

**FINANCIAL STATEMENTS AND DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**EBRO FOODS, S.A.**

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<b>EBRO FOODS, S.A.</b>			
<b>BALANCE SHEETS AT 31 DECEMBER 2013 and 2012</b>			
Thousands of euros			
<b>ASSETS</b>	<b>Notes</b>	<b>12/31/13</b>	<b>12/31/12</b>
<b>A) NON-CURRENT ASSETS</b>		<b>1,521,482</b>	<b>1,500,798</b>
<b>I. Intangible assets</b>	<b>5</b>	<b>8,333</b>	<b>8,778</b>
3. Patents, licences, trademarks and other		7,866	7,866
5. Computer software		467	912
<b>II. Property, plant and equipment</b>	<b>6</b>	<b>1,630</b>	<b>2,174</b>
1. Land and buildings		514	526
2. Plant and other items of property, plant and equipment		1,116	1,648
<b>III. Investment property</b>	<b>7</b>	<b>12,081</b>	<b>12,112</b>
1. Land		7,276	7,276
2. Buildings		4,805	4,836
<b>IV. Non-current investments in Group companies and associates</b>	<b>8</b>	<b>1,404,934</b>	<b>1,400,252</b>
1. Equity instruments		1,404,737	1,400,087
2. Loans to companies	<b>8 &amp; 17</b>	197	165
<b>V. Non-current financial assets</b>	<b>9</b>	<b>71,412</b>	<b>56,956</b>
1. Equity instruments		46,132	29,905
2. Loans to third parties		25,133	26,904
5. Other financial assets		147	147
<b>VI. Deferred tax assets</b>	<b>15</b>	<b>23,092</b>	<b>20,526</b>
<b>B) CURRENT ASSETS</b>		<b>17,152</b>	<b>20,606</b>
<b>III. Trade and other receivables</b>	<b>9 &amp; 10</b>	<b>13,526</b>	<b>15,235</b>
1. Trade receivables for sales and services		841	655
2. Receivable from Group companies and associates	<b>17</b>	4,311	8,216
3. Sundry accounts receivable		8	8
4. Employee receivables		52	71
5. Current tax assets	<b>15</b>	7,179	5,896
6. Other accounts receivable from public authorities	<b>15</b>	1,135	389
<b>V. Current financial assets</b>	<b>9</b>	<b>1,770</b>	<b>4,065</b>
2. Loans to third parties		1,770	4,065
<b>VI. Current prepayments and accrued income</b>		<b>21</b>	<b>0</b>
<b>VII. Cash and cash equivalents</b>	<b>11</b>	<b>1,835</b>	<b>1,306</b>
1. Cash		1,835	1,306
<b>TOTAL ASSETS</b>		<b>1,538,634</b>	<b>1,521,404</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2013.

<b>EBRO FOODS, S.A.</b>			
<b>BALANCE SHEETS AT 31 DECEMBER 2013 and 2012</b>			
Thousands of euros			
<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>12/31/13</b>	<b>12/31/12</b>
<b>A) EQUITY</b>		<b>955,919</b>	<b>1,027,042</b>
<b>A.1) SHAREHOLDERS' EQUITY</b>	<b>12</b>	<b>942,352</b>	<b>1,026,329</b>
<b>I. Share capital</b>		<b>92,319</b>	<b>92,319</b>
1. Registered share capital		92,319	92,319
<b>II. Share premium</b>		<b>5</b>	<b>5</b>
<b>III. Reserves</b>		<b>841,686</b>	<b>930,472</b>
1. Legal and bylaw reserves		18,464	18,464
2. Other reserves		823,222	912,008
<b>IV. Treasury shares</b>		<b>0</b>	<b>0</b>
<b>VII. Profit for the year</b>		<b>8,342</b>	<b>3,533</b>
<b>VIII. Interim dividend</b>		<b>0</b>	<b>0</b>
<b>A.2) VALUATION ADJUSTMENTS</b>	<b>9</b>	<b>13,567</b>	<b>713</b>
<b>B) NON-CURRENT LIABILITIES</b>		<b>513,539</b>	<b>407,024</b>
<b>I. Long-term provisions</b>	<b>14</b>	<b>2,372</b>	<b>10,858</b>
1. Long-term provisions for employee benefit obligations		2,372	2,030
4. Other provisions		0	8,828
<b>II. Non-current payables</b>	<b>9</b>	<b>210,081</b>	<b>171,790</b>
2. Bank borrowings	<b>13</b>	210,069	171,778
5. Other financial liabilities		12	12
<b>III. Non-current payables to Group companies and associates</b>	<b>17</b>	<b>252,783</b>	<b>182,080</b>
<b>IV. Deferred tax liabilities</b>	<b>15</b>	<b>48,303</b>	<b>42,296</b>
<b>C) CURRENT LIABILITIES</b>		<b>69,176</b>	<b>87,338</b>
<b>III. Current payables:</b>	<b>9</b>	<b>36,372</b>	<b>59,863</b>
2. Bank borrowings	<b>13</b>	36,314	59,747
5. Other financial liabilities		58	116
<b>IV. Current payables to Group companies and associates</b>	<b>17</b>	<b>23,211</b>	<b>15,485</b>
<b>V. Trade and other payables:</b>	<b>9</b>	<b>9,593</b>	<b>11,990</b>
1. Payable to suppliers		2,830	2,706
2. Payable to suppliers - Group companies and associates		165	1,006
4. Remuneration payable		3,002	3,005
5. Current tax liabilities	<b>15</b>	0	0
6. Other accounts payable to public authorities	<b>15</b>	3,596	5,273
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,538,634</b>	<b>1,521,404</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2013.

<b>EBRO FOODS, S.A.</b>			
<b>INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 and 2012</b>			
Thousands of euros			
	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>		<b>18,314</b>	<b>17,294</b>
Services		5,106	5,353
Dividends received from Group companies	<b>8 &amp; 17</b>	13,205	11,939
Finance income from Group companies	<b>17</b>	3	2
<b>Other operating income</b>		<b>2,965</b>	<b>3,086</b>
Non-core and other current operating income		2,965	3,086
<b>Staff costs</b>		<b>(9,958)</b>	<b>(10,904)</b>
Wages, salaries and similar expenses		(8,112)	(8,392)
Employee benefit costs		(1,136)	(1,137)
Termination benefits		(22)	(78)
Provisions		(688)	(1,297)
<b>Other operating expenses</b>		<b>(7,179)</b>	<b>(7,536)</b>
Outside services		(6,793)	(6,560)
Taxes other than income tax		(382)	(352)
Losses on, impairment of and changes in allowances for trade receivables		(1)	(35)
Other current operating expenses		(3)	(589)
<b>Depreciation and amortisation charge</b>	<b>5, 6 &amp; 7</b>	<b>(1,169)</b>	<b>(1,259)</b>
<b>Excessive provisions</b>	<b>14</b>	<b>3,403</b>	<b>20,934</b>
<b>Impairment and gains or losses on disposals of non-current assets</b>		<b>1</b>	<b>27,753</b>
Impairment and other losses	<b>5</b>	0	(3,588)
Gains or losses on disposals and other	<b>5 &amp; 7</b>	1	31,341
<b>PROFIT FROM OPERATIONS</b>		<b>6,377</b>	<b>49,368</b>
<b>Finance income</b>		<b>1,296</b>	<b>230</b>
From marketable securities and other financial instruments:			
Associates	<b>17</b>	0	0
Third parties		1,296	230
<b>Finance costs</b>		<b>(5,786)</b>	<b>(7,514)</b>
On debts to Group companies and associates	<b>17</b>	(3,169)	(2,440)
On debts to third parties		(2,617)	(4,860)
Interest cost relating to provisions	<b>14</b>	0	(214)
<b>Changes in fair value of financial instruments</b>		<b>0</b>	<b>(25,834)</b>
Held-for-trading financial assets/liabilities and other		0	(18)
Allocation to profit or loss of fair value changes in available-for-sale financial assets	<b>9</b>	0	(25,816)
<b>Exchange differences</b>	<b>9</b>	<b>524</b>	<b>599</b>
<b>Impairment and gains or losses on disposals of financial instruments</b>		<b>523</b>	<b>(19,144)</b>
Impairment and other losses	<b>8</b>	(1,512)	(19,144)
Gains or losses on disposals and other	<b>9</b>	2,035	0
<b>FINANCIAL PROFIT (LOSS)</b>		<b>(3,443)</b>	<b>(51,663)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>2,934</b>	<b>(2,295)</b>
<b>Income tax</b>	<b>15</b>	<b>5,408</b>	<b>5,828</b>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>8,342</b>	<b>3,533</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>Profit for the year from discontinued operations net of tax</b>		<b>0</b>	<b>0</b>
<b>PROFIT FOR THE YEAR</b>		<b>8,342</b>	<b>3,533</b>

The accompanying Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2013.

EBRO FOODS, S.A.			
STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2013 and 2012			
Thousands of euros	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<b>A) Profit per income statement</b>		<b>8,342</b>	<b>3,533</b>
<b>Income and expense recognised directly in equity</b>			
<b>I. Arising from revaluation of financial instruments</b>			
1. Available-for-sale financial assets	9	20,398	(15,006)
2. Other income/expenses			
<b>II. Arising from cash flow hedges</b>			
<b>III. Grants, donations and legacies received</b>			
<b>IV. Arising from actuarial gains and losses and other adjustments</b>			
V. Tax effect		(6,119)	4,502
<b>B) Total income and expense recognised directly in equity</b>		<b>14,279</b>	<b>(10,504)</b>
<b>Transfers to profit or loss</b>			
<b>VI. Arising from revaluation of financial instruments</b>			
1. Available-for-sale financial assets	9	(2,035)	25,816
2. Other income/expenses			
<b>VII. Arising from cash flow hedges</b>			
<b>VIII. Grants, donations and legacies received</b>			
IX. Tax effect		611	(7,745)
<b>C) Total transfers to profit or loss</b>		<b>(1,424)</b>	<b>18,071</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)</b>		<b>21,197</b>	<b>11,100</b>

The accompanying Notes 1 to 21 are an integral part of the statement of recognised income and expense for the year ended 31 December 2013.

**EBRO FOODS, S.A.**
**STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 and 2012**

Thousands of euros	Share capital	Share premium	Reserves	Treasury shares	Profit for the year	Interim dividend	Valuation adjustments	TOTAL
<b>BEGINNING BALANCE AT 12/31/11</b>	92,319	5	893,916	(46,303)	153,554	(23,080)	(6,854)	1,063,557
I. Adjustments due to changes in policies								0
II. Adjustments due to errors								0
<b>ADJUSTED BALANCE AT 01/01/12</b>	92,319	5	893,916	(46,303)	153,554	(23,080)	(6,854)	1,063,557
<b>I. Total recognised income and expense</b>					3,533		7,567	11,100
<b>II. Transactions with shareholders or owners:</b>	0	0	36,556	46,303	(153,554)	23,080	0	(47,615)
- Dividends paid			(118,815)	20,916		23,080		(74,819)
- Treasury share transactions (net)			1,817	25,387				27,204
- Other transactions with shareholders			153,554		(153,554)			0
<b>III. Other changes in equity</b>								0
<b>ENDING BALANCE AT 12/31/12</b>	92,319	5	930,472	0	3,533	0	713	1,027,042
I. Adjustments due to changes in policies								0
II. Adjustments due to errors								0
<b>ADJUSTED BALANCE AT 01/01/13</b>	92,319	5	930,472	0	3,533	0	713	1,027,042
<b>I. Total recognised income and expense</b>					8,342		12,855	21,197
<b>II. Transactions with shareholders or owners:</b>	0	0	(88,786)	0	(3,533)	0	(1)	(92,320)
- Dividends paid (Note 12)			(92,319)					(92,319)
- Treasury share transactions (net)								0
- Other transactions with shareholders			3,533		(3,533)		(1)	(1)
<b>III. Other changes in equity</b>								0
<b>ENDING BALANCE AT 12/31/13</b>	92,319	5	841,686	0	8,342	0	13,567	955,919

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for the year ended 31 December 2013.

<b>EBRO FOODS, S.A.</b>				
<b>STATEMENTS OF CASH FLOWS</b>				
<b>FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012</b>				
Thousands of Euros		<b>Notes</b>	<b>2013</b>	
			<b>2012</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			<b>(2,802)</b>	<b>(3,431)</b>
<b>1. Profit (Loss) for the year before tax</b>			<b>2,934</b>	<b>(2,295)</b>
<b>2. Adjustments for:</b>			<b>(11,312)</b>	<b>(6,409)</b>
a) Depreciation and amortisation charge	5.6 & 7		1,169	1,259
b) Impairment losses (+/-)	8		1,512	22,732
c) Changes in provisions (+/-)(+)	14		688	1,297
e) Gains/Losses on derecognition and disposal of non-current assets (+/-)	7		(1)	(31,341)
f) Gains/Losses on derecognition and disposal of financial instruments (+/-)	8		(2,035)	0
g) Finance income (-)			(1,299)	(232)
h) Finance costs (+)			5,786	7,514
i) Exchange differences (+/-)	9.1		(524)	(599)
k) Other income and expenses (-/+)			(16,608)	(32,873)
<b>3. Changes in working capital</b>			<b>(9,135)</b>	<b>3,193</b>
b) Trade and other receivables (+/-)			(1,502)	3,416
d) Trade and other payables (+/-)			(2,338)	1,479
f) Other non-current assets and liabilities (+/-)			(5,295)	(1,702)
<b>4. Other cash flows from operating activities</b>			<b>14,711</b>	<b>2,080</b>
a) Interest paid (-)			(4,224)	(5,998)
b) Dividends received (+)			13,205	11,938
c) Interest received (+)			0	128
d) Income tax recovered (paid) (+/-)			5,730	(3,988)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			<b>(10,654)</b>	<b>6,259</b>
<b>6. Payments due to investment (-)</b>			<b>(20,098)</b>	<b>(6,859)</b>
a) Group companies and associates			(19,979)	(1,000)
b) Intangible assets	5		(53)	(14)
c) Property, plant and equipment	6		(66)	(111)
d) Investment property	7		0	(75)
e) Other financial assets			0	(5,659)
<b>7. Proceeds from disposal (+)</b>			<b>9,444</b>	<b>13,118</b>
b) Intangible assets			2,875	12,619
c) Property, plant and equipment			2,400	0
e) Other financial assets			4,169	499
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			<b>13,985</b>	<b>(36,787)</b>
<b>9. Proceeds and payments relating to equity instruments</b>			<b>0</b>	<b>27,204</b>
c) Purchase of treasury shares (-)			0	(5,361)
d) Disposal of treasury shares (+)			0	32,565
<b>10. Proceeds and payments relating to financial liability instruments</b>			<b>106,304</b>	<b>7,140</b>
<b>a) Proceeds from issue</b>			<b>317,609</b>	<b>66,851</b>
2. Bank borrowings (+)			79,190	0
3. Borrowings from Group companies and associates (+)			238,419	66,851
<b>b) Repayment of</b>			<b>(211,305)</b>	<b>(59,711)</b>
2. Bank borrowings (-)			(55,496)	(59,711)
3. Borrowings from Group companies and associates (-)			(155,809)	0
<b>11. Dividends and returns on other equity instruments paid</b>			<b>(92,319)</b>	<b>(71,131)</b>
a) Dividends (-)	12		(92,319)	(71,131)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			<b>0</b>	<b>0</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>			<b>529</b>	<b>(33,959)</b>
<b>Cash and cash equivalents at beginning of year</b>			<b>1,306</b>	<b>35,265</b>
<b>Cash and cash equivalents at end of year</b>			<b>1,835</b>	<b>1,306</b>

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows for the year ended 31 December 2013.



*Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.*

## **EBRO FOODS, S.A.**

### **Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)**

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#### **1. COMPANY ACTIVITIES**

The Spanish public limited liability company Ebro Foods, S.A. ("the Company") arose from the merger by absorption of Puleva, S.A. into Azucarera Ebro Agrícolas, S.A. on 1 January 2001. As a result of that transaction, the post-merger company's name was changed from Azucarera Ebro Agrícolas, S.A. to Ebro Puleva, S.A. and, subsequently, at the Annual General Meeting held on 1 June 2010, the Company adopted the current name of Ebro Foods, S.A.

The Company's current registered office is in Madrid (28046), at Paseo de la Castellana, 20. The Company's object is to perform the following business activities in the 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, of rice, pasta, sauces and all manner of nutritional products.
- b) The production, exploitation and sale of all manner of food and 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 units, ice, industrial gas, steam, cooling and energy.
- d) The acquisition, lease, creation, installation, promotion, 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 for other companies in the aforementioned industries; the creation, promotion, protection and use of patents, trademarks and items of other kinds covered by intellectual property rights.
- f) Staff training, computer programming or management, investment and optimisation of resources, advertising and corporate image, transport, distribution and sale activities that are ancillary or complementary to the aforementioned activities.

The activities making up the Company's object may be carried on through the subscription or acquisition of shares or other equity interests in companies with an identical or similar company object.

Ebro Foods, S.A. is the head of the consolidated Group consisting of it, as the parent, and the subsidiaries and associates with which it presented separately consolidated financial statements for 2013, authorised for issue by the directors of Ebro Foods, S.A. on 26 March 2014. The consolidated financial statements for 2012 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 04 June 2013 and were filed at the Madrid Mercantile Registry.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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This should be taken into consideration when assessing the regular circumstantial working capital position at the end of each year in the separate financial statements of Ebro Foods, S.A., which, as the head of the Group, has other financing options available to it, through the application of the dividend policy, for example.

The main aggregates in the consolidated financial statements for 2013 and 2012, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as approved by the Regulations of the European Commission, are as follows:

Thousands of euros	At 12/31/12		At 12/31/13	
Total assets		<b>2,731,812</b>		<b>2,772,680</b>
Equity:		<b>1,693,237</b>		<b>1,728,263</b>
- Of the Parent	1,692,209		1,705,757	
- Of non-controlling interests	1,028		22,506	
Revenue		<b>1,981,130</b>		<b>1,956,647</b>
Profit for the year:		<b>158,451</b>		<b>133,982</b>
- Of the Parent	158,592		132,759	
- Of non-controlling interests	(141)		1,223	

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The figures included in the financial statements are expressed in thousands of euros, unless otherwise indicated.

### Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

### Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2013.

## **EBRO FOODS, S.A.**

### **Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)**

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These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2012 were approved by the shareholders at the Annual General Meeting held on 4 June 2013.

#### **Comparative information**

The information relating to 2012 included in these notes to the financial statements is presented for comparison purposes with that relating to 2013.

#### **Key issues in relation to the measurement and estimation of uncertainty**

In preparing the Company's financial statements, the directors made estimates based on historical experience and other factors that they considered reasonable in view of current circumstances, which constitute the basis for establishing the carrying amount of assets and liabilities that cannot be easily identified using other sources. The Company reviews its estimates on an ongoing basis. However, in view of the uncertainty of these sources, there is a significant risk that material adjustments might have to be made in the future to the carrying amount of the assets and liabilities affected if there is a significant change in the assumptions, events or circumstances upon which they are based.

The key assumptions regarding the future and other relevant data relating to the estimation of uncertainty at the end of the reporting period that entail a significant risk because they represent significant changes in the value of the assets and liabilities in the coming year are as follows:

##### *Taxation*

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period from the date the corresponding tax returns have been filed has expired. The directors consider that there are no contingencies that might result in additional material liabilities for the Company in the event of a tax audit (see Note 15).

##### *Impairment of non-financial assets*

The Company analyses once a year whether there are indications of impairment of non-financial assets. Intangible assets with an indefinite useful life are tested for impairment at least once a year. The other non-financial assets are tested for impairment whenever there are indications of impairment (see Notes 5, 6 and 7), and they are depreciated/amortised on the basis of their estimated useful life.

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### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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#### Deferred tax assets

Deferred tax assets are recognised on the basis of the future estimates made by the Company in relation to the probability that it will have taxable profits in the future (see Note 15).

#### Provisions

The Company recognises provisions for contingencies in accordance with the accounting policy indicated in Note 4-n to these financial statements. The Company made judgments and estimates as to the probability that these contingencies will become liabilities and the amount thereof, recognising a provision whenever the risk was considered probable, estimating the cost that gave rise to the related obligation (see Note 14).

Although these estimates were made on the basis of the best information available at 2013 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.

#### **Corporate transactions performed in 2013 affecting the basis of presentation**

In 2013 no corporate transactions took place that affected the presentation of the financial statements or their comparability. However, the detail of prior years' corporate transactions for which information must be included in the financial statements of subsequent years is as follows:

- a) Merger by absorption of Productos La Fallera, S.A.:  
See financial statements for 2003.
- b) Dissolution of Azucarera Ebro Agrícolas Gestión de Patrimonio, S.L. (GDP) with the transfer of all its assets and liabilities to Ebro Foods, S.A.:  
See financial statements for 2003.
- c) Non-monetary contribution to Ebro Financial Corporate Services, S.L.:  
See financial statements for 2012.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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#### 3. DISTRIBUTION OF PROFIT

	Amount (thousands of euros)
<b><u>Distributable profit</u></b>	
Unrestricted reserves	820,053
Profit for the year	<u>8,342</u>
	<u>828,395</u>

The profit distribution proposal prepared by the directors of Ebro Foods, S.A. at the Board of Directors Meeting of 26 March 2014, which has not yet been approved by the shareholders at the Annual General Meeting, is as follows:

The consolidated profit of the Ebro Foods Group for 2013 makes it possible to propose, as in prior years, the distribution of a dividend payable in cash out of unrestricted reserves of EUR 0.50 per share for a total amount of EUR 76,933 thousand to be settled in four equal payments of EUR 0.125 per share each on 2 April, 2 July, 2 October and 22 December 2014, respectively.

#### Limitations on the distribution of dividends

The Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it cannot be distributed to shareholders (see Note 12-c).

Once the appropriations provided for by law or by the bylaws have been covered, dividends may only be distributed out of the profit for the year or unrestricted reserves if the value of the equity is not already, or as a result of the distribution, lower than that of the share capital. For this purpose, the profit recognised directly in equity may not be directly or indirectly distributed. If prior years' losses existed that reduced the value of the Company's equity to below that of the share capital, the profit would have to be used to offset those losses.

#### 4. ACCOUNTING POLICIES

##### a) Intangible assets

Intangible assets are initially recognised at acquisition or production cost. The cost of intangible assets acquired through business combinations is their acquisition-date fair value.

Following initial recognition, intangible assets are measured at cost, less any accumulated amortisation and, where applicable, any accumulated impairment losses recognised.

**Notes to the financial statements for the year ended 31 December 2013  
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Each intangible asset is analysed to determine whether the useful life is finite or indefinite.

Intangible assets with a finite useful life are amortised systematically based on the estimated useful life of the assets and their residual value. The amortisation methods and periods are reviewed at the end of each year and, where appropriate, they are adjusted prospectively. Intangible assets are assessed for indications of impairment at least at the end of each reporting period and, if there are indications of impairment, the recoverable amount is estimated and the appropriate impairment losses are recognised. Patents, licences, trademarks and similar items are amortised on a straight-line basis over their years of useful life, which, in general, is estimated to be four years, as in the case of computer software.

Intangible assets with an indefinite useful life are not amortised and they are analysed for possible impairment at least once a year (see Note 4-e). This indefinite useful life assessment is reviewed at each reporting date.

**b) Property, plant and equipment**

Property, plant and equipment are initially recognised at acquisition or production cost. The cost of property, plant and equipment acquired through business combinations is their acquisition-date fair value. Following initial recognition, property, plant and equipment are measured at cost, less any accumulated depreciation and any accumulated impairment losses recognised.

The cost of certain assets acquired or produced on or after 1 January 2008 that require more than twelve months to get ready for their intended use includes such borrowing costs as might have been incurred before the non-current assets that meet the requirements for capitalisation are ready for their intended use.

In addition, the value of the property, plant and equipment includes the initial estimate of the present value of the obligations assumed as a result of dismantling or disposal, and other obligations associated with the asset, such as refurbishment costs, whenever these obligations lead to the recognition of provisions.

Repair costs that do not lead to a lengthening of the useful lives of the assets and maintenance costs are charged to the income statement for the year in which they are incurred. The costs of expansion or improvements leading to increased productivity or capacity or to a lengthening of the useful lives of the assets are capitalised.

The depreciation charge is recognised in the income statement. Property, plant and equipment are depreciated from the moment they become ready for use. Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful life of the respective assets, based on the actual decline in value caused by their use and by wear and tear, the detail being as follows:

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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Depreciation rate	
Buildings	2.0 to 3.0%
Machinery, fixtures and tools	2.0 to 8.0%
Furniture	10.0 to 25.0%
Transport equipment	5.5 to 16.0%

At the end of each reporting period the Company reviews and adjusts, where appropriate, the residual values, useful lives and the depreciation method relating to property, plant and equipment, and the appropriate adjustments are made prospectively.

#### **c) Investment property**

“Investment Property” comprises land and buildings leased to third parties or not in use. Buildings are depreciated using the straight-line method over an estimated useful life of 50 years.

The accounting policies for property, plant and equipment fully apply to investment property. Assets are transferred to investment property when, and only when, there is a change in their use.

#### **d) Asset exchanges**

In the case of assets received in an exchange transaction, the Company analyses each transaction in order to establish whether or not the exchange has commercial substance.

An asset received in an exchange with commercial substance is recognised at the fair value of the asset given up plus, where appropriate, any monetary consideration paid, except in the case of transactions in which there is clearer evidence of the fair value of the asset received, in which case it will be recognised at the latter amount. The valuation differences arising on derecognition of the asset given up in the exchange are recognised in the income statement.

Whenever the asset exchange lacks commercial substance or it is not possible to obtain a reliable estimate of the fair value of the assets involved in the transaction, the asset received in the exchange is recognised at the carrying amount of the asset given up plus, where appropriate, any monetary consideration paid.

#### **e) Impairment of non-financial non-current assets**

The Company tests non-financial non-current assets or, where applicable cash-generating units, for indications of impairment at least at each reporting date. If there are any indications of impairment and, in any case, for goodwill and intangible assets with indefinite useful lives, the Company estimates the recoverable amount of the assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognised.

**Notes to the financial statements for the year ended 31 December 2013**  
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Value in use is the present value of the estimated future cash flows, using risk-free market interest rates, adjusted for the specific risks associated with the asset. Where the asset itself does not generate cash flows that are largely independent from those generated by other assets or groups of assets, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment losses and reversals thereof are recognised in the income statement. Impairment losses are reversed when the circumstances giving rise to them cease to exist, except for those relating to goodwill. Impairment losses may be reversed up to the limit of the carrying amount that would have been determined had no impairment loss been recognised in prior years.

**f) Leases**

Leases are classified as finance leases whenever the economic terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

*If the company acts as lessee*

Assets held under a finance lease are recognised on the basis of their nature at the lower of the fair value of the asset and the present value, at inception of the lease, of the agreed minimum lease payments and a financial liability is also recognised for the same amount. Lease payments are recognised as finance costs and as a reduction of the related liability. The criteria concerning depreciation, impairment and derecognition as are applied to assets that are owned are also used for leased assets of the same nature.

Operating lease payments are recognised as an expense in the income statement on an accrual basis.

*If the Company acts as lessor*

Lease income from operating leases is recognised in income on an accrual basis. The costs directly attributable to the lease are capitalised to the leased asset and are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

**g) Financial assets**

*1) Classification and measurement*

*1.1) Loans and receivables*

“Loans And Receivables” includes trade and non-trade receivables, including the financial assets that have fixed or determinable payments and are not traded in an active market, for which the Company expects to recover the full amount paid except, where applicable, for reasons attributable to the solvency of the debtor.

Upon initial recognition, loans and receivables are measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs. These financial assets are subsequently measured at amortised cost.



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However, trade receivables maturing within one year, with no contractual interest rate, and advances and loans to employees, guarantees, dividends receivable and capital calls, expected to be received at short term are initially recognised and subsequently measured at their nominal value, whenever the effect of not discounting the cash flows is not material.

*1.2) Held-to-maturity investments*

“Held-to-Maturity Investments” includes the debt securities with fixed maturity and fixed or determinable payments that are traded in an active market and which the Company has the positive intention and financial capacity to hold until maturity.

Upon initial recognition, held-to-maturity investments are measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs.

These financial assets are subsequently measured at amortised cost.

*1.3) Investments in Group companies, jointly controlled entities and associates*

Investments in Group companies, jointly controlled entities and associates include equity investments in companies over which control, joint control by way of a bylaw or contractual agreement, or significant influence is exercised. Upon initial recognition, these investments are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs, except in the case of non-monetary contributions to a Group company of a business, in which case the investment is recognised at the carrying amount of the assets composing the business. The amount initially recognised includes the amount of the pre-emption and similar rights acquired.

These financial assets are subsequently measured at cost less any accumulated impairment losses.

When an investment is classified as an investment in a Group company, jointly controlled entity or associate, the cost is considered to be the amount at which it had been carried previously, and any valuation adjustments previously recognised in equity are retained in equity until the investment is disposed of or becomes impaired.

If the pre-emption and similar rights are sold or are segregated for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

*1.4) Held-for-trading financial assets*

“Held-for-Trading Financial Assets” includes the financial assets originated or acquired with the intention of obtaining a short-term gain. Derivative instruments that have not been designated as hedging instruments also form part of “Held-for-Trading Financial Assets”.

Held-for-trading financial assets are initially recognised at fair value in the balance sheet, which, unless there is evidence to the contrary, is the transaction price. Any directly attributable transaction costs are recognised in the income statement.

The initial value of equity instruments includes the amount of the pre-emption and similar rights acquired.

Held-for-trading financial assets are subsequently measured at fair value including any transaction costs that might be incurred on disposal. Any changes in fair value are recognised in profit or loss.

*1.5) Available-for-sale financial assets*

“Available-For-Sale Financial Assets” includes debt securities and equity instruments that are not included in any of the aforementioned categories.

Upon initial recognition, available-for-sale financial assets are measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs. The initial value of equity instruments includes the amount of the pre-emption and similar rights acquired.

These financial assets are subsequently measured at fair value including any transaction costs that might be incurred on disposal. Any changes in the fair value are recognised directly in equity until the financial asset is derecognised or becomes impaired, at which time the amount recognised in equity will be transferred to profit or loss. However, any exchange gains or losses on monetary financial assets denominated in foreign currency are recognised in the income statement.

Equity instruments the fair value of which cannot be estimated reliably are measured at cost, less, where applicable, any accumulated impairment losses.

If the pre-emption and similar rights are sold or are segregated for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

*1.6) Derivative hedging instruments*

Hedging derivatives relate to financial derivatives classified as hedging instruments.

Financial instruments designated as hedging instruments or hedged items are accounted for as described in Note 4-j.

2) Derecognition

Financial assets are derecognised from the Company's balance sheet when the contractual rights on the cash flows of the financial asset have expired or have been transferred, provided that substantially all the risks and rewards incidental to ownership are transferred.

If the Company has neither substantially transferred nor retained all the risks and rewards of ownership of the financial asset, it is derecognised once control is relinquished. If the Company still exercises control over the asset, it continues to recognise it at the amount for which it is exposed to changes in the value of the asset transferred, i.e., to the extent of its continuing involvement, and the associated liability is recognised.

The difference between the consideration received, net of the attributable transaction costs, including any new asset obtained less any new liability assumed, and the carrying amount of the financial asset transferred, plus any accumulated amount recognised directly in equity, will be the gain or loss on derecognition of the financial asset and will be recognised in profit or loss.

The Company does not derecognise financial assets in transfers in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, factoring transactions, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the Company retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses. In these cases, the Company recognises a financial liability for an amount equal to the consideration received.

3) Interest and dividends received from financial assets

Interest and dividends from financial assets earned after the date of acquisition are recognised as income in profit or loss and both dividends and finance income from Group companies are recognised as revenue. Interest must be recognised using the effective interest method and dividend revenue must be recognised when the shareholder's right to receive payment is established.

For this purpose, financial assets are initially recognised separately, based on their maturity, from the amount of the unmatured explicit interest earned at that date, and the amount of the dividends declared by the competent body up to the acquisition date. Explicit interest is understood to be the interest obtained from applying the contractual interest rate of the financial instrument.

In addition, when the dividends are clearly paid out of the profit obtained prior to the acquisition date because amounts were paid in excess of the profit earned by the investee since its acquisition, they are not recognised as revenue and are deducted from the carrying amount of the investment.

**h) Impairment of financial assets**

The carrying amount of the financial assets is adjusted by the Company with a charge to the income statement when objective evidence of an impairment loss exists.

The Company calculates impairment losses on financial assets by assessing the possible impairment losses on individual assets and groups of assets with similar risk characteristics.

**Debt instruments**

There is objective evidence of impairment on debt instruments, taken to be accounts receivable, loans and debt securities, when an event occurs after the initial recognition of the asset that has an adverse impact on the estimated future cash flows of the asset.

The Company treats as impaired assets (doubtful assets) debt instruments for which there is objective evidence of impairment, due mainly to the existence of delinquency, default, re-financing and the existence of observable data indicating the possibility that all the future flows agreed upon might not be recovered or that there might be a delay in their collection.

In the case of a financial asset measured at amortised cost, the amount of the impairment losses is equal to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. Financial assets tied to floating interest rates are discounted using the effective interest rate prevailing at the end of the reporting period.

The Company considers trade and other receivables to be doubtful assets when they are more than six months past-due and when there is no guarantee of collection, together with balances relating to companies that have filed for insolvency.

The Company takes the market price of quoted instruments as a substitute for the present value of the future cash flows, provided that it is sufficiently reliable.

A reversal of an impairment loss is recognised as income in the income statement up to the limit of the carrying amount that would have been recognised at the date of reversal had no impairment loss been recognised.

**Equity instruments**

There is objective evidence that equity instruments have become impaired when an event or a combination of events occurs after initial recognition that indicates that it will not be possible to recover the carrying amount due to a prolonged or significant decline in its fair value. In this regard, the Company considers that an instrument has become impaired if the market value has fallen by 40% over a period of 18 months without the value having recovered.

In the case of equity instruments measured at fair value included in "Available-for-Sale Financial Assets", the impairment loss is calculated as the difference between its acquisition cost and fair value less any previously recognised impairment losses. The unrealised losses recognised under "Equity - Valuation Adjustments" are recognised immediately in the income statement when the decline in fair value is deemed to be a result of impairment. In the case of available-for-sale equity instruments, impairment losses give rise to a new acquisition cost

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of the financial asset, which is used as a reference in the future to determine whether the investment suffered permanent impairment and, if appropriate, to account for the related loss. If all or a portion of the impairment loss subsequently reverses, these amounts are recognised under "Equity - Valuation Adjustments".

In the case of equity instruments measured at cost included under "Available-for-Sale Financial Assets" and equity investments in Group companies, jointly controlled entities and associates, impairment losses are calculated as the difference between the carrying amount and the recoverable amount, which is the higher of fair value less costs to sell and the present value of the future cash flows arising from the investment. Unless there is better evidence, the estimated impairment loss is based on the equity of the investee, adjusted for any unrealised gains existing at the date of measurement. These losses are recognised in the income statement as a direct reduction in the value of the equity instrument.

In the case of equity investments in Group companies, jointly controlled entities and associates, a reversal of an impairment loss is recognised in profit or loss up to the limit of the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. In the case of available-for-sale financial assets measured at cost, impairment losses recognised in prior years must not be reversed in a subsequent period.

**i) Financial liabilities**

**1) Classification and measurement**

**1.1) Accounts payable**

Accounts payable include the financial liabilities arising from the purchase of goods or services in the normal course of the Company's business and non-trade payables that are not derivative instruments.

They are initially recognised in the balance sheet at their fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration received, adjusted by the directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost. The interest incurred is recognised in the income statement applying the effective interest method.

However, trade payables maturing within one year which do not have a contractual interest rate, and capital payments called by third parties which are expected to be paid at short term are measured at the related nominal value whenever the effect of not discounting the cash flows is not significant.

**1.2) Held-for-trading financial liabilities**

"Held-for-Trading Financial Liabilities" includes financial liabilities issued in order to repurchase them at short term and derivative instruments not designated as hedges. These financial liabilities are recognised and measured using the same criteria as those applied to held-for-trading financial assets.

*1.3) Derivative hedging instruments*

Hedging derivatives include financial derivatives classified as hedging instruments. Financial instruments designated as hedging instruments or hedged items are accounted for as described in Note 4-j.

*2) Derecognition*

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability is accounted for in the same way.

The difference between the carrying amount of a financial liability or part of a financial liability derecognised, and the consideration paid, including the attributable transaction costs and any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

In an exchange of debt instruments with terms that are not substantially different, the original financial liability is not derecognised and the amount of fees paid is recognised as an adjustment to its carrying amount. The new amortised cost of the financial liability is determined by applying the effective interest rate, which is the rate that exactly discounts estimated cash payments to the carrying amount of the liability under the new terms.

**j) Hedge accounting**

The Company usually arranges fair value hedges to hedge the accounts receivable in foreign currency, cash flow hedges to hedge the loans received at floating interest rates and hedges of net investments in foreign operations in the US.

Hedges are only designated as such when they effectively eliminate the risk associated with the hedged item or position over the entire estimated term of the hedge, which means that at the date of arrangement the hedge is expected to be highly effective (prospectively) and that there must be sufficient evidence to indicate that the hedge has been effective during the term of the hedged item or position (retrospective effectiveness).

The hedges are documented adequately, including the way in which the Company expects to be able to achieve and assess hedge effectiveness, in accordance with the Company's risk management policy.

The Company assesses the effectiveness of the hedges by performing tests to check that the differences in the changes in value of the cash flows of the hedged item and the related hedge are within a range of 80% to 125% over the life of the transactions, thereby fulfilling the forecasts at the inception of the hedge.

If at any time this relationship is not achieved, the hedges no longer qualify for hedge accounting and are reclassified as derivatives held for trading.

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For measurement purposes, the Company classifies the hedges in the following categories:

- Fair value hedges: these cover the risk of the exposure to changes in the fair value of receivables arising from exchange rate fluctuations. Changes due to exchange differences, in the value of both the hedging instrument and the hedged item, are recognised in the income statement.
- Cash flow hedges: cash flow hedges hedge exposure to the risk of changes in the cash flows attributable to changes in the interest rates on the loans received. Interest rate swaps are arranged to exchange floating rates for fixed rates. The portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is transferred to profit or loss in the year or years in which the hedge affects profit or loss.
- Hedges of a net investment in foreign operations: these hedge the foreign currency risk associated with the net investment in the US subsidiaries. The hedge is achieved through the USD loans that financed the acquisition of these investments. Any changes in value arising from the effects of changes in the exchange rate on hedging instruments and the effects of the investments in subsidiaries are recognised in the income statement.

**k) Treasury shares**

Treasury shares are deducted from equity for the amount of the consideration paid at the acquisition date, and gains or losses arising from their sale or retirement are not recognised in the income statement. The costs relating to treasury share transactions are recognised directly in equity as a reduction of reserves.

**l) Cash and cash equivalents**

“Cash and Cash Equivalents” includes cash on hand and in bank accounts and the short-term deposits and reverse repos that meet the following requirements:

- They are convertible into cash.
- They mature within three months from the acquisition date.
- They are not subject to a significant risk of changes in value.
- They form part of the Company's normal cash management policy.

For the purpose of the statement of cash flows, the circumstantial overdrafts that form part of the Company's cash management are deducted from the balances of cash and cash equivalents.

**m) Grants**

Grants are classified as non-refundable when the conditions attaching to them have been met, at which time they are recognised directly in equity, net of the related tax effect.

Refundable grants are recognised as liabilities until they become non-refundable. No income is recognised until that time.

**Notes to the financial statements for the year ended 31 December 2013  
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Grants received to finance specific expenses are allocated to income in the year in which the related expenses are incurred. The grants received to acquire property, plant and equipment are recognised as income for the year in proportion to the depreciation taken on the assets for which the grants were received.

**n) Provisions and contingencies**

Provisions are recognised in the balance sheet when the Company has a present obligation (legal, contractual, constructive or implied) arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the amount of which can be quantified.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer an obligation to a third party. When discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis. In the case of provisions maturing within or at one year, discounting is not used if the effect thereof is not material. Provisions are reviewed at the end of each reporting period and are adjusted in order to reflect the best current estimate of the related liability at any given time.

**o) Long-term employee benefit obligations**

In accordance with the current collective agreement and its non-statutory agreements, the Company is obliged to make annual supplementary payments of various kinds and pay other bonuses for long service and retirement to its permanent employees who retire at the legally stipulated age or who take early retirement. At present, the Company only has these possible obligations to certain of its current employees.

The provision recognised for long-service bonuses represents the present value, calculated by an independent actuary, of the possible future payment obligations of the Company to these employees.

The provision for possible retirement and similar obligations was externalised pursuant to current legislation. As a result of this externalisation, the Company is obliged to make annual contributions to an external pension fund for the group of employees concerned, for an estimated annual amount that is not material.

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

**p) Income tax**

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deduction of the tax relief and credits, plus the changes in deferred tax assets and liabilities recognised in the year. The current income tax expense is recognised in the income statement, unless it corresponds to transactions recognised directly in equity, in which case the related tax is also recognised in equity, and to business combinations, in which case it is charged or credited to goodwill.



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Deferred taxes are recognised for temporary differences existing at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is taken to be the amount attributed to that asset or liability for tax purposes.

The tax effect of temporary differences is recognised under “Deferred Tax Assets” and “Deferred Tax Liabilities” in the balance sheet.

The Company recognises deferred tax liabilities for all taxable temporary differences, with the exceptions provided for in current legislation.

The Company recognises deferred tax assets for all deductible temporary differences, unused tax assets and tax loss carryforwards to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised, with the exceptions provided for in current legislation.

At the end of each reporting period, the Company assesses the deferred tax assets recognised and those that were previously unrecognised. On the basis of this assessment, the Company derecognises a previously recognised asset if its recovery is no longer probable and recognises a previously unrecognised deferred tax asset whenever it is probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, pursuant to the approved legislation in force, and based on the way in which the deferred tax asset is reasonably expected to be recovered or the deferred tax liability is reasonably expected to be settled.

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

**q) Non-current assets and disposal groups classified as held for sale**

The Company classifies assets under “Non-Current Assets Classified as Held for Sale” if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the following requirements are met:

- They are available for immediate sale in their present condition, subject to the usual terms and conditions of sale.
- Their sale is highly probable.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits and financial assets that do not relate to investments in Group companies, jointly controlled entities and associates, all of which are accounted for in accordance with the standards applicable to them. These assets are not depreciated but rather, whenever necessary, the appropriate valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

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The disposal groups classified as held for sale are measured in accordance with the same rules as those indicated in the preceding paragraph. Once this measurement has been made, the disposal group as a whole is measured at the lower of carrying amount and fair value less costs to sell.

The associated liabilities are classified under "Liabilities Associated with Non-Current Assets Classified as Held for Sale".

**r) Current/Non-current classification**

Assets and liabilities are classified in the balance sheet as current and non-current items. For this purpose, assets and liabilities are classified as current when they relate to the Company's normal operating cycle and are expected to be sold, consumed, realised or settled during its normal operating cycle. Current assets and liabilities also include items expected to mature or be disposed of or realised within a maximum of twelve months, items held for trading and cash or cash equivalents the use of which is unrestricted for a period exceeding one year.

**s) Revenue and expense recognition**

Revenue and expenses are recognised on an accrual basis, regardless of the related collection or payment date.

**Revenue from sales and services rendered**

Revenue is recognised when it is probable that the economic benefits or returns associated with the transaction will flow to the Company and these benefits and the costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts, price rebates and any other similar items that the Company might grant, and any interest included in the nominal amount of the receivables. Indirect taxes on the transactions chargeable to third parties do not form part of revenue.

Revenue is accounted for in accordance with the economic substance of the transaction and is recognised when all of the following conditions have been met:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods, irrespective of their date of transfer for legal purposes.
- 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**

Income and expenses from discontinued operations are included in a single line item, net of the related tax effect, under "Profit for the Year from Discontinued Operations Net of Tax". Also included in this heading is the gain or loss after tax resulting from the measurement at fair value less costs to sell of the assets or disposal groups constituting the discontinued operation.

**u) Foreign currency transactions**

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

Foreign currency transactions are translated on initial recognition at the spot exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to euros at the spot exchange rates prevailing at year-end. Any resulting gains or losses or those arising when the assets are realised or the liabilities are settled are recognised directly in the income statement in the year in which they arise.

Non-monetary assets and liabilities carried at historical cost are translated to euros at the exchange rates prevailing at the transaction date. As an exception, as indicated in Note 4-j, changes in value arising from the effect of exchange rates on the investments in US subsidiaries are recognised by adjusting the value of these investments with a charge or credit to income.

Non-monetary items carried at fair value are translated to euros at the exchange rates prevailing at the date on which the fair value was determined. The resulting gains or losses are recognised directly in equity if the non-monetary item is recognised in equity and in the income statement if the non-monetary item is recognised in profit or loss for the year.

**v) Environmental assets and liabilities**

Expenses relating to the decontamination and restoration of polluted sites, waste disposal and other expenses arising from compliance with environmental legislation are recognised as an expense in the year in which they are incurred, unless they relate to the cost of acquiring assets to be used on a lasting basis whose main purpose is to minimise environmental impact and to protect and improve the environment, in which case they are recognised in the corresponding line items under "Property, Plant and Equipment" and are depreciated using the same criteria.

**x) Termination benefits**

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

**y) Related party transactions**

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to liabilities in the future.

Notes to the financial statements for the year ended 31 December 2013  
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## 5. INTANGIBLE ASSETS

The detail of "Intangible Assets" and of the changes therein in 2013 and 2012 is as follows:

<u>Net values</u>	Trademarks and patents	Computer software	Total
<b>Balance at 31 December 2011</b>	11,456	1,443	<b>12,899</b>
<b>Balance at 31 December 2012</b>	7,868	910	<b>8,778</b>
<b>Balance at 31 December 2013</b>	7,866	467	<b>8,333</b>

<u>Gross values</u>	Trademarks and patents	Computer software	Total
<b>Balance at 31 December 2011</b>	<b>14,148</b>	<b>2,216</b>	<b>16,364</b>
Business combinations			0
Increases in 2012		14	14
Decreases in 2012	(1,036)		(1,036)
Translation differences			0
Transfers			0
<b>Balance at 31 December 2012</b>	<b>13,112</b>	<b>2,230</b>	<b>15,342</b>
Business combinations			0
Increases in 2013		53	53
Decreases in 2013			0
Translation differences			0
Transfers	(2)	2	0
<b>Balance at 31 December 2013</b>	<b>13,110</b>	<b>2,285</b>	<b>15,395</b>

<u>Accumulated amortisation and impairment losses</u>	Trademarks and patents	Computer software	Total
<b>Balance at 31 December 2011</b>	<b>(2,692)</b>	<b>(773)</b>	<b>(3,465)</b>
Business combinations			0
Increases in 2012	(3,588)	(547)	(4,135)
Decreases in 2012	1,036		1,036
Translation differences			0
Transfers			0
<b>Balance at 31 December 2012</b>	<b>(5,244)</b>	<b>(1,320)</b>	<b>(6,564)</b>
Business combinations			0
Increases in 2013		(498)	(498)
Decreases in 2013			0
Translation differences			0
Transfers			0
<b>Balance at 31 December 2013</b>	<b>(5,244)</b>	<b>(1,818)</b>	<b>(7,062)</b>

## **EBRO FOODS, S.A.**

### **Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)**

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At 31 December 2013, the Company had fully amortised patents and trademarks amounting to EUR 1,648 thousand (31 December 2012: EUR 1,648 thousand).

None of the intangible assets are located outside Spain, except for the Portuguese trademark "Saludaes" and the "Lassie" trademark in the Netherlands acquired in 2011. At the end of 2013 there were no firm intangible asset purchase commitments.

No significant changes took place in 2013. However, in 2012 the Nomen trademark and other less significant brands were sold. The most significant information in this connection is as follows:

- As indicated in the financial statements for 2012, in September 2011 the Spanish National Competition Commission approved the acquisition of the SOS rice business in Spain, subject to the obligation that Ebro Foods, S.A. licence or transfer the Nomen trademark along with the La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. As a result, on 26 April 2012 Ebro Foods, S.A. and Arrossaires del Delta de L'Ebre, SCCL entered into an agreement whereby the former undertook to sell the latter its Nomen business under the following terms and conditions:
  - The subject matter of the transaction comprised all the trademarks, distinguishing signs and other intellectual property rights associated with the Nomen products.
  - The price agreed upon was EUR 30.1 million, to be settled in instalments, the initial payment consisting of an industrial building located in La Aldea (Tarragona) valued at EUR 1.5 million (sold to Herba Ricemills, S.L., a wholly-owned subsidiary of Ebro Foods, S.A.), plus 13 further annual instalments of EUR 2.9 million each. Therefore, the total amount to be received by Ebro, including interest on the deferral of payment, will amount to EUR 39.2 million (see Note 9).
  - A mortgage on the Nomen trademarks was arranged in order to secure the deferred price.
- With respect to the obligation to sell the other trademarks, La Parrilla, La Cazuela, Pavo Real and Nobleza, on 26 June 2012 an agreement was reached for their sale to a third party for EUR 2 million. This agreement was made effective on 13 September 2012.

The charges to profit or loss in 2013 in connection with the period amortisation and impairment losses recognised relating to these intangible assets amounted to EUR 498 thousand and EUR 0 thousand, respectively (2012: EUR 547 thousand and EUR 3,588 thousand, respectively).

The recoverable amount of these trademarks was determined on the basis of their value in use, using cash flow projections based on five-year budgets plus a further five projected years. The discount rates used in the cash flow projections for these assets range from 6.2% for the Netherlands to 10.1% for Portugal, depending on the geographical area in which the trademark is located, and the cash flows for periods beyond the five-year period are extrapolated using a growth rate equal to the average long-term growth rate of the unit in question, which is usually between 0.8% and 1.5%, depending on the business concerned.

**EBRO FOODS, S.A.**

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As regards the assumptions used in calculating the value in use of these trademarks, it is considered that in no case would any reasonable and possible change in any of the assumptions used increase the current carrying amount of these trademarks to significantly above their recoverable amount or, therefore, give rise to the need to recognise additional impairment losses.

**6. PROPERTY, PLANT AND EQUIPMENT**

The detail of "Property, Plant and Equipment" and of the changes therein in 2013 and 2012 is as follows:

<u>Net values</u>	Land	Buildings	Plant and other items of PPE	PPE in the course of construction and advances	Total
<b>Balance at 31 December 2011</b>	307	240	2,180	0	<b>2,727</b>
<b>Balance at 31 December 2012</b>	307	219	1,648	0	<b>2,174</b>
<b>Balance at 31 December 2013</b>	307	207	1,116	0	<b>1,630</b>

<u>Gross values</u>	Land	Buildings	Plant and machinery	PPE in the course of construction	Total
<b>Balance at 31 December 2011</b>	<b>307</b>	<b>1,150</b>	<b>4,424</b>	<b>0</b>	<b>5,881</b>
Increases in 2012			111		111
Decreases in 2012			(21)		(21)
Transfers					0
<b>Balance at 31 December 2012</b>	<b>307</b>	<b>1,150</b>	<b>4,514</b>	<b>0</b>	<b>5,971</b>
Increases in 2013			66		66
Decreases in 2013					0
Transfers		(1)	1		0
<b>Balance at 31 December 2013</b>	<b>307</b>	<b>1,149</b>	<b>4,581</b>	<b>0</b>	<b>6,037</b>

<u>Accumulated depreciation</u>	Land	Buildings	Plant and machinery	PPE in the course of construction	Total
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>(910)</b>	<b>(2,244)</b>	<b>0</b>	<b>(3,154)</b>
Increases in 2012		(11)	(640)		(651)
Decreases in 2012			8		8
Transfers		(10)	10		0
<b>Balance at 31 December 2012</b>	<b>0</b>	<b>(931)</b>	<b>(2,866)</b>	<b>0</b>	<b>(3,797)</b>
Increases in 2013		(11)	(599)		(610)
Decreases in 2013					0
Transfers					0
<b>Balance at 31 December 2013</b>	<b>0</b>	<b>(942)</b>	<b>(3,465)</b>	<b>0</b>	<b>(4,407)</b>

In 2013 and 2012 there were no significant changes in property, plant and equipment.

Based on the estimates and projections available to the Company's directors, these items of

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

property, plant and equipment do not pose any impairment problems. The Company has taken out insurance policies that cover the carrying amount of the property, plant and equipment. The detail of the fully depreciated assets included in property, plant and equipment at 31 December 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Other fixtures, tools and furniture	211	211
Other items of property, plant and equipment	971	793

At year-end there were no significant firm purchase commitments relating to new items of property, plant and equipment. There are no items of property, plant and equipment outside Spain.

#### **Operating leases**

The Company has leased its head offices in Madrid, until 6 April 2015 in the case of one and until 31 December 2015 in the case of the other, and the Barcelona office (which opened in 2009) until 1 December 2018, as well as the systems work centre office in Granada. These leases will subsequently be automatically renewed if none of the parties object. There are no significant contingent payments. In 2013 the expenses relating to these leases amounted to EUR 1,211 thousand (2012: EUR 1,371 thousand). The future minimum lease payments under non-cancellable leases at 31 December 2013 were as follows:

	<u>12/31/13</u>
Within one year	1,211
Between one and five years	1,078
After five years	0
	<u>2,289</u>

## **7. INVESTMENT PROPERTY**

The detail of "Investment Property" and of the changes therein in 2013 and 2012 is as follows:

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<u>Net values</u>	Land	Buildings	Total
<b>Balance at 31 December 2011</b>	7,276	4,697	<b>11,973</b>
<b>Balance at 31 December 2012</b>	7,276	4,836	<b>12,112</b>
<b>Balance at 31 December 2013</b>	7,276	4,805	<b>12,081</b>

<u>Gross values</u>	Land	Buildings	Total
<b>Balance at 31 December 2011</b>	<b>7,276</b>	<b>5,832</b>	<b>13,108</b>
Increases in 2012		200	200
Decreases in 2012			0
<b>Balance at 31 December 2012</b>	<b>7,276</b>	<b>6,032</b>	<b>13,308</b>
Increases in 2013		30	30
Decreases in 2013			0
<b>Balance at 31 December 2013</b>	<b>7,276</b>	<b>6,062</b>	<b>13,338</b>

<u>Accumulated depreciation</u>	Land	Buildings	Total
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>(1,135)</b>	<b>(1,135)</b>
Increases in 2012		(61)	(61)
Decreases in 2012			0
<b>Balance at 31 December 2012</b>	<b>0</b>	<b>(1,196)</b>	<b>(1,196)</b>
Increases in 2013		(61)	(61)
Decreases in 2013			0
<b>Balance at 31 December 2013</b>	<b>0</b>	<b>(1,257)</b>	<b>(1,257)</b>

In 2013 and 2012 there were no significant changes in investment property.

There is no investment property outside Spain. At 31 December 2013, the fully depreciated investment property amounted to EUR 81 thousand (31 December 2012: EUR 81 thousand). The expenses associated with investment property correspond to those relating to their annual depreciation and maintenance costs. In 2013 the latter amounted to EUR 340 thousand (2012: EUR 355 thousand). All the expenses are recognised in the income statement on an accrual basis. There are no contractual obligations relating to the acquisition, construction or development of investment property or repairs, maintenance or improvements.

The detail of the future minimum lease payments under non-cancellable operating leases is as follows:

	<u>12/31/13</u>
Within one year	148
Between one and five years	200
After five years	<u>0</u>
	<u>348</u>



## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

There are no restrictions on the realisation of the investment property, on the collection of the income therefrom or on the funds obtained from its sale or disposal by other means.

#### 8. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

The detail of the investments in Group companies and of the changes therein in 2013 and 2012 were as follows:

	BALANCE AT 12/31/2011	Increases	Decreases	Transfers	BALANCE AT 12/31/2012
Equity instruments of Group companies:	1,320,028	150,000	(6,142)	0	1,463,886
Valuation adjustments	(44,655)	(19,144)	0	0	(63,799)
	<b>1,275,373</b>	<b>130,856</b>	<b>(6,142)</b>	<b>0</b>	<b>1,400,087</b>
Loans to Group companies	135,007	158	(135,000)	0	165
<b>TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES</b>	<b>1,410,380</b>	<b>131,014</b>	<b>(141,142)</b>	<b>0</b>	<b>1,400,252</b>

	BALANCE AT 12/31/2012	Increases	Decreases	Transfers	BALANCE AT 12/31/2013
Equity instruments of Group companies	1,463,886	1,978	(13,816)	0	1,452,048
Equity instruments of associates	0	18,000	0	0	18,000
Valuation adjustments	(63,799)	(3,047)	1,535	0	(65,311)
	<b>1,400,087</b>	<b>16,931</b>	<b>(12,281)</b>	<b>0</b>	<b>1,404,737</b>
Loans to Group companies	165	32	0	0	197
<b>TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES</b>	<b>1,400,252</b>	<b>16,963</b>	<b>(12,281)</b>	<b>0</b>	<b>1,404,934</b>

#### a) Equity instruments of Group companies:

The increases and decreases in 2013 and 2012 relate mainly to:

##### 2013

1. Decrease of EUR 7,448 thousand: the historical acquisition cost of the investment in Riviana Foods Inc. is EUR 240,753 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2013 the adjustment led to a decrease of EUR 7,448 thousand in its value, which was charged to the income statement for the year. The total negative net accumulated adjustment at 31 December 2013 amounted to EUR 18,249 thousand.
2. Decrease of EUR 6,368 thousand: the historical acquisition cost of the investment in New World Pasta Co. is EUR 285,884 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2013 the adjustment led to a

## **EBRO FOODS, S.A.**

### **Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)**

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decrease of EUR 6,368 thousand in its value, which was charged to the income statement for the year. The total negative net accumulated adjustment at 31 December 2013 amounted to EUR 15,603 thousand.

3. Increase of EUR 1,200 thousand relating to the investment in Azucarera Energías, S.A. for the acquisition of 40% of its share capital. Following this additional investment, the Company's percentage of ownership was increased to 100%.
4. Increase of EUR 778 thousand relating to the capital increase at the wholly-owned subsidiary Dosbio 2010, S.L.

#### **2012**

1. Decrease of EUR 3,311 thousand: the historical acquisition cost of the investment in Riviana Foods Inc. is EUR 240,753 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2012 the adjustment led to a decrease of EUR 3,311 thousand in its value, which was charged to the income statement for the year. The total negative net accumulated adjustment at 31 December 2012 amounted to EUR 10,802 thousand.
2. Decrease of EUR 2,831 thousand: the historical acquisition cost of the investment in New World Pasta Co. is EUR 285,884 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost.  

In 2012 the adjustment led to a decrease of EUR 2,831 thousand in its value, which was charged to the income statement for the year. The total negative net accumulated adjustment at 31 December 2012 amounted to EUR 9,235 thousand.
3. Increase of EUR 150,000 thousand in the investment in the wholly-owned subsidiary Ebro Financial Corporate Services, S.L. through the non-monetary contribution of long-term receivables from other Group companies amounting to EUR 135,000 thousand and of short-term receivables from other Group companies totalling EUR 15,000 thousand.

#### **b) Equity instruments of associates:**

In 2013 the increase of EUR 18,000 thousand related to the acquisition in August 2013 of 25% of the Italian company Riso Scotti S.p.A., the parent of the Scotti Group. The Scotti Group is an Italian group specialising in rice production and processing and is the leading risotto rice producer in Italy. It has a wide range of products which it markets under the Scotti trademark in more than 70 countries. Its portfolio includes numerous high value-added products (rice and soy milk, rice biscuits, rice bran oil, ready meals, etc.) which bring the tradition of Italian cuisine up to date and are targeted at the premium sector. The 25% ownership interest in the Scotti Group is an investment in associates.

## **EBRO FOODS, S.A.**

### **Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)**

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#### **c) Long-term loans to Group companies:**

The most significant item under loans to Group companies in 2013 and at 31 December 2012 (see Note 17) relates to the loan granted to Beira Terrace Soc. de Construções, Ltda., a wholly-owned Portuguese subsidiary, with an outstanding balance of EUR 197 thousand at 31 December 2013 (31 December 2012: EUR 165 thousand).

None of these receivables have a specific maturity date and they earn interest at 3-month Euribor plus 1.125%.

#### **d) Valuation adjustments:**

The increases and decreases in 2013 and 2012 relate to the valuation adjustments on the investments in Beira Terrace Soc. de Construções, Ltda., Ebro German, GmbH (formerly Birkel), Dosbio, S.L. and Azucarera Energías, S.A.

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The results of the Group companies indicated in the table at the end of this Note correspond in full to continuing operations, except in the case of the business of Ebro Germany, GmbH.

None of the Group companies is officially listed.

The Company made the corresponding notifications to the investees provided for in the Spanish Limited Liability Companies Law.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

The direct ownership interests of Ebro Foods, S.A. in Group companies and associates at 31 December 2013 are presented in the following table:

	Investment	Valuation adjustment	% of ownership	Location	Line of business	a) Share capital and reserves	a) 2013 profit (loss) 2013	Dividend paid in 2013	Total equity	Profit (Loss) from operations
<b>SUBSIDIARIES AND ASSOCIATES</b>										
Dosbio 2010, S.L.	22,297	(11,834)	100.00%	Madrid (Spain)	Production of flour	12,612	(2,149)	-	10,463	(3,106)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Farming	7,757	22	-	7,779	31
Azucarera Energías, S.A.	3,048	(899)	100.00%	Madrid (Spain)	Combined heat and power generation	1,501	398	-	1,899	369
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Preserved 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 fertiliser	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)	Foundation	303	(2)	-	301	(2)
Ebro Financial Corporate Services, S.L.	150,003	-	100.00%	Madrid (Spain)	Financing 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-US)	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 (US)	Production and sale of pasta and sauces	440,440	36,925	-	477,365	53,669
Ebro Germany, 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 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
<b>TOTAL</b>	<b>1,470,048</b>	<b>(65,311)</b>						<b>(13,205)</b>		

a) Whenever "Group" appears after the name of the subsidiary, the figures relating to share capital, reserves and results correspond to the consolidated figures of the aforementioned company and its subsidiaries and associates before the dividend for 2013 was paid. To unify the information presented on the various companies or groups, the figures relating to share capital, reserves and results are those obtained by applying the International Financial Reporting Standards adopted by the European Union.

(\*) The company is a wholly-owned investee of Ebro Foods, S.A., which holds 20% directly and 80% indirectly through Herba Foods, S.L.

(\*\*) Ebro Foods, S.A. owns all the shares of this company, of which 75% are held directly and 25% indirectly through Riviana's wholly-owned subsidiaries.

(\*\*\*) The company is a wholly-owned investee of Ebro Foods, S.A., which holds 68.9% directly and 31.1% indirectly through its subsidiaries.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

The direct ownership interests of Ebro Foods, S.A. in Group companies and associates at 31 December 2012 are presented in the following table:

SUBSIDIARIES	Investment	Valuation adjustment (b)	% of ownership	Location	Line of business	a) Share capital and reserves	a) profit (loss) 2012	Dividend paid in 2012	Total equity	Profit (Loss) from operations
Dosbio 2010, S.L.	21,519	(9,686)	100.00%	Madrid (Spain)	Production of flour	13,158	(1,325)	-	11,833	(2,067)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Farming	7,722	35	-	7,757	50
Azucarera Energías, S.A.	1,848	-	60.00%	Madrid (Spain)	Combined heat and power generation	1,920	(419)	-	1,501	(466)
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Preserved vegetables	30,281	446	-	30,727	170
Herba Foods, S.L.	59,695	-	100.00%	Madrid (Spain)	Investment management	86,380	(505)	-	85,875	(1,991)
Herba Ricemills, S.L.	153,451	-	100.00%	Madrid (Spain)	Production and sale of rice	192,206	21,751	-	213,957	31,818
Herba Nutrición, S.L.	526	-	100.00%	Madrid (Spain)	Production and sale of rice	11,627	425	(11,528)	524	557
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertiliser	1,716	457	(411)	1,762	688
Networks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Dormant	1	(1)	-	0	0
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Foundation	302	0	-	302	0
Ebro Financial Corporate Services, S.L.	150,003	-	100.00%	Madrid (Spain)	Financing and insurance management	150,002	1,808	-	151,810	(162)
Beira Terrace Soc.de Const., Ltda.	12,436	(10,916)	100.00%	Porto (Portugal)	Real estate	9,336	(7,816)	-	1,520	(7,815)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,107	146	-	1,253	146
Riviana Foods Inc. (Group) (**)	229,952	-	75.00%	Houston (Texas-US)	Production and sale of rice	413,052	40,923	-	453,975	64,321
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	489,429	35,097	-	524,526	58,833
New World Pasta Comp. (Group)	276,650	-	100.00%	Harrisburg (US)	Production and sale of pasta and sauces	437,192	32,301	-	469,493	51,350
Birkel Teigwaren GmbH (Group) (***)	87,078	(43,197)	68.90%	Germany	Production and sale of pasta and sauces	69,337	(5,649)	-	63,688	(9,053)
Ebro Foods Alimentación, S.A.	1	-	100.00%	Mexico	Sale of rice	1	361	-	362	505
<b>TOTAL</b>	<b>1,463,886</b>	<b>(63,799)</b>						<b>(11,939)</b>		

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

#### 9. FINANCIAL INSTRUMENTS

##### 9.1 Financial assets

The detail of financial assets, except for the equity investments in Group companies, jointly controlled entities and associates (see Note 8) at 31 December 2013 and 2012 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (Assets)	Equity instruments		Debt securities		Loans and receivables and		TOTAL	
	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12
Categories								
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					25,477	27,216	25,477	27,216
Available-for-sale financial assets:								
a) At fair value	46,132	29,905					46,132	29,905
b) At cost							0	0
Hedging derivatives							0	0
<b>TOTAL</b>	<b>46,132</b>	<b>29,905</b>	<b>0</b>	<b>0</b>	<b>25,477</b>	<b>27,216</b>	<b>71,609</b>	<b>57,121</b>

CURRENT FINANCIAL INSTRUMENTS (Assets)	Equity instruments		Debt securities		Loans and receivables and derivatives		TOTAL	
	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12
Categories								
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					15,296	19,300	15,296	19,300
Available-for-sale financial assets:								
a) At fair value							0	0
b) At cost							0	0
Hedging derivatives							0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,296</b>	<b>19,300</b>	<b>15,296</b>	<b>19,300</b>

#### Available-for-sale financial assets

##### 1. Investment in Deoleo Corporación, S.A.

“Available-For-Sale-Financial Assets” relates to the EUR 47,756 thousand investment in Deoleo Corporación, S.A. (Deoleo) made in December 2010 through the subscription of 95,510,218 shares in the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share, representing 8.272% of the share capital thereof at 31 December 2013 (31 December 2012: 9.3%) following the capital increases performed at Deoleo in 2013. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the previously recognised gains or losses will be recognised in net profit or loss for the year.

At 31 December 2013, the fair value based on the market price of this investment was EUR 44,890 thousand (31 December 2012: EUR 26,265 thousand) equal to EUR 0.470 per share (31 December 2012: EUR 0.275 per share) and, therefore, a net increase in

## **EBRO FOODS, S.A.**

### **Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)**

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value of EUR 13,038 thousand was recognised directly in equity at that date with respect to 31 December 2012 (gross income of EUR 18,626 thousand less EUR 5,588 thousand for the related tax effect).

On 30 June 2012, it was determined that this investment had become permanently impaired since its acquisition and, therefore, the cumulative impairment losses recognised in equity, at both 30 June 2012 and at 31 December 2012, amounting to EUR 15,044 thousand, were reversed to the income statement for 2012 and related to a gross expense of EUR 21,492 thousand (included under "Finance Costs") less EUR 6,448 thousand for the related tax effect.

#### **2. Investment in Biosearch, S.A.**

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares, representing 29.9% of the share capital of Biosearch, S.A. Following the disposal, the remaining investment in this company was recognised as an available-for-sale financial asset. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the previously recognised gains or losses will be recognised in net profit or loss for the year.

In 2013, 7,905,000 shares (2012: 1,056,249 shares) of Biosearch, S.A. were sold. At 31 December 2013, this investment related to 1,801,000 shares of Biosearch, S.A. (31 December 2012: 9,706,000 shares), representing 3.121% (31 December 2012: 16.82%) of its share capital. At 31 December 2013, the fair value based on the market price of this investment was EUR 1,243 thousand (31 December 2012: EUR 3,640 thousand), equal to EUR 0.690 per share (31 December 2012: EUR 0.375 per share) and, therefore, in accordance with current accounting legislation, this increase in value was recognised as follows:

- Directly increasing equity by EUR 1,241 thousand (relating to gross income of EUR 1,772 thousand less EUR 531 thousand for the related tax effect); and
- Decreasing equity by EUR 1,424 thousand (relating to gross income of EUR 2,035 thousand less EUR 611 thousand for the related tax effect) with a credit (reversal) to income for the shares sold in 2013.

On 30 June 2012 it was determined that this investment had become permanently impaired since its acquisition and, therefore, the cumulative impairment losses recognised in equity, amounting to EUR 3,027 thousand, were reversed to the income statement for 2012 and related to a gross expense of EUR 4,324 thousand (included under "Finance Costs") less EUR 1,297 thousand for the related tax effect.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

#### Loans and receivables

	12.31.13	12.31.12
Non-current financial instruments		
Loans to Group companies (Notes 8 & 17)	197	165
Loans to third parties	25,133	26,904
Long-term guarantees	147	147
	25,477	27,216
Current financial instruments		
Trade and other receivables (Note 10)	13,526	15,235
Loans to third parties	1,770	4,065
	15,296	19,300
<b>TOTAL</b>	<b>40,773</b>	<b>46,516</b>

The balances of "Loans to Third Parties" in 2013 and 2012 relate mainly to:

- The deferred amount of the Nomen trademark sale, in accordance with the payment agreement reached in 2012 (see Note 5), amounting to EUR 25,133 thousand at long term (2012: EUR 26,904 thousand) and EUR 1,770 thousand at short term (2012: EUR 1,699 thousand). This account receivable earns implicit interest at 4.2% and has final maturity in June 2025.
- In 2012 the balance included at short term related to the final outstanding collection of the deferred amount of the Alagón land sale, in accordance with the payment agreement reached in 2009, amounting to EUR 2,366 thousand at short term and collected in full in 2013.

#### Exchange differences recognised in profit or loss

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss in 2013 and 2012 is as follows:

Exchange differences allocated to profit or loss as (expenses) income:	Loans and receivables		Equity instruments of Group companies		Loans and payables		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
- On transactions settled in the year	(314)	286	0	0	0	(12)	(314)	274
- On transactions not yet settled at year-end	0	(18)	0	0	838	343	838	325
- On foreign currency hedges	0	0	(13,816)	(6,142)	13,816	6,142	0	0
Total expense/(income) recognised in profit or loss for the year	(314)	268	(13,816)	(6,142)	14,654	6,473	524	599



**EBRO FOODS, S.A.**

**Notes to the financial statements for the year ended 31 December 2013  
(Expressed in thousands of euros)**

**Financial liabilities**

The detail of the financial liabilities at 31 December 2013 and 2012 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (Liabilities)	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other payables		TOTAL	
	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12
Accounts payable	210,069	171,778			12	12	210,081	171,790
Liabilities at fair value through profit or loss								
a) Held for trading							0	0
b) Other							0	0
Hedging derivatives							0	0
<b>Total</b>	<b>210,069</b>	<b>171,778</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>	<b>210,081</b>	<b>171,790</b>

CURRENT FINANCIAL INSTRUMENTS (Liabilities)	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other payables		TOTAL	
	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12
Accounts payable	36,314	59,747			9,651	12,106	45,965	71,853
Liabilities at fair value through profit or loss								
a) Held for trading							0	0
b) Other							0	0
Hedging derivatives					0		0	0
<b>Total</b>	<b>36,314</b>	<b>59,747</b>	<b>0</b>	<b>0</b>	<b>9,651</b>	<b>12,106</b>	<b>45,965</b>	<b>71,853</b>

**a) Bank borrowings:** see Note 13.

**b) Derivatives and other payables:**

The detail of the financial liabilities classified as derivatives and other payables is as follows:

Thousands of euros	2013	2012
Non-current		
Derivatives	0	0
Guarantees	12	12
	<b>12</b>	<b>12</b>
Current		
Derivatives	0	0
Trade and other payables	9,593	11,990
Other financial liabilities	58	116
	<b>9,651</b>	<b>12,106</b>

**c) Information on the nature and level of risk of financial instruments**

The main objective of the capital management policy is to guarantee a financial structure based on compliance with current legislation in the countries in which the Group operates. In addition, the Group's capital management policy seeks to guarantee the maintenance of stable credit ratings and to maximise value for shareholders.

As a result of the business activities and operations performed, the Company is exposed to financial risks such as foreign currency and interest rate risks.

Interest rate risk: the Company is exposed to the risk of changes in market interest rates, due mainly to long-term payment obligations bearing floating interest. The policy consists of managing borrowing costs using, whenever necessary, a combination of fixed and floating interest rates. The policy is to reduce as far as possible the Company's exposure to this risk and, accordingly, it monitors intensively the changes in interest rates with the support required from external experts.

Whenever it is considered necessary, interest rate derivatives are arranged in which it is agreed to exchange, in certain periods, the difference between the amounts of fixed and floating interest calculated on the basis of the notional amount of the principal agreed upon between the parties. These derivative or structured instruments are designed to hedge the underlying payment obligations.

Foreign currency risk: as a result of the investments in North America, the Company's balance sheet could be significantly affected by fluctuations in the USD/EUR exchange rate. The Company attempts to mitigate the effect of its exposure to structural foreign currency risk by obtaining loans in USD. 61.3% of the investment in the US is hedged in this way.

At 31 December 2013, "Non-Current Payables - Bank Borrowings" included three loans totalling USD 327 million (31 December 2012: USD 301 million) (see Note 13) and "Non-Current Payables to Group Companies and Associates" included a loan of USD 68 million (31 December 2012: USD 130 million) (see Note 17), which were designated as a hedge of the net investments in US subsidiaries, and are used to hedge the Company's exposure to the foreign currency risk on these investments. The gains or losses on the translation of these loans to euros are recognised in the income statement and the gains or losses recognised in the translation of the net investments in subsidiaries are offset for the same amount (see Notes 8-a and 9.1).

Liquidity risk: the Company manages the risk of a short-term lack of cash through a liquidity planning tool. This tool takes into account the maturity of the financial investments and the financial assets, as well as the cash flow projections relating to the transactions.

Ebro Foods, S.A. is the head of the consolidated Group consisting of it and the subsidiaries and associates with which it presents separately consolidated financial statements. This fact should be taken into consideration when assessing the purely circumstantial working capital position at the end of each year in the separate financial statements of Ebro Foods, S.A., which, as the head of the Group, has other financing options available to it, through the application of the dividend policy, for example.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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#### 10. TRADE AND OTHER RECEIVABLES

The detail of the trade receivables in 2013 and 2012 is as follows:

Thousands of euros	12/31/2013	12/31/2012
Trade receivables for sales and services	841	655
Receivable from Group companies and associates (Note 17)	4,311	8,216
Sundry accounts receivable	8	8
Employee receivables	52	71
Current tax assets (Note 15)	7,179	5,896
Other accounts receivable from public authorities	1,135	389
	<b>13,526</b>	<b>15,235</b>

Valuation adjustments: "Trade Receivables for Sales and Services" is presented net of write-downs. In 2013 these write-downs were increased by EUR 1 thousand (2012: EUR 28 thousand) and EUR 0 thousand (2012: EUR 20 thousand) were charged to profit or loss in this connection, signifying that the accumulated balance of the write-downs at 31 December 2013 totalled EUR 24 thousand (31 December 2012: EUR 23 thousand).

The balance of "Trade Receivables for Sales and Services" is denominated in full in euros.

#### 11. CASH AND CASH EQUIVALENTS

Cash equivalents generally relate to bank deposits maturing, when arranged, at less than three months.

There are no restrictions on the availability of cash.

#### 12. SHAREHOLDERS' EQUITY

- a) Registered share capital: at 31 December 2013 and 2012, the share capital was represented by 153,865,392 fully subscribed and paid bearer shares of EUR 0.60 par value each traded on the Spanish stock exchanges. All the shares are of the same class and confer the same rights.

At 31 December 2013 and 2012, the direct and indirect ownership interests in the share capital of Ebro Foods, S.A. held by shareholders owning more than 3% of the capital, is as follows, according to the information furnished to the Spanish National Securities Market Commission (CNMV) and to Ebro Foods, S.A.:

- Instituto Hispánico del Arroz, S.A.: direct holder of 13,725,601 (2012: 13,725,601) shares representing 8.921% (2012: 8.921%) and indirect holder, through Hispafoods Invest, S.L., of 10,707,282 (2012: 10,702,282) shares representing 6.959% (2012: 6.959%). In total, holder of 24,432,883 (31 December 2012: 24,432,883) shares representing 15.879% of the share capital (31 December 2012: 15.879%).
- Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 15,000,000 (31 December 2012: 15,000,000) shares representing 9.749% of the share capital (31 December 2012: 9.749%).

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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- Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 15,940,377 (31 December 2012: 15,880,688) shares representing 10.36% of the share capital (31 December 2012: 10.321%).
  - Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 12,625,080 (31 December 2012: 12,625,080) shares representing 8.205% of the share capital (31 December 2012: 8.205%).
  - Juan Luis Gómez-Trenor Fos: indirect holder, through Empresas Comerciales e Industriales Valencianas, S.L., of 7,847,135 (31 December 2012: 0) shares representing 5.1% (31 December 2012: 0%).
  - USB, AG.: direct holder of 0 (31 December 2012: 4,976,689) shares representing 0% of the share capital (31 December 2012: 3.234%) and indirect holder of 0 (31 December 2012: 384,832) shares representing 0% of the share capital (31 December 2012: 0.250%). In total, holder of 0 (31 December 2012: 5,361,521) shares representing 0% of the share capital (31 December 2012: 3.484%).
- b) Share premium: the Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.
- c) Legal reserve: companies that report a profit for the year must transfer 10% of that net profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed except in the event of dissolution, but it can be used to offset losses, provided that sufficient other reserves are not available for this purpose, and to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2013 and 2012, the legal reserve had reached the legally required minimum.
- d) Voluntary reserve: this is an unrestricted reserve with the limitations imposed by Spanish corporate law in relation to unamortised research and development expenditure.
- e) Revaluation Reserve Law 7/1996, of 7 June: as a result of revaluations made in the past by Sociedad General Azucarera de España, S.A. and Puleva, S.A. pursuant to Royal Decree-Law 7/1996, of 7 June, revaluation reserves of EUR 21,767 thousand were recognised. Following the spin-off of the sugar line of business in 2001 and the dissolution of A.E. Gestión de Patrimonio, S.L. in 2003, EUR 3,169 thousand of these reserves remained in the Company's balance sheet (included under "Other Reserves").

This balance can be used, free of tax, to offset accounting losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase share capital. From 1 April 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised.

The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

been transferred or derecognised. If the balance of this account were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

- f) Treasury shares: in 2013, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 4 June 2013 and 29 May 2012, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2013, 20,784 treasury shares were acquired and delivered to employees. At 31 December 2013, the Company did not hold any treasury shares.

In 2012 the Company made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 15 June 2011 and 29 May 2012, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2012, 409,720 treasury shares were purchased, 2,255,161 treasury shares were sold and 1,538,653 treasury shares were delivered to shareholders as a dividend in kind. At 31 December 2012, the Company did not hold any treasury shares.

- g) Dividends paid in 2013:

Distribution of dividends approved by the shareholders at the Annual General Meeting on 4 June 2013: it was resolved to distribute a dividend payable in cash with a charge to unrestricted reserves of EUR 0.60 per share for a total of EUR 92,319 thousand, of which EUR 0.16 per share was paid in January, May and September 2013 and the remainder of EUR 0.12 per share was paid on 10 December 2013.

- h) Valuation adjustments

See comments in Note 9.1.

### 13. BANK BORROWINGS

The detail of "Non-Current Payables - Bank Borrowings" and "Current Payables - Bank Borrowings" at 31 December 2013 and 2012 is as follows (in thousands of euros):

	2013	2013	2012	2012
	Non-current	Current	Non-current	Current
Bank borrowings drawn down in euros	-	-	-	-
Bank borrowings drawn down in US dollars	210,069	26,744	171,778	55,907
Credit facilities in euros	-	8,935	-	3,324
Unmatured accrued interest	-	635	-	516
<b>TOTAL</b>	<b>210,069</b>	<b>36,314</b>	<b>171,778</b>	<b>59,747</b>

The long-term bank loans financed the investments in Riviana Inc. (2004), Panzani SAS (2005) and New World Pasta Company (2006). They are guaranteed by the subsidiaries Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc., and correspond to:

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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- A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting, at 31 December 2013, to USD 36.8 million (an initial USD 440 million less USD 44 million repaid early in the April 2009 novation and less USD 175 million repaid early in the August 2010 novation), the principal of which is being repaid in six half-yearly instalments of USD 36.8 million from October 2011 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread. This loan matures in April 2014.
- Bilateral loan agreement entered into in November 2006 and novated in April 2009 and June 2010, amounting to USD 190 million, the principal of which will be repaid in four half-yearly instalments of USD 47.5 million from May 2015 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.
- Bilateral loan agreement entered into in November 2013 amounting to USD 100 million, the principal of which will be repaid upon maturity in two years, which may be extended for one additional year by the agreement of the parties. This US dollar loan bears annual interest at 1-, 2-, 3- or 6-month LIBOR plus a market spread.

The Company must achieve at all times certain ratios over the term of the aforementioned loans based on the consolidated financial statements of the Group of which the Company is the parent. The failure to achieve these ratios would increase borrowing costs and, depending on the cases, lead to a situation that could trigger the early repayment of the loans. At 31 December 2013 and 2012, all the ratios were being achieved.

In addition, at 31 December 2013, the Company had credit facilities at banks with a limit of EUR 22 million (31 December 2012: EUR 17 million) arranged as unsecured credit facilities, against which a total of EUR 8,935 thousand had been drawn down (31 December 2012: EUR 3,324 thousand). The average annual interest rate on these borrowings, excluding the long-term loans, is 3-month EURIBOR plus an average market spread of 2.15% (31 December 2011: 2.0%).

Also, the guarantees and other bank guarantees granted to third parties totalled EUR 29,633 thousand at 31 December 2013 (31 December 2012: 27,276 thousand) (see Note 16).

The repayment schedule of the bank borrowings is as follows:

Maturing in 2014	USD 36,883 thousand (EUR 26,744 thousand at 12/31/13)
Maturing in 2015	USD 195,000 thousand (EUR 141,220 thousand at 12/31/13)
Maturing in 2016	USD 95,000 thousand (EUR 68,849 thousand at 12/31/13)

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

#### 14. LONG-TERM PROVISIONS

The detail of the provisions and of the changes therein in 2013 and 2012 is as follows:

LONG-TERM PROVISIONS	Employee benefit obligations			Other provisions for contingencies			Total
	Long-service bonuses	Long-term remuneration	Total	Guarantees for sugar business sale	Guarantees for dairy product business	Total	
Thousands of euros							
<b>Beginning balance: 31 December 2011</b>	383	869	<b>1,252</b>	8,544	28,825	<b>37,369</b>	<b>38,621</b>
provisions)	44	1,434	1,478	0	-20,934	-20,934	-19,456
- Amounts used	-251	-449	-700	0	-7,891	-7,891	-8,591
- Adjustments due to interest cost	0	0	0	284	0	284	284
<b>Ending balance: 31 December 2012</b>	176	1,854	<b>2,030</b>	8,828	0	<b>8,828</b>	<b>10,858</b>
- Charge for the year (reversal of	-47	667	620	-3,403	0	-3,403	-2,783
- Amounts used	0	-278	-278	-5,425	0	-5,425	-5,703
- Adjustments due to interest cost	0	0	0	0	0	0	0
<b>Ending balance: 31 December 2013</b>	129	2,243	<b>2,372</b>	0	0	<b>0</b>	<b>2,372</b>

#### **Provision for contingencies - Guarantees arising from the sale of the sugar business and dairy product business**

The provision for the outcome of litigation relating to the sale of the sugar and dairy businesses related to the guarantees provided to the buyers of the businesses which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price thereof. The provisions or reversals recognised constitute an adjustment to the selling price and, consequently, are recognised as a decrease or increase in the gains of the year in which they are recognised or reversed.

At 31 December 2013, no significant litigation remained pending and, therefore, these provisions currently have a zero balance.

Developments in 2013: with respect to this litigation, in the first half of 2013 the Spanish Supreme Court handed down a judgment in favour of Ebro Foods, S.A. in one of these disputes, whereas in the second half of 2013 the Supreme Court found against the Company in relation to a claim brought about by third parties. These two judgments gave rise to payments totalling EUR 5,425 thousand and to the reversal for accounting purposes of the remaining provision amounting to EUR 3,403 thousand.

#### **Provision for long-service bonuses**

Certain employees of Ebro Foods, S.A. are beneficiaries of long-service bonuses for 25 and 40 years of service covered by an in-house provision at the Company. The provision of EUR 129 thousand (31 December 2012: EUR 176 thousand) recognised for these long-service bonuses at 31 December 2013 represents the present value, calculated by an independent actuary, of the possible future payment obligations of the Company to its employees. The basic assumptions used in the most recent actuarial studies at 31 December 2013 and 2012 were as follows:

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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- a) Annual discount rate of 3.41% (2012: 2.85%)
- b) Increase in salaries: a cumulative annual increase of 3% was assumed (2012: 3%).
- c) Mortality and life expectancy tables: PERM/F 2000P tables

#### Long-term provision for remuneration of executives

The provisions for 2013 relate to the 2013-2015 Plan and will be settled from 2015 to 2017 and the provisions for 2012 relate to the 2010-2012 Plan, to be settled in 2012, 2013 and 2014 (see Note 18).

## 15. TAX MATTERS

The detail of the tax receivables and payables at 31 December 2013 and 2012 is as follows:

Thousands of euros	12/31/13	12/31/12
<u>Current</u>		
Current tax assets	7,179	5,896
Other accounts receivable from public authorities	1,135	389
Current tax liabilities	0	0
Other accounts payable to public authorities	-3,596	-5,273
	<b>4,718</b>	<b>1,012</b>
<u>Non-current</u>		
Deferred tax assets	23,092	20,526
Deferred tax liabilities	-48,303	-42,296
	<b>-25,211</b>	<b>-21,770</b>

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

In June 2013, the Company was notified of the commencement of a tax review for 2008 to 2011, inclusive. This tax review is in progress. Additionally, the Company has all years since 2012 open for review for all taxes applicable to it. The Company's directors do not consider it necessary to recognise provisions for any possible further contingencies that might arise from the various interpretations of tax legislation.

The taxable profit, calculated pursuant to tax legislation, is taxed at 30%.

15.1. The consolidated tax group comprises:

Ebro Foods, S.A. (head 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. and Jiloca, S.A.



**EBRO FOODS, S.A.**

**Notes to the financial statements for the year ended 31 December 2013  
(Expressed in thousands of euros)**

15.2 The reconciliation of the net income and expense for the year to the tax loss for 2013 and 2012 is as follows:

Income tax Thousands of euros	2013		2012	
	Accrued	Tax	Accrued	Tax
<b>Profit (Loss) before tax from continuing operations</b>	<b>2,934</b>	2,934	<b>(2,295)</b>	(2,295)
Permanent differences	512	512	(4,258)	(4,258)
Permanent differences due to tax consolidation adjustments	(13,205)	(13,205)	(11,939)	(11,939)
<b>Adjusted accounting loss</b>	<b>(9,759)</b>	<b>(9,759)</b>	<b>(18,492)</b>	<b>(18,492)</b>
Temporary differences arising in the year		19,865		(8,395)
Temporary differences arising in prior years		(4,602)		(4,667)
Temporary differences due to tax consolidation adjustments		2,148		1,324
Tax loss carryforwards		(8,878)		0
<b>Tax loss of the Company</b>	<b>(9,759)</b>	<b>(1,226)</b>	<b>(18,492)</b>	<b>(30,230)</b>
Tax charge at 30%	(2,928)	(368)	(5,547)	(9,069)
Tax credits	(2,480)	(2,480)	0	0
Prior year's tax adjustment	0	0	(281)	0
<b>TOTAL INCOME TAX: Expense (Benefit)</b>	<b>(5,408)</b>	<b>(2,848)</b>	<b>(5,828)</b>	<b>(9,069)</b>

The reconciliation of the net income tax refundable to Ebro Foods, S.A. to the net income tax refundable arising from the consolidation of all the tax payables (receivables) of the tax group companies is as follows:

	<b>2013</b>	<b>2012</b>
Net tax refundable to Ebro Foods, S.A.	(2,848)	(9,069)
Tax pre-payments made in the year	(9,028)	(3,988)
Tax withholdings	(26)	(33)
Net tax refundable from prior years	(4,102)	(2,123)
Net tax payable by the rest of the companies in the tax group	8,825	9,317
<b>Tax payable by (refundable to) the tax group</b>	<b>(7,179)</b>	<b>(5,896)</b>

15.3 The reconciliation of the income tax benefit to the result of multiplying the tax rates applicable to the total recognised income and expense, showing separately the balance in the income statement, is as follows:

**EBRO FOODS, S.A.**

**Notes to the financial statements for the year ended 31 December 2013  
(Expressed in thousands of euros)**

Thousands of euros	Income statement	
	2013	2012
Profit (Loss) before tax from continuing operations	2,934	(2,295)
Applicable tax rate	30%	30%
Theoretical tax charge	<b>880</b>	<b>-689</b>
<u>Effect of:</u>		
Non-deductible expenses	161	224
Non-computable income	0	(1,500)
Dividends within the tax group	(3,962)	(3,582)
Tax credits and other	(2,487)	(281)
	<b>(5,408)</b>	<b>(5,828)</b>
<u>Tax expense (detail):</u>		
Current	(2,848)	(9,069)
Deferred	(2,560)	3,522
Adjustment	0	(281)
<b>Effective tax expense (benefit)</b>	<b>(5,408)</b>	<b>(5,828)</b>

15.4 The detail of the temporary differences in 2013 and 2012 of Ebro Foods, S.A. is as follows:

<b>TEMPORARY DIFFERENCES - Increases</b>	<b>2013</b>	<b>2012</b>
Credit to long-term provisions for remuneration	734	1,434
Period provision for long-service bonuses	(47)	44
Impairment losses on investments in Group companies	3,047	19,144
Amortisation of trademarks for tax purposes	0	760
Available-for-sale financial assets	18,362	1,019
Non-deductible 30% relating to depreciation and amortisation charge	351	0
Period provision for remuneration and termination benefits	0	71
<b>Total increases</b>	<b>22,447</b>	<b>22,472</b>
<b>TEMPORARY DIFFERENCES - Decreases</b>	<b>2013</b>	<b>2012</b>
Expense relating to amortisation of merger goodwill for tax purposes	401	401
Long-term provisions for remuneration used	278	449
Temporary difference due to amortisation of goodwill for tax purposes	4,045	4,266
Amortisation of trademarks for tax purposes	312	229
Payments of long-service bonuses	0	251
Payments of termination benefits	0	2,270
Non-computable gains	0	26,344
<b>Total decreases</b>	<b>5,036</b>	<b>34,210</b>
<b>Total net temporary differences</b>	<b>17,411</b>	<b>(11,738)</b>

**EBRO FOODS, S.A.****Notes to the financial statements for the year ended 31 December 2013  
(Expressed in thousands of euros)**

15.5 The detail of the permanent differences in 2013 and 2012 of Ebro Foods, S.A., is as follows:

<b>PERMANENT DIFFERENCES - Increases</b>	<b>2013</b>	<b>2012</b>
<b><i>Increases</i></b>		
Penalties and fines	4	0
Donations	513	537
Other non-deductible expenses	18	228
<b>Total increases</b>	<b>535</b>	<b>765</b>
<b>PERMANENT DIFFERENCES - Decreases</b>		
Adjustments for dividends of tax group subsidiaries	13,205	11,939
Amortisation of goodwill for tax purposes	23	23
Non-computable gains	0	5,000
<b>Total decreases</b>	<b>13,228</b>	<b>16,962</b>
<b>Total net permanent differences</b>	<b>(12,693)</b>	<b>(16,197)</b>

The non-computable gains relate to the gains obtained on the sale of several trademarks in 2012. Pursuant to Additional Provision Four of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, the income obtained from the transfer of assets and liabilities performed in accordance with antitrust legislation is not included in the tax base if the amount obtained in the transfer is reinvested in a period of three years from the date of sale (elapsing in September 2015) in the terms and conditions set forth in Article 42 of the aforementioned Law. The total reinvestment obligation outstanding at 31 December 2013 amounts to EUR 26.4 million.

15.6 Ebro Foods, S.A. took EUR 2.5 million of tax credits in 2013, which relate mainly to donations and to the reinvestment of gains obtained on sales of assets. EUR 7.6 million remain to be used for the coming years.

The amount of reinvestments made by the Spanish tax group that could entitle it to take tax credits for the reinvestment of income in 2013 was EUR 33.1 million (2012: EUR 5.0 million) (EUR 115.3 million, EUR 57.3 million, EUR 1.5 million, EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2011 to 2006, respectively. These amounts were reinvested by the tax group in each of the aforementioned years). Also, the other requirements to be able to take these tax credits for tax purposes were met.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

15.7 The changes in 2013 and 2012 in the deferred tax assets and liabilities of Ebro Foods, S.A. were as follows:

Thousands of euros	12/31/11	Additions	Reductions	Adjustments	12/31/12	Additions	Reductions	Adjustments	12/31/13
<b>Deferred tax assets</b>									
- Merger goodwill	4,815		-119		4,696		-120		4,576
- Intangible assets: Trademarks	2,646		-66		2,580		-47	-763	1,770
- Property, land and equipment: Land	129				129				129
- Property, land and equipment: Accumulated depreciation	0				0	105			105
- Financial assets	0	306			306	5,587	-79		5,814
- Long-term remuneration	261	451	-135		577	137		106	820
- Provisions for long-service bonuses	128	13	-76		65		-14		51
- Impairment losses on invest. in Group companies	6,285	5,744		144	12,173	914		-6,810	6,277
- Provisions for termination benefits	681		-681		0				0
- Tax credit carryforwards	0				0			3,550	3,550
- Tax loss carryforwards	0				0		-2,663	2,663	0
	<b>14,945</b>	<b>6,514</b>	<b>-1,077</b>	<b>144</b>	<b>20,526</b>	<b>6,743</b>	<b>-2,923</b>	<b>-1,254</b>	<b>23,092</b>
<b>Deferred tax liabilities</b>									
- Amortisation of goodwill for tax purposes	-34,440	-1,213		2,010	-33,643	-1,215			-34,858
- Amortisation of trademarks for tax purposes	-240	-69	229	34	-46	-47			-93
- Deferral of taxation of gains on sale of trademarks	0	-9,403	1,500		-7,903			763	-7,140
- Deferral of gains relating to the tax group	-398				-398				-398
- Fair value of financial assets	2,938		-3,244		-306	-5,587	79		-5,814
	<b>-32,140</b>	<b>-10,685</b>	<b>-1,515</b>	<b>2,044</b>	<b>-42,296</b>	<b>-6,849</b>	<b>79</b>	<b>763</b>	<b>-48,303</b>

No deferred tax assets with an estimated deadline for deduction exceeding ten years were recognised for material amounts. As regards deferred tax assets arising from impairment losses on investments in Group companies, only those assets that are estimated to be recovered by the aforementioned deadline were recognised.

## 16. GUARANTEE COMMITMENTS

At 31 December 2013 and 2012, the following bank guarantees had been provided:

	2013	2012
Guarantees received from banks		
For courts and agencies due to economic-administrative claims and To third parties to secure the fulfilment of ordinary trading obligations	0	4,500
	770	770
Guarantees provided by Ebro Foods, S.A.		
Guarantees provided to banks for other companies	28,863	22,006

The guarantees provided to banks for other companies relate mainly to the guarantees that Ebro Foods, S.A. provided to its subsidiaries Herba Ricemills, S.L. (directly wholly owned) and Ebro India, Ltda. (indirectly wholly owned) in relation to short-term credit facilities.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

#### 17. ACCOUNTS WITH GROUP COMPANIES AND ASSOCIATES

Note 8 includes a list of subsidiaries and associates of Ebro Foods, S.A. In 2013 and 2012 transactions with associates did not represent a material amount.

In 2013 and 2012 the main transactions performed by the Company with Group companies and associates were as follows:

	2013		2012	
	Group companies	Associates	Group companies	Associates
Outside services	(587)		(581)	
Staff costs	0		0	
Finance costs	(3,169)		(2,440)	
<b>Total purchases and costs</b>	<b>(3,756)</b>	<b>0</b>	<b>(3,021)</b>	<b>0</b>
Services rendered and other income	7,805		6,695	
Finance income	3		2	
Income from dividends received	13,205		11,939	
<b>Total sales and income</b>	<b>21,013</b>	<b>0</b>	<b>18,636</b>	<b>0</b>

The balances of Ebro Foods, S.A. with Group companies and associates at 31 December 2013 and 2012 were as follows:

AT 31 DECEMBER 2013						
BALANCES WITH GROUP COMPANIES AND ASSOCIATES	Long-term loans	Accounts receivable	Short-term loans	Accounts payable		Payable to suppliers
				Non-current	Current	
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)
	<b>197</b>	<b>4,311</b>	<b>0</b>	<b>(252,783)</b>	<b>(23,211)</b>	<b>(165)</b>

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

AT 31 DECEMBER 2012						
BALANCES WITH GROUP COMPANIES AND ASSOCIATES	Long-term loans	Accounts receivable	Short-term loans	Accounts payable		Payable to suppliers
				Non-current	Current	
Panzani, SAS		331				
Herba Foods, S.L.		139		(31,745)		(91)
Arotz Foods, S.A.		429		(28,682)	(54)	(7)
New World Pasta, Inc.		196		(99,616)		
Ebro de Costa Rica, S.A.				(13,918)		
Ebro Riviana de Guatemala, S.A.				(8,119)		
Dosbio 2010, S.L.						(897)
Herba Ricemills, S.L.		5,510				(10)
Riviana Foods, Inc.		193				
Ebro Financial Corporate Services, S.L.		701			(15,130)	
Lassie Group (Netherlands)		191				
Jiloca, S.A.		199				
Fundación Ebro Foods					(301)	
Other companies (minor balances)	165	327		0	0	(1)
	<b>165</b>	<b>8,216</b>	<b>0</b>	<b>(182,080)</b>	<b>(15,485)</b>	<b>(1,006)</b>

All of the balances are denominated in euros except for the amounts 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 non-current payables have no fixed maturity and, therefore, the Company classified them as non-current since they are not expected to be repaid in the short term. The account payable to New World Pasta, Inc. had a nominal value of USD 68 million at 31 December 2013 (31 December 2012: USD 130 million) and is hedging the investments in assets in US dollars (see Note 9.2-c) and bears interest at 3-month LIBOR + 0.90 points.

The Company has entered into an agreement relating to a corporate current account with most of its Spanish and foreign subsidiaries, guaranteeing coverage of all their financing requirements and, where applicable, interest earned on their cash surpluses, all, as a general rule, at market interest rates.

#### 18. RELATED PARTY TRANSACTIONS

The sales to and purchases from related parties were performed on an arm's length basis. At year-end the balances relating to commercial transactions are not secured, are not interest bearing and are settled in cash. No other guarantees were provided or received in relation to the accounts receivable from or payable to related parties.

In the years ended 31 December 2013 and 2012 the Company did not recognise any allowances for doubtful debts from related parties. The need for allowances is assessed each year on the basis of an examination of the financial position of the related party and of the market in which it operates.

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

#### **18.1 Related-party transactions with significant shareholders (or parties related thereto) of Ebro Foods, S.A., excluding directors**

Note 12 lists the companies that have a significant ownership interest in the share capital of Ebro Foods, S.A.

In 2013 and 2012 Ebro Foods, S.A. did not perform any transactions, excluding dividends, with these significant shareholders (unless they are directors, in which case they are reflected in Note 18.3).

#### **18.2 Related-party transactions with directors and executives (or parties related thereto) of Ebro Foods, S.A.**

In 2013 and 2012 Ebro Foods, S.A. performed the following transactions with one director (in thousands of euros), in addition to the dividends and remuneration reflected in Notes 18.3 and 18.6.

DIRECTOR	TYPE OF TRANSACTION	AMOUNT IN 2013	AMOUNT IN 2012
Antonio Hernández Callejas (Luis Hernández González)	Lease (Expense)	37	36

#### **18.3 Other related-party transactions with significant shareholders, directors and executives: dividends received from Ebro Foods, S.A.**

Within the framework of the overall dividend policy of Ebro Foods, S.A. the following amounts were distributed (in thousands of euros):

Dividends 2013:

- Dividends to significant shareholders: 17,146 (2012: 24,183)
- Dividends to directors and executives: 26,739 (2012: 20,352)

#### **18.4 Other matters of interest**

- Ebro Foods, S.A. has an ownership interest of less than 5% in Biosearch, S.A. (3.121% at 31 December 2013). This ownership interest is accounted for in the Ebro Group's financial statements as an available-for-sale-financial asset.

Biosearch, S.A. is a listed company with a similar object to that of Ebro Foods, S.A. that formed part of the Ebro Group until January 2011, and Miguel Ángel Pérez Álvarez, the Non-Director Secretary of the Board of Directors of Ebro Foods, is a proprietary director of Biosearch, S.A.

The transactions performed from 1 January to 31 December 2013 between Biosearch, S.A. and various Ebro Foods Group companies are detailed below (in thousands of euros):

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

Ebro Group company with which Biosearch performed transactions	Type of transaction	Amount in 2013	Amount in 2012
Ebro Foods, S.A.	Rendering of services	74	90

- The significant ownership interest that Ebro Foods, S.A. holds in Deóleo, S.A. (8.272% at 31 December 2013) is recognised in the Ebro Group's financial statements under "Available-for-Sale Financial Assets".

In 2013 Antonio Hernández Callejas, Chairman of the Board of Directors of Ebro Foods, S.A., was a propriety director of Deóleo following a proposal by Ebro due to his status as significant shareholder. He resigned as director of Deóleo on 31 January 2014 for professional reasons.

The transactions performed between 1 January and 31 December 2013 between Deóleo and various Ebro Foods Group companies are detailed below (in thousands of euros):

Ebro Group company with which Deóleo performed transactions	Type of transaction	Amount in 2013	Amount in 2012
Ebro Foods, S.A.	Rendering of services	254	224

#### **18.5 Duties of the directors: conflict of interest and prohibition of competition**

Pursuant to Articles 229, 230 and 231 of the Spanish Limited Liability Companies Law, this section of the notes to the financial statements discloses information that the directors, in compliance with their duty of loyalty, have notified to the Company on the equity interests and positions held at companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Ebro Foods, S.A., whether or not these companies form part of the Ebro Foods Group.

- Alimentos y Aceites, S.A.
  - Direct ownership interest of 1.738% in Biosearch, S.A. No position is held.
- Instituto Hispánico del Arroz:
  - Direct ownership interest of 100% in 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 cases it holds the position of director.



## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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It is hereby stated that Instituto Hispánico del Arroz, S.A. is a company engaging in an activity that is similar to the activity that constitutes the company object of Ebro Foods, S.A. and that it holds an ownership interest of 15.879% therein (direct ownership interest of 8.921% and indirect ownership interest of 6.959% through Hispafoods Invest, S.L., in which it has a 100% direct and indirect ownership interest and holds the position of director).

- Antonio Hernández Callejas:
  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Direct ownership interest of 0.001% in Deóleo, S.A. He held the position of Director until his resignation on 31 January 2014 for professional reasons.
- Dr. Rudolf-August Oetker:
  - Direct ownership interest of 12.5% in Dr. August Oetker KG. He holds the position of Chairman of the Advisory Board.
  - He is a member of the Advisory board of the following companies belonging to the Dr. August Oetker KG Group: Dr. Oetker GmbH, Dr. August Oetker Nahrungsmittel KG, Dr. Oetker International Beteiligungs GmbH, Dr. August Oetker Nahrungsmittel Beteiligungs GmbH and Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG.

The positions held by Antonio Hernández Callejas at other companies belonging to the Ebro Foods Group, in which he does not have any direct ownership interests are as follows:

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

Ebro Foods Group company	Position
A.W. Mellish, LTD.	Director
American Rice, Inc.	Chairman
Anglo Australian Rice, LTD.	Director
Arrozeiras Mundiarroz, S.A.	Chairman
Bertolini Import und Export, GmbH	Director acting severally
Ebro Foods, GmbH (Birkel)	Director acting severally
Blue Ribbon Mills, Inc.	Chairman
Boost Nutrition, C.V.	Director
Bosto Panzani Benelux, N.V.	Director
Danrice A/S	Director
Ebro America, Inc.	Chairman
Fundación Ebro Foods	Trustee
Heap Comet, Ltd.	Director
Herba Germany, GmbH	Director acting 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
Riso Scotti, S.p.A.	Director
Riviana Foods, Inc.	Chairman
S&B Herba Foods, Ltd.	Director
SOS Cuétara USA, Inc.	Chairman
T.A.G. Nahrungsmittel, GmbH	Director acting severally
Vogan, Ltd.	Director

Except for the aforementioned cases, it is hereby stated that none of the other directors has notified the Parent that they have any percentage of ownership or hold a position in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Ebro Foods, S.A. and its Group companies.

In 2013 and 2012 no transactions were performed by the directors of Ebro Foods, S.A. with Ebro Foods Group companies that did not form part of the ordinary course of business of these companies or were not performed under arm's length conditions.

#### 18.6 Remuneration of directors and executives

Remuneration of directors. In 2013 the remuneration earned by the members of the Board of Directors of Ebro Foods, S.A. amounted to EUR 4,518 thousand (2012: EUR 4,508 thousand), the detail being as follows (in thousands of euros):

**EBRO FOODS, S.A.**

**Notes to the financial statements for the year ended 31 December 2013  
(Expressed in thousands of euros)**

<b>DIRECTORS' REMUNERATION AND OTHER BENEFITS</b>	<b>2013</b>	<b>2012</b>
<b>ITEMS OF REMUNERATION</b>		
Attendance fees	285	306
Bylaw-stipulated profit sharing	2,565	2,565
<b>Total non-executive directors</b>	<b>2,850</b>	<b>2,871</b>
Wages, salaries and professional fees	1,668	1,637
Termination benefits and other		
<b>Total executive directors</b>	<b>1,668</b>	<b>1,637</b>
<b>TOTAL REMUNERATION</b>	<b>4,518</b>	<b>4,508</b>
<b>OTHER BENEFITS</b>		
Life insurance and retirement benefits	0	0

The Parent's current bylaws provide for a bylaw-stipulated share in profits of 2.5% of net consolidated profit for the year, provided that the appropriations to the legal reserve have been made and a dividend of at least 4% of the paid-in capital has been declared for shareholders.

The Board of Directors, at its meeting held on 26 February 2014 and at the proposal of the Recruitment and Remuneration Committee, resolved, for 2013, to freeze the bylaw-stipulated profit-sharing at EUR 2,565 thousand, without any change in relation to the three prior years. This will entail proposing to the shareholders at the Annual General Meeting that 1.93% of the consolidated net profit attributable to the Company in 2013 be used.

The Board of Directors also resolved to maintain attendance fees at EUR 1,600 for attending Board meetings and EUR 800 for attending the various committee meetings.

The breakdown, by director, of the remuneration in 2013 is as follows (in thousands of euros):

<b>Director</b>	<b>Bylaw-stipulated profit sharing</b>	<b>Attendance fees</b>	<b>Fixed remuneration for executive functions</b>	<b>Variable remuneration for executive functions</b>	<b>Total</b>
Hernández Callejas, Antonio	387	24	690	978	2,079
Carceller Arce, Demetrio	362	28	0	0	390
Alimentos y Aceites, S.A.	120	16	0	0	136
Castelló Clemente, Fernando	193	27	0	0	220
Comenge Sánchez-Real, José Ignacio	153	23	0	0	176
Daurella Comadrán, Sol	192	28	0	0	220
Empresas Comerciales e Industriales Valencianas, S.L.	10	1	0	0	11
Hispafoods Invest, S.L.	187	27	0	0	214
Instituto Hispánico del Arroz, S.A.	146	19	0	0	165
Nieto de la Cierva, José	267	24	0	0	291

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

Director	Bylaw-stipulated profit sharing	Attendance fees	Fixed remuneration for executive functions	Variable remuneration for executive functions	Total
Oetker, Rudolf-August	120	18	0	0	138
Ruiz-Gálvez Priego, Eugenio	154	22	0	0	176
Segurado García, José Antonio	274	28	0	0	302
<b>TOTAL</b>	<b>2,565</b>	<b>285</b>	<b>690</b>	<b>978</b>	<b>4,518</b>

Of the total variable remuneration for the Chairman of the Board of Directors for the discharge of his executive duties, in 2013 EUR 271 thousand (2012: EUR 243 thousand) related to the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan for 2011. This amount was provisioned in the 2011 financial statements.

In addition to the total remuneration received in 2013 by the Chairman of the Board of Directors for the discharge of his executive duties, a EUR 524 thousand (2012: EUR 1,297 thousand) provision was recognised as a provisional estimate of the Deferred Annual Remuneration System associated with the Group's 2013-2015 Strategic Plan for 2013 (2012: provisional estimate of the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan for 2012), which represents 25% of the three-year period. This amount will be paid in 2015 (2012: amount to be paid in 2014).

The aforementioned Deferred Annual Remuneration System is not tied to Ebro Foods' share price and does not entail the receipt by the beneficiaries of shares or of any other right thereon.

None of the members of the Board of Directors are the beneficiaries of supplementary life and retirement insurance. Also, the Company has not granted any loans or advances to the members of its Board of Directors and it does not have any guarantee obligations to them.

Remuneration of executives.- At 31 December 2013, Ebro Foods, S.A. had ten executives (2012: 10), the total aggregate remuneration of which in 2013 was EUR 2,120 thousand (2012: EUR 4,500 thousand), relating to the wages and salaries of the ten executives indicated plus the wages and termination benefits of two whose relationship with the Company ceased in 2012.

In relation to the executives (excluding the Chairman of the Board of Directors) of Ebro Foods, S.A., included in the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan described in this Note, EUR 7 thousand relating to 2011 was paid in 2013 (2012: EUR 5 thousand). This amount was provisioned in the 2011 financial statements.

Also, a EUR 128 thousand (2012: EUR 145 thousand) provision associated with the Group's 2013-2015 Strategic Plan was recognised for 2013 (2012: provision associated with the Group's 2010-2012 Strategic Plan for 2012), which represents 25% of the three-year period. This amount will be paid in 2015 (2012: amount to be paid in 2014).

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

The employment contracts of two of these executives include guarantee clauses in the event of termination or change of control, the amount of which exceeds that which would result from applying the Spanish Workers' Statute. In the case of the other executives the termination benefits initially established are below the termination benefits due to length of service provided for in the Spanish Workers' Statute.

It should be noted that the remuneration of all the executives of Ebro Foods, S.A. was taken into consideration, although they are not all senior executives.

Lastly, Ebro Foods, S.A. took out and has in force a third-party liability insurance policy covering its directors and executives with coverage for all its subsidiaries and an indemnity limit per annum of EUR 45 million, at an annual cost of EUR 64 thousand and in force until 30 April 2014. The aforementioned policy is currently in the process of being renewed.

#### 19. OTHER DISCLOSURES

##### a) Foreign currency transactions

The Company normally performs its transactions in euros, except for the financing transactions in US dollars mentioned in Notes 13 and 17.

##### b) Employees

<b><u>2013</u></b>	At year-end		Total average
	Men	Women	
Executives	10	3	13
Middle management	17	10	27
Clerical staff	10	10	20
	<u>37</u>	<u>23</u>	<u>60</u>

<b><u>2012</u></b>	At year-end		Total average
	Men	Women	
Executives	10	3	13
Middle management	16	8	24
Clerical staff	8	14	22
	<u>34</u>	<u>25</u>	<u>59</u>

##### c) Fees paid to auditors

In 2013, the fees for financial audit and other services provided by the Company's auditor, Deloitte, S.L., or by a firm related to the auditor as a result of a relationship of control, common ownership or management were as follows (in thousands of euros):

- The fees for audit services in 2013 amounted to EUR 205 thousand (2012: EUR 220 thousand) and those for other attest services amounted to EUR 62 thousand (2012: EUR 48 thousand).

## EBRO FOODS, S.A.

### Notes to the financial statements for the year ended 31 December 2013 (Expressed in thousands of euros)

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- The fees for tax advisory and/or other services amounted to EUR 0 thousand (2011: EUR 0 thousand).

d) Information on the environment

The activities carried on by the various companies of the Ebro Foods Group require the necessary investments to manage and control environmental risks. Accordingly, investments leading to increased productivity of the plant and machinery are capitalised and depreciated on a straight-line basis in accordance with their estimated useful life. As a holding company, Ebro Foods, S.A. does not have to make these investments and, therefore, such environmental investments and expenses are made and incurred by each Group company. The work performed in the last few years has been very extensive, especially to ensure the proper control of wastewater discharge, the emission of combustion gases and dust, and solid inert, organic and other waste.

The Company's directors do not expect any material contingencies to arise in relation to environmental protection and enhancement and do not consider it necessary to recognise any provision in this connection.

e) Disclosures on the payment periods to suppliers. «Disclosure obligation» provided for in Law 15/2010, of 5 July.» (thousands of euros)

<b>Amounts paid and payable at the end of the reporting period</b>				
	12/31/2013		12/31/2012	
	Amount	%*	Amount	%
- Within the maximum payment period (**)	6,321	86.00%	6,977	97.00%
- Remainder	1,061	14.00%	216	3.00%
<b>Total payments made in the year</b>	<b>7,382</b>	<b>100.0%</b>	<b>7,193</b>	<b>100.0%</b>
Weighted average period of late payment (days)	20		33	
Payments at year-end not made in the maximum payment period	66		1	

\* Percentage of total.

\*\* The maximum payment period in each case will be that applicable based on the nature of the good or service received by the Company pursuant to the provisions of Law 3/2004, of 29 December, on combating late payment in commercial transactions.

**20. EVENTS AFTER THE REPORTING PERIOD**

From the end of 2013 until the authorisation for issue of these financial statements, 57,475,572 shares of Deoleo Corporación, S.A. were sold (see Note 9.1).

No other significant events took place between the reporting date and the authorisation for issue of the financial statements.

**21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **EBRO FOODS, S.A.**

### **Directors' report for the year ended 31 December 2013 (Expressed in thousands of euros)**

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#### **1. SITUATION OF THE COMPANY**

Ebro Foods, S.A. is the parent of the Ebro Foods Group, the leading Spanish food group. Through its subsidiaries it is present in the rice and pasta markets in Europe and North America and is increasingly making its way into third countries.

As a holding company, its main objective is to lead, coordinate and drive the development of the Group which it heads, the strategy of which aims at providing consumers with healthy eating solutions that enable its brands to stand out on the basis of the innovation and development of new formats and products.

The Ebro Foods Group is managed by business segments that combine the type of activity in which they engage and their geographical location. The two main areas of activity are the production and distribution of pasta and rice, their derivatives and culinary supplements while four large regions stand out in terms of geography: North America, Spain, Europe and the rest of the world.

Decisions are made at the instigation of the Board of Directors, which is responsible for defining the Company's general strategy and management guidelines. The Board delegates certain tasks to the Executive Committee, including notably the monitoring and supervision of compliance with strategic and corporate development guidelines, whereas the Management Committee, which includes the heads of the main business areas, is responsible for monitoring and preparing decisions in relation to the Company's management and administration.

The Annual Corporate Governance Report contains detailed information on the ownership structure and its administration.

The directors' report relating to the consolidated financial statements includes information on the business performance and activities carried on in 2013 by the various segments or businesses composing the Ebro Foods Group.

#### **2. BUSINESS PERFORMANCE AND EARNINGS OF EBRO FOODS, S.A.**

The income of Ebro Foods, S.A. is generated mainly through dividends from its subsidiaries, services rendered to those subsidiaries and transactions with its real estate assets. The costs correspond mainly to the borrowing costs on its debts as the head of the Ebro Foods Group. Also, impairment losses are recognised and reversed on the basis of changes in the equity of the subsidiaries. Recurring income and expenses stayed in line with prior years.

Profit from operations amounted to EUR 6,377 thousand in 2013, as compared with EUR 49,368 thousand in 2012. The decrease was due to the fact that no non-recurring income was earned in 2013, unlike in 2012, which saw gains on the sale of certain trademarks and the reversal of provisions as a result of the resolution of the litigation pending in connection with the dairy product business for which the Company had provided guarantees when the business was sold.



## **EBRO FOODS, S.A.**

### **Directors' report for the year ended 31 December 2013 (Expressed in thousands of euros)**

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The financial loss totalled EUR 3,443 thousand in 2013, as compared with a financial loss of EUR 51,663 thousand in 2012. In spite of greater indebtedness, as described below, due to the payment of dividends and acquisition of the ownership interest in Riso Scotti, S.p.A., low interest rates have kept costs contained. The change arose as a consequence of the permanent impairment losses on investments classified as available for sale and investment valuation allowances for investments in Group companies.

The profit after tax amounted to EUR 8,342 thousand in 2013, as compared with a profit of EUR 3,533 thousand in 2012.

Set forth below are the most noteworthy events in the year relating to the Company's activity as head of the Ebro Foods Group.

#### **Most significant investments and disposals made by the Group**

Note 8 to the financial statements includes a list of the direct investments of Ebro Foods, S.A. in Group companies and associates. The main corporate transactions in 2013 in which Ebro Foods, S.A. exercised its management and administrative role were as follows:

**Investment in India:** in the first quarter of 2013 a rice production plant in India was acquired from Olam International. On 18 April 2013, once the appropriate approval was granted by the Competition Commission of India, the agreements necessary to complete the transaction were entered into, through the wholly-owned subsidiary Ebro India, Ltda. This modern, cutting-edge rice production plant has a capacity to process 18 tonnes of paddy per hour, more than 100,000 tonnes of rice per year. In addition to the plant's industrial assets, all of its employees and its sales network were transferred to Ebro India, Ltda.

With this investment in the largest basmati rice-producing region in the world, the Ebro Group ensures the supply of this type of rice to all of its subsidiaries and begins operations in India, a vast domestic market with high growth rates, into which the Ebro Group will introduce its extensive portfolio of rice, pasta and sauces.

The initial investment totalled EUR 12,246 thousand -equity financed- and was performed through the purchase of assets.

**Investment in Germany:** in May 2013 an agreement was reached with the shareholders of the German company Keck Spezialitäten, GmbH (Keck) for its inclusion in the Ebro Group. This company engages mainly in the production and sale of frozen food products (mainly rice and pasta) in Northern Europe. A new company, Ebro Frost, GmbH, was incorporated for the process, to which all the shares of Keck and Danrice, A.S. were contributed. (Danrice) (Danish subsidiary, wholly-owned by the Ebro Group until this point). Once the contributions were made, 55% of the capital of Ebro Frost, GmbH belonged to the Ebro Group and 45% to the shareholders of Keck.

The fair value of Keck's 55% investment amounted to EUR 11,827 thousand, settled with 45% of the fair value of Danrice plus EUR 629 thousand paid in cash.

## **EBRO FOODS, S.A.**

### **Directors' report for the year ended 31 December 2013 (Expressed in thousands of euros)**

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**Investment in Italy:** in August 2013 25% of the Italian company Riso Scotti S.p.A., Parent of the Scotti Group, was acquired. The Scotti Group is an Italian group specialising in rice production and processing and is the leading risotto rice producer in Italy. It has a wide range of products which it markets under the Scotti trademark in more than 70 countries. Its portfolio includes numerous high value-added products (rice and soy milk, rice biscuits, rice bran oil, ready meals, etc.) which bring the tradition of Italian cuisine up to date and are targeted at the premium sector. The 25% ownership interest in the Scotti Group is an investment in associates and, accordingly, it is accounted for in the Ebro Group using the equity method (see Note 8). The total investment amounted to EUR 18,000 thousand.

**Investment in Canada:** the Canadian group Maple Leaf Foods' fresh pasta and sauces business, Olivieri Foods, a subsidiary of the Canadian Bread Company, Ltd., was acquired at the end of November 2013. Olivieri is the leading fresh pasta and sauces brand in Canada, with approximately 375 employees. This acquisition will see Ebro enter the Canadian fresh pasta and sauce segment through its leading brand, which will enable the Group to consolidate its position as the leader in all the categories in which we operate. Ebro already has a strong presence in Canada through Catelli Foods, with the Catelli dry pasta trademark and the Minute trademark among its rice products. This operation will also provide numerous commercial, industrial and marketing synergies with our European fresh pasta business, headed by Lustrucu Frais. The investment totalled EUR 82,832 thousand, paid with borrowings and equity.

**Divestment in Germany:** on 23 December 2013, Ebro Foods, S.A. entered into an agreement with Newlat Group, S.A. for the sale of the pasta business which the Ebro Group had in Germany through its trademarks Birkel and 3Glocken for EUR 21,300 thousand. From the perspective of Ebro Foods, this transaction represents a further advance in its current strategic plan, among the objectives of which is the focus of efforts and resources on those business areas that will enable it to maintain or increase the profitability ratios achieved by the Company until now. This sale was classified as a sale of assets.

### **3. INFORMATION ON PERSONNEL AND THE ENVIRONMENT**

#### **Personnel**

Ebro Foods's main objective in the workplace is to have in place an adequate framework for labour relations and to make its employees feel an integral part of the organisation by encouraging professional development, promoting equal opportunities and non-discrimination and establishing a climate of social peace.

Each of the Group companies is governed by the labour laws of the country in which it operates. In addition, the largest Group companies have their own human resources policies governing the relationships between employees and the company.

Above them, and without prejudice to the collective agreements of the various Ebro Foods Group companies, there is a Corporate Code of Conduct (COC) which safeguards not only the ethical and responsible behaviour of the professionals at all Ebro Foods companies in the performance of their work, but also serves as a reference to define the policy's objectives and guarantees employment, occupational health and safety, training and the principles to ensure non-discrimination, diversity and equal opportunities in the access to employment.

## **EBRO FOODS, S.A.**

### **Directors' report for the year ended 31 December 2013 (Expressed in thousands of euros)**

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The main information is included in Notes 18 and 19 to the accompanying financial statements.

#### **Environment**

Although the Company's operations do not entail consequences with respect to the environment in and of itself, one of Ebro Foods' basic management principles is the implementation at its subsidiaries of the tools and measures necessary to strike the best possible balance between the pursuit of its business and protecting the environment. See Note 19-d to the financial statements.

#### **4. LIQUIDITY AND CAPITAL RESOURCES**

Ebro Foods, S.A. manages the Group's financial needs in relation to the strategic aspects of the Group's dividend payment policy and organic growth. To this end, it depends on the cash generated by its subsidiaries, which act as guarantors of the long-term loans necessary for these operations.

The consolidated directors' report provides an appropriate overview of the Group's liquidity and financial position.

#### **5. RISK MANAGEMENT OBJECTIVES AND POLICIES RELATING TO THE BUSINESS ACTIVITIES**

Ebro Foods, as the head of its corporate Group, is indirectly exposed to the risks associated with its subsidiaries through changes in the value of its investment portfolio and the dividends received from them. The activity of the subsidiaries composing the Ebro Foods Group is carried on in an environment in which external factors can influence their transactions and earnings.

The main risks are environmental, business, financial, credit, employment and technology risks. These risks and the policies applied in their recognition and management are described in the Group's consolidated directors' report and in the corporate governance report.

A Corporate Risk Map has been drawn up and the instruments for mitigating these risks and the main processes and controls associated therewith were analysed. This analysis will be reviewed annually with the implementation of control and improvement projects.

#### **Financial risk management and financial instruments**

The principal financial instruments employed include bank loans, bank overdraft facilities, cash and short-term deposits. The main purpose of these financial instruments is to increase the financial resources for the Group's operations.

Derivative products were arranged in prior years to manage interest rate and foreign currency risk. The Company does not use financial instruments for speculative purposes.

## **EBRO FOODS, S.A.**

### **Directors' report for the year ended 31 December 2013 (Expressed in thousands of euros)**

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The main risks 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 policies for managing each of these risks and the Financial Department identifies and manages them in order to minimise or limit the possible impact on the Group's earnings.

#### Credit risk

Ebro Foods, S.A. does not have a significant concentration of credit risk. In addition, cash is placed and financial instruments are arranged with institutions of acknowledged solvency and with a high credit rating.

#### Cash flow interest rate risk

The Company is exposed to the risk of changes in market interest rates, primarily in connection with its long-term payment obligations that bear floating interest rates.

The Company uses, where necessary, a combination of floating and fixed interest rates. The aim is to achieve a balance in the debt structure, thereby minimising its cost with reduced volatility. To this end it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, Ebro Foods arranges derivative financial instruments to hedge interest rate risk.

#### Foreign currency risk

As a result of the investments made in the US, the Company's balance sheet could be significantly affected by changes in the USD/EUR exchange rate. In order to mitigate this structural foreign currency risk, loans were obtained in USD. Most of the investments in the US was hedged in this way.

The transactions performed by operating subsidiaries in currencies that are not the functional currency are also exposed to foreign currency risk. In these cases, the subsidiaries arrange foreign currency hedges or other hedging instruments following the Group's policies.

#### Liquidity risk

The objective of Ebro Foods, S.A. is to maintain a balance between continuity of the financing and flexibility through the use of revolving credit facilities, bank loans and current financial assets.

## **6. EVENTS AFTER THE REPORTING PERIOD**

From the end of 2013 until the authorisation for issue of this directors' report, 57,475,572 shares of Deoleo Corporación, S.A. were sold (see Note 9.1 to the financial statements).

No other significant events took place between the reporting date and the authorisation for issue of the financial statements.

## **EBRO FOODS, S.A.**

### **Directors' report for the year ended 31 December 2013 (Expressed in thousands of euros)**

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#### **7. OUTLOOK FOR THE COMPANY**

The earnings obtained by Ebro Foods in future years will be determined by the dividends it receives from the subsidiaries, the gains on properties not considered to be strategic and the borrowing costs relating to the debt financing its assets.

The Company's directors consider that the dividends established for the subsidiaries will be sufficient for Ebro Foods to obtain the profit that will enable it to implement an appropriate shareholder remuneration policy.

#### **8. RESEARCH AND DEVELOPMENT ACTIVITIES**

Research and development is performed by the subsidiaries (as disclosed in the consolidated directors' report).

#### **9. TREASURY SHARE TRANSACTIONS**

In 2013, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 4 June 2013 and 29 May 2012, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2013, 20,784 treasury shares were acquired and delivered to employees.

At 31 December 2013, the Company did not hold any treasury shares.

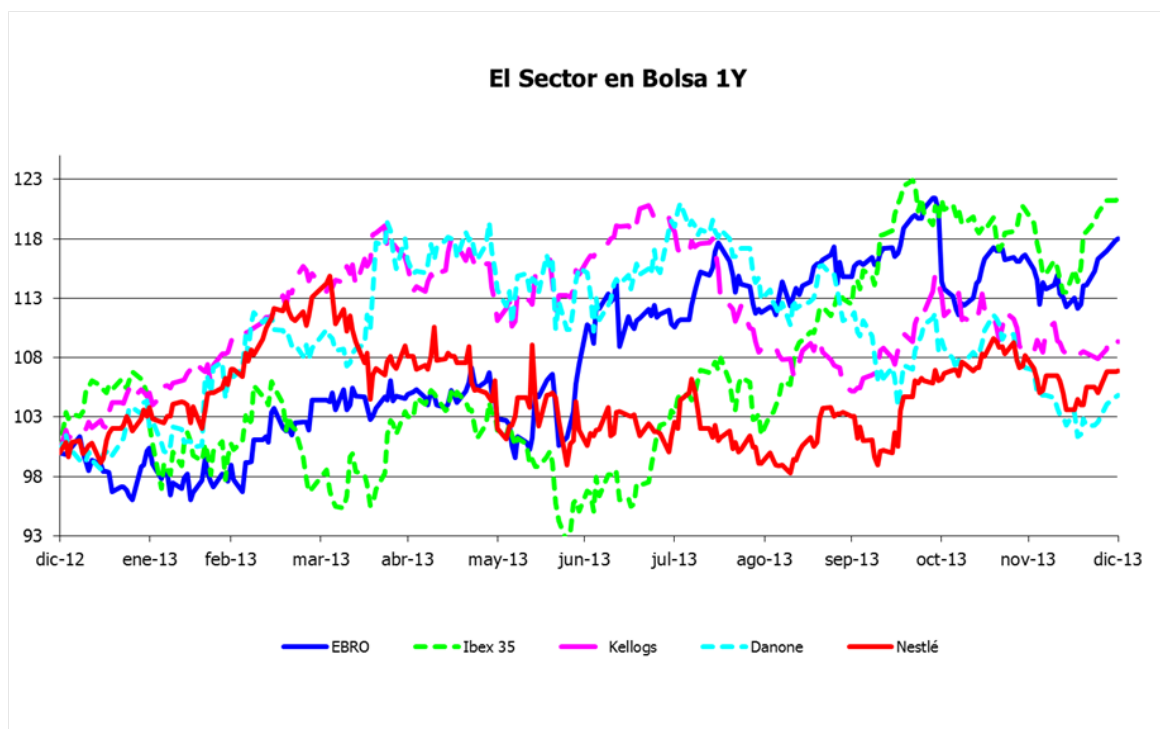
## EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2013  
(Expressed in thousands of euros)

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### 10. OTHER SALIENT INFORMATION

#### Share price



#### Distribution of dividends

The shareholders at the Annual General Meeting on 4 June 2013 approved the distribution of a dividend payable in cash with a charge to unrestricted reserves of EUR 0.60 per share for a total of EUR 92,319 thousand, of which EUR 0.16 per share was paid in January, May and September 2013 and the remainder of EUR 0.12 per share was paid on 10 December 2013.