

## **REPORT BY THE DIRECTORS OF EBRO FOODS, S.A. TO THE ANNUAL GENERAL MEETING CALLED FOR 29 JUNE 2021 ON FIRST CALL AND 30 JUNE 2021 ON SECOND CALL, JUSTIFYING THE MOTION TO AUTHORISE THE BOARD OF DIRECTORS TO INCREASE THE CAPITAL, WITH AUTHORISATION TO EXCLUDE SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS, INCLUDED IN ITEM ELEVEN ON THE AGENDA**

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### **1. Purpose of the Report**

Among other requirements for altering the Articles of Association established in section 286 of the Corporate Enterprises Act, company directors are required to publish the full text of the alteration proposed and a written report justifying it.

Under section 297.1(b) Corporate Enterprises Act, the General Meeting may, subject to the conditions stipulated for altering the Articles of Association, delegate to the Board of Directors the power to increase the capital.

And as a specific rule for listed companies, with regard to the authorisation of the directors to exclude shareholders' preferential subscription rights in issues of new shares, section 506 Corporate Enterprises Act (as amended by Act 5/2021 of 12 April) provides that: *"When the general meeting delegates to the directors the power to increase the capital, it may also authorise them to exclude the shareholders' preferential subscription rights for the share issues made by virtue of that delegation, if this is deemed to be in the company's interests. The authorisation to increase the capital excluding preferential subscription rights may not refer to more than twenty per cent of the company's capital at the time of authorisation."* Among other requirements to be met as from the date of calling the general meeting, section 506 Corporate Enterprises Act also requires directors to issue a report for shareholders justifying the motion to delegate that power.

This report (the **"Report"**), drafted and approved by the Board of Directors of Ebro Foods, S.A. (the **"Company"**) on 24 May 2021, is issued in compliance with the aforesaid legal provisions for delegation to the Board of the power to increase the capital and the power to exclude shareholders' preferential subscription rights, according to the motion tabled under item eleven on the agenda for the Annual General Meeting (**"AGM"**) called by the Board for 29 June 2021 on first call and 30 June 2021 on second call. If this proposed resolution is carried, the relevant resolution adopted at the AGM on 1 June 2016 would be rendered null and void.

### **2. Justification of the proposal to authorise the Board to increase the capital**

The proposed resolution submitted to the AGM is justified by the convenience of the Board having a mechanism, permitted by prevailing company laws, enabling it to make one or several capital increases without having to call and hold another general meeting, provided it respects the limits, terms and conditions established at the AGM.

Section 297.1(b) Corporate Enterprises Act allows the General Meeting to delegate to the Board of Directors the power to make such capital increases as it may deem fit in view of the Company's needs and the situation of the markets in which the company operates

from time to time, within the limits authorised by the General Meeting and provided such increases do not exceed half the capital at the time of the authorisation, without holding a prior general meeting, thus providing a flexible, agile, effective instrument to obtain additional funds whenever this is considered necessary in the company's best interests. The same legal provision provides that any capital increases decided by the Board under this authorisation shall be made with cash contributions within a maximum of five years from the date of the resolution adopted by the General Meeting.

In this regard, since it is impossible to establish in advance how much capital the Company is going to need, it is recommended that the Board should be in a position to use the authorised capital mechanism provided in Spanish law, to avoid the delays and increased costs incurred in having to appeal to the General Meeting to increase the capital, bearing in mind that the Board's current authorisation was granted at the AGM 2016, so the five-year time limit of the last authorisation granted is about to expire.

It is thus proposed, in the terms permitted by section 297.1(b) Corporate Enterprises Act, that the General Meeting grant a broad authorisation enabling the Board to decide from time to time on the conditions for increasing the capital best suited to any specific needs that may arise in the future (within the next five years), since it is impossible to determine the most appropriate conditions at the time of delegating this power.

This authorisation is, moreover, a resolution commonly included among the proposals that the General Meeting has traditionally passed and similar authorisations can be found among the proposed resolutions submitted to the general meetings of other listed companies.

In view of the foregoing, a motion is proposed to the AGM to authorise the Board to increase the capital on the terms set out in the proposed resolution included at the end of this report, as the five-year period of the last authorisation granted by the General Meeting in this respect, which it has not used, is about to expire.

### **3. Justification of the proposed authorisation to exclude the preferential subscription right**

Section 506 Corporate Enterprises Act (as amended by Act 5/2021 of 12 April amending the Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010 of 2 July) allows the General Meeting to delegate to the Board the power to exclude shareholders' preferential subscription rights when it authorises that body to increase the capital, although if this delegated power is exercised, the capital may not be raised by more than 20% of the capital existing at the time of the authorisation.

In any case, it should be clarified that the authorisation to exclude preferential subscription rights does not necessarily mean that shareholders' preferential subscription rights must be excluded for each capital increase made by virtue of the authorisation to increase the capital; it is perfectly possible to make capital increases with or without preferential subscription rights, applying the corresponding limit established by law for each of these cases.

This power to exclude preferential subscription rights may only be exercised, pursuant to section 308 Corporate Enterprises Act, when this is in the company's interests and

provided that: (i) the resolution to increase the capital adopted by the Board under the authorisation granted by the General Meeting is accompanied by the corresponding explanatory report by the directors (the report of an independent expert contemplated in section 308 Corporate Enterprises Act being voluntary) and (ii) the par value of the shares to be issued plus the share premium, if any, coincides with the fair value as per section 504.3 Corporate Enterprises Act.

For this purpose, the Board of Directors may assess on each occasion whether the measure of excluding the preferential subscription right is proportionate to the benefits to be obtained by the company and, therefore, whether it is made because corporate interests so require. The Board must in any case comply with the substantive requirements stipulated by law in this regard.

#### **4. Proposed resolution**

The full text of the proposed resolution to authorise the Board of Directors to increase the capital and exclude shareholders' preferential subscription rights, pursuant to sections 297.1(b) and 506 Corporate Enterprises Act, submitted to the AGM under item eleven on the agenda, is set out below:

#### **“RESOLUTION PROPOSED UNDER ITEM ELEVEN ON THE AGENDA**

*Authorisation of the Board of Directors of Ebro Foods, S.A. to increase the capital on one or several occasions over a period of five years, up to the maximum amount stipulated in law, by means of monetary contributions in such amounts as may be decided by the Board on each occasion up to the legal limit. Capital increases shall be made by issuing new voting or non-voting, ordinary or preference shares, including redeemable shares or shares of any other nature permitted by law, contemplating the possibility of issues not being fully subscribed. Authorisation also to exclude preferential subscription rights in those share issues, in pursuance of section 506 of the Corporate Enterprises Act, in which case the power to increase the capital would be capped at 20% of the capital, as stipulated in the aforesaid legal provision.*

To authorise the Board of Directors, as extensively as may be required by law, to increase the capital in accordance with section 297.1(b) of the Corporate Enterprises Act, over a period of five years from the date of this General Meeting, by a sum not exceeding 50% of the Company's capital as at the date of this authorisation. The capital may be increased on one or several occasions by such amount as the Board may decide, by issuing new voting or non-voting, ordinary or preference shares, including redeemable shares or shares of any other nature permitted by law, with or without share premium, paid up in cash. The Board may establish the terms and conditions of the capital increase, determining among other aspects the par value of the shares to be issued, their features and any privileges they may confer, establishment of the right to redemption and conditions thereof, and exercise of that right by the Company.

To approve the delegation to the Board of Directors, as extensively as may be required by law, of the power to exclude preferential subscription rights and expressly authorise it in this regard, pursuant to Article 506 of the Corporate Enterprises Act, with regard to the shares issued in execution of this resolution. If the power to exclude preferential

subscription rights is exercised, the authorisation to increase the capital must be capped at 20% of the Company's capital as at the date of this authorisation, in pursuance of section 506 of the Corporate Entities Act.

To further authorise the Board to freely offer any shares not subscribed within the preferential subscription period or periods, whenever such periods are established, and to determine that if the issue is not fully subscribed, the capital will be increased by the amount of the shares actually subscribed, in pursuance of sections 311 and 507 of the Corporate Enterprises Act, redrafting Article 6 ("Capital") and Article 7 ("Shares") of the Articles of Association accordingly.

Upon making each capital increase, to apply for admission to listing of the shares issued under this resolution on the stock exchanges on which the Company's shares are quoted, subject to meeting the applicable legal requirements. The Board of Directors will be authorised, with express power to delegate one or several Board members, to issue such documents and take such actions as may be required for this purpose, including any actions, declarations or formalities with any other competent authority.

To authorise the Board also to sub-delegate to one or several Board members the powers delegated to it by the General Meeting in connection with the foregoing resolutions.

This resolution is adopted in view of a written report by the Directors justifying the proposed resolution, approved at the Board meeting held on 24 May 2021, in pursuance of sections 286 and 506 of the Corporate Enterprises Act. That report has been available to shareholders since publication of the notice of call and is included in the minutes of the General Meeting of Shareholders."

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Madrid, 24 May 2021

<p><b>The English version of this document is purely informative. In the event of any discrepancy between the Spanish and English versions of this document and annexes, the Spanish version will prevail.</b></p>
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