Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

EBRO FOODS GROUP

CONSOLIDATED DIRECTORS' REPORT FOR 2010 (THOUSANDS OF EUROS)

1. ANALYSIS OF THE YEAR. ORGANIC GROWTH

Backdrop

After two years of general crisis in the developed economies that bottomed out in the first half of 2009, 2010 saw a return to growth that enabled the phasing out of the tax stimulus measures implemented in the period. The return to growth was fostered mainly by developing countries, while the economies of the United States and the euro zone are still showing signs of weaknesses that are making recovery slower than on previous occasions. Nevertheless, the consensus is that the recovery is continuing, albeit at different rates, and new slowdowns are not expected, unless the situation in the oil-producing countries leads to a crisis in the availability of this product.

In developed economies, a hesitant recovery, the penalisation of highly-levered markets, such as the housing market, and the high unemployment rate has continued to push households towards saving. This situation does not allow for growth in spending, which has been the driving force behind recovery in previous crises. Despite this, food price indices in both the United States and the euro zone ended the year with positive figures following a 2009 marked by slowdowns. This situation points towards the return to spending habits affected by the intensity of the crisis, such as the number and cost of meals eaten outside the home and the perception of the quality/price ratio of products and distributors.

The wheat and rice market, which forms the basis of Ebro Foods' activity, began the year by maintaining the trend towards price stability seen in 2009, with good expectations for harvests and stock volumes. However, from June onwards the drought in the Black Sea producing area led to restricted wheat exports from these countries, which had an immediate effect on prices. From this moment on, concern grew in the grain markets with generalised price rises, particularly notable in the case of wheat which, together with episodes of floods in South East Asia, an American long-grain rice harvest of poorer quality than expected and positions taken in the futures markets, kept prices high until the end of the year.

Group earnings

Despite the weak recovery of the economy and consumer spending, as indicated above, the Ebro Foods Group maintained double-digit growth in the main business ratios. Net profit increased by 120.2% to EUR 388,797 thousand. If only continuing operations are considered performance was excellent, up 38.7% to EUR 129,417 thousand.

EBITDA increased by 11.4% with respect to 2009, with an AAGR of 10.1% during the period 2008-2010. The improvements were seen across all the margins in the income statement as a result of the endeavours made in cost and supply management, constant investment in production (CAPEX of EUR 69 million), in innovation and in adapting to consumer needs.

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The earnings for the period, and particularly those from discontinued operations, reflect the sale of the dairy product business. On 30 March 2010, Ebro Foods, S.A., which owned all the shares of its dairy product business (shares of Puleva Food, S.L., shares of Lactimlk, S.A. and the related trademarks) and Grupo Lactalis Iberia, S.A. (GLI), entered into a purchase and sale agreement for the companies forming the dairy product business. The sale was completed on 2 September 2010 following approval by the competition authorities.

The terms and conditions of the transaction established that the Lactalis Group would buy the dairy product business for an amount clear of debt of EUR 630 million, which at the date of execution, amounted to a total price of EUR 645 million, collected in full in 2010.

From completion of the transaction to the effective date of the sale, in accordance with International Financial Reporting Standards, the results of the dairy product business and its net profit (and other discontinued operations such as the sugar business sold in 2009) were presented as discontinued operations in the consolidated income statement for the period and for the periods prior to its inclusion in that category. The information disclosed in this consolidated directors' report reflects the aforementioned circumstance, except where expressly indicated otherwise.

The Group's most significant economic aggregates are as follows:

CONSOLIDATED DATA						
Thousands of €	**2008**	**2009**	*2009/2008*	**2010**	*2010/2009*	*TAM I 2010/2008*
REVENUE	1,874,475	1,765,397	*-5.8%*	1,702,023	*-3.6%*	***-4.7%***
EBITDA	224,074	243,824	*8.8%*	271,549	*11.4%*	***10.1%***
% of revenue	*12.0%*	*13.8%*		*16.0%*		
EBIT	169,216	190,666	*12.7%*	212,920	*11.7%*	***12.2%***
% of revenue	*9.0%*	*10.8%*		*12.5%*		
Profit Before Tax	72,354	124,436	*72.0%*	193,362	*55.4%*	***63.5%***
% of revenue	*3.9%*	*7.0%*		*11.4%*		
Tax	-22,533	-31,156	*38.3%*	-63,945	*105.24%*	***68.5%***
% of revenue	*-1.2%*	*-1.8%*		*-3.8%*		
Consolidated Profit (continuing operations)	49,821	93,280	*87.2%*	129,417	*38.7%*	***61.2%***
% of revenue	*2.7%*	*5.3%*		*7,6%*		
Net profit from discontinued operations	82,049	79,543	*-3.1%*	259,525	*226.27%*	***77.8%***
% of revenue	*4.4%*	*4.5%*		*15.2%*		
Net profit	130,637	176,539	*35.1%*	388,797	*120.2%*	***72.5%***
% of revenue	*7.0%*	*10.0%*		*22.8%*		
Average working capital **(*)**	587,423	323,230	*-45.0%*	237,222	*-26.6%*	
Capital employed **(*)**	1,669,991	1,176,282	*-29.6%*	995,309	*-15.4%*	
ROCE **(1)** **(*)**	13.3	20.4		21.3		
Capex **(*)**	96,497	87,414	*-9.4%*	69,617	*-20.3%*	
Average headcount	4,761	4,635	*-2.6%*	4,984	*7.5%*	
	12/31/08	**12/31/09**	*2009/2008*	**12/31/09**	*2009/2008*	
Equity	11,203,131	1,280,322	*6.41%*	1,592,743	*24.4%*	
Net debit**(*)**	1,055,853	556,800	*-47.26%*	17,600	*-96.8%*	
Average Net debit **(*)**	1,208,078	716,725	*-40.67%*	378,336	*-47.2%*	
Gearing ratio **(2)**	1.00	0.56		0.23		
Total Assets	3,422,912	2,684,465		2,885,030		

(*) In order to keep these parameters consistent, they were calculated including both the results of the discontinued businesses and their assets and liabilities

(1) ROCE = (Profit from operations AAG last 12 months / (Intangibles assets - Property, plant and equipment - Working capital)

(2) Ratio of average net Interest-bearing financial debt with cost to equity (excluding non-controlling interest).

Revenue decreased slightly as the stability of raw material prices continued to be passed on to customers in the first half of the year. From then on, the upward trend in these markets led to the announcement of agreed price rises at year-end but they did not have a significant effect on annual sales. This trend in prices offset the **organic growth** that led to increased sales in most of the markets where Ebro Foods is present, with increases of between 20% and 25% in rice and ready-to-eat pasta, increases of 2.7% and 3.6% in sales of pasta and sauces in France and growth of 1% and 3.8% in the volume of pasta and rice in the United States.

Profitability grew spectacularly. The EBITDA/Sales ratio was 16%; higher than in previous years, with ROCE at 21.2%. The particularly notable performance of the profitability of the pasta business and of the Group's working capital facilitated this trend.

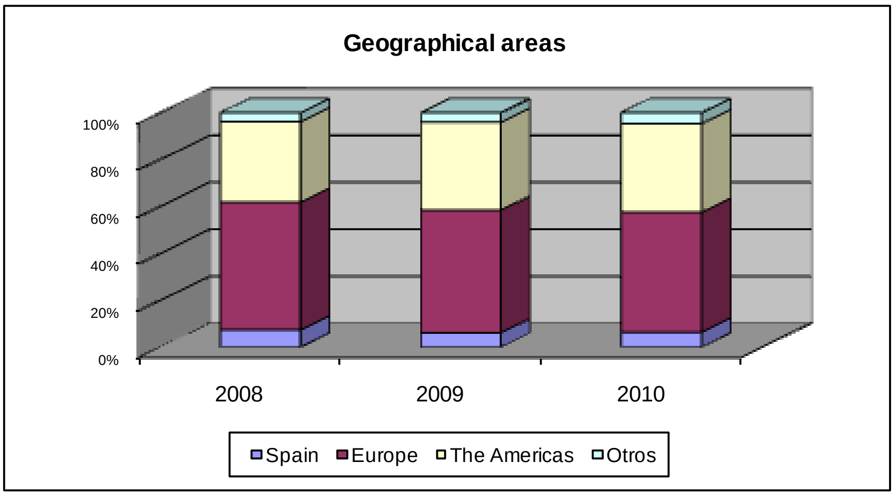
Profit from continuing operations improved as a result of the increase in profitability, of the funds generated by operations and of lower borrowing costs, which benefitted from lower interest rates, decreased indebtedness due to the sale of the dairy business and a fall in working capital.

The Ebro Foods strategy

The Group's strategy involves leadership in the business segments in which it operates**.** With the sale of the dairy product business the Ebro Foods Group put an end to its concentration on core businesses. The objective now is growth in new markets and pasta- or rice-based Meal Solution products. In this context, the preliminary agreements for the acquisition of the rice division of the SOS Group were announced for a total of EUR 197 million and for the acquisition of the Australian Ricegrowers Limited-SunRice (Sunrise) Group, subject to approval by the shareholders, for AUD 600 million.

In addition, the Group bases its strategy on the following principles:

- Low risk exposure. The Group's structure provides it with a geographically balanced source of income among developed countries that the management teams know well and where it is possible to share resources and develop synergies. The growth strategy places particular emphasis on these strategies. Also, a low-levered financial position allows growth without exposure to financial storms. The detail of sales, by geographical area, is as follows:

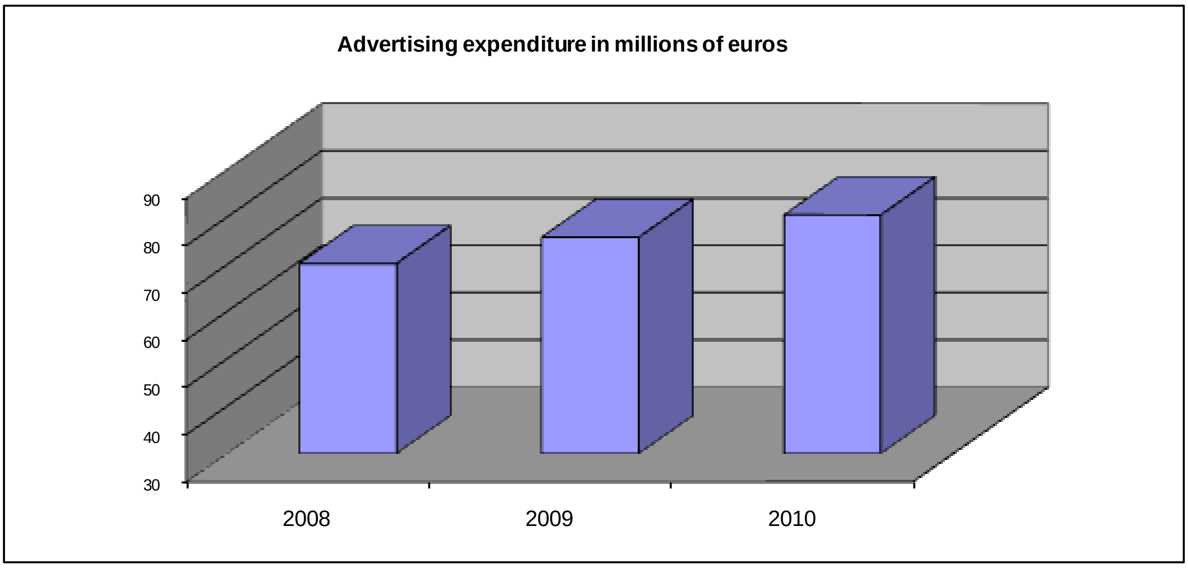


In recent years the Company has obtained constant growth in recurrent profits despite the volatility in basic raw materials markets. Diversification in the sources of supply has been essential to this positive performance, leading the Group to establish itself in producing areas and continually work on adapting grain varieties and origins to our customers' needs.

- Differentiation and innovation. Ebro Puleva is firmly committed to investment in products along two lines; major innovation and development, and firm backing of leading brands in its business areas. Consumer behaviour in the year has justified this strategy.

  In 2010 there were launches, or launches were being prepared, of frying pan based rice, a new range of frozen rice, a wide range of pasta-based products to eat hot or cold, pasta with vegetables and quick-cook pasta, new pasta for gratinating and new Halal dishes.

  Advertising expenditure is in constant growth to support both the new products and the identity of the existing ones. Advertising expenditure as a percentage of sales was 4.73% and exceeds 6.6% if industrial sales are eliminated. The following table show the growth in expenditure in recent years.



- Growth and consolidation of synergies. Ebro Puleva is a Group specialising in foodstuffs with a major presence in North America and Europe. Diversification is carried out through selective growth in the areas that enable synergies to be amply integrated. In 2010 the Group came one step closer to integrating all the businesses in the US under a single platform. The process, which to date had focussed on the main value levers such as information systems and the storage and logistics platform, will be completed in 2011.

  Internal growth is based on innovation and differentiation. In order for this to happen the Group has implemented an ambitious investment plan which first resulted in the construction of a new plant in the United States (in operation) and is now focussing on the partial renewal of the dry pasta lines and on increasing the capacity for pasta-based dishes.

The comparable CAPEX (eliminating the investments of the discontinued businesses) in the last three years is as follows:

Year	Amount (thousands of euros)
2008	49,395
2009	78,658
2010	64,691

The impact of the new rice plant in Memphis can be seen in the figures for 2009.

Financial position

The debt position at the end of the period was especially satisfactory.

NET DEBT (Thousands of euros)	2008	2009	*2009/2008*	2010	*2010/2009*
Equity	1,203,131	1,280,322	*6.4%*	1,592,743	*24.4%*
Net debt	1,055,853	556,800	*-47.3%*	17,600	*-96.8%*
Average net debt	1,208,078	716,725	*-40.7%*	378,336	*-47.2%*
Gearing ratio	87.8%	43.5%	*-50.4%*	1.1%	*-97.5%*
Gearing ratio AD ***(1)***	100.4%	56.0%	*-44.2%*	23.8%	*-57.6%*
	224,074	243,824	*8.8%*	271,549	*11.4%*
Coverage	4.71	2.28		0.06	

(1) Ratio of average net-bearing financial debt to equity (excluding non-controlling interests)

The Ebro Foods Group's strategy has changed in recent years, resulting in it concentrating its activity in businesses considered to be key and reducing financial leverage in an orderly manner.

Debt reduction in 2010 resulted basically from a high generation of cash from operations and the sale of the dairy product business. This generation capacity enabled the approval of a total dividend (extraordinary plus ordinary dividend) of EUR 154 million.

A consequence of the current debt position is the vote of confidence given by the market resulting in a share price increase of 9%, which is above that of the market benchmark (Ibex 35).

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Main businesses

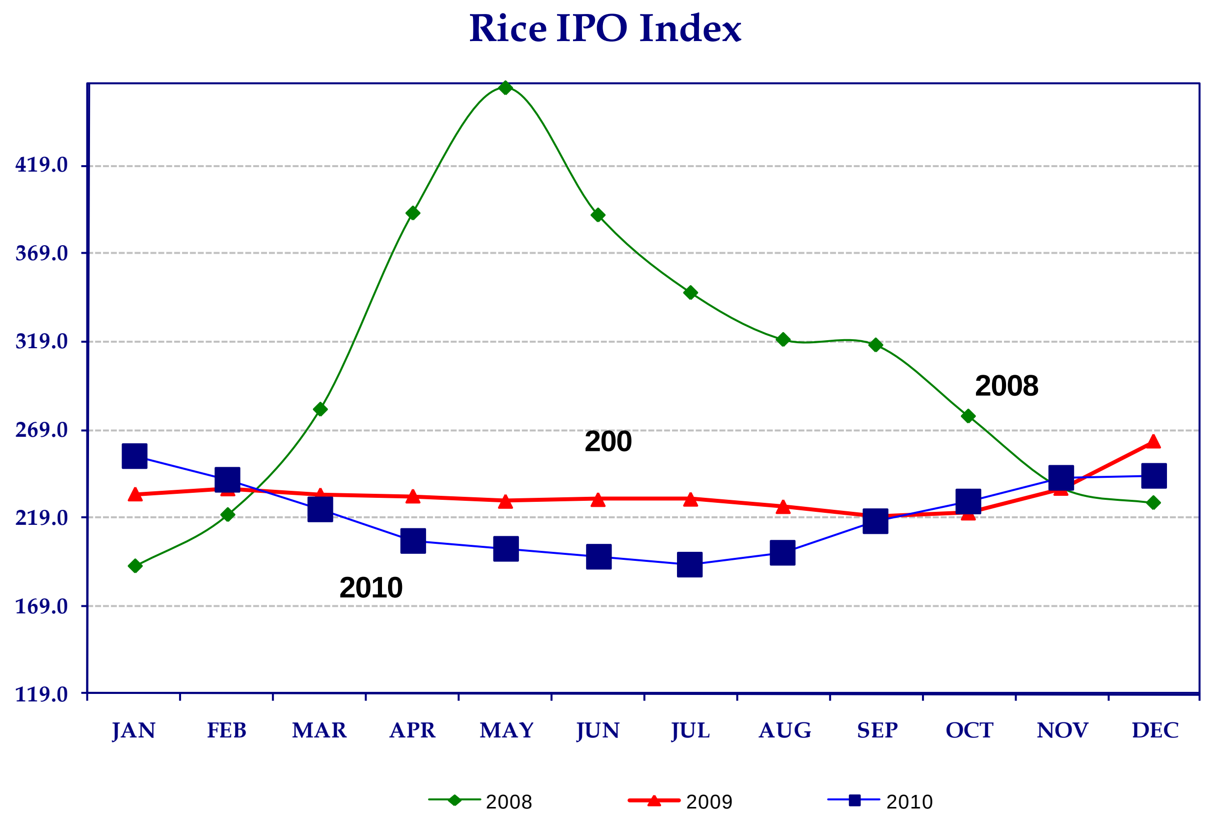
The Ebro Foods Group is organised around the following business areas:

- ✓ Rice Business: which includes the industrial and branding activities in relation to rice and other products. The Group operates throughout Europe, the Mediterranean Region, North America and Thailand through Herba and Riviana (USA).
- ✓ Pasta Business: which includes the production and marketing of dry and fresh pasta, sauces and semolina carried on by the Panzani, New World Pasta and Birkel Groups.
- ✓ Other Businesses: which include the research and development activities carried on by Biosearch in the nutraceutical area, the management of real estate assets and other activities related to foodstuffs and the management of the various businesses.

RICE

RICE BUSINESS						
Thousands of euros	2008	2009	2009/2008	2010	2010/2009	TAMI 2010/2008
Revenu	890,96	836,14	-6.2%	811,55	-3.0%	**-4.6%**
EBITD	126,56	118,56	-6.3%	123,26	4.0%	**-1.3%**
% of revenue	*14.2%*	*14.2%*		*15.2%*		
EBI	105,72	97,57	-7.7%	99,01	1.5%	**-3.2%**
% of revenue	*11.9%*	*11.7%*		*12.2%*		
Average working	263,28	185,44	-29.6%	181,78	-2.0%	
Capital	556,29	495,76	-10.9%	506,34	2.1%	
ROC	19.	19.		19.		
Cape	20,04	55,13	175.1%	37,85	-31.3%	

- Rice prices showed a downward trend until halfway through the year, with good harvests forecast, maintaining global stocks at high levels. From the summer onwards the trend changed as a result of the uncertainty arising from the floods in Pakistan and Thailand, from a slightly lower quality US harvest than foreseen and, lastly, due to contagious price instability in other grains.



- Sales fell as a result of the changes in market prices. Volumes performed well generally although differences linked to the recovery in each country were observed.
- Pre-cooked rice continued to grow, up 11.7% in the United States, 14% in Canada, 9.2% in Germany and 11.4% in Spain (Nielsen Scantrack) and is now a key market category. The performance of the Group's brands was excellent: Minute grew well above the United States market (28.6% in volume) and Reis Fit injected new energy into the German market.
- Earnings were up slightly on 2009 (EBITADA increased 4% to EUR 123 million) despite the entry into operation of the new Memphis plant and the need to operate the old plant alongside it cut into this figure by EUR 5 million. Earnings fell compared with 2008 due to the absence of trading transactions in the Herba business.
- The endeavours made to manage working capital led to a ROCE of 19.6%, in line with 2009 which was a record for the area.
- The main investments made in the area relate to the new Memphis factory which operated alongside the old plant in Houston in 2009. Final investment amounted to USD 103.6 million. In 2011 a pre-cooked rice plant will be completed, representing an additional investment of USD 7 million.

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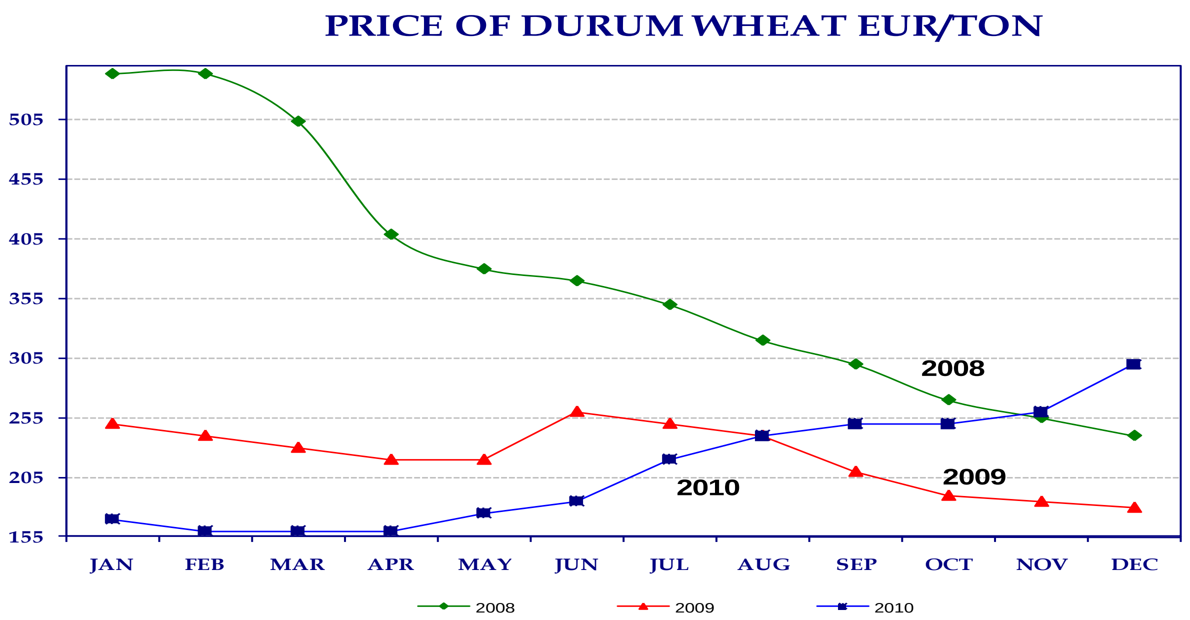
PASTA

PASTA BUSINESS						
Thousands of euros	2008	2009	2009/2008	2010	2010/2009	TAMI 2010/2008
Revenu	993,696	928,077	-6.6%	916,101	-1.3%	**-4.0%**
EBITDA	105,993	137,057	29.3%	160,484	17.1%	**23.0%**
% of revenue	10.7%	14.8%		17.5%		
EBIT	75,581	108,831	44.0%	133,741	22.9%	**33.0%**
% of revenue	7.6%	11.7%		14.6%		
Average working	121,795	91,292	-25.0%	60,427	-33.8%	
Capital	511,570	469,915	-8.1%	442,061	-5.9%	
ROCE	14.	23.		30.		
Cape	20,747	18,359	-11.5%	32,652	77.9%	

- Following the first half of 2010 without significant changes and a good 2009/10 campaign, from June and the harvest, the grain markets became unstable which affected the price of durum wheat which, being a narrow market, is very susceptible to changes in the prices of other grains.



- Sales reflect the fall in at-source prices and the passing-on thereof to the customer and the abandonment of wholesale flour sales made by Panzani in prior years. Only in the last third of the year, in view of the at-source raw material prices situation, a rise in prices was agreed upon which has not yet been reflected in the sales for the whole year. In contrast, volumes increased in line with the trend of recovery in the main economies where the Group carries on its activity.

- The improvements were particularly noteworthy at Panzani due to a very ambitious innovation project that has resulted in record figures for the market shares of its products, while in the United States positions were maintained and an organic growth plan was designed to be launched in 2011, which will introduce numerous new features and build on Panzani's successful experience.

  - ✓ The French dry pasta market increased 1.4%, while Panzani increased its share by 140 basis points to 30.2%. The fresh pasta market grew 1.9% while Panzani increased its share by 230 basis points to 33%.
  - ✓ The consumption of pasta in the US grew 0.1% in 2010. NWP's market share grew 10 basis points to 23.9%.

- Advertising expenditure was EUR 55.2 million, more than 6% of sales, supporting a large number of launches that required major initial promotion in the media.
- Ebitda increased by 17.1% to EUR 160 million, exceeding the 2009 figure which was a record in itself. In addition to the good result, management of working capital increased ROCE to 30.3%.
- CAPEX increased significantly with respect to previous years following implementation of the three-year investment plan for the area, which will bring considerable renovation of the dry pasta facilities and provide the necessary capacity for the ready-to-eat dishes project.

2. OUTLOOK FOR THE GROUP

The economic forecasts for 2011 point towards a slow but steady recovery, driven by developing countries but overshadowed in recent weeks by the instability in Arab countries and the effect on fossil fuel prices.

The raw material markets are faced with the uncertainties of the geopolitical situation. With no great changes in worldwide demand and harvests underway that will ensure world stocks of rice and cereals, the main aggregates indicate that prices will stabilise further. However, the correlation of these products with the price of oil and the possibility of imbalances in demand arising from instability in some importing countries means that this uncertainty will not disappear completely.

Ebro Foods' excellent financial position, its capacity to optimise sources of supply and the strength of its brands mean the Company is barely cyclical. The Company entered into agreements with its main customers to modify selling prices which enable it to cope with the raw material price rises in the last third of 2010 and ensure the correct profitability of its products.

The main challenge for the immediate future is the successful conclusion of the acquisition processes started in 2010 and their subsequent integration and optimisation. In this regard, the Company has broad positive experience over recent years.

✓ Rice business

In 2011 the Memphis plant will come into full operation and the old Houston plant will cease operations, thereby avoiding the duplication of effort, and increased productivity is expected to bring improved results.

Prices were increased, in line with the flexibility of the demand for the various products. An intense sales drive will be maintained to avoid any possible trade down effect, particularly in countries in which the weight of the hard discount and the pressure from private brands is greater.

Most of the acquisitions announced relate to this business segment, which means an increased presence in a large number of geographical markets and a stronger presence in certain key countries such as the United States or Spain.

✓ **Pasta**

In the immediate future the value of the range of products launched in recent months will be extracted and a suitable level of penetration will be achieved that will make it possible to improve profitability in the medium term.

In 2011 the investment plan for this business is being maintained. The three-year plan includes investments in the United States USD 42 million) and Europe (EUR 59 million) that allow substantial improvement in dry pasta plant productivity and the increase of capacity necessary to absorb the new range of pre-cooked products.

3. R&D+i ACTIVITIES

Ebro Foods has always been ahead of new consumer trends and an international benchmark in the research and development of products applied in the foodstuffs industry. Being fully aware that R&D+i is an essential tool for the implementation of its quality and differentiation strategy, in 2010 the Group continued its unwavering commitment to this strategy, which was demonstrated in the numerous nutritional evaluation field trials carried out and the constant innovation in products, technologies and formats.

Total investment made in 2010 amounted to EUR 9.4 million, distributed between internal resources (EUR 5.3 million) and external resources (EUR 4.1 million).

The Group has built its R&D+i engine around research centres in France, the US and Spain. These centres and the main projects carried out in the year are:

1. CEREC, located in St. Genis Laval (France), with ten employees, oriented towards developing the Pasta division's range of fresh pasta, fresh pre-cooked meals and sauces. In 2010 its activity focussed on preparing the launch of the Lunch Box and Panza Cup ready-to-eat range of products and three new varieties of fresh filled pasta.
2. CRECERPAL, located in Marseille, with fourteen technicians working in a laboratory on raw materials and analysis, focuses research focuses on the development of the category of durum wheat, dry pasta, cuscus and new food processing technologies applied to cereals. In 2010 a new flour was developed with durum wheat for bread and baked goods production and a pasta for oven baking that is the basis of the new pasta for gratinating.
3. TECH Centre, with nine researchers devoted to the research and subsequent development of new products, processes and technologies for the Rice division in the US. Its research focused on the re-creation, using a pilot plant, of a new line of pre-cooked rice to be established at the Memphis plant and the adaptation of local rice varieties for this purpose.

4. Centres associated with the Herba Group in Moncada (Valencia), and the new plant in San José de Rinconada, with 15 researchers dedicated to developing new and/or improved products and technologies and technical assistance in the areas of rice technology and its by-products for the modern hospitality industry: fast-food and catering. The most important project in development is a line of functional flours.
5. Biosearch. Located in Granada with 46 technicians, it has broad experience in the design of strategies for the identification, validation and development of natural compounds capable of modulating a target physiological function in the development of new functional ingredients. Its main lines of research focus on natural extracts, lipids and probiotics. The main project developed in 2010 was PRONAOS, aimed at developing weight-control and obesity-preventing foods.

4. TREASURY SHARE TRANSACTIONS

In 2010 the Parent was authorised by the shareholders at the Annual General Meetings held on 28 April 2009 and 1 June 2010 to make treasury share purchases and sales and, in accordance with current legislation, the CNMV was notified accordingly. In this period no purchases were made and 666,469 treasury shares were sold. At 2010 year-end the Company did not hold any treasury shares.

5. EMPLOYEES

The number of employees at Ebro Foods continued to grow with the inclusion of new companies and businesses. This situation allows for the integration of diverse cultures and skills with a constant flow of information and knowledge.

6. RISK AND FINANCIAL INSTRUMENT MANAGEMENT OBJECTIVES AND POLICIES

The Ebro Foods Group carries out numerous actions to enable it to identify, assess, manage and minimise the risks to which its main business activities are exposed.

The main objective of the risk management policy consists of guaranteeing the value of the assets and the continuing growth of the Company through an optimum financial structure tailored to the legislation in force in the countries in which the Group operates. In addition, the Group's capital management policy seeks to ensure the maintenance of stable credit ratings and the maximisation of shareholder value.

The measures taken in this respect cover the key parameters of the management of the business such as the income statement, borrowings, investment and the strategic policy of the Company, in order to make it possible to adopt the decisions that are key to the achievement of the objectives set out above.

The Group has pioneered the development and promotion of R&D, environmental and food quality and internal auditing in the industry. Most notable in this regard are the environmental and food quality, commercial and counterparty risk, occupational risk prevention and research and development committees, which are responsible for preventing and mitigating risks. A complete risk definition, measurement and control process is in progress.

In addition to the general risks that affect all business activities, there are certain specific risks that arise both from the type of business activity carried on and the way in which the Group engages in this activity. The main risks and the control systems in place to mitigate them are as follows.

Risks specific to the industry in which the activity is carried on

Legal / Regulatory risk. The Group is subject to, and its operations are affected by, the legislation of numerous countries and international organisations. This legislation establishes rules ranging from production quotas to trading prices or tariff protection. To counter the related risk, the Group opted to apply a policy of geographical and product diversification.

The Group is also exposed to the risk of not being able to adequately protect is brands and intellectual property. Therefore, the Company exhaustively monitors its intellectual property and protects its use with the competent agencies, applying for the appropriate patents wherever necessary.

Environmental and food quality risk. The Group's environmental policy is based on the principle of compliance with the legislation in force at any given time, for which purpose the Group has defined, developed and implemented a quality, environmental and food safety management system that meets the requirements of the UNE-EN-ISO 9001:2000/8, UNE-EN-ISO 14001:2004 and ISO 22000:2005 standards under which most of the Group's production centres in Europe, the US and Canada have been certified.

The food security programmes are based on the monitoring of protocols that aim to identify and control certain Hazard Analysis and Critical Control Points (HACCP) to ensure that residual risk is minimal. The main control points are grouped into:

- ✓ Physical points. Controls to detect materials unrelated to the product or the presence of metals.
- ✓ Chemical points. Detection of chemical elements or the presence of allergens.
- ✓ Biological points. Presence of elements such as salmonella or other types of pathogens.

Most of the handling processes have obtained IFS (International Food Security) certificates and the US pasta plants are in the process of obtaining Global Food Safety Initiative (GFSI) certification.

Furthermore, the Group has undertaken various initiatives to reduce gas emissions and atmospheric waste, improve water quality and reduce waste discharges, improve energy efficiency and water conservation, as well as recycling programmes for physical waste such as paper, aluminium and other materials.

The Company provides its employees with adequate and ongoing training in areas relating to food safety and occupational health and safety.

Lastly, the Group has taken out several insurance policies that cover the risks relating to food safety.

Supply risk. The business activities carried on by Ebro Foods depend on the supply of raw materials such as rice and durum wheat**.** The Group is exposed to the risk of not receiving sufficient raw materials of a quality that is in line with the Group's standards at an appropriate price. To cater for this risk the Company acts along two lines:

a. Diversifying the sources of supply, going to the main production markets if it is considered that in doing so a competitive advantage is gained.

b. Entering into long-term supply agreements and cooperation agreements with the suppliers that the Group considers to be important for the business.

Risk due to an excess of installed capacity. The consumer goods industry is threatened by possible surplus installed capacity, which becomes more apparent at low points in the economic cycle. Once more, the best guarantee in the face of this type of risk is the strategy of ongoing innovation and differentiation of the Group's products with expenditure on advertising as a percentage of revenue of 4.7% in 2010 (4.3% in 2009) and a high level of spending on R&D+i. Also, the Group endeavours to keep up to date and renew its production structure by abandoning the assets that it does not consider to be sufficiently efficient and by investing in new plants (Memphis) or production lines (pasta).

Risks specific to the Ebro Foods Group

Risks to production assets. The exposure of the company's production assets to catastrophic natural events such as earthquakes and floods is limited. Also, all the Group companies insure all of their assets, capital goods and inventories by taking out the related policies.

Country risk. The Group carries on activities in certain countries classified as "developing countries". This situation means that certain investments are affected by the typical risks associated with these countries such as possible political changes that might affect market conditions, restrictions on the movement of capital, nationalisation of assets or devaluations of reference currencies.

Ebro Food´s presence in these countries is limited and in most cases it is restricted to taking positions to optimise supply (primarily rice). In view of these possible contingencies the Group opted to diversify the risks with a presence in Europe, the Americas, Asia (Thailand and India) and Africa (Morocco and Egypt).

Risk related with the Group's growth strategy. The Group's strategy to be leaders in "Meal Solutions" entails the possibility of making certain acquisitions. These acquisitions can have a negative impact if the companies, brands and processes acquired do not become fully integrated. To combat this situation, Ebro Foods implements certain practices to minimise acquisition risk, most notably including:

- Performance of due diligence reviews with firms of acknowledged prestige.
- Negotiation of the end price based on risk analysis.
- Request for guarantees until the resolution of litigation or the definitive clarification of the risk.
- Deferred payment or bank guarantee in the event of possible contingencies.

Also, certain investment alternatives (organic growth) may represent a risk if the expected success is not achieved. In order to cater for these risks all the investment projects include risk analysis, which enables them to be assessed on an economic and strategic basis, prior to taking any decisions. These decisions are taken by the corresponding body, on the basis of the established limits, and the most significant projects (those amounting to more than EUR 2 million) require the approval of the Board of Directors.

Technological delay R&D+i risk. The Group, through its research and development subsidiaries, supports its main business lines by facilitating product and process development and innovation. The practical application is guaranteed through the constant launch of a broad line of products supported through sufficient advertising and promotion coverage.

Labour risks. This relates to both attracting human resources and limiting labour risks. Accordingly, the Group promotes both personal incentive and remuneration schemes for the main executives tied to results and the improvement of working conditions.

There are certain protocols to prevent potential claims, including evacuation plans, first aid, etc. There are also specific programmes designed to promote an enhanced working environment and to maximise protection levels, which most notably include training courses for Group employees and the purchase of material and tools so employees can perform their work correctly.

Financial risk management and financial instruments

The Group's principal financial instruments include bank loans, bank overdraft facilities, equity instruments, cash and short-term deposits. Also, the Group has other financial assets and liabilities such as trade receivables and payables.

These financial instruments give rise to market risks due to changes in interest rates, exchange rates or the fair value of certain financial instruments, liquidity risk and credit risk.

In order to manage the foreign currency and interest rate risk arising from the Group's operations and, on occasions, the risk relating to possible changes in the price of certain raw materials (gas), the Group arranges derivatives, basically in the form of interest rate and foreign currency forwards and options.

The accounting policies used to measure these financial instruments are described in Note 3 to the consolidated financial statements.

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

Cash flow interest rate risk

The Group is exposed to the risk of changes in market interest rates, primarily in connection with its long-term payment obligations that bear floating interest rates.

The Group manages its borrowing costs by using, where necessary, a combination of floating and fixed interest rates. The Group minimises its exposure to this risk and to do so it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, the Group arranges derivative financial instruments on interest rates. These derivative instruments are designed to hedge underlying payment obligations.

See Note 28 to the accompanying consolidated financial statements for information on the Group's financial instruments exposed to interest rate risk.

Foreign currency risk

As a result of the major investments made in the US, the Group's balance sheet could be significantly affected by changes in the USD/EUR exchange rate.

The ultimate objective of the risk management policy is to offset (at least partially) the potential fall in the value of assets denominated in currencies other than the euro by savings due to decreases in value of the liabilities in these currencies.

The Group endeavours to mitigate the effect of its structural foreign currency risk by obtaining loans in US dollars and, accordingly, most of its investments in the US are hedged in this way.

At 31 December 2010, “Other Receivables” included two loans totalling USD 411 million (31 December 2009: EUR 586 million) (see Note 22) which were designated as hedges of net investments in the US subsidiaries and are used to hedge the Group's exposure to foreign currency risk on these investments. The gains or losses on the translation to euros of these loans are recognised in equity to offset any gains or losses on the translation of the net investments in the subsidiaries.

In addition, the Group is exposed to foreign currency risk on its transactions. This risk arises from purchases and sales made by the operating units in currencies other than the functional currency. In relation to important transactions, the Group uses forward foreign currency contracts to eliminate or minimise foreign currency risk. These contracts must be stated in the same currency as the item that is being hedged and they must not be arranged until the definitive contract is entered into, in order to obtain the best possible correlation with the hedged underlying.

As indicated in the preceding paragraph, certain Rice Business companies (Herba, S&B Herba and Euryza) and Pasta Business companies (Panzani) have forward foreign currency contracts (foreign currency swaps) to mitigate the exposure of their commercial transactions. These transactions are carried out in order to minimise foreign currency risk although they do not qualify for hedge accounting.

See Note 28 to the accompanying consolidated financial statements for information on the Group's financial instruments exposed to foreign currency risk.

Price risk of other financial assets

The Group is exposed to changes in the price of certain financial assets and liabilities. The most significant effect relates to the shares of SOS Corporación Alimentaria, S.A. which are included as available-for-sale assets in the consolidated balance sheet at 31 December 2010 (see Note 12 to the accompanying consolidated financial statements) and the changes in the fair value thereof are reflected for accounting purposes in the Company’s equity.

Liquidity risk

The Group's objective is to match the maturities of its payables to its ability to generate cash flows to settle these obligations. In order to achieve this, it maintains a balance between continuity of the financing and flexibility through the use of revolving credit policies, bank loans that may include grace periods to adapt them to the return on the related assets, and forward purchase contracts.

Note 22 to the accompanying consolidated financial statements includes a breakdown of the liabilities at 31 December 2010 and their maturities.

Credit risk (counterparty)

This risk arises when a counterparty fails to meet its contractual obligations resulting in a financial loss for the Group.

The risk is mitigated through an appropriate selection policy in relation to the transactions and banks that act as a counterparty in these transactions based on their credit ratings and obtaining sufficient guarantees to mitigate this risk.

Also, with respect to commercial transactions the Group's policy has always been conservative and there are risk committees that regularly assess the situation, the open positions and the automatic alerts implemented in the systems, which historically have led to low bad debt rates. Also, the commercial and collection management departments work together on a coordinated basis and take into account the credit ratings awarded by the credit insurance companies with which the Group works, which provide the last line of guarantee.

The Group's high level of geographical diversification reduces the concentrations of credit risk at the Group arising from this type of transaction.

7. INFORMATION ON THE ENVIRONMENT

The information on the environment is included in Note 29 to the accompanying consolidated financial statements.

8. EVENTS AFTER THE REPORTING PERIOD

On 13 January 2011 the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Given that the shares were not sold at their underlying carrying amount (EUR 0.48 per share), this transaction will not give rise to any gains or losses in the 2011 financial statements of Ebro Foods, S.A. Following this sale, Ebro Foods, S.A. owns 12,117,806 shares that represent 21.002% of the share capital of Biosearch, S.A. but no longer participates in the Company's governing bodies or management.

No other significant events took place between the reporting date and the authorisation for issue of the consolidated directors' report.

9. OTHER DISCLOSURES

The consolidated directors' report contains the following explanations in relation to the matters required under Article 116 bis of the Spanish Securities Market Law, currently replaced following the recent approval and entry into force of the Sustainable Economy Law (data relating only to the Parent Ebro Foods, S.A. as a listed company to which the aforementioned legislation applied):

a) Capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations they carry and the percentage of share capital that they represent.

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The share capital amounts to EUR 92,319,235.20, divided into 153,865,392 fully subscribed and paid shares of EUR 0.60 par value each, represented by book entries of the same series and class.

The shares representing the share capital have the status of marketable securities and are governed by the provisions of the Securities Market Law.

b) Restrictions on the transferability of shares.

There are no restrictions on the transferability of the shares.

c) Significant direct or indirect ownership interests in the share capital, including those of directors.

Significant shareholder	Number of direct voting rights	Number of indirect voting rights	Percentage of total voting power
Instituto Hispánico del Arroz, S.A.	13,588,347	Indirect holder, through Hispafoods Invest, S.L., of 10,600,210 voting rights, representing 6.889% of share capital.	15.721
Sociedad Anónima Damm	0	Indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 voting rights, representing 9.326% of share capital.	9.326
Sociedad Estatal de Participaciones Industriales	0	Indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 voting rights, representing 8.654% of share capital.	8.654
Lolland, S.A.	0	Indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 voting rights, representing 5.000% of share capital.	5.000
Corporación Financiera Alba, S.A.	0	Indirect holder, through Alba Participaciones, S.A., of 8,777,719 voting rights, representing 5.70% of share capital.	5.70

d) Restrictions on voting power.

There are no restrictions on voting power.

e) Side agreements.

The Company has not been notified of any side agreements.

f) Rules applicable to the appointment and replacement of members of the managing body and to the amendment of the Company's bylaws.

The appointment and the replacement of directors are governed by the bylaws (Articles 19 and 20) and by the Board Regulations (Articles 21, 23 and 24).

The Board of Directors shall be composed of a minimum of seven and a maximum of 14 members, the General Meeting being responsible for determining the number and for appointing and removing directors. At the date of issue of this report, the Board currently has 13 members, a vacancy having arising as a result of Jaime Carbó Fernández having vacated his position on the Board on 22 December 2010.

Directors shall be appointed for a term of four years and the post may be rejected, appointments may be revoked and directors may be re-elected. Once this term has elapsed, directors may be re-elected one or more times for terms of equal length.

The appointment of directors shall lapse when, on expiry of the term, the next General Meeting has been held or the period established by law for holding the General Meeting which has to resolve whether to approve the financial statements for the previous year has ended.

Should vacancies arise during the term for which the directors are appointed, the Board may designate from among the shareholders persons to occupy the vacancies until the next General Meeting is held.
The nominations for the appointment and re-election of directors submitted by the Board of Directors shall relate to persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties.

Nominations shall be made taking into account the existence of three types of director: (i) executive directors; (ii) non-executive directors, which may be of two types: those that belong to the Board at the request of shareholders with significant ownership interests in the Company's share capital, and those which may be deemed to be independent directors pursuant to applicable legislation or good corporate governance recommendations; and (iii) directors who do not belong to either of these categories.

The distribution of directors according to the categories defined above shall be adjusted from time to time in accordance with the functional requirements and actual shareholder structure of the Company on the basis of the relationship between the share capital controlled by significant shareholders and the percentage held by institutional investors and non-controlling shareholders.

In any case, any steps taken by the directors in relation to the composition of the Board shall be without prejudice to the sovereign powers of the General Meeting to appoint and remove directors and, as the case may be, to the shareholders' right of proportional representation.

Directors shall tender their resignation to the Board and formally resign in the following cases:

- When they are subject to any incompatibility or prohibition provided for by law, in the bylaws or in the Board’s Regulations.

- When they cease to discharge the executive functions associated with their appointment as directors, when the shareholder they represent sells its entire ownership interest or when that shareholder reduces its ownership interest to a level that requires a reduction of the number of its proprietary directors and, in general, when the reasons for which they were appointed cease to exist.

- When the Board, following a report from the Nomination and Remuneration Committee, considers that they have seriously breached their obligations or that there are reasons in Company's interest that justify such resignation.

The Board shall submit the removal of the director to the General Meeting in the event that the director does not resign in any of the above situations.

Directors who stand down from the Board prior to the end of their mandate, due to resignation or any other cause, must explain their reasons for vacating their office to the Board and, without prejudice to the fact that the removal is communicated as a significant event, the Company shall give the reasons for the removal in the Annual Corporate Governance Report.

If a director chooses to resign after expressing serious reservations on matters on which the Board had adopted resolutions, the director shall explain the reasons for the resignation as described above.

No procedures or requirements for the amendment of the bylaws other than those provided for by law are established.

g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.

The chairman of the Board of the Directors, with executive duties, Antonio Hernández Callejas, holds the following powers:

1) To represent the Company and use the corporate signature in all manner of acts, businesses and agreements included in the company object. To enter into contracts for project work or for the supply of goods or services with the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, with any public or private person, by means of merits-based or price-based tenders, direct award or any other legal method of contracting, presenting and signing the appropriate proposals, accepting awards, as the case may be, performing any such acts and executing any such public or private documents as may be required or deemed appropriate for their formalisation, performance and liquidation.

   These powers can be exercised severally when the amount of the act, business or contract is less than or equal to EUR 50,000 and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.

2) To plan, organise, manage and control the operation of the Company and all its activities at all the workplaces and facilities, reporting to the Chairman of the Board and proposing any modifications to the Company organisation deemed to be appropriate.

   These powers may be exercised severally.

3) To sell, buy, exchange, replace, assign, encumber and dispose in any manner of all types of assets, including buildings and shares, and to provide guarantees to subsidiaries or third parties. To participate in the incorporation of all manner of companies or entities and to accept and appoint positions therein.

   These powers may be executed jointly with another class A) attorney-in-fact.

4) To set the terms of, create, accept, modify, withdraw or cancel provisional or definitive payments, deposits and guarantees at any kind of public or private entity including the Government Depositary and the Bank of Spain.

   These powers may be exercised severally.

5) 5.1) To open, use, clear and cancel demand deposits, savings accounts or credit facilities at any bank, including the Bank of Spain or any other credit institutions or savings banks, signing for this purpose any such documents as may be required, and to use and withdraw amounts by cheque, money order, receipt or transfer.

   5.2) To arrange, formalise and execute loan transactions, signing for this purpose any such public or private documents as may be required, reporting to the Board the use made of these powers in the following meeting.

   These powers may be executed jointly with another class A) attorney-in-fact.

6) To issue, accept, collect, pay, endorse, protest, discount, guarantee and negotiate commercial or financial bills of exchange, promissory notes and other drafts and commercial instruments. To endorse and discount receipts and negotiable instruments of any kind and to order payment from the Public Treasury, banks, depositaries and other entities where the Company may hold securities, bills, cash or any other type of asset.

   These powers may be exercised jointly with another class A) attorney-in-fact.

7) To claim, collect and receive amounts to be paid or received by the Company in any respect, whether in cash, in bills or in the shape of any other type of benefit, from individuals, banks and other entities, from the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, from any public or private entity. To give and request receipts and payment documents and to set and finally settle balances. To determine the method for payment of amounts owed to the Company, to grant extensions and to set payment dates and amounts.

   To accept from debtors all manner of secured and unsecured guarantees, including mortgages, fixed and floating charges, pledges and security interests subject to the covenants, clauses and conditions deemed appropriate and to cancel such guarantees after receipt of the guaranteed amounts or receivables.

   These powers may be exercised severally.

8) To make all manner of payments, taking any such steps as may be required for due compliance with all the Company's obligations and to demand the relevant receipts and payment documents.

   These powers may be exercised severally when the amount of each act does not exceed or is equal to EUR 50,000, and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.

9) To represent the Company in dealings with third parties and with all manner of administrative bodies, chambers, commissions, committees, mutual entities, registers, delegations, offices and units of the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and with other centres or bodies of an administrative, government or other nature, at all levels and instances, in Spain and abroad, or to appoint a person to act as the Company's representative in such dealings. To exercise the rights and to act, as the case may be, in the interest of the Company. To file requests and motions. To institute any applicable proceedings, requesting any relevant data, copies or documents and filing claims, including preliminary claims, and any administrative appeals. To withdraw from proceedings, claims and appeals at any stage thereof, to enforce or ensure the enforcement of final judgments. To respond to or issue certificates or demands, whether notarial or of any other nature. To request certificates, evidence and duly authenticated copies of interest to the Company.

   These powers may be exercised severally.

10) To appear and represent the Company in court, before tribunals, higher judicial authorities, the Public Prosecutor, juries and other judicial review or employment-related centres or bodies in all jurisdictions and at all instances and levels, in Spain, abroad or relating to any international organisation, establishing the legal relations deemed appropriate and complying in particular, by signing the application for judicial review, with the provisions of Article 45.2.d) of Law 29/1998, of 13 July.

    To grant and revoke powers of attorney for lawyers and court procedural representatives.

    To bring all manner of claims or actions; to file all types of exceptions in any proceedings or appeals, either as the claimant or as the defendant or with any other standing. To file all manner of claims and ordinary and extraordinary appeals at court, including extraordinary appeals on a point of law and appeals for judicial review of final decisions. To discontinue any actions, claims, lawsuits and court appeals at any stage of the proceedings. To give evidence in court as the legal representative of the Company and, where required, to personally and expressly vouch for the truth of such evidence. To settle in court and submit to arbitration any matters of interest to the Company. To enforce or ensure the enforcement of final court judgments.

    To represent and appear on behalf of the Company in all manner of administrations, bankruptcy proceedings, debt compositions and rescheduling, insolvency proceedings or court-ordered liquidations, evidencing the Company's claims and endeavouring to ensure that they are secured and accepting awards in payment thereof, with the power to grant or refuse reductions and extensions. To appoint, accept and reject liquidators, administrators, experts and official receivers and to put forward and challenge proposals made in the related acts. To settle and to agree deadlines and debt compositions and rescheduling in the framework of insolvency proceedings and carry out all the formalities until compliance with and enforcement of the final decisions.

    To select the place of residence and submit to constructive or express jurisdictions.

    These powers may be exercised severally.

11) To execute, with respect to executives, the resolutions adopted by the Board of Directors or the Executive Committee after hearing the Nomination and Remuneration Committee. With respect to Company employees, to hire, transfer, penalise, suspend or dismiss employees; to determine the remuneration, salaries and other emoluments to be received by any Company employee; to grant termination benefits; and, in general, to decide on any matters relating to the employees of the Company. To appoint and revoke the appointment of mandataries or agents.

    These powers may be exercised severally.

12) To enforce and ensure compliance with the resolutions of the General Meeting, the Board of Directors, its Executive Committee or its Chief Executive Officer and to execute, where applicable, the public deeds and other public or private documents required in accordance with the legal nature of the acts performed.

    These powers may be exercised severally.

13) To replace and/or grant partial or full powers to third parties, to the extent of the powers granted under this power of attorney, and to partially or fully revoke such powers, including those granted prior to this power of attorney, executing for such purpose the corresponding public or private documents giving substance to the aforementioned replacement, informing the Board of Directors at the first meeting following the exercise of this power.

    These powers may be exercised jointly with two other class A) attorneys-in-fact.

14) To attend and represent the Company at the General Meetings of all the Ebro Group companies and in the adoption of any resolutions deemed necessary, without any restrictions whatsoever.

    These powers may be exercised severally.

    Lastly, it should be noted that neither Antonio Hernández Callejas nor any other director or executive is empowered to issue or repurchase shares.

h) Significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control of the Company as a result of a takeover bid, and their effects, except when disclosure would be seriously detrimental to the Company. This exception is not applicable where the Company is legally obliged to disclose this information.

No agreements of this nature have been entered into.

i) Agreements between the Company and its directors, executives or employees which provide for termination benefits upon resignation or dismissal without justification or upon termination of the employment relationship as a result of a takeover bid.

No agreements of this nature exist between the Company and its directors.

As regards the executives of Ebro Foods, S.A. it is hereby stated that (i) there are two contractual termination clauses that provided for amounts that would exceed the termination benefits that would result from the application of the Workers’ Statute and (ii) the clauses established initially for the other executives currently provide for termination benefits below the amount stipulated in the Workers’ Statute as a result of their length of service.

10. ANNUAL CORPORATE GOVERNANCE REPORT

Pursuant to legislation currently in force, the following section of the consolidated directors' report includes the 2010 Annual Corporate Governance Report of Ebro Foods, S.A. required by the Spanish National Securities Market Commission.