Ebro Puleva Group

Consolidated balance sheets at December 31, 2006 and 2005

Las Notas 1 a 31 descritas en la memoria adjunta forman parte integrante del balance de situación consolidado al 31 de diciembre de 2006.

Thousands of euros	Note	12-31-2006	12-31-2005
Non-current assets			
Intangible assets	9	290,765	164,438
Property, plant and equipment	10	938,522	961,738
Investment properties	11	12,426	12,225
Financial assets	12	43,462	33,675
Investments in associates	13	23,684	25,556
Deferred tax assets	25	80,578	112,047
Goodwill	14	849,037	620,846
Other non-current assets		59	111
		2,238,533	**1,930,636**
Current assets			
Inventories	15	474,127	450,866
Trade and other receivables	16	506,243	445,395
Tax receivables	25	54,783	48,537
Derivatives and other financial instruments	28	157	32
Other non-current assets		14,802	16,947
Current assets	17	75,070	82,196
		1,125,182	**1,043,973**
Non-current assets held for sale	7	0	14,294
Total assets		**3,363,715**	**2,988,903**

	Note	12-31-2006	12-31-2005
Equity and liabilities		**1,212,442**	**1,098,055**
Equity attributable to equity holders of the parent			
Issued capital	18	92,319	92,319
Share premium	18	34,333	34,333
Restricted reserves	18	18,464	18,464
Other restricted reserves	18	3,169	3,169
Retained earnings	18	1,071,467	943,241
Translation differences	18	(31,787)	(14,941)
Treasury shares	18	(3)	(3)
		1,187,962	**1,076,582**
Equity attributable to minority interests		**24,480**	**21,473**
Non-current liabilities			
Deferred income	19	17,226	15,961
Provisions for pensions and other post-employment benefits	20	37,376	38,846
Other provisions	21	159,850	150,533
Financial liabilities	22	722,590	693,827
Other non-financial liabilities	23	371	1,493
Deferred tax liabilities	25	102,763	115,360
		1,040,176	**1,016,020**
Current liabilities			
Financial liabilities	22	498,785	329,708
Derivatives and other financial instruments	28	195	197
Trade and other payables	24	485,160	485,013
Tax payable	25	120,661	55,180
Other current liabilities		6,296	4,730
		1,111,097	**874,828**
Total equity and liabilities		**3,363,715**	**2,988,903**

Notes 1 to 31 in the accompanying notes to the financial statements are an integral part of the consolidated balance sheet at December 31, 2006.

Ebro Puleva Group

Consolidated income statements for the years ended December 31, 2006 and 2005

Thousands of euros	Note	12-31-2006	12-31-2005
Revenues		2,448,794	2,128,956
Change in inventories of finished goods and work in progress		(33,297)	(43,434)
Capitalized expenses of Company work on assets		3,337	4,391
Other operating revenues	8	142,124	105,197
Consumption of goods and other external charges		(1,365,372)	(1,187,986)
Employee benefits expense	8	(310,141)	(283,622)
Depreciation and amortization		(94,789)	(84,512)
Other operating expenses	8	(539,909)	(391,872)
Operating profit		**250,747**	**247,118**
Net finance revenue (cost)	8	(48,600)	(33,462)
Impairment of goodwill	14	(381)	(4,278)
Share of profit (loss) of associates	13	(1,667)	984
Consolidated profit before tax		**200,099**	**210,362**
Income taxes	25	(71,734)	(58,744)
Consolidated profit for the year (from continuing operations)		**128,365**	**151,618**
Profit (loss) for the year from discontinued operations	7	59,584	7,140
Consolidated profit for the year		**187,949**	**158,758**
Attributable to:			
Equity holders of the parent company		180,363	155,641
Minority interests		7,586	3,117
		187,949	**158,758**

	Notes	12-31-2006	12-31-2005
Earnings per share:	18		
For profit from continuing operations			
Basic		0.785	0.965
Diluted		0.785	0.965
For profit for the year			
Basic		1.172	1.012
Diluted		1.172	1.012

Notes 1 to 31 in the accompanying notes to the financial statements are an integral part of the consolidated income statement for the year ended December 31, 2006.

Ebro Puleva Group

Consolidated statement of changes in equity

			Equity attributed to shareholders of the parent company								
								Available reserves			
	Total equity	Minority-interests	Total	Share capital	Share Premium	Other restricted Reserve	Legal reserve	Retained Earnings	Profit for the year	Translation Diffe-rences	Treasury Shares
Balance at January 1, 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 (Note 18)	(50,890)	(115)	(50,775)	0	0	0	0	(50,775)	0	0	0
Acquisition / sale of treasury shares (net) (Note 18)	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(P&L)	158,750	3,109	155,641	0	0	0	0	0	155,641	0	0
Movement in translation differences (Note 18)	9,815	839	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	**1,098,063**	**21,473**	**1,076,582**	**92,319**	**34,333**	**3,169**	**18,464**	**787,600**	**155,641**	**(14,941)**	**(3)**
Distribution of prior year profit	0	0	0	0	0	0	0	155,641	(155,641)	0	0
Dividends paid (note 18)	(54,198)	(1,884)	(52,314)	0	0	0	0	(52,314)	0	0	0
Capital increase / reduction expenses	100	0	100	0	0	0	0	100			
Acquisition / sale of treasury shares (net) (note 18)	0	0	0	0	0	0	0	0	0	0	0
Gain (loss) on sale of treasury shares	15	0	15	0	0	0	0	15	0	0	0
Tax effect of preceding movements	(40)	0	(40)	0	0	0	0	(40)	0	0	0
Changes in consolidation scope	(1,823)	(1,823)	0	0	0	0	0	0	0	0	0
Other movements	5	0	5	0	0	0	0	5	0	0	0
Total distribution of profit and transactions with shareholders	**(55,941)**	**(3,707)**	**(52,234)**	**0**	**0**	**0**	**0**	**103,407**	**(155,641)**	**0**	**0**
Profit (loss) for the year (P&L)	187,949	7,586	180,363	0	0	0	0	0	180,363	0	0
Movement in translation differences (Note 18)	(24,230)	(872)	(23,358)	0	0	0	0	0	0	(23,358)	0
Translation differences released to income (Note 7)	6,512	0	6,512	0	0	0	0	0	0	6,512	
Fair value of financial instruments											
1. Unrealized gains	97	0	97	0	0	0	0	97	0	0	0
Total income and expense for the year	**170,328**	**6,714**	**163,614**	**0**	**0**	**0**	**0**	**97**	**180,363**	**(16,846)**	**0**
Balance at December 31, 2006	**1,212,442**	**24,480**	**1,187,962**	**92,319**	**34,333**	**3,169**	**18,464**	**891,104**	**180,363**	**(31,787)**	**(3)**

Notes 1 to 31 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, 2006.

Ebro Puleva Group

Consolidated cash flow statements for the years ended December 31, 2006 and 2005

	12-31-2006	12-31-2005
Receipts from sales and services	2,842,508	2,700,933
Payments to suppliers and employees	(2,559,584)	(2,386,353)
Interest paid	(53,508)	(32,661)
Interest collected	1,849	4,132
Dividends received	103	15
Other receipts / payments from continuing activities	(9,750)	(30,532)
Income tax paid	(49,979)	(34,477)
Net cash flows from operating activities	**171,639**	**221,057**
Purchase of property, plant and equipment	(311,052)	(103,668)
Sale of property, plant and equipment	205,851	132,886
Purchase of financial investments	(293,265)	(335,348)
Sale of financial investments	28,518	13,091
Other receipts / payments from investing activities	7,229	6,874
Net cash flows from investing activities	**(362,719)**	**(286,166)**
Transactions with treasury shares	419	949
Dividends paid to shareholders	(53,641)	(50,883)
Repayment of loans and borrowings	336,530	371,421
Repayment of borrowings	(99,349)	(285,335)
Other financial receipts / payments and government grants	3,693	620
Net cash flows from financing activities	**187,651**	**36,773**
Translation differences of flows from foreign operations	(2,641)	1,326
Increase (decrease) in cash and cash equivalents	**(6,070)**	**(27,011)**
Cash and cash equivalents at January 1	82,196	109,673
Effect of foreign exchange rates on the opening balance	(1,056)	(466)
Cash and cash equivalents at December 31	**75,070**	**82,196**

This cash flow statement includes cash flows corresponding to discontinued activities in Central America whose principal cash flow captions are provided below:

Total net cash flows by operating activities	**3,455**	**11,189**
Total net cash flows by investment activities	**(7,634)**	**(3,841)**
Total net cash flows by finance activities	**(840)**	**(5,927)**

Notes 1 to 31 in the accompanying notes to the financial statements are an integral part of the consolidated cash flow statement for the year ended December 31, 2006.

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.

The registered office of the company is at Madrid (28046), calle Castellana, 20.

The Company is engaged in the following activities both in Spanish and foreign markets:

a) The production, preparation, sale, research, import and export of all types of food and dietary product for both human or animal consumption, in addition to energy food, including their byproducts and waste and, particularly from sugar, agricultural products, dairy products, rice, pasta and any type of nutritional product, including enteral diets for clinical feeding, formulas, products as well as special composts for the pharmaceutical, healthcare or veterinary and biofuel industries.
b) The production, marketing and sale of all types of refreshment, food and even alcoholic beverages.
c) The exploitation of any type of byproducts, services or uses related to the above activities, including refrigeration units, ice, industrial gas, vapor, cold air and energy.
d) The acquisition, lease, creation, installation, promotion, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage sectors (including alcohol).
e) The execution of projects, construction of installations or the provision of any other technical assistance to other companies of such sectors; the creation, promotion, protection and exploitation of patents, trademarks and other items pertaining to industrial property.
f) Any activities relating to personnel training, computer programming or management, investment and optimization of resources, advertising and corporate image, transport, distribution and sale deemed complementary to the above.

The activities comprising the parent company's corporate purpose may be carried out through the subscription or acquisition of shares or participation units of companies having an identical or similar corporate purpose.

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 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 y comparability of information

a) Basis of presentation:

1. General accounting principles:
The annual consolidated accounts has been prepared by 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 consolidated accounts for the year ended December 31, 2006, which were prepared by the directors of the parent company on February 28, 2007, are pending approval at the General Shareholders' Meeting. It is expected that they will be approved without modification. The annual accounts for 2006 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, 2006, those at December 31, 2005.

The changes in presentation in the data relating to the year ended December 31, 2005 in the 2006 consolidated annual accounts with respect to those included in the 2005 consolidated annual accounts were the following:

- Revenue and expenses for 2005 from businesses in Central America (Riviana) have been reclassified in the 2006 consolidated annual accounts as discontinued operations (Note 7).
- In 2006, certain commercial costs of the French pasta segment have been recognized as a decrease in revenue (turnover) rather than as operating expenses. For comparative purposes, this required that the same classification be applied to 2005, which led to a decrease in revenue and other operating expenses in said year by 138,036 thousand euros with respect to those included in the 2005 consolidated annual accounts.

c) Changes in consolidation scope:
The main changes in the consolidation scope in 2006 and 2005 and the consolidation method used are shown in Notes 4 and 5.

3. Significant accounting policies

The most significant accounting policies applied in the preparation of the consolidated annual accounts were the following:

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.

The Group applies the following accounting treatment to additional acquisitions or sales of shares of subsidiaries in cases in which it does not lose effective control:

- Acquisitions of additional shares: the difference between the acquisition price and the book value of the minority interests is recorded as an increase in goodwill.

- Sales of shares without the loss of effective control: the difference between the sale price and the net book value of the share sold, including any corresponding goodwill, is recognized in the consolidated income statement.

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) Translation differences:
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 are reported using the exchange rate at the date of the transaction. 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.

In general, interest cost in subsidiaries is not capitalized and is recognized in the consolidated income statement.

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	8.0 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 and CO_2 emission rights):
Intangible assets are carried at acquisition or production cost and are tested and adjusted for impairment losses regularly (see Note h). Intangible assets include:

- **Research and development expenses:** Research and development expenses are accounted as expenses. Nevertheless, some 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 usually over a period of four or five years. However, very small amounts are written off within one year.

- **Concessions, patents, licenses and trademarks:** Capitalized 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 and those adquired in a business combination at fair value. Every year the useful lives of trademarks are reviewed and assessed if they are either finite or indefinite. If amortized, these assets would be 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):
Each year the Group assesses the carrying amount 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. The reversal of impairment loss of an asset is recognized in the period consolidated income statement.

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 taking 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, mostly 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, 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, the NWP Group and some European companies of the Ebro Puleva Group are 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, 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. If an outflow of cash is considered possible but not probable, the consolidated annual accounts do not reflect any provision for this concept; however, a description of the risk is included in the notes to the consolidated annual accounts.

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). These provisions are not estimated merely on their legal framework but also based on their underlying economic reality.

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.

Barter transactions 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.

u) CO_2 emission rights:

The Group's policy is to record CO_2 emission rights as "Non-amortizable intangible assets." The rights received free under the corresponding National CO_2 Emission Rights Assignment Plans are valued at the market price prevailing when the deferred income for the same amount is received.

In 2006 and 2005 the Group received free emission rights equivalent to 640,753 and 488,196 tons, respectively, as per the national assignment plan approved in Spain. These plans also establish the assignment of free emission rights in 2007 equivalent to 640,753 tons.

The Company consumed 582,192 tons and 377,173 tons of emission rights in 2006 and 2005, respectively.

These rights are initially recorded at the market value as "Intangible assets" and "Deferred income" on the date on which the rights are received and are taken to "Other operating income" on the consolidated income statement as the CO_2 emissions which the rights are to cover are released.

As of 2005, companies that emit CO_2 in their operating activities must submit CO_2 emission rights equivalent to their CO_2 emissions in the early months of the following year.

The obligation to submit CO2 emission rights for the CO2 emissions during the year is recorded in "Advance collection and short-term deferred income," while the corresponding cost is recorded in "Consumption of goods and other external charges" in the consolidated profit and loss account. This obligation is valued at the same amount at which the CO_2 emissions rights submitted to cover CO_2 emissions are recorded under "Intangible assets" in the consolidated balance sheet.

If at the date of the consolidated balance sheet the Group does not have the CO_2 emission rights necessary to cover CO_2 emissions, the related cost and provision are recorded based on the Group's best estimate of the price that it would have to pay to acquire them. When a more adequate estimate does not exist, the estimated acquisition price of emission rights which the Group must acquire is the market price of these rights at the close of the consolidated financial statements.

At December 31, 2006 the provision included in the consolidated balance sheet for CO_2 emitted by the Group in 2006 amounted to 7,997 thousand euros. Of this amount, 7,727 thousand euros will be covered by the emission rights received from the corresponding emission assignment plans, and 70 thousand euros correspond to rights pending acquisition at December 31, 2006.

v) Draft IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC):

At the date of preparation of the consolidated annual account, the following IFRS and IFRIC interpretations have been published, but were not mandatory:

Standards and amendments		Mandatory application: financial years beginning on or after
IFRS 7	Financial Instruments: Disclosures	January 1, 2007
IFRS 8	Operating Segments	January 1, 2009
Amendment to IAS 1	Presentation of Financial Statements - Capital Disclosures	January 1, 2007
Guidance for amended IFRS 4		January 1, 2007
Interpretations		**Mandatory application: financial years beginning on or after**
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	March 1, 2006
IFRIC 8	Scope of IFRS 2 Share-Based payment	May 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006
IFRIC 10	Interim Financial Reporting and Impairment	November 1, 2006
IFRIC 11	Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008

The Group estimates that the adoption of the aforementioned standards, amendments and interpretations will not have a material impact on the consolidated financial statements in the period of their initial application.

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 12-31-06	% Shareholding 12-31-05	Parent Company	Registered address	Activity
Azucarera Ebro S.L. (Group) (AE)	100.0%	100.0%	EP	Madrid (Spain)	Production and sale of sugar
Dosbio 2010, S.L (formerly Balmes 103)	100.0%	100.0%	EP	Madrid (Spain)	Bioenergy
Fincas e Inversiones Ebro, S.A.	100.0%	100.0%	EP	Madrid (Spain)	Crop farming
S.C.I. Bidassoa	0.0%	100.0%	EP	ST. Jean (France)	Being liquidated
Arotz Foods, S.L. (formerly CATESA)	99.9%	99.9%	EP	Madrid (Spain)	Banana growing and canned vegetables
Puleva Food, S.L. (Group) (PF)	100.0%	100.0%	EP	Granada (Spain)	Production and sale of dairy products
Lactimilk, S.A. (Group) (LACT)	100.0%	100.0%	EP	La Coruña (Spain)	Production and sale of dairy products
Puleva Biotech, S.A. **(c)**	63.80%	77.23%	EP	Granada (Spain)	Development and marketing of new products
Jiloca Industrial, S.A.	60.0%	60.0%	EP	Teruel (Spain)	Production of organic fertilizer
Biocarburantes de C. y León, S.A. **(b)**	50.0%	50.0%	EP	Seville (Spain)	Production bioethanol
Beira Terrace Ltda.	100.0%	100.0%	EP	Porto (Portugal)	Real estate
Riviana Foods Inc (Group) (Riviana)	100.0%	100.0%	EP	Houston, Texas (USA)	Production and sale of rice
Panzani, SAS (Group) (Panzani)	100.0%	100.0%	EP	Lyon (France)	Production and sale of pasta and sauces
New World Pasta Comp. (Group) (NWP)	100.0%	0.0%	EP	Harrisburg (USA)	Production and sale of pasta and sauces
Lince Insurance Ltd. **(d)**	100.0%	100.0%	EP	Dublin (Ireland)	Insurance
Agroteo, S.A.	73.0%	73.0%	AE	Benavente (Spain)	Services for farmers
Azucarera Energías, S.L.	60.0%	60.0%	AE	Madrid (Spain)	Electricity cogeneration
Unión Azucarera, A.I.E.	98.9%	98.9%	AE	Madrid (Spain)	Joint venture
Compañía de Melazas, S.A. **(b)**	50.0%	50.0%	AE	Madrid (Spain)	Sale of molasses
Sucran France, SAS	100.0%	100.0%	AE	Lyon (France)	Sale of sugar
Nueva Comercial Azucarera, S.A.	100.0%	0.0%	AE	Madrid (Spain)	Sale of sugar
Malta Carrión , S.A.	8.0%	8.0%	AE	Madrid (Spain)	Production of malt
Ses Ibérica, S.A. **(a)**	n/a	n/a	AE	Madrid (Spain)	Being liquidated
Puleva Networks, S.A.	100.0%	100.0%	PF	Granada (Spain)	IT development and services
Puleva Salud, S.A.	88.3%	88.3%	PF	Granada (Spain)	Internet
Grelva, S.L.	100.0%	100.0%	PF	Granada (Spain)	Electricity cogeneration
Yofres, S.A.	100.0%	100.0%	PF	Granada (Spain)	Sale of fermented dairy products
Miguel Sancho Puleva, S.A.	100.0%	100.0%	PF	Granada (Spain)	Idle
Edda, S.A.	100.0%	100.0%	PF	Granada (Spain)	Idle
Uniasa, S.A.	100.0%	100.0%	PF	Granada (Spain)	Idle
Formalac, S.L.	100.0%	100.0%	PF	Granada (Spain)	Idle
Nutrilac, S.L.	100.0%	100.0%	PF	Granada (Spain)	Idle
Fundación Puleva	100.0%	100.0%	PF	Granada (Spain)	Foundation
JJ. Software de Medicina, S.A. **(b)**	26.8%	26.8%	PF	Madrid (Spain)	Sale of software
Castillo Castelló, S.A.	80.0%	80.0%	LACT	Lleida (Spain)	Sale of dairy products
Eurodairy, S.L.	100.0%	100.0%	LACT	Barcelona (Spain)	Sale of dairy products
Innovalact El Castillo, S.A.	100.0%	100.0%	LACT	Lleida (Spain)	Sale of dairy products
El Castillo Madibic, S.L.	50.0%	50.0%	LACT	Barcelona (Spain)	Sale and production of dairy products
Leyma Alimentación, S.A.	0.0%	100.0%	LACT	Coruña (Spain)	Sale of dairy products
Catesa Foods, S.L. (CF)	0.0%	100.0%	CATESA	Tenerife (Spain)	Plant and banana growing
SAT Tejinaste (B)	0.0%	32.8%	CF	Tenerife (Spain)	Sale of farming products
Interjardin, S.L. (B)	0.0%	40.0%	CF	Tenerife (Spain)	Landscaping
Herba Foods S.L. (HF)	100.0%	100.0%	EP	Madrid (Spain)	Investment management
Herba Ricemills S.L (HR)	100.0%	100.0%	EP	Madrid (Spain)	Production and sale of rice
Herba Nutrición S.L (HN)	100.0%	100.0%	EP	Madrid (Spain)	Production and sale of rice
Fallera Nutrición, S. L.	100.0%	100.0%	HN	Valencia (Spain)	Production and sale of rice
S&B Herba Foods Ltd. (Group)	100.0%	100.0%	HF / R. Int.	London (UK)	Production and sale of rice
Herba Germany, GmbH	100.0%	100.0%	HF	Hamburg (Germany)	Patent holder
Riceland Magyarorszag	100.0%	100.0%	HF /EP	Budapest (Hungary)	Production and sale of rice
Danrice A.S.	100.0%	100.0%	HF	Orbaek (Denmark)	Production and sale of rice
Boost Nutrition C. V. (Boost)	100.0%	100.0%	HF / N.C.	Merksem (Belgium)	Production and sale of rice

Subsidiaries and associates	% Shareholding 12-31-06	12-31-05	Parent Company	Registered address	Activity
Euryza	100.0%	100.0%	Boost	Germany	Production and sale of rice
Mundi Riso S.R.L.	100.0%	100.0%	HF	Vercelli (Italy)	Production and sale of rice
Herba Hellas, S.A.	75.0%	75.0%	HF	Thessalonica (Greece)	Production and sale of rice
Mundi Riz, S.A.	100.0%	100.0%	HF	Larache (Morocco)	Production and sale of rice
Agromerone	100.0%	0.0%	HF	Larache (Morocco)	Farm land concessionaire
Rivera del Arroz S.A	100.0%	0.0%	HF	Larache (Morocco)	Production and sale of rice
Arrozeiras Mundiarroz, S.A.	100.0%	100.0%	HF	Lisbon (Portugal)	Production and sale of rice
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%	100.0%	HF	Warsaw (Poland)	Sale of rice
Herba Tailand	100.0%	0.0%	HF	Tailand	Production and sale of rice
Herba Egypt	100.0%	0.0%	HF	Egypt	Production and sale of rice
Herba Puerto Rico	100.0%	0.0%	HF	Puerto Rico	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
Ebro P. de Guatemala, S. A. (Formerly Kern)	100.0%	100.0%	R. Int.	Guatemala	Production and sale of food
Pozuelo S. A. (Poz)	100.0%	92.8%	R. Int.	Costa Rica	Production and sale of food
Riviana de Centro America, S.A.	0.0%	92.8%	Poz / Kern	El Salvador	Sale of food
Distribuidora Tropical, S. A.	0.0%	88.2%	Poz	Nicaragua	Sale of food
Riviana de Panama S. A.	0.0%	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%	99.8%	Panzani	Lyon (France)	Being liquidated
Lustucru Frais	99.8%	99.8%	Panzani	Lyon (France)	Production and sale of fresh pasta
Ferico	99.9%	99.9%	Panzani	Lyon (France)	Production and sale of other pasta
Grands Moulins Maurel	99.8%	99.8%	Panzani	Lyon (France)	Production and sale of flour and semolina
Silo de la Madrague	100.0%	100.0%	Panzani	Lyon (France)	Production and sale of flour and semolina
Rizerie Franco Americaine et Col, S.A	100.0%	100.0%	Panzani	Paris (France)	Production and sale of rice
Vía Gio **(a)**	99.8%	99.8%	Panzani	Lyon (France)	Idle and being liquidated
Bastille **(a)**	100.0%	100.0%	Panzani	Lyon (France)	Idle and being liquidated
Siepa **(a)**	98.1 %	98.1 %	Panzani	Lyon (France)	Idle and being liquidated
Sociadore **(a)**	100.0%	100.0%	Panzani	Lyon (France)	Farming
Alp'imprim **(a)**	100.0%	100.0%	Panzani	Lyon (France)	Printing
Ronzoni Pty.	100.0%	0.0%	NWP	Montreal (Canada)	Production and sale of pasta and sauces

(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 63.80% direct control (vs. 77.23% 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, 2006 amounted to 0.00% of share capital (vs. 3.40% in 2005), 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 it is a share in a subsidiary it is consolidated using the equity method. The effect of consolidating it using the full consolidation method would not be material (Note 13).

None of the subsidiaries or associates is listed on the stock exchange, except for Puleva Biotech, S.A., whose shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. All of the shares comprising said company's share capital are listed. The shares were first listed on December 17, 2001 and the average listing in the last quarter of 2006 and at December 31, 2006 (2005) was 2.55 (2.46) and 2.33 (2.36), euros per share, respectively.

The financial statements of all companies included in the consolidation scope are those corresponding to December 31.

5. Corporate transactions performed during the year 2005 and 2006 and their effect on the basis for comparison:

5.1. Internal transactions in 2005:

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. 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).

5.2. 2006 internal transactions:

In September 2006, Ebro Puleva, S.A. sold its entire share in Rizerie Franco Americaine et Col., S.A. (another subsidiary also wholly owned by Ebro Puleva) to its subsidiary Panzani SAS.

In November 2006, Ebro Puleva, S.A. sold to Central American Group companies (subsidiaries wholly owned by Riviana Foods Inc.) a 25% share of the American company Riviana Foods, Inc. However, the Ebro Puleva Group continues to hold 100% of Riviana, Inc. since the aforementioned 25% share of Riviana was sold by Ebro Puleva, S.A. to two Central American companies which, in turn, have sold their business to a third party outside the Group (see Note 5.3), but which continue to be wholly owned subsidiaries of Riviana Foods, Inc.

No other significant internal transactions took place in 2006.

5.3. External corporate transactions carried out in 2005 and 2006 which affect the basis of comparison – Changes in the consolidation scope:

In 2005, there were other changes in the consolidation scope in addition to those described in point 5.1 above, such as the acquisition effective May 1, 2005 of 100% of the French group Panzani SAS, the incorporation of Bosto Poland (Poland) and Leyma Alimentación, S.A. and the liquidation of SES Ibérica, S.A. The following chart shows the effects of the incorporation of the Panzani Group to the consolidation scope following its acquisition in 2005:

Thousands of euros	05-01-2005 100% Panzini
Intangible assets	84,908
Property, plant and equipment	161,493
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

Likewise, in 2006 there were changes to the consolidation scope in addition to those described in point 5.2 above, the most significant of which were the following:

COMPANIES ADDED IN 2006 TO THE CONSOLIDATION SCOPE:			
Company affected	Sub-grup	%	Comments
New World Pasta (NWP USA) (Grupo)	Pasta USA	100.0	Acquired by Ebro Puleva
Herba Tailandia (Tailand)	Rice	100.0	Newly-formed company
Herba Egipto (Egypt)	Rice	100.0	Newly-formed company
Herba Puerto Rico	Rice	100.0	Newly-formed company
Nueva Comercial Azucarera, S.A.	Sugar	100.0	Newly-formed company
Agromeruan (Marroco)	Rice	100.0	Acquired by Herba Foods
Rivera del Arroz (Marroco)	Rice	100.0	Acquired by Herba Foods

COMPANIES REMOVED IN 2006 FROM THE CONSOLIDATION SCOPE:			
Company afected	Sub-grup	%	Comments
Catesa Foods, S.L. and subsidiaries			
Interjardin, S.L. y SAT Tejinaste	Catesa	100.0	Sale of share
Puleva Biotech, S.A.	Parent company	13.43	Sale of share
SCI Bidassoa	Parent company	100.0	Liquidated
Leyma Alimentación, S.A.	Dairy	100.0	Liquidated
Sale to third parties of the businesses of Pozuelo, S.A. (Costa Rica) and Kern, S.A. (Guatemala) and of its subsidiaries Riviana de Centroamérica, S.A., Distribuidora Tropical, S.A. and Riviana de Panamá, S.A.	Riviana América	100.0	Sale to third parties of the businesses of Pozuelo and Kern, but the companies continue to exists and are wholly owned subsidiaries of de Riviana Inc. (USA).

Based on the above chart, the transactions having the most significant impact on the comparability of the consolidated annual accounts are the acquisition of the US NWP Group and the sale to third parties of the businesses of Pozuelo, S.A. and Kern, S.A. The following detail refelcts inclusion in and removal from the consolidation scope in 2006:

Thousands of euros	Total	Date of inclusion 06-01-2006 Purchase of 100% of NWP	Date of removal 07-31-2006 Sale of Pozuelo and Kern businesses
Intangible assets	60,096	71,870	(11,774)
Property, plant and equipment	42,040	72,340	(30,300)
Investments in associates	0	0	0
Financial assets	(37)	4	(41)
Goodwill	106,800	132,188	(25,388)
Deferred tax assets	6,212	8,227	(2,015)
Other non-current assets	0	0	0
Inventories	8,476	20,884	(12,408)
Other current assets	6,053	20,439	(14,386)
Total assets	**229,640**	**325,952**	**(96,312)**
Equity	293,434	286,989	6,445
Equity attributable to minority interests	0	0	0
Provisions for pensions and other post-employment benefits	1,323	6,436	(5,113)
Other Provisions	0	0	0
Non-current financial liabilities	0	0	0
Other non-current liabilities	0	0	0
Deferred tax liabilities	(7,745)	0	(7,745)
Current financial liabilities	(84)	1,936	(2,020)
Trade payables	7,615	11,839	(4,224)
Other current liabilities	16,388	18,752	(2,364)
Total equity and liabilities	**310,931**	**325,952**	**(15,021)**
Carrying amount of net assets acquired		60,760	
Difference between carrying amount of net assets and their fair value		94,041	
Goodwill		132,188	
Total investment		**286,989**	
Financed with financial liabilities		286,989	
Total investment		**286,989**	
Net cash acquired from the subsidiary		(599)	
Revenues (*)		149,222	
Profit (loss) contributed (*)		13,964	

(*) *From the date of inclusion in the Group. Results and estimated income for all of 2006 would have been 24 million and 240 million euros, respectively.*

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
- Rice business - Riviana USA
- Dairy business
- Pasta business – Panzani (France)
- Pasta business – NWP América
- 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).

Rice business Riviana USA:
This unit is specialized in activities pertaining to the rice business in the US through Riviana Inc., the US' largest rice company.

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.

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. It is a leading company in Belgium and the Chek Republic.

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

Pasta business– NWP (North America):

New World Pasta is a leading company in the dry pasta sector in the United States and Canada with an extensive, solid and complementary portfolio of brand names with respective market shares of 28.5% and 40.9%.

The most representative brand names are Ronzoni, Skinner, Prince, American Beauty, San Giorgio and Creamette in the United Sates, and Catelli, Lancia and Ronzoni in Canada. Its manufacturing facilities are located in Montreal (Québec), Fresno (California), Saint Louis (Missouri) and Winchester (Virginia).

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.

Dosbio 2010, S.L.

This company is wholly owned by the Ebro Puleva Group and will unite all of the Group's energy-producing assets. Dosbio 2010 was formed with a dual purpose:

- To facilitate the reform of the rice business, due to the EU CMO sugar reform which provides incentives for ceasing to grow beets which would reduce the production capacity of the sugar industry in Spain, with the subsequent impact on beet farming, the sugar industry and auxiliary services.

- Give form and visibility to our energy business through biofuels, among others.

Dosbio 2010 currently operates 9 cogeneration plants which produce 315,000 MWh of electrical power and also holds a 50% share in the bioethanol plant of Biocarburantes de Castilla y León.

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.

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, diary and rice business of Herba
- Rest de Europe – primarily the rice businesses of Herba and Panzani.
- America – Riviana's business and NWP.
- Rest of the World – primarily the rice business of Herba plus part of sugar exports, plus Panzani.

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	Europe	America	Rest	Total
Segment revenues	1,284,698	619,251	242,849	33,076	2,179,874
Inter-segment sales					(50,918)
Total revenues	**1,284,698**	**619,251**	**242,849**	**33,076**	**2,128,956**
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**

2006 – Geographical area	Spain	Europe	America	Rest	Total
Segment revenues	1,234,186	762,641	411,586	105,915	2,514,328
Inter-segment sales					(65,534)
Total revenues	**1,234,186**	**762,641**	**411,586**	**105,915**	**2,448,794**
Intangible assets	23,383	102,653	160,711	4,018	290,765
Property, plant and equipment	566,755	211,430	148,954	11,383	938,522
Other assets	836,069	787,336	492,432	18,591	2,134,428
Total assets	**1,426,207**	**1,101,419**	**802,097**	**33,992**	**3,363,715**

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, 2006 and 2005.

It should be noted that the difference between the sum of the columns of the various businesses and the consolidated total of the tables shown below corresponds to the remaining businesses and consolidation adjustments (this information is not relevant and is easily identified by the difference between figures presented).

SEGMENT INFORMATION –

Ebro Puleva Group (Thousands of euros)	Consolidated total		Sugar business		Dairy business	
Balance sheet	**12-31-06**	**12-31-05**	**12-31-06**	**12-31-05**	**12-31-06**	**12-31-05**
Intangible assets	290,765	164,438	8,816	231	10,023	10,480
Property, plant and equipment	938,522	961,738	366,981	401,247	115,882	125,236
Investment properties	12,426	12,225	0	0	92	96
Financial assets	43,462	33,675	15,411	449	9,956	15,835
Investments in associates (a)	23,684	39,850	210	89	0	0
Deferred tax assets	80,578	112,047	39,436	58,318	5,632	5,895
Goodwill	849,037	620,846	0	0	54,573	54,953
Other non-current assets	59	111	0	0	0	0
Receivables from Group companies	0	0	143,513	51,500	13,407	4,630
Other current assets	1,125,182	1,043,973	368,506	388,444	141,567	137,318
Total Assets	**3,363,715**	**2,988,903**	**942,873**	**900,278**	**351,132**	**354,443**
Equity	1,212,442	1,098,055	467,430	466,751	262,948	249,547
Deferred income	17,226	15,961	2,223	1,724	11,103	9,370
Provisions for pensions and other post-employment benefits	37,376	38,846	11,401	11,856	0	0
Other provisions	159,850	150,533	143,916	121,985	1,286	8,957
Current and non-current financial liabilities	1,221,375	1,023,535	86,094	54,713	566	13,371
Other non-financial payables	371	1,493	0	1,469	0	0
Deferred tax liabilities	102,763	115,360	7,023	9,946	1,369	1,896
Payables to Group companies	0	0	7,338	18,731	23,597	17,752
Other current liabilities	612,312	545,120	217,448	213,103	50,263	53,550
Total Equity And Liabilities	**3,363,715**	**2,988,903**	**942,873**	**900,278**	**351,132**	**354,443**
Payments on investments in the year (b)	298,225	99,664	27,368	34,584	14,625	17,501
Capital employed	1,654,931	1,534,318	543,599	559,623	223,511	225,904
ROCE	12.8%	13.5%	11.9%	15.6%	18.0	16.6%
Gearing	88,1%	86.5%				
Average number of employees	6,784	8.118				
Per share data						
Number of shares	153,865,392	153,865,392				
Market cap at December 31	2,954,216	2,158,731				
EPS	1.17	1.01				
Dividend per share	0.34	0.33				
Underlying carrying amount per share	7.72	7.00				

(a) Include "Non-current assets held for sale".

(b) Include "Minute Rice" acquisition in 2006 (and it goodwill).

SEGMENT INFORMATION –

Ebro Puleva Group (Thousands of euros)	Consolidated total		Sugar business		Dairy business	
Balance sheet	**31-12-06**	**31-12-05**	**31-12-06**	**31-12-05**	**31-12-06**	**31-12-05**
Sales to external customers	2,448,794	2,128,956	682,184	646,958	502,785	517,646
Inter-segment sales			4,827	5,356	1,355	491
Total revenues	**2,448,794**	**2,128,956**	**687,011**	**652,314**	**504,140**	**518,137**
Changes in inventories	(33,297)	(43,434)	(48,160)	(51,219)	(298)	4,223
Capitalized expenses of Company work on assets	3,337	4,391	1,172	2,264	2,070	1,991
Other operating revenues	142,124	105,197	25,654	10,215	5,702	7,805
Consumption of goods and other external charges	(1,365,372)	(1,187,986)	(411,089)	(357,440)	(325,015)	(340,059)
Employee benefits expense	(310,141)	(283,622)	(63,255)	(67,642)	(47,812)	(50,659)
Depreciation and amortization	(94,789)	(84,512)	(32,137)	(33,232)	(15,284)	(16,614)
Other operating expenses	(539,909)	(391,872)	(129,058)	(73,785)	(88,304)	(96,399)
Operating profit	**250,747**	**247,118**	**30,138**	**81,475**	**35,199**	**28,425**
Net finance revenue (cost)	(48,600)	(33,462)	(4,407)	(5,221)	(183)	(120)
Impairment of goodwill	(381)	(4,278)	0	0	(381)	(382)
Share of profit (loss) of associates	(1,667)	984	2	0	0	0
Profit before tax	200,099	210,362	25,733	76,254	34,635	27,923

BUSINESS SEGMENTS

Rice business Herba		America business Usa Riviana		Pasta business France Panzani		Pasta business America NWP		Ep Holding	
12-31-06	12-31-05	12-31-06	12-31-05	12-31-06	12-31-05	12-31-06	12-31-05	12-31-06	12-31-05
22,039	21,810	92,304	41,409	84,897	84,936	68,402		4,283	4,300
118,839	111,363	79,590	122,701	156,149	164,088	69,083		11,738	14,958
1,238	790	0	11	872	947	0		6,824	6,956
739	2,113	5,943	841	6,520	2,707	4		1,780,887	1,563,727
22	0	26,559	25,911	4,209	7,236	0		1	1
9,348	3,542	3,808	7,526	7,620	9,534	0		12,166	25,486
22,032	19,025	229,956	129,419	417,449	417,449	125,027		0	0
7	14	0	0	0	0	0		0	0
5,664	33,727	28,405	3,300	2,872	1,114	7,604		129,805	138,274
231,591	195,307	72,515	109,413	211,805	186,790	49,334		35,849	13,716
411,519	387,691	539,080	440,531	892,393	874,801	319,454	0	1,981,553	1,767,418
174,597	165,560	274,890	351,900	485,248	460,975	285,752		959,238	896,606
3,451	3,541	0	0	0	56	0		0	174
7,555	8,215	2,435	7,361	9,607	11,079	6,097		281	335
708	589	0	0	9,963	12,331	0		2,265	4,979
108,495	119,562	189,061	2,196	71,729	106,048	0		764,382	725,791
4	9	367	0	0	15	0		0	0
10,628	7,879	21,565	33,768	50,843	53,752	0		398	2,762
25,588	21,794	7,593	31	109,028	89,492	513		219,081	124,575
80,493	60,542	43,169	45,275	155,975	141,053	27,092		35,908	12,196
411,519	387,691	539,080	440,531	892,393	874,801	319,454	0	1,981,553	1,767,418
17,609	15,976	217,481	13,800	13,593	15,964	5,826	N/A	318	937
274,619	241,676	227,037	214,261	295,419	217,927	65,701	N/A	16,031	26,492
10.3%	13.1%	12.6%	13.1%	14.2%	14.5%	37.2%	N/A	108.4%	392.7%

BUSINESS SEGMENTS

Rice business Herba		America business USA Riviana		Pasta business France Panzani		Pasta business America NWP		EP Holding	
31-12-06	31-12-05	31-12-06	31-12-05	31-12-06	31-12-05	31-12-06	31-12-05	31-12-06	31-12-05
				12 months	8 months	7 months	N/A		
433,601	434,010	240,558	235,493	431,100	281,282	149,221		31,758	117,345
24,808	11,807	9,600	7,338	12,400	8,306	0		5,357	8,908
458,409	445,817	250,158	242,831	443,500	289,588	149,221	0	37,115	126,253
17,329	5,596	0	0	(1,166)	(624)	0		0	0
19	63	0	0	76	68	0		0	0
4,295	1,854	353	46	11,142	12,984	2,246		127,955	85,210
(292,345)	(270,142)	(122,449)	(107,477)	(206,191)	(140,073)	(62,170)		0	0
(49,943)	(48,555)	(41,864)	(53,997)	(71,873)	(49,851)	(22,462)		(8,358)	(8,125)
(12,929)	(12,147)	(7,046)	(7,527)	(19,945)	(12,924)	(5,741)		(303)	(348)
(102,716)	(92,341)	(61,998)	(58,662)	(114,368)	(65,211)	(38,513)		(10,816)	(22,509)
22,119	30,145	17,154	15,214	41,175	33,957	22,581		145,593	180,481
(5,003)	(1,693)	1,140	748	(4,948)	(4,277)	(66)		1,870	(66,495)
0	0	0	0	0	0	0		0	0
(1)	0	2,760	4,164	0	0	0		0	0
17,115	28,452	21,054	20,126	36,227	29,680	22,515	0	147,463	113,986

7. Discontinued operations

In May 2006 the Group anounced the sale of its businesses in Central America, which are managed through the subsidiaries of the Riviana de Pozuelo Group in Costa Rica and Kern in Guatemala. The businesses sold pertained to the juice, cookie and other similar markets and were part of América Riviana's global businesses. The information on the effects of the sale of these businesses on the consolidated balance sheet is provided in Note 5.3. Likewise included in this note is the information on the results of these businesses, which during the first seven months of 2006 were presented as discontinued operations, as explained below (also provided is a comparison of this information with the data from these businesses for the entire 12 months of 2005):

Thousands of euros	
Aggregate profit by discontinued operations	4,605
Capital gain generated in the sale of businesses	77,452
Translation differences reversed to the income statement due to sale of businesses	(6,512)
Tax impact of the sale of the investment	(15,961)
	59,584
Minority interests	(4,794)
	54,790

In the first seven months of 2006, the summary of income and expenses for these businesses (reclassified for comparative purposes with 2005 to "Gains (loss) on discontinued operations" in the consolidated income statement).

Thousands of euros	2006 7 months	2005 12 months
Revenues (sales)	55,785	92,874
Other operating revenues	70,940	0
	126,725	**92,874**
Consumption of goods and other expenses	27,319	45,326
Employee benefits expense	9,698	15,875
Depreciation and amortization	1,758	2,966
External services	11,150	18,078
Other operating expenses	331	70
	50,256	**82,315**
Operating result	**76,469**	**10,559**
Net finance costs	(30)	(865)
Net exchange losses		
Financial result	**(30)**	**(865)**
Impairment of goodwill		
Share of profit (loss) of associates		
Profit before tax	**76,439**	**9,694**
Income taxes	(16,855)	(2,554)
Loss for the period	**59,584**	**7,140**
Minority interests	(4,794)	(284)
Net loss attributable to equity holders of EP Group	**54,790**	**6,856**

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 5.1.b). 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 as "Other operating income from proceeds on sales of investments in companies" (Note 8).

8. Other revenues and expenses

8.1. Other operating revenues:

	2006	2005
Government grants (operating and capital grants)	7,810	3,995
Income from CO_2 emission rights	7,997	0
Ancillary income	13,378	6,520
Net gains on disposal of property, plant and equipment	9,471	76,154
Proceeds on disposal of investment properties	44,144	3
Proceeds on sale of investments in companies	33,665	1,171
Reversal of provisions	18,985	3,372
Other revenues	**6,674**	**13,982**
Commitments with employees: premiums and release of provisions	1,883	0
Insurance settlements	0	5,532
Government aid for claims	0	3,800
Recovery of amounts paid in respect of tax assessments	1,188	0
Income from litigation (recovery of provisions)	3,281	2,311
Other minor revenues	322	2,339
	142,124	**105,197**

8.2. Other operating expenses:

	2006	2005
External services	(436,325)	(340,213)
Research and development costs	(4,354)	(6,359)
CO_2 emission rights expenses	(7,997)	0
Taxes (other than income tax)	(18,883)	(12,805)
Losses on the disposal of property, plant and equipment	(21,394)	(15,250)
Other expenses and provisions	**(50,956)**	**(17,245)**
Provisions for litigation and court cases	(2,267)	(5,553)
Tax assessments paid	(2,072)	0
Sugar business restructuring (CMO)	(42,108)	0
EU aid for CMO sugar	14,986	0
Industrial restructuring of other businesses	(15,704)	(8,750)
Other minor expenses	(3,791)	(2,942)
	(539,909)	**(391,872)**

8.3. Finance revenue and costs:

	2006	2005
Finance costs		
Payables to third parties	(54,749)	(35,327)
Tax assessment signed in agreement	(3,508)	0
Financial restatement of provisions for litigation	(3,899)	(4,537)
Losses on disposal of financial assets and liabilities	0	(1)
Impairment of financial assets	(2,155)	(1,407)
Expenses-losses on financial derivative instruments	(1)	(394)
Exchange losses	(3,732)	(6,022)
	(68,044)	**(47,688)**
Finance revenue		
Income from investments	6,658	5,872
Gains on disposal of financial assets and liabilities	2,253	1,769
Reversal of write-downs of financial assets	1,956	3,594
Income-profit on financial derivative instruments	185	37
Exchange-rate gains	8,392	2,954
	19,444	**14,226**
Net finance cost	**(48,600)**	**(33,462)**

8.4. Employee benefits expense:

	2006	2005
Wages and salaries	(235,679)	(211,006)
Other welfare charges	(19,135)	(12,099)
Social security costs, et. al.	(52,341)	(45,166)
Termination benefits	(106)	(6,218)
Post-employment benefits other than pensions	(2,880)	(9,133)
	(310,141)	**(283,622)**

The average number of employees of Group companies in 2006 and 2005 (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**
2006	**Permanent**	**Temporary**	**Total**
Management	217	0	217
Middle management	840	11	851
Administrative staff	1,086	39	1,125
Auxiliary staff	132	21	153
Sales	833	12	845
Other personnel	3,173	420	3,593
Total	**6,281**	**503**	**6,784**

The variations shown above correspond primarily to the removal from the consolidation scope of the Central American businesses and the inclusion of the US Group of NWPC.

9. Intangible Assets

The detail of movements in intangible assets and accumulated amortization at December 31, 2006 and 2005 is the following (thousands of euros):

Net amounts	Development expenses	Patents and trademarks	Software	CO_2 emission rights	Intangible assets in progress	Total
Balance at December 31, 2004	3,381	66,601	6,356	6	3,097	79,441
Balance at December 31, 2005	3,547	150,489	8,453	6	1,943	164,438
Balance at December 31, 2006	3,574	268,861	8,522	9,290	518	290,765

Gross amounts	Development expenses	Patents and trademarks	Software	CO_2 emission rights	Intangible assets in progress	Total
Balance at December 31, 2004	5,068	74,329	18,652	6	3,097	101,152
Business combinations		83,932	9,090			93,022
Increases	1,442	240	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	29,561	6	1,943	201,193
Business combinations	356	58,822	1,259			60,437
Increases	1,531	69,775	1,667	10,672	426	84,071
Decreases		(98)	(2,293)	(1,388)	(1,425)	(5,204)
Translation differences		(9,917)	(307)			(10,224)
Transfers		61	365		(426)	0
Balance at December 31, 2006	8,346	281,867	30,252	9,290	518	330,273

Accumulated amortization and impairment	Development expenses	Patents and trademarks	Software	CO_2 emission rights	Intangible assets in progress	Total
Balance at December 31, 2004	(1,687)	(7,728)	(12,296)	0	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	0	(36,755)
Business combinations	(80)		22			(58)
Increases in the year	(1,780)	(109)	(3,344)			(5,233)
Decreases in the year			2,179			2,179
Translation differences		(2)	178			176
Transfers		(160)	343			183
Balance at December 31, 2006	(4,772)	(13,006)	(21,730)	0	0	(39,508)

The patents, trademarks 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. In 2005 and 2006, impairment tests had been performed on the main intangible assets, with the values allocated to the following cash-generating units:

- 4,000 (4,000) thousand euros of licenses to the Risella (Finland) cash-generating unit as part of the Rice business – Herba segment.

- 16,532 (16,532) thousand euros of licenses to the cash-generating unit of the Rice business – Herba segment.

- 92,233 (40,608) thousand euros in brand names to the cash-generating unit of the Riviana US Rice business, 69,662 thousand euros of which correspond to the acquisition of the Minute Rice brands in the USA in October 2006.

- 83,607 (83,932) thousand euros of licenses to the cash-generating unit of the Pasta Business – Panzani segment.

- 4,250 (4,250) thousand euros of licenses to the Puleva Infantil cash-generating unit as part of the Dairy business segment.

- 67,438 thousand euros at December 31, 2006 (70,504 thousand euros at the date of purchase) of the value of the brand names, incorporated as a result of the acquisition of the NWP Group in June 2006, to the cash-generating unit of the NWP América pasta business.

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 13.5% 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, which generally ranges from 1.5% to 3.5% depending on the business.

Movements in the year:

In 2005 The Ebro Puleva Group incorporated the brand names of the Panzani Group as well as another English brand name. In 2006 the brand names of the American Group NWP acquired effective June 1, 2006 were incorporated, as were the US Minute Rice brand names acquired in October 2006.

In 2006, the increases are due primarily to the sale of the Central American businesses and their brand names (the Riviana segment).

Consequently, at December 31, 2006, the caption under "Intangible assets" relating to brand names includes principally:

- The brand names acquired in 2003 and 2004 (Reis Fit, Puleva Infantil and Risella).
- The brand names of the Riviana Group incorporated in 2004 (primarily this group's principal brand names).
- The brand names of the Panzani Group incorporated in 2005 (the four principal brand names).
- Those of the NWP Group incorporated in 2006 (the eight primary brand names).
- The US Minute Rice rice brands.

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. There were likewise increases and decreases relating to CO_2 emission rights.

Decreases relate primarily to the derecognition of certain intangibles assets that were almost fully amortized and no longer in use, specifically write-offs of obsolete software and work in progress.

The charges for these intangible assets to the income statements in 2006 (2005) were 5,060 (4,518) thousand euros in amortization and 173 (4,900) thousand euros for impairment and 1,425 (0) thousand euros in lossses on write-offs of work in progress.

10. Property, plant and equipment

The detail of the movement and accumulated depreciation of property, plant and equipment at December 31, 2006 and 2005 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 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
Balance at December 31, 2006	**101,223**	**242,408**	**547,284**	**19,260**	**9,329**	**19,018**	938,522

Gross amounts	Land	Buildings	Plant and Machinery	Other installations, tools and furniture	Other plant and equipment	Work in progress	TOTAL
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 in the year	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
Business combinations	4,817	9,437	19,747	796	115	4,874	39,786
Additions	7,842	16,199	83,314	2,472	2,388	(28,568)	83,647
Disposals	(3,544)	(14,491)	(75,944)	(1,679)	(2,549)	0	(98,207)
Translation differences	(1,568)	(3,901)	(11,603)	(27)	5	(656)	(17,750)
Transfers	240	12,739	(8,685)	(2,075)	(2,213)	(5)	1
Balance at December 31, 2006	101,223	386,314	1,330,300	46,315	29,162	19,340	1,912,654

Accumulated depreciation and impairment	Land	Buildings	Plant and Machinery	Other installations, tools and furniture	Other plant and equipment	Work in progress	TOTAL
Balance at December 31, 2004	0	(85,420)	(583,928)	(19,065)	(16,983)	0	(705,396)
Business combinations	(157)	(45,074)	(154,832)	(7,575)	0	0	(207,638)
Additions	(25)	(11,401)	(65,798)	(2,949)	(3,974)	0	(84,147)
Disposals	0	6,968	(42,023)	3,077	2,456	0	54,524
Translation differences	0	(170)	(968)	0	0	0	(1,138)
Transfers	0	557	(224)	0	23	0	356
Balance at December 31, 2005	(182)	(134,540)	(763,727)	(26,512)	(18,478)	0	(943,439)
Business combinations	0	(310)	4,195	(37)	(70)	0	3,778
Additions	(1,214)	(16,079)	(97,725)	(3,420)	(3,017)	(322)	(121,777)
Disposals	0	8,128	73,956	1,676	1,778	0	85,538
Translation differences	0	377	1,651	(2)	(13)	0	2,013
Transfers	1,396	(1,482)	(1,366)	1,240	(33)	0	(245)
Balance at December 31, 2006	0	143,906	(738,016)	(27,055)	(19,833)	(322)	(974,132)

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.

The decreases in 2005 relate almost entirely 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. However, the majority of decreases in 2006 correspond to disposals relating primarily to the upgrading of technical installations of the various businesses or the shutdown of the manufacturing operations including the Ciudad Real sugar plant, the rice grinding factory and the steamed rice production lines in Abbeville (USA) and Vercille (Italy) and the pasta factory in Nanterre (France).

Government grants have been received in 2006 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 2006 (2005) income statement for these assets were 91,380 (82,694) thousand euros in accumulated depreciation and 30,397 (1,453) thousand euros in impairment. It should be noted that the aforementioned amount for 2006 (2005) depreciation includes 1,758 (2,966) thousand euros corresponding to the assets of the Central American businesses which were sold off, the related income and expenses of which were reclassified to "Discontinued operations." (see Note 7).

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 2006 y 2005 and the accumulated depreciation and impairment for each year are the following (thousands of euros):

Net amounts	Land	Buildings	Total
Balance at December 31, 2004	8,902	9,038	**17,940**
Balance at December 31, 2005	3,168	9,057	**12,225**
Balance at December 31, 2006	3,043	9,383	**12,426**

	Gross amounts			Accumulated depreciation and impairment		
	Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Balance at December 31, 2004	**8,902**	**11,777**	**20,679**	**0**	**(2,739)**	**(2,739)**
Business combinations	923	3,139	4,062	(192)	(2,743)	(2,935)
Additions		12	12		(267)	(267)
Disposals	(6,325)	(768)	(7,093)		87	87
Translation differences			0			0
Transfers	(140)	1,023	883		(464)	(464)
Balance at January 1, 2005	**3,360**	**15,183**	**18,543**	**(192)**	**(6,126)**	**(6,318)**
Business combinations		(18)	(18)		8	8
Additions		601	601		(106)	(106)
Disposals	(317)	(1,589)	(1,906)	192	1,464	1,656
Translation differences		10	10		(44)	(44)
Transfers			0			0
Balance at January 1, 2006	**3,043**	**14,187**	**17,230**	**0**	**(4,804)**	**(4,804)**

Investment properties are stated at cost. For informational purposes, the fair value of the main investment properties amounts to between 60 and 90 million euros. The fair values of most of the investment properties have been determined based on valuations performed by independent experts during 2005 and 2006. 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.

The decreases correspond to sales of buildings to third parties. In this regard, one of the sale contracts, which was signed at the end of 2006 and which has generated a capital gain of 28 million euros before taxes, was contingent upon the signing of an urban agreement with the Town Hall of Alagón (Zaragoza). This agreement was approved at the Town Hall meeting on November 30, 2006. The agreement was signed in January 2007. In addition, under the terms of the sale contract for the land in Alagón, once the urban agreement is approved and signed, it must be ratified by the competent body of the Autonomous Community of Aragón.

The parent company's directors consider that the agreement will be approved in the short term. In January 2007, the Company provided bank guarantees amounting to 6 million euros to ensure the potential refund of collections received from the buyers of the land.

12. Financial assets

The detail of this balance sheet heading at December 31, 2006 and 2005 is the following (in thousands of euros):

	12-31-06	12-31-05
Assets held for trading:		
Shares held in Puleva Biotech, S.A.'s portfolio	0	4,366
Other financial assets	91	92
	91	**4,458**
Investments held to maturity:		
Guarantees and deposits	6,482	1,359
Bank loans and credit facilities		
Loans and receivables from associates	8,918	7,706
Loans and receivables from third parties	27,971	20,152
	36,889	**27,858**
Total Financial Assets	**43,462**	**33,675**

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 2006 (2005) led to a net decrease of 1,961,778 (net increase of 3,997 in 2005) shares. The number of treasury shares held for trading at the end of 2006 (2005) was 0 (1,961,778). At December 31, 2005 these shares represented 3.29% of Puleva Biotech, S.A.'s share capital. The profit from the sale of these shares has been recognized in the 2006 consolidated income statement as "Other operating revenue from proceeds on sales of investments in companies" (Note 8).

Loans and receivables from associates:

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. 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, 2006 (2005) only one of the two loans granted by Ebro Puleva, S.A. to its associate remains. This loan is for 2,804 (2,620) thousand euros including 584 (400) thousand euros of interest capitalized as an increase in principal.

The remaning balance corresponds to loans granted to the companies of the Panzani Group, the majority of which are being liquidated. These loans were granted at an interest rate linked to Euribor and will be repaid in approximately equal installments in 2007 and 2008.

Loans and receivables from third parties:

The balance of loans and receivables from third parties at December 31, 2006 (2005) mainly comprises:

- 11,030 (17,571) thousand euros from the Puleva Food and Herba groups (finance loans made to livestock raisers and farmers).
- Non-current loans of 1,142 (1,690) thousand euros, for the sale of land belonging to the parent company (guaranteed by a mortgage on the land sold).
- 14,986 (cero) thousand euros in restructuring aid for the sugar sector (2005 CMO) granted in 2006 as a result of the shutdown of the Ciudad Real sugar plant and the termination of the production quota formerly assigned to said plant.

Of these balances, 26,848 (17,469) thousand euros are denominated in euros, 1,075 (1,327) thousand euros in US dollars and the remainder in Moroccan dirhams.

These loans mature as of 2007, with 11,803 thousand euros in 2007, 11,887 thousand in 2008, 3,442 thousand in 2009 and 314 thousand in 2010. The remaining 345 thousand euros mature as of 2011.

Guarantees and deposits:
The most significant balance in this heading, 5,402 thousand euros (7,114 thousand US dollars), relates to a deposit made through a trust company to third parties to guarantee compliance with contractual clauses to cover guarantees given to the buyer in the process of selling the Costa Rican subsidiary's rice business in 2006. This type of guarantee is common in transactions of this nature and covers potential contingencies that could materialize with respect to the business sold when the cause of such contingencies arises prior to the sale or within the first three years as of the date of the sale (up to August 10, 2009). 60% of this deposit can be released in August of 2007, and the remaining 30% in August of 2008. The parent company does not expect that any difficulties will arise with respect to the recovery of this deposit.

13. Investments in associates

The movements in this heading in 2006 and 2005 (in thousands of euros) are the following:

Associate	Balance at 12-31-2004	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)					0
Associates of CATESA	26		(26)					0
Associates of Panzani being liquidated	0	5,322	(1,059)					4,263
	12,721	5,358	(1,140)	(1,659)	984	392	8,900	25,556

Associate	Balance at 12-31-2005	Increases acquisitions	Decreases disposals	Dividends paid	Profit (loss) for the year	Translation differences	Other movements	Balance at 12-31-2006
Biocarburantes de Castilla León, S.A.	14,900	1,400			(2,756)		700	14,244
Lince Insurance, Ltd.	2,952				(631)			2,321
Associates of Riviana Foods Inc.	3,307			(2,162)	1,719	(190)		2,674
Associates of Azucarera	134	100			2		(26)	210
Associates of Herba	0	23			(1)		4	26
Associates of Panzani being liquidated	4,263						(54)	4,209
	25,556	1,523	0	(2,162)	(1,667)	(190)	624	23,684

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:

Lince Insurance, Ltd.	12-31-06	12-31-05
Current assets	295	486
Liquid assets	4,590	3,580
Provisions (insurance)	(2,397)	(854)
Current liabilities	(167)	(152)
Net assets	**2,321**	**3,060**
Total revenues	1,742	1,898
Profit (loss) for the year	(631)	779

14. Goodwill

The movement in this heading in 2006 and 2005 is the following (in thousands of euros):

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 USA	87,345				13,502	100,847
Other	Puleva Biotech, S.A.	3,780	116		(3,896)		0
Panzani (France)	Panzani Group	0	417,449				417,449
		193,389	**417,565**	**0**	**(4,278)**	**14,170**	**620,846**

Segment	Cash-generating unit	Balance at 12-31-2005	Increases (acquisitions)	Decreases (disposals)	Decreases (impairment)	Translation differences	Balance at 12-31-2006
Rice business – Herba	Danrice (Denmark)	14,524					14,524
Rice business – Herba	Vogan (England)	1,764				36	1,800
Rice business – Herba	Riceland (Hungary)	2,126					2,126
Rice business – Herba	Steve & Brotherton (England)	611					611
Rice business – Herba	Mundiriz (Marroco)	0	2,971				2,971
Dairy business	Puleva Food	53,754					53,754
Dairy business	Lactimilk, S.L.	1,199			(381)		818
America business – Riviana	Central America business	28,572		(25,388)		(3,184)	0
America business – Riviana	Riviana Group	100,847				(10,516)	90,331
Other	Puleva Biotech, S.A.	0	144,829			(5,204)	139,625
Pasta business – Panzani	Panzani Group	417,449					417,449
Pasta business – America	Group NWP	0	132,188			(7,160)	125,028
		620,846	**279,988**	**(25,388)**	**(381)**	**(26,028)**	**849,037**

The variations in the year relating to the acquisition of the NWP Group and the sale of the Central American businesses are explained in Note 5.3, which describes the variations in the consolidation scope. The increase relating to the purchase of the Minute Rice brand name is due to the portion of the price paid in acquiring this intangible asset that was assigned to goodwill.

The goodwill was acquired through business combinations. At December 31, 2006 and 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 13.5% 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, which, in general is between 1% and 3.5%, depending on the unit.

15. Inventories

The detail of this heading at December 31, 2006 and 2005 is the following (in thousands of euros):

	Amount	
Item	12-31-06	12-31-05
Commercial	10,259	7,229
Raw materials	77,868	86,136
Consumables and spare parts	12,729	9,823
Containers	16,036	10,119
Work in Progress	25,090	18,282
Finished goods	295,703	281,695
By-products and waste	21,125	20,677
Advance payments to suppliers	18,766	18,934
Total Gross Inventories	**477,576**	**452,895**
Write-down of inventories	(3,449)	(2,029)
Total Net Inventories	**474,127**	**450,866**

Of the balance of "Advance payments to suppliers" in the balance sheet at December 31, 2006 (2005), 13,941 (10,889) thousand euros corresponds to payment made to rice growers. At the year end, the Group had firm commitments to purchase 23,885 (9,476) thousand euros of paddy rice. In addition, the Riviana Group had commitments to sell products amounting to 18,800 (18,000) thousand euros.

16. Trade and other receivables

The detail of this heading at December 31, 2006 and 2005 is the following (in thousands of euros):

	Amount	
Item	12-31-06	12-31-05
Trade receivables	476,905	420,365
Receivable from associates	466	18
Other receivables	42,159	40,535
Provisions	(13,287)	(15,523)
	506,243	**445,395**

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, 2006 and 2005 is the following (in thousands of euros):

	Amount	
Concept	12-31-06	12-31-05
Cash at banks and in hand	34,252	29,765
Short-term deposits and equivalents	40,818	52,431
	75,070	**82,196**

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, 2006 (2005) is 75,070 (82,196) 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 2.5%.

18. Share capital and reserves, earnings per share and dividends

18.1. Shareholders' equity:

Issued capital:
At December 31, 2006 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, 2006 (2005) are: Instituto Hispánico del Arroz, S.A. 12.399% (11.61%), 7.399% (6.61%) directly and 5% (5%) indirectly through Hispafoods Invest, S.L.- Alimentos y Aceites, S.A., 8.446% (0%), Caja de Ahorros de Salamanca y Soria, 6.01% (5%), Grupo Caja España, 5.037% (5.037%), Corporación Económica DAMM, S.A., 5.011% (0%), Casa Grande de Cartagena, S.L., 5.00% (0%), Grupo Torras, S.A., 0% (7.82%) and Caja de Ahorros de Asturias, 0% (5%).

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, 2006 (2005) 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, 2006 and 2005 is the following (in thousands of euros):

	12-31-06	12-31-05
Companies of the Rice business segment	(384)	(579)
RIVIANA Group	(21,148)	(14,362)
NWP Group	(10,255)	0
Total	(31,787)	(14,941)

Treasury shares:

In 2005, the Company purchased and sold 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. In the year it bought 1,200,584 and sold 1,265,584 shares. At year end the Company had 231 treasury shares, representing 0.0002% of share capital.

The Company also bought and sold treasury shares in 2006, as authorized by the shareholders in their general meeting held on April 5, 2006. These transactions were communicated to the National Securities Market Commission as required by prevailing regulations. In the year it bought 80,000 and sold 80,000 of its own shares. The Company ended 2006 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, 2006 and 2005- by the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	12-31-2006	12-31-2005
Net profit attributable to ordinary equity holders of the parent from continuing operations	120,779	148,501
Loss attributable to ordinary equity holders of the parent from discontinued operations	59,584	7,140
Net profit attributable to ordinary equity holders of the parent	180,363	155,641
Interest on convertible non-cumulative redeemable preference shares	0	0
Net profit attributable to ordinary equity holders of the parent from adjusted for the effect of convertible preference shares	180,363	155,641

Thousand	2006	2005
Weighted average number of ordinary shares for earnings per share	153,865	153,865
Effect of dilution:		
Share options	0	0
Redeemable preference shares	0	0
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:

	2006	2005
Declared and paid during the year (thousand euros):		
Equity dividends on ordinary shares:		
Final dividend for 2005: 34 cents (2004: 33 cents)	52,314	50,775
First dividend for 2006: 0 cents (2005: 0 cents)	0	0
	52,314	**50,775**
Proposed for approval at General Shareholders' Meeting		
(not recognized as a liability as at December 31)		
Equity dividends on ordinary shares:		
Final dividend for 2006: 36 cents (2005: 34 cents)	55,392	52,314

19. Deferred income

This heading mainly includes government grants. The detail of the movement in 2006 and 2005 is the following:

	Government grants		Other deferred income		Total	
	12-31-06	12-31-05	12-31-06	12-31-05	12-31-06	12-31-05
At January 1	15,514	20,426	447	649	15,961	21,075
Grants Cancelled	(37)				(37)	0
Grants Received	5,136	1,278			5,136	1,278
CO^2 emission rights			9,355		9,355	0
Other increases/decreases		(2,195)	(92)	(11)	(92)	(2,206)
Transfers to other accounts	301		(301)		0	0
Released to the income statement	(4,870)	(3,995)	(8,227)	(191)	(13,097)	(4,186)
At December 31	**16,044**	**15,514**	**1,182**	**447**	**17,226**	**15,961**

The balance at December 31, 2006 and 2005 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) and the value assigned to the CO_2 emissions rights received from state CO_2 emission rights assignment plans and other less significant items.

The detail of the balance of grants by maturities is the following:

	Pending release to the income statement			
Capital Grants	**< 1 year**	**2-5 years**	**> 5 years**	**Total**
Composition of final balance by maturity	3,019	9,669	3,356	16,044

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):

	12-31-06	12-31-05
Balances at January 1	**38,846**	**24,084**
Translation differences	(944)	627
Business combinations	1,323	11,086
Application and payments	(6,514)	(5,343)
Transfers to other accounts	0	450
Overprovision taken to the income statement	(1,883)	0
Allocation to finance revenue	2,904	0
Allocation to profit	3,644	7,942
Balance at December 31	**37,376**	**38,846**

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

	12-31-06	12-31-05
Azucarera Ebro, S.L.	11,401	11,856
Herba Group companies	7,555	8,215
Riviana Group companies	2,435	7,361
Panzani Group companies	9,607	11,079
NWP Group companies	6,097	n/a
Ebro Puleva, S.A.	281	335
Total	**37,376**	**38,846**

The summary of the types of commitments by company and by segment is the following:

	Defined contribution pension plan commitments	Defined benefit plan commitments	Other defined benefit plan commitments	Retirement bonuses	Seniority bonuses	Dismissal or retirement benefits
Azucarera Ebro, S.L.	Yes (a)			Yes (b)	Yes (b)	
Ebro Puleva, S.A.	Yes (a)				Yes (b)	
Puleva Group Food				Yes (a)		
Riviana Group USA		Yes (c)	Yes (c)			(e)
NWP Group (USA and Canada)		Yes (c)	Yes (c)			
Panzani Group (France)				Yes (b)	Yes (b)	
Boost (Herba) (Belgium)		Yes (c) (d)				Yes (b)
Mundiriso (Herba) (Italy)						Yes (b)
Euryza (Herba) (Germany)		Yes (b)				
S&B Group (Herba) (UK)		Yes (c) (d)				

(a) Externalized commitments covered by an insurance policy (the company is liable for the CPI increase). These commitments were originally defined benefit plans; however, following externalization they meet the minimum requirements for being considered defined contribution plans.
(b) These commitments have not been exterialized. They are provided for and managed internally.
(c) These commitments are managed externally. The related investments are managed by the Directors' Committee, which is independent of Company management.
(d) These become defined contribution plan commitments as of 2007.
(e) Until the sale of Riviana's Central American businesses in 2006, employe pension commitments included the provision for terminaton benefits based on years of service at Central American subsidiaries amounting to 5,533 thousand euros at year end 2005 and thus, zero at year end 2006.

Below is a description of the most significant commitments in terms of their relative importance and/or those which envelope specific circumstances that must be disclosed.

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. As a result of this potential adjustment, the corresponding premiums are paid to the insurance company to ensure that commitments with employees are adequately covered.

Due to the abovementioned externalization of insurance policies, the provisions that had been recorded for the former internal funds were eliminated from liabilities. 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, 2006 (2005) of Azucarera Ebro, S.L. and Ebro Puleva, S.A. of 11,682 (12,191) thousand euros corresponds exclusively to the provision against potential employee commitments that are not legally required to be externalized: long-service bonuses of 8,405 (8,466) thousand euros and compensation for some current employees of the Company for waiving lifelong life insurance policies of 3,277 (3,725) thousand euros. These provisions are recorded based on actuarial calculations made by independent experts.

20.2. Puleva Food Group:

The collective labor agreement applicable to the work places in Granada, Jérez 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.

20.3. Panzani Group companies:

Panzani group companies have certain commitments with employees, mainly retirement bonuses and long-service bonuses. Provisions for the defined benefit pension plans were recorded based on actuarial calculations made by independent experts (8,411 thousand euros at December 31, 2006; 8,836 at December 31, 2005) and for the post-employment benefit plans by internal actuarial estimates (1,196 thousand euros at December 31, 2006; 1,296 at December 31, 2005).

These are internal provisions which are not linked to specific assets.

The remaining 2005 provision, which was released in 2006, related to commitments with certain management personnel of Panzani SAS that were revoked by mutual agreement.

20.4. Herba Group companies:

The collective labor agreement applicable to Italy and Belgium includes personnel leaving commitments. The corresponding provisions have been recorded based on internal actuarial calculations. The provisions at year end 2006 (2005) amounted to 595 (697) thousand euros.

20.5. Defined benefit pension plans and other defined benefit obligations:

The detail by company was the following:

Defined benefit (Thousand euros)	12-31-06 Pension commitments	12-31-06 Other commitments	12-31-06 Total	12-31-05 Pension commitments	12-31-05 Other commitments	12-31-05 Total
Riviana Group (USA)	1,326	1,109	2,435	(109)	1,937	1,828
NWP Group (USA and Canada)	5,111	986	6,097			0
Boost (Herba) (Germany)	279		279	0		0
Euryza (Herba) Germany	3,261		3,261	3,266		3,266
S&B Group (Herba)(UK)	3,420		3,420	4,302		4,302
	13,397	2,095	15,492	7,459	1,937	9,396

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 2006 (2005) amounted to 540 (200) thousand euros.

The movements pertaining to the commitments included in the above detail in 2006, broken down by geographical location, were the following:

Thousands of euros	Riviana Group 12-31-06	Riviana Group 12-31-05	NWP Group 12-31-06	NWP Group 12-31-05	Europeans 12-31-06	Europeans 12-31-05
Provisions for pensions and other post-employment benefits						
Opening balance	43,824	34,725			20,095	16,837
Business combinations			26,412			
Allocations recorded in the year	4,322	6,172	1,169		1,501	1,208
Actuarial changes	(1,836)	2,831	1,553		(893)	2,020
Payments made in the year	(11,721)	(7,141)	(1,021)		(1,584)	(527)
Staff restructuring	149	1,317	0		0	0
Estimation of unrecognized losses	0	383	0		0	0
Exchange differences	(4,188)	5,537	(1,564)		115	557
Balance at December 31	30,550	43,824	26,549	0	19,234	20,095
Provisions for pensions – invested assets						
Value at beginning of period	(39,376)	(37,752)			(12,017)	(9,872)
Business combinations			(19,963)			
Return on investments during the year	(3,727)	(1,522)	(1,532)		(948)	(1,829)
Contributions by the Company	(844)	(1,599)	(1,250)		(585)	(447)
Payments made in the year	11,474	7,141	1,030		1,361	527
Exchange differences	3,816	(5,644)	1,263		(85)	(396)
Balance at December 31	(28,657)	(39,376)	(20,452)		(12,274)	(12,017)
Net balance at December 31	1,893	4,448	6,097	0	6,960	8,078
Net actuarial gains (losses)	542	(2,620)	0	0	0	(510)
Net balance at December 31	2,435	1,828	6,097	0	6,960	7,568

Net annual cost per component	Riviana Group 12-31-06	Riviana Group 12-31-05	NWP Group 12-31-06	NWP Group 12-31-05	Europeans 12-31-06	Europeans 12-31-05
Annual service cost	2,226	2,707	238		315	183
Interest cost	2,035	2,162	929		540	442
Return on assets	(2,327)	(3,272)	(838)		(309)	(276)
Personnel restructuring	149	2,620	0		0	0
Estimation of unrecognized losses	(22)	383	0		77	(20)
	2,061	4,600	329	0	623	329
Actuarial assumptions	**12-31-06**	**12-31-05**	**12-31-06**	**12-31-06**	**12-31-05**	**12-31-06**
Discount rate	5.50%	6.00%	5.75%		4.65%	5.00%
Wage increases	4.00%	4.00%	3.50%		3.00%	3.00%
Rate of return on assets	8.25%	8.25%	8.00%		6.50%	7.00%

21. Other provisions

The movements in this heading in 2006 and 2005 are the following (in thousands of euros):

	12-31-06	12-31-05
Opening balance	150,533	133,088
Business combinations	0	27,536
Transfers	(6,624)	6,174
Applied and payments	(21,784)	(24,475)
Allowances charged to the income statement	59,973	10,553
Provisions against profit (loss) for tax effect	(22,248)	(2,343)
Balance at December 31	**159,850**	**150,533**

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

	12-31-06	12-31-05
Provisions		
Litigation and lawsuits	126,917	138,973
Modernization and Optimization Plan	24,299	687
CO^2 emission rights	7,421	0
Contingences of subsidiaries	210	2,549
Sundry contingencies of an insignificant amount	1,003	1,699
Maintenance of co-generation equipment	0	6,625
	159,850	**150,533**

	12-31-06	12-31-05
Azucarera Ebro, S.L.	143,916	121,985
Ebro Puleva, S.A.	2,265	4,979
Puleva Food Group	1,286	8,957
Compañía Agrícola de Tenerife, S.A.	1,712	1,692
Arroz Herba Group companies	708	589
Panzani Group	9,963	12,331
Total	**159,850**	**150,533**

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 meet commitments relating to the abovementioned Modernization and Optimization of Industrial Competitiveness

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, the consumption of CO_2 emission rights (which are recognized in this heading until they are canceled in the first few months of the following year) and the provision allowances necessary to meet the commitments assumed at year end 2006 with respect to the Ciudad Real sugar plant and the new redundancy plan approved in 2006.

Azucarera Ebro, S.L Redundancy Plan approved 2006:

On May 31, 2006, the Directorate General of Labor authorized the redundancy plan submitted by Azucarera Ebro, S.L. (Sole Shareholder Company) in conformity with the agreement signed by this company's representatives and the workers' committee This redundancy plan arises as a result of the shutdown of some of Azucarera Ebro's plants, due to the sugar sector restructuring plan approved by regulations 318, 319 and 320 of the Council of the European Union on February 20, 2006, which will affect the sector for the next four years.

Although the dismissals relating to these shutdowns have already been announced, the exact date on which they will take place is not known, since the CMO sugar reform is continually being revised and Azucarera Ebro is a subsidiary decision-maker, directly affected by growers, EU, National and Autonomous Community bodies.

Given Azucarera Ebro's operating and administrative needs with respect to the shutdowns foreseen for year end 2006, the number of obligatory dismissals, based on the best estimates to date, is expected to be approximately 31 employees. The remaining dismissals necessary to arrive at 107 permanent employees and 83 fixed-term employees, will be contingent upon the future decisions that could be made regarding the shutdown of new plants in the coming years as result of the CMO sugar reform, which will depend on personnel needs of new business lines. Consequently, the dismissals will be decided a case-by-case basis and the agreements reached with each employee will prevail over the exact wording of the redundancy plan.

Since accounting information must reliably represent the transactions and other events based on their underlying economic substance, as stated in the above paragraph, the Company has opted to record a provision at year end 2006 for the estimated cost of the mandatory dismissals, based on the best available estimates.

In addition, the abovementioned redundancy plan provides that, irrespective of their professional category, all permanent employees between the ages of 55 and 57, and all employees over 58 years, can opt for early retirement, which will either be granted or denied based on Azucarera Ebro's needs. Likewise, all fixed-term employees are entitled to request early retirement.

It is expected that approximately 56 employees will request voluntary redundancy which will actually be accepted by the Company while the redundancy plan is in force. The corresponding termination benefits will be fully provided for based on the estimates available the date of preparation of the annual accounts.

21.2. Other companies:

Of the remaining balance, the majority refers to:

- In 2005 a 6,625 thousand euro provision from a maintenance contract for the Puleva Group co-generation plant was included. 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 new 7 million euro contract was pending signature at year end 2005. In 2006 the Company decided to replace the former outsource maintenance service with its own internal resources. The related provision was transferred to the "Tangible assets" and the original provision and the related capitalized cost were canceled.

- Virtually half of the provisions used in the year 2005 corresponded 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 that were used in 2006. In addition, in 2006 the Panzani Group allocated 3.6 million euros to pay termination benefits in 2007 as a result of personnel restructuring at its two plants.

- 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, 2006 (2005), 126,917 (138,973) 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):

	12-31-06	12-31-05
Tax assessments signed in disagreement	135,336	128,464
Legal risks	9,488	11,008
Other legal risks	2,469	5,913
	147,293	**145,385**

The following is a summary of the most significant claims:

1. Tax payments relating to Alcohol tax derived from intercommunity transactions with several companies based in Portugal. The accumulated amount provisioned for this concept, plus late payment interest totals 39,547 thousand euros. A sentence has yet to be handed down by the Supremen Court and the claim is still subject to administrative appeals. For accounting purposes, the likelihood that this contingent liability will materialize is deemed probable.

2. Internal movements of sugar among plants:
   - **2.1.** Azucarera Ebro, S.L. is being held vicariously liable in a civil liability suit currently being heard by the National Court of Justice in respect of crimes of fraud committed against the European Union. 34,879 thousand euros plus late payment interest have been provisioned for this concept. On February 2, 2005, the National Court of Justice ruled against the Company in judicial proceedings relating to alleged fictitious transactions between factories during the 1996-1999 sugar campaigns. Although the Company considered that this decision was not in keeping with the law and filed an appeal with the Supreme Court, the accounts closed at December 31, 2004 included a provision for the full amount that the Company would have to pay in the event the aforementioned sentence were confirmed. In a sentence handed down on December 15, 2006, the Supreme Court accepted the appeal on the grounds of errors of form, thereby revoking the sentence of the National Court of Justice and ordering said court to issue a new sentence to comply with certain requisites. Consequently, although the sentence rendered by the National Court of Justice was annulled, the aforementioned provision must be maintained until a new sentence has been issued. For accounting purposes, the likelihood that this contingent liability will materialize is deemed probable.
   - **2.2.** In addition, the Company has appealed regulatory fines relating to C sugar correpsonding to the 1999/2000 sugar campaign and the fee for offsetting storage expenses for 1996/1997 to 1999/2000, the accumulated amount of which total 10,953 thousand euros. A provision has been recorded for this concept. For accounting purposes, the likelihood that this contingent liability will materialize is deemed probable.
   - **2.3.** The fines relating to the proceedings described in 2.2 amount to 6,731 thousand euros. No amounts have been provided for this concept since it is considered that the fines are not legal. For accounting purposes, the likelihood that the fines will materialize is considered possible.
   - **2.4.** In addition, a corporation tax assessment signed in disagreement relating to transfer of sugar between plants was raised for the increase in taxable income due to the alleged sugar sales in 1999. According to the assessment, the tax payable for this concept amounted to 3.611 thousand euros. The tax payment order relating to this assessment has yet to be issued. The Company has not recorded any provision for this concept. For accounting purposes, the likelihood that this contingency will materialize is considered possible.

3. Tax payments relating to alcohol tax derived from stock counts. The accumulated amount of these payments totals 7,500 thousand euros plus late payment interest. This amount was provided for in 2005 and was released in 2006 following a decision from the National Court of Justice which canceled the payments. The government attorney has filed an appeal against this court's decision with the Supreme Court. For accounting puroses, the likelihood that this contingency will materialize is deemed possible.

4. Tax payments relating to alcohol tax derived from stock counts in alcohol facilities. Amounts 1,817 thousand euros plus late payment interest. Likelihood: probable.

5. A 1,083 thousand euro fine for alcohol production subsequent to consuming the raw materials consigned in the production declaration (appeal number 4993/05). For accounting purposes, the likelihood that this contingent liability will materialize is deemed probable.

6. Tax payments related to alcohol tax on supplies delivered to two customers (Administrative appeals numbers 686/03; 499/04 and 394/06). The accumulated amount of these payments, which has been provided for, is 2,907 thousand euros. For accounting purposes, the likelihood that this contingent liability will materialize is deemed probable.

7. A Judicial claim amounting to 2,645 thousand euros relating to past life pension supplements plus the right to receive a monthly life supplement which would require an estimated additional provision of 10,988 thousand euros.

The courts have yet to render a decision with respect to this claim. No provision has been recorded for this concept. For accounting purposes, the likelihood that this contingent liability will materialize is deemed possible.

22. Interest-bearing loans and borrowings

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

	At 12-31-2006		At 12-31-2005	
Financial liabilities	**Non-current**	**Current**	**Non-current**	**Current**
Non-current bank loans	708,063	71,034	672,476	71,023
Current bank loans	0	419,314	0	251,004
Payables for externalization of post-employment benefit commitments	10,603	6,707	18,508	6,792
Other payables to official institutions	3,353	1,728	2,198	439
Payables to Group companies	499	2	586	450
Guarantees and deposits received (financial)	72	0	59	0
Total financial liabilities	**722,590**	**498,785**	**693,827**	**329,708**

Non-current payables for the externalization of post-employment benefits commitments at December 31, 2006 (2005) amount to 10,603 (18,508) thousand euros and current payables to 6,707 (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 Bank loans and borrowings	**12-31-05**	**12-31-06**	**2008**	**2009**	**2010**	**2011**	**Subsequent years**
Ebro Puleva, S.A.	653,874	688,945	71,000	71,000	71,000	55,682	420,263
Rice business – Herba	16,926	18,667	18,667	0	0	0	0
Puleva Food Group	1,229	271	271	0	0	0	0
Pasta business – Panzani	447	180	33	33	35	12	67
Non-current bank loans and borrowings	**672,476**	**708,063**	**89,971**	**71,033**	**71,035**	**55,694**	**420,330**
Ebro Puleva, S.A.	71,436	75,408					
Pasta business – Panzani	103,948	69,421					
Rice business – Herba	102,636	89,778					
Sugar business	29,473	66,348					
America business - Riviana Group	2,196	189,061					
Lactimilk Group	12,122	275					
Other companies	216	57					
Current bank loans and borrowings	**322,027**	**490,348**					
Total bank loans and borrowings	**994,503**	**1,198,411**					

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

Currency	**12-31-06**	**12-31-05**
Euros	511,947	598,563
US dollars	672,949	373,643
Pound sterling	3,638	14,501
Moroccan dirhams	9,784	7,275
DKK	92	521
Total	**1,198,410**	**994,503**

Long term loans went to fund the investments in Riviana Inc (2004) and Panzani SAS (2005) and New World Pasta Company (2006). These loans are guaranteed by subsidiaries Azucarera Ebro, S.L., Puleva Foods, S.L., Herba Food, S.L., Herba Ricemills, S.L. and Panzani SAS and correspond to:

- A 287.9 million euro syndicated loan arranged in November 2004 and renewed in May 2005, and again in November 2006. Of the initial amount, the oustanding balance is 284 million euros, the principal of which will be repaid in eight half-yearly installments of 35.5 million euros from May 2007. 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 and renewed in November 2006, 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 LIBOR plus a market differential.

- A 190 million US dollar bilateral loan arranged in November 2006, the principal of which will be repaid in 4 quarterly installments of 47.5 million dollars as of October 2015. The annual interest rate was one-, three-, six-, or twelve-month LIBOR plus a market spread.

At year end 2006, 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 February 2007.

In addition, “Non-current” at year end 2006 includes a “bridging loan” granted for the Riviana Group in October 2006 amounting to 250 million US dollars for the acquisition of the Minute Rice brand name at Libor plus a market spread. This bridging loan is for a term of six months, at the end of which it will be replaced by a loan agreement similar to those described above, which is currently being processed.

As for the remainder at December 31, 2006 (2005), Group companies have credit facilities at banks secured by personal guarantees with a total limit of 700 (794) million euros. The amount drawn down was 230 (263) million euros. Panzani Group credit facilities, up to a limit of 89 (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	1,799	15,535	17,334
Bank guarantees	257,854	27,509	285,363
Factoring agreements	14,519	10,700	25,219
Consolidated total	274,172	53,744	327,916

The average annual interest rate on long-term loans was 3.76% for loans to the Rice Group and 3.18% 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 4.11% for the Rice Group, 3.0% for Azucarera Ebro, S.L., 3.18% for the dairy products Group and 3.15% for Panzani 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, 2006 and 2005.

23. Other non-financial payables

This caption corresponds to various debts for inmaterial amounts.

24. Trade and other payables

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

	12-31-06	12-31-05
Trade payables	402,300	412,229
Other payables	43,224	34,262
Employee benefits payable	39,565	38,148
Guarantees and deposits received	71	374
Total	**485,160**	**485,013**

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, 2006 and 2005 is the following (in thousands of euros):

	Receivable		Payable	
	12-31-2006	12-31-2005	12-31-2006	12-31-2005
VAT and income tax withholding payable to the Treasury	40,191	39,160	14,216	14,543
Corporate income tax	8,494	3,847	16,460	19,767
Social security costs	0	5	2,799	2,988
Grants pending receipt	3,808	4,001		
Tax assessments corresponding to the Spanish tax group			25,274	0
Other public bodies	2,290	1,524	61,912	17,882
Total public bodies	**54,783**	**48,537**	**120,661**	**55,180**

The increase in balances payable to other public bodies is due to the fact that, in view of the EU CMO sugar reform, a "Restructuring fee" was implemented at year end 2005 to replace the "production quota" and new payment periods were established. Consequently, the majority of the aforementioned fee is paid in the following year (the total fee accumulated at year end 2006 and payable in 2007 was 60 million euros).

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 Riviana Group and the Panzani Group.

In addition, the tax rates vary across countries. Rates in order of importance are: 35% in Spain until 2006 (32.5% in 2007 and 30% as of 2008), 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, 2006 and 2005 is the following (in thousands of euros):

	31-12-06		31-12-05	
	Accounting	Taxable	Accounting	Taxable
Profit (loss) before tax from continuing operations	200,099	200,099	210,362	210,362
Profit (loss) before tax recognized in equity	115	115	1,315	1,315
Exchange rate hedge recorded in translation differences	40,873	40,873	(43,302)	(43,302)
	241,087	241,087	168,375	168,375
Permanent differences from Group companies	(3,837)	(3,837)	(8,669)	(8,669)
Permanent differences from consolidation adjustments and tax rates	(6,494)	(6,494)	13,741	13,741
Carryforward losses arising during the year	7,930	7,930	234	234
Application of individual loss carryforwards	(2)	(2)	(873)	(873)
Adjusted accounting profit (loss)	238,684	238,684	172,808	172,808
Temporary differences from Group companies		(35,155)		1,701
Temporary differences from consolidation adjustments		7,180		(10,861)
Carryforward losses arising during the year		955		0
Application of loss carryforwards from subsidiaries		(14,832)		0
Taxable profit (loss) of the tax group	238,684	196,832	172,808	163,648
Tax expense at 35% rate	83,539	68,891	60,483	57,277
Deductions applied	(25,247)	(25,670)	(17,908)	(17,908)
Tax payable	58,292	43,221	42,575	39,369
Write-off of prior year's tax	(2,276)		1,474	
Write-off of deferred taxes	6,332		0	
Tax inspections corresponding to the Spanish tax group	23,731		0	
Tax payable on discontinued operations		12,614		2,554
Total expense	86,079	55,835	44,049	41,923
Income tax expense reported in the income statement	71,734		58,744	
Income tax expense recognized in equity	40		460	
Income tax expense recorded in translation differences	14,305		(15,155)	
	86,079		44,049	

Consolidated income statement	12-31-06	12-31-05
Current income tax (continued operations)	43,221	39,369
Reclassification to equity and translation differences	(14,345)	14,695
Deferred income tax	15,071	3,206
Adjustments in respect of current income tax of previous years	(2,276)	1,474
Adjustments of deferred tax liabilities net of change in tax rates	6,332	0
Tax assessments corresponding to the Spanish tax group	23,731	0
	71,734	58,744

Income tax recognized directly in equity	12-31-06	12-31-05
Expense for modification of share capital at subsidiaries	35	0
Proceeds on sale of treasury shares	5	460
	40	460

"Exchange rate hedge recorded in translation differences" corresponds to the effect of exchange rate differences recorded directly in translation differences arising from the hedge of a loan in dollars relating to investments in Riviana and NWPC (see Note 28).

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

In 2006, available loss carryforwards corresponded primarily to NWPC. After applying these carryforwards, the maximum amount of tax carryforwards from prior years pending application could be 36 million euros provided that current analyses and studies determine that the reliability and recoverability of these potential tax credits is favorable.

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 other Group Companies 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.

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, in 2005 permanent differences from consolidation adjustments related primarily to the elimination of provisions between companies of subgroups that belong to the same tax group. In 2006, they relate to the release of certain provisions that did not have any tax effect when they were allocated in prior years. In both years (2005/2006) they reflect the impact of different tax rates depending on the country.

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 is 76,3 million euros in 2006 already reinvested during 2006 (87 million, 65 million, 25 million and 33.6 million euros, respectively, in 2005 and 2002, amounts which were already reinvested by the tax group in 2005, 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, 2006 and 2005 is the following (in thousands of euros):

	12-31-06		12-31-05	
	Assets	Liabilities	Assets	Liabilities
Balance at January 1	112,047	115,360	113,312	65,561
Exchange differences	(472)	(3,277)	979	4,888
Changes in consolidation Scope	6,212	(7,745)	15,423	55,884
Accrued/Applied during the year	(13,200)	1,001	(17,667)	(10,973)
Adjustments due to changes in tax rates	(9,595)	(3,263)	0	0
Adjustments due to tax assessments	(1,831)	0	0	0
Other prior year adjustments	(12,583)	687	0	0
Balance at December 31	**80,578**	**102,763**	**112,047**	**115,360**

Prior year adjustments correspond to the increase in the balance recovered from the Treasury as a result of the final 2005 income tax return filed in 2006.

At December 31, 2006 (2005) the loss carryforwards pending application of Group companies amounted to 8 (1.5) million euros, and can be applied over a period of 10 years.

On February 11, 2005 the Company was notified of the commencement of an inspection of Arrocerías Herba, S.A. for 1999, 2000 and 2001 income tax and of 2001 for all other taxes. On February 14, 2005, the tax authorities notified all the Group companies of the Ebro Puleva, S.A. tax group (between 25 and 30 companies depending on the years) that an inspection would begin for income tax from 1999-2003 (five periods) and for remaining taxes from 2001-2003. In January 2006, the tax authorities informed the Company that the inspection would continue for an additional twelve months.

In November 2006 the preliminary tax assessments were signed and ratified as definitive in December. The following is a summary of the signed assessments:

	Signed assessments		
Thousand euros	In agreement	In disagreement	Total
Tax payable	20,980	2,769	23,749
Interest	3,508	842	4,350
Penalties **(a)**	786	1,384	2,170
	25,274	**4,995**	**30,269**
Effect on future years **(b)**	2,849		
	28,123		

(a) *Quantified by estimate*

(b) *Some concepts paid as a result of assessments signed in agreement affect previous years that have not yet been inspected or will affect future years. Therefore, this amount reflects the net effect of this circumstance.*

Only one assessment was signed in disagreement. This assessment corresponds to 1999 income tax and a single matter occurring in Azucarera Ebro, S.L.'s business. The Group's legal services affirm that the grounds of the appeal filed are sufficient to ensure that the tax courts will rule in the Group's favor and therefore no provision has been recorded for this contingent liability.

The payment of assessments signed in agreement will be made in the first part of February 2007. These payments were recognized in 2006 as per the following detail:

	Thousad euros
Income tax expense	23,731
Other operating expenses	2,072
Finance costs	3,508
Other operating expenses	(1,188)
Total effect on 2006 results	**28,123**
Deferred tax assets	(1,831)
Provision for liabilities	(2,206)
Receivable from the Treasury	361
Receivable from third parties	827
Payable to the Treasury	**(25,274)**

In addition, the Ebro Puleva Tax Group is open to inspection of all taxes to which it is liable for the years 2004 to 2006. The remaining Group companies are open to inspection of the taxes and for the years stipulated by local tax laws and have not been inspected previously. Due to its relative importance, it should be pointed out that Panzani SAS is only open to inspection for 2005 and 2006, and Riviana Foods Inc. and NWPC, for 2003 to 2006.

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, 2006 are as follows:

	12-31-06	12-31-05
Within one year	5,799	1,630
After one year but not more than five years	9,766	1,808
More than five years	0	0
Total	**15,565**	**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, 2006 are as follows:

	12-31-06	12-31-05
Within one year	214	127
After one year but not more than five years	715	508
More than five years	500	635
Total	**1,429**	**1,270**

Capital commitments:

At December 31, 2006 (2005) the Group have commitments of 9,500 (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 2006, the Group had the following bank guarantees:

	12-31-06	12-31-05
From banks: For claims before tax courts and public bodies for deferral of tax liabilities (see Note 21.3)	125,024	126,435
From banks: Before the F.E.G.A. customs and third parties to guarantee completion of normal trade transactions	128,791	58,224
Other bank guarantees	4,039	485
Before banks to guarantee completion of transactions of associates and non-Group companies	79,000	79,631
Total	**336,854**	**264,775**

The variation in guarantees given to ensure completion of normal trade transactions is due to the fact that HERBA Group has been participating in both bidding and rice import certification processes on behalf of all the Group's rice companies and each year the amount of the guarantees increases. In addition, the bid for the January 2007 trade transaction was guaranteed during the last few days of December 2006, whereas during the same peirod in 2005, the bids were called in January 2006.

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, which was renewed in 2006. 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, 2006 (2005) Biocarburantes de Castilla y León, S.A. had drawn down 125 (95) million euros of the total loan, and therefore the proportional amount effectively guaranteed by Ebro Puleva, S.A. totaled. 62,5 (47.5) million euros.

With respect to "Other bank guarantees," to ensure compliance with contractual guarantees, a bank guarantee was arranged amounting to 5,160 thousand US dollars (3,918 thousand euros) to cover guarantees given to a buyer in the sale of the Guatemalan subsidiaries business. This type of guarantee covers potential contingencies that could materialize with respect to the business sold when the cause of such contingencies arises prior to the sale or within first three years as of the date of the sale (up to August 10, 2009).

With regard to the guarantees given by Puleva Food, S.L., at December 31, 2005 the mortgage placed by the Regional Government of Andalusia on certain assets valued at 6,010 thousand euros to guarantee a fully-repaid loan. This mortgage was canceled in 2006.

Puleva Biotech, S.A. has given a total of 792 (775) thousand euros of bank guarantees, of which 742 (742) thousand euros are to guarantee the repayment of loans subsidized by the Directorate Genral of Technological Policy within the Technical Research Development Program (PROFIT).

Finally, Panzani Group credit facilities, up to a limit of 89 (105) 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, 2006, the Group has not made any provision for doubtful debts relating to amounts owned by related parties (2005: 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 party disclosures – transactions with majority shareholders (or related parties) of Ebro Puleva, S.A., excluding directors:

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

The summary of transactions, excluding dividends, of any Ebro Puleva Group company with these companies (except for those directors which are shown in Note 27.2), is the following:

Majority shareholders' name or company name	Group companies	Nature of the relationship	Type of transaction	Amount (thousands of euros) 2005	2006
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.	Contractual	Purchase of goods (finished or other)	3,954	3,442
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.	Contractual	Sale of goods (finished or other)	9,345	7,354
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.	Contractual	Services rendered	206	432
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.	Contractual	Operating lease contracts	69	57
Sociedad Anónima, DAMM	Herba Ricemills, S.L.	Contractual	Purchase of goods (finished or other)	–	79
Sociedad Anónima, DAMM	Herba Ricemills, S.L.	Contractual	Purchase of goods (finished or other)	–	662
Sociedad Anónima, DAMM	Lactimilk, S.A.	Contractual	Purchase of goods (finished or other)	–	4
Sociedad Anónima, DAMM	Puleva Food, S.L.	Contractual	Purchase of goods (finished or other)	–	35
Sociedad Anónima, DAMM	Azucarera Ebro, S.L.	Contractual	Purchase of goods (finished or other)	–	4,273

The related transactions with Sociedad Anónima Damm shown in Note 27.1 were carried out directly with the following Damm Group companies.
• Estrella Levante, S.A.: Purchase of goods from Herba Ricemills, S.L.U. amounting to 79 thousand euros.
• Font Salem, S.L.: Purchase of goods from Azucarera Ebro, S.L.U. amounting to 4,273 thousand euros.
• Cerbedam, S.L.: purchase of goods from Lactimilk, S.A. amounting to 4 thousand and from Puleva Food, S.L.U. amounitng to 35 thousand euros.

27.2. Related party disclosures – transactions with directors and executives (or related parties) of Ebro Puleva, S.A.

The summary of transactions, excluding dividends, with directors and executives of Ebro Puleva, S.A. is the following:

Director or executive's name or company name	Group companies	Nature of the relationship	Type of operation	Amount (thousands of euros) 2005 Drawable amount	2005 Amount drawn	2006 Drawable amount	2006 Amount drawn
Caja de Ahorros de Salamanca y Soria	Biocarburantes de Castilla y León, S.A.	Financial	Guarantees	6,000	6,000	6,000	6,000
Caja de Ahorros de Salamanca y Soria	Agroteo, S.A.	Financial	Financing agreements: Other	1,021	1,021	1,021	1,021
Caja de Ahorros de Salamanca y Soria	Ebro Puleva, S.A.	Financial	Financing agreements: Loans	65,818	65,818	58,957	58,957
Caja de Ahorros de Salamanca y Soria	Azucarera Ebro, S.L.	Financial	Guarantees	13,823	11,613	13,823	8,395
Caja de Ahorros de Salamanca y Soria	Azucarera Ebro, S.L.	Financial	Financing agreements: Loans	31,000	2,740	31,000	9,908
Caja de Ahorros de Salamanca y Soria	Biocarburantes de Castilla y León, S.A.	Financial	Financing agreements: Loans	14,267	14,267	11,321	11,321
Caja de Ahorros de Salamanca y Soria	Biocarburantes de Castilla y León, S.A.	Financial	Financing agreements: Other	6,000	6,000	6,309	6,309
Caja España de Inversiones, Caja de Ahorros y Monte de Piedad	Ebro Puleva, S.A.	Financial	Financing agreements: Loans	32,907	32,907	29,477	29,477
Caja España de Inversiones Caja de Ahorros y Monte de Piedad	Ebro Puleva, S.A.	Financial	Financing agreements: Loans	6,000	0	6,000	0
Caja España de Inversiones Caja de Ahorros y Monte de Piedad	Azucarera Ebro, S.L.	Financial	Financing agreements: Loans	66,000	7,816	46,000	19,331
Corporación Caixa Galicia, S.A.	Lactimilk, S.A.	Financial	Guarantees	1,000	777	1,000	777
Corporación Caixa Galicia, S.A.	Lactimilk, S.A.	Financial	Financing agreements: Loans	3,000	980	3,000	3
Corporación Caixa Galicia, S.A.	Ebro Puleva, S.A.	Financial	Financing agreements: Loans	109,700	105,523	99,894	99,894
Corporación Caixa Galicia, S.A.	Puleva Foods, S.L.	Financial	Financing agreements: Loans	18,000	2,025	18,000	1
Corporación Caixa Galicia, S.A.	Herba Ricemills, S.L.	Financial	Financing agreements: Loans	12,000	11,572	12,000	11,960
Corporación Caixa Galicia, S.A.	Azucarera Ebro, S.L.	Financial	Guarantees	3,000	1,096	3,000	2,208
Corporación Caixa Galicia, S.A.	Puleva Food, S.L.	Financial	Financing agreements: Other (discounts and advances)	1,803	0	1,803	0
Don Juan Domingo Ortega Martínez	Puleva Food, S.L.	Contractual	Purchase of goods (Finished or other)	–	–	–	587

The related transaction with Juan Domingo Ortega Martínez shown in Note 27.2 was carried out directly by Quesos Forlasa, S.A.
The related transactions with Corporación Caixa Galicia, S.A. shown in this Note were carried out directly by Caixa Galicia.

273. Other related party disclosures – transactions with shareholders and directors/executives: dividends received from Ebro Puleva, S.A.

The following dividends were distributed in 2006 in accordance with Ebro Puleva, S.A.'s general dividend policy described in Note 18:

- Dividends paid to majority shareholders (in thousands of euros): 9,850
- Dividends paid to directors and executives (in thousands of euros): 10,738

27.4. 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):

Group company name	Type of transaction	Amount (thousands of euros) 2005		Amount (thousands of euros) 2006	
		Drawable amount	Amount drawn	Drawable amount	Amount drawn
Biocarburantes de Castilla y León, S.A.	Financing agreements: Subordinated loans	2,621	2,621	2,804	2,804
Biocarburantes de Castilla y León, S.A.	Guarantees	79,000	47,500	79,000	62,684

27.5. Related party disclosures – transactions between the Ebro Puleva Group companies and Puleva Biotech Group:

This caption describes the relevant transactions involving the transfer of resources during 2006 between the Biotech Group and the following wholly owned associates of its majority shareholder, Ebro Puleva, S.A.: Puleva Food, S.L., Lactimilk, S.A., Azucarera Ebro, S.L. y Herba Ricemills, S.A.

Since Puleva Biotech, S.A. does not have all of the same shareholders as the parent company Ebro Puleva, S.A., which is likewise a listed company, a potential conflict of interests could eventually arise. Consequently, the contractual conditions by which the economic relationships between Ebro Puleva and Puleva Biotech Group companies are governed must be strictly arms length to ensure that no situation may arise that would be detrimental to the minority shareholders of either party, which do not take part in the decision-making process since they are not on the Boards of Directors of the contracting companies

In 2006, Puleva Biotech, S.A. and Española de I+D, S.A. have signed a contract or executed several contracts with the Ebro Puleva Group companies referred to above.

1. R+D+I service contract between Puleva Food, S.L. and Puleva Biotech, S.A.

In 2006, Puleva Biotech, S.A. continued to provide R+D+I services to Puleva Food, S.L. under the terms of separate contracts signed by the parties for each project. These contracts are part of the framework contract signed in 2001. The projects include the following categories:

- Clinical and nutritional analysis
- Development of new packaging technologies
- New product development
- Quality assurance and food safety
- Product reformulation and ingredient approval

In addition, in 2006 Puleva Food, S.L. acquired a volume of 203,338 kilograms of functional fats (omega3), EPA and DHA manufactured in the industrial plant operated by Puleva Biotech, S.A.

The net amount invoiced to Puleva Food for products sold and services rendered by Puleva Biotech in 2006 amounted to 4,938 thousand euros.

In addition, Puleva Food is the supplier of certain goods and services of Puleva Biotech, i.e. the rental of offices and warehouses in the normal course of business, certain supplies for manufacturing installations, etc.

2. R+D+I contract between Azucarera Ebro, S.L. and Puleva Biotech, S.A.
On January 3, 2006 Puleva Biotech, S.A. and Azucarera Ebro, S.L. signed a R+D+I contract for providing development and technical advisory services in connection with sugar byproduct production and the upgrading of processes designed to enhance and make better use of byproducts.

The fees invoiced by Puleva Biotech as a result of this contract in 2006 totaled 546 thousand euros.

3. Contract between Herba Ricemills, S.L. and Puleva Biotech, S.A.
On September 1, 2003, Puleva Biotech, S.A. and Herba Ricemills, S.L. signed a framework contract governing R&D services rendered by Puleva Biotech, S.A. to Herba Ricemills, S.L. These services relate Herba Ricemills' activities in the following areas:

- Food product R&D
- Quality control
- Scientific Advisory services
- Training
- Joint R&D projects
- H&R Exchanges and collaborations
- Mixed R&D units

Each specific project or activity is defined in a separate contract. The content of the projects is set forth as stipulated in the framework contract, which contemplates a term of three years that may be extended on an annual basis.

The fees paid in 2006 to Puleva Biotech for this concept amounted to 750 thousand euros.

The current extended contract is for the development of new products by Puleva Biotech, S.A. as well as changes in Herba Ricemills, S.L.'s current product portfolio to increase the added value of the client's business and strengthen the rice business and its byproducts in the market.

4. Contract between Herba Ricemills, S.L. and Española de I+D:
By virtue of a contract signed on February 6, 2006 between the above companies, Española de I+D has been providing Herba Ricemills R&D services within the framework of its normal business activies.

The annual fee established for these services is 420 thousand euros.

There are current account contracts with Puleva Food, S.L. and Ebro Puleva, S.A. Any balances from cash loans or borrowings between these companies and Puleva Biotech, S.A. by virtue of the aforementioned contracts earn interest at market rates.

27.6. 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 2005 and 2006 totaled 8,438 and 6,136 thousand euros respectively, as per the following detail (in thousands of euros):

	2005	2006
Expenses	282	242
Share under bylaws	1,374	2,055
Total external board members	**1,656**	**2,297**
Wages, salaries and professional fees	2,093	2,861
Termination benefits	4,461	831
Life and retirement insurance	228	147
Total executive directors	**6,782**	**3,839**
Total Director's Compensation	**8,438**	**6,136**

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 28 February, 2007, the directors resolved to propose the reduction of that share to 1,25% (1.13%) of the profit for the year, effective as of the 2006 (2005) financial year.

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

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

Mr. Eugenio Ruiz-Gálvez Priego, Chief Executive of Azucarera Ebro, (subsidiary of the parent company Ebro Puleva, of which he is also a Board member), has foregone his entitlement to the safeguard clause originally included in his contract, which consisted of a termination benefit of two years' gross annual remuneration. The Board of Directors resolved to replace this termination benefit with the indemnity contemplated in cases of dismissal or change in control equal to all forms of remuneration pending collection up to the age of 65, which will decrease in amount and cease to be paid when he reaches said age, at which time he may remain employed by the company if both parties so desire.

One Board member who has executive duties within the Company is beneficiary of a supplementary life and retirement insurance policy, amounting to 147 in 2006 (228 in 2005) 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.

Article 127 third, paragragh 4, TRLSA:
In accordance with article 127 third, paragraph 4, of the Revised Text of the Spanish Corporation Law, this note of the Notes to the Consolidated Annual Accounts includes the information that the directors, in compliance with their duty of loyalty, have communicated to the Company with respect to the shares and positions they hold in companies whose activity is identical, similar or complementary to that of Ebro Puleva, S.A., irrespective of whether said companies belong to the Ebro Puleva Puleva Group:

Elías Hernández Barrera:

- Chairman of the Board of Directors of the Instituto Hispánico del Arroz, S.A.
- Chairmen of the Board of Directors of Hispafoods Invest, S.L.
- Indirect ownership of a 1.58% shareholding in Casarone Agroindustrial, S.A (a Uruguayan company). He does not hold any position.

Antonio Hernández Callejas:

- Direct 16.666% shareholding in Instituto Hispánico del Arroz, S.A. He does not hold any position.
- Indirect 16.666% shareholding in Hispafoods Invest, S.L. He does not hold any position.
- Indirect 3.62% shareholding in Casarone Agroindustrial, S.A. He does not hold any position.

Blanca Hernández Rodríguez:

- Direct 16.666% shareholding in Instituto Hispánico del Arroz, S.A. He does not hold any position.
- Indirect 16.666% shareholding in Hispafoods Invest, S.L.. He does not hold any position.
- Indirect 3.020% shareholding in Casarone Agroindustrial, S.A. He does not hold any position.

Caja de Ahorros de Salamanca y Soria.

- 33.333% shareholding in Barrancarnes Industrial. Member of the Board of Directors.
- 40% shareholding in Jamones Burgaleses, S.A. Member of the Board of Directors.
- 41.290% shareholding in Leonesa Astur de Piensos, S.A. Member of the Board of Directors.

Caja España de Inversiones y Montes de Piedad

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

Juan Domingo Ortega Martínez:

- Indirect 60.69% shareholding in Quesos Forlasa, S.A. He is a representative of Forlasa Alimentación, S.L., which is the Chief Executive of the former.
- Sole Director of Monzotami, S.L.

Corporación Caixa Galicia, S.A., Board member of Ebro Puleva, S.A. until October 16, 2006:

- 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 following chart depicts the positions held the directors in other Ebro Puleva Group companies in which none of them hold a direct share:

Name of Board member	Ebro Puleva Group company	Position
Jaime Carbó Fernández	Panzani, S.A.S.	Board member
Jaime Carbó Fernández	Dosbio 2010, S.L.U.	Board member
Jaime Carbó Fernández	Riviana Foods, Inc.	Board member
Jaime Carbó Fernández	Ebro America, inc.	Board member
Jaime Carbó Fernández	El Castillo Debic Food Service, S.L.	Board member
Jaime Carbó Fernández	New World Pasta Company	Board member
Fernando Castelló Clemente	Castillo Castelló, S.A.	Chairman
Fernando Castelló Clemente	El Castillo Debic Food Service, S.L.	Chairman
Fernando Castelló Clemente	Lactimilk, S.A.	Chairman
Antonio Hernández Callejas	Panzani, S.A.S.	Board member
Antonio Hernández Callejas	New World Pasta Company	Board member
Antonio Hernández Callejas	Riviana Foods, Inc.	Board member
Antonio Hernández Callejas	Dosbio 2010, S.L.U.	Chairman
Antonio Hernández Callejas	Puleva Biotech, S.A.	Board member
Antonio Hernández Callejas	Ebro America, Inc.	Chairman
Antonio Hernández Callejas	Azucarera Ebro, S.L.	Chairman
Juan Domingo Ortega Martínez	Dosbio 2010, S.L.U.	Board member
Eugenio Ruiz - Gálvez Priego	Azucarera Ebro, S.L.	Chief Executive Officer
Eugenio Ruiz - Gálvez Priego	Compañía de Melazas, S.A.	Vice-chairman
Eugenio Ruiz - Gálvez Priego	Unión Azucarera, A.I.T.	Joint Director
Eugenio Ruiz - Gálvez Priego	Puleva Biotech, S.A.	Board member
Eugenio Ruiz - Gálvez Priego	Maltacarrión, S.A.	Board member

Irrespective of the above, no director has informed the Company that he holds any shareholdings or positions in companies with activities identical, similar or complementary to those of Ebro Puleva, S.A. and its Group companies.

In 2005 and 2006 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.

Directors' compensation:

The management of Ebro Puleva, S.A. at year end 2006 (2005) totaled 8 (11) members, who received total compensation in 2006 (2005) of 1,401 (2,821) thousand euros, of which 1,196 (1,682) thousand euros were in wages and salaries and 205 (1,139) thousand euros in indemnities.

The contracts of certain directors include safeguard clauses in the event of dismissal decided by the company or for changes in control which provide for termination benefits ranging from one two three years' annual remuneration.

In addition, in 2006 the Selection and Compensation Committee approved an incentive program for its management team which would enable members to receive a cash amount based on the achievement of the objectives set forth in the Group's Strategic Plan for the period from 2007 to 2009. The Ebro Puleva Group's key management, including Executive Board members, are entitled to benefit from the plan.

The incentive would consist of an amount based on the average annual remuneration received for the period from 2007 to 2009 of each beneficiary, to which a percentage would be applied depending on the degree to which objectives were achieved. Payment of the incentive, which would be made in 2010 (once the previous year's annual accounts have been approved by the shareholders), is contingent upon the beneficiaries remaining with the Group until December 3, 2009, as well as meeting EBITDA, EVA and other qualitative objectives established in the Group's Strategic Plan.

This program is not contingent upon the value of Ebro Puleva shares nor does it entitle the beneficiaries to receive shares or any other such benefits.

Lastly, 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 45 million euros, a premium of 141,000 and coverage until April 17, 2007. This policy is currently being renewed.

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 end of this note provides an explanation of the key issues of the new CMO set to come into effect in 2006, (issued in 2005) which will govern the sugar industry in coming years.

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;2004 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, AENOR. It has likewise defined a quality control and food safety management system that complies with the UNE-EN-ISO 17025 standard, endorsed by 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. In addition, the Group continues to operate its material, paper and aluminium recylcing programs. Also worthy of mention are the GMP (Good Manufacturing Practices program) or the HAACP (Hazard Analysis and Critical Control) programs in place at our American subsidiaries.

3. Technological risk:

Through its biotechnology and R&D subsidiaries, Puleva Biotech, Española de I+D y Crecerpal (subgrupo Panzani), the Gorup 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 problemsThe 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.

One of the Group's subsidiaries, Azucarera Energías, entered into a swap agreement whose underlying instrument is a natural gas basket linked to the Brent index, the notional being measured in megawatts (MWh). This swap is denominated in euros and is for the 2007 calendar year. The contracted fixed-interest rate is 22.40 euros per MWh.

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, 2006, after taking into account the effect of interest rate swaps, approximately 8% of the Group's borrowings are at a fixed rate of interest.

Note 22 provides details on outstanding SWAPS at December 31, 2006 and 2005 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, 2006 (2005) is the 630 (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:
Just a little over a year since the new sugar CMO went into effect, and now that its effects on the 2005/06 and 2006/07 campaigns are known, the progress made thus far and foreseeable trends can be evaluated.

During the 2005/06 sugar campaign, the first affected by the Restructuring Plan, a volume of 1,150,000 tons of the assigned sugar quota was consumed. This figure was higher than alloted by the European Commission, which included 100% of the Irish quota (199,000 tons) and a little more than 50% of the Italian quota (562,000 tons). In Spain, 110,000 tons corresponding entirely to ARJ (80,000 tons), to Ciudad Real's Azucarera Ebro quota (22,000 tons) and to that of Guadalfeo (8,000 tons) were consumed. Farmers from Castille-La Mancha decided to stop growing beets, forcing to close down the Linares and Ciudad Real plants, which were supplied by this crop.

During the same campaign, EU growers exercised their option to purchase additional quotas, representing a volume of 948.000 tons. Consequently, the net balance of the campaign was a reduction in the EU quota of 200,000 tons.

During the 2006/07 campaign, the volume of quota consumed decreased to 678,000 tons, considerably less than the 3,000,000 tons allotted by the Commission. The factors that explain this difference are:

- The first and most significant is a poor evaluation of the economy of the affected regions and of the incentive posed by early discontinuation of the Restructuring Plan.

- This is further complicated by the fact that the substantial economic criteria set forth in the regulations governing the Restructuring Fund are not clearly defined, including, among others, the percentage to be received by growers and the capacity of Member States to reassign up to 25% of the grower's quota.

The most significant effects of this divergence between reality and forecasts were the following:

- Excess production, which, together with drastic reductions of exports, led to overall surplus. If urgent measures are not taken, this surplus could lead to figures that would exceed 3,400,000 tons by September 2007.

- A surplus of available restructuring funds, which, at the very least, would exceed 2,000 million euros.

The Commission has publicly expressed its disatisfaction with the progress of the consumption of quotas. It has reminded all interested parties that its primary objective is to eventually reduce the EU's quota by a net 6,000,000 tons. If this figure is not obtained by consumed quotas during the next two campaigns, in February 2010 the Commission will impose a flat reduction with no economic compensation sufficient to cover the difference between the objective and the quota reduction actually achieved.

Simultaneously, the Commission announced its intention to modify the Restructuring Fund Regulations to streamline decision making. The scope and content of these modifications wil be known in the coming months and no later than the end of October 2007. This will provide a general overview of positions during the current period, although the changes may not materialize until 2008 and 2009.

Future outlook:

We envisage that a significant number of Spanish growers will turn away from beet farming, switching over to other crops. This will result in a substantial decrease in the volume of beet/sugar production in Spain. The resulting overall decline in beet farming will be most noticeable in areas where growing conditions for beet crops are less favorable, while in other areas of the country production will increase.

The decision to cease or continue to grow beets is always made by beet farmers and therefore Azucarera Ebro is always a subsidiary decision-maker.

Nevertheless, in what it considers an exercise of social responsibiity, Azucarera Ebro has announced several decisions that will enable us to offer solutions that will have the least impact on labor and the economy in the event beet farming were discontinued, requiring the Group to cease production of beet sugar.

Below we highlight the most significant of these decisions:

- Investment in a sugar refinery in Jerez with capacity to refine 300,000 tons of sugar per year. This refinery is expected to be operating in September 2009.

- Formation of Dosbio 2010, S.L., a company engaged in the production of biodiesel and bioethanol fuel with local crops. Preferably rape for biodiesel fuel and beet and cereal for bioethanol. Dosbio's currently defined projects are:
  – a Biodiesel fuel plant in Jedula (Cadiz) which will commence production in 2008.
  – A Bioethanol plant in Miranda de Ebro with beets as a feedstock. Eventually cereals will also be used (currently under study). The plant is expected to be operating by 2010.

Our outlook for Azucarera Ebro in Spain envisages that once all the measures of the sugar CMO are implemented, beet sugar will be produced in lower volumes; however, new volumes will continue to be significant and will be supplemented by the production of refined sugar in Jerez, thus enabling the Company to continue to carry out a profitable business that is sustainable in the long 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 in 2006 and 2005 advanced environmental, food hygiene and safety control policies which respect both the environment and social issues. These projects are designed to provide sustained development based on the concepts of prevention and ongoing innovation.

Business activities relating to the sugar, rice, dairy and pasta, product industries require important investments to manage and monitor the related environmental risks. Such investments also lead to increased production capacity of installations and machinery, which are capitalized and depreciated on a straight-line basis over their estimated useful lives.

The Group has made a concerted effort in recent years, especially with regard to proper control of sewage waste, gas and dust emissions, as well as solid and organic waste. In fact, we are not aware of any significant contingencies with regard to compliance of current environmental protection regulations.

In 2006 (2005) the Azucarera Ebro Group invested 9,3 (4.8) million euros in environmental assets (as a complement to the 48 million euros invested between 2004 and 2002). The investments of this type capitalized at December 31, 2006 (2005) amounted to 118 (109) million euros. In 2006 and 2005 the Group continued to invest heavily in environmental protection at all of its factories (all of which had full or partial positive effects).

This substantial investment has led to energy savings, a reduction in effluents and emissions, etc., and excellent results from external audits and government inspections.

These efforts were mainly geared towards improving the quality of sewage waste, reducing air emissions, managing waste, etc. and led to excellent results in the external audits by AENOR (ISO standard 14001), customers' audits, government inspections, etc.

CO_2 emission rights: Real CO_2 emissions in 2006 and 2005 ere lower than the final official greenhouse gas emissions rights allocated to the co-generation facilities at our plants. We expect a similar situation in 2007.

In addition to these rights, the provisional emission rights allocated to power plants with installed capacity of over 20 Mw, which mainly affect the pulp dryers, are in line with our needs for 2006 and 2007.

The amount of capex and required expenditure for the rest of the Group companies is far lower.

Expenses for external environmental management services in 2006 (2005) amounted to 10,349 (8,250) thousand euros and tax deductions applied to 929 (423) thousand euros.

Lastly, several Group companies have contracted a civil liability insurance policy against damage caused to third parties by sudden accidental contamination and they consider that the policy adequately covers any risk in this regard.

In 2006, the company contracted to dismantle the fomer Monzón de Campos sugar refinery was the cause of an accidental spill. Legal proceedings are currently underway in which the company has not been formally accused. No significant claims have been filed against the remaining production centers. There have, however, been favorable pronouncements with respect to the results of audits, the absence of allegations in the processing of Integrated Environmental Authorizations, etc.

30. Audit fee

Audit Fees are included under "External services" in the profit and loss account and correspond to the fee paid to the auditors of the consolidated annual accounts. The total fee paid in 2006 (2005) for the audit of the annual accounts of Ebro Puleva Group companies amounted to 2,011 (1,469) thousand euros. Of this amount, the audits performed by the main auditor (Ernst & Young and its international network) amounted to 1,929 (1,465) thousand euros.

In addition, the Ebro Puleva Group engaged Ernst & Young companies to provide non-audit related services amounting to 295 (415) thousand which 293 thousand euros in 2005 correspond to Due Diligence work performed for the acquisition of companies.

31. Events after the balance sheet

No significant events have occurred from December 31, 2006 to the date on which these consolidated annual accounts were drawn up.