

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

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

Royal Decree 1514/2007 was published on 20 November 2007. This Royal Decree approved the new Spanish National Chart of Accounts that came into force on 1 January 2008, which must be applied for all periods beginning on or after that date. The information in this directors' report was obtained on the basis of the Company's accounting records and pursuant to the aforementioned legislation.

1. OPERATING REVIEW

Ebro Foods, S.A. is the Parent of the Ebro Foods Group, the leading Spanish food group. Through its subsidiaries, it is present in the rice, pasta and biotechnology markets in Europe and North America and has a growing presence in other countries.

In 2010 the Company sold its dairy product business, completing its strategy to concentrate its business activities on the rice and pasta business lines in which the Group holds a leadership position. The 2010-2012 Strategic Plan foresees a new phase of growth aimed at consolidating the Group's presence in those markets in which it operates and gaining a foothold in others, thus enabling it to enhance its value.

The Company has overcome the deep economic crisis, achieving unprecedented earnings in all the business lines. Ebro Foods is firmly committed to a strategy of differentiation and innovation, which has borne fruit in the high levels of consumer product recognition and confidence.

The directors' report in the consolidated financial statements includes information, broken down into the business segments composing the Ebro Foods Group, on the business performance and the activities performed in 2010.

2. 2010 ANALYSIS OF EBRO FOODS, S.A.

Sale of the dairy product business

On, 30 March 2010, Ebro Foods, S.A., which wholly owned its dairy product business (shares of Puleva Food, S.L., shares of Lactimlk, S.A., and their trademarks) and Grupo Lactalis Iberia, S.A. (GLI), entered into an agreement for the sale and purchase of the companies composing the dairy product business. The definitive completion thereof had been subject to approval by the European competition authorities, which was granted in August 2010, and the sale was formally executed on 2 September 2010.

The terms and conditions of the transaction stipulated that GLI would purchase the dairy product business for an amount clear of debt of EUR 630 million, which, at the execution date, implied a total price of EUR 645 million, collected in full in 2010.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

Distribution of dividends

The distribution of dividends approved by the shareholders at the Annual General Meeting held on 1 June 2010 was as follows:

- c) As a result of the Ebro Puleva Group's consolidated profit for 2009, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.40 per share in four quarterly payments of EUR 0.10 each, on 5 April, 1 July, 1 October and 23 December 2010, for a total of EUR 61,546 thousand.
- d) Also, and on an independent basis, following the success of the sale of the dairy product business an extraordinary dividend was approved payable in cash out of unrestricted reserves of EUR 0.60 per shares (in addition to the ordinary dividend) in four quarterly payments of EUR 0.15 each. The first two payments were made in 2010, coinciding with the dates of the last two payments of the ordinary dividend (1 October and 23 December 2010) and the two remaining payments will be made in 2011 on 4 April and 4 July, for a total of EUR 92,319 thousand.

Agreement with the SOS Group

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the SOS Group to acquire its rice division for an initial amount estimated at EUR 195 million. On 31 March 2011, a framework agreement will foreseeably be entered into including the terms and conditions for the transfer of the rice divisions in Spain, the Netherlands and the US. The price agreed by the parties for the transfer of the aforementioned businesses ultimately amounted to approximately EUR 197 million. This amount includes adjustments to the initial price estimated relating to the amounts of overhead costs to be ultimately transferred with these business and which are inherent thereto.

The definitive completion of the transaction was subject to the approval of SOS's creditor banks, which was granted in December 2010, and to approval by the competition authorities, which is currently being processed. It is estimated that formalisation and execution of this agreement with the SOS Group will be completed in the first half of 2011.

Also in relation to the offer made by Ebro Foods, S.A., on 25 November 2010, the SOS Group's rice trademarks relating to the Portuguese market were acquired for approximately EUR 8 million.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

Agreement with the Sunrise Group

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. approved the purchase of the Australian Group, Ricegrowers Limited-SunRice (Sunrise), having completed the due diligence for this Group and finalised the wording of the definitive terms and conditions of the agreement (Scheme Implementation Agreement, SIA), which will be submitted for approval by Sunrise's shareholders in April. In accordance with the definitive terms and conditions of the transaction, Ebro Foods, S.A. will purchase all of the share capital of Sunrise for AUD 600 million (approximately EUR 440 million). As part of the agreements reached, Ebro will sign a Rice Acquisition Framework Agreement for the coming years, in which a number of general principles to be applied upon completion of the transaction are stipulated, whereby SunRice undertakes to purchase the rice harvests of the Australian farmers using certain price setting mechanisms, create a Farmers' Advisory Council and make a commitment towards the development of local communities and the promotion of R+D+i.

SunRice's acquisition is subject to the approval of 75% or more of the votes of the company's shareholders, and in conformity with Australian legislation, the approval of the Australian courts and of the Australian and Spanish competition authorities. In this respect, SunRice's shareholders will foreseeably approve the transaction in April 2011, subject to compliance with all the terms and conditions agreed upon in the SIA and the relevant approvals from the regulatory authorities.

Business performance

Ebro Foods, S.A.'s revenue is generated mainly through the dividends of its subsidiaries and transactions with its real estate assets. The costs correspond mainly to the borrowing costs on its debts as the head of the Ebro Foods Group. Also, impairment losses are recognised and reversed on the basis of the changes in the equity of the subsidiaries.

Profit from operations amounted to EUR 166,562 thousand in 2010, as compared with EUR 75,038 thousand in 2009. The increase was due mainly to the gain on the disposal of the trademarks of the dairy product business owned by Ebro Foods, S.A.

The financial profit totalled EUR 302,333 thousand in 2010, as compared with a profit of EUR 88,940 thousand in 2009. The change was due to the sale of shares in Puleva S.L. and Lactimilk S.L. mentioned in the preceding paragraph of this report and to a decrease in borrowing costs as a result of lower interest rates and the improvement in the Company's financial position.

The profit after tax amounted to EUR 364,160 thousand in 2010, as compared with a profit of EUR 164,145 thousand in 2009.

3. OUTLOOK FOR THE COMPANY

The results of Ebro Foods in future years will be determined by the dividends it receives from the subsidiaries, the gains on properties not considered to be strategic and the borrowing costs relating to the debt financing its assets.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

The Company's directors consider that the dividends established by the subsidiaries will be sufficient for Ebro Foods to obtain profits that enable it to implement an appropriate shareholder remuneration policy.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development is performed by the subsidiaries (as disclosed in the consolidated directors' report).

5. TREASURY SHARE TRANSACTIONS

In 2010 the Parent was granted authorisation to purchase and sell treasury shares by the shareholders at the Annual General Meetings held on 1 June 2010 and 28 April 2009, having duly notified the Spanish National Securities Market Commission (CNMV) pursuant to current legislation. During this period 666,469 treasury shares were purchased and sold. At 2010 year-end the Company held no treasury shares.

6. EMPLOYEES

The main information is included in Notes 18 and 19 to the accompanying financial statements.

7. RISK MANAGEMENT OBJECTIVES AND POLICIES RELATING TO THE BUSINESS ACTIVITIES

Ebro Foods, as the head of its corporate Group, is indirectly exposed to the risks associated with its subsidiaries through changes in the value of its investment portfolio and the dividends received from the investees. The activity of the subsidiaries composing the Ebro Foods Group is carried on in an environment in which external factors can influence their transactions and earnings.

The main risks are environmental, business, financial, credit, employment and technology risks. These risks and the policies applied in their recognition and management are described in the consolidated directors' report.

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The principal financial instruments employed include bank loans, bank overdraft facilities, cash and short-term deposits. The main purpose of these financial instruments is to increase the financial resources for the Group's operations.

Derivative products were arranged in prior years to manage interest rate and foreign currency risk. The Company's policy is not to arrange financial instruments from speculative purposes.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

The main risks from the financial instruments used are credit risk, cash flow interest rate risk, liquidity risk and foreign currency risk.

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

Credit risk

Ebro Foods does not have a significant concentration of credit risk. In addition, cash is placed and financial instruments are arranged with institutions of acknowledged solvency and with a high credit rating.

Cash flow interest rate risk

The Company 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 Company uses, where necessary, a combination of floating and fixed interest rates. The aim is to achieve a balance in the debt structure, thereby minimising its cost with reduced volatility. To do so it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, the Ebro Foods arranges derivative financial instruments to hedge interest rate risk.

Foreign currency risk

As a result of the investments made in the US, the Company's balance sheet could be significantly affected by changes in the USD/EUR exchange rate. In order to mitigate this structural foreign currency risk, loans were obtained in USD. The majority of the investment in the US was hedged in this way.

The transactions performed by operating subsidiaries in currencies that are not the functional currency are also exposed to foreign currency risk. In these cases, the subsidiaries arrange foreign currency hedges or other hedging instruments following the Group's policies.

Liquidity risk

The objective of Ebro Foods is to maintain a balance between continuity of the financing and flexibility through the use of revolving credit facilities, bank loans and current financial assets.

9. ENVIRONMENT

In view of the very specific nature of the Company's business activities, they do not have any effect on the environment. See Note 19-d to the financial statements.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

10. EVENTS AFTER THE REPORTING PERIOD

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. approved the sale to Grupo Lactalis Iberia, S.A. of 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 are to be sold at their 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 the sale, Ebro Foods, S.A. will hold 12,117,806 shares representing 21.002% of the share capital of Biosearch, S.A. but will no longer participate in its governing and managing bodies.

No other significant events took place between the reporting date and the authorisation for issue of the financial statements.

11. OTHER DISCLOSURES

The Directors' Report contains the explanations in relation to the matters required under of Article 116 bis of the Securities Market Law, currently replaced by the recent approval and entry in force of the Sustainable Economy Law:

- 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 they represent.**

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.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

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 7 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.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

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 Company's 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.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

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 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.

He may exercise these powers severally when the amount of the act, business or contract 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.

- 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 and third parties. To participate in the incorporation of all manner of companies or entities, and at that time accept or refuse positions thereat.

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

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

- 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 exercised 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.

**Directors' report for the year ended 31 December 2010
(thousands of euros)**

- 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.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010 (thousands of euros)

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, as well as the Executive Committee and, if required, the 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 managing body 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 shall not apply where the Company is obliged by law to disclose this information.**

No agreements of this nature have been entered into.

EBRO FOODS, S.A.

**Directors' report for the year ended 31 December 2010
(thousands of euros)**

- 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 have been entered into between the Company and its directors.

As regards the executives of Ebro Foods, S.A., it is hereby stated (i) that 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.