

REPORT BY THE DIRECTORS OF EBRO FOODS, S.A. TO THE GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 4 JUNE 2019 ON FIRST CALL OR 5 JUNE 2019 ON SECOND CALL, SUPPORTING THE PROPOSED ALTERATION OF ARTICLE 22 OF THE ARTICLES OF ASSOCIATION, INCLUDED IN ITEM SIX ON THE AGENDA

1. Purpose of the report

Among other requirements for altering articles of association, section 286 of the Corporate Enterprises Act requires the directors to publish the full text of the proposed alteration and issue a written report justifying it.

This report (the “**Report**”), drafted and approved by the Board of Directors of Ebro Foods, S.A. (“**Ebro**” or the “**Company**”) on 30 April 2019, complies with that legal requirement in respect of the alteration of Article 22 of the company’s Articles of Association regarding Directors’ remuneration. The proposed resolution is included in item six on the agenda for the Annual General Meeting called by the Board for 4 June 2019 on first call and 5 June 2019 on second call.

2. Justification of the proposed alteration of the Articles of Association

The proposed alteration of the articles of association is intended to modify the system of remuneration of the company directors for their duties as such, replacing the current system of a share in the company’s profits with a system of fixed allocation for the entire Board, while maintaining the fees for attending Board and Committee meetings.

In this regard, the current statutory regulation of directors’ remuneration for their duties as such, that is, for being on the Board and for the supervisory and other non-executive duties they perform, consists of:

- (i) a share in the profits of up to and not exceeding 2.5% of the consolidated profit attributable to the company in the Consolidated Annual Accounts of the year in question, the specific percentage to be determined by the General Meeting; and
- (ii) fees for attending Board and Committee meetings, the amount of which is also determined by the General Meeting.

With regard to the first of these pay items (share in the profits, up to a determined ceiling of the consolidated profit of the Group attributable to the Company), considering the current situation of the Company and its Group, in which annual earnings remain stable and significant over time, the Board recommends replacing this system with a simpler, more direct system consisting of a fixed allocation decided by the General Meeting for each year.

In recent years, the General Meeting has determined the annual share in profits by setting different percentages each year (although logically never above the aforesaid ceiling of 2.5% of the consolidated profit attributable to the Company), in order to ensure that the remuneration actually received by the Directors for their duties as such (i.e. for their supervisory and other non-executive duties) is stable and commensurate with the stable development of the Company and its Group.

The Board also points out that the ceiling of 2.5% of the consolidated profit attributable to the Company has, to a certain extent, become less practical because the consolidated profits have reached recurring high levels, making the amount represented by that percentage excessively large. As proof of this, at least in the past five years the remuneration received by the directors for their status as such corresponding to a share in the profits has been considerably below that limit.

Furthermore, the law now requires directors' remuneration to be adjusted to the progress of business and economic situation of the Company and its Group at any time. Under the Corporate Enterprises Act, directors' remuneration must be reasonably proportional to the company's importance, its economic situation from time to time and the market standards of comparable companies. Moreover, the remuneration system should be designed to promote the company's long-term yield and sustainability and the necessary precautions should be taken to avoid excessive exposure to risk or rewarding unfavourable results (section 217.4 of the Corporate Enterprises Act). In view of this legal provision and the fact that the limit currently established in the Articles of Association is no longer effective, it is considered unnecessary to maintain that limit.

So the proposed alteration would be to establish a system of remuneration for directors as such consisting of two pay items: a fixed annual allocation and attendance fees for Board and Committee meetings.

The amounts corresponding to each of these items will be set by the General Meeting, as they have been up to now. It should be clarified that the amount approved as the fixed allocation will be for all the Board members, as a body.

Under this remuneration system, the General Meeting sets the amounts, which should be done (by legal requirement) taking account of the progress of the Group's business and its economic situation from time to time, regardless of the consolidated profit or loss of the Group in any particular year or other financial metrics considered separately.

Finally, in the proposed alteration of the company's articles, it is clarified that once the General Meeting has determined the amount of remuneration for all the directors (that is, for the Board as a whole), the Board will distribute the amount of the fixed allocation among the directors (based on objective criteria) and determine the timing of the corresponding payments.

3. Full text of the proposed alteration. Proposed resolution

The proposed resolution laid before the General Meeting of Shareholders under item six on the agenda is transcribed below including the full text of the proposed alteration, as justified above.

“Alteration of Article 22 (Remuneration) of the Articles of Association

To approve the alteration of Article 22 (Remuneration) of the Articles of Association, re-wording it as follows:

“Article 22: Remuneration.

Remuneration of all the board members for their duties as such (that is, for their supervisory and other non-executive duties) shall comprise: (i) a fixed annual allocation; and (ii) fees for attending meetings of the company’s corporate bodies. Both the fixed annual allocation for the board as a whole and the amount of attendance fees shall be determined by the general meeting and shall remain in force until a resolution is passed to change them. The board of directors shall distribute each year among its members the fixed sum established by the general meeting, taking into account the positions held by the directors on the board, their membership of board committees and any other objective circumstances that the board may consider appropriate. The board shall also decide on the timing of successive payments.

The directors’ remuneration shall in any case be reasonably aligned with the importance of the company, its economic situation from time to time and the market standards of comparable companies. The remuneration system established shall focus on promoting the long-term yield and sustainability of the company and shall contemplate such precautions as may be necessary to avoid excessive exposure to risk or rewarding unfavourable results.

The remuneration policy for directors shall comply with all applicable provisions on the remuneration system in the articles of association and shall be approved by the general meeting at least every three years as a separate item on the agenda.

Regardless of the nature of their legal relationship with the company, directors with executive duties in the company shall be entitled to remuneration for the performance of such duties on the terms established by the board of directors in accordance with the remuneration policy for directors in place from time to time. The relationship between the company and its executive directors shall be set down in a contract, which must be approved by the Board in the manner and with the majorities stipulated in law.

In addition and independently of the remuneration contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. Nevertheless, the use of those remuneration systems shall be decided by the general meeting, in the form and on the terms and conditions stipulated in law.

If the executive directors waive the remuneration to which they are entitled for their duties as directors (that is, for their supervisory and other non-executive duties), the fixed remuneration that would correspond to them will not be distributed among the remaining directors.”

Madrid, 30 April 2019.

Informative Annex

Comparative text of the proposed alteration

Article 22: Remuneration.

~~Remuneration of all the board members for their duties as such shall consist each year in a share of up to two and a half per cent (2.5%) of the consolidated profits attributable to the company, although this sum may only be taken from the company's net profit and after setting aside such sums as may be necessary to meet the legal reserve requirements, fund any reserves (that may be established in the articles of association, pay shareholders the minimum dividend established in prevailing legislation and meeting all and any is, for their supervisory and other priority assignments required by law. The general meeting shall determine the percentage applicable within the maximum established in this article. The board shall distribute the aforesaid sum among its members each year.~~

~~The directors will also be entitled to a fee non-executive duties) shall comprise: (i) a fixed annual allocation; and (ii) fees for attending meetings of the governance company's corporate bodies of. Both the company, fixed annual allocation for the board as a whole and the amount of which will be established every year attendance fees shall be determined by the general meeting and shall remain in force until a resolution is passed to change them. The board of directors shall distribute each year among its members the fixed sum established by the general meeting-~~

~~The maximum amount of, taking into account the annual remuneration for all positions held by the directors as such shall be approved by the general meeting on the board, their membership of board committees and shall be maintained until a modification is approved any other objective circumstances that the board may consider appropriate. The board shall also decide on the timing of successive payments.~~

The directors' remuneration shall in any case be reasonably aligned with the importance of the company, its economic situation from time to time and the market standards of comparable companies. The remuneration system established shall focus on promoting the long-term yield and sustainability of the company and shall contemplate such precautions as may be necessary to avoid excessive exposure to risk or rewarding unfavourable results.

The remuneration policy for directors shall comply with all applicable provisions on the remuneration system in the articles of association and shall be approved by the general meeting at least every three years as a separate item on the agenda.

Regardless of the nature of their legal relationship with the company, directors with executive duties in the company shall be entitled to remuneration for the performance of such duties on the terms established by the board of directors in accordance with the remuneration policy for directors in place from time to time. The relationship between the company and its executive directors shall be set down in a contract, which must be approved by the Board in the manner and with the majorities stipulated in law.

In addition and independently of the remuneration contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. Nevertheless, the use of those remuneration systems shall be decided by the general meeting, in the form and on the terms and conditions stipulated in law.

If the executive directors waive the ~~share in the profits~~ remuneration to which they are entitled for their duties as directors, ~~(that is, for their supervisory and other non-executive duties)~~, the ~~sums~~ fixed remuneration that would correspond to them ~~as a share in the company's profits~~ will not be distributed among the remaining directors.”

**The English version of this document is purely informative.
In the event of any discrepancy between the Spanish and English
versions of this document, the Spanish version will prevail.**