

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 OF THE BOARD TO INCREASE THE CAPITAL AND EXCLUDE THE PREFERENTIAL SUBSCRIPTION RIGHT, PURSUANT TO SECTIONS 286, 297, 506 AND 511 OF THE CAPITAL COMPANIES ACT, AS CONTEMPLATED IN ITEM SIX 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 six on the agenda, the power to increase the capital and exclude the preferential subscription right for issues of convertible debentures, pursuant to sections 286, 297, 506 and 511 of the Capital Companies Act, 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 297.1(b) of the Capital Companies Act provides that in public limited companies the general meeting may, subject to the requirements established for altering the Articles of Association, delegate to the directors “the power to increase the capital on one or several occasions up to a given amount, as and when and in such amount as they may decide, without previously consulting the general meeting. These increases may by no means exceed one-half of the company’s capital at the time of the authorisation and shall be made with monetary contributions within no more than five years from the date on which the general meeting passed the resolution”.

Section 297.2 provides that by virtue of this delegation, the directors are authorised to re-write the article of the Articles of Association referring to the capital, once the increase has been agreed and made.

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.

Section 506 of the Capital Companies Act establishes the following for listed companies:

“1. In listed companies, when the general meeting delegates to the directors the power to increase the capital, it may also authorise them to exclude the preferential

subscription right for the issues of shares made by virtue of that delegation if this is considered to be in the company's interests.

2. The notice of call to the general meeting containing the proposal to delegate to the directors the power to increase the capital shall also expressly include the proposal to exclude the preferential subscription right. A report by the directors justifying the proposal to delegate that power shall be made available to shareholders as from the call to the general meeting.

3. The directors' report and auditors' report backing any resolution to increase the capital based on the delegation made by the general meeting shall refer to each specific capital increase.

4. The par value of the shares to be issued plus the share premium, if any, shall correspond to the fair value deriving from the auditors' report.

These reports shall be made available to the shareholders, who shall be duly informed at the first general meeting held after the resolution to increase the capital."

Finally, section 511 of the Capital Companies Act provides as follows for listed companies that issue convertible debentures:

"1. In listed companies, when the general meeting authorises the directors to issue convertible debentures, it may also authorise them to exclude the preferential subscription right in respect of the issues of convertible debentures made by virtue of that authorisation should this be in the company's interests.

2. The notice of call to the general meeting containing the proposal to authorise the directors to issue convertible debentures shall also expressly include the proposal to exclude the preferential subscription right. A report by the directors justifying the proposal on exclusion shall be made available to shareholders as from the call to the general meeting.

3. The directors' report and auditors' report backing any resolution to increase the capital based on the delegation made by the general meeting shall refer to each specific issue.

These reports shall be made available to the shareholders, who shall be duly informed at the first general meeting held after the resolution to increase the capital."

2. REASONS FOR THE PROPOSAL

The current Capital Companies Act permits listed companies to delegate to the Board of Directors the power to resolve on one or several occasions to increase the capital and the power to exclude the preferential subscription right for issues of shares and/or convertible debentures, without previously consulting the general meeting, subject to the requirements stipulated in sections 297, 506 and 511 of that Act.

Any resolution adopted in this respect must take into account the financial position of the company from time to time and its investment and divestment policy. 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 that financial position, it is proposed delegating to the Board the power to assess and decide on these issues as and when the situation may arise.

Resolutions to increase the capital and/or issue convertible debentures must therefore be very broad, delegating to the Board a number of powers that enable it to use this procedure, contemplated in law, including the power to exclude the preferential subscription right in share issues made by virtue of this delegation should this be deemed to be in the company's interests.

3. PROPOSED RESOLUTION

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

“Authorisation of the Board of Directors of Ebro Foods, S.A. to increase the capital on one or several occasions, by such amount as it may decide up to the maximum limit permitted by law, within a period not exceeding five years, and to exclude the preferential subscription right for any such issues of shares and/or convertible debentures should this be in the company's interests. Delegation of powers to the board to execute this resolution.

- To authorise the board of directors of Ebro Foods, S.A. to increase the capital on one or several occasions, as and when it may decide, up to the maximum limit permitted by law, within a period not exceeding five years, without previously consulting the general meeting.

These capital increases may not exceed overall the sum of 46,159,617 euro, i.e. half the present capital, and must be made by monetary contributions and the issuance of ordinary shares, with or without a share premium.

The par value of the shares to be issued, plus the amount of the share premium, if any, must correspond to the fair value deriving from the auditors' report. These reports will be made available to shareholders, who will be informed thereon at the first general meeting held after the resolution to increase the capital.

- To authorise the board also to exclude the preferential subscription right for any such issues of shares and/or convertible debentures should this be in the company's interests.

- To delegate the board to execute the preceding resolution to increase the capital such that it may do so 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 necessary or required by law for this purpose.

The board is especially authorised, within the times and limits established in this resolution, to: (i) increase 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 capital increase and the par value of the new shares; (iii) resolve the exclusion of the preferential subscription right for issues of shares and/or convertible obligations if this is in the company's interests; (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 listing of the new shares issued; and (vi) in general, adopt such resolutions as may be considered necessary to issue shares and increase the capital accordingly, appointing individuals to do whatsoever may be necessary.

This delegation shall subsist on its own terms until the end of the five-year period established or until rendered void by the general meeting, even though the directors may change and without prejudice to the possible decision by the general meeting, subsequent to this delegation, to make one or several capital increases."

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