Annual Report>>

An overview of Ebro Foods>>>>

ANNUAL REPORT **2010**

Ebro Foods at a glance

World leader in the rice sector

Second manufacturer worldwide in the pasta sector

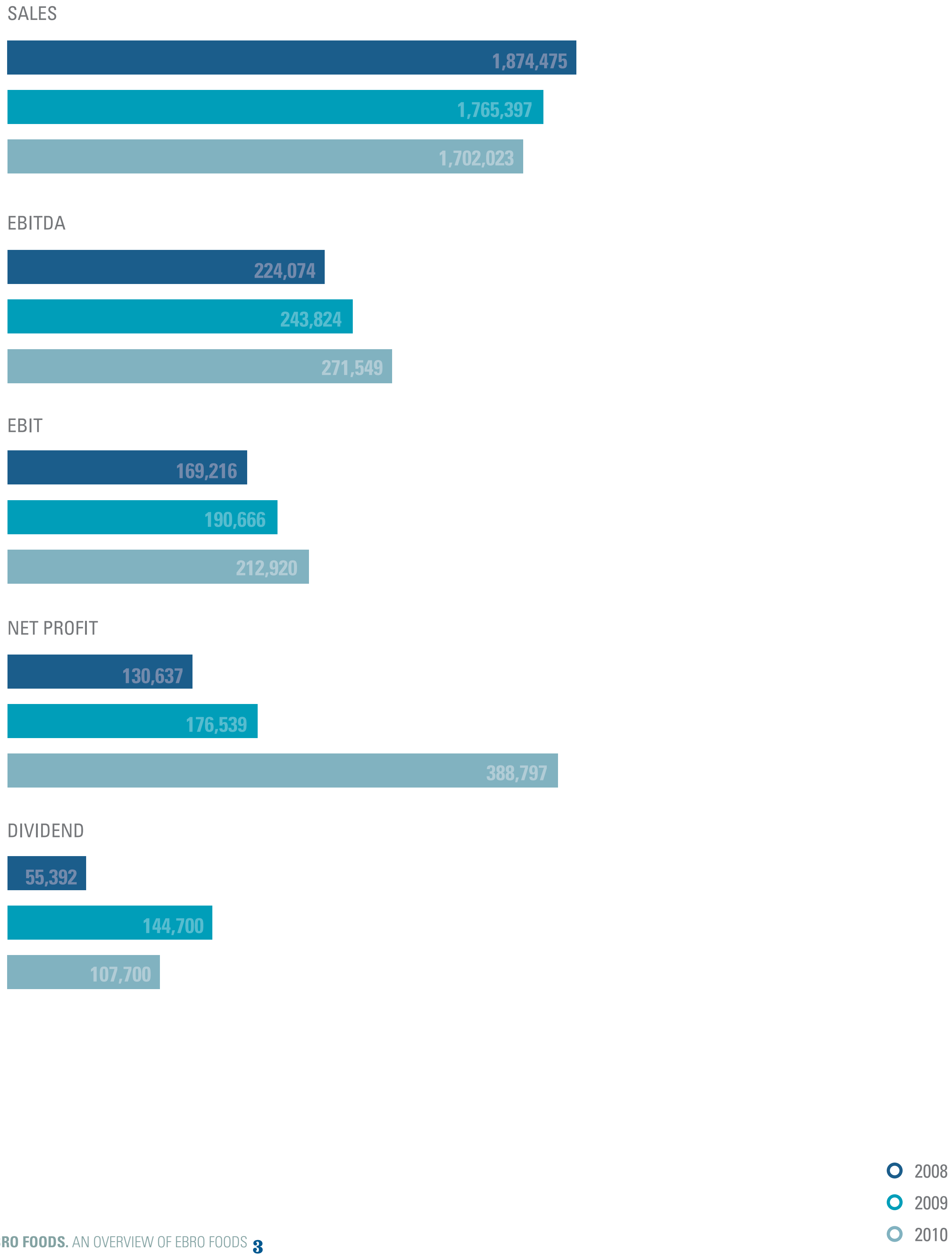
Leading food group in Spain in term of turnover, profits, market capitalisation and international presence

Leading rice and pasta manufacturer in the USA and Canada

More than 60 brands in 27 countries in Europe, America, North Africa and Asia

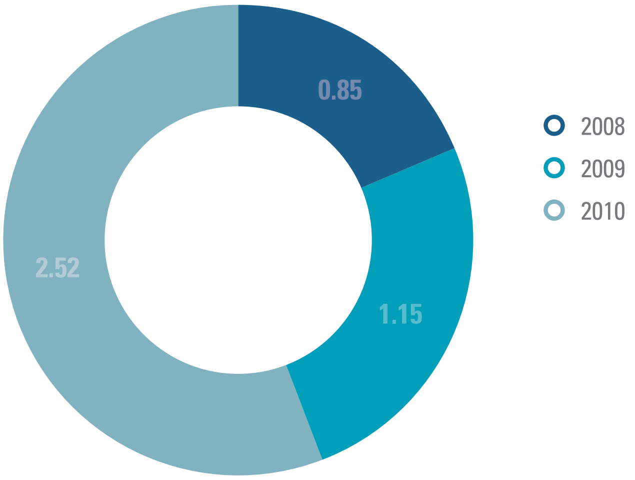
Financial highlights>>>

Evolution graphs 2008-2010. Thousand euro



EARNINGS PER SHARE

>> Euro



EVOLUTION OF OUR SHARE

AMERICA
Canada
Mexico
Puerto Rico
Uruguay

EUROPE
Germany
Belgium
Czech Rep.
Denmark
Spain
Finland
France
Greece
Hungary
Italy
Poland
Portugal
UK
Romania
Ukraine

AFRICA
Algeria
Egypt
Libya
Morocco

ASIA
India
Israel
Thailand

AMÉRICA	EUROPA			ÁFRICA	ASIA
Canadá	Alemania	Finlandia	Polonia	Argelia	India
Estados Unidos	Bélgica	Francia	Portugal	Egipto	Israel
México	Chequia	Grecia	Reino Unido	Libia	Tailandia
Puerto Rico	Dinamarca	Hungría	Rumanía	Marruecos	
Urugüay	España	Italia	Ucrania		

Eupoly-3

Hereditum®

Rice

This is the business area in which the Group has world leadership. Its origins in Spain go back to 1950 and its international expansion began in 1986 through the acquisition of leading companies and brands in Europe, USA, Canada and North Africa. We are now also present on the Asian continent. This division, with an extensive portfolio of leading products and brands in its category, represents 48% of Ebro's business.

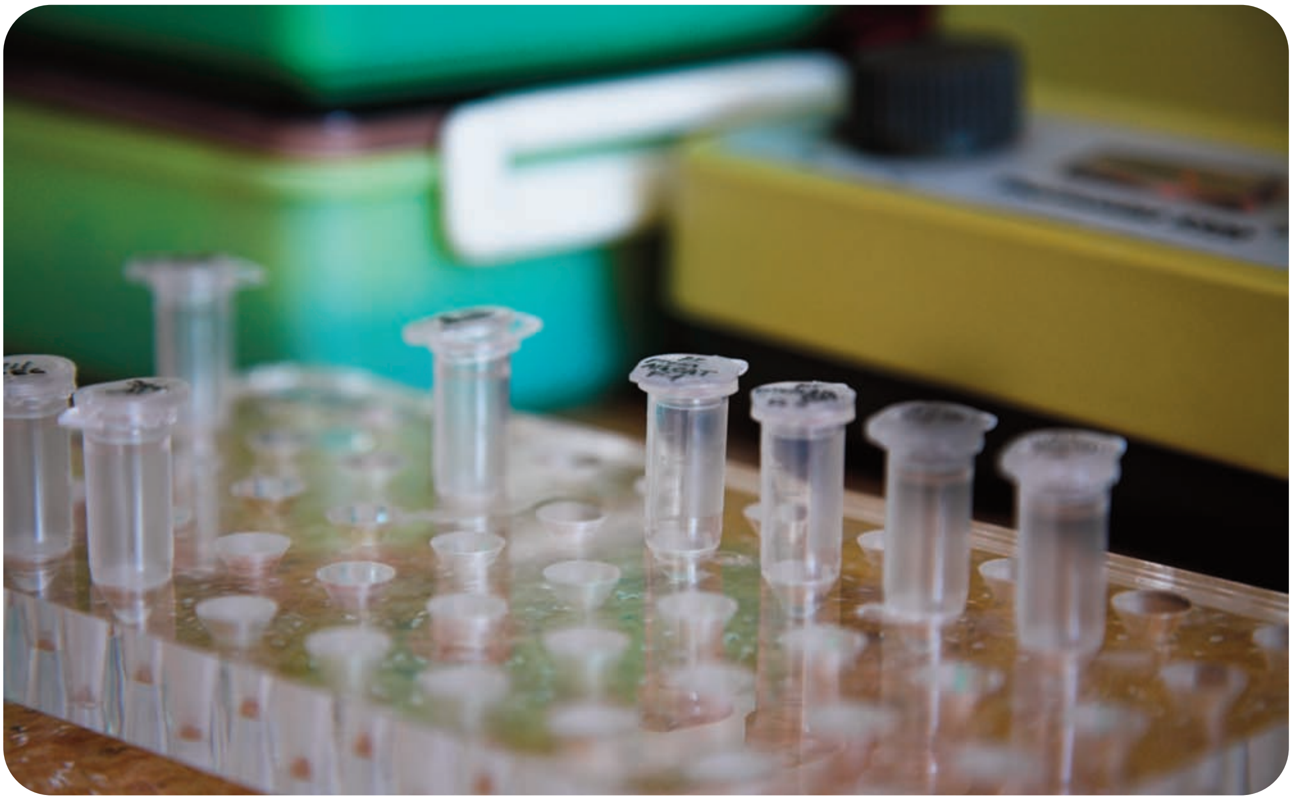
Principal brands:
Brillante®, Cigala®, Nomen®, La Fallera® and Rocío® in Spain.

Oryza®, Reis Fit®, Ris-Fix®, Bosto®, Riceland®, Risella®, Riziana®, Gourmet House®, Peacok®, Phoenix®, Miura®, Mahatma®, Success®, Carolina®, Water Maid®, River S&W®, Lustucru®, Taureau Ailé®, Minute®, Herba®, Panzani®, etc. in Europe, Morocco, Libya, USA and Canada.

Pasta

This is, together with rice, the most international business of Ebro Foods. Represented by New World Pasta (leader in USA and Canada), Panzani (no. 1 in France in dry and fresh pasta, sauces, couscous and semolina) and Birkel (no. 1 in Germany), the Group is second pasta manufacturer in the world. Apart from these countries, Ebro also operates under the Panzani and Birkel brands in Belgium, Hungary, UK, Algeria, Czech Republic and Russia. The division now accounts for 52% of the Group's total business.

Principal brands:
Panzani®, Lustucru®, Birkel®, Skinner®, 3 Glocken®, Schuele®, Minuto®, Nudel Up®, Ronzoni®, Ronzoni Smart Taste®, Catelli®, Catelli Smart®, Healthy Harvest®, American Beauty®, Prince®, San Giorgio®, Lancia®, Creamette®, Regia® and Ferrero®.



Biotechnology

Developed by Biosearch, this business is engaged in the research, development, manufacturing and marketing of new products based on natural ingredients with positive effects on health that can improve people's quality of life.

Principal brands:
Eupoly-EPA®, Eupoly-DHA® and Hereditum®.

Ebro Foods en cifras

Thousand euro

(With Azucarera and the Dairy Division as net earnings of discontinued operations)

Consolidated figures

	2008	2009	2009-2008	2010	2010-2009	CAGR 2010-2008
Net turnover	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%*
EBIT	169,216	190,666	*12.7%*	212,920	*11.7%*	*12.2%*
Operating profit	165,606	175,041	*5.7%*	201,037	*14.9%*	*10.2%*
Consolidated earnings for year (Going concern)	49,821	93,280	*87.2%*	129,417	*38.7%*	*61.2%*
Net earnings of discontinued operations	82,049	79,543	*(3.1%)*	259,525	*226.3%*	*77.8%*
Net profit	130,637	176,539	*35.1%*	388,797	*120.2%*	*72.5%*
Average current assets (*)	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	*(20.4%)*	
Average headcount	4,761	4,635	*(2.6%)*	4,984	*7.5%*	

Stock market highlights

	2008	2009	2009-2008	2010	2010-2009
Number of shares	153,865,392	153,865,392	*0.0%*	153,865,392	*0.0%*
Market capitalisation at year-end	1,507,881	2,235,664	*48.3%*	2,435,689	*8.9%*
EPS	0.85	1.15	*35.1%*	2.53	*120.2%*
Dividend per share	0.36	0.94	*161.1%*	0.70	*(25.5%)*
Theoretical book value per share	7.82	8.32	*6.4%*	10.35	*24.4%*
	31-12-08	**31-12-09**	**2009-2008**	**31-12-10**	**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 Debt (*)	1,208,078	716,725		378,336	
Leverage (2)	1.00	0.56		0.24	
Total Assets	3,422,912	2,684,465	*(21.6%)*	2,885,030	*7.5%*

(*) *To keep these items consistent, they are calculated including both the results and the associated assets and liabilities of the sugar business*

(1) *ROCE = Operating income CAGR last 12 months / (intangible assets - property, plant & equipment - current assets)*

(2) *Ratio of average net financial debt with cost to equity (excluding minority interests)*

Core Businesses

Thousand euro

Rice Business

	2008	2009	2009-2008	2010	2010-2009	CAGR 2010-2008
Net turnover	890,969	836,147	(6.2%)	811,558	(2.9%)	(4.6%)
EBITDA	126,560	118,561	(6.3%)	123,263	4.0%	(1.3%)
EBIT	105,724	97,575	(7.7%)	99,019	1.5%	(3.2%)
Operating profit	104,365	82,157	(21.3%)	103,024	25.4%	(0.6%)
Average current assets	263,281	185.446	(29.6%)	181,782	(2.0%)	
Capital employed	556,299	495,768	(10.9%)	506,347	2.1%	
ROCE	19.0					
Capex	20,044	55,138	175.1%	37,855	(31.3%)	

Pasta Business

	2008	2009	2009-2008	2010	2010-2009	CAGR 2010-2008
Net turnover	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%
EBIT	75,581	108,831	44.0%	133,741	22.9%	33.0%
Operating profit	65,312	104,066	59.3%	122,806	18.0%	37.1%
Average current assets	121,795	91,292	(25.0%)	60,427	(33.8%)	
Capital employed	511,570	469,915	(8.1%)	442,061	(5.9%)	
ROCE	14.8	23.2		30.3		
Capex	20,747	18,359	(11.5%)	32,652	77.9%	

Chairman's statement>>>>

ANNUAL REPORT **2010**

Chairman's statement>>>

Antonio Hernández Callejas.

DEAR SHAREHOLDERS: It is, as usual, a pleasure to inform you on the most significant developments in the company during 2010. The year just ended was yet another successful year for Ebro, in spite of the adverse international economic situation. The company maintained its double digit growth for the third year in succession, thanks to a number of factors, such as: the balanced geographical diversification of our businesses, a stable raw materials scenario, the strength of our brands, the synergies generated between the rice and pasta divisions, an optimised use of resources, streamlining of costs and constant commitment to innovation, which has proved worthwhile by the major success of new products we have put on the market. Through the combined effect of all these factors, the company's earnings improved substantially. To be more precise, EBITDA rose 11% to €271.5 million while the operating profit topped €201 million, up 15% on 2009. Improving on previous years, the EBITDA to sales ratio rose to 16% while the ROCE stood at 21.2%. Net profit grew by 120% to €389 million. After stripping out discontinued operations, the performance is really outstanding, with a year-on-year growth of 38.7% to a total of €129 million.

The company's excellent year has been reflected in its positive stock market performance. The value of our share rose by 9% in 2010, contrasting with a depreciation of 17% in Ibex 35, 7% in Ibex Med and 18% in Ibex Small. The only index with an evolution comparable to ours was the Eurostoxx Food and Beverage index, benchmark for European food sector shares, which rose by 12%. We could say, therefore, that Ebro had a very stable stock market performance in comparison with its benchmark indexes.

The price stability observed on the raw materials market in 2009 continued into early 2010, with good prospects for crops and stock volumes. However, as from June the drought in the Black Sea production area brought export constraints on wheat from those countries, which had immediate effects on prices. From then on, uncertainty set in on the grain markets, with sweeping price rises, especially for wheat, which, together with the floods in south east Asia, lower quality than expected in the American long grain rice harvests and positioning on the futures markets, kept the prices high up to the end of the year.

As regards consumer behaviour and owing to the persistent adverse financial situation, consumers have continued to look for savings and the most economic options, enabling private label brands to gain ground, especially in southern Europe. Against this backdrop, our strategy has been to step up innovation, duly informing on our progress through increased advertising, and to boost differentiation by broadening our ranges of high value added rices and pastas. We have thus managed to strengthen our market positions in both rice and pasta, in some cases with record market shares. Sales of ready-to-serve rices and pastas increased by 20-20%, sales of pasta and sauces rose by 2.7% and 3.6% in France and volumes of pasta and rice grew in the United States by 1% and 3.8%. These figures illustrate the resounding success of our rice and pasta divisions.

Strategically, we have made significant progress towards concentrating on our core business, consolidating our world leadership in the rice sector and expanding into new geographical areas of great interest. 2010 was a year of important corporate operations for our Group. We sold our dairy business to the Lactalis Group, changed the name and image of the Group and hope to achieve further growth through two bids launched for the purchase of the Australian rice company SunRice and the SOS rice business.

Our decision to shed the dairy business was strategic. Our goal of being an international benchmark in all our businesses could never have been achieved in this sector, since there were already strong players in the world market. I am convinced that, just as we did with the sugar business beforehand, we have left Puleva in the hands of one of the best business groups in the sector, which will enable it to embark on a new phase of expansion and development. I should like to take this opportunity to express my gratitude to the Puleva staff for their excellent work over the years that we have been together.

In acquisitions, the potential incorporation of SunRice would give us a foothold in the Pacific area through the leader in that geographical area, while the integration of the SOS rice business would complement the presence of our rice division in Spain and the United States, open the doors to the Netherlands market and strengthen our position in other European and Middle East markets. In short, we would make firm progress in the consolidation of our leadership in the world rice market.

All these operations mark the beginning of a new Strategic Plan, the main goal of which is for our company to attain a significant position in the international food sector and be number one in our specific business areas.

We are now beginning a new era from an excellent starting position: on the one hand, we have the security of a company that has been able to come through the difficult economic circumstances that have affected the world markets since the beginning of the recession and, on the other, we have considerable financial strength, as confirmed by our double digit growth in earnings and an extremely healthy cash position.

Considering everything that has happened in the past, we can be optimistic about the present and the future. We aspire to becoming an international benchmark in meal solutions and the success we have already achieved in our rice and pasta businesses is more than enough to justify our belief that we will be in a position to achieve this by the end of this Strategic Plan.

So I would like to ask you to maintain your support and the confidence you have placed in us up to now, to enable us to meet these goals.

Ebro today>>>>

ANNUAL REPORT **2010**

The beginning of a new Strategic Plan>>>

2010 was the starting point of a new Strategic Plan that will take us up to 2012. These first twelve months were important for re-shaping the company, in which shedding of the dairy business was undoubtedly one of the most significant operations. The sale of this division to the Lactalis Group marked the end of our streamlining process to focus on our core businesses and from now on we aim to grow in new markets or in Meal Solutions products based on pasta or rice.

From the point of view of inorganic growth, we announced two operations during 2010, expected to be concluded in 2011, which would considerably strengthen our leadership in the rice sector.

On the one hand, the purchase of the SOS rice business, a transaction valued at €205 million, waiting only for approval by the US and Spanish antitrust authorities. The incorporation of this business would complement the presence of our rice division in Spain and the United States, open the doors to the Netherlands market and make us stronger in other parts of Europe and the Middle East. With a turnover of €250 million in 2009 and an operating margin (EBITDA before overheads) of €30 million, it has leading brands such as SOS, Lassie, Blue Ribbon and Abu Bint and strong market positions in Spain, the Netherlands, Saudi Arabia and certain markets in the USA.

On the other hand, we are immersed in a complex operation in Australia, where we have launched a takeover bid for Ricegrowers Limited (SunRice), a company listed on the National Stock Exchange (NSX) of Australia, with headquarters in New South Wales. A bold operation, which has so far been approved by all the necessary Australian authorities and is pending only the voting by its shareholders on 31 May 2011. SunRice sells approximately 500,000 tonnes of branded rice a year, mainly through the retail channel, and is leader in all the countries and geographical areas in which it operates: Australia, New Zealand, the Pacific Islands, Hong Kong, Singapore, Papua New Guinea, the Middle East and California and Hawaii in the USA. Its brand portfolio includes SunRice, SunWhite, Always Fresh, CopRice, Trukai, Roots, Hinode, Harvest and Tumbles. Its incorporation would, therefore, give us an immediate foothold in the Pacific area, which we consider of great interest as we do not yet have any presence there.

We have also been working on the growth of our Meal Solutions segment, applying technological concepts to move away from product commoditisation, raising barriers to rivals, underpinning our brands as market leaders and

producing value added for our company. In this regard, we have introduced a new range of ready-to-serve products on the German market which has been very successful; we have launched rice products to cook in the frying pan under the Lustucru® brand and a broad range of pasta products that can be eaten hot or cold under the *Lunch Box* concept in France; and we have brought out pasta with vegetables and quick cooking pasta in both the USA and Canada.

Another major milestone of last year, culminated on 1 January 2011, was the convergence of our North American companies New World Pasta (NWP) and Riviana into Ebro North America (ENA). Following the progressive unification of the different business areas of the two companies, the incorporation of ENA is a decisive move to carve a position for Ebro in the top tier of the North American food sector. ENA starts out from an extraordinary position: it is the largest rice and pasta manufacturer in North America with a turnover of the order of one billion dollars and will contribute around 50% of the consolidated earnings of Ebro.

All these actions have been completed with a successful year in terms of earnings and an optimum financial position following the divestment in the dairy business, so the first year of this new Strategic Plan can be considered highly satisfactory all round for the future of Ebro.

Development of our Core Businesses

>> *Rice and Pasta*

1. Rice

The milestones in Ebro's rice division in 2010 were the strengthening of its world leadership in the rice sector as it maintained and in some cases even increased its market shares, intense innovation work resulting in the launching of new ranges of Meal Solutions products and further development of its branded products.

In raw materials, the international rice markets remained stable throughout the first three quarters of the year, but when harvesting finished and following the upward trend of other commodity prices worldwide, prices hiked in the fourth quarter and continued to rise into the first few months of 2011. Until then, prices had been generally low on the European markets, favouring intense production at our factories in Italy and Spain, with large volumes of paddy rice to process. This gave the rice division sufficient capacity to meet both the supplies required by its subsidiaries in northern Europe and the demand of its external industrial customers. In the United States, in contrast, owing to the heat wave that hit Arkansas, the Mississippi and Louisiana, although a bumper crop was harvested, the quality was not as good as usual so our North American factories had to operate at full capacity and obtained a smaller yield than in previous year.

Our subsidiaries and their brands maintained a positive performance throughout the year. Our brands outperformed market growth and practically doubled their growth rates in the USA. To be more specific, our total rice sales grew by 1.8% in Europe and 3.1% in North America.

In Europe, taking advantage of the universal lowering of raw material rice prices, the commercial policy applied by most of our subsidiaries was to pass these lower costs on to consumers in the retail prices, closing the gap with private label brands, offering a differentiated product without a major gap between the price of a leading brand and the brands of distributors. This policy produced instant results and the division maintained the market shares of its respective brands even on the most competitive markets, i.e. Spain and Portugal.

In Spain, although a comparison of market shares shows a slight loss of ground, sliding from 15.4% to 15.2%, mainly due to weakness in the short-grain rice segment, the *Ready to Serve* (RTS) segment far outstripped growth in the rest of the category, closing the year with absolute leadership and a market share of 85%.

In Germany, performance of the Oryza® and Reis-Fit® brands was outstanding, increasing from 18.3% to 19.4% in volume and from 25.8% to 28.8% in value. Our subsidiary Euryza also energised the German market with the launching of a new RTS range called "Reis-Fit Einfach Lecker", a new family of pre-cooked rice products in doy bags, which cornered a commendable 13% of the market.

In Belgium, the decline suffered over recent years by the Bosto® brand came to a halt in 2010 when it maintained a market share of 26.1% and strong leadership in the BITB (boil-in-the-bag) segment. New products were also launched in this country within the Meal Solutions segment, with three new rice dishes sold in single-serving packs.

In Hungary, the packaging design of all our Riceland® products was modernised, the BITB range was increased and a new premium range was launched called "Selection" with four varieties of special rices. We now have a market share of 24% in this country.

In Italy, just as in 2009, our subsidiary Mundiriso achieved an excellent performance, further consolidating its position as leading processed rice supplier to industrial clients in northern Europe thanks to the high quality standards at its Vercelli plant.

In North America, Riviana closed a spectacular year with growth not only in market share but also in earnings, generating an EBITDA of €64 million, up 7% year on year. The US subsidiary was especially active in the launching of new products during the year, putting a new variety of RTS products on the market under the Minute® brand and a range of frozen rices ("Minute Steamers") with five different varieties. The range of Carolina® products was also increased with new formats.

From the point of view of investments, the new Memphis plant was finally opened in 2010 with a final budget of $120 million and is now the largest rice plant in the United States. Apart from this, the Herba subsidiaries modernised and enhanced some of their plants, to the tune of almost €6 million.

The satisfactory evolution of the division during the year proves the strength and expertise of our rice division in interpreting the different situations produced in both the world rice market and consumer habits, skilfully detecting new opportunities to turn difficult situations to our advantage and securing a strong position for the future.

2. Pasta

The pasta division continued its steady progress towards its goal of topping the world pasta ranking and during 2010 it further consolidated its position as number one in all the geographical markets in which it operates, in some cases significantly increasing its market shares. This is even more important if we bear in mind, on the one hand, the changing consumer habits and, on the other, the hike in durum wheat prices in the second half of the year, which forced us, albeit with a time lag, to raise the prices of our products. This growth can be put down to an increased consumption of pasta in the countries in which we operate, an aggressive innovation policy with a portfolio geared mainly towards products with a high value added, a sound advertising strategy and aligning our brands with the concept of healthy eating.

As we have mentioned, there was a marked difference between the two halves of the year on the raw materials market. Durum wheat prices were generally low and stable in the first half of the year, then surged in the second half, mainly due to the effects on the world cereal stocks produced by different adverse weather conditions that hit the main cereal exporting countries: Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine and USA.

Our procurement services interpreted this scenario well and in October we proposed the first price rise of 16-18%, a risky move in view of the potential consumer preference for more economic options. This rise was passed on rapidly to customers in North America and somewhat slower in Europe, where negotiations with distributors were tougher and, consequently, the price rise actually became effective as from March 2011.

Even against this difficult backdrop, the division has managed to maintain and in some cases increase its market shares, now having the following shares in volume:

France

Dry pasta	30.2%
Sauces	33.6%
Fresh pasta	33%

United States	23.5%
Canada	35%
Germany	9.6%

Other factors also contributed towards the growth achieved by this division, namely: an aggressive innovation policy with a portfolio geared mainly towards products with a high value added and a sound advertising strategy, increasing our investment in advertising to €55 million, up 13% on 2009.

The three companies comprising this division have also continued to align their brands with the concepts of healthy eating and convenience and have launched new ranges of products on the market.

New World Pasta developed a variety of quick cooking rice for the US market which it has put on the market under the Ronzoni®, San Giorgio®, Creamette®, Skinner® and American Beauty® brands, which has already cornered 22% of the market. It also continued working on the category of vegetable pastas which it put on the market last year under the name Ronzoni Garden Delight®, extending this concept towards the east coast of the United States with remarkable success. This dedication by New World Pasta to high value added products raised the company's earnings by over 31% in 2010, since these new products fit in perfectly with the new trends in the habits of North American consumers, who are seeking a new model of nutrition based on quality, innovation, speed and health.

Panzani also launched new concepts of precooked microwave dishes ready in two minutes, under the Lustucru® brand: Lustucru lunch box and Riz á poêler, rice prepared in the frying pan and put several new varieties of sauces on the market in different formats. With the launching of all these new products, its commitment to consumers and constant concern for the quality and image of its products, the company has strengthened its leadership on the French market and, for the first time ever, it has reached an EBITDA of €81 million.

In Birkel we have continued redefining the company's strategy with a view to making it more competitive through differentiation, sacrificing volume for value. Accordingly, we have continued working on the relaunching of its most important brand: Birkel's No.1®, with three new products, which has helped it to maintain its market positions, facing up to the growth of private label brands.

From the point of view of investments, we continued to optimise our plants in North America during 2010, as a result of which we will increase their production capacity, save costs and enhance their industrial efficiency. In France we have invested €17 million in the modernisation of our dry pasta plant and started up a major project of fresh products in which we have invested €36 million.

In short, during 2010 we continued to focus our work on developing a division geared towards value added, relinquishing the more traditional categories that are less profitable as they compete directly with the private label brands. The outcome was another year in which the division has swum against the tide, managing to maintain its position on a market dominated by the price variable during the year and increase its EBITDA by 17% to €160 million.