EBRO IN 2012

FINANCIAL INFORMATION

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE

ANALYSIS OF 2012

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Analysis of 2012

As announced at the end of 2011, the macro-economic situation has been somewhat bleak. Even so, there has been some room for optimism, as financial stability appears to have increased in the eurozone and the tax consolidation efforts have improved the competitiveness of the more depressed economies. There have also been some signs of improvement in confidence, although this has not yet given rise to changes in economic activity.

Nevertheless, consumption remains sluggish in the eurozone and there is strong pressure on brands and prices. In the United States, despite the upturn in private consumption and the level of debt in household economies, prices still exert a strong influence on purchase decisions.

On the commodity markets, the situation was more or less stable in the grain market, with prices falling until the summer, when the drought in the United States and uncertainties regarding the final stock of some harvests increased the pressure, forcing up the prices of certain products, especially soy and corn, although wheat prices also got caught up in the trend. Finally, with confirmation that the wheat harvest was adequate and the good final stock level, prices eased down towards the end of the year. Rice prices maintained a gentle downward trend, with a few exceptions in certain types of grain or source, due to the policies of certain governments, as in the case of Thailand, or the devastating drought affecting recent harvests in Texas; but in general, the evolution has been positive, with favourable prospects and forecasts of maximum final stocks. Among the favourable aspects, the opening of borders in Egypt and a good harvest of medium-grain rice in Australia have been particularly positive. On the other hand, as mentioned earlier, the situation in Thailand has been extremely uncertain, with off-market prices and an enormous quantity of subsidised grain, of the order of 18.5 million tonnes of paddy rice, in store.

Against this backdrop, **the Net Earnings in Continuing Operations grew by 4.5%.** With two-digit CAGR over the past three years and a profit and loss account showing growth in its main items, our financial position remains tremendously healthy, sound and balanced within the surrounding frenzy.

We achieved a 13.1% year-on-year growth in turnover, thanks to the full incorporation of the acquisitions made in 2010. This growth reflects the price and discount adjustments made in the new brand portfolio to adapt them to the Group's profitability structure, and the exclusion of the brand Nomen and other lesser brands, following the requirements stipulated by the Spanish Antitrust Authorities to sell them as a condition for approving the acquisition of the former SOS (now Deoleo) rice business in Spain.

The generation of resources, EBITDA, grew by 9.7% year on year and 5.8% CAGR over the period 2010-2012. The greatest boost came from the rice business, since on the one hand the incorporation of the purchases from Deoleo contributed €27 million and on the other the Riviana business in the USA has achieved a highly satisfactory 19.4% growth.

The most significant financial highlights of the Group are shown below:

CONSOLIDATED FIGURES	2010	2011	2011-2010	2012	2011-2012	CAGR 2012-2010
Net turnover	1,688,957	1,804,111	6.8%	2,041,266	13.1%	9.9%
EBITDA	267,479	273,106	2.1%	299,576	9.7%	5.8%
% Turnover	15.8%	15.1%		14.7%		
EBIT	211,573	224,022	5.9%	242,295	8.2%	7.0%
% Turnover	12.5%	12.4%		11.9%		
Profit before tax	192,504	222,393	15.5%	247,901	11.5%	13.5%
% Turnover	11.4%	12.3%		12.1%		
Tax	(63,532)	(70,750)	(11.4%)	(89,450)	(26.4%)	18.7%
% Turnover	(3.8%)	(3.9%)		(4.4%)		
Consolidated earnings (Continuing operations)	128,972	151,643	17.6%	158,451	4.5%	10.8%
% Turnover	7.6%	8.4%	0.0%	7.8%	0.0%	
Net earnings on discontinued operations	259,970	0		0		(100.0%)
% Turnover	15.4%	0.0%	0.0%	0.0%	0.0%	
Net profit	388,797	151,542	(61.0%)	158,592	4.7%	(36.1%)
% Turnover	23.0%	8.4%		7.8%		
Average current assets	237,222	252,916	(6.6%)	337,378	(33.4%)	
Capital employed	995,309	1,007,686	(1.2%)	1,212,424	(20.3%)	
ROCE **(1)**	21.3	22.2		20.0		
Capex	69,617	66,596	(4.3%)	52,930	(20.5%)	
Average headcount	4,850	4,920	1.4%	4,884	(0.7%)	

	31-12-10	31-12-11	2011-2010	2012	2012-2011
Equity	1,592,743	1,587,298	(0.3%)	1,692,209	6.6%
Net Debt	17,600	390,073	2116.3%	244,804	(37.2%)
Average Debt	378,336	139,157	(63.2%)	294,114	111.4%
Leverage **(2)**	0.24	0.09		0.17	
Total Assets	2,885,030	2,710,608		2,719,717	

(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)

The profitability measured by the EBITDA/Sales ratio is slightly down at 14.7%, largely due to the smaller yield of the US pasta business and an impaired sales ratio in the USA of the American Rice (ARI) brands, which we are repositioning within our product portfolio.

The earnings from continuing operations improved thanks to the increase in funds generated in operations and a positive balance of non-recurring operations, partly offset by the increase in financial expense deriving from the debt acquired to purchase the Deoleo rice business.

The earnings from discontinued operations reflect the net earnings from the sale of businesses and their operations up to the effective date of sale. The most significant item within these earnings in 2010 was the proceeds from sale of the dairy business.

MAJOR INVESTMENTS DURING THE PERIOD

The like-for-like CAPEX (stripping out the investments of the discontinued operations) for the past three years is shown below:

YEAR	AMOUNT (THOUSAND €)
2010	64,691
2011	66,596
2012	52,930

Investments slowed down somewhat in 2012 as the new rice mill in Memphis was completed; the largest investments in progress correspond to the pasta division. In 2012 investments were made in the Fresh Pasta Scheme near Lyon, aiming to increase the production capacity of this category, including gnocchi for the frying pan or the new line of potato dishes. Another ambitious project begun towards the end of the year and which will require heavy investment in the future is that of rice-based ingredients.

FINANCIAL STRENGTH

Our debt position remains highly satisfactory.

CONSOLIDATED/ NET DEBT (THOUSAND EURO)	2010	2011	2011-2010	2012	2012-2011
Equity	1,592,743	1,587,298	(0.3%)	1,692,209	6.6%
Net Debt	17,600	390,073	2116.3%	244,804	(37.2%)
Average Debt	378,336	139,157	(63.2%)	294,114	111.4%
Leverage	1.1%	24.6%	2123.9%	14.5%	(41.1%)
Leverage AD **(1)**	23.8%	8.8%	(63.1%)	17.4%	98.3%
EBITDA	267,479	273,106	2.1%	299,576	9.7%
Coverage	0.07	1.43		0.82	

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

The coverage is outstanding, affording the Group enormous investment capacity and room for organic or inorganic growth. The variations in the debt level are shown in the following table indicating the generation of free cash flow:

CONSOLIDATED (THOUSAND EURO)	2010	2011	2012
Cash flows from operating activities	199,490	58,496	220,734
Cash flows from investing activities	531,126	(253,662)	(37,029)
Cash flows from financing activities	(95,401)	(177,232)	(44,296)
Free cash flow	635,215	(372,398)	139,409

In 2011 the hike in raw material prices consumed a large part of the cash from operating activities, owing to the increase in working capital, which is at more normal levels this year. The huge variations in other lines correspond to the sale or purchase of businesses (investing activities) and the payment of dividends or trading with own equity instruments (financing activities).

INFORMATION ON THE CORE BUSINESSES

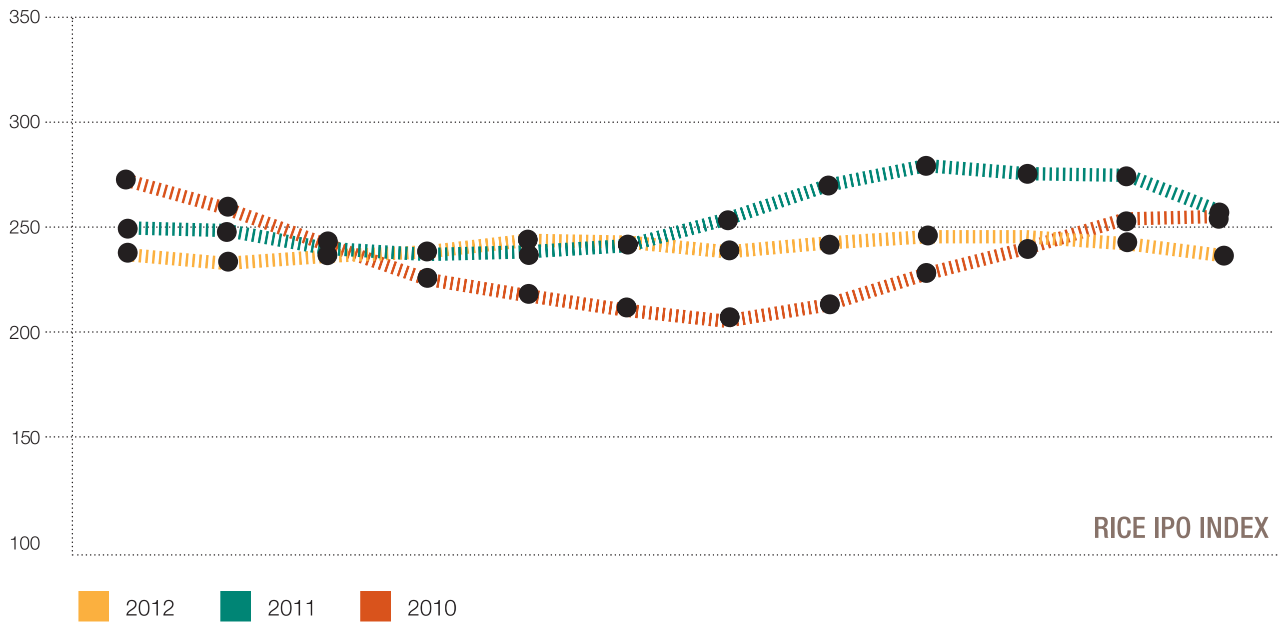
Rice

RICE BUSINESS (THOUSAND EURO)	2010	2011	2011-2010	2012	2011-2012	CAGR 2012-2010
Net turnover	811,558	920,752	13.5%	1,105,738	20.1%	16.7%
EBITDA	123,263	135,953	10.3%	161,035	18.4%	14.3%
EBIT	99,019	113,698	14.8%	133,927	17.8%	16.3%
Operating profit	103,024	103,056	0.0%	130,021	26.2%	12.3%
Average current assets	181,782	231,686	(27.5%)	298,822	(29.0%)	
Capital employed	506,347	582,158	(15.0%)	729,081	(25.2%)	
ROCE	19.6	18.8		18.4		
Capex	37,855	26,950	(28.8%)	19,105	(29.1%)	

Prices were somewhat unstable during the year with world production at record levels. The latest harvest of long-grain rice in Europe, South America and the United States was somewhat smaller, but the possibilities of importing from other sources checked local tensions and the pressure from the drought in the United States, especially in Texas, or the price limitations in Thailand.

There have been changes in the list of largest exporters, traditionally topped by Thailand whereas India and Vietnam have now taken the lead, and the inclusion of countries such as Egypt, providing stability for medium-grain prices.
Division sales increased thanks to the contributions of new businesses (€196 million) and the impact of the exchange rate on sales made in dollars, and were reduced by the decline in industrial sales owing to the reduced availability of Spanish paddy rice. In the retail section, after stripping out the smaller contribution by the Nomen brand, like-for-like sales figures were more or less on a par with the previous year.

The division EBITDA grew by €25 million, up 18.4% year on year, of which €12 million corresponded to SOS and a further €12 million to the growth of Riviana, which obtained its best ever result. On the other hand, the contribution of the Nomen brand was lost, estimated at around €5 million a year, while the ARI contribution rose by about the same amount.



The results posted by Riviana were achieved with the enhanced efficiency of its Memphis plant, now operating at full capacity, the growth in volume of the Ready to Serve (RTS) line, the local production of which has been successfully developed, and the improved yield of wild rice and by-products, thanks to an interesting supply positioning strategy.

The slight decline in ROCE is due to the smaller yield of the ARI business in the United States, although it has a clear upside for two reasons: the forthcoming repositioning of its brands and the export potential of the Abu Bint brand.

The principal investments made in this division correspond to the purchase of equipment to improve productivity at the Memphis plant (4 million dollars) and those made in the ingredients project in the Netherlands (3.5 million euro).

Pasta

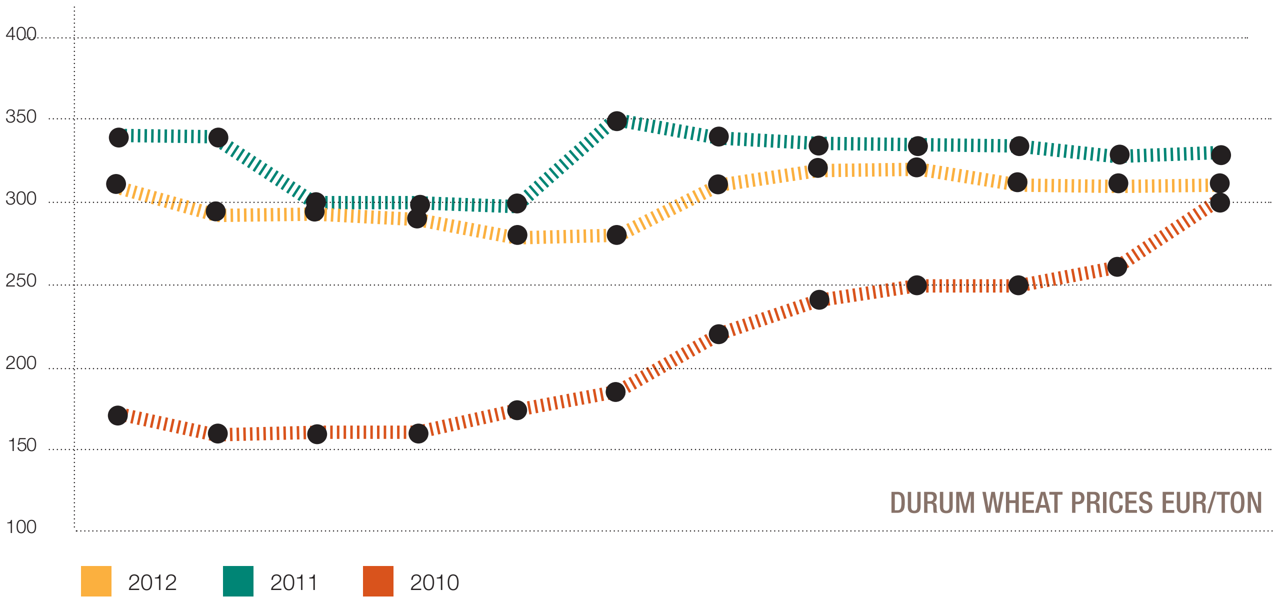
PASTA BUSINESS (THOUSAND EURO)	2010	2011	2011-2010	2012	2011-2012	CAGR 2012-2010
Net turnover	916,101	928,297	1.3%	982,226	5.8%	3.5%
EBITDA	160,484	144,457	(10.0%)	145,370	0.6%	(4.8%)
EBIT	133,741	119,064	(11.0%)	116,634	(2.0%)	(6.6%)
Operating profit	122,806	107,798	(12.2%)	108,002	0.2%	(6.2%)
Average current assets	60,427	69,173	(14.5%)	90,115	(30.3%)	
Capital employed	442,061	456,917	(3.4%)	520,880	(14.0%)	
ROCE	30.3	26.1		22.4		
Capex	32,652	38,095	16.7%	33,574	(11.9%)	

Durum wheat prices remained fairly stable, sliding very slightly up to the summer, when pressure began from other crops such as soy and corn. Despite this, a better harvest than in the previous year in the United States and Canada restored the situation to normal, closing the price gap with other varieties, although prices are still high.

The two business units in this division fared very differently during the year. While Panzani, in Europe, led the market, achieving volume growth in practically all its products, New World Pasta (NWP) came up against a contrasting strategy by its rivals in the United States, which generated a price gap that impaired our shelf position.

The performance of the two markets also contrasted, with 2.3% growth in dry pasta and 3.4% in fresh pasta in France, compared to a 3.4% decline in the dry pasta segment in the USA. It should be noted that the market shares of private label and bargain products increased on both markets.

As a result of the situation mentioned above, although the outstanding performance of Panzani has resulted in increased product sales and the incorporation of the NoYolks and Wacky Mac brands has been completed successfully, the contribution of this area has barely varied in respect of the previous year.



The division EBITDA rose by 0.6%, although the average CAGR is down 4.8% due to the smaller contribution by NWP in the last two years, since in 2010 it had posted excellent results. After deep reflection on the situation, the group decided to change the strategy, involving a change of part of the management team, closing the price gap that was denting volume sales in the USA and implementing several costly promotion activities with a smaller long-term effect.

The CAPEX corresponds mostly to plant for improving the capacity and productivity of free products (€8 million), the purchase of land for a fresh product plant near Lyon (€5 million) and the work to complete installation of the new pasta lines in Saint Louis.