EBRO FOODS, S.A. CONSOLIDATED GROUP

2014 MANAGEMENT REPORT (figures in thousands of euros)

1. COMPANY SITUATION

Organizational structure and business model

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

The Group has decentralized certain areas of each business's management with a view to focusing on the business while maintaining a lean and dynamic structure that prioritizes performance, cohesion and market knowledge over a personality-driven culture.

The Ebro Foods Group articulates its management around business segments that combine business activities and their geographic location. The two core business lines are:

The rice business: the production and distribution of rice and its culinary derivatives and accompaniments. It consists of industrial and branding activities, with the Group pursuing a multi-brand model. Its geographic footprint extends to Europe, the Mediterranean basin, India and Thailand (via the Herba Group companies) and North and Central America, the Caribbean and Middle East (via the Riviana Group and its subsidiary, American Rice or ARI).

Pasta business: the production and marketing of dry and fresh pasts, sauces, semolina products, their culinary derivatives and accompaniments, carried out by the New World Pasta Group in the US, the Panzani Group and the Garofalo Group (rest of world).

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

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

The production of the products sold by the Group relies heavily on the use of rice and durum wheat.

Rice is the most widely-consumed grain in the world; however, as some of the world's largest producers consume more than they produce (China, Philippines and Indonesia), the global rice trade is smaller than that of other grains and cereals. The sources of the rice sold by Ebro vary depending on the type of grain and quality/abundance of rice harvests. Supply sources can be grouped into three major regions which produce different varieties of rice: the US, southern Europe and Southeast Asia.

Pasta is produced from a variety of wheat that is high in protein called durum wheat. Durum wheat is produced in a far smaller geographic expanse and has a much smaller market than other varieties of wheat, essentially those used to make flour. Ebro mainly sources its durum wheat in the US, Canada and southern Europe (France, Spain and Italy).

It purchases from farmers, cooperatives and milling companies that provide the basic raw material used in the productive process, the required milling and/or transformation being carried out at the Group's factories. The processes performed differ depending on the product's end use and range from cleaning, milling, polishing and basic extrusion to more complex processes such as pre-cooking, cooking and freezing.

Note 6 to the consolidated financial statements (Segment reporting) overviews the key activities, brands and market shares of each reportable segment.

Strategic objectives

The Group's strategic objective is to be a benchmark player in the rice and pasta markets and in segments of relevance to both areas such as meal solutions. It also aims to achieve a meaningful position in a highly global market and to spearhead innovation in its leading geographies, these ambitions trickling over to related products such as value-added legumes and noodles.

In order to deliver these strategic objectives, the Group taps a series of growth levers it deems key to increasing the value of the business, as enshrined in the various three-year business plans:

- Organic and M&A-led growth in large and established markets and, in parallel, the search for opportunities in high growth potential developing markets.
    - Penetration of new markets and product categories: chips, omelettes, new fresh products, new higher value-added functional food ranges, etc.
    - Development of products that offer a fuller culinary experience by adding new formats (maxi-cups, etc.), flavours (cup and sauce ranges) and meal solutions (pan-fried rices and pasta dishes, SOS dishes, etc.)
    - Meaningful positioning in the healthy-eating segment by introducing new concepts that capture emerging trends.
    - Expanded geographic footprint and rounding out of the product/country matrix:
        - Search for business opportunities that enable us to target our offering (Garofalo, Olivieri) at geographic markets presenting specific characteristics: a market size of 50-100m inhabitants with a developed retail sector or at least one under development, medium to high income per capita and business customs that are not too dissimilar to those of the Group.
        - Entry into new markets (India, Middle East, Eastern Europe and rest of Africa).
        - Expansion of success formulae into markets in which Ebro is already present (fresh products).

- Product differentiation and innovation. The Ebro Foods Group's product development strategy is structured around two articulating lines of initiative:
    - Research, development and innovation (R&D) The Group has four proprietary

R&D centers. Its investment policy is designed to allow the crystallization of new ideas into realities for our customers.

- o The Group aims to have the leading brands in its respective segments, to which end it supports them with the required advertising budgets.

- Low risk exposure. The business has been marked by growing raw material price volatility in recent years, coupled with accelerating changes in consumer trends. The Ebro Group faces these challenges through firm strategic commitments to both change and sustainability. To this end it seeks balanced sources of recurring income (markets, currencies), low leverage in order to withstand financial turbulence, new sources of supply and the establishment of long-term relationships with its stakeholders (customers, suppliers, directors, employees, society).

2. BUSINESS PERFORMANCE AND RESULTS

Environment

2014 was a disappointing year in the eurozone, shaped by doubts about the consolidation of the recovery, although the year ended on a more positive note. The GDP figures for the last two quarters and the improvement in economic indicators and consumer confidence towards the end of the year have dissipated risks of a third recession, albeit depicting a relatively unappealing landscape marked by slower than anticipated recovery, high unemployment rates and significant cross-country disparity. Nevertheless, the oil price correction, euro depreciation and renewal of credit, stimulated by expansionary monetary policy and investment policies, provide grounds for encouragement looking to 2015.

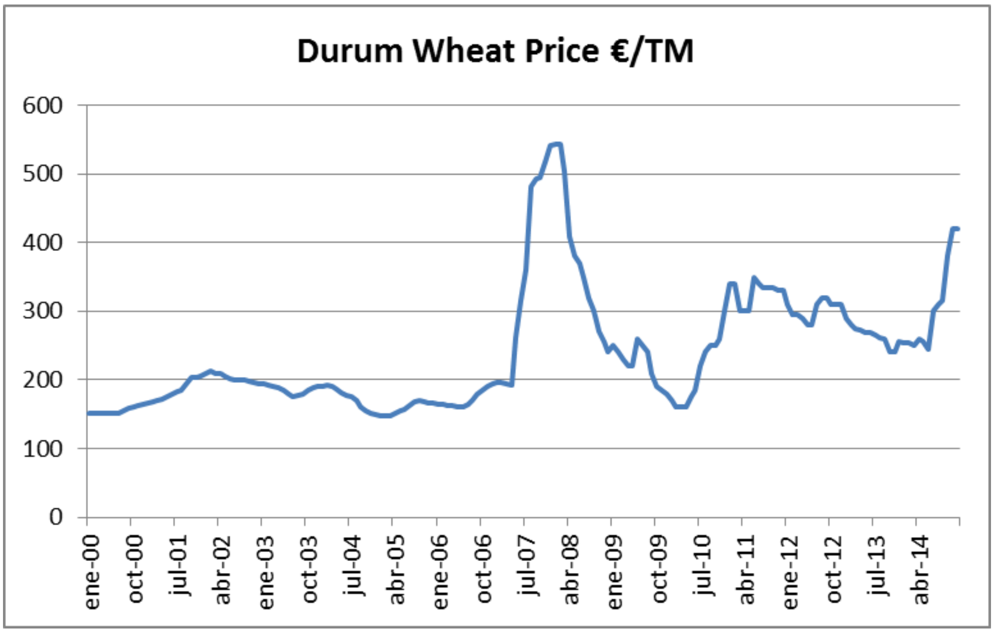
The US, in contrast, is clearly in recovery mode, having notched up GDP growth of 2.4% in 2014, with business and household confidence indicators bouncing back from the lows of 2009 and unemployment approaching the frictional rate. However, the surveys continue to show that a high percentage of US citizens believe that the recession is ongoing (70% according to the Nielsen Global Survey), while average household income remains below pre-crisis levels.

The years of uncertainty and high levels of unemployment that continue to afflict many developed economies have taken their toll on consumer habits. Shoppers have changed their ways: they are buying less, buying cheaper products and have traded down to high-quality private label brands or compellingly-priced brand name products.

The fact that the worst of the crisis is behind us is beginning to be palpable in consumer behavior indicative of more extensive price-benefit analysis relative to the price-sacrifice pattern typical during the recession. The shift in consumer habits has left the odd successful niche such as fresh products, designed to facilitate a pleasant experience without increasing household spending. The Group perceives significant upside in this segment against the backdrop of a market that is otherwise flat volume-wise in the developed world where demographic trends unlikely to help matters.

These changes have also affected the retail sector which is having to adapt to new tastes and preferences. New options are emerging that compete with traditional retailing such as online shopping, which is experiencing significant growth; the presence commanded by the leading offline retailers online is often not comparable with their conventional retailing market shares. As a result we are seeing M&A activity in some of the biggest markets.

An atypical year in the grain markets. Prices were stable for most crops, with inventory levels at historical highs. However, durum wheat provided the exception. The new harvest was affected by a reduction in acreage and a weaker-quality harvest due to strong seasonal rains in France and Canada: prices jumped from €250/MT in June to €430/MT in December. The durum wheat market is unusually tight, so that year-end inventory levels tend to be small; also there is no forward market and sector consolidation on the supply side has made it attractive to financial speculators. The price gap with respect to soft wheat grades has widened to unprecedented levels (around 2x on average) and this grain has become a highly volatile cereal. This trend is evident in its price performance over the last 15 years.



Source: the Ebro Foods Group

As for rice, it is estimated that the global 2014/15 harvest was approximately 3% smaller year-on-year (the prior year having constituted an all-time record), marking the first annual decline since 2007/2008. Despite this contraction, Chinese purchases of rice, an abundance of supply (Thailand continues to release the stock piled up by its government) and the downtrend in prices, the 2014 rice trade is estimated at 41.6 million tonnes, a record high. Generally speaking, long-grain prices were stable thanks to abundant supply in the main exporting markets, while the prices of the medium and short grain varieties were affected by droughts in California and Australia, which drove prices higher.

EBRO FOODS, S.A. CONSOLIDATED GROUP

2014 MANAGEMENT REPORT (figures in thousands of euros)

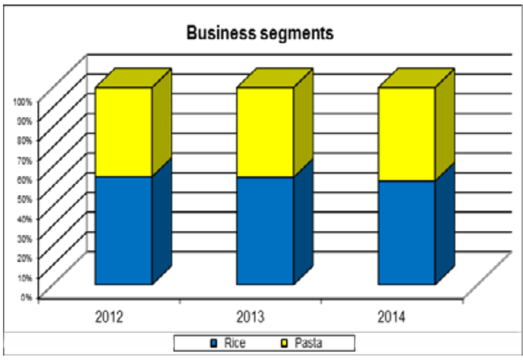
Group financial performance

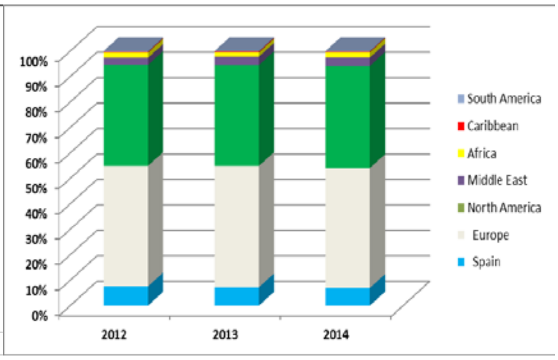
The Group's key financial indicators are presented below:

CONSOLIDATED FIGURES (Thousand of €)	2012	2013	2013/2012	2014	2014/2013	CAGR2014-2012
Revenue	1,981,130	1,956,647	*-1.2%*	2,120,722	*8.4%*	***3.5%***
EBITDA	299,226	282,392	*-5.6%*	287,251	*1.7%*	***-2.0%***
% of Net Revenue	*15.1%*	*14.4%*		*13.5%*		
EBIT	244,319	226,356	*-7.4%*	227,242	*0.4%*	***-3.6%***
% of Net Revenue	*12.3%*	*11.6%*		*10.7%*		
Profit/(loss) before taxes	250,438	210,646	*-15.9%*	215,749	*2.4%*	***-7.2%***
% of Net Revenue	*12.6%*	*10.8%*		*10.2%*		
Taxes	(89,464)	(69,157)	*22.7%*	(64,407)	*6.9%*	***-15.2%***
% of Net Revenue	*-4.5%*	*-3.5%*		*-3.0%*		
Profit/(loss) for the year from continuing operations	160,974	141,489	*-12.1%*	151,342	*7.0%*	***-3.0%***
% of Net Revenue	*8.1%*	*7.2%*		*7.1%*		
Profit/(loss) after tax for the year from discontinued operations	(2,523)	(7,507)	*197.5%*	(2,223)	*-70.4%*	***-6.1%***
% of Net Revenue	*-0.1%*	*-0.4%*		*-0.1%*		
Net Profit	158,592	132,759	*-16.3%*	146,013	*10.0%*	***-4.0%***
% of Net Revenue	*8.0%*	*6.8%*		*6.9%*		
Average working capital	402,403	420,517	*-4.5%*	442,036	*-5.1%*	
Capital employed	1,212,424	1,286,515	*-6.1%*	1,363,346	*-6.0%*	
ROCE **(1)**	20.0	17.7		16.7		
Capex **(2)**	52,930	61,308	*15.8%*	67,123	*9.5%*	
Average headcount	4,741	4,665	*-1.6%*	5,189	*11.2%*	
	31.12.12	**31.12.13**	*2013/2012*	**31.12.14**	*2014/2013*	
Equity	1,692,209	1,705,757	*0.8%*	1,849,485	*8.4%*	
Net debt	244,804	338,291	*38.2%*	405,617	*19.9%*	
Average net debt	294,114	260,820	*-11.3%*	333,178	*27.7%*	
Leverage **(3)**	17.4%	15.3%		18.0%		
Total assets	2,731,812	2,772,680		3,162,068		

Revenue rose by 8.4% year-on-year, driven by significant volume growth and a contribution from new businesses (Olivieri and Garofalo) of 103 million euros.

The breakdown of revenue and the year-on-year trend by business line and geographic market is as follows:





EBITDA rose by 1.7%, shaped by a 9.4 million euro contribution by new businesses and relatively unmarked by exchange rate trends. The business performance was very strong in all segments except for the US pasta market, which is contracting (by 1.8% by value according to the Nielsen XAOC 52-week scantrack): abundant promotions and strong price competition made it impossible to pass on the increase in durum wheat prices in full. This development, coupled with a less favorable product mix, drove a 13 million euro reduction in EBITDA.

The EBITDA margin declined slightly to 13.5%, driven entirely by the US pasta business, specifically two factors:

a) The abovementioned decline in profitability due to sharp price competition in a market suffering raw material price increases; and

b) Lower margins in the Olivieri fresh pasta business relative to the traditional dry pasta business of New World Pasta. The Olivieri acquisition is deemed a strategic acquisition due to the presence it provides in the fresh pasta segment in the US; however, the Group has to complete a growth and consolidation process to bring its margin contributions in line with those of other businesses and/or markets.

Profit for the year from continuing operations increased by 7.0% thanks to growth in recurring profitability as well as a series of non-recurring items, the most important being: a goodwill impairment loss recognized at the ARI cash-generating unit in the amount of 11.1 million, the gain on the sale of the shareholding in Deoleo of 14.0 million euros and the various tax factors (see note 25 to the consolidated financial statements).

The **ROCE** declined to 16.7%, driven entirely by the decline in the profitability of the US pasta business.

The **after-tax loss from discontinued operations** includes the net gain or sale generated by businesses sold and their operating results until the transaction date. In this instance the amounts shown in all three years correspond to the German pasta business and the loss generated by its sale, as detailed in note 7 to the consolidated financial statements.

Analysis of the Group's balance sheet

The trend in the Group's businesses in the last three years evidences the business combinations completed during this period: Olivieri (December 2013) and the Garofalo Group (June 2014). The main movements related to the accounting treatment of these business combinations (additions to property, plant and equipment, intangible assets, goodwill, net current assets and borrowings) and the impact of the trend in the US dollar on subsidiary balance sheet items denominated in this currency (2014). Both movements have the effect of increasing assets: an increase due to the first-time consolidation of new assets and an increase of 12% in the assets and liabilities denominated in dollars due to their translation at year-end rates (which accounted for roughly half of consolidated assets at year-end).

Other noteworthy changes include the sale of certain non-operating assets assets classified as investment properties in the US and the sale of the shares in Deoleo classified as available for sale (this heading had increased in 2013 on the back of the gain in Deoleo's market value and the acquisition of a shareholding in Scotti Spa. for 18 million euros).

Other assets and other liabilities mainly include deferred taxes, pension obligations and provisions for charges and did not change significantly.

EBRO FOODS, S.A. CONSOLIDATED GROUP

2014 MANAGEMENT REPORT (figures in thousands of euros)

	BALANCE SHEET				
ITEM	2012	2013	*2013-2012*	2014	*2014-2013*
Intangible assets	373,993	373,544	(449)	433,974	60,430
Property, plant and equipment	496,045	509,673	13,628	612,771	103,098
Investment properties	32,637	33,139	502	30,832	(2,307)
PP&E AND INTANGIBLE ASSETS	**902,675**	**916,356**	**13,681**	**1,077,577**	**161,221**
Financial assets	**62,756**	**108,141**	**45,385**	**67,732**	**(40,409)**
Goodwill	**823,207**	**851,617**	**28,410**	**932,596**	**80,979**
Other assets	**53,024**	**55,455**	**2,431**	**55,871**	**416**
Inventories	347,307	384,947	37,640	428,107	43,160
Trade receivables, Group companies	0	0	0	0	0
Trade receivables	317,261	302,994	(14,267)	349,117	46,123
Other accounts receivable	51,708	58,721	7,013	56,556	(2,165)
Trade payables, Group companies	0	0	0	0	0
Trade payables	(234,079)	(236,156)	(2,077)	(285,970)	(49,814)
Other accounts payable	(86,343)	(88,980)	(2,637)	(97,234)	(8,254)
Net current assets (working capital)	**395,854**	**421,526**	**25,672**	**450,576**	**29,050**
NET INVESTMENT	**2,237,516**	**2,353,095**	**115,579**	**2,584,352**	**231,257**
Capital	92,319	92,319	0	92,319	0
Reserves	1,441,298	1,480,679	39,381	1,611,430	130,751
Profit for the year	158,592	132,759	(25,833)	146,013	13,254
Less: Interim dividend	0	0	0	0	0
Less: Own shares	0	0	0	(277)	(277)
CAPITAL AND RESERVES	**1,692,209**	**1,705,757**	**13,548**	**1,849,485**	**143,728**
Non-controlling interests	**1,028**	**22,506**	**21,478**	**24,320**	**1,814**
Other liabilities	**299,475**	**286,541**	**(12,934)**	**304,930**	**18,389**
Loans from Group companies and associates	0	0	0	0	0
Less: Loans to Group companies and associates	0	0	0	0	0
Bank borrowings	408,570	421,148	12,578	513,053	91,905
Special financing	9,974	11,457	1,483	84,843	73,386
Less: Cash on hand and at banks	(156,724)	(94,014)	62,710	(191,477)	(97,463)
Less: Cash equivalents	(17,016)	(300)	16,716	(802)	(502)
NET BORROWINGS	**244,804**	**338,291**	**93,487**	**405,617**	**67,326**
TOTAL FUNDS	**2,237,516**	**2,353,095**	**115,579**	**2,584,352**	**231,257**

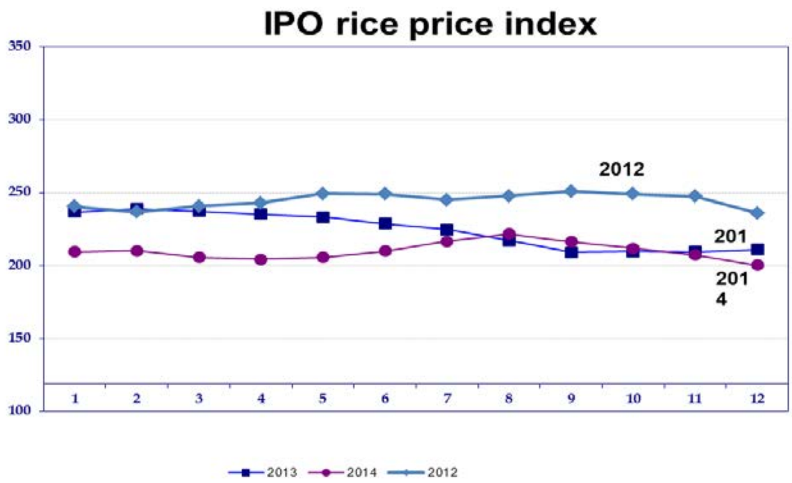
In order to properly understand the Group's working capital requirement and borrowings, note that the factor with the biggest impact on these headings is the volume and measurement of inventories. Inventory volumes are sharply cyclical, moving in tandem with rice and wheat harvests, particularly the rice harvest in the northern hemisphere, which is where the Group buys the most rice from growers and cooperatives and where the inventory cycle is longest. More specifically, inventory volumes are at their lowest at the end of the rice season (end of summer) and at their highest at the end of the year.

2014 MANAGEMENT REPORT (figures in thousands of euros)

Rice business

RICE BUSINESS (Thousand of €)	2012	2013	2013/2012	2014	2014/2013	CAGR 2014-2012
Net Revenue	1,105,738	1,090,459	*-1.4%*	1,139,697	*4.5%*	***1.5%***
EBITDA	161,035	137,627	*-14.5%*	148,828	*8.1%*	***-3.9%***
% of Net Revenue	*14.6%*	*12.6%*		*13.1%*		
EBIT	133,927	110,156	*-17.7%*	121,789	*10.6%*	***-4.6%***
% of Net Revenue	*12.1%*	*10.1%*		*10.7%*		
Average working capital requirement	298,822	329,938	*-10.4%*	339,882	*-3.0%*	
Capital employed	729,320	751,292	*-3.0%*	767,771	*-2.2%*	
ROCE	18.3	14.8		15.9		
Capex	19,105	21,186	*10.9%*	32,440	*53.1%*	

As indicated in the section addressing the business environment, the market was broadly stable in terms of prices, while global production hit an all-time high, with inventory levels also climbing to historically high levels. Asian rice variety export prices ticked higher in the summer but later reverted in the wake of forecasts for an uneventful El Niño-monsoon season and forecasts for a record harvest.



In the US the season was very strong thanks to a very abundant harvest (+10% vs. 2013/14) which drove a reduction in the US l/g price gap with respect to other markets and a substantial improvement in export possibilities, particularly to South America.

US harvest prices (source: USDA)

$/cwt	14/15	13/14	12/13	11/12
Average price	14.25	16.3	14.9	14.5
Long grain	13.04	15.4	14.4	13.4
Medium grain	18.11	19.2	16.7	16.5

August-July

The prices of medium grain varieties grown primarily in California held steady, widening the gap with respect to other long grain rices due to scarcity in other traditional markets

(Egypt, Australia), coupled with relatively inelastic demand in north-eastern Asia.

The reduced size of the crop in this region was offset by higher long grain plantation volumes in the southern states.

As for the aromatic varieties, it is worth highlighting the fact that basmati rice prices settled back down at just over $1,000/MT.

Revenue growth in this business was driven entirely by volumes, as prices were flat or slightly lower, in line with raw material payments at source. The revenue growth was underpinned by:

- Recovering volumes at some subsidiaries which had seen volumes decline in prior years: Morocco, where a change in sales strategy accompanied by better control over imports drove growth in branded product sales of 106%; Puerto Rico, where the business had been hindered for years by anti-trust legal battles, with branded product sales jumping 94%.

- New businesses such as that articulated around functional foods. This market is very promising growth-wise as well as offering an avenue for substituting part of the traditional low value-added offering with products positioned at the higher end of the value chain. The Group is presently in the throes of restructuring its industrial and sales activities around ingredients.

- The replacement of the traditional product range by those launched in recent years (extensive range of products in a cup, assembly dishes, Sabroz, etc.) are helping to defend market shares and sales by value.

- Riviana was particularly strong across all products in the US, offsetting the weaker performance at ARI, subject to pressure at the lower end of the domestic market and sharp price competition for its best-selling Abu Bint rice of Asian origin.

EBITDA increased by 8.1% year-on-year. Growth in EBITDA outpaced topline growth, implying margin expansion (13.1% in 2014 vs. 12.6% in 2013). The advertising spend was pared back by a slight 2 million euros, virtually all of which in the US.

It is worth singling out Riviana, which posted record revenue of 97 million dollars. The Group maintained its leadership position (21.7% by volume according to the Nielsen XAOC 52-week scantrack) and increased its share by value in a market that expanded by 3% by volume and value. The topline growth was accompanied by margin expansion thanks to the slight downtrend in prices coupled with relatively light competitive pressure in the domestic market.

In contrast, the issues afflicting Texas (scarcity of rain and low reservoir levels, at under 55% of capacity, preventing irrigation in certain traditional rice-producing regions) is now considered endemic and a grave supply threat for the Group's factory in Freeport (Texas), owned by American Rice (ARI). The need to ship rice in from the Mississippi Delta region makes it unable to compete in a significant part of its market. This situation was exacerbated by a decline in exports of Abu Bint-branded products, whose contribution fell to 3.2 million dollars.

These circumstances triggered the need to recognize an impairment loss against this business's goodwill, as detailed in note 14 to the accompanying consolidated financial statements.

2014 MANAGEMENT REPORT (figures in thousands of euros)

The rice businesses in Europe and the rest of the world performed well, shaped by the aforementioned recoveries in Morocco and Puerto Rico and a satisfactory competitive positioning at our Asian subsidiaries thanks to expanded supply possibilities and competitive prices. In contrast, the production of par-boiled rice in Spain was hit by competition from the abovementioned markets. It is also worth noting that the re-establishment of normality in the basmati segment helped to significantly offset the margin erosion sustained in this segment, which is particularly important in northern Europe.

By market, the EBITDA contribution to the non-US rice business was as follows:

	2014	%	2013	%
Spain	28,539	38.9%	31,474	47.0%
Europe	40,873	55.7%	33,454	49.9%
Other	3,916	5.3%	2,100	3.1%
Total EBITDA	**73,328**	**100.0%**	**67,028**	**100.0%**

The products launched in recent years continued to stage very healthy performances with the Sabroz brand spearheading this trend, registering year-on-year growth in sales volumes of 35% to 4,435 MT. Other new products launched in Spain such as SOS Sabores, the Sundari range of aromatic rice and Scotti Italian rice products helped the Group to defend its market shares against the backdrop of a stagnant or even shrinking market (by volume).

The rice cups deserve special mention. This product is creating cross-fertilization opportunities, paving the way for introduction of new products and new market penetration. The goal is to build a category comprising multiple formats (regular and XL), products (rice, pasta, other cereals and legumes), uses (mix & go) and cooking methods (microwave, pan-fry). This segment registered growth in Spain of 10% by value and 17% by volume and growth in the US of 10% by value.

ROCE in this business rose sharply thanks to wider profitability coupled with broadly unchanged average working capital after factoring in the impact of the new factory in India. Nevertheless, this return metric remains below 2011 levels due to the decline in profitability at ARI.

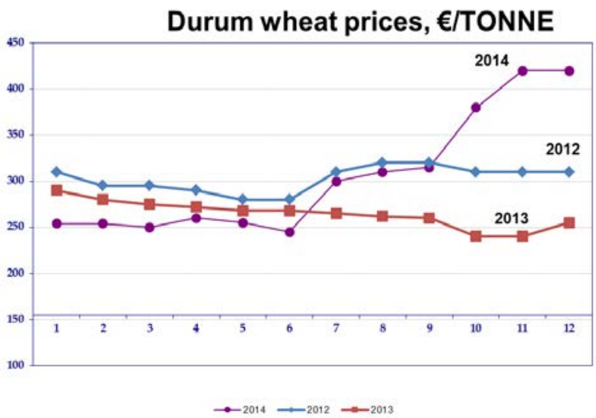
The most important investments undertaken in this business (**capex**) related to a new frozen pasta nest line (3 million euros), new finished product silos in Italy (1 million euros), a new packaging line at the Antwerp factory (0.6 million euros), the expansion and upgrade of the Wormer plant (1.6 million euros), the expansion and upgrade of the Algemesí mill (3.2 million euros), productivity improvements at the factory in Freeport (2.4 million euros) and the installation a new gluten-free production line in Memphis for 8.7 million euros.

2014 MANAGEMENT REPORT (figures in thousands of euros)

Pasta business

PASTA BUSINESS (Thousand of €)	2012	2013	2013/2012	2014	2014/2013	CAGR2014-2012
Net Revenue	914,783	915,120	0.0%	1,029,294	12.5%	6.1%
EBITDA	146,132	152,955	4.7%	146,317	-4.3%	0.1%
% of Net Revenue	16.0%	16.7%		14.2%		
EBIT	118,884	125,725	5.8%	114,397	-9.0%	-1.9%
% of Net Revenue	13.0%	13.7%		11.1%		
Average working capital requirement	90,115	76,369	15.3%	94,810	-24.1%	
Capital employed	520,948	508,429	2.4%	578,767	-13.8%	
ROCE	22.4	25.7		20.5		
Capex	33,040	38,720	17.2%	34,249	-11.5%	

As noted earlier in this report, durum wheat prices started to shoot up in June and, coinciding with the new harvest, ended the year at over 400 euros a tonne. Strong rains in the run-up to the harvest in Canada and a reduction in planted acreage in the European Union (particularly in France where quality issues arose again as a result of abundant seasonal rains) drove a drop in global production to the lowest level since 2002, as well as grain quality issues. The quality defects even prompted the emergence of specific markets for grain meeting pasta-making quality standards.



Revenue in this division increased thanks to the first-time consolidation of Olivieri (consolidated for just one month in 2013) and Garofalo (from June). The new businesses contributed 103 million euros. Both new companies are an important component of the Group's strategy and business development plans are in place to expand their reach to markets management views as complementary.

The rest of the year-on-year change is attributable to volume growth in France, the US and Canada, albeit accompanied by a less favorable sales mix in the latter two markets. The Group only started to pass the the sharp growth in raw material costs on to end customers towards the end of the year.

By geographical markets:

- ✓ In France, the dry and fresh pasta markets increased by volume (+0.9% and +4.4%, respectively), with sales volumes of the Panzani (+1.7% volume growth in dry pasta) and Lustucru Frais (+7.2% volume growth in fresh products) brands despite the issues facing the retail sector, with our major customers in the throes of far-reaching concentration as a result of fierce competition. Nevertheless, Panzani registered record growth and saw its brand recognition increase (second most popular brand in the consumer preferences poll taken by Panel Toluna in July 2014). Innovation was key to surmounting the price war, particularly in the lower value-added product categories. The Group created new product categories (potato and potato derivative-based products such as cubes, noisettes, crisps and omelettes; +19% vs. 2013) and repositioned its fresh product line, launching Triglonis under the Lustucru Selection brand.

- ✓ Although it only contributed for six months of the year, Garofalo performed very well. This brand unquestionably leads the premium pasta segment in Italy and registered growth of 4.8% by volume and 6.8% by value. The Group has begun to distribute Garofalo products in other markets where management believes this range will complement existing product ranges.

- ✓ United States. This market contracted somewhat (-0.5% by volume) and was characterized by intense promotional activity (-1.8% by value). Against this weak overall backdrop, the contraction was more accentuated in the healthy pasta segment (which encompasses wholegrain pasta, high-fiber pasta, vegetable pasta, low-calorie pasta and gluten-free pasta). Within this segment, only gluten-free products registered growth; the Group has stepped up its strategic commitment to this niche with new varieties and specific investments at the Memphis factory.

- ✓ Canada. The dry pasta segment registered growth by volume (+1.4%) but contracted by value (-0.9%) due to intense price competition. As in the US, consumption of healthy pasta trended lower in all categories except for the gluten-free niche. Group subsidiary Catelli Foods continues to lead the market with a share of 31.9%. The fresh pasta segment registered growth by volume and value of 6.5% and 4.6%, respectively, and Olivieri defended its leadership with a market share of 45.7%.

EBITDA narrowed by 4.3% to leave it virtually flat over a three-year period, despite the positive contribution by the newer businesses, most particularly Garofalo, which contributed 7.4 million euros during the six months this business was consolidated. The advertising investment was pared back slightly (by 2 million euros) on a like-for-like basis (stripping out the new companies).

France's EBITDA contribution declined only slightly (-0.8 million euros) despite the pressure implied by supply costs thanks to volume growth, a powerful sales leadership policy and continual productivity gains at local factories (investment in the French pasta and semolina plants) and facilities (new logistics platform).

The negative note was struck by NWP whose profitability fell significantly due to the decline in sales volumes in the healthy pasta segment which led to a less favorable business mix, compounded by difficulties in passing on higher raw material costs due to intense price competition. The devaluation of the Canadian dollar also hurt this business as roughly 25% of this sub-group's income is generated in this currency.

NWP encompasses the dry and fresh pasta businesses in the US and Canada. The Olivieri-branded fresh pasta and sauces business suffered an important setback when Costco removed some of its products from its supermarket shelves to make way for its private-label brands; this company has a long way to go in order to improve its processes, renovate its brands, rejuvenate and expand its product portfolio and renew its sales and marketing policy, all these targets having been set down in its 5-year business plan.

The **ROCE** in the pasta business declined to 20.5% due to the reduction in profitability as the increase in working capital and capital employed corresponds to the new businesses.

Capex was concentrated at the factory level. Specifically, the Group added capacity and drove productivity gains in fresh products in Communay (vicinity of Lyon) (6.8 million euros to put investment to date at 23 million euros), which launched its first production lines at the end of the year; bought new equipment for the semolina plants (2.2 million euros), to expand capacity at the dry pasta factories (7.8 million euros) and for the couscous factory (2 million euros); invested in a new packaging line in Winchester (1.2 million euros), a new short pasta line in St. Louis (2.1 million euros) and upgraded a long pasta line in Winchester (1.1 million euros).

Staff matters and environmental disclosures

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

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

Note 8 to the consolidated financial statements provides additional staff disclosures.

Regarding the Group's sustainability policies, one of the Ebro Foods Group's 's basic management commitments is to provide its companies with the tools and measures needed to strike the optimal balance between their business activities and environmental protection. For more information, go to note 29 of the consolidated financial statements and the Ebro Food Group's Annual Sustainability Report.

2014 MANAGEMENT REPORT (figures in thousands of euros)

3. LIQUIDITY AND FINANCING

The Group's finance department attempts to configure a capital structure that permits credit ratio stability while providing business flexibility in the short and long term.

The finance structure is articulated around long-term borrowings that fund the major investments and are generally denominated in the same currency as the investments in order to achieve a natural currency hedge. The rest of the Group's financing is arranged on a short-term basis and takes the form of credit facilities that cover shifting working capital requirements. All this financing is arranged in tandem with the Group's short- and long-term growth plans, which are crystallized in its annual budgets, budget revisions and multi-year business plans.

The breakdown of the Group's financial liabilities and the capital requirements embedded in certain long-term loan agreements are detailed in note 22 to the consolidated financial statements.

Capital expenditure

Acquisition-led growth (asset and business acquisitions)

The main investment made in 2014 was the acquisition of 52% of the Garofalo Group (note 5 to the consolidated financial statements) for 63.5 million euros, 58.3 million of which was paid upfront, while the remainder was deferred. The acquisition was financed using a mix of internally-generated funds and third-party credit lines.

Organic growth

The Group underpins its pursuit of growth and innovation with a capex policy that in recent years has entailed the overhaul of its instant rice and fresh pasta productive capacity. Capex (cash outflows) during the past three years:

Year	Amount (thousands of euros)
2012	52,930
2013	61,308
2014	67,123

Since 2013, investment in innovation has been concentrated around the Fresh Pasta Plan and physically around the Lyon region. The goal is to increase capacity for the production of products such as pan-fry gnocchis and other potato-based dishes. In the rice business, capital expenditure has been mainly earmarked to the rice-based ingredients project, capacity additions in frozen products and investment in a gluten-free pasta line in 2014 (8.7 million euros) at the Memphis factory in order to cater to growth in this segment.

Financial position

The Group is very satisfied with its leverage position.

2014 MANAGEMENT REPORT (figures in thousands of euros)

	CONSOLIDATED				
NET DEBT (€, 000)	**2012**	**2013**	***2013/2012***	**2014**	***2014/2013***
Equity	1,692,209	1,705,757	*0.8%*	1,849,485	*8.4%*
Net debt	244,804	338,291	*38.2%*	405,617	*19.9%*
Average net debt	294,114	260,820	*-11.3%*	333,178	*27.7%*
Leverage	14.5%	19.8%	*37.1%*	21.9%	*10.6%*
Leverage (avge. debt) ***(1)***	17.4%	15.3%	*-12.0%*	18.0%	*17.8%*
EBITDA	299,226	282,392	*-5.6%*	287,251	*1.7%*
Coverage	0.82	1.20		1.41	

(1) Ratio of average net debt (interest-bearing) over equity (excluding NCI)

Note that 59 million euros of borrowings relate to the recognition for accounting purposes of the call option over the remaining 48% of the Garofalo Group. For accounting purposes, this unexercised option has been recognized as an increase in financial borrowings. The coverage ratio remains at an optimal level and implies ample scope for capital expenditure and continued M&A-led growth. The change in borrowings was shaped by the trend in free cash flow generation:

	CONSOLIDATED				
Thousands of euros	**2012**	**2013**	***2013/2012***	**2014**	***2014/2013***
Cash flows from operating activities	220,734	161,118	*-27.0%*	211,275	*31.1%*
Cash flows used in investing activities	(37,029)	(163,961)	*342.8%*	(60,193)	*-63.3%*
Cash flows used in share-based transactions	(44,296)	(92,319)	*108.4%*	(76,833)	*-16.8%*
Free cash flow	**139,409**	**(95,162)**		**74,249**	

Note that in 2013 the working capital requirement implied by the new factory in India and the need to hedge certain rice-related sourcing risks eroded operating cash flow by around 30 million euros. 2014 was marked by a return to normality in the rice business whereas the increase in durum wheat purchase prices did not significantly erode cash flow from operations via growth in inventories as this inventory cycle is shorter and was offset by other changes in payment and collection terms.

The other major movements correspond to:

- Investing activities. Capital expenditure, as outlined above, the purchase and/or sale of various businesses in recent years (acquisition of Olivieri and Scotti in 2013 and the acquisition of Garofalo and exit from Deoleo in 2014.)

- Share-based transactions. Dividend payment (special 2013 dividend) and trading in own shares (sale of treasury shares in 2012).

4. RISK MANAGEMENT TARGETS AND POLICIES AND USE OF FINANCIAL INSTRUMENTS

The Ebro Foods Group, guided by the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") has established enterprise risk identification, assessment, management and reporting systems.

In 2011 the Group defined its risk map which it manages using a computer application called GIRO. The risk map establishes a risk matrix at the Group and individual company levels, assigning probabilities of occurrence as a function of the related impacts and risk mitigation plans to each. Each year the Group reviews its key risks, the associated risks and the related control mechanisms.

Section E of the Corporate Governance Report provides a detailed description of the main risks to which the Group is exposed, its control systems and how it attempts to mitigate them.

Financial risk management and use of financial instruments

The main financial instruments used by the Group are bank loans, bank overdraft facilities, equity instruments, cash and short-term deposits. In addition, the Group has other financial assets and liabilities such as trade accounts receivable and payable.

These financial instruments expose the Group to market risks via variability in interest rates, exchange rates and in the fair value of certain financial instruments. They also expose it to liquidity and credit risk.

The Board of Directors, with the assistance of its advisory and decision-making committees, reviews and establishes the policies for managing each of these risks.

A description of these risks and the mitigating measures taken is provided in note 28 to the consolidated financial statements.

5. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events or developments between the end of the reporting period and the date of authorizing this management report for issue other than the CNMC verdict received on March 3, 2015 (note 21 to the consolidated financial statements).

6. GROUP OUTLOOK

Although it may sound hollow after several years foreshadowing a recovery, general dynamics suggest that the recovery should indeed continue in 2015, although there is widespread consensus that the pace will vary by country. The firming being evidenced in macroeconomic and financial indicators pressingly needs to translate into tangible improvement for households. This trickle-down effect has yet to materialize even in the US, the developed economy furthest along the recovery path. Tailwinds include oil prices at around $50/bbl, decisively accommodating, investment-friendly monetary policy in Europe and exchange rate trends.

The outlook for the rice market is for stability, marked by a gentle downtrend in long grain purchase prices in the wake of a beneficial monsoon season that left excellent harvests in southern Asia at the end of 2014. It remains tobe seen how dollar trends will affect imports in this currency but it looks as if they will make Spanish rice, particularly par-boiled varieties for export, less competitive. The prices of short and medium grains, meanwhile, are expected to rise due to low reservoir levels in California and Australia where these varieties are most commonly grown. The production situation in Texas is not expected to change significantly.

- ✓ **Rice business**

The outlook for consumption trends and demand for higher value-added products such as the instant and ready-to-serve rices in the US is bright. The concerns lie mainly with the apparently unstoppable appreciation of the dollar and its impact on US rice exports. If the price gap with rice from other markets increases, we could see intense competition exerting downward pressure on prices.

Despite these potential issues, the budget calls for slight growth in volumes supported by a higher marketing budget and intensification of commercial activity in a bid to offset a potential price war. Riviana is strategically committed to innovation, particularly instant and ready-to-serve (RTS) rice (minute rice) as well as new rice and bean mixes in RTS, instant and traditional formats.

Work at the Freeport plant (Texas) will focus on enhancing productivity to compete with Arkansas and Louisiana producers even though the scarcity of local rice will continue to imply an additional competitiveness-eroding cost factor.

No major changes are anticipated in Europe or the rest of the world. There is scope for continued improvement in northern European markets where the fruits of the restructuring efforts undertaken in 2013 and consolidation of the ingredients segment are gradually becoming tangible. The south-east Asian subsidiaries are expect to continue to perform well and continue to focus on providing the Group with quality rice at compelling prices. Innovation is the key value driver in this business, with new products compensating for volume contraction in traditional products. However, in 2015 the Group plans to step up efforts to defend the traditional segment, giving new product launches a rest and rebalancing the advertising and marketing budget. Lastly, the Group expects momentum in Brillante Sabroz to continue and is planning to create a full range of RTS rice.

- ✓ **Pasta business**

The strategy in the pasta business will be shaped by the extraordinary rise in durum wheat prices. This situation requires complex negotiations with the retail sector in order to pass on price growth, a process that is increasingly more difficult in light of sector consolidation which is boosting the bargaining power of the remaining retailers. In addition, there is little room for manoeuvre in markets experiencing intense price competition (such as the US).

In the US, the Group is looking for consolidation of the gluten-free product range (multi-grain mix of rice, corn and quinoa) and low-calorie ranges and plans to make further progress on the launch of the Healthy Harvest range of ancient grains (wholegrain flour reformulated with other cereals with higher nutritional content) which it hopes will garner more supermarket shelf space, offsetting the downtrend in traditional healthy pasta products. Margins are likely to remain under pressure from launch costs; however the foundations will be laid for profitability gains going forward.

Olivieri is expected to continue to lead the fresh pasta and sauces market in Canada. The Group plans to reposition the company in the sauces segment and continue to adapt its strategy to the Group's needs. We expect these changes to begin to bear fruit from 2016.

In Europe the strategy is to defend margins despite higher raw material prices. Over a medium term horizon, the Group will analyze the entire supply chain in search of greater market stability in the wake of burgeoning volatility in recent years. The Group will continue to invest to boost productivity and capacity to support new launches. The new fresh products factory should be fully operational in 2015.

Other lines of strategic initiative planned include exploration of new sales channels that foster disintermediation (e-commerce), new product development (fresh pasta snacks) and new market approaches.

Development of the Garofalo brand is a top priority. In addition to defending its presence in existing markets, management believes this brand has the power to drive the Group's growth in the premium pasta segment; as such it plans to expand its distribution to the markets where management believes there is demand for this range and where a premium range would complement existing product lines.

7. R&D ACTIVITY

The Ebro Foods Group has always been a front-runner in terms of new consumer trends and an international benchmark in the research and development of products applied to the food sector. Aware that R&D is essential to the Group's quality and differentiation strategy, it remained unwaveringly committed to innovation in 2014.

In total, R&D expenditure totaled 4.3 million euros in 2014 (2.8 million euros of which funded internally and 1.5 million, externally).

Capitalized development costs amounted to 20.2 million euros, most of which corresponded to gluten-free products, the fresh pasta segment and frozen pasta portions (18.4 million euros on aggregate), with the rest earmarked to new manufacturing processes and/or product treatments.

The Group has articulated its R&D engine around research centers located in France, the US and Spain. These centers and their main projects in 2014 were:

1. CEREC, located in St. Genis Laval (France) with nine employees, focuses on the fresh pasta, potato, ready-cooked fresh meals and sauce segments of the pasta business. In 2014 it concentrated on expansion of the 'bolo balls' range of sauces, new squeezable and tube-based sauce formats, repositioning of the Triglioni fresh pasta range at the high end of the market and the development and launch of Croque (sandwiches).

2. CRECERPAL, located in Marseilles with eight professionals at the raw material analytical laboratory plus an assistant PhD, centers its research effort on developments in the durum wheat category: dry pasta, couscous and new food transformation technology applied to the food industry. In 2014 it continued to work on new uses for durum wheat flour for batters, breads and baked goods, development of new recipes for aromatic and spiced rice, and dry pasta product quality improvements.

3. The US center, with five employees who work to develop new products, processes and technologies and adapt them for the US rice and pasta divisions. Last year its efforts focused on rounding out the development and launch of the new Healthy Harvest (ancient grains) range, expanding the gluten-free and low-cal ranges, a series of initiatives designed to boost efficiency and productivity by means of new or reformulated processes and the fine-tuning of new grain varieties for the ready-to-

serve cup range.

4. Centers associated with the Herba Group in Moncada (Valencia) and the San José de la Rinconada plant, with 31 employees devoted to the development of new and/or improved product and technologies and to the provision of technical assistance with rice technology for the fast food and catering distribution channels. The most important project underway at this center is the development of a line of functional flours and rice-, cereal- and legume-based ingredients that are expected to form the kernel of an entirely new business line.

8. OWN SHARE TRANSACTIONS

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

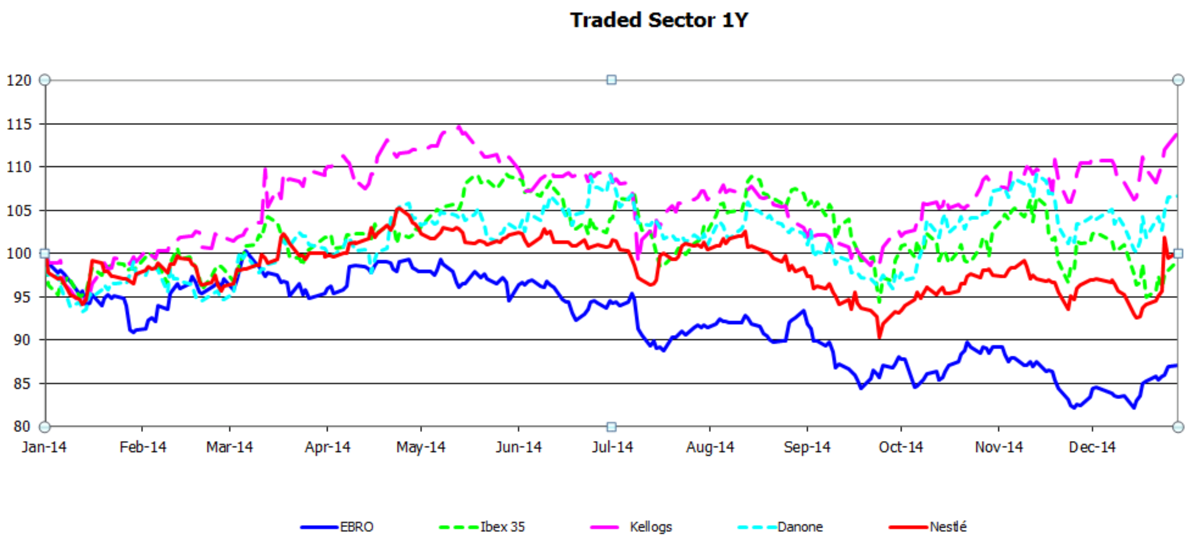
At December 31, 2014, the Company held 19,463 own shares as treasury shares, equivalent to 0.013% of share capital. Management had not established any specific purpose for these own shares at year-end.

9. OTHER RELEVANT DISCLOSURES

Average payment period

As required under the Spanish Corporate Enterprises Act, it is hereby noted that the average payment period of the companies domiciled in Spain was 26 days in 2014 and 27 days in 2013, which is less than the deadline stipulated in legislation passed to tackle supplier non-payment.

Share price performance



Updated research reports by the analysts covering the Company's stock are available for consultation on the corporate website.

Dividend distribution

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