Auditor’s Report

CONSOLIDATED ANNUAL ACCOUNTS

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
Fax: 915 727 238
ey.com

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of EBRO FOODS, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EBRO FOODS, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2020, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2020, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial information applicable in Spain.

Basis of the opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are applicable to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned regulations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Sale of the dry pasta business in the US and Canada

Description:

As explained in notes 5 and 25 to the accompanying consolidated financial statements, at the end of 2020 the Group reached agreements for the sale of its dry pasta business in Canada and the United States. Most of the net assets of the US business were disposed of at year-end. The Group classified as available for sale the related assets and liabilities of the dry pasta businesses in the United States and Canada, the sale of which was completed subsequent to year-end as described in note 5, the Group has classified the related assets and liabilities as available for sale. The Group recognized all of the transactions of the businesses sold as discontinued operations in the consolidated statement of income and the consolidated statement of cash flows.

Due to the qualitative and quantitative significance of the above transactions as well as their impact on the accompanying consolidated financial statements, we determined these transactions to be a key audit matter.

Our response

Our audit procedures related to this matter included:

- Reviewing and analyzing the terms and conditions of the corresponding sale agreements entered into by the Group.
- Analyzing and performing specific tests on the businesses sold to ensure the related transactions were correctly reclassified and the accounting records closed.
- Analyzing the gain from the disposal, as well as the profit or loss and cash flows from discontinued operations, including the reasonableness of the allocation of goodwill to the businesses sold.
- Checking that the transaction was properly presented and that the disclosures made in the notes to the consolidated financial statement comply with the applicable financial reporting framework.

Measurement of goodwill, other intangible assets, and property, plant and equipment

Description

The Group has a significant amount of other intangible assets (primarily, brand names) and property, plant and equipment. Specifically, at December 31, 2020, goodwill, other intangible assets, and property, plant and equipment amount to 1,061,602 thousand euros, 449,356 thousand euros, and 857,799 thousand euros, respectively.

Building a better working world

At least once a year, the Group's Management analyzes the recoverable amounts of each significant cash-generating unit (CGU). The goal of this analysis is to determine whether it is necessary to recognize an impairment loss against the goodwill associated with these CGUs or against any other intangible asset or item of property, plant, and equipment belonging to them. For purposes of this analysis, the Group determines, in collaboration with an independent expert, the impairment tests using the cash flow method at a risk-free rate.

We considered this issue to be a key audit matter because the analysis performed by Group management requires the use of complex estimates that entail making judgments regarding the future earnings of the CGUs to which the aforementioned assets belong.

The description of the amounts, the movements, and the analysis of the recoverable amounts of the CGUs to which the aforementioned goodwill has been allocated are provided in Note 15 to the accompanying consolidated financial statements. Elsewhere, the corresponding disclosures for other intangible assets and property, plant and equipment are provided in Notes 8 and 9, respectively, to the accompanying consolidated financial statements.

Our response

Our audit procedures related to this matter included:

- Understanding the policies and procedures for measuring goodwill, other intangible assets, and property, plant and equipment, as well as evaluating the design and implementation of the Group's relevant controls.
- Reviewing, in collaboration with our valuation specialists, the reasonableness of the methodology used by Group management and the independent expert in constructing the cash flows discounted from each significant CGU, focusing particularly on the discount rate and long-term growth rate applied.
- Reviewing the projected financial information for each CGU's business plan by understanding and analyzing:
  - Historical and budgetary financial information
  - The Company's business and its operational market
  - Other information provided by the parent
- Reviewing the disclosures included in the notes to the consolidated financial statements related to the analysis of the recoverability of goodwill, other intangible assets, and property, plant and equipment in accordance with IAS 36.

The procedures described above are performed on all the assets that do not generate cash flows, irrespective of the CGU to which they belong. However, for assets no longer in use, we perform specific procedures in order to conclude on their recoverable amounts. In addition, the aforementioned analysis is likewise carried out for CGUs having assets which require annual impairment testing (good will and intangible assets with indefinite useful lives). With regard to other intangible assets and property, plant, and equipment, we analyzed the internal and external factors taken into account by the Group in order to conclude on the existence of objective indications of impairment, carrying out procedures to conclude on the recoverable amounts of those items for which indications of impairment did exist following our analysis.

Revenue recognition - discounts and promotions

Description

The Group recognizes revenue in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), net of sales discounts, incentives, and rebates accrued by its customers. In certain markets, the estimate associated with these discounts, incentives, and rebates is significant and likewise entails making complex and highly subjective judgments. Consequently, there is a risk that the contractual terms that give rise to these adjustments to sales are incorrectly recorded and thus, revenue recognized in the consolidated financial statements may be incorrectly measured.

We determined this issue to be a key audit matter due to the variety of discounts and incentives offered, as well as the complexity associated with the estimates that management must make to record some of them at year-end.

The disclosures related to the Group's revenue recognition policies as well as information relating to revenue by business segments and customer contracts are provided in Notes 3 r) and 6, respectively, to the accompanying consolidated financial statements.

Our response

Our audit procedures related to this matter included:

- Understanding revenue recognition policies and procedures, as well as evaluating the design and implementation of relevant controls employed by the Group’s significant components.
- Carrying out substantive analytical procedures for the Group’s key components, analyzing the actual performance of revenue and cost of sales related to discounts, incentives, rebates, and margins, as compared with budgeted data.
- Analyzing and discussing with management significant contracts, including contractual terms and conditions related to discounts, incentives, and rebates, as well as the hypotheses used in the related estimates.
- Reviewing the most relevant estimates made in connection with discounts, incentives, and rebates at years-end via customer confirmation letters and alternative procedures.

- Performing operations cut-off procedures for a sample of revenue transactions at year-end in order to conclude on whether they were recognized at the moment the related goods or services actually took place.
- Analyzing other adjustments and credit notes issued after the reporting date.
- Performing analytical procedures on revenue-related journal entries in the Group's key components, paying special attention to accounting entries recorded near or after the year-end closing, as well as those deemed unusual due, among other reasons, to their nature, amount, date of occurrence, user, the item itself or its balancing entry.
- Reviewing the disclosures made in the notes to the consolidated financial statements in conformity with the applicable regulatory financial reporting framework.

Other information: Consolidated Management Report

Other information refers exclusively to the 2020 consolidated management report, the preparation of which is the responsibility of the Parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2020 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent's directors and the audit committee for the consolidated financial statements

The directors of the Parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee of the parent is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Parent with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Parent, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legally stipulated disclosure requirements

Additional report for the parent's audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the parent's (EBRO FOODS, S.A.) audit committee on April 9, 2021.

Term of engagement

During the Ordinary General Shareholders' Meeting held on December 31, 2020, we were appointed auditors of Ebro Foods S.A. for a period of three years, commencing the year ended December 31, 2020.

Previously, we were appointed auditors by the shareholders in general meeting for three years and we have been carrying out the audit of the financial statements continuously since the year ended December 31, 2014.

ERNST & YOUNG
(Registered in Spain's Official Register of Auditors under No. S0530)

(Signed on the original in Spanish)

Ramón Masip López
(Registered in Spain's Official Register of Auditors under entry no. 16253)

April 9, 2021