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 2012
(Expressed in thousands of euros)

1. OPERATING REVIEW

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, pasta and biotechnology markets of Europe and North America and has a growing presence in other countries.

2012 was characterised by markets that were badly hit by the crisis, which has now lasted for a considerable length of time and has even worsened in most of the developed economies, with negative growth or growth rates close to zero. The Ebro Group adjusted its strategy to this low-consumption scenario and the difficulties involved in price setting and leadership, adapting its management and putting greater emphasis on seeking catering solutions tailored to the needs of its end customers, i.e. consumers. Despite the difficulties, the Company's earnings continued their solid upward trend, allowing it to continue to invest heavily in improving productivity, integrate its brand portfolio and maintain its product differentiation and innovation strategy.

The directors' report relating to the consolidated financial statements includes information on the business performance and activities carried on in 2012 by the various segments or businesses composing the Ebro Foods Group.

2. 2012 ANALYSIS OF EBRO FOODS, S.A.

Distribution of dividends

The shareholders at the Annual General Meeting held on 29 May 2012 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 92,309 thousand, of which EUR 0.15 per share had already been paid in 2011, and EUR 0.15 per share were paid in January, May and September 2012.

In addition, in accordance with Article 34 of the bylaws, it was resolved to distribute an extraordinary dividend payable through the delivery of treasury shares representing up to 1% of the share capital with a charge to the reserves recognised on the liability side of the balance sheet at 31 December 2011. 1,538,653 shares were delivered on 11 December 2012 at one (1) share per ninety-nine (99) shares owned by each shareholder. Also, it was resolved to distribute a dividend relating to the dividend in kind as an interim payment for shareholders subject to tax withholdings under current tax legislation at the time of delivery, or the related cash equivalent in all other cases, which resulted in a total payment of EUR 6,673 thousand.

Obligations acquired in the acquisition of SOS

As indicated in the financial statements for 2011, 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. 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.

- The parties agreed to mortgage the Nomen trademarks in order to secure the deferred price.

- Prior approval from the Spanish National Competition Commission was a precondition for execution of the agreement. Approval was granted on 5 July 2012 and the parties executed the sale and transfer of Nomen on 12 September 2012.

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. The sale was executed on 13 September 2012 on receipt of prior approval from the Spanish National Competition Commission.

Resolution of litigation relating to the daily product business

In the sale of the dairy product business in 2010 the Company provided guarantees to the buyers of the business whereby, in the event of the unfavourable resolution of the aforementioned litigation the related selling price would be reduced. The provisions or reversals recognised constitute an adjustment to the selling price and, consequently, are recognised as a reduction or increase of the gains of the year in which they are recognised or reversed.

In 2012 the liabilities relating to the payments arising from the definitive resolution of the most significant litigation corresponding to the dairy product business were recognised (and there is no other significant litigation in process in this connection). The consequence of the negotiated settlement of this litigation gave rise to the payment of EUR 7,891 thousand, including court ordered payments, penalties and court costs and the remainder of the provision amounting to EUR 20,934 thousand was reversed in the income statement for 2012.

Business performance

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.

Profit from operations amounted to EUR 49,368 thousand in 2012, as compared with EUR 139,337 thousand in 2011. The decrease was due to a significant drop in the dividend revenue received from the subsidiaries, which was partially offset by the gains on the sale of certain trademarks and by 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, as described above.

The financial loss totalled EUR 51,663 thousand in 2012, as compared with a financial profit of EUR 4,295 thousand in 2011. The decrease was due to the recognition of permanent impairment losses on investments classified as available for sale in Deoleo Corporación, S.A. and Biosearch, S.A. in the income statement and of investment valuation allowances for investments in Group companies.

The profit after tax amounted to EUR 3,533 thousand in 2012, as compared with a profit of EUR 153,554 thousand in 2011.

3. 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 by the subsidiaries will be sufficient for Ebro Foods to obtain the profit that will enable it to implement an appropriate shareholder remuneration policy.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

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

5. TREASURY SHARE TRANSACTIONS

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 shares were delivered to shareholders as a dividend in kind.

At 31 December 2012, the Company did not hold any treasury shares.

6. EMPLOYEES

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

7. 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 consolidated directors' 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.

8. 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.

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.

<u>Credit risk</u>

Ebro Foods 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.

<u>Cash flow interest rate risk</u>

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, S.A. 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.

9. THE ENVIRONMENT

In view of the very specific nature of the Company's business activities, they do not have any effect on the environment. See Note 19-d to the financial statements.

10. EVENTS AFTER THE REPORTING PERIOD

On 15 February 2013 Ebro Foods, S.A. reached an agreement to acquire 25% of Riso Scotti S.p.A., the parent company of the Scotti Group. Scotti 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 price agreed upon for 25% of Riso Scotti amounted to EUR 18 million and, pending the completion of due diligence reviews, the transaction is expected to be completed prior to 31 May 2013.

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