

REPORT BY THE DIRECTORS OF EBRO FOODS, S.A. TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS CALLED FOR 14 JUNE 2011 ON FIRST CALL AND 15 JUNE ON SECOND CALL, ON THE PROPOSED AUTHORISATION FOR THE COMPANY TO BUY BACK, DIRECTLY OR INDIRECTLY, ITS OWN SHARES AND, IF APPROPRIATE, REDUCE THE CAPITAL, PURSUANT TO SECTIONS 146, 509 AND OTHER APPLICABLE PROVISIONS OF THE CAPITAL COMPANIES ACT AND TO SECTIONS 286 AND 318 OF THE SAME ACT, AS CONTEMPLATED IN ITEM FIVE ON THE AGENDA

1. PURPOSE OF THE REPORT

The purpose of this report is to explain the proposal to delegate to the Board of Directors of Ebro Foods, S.A. ("Ebro Foods" or the "Company"), in item five on the agenda, the power to reduce the capital pursuant to sections 286 and 318 of the Capital Companies Act on redeeming any treasury shares it may hold, approval of which is laid before the General Meeting of Shareholders to be held on first call on 14 June 2011 or on second call on 15 June.

Section 318 of the Capital Companies Act stipulates that the resolution to reduce the capital must be adopted by the General Meeting, subject to the requirements established for altering the Articles of Association.

Section 286 of the Capital Companies Act requires a written report by the directors justifying their proposal in order for the General Meeting to alter the Articles of Association.

2. REASONS FOR THE PROPOSAL

Under the current Capital Companies Act, which regulates trading in own shares in Chapter VI, Section Two, Sub-Section Two (sections 144 et seq), in accordance with section 509 of the same Act, public limited companies may, subject to certain requirements, buy back shares issued by the company, directly or through subsidiaries, and hold them as treasury shares.

After buying back own shares, those shares may be reduced or eliminated through the procedures established in law, among which the company may opt to redeem the shares or to sell them on the market.

Before opting for one or other of these alternatives, it is essential to assess the market conditions prevailing from time to time. For this reason and since it is

impossible to establish in advance the factors that need to be taken into account in order to make the best decision from time to time in view of the prevailing market situation, it is proposed delegating to the Board the power to assess and decide on these issues as and when the situation may arise.

The resolution to reduce the capital must therefore be very broad, delegating to the Board a number of powers that enable it to use this procedure, contemplated in law, including: (i) reduce the capital or otherwise, establishing the specific date or dates of the operations, as the case may be, taking account of any internal and external factors affecting the decision; (ii) state in each case the amount of the reduction of capital; (iii) specify the application of the amount of the reduction of capital; (iv) adapt Articles 6 and 7 of the Articles of Association in each case to reflect the new amount of capital and the new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general, adopt such resolutions as may be considered necessary to redeem the shares and reduce the capital accordingly, appointing individuals to do whatsoever may be necessary.

In addition, and pursuant to section 146.1(a) paragraph 3 of the Capital Companies Act, the proposed resolution also contemplates use of all or part of the shares bought back for direct delivery, on one or several occasions, to the company or group employees or directors.

3. PROPOSED RESOLUTION

The resolution proposed under item five on the agenda and laid before the company's shareholders at the General Meeting reads as follows:

"5. Authorisation of the Board of Directors of Ebro Foods, S.A. to buy back Ebro Foods shares, subject to the limits and requisites established in sections 146, 509 and other applicable provisions of the Capital Companies Act, establishing the limits and requirements for such acquisitions and expressly authorising the board to reduce the capital, if appropriate, on one or several occasions, in order to redeem the shares thus acquired. Delegation of powers to the board to execute this resolution.

- To authorise the board to buy back the company's own shares and authorise subsidiaries to acquire shares in the parent company, by purchase or under any other title for a consideration, on one or several occasions, subject to the conditions established in sections 146, 509 and other applicable provisions of the Capital Companies Act, namely:

- The par value of the shares acquired directly or indirectly, when added to those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.
- As a result of the acquisition, including any shares which the company, or the person acting in his own name but for the company's account, has purchased earlier and holds as treasury stock, the equity shall not fall below the amount of the capital plus legal reserves or any undistributable reserves established in the company's articles. For this purpose, equity shall be the amount recorded as such according to the principles applied when drawing up the annual accounts, less the amount of profit attributed directly to equity, plus the amount of uncalled subscribed capital and the par value and share premiums of subscribed capital recorded under liabilities.
- The shares acquired shall be fully paid up.
- The cap and floor for the acquisition shall be, respectively, equivalent to the par value of the own shares purchased and to their price on an official secondary market at the time of purchase.

By virtue of this authorisation, the board may, by direct resolution or by delegation to the executive committee or to such person or persons as the board may authorise for this purpose, buy back own shares to hold them as treasury stock, dispose of them or, as the case may be, propose their redemption to the general meeting, within the limits established in law and subject to the conditions stipulated in this resolution. This authorisation is also extended to the possibility of acquiring own shares to be delivered directly to employees or executives of the company or its group, on one or several occasions, or upon exercise of any stock options they may hold, pursuant to section 146.1(a) paragraph 3 of the Capital Companies Act.

The authorisation contemplated in this resolution is granted for no more than five years from the date of this Annual General Meeting and covers all treasury stock transactions made on the terms stipulated herein, without having to be reiterated for each purchase or acquisition, and all transfers to or earmarking of reserves made in pursuance of the Capital Companies Act.

When any acquisition is made by virtue of this authorisation, the directors will especially ensure that the conditions established at this general meeting and the requirements stipulated in the Capital Companies Act are met.

- To reduce the capital to redeem the company shares acquired by Ebro Foods or other companies in its Group, against the capital (for the par value) and unappropriated reserves (for the amount of the acquisition in excess of such par value), by such amounts as may be deemed fit from time to time, up to the maximum number of treasury shares held at any time.

- To delegate to the board the power to execute this resolution to reduce the capital, on one or several occasions, or to render it null and void, within a period not exceeding 5 years from the date of this AGM, doing whatsoever may be required by law for this purpose.

The board is especially authorised, within the times and limits established in this resolution, to: (i) reduce the capital or otherwise, establishing the specific date or dates of the operations, as the case may be, taking account of any internal and external factors affecting the decision; (ii) state in each case the amount of the reduction of capital; (iii) specify the application of the amount of the reduction of capital; (iv) adapt Articles 6 and 7 of the Articles of Association in each case to reflect the new amount of capital and the new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general, adopt such resolutions as may be considered necessary to redeem the shares and reduce the capital accordingly, appointing individuals to do whatsoever may be necessary.

The resolutions concerning treasury stock, reduction of capital and delegation to the board contemplated in this item on the agenda render null and void those adopted in this respect at the Annual General Meeting held on 1 June 2010.”

Madrid, on the twenty-seventh of April two thousand and eleven.