

EBRO PULEVA, S.A.
Director`s report for the year ended 31 December 2009
(Thousand of euros)

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

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.

Under the Ruling of the Spanish Accounting and Audit Institute (ICAC) published in September 2009, the dividend income and finance income arising from the financing of investees must be classified and recognised under "Revenue". Accordingly, EUR 31,204 thousand presented as finance income in the financial statements for 2008 were reclassified to "Revenue".

1. OPERATING REVIEW

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

Following the completion of the sale of the sugar business, which completed the implementation of the 2006-2009 Strategic Plan, Ebro Puleva focused on consolidating its core businesses and defining the strategy for coming years.

Despite the economic crisis, which affected the chief global economies, the Group's profit continued to grow, demonstrating a high level of confidence among the consumers of its products, a significant capacity to harness synergies between businesses and an excellent position from which to manage the changes in raw materials markets.

The directors' report in the consolidated financial statements includes information, broken down into the business segments composing the Ebro Puleva Group, on the business performance and the activities performed in 2009.

2. 2009 ANALYSIS OF EBRO PULEVA, S.A.

Significant events in 2009

On 15 December 2008, Ebro Puleva, S.A., which owned all the shares of Azucarera Ebro, S.L., and Associated British Foods (ABF), which owns all the shares of British Sugar, executed the agreement for the sale of Azucarera Ebro, S.L. The sale took place, following the approval of the competition authorities, on 30 April 2009. The terms and conditions of the transaction that took place on 30 April 2009 were as follows:

- ABF purchased the sugar business for a debt-free amount of EUR 385 million. The amount of the debt deducted was that existing at the date on which the transaction was concluded.
- Also, Ebro Puleva received approximately EUR 150 million of other compensation relating mainly to the restructuring funds provided for in the reform of the common organisation of markets (CMO) in the sugar sector.

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- In addition, the agreement states that two Group companies, wholly owned by Ebro Puleva, S.A., have added to their real estate assets more than 200 hectares of land, of various urban zoning classifications from Azucarera Ebro, S.L., valued at an estimated EUR 42 million.

The distribution of dividends approved by the shareholders at the Annual General Meeting held on 28 April 2009 was as follows:

- a) As a result of the Ebro Puleva Group's consolidated profit for 2008, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.36 per share in four quarterly payments of EUR 0.09 each, on 2 April, 2 July, 2 October and 22 December 2009, for a total of EUR 55,391 thousand.
- b) Also, and on an independent basis, following the success of the sale of the sugar business (Azucarera Ebro, S.L. and certain of its subsidiaries) the following extraordinary dividend was approved:
 - b.1) An extraordinary dividend payable in cash out of unrestricted reserves of EUR 0.36 per share (in addition to the ordinary dividend), in three payments of EUR 0.12 each in 2009, coinciding with the dates of the last three payments of the ordinary dividend (2 July, 2 October and 22 December), and totalling EUR 55,391 thousand.
 - b.2) Extraordinary stock dividend consisting of the delivery of treasury shares until the existing share premium has been used up (EUR 34,329 thousand) with a delivery ratio based on a market price of EUR 9.43 per share, of 1 new share for every 40.73 old shares, which resulted in the delivery of approximately 3.6 million shares (approximately 2.36% of the share capital). The delivery ratio was established at the Board of Directors Meeting held immediately prior to the Annual General Meeting once the closing market price on the preceding day became known. This extraordinary stock dividend was paid in early May 2009.

Business performance

Ebro Puleva, 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 Puleva 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 75,038 thousand in 2009, as compared with EUR 15,120 thousand in 2008. The increase was due mainly to the change in the dividends received from Group companies.

The financial profit totalled EUR 88,940 thousand in 2009, as compared with the loss of EUR 46,219 thousand in 2008. The change was due to the sale of Azucarera Ebro, S.L. shares mentioned in the preceding paragraph of this report and to a decrease in borrowing costs as a result of lower interest rates.

The profit after tax amounted to EUR 164,145 thousand in 2009, as compared with a loss of EUR 12,584 thousand in 2008.

3. OUTLOOK FOR THE COMPANY

The results of Ebro Puleva 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.

The Company's directors consider that the dividends established by the subsidiaries will be sufficient for Ebro Puleva 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 2009 the Parent purchased and sold treasury shares as provided for under the authorisation granted by the shareholders at the Annual General Meetings held on 28 April 2009 and 9 June 2008, having duly notified the Spanish National Securities Market Commission (CNMV) pursuant to current legislation. During this period, 1,064,871 shares were purchased and 1,849,002 were sold and, in addition, an extraordinary stock dividend totalling 3,628,135 shares was distributed (see Note 12-b.2 to the financial statements and section 2 of this directors' report). At 2009 year-end the Company held 666,469 treasury shares representing 0.43% of its share capital. No specific use has been designated for these 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 Puleva, 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 Puleva 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.

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 Puleva 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 Puleva 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 full 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 Puleva 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. MEDIO AMBIENTE

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.

10. EVENTS AFTER THE REPORTING PERIOD

On 8 March 2010, the Boards of Directors of Ebro Puleva, S.A. and Lactalis (French Group) reached a preliminary agreement with respect to the sale of the Ebro Puleva Group's dairy product business for EUR 630 million. In the four weeks following this preliminary agreement, the financial statements of the Ebro Puleva Group's dairy product business will be audited and the definitive sale agreement will be drawn up on the basis of the terms and conditions initially agreed upon. At the end of this period the transaction will be subject to the approval of the competition authorities.

This agreement will lead to the disposal of the investments in Puleva Food, S.L. and Lactimilk, S.A. and to the sale of the trademarks of these businesses in 2010, once all the conditions precedent of the transfer have been met. The impact of this transaction and the gain obtained will be recognised for accounting purposes once the agreements become effective.

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

11. ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET LAW

Article 116 bis of the Spanish Securities Market Law, as worded by Law 6/2007, of 12 April, requires listed companies to present an annual explanatory report on additional disclosures to be included in the 2009 directors' report to the shareholders at the Annual General Meeting.

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 conferred by the shares and the percentage of share capital that 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.

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c) Significant direct or indirect ownership interests in the share capital, including 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 Estatal de Participaciones Industriales	-	Indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 voting rights, representing 8.654% of share capital.	8.654%
Sociedad Anónima Damm	-	Indirect holder, through Corporación Económica Damm, S.A., of 10,300,000 voting rights, representing 6.694% of share capital.	6.694%
Lolland, S.A.	-	Indirect holder, through Casa Grande Cartagena, S.L., of 9,707,778 voting rights, representing 6.309% of share capital.	6.309%
Caja de Ahorros de Salamanca y Soria	9,474,951	-	6.158%
Caja España de Inversiones, Caja de Ahorros y Monte de Piedad	-	Indirect holder, through Invergestión, Sociedad de Inversiones y Gestión, S.A., of 7,940,277 voting rights, representing 5.161% of share capital.	5.161%

d) Restrictions on voting rights.

There are no restrictions on voting rights.

e) Shareholders' agreements.

The Company has not been notified of any shareholders' agreements.

f) Rules applicable to the appointment and removal of members of the Board of Directors and 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 15 members, the General Meeting being responsible for determining the number and for appointing and removing directors. The Board currently has 14 members.

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.

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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 these 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.

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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, except for the higher quorum requirement for General Meetings established in Article 12 of the bylaws, where sixty per cent of the share capital with voting rights is required on first call and thirty per cent on second call. The requirements for voting are the same as those established in the Consolidated Spanish Public Limited Liability Companies Law.

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

The executive directors Antonio Hernández Callejas and Jaime Carbó Fernández hold 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 shall be exercised jointly by two attorneys when the amount of the act, business or contract 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 other companies and acquire shares. To accept positions or appoint others to positions in other companies or entities.

These powers shall be exercised jointly by two attorneys.

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 Depository and the Bank of Spain.

These powers may be exercised severally.

5) Banking powers:

- a) 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.
- b) 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 shall be exercised jointly by two attorneys.

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.

The powers relating to issues and acceptance and payment orders shall be exercised jointly by two attorneys.

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 by any Company attorney.

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.

This power shall be exercised jointly by two attorneys when the amount of the payment 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

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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.

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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 shall be exercised jointly by at least three attorneys.

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

These powers may be exercised severally and indistinctly.

Lastly, it should be noted that neither Antonio Hernández Callejas nor Jaime Carbó Fernández or 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.

- 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.**

In 2006 the Chairman, Antonio Hernández Callejas, informed the Board of Directors of his full and irrevocable waiver of the golden parachute clause originally established in his contract, consisting of net termination benefits equal to two years' gross annual remuneration.

The director and General Manager, Jaime Carbó Fernández, and the General Secretary and Secretary of the Board, Miguel Ángel Pérez Álvarez, also waived the golden parachutes originally established in their contracts, consisting of net termination benefits equal to two years' gross annual remuneration. In both cases the Board of Directors resolved to replace the golden parachute with equivalent net termination benefits for dismissal or change of control to those that would apply under the present regime

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provided for in the Workers' Statute. "Net" is included solely for the purpose of calculating the termination benefits and does not imply a modification of each taxpayer's tax obligations in accordance with the law and, in any event, the result of this calculation may not exceed an amount equal to two years' annual remuneration in each case.

As regards the other executives of Ebro Puleva, S.A., the contracts of two executives include guarantee clauses relating to dismissal or change of control that range between one and two years' annual remuneration.

As a result of their length of service, the clauses established initially for the other executives currently provide for termination benefits below the amount stipulated in the Workers' Statute.

12. ANNUAL CORPORATE GOVERNANCE REPORT

Pursuant to legislation currently in force, the following section of the directors' report includes the 2009 Annual Corporate Governance Report of Ebro Puleva, S.A. required by the Spanish National Securities Market Commission.