FINANCIAL STATEMENTS AND MANAGEMENT REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2014

EBRO FOODS, S.A.

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EBRO FOODS, S.A.
BALANCE SHEET AT DECEMBER 31, 2014 AND 2013
Thousands of euros

ASSETS	Note	Dec. 31, 2014	Dec. 31, 2013
A) NON-CURRENT ASSETS		**1,562,737**	**1,521,482**
I. Intangible assets	**5**	**8,226**	**8,333**
3. Patents, licenses and trademarks		7,866	7,866
5. Computer software		360	467
II. Property, plant and equipment	**6**	**1,251**	**1,630**
1. Land and buildings		503	514
2. Plant and other items		748	1,116
III. Investment properties	**7**	**12,020**	**12,081**
1. Land		7,276	7,276
2. Buildings		4,744	4,805
IV. Non-current investments in group companies and associates	**8**	**1,506,049**	**1,404,934**
1. Equity instruments		1,505,850	1,404,737
2. Loans to companies	**8 & 17**	199	197
V. Non-current financial assets	**9**	**26,253**	**71,412**
1. Equity instruments		693	46,132
2. Loans to third parties		25,413	25,133
5. Other financial assets		147	147
VI. Deferred tax assets	**15**	**8,938**	**23,092**
B) CURRENT ASSETS		**19,575**	**17,152**
III. Trade and other receivables	**9 & 10**	**14,583**	**13,526**
1. Trade receivables		696	841
2. Trade receivables from group companies and associates	**17**	8,872	4,311
3. Other receivables		8	8
4. Receivable from employees		97	52
5. Current tax assets	**15**	4,343	7,179
6. Other amounts receivable from public authorities	**15**	567	1,135
V. Current financial assets	**9**	**905**	**1,770**
2. Loans to third parties		905	1,770
VI. Prepayments for current assets		**0**	**21**
VII. Cash and cash equivalents	**11**	**4,087**	**1,835**
1. Cash		4,087	1,835
TOTAL ASSETS		**1,582,312**	**1,538,634**

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2014.

EBRO FOODS, S.A.
BALANCE SHEET AT DECEMBER 31, 2014 AND 2013
Thousands of euros

EQUITY AND LIABILITIES	Note	Dec. 31, 2014	Dec. 31, 2013
A) EQUITY		**908,397**	**955,919**
A.1) CAPITAL AND RESERVES	**12**	**908,252**	**942,352**
I. Capital		**92,319**	**92,319**
1. Issued capital		92,319	92,319
II. Share premium		**5**	**5**
III. Reserves		**773,474**	**841,686**
1. Legal and statutory reserves		18,464	18.464
2. Other reserves		755,010	823.222
IV. Own shares and own equity holdings		**(277)**	**0**
VII. Profit for the year		**42,731**	**8,342**
VIII. Interim dividend		**0**	**0**
A.2) VALUATION ADJUSTMENTS		**145**	**13,567**
-			
B) NON-CURRENT LIABILITIES		**464,945**	**513,539**
I. Non-current provisions	**14**	**10,681**	**2,372**
1. Non-current employee benefit obligations		1,661	2,372
4. Other provisions		9,020	0
II. Non-current borrowings	**9**	**132,873**	**210,081**
2. Bank borrowings	**13**	128,061	210,069
4. Derivatives	**9**	4,800	0
5. Other financial liabilities		12	12
III. Non-current payables, group companies and associates	**17**	**290,818**	**252,783**
IV. Deferred tax liabilities	**15**	**30,573**	**48,303**
C) CURRENT LIABILITIES		**208,970**	**69,176**
III. Current borrowings:	**9**	**196,382**	**36,372**
2. Bank borrowings	**13**	191,124	36,314
5. Other financial liabilities		5,258	58
IV. Current payables, group companies and associates	**17**	**3,884**	**23,211**
V. Trade and other accounts payable:	**9**	**8,704**	**9,593**
1. Trade payables		3,035	2,830
2. Trade payables, group companies and associates		80	165
4. Employee benefits payable		3,104	3,002
5. Current income tax liabilities	**15**	0	0
6. Other payables to public authorities	**15**	2,185	3,596
7. Advances from customers		300	0
TOTAL EQUITY AND LIABILITIES		**1,582,312**	**1,538,634**

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2014.

EBRO FOODS, S.A. INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 Thousands of euros CONTINUING OPERATIONS	Note	2014	2013
Revenue		**61,484**	**18,314**
Services rendered		5,285	5,106
Dividends from group companies and associates	**8 & 17**	56,197	13,205
Finance income from group companies	**17**	2	3
Other operating income		**4,639**	**2,965**
Non-trading and other operating income		4,639	2,965
Employee benefits expense		**(10,346)**	**(9,958)**
Wages and salaries		(8,337)	(8,112)
Employee benefits		(1,092)	(1,136)
Termination benefits		(157)	(22)
Provisions		(760)	(688)
Other operating expenses		**(16,328)**	**(7,179)**
External services		(7,141)	(6,793)
Levies		(378)	(382)
Losses on, impairment of and changes in trade provisions		0	(1)
Other operating expenses	**14**	(8,809)	(3)
Depreciation and amortization	**5, 6 & 7**	**(897)**	**(1,169)**
Surplus provisions	**14**	**0**	**3,403**
Impairment of and gains/(losses) on disposal of fixed assets		**6**	**1**
Impairment and losses	**5**	0	0
Gains/(losses) on disposals	**5 & 7**	6	1
OPERATING PROFIT		**38,558**	**6,377**
Finance income		**919**	**1,296**
From marketable securities and other financial instruments:			
From third parties		919	1,296
Finance costs		**(6,299)**	**(5,786)**
Borrowings from group companies and associates	**17**	(3,188)	(3,169)
Third-party borrowings		(3,111)	(2,617)
Change in fair value of financial instruments		**(4,800)**	**0**
Held-for-trading portfolio and other securities	**9**	(4,800)	0
Exchange differences	**9**	**(1,905)**	**524**
Impairment of and gains/(losses) on disposal of financial assets		**12,707**	**523**
Impairment and losses	**8**	(1,296)	(1,512)
Gains/(losses) on disposals	**9**	14,003	2,035
NET FINANCE INCOME/(COST)		**622**	**(3,443)**
PROFIT BEFORE TAX		**39,180**	**2,934**
Income tax	**15**	**3,551**	**5,408**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**42,731**	**8,342**
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations, net of income tax		**0**	**0**
PROFIT FOR THE YEAR		**42,731**	**8,342**

The accompanying notes 1 to 20 are an integral part of the income statement for the year ended December 31, 2014.

EBRO FOODS, S.A. **STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR YEARS ENDED DECEMBER 31, 2014 AND 2013** Thousands of euros	**Note**	**2014**	**2013**
A) Profit as per income statement		**42,731**	**8,342**
Income and expense recognized directly in equity			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	**9**	(5,171)	20,398
2. Other income/expense			
II. Cash flow hedges			
III. Grants, donations and bequests received			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		1,551	(6,119)
B) Total income and expense recognized directly in equity		**(3,620)**	**14,279**
Amounts reclassified to profit or loss			
VI. Measurement of financial instruments			
1. Available-for-sale financial assets	**9**	(14,003)	(2,035)
2. Other income/expense			
VII. Cash flow hedges			
VIII. Grants, donations and bequests received			
IX. Tax effect		4,201	611
C) Total amounts reclassified to profit or loss		**(9,802)**	**(1,424)**
TOTAL RECOGNIZED INCOME AND EXPENSE (A + B + C)		**29,309**	**21,197**

The accompanying notes 1 to 20 are an integral part of the statement of recognized income and expense for the year ended December 31, 2014.

EBRO FOODS, S.A.
STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Thousands of euros	Capital	Share premium	Reserves	Own shares	Retained earnings	Profit for the year	Interim dividend	Other equity instruments	Valuation adjustments	Grants, donations and bequests received	TOTAL
BALANCE AT DEC. 31, 2012	**92,319**	**5**	**930,472**	**0**	**0**	**3,533**	**0**	**0**	**713**	**0**	**1,027,042**
I. Restatements for changes in accounting criteria											0
II. Restatements for prior-year errors											0
RESTATED BALANCE AT JAN. 1, 2013	**92,319**	**5**	**930,472**	**0**	**0**	**3,533**	**0**	**0**	**713**	**0**	**1,027,042**
I. Total recognized income and expense						**8,342**			**12,855**		**21,197**
II. Transactions with shareholders and owners:	**0**	**0**	**(88,786)**	**0**	**0**	**(3,533)**	**0**	**0**	**(1)**	**0**	**(92,320)**
- Dividend distribution			(92,319)								(92,319)
- Transactions with own shares (net)											0
- Other transactions with shareholders			3,533			(3,533)			(1)		(1)
III. Other changes in equity											**0**
CLOSING BALANCE AT DEC. 31, 2013	**92,319**	**5**	**841,686**	**0**	**0**	**8,342**	**0**	**0**	**13,567**	**0**	**955,919**
I. Restatements for changes in accounting criteria											0
II. Restatements for prior-year errors											0
RESTATED BALANCE AT JAN. 1, 2014	**92,319**	**5**	**841,686**	**0**	**0**	**8,342**	**0**	**0**	**13,567**	**0**	**955,919**
I. Total recognized income and expense						**42,731**			**(13,422)**		**29,309**
II. Transactions with shareholders and owners:	**0**	**0**	**(68,212)**	**(277)**	**0**	**(8,342)**	**0**	**0**	**0**	**0**	**(76,831)**
- Dividend distribution			(76,932)								(76,932)
- Transactions with own shares (net)			378	(277)							101
- Other transactions with shareholders			8,342			(8,342)					0
III. Other changes in equity											**0**
CLOSING BALANCE AT DEC. 31, 2014	**92,319**	**5**	**773,474**	**(277)**	**0**	**42,731**	**0**	**0**	**145**	**0**	**908,397**

The accompanying notes 1 to 20 are an integral part of the statement of total changes in equity for the year ended December 31, 2014.

EBRO FOODS, S.A. STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 Thousands of euros	Note	2014	2013
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**34,571**	**(2,802)**
1. Profit for the year before tax		**39,180**	**2,934**
2. Adjustments for:		**(46,430)**	**(11,312)**
a) Depreciation and amortization (+)	5, 6 & 7	897	1,169
b) Impairment charges (+/-)	8	1,296	1,512
c) Changes in provisions (+/-)	14	9,500	688
e) Gains (losses) on derecognition and disposal of fixed assets (+/-)	7	(6)	(1)
f) Gains (losses) on derecognition and disposal of financial instruments (+/-)	8	(14,003)	(2,035)
g) Finance income (-)		(921)	(1,299)
h) Finance costs (+)		11,099	5,786
i) Exchange differences (+/-)	9.1	1,905	(524)
k) Other income and expenses (+/-)		(56,197)	(16,608)
3. Change in working capital		**(10,867)**	**(9,135)**
b) Trade and other accounts receivable (+/-)		(6,874)	(1,502)
c) Other current assets (+/-)		886	0
d) Trade and other payables (+/-)		(4,879)	(2,338)
f) Other non-current assets and liabilities (+/-)		0	(5,295)
4. Other cash flows from operating activities		**52,688**	**14,711**
a) Interest paid (-)		(4,179)	(4,224)
b) Dividends received (+)		56,197	13,205
c) Interest received (+)		2	0
d) Income tax receipts (payments) (+/-)		3,508	5,730
e) Other payments/receipts (-/+)		(2,840)	0
CASH FLOWS USED IN INVESTING ACTIVITIES		**(16,844)**	**(10,654)**
6. Payments for investments (-)		**(58,628)**	**(20,098)**
a) Group companies and associates		(58,255)	(19,979)
b) Intangible assets		(189)	(53)
c) Property, plant and equipment	6	(184)	(66)
7. Proceeds from disposals (+)		**41,784**	**9,444**
b) Intangible assets		1,479	2,875
c) Property, plant and equipment		37	2,400
e) Other financial assets		40,268	4,169
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(15,475)**	**13,985**
9. Proceeds from and payments for equity instruments		**99**	**0**
c) Acquisition of own equity instruments (-)		(11,804)	0
d) Disposal of own equity instruments (+)		11,903	0
10. Proceeds from and repayment of financial liabilities		**61,358**	**106,304**
a) Issuance of:		**262,385**	**317,609**
2. Bank borrowings (+)		80,000	79,190
3. Borrowings from group companies and associates (+)		182,385	238,419
b) Repayment and amortization of:		**(201,027)**	**(211,305)**
2. Bank borrowings (-)		(37,925)	(55,496)
3. Borrowings from group companies and associates (-)		(163,102)	(155,809)
11. Dividends and payments on other equity instruments		**(76,932)**	**(92,319)**
a) Dividends (-)		(76,932)	(92,319)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		**0**	**0**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,252**	**529**
Cash and cash equivalents, opening balance		**1,835**	**1,306**
Cash and cash equivalents, closing balance		**4,087**	**1,835**

The accompanying notes 1 to 20 are an integral part of the statement of cash flows for the year ended December 31, 2014.

1. CORPORATE INFORMATION

Ebro Foods, S.A., a Spanish public limited company (*sociedad anónima*), hereinafter, the Company, was created by the merger by absorption of Puleva S.A. into Azucarera Ebro Agrícolas S.A. on January 1, 2001. On the occasion of that transaction, Azucarera Ebro Agrícolas, S.A.'s name was changed to Ebro Puleva, S.A. Later, at the Annual General Meeting of June 1, 2010, its registered name was changed again to its current name: Ebro Foods, S.A.

The Company's current registered office is in Madrid (28046), at Paseo de la Castellana, 20. The Company's corporate object is to perform the following business activities in Spanish and foreign markets:

a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, rice, pasta, sauces and all manner of nutritional products.

b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.

c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration cabinets, ice, industrial gas, steam, cold and energy.

d) The acquisition, lease, creation, installation, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.

e) The performance of projects and installation work and the provision of all manner of technical assistance to other companies in the aforementioned industries; the creation, development, protection and use of patents, trademarks and other assets susceptible to intellectual property protection.

f) Staff training, computer programming or management, investment and monetization of resources, advertising and image, transport, distribution and sale and marketing activities that are ancillary or complementary to the aforementioned activities.

The activities comprising the corporate object may be carried on through the subscription or acquisition of shares or other equity interests in companies with an identical or similar corporate purpose.

Ebro Foods, S.A. is the parent of a consolidated group comprising it and its subsidiaries and associates with which it has separately presented consolidated financial statements for 2014, which were authorized for issue by the Board of Directors of Ebro Foods, S.A. on March 24, 2015. The 2013 consolidated financial statements were approved at the Annual General Meeting held by Ebro Foods, S.A. on June 4, 2014 and duly filed with Madrid's Companies Register.

This fact should be taken into consideration in assessing the working capital position typical of year-end in the separate annual financial statements of Ebro Foods, S.A., which, as the group's parent company, has the option of financing itself via dividends, among other alternatives.

The key figures contained in the 2014 and 2013 consolidated financial statements, which were drawn up in accordance with Final Provision Eleven of Spanish Law 62/2003, of December 30, 2003, under the International Financial Reporting Standards approved by the European Commission, are replicated below:

Thousands of euros	At Dec. 31, 2014		At Dec. 31, 2013	
Total assets		**3,162,068**		**2,772,680**
Equity:		**1,873,805**		**1,728,263**
- Attributable to equity holders of the parent	1,849,485		1,705,757	
- Attributable to non-controlling interests	24,320		22,506	
Revenue		**2,120,722**		**1,956,647**
Profit for the year:		**149,119**		**133,982**
- Attributable to equity holders of the parent	146,013		132,759	
- Attributable to non-controlling interests	3,106		1,223	

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The figures provided in these financial statements are presented in thousands of euros, unless otherwise indicated.

Financial reporting framework applicable to the Company

The accompanying financial statements were authorized for issue by the directors in keeping with the financial reporting regulatory framework applicable to Company, namely:

a) Spain’s Code of Commerce and other company law

b) The Spanish General Accounting Plan enacted by Royal Decree 1514/2007 and its sector-specific adaptations

c) The binding rules issued by the ICAC (acronym in Spanish for the Audit and Accounting Institute) enacting the General Accounting Plan and its complementary rules and regulations

d) Other applicable Spanish accounting regulations

Fair presentation

The accompanying financial statements were prepared from the Company’s accounting records in keeping with the prevailing applicable financial reporting framework and, specifically, the accounting principles and criteria contained therein, to present fairly the

Company's equity and financial position at year-end and financial performance and cash flows during the year.

These financial statements have been authorized for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2013 financial statements were approved at the Annual General Meeting held on June 4, 2014.

Comparative information

The information provided in these financial statements in respect of 2013 is presented to enable a reader comparison with the equivalent 2014 figures.

Critical issues regarding the measurement and estimation of uncertainty

The directors have prepared the Company's financial statements using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying amounts of assets and liabilities which are not readily apparent from other sources were established on the basis of these estimates. The Company reviews these estimates continually. However, given the uncertainty inherent in these estimates, there is a considerable risk that the carrying amounts of affected assets and liabilities may have to be significantly adjusted in the future should material changes occur in the assumptions, events or circumstances on which they were based.

In addition to other relevant information regarding the estimation of uncertainty at the reporting date, the key assumptions regarding the future that imply a considerable risk that the carrying amounts of assets and liabilities may require material adjustment in the next financial year, are as follows:

Taxation

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period from the date of presentation of the respective returns has elapsed. The directors believe that no significant additional tax liabilities would arise for the Company in the event of a tax inspection (note 15).

Impairment of non-financial assets

The Company tests its non-financial assets for indications of impairment annually. Intangible assets that have an indefinite useful life are tested for impairment at least annually. All other non-financial assets are tested for impairment whenever there are indications that their carrying amount may not be recoverable (notes 5, 6 and 7) and are depreciated over their remaining estimated useful lives.

Deferred tax assets

Deferred tax assets are recognized on the basis of estimates regarding the probability of occurrence and level of future taxable profits (note 15).

Provisions

The Company recognizes provisions for liabilities in keeping with the accounting policy outlined in note 4.n below. The Company has made judgments and estimates as to the likelihood that the provisioned liabilities will materialize, as well as the corresponding amounts, and has recognized provisions when the liability is deemed probable, estimating the cost that would be generated by the obligating event (note 14).

Although these estimates were made on the basis of the best information available at year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Transactions concluded in 2014 that affect the basis of presentation

The Company did not undertake any transactions in 2014 that affect the presentation or comparability of these financial statements. The transactions undertaken in prior years requiring specific disclosures in subsequent reporting periods are outlined below:

a) Merger by absorption of Productos La Fallera, S.A.:

See 2003 financial statements

b) Dissolution of Azucarera Ebro Agrícolas Gestión de Patrimonio, S.L. (GDP) transferring all of its assets and liabilities to Ebro Foods, S.A.:

See 2003 financial statements

c) Non-monetary contribution to Ebro Financial Corporate Services S.L.:

See 2012 financial statements

3. DISTRIBUTION OF PROFIT

	Amount (thousands of euros)
Basis of distribution	
Unrestricted reserves	751,463
Profit for the year (as per income statement)	42,731
	794,194

The distribution of profit proposed by the directors of Ebro Foods, S.A. at a meeting of the Board of Directors held on March 24, 2015 for submission for ratification at the upcoming Annual General Meeting is as follows:

The profit generated by the Ebro Foods Group in 2014 makes it possible, as in prior years, to propose the payment of a cash dividend, with a charge against unrestricted reserves, of 0.66 euros per share (an ordinary dividend of 0.51 euros per share and a special dividend of 0.15 euros per share), payable in the course of 2015.

The ordinary dividend will be paid out in three instalments of 0.17 euros per share on April 1, June 29 and October 2, 2015. The special dividend will be paid out in a single instalment of 0.15 euros per share on December 22, 2015.

Limitations on the distribution of dividends

The Company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount equal to at least 20% of share capital. Until this reserve surpasses 20% of capital, it cannot be distributed to shareholders (note 12.c).

Once the legal and bylaw-stipulated requirements have been met, dividends may be distributed against profit for the year or freely distributable reserves so long as the value of equity is not lower than or would not fall below share capital as a result of the distribution. For these purposes, any profit recognized directly in equity may not be distributed either directly or indirectly. If prior-year losses were to reduce the Company's equity to below the amount of share capital, profit would have to be allocated to offset these losses.

4. RECOGNITION AND MEASUREMENT POLICIES

a) Intangible assets

Intangible assets are initially measured at either acquisition or production cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment losses.

The Company assesses each intangible asset's useful life to determine whether it is finite or indefinite.

Intangible assets having finite useful lives are amortized on a straight-line basis over their remaining estimated useful lives, taking into account their residual value. Amortization methods and periods are reviewed at year-end and adjusted prospectively where applicable.

Intangible assets are tested for impairment at least at year-end and are written down where applicable. Patents, licences and trademarks are amortized on a straight-line basis over their useful lives, generally four years, as is computer software.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually (note 4.e). The assessment of these assets' indefinite useful life is also reviewed annually.

b) Property, plant and equipment

Items of property, plant and equipment are initially recognized at either acquisition or production cost. The cost of property, plant and equipment acquired in a business combination is the fair value of the assets at the acquisition date. Following initial recognition, they are carried at cost less accumulated depreciation and any impairment loss.

The cost of assets acquired or produced since January 1, 2010 that require more than one year to ready for use (qualifying assets) includes borrowing costs accrued prior to putting the assets to use whenever these expenses meet capitalization requirements.

Property, plant, and equipment likewise includes the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations trigger the recognition of provisions.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of these assets are capitalized as an increase in the carrying amount of the item.

Depreciation charges are recognized in the income statement. Assets are depreciated from when they are ready for their intended use. Items of property, plant and equipment are depreciated on a straight-line basis over their respective estimated useful lives, taking into consideration actual depreciation sustained through operation, usage and wear and tear, as follows:

Depreciation rates	
Buildings	2.0% to 3.0%
Machinery, plant and tools	2.0% to 8.0%
Furniture and other fixtures	10.0% to 25.0%
Vehicles	5.5% to 16.0%

The Company reviews its material assets' residual values, useful lives and depreciation methods at each year-end and adjusts them prospectively where applicable.

c) <u>Investment properties</u>

Investment properties comprise land and buildings that are leased to third parties or not being used for operating purposes. Buildings so classified are depreciated on a straight-line basis over an estimated useful life of 50 years.

The measurement criteria applicable to property, plant and equipment apply in full to investment properties. Transfers are made to (or from) investment property only when there is a change in use.

<u>d) Exchanges of assets</u>

Assets acquired in exchange for other assets are analyzed individually to determine whether the related transaction has commercial substance.

When the transaction has commercial substance, the asset received is measured at the fair value of the asset given up, plus any monetary compensation where applicable, except for transactions for which the evidence supporting the fair value of the asset received is better, in which case this measurement is taken. Any valuation differences arising upon derecognition of the asset given up are recognized in the income statement.

When the exchange does not have commercial substance or when the fair value of the assets exchanged cannot be reliably measured, the asset received is measured at the carrying amount of the asset given up, plus monetary consideration given, if any.

e) <u>Impairment of non-current and non-financial assets</u>

The Company assesses whether there is any indication that a non-current, financial asset or cash-generating unit may be impaired at least at each reporting date. If any indication of impairment exists, and regardless of any such indications in the case of goodwill and intangible assets with indefinite useful lives, the directors estimate the assets' recoverable amounts.

The recoverable amount of its investment properties is the higher of fair value less costs to sell and value in use. When the carrying amount exceeds the recoverable amount, the asset is considered impaired.

Value in use is the present value of expected future cash flows, discounted using risk-free market rates, adjusted for the risks specific to the asset. For those assets that do not generate cash flows that are largely independent of those of other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the assets belong.

Impairment losses and any subsequent reversals are recognized in the income statement. Impairment losses are reversed only if the circumstances giving rise to them have ceased to exist. Goodwill impairment losses are not reversed. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

f) <u>Leases</u>

Leases are classified as finance leases when, based on the economic terms of the arrangement, substantially all the risks and rewards incidental to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.

<u>Company as lessee</u>

Assets acquired under finance leases are classified as appropriate within property, plant and equipment and are measured at the lower of the fair value of the leased property and the present value of the minimum lease payments; the corresponding financial liability is recognized in the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. Leased assets are depreciated, impaired, and derecognized using the same criteria as apply to owned assets of a similar nature.

Operating lease payments are expensed in the income statement as they accrue.

<u>Company as lessor</u>

Rental income from operating leases is recognized in the income statement as accrued. Direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are expensed over the term of the lease using the same criteria as are used to recognize lease income.

g) *<u>Financial assets</u>*

1) <u>Classification and measurement</u>

1.1) Loans and receivables

The Company recognizes trade and non-trade receivables in this category, which includes financial assets with fixed or determinable payments not quoted on active markets which it expects to recover in full, except, where applicable, in cases of credit impairment.

Upon initial recognition in the balance sheet, these investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost.

Nevertheless, trade receivables that mature within less than one year from the reporting date with no contractual interest rate, as well as advances, loans to employees, deposits, dividends receivable and called-up payments on equity instruments, the amount of which is expected to be realized in the short term, are carried at nominal value both upon initial and subsequent measurement when the effect of not discounting the cash flows is not material.

1.2) Held-to-maturity investments

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments traded on active markets which the Company has the positive intention and the ability to hold to maturity.

Upon initial recognition in the balance sheet, these investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Subsequent to initial recognition, these financial assets are measured at amortized cost.

1.3) Equity investments in group companies, jointly-controlled entities and associates

This category includes investments in companies over which the Company exercises control, joint control under bylaw stipulations or by contractual arrangement, or has significant influence. These investments are initially measured on the balance sheet at fair value, which is equivalent, absent indications to the contrary, to the transaction price, which is the fair value of the consideration given plus directly attributable costs, except in relation to non-monetary contributions to a group company in exchange for a business, in which instance the investment is measured at the carrying amount of the assets and liabilities comprising the business. The initially-recognized amount of an equity investment includes preferential subscription and similar rights acquired.

Subsequent to initial recognition, these financial assets are measured at cost, less any accumulated impairment losses.

When an investment is newly classified as an investment in a group company, jointly controlled entity or associate, cost is deemed to be the investment's recognized carrying amount, and previously recognized unrealized value adjustments are left in equity until the investment is either sold or impaired.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

In the case of equity investments in group companies that give control over the subsidiary, the fees paid to legal advisors and other professionals in connection with the acquisition have been recognized directly in the income statement since January 1, 2010.

1.4) Financial assets held for trading

This category includes financial assets created or acquired for the purpose of obtaining a profit in the short term. At also includes derivatives not designated as hedging instruments for accounting purposes.

They are initially recognized at fair value which is equivalent to their transaction price, barring evidence to the contrary. Transaction costs that are directly attributable to their issuance are recognized in profit or loss.

The initially-recognized amount of an equity investment includes preferential subscription and similar rights acquired.

Subsequent to initial recognition, financial assets held for trading are carried at fair value without any deduction for transaction costs the Company may incur on sale or other disposal. Changes in fair value are recognized in profit or loss.

1.5) Available-for-sale financial assets

This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

Upon initial recognition in the balance sheet, these investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs. The initially-recognized amount of an equity investment includes preferential subscription and similar rights acquired.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to the income statement. However, foreign exchange gains and losses on monetary assets denominated in foreign currency are recognized in the income statement.

Equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

1.6) Hedging derivatives

These are derivatives that qualify for hedge accounting.

Financial instruments that have been designated as hedging instruments or hedged items are measured as described in note 4.j.

2) Derecognition

Financial assets are derecognized when the contractual rights to the related cash flows have expired or when the assets have been transferred, provided that the risks and rewards incidental to ownership have been substantially transferred.

If the Company has neither substantially transferred nor retained the risks and rewards incidental to ownership of the financial asset, it is derecognized when control over the asset is relinquished. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e. to the extent of its continuing involvement, recognizing the associated liability as well.

The difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, and the carrying amount of the asset transferred, plus any cumulative gain or loss recognized directly in equity, determines the gain or loss generated upon derecognition, and is included in the income statement for the year to which it relates.

The Company does not derecognize financial assets in respect of the sale of financial assets in which it has retained substantially the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or at the sale price plus interest, and securitizations of financial assets in which it retains subordinate financing or other types of guarantees which substantially absorb estimated losses. In these instances, it recognizes a financial liability at an amount equal to the consideration received.

3) Interest and dividend income generated by financial assets

Interest and dividends accrued on financial assets subsequent to their acquisition are recognized as income; specifically, dividends and finance income received from group companies are classified as revenue in the income statement. Interest is recognized using the effective interest rate method; dividends are recognized when the right to receive them is established.

To this end, financial assets are recognized separately upon initial measurement based on maturity, accrued explicit interest receivable at that date, and the dividends approved by the competent governing body up to the date the assets are acquired. Explicit interest refers to the contractual interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition, based on the conclusion that the amounts distributed exceed the profit generated by the investee since acquisition, the dividends are not recognized as revenue but rather as a decrease in the carrying amount of the investment.

h) Impairment of financial assets

The carrying amount of financial assets is adjusted against the income statement when there is objective evidence of an impairment loss.

To determine whether its financial assets may be impaired, the Company tests individual assets and portfolios of assets with similar risk traits for impairment.

Debt instruments

There is objective evidence that debt instruments (trade receivables, loans and debt securities) are impaired when an event has occurred after the initial recognition of the instrument that has an adverse impact on the related estimated future cash flows.

The Company designates debt instruments as impaired assets (doubtful exposures) when there is objective evidence of impairment, which refers basically to the existence of unpaid balances, contractual breaches, refinancing activity and/or other information evidencing the possibility that the total agreed-upon cash flows will not be collected on time, or at all.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the market rate prevailing upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the reporting date is used.

For trade and other receivables, the Company considers balances past due by more than six months for which collection is uncertain, as well as balances owed by counterparties that have filed for creditor protection, to be doubtful assets.

Market value is used instead of the present value of estimated future cash flows in the case of quoted instruments, provided that this is considered a sufficiently reliable proxy for fair value.

The reversal of an impairment loss is recognized in the income statement. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

Equity instruments

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in fair value. Specifically, the Company considers that its equity instruments are impaired when their quoted value has decreased by 40% or for 18 months without having recovered their initial value.

In the case of equity instruments measured at fair value and included in the available-for-sale financial asset portfolio, impairment losses are measured as the difference between acquisition cost and fair value, less any previously recognized impairment losses. Unrealized capital losses deferred in equity are recognized immediately in profit or loss whenever it is deemed that such losses reflect a decline in fair value resulting from impairment. In the case of available-for-sale equity instruments, impairment losses give rise to a new cost basis for the impaired asset that provide the benchmark going forward for determining whether the investment has sustained additional permanent impairment and recognizing the related impairment losses. If, in a subsequent period, impairment losses are partially or totally reversed, a valuation adjustment is recognized for the related amount in equity.

In the case of equity instruments measured at cost and included in 'Available-for-sale financial assets' and 'Investments in group companies and associates', impairment loss is measured as the difference between the carrying amount of the financial asset and the recoverable amount, which is the greater of the asset’s fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee’s equity adjusted for any unrealized capital gains existing on the measurement date. Impairment losses are recognized in the income statement and offset directly against the equity instrument.

For investments in group companies and associates, the reversal of an impairment loss is recognized in the income statement and is limited to the carrying amount of the investment that would have been recognized on the reversal date had the original impairment not occurred, whereas an impairment loss recognized in previous years on available-for-sale financial assets measured at cost cannot be reversed.

i) Financial liabilities

1) Classification and measurement

1.1) Debts and payables

These instruments include financial liabilities generated by the purchase of goods and services in the ordinary course of the Company's business and non-trade payables that are not derivative instruments.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, barring evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables that mature within less than one year with no contractual interest rate, as well as called-up payments on shares, payment of which is scheduled in the short term, are carried at their nominal value when the effect of not discounting the cash flows is not significant.

1.2) Financial liabilities held for trading:

This category includes financial liabilities issued with the intention of buying them back in the near term and derivative instruments that have not been designated as hedging instruments. These financial assets are recognized and measured using the same criteria as apply to financial assets held for trading.

1.3) Hedging derivatives

These are derivatives that qualify for hedge accounting. Financial instruments that have been designated as hedging instruments or hedged items are measured as described in note 4.j below.

2) Derecognition

The Company derecognizes a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged, insofar as their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of the derecognized financial asset (or part of it) and the consideration paid, including any attributable transaction costs, which extends to any asset transferred other than cash and/or any liability assumed, is recognized in the income statement in the year to which it relates.

When debt instruments are exchanged for other instruments whose contractual terms are not substantially different, the original financial liability is not derecognized and the commissions paid are recognized as a correction to the carrying amount. The new amortized cost of the financial liability is determined by applying the effective interest rate, namely that which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

j) <u>Hedge accounting</u>

The Company typically arranges fair value hedges in respect of its foreign currency-denominated accounts receivable and cash flow hedges on loans arranged at floating rates and also hedges its net investments in its US subsidiaries.

Transactions are only designated as hedges when they effectively eliminate any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that, at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and that there is sufficient evidence that the hedge will be effective throughout the life of the hedge (retrospective effectiveness).

The Company adequately documents its hedges, including how they are intended to achieve and measure effectiveness under current risk management policies.

To test its hedges for effectiveness, the Company verifies the actual results of the hedge, i.e., that the changes in the cash flows of the hedged item are offset by changes in the cash flows of its hedging instrument within a range of 80% and 125% throughout the life of the hedge, effectively delivering the forecasts established at inception.

If this correlation ceases to hold at any time, hedge accounting is discontinued and the hedges are reclassified as trading derivatives.

For measurement purposes, the Company classifies its hedges into three categories:

- Fair value hedges: These arrangements hedge the risk of variations in the fair value of accounts receivable as a result of changes in exchange rates. The changes generated by exchange differences in respect of both the hedging instrument and the hedged item are recognized in profit or loss.

- Cash flow hedges: These instruments hedge the risk of variations in cash flows attributable to changes in the interest rates borne on loans taken on. The Company uses interest rate swaps to exchange floating for fixed rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; the cumulative gain or loss is reclassified to profit or loss in the year or years in which the hedged transaction affects profit or loss.

- Hedges of net investments in foreign operations: These instruments hedge the foreign currency risk associated with the Company's net investments in its US subsidiaries. These hedges take the form of the dollar-denominated loans used to finance the acquisition of these businesses. The exchange gains and losses arising on both the hedging instrument and the US investments are recognized in profit or loss.

k) <u>Own shares</u>

Own shares are recognized at the amount of consideration delivered; they are recognized in equity (as a deduction) when they are acquired and when they are sold or cancelled no gain or loss is recognized in the income statement. The costs incurred to trade in own shares are recognized directly in equity as a deduction from reserves.

l) <u>Cash and cash equivalents</u>

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements that meet the following criteria:

- They are readily convertible to cash
- They mature within less than three months from the acquisition date
- The risk of change in value is insignificant
- They are part of the Company's standard cash management strategy

For cash flow statement purposes, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

m) <u>Grants</u>

Grants are classified as non-repayable once the terms attaching to their award have been met. They are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities by the Company until deemed non-repayable; no income is recorded until that point.

Grants received to finance specific expenses are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. Grants received to acquire property, plant and equipment are released to income in proportion to the related depreciation charges.

n) <u>Provisions and contingencies</u>

Provisions are recognized in the balance sheet when the Company has a present obligation (legal or constructive, explicit or implicit), arising from past events, settlement of which is expected to result in an outflow of resources embodying economic benefits that can be measured reliably.

Provisions are measured at the present value of the best possible estimate of the amount needed to cancel the obligation or transfer it to a third party, recognizing the increase in the carrying amount of the provision due to the passage of time as borrowing cost. Provisions due to be settled within twelve months are not discounted if the impact of not doing so is not material. Provisions are reviewed at each reporting date and adjusted to reflect the best estimate of the liability at each review date.

o) Non-current employee benefit liabilities

Under the prevailing collective bargaining agreement and other non-binding agreements, the Company is obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement, where applicable, to its permanent employees upon retirement at the legally stipulated age or early retirement. At present, the Company only has these commitments with some of its current employees.

The provision recognized for long-service bonuses represents the present value, calculated using actuarial studies performed by independent experts, of the potential future payments to these employees.

The post-employment and similar obligations have been externalized as stipulated under prevailing legislation. Since externalizing this obligation, the Company is committed to making annual contributions to the externalized pension fund in an estimated amount that is not material in respect of the universe of employees affected.

In addition, the Company grants its employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scantly material, are recognized as an expense when they are paid.

p) Income tax expense

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case it is likewise recognized in equity, and when it relates to business combinations, in which case it is recognized with a charge or credit to goodwill.

Deferred income tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in ‘Deferred tax assets' or ‘Deferred tax liabilities’ on the balance sheet, as applicable.

The Company recognizes deferred tax liabilities in respect of all taxable temporary differences, except as stipulated in prevailing legislation.

The Company recognizes deferred tax assets for all deductible temporary differences and the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, except as disallowed under prevailing legislation.

At each reporting date the Company reassesses recognized and unrecognized deferred taxes. Based on the outcome of this assessment, the Company derecognizes a previously recognized deferred tax asset if its recovery is no longer deemed probable, and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to apply in the period in which they reverse, as required by enacted tax laws, and in the manner in which it reasonably expects to recover or settle the deferred tax asset or liability, respectively.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

q) <u>Non-current assets and disposal groups held for sale</u>

The Company classifies assets as 'Non-current assets held for sale' when their carrying amount is expected to be realized through a sale transaction, rather than through continuing use, when the following criteria are met:

- They are available for immediate sale in their present condition, subject to customary terms and conditions of sale; and
- Their sale is deemed highly probable

Non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less costs to sell, except deferred tax assets, assets arising from employee benefits, and financial assets other than investments in group companies, jointly controlled entities and associates, which are measured according to specific standards. These assets are not depreciated and, where necessary, the corresponding impairment loss is recognized to ensure that their carrying amount does not exceed fair value less costs to sell.

Disposal groups held for sale are measured using the same criteria. The disposal group as a whole is then remeasured at the lower of carrying amount and fair value less costs to sell.

Related liabilities are classified as 'Liabilities associated with non-current assets held for sale'.

r) <u>Distinction between current and non-current</u>

A distinction is made between current and non-current assets and liabilities in the balance sheet. An item is classified as current if it is associated with the Company's normal operating cycle and its realization, sale or consumption is expected to occur within this cycle; falling beyond this scope, if its realization is expected to occur within twelve months of the reporting period; if it is held primarily for the purpose of trading; or if it is cash or a cash equivalent, so long as its use is not restricted for more than one year.

s) <u>Income and expense</u>

Revenue and expenses are recognized in the income statement on an accruals basis, regardless of when actual payment or collection occurs.

<u>Revenue from sales of goods and rendering of services</u>

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts, price reductions or similar promotions the Company may grant, and, where relevant, net of the interest income arising from sales financing granted. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

Revenue is recognized based on the economic substance of the transaction and only when all of the following prerequisites have been met:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods (regardless of when they are legally transferred)

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold

c) The amount of revenue can be measured reliably

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably

t) Discontinued operations

The income and expenses of discontinued operations are included in a single line item, net of the corresponding tax effect, under 'Profit/(loss) for the year from discontinued operations, net of income tax'. This heading also includes the after-tax gain or loss recognized upon measuring the assets or disposal groups constituting the discontinued operation at fair value less costs to sell.

u) Foreign currency transactions

The Company's functional and presentational currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting from settlement of balance sheet items are recognized in the income statement in the year in which they arise.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction. As an exception, as indicated in note 4.j above, valuation adjustments deriving from the impact of exchange rate movements on the Company's US subsidiaries are recognized by restating the value of these net investments with a credit or charge in profit or loss.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss is similarly recognized in equity; conversely, when the gain or loss is recognized in profit or loss, any exchange component is recognized in the income statement.

v) Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental legislation are expensed in the year to which they relate, unless they correspond to the purchase of assets for the purpose of long-standing use in its business operations whose main use is to minimize environmental damages and/or enhance environmental protection, in which case they are recognized in the corresponding heading within 'Property, plant and equipment' and are depreciated using the same criteria as other assets so classified.

x) Severance

Under prevailing legislation, the Company is obliged to pay severance to employees that are discontinued under certain circumstances. Termination benefits that can be reasonably estimated are recognized as an expense in the year in which the redundancy decision is taken.

y) Related-party transactions

The Company conducts all related party transactions on an arm's length basis. In addition, its transfer prices are duly documented so that the Company's directors do not believe there is a significant risk of related liabilities going forward.

(Thousands of euros)

5. INTANGIBLE ASSETS

The reconciliation of the carrying amounts of the various items comprising intangible assets at the beginning and the end of 2014 and 2013 is as follows:

Carrying amounts	Trademarks & patents	Computer software	Total
Balance at December 31, 2012	7,868	910	**8,778**
Balance at December 31, 2013	7,866	467	**8,333**
Balance at December 31, 2014	7,866	360	**8,226**

Gross carrying amounts	Trademarks & patents	Computer software	Total
Balance at December 31, 2012	**13,112**	**2,230**	**15,342**
Business combination			0
Additions		53	53
Decreases			0
Translation differences			0
Transfers	(2)	2	0
Balance at December 31, 2013	**13,110**	**2,285**	**15,395**
Business combination			0
Additions		189	189
Decreases			0
Translation differences			0
Transfers			0
Balance at December 31, 2014	**13,110**	**2,474**	**15,584**

Amortization and impairment charges	Trademarks & patents	Computer software	Total
Balance at December 31, 2012	**(5,244)**	**(1,320)**	**(6,564)**
Business combination			0
Additions		(498)	(498)
Decreases			0
Translation differences			0
Transfers			0
Balance at December 31, 2013	**(5,244)**	**(1,818)**	**(7,062)**
Business combination			0
Additions		(296)	(296)
Decreases			0
Translation differences			0
Transfers			0
Balance at December 31, 2014	**(5,244)**	**(2,114)**	**(7,358)**

At year-end 2014, the Company had patents and trademarks with an original cost of 1,648 thousand euros (year-end 2013: 1,648 thousand euros) and computer software with an original cost of 1,280 thousand euros (year-end 2013: 1,105 thousand euros) still in use that were fully amortized.

None of the Company's intangible assets is located outside Spain other than the Portuguese brand “Saludaes” and the Dutch brand “Lassie”, acquired in 2011. The Company was not party to any firm commitments for the acquisition of intangible assets at either year-end.

There were no major movements in intangible assets in either reporting period.

In 2014, the Company recognized 296 thousand euros of amortization charges in respect of these intangible assets (2013: 498 thousand euros); it did not recognize any impairment losses on these assets in either reporting period.

The recoverable amount of these trademarks and brands was determined by calculating their value in use, using cash flow projections that are based on budgets that cover a five-year horizon and are then projected for another five years. The rates used to discount these assets' projected cash flows in 2014 were 5.9% in Netherlands (2013: 6.2%) and 7.8% in Portugal (10.1%), depending on the business market of each brand. Cash flows beyond the initial 5-year budget horizon were extrapolated using the corresponding units' medium to long-term growth rates, which are typically between 1.4% and 1.5% (0.8% - 1.5% in 2013), depending on the business.

With respect to the assumptions used to calculate these brands' value in use, management believes that no reasonably-possible change in the key assumptions used would cause their carrying amounts to significantly exceed their recoverable amounts, indicating the need to recognize additional impairment losses.

(Thousands of euros)

6. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amounts of the various items comprising property, plant and equipment at the beginning and the end of 2014 and 2013 is as follows:

Carrying amounts	Land	Buildings	Plant and other PP&E	PP&E under construction & prepayments	**Total**
Balance at December 31, 2012	307	219	1,648	0	**2,174**
Balance at December 31, 2013	307	207	1,116	0	**1,630**
Balance at December 31, 2014	307	195	749	0	**1,251**

Gross carrying amounts	Land	Buildings	Plant and equipment	PP&E under construction	Total
Balance at December 31, 2012	**307**	**1,150**	**4,514**	**0**	**5,971**
Additions			66		66
Decreases					0
Transfers		(1)	1		0
Balance at December 31, 2013	**307**	**1,149**	**4,581**	**0**	**6,037**
Additions			184		184
Decreases			(41)		(41)
Transfers					0
Balance at December 31, 2014	**307**	**1,149**	**4,724**	**0**	**6,180**

Accumulated depreciation	Land	Buildings	Plant and equipment	PP&E under construction	Total
Balance at December 31, 2012	**0**	**(931)**	**(2,866)**	**0**	**(3,797)**
Additions		(11)	(599)		(610)
Decreases					0
Transfers					0
Balance at December 31, 2013	**0**	**(942)**	**(3,465)**	**0**	**(4,407)**
Additions		(12)	(528)		(540)
Decreases			18		18
Transfers					0
Balance at December 31, 2014	**0**	**(954)**	**(3,975)**	**0**	**(4,929)**

There were no movements in these assets of material amount in either reporting period.

According to the directors' estimates and projections, there are no indications that its property, plant or equipment may be impaired. The Company has taken out insurance policies to cover the carrying amount of its property, plant and equipment. The breakdown at year-end of the original cost of fully-depreciated items of property, plant and equipment still in use is shown in the next table:

(Thousands of euros)

	2014	2013
Other fixtures, tools and furniture	219	211
Other items of PP&E	1,749	971

There were no firm commitments for the acquisition of material amounts of property, plant and equipment at either year-end. No material items of property, plant or equipment are located outside Spain.

Operating leases

The Company leases its head offices in Madrid under an agreement in force until April 6, 2018, and its Barcelona office, which it opened in 2009, under an agreement that terminates on December 1, 2018; it also leases its systems office space in Granada. These leases are rolled over automatically if neither party gives termination notice. There are no material contingent payments under these leases. Expenditure under operating leases totaled 1,145 thousand euros in 2014 (2013: 1,211 thousand euros). The future minimum payments under the Company's non-cancelable operating leases at December 31, 2014 break down as follows:

	Year-end 2014
Within one year	1,145
Between one and five years	1,905
More than five years	0
	3,050

(Thousands of euros)

7. INVESTMENT PROPERTIES

The reconciliation of the carrying amounts of the Company's investment properties at the beginning and the end of 2014 and 2013 is as follows:

Carrying amounts	Land	Buildings	**Total**
Balance at December 31, 2012	7,276	4,836	**12,112**
Balance at December 31, 2013	7,276	4,805	**12,081**
Balance at December 31, 2014	7,276	4,744	**12,020**

Gross carrying amounts	Land	Buildings	Total
Balance at December 31, 2012	**7.276**	**6.032**	**13.308**
Additions		30	30
Decreases			0
Balance at December 31, 2013	**7.276**	**6.062**	**13.338**
Additions			0
Decreases			0
Balance at December 31, 2014	**7.276**	**6.062**	**13.338**

Accumulated depreciation	Land	Buildings	Total
Balance at December 31, 2012	**0**	**(1,196)**	**(1,196)**
Additions		(61)	(61)
Decreases			0
Balance at December 31, 2013	**0**	**(1,257)**	**(1,257)**
Additions		(61)	(61)
Decreases			0
Balance at December 31, 2014	**0**	**(1,318)**	**(1,318)**

There were no material changes in this heading in either reporting period.

None of the investment properties is located outside Spain. The original cost of fully-depreciated investment properties still in use was 81 thousand euros at both year-ends. The expenses associated with these properties related to their upkeep and the related depreciation charges. Maintenance expenses totaled 337 thousand euros in 2014 (2013: 340 thousand euros). All expenses are recognized in the income statement as accrued. The Company has no contractual obligations to acquire, build on or develop its investment properties or to repair, maintain or upgrade them.

The breakdown of the future minimum payments receivable under non-cancelable operating leases at year-end is as follows:

	Year-end 2014
Within one year	115
Between one and five years	256
More than five years	0
	371

(Thousands of euros)

There are no restrictions on the realizability of the Company's investment properties or the remittance of income or proceeds of disposal.

8. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

The reconciliation of the carrying amounts of the Company's investments at the beginning and the end of 2014 and 2013 is as follows:

ITEM	BALANCE AT Dec. 31, 2012	Additions	Decreases	Transfers	BALANCE AT Dec. 31, 2013
Equity instruments in group companies	1,463,886	1,978	(13,816)	0	1,452,048
Equity instruments in associates	0	18,000	0	0	18,000
Impairment losses	(63,799)	(3,047)	1,535	0	(65,311)
	1,400,087	**16,931**	**(12,281)**	**0**	**1,404,737**
Loans to group companies	165	32	0	0	197
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,400,252**	**16,963**	**(12,281)**	**0**	**1,404,934**

ITEM	BALANCE AT Dec. 31, 2013	Additions	Decreases	Transfers	BALANCE AT Dec .31, 2014
Equity instruments in group companies	1,452,048	102,409	0	0	1,554,457
Equity instruments in associates	18,000	0	0	0	18,000
Impairment losses	(65,311)	(1,296)	0	0	(66,607)
	1,404,737	**101,113**	**0**	**0**	**1,505,850**
Loans to group companies	197	2	0	0	199
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,404,934**	**101,115**	**0**	**0**	**1,506,049**

a) Equity instruments in group companies:

The main changes in each year are as follows:

<u>IN 2014</u>

1. An increase of 21,000 thousand euros: the original cost basis of the investment in Riviana Foods Inc. (original acquisition cost) is 240,753 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising between its original cost in US dollars and its euro equivalent gives rise to adjustments in this cost basis. The corresponding adjustment in 2014 was an increase of 21,000 thousand euros that was recognized as a gain in the income statement; the accumulated net gain at year-end stood at 2,750 thousand euros.

2. An increase of 17,954 thousand euros: the original cost basis of the investment in New World Past Co. (original acquisition cost) is 285,884 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising between its original cost in US dollars and its euro equivalent gives rise to adjustments in this cost basis. The corresponding adjustment in 2014 was an increase of 17,954 thousand euros that was recognized as a gain in the income statement; the accumulated net gain at year-end stood at 2,351 thousand euros.

3. An increase of 63,455 thousand euros in the investment in Italiana Semola, S.r.l. due to the acquisition of 100% of its share capital: On June 18, 2014, Ebro Foods, S.A. acquired 52% of Italy's Garofalo through a wholly-owned subsidiary, Semola, S.r.l. This Italian company owns the Garofalo, Santa Lucia and Russo de Cicciano brands, among others, giving it a significant position in the premium dry pasta segment in Italy and other countries. The Company acquired a 52% interest, through Semola, S.r.l., for 63,455 thousand euros; it has already paid 58,255 thousand and will pay the remaining 5,200 thousand on June 30, 2015 (note 9.2). The Company financed the acquisition partially from internal funds and partially with bank borrowings.

   In addition, the Ebro Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable until May 2024) and the Ebro Group a call option (exercisable from June 2024 to May 2026). The price of these options will be determined as a function of Garofalo's average earnings metrics over a series of years, as well as other terms and conditions customary in arrangements of this nature. This put option contractually gives rise to a financial derivative for the next four years (until June 30, 2018), due to the existence of a minimum price guarantee during that period, which has been recognized as a non-current financial liability (note 9.2.b).

<u>IN 2013</u>

4. A decrease of 7,448 thousand euros: the original cost basis of the investment in Riviana Foods Inc. (acquisition cost) is 240,753 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising

between its original cost in US dollars and its euro equivalent gives rise to adjustments in this cost basis. The corresponding adjustment in 2013 was a decrease of 7,448 thousand euros that was recognized as a loss in the income statement; the accumulated net loss at year-end 2013 stood at 18,249 thousand euros.

5. A decrease of 6,368 thousand euros: the original cost basis of the investment in New World Past Co. (original acquisition cost) is 285,884 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising between its original cost in US dollars and its euro equivalent gives rise to adjustments in this cost basis. The corresponding adjustment in 2013 was a decrease of 6,368 thousand euros that was recognized as a loss in the income statement; the accumulated net loss at year-end 2013 stood at 15,603 thousand euros.

6. An increase of 1,200 thousand euros in the investment in Azucarera Energías, S.A. due to the acquisition of a 40% shareholding: Subsequent to this add-on investment, the Company's ownership interest rose to 100%.

7. An increase of 778 thousand euros due to the rights issue completed by wholly-owned subsidiary, Dosbio 2010, S.L.

b) Equity instruments in associates:

No changes in 2014. The 18,000 thousand euro increase in 2013 corresponds to the acquisition in August 2013 of 25% of Italy's Riso Scotti S.p.A., the parent company of the Scotti Group. The Scotti Group is an Italian group specialized in the production and processing of rice. It is the leading maker of risotto rice in Italy and boasts a broad portfolio of products that it sells under the Scotti brand in more than 70 markets. This portfolio includes multiple value-added products (rice and soy milk, rice biscuits, rice oils, ready meals etc.) that represent a modern take on Italian cuisine and are targeted at the premium segment. The Company's 25% interest in the Scotti Group is accounted for as an investment in an associate.

c) Non-current loans to group companies:

The Company has extended a loan to Beira Terrace Soc. de Construçoes, Ltda., a 100%-owned Portuguese subsidiary (note 17), this being the most significant item presented under this line item; the balance receivable at year-end 2014 stood at 199 thousand euros (year-end 2013: 197 thousand euros).

These loans don't have a fixed maturity and earn interest at 3-month Euribor plus 0.90% (1.5% in 2013).

d) Impairment losses:

The increases and decreases recognized in 2014 and 2013 correspond to impairment allowances on the Company's investments in Beira Terrace Soc. de Construçoes, Ltda., Ebro Germany, Gmbh., Dosbio, S.L. and Azucarera Energías, S.A.

The earnings of the companies shown in the table provided at the end of this note correspond to continuing operations except for those of Ebro Germany, Gmbh.

None of the group companies is publicly traded other than Ebro Foods, S.A.

The Company has sent its investees the notifications required under the Spanish Corporate Enterprises Act

(Thousands of euros)

The direct investments held by Ebro Foods, S.A. in group companies and associates at December 31, 2014 are:

SUBSIDIARIES AND ASSOCIATES	Investment	Impairment losses	Percentage interest	Registered office	Business activity	(a) Capital and reserves	(a) 2014 profit/(loss)	Dividend paid in 2014	Total equity	Op. profit/ (loss)
Dosbio 2010, S.L.	22,297	(13,059)	100.00%	Madrid (Spain)	Flour production	10,463	(1,216)	-	9,247	(1,582)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Agricultural holding	7,779	46	-	7,825	68
Azucarera Ebergías, S.A.	3,048	(899)	100.00%	Madrid (Spain)	Combined heat and power	1,899	257	-	2,156	238
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Tinned vegetables	31,113	194	-	31,307	(39)
Herba Foods S.L.	59,695	-	100.00%	Madrid (Spain)	Investment management	89,821	(412)	-	89,409	616
Herba Ricemills S.L	153,451	-	100.00%	Madrid (Spain)	Production and sale of rice	222,788	13,450	(49,349)	186,889	19,839
Herba Nutrición S.L	526	-	100.00%	Madrid (Spain)	Production and sale of rice	2,904	6,015	(6,000)	2,919	60
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,806	504	(501)	1,809	766
Networks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Dormant	1	0	-	1	0
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Charitable foundation	301	0	-	301	0
Ebro Financial Corporate Services, S.L.	150,003	-	100.00%	Madrid (Spain)	Financial and insurance management	153,153	852	-	154,005	(144)
Beira Terrace Soc. de Const., Ltda.	12,436	(10,952)	100.00%	Porto (Portugal)	Real estate	1,555	(71)	-	1,484	(69)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,250	42	-	1,292	120
Riviana Foods Inc. (Group) (**)	243,504	-	75.00%	Houston, Texas (USA)	Production and sale of rice	535,576	45,655	-	581,231	68,929
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	557,328	38,229	-	595,557	63,782
New World Pasta Comp. (Group)	288,236	-	100.00%	Harrisburg (USA)	Production and sale of pasta and sauces	528,978	29,257	-	558,235	43,996
Ebro Germany, Gmbh (Group) (***)	87,078	(41,697)	68.90%	Germany	Production and sale of pasta and sauces	67,241	498	-	67,739	(534)
Ebro Foods Alimentación, S.A.	1	-	100.00%	Mexico	Sale and marketing of rice	423	122	-	545	182
Pastificio Lucio Garofalo, S.r.l. (Group)	63,455	-	52.00%	Naples (Italy)	Production and sale of pasta and sauces	122,548	1,410	-	123,958	4,518
Riso Scotti, S.p.a.	18,000	-	25.00%	Milan (Italy)	Production and sale of rice	75,967	2,250	(347)	77,870	6,500
TOTAL	**1,572,457**	**(66,607)**						**(56,197)**		

(a) Whenever the subsidiary's name is followed by "(Group)", the figures pertaining to that company's capital, reserves and profit or loss refer to the consolidated figures of that investee and its own subsidiaries and associates before considering dividends paid in 2014. In order to present uniform data for the various companies and groups of companies, the capital, reserves and earnings figures are obtained applying the International Financial Reporting Standard adopted by the European Union.

(*) Ebro Foods, S.A. owns 100% of this company, 20% directly and the other 80% indirectly via Herba Foods, S.L.

(**) Ebro Foods, S.A. owns 100% of this company, 75% directly and the other 25% indirectly via wholly-owned subsidiaries of Riviana.

(***) Ebro Foods, S.A. owns 100% of this company, 68.9% directly and the other 31.1% indirectly via subsidiaries.

(Thousands of euros)

The direct investments held by Ebro Foods, S.A. in group companies and associates at December 31, 2013 are itemized below:

SUBSIDIARIES AND ASSOCIATES	Investment	Impairment losses (b)	Percentage interest	Registered office	Business activity	(a) Capital and reserves	(a) 2013 profit/(loss)	Dividend paid in 2013	Total equity	Op. profit/ (loss)
Dosbio 2010, S.L.	22,297	(11,834)	100.00%	Madrid (Spain)	Flour production	12,612	(2,149)	-	10,463	(3,106)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Agricultural holding	7,757	22	-	7,779	31
Azucarera Ebergías, S.A.	3,048	(899)	100.00%	Madrid (Spain)	Combined heat and power	1,501	398	-	1,899	369
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Tinned vegetables	30,727	386	-	31,113	226
Herba Foods S.L.	59,695	-	100.00%	Madrid (Spain)	Investment management	86,131	3,690	-	89,821	3,194
Herba Ricemills S.L	153,451	-	100.00%	Madrid (Spain)	Production and sale of rice	205,577	17,212	-	222,789	25,144
Herba Nutrición S.L	526	-	100.00%	Madrid (Spain)	Production and sale of rice	13,480	2,172	(12,748)	2,904	227
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,762	500	(457)	1,805	785
Networks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Dormant	1	0	-	1	0
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Charitable foundation	303	(2)	-	301	(2)
Ebro Financial Corporate Services, S.L.	150,003	-	100.00%	Madrid (Spain)	Financial and insurance management	151,810	1,343	-	153,153	(194)
Beira Terrace Soc. de Const., Ltda.	12,436	(10,881)	100.00%	Porto (Portugal)	Real estate	1,520	35	-	1,555	37
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,232	98	-	1,330	113
Riviana Foods Inc. (Group) (**)	222,504	-	75.00%	Houston, Texas (USA)	Production and sale of rice	437,462	36,245	-	473,707	52,245
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	523,769	34,510	-	558,279	61,612
New World Pasta Comp. (Group)	270,282	-	100.00%	Harrisburg (USA)	Production and sale of pasta and sauces	440,440	36,925	-	477,365	53,669
Birkel Teigwaren Gmbh (Group) (***)	87,078	(41,697)	68.90%	Germany	Production and sale of pasta and sauces	73,372	(7,507)	-	65,865	(10,938)
Ebro Foods Alimentación, S.A.	1	-	100.00%	Mexico	Sale and marketing of rice	334	86	-	420	113
Riso Scotti, S.p.a.	18,000	-	25.00%	Milan (Italy)	Production and sale of rice	71,998	3,969	-	75,967	7,929
TOTAL	**1,470,048**	**(65,311)**						**(13,205)**		

(Thousands of euros)

9. FINANCIAL INSTRUMENTS

9.1 Financial assets

The breakdown of financial assets, excluding investments in group companies and jointly-controlled entities (note 8), at year-end, is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (assets)	**Equity instruments**		**Debt instruments**		**Loans & receivables and derivatives**		**TOTAL**	
Categories	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					25,759	25,477	25,759	25,477
Available-for-sale financial assets:								
a) Measured at fair value	693	46,132					693	46.132
b) Measured at cost							0	0
Hedging derivatives							0	0
TOTAL	**693**	**46,132**	**0**	**0**	**25,759**	**25,477**	**26,452**	**71,609**

CURRENT FINANCIAL INSTRUMENTS (assets)	**Equity instruments**		**Debt instruments**		**Loans & receivables and derivatives**		**TOTAL**	
Categories	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					10,578	6,982	10,578	6,982
Available-for-sale financial assets:								
a) Measured at fair value							0	0
b) Measured at cost							0	0
Hedging derivatives							0	0
TOTAL	**0**	**0**	**0**	**0**	**10,578**	**6,982**	**10,578**	**6,982**

Available-for-sale financial assets

1. Investment in Deoleo, S.A.

This investment was fully sold during the first half of 2014. The investment in Deoleo, S.A. was made in December 2010, in the amount of 47,756 thousand euros, when the Company acquired 95,510,218 of this entity's shares as part of a rights issue at a cost of 0.50 euros per share. This investment gave the Company an 8.272% ownership interest in Deoleo in the wake of equity issues undertaken in 2013 (9.3% at year-end 2012).

This financial investment was carried at fair value and changes therein were recognized in equity insofar as the investment was neither impaired nor sold, at which time the fair value gains or losses would be reclassified to profit or loss.

In the wake of the impairment loss recognized in the 2012 income statement, the fair value of this investment at year-end 2013, based on its quoted shared price, was equivalent to 0.47 euros per share; the corresponding year-on-year fair value gain of 13,038 thousand euros was recognized directly in equity at December 31, 2013 (a gross gain of 18,626 thousand euros less the corresponding tax effect of 5,588 thousand euros).

This entire shareholding was sold down in a series of transactions during the first half of 2014 for an overall sum of 40,267 thousand euros. The pre-tax gain on the sale of this investment, which was recognized in the income statement under finance income in 2014, was 14,003 thousand euros (the reclassification of the pre-tax fair value gain recognized directly in equity in 2013 in the amount of 18,626 thousand less the loss generated on its sale in 2014 with respect to its carrying amount at year-end 2013).

2. Investment in Biosearch, S.A.

This financial investment is carried at fair value and changes therein are recognized in equity insofar as the investment is neither impaired nor sold, at which time the fair value gains or losses would be reclassified to profit or loss.

At year-end 2013, this investment corresponded to 1,801,000 shares of Biosearch, S.A., equivalent to a 3.121% ownership interest. At that date, this investment's fair value, based on its share price, was 1,242 thousand euros (0.690 euros per share).

The Company did not sell any shares of Biosearch, S.A. in 2014, so that at year-end, this investment continued to correspond to 1,801,000 shares of Biosearch, S.A. and a 3.121% ownership interest. At year-end 2014, the fair value of this investment, based on its share price, was 693 thousand euros, equivalent to 0.385 euros per share; in keeping with prevailing accounting standards, this decline in value from year-end 2013 was recognized directly in equity in the amount of 385 thousand euros (a 549 thousand euro gross loss less the corresponding tax effect of 164 thousand euros).

(Thousands of euros)

Loans and receivables

-	Dec. 31, 2014	Dec. 31, 2013
Non-current financial assets		
Loans to group companies (notes 8 & 17)	199	197
Loans to third parties	25,413	25,133
Long-term deposits	147	147
	25,759	25,477
Non-current financial assets		
Trade and other receivables (note 10)	9,673	5,212
Loans to third parties	905	1,770
	10,578	6,982
TOTAL	**36,337**	**32,459**

The balance of loans to third parties at both reporting dates corresponds mainly to the deferred portion of the purchase price for the Nomen brands under the agreement reached in 2012. This agreement was renegotiated in September to extend the collection term by a further two years and reduce the interest rate from 4.2% to 3.4%. The non-current portion of this vendor loan is 25,413 thousand and the current portion, 905 thousand euros. This loan accrues interest at a rate of 3.4% and the last instalment is due in September 2027. The Nomen trademarks have been pledged as collateral to guarantee repayment of this loan.

Exchange differences recognized in profit or loss for the year

The exchange differences recognized in profit or loss in 2014 and 2013 for each financial asset category are broken down below:

Exchange differences recognized in profit or loss	**Loans and receivable**		**Equity instruments in group companies**		**Loans and payable**		**TOTAL**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
- For transactions settled during the year	(136)	(314)	0	0	104	0	(32)	(314)
- For transactions pending settlement at year-end	0	0	0	0	(1,873)	838	(1,873)	838
- For foreign exchange hedges	0	0	38,954	(13,816)	(38,954)	13,816	0	0
Total expense/(income) recognized in the income statement for the year	**(136)**	**(314)**	**38,954**	**(13,816)**	**(40,723)**	**14,654**	**(1,905)**	**524**

(Thousands of euros)

9.2 Financial liabilities

The breakdown of financial liabilities at December 31, 2014 and 2013 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (liabilities)	Bank borrowings		Bonds and other marketable securities		Derivatives & other accounts payable		TOTAL	
Categories	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Debts and payables (liabilities at amortized cost)	128,061	210,069			12	12	128,073	210,081
Liabilities at fair value through profit or loss								
a) Held for trading							0	0
b) Other					4,800		4,800	0
Hedging derivatives							0	0
Total	**128,061**	**210,069**	**0**	**0**	**4,812**	**12**	**132,873**	**210,081**

CURRENT FINANCIAL INSTRUMENTS (liabilities)	Bank borrowings		Bonds and other marketable securities		Derivatives & other accounts payable		TOTAL	
Categories	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Debts and payables (liabilities at amortized cost)	191,124	36,314			11,777	6,055	202,901	42,369
Liabilities at fair value through profit or loss								
a) Held for trading							0	0
b) Other							0	0
Hedging derivatives							0	0
Total	**191,124**	**36,314**	**0**	**0**	**11,777**	**6,055**	**202,901**	**42,369**

a) Bank borrowings: See note 13.

b) Derivatives and other accounts payable

The breakdown of the financial liabilities included in this category is as follows:

Thousands of euros	2014	2013
Non-current		
Derivatives	4,800	0
Deposits	12	12
	4,812	**12**
Current		
Derivatives	0	0
Trade and other payables	6,519	5,997
Other financial liabilities	5,258	58
	11,777	**6,055**

Non-current derivatives includes the value allocated to the contractual derivative implied by the put option granted over 48% of the Garofalo pasta group (note 8.a.3). And the most significant item under other current financial liabilities is the 5,200 thousand euro vendor loan from Semola, S.r.l. (the portion of the purchase price deferred until June 30, 2015) (note 8.a.3).

c) Nature and extent of risks arising from financial instruments

The main objective of the Company's capital management policy is to guarantee a capital structure that complies with prevailing regulations in its group's operating markets. In addition, its capital management policy is designed to preserve its credit metrics and to maximize shareholder value.

The Company's business activities and operations expose it to financial risks including foreign currency and interest rate risk.

Interest rate risk: The Company is exposed to changes in market interest rates, mainly on account of its non-current payment obligations arranged at floating rates of interest. Its policy is to manage its borrowing costs by using a mix of fixed and variable rates. The goal is minimize the Company's exposure to this risk factor, to which end it tracks market rate trends exhaustively with the help of external experts.

It arranges interest-rate hedges as deemed necessary under which it agrees to swap, during specific periods, the difference between the amount of fixed and variable interest, calculated on the basis of a notional amount of principal agreed between the parties. These derivative or structured products are designed to hedge the underlying payment obligations.

Foreign currency risk: As a result of the investments made in the US, the carrying amounts of the Company's assets and liabilities are significantly exposed to changes in the USD / EUR exchange rate. The Company attempts to mitigate the impact of this structural exchange-rate risk by denominating its borrowings in US dollars. As a result, 61.3% of the Company's US investments are hedged in this manner.

At year-end 2014, non-current borrowings include two loans in an aggregate amount of 290 million US dollars (year-end 2013: 327 million euros) (note 13), while non-current borrowings from group companies include a loan of 105 million US dollars (year-end 2013: 68 million US dollars) (note 17), all of which have been designated as hedges of the Company's net investments in its US subsidiaries; they are used to hedge the Company's exposure to exchange rate risk on these investments. The gains and losses generated upon translation of these loans into euros are recognized in the income statement and exactly offset the exchange gains and losses recognized on the translation of these net investments into euros (notes 8.a & 9.1).

Liquidity risk: The Company manages the risk of a shortfall of short-term liquidity with a liquidity planning tool. This tool analyzes the maturity of the Company's financial assets and liabilities in conjunction with its operating cash flow projections. Ebro Foods, S.A. is the parent of a consolidated group comprising it and its subsidiaries and associates with which it separately presents consolidated financial statements. This fact should be taken into consideration in assessing the working capital position typical of year-end in the separate annual financial statements of Ebro Foods, S.A., which, as the group's parent company, has the option of financing itself via dividends, among other alternatives.

10. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables in 2014 and 2013 is as follows:

Thousands of euros	Dec. 31, 2014	Dec. 31, 2013
Trade receivables	696	841
Trade receivables from group companies and associates (note 17)	8,872	4,311
Other receivables	8	8
Receivable from employees	97	52
	9,673	**5,212**

Impairment allowances: The ‘Trade receivables’ balance in the table above is presented net of impairment losses. The Company did not recognize any new impairment losses against its trade receivables in 2014, nor did it use any existing provisions. In 2013 it recognized 1 thousand euros of allowances. The accumulated balance of impairment allowances was 24 thousand euros at both reporting dates.

All of the balances recognized under trade receivables are denominated in euros.

11. CASH AND CASH EQUIVALENTS

Cash equivalents are typically bank deposits with a maturity of three months or less at the time of their acquisition.

There are no restrictions on these balances.

12. CAPITAL AND RESERVES

a) Issued capital: The Company’s share capital consisted of 153,865,392 fully subscribed and paid bearer shares with a par value of 0.60 euros each at both year-ends. All shares belong to the same class and carry identical rights.

The shareholders with direct or indirect interests of more than 3% in the capital of Ebro Foods, S.A. at December 31, 2014 (2013), based on information furnished to Spain's securities market regulatory, the CNMV, and to Ebro Foods, S.A., are as follows:

- Instituto Hispánico del Arroz, S.A.: direct holder of 13,790,336 shares (13,725,601), representing a 8.963% interest (8.921%) and indirect holder, through Hispafoods Invest, S.L., of 10,707,282 shares (10,702,282), representing a 6.959% interest (6.959%). In total this shareholder holds 24,497,618 shares (24,432,883), representing a 15.921% (15.879%) shareholding.

- Sociedad Anónima Damm: indirect holder, via Corporación Económica Damm, S.A., of 15,426,438 shares (15,000,000), representing a 10.026% interest (9.749%).

- Sociedad Estatal de Participaciones Industriales: indirect holder, via Alimentos y Aceites, S.A., of 15,940,377 shares (15,940,377), representing a 10.36% interest (10.36%).

- Corporación Financiera Alba: indirect holder, via Alba Participaciones, S.A., of 15,400,000 shares (12,625,080), representing a 10.009% interest (8.205%).

- Juan Luis Gómez-Trenor Fos: indirect holder, via Empresas Comerciales e Industriales Valencianas, S.L., of 10,924,443 shares (7,847,135), representing a 7.1% interest (5.1%).

b) Share premium: The Consolidated Text of the Spanish Corporate Enterprises Act permits the use of the share premium account balance to increase share capital and provides no specific limitation with respect to its availability.

c) Legal reserve: The companies that generate a profit are required to earmark 10% of net profit for the year to a legal reserve until such reserve is equivalent to 20% of share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses insofar as other reserves are not available for this purpose and to increase capital by the amount that exceeds 10% of capital after the increase. The Company had fully endowed its legal reserve at both year-ends.

d) Voluntary reserves: This reserve is unrestricted other than the limitations imposed under prevailing company law in respect of unamortized capitalized research and development costs.

e) Revaluation reserve, Royal Decree-Law 7/1996: As a result of the asset restatements made in the past by Sociedad General Azucarera de España, S.A. and Puleva S.A. under the scope of Royal Decree-Law 7/1996 of June 7, 1996, the Company recognized the corresponding revaluation reserves of 21,767 thousand euros; in the wake of the derecognitions of 2001 following the split-off of the sugar business and in 2003 following the dissolution of A. E. Gestion de Patrimonio, S.L., the remaining balance stands at 3,169 thousand euros (included under other reserves).

   This balance can be used, without accruing taxes, to offset tax losses accumulated in prior, current and future tax periods and for the purpose of increasing share capital. Since April 1, 2007, this balance can be earmarked to unrestricted reserves to the extent that the monetary gain has been realized.

   The monetary gain is deemed realized in respect of the corresponding depreciation charges recognized or when the restated asset items have been sold or derecognized for accounting purposes. If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be taxable.

f) Own shares: In 2014, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meeting held on June 15, 2011 for a period of five years (and duly notified to the CNMV in keeping with prevailing legislation). In 2014, the Company bought back 858,506 shares, sold 814,939 and delivered 24,104 own shares to employees. At December 31, 2014, the Company held 19,463 own shares as treasury shares, equivalent to 0.013% of share capital.

Management had not established any specific purpose for these own shares at year-end.

In 2013, the Parent similarly had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meeting held on June 15, 2011. Specifically, in 2013, the Company bought back 20,784 shares, which it delivered to employees. The Company did not hold any treasury shares at December 31, 2013.

g) Dividends paid in 2014:

Distribution of the dividends approved at the Annual General Meeting of June 4, 2014 at which the shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves of 0.50 euros per share, for a total payment of 76,932 thousand euros; this dividend was paid in instalments of 0.125 euros per share on April 2, July 2, October 2 and December 22, 2014.

h) Valuation adjustments

See note 9.1.

13. BANK BORROWINGS

The breakdown of current and non-current bank borrowings (in thousands of euros) at both year-ends:

	2014	2014	2013	2013
	Non-current	**Current**	**Non-current**	**Current**
Bank loans arranged in euros	49,879	30,000	-	-
Bank loans arranged in US dollars	78,182	160,613	210,069	26,744
Credit facilities arranged in euros	-	142	-	8,935
Interest accrued but not due	-	369	-	635
TOTAL	**128,061**	**191,124**	**210,069**	**36,314**

The long-term bank loans denominated in US dollars were taken out to finance the investments in Riviana Inc (2004) and New Word Pasta Company (2006). These long-term loans are guaranteed by Group subsidiaries Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc. and correspond to:

- The bilateral loan agreement entered into in November 2006 and amended in April 2009 and again in June 2010, in the amount of 190 million US dollars. This loan is repayable in four six-monthly instalments of 47.5 million US dollars starting in May 2015. The annual rate of interest applicable to this dollar-denominated loan is benchmarked against 1-, 3-, 6- or 12-month LIBOR plus a market spread.

(Thousands of euros)

- A bilateral 2-year loan agreement arranged in November 2013, in the amount of 100 million US dollars, repayable upon maturity; the parties may agree to extend maturity by one additional year. The annual rate of interest applicable to this dollar-denominated loan is benchmarked against 1-, 2-, 3- or 6-month LIBOR plus a market spread.

In 2014, the Company arranged bilateral loans in the amount of 50 and 30 million euros on May 27 and July 1, respectively. These loans are denominated in euros and are repayable in a single bullet payment upon maturity. The 50 million euro loan matures on June 30, 2017 and the 30 million euro loan matures on June 25, 2015; the parties have the option of agreeing two annual extensions to the latter facility's maturity. The annual rates of interest applicable to these loans is 1-, 2-, 3- or 6-month EURIBOR plus a market spread.

The Company is obliged to comply with a series of covenants, specifically a series of ratios calculated on basis of the consolidated financial statements of the group of which the Company is the parent, throughout the term of these loans. Any breach of these covenants would increase the related borrowing costs and in some cases would trigger an early repayment requirement. The Company was in compliance with all these covenants at both year-ends.

In addition, at year-end 2014 the Company had arranged unsecured credit facilities with an aggregate limit of 25 million euros (year-end 2013: 22 million euros), of which 142 thousand euros (8,935 thousand euros) had been drawn down. The average annual rate of interest on these borrowings, excluding the long-term loans, is 3-month EURIBOR plus a market spread of 1.67% (2013: 2.15%) on average.

In addition, the Company has extended sureties and other guarantees to third parties via banks totaling 114,355 thousand euros at year-end 2014 (29,633 thousand euros at year-end 2013) (note 16).

The maturity schedule for bank borrowings (at December 31, 2014):

Due 2015	160,613 thousand euros (195,000 thousand US$)
Due 2015	30,000 thousand euros
Due 2016	78,182 thousand euros (95,000 thousand US$)
Due 2017	49,879 thousand euros

14. NON-CURRENT PROVISIONS

The reconciliation of the provisions at the beginning and end of 2014 and 2013 is as follows:

NON-CURRENT PROVISIONS	Employee benefit obligations			Other provisions for contingencies			
Thousands of euros	Long-service bonuses	Non-current remuneration	Total	Business sale reps & warranties	Tax assessments	Total	**Total**
Opening balance: year-end 2012	176	1,854	**2,030**	8,828	0	**8,828**	**10,858**
- Additions (reversal of provisions)	-47	667	620	-3,403	0	-3,403	-2,783
- Amounts used	0	-278	-278	-5,425	0	-5,425	-5,703
Closing balance: year-end 2013	129	2,243	**2,372**	0	0	**0**	**2,372**
- Additions (reversal of provisions)	32	699	731	8,740	280	9,020	9,751
- Amounts used	0	-1,442	-1,442	0	0	0	-1,442
Closing balance: year-end 2014	161	1,500	**1,661**	8,740	280	**9,020**	**10,681**

Provision for contingencies – Reps and warranties granted in connection with the sales of the sugar and dairy businesses

The provisions recognized to cover the outcome of lawsuits related to the sales of the sugar business (sold in 2009) and the dairy business (sold in 2010) related to the reps and warranties extended to the buyers of these businesses under which an unfavorable ruling in these lawsuits would have the effect of reducing the sale-purchase prices for these business. Additions to this provision (or reversals thereof) imply an adjustment to the sale price and are accordingly recognized as a reduction (or increase) in profit in the year in which they are recognized.

These lawsuits had been substantially resolved by year-end 2013, so that the related provision stood at zero at that reporting date. However, in the course of 2014 a number of smaller-sized disputes came to light. Management determined it was necessary to recognize a provision in respect of certain of these cases in light of the possible outflow of resources in the future.

In addition, in August 2014, Grupo Lactalis Iberia, S.A. passed the proposed ruling ("Proposed Ruling") in respect of the disciplinary proceedings initiated by the investigative unit of Spain's anti-trust authority, the CNMC, against Spain's leading dairy transformation companies, including Puleva Food, S.L., in connection with alleged anti-competitive practices between 2003 and 2013, on to Ebro Foods, S.A. Ebro Foods, S.A. sold Puleva

Food, S.L. to Grupo Lactalis Iberia, S.A. in 2010; the related share purchase agreement (the "SPA") included a liability regime covering future contingencies. Under this regime, Ebro Foods, S.A., as seller, could be held liable for any fine imposed on Puleva Food, S.L. with respect to developments taking place prior to the sale.

The Proposed Ruling qualifies the conduct investigated as a very serious infraction of article 62.4.a) of Spain's Anti-Trust Act and recommends that the Board of the CNMC hand down the fine contemplated in article 63 of this same piece of legislation. Grupo Lactalis Iberia, S.A. and Puleva Food, S.L., in keeping with the procedure agreed upon in the SPA, duly presented statements outlining their pleas against the Proposed Ruling, categorically denying the conduct charges therein.

The CNMC ruling issued by its Board on February 26, 2015 was received on March 3, 2015. It hands down a fine against Puleva Food, S.L. of 10,270 thousand euros. Based on the information currently available, Ebro Foods, S.A. believes it has solid grounds for appealing the ruling before the corresponding judicial bodies; however, the likelihood of an outflow of resources embodying economic benefits is deemed probable and the corresponding provision has accordingly been recognized in the 2014 financial statements.

Provision for contingencies – Tax assessments

See note 15.

Provision for long-service bonuses

Some Ebro Foods, S.A. employees are entitled to receive long-service bonuses after 25 to 40 years' service from a fund managed internally by the Company. The provision recognized for long-service bonuses at year-end 2014 in the amount of 161 thousand euros (year-end 2013: 129 thousand euros) represents the present value, calculated using actuarial studies performed by independent experts, of the potential future payments to these employees. The key assumptions used in the most recent actuarial study with effect as of each reporting date are as follows:

a) A discount rate of 2.11% (2013: 3.41%)
b) Wage increases: compound annual growth of 3% (2013: 3%)
c) Mortality and survival tables: PERM/F 2000 tables (new policies)

Provision for long-term remuneration to executives

See note 18. The provisions recognized in 2013 and 2014 correspond to the 2013-2015 bonus plan that will be settled between 2015 and 2017. The amounts utilized correspond to the 2010-2012 plan which was partially paid out in 2012 and 2013 and fully liquidated in 2014.

15. TAX MATTERS

The breakdown of taxes payable and receivable at year-end is as follows:

Thousands of euros	Dec. 31, 2014	Dec. 31, 2013
Current		
Current tax assets	4,343	7,179
Other amounts receivable from public authorities	567	1,135
Current tax liabilities	0	0
Other payables to public authorities	-2,185	-3,596
	2,725	4,718
Non-current		
Deferred tax assets	8,938	23,092
Deferred tax liabilities	-30,573	-48,303
	-21,635	-25,211

Under prevailing legislation, tax returns may not be considered final until either they have been inspected by the tax authorities or until the inspection period has prescribed.

The Company has its books open to inspection since 2012 in respect of all applicable taxes. The Company's directors believe there is no need to provide for potential additional tax liabilities that could arise from differing interpretations of tax regulations.

15.1. The tax group that files its return under the consolidated tax regime is made up of:

Ebro Foods, S.A. (parent of the tax group), Ebro Financial Corporate Services, S.L., Network Meal Solutions, S.L., Fincas e Inversiones Ebro, S.A., Dosbio 2010, S.L., Arotz Foods, S.A., Herba Foods, S.L., Herba Ricemills, S.L and its subsidiaries, Herba Nutrición, S.L, Fallera Nutrición, S.L., Jiloca, S.A. and Azucarera Energías, S.A.

The tax inspection of the Spanish tax group in respect of 2008 to 2011, both inclusive, concluded in May 2014. The results of this inspection are shown below:

Thousands of euros	Assessments uncontested	Assessments contested	TOTAL			
Tax	2,580	2,452	**5.032**			
Interest	443	426	**869**			
Fines	1	355	**356**			
	3,024	3,233	**6.257**			
Accounting treatment:				**Ebro Foods, S.A.**	**Rest of tax group**	**TOTAL**
Income statement						
- Income tax expense			2,656	1,265	1,391	2,656
- Other operating expenses			70	21	49	70
- Finance costs			869	422	447	869
Deferred taxes			1,295	60	1,235	1,295
Taxes payable (provisions)			1,367	1,367	0	1,367
Total charges			**6,257**	**3,135**	**3,122**	**6,257**
Other non-current provisions			-355	-280	-75	-355
Inter-company balances receivable / payable within tax group			0	2,697	-2,697	0
Taxes payable (payables)			-5,902	-5,552	-350	-5,902
Total payments			**-6,257**	**-3,135**	**-3,122**	**-6,257**

All of the assessments presented in the table above have been settled (using financial criteria), with the exception of the fines, even though the assessments have been signed under protest.

The assessments signed but being contested are in the initial stages of plea hearings and/or appeals and, accordingly, it is possible that the assessment settlement agreements ultimately received will differ from the amounts presented, albeit not materially; nonetheless, all of the assessments signed under protest have been or will be appealed.

In addition, the tax group has also signed assessments handed down in connection with the deduction accredited and applied as warranted in relation to the 2008 Volvo Ocean Race under protest. The amount contested, which applies from 2008 to 2010, amounts to 3,021 thousand euros. In this instance, the balance has not been provided for as the assessments will be appealed and the likelihood of winning this claim is deemed high due to the precedent set by National High Court rulings in favor of other taxpayers bringing identical cases. Therefore, the directors believe that the risk that the outcome of this process will not favor the tax group is remote and will not entail an outflow of resources.

15.2 The reconciliation of net income and expense for both reporting periods to taxable income (tax loss) is set forth below:

Tax expense	2014		2013	
Thousands of euros	**Accounting**	**Tax**	**Accounting**	**Tax**
Profit before tax from continuing operations	**39,180**	39,180	**2,934**	2,934
Permanent differences	151	151	512	512
Permanent differences arising from fiscal consolidation adjustments	(55,850)	(55,850)	(13,205)	(13,205)
Adjusted accounting profit	**(16,519)**	**(16,519)**	**(9,759)**	**(9,759)**
Temporary differences		(20,922)		15,263
Temporary differences arising from fiscal consolidation adjustments		1,225		2,148
Tax group tax losses for offset		9,873		(8,878)
Taxable income (tax loss) of the Company	**(16,519)**	**(26,343)**	**(9,759)**	**(1,226)**
Tax calculated at 30%	(4,956)	(7,903)	(2,928)	(368)
Tax credits	0	0	(2,480)	(2,480)
Tax expense/(income) for the year	**(4,956)**	**(7,903)**	**(5,408)**	**(2,848)**
Restatement of prior-year's income tax	(459)		0	0
Tax assessments (note 15.1)	1,265		0	
Change in deferred tax assets and liabilities (note 15.7)	5,019		0	
Effect of change in tax rate (note 15.7)	(4,420)		0	
TOTAL INCOME TAX: expense (income)	**(3,551)**	**(7,903)**	**(5,408)**	**(2,848)**

The reconciliation of income tax payable/(refundable) by/to Ebro Foods, S.A. and total income tax payable/(refundable) as a result of application of the consolidated tax regime is provided below:

	2014	**2013**
Tax payable (refundable) corresponding to Ebro Foods, S.A.	(7,903)	(2,848)
Payments made on account during the year	(2,216)	(9,028)
Tax withholdings	(22)	(26)
Tax refundable pending collection from prior years	(2,047)	(4,102)
Tax payable (refundable) corresponding to the other companies in the tax group	7,845	8,825
Tax group tax payable (receivable)	**(4,343)**	**(7,179)**

15.3 The reconciliation of tax expense (income) to the result of multiplying total recognized income and expense, as opposed to profit or loss as per the income statement, by applicable tax rates, is as follows:

Thousands of euros	Income statement	
-	**2014**	**2013**
Profit before tax from continuing operations	39,180	2,934
Statutory tax rate	30%	30%
Theoretical tax expense	**11,754**	**880**
Effect of:		
Non-deductible expenses	156	161
Non-taxable income	0	0
Dividends within tax group	(16,755)	(3,962)
Dividends within parent company group	(104)	0
Deductions and other items	(7)	(2,487)
	(4,956)	**(5,408)**
Breakdown of tax expense (income)		
Current	(7,903)	(2,848)
Deferred	2,947	(2,560)
Effective tax expense (income)	**(4,956)**	**(5,408)**

15.4 The breakdown of the temporary differences arising at Ebro Foods, S.A. in 2014 and 2013 is as follows:

TEMPORARY DIFFERENCES - Additions	**2014**	**2013**
Additions to provision for long-term remuneration obligations	728	734
Additions to provision for long-service bonuses	32	(47)
Addition to impairment provisions on investments in group companies	3,409	3,047
Available-for-sale financial assets	0	18,362
30% of depreciation charges that are not deductible	269	351
Additions to provision for contingencies	1,240	0
Total additions	**5,678**	**22,447**
TEMPORARY DIFFERENCES - Decreases	**2014**	**2013**
Goodwill amortization charges	401	401
Provisions for long-term remuneration obligations used	1,442	278
Temporary difference on account of goodwill amortization	4,045	4,045
Amortization of brands for tax purposes	313	312
Impairment provisions for investments in group companies used	0	0
Available-for-sale financial assets	19,174	0
Total decreases	**25,375**	**5,036**
Total net additions (decreases)	**(19,697)**	**17,411**

(Thousands of euros)

15.5 The breakdown of the permanent differences differences arising at Ebro Foods, S.A. in 2014 and 2013 is as follows:

PERMANENT DIFFERENCES - Additions	**2014**	**2013**
Additions:		
Fines and penalties	9	4
Donations	494	513
Other non-deductible expenses	18	18
Total additions	**521**	**535**
PERMANENT DIFFERENCES - Decreases		
Adjustments for dividends from tax group subsidiaries	55,850	13,205
Adjustments for dividends from foreign subsidiaries	347	0
Amortization of goodwill for tax purposes	23	23
Non-taxable gains	0	0
Total decreases	**56,220**	**13,228**
Total net additions (decreases)	**(55,699)**	**(12,693)**

15.6 Given that Ebro Foods, S.A. generated a tax loss in 2014, it did not apply any deductions last year. In 2014 it generated 169 thousand euros of tax credits, mainly corresponding to donations, for utilization in future years, in addition to the 7.1 million euros generated and unused in prior years (mainly deductions generated by the reinvestment of extraordinary gains).

In 2014 the Spanish tax group did not make any investments that qualify for proceed reinvestment tax relief so that it did not generate any related tax credits. In each of the years between 2013 and 2006, both inclusive, it reinvested qualifying proceeds totaling 33.1, 5.0, 115.3, 57.3, 1.5, 16.2, 11.2 and 76.3 million euros, respectively. These reinvestments satisfied all of the requirements for qualifying for the related tax relief.

15.7 A reconciliation of Ebro Foods, S.A.'s deferred tax assets and liabilities is provided below:

Thousands of euros	Dec. 31, 2012	Additions	De-recognitions	Re-statements	Dec. 31, 2013	Additions	De-recognitions	Tax assess-ments and adj. in respect of prior years	Other changes	Impact of change in tax rate	Dec. 31, 2014
Deferred tax assets											
- Goodwill	4,696		-120		4,576		-120			-731	3,725
- Intangible assets: trademarks	2,580		-47	-763	1,770		-47			-283	1,440
- Property, plant and equipment: land	129				129					-21	108
- Property, plant and equipment: depreciation	0	105			105	81				-29	157
- Financial assets	306	5,587	-79		5,814		-5,752			-4	58
- Long-term remuneration obligations	577	137		106	820	218	-433			-56	549
- Provisions for contingencies	0				0	372				-62	310
- Provisions for long-service bonuses	65		-14		51	10				-10	51
- Impairment provisions: investments in group companies	12,173	914		-6,810	6,277	1,023		1,309	-8,609		0
- Unused tax credits	0			3,550	3,550				-3,550		0
- Unused tax losses	0		-2,663	2,663	0	2,962				-422	2,540
	20,526	**6,743**	**-2,923**	**-1,254**	**23,092**	**4,666**	**-6,352**	**1,309**	**-12,159**	**-1,618**	**8,938**
Deferred tax liabilities											
- Amortization of goodwill for tax purposes	-33,643	-1,215			-34,858	-1,213		60		5,945	-30,066
- Amortization of brands for tax purposes	-46	-47			-93	-47				23	-117
- Accrual of gains on brand sales	-7,903			763	-7,140				7,140		0
- Deferral of gains by tax group	-398				-398					66	-332
- Fair value of financial instruments	-306	-5,587	79		-5,814		5,752			4	-58
	-42,296	**-6,849**	**79**	**763**	**-48,303**	**-1,260**	**5,752**	**60**	**7,140**	**6,038**	**-30,573**
Total deferred taxes, net	**-21,770**	**-106**	**-2,844**	**-491**	**-25,211**	**3,406**	**-600**	**1,369**	**-5,019**	**4,420**	**-21,635**

<u>Other changes</u>:

i. The deferred tax liability reverted in 2014 in the amount of 7,140 thousand euros relates to the deferred tax charge recognized at year-end 2012 in connection with the sale of the Nomen and other less prominent brands. Under Additional Provision Four of the Consolidated Text of Spain's Corporate Income Tax Act, enacted by means of Royal Decree-Law 4/2004, of March 5, 2004, the gain obtained on the sale of assets arranged to comply with anti-trust requirements does not have to be added to taxable income if the proceeds from the sale are reinvested on the terms stipulated in article 42 of this same piece of legislation within three years from the date of sale. The related reinvestment commitment totaled 32.5 million euros. As indicated in note 8.a.3, the acquisition of Garofalo in 2014 complies with this reinvestment commitment, to which end the associated deferred tax liability has been reversed.

ii. Under prevailing Spanish tax legislation, companies cannot recognize material amounts of deferred tax assets in respect of differences not expected to revert for more than 10 years. In relation to the deferred tax assets originating from the recognition of impairment losses on investments in group companies, these have only been recognized to the extent it is estimated that they will be recovered within this 10-year term.

The recoverability of these assets is reassessed every year; in 2014 the Company wrote off 12,159 thousand euros of tax assets based on the assessment that the timing of their recoverability has changed and is now more than 10 years.

(Thousands of euros)

Impact of the reduction in the statutory income tax rate in Spain from 2015:

The corporate income tax rate applied in Spain until 2014 is 30%. This rate will be cut to 28% in 2015 and 25% from 2016 on. The effects that the reduction in income tax rate in Spain will have on the Company's various deferred taxes were recognized at year-end 2014.

16. GUARANTEES EXTENDED

The Company had extended the following guarantees in the form of bank sureties at both reporting dates:

	2014	2013
Guarantees extended via banks		
Provided to courts and other bodies in relation to claims and tax deferrals	3,033	0
Provided to third parties to guarantee fulfilment of obligations arising in the ordinary course of business	770	770
Guarantees awarded directly by Ebro Foods, S.A.		
Guarantees given to banks to secure other companies' obligations	110,552	28,863

The guarantees extended to banks to secure other companies' obligations correspond mainly to the guarantees given by Ebro Foods, S.A. to its subsidiaries Herba Foods, S.L. (100%-directly owned), Ebro India, Ltda. (100%-directly owned), Pastificio Lucío Garofalo, S.r.l. (52%-directly-owned), Ebro Financial Corporate Services, S.L. (100%-directly owned) and Mundiriz, Ltda. (100%-directly owned) to secure their short-term credit facilities.

17. BALANCES WITH GROUP COMPANIES AND ASSOCIATES

Note 8 lists Ebro Foods, S.A.'s subsidiaries and associates. Transactions with associates did not result in material balances at either year-end.

The main transactions performed by the Company with group companies and associates in 2014 and 2013 are shown below:

(Thousands of euros)

	2014		2013	
	Group companies	Associates	Group companies	Associates
External services	(500)	0	(587)	0
Employee benefits expense	0	0	0	0
Finance costs	(3,188)	0	(3,169)	0
Total purchases and expenses	**(3,688)**	**0**	**(3,756)**	**0**
Services rendered and other income	7,938	0	7,805	0
Finance income	2	0	3	0
Dividend income received	55,850	347	13,205	0
Total revenue and income	**63,790**	**347**	**21,013**	**0**

The resulting balances between Ebro Foods, S.A. and its group companies and associates at the respective year-ends are as follows:

AT DECEMBER 31, 2014						
BALANCES WITH SUBSIDIARIES AND ASSOCIATES	Non-current loans	Receivables	Current loans	Accounts payable Non-current	Accounts payable Current	Suppliers
Panzani, SAS		369				
Herba Foods, S.L.		122				
Arotz Foods, S.A.		88		(28,929)	(48)	
New World Pasta, Inc		223		(87,540)		
Ebro de Costa Rica, S.A.				(14,551)		
Ebro Riviana de Guatemala, S.A.				(8,948)		
Dosbio 2010, S.L.		(430)				
Herba Ricemills, S.L.		7,049				(7)
Riviana Foods, Inc		225				(71)
Ebro Financial Corporate Services, S.L.		358		(150,850)	(1,781)	
Lassie Group (Netherlands)		218				
Jiloca, S.A.		223				
Fundación Ebro Foods					(300)	
Other companies (minor balances)	199	427		0	(1,755)	(2)
	199	**8,872**	**0**	**(290,818)**	**(3,884)**	**(80)**

(Thousands of euros)

AT DECEMBER 31, 2013						
BALANCES WITH SUBSIDIARIES AND ASSOCIATES	Non-current loans	Receivables	Current loans	Accounts payable Non-current	Accounts payable Current	Suppliers
Panzani, SAS		76				(14)
Herba Foods, S.L.		215		(20,470)		(59)
Arotz Foods, S.A.		416		(28,965)	(55)	(6)
New World Pasta, Inc		217		(50,866)		
Ebro de Costa Rica, S.A.				(13,627)		
Ebro Riviana de Guatemala, S.A.				(7,821)		
Dosbio 2010, S.L.					(863)	(8)
Herba Ricemills, S.L.		1,605			(22,000)	(76)
Riviana Foods, Inc		382				
Ebro Financial Corporate Services, S.L.		447		(129,000)	(293)	
Lassie Group (Netherlands)		168				
Jiloca, S.A.		226				
Fundación Ebro Foods				(299)		
Other companies (minor balances)	197	559		(1,735)	0	(2)
	197	**4,311**	**0**	**(252,783)**	**(23,211)**	**(165)**

All of these balances are denominated in euros, other than the balances payable to New World Pasta, Inc, Ebro de Costa Rica, S.A. and Ebro Riviana de Guatemala, S.A. which are denominated in US dollars.

The long-term loans payable do not carry any fixed maturity; accordingly, the Company has classified them as non-current as it does not expect to repay them in the short term. The balance payable to New World Pasta, Inc. has a face value of 105 million US dollars at year-end 2014 (year-end 2013: 68 million US dollars); this loan is a hedge of an investment in an asset denominated in this same currency (note 9.2.c). It carries interest at 3m LIBOR + 90 basis points.

The Company has a current business account arrangement with most of its subsidiaries under which it guarantees coverage of all of their financing needs and, as required, remuneration of their cash surpluses, all of which at market interest rates.

18. RELATED-PARTY DISCLOSURES

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The Company has not extended or received other guarantees in respect of accounts receivable from or payable to its related parties.

The Company did not record any impairment of receivables relating to amounts owed by related parties in either reporting period. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

18.1 Transactions with significant shareholders (or parties related thereto) of Ebro Foods, S.A. (excluding directors)

Note 12 lists the companies that have a significant equity interest in Ebro Foods, S.A.

There were no transactions between Ebro Foods, S.A. and its significant shareholders other than dividend payments (excluding directors, for whom the related disclosures are provided in note 18.3) in either reporting period.

18.2 Transactions with directors and executives (or parties related thereto) of Ebro Foods, S.A.

Ebro Foods, S.A. realized the following transaction with one of its directors in 2014 and 2013 other than the dividend and remuneration transactions disclosed in notes 18.3 and 18.6 (amounts in thousands of euros):

Director	Type of transaction	2014	2013
Antonio Hernández Callejas (Luis Hernández González)	Lease (expense)	37	37

18.3 Other transactions with significant shareholders and directors/executives: dividends received from Ebro Foods, S.A.

Against the backdrop of the general dividend policy of Ebro Foods, S.A., the following amounts were paid in each reporting period (expressed in thousands of euros):

Dividends 2014 (2013):

- Dividends paid to significant shareholders: 15,361 (17,146)
- Dividends paid to directors and executives: 26,194 (26,739)

18.4 Other disclosures

- Ebro Foods, S.A. held a 3.121% ownership interest in Biosearch, S.A. at December 31, 2014. This interest is recognized as an available-for-sale financial asset in the Company's financial statements.

  Biosearch, S.A. is a listed company whose corporate purpose is analogous to that of Ebro Foods, S.A. and was part of the Ebro Group until January 2011. During the first half of 2014, the former non-member secretary of the Board of Directors of Ebro Foods, Miguel Ángel Pérez Álvarez, was also a proprietary director of

Biosearch, having been appointed at the proposal of Ebro Foods in its capacity as significant shareholder.

Between January 1 and December 31, 2014, Ebro Foods, S.A. rendered services to Biosearch, S.A. in the amount of 42 thousand euros (2013: 74 thousand euros).

- During the first half of 2014, Ebro Foods, S.A. held an ownership interest in Deoleo, S.A. which was recognized in the Company's financial statements as an available-for-sale financial asset. Ebro Foods, S.A. reduced its shareholding to under 3% on March 28, 2014 (ceasing to qualify as significant shareholder) and fully sold down its investment on May 13, 2014.

  Antonio Hernández Callejas, Chairman of the Board of Directors of Ebro Foods, S.A., was proprietary director of Deoleo until January 31, 2014, when he resigned for professional reasons.

  Between January 1 and March 28, 2014, Ebro Foods, S.A. rendered services to Deoleo, S.A. in the amount of 261 thousand euros (254 thousand euros in all of 2013).

- Ebro Foods, S.A. holds a 25% shareholding in Riso Scotti S.p.A. The investment in this associate is accounted for using the equity method. Riso Scotti S.p.A. is an Italian company whose corporate purpose is analogous to that of Ebro Foods, S.A.

  The Chairman of the Board of Directors of Ebro Foods, S.A., Antonio Hernández Callejas, also sits on this investee's Board of Directors.

18.5 Fiduciary duties: conflicts of interest and non-compete duty

In keeping with articles 229, 230 and 231 of Spain's Corporate Enterprises Act, this section of this note replicates the information provided by the Company's directors, in keeping with their fiduciary duties, to the Company regarding the interests and positions held in/at companies with the same, analogous or complementary core business as that of Ebro Foods, S.A., regardless of whether the former are part of the Ebro Foods Group.

➢ Instituto Hispánico del Arroz, S.A.:

- Direct ownership of 100% of the following Hisparroz group companies: El Cobujón, S.A, Dehesa Norte, S.A., Mundiarroz, S.A., Pesquerías Isla Mayor, S.A., Australian Commodities, S.A. and Islasur, S.A. In all instances it is represented on the boards.

  It is hereby noted that Instituto Hispánico del Arroz, S.A. is a company devoted to a business considered analogous to the corporate purpose of Ebro Foods and that it holds a 15.921% ownership interest in the latter (a direct interest of 8.963% and an indirect interest of 6.959% via Hispafoods Invest, S.L., an indirectly wholly-owned subsidiary on whose board it is represented).

- Antonio Hernández Callejas:

  - Direct interest in Instituto Hispánico del Arroz, S.A. of 16.666%. He does not hold any post at this company.

- Dr. Rudolf-August Oetker:

  - Direct interest in Dr. August Oetker KG. of 12.5%. He is Chairman of the Advisory Board.

  - Until March 31, 2014 he was member of the Advisory Board of the following Dr. August Oetker KG group companies: Dr. Oetker GmbH, Dr. August Oetker Nahrungsmittel KG, Dr. Oetker International Beteiligungs GmbH, Dr. August Oetker Nahrungsmittel Beteiligungs GmbH and Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG.

Below is a list of the positions held by Antonio Hernández Callejas at other Ebro Foods Group companies in which he does not have a direct interest:

Ebro Foods Group company	Position
A.W. Mellish, Ltd.	Director
American Rice, Inc.	Chairman
Anglo Australian Rice, Ltd.	Director
Arrozeiras Mundiarrroz, S.A.	Chairman
Bertolini Import und Export, GmbH	Director (acting joint and severally)
Blue Ribbon Mills, Inc.	Chairman
Boost Nutrition, CV	Director
Bosto Panzani Benelux, N.V.	Director
Ebro America, Inc.	Chairman
Ebro Foods, GmbH	Director (acting joint and severally)
Heap Comet, Ltd.	Director
Herba Germany, GmbH	Director (acting joint and severally)
Joseph Heap Property, Ltd.	Director
Joseph Heap & Sons, Ltd.	Director
N&C Boost, N.V.	Director
New World Pasta Company	Chairman
Panzani, S.A.S.	Director
Pastificio Lucio Garofalo, S.p.A.	Director
Riviana Foods, Inc.	Chairman
S&B Herba Foods, Ltd.	Director
SOS Cuetara USA, Inc.	Chairman

Ebro Foods Group company	Position
T.A.G. Nahrungsmittel, GmbH	Director (acting joint and severally)
Vogan, Ltd.	Director

It is hereby noted, as detailed in note 18.4, that Antonio Hernández Callejas is also a member of the Board of Directors of Riso Scotti, S.p.A., an Italian company with an analogous corporate purpose to that of Ebro Foods, S.A. and an associate thereof.

It is also noted that Antonio Hernández Callejas is a Trustee of the Ebro Foods Foundation.

Other than the cases outlined above, it is hereby stated that no other director has informed the Company of any ownership interests in or positions held at entities with an identical, similar or complementary corporate purpose to that of Ebro Foods, S.A. and its Group companies.

The directors of Ebro Foods, S.A. did not perform any transactions with Ebro Foods Group companies outside their ordinary course of business or other than on an arm's length basis in either reporting period.

The directors have not informed the Company of any direct or indirect potential conflicts of interest between them or their related parties and the Company other than those disclosed in this note.

18.6 Director and executive remuneration

Director remuneration.- The remuneration accrued by the members of the Board of Directors of Ebro Foods, S.A. totaled 5,556 thousand euros in 2014 (2013: 4,518 thousand euros), broken down as follows (in thousands of euros):

DIRECTOR REMUNERATION AND OTHER BENEFITS	2014	2013
TYPE OF REMUNERATION		
Meeting attendance fees	297	285
Bylaw-stipulated profit-sharing	2,565	2,565
Total director remuneration	**2,862**	**2,850**
Wages, salaries and professional fees	2,694	1,668
Termination and other benefits	0	0
Total executive director remuneration	**2,694**	**1,668**
TOTAL REMUNERATION	**5,556**	**4,518**
OTHER BENEFITS		
Life insurance and post-employment benefits	0	0

The Company's bylaws stipulate remuneration equivalent to a 2.5% share of net profit for the year provided that the required appropriations to the legal reserve have been made and the minimum shareholder dividend established in prevailing legislation has been declared (currently 4% of paid-in capital).

At a meeting held on February 25, 2015, the Board of Directors resolved, at the recommendation of its Nomination and Remuneration Committee:

(i) to freeze by-law stipulated remuneration in 2014, implying no change whatsoever with respect to that of the last four years, specifically implying submission at the Annual General Meeting of a motion to pay a sum of 2,565 thousand euros, which is equivalent to 1.76% of consolidated profit for 2014 attributable to equity holders of the parent.

(ii) to leave attendance fees at 1,600 euros per Board meeting and 800 euros for attendance at the meetings of its various committees.

Note that in the table titled 'Director remuneration and other benefits' above, the figures include the remuneration corresponding to an external director who stepped down on December 1, 2014.

The individual breakdown of director remuneration earned in 2014 (in thousands of euros) is provided below:

Director	By-law stipulated emoluments	Attendance fees	Fixed remuneration for performance of executive duties	Variable remuneration for performance of executive duties	Total
Hernández Callejas, Antonio	370	22	694	2,000	3,086
Carceller Arce, Demetrio	345	27	0	0	372
Alimentos y Aceites, S.A.	116	18	0	0	134
Castelló Clemente, Fernando	189	28	0	0	217
Comenge Sánchez-Real, José Ignacio	149	23	0	0	172
Daurella Comadrán, Sol (director until December 1, 2014)	174	26	0	0	200
Empresas Comerciales e Industriales Valencianas, S.L	116	18	0	0	134
Hispafoods Invest, S.L	182	28	0	0	210
Instituto Hispánico del Arroz, S.A	139	18	0	0	157
Nieto de la Cierva, José	255	22	0	0	277
Oetker, Rudolf-August	116	17	0	0	133
Ruiz-Gálvez Priego, Eugenio	149	23	0	0	172
Segurado García, José Antonio	265	27	0	0	292

(Thousands of euros)

Director	By-law stipulated emoluments	Attendance fees	Fixed remuneration for performance of executive duties	Variable remuneration for performance of executive duties	Total
TOTAL	**2,565**	**297**	**694**	**2,000**	**5,556**

Of the total variable remuneration earned by the Chairman of the Board of Directors for performance of his executive duties in 2014, 1,297 thousand euros correspond to the Deferred Annual Bonus Scheme tied to the Group's 2010-2012 Business Plan in respect of 2012 (the last year of the Plan). This sum represents 70% of the deferred bonus entitlement accrued over the term of the three-year scheme, which was provided for in the 2012 financial statements and settled in 2014. Of the total variable remuneration earned by the Chairman of the Board of Directors for performance of his executive duties in 2013, 271 thousand euros corresponded to the Deferred Annual Bonus Scheme tied to the Group's 2010-2012 Business Plan in respect of 2011. This sum represented 15% of the deferred bonus entitlement accrued over the term of the three-year scheme (2010-12), which was provided for in the 2011 financial statements and settled in 2013.

Elsewhere, in relation to the total remuneration earned by the Chairman of the Board of Directors for the performance of his executive duties in 2014, the 2014 financial statements recognize a provision of 455 thousand euros in respect of the provisional estimate of the amount corresponding to 2014 under the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Plan, which represents 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This figure will be paid in 2016.

Meanwhile, in relation to the remuneration earned by the Chairman of the Board of Directors for the performance of his executive duties in 2013, the 2013 financial statements recognized a provision of 524 thousand euros in respect of the provisional estimate of the corresponding amount under the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Plan, which represents 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This figure has been be paid in 2015.

These bonus schemes are not tied to Ebro Foods' share price performance nor do they entitle their beneficiaries to the receipt of shares or any rights over such shares.

Elsewhere, none of the members of the Board of Directors benefits from complementary life insurance or pension cover. Moreover, the Company neither extended any form of credit or advances to the members of its Board of Directors nor assumed any obligations on their behalf under guarantees.

Executive remuneration.- A total of 10 people were considered executives of Ebro Foods, S.A. at both year-ends; in 2014 these executives accrued aggregate remuneration (wages and salaries) of 2,189 thousand euros (2,120 thousand euros in 2013). The amount shown for 2014 includes the remuneration of an executive who resigned on July 30, 2014 as well as that of another executive who was hired by the Company on October 6, 2014.

In 2014, the team of executives (excluding the Chairman of the Board of Directors) of Ebro Foods, S.A. covered by the Deferred Annual Bonus Scheme tied to the Group's 2010-2012 Business Plan were paid 145 thousand euros corresponding to 2012 (last year of the Plan), a figure representing 70% of the bonuses earned during the three-year term of the scheme that had been provisioned in the 2012 financial statements. In 2013 this team was paid 7 thousand euros corresponding to 2011, a figure equivalent to 15% of the bonuses earned during the three-year term of the scheme that had been provisioned in the 2011 financial statements.

Meanwhile, in relation to the team of executives (excluding the Chairman of the Board of Directors) of Ebro Foods, S.A. covered by the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Business Plan, the 2014 financial statements recognize a provision of 117 thousand euros in respect of the provisional estimate of the amount corresponding to 2014 under the scheme, which represents 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This sum will be paid in 2016, in keeping with the plan rules.

Similarly, the 2013 financial statements recognized a provision of 128 thousand euros in respect of the provisional estimate of the amount corresponding to 2013 under the new bonus scheme tied to the Group's 2013-2015 Plan, which represents 25% of the estimated deferred bonus entitlement for the three-year period. This figure has been be paid in 2015.

The employment contracts of two executives include change of control clauses guaranteeing payments that exceed the amounts applicable under the Employees' Statute. The clauses initially stipulated in the contracts of another two executives provide for payments that are lower than those established in the Employees' Statute due to their length of service.

Note lastly that the figures reflect the remuneration of all of the executives of Ebro Foods, S.A. even though not all of them belong to senior management.

Lastly, Ebro Foods, S.A. has taken out civil liability insurance cover for its directors and executives; these policies cover all of its subsidiaries up to an annual claims cap of 45 million euros. The policies have an annual cost of 56 thousand euros, are effective until April 30, 2015 and are currently in the process of being renewed.

19. OTHER DISCLOSURES

a) Foreign-currency transactions

The Company usually transacts in euros, other than the dollar denominated borrowing arrangements described in notes 13 and 17.

b) Workforce structure

(Thousands of euros)

2014	At year-end		Average
	Men	Women	Total
Executives	9	3	12
Middle management	15	10	25
Clerical staff	11	10	21
	35	23	58

2013	At year-end		Average
	Men	Women	Total
Executives	10	3	13
Middle management	17	10	27
Clerical staff	10	10	20
	37	23	60

c) Audit fees

The fees paid for account auditing and other services to the Company's auditor, Ernst & Young, S.L., and entities related to the latter by means of control, joint ownership or joint management, in 2014 and 2013 (which services were provided by a different auditor in 2013) were as follows:

- The fees corresponding to auditing services provided in 2014 amounted to 135 (2013: 205) thousand euros; those corresponding to other assurance services amounted to 40 (2013: 62) thousand euros.

- The fees for tax advisory and and/other services totaled 220 (2013: zero) thousand euros.

d) Environmental disclosures

The activities carried on by the various Ebro Foods Group companies require investments to management and control their environmental risks. Investments that increase the capacity of their facilities and machinery are capitalized and depreciated on a straight-line basis over their estimated useful life. Ebro Foods, S.A., in its capacity as the group's holding company, does not directly undertake this effort; rather its group companies make and incur the required environmental investments and expenditure.

(Thousands of euros)

The work performed on this front in recent years has been very broad but has focused above all on ensuring adequate control of wastewater discharges, combustion gas and dust emissions and inert solid and organic waste and rubbish generation.

The Company's directors believe there are no significant environmental protection or enhancement contingencies and therefore, have not deemed it necessary to record any related provision.

e) Disclosures regarding average supplier payment terms

The Company paid its suppliers at 31 days on average in 2014 and 2013.

f) For the purposes of compliance with the obligation stipulated in article 42 bis of Regulation 1065/2007, of July 27, 2007, enacting the general regulations governing tax management and inspections and establishing common procedural rules in respect of tax matters, and in keeping with the terms of article 4.b of the said article, there follows a list of the accounts with foreign financial institutions held by non-resident subsidiaries for which physical persons that work for Ebro Foods, S.A. have power of attorney:

COMPANY	Herba Germany GmbH	Semola, S.r.l.	Ebro India Private Ltd.	Ebro India Private Ltd.	Ebro India Private Ltd.
Account particulars	IBAN	IBAN	Current account	Current account	Current account
Account code	DE86200700240610938300	IT39D0350003205000000037267	50200001041939	1681400001486	00004059881
Financial institution	Deutsche Bank AG	Banco Di Brescia Spa	HDFC Bank Ltd	YES Bank Ltd	Barclays Bank
Branch	Hamburg	Rome	Taraori	New Delhi	New Delhi
Country in which account is held	Germany	Italy	India	India	India
Date opened	May 2003	April 2013	May 2013	March 2013	March 2013
Balance at Dec. 31 (euros)	166,325.74	874,267.69	1,042,243.00	22,331.00	45,120.00
Average balance last quarter (euros)	166,323.02	884,535.00	3,432,826.00	66,627.00	129,416.00
Ownership interest, %	100%	100%	100%	100%	100%
Currency	EUR	EUR	INR	INR	INR

20. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events or developments between the end of the reporting period and the date of authorizing the accompanying financial statements for issue other than the CNMC verdict received on March 3, 2015 (note 14).

1. COMPANY SITUATION

Ebro Foods S.A. is the parent of the Ebro Foods Group, Spain's largest food group. Through its subsidiaries, it commands a presence in the rice and pasta markets in Europe and North America as well as a growing presence in other countries.

As a holding company, its overriding objective is to lead, coordinate and foster the development of the Group it heads up, whose strategy is articulated around the provision of healthy food solutions to consumers that enable it to differentiate its brands by means of innovation and new product and format development.

The Ebro Foods Group organizes its management around business segments that combine business activities and their geographic location. Its key business lines are the production and distribution of pasta and rice and their culinary derivatives and accompaniments. Geographically, it is structured into four major regions: the Americas, Spain, Europe & RoW.

Decision-making is spearheaded by the Board of Directors, which is ultimately responsible for defining the Company's general strategy and management guidelines. The Board delegates, within the legally stipulated limits, certain tasks in its Executive Committee, including, notably, monitoring and oversight of delivery of the strategic and corporate development guidelines, while the Management Committee, on which the heads of the various business areas are represented, is tasked with monitoring and preparing the decisions taken at the management level.

The Annual Corporate Governance Report contains detailed information on the Company's ownership and governance structure.

The Management Report accompanying the consolidated financial statements provides detailed coverage of key trends in and the performance of the various segments and businesses that comprised the Ebro Food Group in 2014.

2. BUSINESS PERFORMANCE OF EBRO FOODS, S.A.

Ebro Foods, S.A.'s key sources of revenue are the dividends paid by its subsidiaries, the services it provides to these subsidiaries and certain real estate transactions. Its expenditure relates mainly to staff costs and the financial cost of the borrowings taken on in its capacity as parent of the Ebro Foods Group. In addition, depending on developments with respect to the value of its investments in its subsidiaries, it recognizes and reverses impairment provisions on its portfolio of investees as required. Recurring revenue and expenditure were flat year-on-year.

Operating profit amounted to 38,558 thousand euros, compared to 6,377 thousand in 2013. This increase is mainly attributable to the revenue generated by an extraordinary dividend paid out by one of its subsidiaries.

Net finance income amounted to 622 thousand euros, compared to net finance expense of 3,443 thousand in 2013. This increase was driven by the recognition of gains on the sale of investments (that were classified as available for sale) of 14,003 thousand euros less the 4,800 thousand euro loss triggered by the measurement at fair value of the call option over a 48% interest in the Garofalo group and exchange losses shaped by unhedged exposure to the dollar.

Profit after tax accordingly amounted to 42,731 thousand euros, up from 8,342 thousand euros in 2013.

The most significant developments last year related to its activity as parent of the Ebro Foods Group were the following:

- **Key investments and exits concluded by the Group**

  Note 8 to the financial statements lists Ebro Foods, S.A.'s direct investments in group companies and associates. The main transactions coordinated by Ebro Foods, S.A. in 2014:

  Investment in Italy:

  The Ebro Group acquired 52% of Italy's pasta-maker Garofalo on June 18, 2014. This company owns the Garofalo, Santa Lucia and Russo de Cicciano brands, among others, giving it a significant position in the premium dry pasta segment in Italy and other countries. This company generated 134 million euros of revenue in 2013. This acquisition evidences Ebro's strategic commitment to the premium pasta segment in Italy, known as 'pasta di Gragnano'; preparation and consumption of this class of pasta is part of Italy's gastronomic tradition and culture.

  The investment totaled 63,455 thousand euros; 58,255 thousand euros has already been paid and the remaining 5,200 thousand euros will be paid on June 30, 2015. The Company financed the acquisition partially from internal funds and partially with bank borrowings.

  In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable until May 2024) and the Ebro Group a call option (exercisable from June 2024 to May 2026). The price of these options will be determined as a function of Garofalo's average earnings metrics over a series of years, as well as other terms and conditions customary in arrangements of this nature. This put option contractually gives rise to a financial derivative for the next four years (until June 30, 2018), due to the existence of a minimum price guarantee during that period; this obligation has been recognized as a non-current financial liability.

  Exit from Deoleo, S.A. (available-for-sale financial asset):

  This investment was sold down in full in a series of transactions closed during the first half of 2014. The investment in Deoleo, S.A. was made in December 2010, in the amount of 47,756 thousand euros, when the Company acquired 95,510,218 of this entity's shares as part of a rights issue at a cost of 0.50 euros per share. This investment gave it an 8.272% ownership interest in Deoleo. S.A. in the wake of equity issues undertaken in 2013 (9.3% at year-end 2012).

The aggregate sale price fetched was 40,267 thousand euros. The sale generated a pre-tax gain, which is recognized as finance income in the 2014 income statement, of 14,003 thousand euros.

3. EMPLOYEE AND ENVIRONMENTAL DISCLOSURES

Employees

Ebro Food's ultimate objective on the labor front is to foster mutually-beneficial labor relations, by making its employees feel vested in the organization, encouraging their career development, promoting equal opportunities and taking a zero-tolerance stance on discrimination and establishing, in a nutshell, a tranquil workplace climate.

Each of the Group companies is governed by the labor legislation prevailing in the countries in which they do business. In addition, the bigger subsidiaries have formulated their own human resource policies that regulate relations between management and employees. Above all of these policies, and notwithstanding the terms of the collective bargaining agreements of the various companies comprising the Ebro Foods Group, there is a corporate Code of Conduct designed not only to ensure the ethical and responsible conduct of the professionals of all Ebro Foods Group companies on the job but also to serve as a guide for defining employment policies and safeguards, workplace health and safety policy, training issues and the principles for guaranteeing the absence of discrimination and the promotion of diversity and equality in hiring decisions.

The key Ebro Foods, S.A. staff disclosures are provided in notes 18 and 19 of the accompanying financial statements.

Environment

Although the Company's business activities do not imply environmental consequences *per se*, one of Ebro Foods's basic management commitments is to provide its companies with the tools and measures needed to strike an optimal balance between their business activities and environmental protection. See note 19.d to the financial statements for additional information.

4. LIQUIDITY AND FINANCING

Ebro Foods, S.A. manages the Group's financing requirements in respect of strategic matters such as dividend policy and the Group's organic growth. To this end it relies on the cash generated by its subsidiaries which act as guarantors on the long-term loans taken on to facilitate this role.

The Management Report accompanying the consolidated financial statements provides an in-depth overview of the Group's liquidity and financial position.

5. BUSINESS RISK MANAGEMENT TARGETS AND POLICIES

Ebro Foods, in its capacity as the parent of a group of companies, is indirectly exposed to risks affecting its subsidiaries via the valuation of its investment portfolio and the amount of dividends it receives from them. The business activities performed by the Ebro Foods Group companies are carried out it an environment shaped by exogenous factors that could influence their business and financial performances.

These risks are mainly environmental, business, financial, borrowings, labor and technology related. These risks and the measures taken to identify, manage and mitigate them are described in detail in both the Management Report accompanying the consolidated financial statements and in the Group's Annual Corporate Governance Report.

On the basis of the main risks identified each year, management assesses the instruments in place for mitigating them and the main associated processes and controls.

Financial risk management and use of financial instruments

The main financial instruments used are bank loans, bank overdraft facilities, cash and short-term deposits. The overriding goal of use of these instruments is to expand the sources of financing available to the Group.

In the past, the Company has written derivatives to hedge interest and exchange rate risk. It is Company policy not to use financial instruments for speculative purposes.

The main risks arising 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 the policies put in place for managing each of these risks, while the Finance Department identifies and manages them with a view to minimizing or ring-fencing their potential impact on the Group's performance.

Credit risk

Ebro Foods, S.A.'s exposure to credit risk is not significantly concentrated. Moreover, it deposits its cash and arranges its financial instruments with highly solvent and creditworthy financial institutions.

Cash flow interest rate risk

The Company is exposed to changes in market interest rates, mainly on account of its non-current payment obligations arranged at floating rates of interest.

Its policy is to use a mix of fixed and variable rates. It seeks to achieve a balanced debt structure that minimizes borrowing costs while containing volatility. To this end it tracks interest rate trends with the help of external experts. Whenever deemed necessary, Ebro Foods, S.A. arranges interest rate derivatives.

Foreign currency risk

As a result of the investments made in the US, the carrying amounts of the Company's assets and liabilities are significantly exposed to changes in the USD / EUR exchange rate.

It has mitigated this structural exchange-rate risk by denominating specific borrowings in this currency. In this manner, it has hedged the majority of its US investments.

Foreign currency risk also arises from the purchases and sales made by the various subsidiaries in currencies other than the functional currency. In this instance, the subsidiaries themselves arrange their own forward contracts or other exchange rate hedges, in keeping with Group policy.

Liquidity risk

Ebro Foods, S.A.'s objective is to maintain a balance between continuity of funding and flexibility through the use of renewable credit facilities, bank loans and short-term deposits.

6. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events or developments between the end of the reporting period and the date of authorizing this management report for issue other than the CNMC verdict received on March 3, 2015 (note 14 to the accompanying financial statements).

7. BUSINESS OUTLOOK

Ebro Foods' financial performance going forward will depend on the dividends received from its subsidiaries, the gains recognized on properties deemed non-core and the finance costs incurred on the debt taken on to finance its assets.

The Company's directors believe that the dividends declared by its subsidiaries will be sufficient to enable Ebro Foods to fund an adequate shareholder remuneration policy.

8. R&D

R&D initiatives are shaped by the subsidiaries' strategic initiatives (to which end we refer the reader to the Management Report accompanying the consolidated financial statements).

9. OWN SHARE TRANSACTIONS

In 2014, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meeting held on June 15, 2011 for a period of five years (and duly notified to the CNMV in keeping with prevailing legislation). In 2014, the Company bought back 858,506 shares, sold 814,939 and delivered 24,104 own shares to employees.

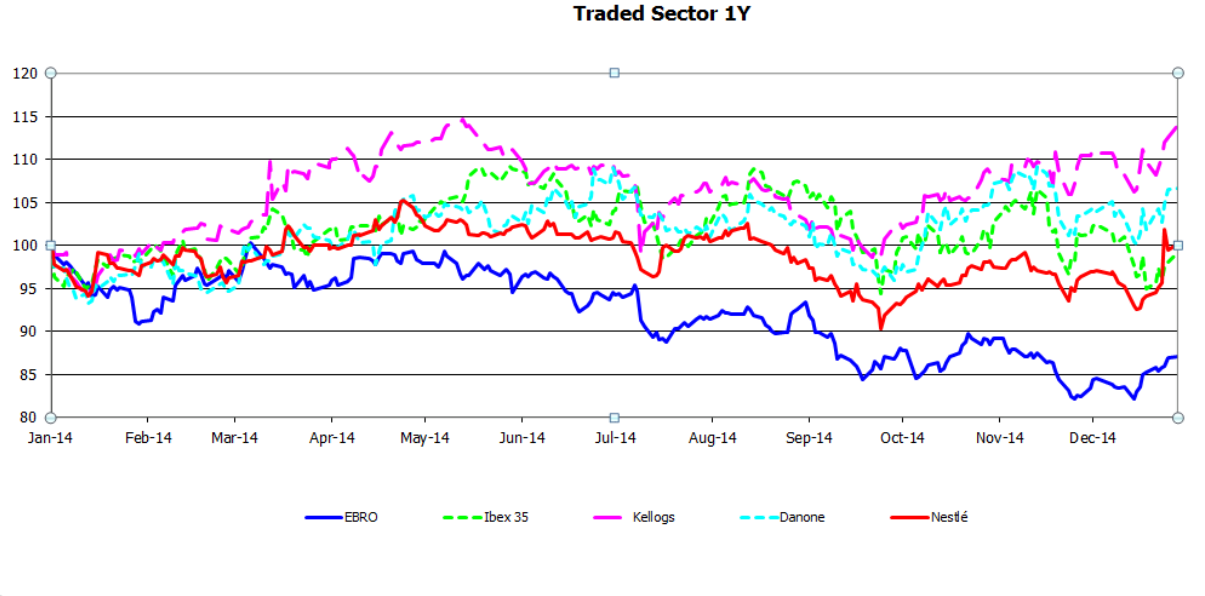
At December 31, 2014, the Company held 19,463 own shares as treasury shares, equivalent to 0.013% of share capital. Management had not established any specific purpose for these own shares at year-end.

10. OTHER RELEVANT DISCLOSURES

Average payment period

The Company paid its suppliers at 31 days on average in 2014 and 2013.

Share price performance



Dividend distribution

At the Annual General Meeting of June 4, 2014, the Parent's shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves of 0.50 euros per share, for a total payment of 76,932 thousand euros; this dividend was paid in equal instalments of 0.125 euros per share on April 2, July 2, October 2 and December 22, 2014.

ANNEX 1

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

DETAILS OF ISSUER

YEAR ENDED	31/12/2014

TAX REGISTRATION NUMBER	A47412333

NAME
EBRO FOODS, S.A.

REGISTERED OFFICE
PASEO DE LA CASTELLANA 20, PLANTAS 3ª Y 4ª, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

YES ☐ NO ☒

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	Interest / total voting rights (%)
CORPORACIÓN FINANCIERA ALBA, S.A.	0	15,400,000	10.01%
JUAN LUIS GÓMEZ-TRENOR FOS	0	10,924,443	7.10%
SOCIEDAD ANÓNIMA DAMM	0	15,426,438	10.03%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,940,377	10.36%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of voting rights
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	15,400,000
JUAN LUIS GÓMEZ-TRENOR FOS	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	10,924,443
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	15,426,438
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,940,377

Indicate the principal movements in the shareholding structure during the year:

A.3 Complete the following tables on directors with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	0	0.00%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	3,080,000	2.00%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	10,707,282	0	6.96%

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
HISPAFOODS INVEST, S.L.	13,790,336	10,707,282	15.92%
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	8,969	2,044	0.01%
JOSÉ NIETO DE LA CIERVA	30	0	0.00%
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.00%
JOSÉ ANTONIO SEGURADO GARCÍA	100	0	0.00%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	3,080,000
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,707,282
JOSÉ NIETO DE LA CIERVA	Mª MACARENA AGUIRRE GALATAS	2,044

Total % of voting rights held by board members	36.89%

Complete the following tables on directors with stock options in the company:

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
CORPORACIÓN FINANCIERA ALBA, S.A.
ALBA PARTICIPACIONES, S.A.

Type of relationship: Corporate
Brief description:
Corporación Financiera Alba, S.A. holds a direct interest of 100% in Alba Participaciones, S.A.

Name of related parties
SOCIEDAD ANÓNIMA DAMM
CORPORACIÓN ECONÓMICA DAMM, S.A.

Type of relationship: Corporate
Brief description:
Sociedad Anónima Damm holds a direct interest of 99.93% in Corporación Económica Damm, S.A.

Name of related parties
JUAN LUIS GÓMEZ-TRENOR FOS
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.

Type of relationship: Corporate
Brief description:
Juan Luis Gómez-Trenor Fos owns 100% of the capital of Empresas Comerciales e Industriales Valencianas, S.A.: direct interest of 99.995% and indirect interest of 0.005% through Valvega, S.L.
Mr Gómez-Trenor Fos is the Sole Director of Empresas Comerciales e Industriales Valencianas, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

ALIMENTOS Y ACEITES, S.A.

Type of relationship: Corporate
Brief description:
Sociedad Estatal de Participaciones Industriales holds a direct interest of 91.9625% in Alimentos y Aceites, S.A.

A.5 Describe the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to sections 530 and 531 of the Corporate Enterprises Act. If any, describe them briefly and list the shareholders bound by the agreement:

YES ☐ NO ☒

Indicate and describe any concerted actions among company shareholders of which the company is aware:

YES ☐ NO ☒

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act and identify it/them if appropriate:

YES ☐ NO ☒

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
19,463	0	0.02%

(*) Through:

Describe any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 15 June 2011 resolved, under item five on the agenda, to authorise the Board of Directors to buy back own shares and reduce the company's capital and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

Authorisation to the Board of Directors to buy back own shares and authorisation of subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, on one or several occasions, subject to the limits and other requisites stipulated in sections 146, 509 and other applicable provisions of the Corporate Enterprises Act:

- The par value of the shares acquired directly or indirectly, when added to the par value of any shares already held by the company and its subsidiaries, may not at any time exceed 10% of the capital.

- The acquisition, including any shares that the company, or any person acting in his own name but on behalf of the company, has acquired earlier and holds as treasury stock, does not reduce the equity to below the amount of capital plus legal or statutory undistributable reserves. For this purpose, equity shall be the amount calculated as such according to the criteria for drawing up the annual accounts, less any profits attributed directly thereto and plus any uncalled subscribed capital and the par value and share premiums of any subscribed capital that is accounted for as liabilities.

- The shares acquired must be fully paid up.

- The minimum and maximum price of the acquisition must be equivalent to the par value of the own shares bought back and their market price on an official secondary market, respectively, at the time of purchase.

b. Contents of the authorisation

- Authorisation of the Board to buy back own shares, by virtue of a direct decision or through delegation to the Executive Committee or such person or persons as the Board may authorise for this purpose, to hold those shares as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, subject to the limits stipulated in law and the conditions established in this resolution. The authorisation is extended to the possibility of buying back own shares for delivery directly to employees or directors of the company or its group, on one or several occasions, or upon exercise of any stock options that they may hold, pursuant to s. 146.1(a), paragraph 3, of the Corporate Enterprises Act.

- Authorisation of the Board to reduce the capital in order to redeem shares bought back by the company or acquired by any of the companies in its group, against the capital (for their par value) and unappropriated reserves (for the amount of their acquisition in excess of that par value), in such amounts as may be deemed fit from time to time, up to the maximum of the own shares held from time to time.

- Delegation to the Board to execute the resolution to reduce the capital, so that it may do so on one or several occasions or decline to do so, within a period not exceeding 5 years from the date of this General Meeting, taking whatsoever actions may be necessary for this purpose or required by prevailing legislation.

c. Term of the authorisation

- The authorisations are granted for a maximum of five years from the date of the General Meeting.

The resolutions transcribed rendered null and void the corresponding resolutions adopted at the General Meeting held on 1 June 2010 and remain in force, not having been since revoked.

A.10 Indicate any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

YES ☐ NO ☒

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

YES ☐ NO ☒

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market.

YES ☐ NO ☒

If appropriate, indicate the different classes of shares and the rights and obligations conferred for each class.

B. GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Corporate Enterprises Act and, if any, explain.

YES ☐ NO ☒

B.2 Indicate whether there are any differences in respect of the system stipulated in the Corporate Enterprises Act for adopting corporate resolutions and, if any, explain.

YES ☐ NO ☒

What differences exist in respect of the system stipulated in the Corporate Enterprises Act?

B.3 Indicate the rules for alteration of the company's articles of association. In particular, indicate the majorities stipulated for altering the articles of association and the rules, if any, protecting shareholders' rights in any alteration of the articles.

There are no requirements for altering the articles of association other than those stipulated in the Corporate Enterprises Act.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

	Details of Attendance				
Date General Meeting	**% in person**	**% by proxy**	**% distance voting**		**Total**
			Electronic vote	**Others**	
04/06/2013	1.71%	63.69%	0.00%	0.00%	65.40%
04/06/2014	5.29%	65.67%	0.00%	0.00%	70.96%

B.5 Are any restrictions are established in the articles of association requiring a minimum number of shares to attend general meetings?

YES ☐ NO ☒

B.6 State whether it has been ruled that certain decisions which entail a structural modification of the company (spin-offs, sale and purchase of essential operating assets, transactions equivalent to liquidation of the company…) are to be laid before the general meeting for approval even though this is not expressly required under commercial law.

YES ☒ NO ☐

B.7 Indicate the address and access to the company's website and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The corporate website of Ebro Foods, http://www.ebrofoods.es, is set up as a vehicle of continuous, up-to-date information for the company's stakeholders and the financial market in general.

In this respect, the home page includes a specific section, called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

Pursuant to current legislation, this section includes the chapter on Corporate Governance at the following address:

http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/reglamento-de-la-junta-general/ or:
http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/

And within that Corporate Governance section we can find all the information that the company makes available to shareholders for general meetings, specifically at http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/junta-general-de-accionistas/ (or: http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/general-meeting/). There is also a direct link to the General Meeting of the current year from the home page (http://www.ebrofoods.es/).

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders
- Shareholders' Agreements
- Regulations of the Board
- Board of Directors
- Corporate Governance Report
- Report on the Remuneration Policy for Directors
- Code of Conduct

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section, in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of accessibility, aiming to enable fast location and downloading of the required information.

The corporate website has been set up in several languages.

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	15
Minimum number of directors	7

C.1.2 Give details of the board members:

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
ANTONIO HERNÁNDEZ CALLEJAS		CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
DEMETRIO CARCELLER ARCE		VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	JUAN LUIS GÓMEZ-TRENOR FOS	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
HISPAFOODS INVEST, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	DIRECTOR	30/01/2013	04/06/2014	RESOLUTION PASSED AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ NIETO DE LA CIERVA		DIRECTOR	29/09/2010	04/06/2014	RESOLUTION PASSED AT AGM
RUDOLF-AUGUST OETKER		DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO		DIRECTOR	25/07/2000	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ ANTONIO SEGURADO GARCÍA		DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM

Total Number of Directors	12

Indicate any retirements from the board during the reporting period:

Name of director	Type of director at time of retirement	Date of retirement
SOL DAURELLA COMADRÁN	Independent	01/12/2014

C.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of Director	Committee proposing appointment	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	NOMINATION AND REMUNERATION COMMITTEE	CHAIRMAN

Total number of executive directors	1
% of board	8.33%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
ALIMENTOS Y ACEITES, S.A.	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
DEMETRIO CARCELLER ARCE	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	NOMINATION AND REMUNERATION COMMITTEE	JUAN LUIS GÓMEZ-TRENOR FOS
HISPAFOODS INVEST, S.L.	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
JOSÉ NIETO DE LA CIERVA	NOMINATION AND REMUNERATION COMMITTEE	CORPORACIÓN FINANCIERA ALBA, S.A.
RUDOLF-AUGUST OETKER	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM

Total number of proprietary directors	7
% of board	58.33%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of Director
FERNANDO CASTELLÓ CLEMENTE

Profile
Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer at the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

Name of Director
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

Profile
Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitraje Inversiones S.L.

Name of Director
JOSÉ ANTONIO SEGURADO GARCÍA

Profile

Born in Barcelona. Graduate in Law and Economics. Insurance broker and entrepreneur. Chairman of SEFISA, AEF and AEIM. Joint founder of CEIM and CEOE. President of the Liberal Party and MP in the National Government in the III and IV Parliamentary Terms. Member of the Trilateral Commission. Director of Unión y Fénix, Acerinox, J.W.Thompson and Vusa. Currently Chairman of Segurado & Galobart, S.L. and of the Advisory Council of Alkora EBS, Correduría de Seguros, S.A., Honorary Chairman & Founder of CEIM and member of the Management Board and Executive Committee of CEOE and on the Advisory Board of Coviran, S.C.A. Grand Cross of the Order of 2 May awarded by the Community of Madrid.

Total number of independent directors	3
% of board	25.00%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

None of the independent directors is in any of these circumstances.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Name of Director	Committee proposing appointment
EUGENIO RUIZ-GÁLVEZ PRIEGO	NOMINATION AND REMUNERATION COMMITTEE

Total number of other non-executive directors	1
% of board	8.33%

Explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of Director
EUGENIO RUIZ-GÁLVEZ PRIEGO

Company, executive or shareholder with which he is related
EBRO FOODS, S.A.

Profile
Eugenio Ruiz-Gálvez Priego is not a proprietary director because he does not hold a significant interest in the company or represent a significant shareholder; nor can he be considered an independent director since he has been a director of Ebro Foods, S.A. for 12 years in succession.

Indicate any variations during the year in the type of each director:

C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	2014	**2013**	**2012**	**2011**	**2014**	**2013**	**2012**	**2011**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	2	1	1	28.57%	28.57%	16.67%	14.29%
Independent	0	1	1	1	0.00%	25.00%	25.00%	25.00%
Other non-executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	2	3	2	2	16.67%	23.08%	16.67%	15.38%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors.

Explanation of measures

Notwithstanding any that may be decided on in the future by the Nomination and Remuneration Committee under the Corporate Enterprises Act as amended by Act 31/2014 of 3 December, no measures of this nature have been adopted because the board members are appointed regardless of gender, so there is no positive or negative discrimination of any nature in the election of directors.

C.1.6 Explain any measures agreed by the nomination committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures

No measures of this nature have been adopted for the reason indicated in point C.1.5 above.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons

Although the number of female directors has been reduced to two following the resignation of one of them as of 1 December 2014, all appointments of new directors in the future will take into account the prevailing legal provisions.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

- The directors nominated by Instituto Hispánico del Arroz, S.A. and appointed by the general meeting are Instituto Hispánico del Arroz, S.A., Hispafoods Invest, S.L. (also a significant shareholder of the company) and Antonio Hernández Callejas.

- The director nominated by Sociedad Estatal de Participaciones Industriales and appointed by the general meeting is Alimentos y Aceites, S.A.

- The directors nominated by Sociedad Anónima Damm and appointed by the general meeting are Demetrio Carceller Arce and Dr Rudolf-August Oetker.

- The director nominated by Corporación Financiera Alba, S.A. and appointed by the general meeting is José Nieto de la Cierva.

- The director nominated by Juan Luis Gómez-Trenor Fos and appointed by the general meeting is Empresas Comerciales e Industriales Valencianas, S.L.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 5% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met:

YES ☐ NO ☒

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director:
SOL DAURELLA COMADRÁN

Reason for retirement:

Professional reasons notified as of 1 December 2014 in a letter addressed to each of the Board members.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENILUX, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR

Name of director	Name of Group company	Position
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFAO, S.P.A.	DIRECTOR

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	GAS NATURAL SDG, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES ☒ NO ☐

Explanation of the rules
Article 25 of the Regulations of the Board ("General Duties of Directors") provides in section 1 that Directors shall dedicate to the company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company.

C.1.14 Indicate the company policies and general strategies that must be approved by the full Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, annual management objectives and budget	X	
Pay policy and performance rating of senior executives	X	
Risk management and control policy and regular monitoring of internal reporting and control systems	X	
Dividend policy, treasury stock policy and, in particular, the limits established	X	

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	5,561
Amount of the overall remuneration corresponding to the vested rights of directors in pension schemes (thousand euros)	0
Overall remuneration of the board (thousand euros)	5,561

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS
LUIS PEÑA PAZOS	SECRETARY
GABRIEL SOLÍS PABLOS	TAX MANAGER

Total remuneration top management (thousand euro)	2,189

C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR

Describe the significant relationships of the board members with the controlling shareholders and/or companies in their group, other than as mentioned above:

Name of director
DEMETRIO CARCELLER ARCE
Name of significant shareholder
SOCIEDAD ANÓNIMA DAMM
Description of relationship
Demetrio Carceller Arce has an indirect holding of 0.687% in Sociedad Anónima Damm

Name of director
ALIMENTOS Y ACEITES, S.A.
Name of significant shareholder
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
Description of relationship
Sociedad Estatal de Participaciones Industriales has a direct holding of 91.9625% in Alimentos y Aceites, S.A. and its company secretary and secretary of the board, Concepción Ordiz Fuertes, represents Alimentos y Aceites, S.A. on the board of Ebro Foods, S.A.

Name of director
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.
Name of significant shareholder

JUAN LUIS GÓMEZ-TRENOR FOS
Description of relationship
Juan Luis Gómez-Trenor Fos wholly owns Empresas Comerciales e Industriales Valencianas, S.L. with a direct interest of 99.995% and an indirect interest of 0.005%. He is Sole Director of the company.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

YES ☐ NO ☒

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for appointment, re-election and removal of the directors are regulated in Articles 19, 20 and 25 of the Articles of Association and Articles 5, 21, 23, 24 and 33.1 of the Regulations of the Board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee. The initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

As regards the role of the Nomination and Remuneration Committee in the appointment of directors, see the duties of this Committee in section C.2.4 of this Report and Explanatory Note Eight in section H.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The Board regularly rates the Directors on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees, and if considered necessary it may propose any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in Article 24 of the Regulations of the Board.

C.1.20 Indicate whether the board has made any assessment of its activity during the reporting period.

YES ☒ NO ☐

If yes, explain to what extent the self-assessment has given rise to major changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
It has not given rise to any change.

C.1.21 State the events in which directors are obliged to step down.

The retirement and resignation of directors are regulated in Article 24 of the Regulations of the Board:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the articles of association or the regulations.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of its shares in the company or reduces its interest to an extent requiring a reduction in the number of proprietary directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interests.

The Board of Directors shall propose to the General Meeting of Shareholders that a Director be removed if one of the circumstances described above occurs and the Director fails to tender his resignation.

C.1.22 Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

YES ☒ NO ☐

Measures taken to limit risks

With a view to establishing corrective measures in the Articles of Association to prevent excessive concentration of power in the Chairman when he is also the most senior executive of the company, Article 25 creates the figure of a Vice-Chairman appointed from among the non-executive directors to boost the management supervision and control duties.

José Antonio Segurado García was appointed Lead Independent Director on 29 January 2015 and has since then been performing the aforesaid duties.

Up to then and in accordance with this provision, the current Vice-Chairman of the Board, Demetrio Carceller Arce (non-executive proprietary director), had been performing those duties.

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

YES ☒ NO ☐

Explanation of the rules

The Regulations of the Board specify the events in which directors may request the calling of a board meeting or inclusion of items on the agenda; this power is not limited to independent directors.

Article 9.2 of the Regulations establishes that one-third of the board members may, no less than six days prior to the scheduled date of the Board meeting, request the inclusion of any items they believe ought to be transacted.

Article 9.5 of the Regulations states that the board may discuss and resolve on issues included on the agenda and any others that all the directors present and represented agree to transact.

Article 25.2.b) stipulates that Directors shall also request meetings of the corporate bodies to which they belong whenever they consider this necessary in the interests of the Company, proposing whatever items they think should be included on the agenda.

Finally, Article 33.1 provides that if the Chairman of the Board is also the chief executive of the company, a Vice-Chairman must be appointed from among the non-executive directors with the power to request the calling of a board meeting or the inclusion of new items on the agenda, who may organise meetings to coordinate non-executive directors and will direct the Chairman performance rating. If no Vice-Chairman is appointed, the Board shall authorise an independent director to perform those duties.

At present José Antonio Segurado García, as Lead Independent Director, is authorised to request the calling of a board meeting or the inclusion of new items on the agenda of a meeting that has already been called, coordinate and call meetings of the non-executive directors and, if appropriate, direct the periodical performance rating of the Chairman.

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

YES ☐ NO ☒

If yes, describe the differences:

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

YES ☐ NO ☒

C.1.25 Does the Chairman have a casting vote?

YES ☒ NO ☐

Matters on which there is a casting vote

All.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

YES ☐ NO ☒

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

YES ☐ NO ☒

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether it is compulsory to delegate to a director of the same type? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 10) contemplate the possibility of directors attending Board meetings through a duly authorised proxy.

The proxy must be made in advance, in writing, especially for each board meeting, in favour of another director.

The represented director may issue specific instructions on how to vote on any or all of the items on the agenda.

Following the amendment of the Corporate Enterprises Act by Act 31/2014 of 3 December, non-executive directors may only grant proxies in favour of another non-executive director.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made with specific instructions will be considered attendances:

Number of board meetings	11
Number of board meetings held without the chairman	0

Indicate the number of meetings held by the different Committees of the Board:

Committee	No. meetings
EXECUTIVE COMMITTEE	6
AUDIT AND COMPLIANCE COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	5
STRATEGY AND INVESTMENT COMMITTEE	0

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Attendance of directors	11
% attendance over total votes during the year	100.00%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

YES ☐ NO ☒

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 19 of the Regulations of the Board. Article 19.2 stipulates that the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 7.1 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 13.3 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section C.2.4 of this Report).

C.1.33 Is the Secretary of the Board a Director?

YES ☐ NO ☒

C.1.34 Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

Appointment and removal procedure

The Secretary of the Board may or may not be a director and is appointed by the Board upon recommendation by the Nomination and Remuneration Committee, after ensuring that his/her professional profile is adequate to guarantee the best performance of the duties corresponding to this position by law, the Articles of Association and Regulations of the Board.

The company has not established any procedure for removal of the Secretary of the Board other than that stipulated in law, although Article 24.3 of the Regulations of the Board submits the Secretary, regardless of whether or not he/she is also a director, to the same obligations as the directors of explaining to all the Board members the reasons for retirement or resignation prior to the end of his/her term of office.

	Yes	No
Does the Nomination Committee issue a report on the appointment?	X	
Does the Nomination Committee issue a report on the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the removal?	X	

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

YES ☒ NO ☐

Comments

Article 35.2 of the Regulations of the Board provides that in addition to the duties assigned by law and the Articles of Association, the Secretary of the Board shall, in particular:

a) Ensure that the Board's actions:

- Conform to the text and spirit of the laws and statutory instruments, including those approved by the watchdogs.
- Conform to the company Articles of Association and the Regulations of the General Meeting, the Board and any other regulations the company may have.
- Take account of the recommendations on good governance accepted by the company.

b) Keep all company documents, duly record the proceedings of meetings in the corresponding minute books and certify the resolutions of those corporate bodies of which he/she is Secretary.

c) Channel, generally, the Company's relations with Directors in all matters concerning the functioning of the Board and the Committees he/she is on, following the instructions of the respective Chairman.

d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.

C.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Both the Articles of Association and the Regulations of the Board vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts, and receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation.

Article 19 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 28.2 of the Articles of Association and Article 13.3 of the Regulations of the Board establish the following powers of the Audit and Compliance Committee in this respect:

- Propose to the Board, for submission to the General Meeting, the appointment of the external auditors and (i) their terms of contract, (ii) the scope of their commission and (iii) the renewal or revocation of their engagement.

- Ensure the independence of the auditors and the existence of a discussion procedure enabling the external auditors, the internal auditors and any other expert to notify the company of any significant weaknesses in internal control detected during the auditing of the annual accounts or any others in respect of which they may have acted.

- Issue a report annually, prior to issuance of the auditors' report, stating an opinion on the independence of the external auditors and pronouncing on the rendering of additional services.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

YES ☒ NO ☐

Outgoing Auditor	Incoming Auditor
Deloitte, S.L.	Ernst & Young, S.L.

Explain any disagreements with the outgoing auditor:

YES ☐ NO ☒

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

YES ☒ NO ☐

	Company	Group	Total
Cost of work other than auditing (thousand euro)	260	138	389
Cost of work other than auditing / Total amount invoiced by the auditors (%)	65.80%	12.30%	26.20%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

YES ☐ NO ☒

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	1	1
Number of years audited by current auditors / Number of years that the company has been audited (%)	4.20%	4.20%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES ☒ NO ☐

Details of procedure

The directors' right to counselling and information is regulated in Article 30 of the Regulations of the Board, which provides in 30.2 that:

a. Any Director may, in the course of any specific duties commissioned to him on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as he may consider necessary, in order to assist him in the performance of his duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.

b. Considering the circumstances of the specific case, the Chairman may (i) deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall, provided the proposal is authorised, contract the expert in question; and (ii) put the proposal to the Board, which may refuse to finance the counselling if it considers it unnecessary for discharging the duties commissioned, or out of proportion with the importance of the matter, or if it considers that the technical assistance requested could be adequately provided by Company employees.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES ☒ NO ☐

Details of procedure

Article 25.2 a) of the Regulations of the Board establishes the duty of directors to request the necessary information to adequately prepare Board and Committee meetings.

Articles 9.1 and 9.3 of the Regulations of the Board in turn establish that (i) directors shall receive information at Board meetings on the most important aspects of corporate management, any foreseeable risk situations for the company and its subsidiaries and the actions proposed by the senior management in respect thereof; and (ii) whenever possible, any necessary information relating to the items on the agenda shall be sent to the Directors together with the notice of call.

The procedure for informing directors is regulated in Article 30.1 of the Regulations of the Board, which provides that whenever so required in the performance of their duties, directors shall have the fullest powers to obtain information on any corporate affairs, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries.

All requests for information shall be addressed to the Chairman and met by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the director's right to information.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES ☒ NO ☐

Explain the rules

Article 22 of the Regulations of the Board, which regulates the incompatibilities of directors and establishes their obligations in respect of no competition, conflicts of interest and related-party transactions, also expressly stipulates that if a director is sued or tried for any of the offences contemplated in the applicable laws, the Board shall examine the case as soon as possible and decide, in consideration of the specific circumstances, whether or not the Director in question should remain in office, including a reasoned account in the Annual Corporate Governance Report.

C.1.43 Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in s. 213 of the Corporate Enterprises Act?

YES ☒ NO ☐

Name of Director
DEMETRIO CARCELLER ARCE

Criminal Case
Tax offence

Comments:
The director informed the board of the criminal action brought against him.

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

YES ☒ NO ☐

Decision adopted:

The Board was informed of the information received by the director and resolved, with his abstention, not to make any decision or take any initiative in this regard.

Reasoned explanation:

The Board considers that proceedings brought against the director have nothing to do with the company and does not affect its business.

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

There are no agreements of this type and the circumstances have not arisen.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries: 2

Type of beneficiary:
Executives

Description of the agreement:

Golden handshake clauses are established for two non-director executives in the event of dismissal or takeover in excess of the amount that would be payable pursuant to the Workers' Statute.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed on the clauses?	X	

C.2 Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of proprietary and independent directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
DEMETRIO CARCELLER ARCE	VICE CHAIRMAN	Proprietary
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent

% executive directors	25.00%
% proprietary directors	50.00%
% independent directors	25.00%
% other non-executive directors	0.00%

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	CHAIRMAN	Independent
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
HISPAFOODS INVEST, S.L.	MEMBER	Proprietary
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	Other non-executive

% executive directors	0.00%
% proprietary directors	25.00%
% independent directors	50.00%
% other non-executive directors	25.00%

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
HISPAFOODS INVEST, S.L.	MEMBER	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent

% executive directors	0.00%
% proprietary directors	50.00%
% independent directors	50.00%
% other non-executive directors	0.00%

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MEMBER	Proprietary
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary

% executive directors	25.00%
% proprietary directors	75.00%
% independent directors	0.00%
% other non-executive directors	0.00%

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors							
			2013		**2012**		**2011**	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	1	25.00%	2	40.00%	2	40.00%	2	50.00%
NOMINATION AND REMUNERATION COMMITTEE	1	25.00%	2	40.00%	2	40.00%	2	50.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 State whether the Audit Committee has the following duties:

	Yes	No
Supervise the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the scope of consolidation and correct application of accounting principles	X	
Regularly check the internal risk management and control systems, ensuring that the principal risks are adequately identified, managed and reported	X	
Oversee the independence and efficacy of the internal audit department; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	X	
Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects	X	
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	X	
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	X	
Guarantee the independence of the external auditor	X	

C.2.4 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

EXECUTIVE COMMITTEE. This Committee has a maximum of 7 members, including the Chairman (who chairs the committee) and the Vice-Chairman of the Board. The committee generally holds one meeting a month. Whenever, in the opinion of the Chairman or 3 of its members, circumstances so require, the resolutions adopted by the Committee are submitted to the Board for ratification. This also applies to any issues which the Board has delegated to the Committee to study, reserving for itself the final decision on the matter. The Committee is responsible for monitoring and overseeing compliance with the guidelines on strategy and corporate development, preparing the annual budget and controlling the business management of the company, ensuring adequate coordination of subsidiaries in their common interests and those of the company.

AUDIT COMMITTEE. This Committee has a minimum of 3 and a maximum of 5 non-executive directors. The Chairman must be an independent director and must be replaced every four years, becoming eligible for re-election one year after his retirement as such. The Committee is responsible for ensuring that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system are adequate; that the external auditors and internal audit manager are selected on the basis of professional, objective criteria, guaranteeing their independence in the performance of their duties; informing the board on any related party transactions submitted for its consideration; controlling possible conflicts of interest; and making sure, in general, that the company's reporting, particularly financial reporting, complies with the principle of truth and maximum transparency for shareholders and markets.

NOMINATION AND REMUNERATION COMMITTEE. This Committee has a minimum of 3 and a maximum of 5 non-executive directors and its chairman must be an independent director. The Committee reports on the appointment and removal of directors and their assignment to the different committees, and submits proposals on the remuneration policy. In turn, it oversees the senior management of the company in respect of their appointments and dismissals, assessment of the management training, promotion and selection policy, remuneration systems and levels, being informed of and monitoring the decisions on these issues adopted in the group subsidiaries.

STRATEGY AND INVESTMENT COMMITTEE. This Committee has a minimum of 3 and a maximum of 5 Directors. With support and assistance from the senior management of the company, this committee informs and submits proposals to the board on the growth, yield and market share of the company, new investments, restructuring processes and agreements with other groups, designing strategic development plans, if necessary, and monitoring these aspects also in the subsidiaries, adopting such initiatives as may be considered necessary for the common interest and benefit of the Company and its subsidiaries.

The following rules are also applicable regarding the composition and responsibilities of all the committees:

- In the event of temporary absence or unavailability of the Chairman of each Committee, he will be replaced by the member of the Committee provisionally appointed by the Board, or otherwise by the oldest member of the Committee. The Executive Committee is an exception to this rule, since it has a Vice-Chairman who will stand in for the Chairman in these cases.

- The Secretary of the Board acts as non-member Secretary of each Committee.

- The Committees meet whenever called by their respective Chairman or at the request of two of their members, and in any case whenever the Board requests the issuance of reports, the submission of proposals or the adoption of resolutions within their respective duties. Meetings are called by the Secretary, following instructions from the Chairman.

- Committee meetings are attended, with the right to speak but not vote, by any members of the management team that the Committee in question may consider necessary.

- The Committees report to the Board on their decisions at the first Board meeting held after such decisions have been made.

- Board meetings have access to the minutes of Committee meetings through the Secretary of the Board.

The powers of the Board Committees are described in Explanatory Note Eight in section H.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

There is no separate text regulating any of the Committees of the Board, since they are all sufficiently regulated in the following articles of the Regulations of the Board:

- Executive Committee, Article 12
- Audit and Compliance Committee, Article 13
- Nomination and Remuneration Committee, Article 14
- Strategy and Investment Committee, Article 15.

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee have issued activity reports for 2014 for submission to the Board of Directors and, if deemed fit, to be laid before the shareholders at the AGM 2015.

C.2.6 Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

YES ☒ NO ☐

D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Name the competent body and explain the procedure, if any, for approving related party and inter-company transactions.

Body competent for approving related party transactions

BOARD OF DIRECTORS

Procedure for approving related party transactions

Related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Under Article 28 of the Articles of Association, the Audit and Compliance Committee has, among others, the power to ensure that transactions between the company and its subsidiaries or between these companies and directors and controlling shareholders are made on arm's length terms and respecting the principle of equal treatment, thus controlling any conflicts of interest that may arise in these related-party transactions.

The Regulations of the Board establish, in general, that the Audit and Compliance Committee shall see that the procedures of the financial reporting internal control system are adequate, informing the Board on any related party transactions submitted for its consideration.

Article 13.3 of the Regulations establishes that the Audit and Compliance Committee shall inform the Board prior to the adoption by the latter of any decisions on related party transactions requiring its authorisation.

Explain whether the power to approve related party transactions has been delegated, if so indicating the person or body to whom it has been delegated.

The Board has not delegated the power to approve related party transactions.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Contractual	Sale of goods (finished or otherwise)	700
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Contractual	Sale of goods (finished or otherwise)	3,627

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Leases	37
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	118
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	36
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	118
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	36
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	309
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	181
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	67
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	73
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	83
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	181
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	67
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	101
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	53
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	73
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Sale of goods (finished or otherwise)	173
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Sale of goods (finished or otherwise)	52
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	163
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	34

INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	86
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	193
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	34
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	55
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	24
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	132
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	73
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Sale of goods (finished or otherwise)	203
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Sale of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Purchase of goods (finished or otherwise)	76
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Purchase of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Purchase of goods (finished or otherwise)	51
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Sale of goods (finished or otherwise)	75
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Sale of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Sale of goods (finished or otherwise)	50
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Leases	79
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Purchase of goods (finished or otherwise)	7,719
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Sale of goods (finished or otherwise)	304
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Services rendered	2
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Services received	175

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

D.5 State the amount of transactions made with other related parties.

0 (thousand euros).

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

The Audit and Compliance Committee ensures that the internal audit procedures and internal control systems are adequate and informs the Board on the related-party transactions submitted for its consideration and control of any possible conflicts of interest.

Under Article 28 of the Articles of Association, the Audit Committee has, among others, the power to ensure that transactions between the company and its subsidiaries or between these companies and directors and controlling shareholders are made on arm's length terms and respecting the principle of equal treatment, thus controlling any conflicts of interest that may arise in these related-party transactions.

Under Article 6.5 of the Regulations of the Board, the Board is competent, once a favourable report has been issued by the Audit and Compliance Committee, to authorise any related-party transactions between the company or group companies and directors, controlling shareholders, other related parties or shareholders represented on the board. This authorisation is not necessary when the transactions meet all of the following three conditions:

- If the transactions are made under contracts with standard terms and conditions applied globally to many clients.

- If the transactions are made at prices or rates established generally by the supplier of the good or service in question.

- If the amount of the transaction is no more than 1% of the annual income of the company.

Article 22 of the Regulations of the Board establishes the following prohibitions and disqualifications, among others, for directors:

- Holding positions or duties of representation, management, counselling or rendering of services in rival companies or the holding or performance of such positions, duties or services in companies having a controlling stake in rival companies.

- Attendance and participation in the discussions of any of the corporate bodies concerning business in which the director personally, or a member of his/her family has an interest or a company in which the director has an executive position or a significant shareholding.

- Direct or indirect participation in related-party transactions with the company or other group companies without previously informing the Board and seeking its approval, except in the cases contemplated in Article 6.5 of these Regulations.

The article also bars from the board anyone who, personally or through an intermediary, holds office in or is a representative of or is otherwise related to companies that are habitual clients or suppliers of goods and services of the company, whenever this condition may give rise to a conflict or clash of interest with the Company or its subsidiaries; in such cases the Chairman shall be informed of the situation and request a report from the Audit and Compliance Committee. Financial institutions providing financial services for the company are excluded from the foregoing.

Directors and executives are also subject to the specific obligations regarding conflicts of interests and related party transactions established in the Internal Code of Market Conduct (Rules 4, 8, 12 and 14).

D.7 Is more than one company of the Group listed in Spain?

YES ☐ NO ☒

Name any subsidiaries listed in Spain:

Listed subsidiary

State whether the respective areas of business and possible business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies;

Define any business relationships between the parent company and the listed subsidiary and between the latter and the other group companies

Describe the mechanisms in place to settle any possible conflicts of interest between the listed subsidiary and other companies in the group:

Mechanisms for solving possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

The Group has an integral, homogenous system for assessing any risks to which it might be exposed. That system is based on the preparation of a risk map using a software tool called GIRO, through which information is input in the subsidiaries by the risk managers of each unit. In the process of pinpointing, assessment and management of risks, the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk universe is structured in four main groups: compliance, operational, strategic and financial, and all of them are subdivided into a large number of categories.

The process dynamically assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. These controls include preventive controls, adequate separation of duties, clear levels of authorisation and definition of policies and procedures. These controls can in turn be grouped into manual and automatic, made by data processing applications.

This model is both qualitative and quantitative and can be measured in the Group's results, for which purpose the risk level is considered acceptable or tolerable on a corporate level.

This model is used for both the pasta and rice divisions, covering the Group's entire business.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System.

The Group's Chief Operating Officer is responsible for risk management on a corporate level, reporting directly to the Chairman of the Board. The senior management of the principal subsidiaries of the Group report regularly on any risks affecting them and the protocols and controls established to mitigate them. Process-level managers oversee those controls and solve any gaps or weaknesses (critical points) that may arise. Risk management is dynamic, such that the risks to be considered vary with the changing circumstances of our business.

Article 9.1 of the Regulations of the Board establishes that the Board shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof.

Similarly, Article 6.3, which addresses the board's scope of action, establishes in respect of the transparency and truth of the company's reporting, that the Board shall, as such and through its different Committees:

a) Ensure the independence and professional suitability of the External Auditor.
b) Supervise the services of the Internal Audit Department, overseeing the financial reporting process and internal control systems.
c) Control the financial information disclosed to the shareholders or the markets in general.

In particular, the Audit and Compliance Committee is responsible for overseeing and boosting internal control of the Group and risk management systems and proposing the risk management and control policy to the Board, identifying at least the following:

- The types of risk (operational, technological, financial, legal and reputational) to which the company is exposed
- The level of risk that the company considers acceptable
- The measures to mitigate the impact of the risks identified should they occur
- The control and reporting systems to be used to control and manage those risks.

E.3 Define the main risks that could have a bearing on achievement of the company's business goals.

- Health risks: Owing to the nature of our business, we consider this risk particularly important. The aspects regarding food safety are another critical point to which the Group pays the utmost attention, being bound by a large number of laws and standards in each of the countries in which we distribute our products. Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed throughout Europe and the USA, mainly.

The Group's policy is based on the principal of compliance with the laws and regulations in place from time to time, for which it has defined, developed and implemented a quality, environment and food safety management system that complies with the requirements of the standards UNE-EN-ISO 9001:2000/8 (Food Safety System Certification), UNE-EN-ISO 14001:2004 (Environment Management) and ISO 22000:2005.

The food safety programmes are designed to follow protocols that seek to identify and control certain Hazard Analysis and Critical Control Points (HACCP) to minimise the residual risk.

The principal control points are grouped into:

- Physical points: controls to detect foreign objects in the product or the presence of metals.
- Chemical points: detection of chemical elements or presence of allergens.
- Biological points: presence of elements such as salmonella or other types of pathogen.

Most of our handling processes have obtained IFS (International Food Standard) certification and the pasta plants in the United States have obtained compliance certification from the Global Food Safety Initiative (GFSI).

The Group has also implemented several initiatives to reduce greenhouse gas emissions and atmospheric waste, improve the quality of water and reduce effluent, enhance energy and hydrological efficiency and implement physical waste recycling programmes for paper, aluminium and other materials.

The company provides its employees with continuous, adequate training in food safety and the rules of safety and hygiene in the workplace.

- Commodity supply risk: The availability of commodities in the quantity and quality required to meet commitments to customers and the requirements of our brands is a key factor for our business both nationally (Spanish paddy rice) and internationally (semi-processed rice for the Group subsidiaries). Any material risk in this area is critical for the Group.

- Market risk (prices): Unexpected variations in the prices of our commodity supplies may seriously affect the profitability of our commercial transactions, in both the industrial and brand-based segments.

- Customer concentration risk: This risk factor affects both the industrial and retail segments.

- Competition risk: In general, the pressure from white label brands is the main threat for maintaining our market shares.

- Customer credit risk: In the present international crisis, many companies find it difficult to meet their payment commitments so there is a growing risk of default.

- Reputational risk: This is the risk associated with changes of opinion resulting in a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, etc. and adversely affecting the Group's ability to maintain its commercial and financial relations.

- Climate risk: The effects of droughts and flooding in the countries where we source our supplies cause problems of availability and unstable commodity prices, in both rice and durum wheat.

- Changes in lifestyle: Low carbohydrate diets.

- Technological risk, especially the risk of a possible "technological lag". In our sector, one of the most important tools for competing with our rivals is based on constant technological innovation and searching for ways to adapt to consumers' desires.

- Natural disasters, fires, etc.: As a major industrial group, a significant part of the assets on the balance sheet corresponds to its factories. The Group has insured all its factories and facilities, which would mitigate the effect of any incidents that may jeopardise their value.

Finally, there are another two risks to which the Group is exposed:

- Regulatory risk: The food industry is a sector subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the directives laid down in the Common Agricultural Policy (CAP).

- Country or market risk.

These risks have been mitigated over recent years through a firm business and geographical diversification policy, increasing our presence in Europe, America (United States and Canada), Asia (Thailand and India) and Africa (Egypt and Morocco).

E.4 State whether the company has a risk tolerance level.

Risks are measured by both inherent and residual risk. A scorecard is made each year of the principal ten risks to which the Group may be exposed (the TOP TEN), which are rated and measured as far as possible. If the economic consequences of a risk could cause a loss (or a loss of profit) of more than 5% of the consolidated EBITDA budgeted, it is considered a threat requiring corporate action. A risk with an effect of over 20% of the individual EBITDA of a business must also be reported on a corporate level to take such mitigation measures as may be considered necessary.

Risk identification and assessment corresponds to the manager of each business unit or division, who should quantify the maximum risk exposure. Tolerance is set in terms of the percentages of EBITDA indicated above. The Management Committee adopts such measures as may be considered necessary to mitigate risks.

E.5 What risks have occurred during the year?

- Although the situation has been addressed in the past two crop years, in 2014 the surplus supply of rice on the international market has intensified, pushing down market prices. This situation has been caused by several factors: surplus stocks globally, especially in Thailand, together with a growing supply of countries benefiting from the EBA treaties and the relatively weak US dollar. As a result of this combination of factors, rice from outside the EU has become cheaper, making European rise less competitive.

The impact of this risk was felt in the subsidiary Herba Ricemills, where our production of parboiled rice was reduced by approx. 40,000 tonnes, which would have contributed around €2 million to profit. Herba has responded to this critical risk by sourcing rice for our European subsidiaries from mainly Asian countries, saving our domestic production for uses and applications with a higher value added.

- In respect of credit risk in Spain, one of our main clients in the American region (IPACPA, in Mexico) is very close to insolvency. Despite the control in customer collections management, the alarm over payment delays by this client arose at the peak of our sales, with a cumulative balance of almost USD 2 million. A rapid alert enabled us to interrupt the latest shipments, deviating their delivery to controlled destinations and thereby more than halving the risk.

- The main risk in France is associated with the volatile commodity prices, particularly those of durum wheat, which rose by 60% over the year. This pushed the cost of our supplies up by €5 million. Our subsidiary Panzani was able to pass that extra cost on to white label distributors almost immediately and only at the end of the year to our specific brands.

- Just as in the preceding year, the persistent drought in Texas caused supply problems for our rice subsidiary in the United States and logistics problems for our factory in Freeport. Our subsidiary, Riviana, had to transfer part of its production to another factory in Tennessee, where it is easier to obtain rice from Arkansas and Louisiana. At the same time, shifts and workforce were reduced at our Freeport plant. The total impact on our profit and loss account was 8 million dollars.

- Our pasta subsidiary New World Pasta also suffered logistic problems during the year in the United States. These problems were caused by extreme weather conditions and the shortage of hauliers in Canada and the north west United States. This affects the supplies of raw material to our production plants in Canada and Winchester (USA) and pushed up our supply costs, which was mitigated by reducing promotion costs.

- In general, we highlight the following risks, as they affected several of our subsidiaries:

(i) The volatility on the foreign exchange markets affected all of our subsidiaries, although the overall effect was positive, mainly due to the evolution of the dollar towards the end of the year.

(ii) Owing to the economic crisis mainly in Europe, we have had to make concessions to some clients in respect of their payment schedules, slightly lengthening the average collection period for some of our subsidiaries. As a result, the Group has also tightened the credit terms for some of our clients.

E.6 Explain the response and supervision plans for the main risks to which the company is exposed.

The management committee in each subsidiary is responsible for monitoring the subsidiary's risk supervision system. Management committees usually meet monthly to analyse any risks that may have materialised and follow up the contingency plans and actions taken to mitigate them. Control and monitoring of the economic variables in each subsidiary against the corresponding budget also ensures the immediate detection of unforeseen risk situations.

In the subsidiaries with greatest weight within the Group, such as the American subsidiaries, those plans are documented in the "Crisis Management Plan" (CMP), which specifies the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

F FINANCIAL REPORTING INTERNAL RISK CONTROL AND MANAGEMENT SYSTEM (FRICS)

Describe the mechanisms comprising the financial reporting internal control and risk management systems (FRICS) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its oversight?

As established in its Regulations, the Board of Directors is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS), delegating the existence and maintenance of the procedures to ensure that the financial reporting is correct to the Audit and Compliance Committee and the design and promotion to the Management Committee.

The Management Committee is responsible for the design, implementation and functioning of the FRICS through the Group Finance Department and the Finance Departments of the different business units. The different general managements are responsible for effective implementation of these systems within their respective areas of activity.

The Audit and Compliance Committee supervises the Group financial reporting, assisted by the Internal Audit Department, the external auditors and certain executives of the organisation (from the Finance Department or other areas) when required.

As established in the Regulations of the Board, the Audit and Compliance Committee has the following duties:

a) Supervise and promote internal control of the company and its risk management systems.

b) Oversee and promote the policies, procedures and systems used for preparing and controlling the company's financial reporting, checking the services performed in this regard by the Internal Audit Department, the Finance Department and the Management Committee and making sure the Group is adequately informed about them.

c) Ensure that the internal control systems are adequate and effective in respect of the accounting practices and principles used when drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations.

d) Oversee compliance with the internal codes of conduct and corporate governance rules. In particular, ensure implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

F.1.2 State whether the following elements exist, especially in respect of the financial reporting process:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company.

As established in its Regulations, the board is responsible for defining the general strategy and guidelines for management of the company and encouraging and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the board and for selecting candidates for the board. It also nominates the chairman, CEO or managing directors and secretary of the board and proposes the assignment of directors to the different board committees, the members of the Management Committee and any other advisory committees that the board may create.

In turn, the Nomination and Remuneration Committee supervises the Senior Management of the group, both in appointments and removals and in assessing the senior executive remuneration and incentives policy, informing on the criteria applied in the subsidiaries, and the executive promotion, training and selection policies of both the parent and its subsidiaries.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The executive directors and management of Ebro Foods participate actively in the management committees of the group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different job descriptions of positions and responsibilities are maintained by the human resources department of each subsidiary and the managements of all the subsidiaries, especially the financial managements, are informed of any new member of a subsidiary.

- Code of conduct, body responsible for its approval, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the recording of transactions and preparation of financial reporting), body responsible for analysing default and proposing corrective measures and penalties.

The Code of Conduct of the Ebro Group, an update of the Code of Ethics of 2003 and Code of Conduct of 2008, was approved by the board on 28 March 2012 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

- Be a formal, institutional reference for personal and professional conduct.
- Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
- Reduce the element of subjectivity in personal interpretations of moral and ethical principles.
- Create a standardisation tool to guarantee progressive implementation throughout the Group of the ten principles of the UN Global Compact.
- Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, the Group assumes a principle of conduct based on transparent reporting, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of practically any Group company and it has been distributed among all Group employees during the year.

The Code of Conduct is also published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee, by delegation of the Ebro Foods Board of Directors, is responsible for monitoring and controlling application of the Code.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct.

The Audit and Compliance Committee reports regularly to the Group's Board of Directors, after obtaining a report from the Corporate Social Responsibility Management, on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

- Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential.

As established in the Regulations of the Board, the Audit and Compliance Committee is formally responsible for implementing a whistle-blowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature.

For this purpose, the Ebro Group has, through its Code of Conduct, established a whistle-blowing or reporting channel through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

The Audit and Compliance Committee has a specific e-mail address through which any employees may report whatever conduct they may consider necessary and contact the Audit and Compliance Committee to inform on breaches of the code of conduct.

The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other precautions included in the "Report Handling Protocol". That protocol, approved by the Audit and Compliance Committee in 2012, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

- Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management.

The Ebro Group has a policy of making sure it has personnel with sufficient training and experience to carry out the duties and responsibilities assigned to them. The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

The Ebro Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place or those about to enter into force.

During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

- Accounting updates
- Management and control of costs for business decision-making
- Training in the tax laws in different countries
- Financial reporting internal control system manual

F.2 Measurement of risks in financial reporting

Report at least on:

F.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:

- Whether the process exists and is documented.

Risk Management is a process established by Management and supervised by the Board through the Audit and Compliance Committee. This process is specified through the Risk Management System based on the Corporate Risk Management Policy.

The potential risks events that could affect the organisation are identified and assessed through the Risk Management System, pinpointing and assessing the risks corresponding to each line of business. Through this Risk Management System the Ebro Group has drawn up a Consolidated Risk Map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by a group-level team, which manages and establishes the permitted tolerance to the risk and coordinates actions to align the measures addressing risks with the Group's global risk policy so that the exposure to risk assumed by the Ebro Group overall is known at all times.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

The Ebro Group currently has a tool with which it is able to manage the Risk Management System, which covers all the most significant risks of the Ebro Group.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often.

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, improving the design and effectiveness of existing controls.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the major business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Ebro Group's Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group or development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

- The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles.

The Ebro Group has a documented process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department, management committee and the board.

This process considers the possible existence of complex corporate structures, base companies or special purpose vehicles, among other means by establishing an adequate structure to separate the duties of requesting, authorising and reporting for any corporate operation within the Group. However, transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within it are not identified at present.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Risks Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting.

- Which governing body of the company supervises the process.

According to the regulations of the board, the Audit and Compliance Committee is responsible for regularly checking the internal risk management and control systems ensuring that the principal risks are adequately identified, managed and disclosed.

F.3 Control activities

Inform whether the company has at least the following, describing their main features:

F.3.1 Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections.

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal information for decision-making and external information published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising the financial information and description of the FRICS, responsibility for which corresponds to the financial department, the management committee, the Audit and Compliance Committee and the board.

The Audit and Compliance Committee checks and analyses the financial statements and any other important financial information, as well as the principal judgements, estimates and projections included and discusses them with the corporate financial department and the internal and external auditors to confirm that the information is complete and the principles applied are consistent with those of the previous full-year accounts.

The procedure for checking and authorising the financial information corresponds to the Group financial department, based on the information checked and validated by the different units. The Audit and Compliance Committee supervises this information to be published on the market.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group financial reporting are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting
- Consolidation
- Sales and Receivables
- Purchases and Payables
- Fixed Assets
- Inventories
- Payroll

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

The persons responsible for each of the documented processes in each subsidiary have been identified. They are responsible for keeping those processes up to date on an annual basis, reporting to the Group Management all and any modifications made.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow diagrams and risk and control matrices. The controls identified are both preventive and detective, manual and automatic, describing also their frequency and associated information systems.

F.3.2 Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.

The Group has rules of action for managing information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:

i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee intra-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems.

External access is guaranteed through specific users and controlled management. The necessary elements have also been provided on a network level to ensure that only authorised users and process have access from outside.

ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are systematically filtered and assessed, their life cycle managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.

iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group. Special attention is paid to separation in IT support processes to make sure that the tasks of development, sending to production and administration of the system are duly separated.

iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desks), guarantee the management and traceability of incidents in the IT systems.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

F.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements

In general, the Ebro Group manages all activities that may have a material impact on the reliability of the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any circumstance or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS).

F.4 Information and communication

Inform whether the company has at least the following, describing their main features:

F.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates.

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management Control Unit and the Corporate Financial Department, whose powers include the following, among others:

* Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.

* Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group. This manual is updated annually.

* Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.

* Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

F.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS

The Group's financial information is prepared using a process of aggregating separate financial statement at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be published on the markets.

The process of aggregation and consolidation of the Group's financial statements is based on homogenous, common format templates that include different tables and reports to be completed. They also have automatic internal controls to check the integrity and reasonability of the data input.

These templates are validated by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the Scope. Through that reporting system, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries annually through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

F.5 Supervision of the functioning of the system

F.5.1 Inform on the FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.

The board is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system, which is designed and implemented by the management committee. Among the duties defined in the Regulations of the Board, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The Audit and Compliance Committee must see that the internal audit procedures, the internal control systems in general, including the risk management control system and in particular the financial reporting internal control system, are adequate; the external auditor and manager of the internal audit department are selected on the basis of objective, professional qualifications, guaranteeing their independence in the performance of their duties; report to the board on any related party transactions submitted for its consideration; control any possible conflicts of interest; and, in general, make sure that all the company's information and reporting, particular financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The internal audit department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The results of checks made by the internal audit department and any incidents detected have been reported to the Audit and Compliance Committee. Moreover, the action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

7.5.2 Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.

The Audit and Compliance Committee has a stable, professional relationship with the external auditors and the main companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor's recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, being informed on the financial reporting process and internal control systems.

During 2014, the External Auditor attended 4 meetings of the Audit and Compliance Committee and the Internal Auditor has attended 7 such meetings.

F.6 Other significant information

N/A

F.7 External auditor's report

7.7.1 Inform as to whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.

The report by the external auditor, Ernst & Young, S.L. reviewing the FRICS information is appended.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24

Complies	X	Explanation	

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;

b) The mechanisms in place to solve any conflicts of interest.

See sections: D.4 and D.7

Complies		Partial compliance		Explanation		Not applicable	X

3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:

a) Conversion of listed companies into holdings, through spin-off or "subsidiarisation", i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;

b) Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;

c) Any operations producing effects equivalent to liquidation of the company.

See section: B.6

Complies [X] Partial compliance [ ] Explanation [ ]

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 27, should be published simultaneously with the notice of call to the General Meeting.

Complies [X] Explanation [ ]

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:

   a) To the appointment or ratification of directors, which should be voted individually;

   b) In the case of alterations to the Articles of Association, to each article or substantially independent group of articles.

Complies [X] Partial compliance [ ] Explanation [ ]

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latters' instructions.

Complies [X] Explanation [ ]

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.

   It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies [X] Partial compliance [ ] Explanation [ ]

8. The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:

   a) General policies and strategies of the Company, particularly:

   i) The strategic or business plan, management objectives and annual budgets;

   ii) Investment and financing policy;

   iii) Definition of the structure of the corporate group;

   iv) Corporate governance policy;

   v) Corporate social responsibility policy;

   vi) Policy on the remuneration and performance assessment of senior officers;

   vii) Risk management and control policy and the regular monitoring of internal information and control systems;

   viii) The dividend policy and treasury stock policy, particularly regarding limits.

   See sections: C.1.14, C.1.16 and E.2

   b) The following decisions:

   i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses;

   ii) Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts;

iii) **The financial information that listed companies are obliged to disclose periodically;**

iv) **Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;**

v) **Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.**

c) **Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").**

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;

2. Made at the general prices or rates established by the person supplying the good or service;

3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty. Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies [X] Partial compliance [ ] Explanation [ ]

9. The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.

See section: C.1.2

Complies [X] Explanation [ ]

10. Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.

See sections: A.3 and C.1.3

Complies [X] Partial compliance [ ] Explanation [ ]

11. Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.

This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:

1. **In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.**

2. **In companies with a plurality of unrelated shareholders represented on the Board.**

See sections: A.2, A.3 and C.1.3

Complies [X] Explanation [ ]

12. The total number of Independent Directors should represent at least one-third of the total Directors.

See section: C.1.3

Complies [ ] Explanation [X]

Following the resignation for professional reasons of Sol Daurella Comadrán (independent director) as of 1 December 2014, there are 3 independent directors, representing 25% of the total directors.

Although the company considers that the composition of the board reflects the shareholding structure of the company, it is considering measures to fill the vacancy produced by the resignation of the aforesaid independent director.

13. The Board should explain the nature of each director at the general meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

See sections: C.1.3 and C.1.8.

Complies [X] Partial compliance [ ] Explanation [ ]

14. When there are few or no female directors, when vacancies arise on the Board, the Nomination Committee should ensure that:

a) There is no hidden bias against female candidates in the selection procedures;

b) A conscious effort is made to include women with the target profile among the candidates.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies [ ] Partial compliance [ ] Explanation [X] Not applicable [ ]

Board members have traditionally been appointed regardless of candidates' gender, so there is no positive or negative discrimination of any nature in the election of directors, without prejudice to any measures that may be taken in the future by the Nomination and Remuneration Committee in pursuance of the amended Corporate Enterprises Act.

Following the resignation tendered on 1 December 2014 by one independent director, the female directors on the board at present are Blanca Hernández Rodríguez and Concepción Ordiz Fuertes.

15. The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.

See section: C.1.19 and C.1.41

Complies [X] Partial compliance [ ] Explanation [ ]

16. When the Chairman of the Board is also the chief executive officer of the company, one of the independent directors should be authorised to request the calling of a board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the non-executive directors; and direct the assessment by the Board of its Chairman.

See section: C.1.22

Complies [ ] Partial compliance [X] Explanation [ ] Not applicable [ ]

The company partially complied with this recommendation in 2014, since the Regulations of the Board recognises the right of all directors to request the calling of a board meeting or the inclusion of items on the agenda, not limiting this power exclusively to independent directors.

Article 9.2 of the Regulations of the Board stipulates that one-third of the board members may, at least six days prior to the date of a board meeting, request the inclusion of items which, in their opinion, should be transacted.

Article 9.5 of the Regulations stipulates that the board may discuss and adopt resolutions on issues included on the agenda, as well as any others which all the directors present and represented at the meeting agree to dispatch.

Similarly, Article 25.2.b) of the Regulations establishes that directors shall request a meeting of any corporate bodies they belong to whenever they may consider this to be in the company's interests, proposing such items as they may consider adequate for the agenda.

Finally, Article 33.1 of the Regulations provide that when the chairman of the board is also the chief executive officer of the company, the board may appoint a vice-chairman from among the non-executive directors, who will be entitled to call board meetings or include new items on the agenda and organise meetings to coordinate among non-executive directors, and who will direct the assessment of the chairman. If no vice-chairman is appointed, the board will authorise an independent director to perform these duties.

At present José Antonio Segurado García, as Lead Independent Director, is authorised to request the calling of a board meeting or the inclusion of new items on the agenda of a meeting that has already been called, coordinate and call meetings of the non-executive directors and, if appropriate, direct the periodical performance rating of the Chairman.

17. The Secretary of the Board should especially ensure that the Board's actions:

a) **Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;**

b) **Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;**

c) **Take account of the good governance recommendations contained in this Unified Code endorsed by the company.**

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

See section: C.1.34

Complies	X	Partial compliance		Explanation	

18. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.

See section: C.1.29

Complies	X	Partial compliance		Explanation	

19. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions should be issued.

See sections: C.1.28, C.1.29 and C.1.30

Complies	X	Partial compliance		Explanation	

20. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies		Partial compliance		Explanation		Not applicable	X

21. The full Board should assess once a year:

a) **The quality and effectiveness of the Board's actions;**

b) **Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;**

c) The performance of its Committees, based on the reports issued by each one.

See section: C.1.19 and C.1.20

Complies [X] Partial compliance [ ] Explanation [ ]

22. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

See section: C.1.41

Complies [X] Explanation [ ]

23. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

See section: C.1.40

Complies [X] Explanation [ ]

24. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies [X] Partial compliance [ ] Explanation [ ]

25. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;

b) Companies should limit the number of directorships that its Directors may hold.

See sections: C.1.12, C.1.13 and C.1.17

Complies [X] Partial compliance [ ] Explanation [ ]

26. Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:

a) At the proposal of the Nomination Committee, in the case of independent directors;

b) Subject to a report by the Nomination Committee for other directors.

See section: C.1.3

Complies [X] Partial compliance [ ] Explanation [ ]

27. Companies should publish on their websites and regularly update the following information on their directors:

a) Professional and biographical profile;

b) Other directorships held, in listed or unlisted companies;

c) Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.

d) Date of first and subsequent appointments as company director; and

e) Company shares and stock options held.

Complies [ ] Partial compliance [X] Explanation [ ]

Although there is no specific section of the corporate website containing information on other directorships held by the directors of Ebro Foods, S.A., the annual accounts and corporate governance report of each year published in the corresponding section of the website contain information on the directorships held in listed companies and companies engaged in activities identical or similar to those of Ebro Foods.

28. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

See sections: A.2, A.3 and C.1.2

Complies	X	Partial compliance		Explanation	

29. The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his/her duties or when he or she falls into any of the circumstances by virtue of which he/she would no longer be considered independent, according to the provisions of Order ECC/461/2013.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies	X	Explanation	

30. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

If a director is tried for any of the offences contemplated in section 213 of the Corporate Enterprises Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Complies	X	Partial compliance		Explanation	

31. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies	X	Partial compliance		Explanation		Not applicable	

32. If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

See section: C.1.9

Complies	X	Partial compliance		Explanation		Not applicable	

33. Remunerations in the form of shares in the company or group companies, stock options or instruments linked to

the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.

This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

34. The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.

Complies [X] Explanation [ ] Not applicable [ ]

35. Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.

Complies [ ] Explanation [ ] Not applicable [X]

36. In the case of variable remuneration, the pay policies should establish such limits and technical precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.

Complies [X] Explanation [ ] Not applicable [ ]

37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.

See sections: C.2.1 and C.2.6

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies [X] Explanation [ ] Not applicable [ ]

39. In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.

The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

a) The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.

b) These Committees should have a minimum of three members, who should be exclusively non-executive directors. This notwithstanding, executive directors or senior officers may attend their meetings when expressly so decided by the Committee members.

c) The Committees should be chaired by Independent Directors.

d) They may obtain external assistance whenever this is considered necessary for the performance of their duties.

e) Minutes should be issued of Committee meetings and a copy sent to all members of the Board.

See sections: C.2.1 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ]

40. The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.

See sections: C.2.3 and C.2.4

Complies	X	Explanation	

41. All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.

Complies	X	Explanation	

42. Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.

See section: C.2.3

Complies	X	Explanation	

43. The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.

Complies	X	Partial compliance		Explanation	

44. The risk management and control policy should define at least:

a) The different types of risk (operational, technological, financial, legal, reputational…) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;

b) The level of risk that the company considers acceptable;

c) The measures envisaged to soften the effects of the risks identified, should they materialise;

d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

See section: E

Complies	X	Partial compliance		Explanation	

45. The Audit Committee should:

1. In connection with the internal reporting and control systems:

a) Ensure that the principal risks identified through supervision of the effective internal control of the company and internal auditing are adequately managed and disclosed.

b) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.

c) Establish and supervise a “whistle-blowing” procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct, especially in financial and accounting aspects.

2. In connection with the external auditor:

a) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.

b) Guarantee the independence of the external auditor, and for this purpose:

i) **The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content.**

ii) **Investigate the circumstances giving rise to resignation of any external auditor.**

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies	X	Partial compliance		Explanation	

46. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies	X	Explanation	

47. The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:

a) **The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.**

b) **Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.**

c) **Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.**

See sections: C.2.3 and C.2.4

Complies	X	Partial compliance		Explanation	

48. The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.

See section: C.1.38

Complies	X	Partial compliance		Explanation	

49. The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.

See section: C .2.1

Complies		Explanation	X	Not applicable	

Of the four members of the Nomination and Remuneration Committee, two are independent directors, one of whom chairs the committee.

50. Apart from the duties specified in preceding Recommendations, the Nomination Committee should:

a) **Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.**

b) **Study or organise as appropriate the succession of the Chairman or Chief Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.**

c) **Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.**

d) **Report to the Board on the gender issues contemplated in Recommendation 14.**

See section: C.2.4

Complies	[ ]	Partial compliance	[X]	Explanation	[ ]	Not applicable	[ ]

In 2014, notwithstanding the powers assigned to the Nomination and Remuneration Committee under the amended Corporate Enterprises Act, all the powers indicated in this recommendation corresponded to this committee except the power indicated in d).

51. The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.

Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

Complies	[X]	Partial compliance	[ ]	Explanation	[ ]	Not applicable	[ ]

52. Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:

a) Submit proposals to the Board on:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration of executive directors and other terms of contract;

iii) The basic conditions of senior executive contracts.

b) Ensure compliance with the remuneration policy established by the company.

See sections: C.2.4

Complies	[X]	Partial compliance	[ ]	Explanation	[ ]	Not applicable	[ ]

53. The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.

Complies	[X]	Explanation	[ ]	Not applicable	[ ]

H OTHER INFORMATION OF INTEREST

1. If you consider there to be any important aspects regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

   In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.

EXPLANATORY NOTE ONE, ON SECTION A.4

Instituto Hispánico del Arroz, S.A. and Hispafoods Invest, S.L. are directors and also significant shareholders of the company (see percentage shareholdings indicated in A.3) and the relationships contemplated in explanatory note six to section C.1.17 exist between them.

EXPLANATORY NOTE TWO, ON SECTION A.5

For relationships between the companies of the Ebro Foods Group and the controlling shareholders, see section C.2 of this Report.

EXPLANATORY NOTE THREE, ON SECTION C.1.2

The director José Antonio Segurado García was appointed Lead Independent Director by virtue of a resolution adopted by the Board on 29 January 2014, as mentioned in several sections of this report.

EXPLANATORY NOTE FOUR, ON SECTIONS C.1.4 AND C.2.2

Following the resignation by a female independent director for professional reasons on 1 December 2014, the presence of women on the Board of Directors has been reduced to two and the number of independent directors on the Audit and Compliance Committee and the Nomination and Remuneration Committee has fallen to two.

EXPLANATORY NOTE FIVE, ON SECTION C.1.16

- The total amount indicated in section C.1.16 includes (i) the remuneration of all the company executives, even though they are not all part of the senior management; and (ii) the remuneration of an executive who left the company as of 30 July 2014 and that of another executive who joined the company on 6 October 2014.

- In 2014 a sum of €145,000 was distributed among all executives (except the Chairman of the Board) included in the Deferred Annual Bonus Scheme linked to the Group's Strategic Plan 2010-2012, corresponding to 2012 (the last year of the Plan). This sum represents 70% of the Deferred Annual Variable Remuneration for the three-year period and was provided for in the 2012 accounts.

- A provision has been recognised in the 2014 accounts of €117,000 as the provisional estimate of the sum corresponding to 2014 to be distributed among all executives (except the Chairman of the Board) included in the Deferred Annual Bonus Scheme linked to the Group's Strategic Plan 2013-2015, equivalent to 25% of the Deferred Annual Variable Remuneration for that three-year period. This sum has been paid in 2015.

- Finally, these Deferred Annual Bonus Schemes are not indexed to the value of the company share and the beneficiaries do not receive any shares or rights thereover.

EXPLANATORY NOTE SIX, ON SECTION C.1.17

- Instituto Hispánico del Arroz, S.A. and Hispafoods Invest, S.L. are directors and controlling shareholders of Ebro Foods, S.A. Instituto Hispánico del Arroz, S.A. holds 100% of the capital of Hispafoods Invest, S.L. (direct interest of 51.62% and indirect interest of 48.38%) and is director of that company.

- Antonio Hernández Callejas has a direct interest of 16.666% in Instituto Hispánico del Arroz, S.A. and an indirect interest of 16.666% in Hispafoods Invest, S.L. Therefore, Antonio Hernández Callejas has an indirect interest in Ebro Foods, S.A. through the 15.879% interest held directly and indirectly in this company by Instituto Hispánico del Arroz, S.A. Antonio Hernández Callejas does not hold any office in those companies.

Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 10.026% interest held indirectly in this company by Sociedad Anónima Damm through Corporación Económica Damm, S.A.

EXPLANATORY NOTE SEVEN, ON SECTION C.1.29

During 2014 both the Board of Directors and the Audit and Compliance Committee adopted written resolutions (without a meeting) on one occasion each, which should be added to the number of meetings indicated in section C.1.29.

EXPLANATORY NOTE EIGHT, ON SECTION C.2

-The audit committee in Ebro Foods S.A. is called the Audit and Compliance Committee and the nomination and remuneration committee is called the Nomination and Remuneration Committee (lit. Selection and Remuneration Committee in Spanish).

-The powers of the different Committee of the Board established in the Regulations of the Board, without prejudice to those corresponding to them by law, are set out below:

1. POWERS OF THE EXECUTIVE COMMITTEE:

a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors.

b) Monitor and supervise the day-to-day management of the company, ensuring adequate coordination with subsidiaries in the common interests of the latter and the company.

c) Study and propose to the Board of Directors the guidelines defining business strategy, supervising their implementation.

d) Debate and inform the Board on any issues corresponding to the following matters, regardless of whether or not they have been delegated by the Board:

- Separate and consolidated annual budget of the company, itemising the provisions corresponding to each line of business.
- Monthly monitoring of the financial management, budget deviations and proposed remedial measures, if necessary.
- Significant financial investments and investments in property, plant and equipment and the corresponding economic justification.
- Alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company.
- Financial transactions of a material economic significance for the company.
- Programme of medium-term actions.
- Assessment of the achievement of objectives by the different operating units of the company.
- Monitoring and assessment of the subsidiaries in respect of the matters contemplated in this sub-section d).

e) Adopt resolutions corresponding to the acquisition and disposal of treasury stock by the Company, in accordance with the authorisation, if any, granted by the General Meeting. A Director may be designated to execute and formalise the decisions to buy or sell own shares, supervising and, if appropriate, authorising any resolutions that may be adopted by subsidiaries to buy and sell their own shares or shares in the Company, whenever such authorisation is required by law.

2. POWERS OF THE AUDIT AND COMPLIANCE COMMITTEE:

a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy.

b) Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.

c) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

d) Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be officially drawn up and authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary.
In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote.

e) Establish regular contact with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation.

f) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.

g) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.

h) Implement a confidential whistle-blowing channel accessible to all Group employees and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

i) Supervise compliance with the internal codes of conduct and rules of corporate governance. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

j) Propose to the Board, for submission to the General Meeting, the appointment of the External Auditors of the Company and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. The Committee shall ensure the independence of the External Auditors and the existence of a discussion procedure enabling the External Auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. It shall also inform the Board on the proposal submitted to the Board by the Company Chairman regarding the appointment of the Internal Audit Manager, who shall report directly to the Chairman of the Board.

k) Supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries and settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.

l) Report to the General Meeting on any issues raised by shareholders concerning matters within its competence.

3. POWERS OF THE NOMINATION AND REMUNERATION COMMITTEE:

The Committee shall study, issue reports and submit proposals for the Board on the following matters:

a) Definition and, where appropriate, revision of the criteria to be followed for the composition and structure of the Board and selection of candidates to join the Board, informing always prior to the appointment of a Director by cooptation or the submission to the General Meeting of any proposal regarding the appointment or removal of Directors.

b) Appointment of the Chairman and, if any, the Vice-Chairman, Managing Director(s) and Secretary of the Board; appointment of Directors to the Executive Committee, Audit and Compliance Committee and Strategy and Investment Committee; appointment of members of the Management Committee and any other advisory committees the Board may create; and appointment and possible dismissal of senior executives and their termination benefit clauses.

c) Position of the Company regarding the appointment and removal of board members in subsidiaries.

d) Proposal of directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive directors' relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover.

e) Supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect.

f) Assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its subsidiaries.

g) Examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner.

h) Preparation and proposal of the Annual Report on Directors' Remuneration in accordance with the laws and regulations in place from time to time.

4. POWERS OF THE STRATEGY AND INVESTMENT COMMITTEE

The Committee shall study, issue reports and submit proposals for the Board on the following matters:

a) Setting of targets for growth, yield and market share of the company.

b) Strategic development plans, new investments and restructuring processes.

c) Coordination with subsidiaries in the matters contemplated in paragraphs a) and b) above, for the common interests and benefit of the Company and its subsidiaries.

In the performance of its duties, it may, where necessary, obtain information and collaboration from the members of the Company management, through the Chairman of the Committee.

EXPLANATORY NOTE NINE, ON SECTION D.3

The transactions performed directly by the director Instituto Hispánico del Arroz, S.A. listed in section D.3 are grouped by type of transaction and were all made with the subsidiaries of the Ebro Foods Group and for the amounts indicated below:

- The "purchases of goods (finished or otherwise)" in a total sum of €7,719 thousand were made directly with the following companies of the Ebro Foods Group: Herba Ricemills, S.L.U. (€7,484 thousand), Boost Nutrition, C.V. (€68 thousand), Arrozeiras Mundiarroz, S.A. (€79 thousand) and TBA Suntra BV (€88 thousand).

- The "sales of goods (finished or otherwise)" in a total sum of €304 thousand were made directly with the following companies of the Ebro Foods Group: Herba Ricemills, S.L.U. (€119 thousand), Boost Nutrition, C.V. (€68 thousand), Arrozeiras Mundiarroz, S.A. (€30 thousand) and TBA Suntra BV (€87 thousand).

- "Services rendered" in a sum of €2 thousand were made directly with Herba Ricemills, S.L.U.

- "Services received" in a sum of €175 thousand were made directly with Herba Ricemills, S.L.U. (€125 thousand) and Herba Foods, S.L.U. (€50 thousand).

EXPLANATORY NOTE TEN, ON SECTION G

- Regarding Recommendation 2, there are no listed companies in the Ebro Foods Group apart from the parent, Ebro Foods S.A.

- Regarding Recommendation 20, none of the directors or the non-director Secretary have expressed any concern over the proposed resolutions submitted to the board or the development of the company.

- Regarding Recommendation 31, no directors have expressed their opposition to any of the proposals considering them to go against the company's interests. When the potential conflict of interests of certain Board members has been examined, neither the independent directors nor the directors affected by such potential conflicts have expressed such opposition or considered that the decisions adopted could be detrimental to shareholders not represented on the board.

EXPLANATORY NOTE ELEVEN

- Ebro Foods, S.A. had an interest of 3.121% in Biosearch, S.A. at 31 December 2014. This interest is recognised in the Ebro Group accounts as “Available-for-sale financial assets”.

Biosearch, S.A. is a listed company engaged in activities similar to the objects of Ebro Foods, S.A. It was part of the Ebro Group until January 2011. During the first half of 2014, the former non-director Secretary of the Board, Miguel Ángel Pérez Álvarez, was a proprietary director of Biosearch, nominated by Ebro as significant shareholder.

The transactions made between 1 January and 31 December 2014 between Biosearch, S.A. and different companies of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., operating lease (income) for €26 thousand.
- Dosbío 2010, S.L.U., operating lease (expense) for €7 thousand.
- Ebro Foods, S.A., services rendered for €42 thousand.

- During the first half of 2014 Ebro Foods, S.A. held an interest in Deóleo, S.A. which was recognised in the Ebro Group accounts as “Available-for-sale financial assets”. On 28 March 2014 Ebro Foods, S.A. reduced its interest to below 3% (ceased to be a significant shareholder) and since 13 May 2014 it has not held any interest in that company.

Antonio Hernández Callejas, Chairman of the Board of Ebro Foods, S.A., was proprietary director of Deóleo up to 31 January 2014, when he stepped down for professional reasons.

The transactions made between 1 January and 28 March 2014 between Deóleo and different companies of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., services received for €12 thousand.
- Lassie Nederland BV, services received for €39 thousand.
- Ebro Foods, S.A., services rendered for €261 thousand.

- Ebro Roods, S.A. has an interest of 25% in Riso Scotti S.p.A. This is an associate consolidated by the equity method.

The transactions made in 2014 between Riso Scotti and a subsidiary of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., sale of goods (finished or otherwise), €1 thousand
- Herba Ricemills, S.L.U., services rendered, €6 thousand
- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise), €62 thousand
- Herba Ricemills, S.L.U., services received, €1 thousand

EXPLANATORY NOTE TWELVE

Both the Board of Directors and its Committees have already taken up the powers corresponding to them by virtue of the Corporate Enterprises Act as amended by Act 31/2014 of 3 December. At the date of this report the company is in the process of adapting its Articles of Association, Regulations of the General Meeting and Regulations of the Board to the new legal provisions.

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 21/03/2015.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

YES ☐ NO ☒

EBRO FOODS, S.A.

Auditor Report on the "2014 Disclosures Regarding the Internal Control over Financial Reporting System"

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

AUDIT REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM" OF EBRO FOODS, S.A. FOR 2014

Dear Directors,

As per the request made by the Board of Directors of EBRO FOODS, S.A. (hereinafter, the Company) and our proposal letter of December 2, 2014, we have applied certain procedures in relation to the accompanying "ICFR disclosures" of EBRO FOODS, S.A. for 2014, which summarize the Company's internal control procedures in respect of its annual reporting exercise.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the ICFR disclosures required in section F) of the accompanying Annual Corporate Governance Report.

Against this backdrop, it is important to note that, regardless of the quality of the design and effective functioning of the ICFR system adopted by the Company in respect of its annual financial reporting effort, the latter can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity's ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report published by Spain's securities market regulator, the CNMV (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the product resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design or effective functioning in respect of the Company's 2014 financial reporting disclosures, as described in the accompanying ICFR disclosures. As a result, had we performed additional procedures to those stipulated in the abovementioned CNMV report or had we performed an audit or review of the internal controls over the annual financial disclosures that the Company is required to present, other matters might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Consolidated Text of Spain's Financial Statement Audit Act, enacted by means of Royal Decree-Law 1/2011, of July 1, 2011, we do not express an audit opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Reading and understanding of the information prepared by the Company regarding ICFR – disclosures included in the management report – and an evaluation of whether this information meets all the minimum reporting requirements needed to fill out section F on the ICFR system in the Annual Corporate Governance Report template established in CNMV Circular 5/2013 of June 12, 2013.

2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.

3. Reviewing the explanatory documents supporting the information detailed in item 1 above, including documents directly made available to those responsible for describing ICFR systems. The documentation to be reviewed may include reports prepared for the audit committee by internal audit, senior management and other internal or external specialists.

4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit.

5. Reading of the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.

6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively under the scope of the requirements stipulated in article 540 of the Consolidated Text of Spain's Corporate Enterprises Act and CNMV Circular 5/2013 of June 12, 2013 on ICFR-related descriptions in listed companies' Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed in the original in Spanish)

March 24, 2015

David Ruíz-Roso Moyano

I, the Secretary of the Board of Directors of Ebro Foods, S.A. hereby certify that the members of the Board have signed this document containing the separate annual accounts and directors' report of Ebro Foods, S.A. for the year running from 1 January to 31 December 2014, on 136 pages including this one, printed on one side only (the Annual Corporate Governance Report is included at the end of the directors' report, after page 117, numbered from 1 to 60, both inclusive, together with the Auditors' Report on the FRICS, on 2 pages). This certificate is signed by each and every one of the directors, in person or by proxy, against their names and surnames set out below.

Madrid, 24 March 2015

Luis Peña Pazos
Secretary of the Board

Antonio Hernández Callejas
Chairman

Demetrio Carceller Arce
Vice Chairman

Alimentos y Aceites, S.A.
(Concepción Ordiz Fuertes)

Fernando Castelló Clemente
(By express delegation,
Demetrio Carceller Arce)

José Ignacio Comenge Sánchez-Real

Empresas Comerciales
e Industriales Valencianas, S.L.
(Juan Luis Gómez-Trenor Fos)

Hispafoods Invest, S.L.
(Blanca Hernández Rodríguez)

Instituto Hispánico
del Arroz, S.A.
(Félix Hernández Callejas)

José Nieto de la Cierva

Rudolf-August Oetker
(By express delegation,
Demetrio Carceller Arce)

José Antonio Segurado García
Lead Independent Director

Eugenio Ruiz-Gálvez Priego

I, the Secretary of the Board, hereby certify that the separate annual accounts of Ebro Foods, S.A. for 2014 have not been signed personally by the directors Fernando Castelló Clemente and Dr. August Oetker because they did not attend in person the Board meeting at which those annual accounts were authorised for issue. The said directors have, nevertheless, (i) expressly stated their approval and vote for the accounts and (ii) expressly authorised the director who represented them at that meeting to sign the accounts on their behalf.

Madrid, 24 March 2015

Luis Peña Pazos