

REPORT BY THE DIRECTORS OF EBRO PULEVA, S.A. TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS CALLED FOR 4 APRIL 2006 ON FIRST CALL AND 5 APRIL 2006 ON SECOND CALL, ON THE PROPOSED ALTERATION OF THE BYLAWS, INCLUDED IN ITEM FOUR ON THE AGENDA

Reasons for the Report

One of the requirements stipulated in s. 144 of the current Corporations Act for altering the Bylaws is that the Directors must issue a written Report explaining the proposal laid before the General Meeting of Shareholders.

This Report, approved by the Board of Directors on 23 February 2006, is issued in pursuance of that legal requirement.

Bases of the proposed reform of the Bylaws

Final Provision One of the Spanish-domiciled European Company Act 19/2005 of 14 November makes several amendments to the (Consolidation) Corporations Act. Some of these amendments refer directly to aspects regulated in the Ebro Puleva Bylaws. Accordingly, the Board will propose adapting the Bylaws to the new legislation. This is the case of the alterations proposed in Article 10 (Notice of Call) (to general meetings) and Article 20 (Term of Office and Cooptation), by virtue of which the notice for calling general meetings is extended to one month, establishing the possibility of a supplemental notice of call, at the request of at least five per cent of the shareholding body, and the term of office of directors is set at four years, adapting the rules for calculating this term to the new legislation.

Moreover, the latest trends in corporate governance are set out in the Draft Unified Code of Good Corporate Governance Recommendations for Listed Companies. Although this Code is as yet still a draft, since its final approval is imminent, it is considered advisable to alter some of the provisions of the Bylaws to adapt them partially to these recommendations. This is the case of Article 19 (Board of Directors. Composition and General Functions), in which a reduction is proposed in the minimum and maximum numbers of Directors and elimination of the incompatibility of directors aged over seventy, and Article 25 (Positions on the Board), which contemplates two possibilities: that the chief executive of the company is either a Managing Director or (as at present) the Chairman of the Board, in which case the obligation is introduced of having a Vice-Chairman appointed among the non-executive directors to watch over the

functions of supervising and controlling management, which correspond to the Board, as a measure to prevent an excessive concentration of power in the Chairman.

As regards the other provisions, the proposed alteration of Articles 27 (Delegation of Powers) and 29 (Regulations of the Board) are merely a consequence of the new wording of Article 25 and its indication that there may only be one Managing Director; the same goes for Article 15 and the stipulation of a single Vice-Chairman. The purpose of the proposed alteration of Article 28 (Executive Committee, Audit and Compliance Committee and other Committees) is merely to reduce the maximum and minimum members of the Executive Committee, in line with the smaller maximum and minimum members of the Board proposed in Article 19.

Finally, alteration of Article 2 (Objects) is also proposed, to expressly include certain products that are part of the present business of the Ebro Puleva group, following the latest acquisitions, or which may in the future become incorporated within the group's business, which appears to be advisable, even though it is not essential owing to the broad terms in which the objects are expressed.

Contents of the proposed reform

Based on the foregoing, the proposed alterations are set out below, with express reference to each article affected:

Article 2: Objects

(Present text)

The company has the following objects, on both Spanish and foreign markets:

- a) The manufacture, processing, marketing, research, exporting and importing of all kinds of food and dietary products, for human or animal consumption, and their by-products and waste products, especially sugar and products for agriculture, dairy products, rice and nutritional products of whatsoever nature, including enteral diets for hospital feeding, and formulas, products and special preparations for the pharmaceutical, health or veterinary markets.
- b) The production, exploitation and trading of all kinds of beverages: alimentary drinks, soft drinks and even alcoholic beverages.
- c) The exploitation of any by-products, services or recycling of the above, including cold stores, ice, industrial gases, steam, refrigeration and energy.
- d) The purchase, leasing, creation, installation, promotion, development and management of industrial, agricultural and livestock-breeding facilities in the sectors of food or nutrition and beverages, including alcoholic drinks.
- e) The design and development of projects, installations or whatsoever other form of technical assistance to other companies in those sectors; the creation, promotion,

protection and exploitation of patents, trademarks, brand names and other industrial property.

- f) Training, programming or computer services, investment and achievement of returns on resources, advertising and image, transport, distribution and marketing activities accessory or complementary to those mentioned above.

The activities comprising the objects may be performed through the subscription or acquisition of stocks and shares in companies having identical or similar objects.

Article 2: Objects

(Proposed text)

The company has the following objects, on both Spanish and foreign markets:

- a) **The manufacture, processing, marketing, research, exporting and importing of all kinds of food and dietary products, for human or animal consumption, and energy products, including by-products and waste products, especially sugar and products for agriculture, dairy products, rice, pasta and nutritional products of whatsoever nature, including enteral diets for hospital feeding, and formulas, products and special preparations for the pharmaceutical, health or veterinary markets, and biofuels.**
- b) **The production, exploitation and trading of all kinds of beverages: alimentary drinks, soft drinks and even alcoholic beverages.**
- c) **The exploitation of any by-products, services or recycling of the above, including cold stores, ice, industrial gases, steam, refrigeration and energy.**
- d) **The purchase, leasing, creation, installation, promotion, development and management of industrial, agricultural and livestock-breeding facilities in the sectors of food or nutrition and beverages, including alcoholic drinks.**
- e) **The design and development of projects, installations or whatsoever other form of technical assistance to other companies in those sectors; the creation, promotion, protection and exploitation of patents, trademarks, brand names and other industrial property.**
- f) **Training, programming or computer services, investment and achievement of returns on resources, advertising and image, transport, distribution and marketing activities accessory or complementary to those mentioned above.**

The activities comprising the objects may be performed through the subscription or acquisition of stocks and shares in companies having identical or similar objects.

Although the objects are defined in broad terms, it is advisable to include express mention of pasta following the takeover of Panzani by the Ebro Puleva Group, and biofuels, towards which the Group's strategy is going to be geared.

Article 10: Notice of Call

(Present text)

General meetings shall be called by the Board in a notice published in the Official Trade Registry Bulletin and one of the daily newspapers having the largest circulation in the province in which the company has its registered office at least twenty days prior to the date of the meeting, save otherwise stipulated in law.

The notice shall specify the date and place of the meeting on first call and all the business to be transacted thereat. It may also indicate the date and place at which the general meeting is to be held on second call, if necessary.

There must be at least twenty-four hours between the meetings on first and second call.

If the general meeting, duly called, is not held on first call and no date has been indicated in the notice for convening on second call, the latter must be announced, subject to the same requisites as the notice of call to the first meeting, within fifteen days after the date of the inquorate meeting and eight days prior to the date of the meeting on second call.

Notices of call to general meetings and the documents put at the disposal of the shareholders therewith shall, whenever possible, be inserted on the company's web site, for the sole purpose of facilitating distribution among shareholders and on the markets in general, without prejudice to the shareholders' legal right to information.

Article 10: Notice of Call

(Proposed text)

General meetings shall be called by the Board in a notice published in the Official Trade Registry Bulletin and one of the daily newspapers having the largest circulation in the province in which the company has its registered office at least one month prior to the date of the meeting, save otherwise stipulated in law.

The notice shall specify the date and place of the meeting on first call and all the business to be transacted thereat.

Shareholders representing at least five per cent of the share capital may request the publication of a supplemental notice of call to a general meeting including one or several items on the agenda. This right shall be exercised by means of attested notice, to be received at the registered office within five days after publication of the notice of call.

The supplemental notice of call shall be published at least fifteen days prior to the date of the general meeting.

Failure to publish the supplemental notice of call within the time stipulated in law shall be valid grounds for declaring the general meeting null and void.

The notice of call may also indicate the date and place at which the general meeting is to be held on second call, if necessary.

There must be at least twenty-four hours between the meetings on first and second call.

If the general meeting, duly called, is not held on first call and no date has been indicated in the notice for convening on second call, the latter must be announced, subject to the same requisites as the notice of call to the first meeting, within fifteen days after the date of the inquorate meeting and eight days prior to the date of the meeting on second call.

Notices of call to general meetings and the documents put at the disposal of the shareholders therewith shall, whenever possible, be inserted on the company's web site, for the sole purpose of facilitating distribution among shareholders and on the markets in general, without prejudice to the shareholders' legal right to information.

Adaptation to the provisions of the Spanish-domiciled European Company Act 19/2005 of 14 November, Final Provision One of which amends certain provisions of the current Corporations Act.

Article 15: Chairman and Secretary

(Present text)

General meetings shall be presided by the Chairman of the Board, or, in his absence, by the First Vice-Chairman, or other vice-chairmen, if any, in order of priority, or otherwise by a director elected in each case by the shareholders attending the meeting.

The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board, or the Vice-Secretary, if any, or otherwise such person as may be appointed at the general meeting.

Article 15: Chairman and Secretary

(Proposed text)

General meetings shall be presided by the Chairman of the Board, or, in his absence, by the Vice-Chairman, or otherwise by a director elected in each case by the shareholders attending the meeting.

The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board, or the Vice-Secretary, if any, or otherwise such person as may be appointed at the general meeting.

Adaptation to the new Bylaw provision of a single Vice-Chairman, in accordance with the proposed alteration of Article 25.

Article 19: Board of Directors. Composition and General Functions

(Present text)

Save in any matters reserved by law or these bylaws to the general meeting and without prejudice to any delegations made to the Chairman, Executive Committee or other Committees of the Board, or to one or several Managing Directors, if any, and without prejudice also to the powers or competence assigned by law to certain Committees of the Board, the Board of Directors is the highest body of government and administration of the company, with full powers to direct, administer and represent the company in the performance of the activities comprising its objects.

The Board of Directors shall have no fewer than nine nor more than twenty-one members, the General Meeting being competent to decide their exact number and to appoint and remove directors. Directors shall, in all cases, retire on reaching the age of seventy.

There shall be two types of directors: those permanently and professionally involved in the day-to-day management of the company (executive directors) and those who have no professional ties with the company apart from their status as director (non-executive directors).

The Board of Directors shall commission the ordinary management of the company to its executive members and the senior management, focusing its own activities on supervision. It shall, nevertheless, have the general duties, among others, of laying down the general strategies of the company and its group, approving the management guidelines, determining the bases of corporate organisation in order to guarantee its best efficiency and effective supervision by the board, and monitoring transparency and truth of reporting in the company's relations with shareholders and the markets in general.

The appointment of directors may be declined or revoked, and directors shall be eligible for re-election.

Article 19: Board of Directors. Composition and General Functions

(Proposed text)

Save in any matters reserved by law or these bylaws to the general meeting and without prejudice to any delegations made to the Chairman, Executive Committee or other Committees of the Board, or to one or several Managing Directors, if any, and without prejudice also to the powers or competence assigned by law to certain Committees of the Board, the Board of Directors is the highest body of government and administration of the company, with full powers to direct, administer and represent the company in the performance of the activities comprising its objects.

The Board of Directors shall have no fewer than seven nor more than fifteen members, the General Meeting being competent to decide their exact number and to appoint and remove directors.

There shall be two types of directors: those permanently and professionally involved in the day-to-day management of the company (executive directors) and those who have no professional ties with the company apart from their status as director (non-executive directors).

The Board of Directors shall commission the ordinary management of the company to its executive members and the senior management, focusing its own activities on supervision. It shall, nevertheless, have the general duties, among others, of laying down the general strategies of the company and its group, approving the management guidelines, determining the bases of corporate organisation in order to guarantee its best efficiency and effective supervision by the board, and monitoring transparency and truth of reporting in the company's relations with shareholders and the markets in general.

The appointment of directors may be declined or revoked, and directors shall be eligible for re-election.

Adaptation to the corporate governance recommendations on the number of Board members. Moreover, neither the Aldama Code nor the current version of the Draft Unified Code of Good Corporate Governance Recommendations for Listed Companies contain any recommendation to limit the maximum age of Directors. This provision is eliminated in view of the foregoing circumstance, plus the fact that it is sometimes advisable or convenient to have Board members with extensive experience, who may be over that age.

Article 20: Term of Office and Cooptation.

(Present text)

Directors shall be appointed for a term of five years, after which they shall be eligible for re-election on one or several occasions for terms of an equal duration.

For the purpose of this article, the year is deemed to end on the date of the Annual General Meeting at which the directors are to be re-elected or replaced.

Should any vacancies arise during the term for which directors were appointed, the Board may appoint one or several shareholders to fill such vacancies until the next succeeding general meeting.

Article 20: Term of Office and Cooptation.

(Proposed text)

Directors shall be appointed for a term of four years, after which they shall be eligible for re-election on one or several occasions for terms of an equal duration.

After this term, Directors' appointments shall end on the date of the next succeeding Annual General Meeting or upon expiry of the time stipulated in law for holding the General Meeting to approve the previous year's accounts.

Should any vacancies arise during the term for which directors were appointed, the Board may appoint one or several shareholders to fill such vacancies until the next succeeding general meeting.

Adaptation to the provisions of the Spanish-domiciled European Company Act 19/2005 of 14 November, Final Provision One of which amends certain provisions of the current Corporations Act. The term of office of Directors is also altered to facilitate the overall re-election of Directors by the General Meeting.

Article 25: Positions on the Board

(Present text)

The Board shall elect one of its members to be Chairman and may appoint one or several Vice-Chairmen, determining their order of priority. In the event of vacancy, absence or illness, the Chairman shall be substituted by one of the Vice-Chairmen, as established in the Regulations of the Board, or, failing all these, one of the Directors shall be elected to stand in as acting Chairman.

The Chairman of the Board shall have the highest institutional representation of the company, watch over the powers of the Board in respect of relations with shareholders and markets and oversee the Board's functions of supervising and controlling the day-to-day management of the company. The provisions of Article 22, third paragraph, shall also be applicable to the Chairman.

Notwithstanding the executive duties of the Chairman, if any, the Board shall also appoint the Vice-Chairman, or one of the Vice-Chairmen, as the case may be, Chief

Executive Officer. The Vice-Chairman/Chief Executive Officer shall promote and direct the day-to-day management of the company and, wherever permitted by law, coordinate the day-to-day management of subsidiaries, regardless of any other powers that may be delegated by the Board under Article 27.

The Board shall also elect a Secretary, who may or may not be a director. It may also appoint a Vice-Secretary to assist the Secretary and substitute the latter in the event of vacancy, absence or illness; in the absence of the Vice-Secretary, the youngest director attending the meeting shall stand in as secretary.

Article 25: Positions on the Board

(Proposed text)

The Board shall elect one of its members to be Chairman. It may also appoint a Vice-Chairman to substitute the Chairman in the event of vacancy, absence or illness. Otherwise or in the absence of the Vice-Chairman, one of the Directors shall be elected to stand in as acting Chairman.

Notwithstanding his executive duties, if any, the Chairman of the Board shall have the highest institutional representation of the company and shall watch over the powers of the Board in respect of relations with shareholders and markets. The Chairman shall also be responsible for the efficient functioning of the Board, encouraging discussion at meetings and organising and coordinating with the Committee Chairmen the regular assessment of the Board and the Managing Director, if any.

If the Chairman of the Board is also chief executive of the company, one of the non-executive directors shall necessarily be appointed Vice-Chairman, with the power to request the calling of Board meetings or the inclusion of new items on the agenda, organise meetings to coordinate non-executive directors and direct the regular assessment of the Chairman.

The Board shall also elect a Secretary, who may or may not be a director. It may also appoint a Vice-Secretary to assist the Secretary and substitute the latter in the event of vacancy, absence or illness; in the absence of the Vice-Secretary, the youngest director attending the meeting shall stand in as secretary.

Adaptation of the article to the good corporate governance recommendations, establishing the figure of a Vice-Chairman appointed among the non-executive directors to oversee the supervision and control of management as a measure to avoid excessive concentration of power when the Chairman is also the chief executive of the company.

Article 27: Delegation of powers

(Present text)

The Board of Directors may appoint some of its members to sit on an Executive Committee and/or one or several Managing Directors, delegating to them all or part of the duties of the Board, save any which, by law, may not be delegated. If several Managing Directors are appointed, the Board shall specify which powers shall be exercised jointly and severally and which jointly, or whether all the powers delegated are to be exercised in one way or the other, as the case may be.

The rules indicating how the Managing Directors are to act shall determine their powers of attorney. The scope of the powers of attorney of the delegated bodies shall at all times be as specified in section 129 of the Corporations Act in relation to the directors.

Resolutions on the permanent delegation of powers of the Board to the Executive Committee or Managing Director and the appointment of directors who are to hold these positions shall be validly carried with the votes in favour of two-thirds of the Board members and shall not be effective until recorded in the Trade Register.

Article 27: Delegation of powers

(Proposed text)

The Board of Directors may appoint some of its members to sit on an Executive Committee and a Managing Director, delegating to them all or part of the duties of the Board, save any which, by law, may not be delegated.

The rules indicating how the Managing Director is to act shall determine his powers of attorney. The scope of the powers of attorney of the delegated bodies shall at all times be as specified in section 129 of the Corporations Act in relation to the directors.

Resolutions on the permanent delegation of powers of the Board to the Executive Committee or Managing Director and the appointment of directors who are to hold these positions shall be validly carried with the votes in favour of two-thirds of the Board members and shall not be effective until recorded in the Trade Register.

In anticipation of the possibility of just one Managing Director, who would, pursuant to the new Article 25 of the Bylaws, be the chief executive of the company.

Article 28: Executive Committee, Audit and Compliance Committee and other Committees

(Present text)

1. The Executive Committee shall have no fewer than three nor more than nine directors, including the Chairman.

The Executive Committee shall be presided by the Chairman of the Board, assisted by the Secretary of the Board. The rules of substitution established for the Board shall also be applicable to the Chairman and Secretary of the Executive Committee.

2. An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five directors appointed by the Board. All the members of this Committee shall be non-executive directors.

The Board shall appoint the Chairman of the Audit and Compliance Committee from among its members. That Chairman shall be replaced every four years and shall become eligible for re-election one year after his retirement as such. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the oldest Committee member.

The Audit and Compliance Committee shall meet as and when called by its Chairman, whenever decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.

The Audit and Compliance Committee shall have the following powers:

- Report, through its Chairman, to the General Meeting on any issues raised by shareholders concerning matters within its competence.
- Propose to the Board, for submission to the General Meeting, the appointment of the external auditors contemplated in section 204 of the Corporations Act and, where appropriate, their terms of contract, the scope of their commission and the renewal or revocation of their appointment.
- Supervise the work of the internal audit department.
- Be familiar with the financial reporting process and internal control systems of the Company.
- Have contacts with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of

accounts, and receive information from and exchange communications with the External Auditors in accordance with prevailing auditing standards and legislation.

- Ensure that all transactions between the Company and its subsidiaries or associated companies or between the Company and its directors and controlling shareholders are effected on arm's length terms, respecting the principle of equal treatment and controlling any conflicts of interest that may arise in inter-company transactions.

These duties shall be deemed without prejudice to any others that may be commissioned by the Board.

The Regulations of the Board may develop and complete the powers of this Committee and its rules of organisation and functioning, in accordance with the relevant provisions of Law and the Bylaws.

3. The Regulations of the Board shall also contemplate the existence of a Nomination and Remuneration Committee, consisting exclusively of non-executive directors, and a Strategy and Investment Committee, on which any director may sit.

Article 28: Executive Committee, Audit and Compliance Committee and other Committees

(Proposed text)

1. The Executive Committee shall have no fewer than three nor more than seven directors, including the Chairman.

The Executive Committee shall be presided by the Chairman of the Board, assisted by the Secretary of the Board. The rules of substitution established for the Board shall also be applicable to the Chairman and Secretary of the Executive Committee.

2. An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five directors appointed by the Board. All the members of this Committee shall be non-executive directors.

The Board shall appoint the Chairman of the Audit and Compliance Committee from among its members. That Chairman shall be replaced every four years and shall become eligible for re-election one year after his retirement as such. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the oldest Committee member.

The Audit and Compliance Committee shall meet as and when called by its Chairman, whenever decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting

Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.

The Audit and Compliance Committee shall have the following powers:

- **Report, through its Chairman, to the General Meeting on any issues raised by shareholders concerning matters within its competence.**
- **Propose to the Board, for submission to the General Meeting, the appointment of the external auditors contemplated in section 204 of the Corporations Act and, where appropriate, their terms of contract, the scope of their commission and the renewal or revocation of their appointment.**
- **Supervise the work of the internal audit department.**
- **Be familiar with the financial reporting process and internal control systems of the Company.**
- **Have contacts with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, and receive information from and exchange communications with the External Auditors in accordance with prevailing auditing standards and legislation.**
- **Ensure that all transactions between the Company and its subsidiaries or associated companies or between the Company and its directors and controlling shareholders are effected on arm's length terms, respecting the principle of equal treatment and controlling any conflicts of interest that may arise in inter-company transactions.**

These duties shall be deemed without prejudice to any others that may be commissioned by the Board.

The Regulations of the Board may develop and complete the powers of this Committee and its rules of organisation and functioning, in accordance with the relevant provisions of Law and the Bylaws.

3. The Regulations of the Board shall also contemplate the existence of a Nomination and Remuneration Committee, consisting exclusively of non-executive directors, and a Strategy and Investment Committee, on which any director may sit.

Lowering of the maximum number of members of the Executive Committee, in keeping with the reduction of the maximum and minimum numbers of members of the Board proposed in Article 19 of the Bylaws.

Article 29: Regulations of the Board

(Present text)

The Board of Directors shall regulate its own functioning and that of its Committees in accordance with the applicable provisions of law and these bylaws and by virtue of its power of self-organisation, approving a set of Regulations for this purpose, which shall be binding on all Board members, when acting in or on behalf of the Board or through any of its different Committees.

Without prejudice to the existence of the Executive Committee and one or several Managing Directors, as the case may be, the Regulations shall contemplate the creation, functioning and powers of the Committees required by law or the bylaws and such others as it may consider necessary or convenient to secure the best performance of its duties.

Article 29: Regulations of the Board

(Proposed text)

The Board of Directors shall regulate its own functioning and that of its Committees in accordance with the applicable provisions of law and these bylaws and by virtue of its power of self-organisation, approving a set of Regulations for this purpose, which shall be binding on all Board members, when acting in or on behalf of the Board or through any of its different Committees.

Without prejudice to the existence of the Executive Committee and Managing Director, as the case may be, the Regulations shall contemplate the creation, functioning and powers of the Committees required by law or the bylaws and such others as it may consider necessary or convenient to secure the best performance of its duties.

In anticipation of the possibility of just one Managing Director, who would, pursuant to the new Article 25 of the Bylaws, be the chief executive of the company.