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 2011
(Expressed in thousands of euros)

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 of Europe and North America and has a growing presence in other countries.

2011 represented an enormous challenge in terms of managing the prices of the raw materials used in the products marketed by the Ebro Foods Group, which rose sharply after the last quarter of 2010. The Company's earnings continued their upward trend, allowing it to continue investing in productivity and maintain its product differentiation and innovation strategy.

The directors' report on the consolidated financial statements includes detailed information on the business performance and activities carried on in 2011 by the different divisions or businesses composing the Ebro Foods Group.

2. 2011 ANALYSIS OF EBRO FOODS, S.A.

Distribution of dividends

On the basis of the Ebro Foods Group's consolidated profit for 2010, the shareholders at the Annual General Meeting held on 15 June 2011 resolved to distribute an ordinary dividend of EUR 0.416 per share payable in cash out of unrestricted reserves in four quarterly payments of EUR 0.104 each, on 4 April, 4 July, 3 October and 22 December 2011, for a total of EUR 64,008 thousand.

Also, and on a separate basis, the third and fourth payments of the extraordinary dividend of EUR 0.15 per share approved by the shareholders at the Annual General Meeting held on 2 June 2010 following the sale of the dairy product business in the same year were made on 4 April and 4 July 2011, respectively.

Lastly, on 15 June 2011, the Board of Directors approved the payment of an interim dividend of EUR 0.15 per share for a total maximum amount of EUR 23,080 thousand for 2011 (see Note 3). The payment of this interim dividend was made on 3 October and 22 December 2011 at EUR 0.075 per share.

Acquisition of SOS

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the Deoleo Group to acquire its rice division. Accordingly, on 31 March 2011, Ebro Foods, S.A. (Ebro) and SOS Corporación Alimentaria, S.A. (Deoleo) entered into a framework agreement for the acquisition by the Ebro Group of Deoleo's rice business in Spain, the US, Saudi Arabia and the Netherlands, and the SOS trademark worldwide. This agreement was entered into after that concluded on 30 March 2011 for the acquisition of the Saludaes trademark in Portugal. These acquisitions were made for a total final price of EUR 203.5 million.

Having received the approval of the US and Spanish competition authorities in June 2011, the acquisition of these businesses was formalised in the third quarter of 2011. Ebro Foods, S.A. acquired the "Saludaes" trademark in Portugal and the "Lassie" trademark in the Netherlands, while Deoleo's remaining rice businesses were acquired by various wholly owned subsidiaries of Ebro Foods, S.A.

The Spanish National Competition Commission approved the acquisition of SOS's rice business in Spain, subject to Ebro's commitment to licence or transfer the Nomen trademark and to sell its La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. This commitment is currently being performed and executed.

Bid for the SunRice Group

At their Annual General Meeting held on 31 May 2011, the shareholders of Ricegrowers Limited SunRice decided not to accept the takeover bid submitted by Ebro Foods, S.A. on 20 October 2010 for the acquisition of the Australian Group SunRice. In total, 67% of class A shareholders and 76% of class B shareholders voted for Ebro Foods, S.A.'s bid, so the qualified majority of 75% required in both series for the acquisition to go ahead was not reached.

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 changes in the equity of the subsidiaries.

Profit from operations amounted to EUR 139,337 thousand in 2011, as compared with EUR 166,562 thousand in 2010. This decrease was attributable to the fact that the profit from the sale of the Ebro Foods, S.A.'s dairy trademarks was recognised in 2010 and was partially offset by a substantial increase in income arising from the dividends of its subsidiaries.

Financial profit totalled EUR 4,295 thousand in 2011, as compared with a profit of EUR 302,333 thousand in 2010. As mentioned in the preceding paragraph, the change was attributable to the fact that the profit arising from the sale of shares in Puleva S.L. and Lactimilk S.L. was recognised in the previous year. The remaining items reflect a reduction in the net finance charge due to the Company's improved financial position.

Profit after tax amounted to EUR 153,554 thousand in 2011, as compared with a profit of EUR 364,160 thousand in 2010.

3. OUTLOOK FOR THE COMPANY

The earnings obtained by 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.

The Company's directors consider that the dividends established by the subsidiaries will be sufficient for Ebro Foods to obtain the profit that will 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 2011, the Company made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 2 June 2010 and 15 June 2011, notifying the Securities Market Commission accordingly pursuant to current legislation. In 2011, 4,087,972 treasury shares were acquired and 703,878 treasury shares were sold. At 2011 year-end the Company held 3,384,094 treasury shares, representing 2.199% of its share capital. At 2011 year-end no specific use had 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 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 them. 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 business, financial, credit, employment, environmental and technology risks. These risks and the policies applied in their recognition and management are described in the consolidated directors' report.

A Corporate Risk Map has been drawn up and the instruments for reducing the aforementioned risks and the main processes and controls associated therewith are currently being analysed.

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 for 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 and the Financial Department identifies and manages them in order to minimise or limit the possible impact on the Group's earnings.

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 this end it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, 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. Accordingly, a substantial part of its investment in the US is 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.

10. EVENTS AFTER THE REPORTING PERIOD

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

11. ANNUAL CORPORATE GOVERNANCE REPORT

Pursuant to the legislation currently in force, this section of the Directors' Report includes the Annual Corporate Governance Report of Ebro Foods, S.A. for 2011, required by the Spanish National Securities Market Commission.