% of Herto, N.V. (as of September 1) to its consolidation scope. The increase in ownership of Boost Distribution C. V. (Belgium) from 51% to 100% does not affect comparability, since this company was consolidated using the equity method.

All of the companies added to the consolidation were consolidated using the full consolidation method. Herto, N.V. (Belgium) was consolidated using the equity method up to September 1, 2004, the date on which it was consolidated using the full consolidation method, since the Group's percentage of ownership in this company increased from 33% to 66% following the acquisition of the Riviana Group (explained above).

Summary on companies removed from the consolidation scope in 2004

The most significant company removed from the consolidation scope in 2004 was Inversiones Greenfields Ltd. (Group), which owns 51% of Sociedad Chilena Campos Chilenos, S.A. In turn, this company owns 45.13% of IANSA. At the end of November 2004, Ebro Puleva, S.A. sold its 49% share in Inversiones Greenfields Ltd., bringing its current share to 51%. Prior to the sale of the aforementioned 49%, Ebro Puleva, S.A.

indirectly owned 23% of its share in IANSA; however, this company had been consolidated using the full consolidation method since Ebro Puleva, S.A. had majority control. Nevertheless, the sale of its 49% share in Inversiones Greenfields Ltd. means that Ebro Puleva, S.A. no longer controls the majority of IANSA Group companies and therefore, practically the only asset of Inversiones Greenfields (the equity investment in IANSA through the share in Campos Chilenos) cannot be consolidated by the full consolidation at year end 2004.

In addition, the remaining 51% share held in Inversiones Greenfields Ltd. at December 31, 2004 that was recorded in assets on the consolidated balance sheet under "Investments available for sale" at market value was sold in November 2005.

Consequently, for purposes of comparison, it should be borne in mind that the 2004 income statement includes 11 months of activity of the Greenfields Group which have been restated as "results from discontinued operations" (Note 7).

The following detail shows the effects of the most significant companies added to the consolidation scope in 2004:

| | Total | Date of inclusion | | | |
|---|----------------|-------------------|---------------|---------------|---------------|
| | | 09/01/2004 | 04/01/2004 | 05/01/2004 | 09/01/2004 |
| | | 100% Riviana | 51% SB | 100% Vogan | (a) Herto |
| Thousands of euros | Total | | | | |
| Intangible assets | 41,094 | 41,072 | 0 | 0 | 22 |
| Property, plant and equipment | 141,001 | 117,899 | 1,609 | 5,664 | 15,829 |
| Investments in associates | 21,575 | 21,575 | 0 | 0 | |
| Financial assets | 915 | 913 | 2 | 0 | |
| Goodwill 131,409 | 129,287 | 725 | 1,397 | | |
| Deferred tax assets | 9,388 | 8,354 | 1,034 | 0 | |
| Other non-current assets | 0 | 0 | 0 | 0 | |
| Inventories | 57,022 | 50,759 | 2,496 | 1,753 | 2,014 |
| Other current assets | 64,233 | 46,522 | 11,468 | 3,258 | 2,985 |
| Total assets | 466,637 | 416,381 | 17,334 | 12,072 | 20,850 |
| Equity | 324,985 | 309,297 | 4,221 | 7,539 | 3,928 |
| Equity attributable to minority interests | 8,717 | 6,420 | 2,297 | 0 | |
| Provisions for pensions and other post-employment benefits | 7,408 | 3,457 | 3,951 | 0 | |
| Non-current financial liabilities | 9,682 | 33 | 0 | 2,649 | 7,000 |
| Other non-current liabilities | 14 | | 0 | 0 | 14 |
| Deferred tax liabilities | 39,639 | 38,019 | (11) | 364 | 1,297 |
| Current financial liabilities | 24,126 | 18,532 | 0 | 0 | 5,594 |
| Trade payables | 36,136 | 26,859 | 5,866 | 1,292 | 2,119 |
| Other current liabilities | 15,930 | 13,764 | 1,010 | 228 | 928 |
| Total equity and liabilities | 466,667 | 416,381 | 17,334 | 12,072 | 20,880 |
| Carrying amount of net assets acquired | 152,758 | 145,351 | 3,621 | 3,786 | |
| Difference between carrying amount of net assets and their fair value | 44,767 | 42,536 | (125) | 2,356 | (a) |
| Goodwill | 123,532 | 121,410 | 725 | 1,397 | |
| Total investment | 321,057 | 309,297 | 4,221 | 7,539 | |
| Financed with financial liabilities | 316,836 | | | | |
| Financed with shares of Josep Heap Ltda. | 4,221 | | | | |
| Total investment | 321,057 | | | | |
| Net cash acquired from the subsidiary | 14,779 | 10,732 | 3,814 | 233 | |
| Revenues (*) | 182,792 | 118,786 | 38,773 | 18,282 | 6,951 |
| Profit (loss) contributed (*) | 11,058 | 10,039 | 336 | 630 | 53 |

(*) From the date of inclusion in the Group

(a) Does not entail an acquisition, but rather the effects of the change from the equity to the full consolidation method following the acquisition of the Riviana Group (see previous page).

In 2005, there were other changes in the consolidation scope aside from those mentioned in point 5.2 above, such as the acquisition effective May 1, 2005 of 100% of French group Panzani SAS, the inclusions of Bosto Poland (Poland) and Leyma Alimentación, S.A. and the liquidation of SES Ibérica, S.A.

The effects of the acquisition and inclusion in the consolidation scope of the Panzani Group in 2005 are the following:

| THOUSANDS OF EUROS | |
|--|----------------|
| | 05/01/2005 |
| | 100% Panzani |
| Intangible assets | 84,908 |
| Property, plant and equipment | 161,49 |
| Investments in associates | 5,843 |
| Financial assets | 5,553 |
| Goodwill | 417,449 |
| Deferred tax assets | 15,423 |
| Other non-current assets | 0 |
| Inventories | 31,429 |
| Other current assets | 161,140 |
| Total assets | 883,238 |
| Equity | 341,675 |
| Equity attributable to minority interests | 261 |
| Provisions for pensions and other post-employment benefits | 11,086 |
| Other provisions | 27,536 |
| Non-current financial liabilities | 156,524 |
| Other non-current liabilities | 57 |
| Deferred tax liabilities | 55,884 |
| Current financial liabilities | 148,611 |
| Trade payables | 109,112 |
| Other current liabilities | 32,492 |
| Total equity and liabilities | 883,238 |
| Carrying amount of net assets acquired | 47,495 |
| Difference between carrying amount and fair value of net assets acquired | 73,804 |
| Goodwill | 220,376 |
| Total investment | 341,675 |
| Financed with financial liabilities | 341,675 |
| Total investment | 341,675 |
| Net cash acquired from the subsidiary | 2,896 |
| Revenues (*) | 320,776 |
| Profit (loss) contributed (*) | 19,798 |

(*) From the date of inclusion in the Group

6. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately

according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Ebro Puleva Group is divided into the following business lines and/or activities:

- * Sugar business
- * Rice business - Herba
- * America rice and food business - Riviana
- * Dairy business
- * Pasta business-Panzani (France)
- * Other business lines and/or activities

These business lines and/or activities provide the basis for the Group's segment reporting. The financial information pertaining to segments is shown in the detail at the end of Note 6.

Sugar business:

This unit encompasses all of the Group's businesses directly linked to the sugar activity (e.g. production and marketing of sugar, alcohol and byproducts). We are the largest producer of white and brown cane sugar in Spain and the sixth largest in Europe.

Through Azucarera Ebro, we are the leading sugar manufacturer in Spain, with a market share of over 60% of sugar produced and sold for both household and industrial use.

In addition to sugar, we also produce alcohol, for which we have two distilleries.

Rice business – Herba:

This unit is specialized in activities pertaining to the rice business. We are the top ranked rice producer in Europe and one of the leading rice groups worldwide. Through our modern production facilities and sales networks, we do business in more than 60 countries.

Our trademark portfolio includes the most successful and widely recognized brand names on the market, making us a rice Group with a multi-brand strategy.

In addition, we are the largest supplier of rice for Europe's leading food companies:

- * Beverages
- * Industrial rice
- * Baby foods: cereals, formula, etc.
- * Pre-cooked foods: non-refrigerated, dehydrated and frozen food products
- * Animal feed

Through the Herba Group, we are the leading producers of rice for both direct and industrial consumption in Spain (Herba Nutrición) and part of Europe (Herba Foods).

America rice and food business - Riviana

This unit is specialized in activities pertaining to the rice business in the US through Riviana Inc., the US' largest rice company, which also produces and sells fruit juices and cookies in Central America.

Riviana is the leading seller of rice in 19 of the US' 20 largest consumer markets. Through its robust distribution network, the company markets its products under several brands, including "Mahatma," the top selling brand of the last 10 years.

Riviana is also one of the main processors, sellers and distributors of cookies, crackers, fruit juices and vegetables in seven countries of Central America through its Riviana Pozuelo and Alimentos Kern subsidiaries.

Dairy business:

This unit is devoted to the dairy product business. We are one of Spain's leading producers of milk as well as other dairy products, including milk drinks, cream, butter and yogurt.

Puleva's strategy is based on three pillars: R&D, as a differentiating factor in technology; positioning in the functional food market; and the promotion of brand awareness by linking Puleva to quality, health and well-being. Through Puleva Food, we are the undisputed market leaders in milk products with added nutrients and we have increased our market share in milk drinks.

Pasta business-Panzani (France):

This unit is specialized in pasta and sauces. French Group Panzani is the leader in France in pastas, rice, semolina and sauces.

It is the national leader in rice, through two brands: Lustucru, for conventional rice, and Taureau Ailé, for exotic rice.

In sauces for pasta, Panzani has steadily increased its market share since 1997, growing faster than the rest of the industry. The fresh sauce and fresh pasta product lines combine to make a high add-value offer to consumers.

In semolina, Panzani is the country's number two player through its Regia and Ferrero brands.

Other business lines and/or activities:

The other main business lines and/or activities are:

Puleva Biotech:

This unit is devoted to biotechnology, i.e. the development and sale of new products based on natural substances having positive effects on consumer health. These products can improve the quality of life for the general population by reducing the incidence of certain illnesses.

R&D projects are thus pillars for creating value. The ultimate aim of our R&D projects is to make us the number one producer of natural products for the functional and pharmaceutical food market.

Property Management (GDP):

This unit specializes in managing the Group's real estate assets not used in industrial operations (i.e. investment properties). It controls all of the Group's investment properties, analyzing their current status and reducing costs, disposing of buildings not used for industrial activities and taking the necessary managerial measures to ensure that buildings are in profitable condition prior to sale.

Criteria for distribution among business segments and/or activities

The restructuring and reorganization processes carried out by the Group in recent years have enabled us to streamline each of the principal business lines, facilitating management and decision-making, and improving financial control. Consequently, consolidated revenues, expenses, assets and liabilities are distributed among business segments based on the segments to which they actually correspond. It has not been necessary to establish criteria for distributing inter-segment revenues and expenses or assets and liabilities.

In this regard, although the structure of property, plant and equipment and fixed non-financial liabilities, and current assets and liabilities corresponds to the individual needs of each business or activity, it should be pointed out that the financial structure of the accompanying balance sheets by segments were prepared using internal financial management criteria based on Group criteria.

Inter-segment transactions

Although inter-segment transactions are not significant in terms of the total consolidated figures, transactions between the various business units have been included to determine each unit's revenues, expenses and results. These transactions are recognized at market prices applied to similar merchandise invoiced to the Group's external clients and have been eliminated on consolidation.

6.1. GEOGRAPHICAL SEGMENTS

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers by geographical segments are based on the location of the customer. The above descriptions of each of the Group's business segments have already partly indicated the geographical locations in which each segment operates.

The summary of the Group's businesses and/or activities by geographical areas is the following.

- * Spain – the sugar, dairy and rice business of Herba
- * Rest of Europe – primarily the rice businesses of Herba, Panzani and Riviana.
- * America – Riviana's business
- * RoW– primarily the rice business of Herba plus part of sugar exports

The distribution of assets and revenues by geographical area is shown in the following table (no indication is given of the origin of production):

| 2005-Geographical area | Spain | Rest of Europe | America | RoW | Total |
|-------------------------------|------------------|------------------|----------------|---------------|------------------|
| Segment revenues | 1,284,698 | 757,287 | 335,723 | 33,076 | 2,410,784 |
| Inter-segment sales | | | | | (50,918) |
| Total revenues | 1,284,698 | 757,287 | 335,723 | 33,076 | 2,359,866 |
| Intangible assets | 12,882 | 110,147 | 41,409 | 0 | 164,438 |
| Property, plant and equipment | 614,893 | 219,288 | 122,701 | 4,856 | 961,738 |
| Other assets | 881,181 | 697,625 | 276,421 | 7,500 | 1,862,727 |
| Total assets | 1,508,956 | 1,027,060 | 440,531 | 12,356 | 2,988,903 |

| 2004-Geographical area | Spain | Rest of Europe | America | RoW | Total |
|-------------------------------|------------------|----------------|----------------|---------------|------------------|
| Segment revenues | 1,342,183 | 349,451 | 118,785 | 59,571 | 1,869,990 |
| Inter-segment sales | | | | | (25,380) |
| Total revenues | 1,342,183 | 349,451 | 118,785 | 59,571 | 1,844,610 |
| Intangible assets | 18,935 | 24,022 | 36,483 | 1 | 79,441 |
| Property, plant and equipment | 648,241 | 52,031 | 106,785 | 4,680 | 811,737 |
| Other assets | 970,064 | 70,684 | 227,612 | 7,706 | 1,276,066 |
| Total assets | 1,637,240 | 146,737 | 370,880 | 12,387 | 2,167,244 |

6.2. BUSINESS SEGMENTS

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended December 31, 2005 and 2004:

| Ebro Puleva Group (Thousands of euros) | BUSINESS SEGMENT | | | | | |
|--|--------------------|------------------|----------------|----------------|----------------|----------------|
| | Consolidated total | | Sugar Business | | Dairy Business | |
| Balance sheet | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| Intangible assets | 164,438 | 79,441 | 231 | 768 | 10,480 | 10,384 |
| Property, plant and equipment | 961,738 | 811,737 | 401,247 | 398,296 | 125,236 | 145,861 |
| Investment properties | 12,225 | 17,940 | 0 | 0 | 96 | 259 |
| Financial assets | 30,745 | 49,958 | 449 | 256 | 15,835 | 17,408 |
| Investments in associates | 42,780 | 12,722 | 89 | 154 | 0 | 0 |
| Deferred tax assets | 112,047 | 113,312 | 58,318 | 62,148 | 5,895 | 9,393 |
| Goodwill | 620,846 | 193,389 | 0 | 0 | 54,953 | 55,335 |
| Other non-current assets | 111 | 278 | 0 | 0 | 0 | 0 |
| Receivables from Group companies | 0 | 0 | 51,500 | 4,999 | 4,630 | 10,581 |
| Other current assets | 1,043,973 | 888,467 | 388,444 | 440,291 | 137,318 | 141,342 |
| Total assets | 2,988,903 | 2,167,244 | 900,278 | 906,912 | 354,443 | 390,563 |
| Equity | 1,098,055 | 979,756 | 466,751 | 490,196 | 249,547 | 262,668 |
| Deferred income | 15,961 | 21,075 | 1,724 | 2,491 | 9,370 | 13,497 |
| Provisions for pensions and other post-employment benefits | 38,846 | 24,084 | 11,856 | 12,742 | 0 | 0 |
| Other provisions | 150,533 | 133,088 | 121,985 | 125,683 | 8,957 | 2,288 |
| Current and non-current financial liabilities | 1,023,535 | 592,118 | 54,713 | 75,719 | 13,371 | 32,506 |
| Other non-financial payables | 1,493 | 10,683 | 1,469 | 1,434 | 0 | 6,364 |
| Deferred tax liabilities | 115,360 | 65,561 | 9,946 | 11,125 | 1,896 | 4,611 |
| Payables to Group companies | 0 | 0 | 18,731 | 13,398 | 17,752 | 11,079 |
| Other current liabilities | 545,120 | 340,879 | 213,103 | 174,124 | 53,550 | 57,550 |
| Total equity and liabilities | 2,988,903 | 2,167,244 | 900,278 | 906,912 | 354,443 | 390,563 |
| Payments on investments in the year | 99,664 | 102,524 | 34,584 | 41,461 | 17,501 | 36,948 |
| Capital employed | 1,534,318 | 1,219,230 | 559,623 | 555,498 | 225,904 | 217,432 |
| ROCE | 13,5% | 15,5% | 15,6% | 21% | 16,6% | 14,3% |
| Gearing | 86,5% | 49,1% | | | | |
| Average number of employees | 8,118 | 5,261 | | | | |
| Per share data | | | | | | |
| Number of shares | 153,865,392 | 153,865,392 | | | | |
| Market cap at December 31 | 2,158,731 | 1,615,587 | | | | |
| EPS | 1,01 | 0,82 | | | | |
| Dividend per share | 0,34 | 0,33 | | | | |
| Underlying carrying amount per share | 7,00 | 6,25 | | | | |

INFORMATION

| Rice Business | | America Business | | Pasta Business | | Ep Holding | | Other Businesses and consolidation adjustments | |
|----------------|----------------|------------------|----------------|----------------|----------|------------------|------------------|--|--------------------|
| Herba | | Riviana | | Panzani | | | | | |
| 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| 21,810 | 21,113 | 41,409 | 36,483 | 84,936 | | 4,300 | 9,253 | 1,272 | 1,440 |
| 111,363 | 104,538 | 122,701 | 106,785 | 164,088 | | 14,958 | 24,614 | 22,145 | 31,643 |
| 790 | 304 | 11 | 0 | 947 | | 6,956 | 11,060 | 3,425 | 6,317 |
| 2,113 | 69 | 841 | 779 | 2,707 | | 1,563,727 | 1,126,290 | (1,554,927) | (1,094,844) |
| 0 | 0 | 25,911 | 22,717 | 7,236 | | 1 | 1 | 9,543 | (10,150) |
| 3,542 | 3,795 | 7,526 | 7,149 | 9,534 | | 25,486 | 33,169 | 1,746 | (2,342) |
| 19,025 | 18,772 | 129,419 | 115,502 | 417,449 | | 0 | 0 | 0 | 3,780 |
| 14 | 0 | 0 | 0 | 0 | | 0 | 0 | 97 | 278 |
| 33,727 | 293 | 3,300 | 2,746 | 1,114 | | 138,274 | 52,379 | (232,545) | (70,998) |
| 195,307 | 182,147 | 109,413 | 78,719 | 186,790 | | 13,716 | 25,246 | 12,985 | 20,722 |
| 387,691 | 331,031 | 440,531 | 370,880 | 874,801 | 0 | 1,767,418 | 1,282,012 | (1,736,259) | (1,114,154) |
| 165,560 | 157,838 | 351,900 | 292,511 | 460,975 | | 896,606 | 813,585 | (1,493,284) | (1,037,042) |
| 3,541 | 3,105 | 0 | 0 | 56 | | 174 | 365 | 1,096 | 1,617 |
| 8,215 | 7,452 | 7,361 | 3,530 | 11,079 | | 335 | 326 | 0 | 34 |
| 589 | 349 | 0 | 450 | 12,331 | | 4,979 | 2,640 | 1,692 | 1,678 |
| 119,562 | 61,252 | 2,196 | 9,994 | 106,048 | | 725,791 | 410,515 | 1,854 | 2,132 |
| 9 | 0 | 0 | 0 | 15 | | 0 | 0 | 0 | 2,885 |
| 7,879 | 5,958 | 33,768 | 32,846 | 53,752 | | 2,762 | 9,345 | 5,357 | 1,676 |
| 21,794 | 29,237 | 31 | 0 | 89,492 | | 124,575 | 37,176 | (272,375) | (90,890) |
| 60,542 | 65,840 | 45,275 | 31,549 | 141,053 | | 12,196 | 8,060 | 19,401 | 3,756 |
| 387,691 | 331,031 | 440,531 | 370,880 | 874,801 | 0 | 1,767,418 | 1,282,012 | (1,736,259) | (1,114,154) |
| 15,976 | 21,832 | 13,800 | 4,831 | 15,964 | N/A | 937 | 0 | | |
| 241,676 | 238,251 | 214,261 | 52,670 | 217,927 | N/A | 26,492 | 42,360 | | |
| 13,1% | 15,2% | 13,1% | 21,5% | 14,5% | N/A | 392,7% | 133,9% | | |

BUSINESS SEGMENT

| Ebro Puleva Group (Thousands of euros) | Consolidated total | | Sugar Business | | Dairy Business | |
|---|--------------------|------------------|----------------|----------------|----------------|----------------|
| | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| Balance sheet | | | | | | |
| Sales to external customers | 2,359,866 | 1,844,610 | 646,958 | 728,685 | 517,646 | 497,983 |
| Inter-segment sales | | | 5,356 | 5,412 | 491 | 927 |
| Total revenues | 2,359,866 | 1,844,610 | 652,314 | 734,097 | 518,137 | 498,910 |
| Changes in inventories | (43,434) | 4,861 | (51,219) | 7,682 | 4,223 | (35) |
| Capitalized expenses of Company work on assets | 4,391 | 7,711 | 2,264 | 2,267 | 1,991 | 3,197 |
| Other operating revenues | 105,197 | 75,707 | 10,215 | 9,892 | 7,805 | 2,479 |
| Consumption of goods and other external charges | (1,233,312) | (1,135,774) | (357,440) | (453,282) | (340,059) | (325,659) |
| Employee benefits expense | (299,497) | (210,536) | (67,642) | (75,791) | (50,659) | (51,517) |
| Depreciation and amortization | (87,4780) | (66,108) | (33,232) | (34,046) | (16,614) | (15,542) |
| Other operating expenses | (548,056) | (322,919) | (73,785) | (120,860) | (96,399) | (83,469) |
| Operating profit | 257,677 | 197,552 | 81,475 | 69,959 | 28,425 | 28,364 |
| Net finance revenue (cost) | (37,327) | (20,170) | (5,221) | (5,268) | (120) | (4,433) |
| Impairment of goodwill | (4,278) | (2,317) | 0 | 0 | (382) | (381) |
| Share of profit (loss) of associates | 984 | (633) | 0 | 0 | 0 | 0 |
| Profit before tax | 220,056 | 174,432 | 76,254 | 64,691 | 27,923 | 23,550 |

INFORMATION

| Rice Business Herba | | America Business Riviana | | Pasta Business Panzani | | Ep Holding | | Other Businesses and consolidation adjustments | |
|------------------------|----------------|-----------------------------|----------------|---------------------------|----------|----------------|----------------|---|-----------------|
| 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| | | | 4 months | 8 months | N/A | | | | |
| 434,010 | 484,122 | 328,367 | 118,786 | 419,318 | | 117,345 | 62,596 | (103,778) | (47,562) |
| 11,807 | 2,195 | 7,338 | 0 | 8,306 | | 8,908 | 10,799 | (42,206) | (19,333) |
| 445,817 | 486,317 | 335,705 | 118,786 | 427,624 | 0 | 126,253 | 73,395 | (145,984) | (66,895) |
| 5,596 | (3,248) | 0 | 0 | (624) | | 0 | 0 | (1,410) | 462 |
| 63 | 50 | 0 | 0 | 68 | | 0 | 0 | 5 | 2,197 |
| 1,854 | 2,164 | 46 | 28 | 12,984 | | 85,210 | 69,689 | (12,917) | (8,545) |
| | | | | | | | | | |
| (270,142) | (300,063) | (152,803) | (56,962) | (140,073) | | 0 | (722) | 27,205 | 914 |
| (48,555) | (43,220) | (69,872) | (22,590) | (49,851) | | (8,125) | (10,911) | (4,793) | (6,507) |
| (12,147) | (11,151) | (10,493) | (3,028) | (12,924) | | (348) | (475) | (1,720) | (1,866) |
| (92,341) | (97,957) | (76,810) | (24,241) | (203,247) | | (22,509) | (26,260) | 17,035 | 29,868 |
| | | | | | | | | | |
| 30,145 | 32,892 | 25,773 | 11,993 | 33,957 | 0 | 180,481 | 104,716 | (122,579) | (50,372) |
| | | | | | | | | | |
| (1,693) | (3,434) | (117) | 133 | (4,277) | | (66,495) | 5,266 | 43,596 | (12,434) |
| 0 | 0 | 0 | 0 | 0 | | 0 | 0 | (3,896) | (1,936) |
| 0 | 145 | 4,164 | 2,649 | 0 | | 0 | 0 | (3,180) | (3,427) |
| | | | | | | | | | |
| 28,452 | 29,603 | 29,820 | 14,775 | 29,680 | 0 | 113,986 | 109,982 | (86,059) | (68,169) |

7. DISCONTINUED OPERATIONS

On November 12, 2004 the Group announced the sale of a 49% share in Chileno Inversiones Greenfields Group. This group mainly operated in the sugar business, but also in tomato sauce and fruit concentrates, and comprised a separate business segment. The production environment surrounding the Chilean business was erratic, making it difficult for management to achieve real growth and returns from this segment. The remaining 51% stake was sold on November 8, 2005. As indicated in Note 5.3, at December 31, 2004 the remaining 51% share was classified as a financial asset held for trading (see Note 12). However, in the first 11 months of 2004, the results of the Greenfields Group were recognized as discontinued operations, as follows:

| THOUSANDS OF EUROS | |
|--|----------------|
| Cumulative loss from Greenfields Group | (3,956) |
| Exchange gains generated in 2004 | 2,976 |
| Gain on sale and/or deconsolidation of Inversiones Greenfields | (4,441) |
| Tax impact of the sale of the investment | 1,873 |
| | (3,548) |

Revenues and expenses for the Greenfields Group in the first 11 months of 2004 (restated for comparative purposes in net results from discontinued operations in the consolidated income statement):

| THOUSANDS OF EUROS | |
|--|-----------------|
| Revenues (sales) | 279,245 |
| Change in inventories | (9,805) |
| Other operating revenues | 1,050 |
| | 270,490 |
| Consumption of goods and other expenses | 186,801 |
| Employee benefits expense | 16,892 |
| External services | 8,607 |
| Servicios exteriores | 33,051 |
| Other operating expenses | 27,628 |
| | 272,979 |
| Operating result | (2,489) |
| Net finance costs | (4,643) |
| Net exchange losses | (6,886) |
| Financial result | (11,529) |
| Impairment of goodwill | (3,972) |
| Share of profit (loss) of associates | 973 |
| Profit before tax | (17,017) |
| Income taxes | 5,748 |
| Loss for the period | (11,269) |
| Minority interests | 7,313 |
| Net loss attributable to equity holders of EP Group | (3,956) |

In November 2005, a preliminary agreement was signed for the sale of 100% of Catesa Foods, S.L. to a company outside the Group (see Note 5.2.b). The final agreement was signed in January, 2006. Consequently, at December 31, 2005 the investment in Catesa Foods, S.L. was recognized in non-current assets held for sale. As this did not entail a significant amount, there was no need to reclassify the investment in the income statement under results from discontinued operations.

The investment was sold for 30 million euros, producing a capital gain of 15.7 million euros, which will be recognized in the consolidated income statement for 2006.

8. OTHER REVENUES AND EXPENSES

8.1. OTHER OPERATING REVENUES

| | 2005 | 2004 |
|--|----------------|---------------|
| Government grants | 3,995 | 3,822 |
| Net gains on disposal of property, plant and equipment | 76,154 | 63,941 |
| Proceeds on sale of investments in companies | 3 | 0 |
| Proceeds on disposal of investment properties | 1,171 | 0 |
| Reversal of provisions | 3,372 | 190 |
| Other revenues | 20,502 | 7,754 |
| | 105,197 | 75,707 |

The detail of the main items of “Other revenues” is the following:

| | 2005 | 2004 |
|--|---------------|--------------|
| Other operating revenues | 6,520 | 3,539 |
| Last repayment of reduction as per Puleva, S.A.'s 1994 payments moratorium creditors' agreement. | 0 | 1,452 |
| Insurance settlements | 5,532 | 528 |
| Government aid for claims | 3,800 | 0 |
| Income from litigation | 2,311 | 0 |
| Other minor revenues | 2,339 | 2,235 |
| | 20,502 | 7,754 |

8.2. OTHER OPERATING EXPENSES

| | 2005 | 2004 |
|---|------------------|------------------|
| External services | (496,327) | (248,668) |
| Research and development costs | (6,359) | (3,770) |
| Taxes (other than income tax) | (12,805) | (13,330) |
| Losses on the disposal of property, plant and equipment | (7,475) | (10,701) |
| Provisions | (17,934) | (41,892) |
| Other expenses | (7,156) | (4,558) |
| | (548,056) | (322,919) |

The detail of the main items of “Other expenses” and “Provisions” is the following:

| | 2005 | 2004 |
|---|-----------------|-----------------|
| Provisions for litigation and court cases | (5,553) | (37,690) |
| Impairment of property, plant and equipment | (7,775) | (4,001) |
| Tax assessments paid | 0 | (2,337) |
| Restructuring costs | (8,750) | 0 |
| Other minor expenses | (3,012) | (2,422) |
| | (25,090) | (46,450) |

8.3. FINANCE REVENUE AND COSTS

| | 2005 | 2004 |
|--|-----------------|-----------------|
| Finance costs | | |
| Payables to third parties | (36,192) | (15,113) |
| Financial restatement of provisions for litigation | (4,537) | (4,588) |
| Losses on disposal of financial assets and liabilities | (1) | (122) |
| Impairment of financial assets | (1,407) | (7,455) |
| Expenses-losses on financial derivative instruments | (394) | (2,037) |
| Exchange losses | (6,022) | (2,362) |
| | (48,553) | (31,677) |
| Finance revenue | | |
| Income from investments | 5,872 | 5,361 |
| Gains on disposal of financial assets and liabilities | 1,769 | 74 |
| Reversal of write-downs of financial assets | 3,594 | 44 |
| Income-profit on financial derivative instruments | 37 | 493 |
| Exchange-rate gains | 2,954 | 5,535 |
| | 14,226 | 11,507 |
| Net finance cost | (34,327) | (20,170) |

8.4. EMPLOYEE BENEFITS EXPENSE

| | 2005 | 2004 |
|--|------------------|------------------|
| Wages and salaries | (221,833) | (149,752) |
| Other welfare charges | (16,567) | (5,855) |
| Social security costs, et. al. | (45,746) | (40,349) |
| Dismissal indemnities | (6,218) | (11,739) |
| Post-employment benefits other than pensions | (9,133) | (2,841) |
| Pension costs | (299,497) | (210,536) |

The average number of employees of Group companies in 2005 and 2004 (taking into account changes in the consolidation scope) is as follows:

| 2005 | | | |
|----------------------|--------------|--------------|--------------|
| | Permanent | Temporary | Total |
| Management | 247 | 0 | 247 |
| Middle management | 653 | 41 | 694 |
| Administrative staff | 1,129 | 38 | 1,167 |
| Auxiliary staff | 147 | 44 | 191 |
| Sales | 596 | 8 | 604 |
| Other personnel | 4,381 | 834 | 5,215 |
| Total | 7,153 | 965 | 8,118 |
| 2004 | | | |
| | Permanent | Temporary | Total |
| Management | 223 | 0 | 223 |
| Middle management | 728 | 51 | 779 |
| Administrative staff | 989 | 45 | 1,034 |
| Auxiliary staff | 47 | 46 | 93 |
| Sales | 520 | 12 | 532 |
| Other personnel | 2,610 | 1,415 | 4,025 |
| Total | 5,117 | 1,569 | 6,686 |

9. INTANGIBLE ASSETS

The detail of movements in intangible assets and accumulated amortization at December 31, 2005 and 2004 is the following (thousands of euros):

| NET AMOUNTS | | | | | |
|------------------------------|----------------------|----------------------|----------|-------------------------------|---------|
| | Development expenses | Patents and licenses | Software | Intangible assets in progress | Total |
| Balance at January 1, 2004 | 1,757 | 29,929 | 7,501 | 2,874 | 42,061 |
| Balance at December 31, 2004 | 3,381 | 66,601 | 6,362 | 3,097 | 79,441 |
| Balance at December 31, 2005 | 3,547 | 150,489 | 8,459 | 1,943 | 164,438 |

| GROSS AMOUNTS | | | | | |
|-------------------------------------|----------------------|----------------------|---------------|-------------------------------|----------------|
| | Development expenses | Patents and licenses | Software | Intangible assets in progress | Total |
| Balance at January 01, 2004 | 3,039 | 34,194 | 20,484 | 2,874 | 60,591 |
| Business combinations | | 40,608 | 1,558 | | 42,166 |
| Increases | 739 | 4,186 | 1,620 | 2,155 | 8,700 |
| Decreases | (272) | (320) | (5,212) | | (5,804) |
| Translation differences | | (4,321) | (162) | | (4,483) |
| Transfers | 1,562 | (18) | 370 | (1,932) | (18) |
| Balance at December 31, 2004 | 5,068 | 74,329 | 18,658 | 3,097 | 101,152 |
| Business combinations | | 83,932 | 9,090 | | 93,022 |
| Increases | 1,442 | 40 | 3,144 | 543 | 5,369 |
| Decreases | (51) | (255) | (3,239) | | (3,545) |
| Translation differences | | 4,978 | 217 | | 5,195 |
| Transfers | | | 1,697 | (1,697) | 0 |
| Balance at December 31, 2005 | 6,459 | 163,224 | 29,567 | 1,943 | 201,193 |

| ACCUMULATED AMORTIZATION AND IMPAIRMENT | | | | | |
|---|----------------------|----------------------|-----------------|-------------------------------|-----------------|
| | Development expenses | Patents and licenses | Software | Intangible assets in progress | Total |
| Balance at January 01, 2004 | (1,282) | (4,265) | (12,983) | | (18,530) |
| Business combinations | | | (1,071) | | (1,071) |
| Increases in the year | (840) | (3,630) | (3,529) | | (7,999) |
| Decreases in the year | 435 | 152 | 5,254 | | 5,841 |
| Translation differences | | | 79 | | 79 |
| Transfers | | 15 | (46) | | (31) |
| Balance at December 31, 2004 | (1,687) | (7,728) | (12,296) | 0 | (21,711) |
| Business combinations | | | (8,114) | | (8,114) |
| Increases in the year | (1,274) | (5,027) | (3,117) | | (9,418) |
| Decreases in the year | 50 | 20 | 2,617 | | 2,687 |
| Translation differences | | | (178) | | (178) |
| Transfers | (1) | | (20) | | (21) |
| Balance at December 31, 2005 | (2,912) | (12,735) | (21,108) | 0 | (36,755) |

The patents and licenses included in intangible assets have either been acquired directly or through business combinations. Virtually all these intangibles were considered to have an indefinite life and the cost model was used for their measurement. At December 31, 2005, impairment tests had been performed on the main intangible assets, with the values allocated to the following cash-generating units:

- * 4,000 thousand euros of licenses to the Risella (Finland) cash-generating unit as part of the Rice business – Herba segment.
- * 16,532 thousand euros of licenses to the cash-generating unit of the Rice business – Herba segment.
- * 40,608 thousand euros of licenses to the cash-generating unit of the America Business – Riviana segment.
- * 83,932 thousand euros of licenses to the cash-generating unit of the Pasta Business – Panzani segment.
- * 4,250 thousand euros of licenses to the Puleva Infantil cash-generating unit as part of the Dairy business segment.

The recoverable amount of these licenses or the cash-generating unit to which they are allocated has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rates applied to cash flow projections ranged from 4.5 to 10.5%

according to the area for each license or cash-generating unit and cash flows beyond the 5-year period are extrapolated using a growth rate equal to the long-term average growth rate for the corresponding unit.

MOVEMENTS IN THE YEAR

The most significant increase in 2004, in addition to those relating to companies added to the Riviana Group consolidation scope, correspond to “Licenses” following the acquisition of the Risella trademark in Finland for 4,000 thousand euros. In 2005, additions included the Panzani brands, which are well known in England, following the acquisition of the Panzani Group. At December 31, 2005, “Licenses” mainly include those acquired in 2003 and 2004 (for the Reis Fit, Puleva Infantil and Risella trademarks), those contributed by the Riviana Group in 2004 (principally the seven most important trademarks it markets) and those contributed by the Panzani Group in 2005 (its four leading trademarks).

Other relevant increases in intangible assets include those in Puleva Food and Puleva Biotech in “Development expenses” under “Intangible assets in progress,” which relate to research into nutritional improvements and the development of new products. In several other companies or subgroups, increases can be seen in “Software,” where efforts have been made to strengthen technological resources.

Decreases relate primarily to the derecognition of certain intangibles assets that were almost fully amortized and no longer in use.

The charges for these intangible assets to the income statements in 2005 (2004) were 4,518 (4,499) thousand euros in amortization and 4,900 (3,500) thousand euros in impairment of licenses.

10. PROPERTY, PLANT AND EQUIPMENT

The detail of the movement and accumulated depreciation of property, plant and equipment at December 31, 2005 and 2004 are the following (thousands of euros):

| NET AMOUNTS | | | | | | | |
|------------------------------|--------|-----------|---------------------|--|---------------------------|------------------|---------|
| | Land | Buildings | Plant and Machinery | Other installations, tools and furniture | Other plant and equipment | Work in progress | Total |
| Balance at January 1, 2004 | 66,532 | 161,326 | 398,241 | 16,636 | 9,573 | 10,669 | 662,977 |
| Balance at December 31, 2004 | 75,890 | 193,395 | 486,888 | 18,733 | 12,837 | 23,994 | 811,737 |
| Balance at December 31, 2005 | 93,254 | 231,791 | 559,744 | 20,316 | 12,938 | 43,695 | 961,738 |

| GROSS AMOUNTS | | | | | | | |
|-------------------------------------|---------------|----------------|---------------------|--|---------------------------|------------------|------------------|
| | Land | Buildings | Plant and Machinery | Other installations, tools and furniture | Other plant and equipment | Work in progress | Total |
| Balance at January 1, 2004 | 66,532 | 246,298 | 1,005,462 | 40,513 | 30,393 | 10,669 | 1,399,867 |
| Business combinations | 10,582 | 35,767 | 95,601 | 538 | 1,205 | 5,066 | 148,759 |
| Additions in the year | 1,553 | 4,185 | 38,629 | 2,364 | 5,419 | 51,896 | 104,046 |
| Disposals | (1,811) | (10,702) | (95,154) | (4,979) | (7,162) | (437) | (120,245) |
| Translation differences | (1,042) | (2,958) | (8,765) | 0 | (34) | (437) | (13,236) |
| Transfers | 76 | 6,225 | 35,043 | (638) | (1) | (42,763) | (2,058) |
| Balance at December 31, 2004 | 75,890 | 278,815 | 1,070,816 | 37,798 | 29,820 | 23,994 | 1,517,133 |
| Business combinations | 21,710 | 96,103 | 233,020 | 11,341 | 2,196 | 3,634 | 368,004 |
| Additions | 404 | 6,582 | 30,014 | 1,453 | 1,627 | 59,821 | 99,901 |
| Disposals | (6,309) | (21,953) | (51,747) | (4,326) | (2,685) | (8,599) | (95,619) |
| Translation differences | 927 | 4,212 | 11,608 | 69 | (286) | 561 | 17,091 |
| Transfers | 814 | 2,572 | 29,760 | 493 | 744 | (35,716) | (1,333) |
| Balance at December 31, 2005 | 93,436 | 366,331 | 1,323,471 | 46,828 | 31,416 | 43,695 | 1,905,177 |

| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | | |
|---|--------------|------------------|---------------------|--|---------------------------|------------------|------------------|
| | Land | Buildings | Plant and Machinery | Other installations, tools and furniture | Other plant and equipment | Work in progress | Total |
| Balance at January 1, 2004 | — | (84,972) | (607,221) | (23,877) | (20,820) | — | (736,890) |
| Business combinations | — | (649) | (6,107) | (306) | (505) | — | (7,567) |
| Additions | — | (7,403) | (48,823) | (2,524) | (3,140) | — | (61,890) |
| Disposals | — | 7,306 | 81,850 | 4,501 | 6,871 | — | 100,528 |
| Translation differences | — | 21 | 171 | — | — | — | 192 |
| Transfers | — | 277 | (3,798) | 3,141 | 611 | — | 231 |
| Balance at December 31, 2004 | — | (85,420) | (583,928) | (19,065) | (16,983) | — | (705,396) |
| Business combinations | (157) | (45,074) | (154,832) | (7,575) | 0 | — | (207,638) |
| Additions | (25) | (11,401) | (65,798) | (2,949) | (3,974) | — | (84,147) |
| Disposals | — | 6,968 | (42,023) | 3,077 | 2,456 | — | 54,524 |
| Translation differences | — | (170) | (968) | — | — | — | (1,138) |
| Transfers | — | 557 | (224) | — | 23 | — | 356 |
| Balance at December 31, 2005 | (182) | (134,540) | (763,727) | (26,512) | (18,478) | — | (943,439) |

The Group has a policy of taking out all the insurance policies considered necessary to cover any risks that may affect its property, plant and equipment.

MOVEMENTS IN THE YEAR

“Work in progress” and “Other plant and equipment” include amounts relating to projects aimed at manufacturing new products, as well as improving the overall quality of industrial processes and environmental conditions.

Part of the disposals in 2004 and virtually all in 2005 relate to the disposal of properties related to the sales of the parent company’s headquarters, the headquarters of the sugar business and the La Coruña dairy plant. The majority of the disposals in 2004, however, correspond to divestments in sugar and dairy plants upon their renewal.

Government grants have been received in 2005 and in previous years in connection with investments made by various Group companies. The amounts of these grants are detailed in Note 19.

Depreciation and/or impairment recognized in the 2005 (2004) income statement for these assets were 82,694 (61,502) thousand euros in accumulated depreciation and 1,453 (388) thousand euros in impairment.

Irrespective of the above, there are no items of property, plant and equipment of significant value that are not used in operations.

11. INVESTMENT PROPERTIES

The detail of movements in “Investment properties” for the consolidated Group at December 2005 y 2004 and the accumulated depreciation and impairment for each year are the following (thousands of euros):

| NET AMOUNTS | | | |
|-------------------------------------|-------|-----------|---------------|
| | Land | Buildings | Total |
| Balance at January 1, 2004 | 9,926 | 9,107 | 19,033 |
| Balance at December 31, 2004 | 8,902 | 9,038 | 17,940 |
| Balance at December 31, 2005 | 3,168 | 9,057 | 12,225 |

| GROSS AMOUNTS | | | |
|-------------------------------------|--------------|---------------|---------------|
| | Land | Buildings | Total |
| Balance at January 1, 2004 | 9,926 | 12,228 | 22,154 |
| Business combinations | | | — |
| Additions | | | — |
| Disposals | (1,024) | (451) | (1,475) |
| Transfers | | | — |
| Balance at December 31, 2004 | 8,902 | 11,777 | 20,679 |
| Business combinations | 923 | 3,139 | 4,062 |
| Additions | | 12 | 12 |
| Disposals | (6,325) | (768) | (7,093) |
| Transfers | (140) | 1,023 | 883 |
| Balance at December 31, 2005 | 3,360 | 15,183 | 18,543 |

| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | |
|---|--------------|----------------|----------------|
| | Land | Buildings | Total |
| Balance at January 1, 2004 | — | (3,121) | (3,121) |
| Business combinations | — | — | — |
| Additions | — | (107) | (107) |
| Disposals | — | 489 | 489 |
| Transfers | — | — | — |
| Balance at December 31, 2004 | — | (2,739) | (2,739) |
| Business combinations | (192) | (2,743) | (2,935) |
| Additions | — | (267) | (267) |
| Disposals | — | 87 | 87 |
| Transfers | — | (464) | (464) |
| Balance at December 31, 2005 | (192) | (6,126) | (6,318) |

Investment properties are stated at cost. For informational purposes, the fair value of the main investment properties amounts to between 70 and 85 million euros. The fair values of most of the investment properties have been determined based on valuations performed by independent experts in 2005. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards.

12. FINANCIAL ASSETS

The detail of this balance sheet heading at December 31, 2005 and 2004 is the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|---|---------------|---------------|
| Assets held for trading: | | |
| Net investment in Inversiones Greenfields | 0 | 9,911 |
| Puleva Biotech, S.A. treasury shares | 4,366 | 4,356 |
| Other financial assets | 92 | 192 |
| | 4,458 | 14,459 |
| Investments held to maturity: | | |
| Guarantees and deposits | 1,359 | 3,688 |
| Bank loans and credit facilities | | |
| Loans and receivables from associates | 7,706 | 11,140 |
| Loans and receivables from third parties | 20,152 | 20,672 |
| | 27,858 | 31,812 |
| Total financial assets | 33,675 | 49,959 |

At December 31, 2004, the net investment in Inversiones Greenfields, Ltda. represented the amount assigned to the remaining 51% shareholding in this company as indicated in Note 5.3. This investment was sold in 2005.

Treasury shares relate to the portion of the investment portfolio held as own equity instruments by Puleva Biotech, S.A. The net purchases and sales of these shares in 2005 (2004) led to a net increase of 3,997 (1,497,952) shares. The number of treasury shares held for trading at the end of 2005 (2004) was 1,961,778 (1,957,781), representing 3.40% (3.29%) of Puleva Biotech, S.A.'s share capital.

In 2004, two participating loan agreements granted by the two shareholders to associate Biocarburantes de Castilla and León, S.A. were signed. The portion of the loan granted by Ebro Puleva, S.A. amounted to 11,120 thousand euros. No maturity date has been established for these loans, which bear interest at Euribor plus 2 points. In 2005, one of the loans, for 8,900 million euros, was capitalized through the capital increase held by Biocarburantes de Castilla and León, S.A. Therefore, at December 31, 2005 only one of the two loans granted by Ebro Puleva, S.A. to its associate remains. This loan is for 2,220 thousand euros plus 400 thousand euros of interest. The remaining balance of 5,086 thousand euros relates to loans granted to Panzani Group companies being liquidated, which therefore will be repaid in 2006.

The balance of loans and receivables from third parties at December 31, 2005 (2004) mainly comprises 17,571 (17,277) thousand euros from the Puleva Food and Herba groups (finance loans made to livestock raisers and farmers) and non-current loans of 1,690 (1,940) thousand euros, for the sale of land belonging to the parent company (guaranteed by a mortgage on the land sold). Of these balances, 17,469 (18,552) thousand euros are denominated in euros, 1,327 (2,022) thousand euros in US dollars and the remainder in Moroccan dirhams. These loans mature as of 2006, with 7,011 thousand euros in 2006, 6,649 thousand in 2007, 3,481 thousand in 2008 and 1,933 thousand in 2009. The remaining 1,078 thousand euros mature as of 2010.

13. INVESTMENTS IN ASSOCIATES

The movements in this heading in 2005 and 2004 (in thousands of euros) are the following:

| Associate | Balance at 1/1/2004 | Increases (acquisitions) | Decreases (disposals) | Dividends paid | Profit (loss) for the year | Translation differences | Other movements | Balance at 12/31/2004 |
|---------------------------------------|---------------------|--------------------------|-----------------------|----------------|----------------------------|-------------------------|-----------------|-----------------------|
| Biocarburantes de Castilla León, S.A. | 8,000 | | | | | | | 8,000 |
| Lince Insurance, Ltd. | — | 3,500 | | | (1,327) | | | 2,173 |
| Associates of Riviana Foods Inc. | — | 2,691 | | (585) | 548 | (285) | | 2,369 |
| Associates of Azucarera | 68 | 30 | | | | | | 98 |
| Ses Ibérica, S.A. (being liquidated) | 55 | | | | | | | 55 |
| Associates of CATESA | 58 | | (32) | | | | | 26 |
| Associates of Herba - Herto | 778 | | | | 146 | | (924) | — |
| | 8,959 | 6,221 | (32) | (585) | (633) | (285) | (924) | 12,721 |

| Associate | Balance at 1/1/2005 | Increases (acquisitions) | Decreases (disposals) | Dividends paid | Profit (loss) for the year | Translation differences | Other movements | Balance at 12/31/2005 |
|--|---------------------|--------------------------|-----------------------|----------------|----------------------------|-------------------------|-----------------|-----------------------|
| Biocarburantes de Castilla León, S.A. | 8,000 | | | | (2,000) | | 8,900 | 14,900 |
| Lince Insurance, Ltd. | 2,173 | | | | 779 | | | 2,952 |
| Associates of Riviana Foods Inc. | 2,369 | | | (1,659) | 2,205 | 392 | | 3,307 |
| Associates of Azucarera | 98 | 36 | | | | | | 134 |
| Ses Ibérica, S.A. (being liquidated) | 55 | | (55) | | | | | — |
| Associates of CATESA | 26 | | (26) | | | | | — |
| Associates of Panzani being liquidated | — | 5,322 | (1,059) | | | | | 4,263 |
| | 12,721 | 5,358 | (1,140) | (1,659) | 984 | 392 | 8,900 | 25,556 |

Except for Biocarburantes de Castilla y León, S.A. (see Notes 12, 26 and 27.2 for additional information on this company), none of these companies has significant financial liabilities and/or guarantees of significant amounts granted by the Ebro Puleva Group.

The Group owns 100% of Lince Insurance, Ltd., but consolidates it under the equity method as its full consolidation would not have a significant impact on the Group's accounts. In any event, the main assets and liabilities of this company are the following:

| | 12/31/05 | 12/31/04 |
|------------------------------|--------------|--------------|
| Lince Insurance, Ltd. | | |
| Current assets | 486 | 567 |
| Liquid assets | 3,580 | 4,184 |
| Provisions (insurance) | (854) | (2,550) |
| Current liabilities | (152) | (28) |
| Net assets | 3,060 | 2,173 |
| Total revenues | 1,898 | 1,655 |
| Profit (loss) for the year | 779 | (1,327) |

14. GOODWILL

The movement in this heading in 2005 and 2004 is the following (in thousands of euros):

| Segment | Cash-generating unit | Balance at 1/1/2004 | Increases (acquisitions) | Decreases (disposals) | Decreases (impairment) | Translation differences | Balance at 12/31/2004 |
|--------------------------|------------------------------|---------------------|--------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| Rice business-Herba | Danrice (Denmark) | 14,524 | | | | | 14,524 |
| Rice business-Herba | Vogan (England) | | 1,397 | | | | 1,397 |
| Rice business-Herba | Riceland (Hungary) | 2,126 | | | | | 2,126 |
| Rice business-Herba | Steve & Brotherton (England) | 558 | 725 | (558) | | | 725 |
| Dairy business | Puleva Food | 53,731 | 23 | | | | 53,754 |
| Dairy business | Lactimilk, S.L. | 1,962 | | | (381) | | 1,581 |
| America business-Riviana | Central America business | | 31,517 | | | (3,360) | 28,157 |
| America business-Riviana | USA business | | 97,770 | | | (10,425) | 87,345 |
| Other | Puleva Biotech, S.A. | | 5,716 | | (1,936) | | 3,780 |
| | | 72,901 | 137,148 | (558) | (2,317) | (13,785) | 193,389 |

| Segment | Cash-generating unit | Balance at 12/31/2004 | Increases (acquisitions) | Decreases (disposals) | Decreases (impairment) | Translation differences | Balance at 12/31/2005 |
|--------------------------|------------------------------|-----------------------|--------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| Rice business-Herba | Danrice (Denmark) | 14,524 | | | | | 14,524 |
| Rice business-Herba | Vogan (England) | 1,397 | | | | 367 | 1,764 |
| Rice business-Herba | Riceland (Hungary) | 2,126 | | | | | 2,126 |
| Rice business-Herba | Steve & Brotherton (England) | 725 | | | | (114) | 611 |
| Dairy business | Puleva Food | 53,754 | | | | | 53,754 |
| Dairy business | Lactimilk, S.L. | 1,581 | | | (382) | | 1,199 |
| America business-Riviana | Central America business | 28,157 | | | | 415 | 28,572 |
| America business-Riviana | Riviana Group | 87,345 | | | | 13,502 | 100,847 |
| Other | Puleva Biotech, S.A. | 3,780 | 116 | | (3,896) | | 0 |
| Pasta business-Panzani | Panzani Group | — | 417,449 | | | | 417,449 |
| | | 193,389 | 417,565 | — | (4,278) | 14,170 | 620,846 |

Increases in the year are explained in the changes in consolidation scope (Note 5.3).

The goodwill was acquired through business combinations. At December 31, 2005, impairment tests had been performed on the main assets, with the values allocated to the cash-generating units shown in the preceding table.

The recoverable amount of the cash-generating unit to which the goodwill is allocated has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rates applied to cash flow projections ranged from 4.5 to 10.5% according to the area in which each license or cash-generating unit is operated and cash flows beyond the 5-year period are extrapolated using a growth rate equal to the long-term average growth rate for the corresponding unit.

15. INVENTORIES

The detail of this heading at December 31, 2005 and 2004 is the following (in thousands of euros):

| AMOUNT | | |
|--------------------------------|----------------|----------------|
| ITEM | 12/31/05 | 12/31/04 |
| Commercial | 7,229 | 8,016 |
| Raw materials | 86,136 | 53,468 |
| Consumables and spare parts | 9,823 | 15,217 |
| Containers | 10,119 | 5,506 |
| Work in Progress | 18,282 | 43,699 |
| Finished goods | 281,695 | 250,840 |
| By-products and waste | 20,677 | 24,830 |
| Advance payments to suppliers | 18,934 | 7,193 |
| Total gross inventories | 452,895 | 408,769 |
| Write-down of inventories | (2,029) | (2,019) |
| Total net inventories | 450,866 | 406,750 |

Of the balance of "Advance payments to suppliers" in the balance sheet at December 31, 2005 (2004), 10,889 (6,356) thousand euros corresponds to payment made to rice growers. At the year end, the Group had firm commitments to purchase 9,476 (13,697) thousand euros of paddy rice. In addition, the Riviana Group had commitments to sell products amounting to 18,000 (14,000) thousand euros.

16. TRADE AND OTHER RECEIVABLES

The detail of this heading at December 31, 2005 and 2004 is the following (in thousands of euros):

| AMOUNT | | |
|----------------------------|----------------|----------------|
| Item | 12/31/05 | 12/31/04 |
| Trade receivables | 420,365 | 304,181 |
| Receivable from associates | 18 | 665 |
| Other receivables | 40,535 | 28,024 |
| Provisions | (15,523) | (11,001) |
| | 445,395 | 321,869 |

For terms and conditions applied to related party receivables, refer to Note 27. Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

17. CASH AND SHORT-TERM DEPOSITS

The detail of this heading at December 31, 2005 and 2004 is the following (in thousands of euros):

| Concept | AMOUNT | |
|-------------------------------------|---------------|----------------|
| | 12/31/05 | 12/31/04 |
| Cash at banks and in hand | 29,765 | 30,072 |
| Short-term deposits and equivalents | 52,431 | 79,601 |
| | 82,196 | 109,673 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at December 31, 2005 (2004) is 82,196 (109,673) thousand euros.

Group companies have invested their surplus cash in repos and similar instruments during the year to increase profitability. All these investments are denominated in euros except a small portion in US dollars. The average annual return on these investments in the year was around 2%.

18. SHARE CAPITAL AND RESERVES, EARNINGS PER SHARE AND DIVIDENDS

18.1 SHAREHOLDERS' EQUITY

Issued capital

At December 31, 2004 and 2005 share capital consisted of 153,865,392 bearer shares with a nominal value of 0.60 euros each, fully subscribed and paid and listed on Spanish stock exchanges.

According to data published by the National Securities Market Commission, the total direct and indirect equity investment in Ebro Puleva, S.A. of companies owning more than 5% of Ebro Puleva S.A.'s share capital at December 31, 2005 (2004) are: Instituto Hispánico del Arroz, S.A.

11.61% (11.50%), (6.61% (6.50%) directly and 5% (5%) indirectly through Hispafoods Invest, S.L.), Grupo Torras, S.A. 7.82% (7.82%), Grupo Caja España 5.037% (5.53%), Caja de Ahorros de Salamanca y Soria 5.00% (5.00%) and Caja de Ahorros de Asturias 5.00% (5.00%). See Note 31 Events after the balance sheet date for additional information.

Share Premium

With regard to the share premium, the revised text of Spanish Corporation Law expressly states that the Company may use this account to increase share capital, and does not stipulate any specific restriction with regard to how it is to be used.

Restricted reserves

Companies that obtain profits during the year are obliged to transfer 10% of the net profit for the year to the legal reserve, until said reserve is equivalent to 20% of the capital. Except in the event of dissolution, this reserve may not be distributed, but may be used to offset losses, provided that there are no other reserves available for this purpose, and to increase capital in the amount by which it exceeds 10% of the increased capital.

With regard to restrictions on the reserves of subsidiaries, there are legal reserves of Spanish subsidiaries at December 31, 2005 (2004) amounting to 26.5 (22.3) million euros, to which the regulation described in the above paragraph for the parent company is applicable. The portion of these reserves resulting from the consolidation process is included in the reserves of consolidated companies.

Equity includes 38,531 (38,531) thousand euros corresponding to Herba Foods S.L. The distribution of profits depends on the corresponding income tax. For this purpose, the Group considers tax incurred once the distribution has been agreed. The Group does not envisage such distribution in the short or medium term.

Revaluation reserve

As a result of revaluations of assets recorded by Sociedad General Azucarera de España, S.A. and by Puleva, S.A. by virtue of Royal Decree Law 7/96, dated June 7, Revaluation Reserves were recorded amounting to 22,606 thousand euros (19,437 thousand euros of which are included in "Reserves in fully-consolidated companies").

This balance may be applied, tax free, to eliminate book losses, from previous years or the current period, or to offset any that may arise in the future and for capital increases. As from April 1, 2007 it may be transferred to freely distributable reserves, provided that the capital gain has been realized. The capital gain will be deemed realized in the part corresponding to the amortization made or when the restated assets have been transferred or written off the accounting records. If the balance of this account were to be used otherwise than as established in Royal Decree-Law 7/1996, it would become taxable.

Translation differences – Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effects of hedging net investments in foreign operations.

The detail by company of translation differences at December 31, 2005 and 2004 is the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|--|-----------------|-----------------|
| Companies of the Rice business segment | (579) | (408) |
| RIVIANA Group | (14,362) | (23,376) |
| Total | (14,941) | (23,784) |

Treasury shares

In 2004, the Company purchased and sold shares as authorized by the shareholders in their general meeting held on April 15, 2004. These transactions were communicated to the National Securities Market Commission as required by prevailing regulations. In the year it bought 2,408,678 and sold 3,198,253 shares. At year end the Company had 65,231 treasury shares, representing 0.04% of share capital.

The Company also bought and sold treasury shares in 2005, as authorized by the shareholders in their general meeting held on April 27, 2005. These transactions were communicated to the National Securities Market Commission as required by prevailing regulations. In the year it bought 1,200,584 and sold 1,265,584 of its own shares. The Company ended 2005 with 231 treasury shares, representing 0.0002% of share capital. At that time the Company had not yet decided on the final use of these shares.

18.2. EARNINGS PER SHARE:

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the average number of ordinary shares outstanding in the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible non-cumulative redeemable preference shares –Ebro Puleva, S.A. did not have such shares at December 31, 2005 and 2004- by the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares –Ebro Puleva, S.A. did not have such shares at December 31, 2005 and 2004-.

The following reflects the income and share data used in the basic and diluted earnings per share computation:

| THOUSAND EUROS | | |
|--|------------|------------|
| | 12/31/2005 | 12/31/2004 |
| Net profit attributable to ordinary equity holders of the parent from continuing operations | 155,641 | 130,121 |
| Loss attributable to ordinary equity holders of the parent from discontinued operations | — | (3,548) |
| Net profit attributable to ordinary equity holders of the parent | 155,641 | 126,573 |
| Interest on convertible non-cumulative redeemable preference shares | — | — |
| Net profit attributable to ordinary equity holders of the parent from adjusted for the effect of convertible preference shares | 155,641 | 126,573 |

| THOUSAND EUROS | | |
|--|---------|---------|
| | 2005 | 2004 |
| Weighted average number of ordinary shares for earnings per share | 153,865 | 153,865 |
| Effect of dilution: | | |
| Share options | — | — |
| Redeemable preference shares | — | — |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 153,865 | 153,865 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

18.3. DIVIDENDS

| | 2005 | 2004 |
|---|--------|--------|
| Declared and paid during the year (thousand euros): | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2004: 33 cents (2003: 30 cents) | 50,775 | 46,100 |
| First dividend for 2005: 0 cents (2004: 0 cents) | — | — |
| | 50,775 | 46,100 |
| <i>Proposed for approval at General Shareholders' Meeting (not recognized as a liability as at December 31)</i> | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2005: 34 cents (2004: 33 cents) | 52,314 | 50,775 |

19. DEFERRED INCOME

This heading mainly includes government grants. The detail of the movement in 2005 and 2004 is the following:

| | Government grants | | Other deferred income | | Total | |
|----------------------------------|-------------------|---------------|-----------------------|------------|---------------|---------------|
| | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| At January 1 | 20,426 | 17,143 | 649 | 1,376 | 21,075 | 18,519 |
| Cancelled | | | | | — | — |
| Received | 1,278 | 7,105 | | | 1,278 | 7,105 |
| Other increases/decreases | (2,195) | | (11) | | (2,206) | 0 |
| Released to the income statement | (3,995) | (3,822) | (191) | (727) | (4,186) | (4,549) |
| At December 31 | 15,514 | 20,426 | 447 | 649 | 15,961 | 21,075 |

The balance at December 31, 2005 and 2004 corresponds to official government grants awarded to various group companies for certain investment projects in property, plant and equipment. To date these companies have met all the requirements for receiving those grants.

20. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The movements in this heading in the Group during the year were the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|-------------------------------|---------------|---------------|
| Balances at January 1 | 24,084 | 18,400 |
| Translation differences | 627 | (424) |
| Business combinations | 11,086 | 7,408 |
| Application and payments | (5,343) | (2,026) |
| Transfers to other accounts | 450 | (400) |
| Allocation to profit | 7,942 | 1,126 |
| Balance at December 31 | 38,846 | 24,084 |

The detail by company is the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|-------------------------------------|---------------|---------------|
| Azucarera Ebro, S.L. | 11,856 | 12,742 |
| Herba Group companies | 8,215 | 7,452 |
| Riviana Group companies | 7,361 | 3,530 |
| Panzani Group companies | 11,079 | n/a |
| Ebro Puleva, S.A. | 335 | 326 |
| Compañía Agrícola de Tenerife, S.A. | — | 34 |
| Total | 38,846 | 24,084 |

20.1 EBRO PULEVA, S.A. AND AZUCARERA EBRO, S.L.

As explained in Note 3.o), some employees of Ebro Puleva, S.A. and Azucarera Ebro, S.L. are eligible for various pension supplements previously established in internal pension funds of each company until 2002.

In accordance with prevailing legislation, these companies met their obligation to externalize their pension commitments prior to November 16, 2002, including those in the event of the death of an employee while in active service.

Azucarera Ebro S.L., a wholly owned subsidiary of Ebro Puleva, S.A., signed a master agreement with an insurance company regulating the technical, economic and legal terms and conditions to be applied to the policies in which the pension commitments acquired in respect of employees from Azucarera Ebro Agrícolas, S.A. were instrumented in 2002, and a 10-year finance loan was arranged with the insurance company (see Note 22) at an

interest rate of 6.7%, equal to that guaranteed for the first 40 years for the mathematical reserves made on the basis of the premiums of said finance loan.

Upon externalizing insurance policies, each year the relevant adjustments are made to the possible commitments that arise between the previous year and December 31 of the current year including any additional payments accrued due to salaries that differ from those used to calculate the technical bases described in the 2001 annual accounts for active employees, and the corresponding premiums paid.

Due to the abovementioned externalization of insurance policies, the provisions that had been recorded for the former internal funds were eliminated from liabilities in 2002. The amounts outstanding on the financing plan arranged with the insurance company are shown on the balance sheet as financial debt (see Note 22).

The combined balance at December 31, 2005 (2004) of Azucarera Ebro, S.L. and Ebro Puleva, S.A. of 12,191 (13,068) thousand euros corresponds exclusively to the provision against potential employee commitments that are not legally required to be externalized: long-service bonuses of 8,466 (8,744) thousand euros and compensation for some current employees of the Company for waiving lifelong life insurance policies of 3,725 (4,324) thousand euros. These provisions are recorded based on actuarial calculations made by independent experts.

20.2. RIVIANA GROUP COMPANIES

This heading includes the provision for the indemnity payable to employees based on the years of service of the Riviana Group's Central American subsidiaries amounting to 5,533 (4,641) thousand euros, calculated in accordance with actuarial studies, plus a net debit balance of 1,828 (1,111) thousand euros corresponding to the defined contribution pension plan, primarily of US companies, as per the following detail (in thousand of euros):

| Thousands of euros | 12/31/05 | 12/31/04 |
|---|------------------|-----------------|
| Provisions for pensions and other post-employment benefits | 12 months | 4 months |
| Opening balance | 34,725 | 37,484 |
| Allocations recorded in the year | 4,869 | 1,537 |
| Actuarial changes | 2,831 | 256 |
| Payments made in the year | (7,141) | (479) |
| Staff restructuring | 1,317 | 0 |
| Estimation of unrecognized losses | 383 | 0 |
| Exchange differences | 3,695 | (4,073) |
| Balance at December 31 | 40,679 | 34,725 |
| Provisions for pensions-invested assets | | |
| Value at beginning of period | (35,284) | (36,619) |
| Return on investments during the year | (1,362) | (3,197) |
| Contributions by the Company | (1,599) | (11) |
| Payments made in the year | 7,141 | 479 |
| Exchange differences | (5,256) | 4,064 |
| Balance at December 31 | (36,360) | (35,284) |
| Net balance at December 31 | 4,319 | (559) |
| Net actuarial gains (losses) | (2,491) | (552) |
| Net balance at December 31 | 1,828 | (1,111) |

In addition, the Riviana Group has a defined contribution pension plan for all its US employees. The Company contributes a lump sum equal to the percentage of employee contributions. The total amount of the expense for this plan in the 2005 (2004) amounted to 200 (198) thousand euros.

20.3 PULEVA FOOD GROUP

The collective labor agreement applicable to the work places in Granada, Jerez de la Frontera and Seville, belonging to the former Puleva, S.A., contemplates commitments corresponding to early retirement payments to employees who have worked for the company for more than 10 years and request early retirement (up to a maximum of seven employees a year). In accordance with prevailing legislation, these companies externalized these commitments prior to November 16, 2002. As a result of externalizing these commitments, the former internal funds have been eliminated from liabilities.

20.4. HERBA GROUP COMPANIES

The collective labor agreement applicable to one of the foreign companies of this group includes personnel pension commitments. The corresponding provisions have been recorded based on calculations made by independent experts.

20.5. PANZANI GROUP COMPANIES

Panzani group companies have certain commitments with employees, mainly defined benefit pension and post-employment benefit plans. Provisions for the defined benefit pension plans were recorded based on actuarial calculations made by independent experts (8,836 thousand euros at December 31, 2005) and for the post-employment benefit plans by internal actuarial estimates (1,296 thousand euros at December 31, 2005).

These benefits are funded internally, without realizing specific assets for this purpose. The main assumptions used in these calculations are:

- a) Mortality and life expectancy. INSEE 2003 tables.
- b) Wages. Compound annual growth of 2.5%.
- c) Social security contribution ratio. 50%
- e) Retirement age. 65 years
- f) Interest rate. 2.95%.

The remainder of the provision relates to commitments with certain directors of Panzani SAS, which are covered by an insurance policy.

21. OTHER PROVISIONS

The movements in this heading in 2005 and 2004 are the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|---|----------------|----------------|
| Opening balance | 133,088 | 86,013 |
| Translation differences | — | — |
| Business combinations | 27,536 | 450 |
| Transfers | 6,174 | 0 |
| Applied | (24,475) | (12,339) |
| Allowances charged to the income statement | 8,210 | 51,792 |
| Provisions against profit (loss) for tax effect | — | 7,172 |
| Balance at December 31 | 150,533 | 133,088 |

The detail of these provisions by item, company or segment is the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|---|----------------|----------------|
| Provisions | | |
| Litigation and lawsuits | 138,973 | 121,186 |
| Modernization and Optimization Plan | 687 | 8,601 |
| Contingences of subsidiaries | 2,549 | 3,300 |
| Sundry contingencies of an insignificant amount | 1,699 | 1 |
| Maintenance of co-generation equipment | 6,625 | — |
| | 150,533 | 133,088 |

| | 12/31/05 | 12/31/04 |
|-------------------------------------|----------------|----------------|
| Azucarera Ebro, S.L. | 121,985 | 125,683 |
| Ebro Puleva, S.A. | 4,979 | 2,640 |
| Puleva Food Group | 8,957 | 2,288 |
| Compañía Agrícola de Tenerife, S.A. | 1,692 | 1,678 |
| Arroz Herba Group companies | 589 | 349 |
| Riviana Group | — | 450 |
| Panzani Group | 12,331 | 0 |
| Total | 150,533 | 133,088 |

21.1. AZUCARERA EBRO, S.L.

The final balance of this subsidiary includes principally the provisions for litigations arising from ongoing judicial proceedings and other claims filed against the company, as well as provisions for payments from the previous year relating to the Modernization and Optimization of Industrial Competitiveness Plan which this company is currently implementing. This plan is primarily aimed at preparing for new European regulations for the sugar industry, which logically will require a new plan to be designed (see Note 28).

The amounts applied in the year correspond mainly to dismissal indemnities recorded against the provision made at year end 2003 for the abovementioned Modernization and Optimization of Industrial Competitiveness Plan, which will continue to be carried out in 2005.

Provision allowances in the year correspond to the current value of interest relating to other litigation, as well as other provision allowances for new liabilities related to litigation. In addition, in 2004 as a result of the sentence rendered by the National Court of Justice referred to above, 40,588 thousand euros were recorded to cover the regulatory fines and storage tax.

On February 2, 2005, the National Court of Justice ruled against the Company in judicial proceedings relating to alleged fictitious transactions among factories during the 1996-1999 sugar campaigns, to correct the differences resulting from sugar stock counts. In addition to convicting the thirteen accused by the Department of Public Prosecutions and the Treasury Counsel, the Court determined that the Company is civilly liable for a total of 27 million euros plus the corresponding interest for failure to pay the regulatory fee for alleged C sugar, as well as the fee for offsetting storage expenses.

Although the Company considers that this decision is not in keeping with the law and has filed an appeal with the Supreme Court, the accounts closed at December 31, 2004 include a provision for the full amount including interest that the Company would have to pay in the event the aforementioned sentence were confirmed.

21.2. OTHER COMPANIES

Of the remaining balance, the majority refers to:

- * In the dairy segment, a 6,625 thousand euro provision from a maintenance contract for the co-generation plant. This contract should cover preventive maintenance for the plant, as well as scheduled revisions of the engines including all replaceable parts and labor, and support potential corrective measures. The Group is currently waiting to sign a new contract for approximately 7 million euros. The contract will be for a period of 44,000 hours or 11 years of operation for the engines. The contract in 2004 was recognized in "Other non-current non-financial liabilities."
- * Virtually half of the provisions used in the year correspond to the Panzani Group for the various obligations related to the shutdown of the Arles plant for flooding in 2004. At December 31, 2005 this claim was nearly settled, with 1,824 thousand euros of unused provisions.
- * Of the remaining balance, the majority is intended principally to cover commitments assumed by Group companies to settle liabilities of subsidiaries that were either dormant or sold, as well as minor lawsuits and contingencies.

21.3. SUMMARY OF ONGOING LITIGATION AND LAWSUITS

Of the balance of "Other provisions" at December 31, 2005 (2004), 138,973 (121,186) thousand euros correspond to provisions recorded for litigation related to ongoing lawsuits and other claims. The parent company's directors estimate that rulings on these will not generate significant additional liabilities. The detail of the maximum potential litigation risk is the following (in thousands of euros):

| | 12/31/05 | 12/31/04 |
|--|----------------|----------------|
| Tax assessments signed in disagreement | 128,464 | 111,973 |
| Legal risks | 11,008 | 4,504 |
| Other legal risks | 5,913 | 5,856 |
| | 145,385 | 122,333 |

22. INTEREST-BEARING LOANS AND BORROWINGS

The detail of this heading is the following (in thousands of euros):

| FINANCIAL LIABILITIES | | | | |
|---|----------------|----------------|----------------|----------------|
| | At 12/31/2005 | | At 12/31/2004 | |
| | Non-current | Current | Non-current | Current |
| Non-current bank loans | 672,476 | 71,023 | 375,028 | 71,046 |
| Current bank loans | — | 251,004 | — | 113,688 |
| Payables for externalization of post-employment benefit commitments | 18,508 | 6,792 | 23,422 | 6,792 |
| Other payables to official institutions | 2,198 | 439 | 1,644 | 440 |
| Payables to Group companies | 586 | 450 | — | — |
| Guarantees and deposits received (financial) | 59 | — | 58 | — |
| Total financial liabilities | 693,827 | 329,708 | 400,152 | 191,966 |

Non-current payables for the externalization of post-employment benefits commitments at December 31, 2005 (2004) amount to 18,508 (23,422) thousand euros and current payables to 6,792 (6,792) thousand euros, corresponding to the outstanding balance of the financing plan agreed between Azucarera Ebro, S.L. and insurance company Banco Vitalicio for the externalization of these commitments (see Note 20.1). The financing plan accrues annual interest of 6.7% and was established for a period of 10 years, with equal annual installments. The last installment is due July 17, 2010.

The detail of interest-bearing loans and borrowings by segment or company and maturity is the following (in thousands of euros):

| Detail by segment or company of | 12/31/04 | 12/31/05 | 2007 | 2008 | 2009 | 2010 | Subsequent years |
|--|----------------|----------------|---------------|---------------|---------------|------------|------------------|
| Bank loans and borrowings | | | | | | | |
| - Ebro Puleva, S.A. | 341,151 | 653,874 | 71,874 | 71,000 | 71,000 | — | 440,000 |
| - Puleva Food Group | 15,026 | 1,229 | 123 | 1,106 | — | — | — |
| - Lactimilk Group | 11,493 | — | — | — | — | — | — |
| - Rice business - Herba | 7,335 | 16,926 | 15,052 | 1,874 | — | — | — |
| - America business - Riviana Group | 23 | — | — | — | — | — | — |
| - Pasta business - Panzani | n/a | 447 | 108 | 108 | 108 | 61 | 62 |
| Non-current bank loans and borrowings | 375,028 | 672,476 | 87,157 | 74,088 | 71,108 | 614 | 440,062 |
| - Sugar business | 45,497 | 29,473 | | | | | |
| - America business - Riviana Group | 9,972 | 2,196 | | | | | |
| - Puleva Food Group | 3,051 | 10,920 | | | | | |
| - Lactimilk Group | 2,916 | 1,202 | | | | | |
| - Other companies | 47 | 216 | | | | | |
| Current bank loans and borrowings | 184,734 | 322,027 | | | | | |
| Total bank loans and borrowings | 559,762 | 994,503 | | | | | |

The detail of this heading by currency in which the loans are denominated is the following:

| Currency | 12/31/05 | 12/31/04 |
|------------------|----------------|----------------|
| Euros | 598,563 | 257,325 |
| US dollars | 373,643 | 280,883 |
| Pound sterling | 14,501 | 12,262 |
| Moroccan dirhams | 7,275 | 4,437 |
| DKK | 521 | 4,855 |
| Total | 994,503 | 559,762 |

Current interest-bearing loans and borrowings at December 31, 2005 (2004) included 3,524 (1,108) thousand euros of interest pending maturity and 6,206 (1,023) thousand euros of bills pending maturity.

Non-current interest-bearing loans and borrowings by Ebro Puleva, S.A. went to fund the investments in Riviana Inc (2004) and Panzani SAS (2005). These loans are guaranteed by subsidiaries Azucarera Ebro, S.L., Puleva Food, S.L., Herba Foods, S.L., Herba Ricemills, S.L. and Panzani SAS and correspond to:

- * A 287 million euro syndicated loan arranged in November 2004 and renewed in May 2005, the principal of which will be repaid in eight half-yearly installments of 35.5 million euros from May 2006. The first installment of 3 million euros was repaid in November 2005. The annual interest applicable to the loan is linked to 1, 3, 6 and 12 month Euribor plus a market differential.
- * A 440 million euro syndicated loan arranged in May 2005, the principal of which will be repaid in six half-yearly installments of 73.33 million dollars from October 2011. The annual interest applicable to the loan is linked to 1, 3, 6 of 12 month Euribor plus a market differential.

At year end 2005, Ebro Puleva, S.A. still had an IRS (Interest Rate Swap) on the loan in euros equivalent to a nominal amount of 75 million euros, with a collar range from 3% to 4.9% and a knock-in at 2.5%. It matures in 2007 and is not classified as a hedge.

As for the remainder at December 31, 2005 (2004), Group companies have credit facilities at banks secured by personal guarantees with a total limit of 794 (647) million euros. The amount drawn down was 263 (141) million euros. Panzani Group credit facilities, up to a limit of 105 million euros, are secured by accounts receivable.

There are also commercial discount lines, foreign trade financing and other bank guarantees for the following amounts (in thousands of euros):

| Financing arranged | Amount drawn down | Amount available | Total limit |
|---------------------------|-------------------|------------------|----------------|
| Discounted bills | 6,206 | 41,766 | 47,972 |
| Bank guarantees | 181,539 | 121,860 | 303,399 |
| Factoring agreements | 18,593 | 0 | 18,593 |
| Consolidated total | 206,338 | 163,626 | 369,964 |

The average annual interest rate on long-term loans was 2.60% for loans to the Rice Group and 2.55% for loans to the Puleva Food Group.

The average annual interest rate on short-term loans was three-month Euribor plus 0.3 for Ebro Puleva, S.A., an average of 3.0% for the Rice Group, 2.27% for Azucarera Ebro, S.L., 2.55% for the Puleva Food Group, 2.49% for Panzani Group and 17.9% for Central American subsidiaries of the Riviana Group.

The terms of Ebro Puleva, S.A.'s syndicated loan agreement, as well as those of the loan agreements of the Riviana Group, stipulate solvency requirements which have been fully met at December 31, 2004 and 2005.

23. OTHER NON-FINANCIAL PAYABLES

The movement in this heading relative to 2004 is mostly due to the restatement indicated in Note 21.2 of the estimation of the future co-generation plant maintenance contract in the dairy business. The remainder includes various minor payables.

24. TRADE AND OTHER PAYABLES

The detail of this heading is the following (in thousands of euros):

| | 12/31/2005 | 12/31/2004 |
|----------------------------------|----------------|----------------|
| Trade payables | 412,229 | 241,555 |
| Other payables | 34,262 | 28,001 |
| Employee benefits payable | 38,148 | 19,505 |
| Guarantees and deposits received | 374 | 1,492 |
| Total | 485,013 | 290,553 |

Trade receivables are non-interest bearing and are generally on 60-90 days' terms. Other payables are also non-interest bearing, with average maturity of six months. These mainly correspond to payables on purchases of property, plant and equipment, payables for customer discounts and bonuses and insurance premiums.

25. TAX SITUATION

The detail by of tax receivables and payables at December 31, 2005 and 2004 is the following (in thousands of euros):

| | Receivable | | Payable | |
|--|---------------|---------------|---------------|---------------|
| | 12/31/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| VAT and income tax withholding payable to the Treasury | 39,160 | 18,491 | 14,543 | 9,478 |
| Corporate income tax | 3,847 | 7,075 | 19,767 | 8,967 |
| Social security costs | 5 | 5 | 2,988 | 3,267 |
| Grants pending receipt | 4,001 | 6,872 | | |
| Other public bodies | 1,524 | 2,623 | 17,882 | 20,763 |
| Total public bodies | 48,537 | 35,066 | 55,180 | 42,475 |

The major components of income tax expense for the years ended December 31, 2005 and 2004 are (in thousands of euros):

| Consolidated income statement | 12/31/05 | 12/31/04 |
|--|---------------|---------------|
| Current income tax | 41,463 | 39,350 |
| Deferred income tax | 18,361 | 4,206 |
| Adjustments in respect of current income tax of previous years | 1,474 | (2,207) |
| | 61,298 | 41,349 |
| Income tax recognized directly in equity | | |
| Expense for modification of share capital at subsidiaries | — | -35 |
| Proceeds on sale of treasury shares | 460 | 443 |
| Other | — | — |
| | 460 | 408 |

Within the consolidated Group, some companies file consolidated tax statements in accordance with local laws or tax standards. These include virtually all the Spanish companies (Spanish tax group), the companies of the America rice and food business – Riviana and those of the pasta business – Panzani.

In addition, the tax rates vary across countries. Rates in order of importance are: 35% in Spain, 34.93% in France, 37.5% in the US, 38% in Germany and 30-31% in Central America. The effect of tax rates above or below 35% is recognized in permanent differences.

The detail of consolidated Group tax for the year ended December 31, 2005 and 2004 is the following (in thousands of euros):

| | 31/12/05 | | 31/12/04 | |
|--|----------------|----------------|----------------|----------------|
| | Accounting | Taxable | Accounting | Taxable |
| Profit (loss) before tax from continuing operations | 220,056 | 220,056 | 174,432 | 174,432 |
| Profit (loss) before tax from discontinued operations | 0 | 0 | (5,421) | (5,421) |
| Profit (loss) before tax recognized in equity | 1,315 | 1,315 | 1,165 | 1,165 |
| | 221,371 | 221,371 | 170,176 | 170,176 |
| Permanent differences from Group companies | (10,832) | (10,832) | 886 | 886 |
| Permanent differences from consolidation adjustments | 13,741 | 13,741 | 16,039 | 16,039 |
| Application of individual loss carryforwards | (873) | (873) | (2,097) | (2,097) |
| Adjusted accounting profit (loss) | 223,407 | 223,407 | 185,004 | 185,004 |
| Temporary differences from Group companies | | 1,701 | | (17,313) |
| Temporary differences from consolidation adjustments | | (54,163) | | 5,294 |
| Application of loss carryforwards from subsidiaries | | 0 | | 0 |
| Taxable profit (loss) of the tax group | 223,407 | 170,945 | 185,004 | 172,985 |
| Tax expense at 35% rate | 78,192 | 59,831 | 64,751 | 60,545 |
| Deductions applied | (17,908) | (17,908) | (22,638) | (22,638) |
| Tax payable | 60,284 | 41,923 | 42,113 | 37,907 |
| Permanent establishment tax | 0 | 0 | (22) | (22) |
| Write-off of deferred taxes | 511 | | (1,345) | |
| Write-off of prior year's tax | 963 | | (862) | |
| Total expense | 61,758 | 41,923 | 39,884 | 37,885 |
| Income tax expense reported in the income statement | 61,298 | | 41,349 | |
| Income tax attributable to discontinued operations | 0 | | (1,873) | |
| Income tax expense recognized in equity | 460 | | 408 | |
| | 61,758 | | 39,884 | |

The total tax expense less withholdings and prepayments made in the year leave a total income tax payable to the treasury.

Loss carryforwards in 2004 correspond principally to Puleva Food, S.L., as a permanent difference.

The temporary differences of companies relate principally to transactions of Azucarera Ebro, S.L. and correspond to the recording or application for tax purposes of provisions released or recorded in the year, and other minor differences and Ebro Puleva, S.A. for allocation and/or reversals to/from provisions for impairment of property, plant and equipment and financial assets eligible/ineligible for tax deductions in the year.

The temporary differences associated with consolidation adjustments mainly correspond to foreign exchange differences recognized directly in translation differences for the natural hedge of the US dollar loan related to the investment in Riviana (see Note 28).

Permanent differences correspond principally to the monetary adjustment of investment property sold in the year, to tax depreciation already calculated for accounting purposes in previous years and the application, for tax purposes, of investment losses. Lastly, permanent differences from consolidation adjustments relate primarily to the elimination of provisions between companies of subgroups that belong to the same tax group.

Deductions from tax payable correspond principally to investments in environmental activities, the development of new products and reinvestment of profits in the sale of investment property and deductions for export activities (investment in foreign companies). The amount that must be reinvested to be eligible for deductions for reinvestment 2005 is 87 million euros (65 million, 25 million and 33.6 million euros, respectively, in 2004, 2003 and 2002, amounts which were already reinvested by the tax group in 2004, 2003 and 2002). In addition, the Company has met all other requirements necessary to take these deductions.

The movement in deferred tax assets and liabilities for the years ended December 31, 2005 and 2004 is the following (in thousands of euros):

| | 12/31/05 | | 12/31/04 | |
|--------------------------------|----------------|----------------|----------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| Balance at January 1 | 113,312 | 65,561 | 94,941 | 18,318 |
| Exchange differences | 979 | 4,888 | (763) | (3,984) |
| Changes in consolidation Scope | 15,423 | 55,884 | 9,388 | 39,639 |
| Applied during the year | (17,667) | (10,973) | 9,746 | 11,588 |
| Balance at December 31 | 112,047 | 115,360 | 113,312 | 65,561 |

The detail of deferred tax assets and liabilities by company is the following (in thousands of euros):

| | 12/31/05 | | 12/31/04 | |
|-------------------------------------|----------------|----------------|----------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| Ebro Puleva, S.A. | 26,186 | 7,925 | 29,227 | 10,745 |
| Herba Group companies | 3,542 | 7,879 | 3,795 | 5,958 |
| Azucarera Ebro Group | 58,318 | 9,946 | 62,148 | 11,125 |
| Riviana Group companies | 7,526 | 33,768 | 7,149 | 32,846 |
| Puleva Food Group | 5,210 | 1,896 | 8,878 | 4,611 |
| Lactimilk Group | 685 | 0 | 515 | 0 |
| Compañía Agrícola de Tenerife, S.A. | 150 | 0 | 208 | 0 |
| Puleva Biotech, S.A. | 896 | 194 | 1,392 | 276 |
| Panzani Group companies | 9,534 | 53,752 | 0 | 0 |
| Total | 112,047 | 115,360 | 113,312 | 65,561 |

At December 31, 2004 and 2005 Group companies had no significant tax carryforwards pending application.

In February 2004 the inspection that was being carried out of all taxes to which Puleva, S.A. is liable for the years 1998 to 2000 was completed. As a result of this inspection, tax contingencies were raised amounting to 1,832 thousand euros, which were signed in conformity and the related provision applied. This provision was recorded in the annual accounts of Puleva Food, S.L., a wholly owned subsidiary of Ebro Puleva, S.A., since this company has assumed the tax obligations of the dissolved Puleva, S.A.

On February 14, 2005, the tax authorities notified all the Group companies of the Ebro Puleva, S.A. tax group that an inspection would begin for corporation tax for fiscal years 1999-2003 and for remaining taxes for fiscal years 2001-2003. At the reporting date the inspection is still underway. The Group was asked by tax authorities for a special 12 month extension owing to the large number of companies involved. In addition, the Ebro Puleva Spanish Tax Group is open to inspection of all taxes to which it is liable for 2004 and 2005.

Group companies are open to inspection of all taxes as per the prevailing regulations of each country. Given their relative importance, we would highlight that Panzani SAS is only open to inspection for 2005 and Riviana Foods Inc., in general, from 2003 to 2005.

26. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years, with no renewal option included in the contracts. There are no restrictions placed on the

Group by entering into these leases. Future minimum rentals payable under non-cancelable operating leases as at December 31, 2005 are as follows:

| | 12/31/05 |
|---|-----------------|
| Within one year | 1,630 |
| After one year but not more than five years | 1,808 |
| More than five years | 0 |
| Total | 3,438 |

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancelable leases have remaining terms of between 5 and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancelable operating leases as at December 31, 2005 are as follows:

| | 12/31/05 |
|---|-----------------|
| Within one year | 127 |
| After one year but not more than five years | 508 |
| More than five years | 635 |
| Total | 1,270 |

Capital commitments

At December 31, 2005 the Group have commitments of 6,970 thousand euros relating to the acquisition or replacement of machinery.

Inventory commitments

See details in Note 15.

Legal claims

See details in Note 21.3.

Guarantees

At year end 2005, the Group had the following bank guarantees:

| | 12/31/05 | 12/31/04 |
|--|-----------------|-----------------|
| From banks: For claims before tax courts and public bodies for deferral of tax liabilities (see Note 21.3) | 126,435 | 119,967 |
| From banks: Before the F.E.G.A. customs and third parties to guarantee completion of normal trade transactions | 58,224 | 64,367 |
| Other bank guarantees | 485 | 14,230 |
| Before banks to guarantee completion of transactions of associates and non-Group companies | 79,631 | 81,907 |
| Total | 264,775 | 280,471 |

The most significant guarantee given to banks to cover the transactions of associates corresponds to the guarantee given by Ebro Puleva, S.A. on behalf of associate Biocarburantes de Castilla y León, S.A. for the syndicated loan signed by the latter with several financial institutions in November 2004. This loan was intended to finance said company's biofuel factory project.

The loan totals 158 million euros, 50% of which is guaranteed by the shareholders of Biocarburantes de Castilla y León, S.A. Consequently, the maximum amount guaranteed by Ebro Puleva, S.A. is 79 million euros. However, as of December 31, 2005 (2004) Biocarburantes de Castilla y León, S.A. had drawn down 94 (45) million euros of the total loan, and therefore the proportional amount effectively guaranteed by Ebro Puleva, S.A. totaled 47.5 (22.5) million euros.

With regard to the guarantees given by Puleva Food, S.L., at December 31, 2005 and 2004 the mortgage placed by the Regional Government of Andalusia on certain assets valued at 6,010 thousand euros to guarantee a fully-repaid loan had not yet been cancelled.

Puleva Biotech, S.A. has given a total of 775 thousand euros of bank guarantees, of which 742 thousand euros are to guarantee the repayment of loans subsidized by the Directorate General of Technological Policy within the Technical Research Development Program (PROFIT).

Finally, Panzani Group credit facilities, up to a limit of 100 million euros, are guaranteed by accounts receivable.

27. RELATED PARTY DISCLOSURES

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables except that indicated in Note 26 related to Biocarburantes de Castilla y León, S.A.

For the year ended December 31, 2005, the Group has not made any provision for doubtful debts relating to amounts owned by related parties (2004: zero). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

27.1. RELATED PARTIES – DIRECTORS' INTERESTS IN ENTITIES (OR RELATED PARTIES) THAT HOLD SHARES IN EBRO PULEVA, S.A. AND OTHER DIRECTORS' INTERESTS

Note 18.1 lists the companies with significant shares in Ebro Puleva, S.A. (parent company of the Ebro Puleva Group).

The main transactions with these parties are as follows (in thousands of euros):

| Company | Transaction | Type of operation | 2004 | 2005 |
|--|-------------|---|---|--|
| Instituto Hispánico del Arroz, S.A. | Commercial | Sale of different types of paddy rice | 9,377,182 kgs. 2,116 thousand euros | 23,750,602 kgs. 5,090 thousand euros |
| | Commercial | Sale of different types of rice seed | 1,399,480 kgs. 707 thousand euros | 1,293,280 kgs. 641 thousand euros |
| | Commercial | Storage of rice and byproducts | 3 | 0 |
| | Commercial | International rice purchases (Hisparroz Group profit margin) | 30 | 30 |
| | Commercial | Reciprocal leases between Ebro Puleva group companies and Instituto Hispánico del Arroz (storage, premises and offices) | 67 thousand euros: annual rent paid by the Ebro Group. 14 thousand euros annual rent paid by Instituto Hispánico del Arroz. | 5 thousand euro annual rent paid by the Ebro Puleva Group. 14 thousand euros annual rent paid by Instituto Hispánico del Arroz. |
| | Commercial | Tax consultancy services to companies in the rice division. | 188 | 206 |
| Caja España de Inversiones | Financial | Credit facility for working capital. At 12/31/05 (2004) the amount drawn down was 0 (10) | 6,000 | 6,000 |
| | Financial | Syndicated loan to finance investments | n/a | 38,821 thousand US dollars |
| | Financial | Credit facility for working capital. At 12/31/05 the amount drawn down was 750 | n/a | 750 |
| | Financial | Two lines to finance the sugar beet harvest and working capital, respectively. The amount drawn down at 12/31/05 (2004) was 9,008 (12,074). | 60,000 and 3,000 | 60,000 and 6,000 |
| Caja de Salamanca y Soria (Caja Duero) | Financial | Two lines to finance the sugar beet harvest and working capital, respectively. The amount drawn down at 12/31/05 (2004) was 2,957 (672). | 32,000 and 6,000 | 25,000 and 6,000 |
| | Financial | Line of bank guarantees. 11,613 thousand euros drawn down at 12/31/05 | n/a | 13,823 |
| | Financial | Syndicated loan to finance investments | n/a | 77,647 thousand US dollars |
| | Financial | Loan to finance the production of bioethanol (for Biocarburantes de Castilla y León, S.A.) | n/a | 9,871 |
| | Financial | Interest-bearing deposit | 36,000 | 17,000 |
| Corporación Caixa Galicia, S.A. | Financial | Three credit lines to finance working capital. At 12/31/05 (2004) the amount drawn down was 14,577 (7,226) | 33,000 | 33,000 |
| | Financial | Syndicated loan to finance investments | n/a | 129,413 thousand US dollars |
| | Financial | Line of discounted bills | n/a | 1,800 |
| | Financial | Line of guarantees. 1,873 thousand euros drawn down at 12/31/05 | n/a | 4,000 |
| Cajasur | Financial | Syndicated loan to finance investments | n/a | 64,706 thousand US dollars |
| Guillermo Mesonero y Javier Tallada | Commercial | Advertising agreements with Libertad Digital, S.A. and Intereconomía, of which both members of the Board are also | 144 | n/a |
| Javier Tallada García de la Fuente | Trade | Sale of 1,782,916 shares of Puleva Biotech at at 2.69 euros per share. | 4,795 | n/a |

27.2. RELATED PARTIES - ASSOCIATES

Note 4 provides the list of subsidiaries and associates that make up the Ebro Puleva Group.

The transactions with non-consolidated Group companies and associates carried out during the year are not significant, except for those described in Notes 12 and 26 relating to loans and guarantees granted by Ebro Puleva, S.A. to Biocarburantes de Castilla y León, S.A.

The summary of transactions with associates is the following (in thousands of euros):

| | 31/12/2005 | | 31/12/2004 | |
|-----------------------------------|--------------|------------|------------|------------|
| | Revenues | Expenses | Revenues | Expenses |
| Biocarburantes de C. y León, S.A. | 1,929 | 0 | 0 | 0 |
| Other companies | 372 | 144 | 250 | 125 |
| | 2,301 | 144 | 250 | 125 |

27.3. RELATED PARTIES – KEY MANAGEMENT PERSONNEL

Directors' compensation. The detail of total compensation paid to the directors of Ebro Puleva, S.A. in all the companies of the Group during 2004 and 2005 totaled 4,283 and 3,977 thousand euros respectively, as per the following detail (in thousands of euros):

| | 2004 | 2005 |
|---------------------------------------|--------------|--------------|
| Expenses | 185 | 282 |
| Share under bylaws | 1,134 | 1,374 |
| Total external board members | 1,319 | 1,656 |
| Wages, salaries and professional fees | 2,663 | 2,093 |
| Life and retirement insurance | 301 | 228 |
| Total executive directors | 2,964 | 2,321 |
| Total director's compensation | 4,283 | 3,977 |

In addition, 4,461 (2,657) thousand euros in indemnities were paid for expiration of contracts in 2005 (2004).

The current bylaws of the Company establish a share of 2.5% in the net profit for the year, provided that the legal reserve has been covered and the necessary amount has been set aside to pay the shareholders a dividend of 4% of the share capital. At the Board of Directors meeting held on 23 February, 2006, the directors resolved to propose the reduction of that share to 1.13% (1.55%) of the profit for the year, effective as of the 2005 (2004) financial year.

The members of the Board of Directors perform executive functions for which they do not receive any travel and subsistence allowance under the terms of their respective contracts. The amounts to which they would have been entitled, according to the bylaws, are not shared out among the other directors, but are withheld in the company.

Several members of the Board who have executive duties within the Company are beneficiaries of a supplementary life and retirement insurance policy, amounting to 228 (301) thousand euros annually, in accordance with the Company's bylaws.

The Company has not granted any loans or advances to Board members or furnished any guarantees or sureties on their behalf.

In addition, the directors of Ebro Puleva, S.A. have significant shares, hold positions and carry out activities in companies with activities that are the same, similar or complementary to those carried out by the Ebro Puleva Group. The detail is the following:

*** Elías Hernández Barrera:**

Direct 50% stake in Instituto Hispánico del Arroz, S.A. with close family members. Chairman of the Board of Directors.

Indirect 50% stake in Hispafoods Invest, S.L. with close family members. Chairman of the Board of Directors.

This Board member also indirectly owns a 1.58% share of Casarone Agroindustrial, S.A. (Uruguay), and 10.65% indirectly with close family members.

*** Antonio Hernández Callejas:**

Direct 16.666% stake in Instituto Hispánico del Arroz, S.A. and joint 50% with close family members. Attorney in-fact.

Indirect 16.666% stake in Hispafoods, S.A. and joint 50% with family members.

He also indirectly owns a 3.62% share in Casarone Agroindustrial, S.A., a Uruguayan company, and 10.65% indirectly with immediate family members.

*** Laureano Roldán Aguilar:**

Owens a direct 0.014% of Puleva Biotech, S.A. and is member of the company's Board of Directors.

*** Caja de Ahorros Municipal de Burgos:**

33.333% shareholding in Barrancarnes Industrial.

40% shareholding in Jamones Burgaleses, S.A. Member of the Board of Directors.

35.430% shareholding in Leonesa Astur de Piensos, S.A. Member of the Board of Directors.

*** Caja España de Inversiones:**

100% shareholding in Campo de Inversiones, S.A. Member of the Board of Directors.

36% shareholding in Maltacarrión, S.A. Member of the Board of Directors.

27% shareholding in Mejor Campo Abonos y Cereales, S.A. Vice chairman of the Board of Directors.

*** Corporación Caixa Galicia, S.A.**

5% shareholding in Bodegas Terras Gauda, S.A. Member of the Board of Directors.

16% shareholding in Pescanova, S.A. Member of the Board of Directors.

The above information does not include the shares or positions held by the Company's directors in other companies of the Ebro Puleva Group, since they are not bound to duty of loyalty, but rather are part of the administrative structure of the group itself. This information is included in the Annual Report on Corporate Governance of Ebro Puleva, S.A. as required by National Securities Commission Circular 1/2004 of March 17 and Ministry of Economics Order 3050/2004 of September 15.

In 2005 and 2004 the directors of Ebro Puleva, S.A. have not carried out any transactions with Ebro Puleva Group companies other than those pertaining to said companies' normal course of businesses or that have not been conducted at arm's length.

The parent company has a civil liability insurance policy for directors and managers of Ebro Puleva, S.A. covering all subsidiaries, with a limit on claims per year of forty-four million euros (and a sublimit for Puleva Biotech, S.L. of six million euros), a premium of two hundred and four thousand ninety-six euros and coverage from April 1, 2005 to March 31, 2006. This policy is currently being renewed.

Directors' compensation. Ebro Puleva, S.A. has 11 directors, who received total compensation in 2005 of 2,821 thousand euros, of which 1,682 thousand euros were in wages and salaries and 1,139 thousand euros in indemnities.

The contracts of executive directors, members of the Management Committee (including heads of the main subsidiaries) and senior management generally include safeguard clauses in the event of dismissal decided by the company or for changes in control. The Board of Directors approved these clauses, which entail between one and three years' wages, along with the company's overall compensation scheme proposed by the Appointments and Compensation Committee at its meeting of May 25, 1999.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

The Ebro Puleva Group, within the framework of the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO) report on internal control, has systems in place to identify, measure, manage and report risks for all its businesses. These systems are used to hedge environmental, business, financial and credit, labor and technological risks. 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 preventing and mitigating risks.

In addition, for all investment projects a risk analysis is performed beforehand 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.

With acquisitions of companies and businesses, Ebro Puleva, S.A. 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.

Ebro Puleva, S.A. hedges transactions that could be subject to foreign currency risks either via exchange rate insurance or natural hedges through loan financing with cash flows generated in the same currency.

With interest rate risk, in some cases these are hedged with interest rate collars or ranges whereby the interest rate paid by Ebro Puleva, S.A. ranges between 2.5% and 4.9%.

Finally, for risks affecting inventories and assets, all Group companies have insurance policies for their properties, investments and inventories.

The Group is also faced with another two types of risk: regulatory (e.g. guidelines established by the Common Agriculture Policy) and country or market risk. Over the last few years, the Group has mitigated these risks by implementing a firm policy of business and geographical diversification, expanding its presence in Europe, America and the Maghreb countries.

CONTROL SYSTEMS TO ASSESS AND MITIGATE OR REDUCE THE MAIN RISKS FACING THE PARENT COMPANY AND THE GROUP

1. Regulatory risk

As its business entails the production and sale of sugar, milk, pasta and rice, the Group is subject to certain legal regulations, above all in the European Union through the Common Agriculture Policy (CAP) and the World Trade Organization (WTO). These regulations establish from production quotas to intervention prices or customs protection. Because of this regulatory risk, the Group's policy entails stable expansion to become more geographically diversified and to achieve a more balanced contribution by results by the four main businesses: sugar, rice, pasta and milk.

The key issues of the new CMO set to come into effect in 2006, which will govern the sugar industry in coming years, are explained at the end of this note.

2. Environmental and food quality risk

The Group has designed, developed and put into place an environmental management system (EMS) that is UNE-EN-ISO 14 001 standard compliant. It has also defined a quality and food safety management system that complies with the UNE-EN-ISO 9001:2000 standard, endorsed by the certifying body, ENAC.

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.

3. Technological risk

Through its Puleva Biotech subsidiary, the Group 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.

4. Labor risk

As the Group is mainly involved in an industrial business and since most of its employees work at factories, the control and prevention of occupational hazards is paramount.

The Group's policy in labor risk prevention aims to promote the improvement of working conditions, and raise the level of safety protection and the health of its workers. It has 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.

5. Credit risk

The Group's policy in this respect has always been conservative. It has credit insurance for the businesses with the highest levels of credit risk, as a result of which it has virtually no bad debts.

The commercial risk committees draw up tables or templates for each customer that include risk tolerance for each customer classification, as well as potential bonuses and volume discounts. These committees prepare a monthly printout showing the age of the amounts due from customers, the age of receivable balances, their source and the steps taken to collect. After a certain age, the matter is handed over to the Group's legal advisors. In addition, each month the Internal Audit and Control unit reviews the situation of customers that have caused problems.

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

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, forward purchase contracts, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's activities. The Group has various other financial assets and liabilities, such as trade receivables and trade payables. The Group also enters into derivative transactions, including principally forward currency contracts and occasionally interest rate swaps. The purpose is to hedge the interest rate and currency risks arising from the Group's operations and its sources of finance.

Throughout the year under review, the Group's policy has been not to trade in financial instruments.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk, as indicated previously (see point 5 of this note).

The board reviews and agrees policies for managing each of these risks, as summarized below. The Group's accounting policies in relation to derivatives are set out in Note 3.

Cash flow interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. 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 swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At December 31, 2005, after taking into account the effect of interest rate swaps, approximately 20% of the Group's borrowings are at a fixed rate of interest.

Note 22 provides details on outstanding SWAPS at December 31, 2005 and 2004 and the Group's financial liabilities exposed to interest rate risk.

Foreign currency risk

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. 100% of its investment in the US is hedged in this manner.

Included under "Non-current loans" at December 31, 2005 is the 400 million US dollar loan (see Note 22) designated as a hedge of net investments in US subsidiaries and used to hedge the Group's foreign currency risk 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 unit in currencies other than the unit's functional currency. The Group requires all its operating units to use forward currency contracts to eliminate the currency exposures on large transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. 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 to maximize hedge effectiveness.

Some Spanish companies of the Rice Business - Herba and Pasta Business - Panzani segments have entered into currency futures (exchange rate insurance) to hedge the risk of foreign currency fluctuation of customer receivables, although it did not have any contracts of significant amounts at the end of the year.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of revolving credit policies, bank loans and forward purchase contracts.

NEW SUGAR CMO

In November 2005, a political agreement was reached on the guiding principles of the new Sugar CMO, whose regulations were approved by the EU Council of Ministers on February 20, 2006. The main features are as follows:

- * Period covered: 2006/07 through 2014/15 campaigns
- * Stated objectives
 - To guarantee a stable framework for beet and sugar in the EU that is sustainable in the medium term, taking into account:

- The foreseeable increase in imports from EBA countries.
- The reduction and even disappearance of a significant part of the existing EU sugar exports owing to the outcome of the complaints by Australia, Brazil and Thailand and the commitments deriving from the CMO negotiations under way.
- The need, therefore, to reduce the current production volumes in the EU to maintain a stable balance between sugar supply and demand.
- The desire to concentrate production in the regions with the best agricultural (most competitive) conditions.

* Measures established

- Progressive lowering of beet price by 40% on average within the EU between the 2006/2007 and 2009/2010 campaigns (45% in the case of Spain).
- Equivalent reduction of the sugar reference price by 36% over the same period.
- Compensation to growers in a flat payment of 64% of the margin lost through a reduction in beet prices (60% in the first two marketing years).
- Disappearance of the intervention system, maintaining a transitional regime up to the 2009/2010 campaign.
- Creation of a Restructuring Fund to alleviate the economic effects of the foreseeable shrinkage in production and create an incentive to give up quota.

The amount of restructuring aid per ton of renounced quota will be

730 euros per ton in the 06/07 and 07/08 campaigns
 625 euros per ton in the 08/09 campaign
 520 euros per ton in the 09/10 campaign

(At least 10% of this amount will be made available to beet growers and machinery contractors).

- The above amounts will be supplemented with aid for diversification, in the following sums:

109.5 euros per ton of sugar quota renounced in 06/07 and 07/08
 93.8 euros per ton of sugar quota renounced in 08/09
 78.0 euros per ton of sugar quota renounced in 09/10

The aid will be increased by 50%, 75%, 100% in Member States that reduce their initial quotas by 50%, $\geq 75\%$ or 100%, respectively.

If the initial quota is reduced by an amount equal to or greater than 50%, the Commission authorizes additional aid for a period of five years in a sum equivalent to 30% of the margin lost due to lowering of the beet price (approx. 6 euros per ton of beet) and additional national aid in a sum to be proposed by the Member State and approved by the Commission.

The fund will be financed with a temporary structuring amount per campaign per ton of quota, payable by manufacturers to which a quota has been allocated, in the following amounts:

126.4 euros per ton in the 06/07 campaign
173.8 euros per ton in the 07/08 campaign
113.3 euros per ton in the 08/09 campaign

- The stated aim of the Commission is for approximately 5-6 million tons of sugar quota to be renounced in the EU (reduction of 29-35% of the present quota).
- Creation of approx. 1.1 million tons of new quota assigned by countries (10,000 tons for Spain), which can be purchased at the price of 730 euros per ton in the 06/07 and 07/08 campaigns.
- At the end of the 2010/11 campaign, the Commission will assess the results of the Restructuring Program and whether or not there are stable conditions of balanced supply and demand on the market. If necessary, it will apply an even reduction of the quotas allocated at that time to guarantee that balance.
- The Commission expressly encourages alternative solutions for growing energy crops to produce biofuels.

OPINION

- * As of the date of preparation of these notes to the consolidated financial statements, most of the regulations that will define the terms of application of the aforesaid agreement are pending. It is, consequently, difficult to make a precise assessment of how it will affect our business. It should be borne in mind that the planned structure of aids, allowances and funds receivable (depending on how they are finally regulated) would largely mitigate the potential impact of restructuring the business.
- * Azucarera will largely adapt its decisions according to the interest of the growers in each specific zone in maintaining sufficient production volumes to operate the sugar factories.
- * Most likely there will be a sharp, but gradual, reduction in beet and sugar production over the next four campaigns, when the Restructuring Fund will be in force.
- * The scope and calendar for this reduction will more than likely be defined during 2006, once the regulations developing the new CMO, the terms of application and the growers' decisions are known (see Note 31 Events after the balance sheet date for additional information).
- * Also in 2006 we will define the specific actions to be taken with regard to biofuels and raw sugar refining. We anticipate significant business growth in both in the short and medium term.

29. ENVIRONMENTAL ISSUES

In keeping with its environmental policy, the Group has been carrying out various activities and projects aimed at managing environmental resources in order to comply with prevailing legislation. It continues to implement advanced environmental, food hygiene and safety control policies which respect both the