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ANNUAL REPORT





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BUSINESS
MODEL

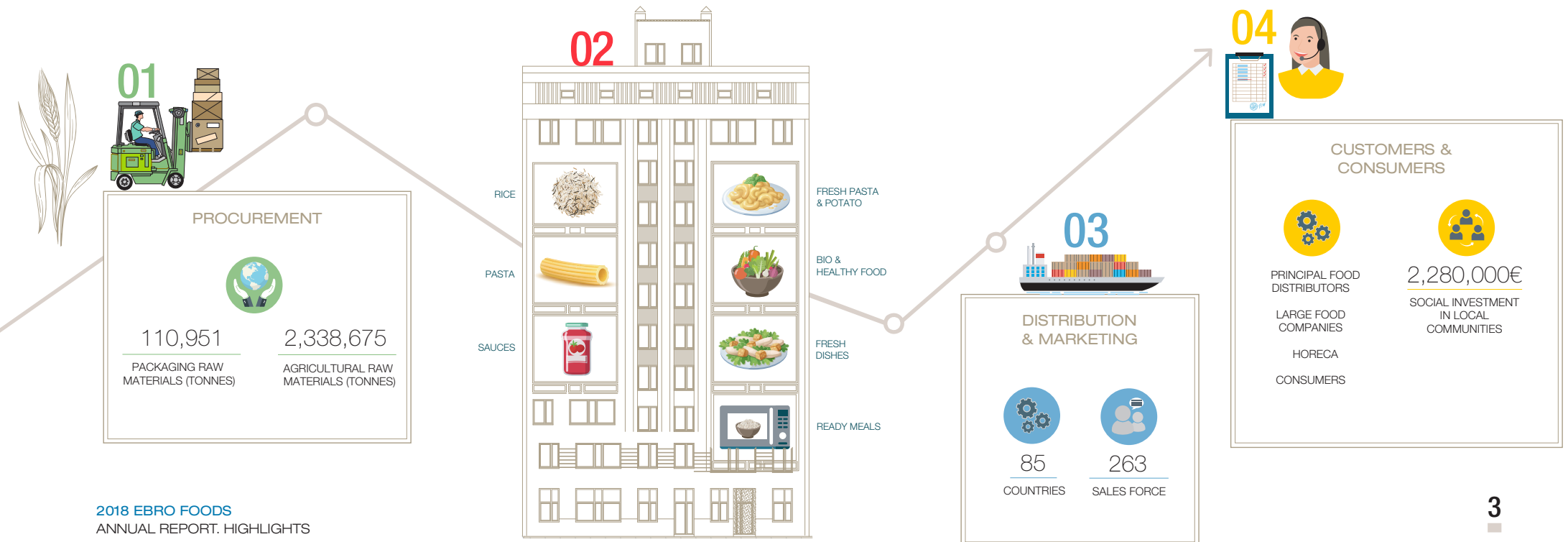
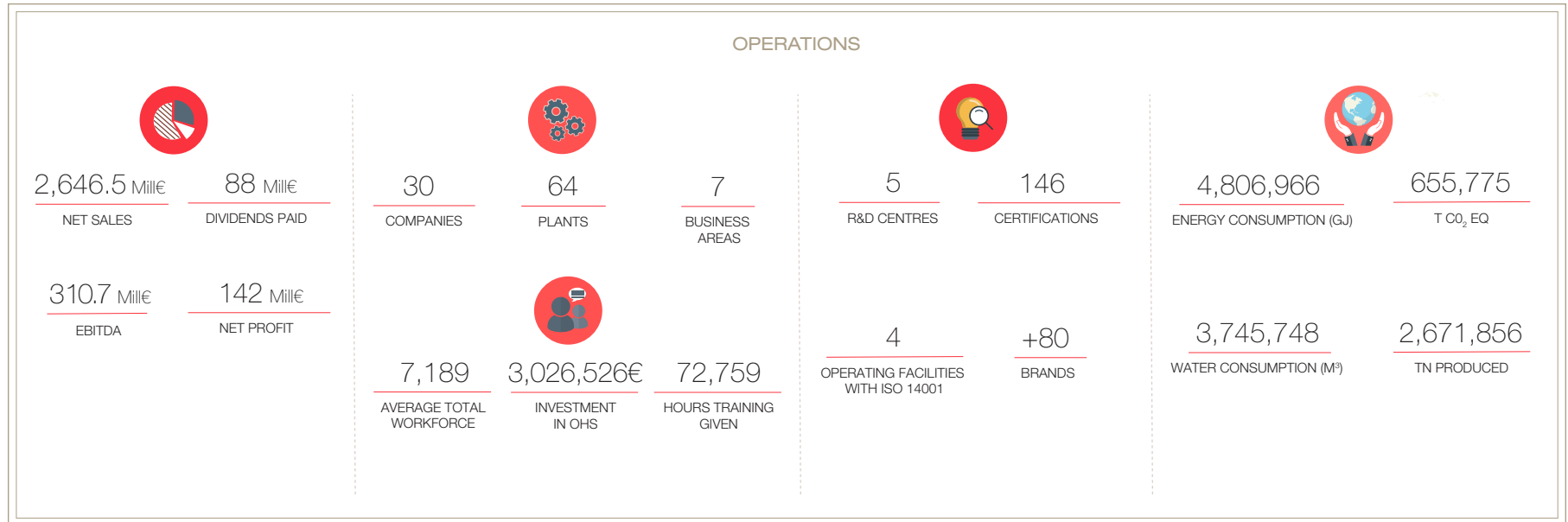
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BUSINESS AREAS
IN 2018

38

Highlights

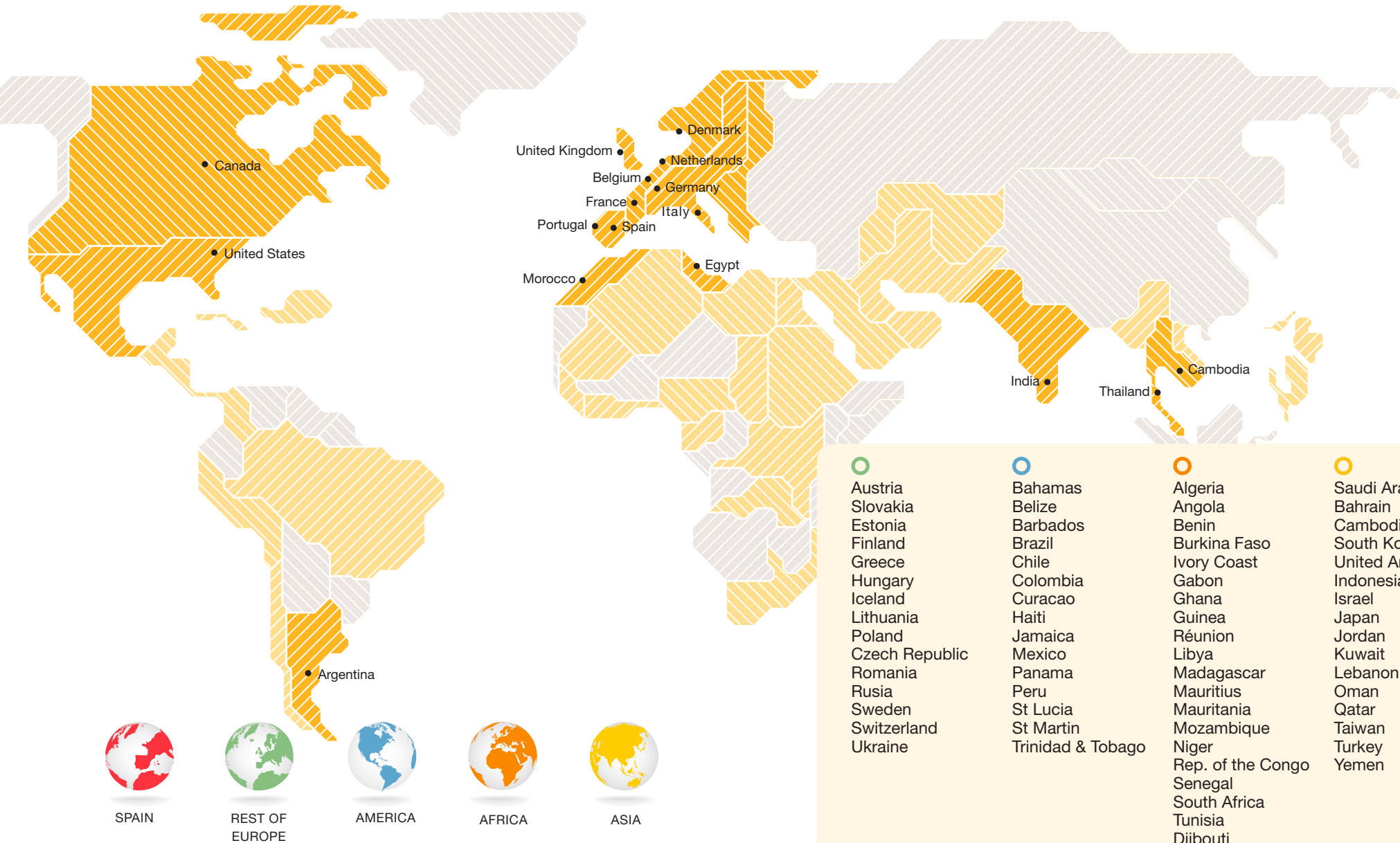
- FINANCIAL CAPITAL
- INDUSTRIAL CAPITAL
- HUMAN CAPITAL
- INTELLECTUAL CAPITAL
- NATURAL CAPITAL
- SOCIAL CAPITAL





GLOBAL PRESENCE

■ COUNTRIES WITH INDUSTRIAL AND COMERCIAL PRESENCE
■ OTHERS COUNTRIES WITH COMERCIAL PRESENCE



- Austria
- Slovakia
- Estonia
- Finland
- Greece
- Hungary
- Iceland
- Lithuania
- Poland
- Czech Republic
- Romania
- Rusia
- Sweden
- Switzerland
- Ukraine
- Bahamas
- Belize
- Barbados
- Brazil
- Chile
- Colombia
- Curacao
- Haiti
- Jamaica
- Mexico
- Panama
- Peru
- St Lucia
- St Martin
- Trinidad & Tobago
- Algeria
- Angola
- Benin
- Burkina Faso
- Ivory Coast
- Gabon
- Ghana
- Guinea
- Réunion
- Libya
- Madagascar
- Mauritius
- Mauritania
- Mozambique
- Niger
- Rep. of the Congo
- Senegal
- South Africa
- Tunisia
- Djibouti
- Saudi Arabia
- Bahrain
- Cambodia
- South Korea
- United Arab Emirates
- Indonesia
- Israel
- Japan
- Jordan
- Kuwait
- Lebanon
- Oman
- Qatar
- Taiwan
- Turkey
- Yemen



SPAIN



REST OF EUROPE



AMERICA



AFRICA



ASIA



SPAIN



REST OF EUROPE



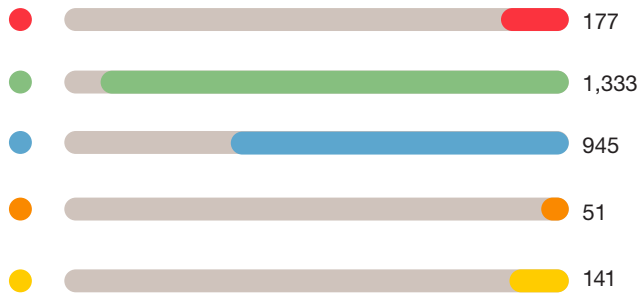
AMERICA



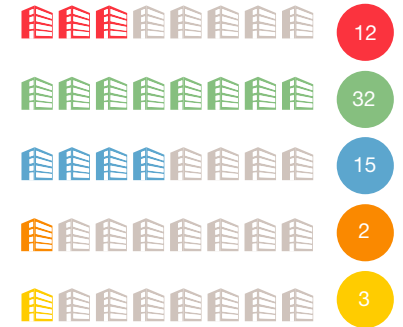
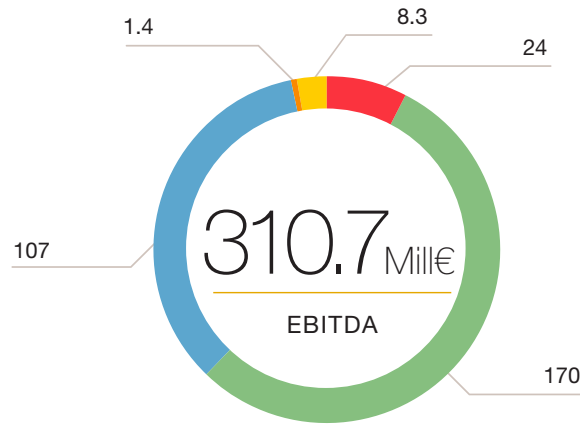
AFRICA



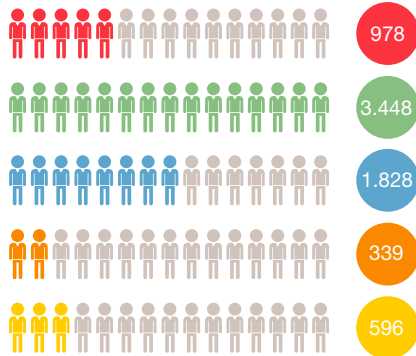
ASIA



2,646.5 Mill€
NET TURN OVER



64
NO. OF PLANTS



7,189
AVERAGE HEADCOUNT EMPLOYEES



14
BRANDS



46
BRANDS



36
BRANDS



14
BRANDS



8
BRANDS



FINANCIAL HIGHLIGHTS

CONSOLIDATED FIGURES (000€)	2016	2017	2017-2016	2018	2018-2017	CAGR 2018-2016
Net turnover	2,459,246	2,506,969	1.9%	2,646,523	5.6%	3.7%
Advertising	(100,401)	(93,134)	7.2%	(89,694)	3.7%	(5.5%)
EBITDA	344,141	359,000	4.3%	310,763	(13.4%)	(5.0%)
EBIT	267,308	279,314	4.5%	221,951	(20.5%)	(8.9%)
Operating profit	264,608	271,079	2.4%	218,128	(19.5%)	(9.2%)
Consolidated earnings (Continuing operations)	175,819	229,974	30.8%	149,311	(35.1%)	(7.8%)
Net earnings on discontinued operations	0	0		0		
Net profit	169,724	220,600	30.0%	141,589	(35.8%)	(8.7%)
Average working capital	461,991	506,803	(9.7%)	588,403	(16.1%)	
Capital employed	1,611,272	1,678,670	(4.2%)	1,805,986	(7.6%)	
ROCE ⁽¹⁾	16.6	16.6		12.3		
Capex ⁽²⁾	107,725	120,671	12.0%	138,930	15.1%	
Average headcount	6,195	6,520	5.2%	7,153	9.7%	

CONSOLIDATED FIGURES (000€)	2016	2017	2017-2016	2018	2018-2017
Equity	2,079,326	2,074,637	(0.2%)	2,162,334	4.2%
Net Debt	443,206	517,185	(16.7%)	704,621	(36.2%)
Average Debt	404,137	426,042	(5.4%)	627,350	(47.3%)
Leverage ⁽³⁾	19.4%	20.5%		29.0%	
Total Assets	3,645,478	3,663,133	0.5%	3,832,425	4.6%

STOCK MARKET HIGHLIGHTS (000€)	2016	2017	2017-2016	2018	2018-2017
Number of shares	153,865,392	153,865,392	0.0%	153,865,392	0.0%
Market capitalisation at year-end	3,063,460	3,003,452	(2.0%)	2,683,412	(10.7%)
EPS	1.10	1.43	30.0%	0.92	(35.8%)
Dividend per share	0.54	0.57	5.6%	0.57	0.0%
Theoretical book value per share	13.51	13.48	(0.2%)	14.05	4.2%



- (1) ROCE = (Operating income CAGR last 12 months / (intangible assets - property, plant & equipment - working capital))
 (2) Capex as cash outflow from investing activities
 (3) Ratio of average net financial debt with cost to equity (excluding minority interests)



FINANCIAL HIGHLIGHTS

RICE BUSINESS (000€)	2016	2017	2017-2016	2018	2018-2017	CAGR 2018-2016
Net turnover	1,283,853	1,345,026	4.8%	1,412,702	5.0%	4.9%
Advertising	(30,135)	(28,088)	6.8%	(26,969)	4.0%	(5.4%)
EBITDA	196,264	205,988	5.0%	162,065	(21.3%)	(9.1%)
EBIT	163,561	172,522	5.5%	123,989	(28.1%)	(12.9%)
Operating profit	169,240	174,027	2.8%	125,392	(27.9%)	(13.9%)
Capex	47,391	65,807	38.9%	64,583	(1.9%)	16.7%

PASTA BUSINESS (000€)	2016	2017	2017-2016	2018	2018-2017	CAGR 2018-2016
Net turnover	1,236,227	1,218,285	(1.5%)	1,298,546	6.6%	2.5%
Advertising	(70,840)	(66,154)	6.6%	(63,368)	4.2%	(5.4%)
EBITDA	157,089	162,977	3.7%	156,451	(4.0%)	(0.2%)
EBIT	113,544	117,420	3.4%	106,352	(9.4%)	(3.2%)
Operating profit	93,294	102,032	9.4%	99,401	(2.6%)	3.2%
Capex	59,701	52,855	(11.5%)	73,946	39.9%	11.3%





CHAIRMAN'S STATEMENT

D

DEAR STAKEHOLDERS,

The expansion of the world economy that had begun in earlier years continued in 2018, with a GDP growth of 3.7% at year-end. Even so, as the year went on, more and more indicators suggested that the economic boom had passed its peak. The confidence indicators have fallen in many of the major world economies, reflecting the increased instability deriving from trade tensions, the tougher US monetary policy, Brexit negotiations and the focus of Italian tax policies.

Average GDP growth in the eurozone was 1.8% in 2018, compared to 2.4% in 2017. Economic activity, undermined by sluggish exports, was unable to maintain the strong growth recorded in 2017. Unemployment fell to 8%, showing good performance, although political tensions dampened the spirits of business and consumers as from the summer. In the United States, economic growth accelerated to 2.9% of the GDP in 2018, bolstered by the good performance of domestic demand, revitalisation of the labour market and increased inflationary pressure, enabling the Federal Reserve to raise the benchmark interest rate in line with its monetary policy objectives.

Consumption patterns in 2018 followed the trends of previous years, shaped around making consumer experience more personal and the social changes brought about by the aging population, smaller families and new generations, who are more concerned about social and environmental issues. At the same time, increasingly large sectors of the population have access to Internet, as a result of which consumers are much better informed, multi-channelled and hyperconnected, searching and comparing on internet before they buy.

All these changes present challenges for distributors and producers, who have to use entirely different marketing techniques to reach their customers and win over their loyalty from those employed over the past ten years. The use of big data and fast, personalised marketing campaigns are becoming more and more important.

The raw material prices set out in the World Bank Commodity Price Index were clearly affected by the evolution of Brent crude oil prices, which fluctuated between 60 and 80 dollars per barrel, pushing up prices of oil by-products and transport costs.

There was an upturn at the beginning of the year in international rice prices, owing to a smaller stock on the American market, despite the excellent world harvests in the previous crop year. Once it had been





confirmed that the 18/19 harvest was also abundant and sowing in the United States picked up, prices started to come down. In contrast, the prices of aromatic rice varieties maintained the high levels at which they have traded since mid-2017, although with certain differences: while basmati prices moved in line with general market trends, other fragrant varieties continued at record highs.

Grain price indexes (corn, wheat, barley and rice) eased somewhat, with a gentle overall price rise that was rather steeper in soft wheat, owing to the adverse weather conditions in Europe. Durum wheat prices remained stable, as in previous years, with a slight upturn prior to harvesting but without the fluctuations we have seen in earlier years.

Focusing now on the Group's evolution, 2018 was a difficult year for the company from the point of view of generating cash, and our EBITDA fell 13.4%. The comparable figure is slightly better, as it includes a negative impact of €4.4 million caused by variation in exchange rates. This decline can be put down to several unfavourable circumstances that simultaneously affected our North American rice subsidiary, including: rising prices of auxiliary raw materials (packaging) and agricultural raw materials (mainly jasmine rice from Thailand, although also basmati and American rice); the extraordinary hike in logistics costs in the USA owing to the shortage of hauliers and rising fuel prices; and the situation of full employment in the USA, with the resulting shortage of manpower throughout the country and an upturn in salary costs. Our Freeport plant in Texas suffered keenly the effects of the last factor, owing to the strong growth of the petrochemical industry in the region.

But there were also several very positive landmarks in 2018, namely: 1) the incorporation of the Italian fresh pasta manufacturer Bertagni, with which we have become the second global fresh pasta manufacturer; 2) the strength of our European rice business, which repeated the success achieved in the previous year but in a much more complex scenario; 3) the sound performance of our principal brands, which have maintained their leadership and increased their market shares, demonstrating consumer recognition of the quality and differentiation of our products; and 4) confirmation of the good health of the Group's core businesses, with which we have been able to mitigate the impact of the difficulties endured by our subsidiary Riviana.

This healthy state of affairs, together with a judicious raw material sourcing policy to guarantee stability during the first part of 2019, the ambitious cost restructuring plan that we have started to implement in the United States, the returns we will obtain on our investments in CAPEX over the past three years and the positive effects of the measures implemented throughout the year, which we have begun to see in the third quarter, suggest that we have a good starting position once again in 2019.

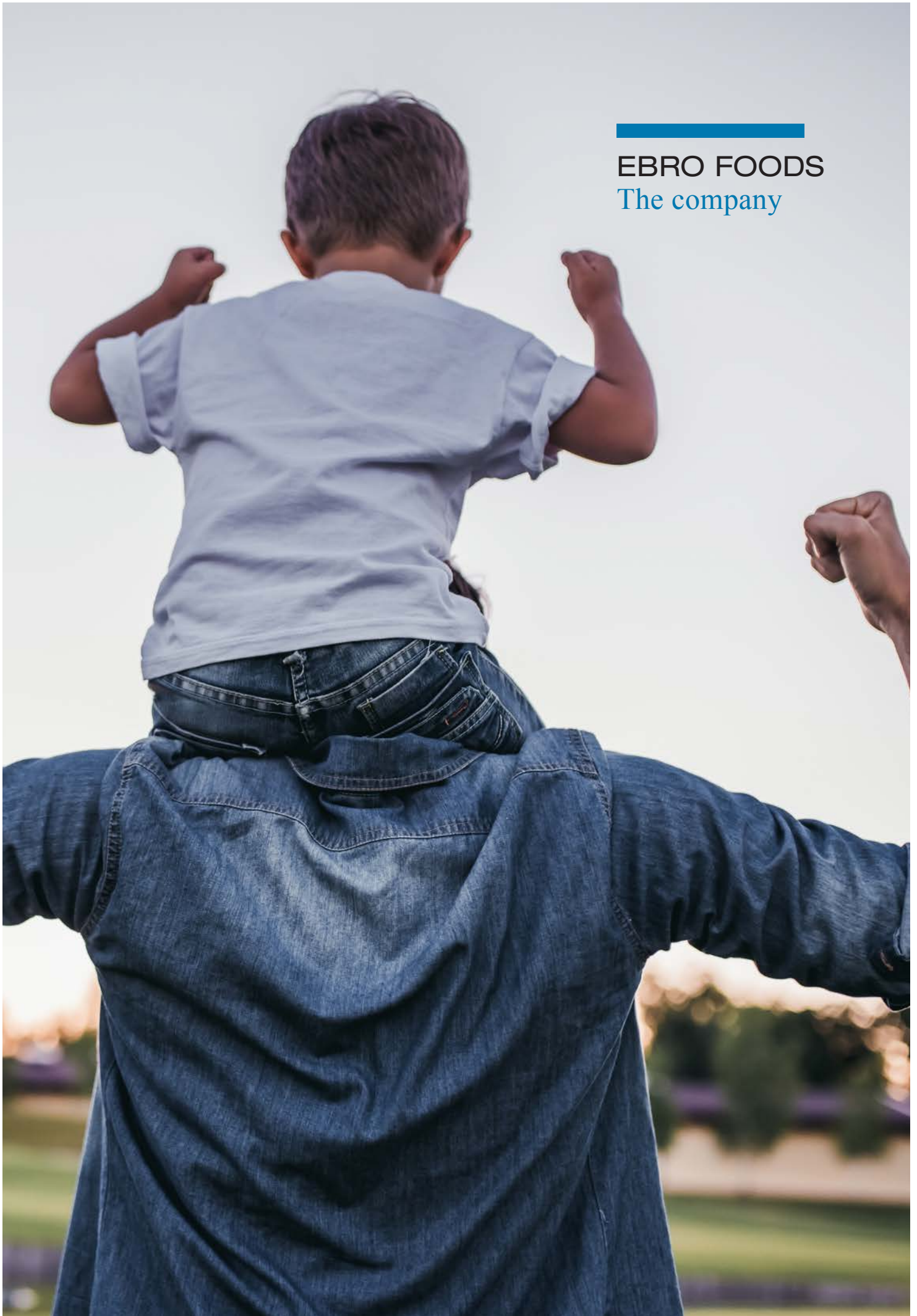
On the stock market, the price of our share fell by 7.9% over the year. Ibex 35 closed the year down 15.3%, Ibex Med down 13.9%, Ibex Small down 9% and Eurostoxx Food and Beverage down 17.9%. At the date of this Report (31 March 2019), the Ebro share had appreciated by 10%, while Ibex 35 was up 11.2%, Ibex Med 6.6% and Ibex Small 9.8%.

2018 was a very important year for defining the Ebro Group's CSR strategy for the coming years. We studied the expectations of our stakeholders, made a detailed analysis of our impacts and established the Sustainable Development Goals to which we can make the greatest contributions. Based on the information thus obtained, during the first half of 2019 we will announce our Global Sustainability Plan "Heading for 2030", an action plan through which we will make further progress in respect of the 10 Principles of the Global Compact, focusing on three fundamental pillars: People, Planet and Health & Well Being. We have designed a number of actions and targets around these pillars for the next 12 years to ensure that sustainability is integrated in the business management and decision-making processes of the Ebro Group and, therefore, the company's sustainable growth.

Antonio Hernández Callejas

EBRO FOODS CHAIRMAN

EBRO FOODS
The company

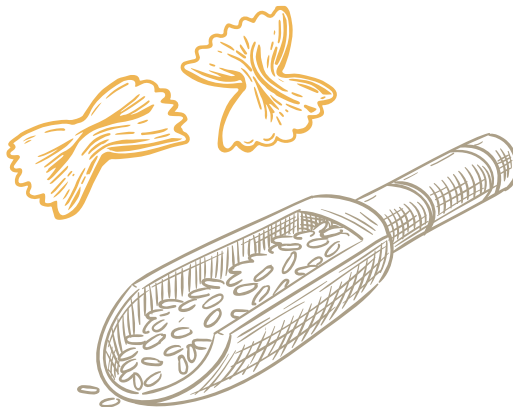
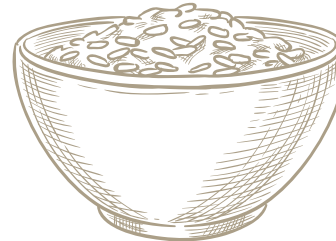


LEADING GROUP IN THE SPANISH FOOD SECTOR



LEADER IN THE
MARKETS IN WHICH
WE OPERATE

GLOBAL LEADER OF
THE RICE SECTOR



NUMBER TWO PASTA
MANUFACTURER IN THE
WORLD



MISSION, VISION AND VALUES

The mission of the Ebro Foods Group is to research, create, produce and distribute high value-added foods, which enhance people's health and well-being while meeting their nutritional needs.

Our vision is to grow sustainably, ensuring ethical conduct and professional and personal integrity in the performance of our business activities, creating value for our shareholders, minimising the environmental impact of our operations, guaranteeing the personal and career development of our employees, improving the quality of life in society and meeting the needs of customers and consumers.

The Group's conduct is guided by the following values:



LEADERSHIP



TRANSPARENCY



HONESTY



RESPONSIBILITY



INTEGRITY



CULTURE OF EFFORT



AMBITION TO GENERATE VALUE



ENVIRONMENTAL RESPONSIBILITY



SERVICE VOCATION



FOCUS ON PEOPLE



INNOVATION



LONG-TERM SUSTAINABILITY



STRICT COMPLIANCE WITH THE LAW

ETHICS AND INTEGRITY

The company is governed by the Ebro Foods Group Code of Conduct and the Internal Code of Market Conduct.

EBRO FOODS GROUP CODE OF CONDUCT

The current Code of Conduct, approved by the Board of Directors of Ebro Foods, S.A. in December 2015, is an update of the previous Code of Conduct (in force since 2012) and reinforces the company's commitment to integrity, transparency and ethical, responsible behaviour.

The Group's Code of Conduct (hereinafter COC) provides guidance on how to act in the internal and external relationships of the people and companies making up the group headed by Ebro Foods, strengthening the values that distinguish us and establishing a basic reference to be followed by the people and companies of the Ebro Foods Group.

The COC is devised as an essential element within the crime prevention model implemented in the Ebro Foods Group, so it is important that it be known and observed by all those persons within its scope.

The COC also lays down the guidelines for relations with the Group's stakeholders: shareholders, professionals, consumers, customers, suppliers, rivals, authorities and markets in general.

All those falling within the scope of application of the Code, as per point 4 thereof, are bound to comply and contribute towards compliance with it. Nobody, regardless of their position within the Group, is authorised to require a person bound



by the Code to breach the contents thereof. No relevant person may justify any malpractice or conduct infringing the COC alleging an order from a superior or ignorance of its contents.

In this regard, any person bound by the Code may report, under a guarantee of absolute confidentiality, any default or infringement of any of its principles.

A reporting channel is established for this purpose, as follows:

- ▶ Reports may be sent by e-mail to: canaldedenuncias@ebrofoods.es
- ▶ Access to that e-mail account, technologically protected to prevent any unauthorised access, shall be limited exclusively to the Chairman of the Audit and Compliance Committee who, as independent director, has no relationship with the management structure of the Ebro Foods Group.
- ▶ According to the contents of the report, the Chairman of the Audit and Compliance Committee may obtain the appropriate information and make the necessary consultations to clarify the issue, guaranteeing at all times the absolute confidentiality of the reporter and not informing the reported person or persons until the investigation has concluded.
- ▶ The Chairman of the Audit and Compliance Committee shall keep in touch with the reporter, informing him/her of the enquiries made and the final outcome and consequences.
- ▶ The Chairman of the Audit and Compliance Committee shall in all cases establish the order of priority, process, investigate and resolve reports, according to their importance and nature, paying special attention to those concerning a possible financial or accounting fraud and possible fraudulent activities.

The full text of the Code of Conduct and the guidelines laid down for its implementation and application are available for consultation by any of our stakeholders through the corporate Intranet and the Group's website, within the Corporate Social Responsibility section: <https://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/rules-of-conduct-on-stock-markets/>.

The COC has been translated into the languages of all the countries in which the Group operates and has been signed by all the company's employees.

The Ebro Group is developing a multi-year ethical audit plan as a mechanism for monitoring and assessment of compliance. These audits will be made by an independent third party at both Group workplaces and at a sample of suppliers.

INTERNAL CODE OF MARKET CONDUCT

This Code, approved by the Board of Directors of Ebro Foods, S.A. in July 2016, modifies and replaces the previous one, in force from 2015. The Code is included in a process of actions taken by the Company within the framework of constant review of its internal regulations to adjust them to the legal provisions and CNMV criteria in place from time to time.

Its purpose is to establish a set of rules conforming to the laws and regulations in place from time to time, governing the conduct by the Company and the Relevant Persons in the different areas regulated in the Code, all relating to their actions in the security markets.



In this regard, Relevant Persons are:

- (i) Directors and Senior Executives, as well as the Secretary and Vice-Secretary of the Board
- (ii) External Advisers insofar as they are considered Insiders
- (iii) Members of the Compliance Unit
- (iv) Any person other than the former whenever so decided in specific cases by the Compliance Unit contemplated in the Code, in view of the prevailing circumstances in each case.

The Code is applicable to the following subject matter:

- (i) Trading in relevant securities
- (ii) Insider information and price-sensitive information
- (iii) Treasury stock
- (iv) Conflicts of interest

The full text of this Code is available for consultation by any of our stakeholders through the corporate Intranet and the Group's website, within the Corporate Governance section: <https://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/rules-of-conduct-on-stock-markets/>

OPERATING COMPANIES

The details of all the subsidiaries and associates of the Ebro Foods Group and the interest held by the latter in each one are set out in the consolidated financial statements (see Note 4 to the Consolidated Annual Accounts for the year ended 31 December 2018).





The core businesses are performed by the following subsidiaries, reporting to Ebro Foods, S.A.:

COMPANY	COUNTRY	BUSINESS AREA
Arrozeiras Mundiarroz, S.A.	Portugal	Rice
Arotz Foods, S.A.	Spain	Others
Bertagni 1882, S.p.A.	Italy	Pasta
Boost Nutrition, C.V.	Belgium	Rice
Catelli Foods Corporation	Canada	Pasta
Celnat, S.A.S	France	Organic food
Ebro Foods, S.A.	Spain	Parent (Holding)
Ebrofrost Holding, GmbH	Germany, Denmark & UK	Rice, pasta & frozen foods
Ebro India, Private Ltd.	India	Rice
Euryza GmbH	Germany	Rice
Geovita Functional Ingredients, S.R.L.	Italy	Ingredients
Herba Bangkok, S.L.	Thailand	Rice
Herba Cambodia Co. Ltd	Cambodia	Rice
Herba Egypt Ricemills, Ltd	Egypt	Rice
Herba Ingredients, B.V.	Netherlands & Belgium	Ingredients
Herba Ricemills, S.L.U.	Spain	Rice
Herba Ricemills Rom, S.R.L.	Romania	Rice
Jiloca Industrial, S.A.	Spain	Others
La Loma Alimentos S.A.	Argentina	Rice
Lassie, B.V.	Netherlands	Rice
Lustucru Frais, S.A.S.	France	Rice & pasta
Mundi Riso, S.R.L.	Italy	Rice
Mundi Riz, S.A.	Morocco	Rice
Panzani, S.A.S.	France	Pasta
Pastificio Lucio Garofalo, Spa	Italy	Pasta
Riceland Magyarorzag, KFT	Hungary	Rice
Riviana Foods, Inc.	USA	Rice & pasta
Roland Monterrat, S.A.S	France	Ready-to-serve fresh meals
Santa Rita Harinas, S.L.U.	Spain	Others
Stevens&Brotherton Herba Foods, Ltd.	UK	Rice
Transimpex, GmbH	Germany	Rice
Vegetalia, S.L.	Spain	Organic food

Two new businesses joined the Group in 2018:

	
<p>In January we bought 70% of Bertagni 1882, S.p.A, the oldest filled pasta brand in Italy and specialists in fresh pasta in the premium segment, with extraordinary know how and product portfolio. Thanks to its incorporation in the Group, we are now second fresh pasta manufacturers worldwide.</p> <p>Transaction price: €91 million</p>	<p>In August we acquired 100% of the Argentinian company La Loma Alimentos, S.A. (La Loma), specialists in organic rice varieties. La Loma has a production plant in the state of Concordia-Entre Ríos and a workforce of 35 employees.</p>



INDUSTRIAL INFRASTRUCTURE

The Ebro Group has, through its subsidiaries, 64 industrial plants in 18 different countries.

COMPANY	COUNTRY	WORKPLACE
Alimentos La Loma	Argentina	Entre Ríos
Arrozeiras Mundiarroz	Portugal	Coruche
Arotz	Spain	Navaleno
Bertagni	Italy	Avio
		Vicenza
Boost Nutrition	Belgium	Merksem
Catelli Foods Corporation	Canada	Montreal
		Delta
		Hamilton
Celnat	France	Saint Germain Laprade
Ebro India	India	Taraori
Ebrofrost Denmark	Denmark	Orbaek
Ebrofrost Germany	Germany	Offingen
Ebrofrost North America	USA	Memphis
Ebrofrost UK	UK	Beckley
Fallera Nutrición	Spain	Silla
Geovita	Italy	Bruno
		Nizza Monferrato
		Verona
		Villanova Monferrato
Herba Bangkok	Thailand	Saraburi
Herba Cambodia	Cambodia	Phnom Penh
Herba Egypt	Egypt	Mansoura
Herba Ingredients	Belgium	Schoten
	Netherlands	Wormer
Herba Ricemills	Spain	Coria del Río
		San Juan de Aznalfarache
		Jerez de la Frontera
		Silla
		Algesesí
		La Rinconada
		Los Palacios
Jiloca	Spain	Santa Eulalia
Lassie	Netherlands	Wormer



COMPANY	COUNTRY	WORKPLACE
Lustucru	France	Saint Genis Laval
		Lorette
		Communay
Mundi Riz	Morocco	Larache
Mundiriso	Italy	Vercelli
Panzani	France	La Montre
		Gennevilliers
		Nanterre
		Littoral
		Saint Just
		Vitrolles
Pastificio Lucio Garofalo	Italy	Gragnano
Riviana	USA	Memphis
		Brinkley
		Clearbrook
		Alvin
		Carlisle
		Freeport
		Saint Louis
		Winchester
		Hazen
		Fresno
Roland Monerrat	France	Feillens
S&B Herba Foods	UK	Cambridge
		Liverpool
		Orpington
Santa Rita Harinas	Spain	Loranca de Tajuña
Transimpex	Germany	Lambsheim
Vegetalia	Spain	Castellcir
		Jerez de la Frontera



GOVERNANCE
Bodies





GOVERNANCE BODIES

The governance bodies of Ebro Foods, S.A. are the General Meeting of Shareholders and the Board of Directors.

The General Meeting is the company's sovereign body. It is competent to discuss and adopt resolutions on all business reserved in law or the Articles of Association for decision by this body and, in general, on all business which, within its legal scope of competence, is submitted to it by the Board of Directors or the shareholders as stipulated in law.

Save in any matters reserved by law, regulations or the Articles of Association to the General Meeting, the Board of Directors is the highest body of governance and administration of the company, with full powers to direct, administer and represent the company in the activities comprising its objects. The Board of Directors commissions the day-to-day management of the company to its executive members and the senior officers, focusing its own activities on oversight and certain general duties including, among others, those corresponding to it by law, those established in the Regulations of the Board and any that may be delegated to it by the General Meeting of Shareholders in the form stipulated in law.

The Board of Directors will have no fewer than seven nor more than fifteen members, the General Meeting being competent to decide their exact number and to appoint and remove directors.

At 31 March 2019, the Board of Directors of Ebro Foods has thirteen members, two of whom are executive directors, seven are proprietary directors and four are independent directors.



15.38%

EXECUTIVE

53.85%

PROPRIETARY


30.77%

INDEPENDENT



The following table shows the composition of the Board at 31 March 2019.

CHAIRMAN

Antonio Hernández Callejas		Executive
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VICE-CHAIRMAN

Demetrio Carceller Arce		Proprietary
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MEMBERS

Alimentos y Aceites, S.A. Represented by Concepción Ordiz Fuertes ⁽¹⁾		Proprietary
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Belén Barreiro Pérez-Pardo		Independent
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María Carceller Arce		Proprietary
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Fernando Castelló Clemente		Independent
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Jose Ignacio Comenge Sánchez-Real		Independent
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Mercedes Costa García (Lead Independent Director since 22-11-2018 replacing José Ignacio Comenge Sánchez-Real)		Independent
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Corporación Financiera Alba, S.A. Represented by Javier Fernández Alonso		Proprietary
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Empresas Comerciales e Industriales Valencianas, S.L. Represented by Javier Gómez-Trenor Vergés		Proprietary
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Grupo Tradifin, S.L. Represented by Blanca Hernández Rodríguez		Proprietary
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Hercalanz Investing Group. S.L. ⁽²⁾ Represented by Félix Hernández Callejas		Executive
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Pedro Antonio Zorrero Camas (Director since 13/12/2018)		Proprietary
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NON-DIRECTOR SECRETARY

Luis Peña Pazos		
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NON-DIRECTOR VICE-SECRETARY

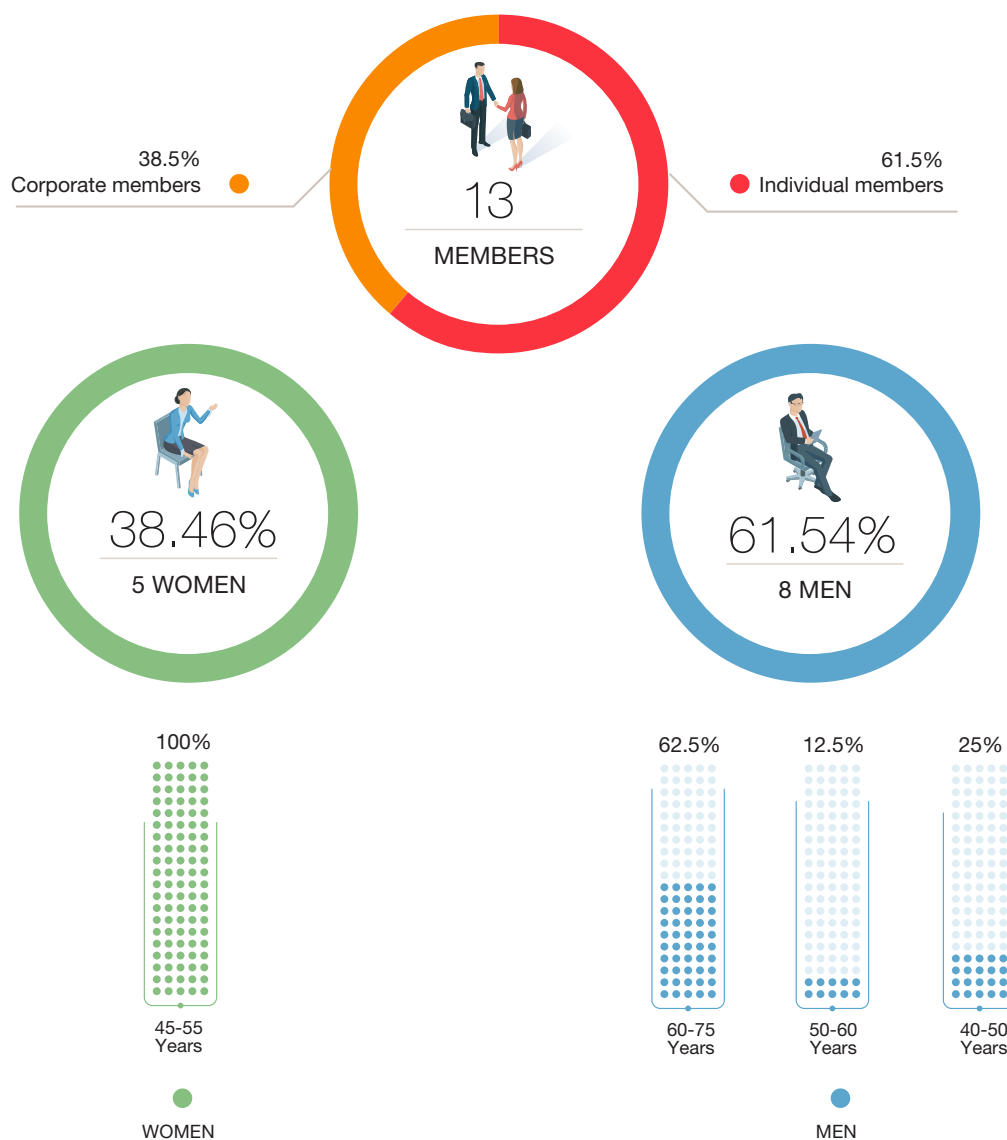
Yolanda de la Morena Cerezo		
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(1) The director Alimentos y Aceites S.A. informed the company after 31 March 2019 that Concepción Ordiz Fuertes had resigned as representative of that company on the Board of Directors of Ebro Foods, S.A. and the appointment of Macarena Charlo Prieto as its new representative. This change is pending entry in the Trade Register.

(2) Hercalanz Investing Group, S.L. has never performed executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, has not received any remuneration as such. It is classified as executive director in view of the fact that its representative on the Ebro Foods board is an executive of one of the Group's subsidiaries.



With this composition of the board: (i) the four independent directors represent 30.77% of the total directors, complies with the recommendation of the Good Governance Code that the number of independent directors should represent at least one-third of the total directors; and (ii) women account for 38.46% of the total board members. This is a larger portion than the target set in the Policy for Selecting Directors and Diversity in the Composition of the board of Directors, according to which by 2020 the gender least represented on the board should account for at least 30% of the total board members. That target was reached in January 2017 and reinforced in June 2017.



There are also four Committees, which guarantee fulfilment of the Board's duties and have the powers and competence established in the law, the Articles of Association and the Regulations of the Board.

At 31 March 2019, the composition of the four Committees is as follows:

EXECUTIVE COMMITTEE

Antonio Hernández Callejas (Chairman)
 Demetrio Carceller Arce
 Corporación Financiera Alba, S.A.
 Represented by Javier Fernández Alonso
 Pedro Antonio Zorrero Camas

NOMINATION AND REMUNERATION COMMITTEE

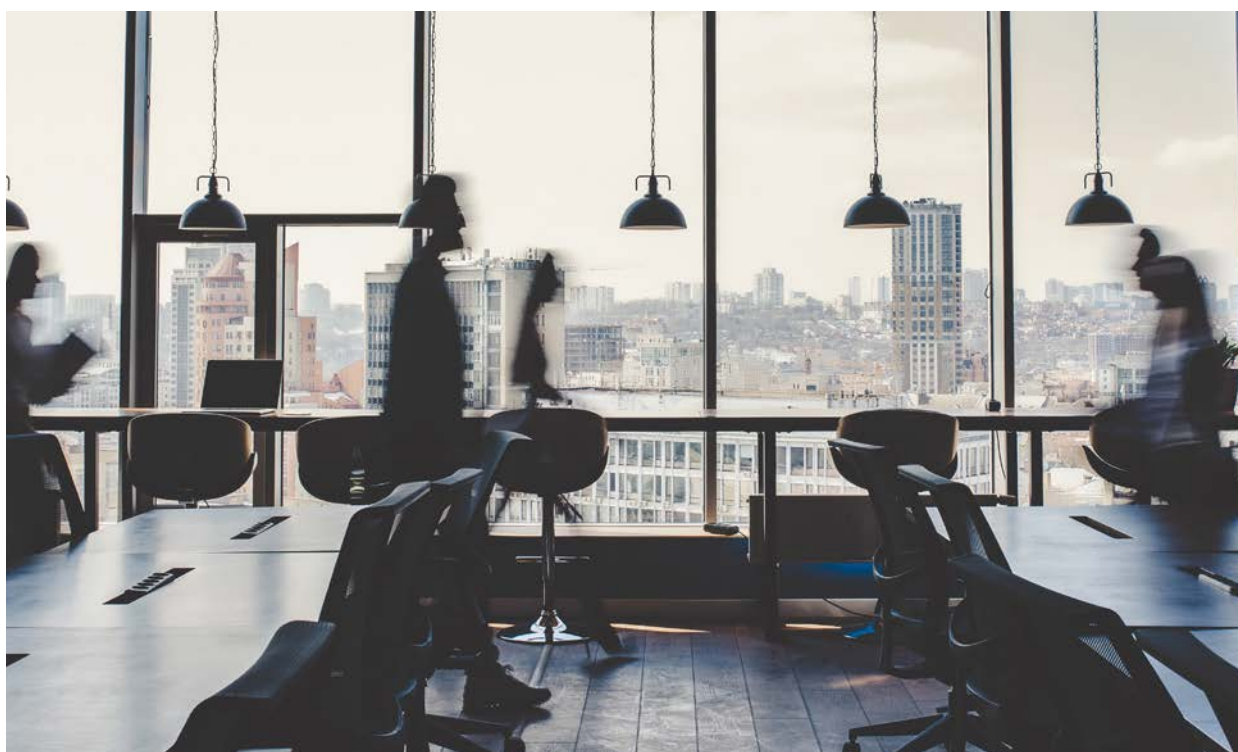
Fernando Castelló Clemente (Chairman)
 Demetrio Carceller Arce
 Grupo Tradifin, S.L.
 Represented by Blanca Hernández Rodríguez
 Mercedes Costa García
 Belén Barreiro Pérez-Pardo

AUDIT AND COMPLIANCE COMMITTEE

Mercedes Costa García (Chairman)
 Fernando Castelló Clemente
 Grupo Tradifin, S.L.
 Represented by Blanca Hernández Rodríguez
 Corporación Financiera Alba, S.A.
 Represented by Javier Fernández Alonso
 Pedro Antonio Zorrero Camas

STRATEGY AND INVESTMENT COMMITTEE

Demetrio Carceller Arce (Chairman)
 Antonio Hernández Callejas
 Heralianz Investing Group, S.L.
 Represented by Félix Hernández Callejas
 Corporación Financiera Alba, S.A.
 Represented by Javier Fernández Alonso
 José Ignacio Comenge Sánchez-Real





SHAREHOLDING STRUCTURE AND SHARE PERFORMANCE

Ebro Foods currently has a capital of €92,319,235.20, fully subscribed and paid up. The shares are issued in book-entry form, registered with the Management Company of Securities Liquidation and Clearing Registration Systems (IBERCLEAR) and listed on the four Spanish stock exchanges.

The details of the capital represented on the board as at 31 December 2018 are shown below:

SCALE OF PERCENTAGE INTERESTS IN THE CAPITAL	NUMBER OF SIGNIFICANT SHAREHOLDERS AND/OR DIRECTORS WITH AN INTEREST IN THE CAPITAL	TOTAL PERCENTAGE OF CAPITAL
≥ 10.00%	3	36.054
≥ 5.00% < 10.00%	3	23.748
≥ 3.00% < 5.00%	1	3.642
< 3.00%	5 (*)	1.682

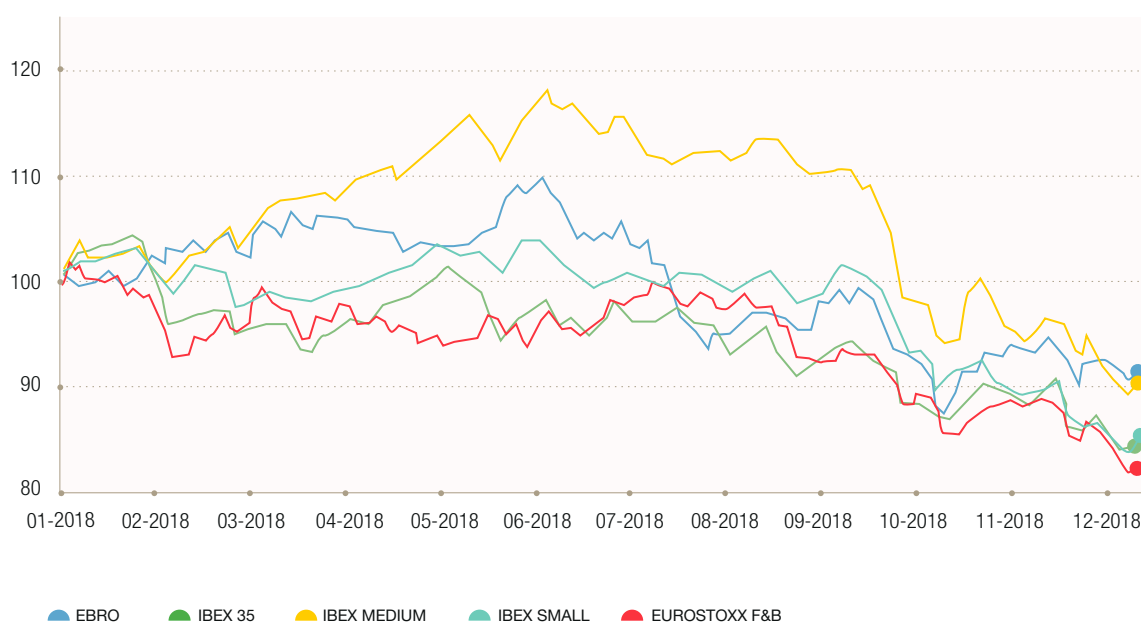
(*) None of these five directors is a significant shareholder because the stake each holds in the capital is less than 3%.

At 31 March 2019, 65.125% of the share capital was represented on the board, while the free float was estimated at 34.875%.

SHARE PERFORMANCE

During 2018, the value of the Ebro Foods share fell by 7.9%. Ibex 35 closed the same period down 15.3%, Ibex Med down 13.9%, Ibex Small 9% and Eurostoxx Food and Beverage down 17.9%.

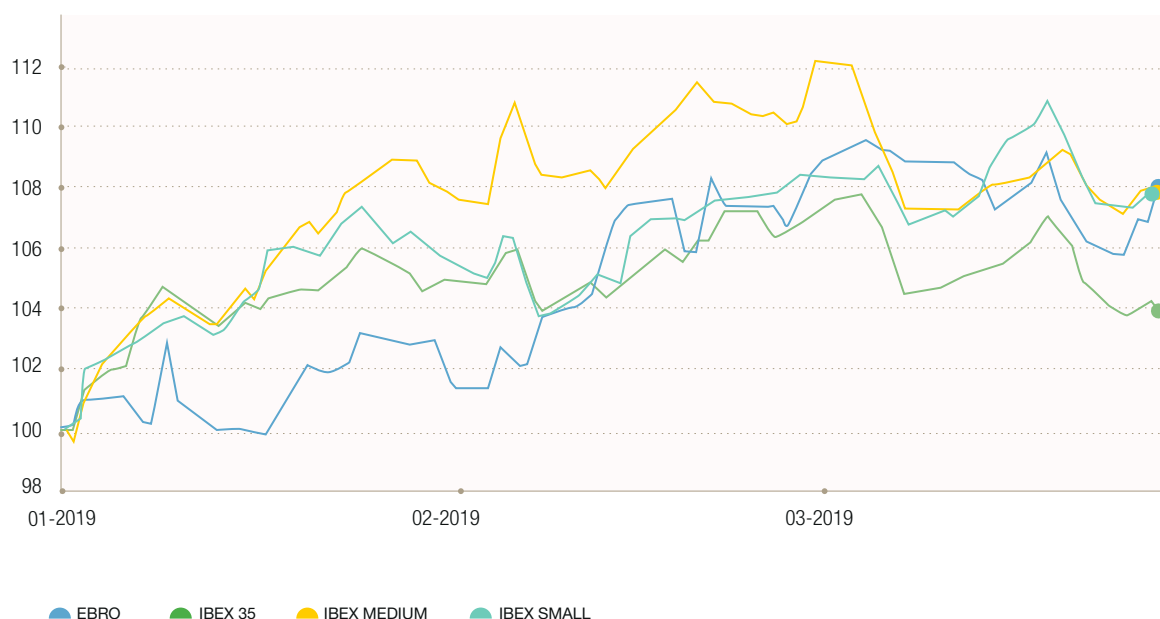
EBRO VS INDEXES 2018





The average price of our share in 2018 was €18.97 and it closed the year on 31 December at €17.44. Share turnover was equivalent to 0.24 times the total number of shares in the company. The average daily volume of trading during 2018 was 147,188 shares.

EBRO VS INDEXES 1 JANUARY TO 31 MARCH 2019



Observing share performance in 2019, the value of the Ebro share has risen by 10%, while Ibex 35 is up 11.2%, Ibex Med 6.6% and Ibex Small 9.8%.

EBRO ANALYSTS

Analysts continue to rate our share highly and EBRO is currently tracked by the following firms:

1. Ahorro Corporación
2. Banco Sabadell
3. Haitong Research - Iberia
4. BBVA
5. La Caixa BPI
6. Gaesco Beka
7. Exane BNP Paribas
8. Fidentiis
9. Intermoney
10. JB Capital Markets, S. V.
11. Kepler Cheuvreux
12. Mirabaud
13. Alantra (N+1)
14. Santander Investment
15. UBS
16. Renta 4



At year-end 2018, the average rating by analysts gave EBRO a target price of €19.22 per share, 8.45% higher than our market price at that date.

DIVIDENDS

An ordinary dividend of €88 million (€0.57 euros per share) was distributed during 2018 against the 2017 profits.

The ordinary dividend was paid in three instalments (€0.19 per share) in April, June and October 2018.

The dividend yield per share at year-end was 3.3%.

For 2019, the Ebro Foods board unanimously resolved on 19 December 2018 to table a motion at the forthcoming Annual General Meeting proposing a dividend of €0.57 per share against the 2018 earnings, to be distributed in three payments of €0.19 per share in April, June and October 2019 (€88 million). Therefore, the same dividend as in 2018 would be maintained.

NB: All the information on the ownership structure and governance of the company can be consulted in the Annual Corporate Governance Report.

RISK MANAGEMENT

Within the corporate policies approved by the Board of Directors, the Risk Control and Management Policy lays down the basic principles and general framework for control and management of the business risks, including tax risks, to which the Company and other companies in its group are exposed and the internal control of financial reporting.

Within this general framework, the integrated, homogenous Risk Control and Management System is based on the preparation of a business risk map to identify, assess and rate the management capacity of different risks and thus obtain a ranking from greater to lesser impact for the Group and their probability of occurrence. The risk map also indicates measures for mitigating or neutralising the risks identified. Risks are classified into four main groups: compliance, operational, strategic and financial.

In the classification process, a dynamic assessment is made of both inherent risk and the residual risk after applying the internal controls and protocols established to mitigate them. Those controls include preventive measures, adequate segregation of duties, clear levels of authorisation and the definition of policies and procedures. These controls can in turn be grouped into manual and automatic, carried out by computer applications.

The model is both qualitative and quantitative and can measure risks in the Group earnings, considering whether the risk level is acceptable or tolerable on a corporate level.





The Risk Control and Management System is dynamic, so the risks to be considered vary in line with the circumstances in which the Group operates.

The Risk Control and Management System, including tax risks, and control over financial information rests on the following structure:

- ▶ The Board of Directors, as the body responsible for the system, determines the risk, including tax risks, control and management system and control over financial information.
- ▶ The Audit and Compliance Committee, through the Risks Committee, performs the duties of oversight and monitoring of financial reporting and risk control systems, reporting regularly to the board on any significant aspects arising in these areas. It is also responsible for supervising and promoting internal control of the Group and risk management systems, and submitting proposals to the Board on the risk control and management policy and possible measures for improvement.
- ▶ The Risks Committee, following the policy established by the Board and supervised by and reporting to the Audit Committee, is specifically responsible for coordination and monitoring of the risk, including tax risks, control and management system and control of the Group's financial reporting. The Risks Committee also analyses and assesses any risks associated with new investments.
- ▶ The Management Committees of the different units, with the participation of the Chairman of the Board and the Chief Operating Officer (COO), assess the risks and decide on the measures to be taken.
- ▶ Risk officers in the different units. The Risks Committee appoints officers responsible in the major subsidiaries for monitoring the risk, including tax risks, control and management systems, as well as the financial reporting and reporting to the Committee.
- ▶ Internal Audit Department. Within the internal audits made on the different subsidiaries, the company's Internal Audit Department checks that the testing and control of financial reporting and risk management systems have been done correctly, as stipulated by the Risks Committee.

NB: A full description of the risk management model and the measures taken to mitigate them can be consulted in the *Directors' Report of the Consolidated Annual Accounts*.

BUSINESS
Model



BUSINESS MODEL

DEFINITION OF THE MODEL	Pag 29
STRATEGY	Pag 32
VALUE CREATION: R&D + INNOVATION	Pag 34



DEFINITION OF THE MODEL

The Ebro Foods Group (“Ebro Foods”, the “Group” or the “Ebro Group”) is the leading Spanish food group, world leader in the rice sector and the second global fresh and dry pasta producer. It is present through a network of 31 subsidiaries in the principal rice and pasta markets in Europe, North America and South East Asia, and is gradually building up its presence in other countries.

The Group operates on a global level in 85 countries, with industrial and commercial establishments in 17 of them. In the remaining 69, we only engage in commercial activity. Our industrial park comprises some 64 sites, between production plants and warehouses.

COUNTRIES WITH COMMERCIAL AND INDUSTRIAL PRESENCE

Germany	Denmark	France	Morocco
Argentina	Egypt	Netherlands	Portugal
Belgium	Spain	India	United Kingdom
Cambodia	United States	Italy	Thailand
Canada			

COUNTRIES WITH ONLY COMMERCIAL PRESENCE

Angola	Slovakia	Kuwait	Czech Republic
Saudi Arabia	Estonia	Lebanon	Romania
Algeria	Finland	Libya	Russia
Austria	Gabon	Lithuania	Saint Martin
Bahamas	Ghana	Madagascar	Saint Lucia
Bahrein	Greece	Mauritius	Senegal
Barbados	Guinea	Mauritania	South Africa
Belize	Haiti	Mexico	Sweden
Benin	Hungary	Mozambique	Switzerland
Brazil	Indonesia	Niger	Taiwan
Chile	Reunion Island	Oman	Trinidad & Tobago
Colombia	Iceland	Panama	Tunisia
South Korea	Israel	Peru	Turkey
Ivory Coast	Jamaica	Poland	Ukraine
Curaçao	Japan	Qatar	Yemen
United Arab Emirates	Jordan	DR Congo	Djibouti

The principal mission of the Ebro Group is to research, create, produce and put on the market foods with a high value added that improve people’s health and well-being while meeting their nutritional requirements, endeavouring at the same time to maintain a transparent, efficient, sustainable business model.

The Ebro Foods Group is managed by business segments, grouped by the type of activity they perform and their geographical location. Our core businesses are:

- ▶ **Rice:** This includes the production and distribution of rice, rice-based products and complementary food products. It engages in industrial and branding activities under a multi-brand model. Its presence spans Europe, the Mediterranean Basin, India and Thailand with the Herba Group companies and covers North America, Central America, the Caribbean and the Middle East through the Riviana Group.
- ▶ **Pasta:** This includes the production and marketing of fresh and dry pasta, sauces, semolina, semolina-based products and complementary food products by the Riviana Group (North America), the Panzani Group (France) and Garofalo (rest of the world).
- ▶ **Healthy Food and Organic:** The most recent addition to the Group, this business is being developed around the latest acquisitions: Celnat, Vegetalia and Geovita, and the health-related activities and organic products of all the subsidiaries. This new business area is organised under new company called Alimentation Santé and reports within the Pasta Business.

The Group decentralises certain management areas of each business, focusing on the business with a light, dynamic structure in which functionality, coherence and knowledge of the market prevail.

Decision-making is controlled by the board of directors of the parent, which is ultimately responsible for defining the Group's general strategy and management guidelines. The Board delegates certain tasks to the Executive Committee, including monitoring and oversight of compliance with the strategic and corporate development guidelines, while the Management Committee (composed of the heads of the principal business areas) is tasked with monitoring and preparing the decisions made at management level in the company.

The basic raw materials used to manufacture the products marketed by the Group are rice and durum wheat, although others, such as pulses, quinoa and other ancient grains, are gradually being incorporated.

Rice is the world's most consumed grain, although the volume of world trade is smaller than that of other grains and cereals owing to the production shortfalls in some of the largest producers of this grain (China, the Philippines and Indonesia). The origins of the rice marketed by Ebro vary according to the type of grain and the quality/abundance of harvests. There are three major sources of supply for different rice varieties: USA, southern Europe and South East Asia, plus the resources obtained through the incorporation in the Group of La Loma Alimentos, S.A. in Argentina, a major source of organic rice, which also enables us to reduce our seasonal dependence for certain rice varieties.

Pasta is produced from a variety of wheat with a high protein content, called durum wheat, which has a much smaller geographical distribution and market than other varieties used mainly for flour production. Ebro sources its rice mainly in the USA, Canada and southern Europe (France, Spain and Italy).





Raw materials are purchased from farmers, cooperatives and millers then milled and/or processed at the Ebro Group's production plants. Processes differ depending on the ultimate use of the product and may include cleaning, milling, polishing and basic extrusion, and complex processes of pre-cooking, cooking and freezing.

The Group's main direct customers are: (i) the principal food distributors, (ii) the major food multinationals (which use our products as the basis for their preparations) and (iii) numerous catering businesses. Although consumers are not generally direct customers, they are important in the Group's business focus.

NB: An overview of the principal activities, brands and market shares by business area is set out in Note 6 to the Consolidated Annual Accounts (Financial information by segments).

MEMBERSHIP OF SECTOR ASSOCIATIONS AND INSTITUTIONS

Ebro Foods, S.A. and some of its subsidiaries belong to the following sector associations:

COMPANY	ASSOCIATION	GEOGRAPHICAL AREA
Herba Ricemills, S.L.U.	Federation of European Rice Mills (FERM)	Europe
Herba Ricemills, S.L.U.	Spanish Association of Commercial Coding (AECOC)	Spain
Herba Ricemills, S.L.U.	Confederation of Entrepreneurs in Andalusia (CEA)	Spain
Ebro Foods, S.A.	Multi-sector Association of Food & Drink Enterprises (AME)	Spain
Herba Ricemills, S.L.U.	Spanish Advertisers Association	Spain
Herba Ricemills, S.L.U.	Association of Spanish Rice Industries (UNIADE)	Spain
Arrozeiras Mundiarroz, S.A.	Portuguese Distributors Association	Portugal
Boost Nutrition, C.V.	Federation of Food Companies (FEVIA)	Belgium
S&B Herba Foods, Ltd.	British Edible Pulse Association (BEPA)	UK
S&B Herba Foods, Ltd.	Campden BRI	UK
S&B Herba Foods, Ltd.	UK National Dried Fruit Association	UK
S&B Herba Foods, Ltd.	UK Rice Association	UK
Ebro India, Privated Ltd.	Rice Association of India	India
Ebro India Privated Ltd.	Indo French Chamber of Commerce	India
Lassie, B.V.	Union of Dutch Food Industry (FNLI)	Netherlands
Lassie, B.V.	Union of Dutch Rice Industry (VRN)	Netherlands
Mundi Riso, S.R.L.	Italian Rice Miller Association (AIRI)	Italy
Riviana Foods Inc.	U.S. Rice Federation	USA
Riviana Foods Inc.	U.S. Pasta Association	USA
Panzani	Association of Processed Food Product Enterprises (ADEPALE)	France
Panzani	French Committee of the Semolina Industry (CFSI)	France



STRATEGY

The Group aims to be an important player in the rice, pasta and healthy grains markets and in cross-cutting categories known as meal solutions. Within that strategy, the company has the following goals:

- ▶ Achieve a global position, being open to the incorporation of related products (such as value-added pulses).
- ▶ Reaffirm itself as a benchmark business group in its different areas of activity.
- ▶ Lead innovation in the geographical areas in which it operates.
- ▶ And position itself as a responsible company, committed to social well-being, environmental balance and economic progress

The Group strategy is thus based on a number of general principles of action and growth levers considered essential to increase the value of the business and company's commitment to sustainable development:

PRINCIPLES OF ACTION

- ▶ Foster ethical management based on good governance practices and fair competition.
- ▶ Comply with prevailing laws, taking a preventive approach at all times to minimise economic, social and environmental risks, including tax risks.
- ▶ Endeavour to obtain a return on investments while guaranteeing the operating and financial soundness of its activities. Ensure business profit as one of the bases for the future sustainability of the company and the large groups of stakeholders operating directly and indirectly with it.
- ▶ Generate a framework of labour relations that favours training and personal and professional development, respects the principle of equal opportunities and diversity and promotes a safe, healthy working environment.
- ▶ Reject all forms of abuse or violation of the fundamental and universal human rights, in accordance with international laws and practices.
- ▶ Promote a relationship of mutual benefit with the communities in which the Group is present, sensitive to their culture, context and needs.
- ▶ Meet and anticipate our consumers' and customers' needs, offering a broad portfolio of products and differentiated, healthy food.



- ▶ Steer all the company's processes, activities and decisions towards not only generating economic gains, but also protecting the environment, preventing and minimising environmental impacts, optimising the use of natural resources and preserving biodiversity.
- ▶ Develop a framework of responsible, honest, transparent communication and dialogue with stakeholders, setting up perfectly identified stable channels of communication and regularly providing stakeholders with transparent, rigorous, true, specific information on the Group's activities.

GROWTH LEVERS

- ▶ Search for organic and inorganic growth in high-consumption countries and business expansion in developing countries with a high growth potential.
 - ▶ Moving into new territories or categories, paying special attention to new fresh products (snacks, crisps, omelettes, sandwiches, pizzas, ready meals) and new ranges of higher value-added ingredients.
 - ▶ Developing products that offer a complete culinary experience, extending the catalogue with new formats (maxi cups, compacts...), flavours (dry pasta with fresh pasta quality, cup range and sauces with fresh quality) and preparations (pan-fried rice and pasta dishes, "Banzai" cups...).
 - ▶ Establishing ourselves as leaders of mature markets by outperforming others in product quality. Expanding and leading the premium category. Developing the enormous potential of the Garofalo brand and including the new opportunities arising from the purchase of Bertagni.
 - ▶ Expanding our geographical presence and completing our product/country matrix:
 - Search for business opportunities in mature markets with a business profile similar to ours and in specialist market niches, through which we can shift our strategy from a generalist position to that of a multi-specialist (individual solutions).
 - Branch out into new business niches in markets in which we are already present: pasta in India, extend the product range in the Middle East or Eastern Europe, or develop the pan-fried gnocchi range in Canada.
- ▶ Taking prominent positions in the healthy and organic foods area, through new concepts based on ancient grains, organic, gluten free, quinoa, etc.
- ▶ Differentiation and innovation. Ebro Foods invests in products from two angles:
 - ▶ Research, development and innovation (R&D+I), through five research, development and innovation centres of our own and an investment policy with which new ideas and consumption needs can be developed into real products for our customers and consumers.
 - ▶ Support for leading brands in their respective segments, investing in advertising to underpin their development.
- ▶ Low risk exposure. The Ebro Group faces changes in the consumer and financial markets and social changes with a firm vocation to adapt to change and maintain its market positions. To achieve this, it seeks: (i) to keep on an even keel with recurring income sources (markets, currencies), (ii) low leverage to be able to grow without exposure to financial turmoil, (iii) new supply channels and (iv) long-term relationships with stakeholders (customers, suppliers, authorities, employees and society).
- ▶ Implementation of sustainability throughout the entire value chain ("from the field to the table") with the ultimate aims of: (i) increasing and guaranteeing our competitiveness and the financial, environmental and social sustainability of our operations and (ii) offering healthy, differentiated food solutions that promote and endeavour to secure the preservation of natural resources and the well-being of society, guaranteeing this for future generations.



VALUE CREATION: R&D + INNOVATION

The Ebro Group has always been a step ahead of new consumer trends and an international benchmark in the research and development of products for the food sector. Aware that R&D+I is essential for developing its quality and differentiation strategy, the Group maintained its firm commitment in 2018.

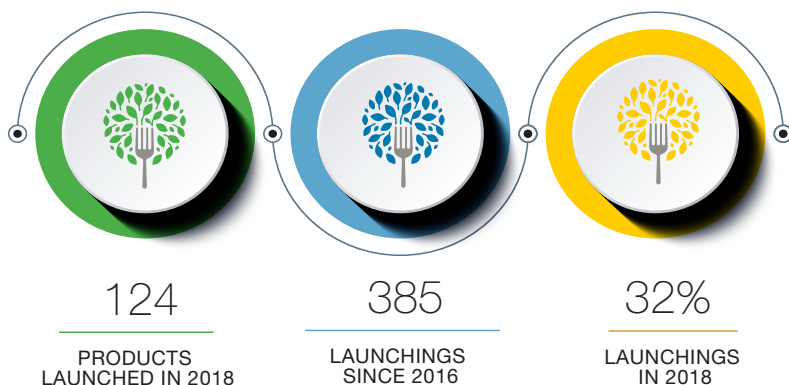
The total expenditure in R&D+I during the year was €5.0 million, between internal resources (€2.8 million) and external resources (€2.2 million). The Group has built up its R&D+I activities at research centres in France, USA and Spain. These centres and the principal projects developed during the year are described briefly below:

1. CEREC, in St. Genis Laval (France), with 10 employees, concentrates on the pasta division, developing its range of fresh pasta, potato, fresh pre-cooked dishes and sauces. Its activities during 2017 focused on: (i) expanding the fresh pasta range with a premium and organic line, (ii) developing the pan-fried gnocchi range with new varieties and fillings and (iii) working on an entirely new category: snacks and appetizers.
2. CRECERPAL, in Marseille, with 8 employees in the raw materials and analysis laboratory and one collaborating doctor, focuses its research on the development of the durum wheat category, dry pasta, couscous, pulses, other grains and new food processing technologies applied to cereals. During 2017 it increased its work on: (i) a new range of pastas based on other cereals (ancient grains), (ii) organic pastas with zero pesticides and (iii) new varieties of quick-cooking rice and couscous, pulse and cereal mixes.
3. TECH CENTER (USA), with 5 employees engaged in developing new products, processes and technologies, or adapting them for the US rice and pasta divisions. Its work has focused on developing: (i) pulse-based pasta as a natural source of fibre, (ii) pasta with protein supplements and organic ingredients and (iii) new special pasta products for sauces and homemade or fresh pasta quality.
4. Herba group centres in Moncada (Valencia), the San José de la Rinconada plant (Seville), the Wormer ingredients plant (Netherlands) and the Bruno plant, with 18 employees overall, engaged in the development of new and/or improved products and technologies and technical assistance in the areas of rice and rice-product technology for today's needs: fast-food and catering. The most important projects in progress are: (i) the research and development of new product formulas based on pulses, cereals, ancient grains and seeds, (ii) the development of new rice, pulse, quinoa and cereal-based industrial ingredients and (iii) a project that has received institutional support, seeking substitutes for meat protein from plant-based products.



PRODUCT INNOVATIONS

Through this R&D+I policy, the Group launches new products and concepts on the market every year that revitalize the categories in which it operates and meet and anticipate the needs of its customers and consumers.



NUMBER OF PRODUCT INNOVATIONS BY COMPANY DURING 2018

COMPANY	COUNTRY	NO. PRODUCTS LAUNCHED IN 2018
Boost Nutrition	Belgium	12
Catelli	Canada	13
Risella Oy	Finland	3
Panzani	France	24
Lustucru	France	15
Euryza	Germany	13
Riso Scotti	Italy	7
Garofalo	Italy	8
Lassie	Netherlands	8
Arrozeiras	Portugal	1
Herba Ricemills	Spain	2
Riviana	USA	18
TOTAL NEW LAUNCHINGS		124



EVOLUTION OF PRODUCT INNOVATIONS 2016-2018

The Ebro Group has launched 385 new products between 2016 and 2018.

COMPANY	COUNTRY	TOTAL NEW LAUNCHINGS 2016-2018
Boost Nutrition	Belgium	24
Catelli	Canada	34
Risella Oy	Finland	15
Panzani	France	82
Lustucru	France	53
Euryza	Germany	30
Riso Scotti	Italy	27
Garofalo	Italy	12
Lassie	Netherlands	27
Arrozeiras	Portugal	11
Herba Ricemills	Spain	23
Riviana	USA	47
TOTAL NEW LAUNCHINGS		385

NB: 72 of the 385 products launched were discontinued during the same period.



WEIGHT OF INNOVATIONS IN THE BUSINESS

The product innovations launched by these companies on the market between 2016 and 2018 accounted for 7.58% of those companies' total sales in 2018.

PERÍODO 2016 AL 2018	HERBA RICEMILLS	PANZANI	LUSTUCRU FRAIS	RIVIANA	BOOST NUTRITION	CATELLI	RISO SCOTTI	LASSIE	EURYZA	RISELLA OY	ARROZEIRAS	GAROFALO
Sales new launchings	35,287,235	124,857,764	59,445,642	72,494,612	8,078,684	48,172,031	51,024,417	4,520,760	9,688,421	2,230,849	7,268,839	4,649,151
% Sales new launchings / Sales by Company	11.98%	12.38%	16.30%	2.76%	21.64%	10.77%	13.53%	5.42%	10.29%	17.24%	9.31%	2.12%

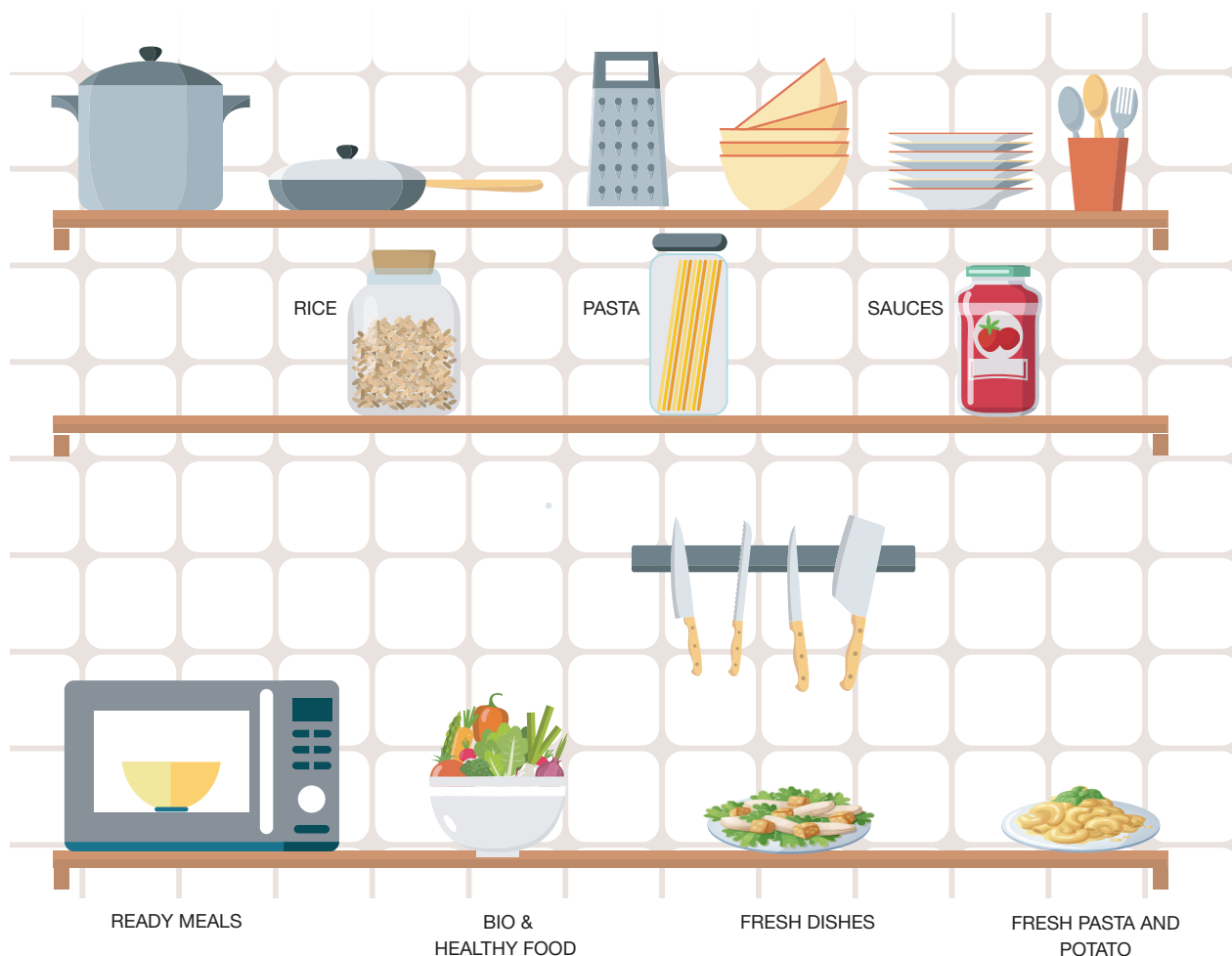


BUSINESS
Areas in 2018



BUSINESS AREAS

CONSOLIDATED GROUP	Pag 42
RICE	Pag 47
PASTA	Pag 52



GENERAL OVERVIEW

The global economy maintained throughout 2018 the expansion begun in previous years, closing the year with a GDP growth of 3.7%. Even so, as the year went on, more and more indicators suggested that the economic boom had passed its peak. The confidence indicators have fallen in many of the major world economies, reflecting the increased instability deriving from trade tensions, the tougher US monetary policy, Brexit negotiations and the focus of Italian tax policies.

Average GDP growth in the eurozone was 1.8% in 2018, compared to 2.4% in 2017. Economic activity, undermined by sluggish exports, was unable to maintain the strong growth recorded in 2017. Unemployment fell to 8%, showing good performance, although political tensions dampened the spirits of business and consumers as from the summer. Finally, after being pushed up by the energy effect, inflation slipped at the end of the year to 1.8% and the European Central Bank maintained an accommodative monetary policy.

In the United States, economic growth accelerated to 2.9% of the GDP in 2018, bolstered by the good performance of domestic demand, revitalisation of the labour market (with 3.7% unemployment at year-end and wage growth) and increased inflationary pressure, enabling the Federal Reserve to raise the benchmark interest rate in line with its monetary policy objectives.



OVERVIEW OF CONSUMPTION

The consumption patterns observed in previous years were maintained in 2018, shaped around:

MORE PERSONAL CONSUMER EXPERIENCE

Consumers now have greater decision-making capacity, more information and more shopping tools, and they are willing to pay more for products they can relate to. This is associated with:

- ▶ Demand for quality products that are easy to prepare and immediately satisfy their wishes.
- ▶ Preference for natural, healthy, organic products. The increased consumption of fresh products and the importance given to small companies and start-ups that make consumers feel in touch with nature are very much in tune with this sentiment.
- ▶ Search for sustainable products corresponding to the circular economy that include different players in their preparation and sale.
- ▶ Desire for a greater choice. Quality private label brands have broadened their customer base, spanning practically all social classes and segments of population.

SOCIAL CHANGES

- ▶ Aging of the population, increased power of older generations. The baby boomers have transformed this segment of the population, which have greater purchasing power and different needs and aspirations (activity and health) from those traditionally relating to this social group.
- ▶ Smaller families, with a constant growth in single-member households; new formats and customised goods and services.
- ▶ The younger generations are more concerned about social and environmental issues.
- ▶ Increased mobility and immigration in many developed countries, accompanied by new tastes and ways of cooking.

CONNECTIVITY

The relentless penetration of mobility in internet access (more than 4 billion people with access to internet at year-end 2018) makes shopping faster and more universal. This, together with growing automation (self-driving cars, drones, etc.) and interchange platforms that put consumers in touch with the producers of goods and services, herald a change in food consumption and shopping habits (customised promotions, access to all sorts of food delivery services, crossing the last mile barrier in distribution, etc.).

NEW CHANNELS AND SERVICES

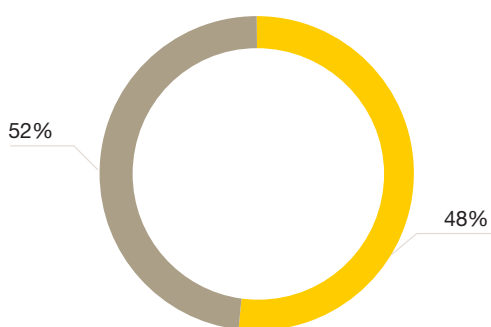
- ▶ Growth of local supermarkets, with more frequent shopping and increased availability (24-hour opening, alliances with filling stations or other high-traffic points).
- ▶ Consolidation of virtual stores on the distribution market along with the new consumer trends and use of technology.



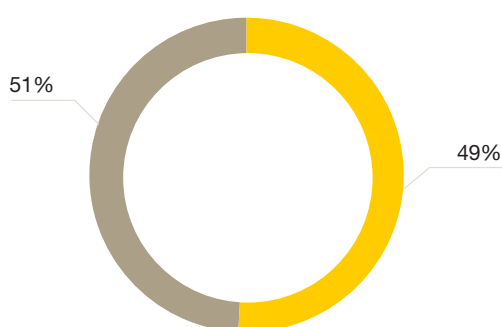
- ▶ New ways of cooking or consuming food (by order, through vending machines, snacks as meal substitutes, etc.).

All these changes have brought new challenges for distributors and producers, who are forced to use totally different marketing techniques from those prevailing up to a decade ago to reach consumers and achieve customer loyalty, and where the use of Big Data and the speed and customisation of marketing actions are becoming increasingly important.

CONSOLIDATED GROUP



SALES BY GEOGRAPHICAL AREAS



EBITDA BY GEOGRAPHICAL AREAS



7,189

AVERAGE WORKFORCE



SPAIN



EUROPE



NORTH AMERICA



SOUTH AMERICA



AFRICA



ASIA



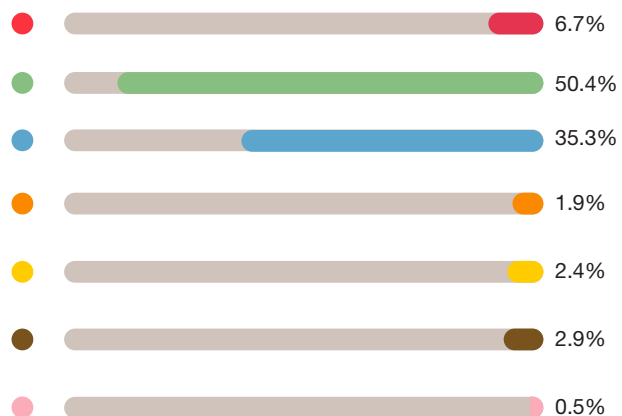
MIDDLE EAST



OTHERS

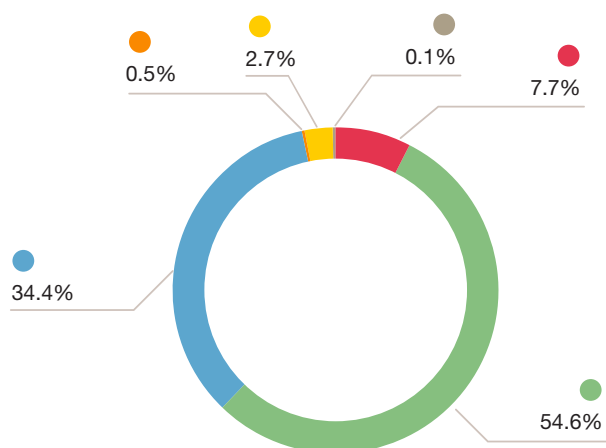


CONSOLIDATED GROUP



2,646.5 Mill€

SALES BY GEOGRAPHICAL AREAS



310.7 Mill€

EBITDA BY GEOGRAPHICAL AREAS



SPAIN



EUROPE



NORTH AMERICA



SOUTH AMERICA



AFRICA



ASIA



MIDDLE EAST



OTHERS





The financial highlights of the Group are set out below:

PROFIT AND LOSS	2016	2017	2017/2016	2018	2018/2017	CAGR 18-16
Net sales	2,459,246	2,506,969	1.9%	2,646,523	5.6%	3.7%
Advertising	(100,401)	(93,134)	(7.2%)	(89,694)	(3.7%)	(5.5%)
<i>% net sales</i>	(4.1%)	(3.7%)	(9.0%)	(3.4%)		
EBITDA	344,141	359,000	4.3%	310,763	(13.4%)	(5.0%)
<i>% net sales</i>	14.0%	14.3%		11.7%		
EBIT	267,308	279,314	4.5%	221,951	(20.5%)	(8.9%)
<i>% net sales</i>	10.9%	11.1%		8.4%		
Profit before tax	259,410	264,131	1.8%	212,950	(19.4%)	(9.4%)
<i>% net sales</i>	10.5%	10.5%		8.0%		
Income tax	(83,591)	(34,157)	(59.1%)	(63,639)	86.3%	(12.7%)
<i>% net sales</i>	(3.4%)	(1.4%)		(2.4%)		
Consol. profit for the year (continuing operations)	175,819	229,974	30.8%	149,311	(35.1%)	(7.8%)
<i>% net sales</i>	7.1%	9.2%		5.6%		
Net profit	169,724	220,600	30.0%	141,589	(35.8%)	(8.7%)
<i>% net sales</i>	6.9%	8.8%		5.4%		



BALANCE SHEET	31.12.16	31.12.17	2017/2016	31.12.18	2018/2017
Equity	2,079,326	2,074,637	(0.2%)	2,162,334	4.2%
Net Debt	443,206	517,185	16.7%	704,621	36.2%
Average Debt	404,137	426,042	5.4%	627,350	47.3%
Leverage ⁽³⁾	19.4%	20.5%		29.0%	
TOTAL ASSETS	3,645,478	3,663,133	0.5%	3,832,425	4.6%

	31.12.16	31.12.17	2017/2016	31.12.18	2018/2017
Average working capital	461,991	506,803	9.7%	588,403	16.1%
Capital employed	1,611,272	1,678,670	4.2%	1,805,986	7.6%
ROCE ⁽¹⁾	16.6	16.6		12.3	
Capex ⁽²⁾	107,725	120,671	12.0%	138,930	15.1%
AVERAGE HEADCOUNT	6,195	6,520	5.2%	7,153	9.7%

(1) ROCE = (Operating income MAT / (intangible assets - property, plant & equipment - working capital))

(2) Capex as cash outflow from investing activities

(3) Ratio of average debt with cost to equity (excluding minority interests)

Turnover rose by 5.6% year on year. The incorporation of Bertagni contributed €61 million in sales, while comparable growth was 2% after stripping out the exchange rate effect and changes in the scope of consolidation.

2018 was an especially complicated year for the generation of cash and our EBITDA, dropped 13.4% despite the incorporation of Bertagni, which was purchased at the end of the first quarter and contributed €9.5 million. The comparable figure is slightly better, since it includes a negative impact of €4.4 million caused by exchange rate variations. This decline can be attributed mainly to pressure from the inflation of certain costs, which we were unable to pass on in full until the last four months of the year, and production disorders in the United States, where an extremely buoyant economy has generated temporary tensions in production and the assignment of resources.

Positive aspects of the year included: (i) the constant growth of our European rice business, (ii) the measures taken to diversify our sourcing, with which we have achieved stable qualities and prices through internal growth (new investments in India, Thailand and Cambodia) and the purchase of assets (La Loma, Argentina) and (iii) the contribution by Garofalo, which has continued its international expansion as a premium dry pasta brand and has started developing the fresh pasta category, in which the acquisition of Bertagni will enable the Group to expand the international premium brand concept. This expansion was underpinned with heavy investment in advertising (55% more year on year), without which the excellent results of the previous year were matched on a like-for-like basis.

Average profitability measured by the **EBITDA to Sales** ratio fell to 11.7%, pulled down especially by the lower yield in the USA, which was down seven percentage points.

Profit before tax eased down, owing to greater depreciation/amortisation on the latest acquisitions and heavy investment in CAPEX in the past two years, in some cases partially put into operation in 2018, such as the frozen foods plant in the United States. Non-recurring earnings were slightly negative (-€4 million, compared to -€8 million in 2017 and -€3 million in 2016), including the sale of the SOS brand in Mexico and several expenses related with the most important investments and restructuring.

The **tax expense** rose considerably year on year, in spite of the lowering of tax rates in several countries in the previous year, because the 2017 tax charge was reduced by the impact of those reforms on the deferred tax liabilities recognised on the company's balance sheet.

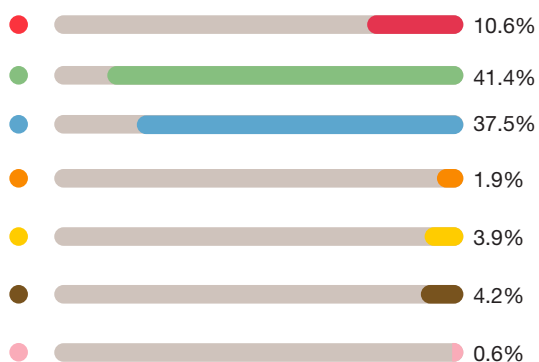
Net profit fell by 35.8%, in line with the smaller profitability in our core businesses and the impact of the tax reform mentioned in the preceding paragraph on comparable figures.

The **ROCE** slid to 12.3% as a result of the smaller profitability and a rise in the average capital employed, including especially the increased average working capital associated with a higher cost of certain rice varieties.





RICE

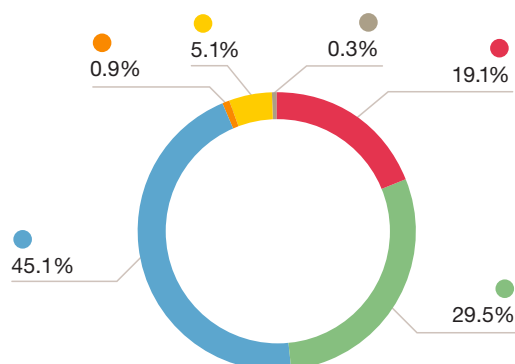


1,412.7 Mill€

NET SALES OF RICE DIVISION
BY GEOGRAPHICAL AREAS

161.9 Mill€

EBITDA OF RICE DIVISION
BY GEOGRAPHICAL AREAS



SPAIN



EUROPE



NORTH AMERICA



SOUTH AMERICA



AFRICA



ASIA



MIDDLE EAST



OTHERS



PROFIT AND LOSS	2016	2017	2017/2016	2018	2018/2017	CAGR 2018-2016
Net sales	1,283,853	1,345,026	4.8%	1,412,702	5.0%	4.9%
Advertising	(30,135)	(28,088)	(6.8%)	(26,969)	(4.0%)	(5.4%)
EBITDA	196,264	205,988	5.0%	162,065	(21.3%)	(9.1%)
EBIT	163,561	172,522	5.5%	123,989	(28.1%)	(12.9%)
Operating profit	169,240	174,027	2.8%	125,392	(27.9%)	(13.9%)
Capex	47,391	65,807	38.9%	64,583	(1.9%)	16.7%

From the point of view of rice purchases and prices, the year was divided into two clearly distinct parts marked by the new harvests: the upward trend that began towards the end of 2017 continued in the first half of 2018, while prices came down in the second half.

By geographical areas, in the European Union the year kicked off with prices rising under the threat of a drought in Spain, which was finally dispelled with a particularly wet spring, although this pushed up the purchase prices of carryover stock. After a few months of relative calm, the import tariffs on long-grain rice from Cambodia and Myanmar announced by the European Union at the end of the year have once again tightened the markets producing those varieties.

In the United States, the 17/18 harvest was significantly smaller than in previous years as a smaller area had been sown, leaving a smaller carryover stock than in the past five years. This pushed prices up at the end of 2017 and the higher prices prevailed until news on the sowing and harvesting of the 18/19 crop year (estimated at 23% more than in the previous year) eased supply tensions and prices came down in the last four months of 2018. Even so, the anticipation of a very small medium-grain rice harvest in Australia keeps the pressure on the prices of those varieties, which are mainly grown in California.

PRICES US CROP YEAR. AUGUST-JULY (SOURCE: USDA)

\$/CWT	17/18 (*)	17/18	16/17	15/16	14/15
Average price	11.6-12.6	12.7	10.4	12.2	13.4
Long grain	10.2-11.2	11.5	9.64	11.2	11.9
Medium grain	16-17	16.2	12.9	15.3	18.3

(*) Estimated range

Other rice-growing regions of South East Asia that are very important for long-grain rice varieties (principal global exporters: India, Thailand, Vietnam, Cambodia, Pakistan and Myanmar) followed the general trend of the market: prices edged up at the beginning of the year and started coming down in the summer with generally abundant harvests.

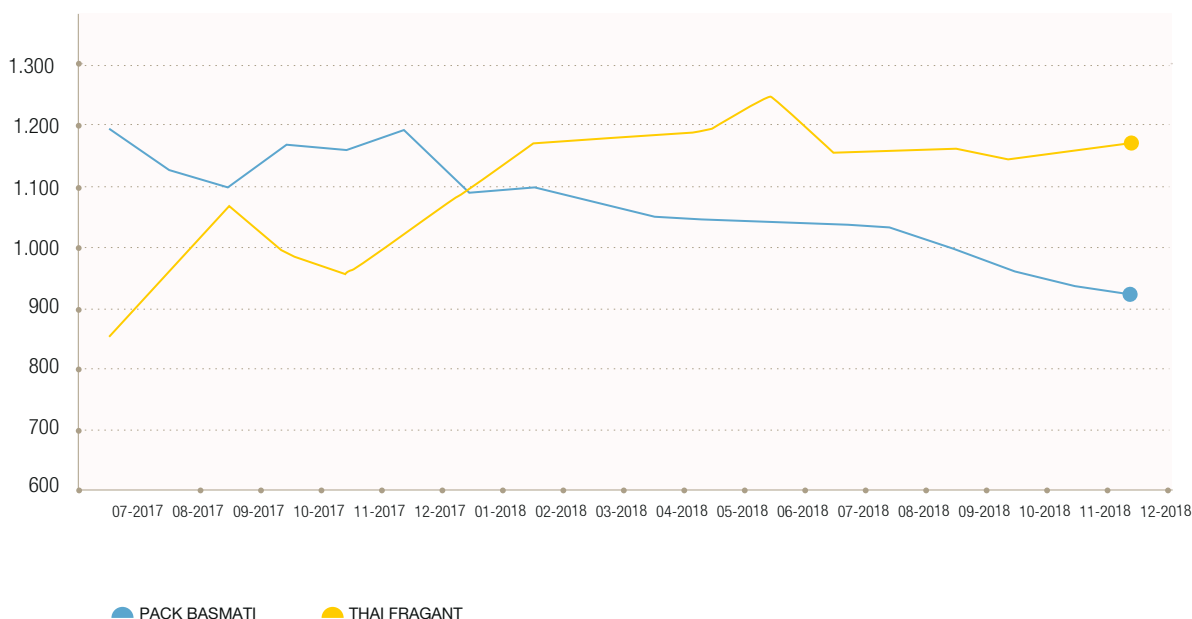
With regard to aromatic rice varieties (basmati and Thai fragrant), whose performance has produced a significant impact on the Group earnings, the price hike in 2017 continued and even intensified to reach record levels of over 1,200 US\$/t for fragrant rice varieties in June 2018, with growing demand while the areas sown remained stable.

Prices of basmati rice eased from the record highs at the beginning year, but the costs of purchase, analysis and traceability incurred in the wake of the EU restrictions on pesticides and fungicides have maintained the pressure on prices charged by growers.



The situation is shown very clearly in the following graph of export prices in US\$:

EXPORT PRICE AROMATIC RICE VARIETIES (US\$ / MT)



Strong growth was observed in the Division turnover, mainly due to the price rises consequential to the higher raw material prices in late-2017 early-2018, in spite of the adverse effect of exchange rate variations, quantified at €25 million (average rate of 1.18 vs 1.13 in previous year).

By geographical regions, sales made in the United States accounted for 40% of the rice division, the remaining sales being distributed among a large number of countries, mainly in the European Union.

With sales volumes in line with the previous year (growth in aromatic varieties and microwave cups and stagnant in instant rice varieties, which have been given less publicity), the evolution of sales in the United States (growth of US\$ 14 million) was strongly affected by: (i) the rising prices of local long-grain rice towards the end of the previous year (up 10% on average, easing off with the new crop as from August) and imported fragrant rice varieties, and (ii) the rising costs of transport and auxiliary materials due to oil prices and the growth in domestic demand and business.

Several price rises were made to cope with this inflationary situation: (i) focusing on the aromatic varieties at the beginning of the year, as these price rises had been planned since the end of the previous year, and (ii) linked to the higher costs of logistics and auxiliary materials in the last part of the year, when the main players in the food sector were faced with the need to pass on these increased costs.

Although price tensions have favoured the positioning of private label brands, we maintained a market share of 23.5% in volume and 24.3% in value. The only sales that dropped in value were exports, which were hampered by the loss of competitiveness of American rice against rice from other sources.



In Europe, the Group maintained growth in most of its brands in a flat or falling market, with slight rebounds in value. The success of our microwave products, with double-digit growth, was behind the decision to undertake a major investment (€70m) to increase capacity, installing a large precooked foods plant at the former sugar factory in La Rinconada. This plant is expected to come on stream towards the end of 2020.

Division **EBITDA** was down 21.0% year on year, absorbing the negative impact of exchange rate variations in a sum of €3.5 million. The entire decline corresponds to our American business, which has endured an especially difficult year in respect of costs and supplies.

The main causes of this poor performance in our American business were:

1. Overall rise in rice prices, especially in aromatic varieties, in the last four months of 2017. The raw material costs rose by approximately US\$ 20 million year on year. Although we had planned to raise the prices of our products in February, the magnitude of the sourcing costs meant that we were unable to pass it on fully to customers until the end of the year.
2. Rise in auxiliary material prices and logistics costs. Logistics costs rose by US\$ 10 million on the back of fuel price hikes and increased demand for transport, which took transport costs to record levels in March and April. The costs of auxiliary packaging material (paper, cardboard, plastic, etc.) also shot up due to similar causes, producing an impact estimated at US\$ 6 million.
3. The production disorders arising partly from the damage caused by Hurricane Harvey at our Freeport factory and partly from the shortage of manpower and huge labour turnover due to the situation of full employment and tough competition from the petrochemical industry for attracting skilled workers.

In an effort to offset these cost increases, we took several measures in respect of our selling prices, as mentioned earlier (selective increase of products and adjustment of channel marketing and promotion activities). We also put in place an integral plan to improve our supply chain and increase plant productivity, linked to processes already in progress for automation of packaging lines and adjusting production between plants. These actions started to bear fruit towards the end of the year with a slight pick-up in margins, which is expected to continue this year.

The contribution to EBITDA by our non-American business, by source, is as follows:

	2016	%	2017	%	2018	%
Spain	27,903	35.8%	28,382	32.6%	30,858	35.3%
Europe	40,261	51.6%	48,577	55.7%	46,302	53.0%
Others	9,845	12.6%	10,210	11.7%	10,142	11.6%
TOTAL EBITDA	78,009	100.0%	87,169	100.0%	87,302	100.0%

Year-on-year improvement in performance was strongest in Spain, with growth in industrial and retail channel sales volumes and smaller private label sales. In the retail channel, this growth was particularly strong in sales volumes of traditional microwave cups and those in the Benefit range. However, problems deriving from saturation, brought about by the growing demand and the need to meet orders from the United States, had a negative impact on margins.

The impact of higher prices of aromatic rice varieties also hit in the rest of Europe, although since the consumption of basmati is greater than that of fragrant varieties, the effects had already been largely felt in the previous year.

Finally, La Loma Alimentos, S.A., a company established in Argentina engaged in the production and sale of rice, was incorporated in the Group during 2018. The contribution by this company was minimal this year, since it was only incorporated in the last quarter, but it is expected to be an important element in our sourcing diversification strategy this year, with a major contribution as a specialist in organic rice.

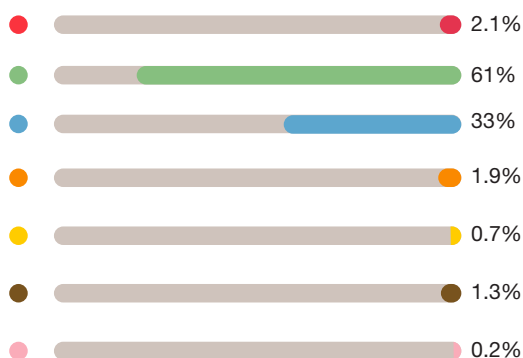
The **Operating Profit** was in line with other margins, with a slight increase in the depreciation and amortisation charge linked to investments made in the past two years. It includes the proceeds from the sale of the SOS brand for use in Mexico and other countries in the region (€7 million), more or less on a par with the proceeds recognised in the previous year from the sale of land in Houston, and other fixed asset expenses similar in amount to those of 2017.

Investment in fixed assets remained at very high levels, especially in business lines with a high growth potential. The principal investments (**CAPEX**) made in this division correspond to (i) enhancements at the new frozen foods factory, (ii) modernisation of freezing systems, (iii) new pasta facilities, (v) completion of new storage facilities, (vi) enlargement of one of our logistics hubs, (vii) enlargement of production capacity for instant rice, and (viii) project for automation of our export packaging lines.





PASTA

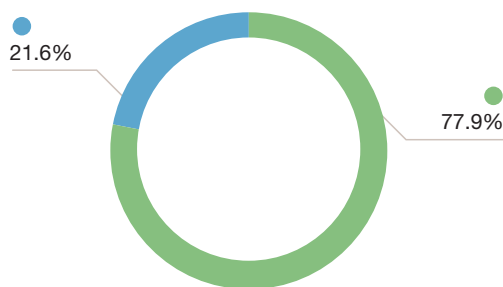


1,298.5 Mill€

NET SALES OF PASTA DIVISION
BY GEOGRAPHICAL AREAS

156.5 Mill€

EBITDA OF PASTA DIVISION
BY GEOGRAPHICAL AREAS



SPAIN



EUROPE



NORTH AMERICA



SOUTH AMERICA



AFRICA



ASIA



MIDDLE EAST



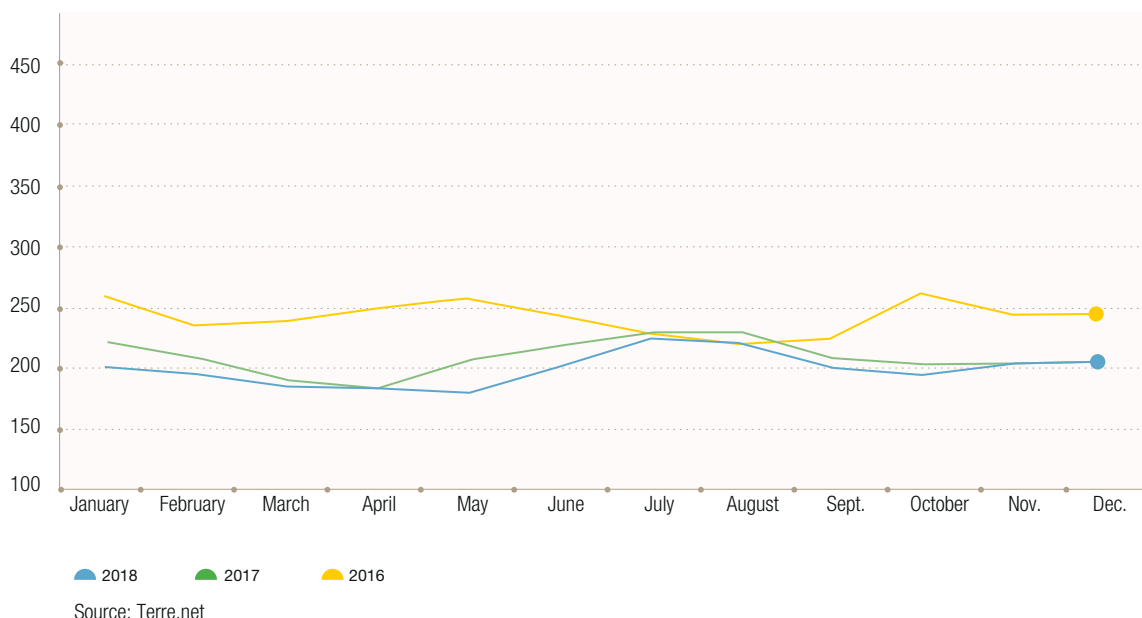
OTHERS



PROFIT AND LOSS	2016	2017	2017/2016	2018	2018/2017	CAGR 2018-2016
Net sales	1,236,227	1,218,285	(1.5%)	1,298,546	6.6%	2.5%
Advertising	(70,840)	(66,154)	(6.6%)	(63,368)	(4.2%)	(5.4%)
EBITDA	157,089	162,977	3.7%	156,451	(4.0%)	(0.2%)
EBIT	113,544	117,420	3.4%	106,352	(9.4%)	(3.2%)
Operating profit	93,294	102,032	9.4%	99,401	(2.6%)	3.2%
Capex	59,701	52,855	(11.5%)	73,946	39.9%	11.3%

Overall, durum wheat prices maintained in 2018 the line of stability announced in 2017, even a little lower than the prices of the previous crop year. The 18/19 harvest was slightly larger than the previous season, with a considerably larger area sown in the United States and Canada, which is the leading global producer. In contrast, European production was smaller in 2018 due to a smaller crop yield, affected by excessive rainfall in the spring. In any case, stock levels are still high, affording a high resilience to price volatility at least until next summer.

PRICE OF DURUM WHEAT IN EUR/TON



Division **sales** rose 6.6%, boosted by the incorporation of Bertagni in a sum of €61 million, although this was partly offset by the -€11 million impact of the exchange rate on the American business.

The evolution by geographical markets was as follows:

- ▶ In France, the brand markets in which we operate (dry pasta, fresh pasta, sauces, cereals and pulses) maintained a healthy growth, apart from couscous and pulses, which declined by 3.4% and 0.8%, respectively.

The volumes sold by Panzani's sales volumes rose steadily, especially in the fresh and dry pasta markets, in spite of the extraordinarily hot summer, which tended to dampen sales of those products. Dry pasta sales grew in volume to a 37.9% share of modern distribution. The performance of fresh pasta was outstanding, with a 43.4% growth in volume. Overall, like-for-like turnover grew in spite of fierce price competition, which forced our subsidiary to increase



its promotional actions (-€11 million), although this was partly offset by the larger volume of branded (+€8 million) and other low value-added product sales.

Principal innovations included: (i) the launching of a new high quality traditional pasta line, produced in bronze moulds, (ii) expanding the range of dry pasta with fresh pasta quality and organic pasta products, and (iii) novelties in the sauces segment with new 'fresh quality' sauces and the launching of a new tomato pulp line. In the fresh pasta segment, there is continued double-digit growth of pan-fried gnocchi sales (+11.9%), with an even broader range, and "Lunch Box" fresh products for microwave, which include an entire category of snacks and full meals with special items for gourmets. This segment has a growth rate of 14.1%.

- ▶ Garofalo maintained its growth in turnover, up 1% year on year, particularly in sales volumes of its principal brand which rose by over 4%, partly counteracted by falling sales in other secondary brands with price positioning. It increased its share of the premium pasta market in Italy to 5.3% in volume, holding steady at 7.6% in value. In 2018 it maintained its distribution growth throughout Europe, in both dry pasta and its new premium quality fresh pasta range.
- ▶ The most significant events of the year include the group's acquisition of Bertagni 1882 Spa., a specialist that has been producing and selling top quality fresh pasta products for over 100 years. Within the pasta division the purchase was made by Panzani and Garofalo and is an important step forward in the international consolidation of the fresh pasta branch, especially in premium quality, which Garofalo leads in the dry pasta segment.

Since its incorporation as of 1 April 2018, it has contributed some €61 million to the Group's earnings, which would be around €82 million for a full year. The company has two factories in Italy and sells its products in 42 countries. Over 90% of its sales are exports to markets that are important for the Group.

- ▶ United States: The sluggish trend of previous years has continued in this market, which lost 0.6% in volume and 0.3% in value, reflecting a slight downturn in penetration and the quantities of this product purchased by American households.

The health and well-being segment has also declined, cushioned by the appearance of a larger segmentation of the category with products that have a higher value added and the resilience of gluten free and organic products, which are growing, albeit slowly. Riviana has lost some market share in pasta, now standing at 19.1% of the market, due to the slump in healthy products and despite the successful launch of Thick&Hearty (special pasta for sauces) and Homestyle (fresh quality dry pasta).

- ▶ Canada. The dry pasta market continued the trend of the previous year with a 3% drop in value, exactly the same figure as in 2017. An important factor in this downward pressure, which is a far cry from the evolution of durum wheat as key to pricing, was the importing of product from Turkey, especially for the private brand segment, which only began to be curtailed by a decision passed by the customs authorities imposing an import duty of 27.4% on these products. That measure is currently in place, although it is being appealed at the Federal Court of Canada. Even so, Catelli Foods still leads the market with a share of 28.8% in volume.

The fresh pasta market grew by 8.4% in volume and 5.7% in value, and Olivieri maintains its leadership with a market share of 45.8%, underpinned by innovation and, especially, the gnocchi segment that leads growth in this category.

The division **EBITDA** fell by 4%, dragged down by the smaller contribution by Panzani and Garofalo, in spite of the contribution made by Bertagni of €9.5 million. The negative impact of exchange rates is calculated at €1 million.

France lowered its contribution to €101.2 million (€7 million less than the previous year on a like-for-like basis). The main reasons for this evolution were: (i) a worse net sales mix with branded products, in which sales volumes rose but the net value was considerably reduced by promotion activities (with an impact of -€2.5 million), (ii) the smaller contribution by Roland Monterrat products owing to tougher price competition in the sandwich market (-€2 million) and (iii) cost inflation of raw and auxiliary materials, especially in the case of fragrant varieties, meat for fillings and transport, in spite of a positive performance by durum wheat (-€4.5 million overall). All this has been cushioned by increased productivity and a small reduction of investment in advertising.

Garofalo contributed €20.5 million, €5 million less than the previous year, due to the increase in a similar amount in its investments in advertising and the expense of expanding the brand in new markets and introducing the recently launched range of fresh products. In other words, it replicated its excellent results of 2017, on a like-for-like basis.

As mentioned earlier, Bertagni joined our Group on 1 April and has contributed €9.5 million to the consolidated EBITDA. The incorporation of this company came up to expectations right from the outset, with year-on-year improvements in sales and margins even though one of its two production plants was started up in April and was not fully operational until October 2018.

The North American segment made a slightly smaller contribution than in 2017 (-€2.4 million after stripping out the impact of exchange rates), essentially due to the inflation on the American market, which we commented on in the section regarding the Rice division. In this case, the price of wheat remained stable, but the impact of logistics costs, the price of eggs and auxiliary materials (valued at -US\$14 million) could not be fully offset by cutting down on promotion and channel marketing actions and raising the prices of our products containing egg protein (noodles). The situation especially affected the United States, which had a less profitable product mix, whereas Canada obtained similar profits to the previous year and even achieved growth in the fresh pasta segment, thanks to the success of the new gnocchi products.

The **Operating Profit** followed the trend of the above-mentioned margins, but it was comparatively better year on year, as the previous year's results included a non-recurrent expense incurred in making provisions for downturns in some of the North American brands.

CAPEX was concentrated in: (i) the acquisition of new headquarters for the pasta business in France, (ii) a new warehouse for fresh products, (iii) new dry pasta lines, (iv) the new gnocchi line, (v) a new fresh pasta line, (vi) a new couscous line, (vii) renovation of the long pasta and lasagne lines and (viii) replacement of a pasta packaging line.

