

2005 MANAGEMENT REPORT

1. BUSINESS REVIEW

Ebro Puleva is the parent company of the Ebro Puleva Group, the leading Spanish food group. It operates in the sugar, milk, rice, biotechnology and other less significant markets through its subsidiaries, mainly in Spain, but with a growing international presence.

Ebro Puleva is making great strides at striking a balance between revenues received from the Spanish and international markets, as well as increasing income from brand name sales vis-à-vis industrial sales. Similarly, it is also leveling the revenues from its various business divisions. Overall, the rice division is gaining over its sugar business.

The management report on the consolidated annual accounts includes information on business trends and the activity carried out in 2005 by the various business lines and segments of the companies comprising the Ebro Puleva Group.

2. 2005 OVERVIEW OF EBRO PULEVA, S.A.

Revenues are determined primarily by dividends of subsidiaries, real estate transactions and financial expenses from indebtedness. Equity changes in subsidiaries led to the need to record or release securities portfolio provisions.

Operating loss amounted to 5,931 thousand euros as compared with loss of 6,246 thousands in the previous year.

Financial income stood at 57,353 thousand, as opposed to 60,376 in the previous year. This increase was due to the growth in financial expenses relating to new company acquisitions, offset by the increase in revenues from dividends received from subsidiaries.

Extraordinary profit totaled 76,738 thousand euros (2004: 42,930 thousands euros), thanks to disinvestment in non-strategic fixed assets during the year and the application of portfolio provisions.

The profit after tax amounted to 141,428 thousand euros, an increase of 44,354 thousand. This increase is due to the growth in revenues from real estate disinvestments, the release of securities portfolio provisions and the increase in dividends received from subsidiaries.

The principal investment made in 2005 was the acquisition of 100% of Panzani SAS and the subsequent increase in this company's share capital by 440,839 thousand euros. This acquisition was financed through a syndicated loan of 440 million US dollars and the renewal of another loan on that same date as explained in Note 14 of the accompanying Notes to the Financial Statements.

3. FORESEEABLE DEVELOPMENT OF THE COMPANY

In future years, Ebro Puleva's results will derive from dividends received from its subsidiaries, billings of services rendered, capital gains from the sale of non-strategic buildings and finance charges on debts financing assets. Consequently, results will be determined by subsidiaries and the realization of real estate revenues dependent on market trends.

The Company's directors consider that the dividend policies established for subsidiaries will be sufficient for Ebro Puleva to obtain results that will enable it to offer attractive remuneration to its shareholders.

4. R&D ACTIVITIES

R&D activities depend largely on the projects being developed by our subsidiaries (we refer the reader to our consolidated management report for information on this area).

5. TRANSACTIONS WITH OWN SHARES

In 2005, the Company purchased and sold own shares 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. The Company purchased 1,200,584 shares in 2005 and sold 1,265,584 shares. At year end 2005, the Company holds 231 of its own shares which correspond to 0.0002% of share capital. At year end 2005, the Company has not yet decided on the final use of these shares.

6. PERSONNEL

The principal data on this heading is included in Notes 17 and 18 of the accompanying Notes to the Financial Statements.

7. MANAGEMENT OBJECTIVES AND POLICIES RELATING TO BUSINESS RISK

As the parent company of the group, Ebro Puleva is indirectly exposed to risks associated with its subsidiaries resulting from the valuation of its investment portfolio and the dividends received from its subsidiaries. The activities of the subsidiaries comprising the Ebro Puleva are subject to external factors which can influence trends in their operations and economic results.

The Company is therefore exposed to environmental, financial, credit, labor and technological risks. The description of these risks and the policies in place to detect and manage them is provided for in the consolidated management report.

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise bank loans, overdrafts, and cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's activities.

The Company has also entered into derivative transactions to hedge interest rate and currency risks. It is not the Company's policy to trade in financial instruments.

The principal risks from financial instruments relate to credit risk, interest rate risk from cash flows, liquidity risk and exchange rate risk.

The Board of Directors continually establishes and reviews the management policies in place for each of these risks, which are summarized below.

Credit risk

Ebro Puleva has adequately spread out its credit risk. In addition, surplus cash is invested and financial instruments acquired through very solvent institutions with high credit ratings.

Cash flow interest rate risk

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

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The objective is to strike a balance in the structure of debt that enables the Company to minimize interest cost by reducing volatility. To achieve this, interest rate fluctuations are closely monitored with the help of qualified experts. When necessary, Ebro Puleva contracts interest rate swaps in which it agrees to swap during certain periods the difference between the amount of fixed and variable interest rates, calculated based on a notional amount of principal agreed-upon between the parties. These swaps are designed to cover the underlying payment commitments. At December 31, 2005, after taking into account the effect of interest rate swaps, approximately 20% of loans had fixed interest rates.

Foreign currency risk

As a result of investment transactions in the United States, the Company's balance sheet can be affected significantly by movements in the US/EUR exchange rate. The Company 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.

Transactions carried out between subsidiaries operating in various functional currencies are likewise exposed to exchange rate risk. In these cases, subsidiaries take out their own exchange rate insurance and arrange other hedging instruments in accordance with Group policy.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of revolving credit policies, bank loans and short-term financial investments.

Environmental issues

Due to the Company's specific activity, it does not carry out its own R&D projects (see Note 18.3 of the Notes to the Financial Statements).

9. SUBSEQUENT EVENTS

No significant events have occurred from December 31, 2005 to the date on which these consolidated annual accounts were drawn up aside from the following:

From December 31, 2005 to the date this management report was prepared, Ebro Puleva, S.A. sold several Puleva Biotech, S.A. shares on the stock market, which reduced its percentage of ownership in said company from 77,23% to 70%.

In their meeting held on February 23, 2006, the Board of Directors unanimously agreed to accept the resignation of Mr. Bader Al Rashoud, Mr. Jorge Delclaux Bravo and Mr. Laureano Roldán Aguilar as Board members, and coopt Corporación Económica Damm, represented by Mr. Demetrio Carceller Arce, and Ms. Blanca Hernández Rodríguez and Mr. Juan Domingo Ortega Martínez.

Lastly, according to the data on file at the National Securities Exchange Market Commission, from year end to February 23, 2006, Ebro Puleva, S.A.'s shareholders have changed. In particular, the share formerly held by Grupo Torras, S.A. was purchased from Alimentos y Aceites, S.A. (after which Alimentos y Aceites, S.A.'s share is 8,45%); Corporación Económica Damm likewise purchased a 4,57% share.